CRESCENT

Private Credit Insights

December 2024

Crescent Capital is a leading specialist focused exclusively on corporate credit. We invest across the debt capital structure of companies of all sizes, in both private and tradeable markets, with a track record spanning more than three decades of market cycles. We aim for consistent, attractive returns with less volatility, lower default rates and higher recovery rates than the market average.

Year-to-date LBO volumes through November have already exceeded 2023 levels[1], but fourth quarter activity will likely be lower than previous quarters due to earlier election uncertainty as well as the continued disconnect between sponsors on purchase price multiples.

- Most of the volume continues to come from refinancings which represented 43% of overall activity.[1]
- While LBO activity is down from historical levels, November year-to-date volumes are up 48% from full year 2023.[1]
- There is optimism that 2025 LBO activity will pick up now that election uncertainty has passed, combined with lower borrowing costs and a strong economy.
    - Additional drivers include continued pressure from LPs to return capital, a significant amount of sponsor dry powder and PE exits that are at a 10-year low.

November 2024 Private Credit Yields

1st Lien / Unitranche[2]	9.5% - 10.5%
Single-B[1]	8.2%
High Yield[1]	7.9%

Yields have tightened due to a combination of rate cuts and spread tightening resulting from the supply/demand imbalance caused by the low level of LBO volume and the amount of capital that has been raised in private market.

- Yield compression has been most acute in the upper middle market, where a significant amount of money is flowing in from the largest non-traded BDCs through the retail channel.
    - Additional pricing pressure is coming from competition with the BSL market for transactions.
- Even with declining spreads and recent rate cuts, yields continue to be attractive by historical standards.
    - Expectations on the pace and magnitude of future rate cuts has been tempered from a couple of months ago and even with another rate cut or two, the market is now expecting a higher for longer rate environment which can continue to provide higher overall yields.
    - The yield premium for direct lending middle market sponsored deals continues to be attractive with a yield premium of 188 bps over the large corporate market in Q3 2024.[3]

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- As interest in Private Credit grows, M&A activity in the asset class continues.
    - BlackRock's recent acquisition of HPS follows Wendel Group's investment in Monroe Capital and Ares acquisition of Riverside Credit Partners.
    - Mizuho and Aflac previously took minority stakes in Golub and Tree Line, respectively.
- The November 2024 TTM default rate of 1.4% for Sponsored Direct Lending continues to be lower than Non-Sponsored Direct Lending and the public markets.[1]
    - November 2024 TTM default rates for Non-Sponsored, Syndicated Loans and High Yield were 4.1%, 6.9% and 2.9%, respectively.[1]

CRESCENT HIGHLIGHTS[4]

In November, Crescent acted as Agent and Joint Lead Arranger on a senior financing for an accounting services firm that provides tax, audit and advisory services to middle-market clients across the U.S.

- The new financing supported the acquisition of the company by one of Crescent's long term sponsor relationships.
- The company was capitalized with 3.3x of total net leverage and had an LTV of approximately 24%.

In November, Crescent acted as Joint Lead Arranger on a senior debt financing for a global provider of health and human services.

- The proceeds from the financing were used to support the take-private acquisition of the company by one of Crescent's top tier sponsors.
- The company was capitalized with 4.7x of total net leverage and had an LTV of 45%.
- The facilities were priced at BBSY + 500 with 2.0% of upfront economics.

1. Per KBRA DLD.
2. Observations by Crescent Capital Group LP as of November 2024.
3. Per LSEG LPC.
4. Please refer to the "Investment Highlights" disclosure on Page 3.

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IMPORTANT DISCLOSURES

Investment Highlights

Crescent selected the investments discussed above based on the following criteria: the two largest lead incremental private debt investments closed by the Firm during November 2024. You should not consider the information provided to be a recommendation to purchase or sell any particular security or asset. Crescent makes no assurance that any holdings discussed will remain in the portfolio or that holding sold have not been repurchased. You should not assume that any of the transactions or holdings discussed were or will be profitable or that any investment recommendations or decisions made in the future will be profitable or will equal the investment performance of the holdings discussed.

GENERAL DISCLOSURES

About Crescent Capital

Crescent is a global credit investment manager with $43 billion of assets under management as of September 30, 2024. For over 30 years, the firm has focused on below investment grade credit through strategies that invest in marketable and privately originated debt securities including senior bank loans, high yield bonds, as well as private senior, unitranche and junior debt securities. Crescent is headquartered in Los Angeles with offices in New York, Boston, Chicago and London with more than 220 employees globally. Crescent is part of SLC Management, the institutional asset management business of Sun Life. For more information about Crescent, visit www.crescentcap.com.

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