



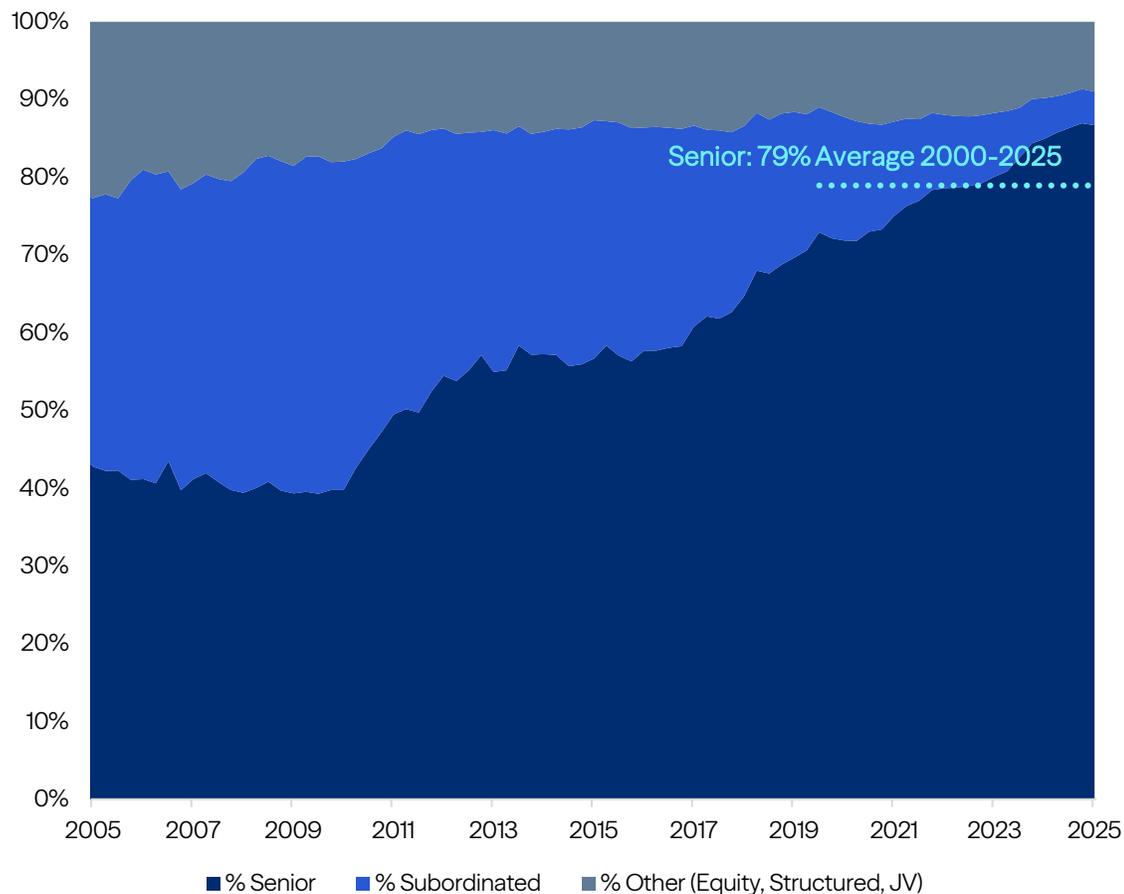
Evaluating Private Credit Conservatism

February 2026

Direct Mid Market Loans Offer Capital Stack Protection and Low Historic Loss Rates

Asset Quality

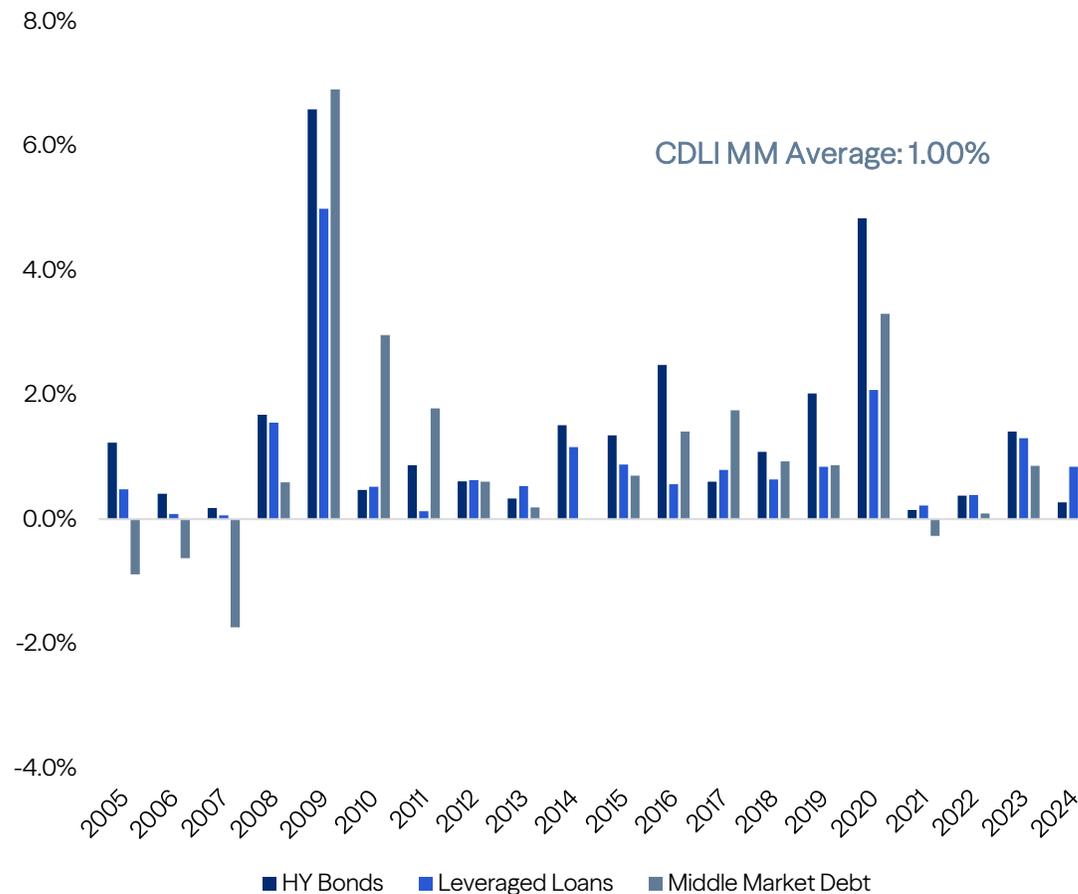
Loan capital stack (percent of total, as of September 2025)



Source: Cliffwater Direct Lending Index, February 2026. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

Annual Credit Loss by Loan Type

As of December 2024

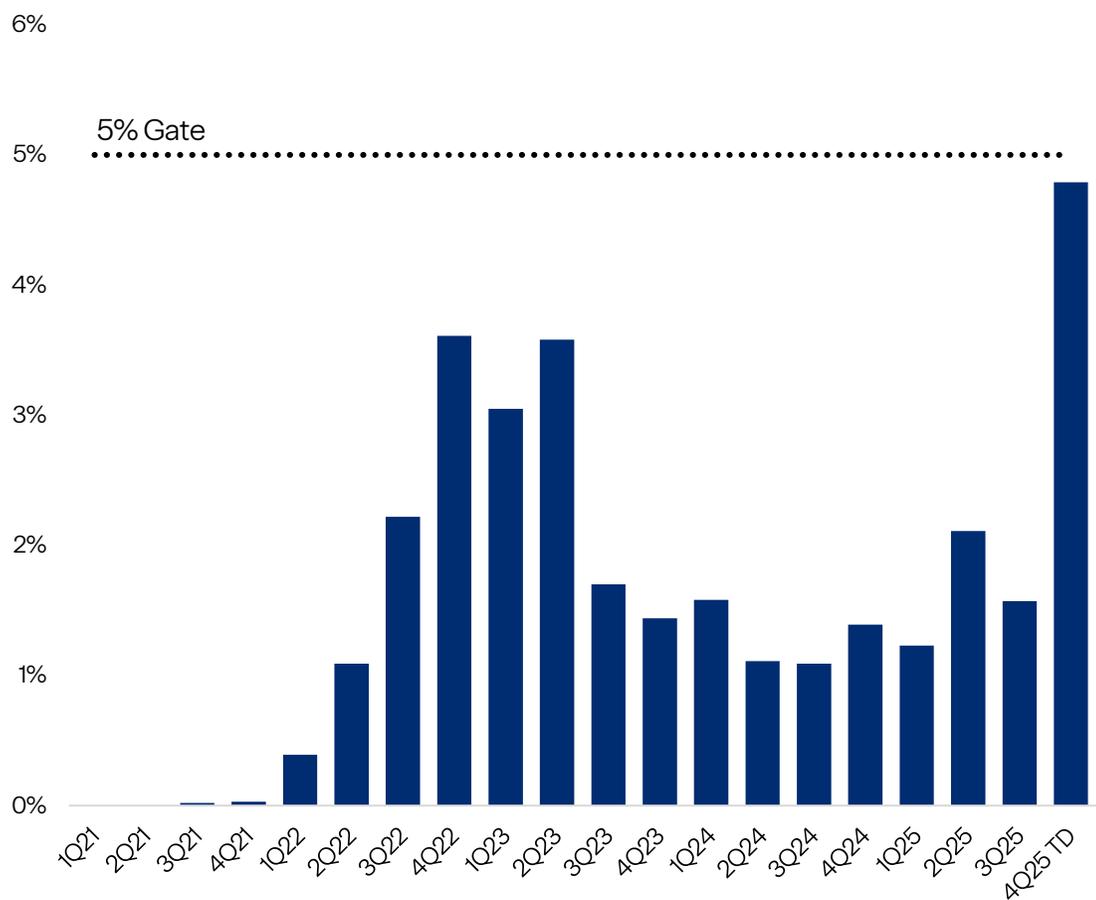


Source: JPMorgan Markets for Leveraged Loans and HY Bonds, Cliffwater Direct Lending Index, February 2026. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

• Poor Sentiment and Credit Quality Worries Have Driven Redemptions Higher

Redemption Rates

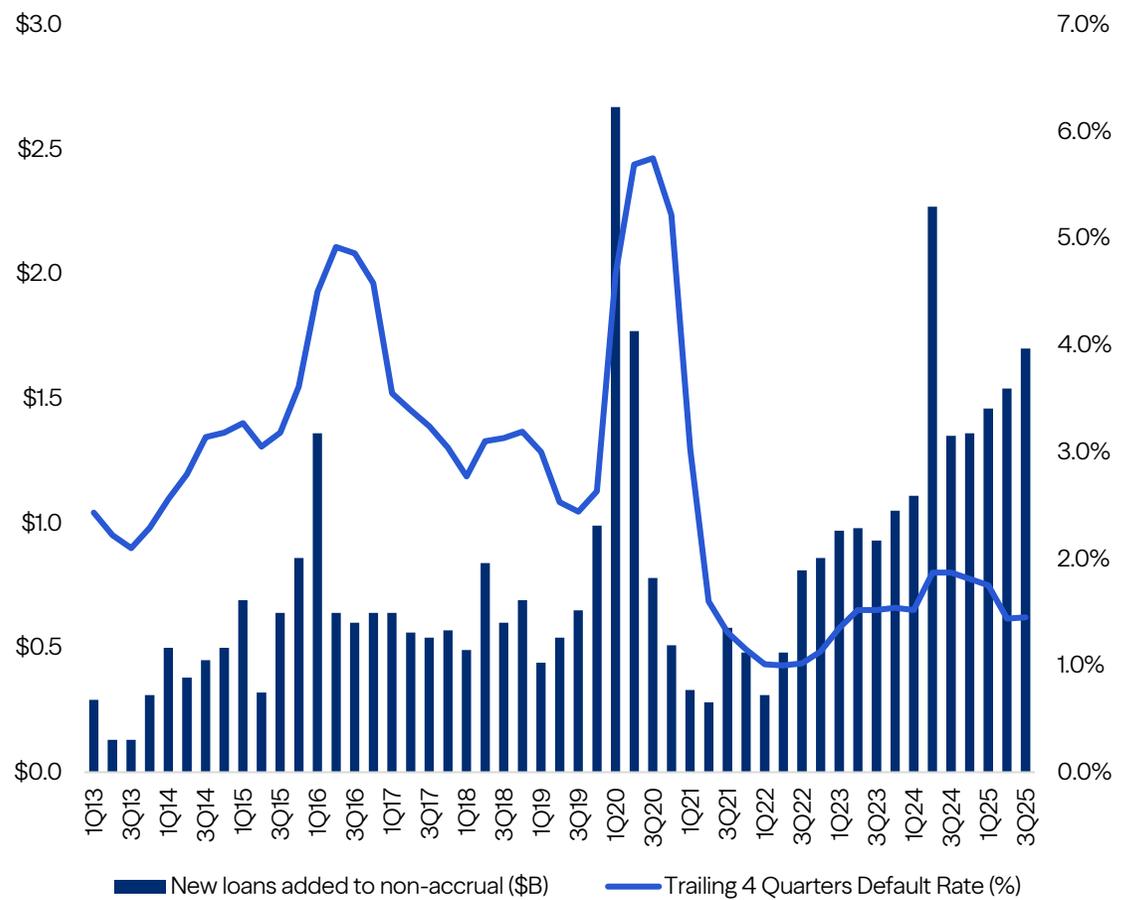
Redemptions as a percent of NAV, as of December 2025



Source: Cliffwater Direct Lending Index – Perpetual, February 2026. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

Trailing Four Quarter Default Rates – BDC Universes

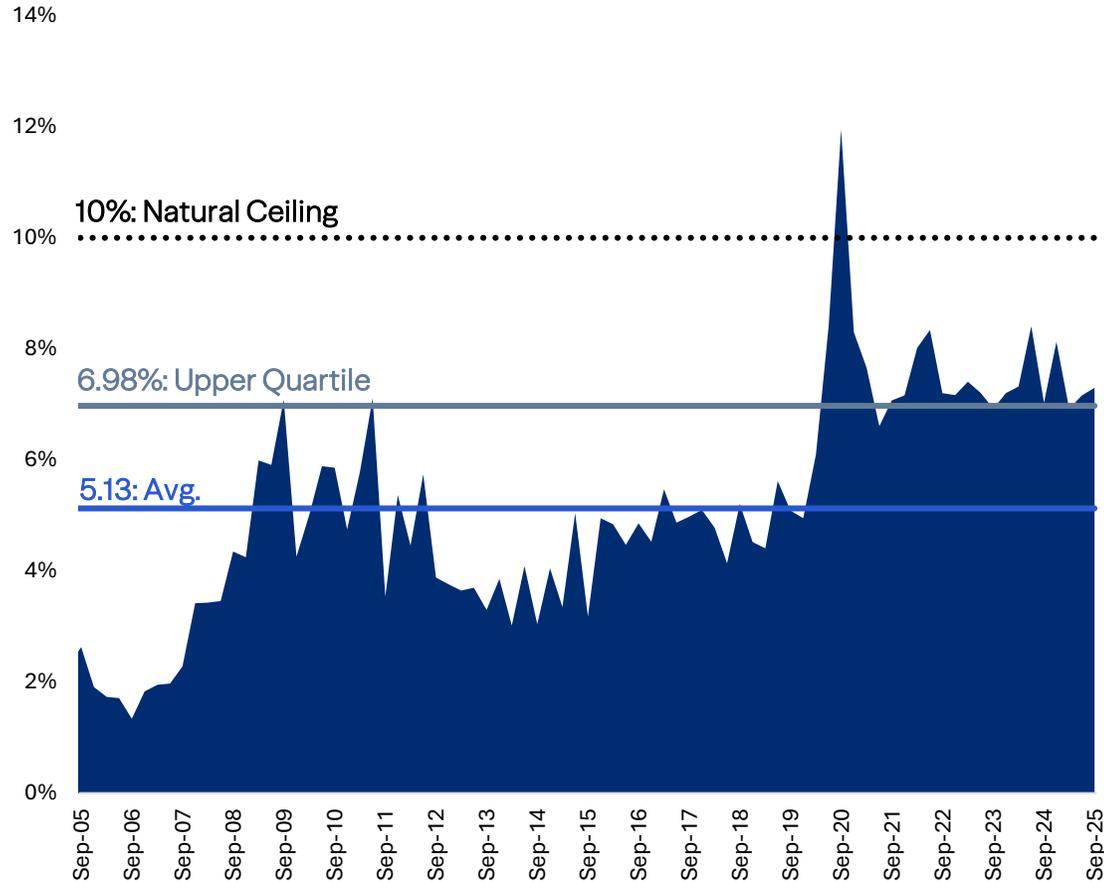
New loans added to non-accruals (\$B) and default rates of September 2025



Source: Cliffwater LLC, February 2026. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

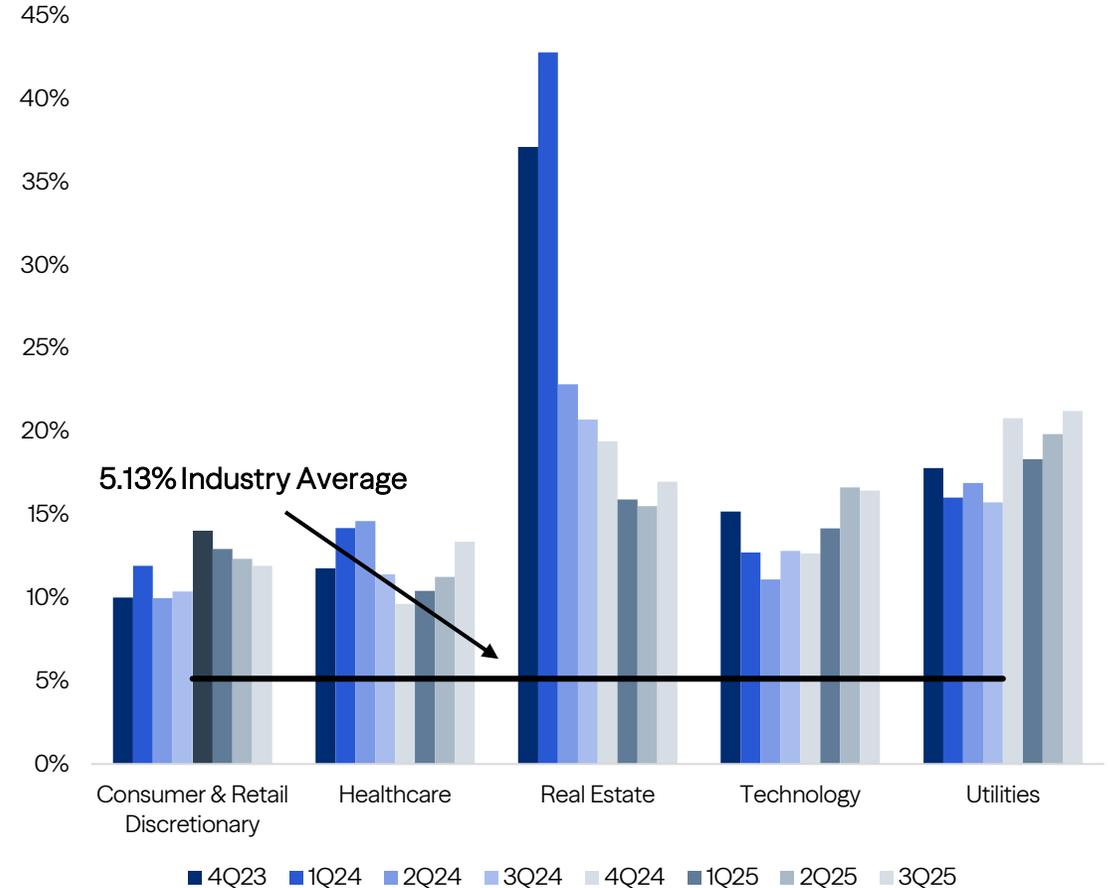
Industry-Wide PIK Income is at Upper Quartile Levels, Which is Also a Concern

Payment-In-Kind (PIK) as a Percent of Income
Quarterly, average and upper quartile PIK as a percent of income



Source: Cliffwater Direct Lending Index, February 2026. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

Industry Sectors with PIK > 10%
PIK as a percent of income

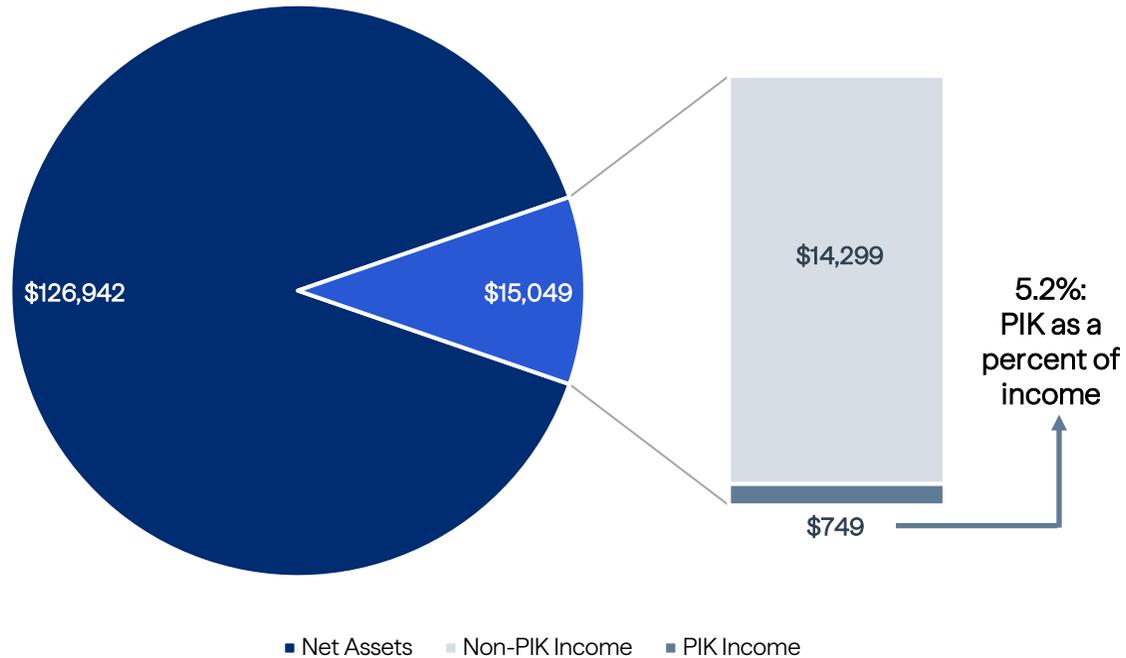


Source: Cliffwater LLC, February 2026. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

• But the Largest BDCs Have Less PIK Exposure

Larger Private BDCs Show Less PIK Risk

Aggregate net assets and income for the 10 largest private non-traded BDCs (\$ in millions)



- The 10 largest non-traded BDCs, which collectively hold over \$125 billion in assets, average 5.2% of PIK as a percent of income, below the industry average of 7.3%.¹

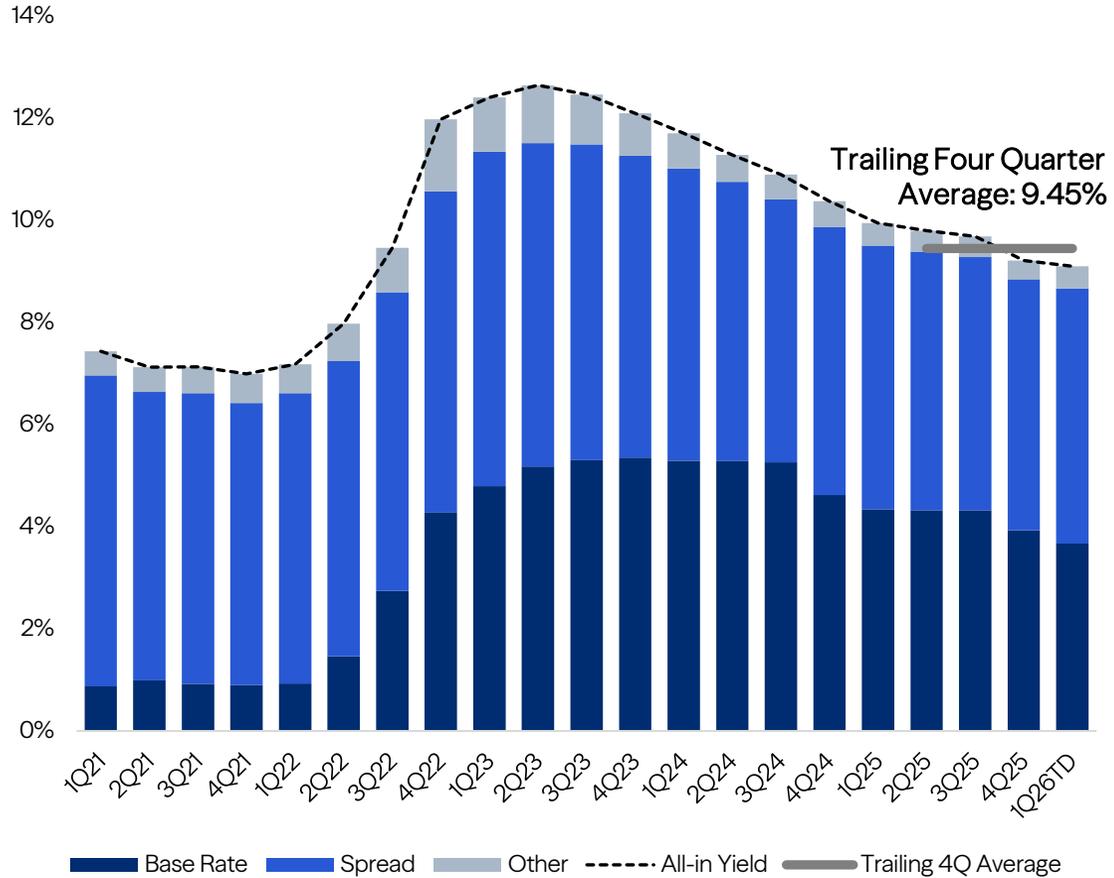
Source: SEC filings, iCapital, February 2026. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed..

1. Industry average of 7.3% is derived from Cliffwater Direct Lending Index data on slide 4 (RHS chart).

• Lenders That Offer Yields Near Market Rates Can Mitigate Risks

Recent Direct Lending New Issue Yields Have Been Hovering Near 9.5%

Direct lending sponsored all-in first-lien yields, quarterly (%)



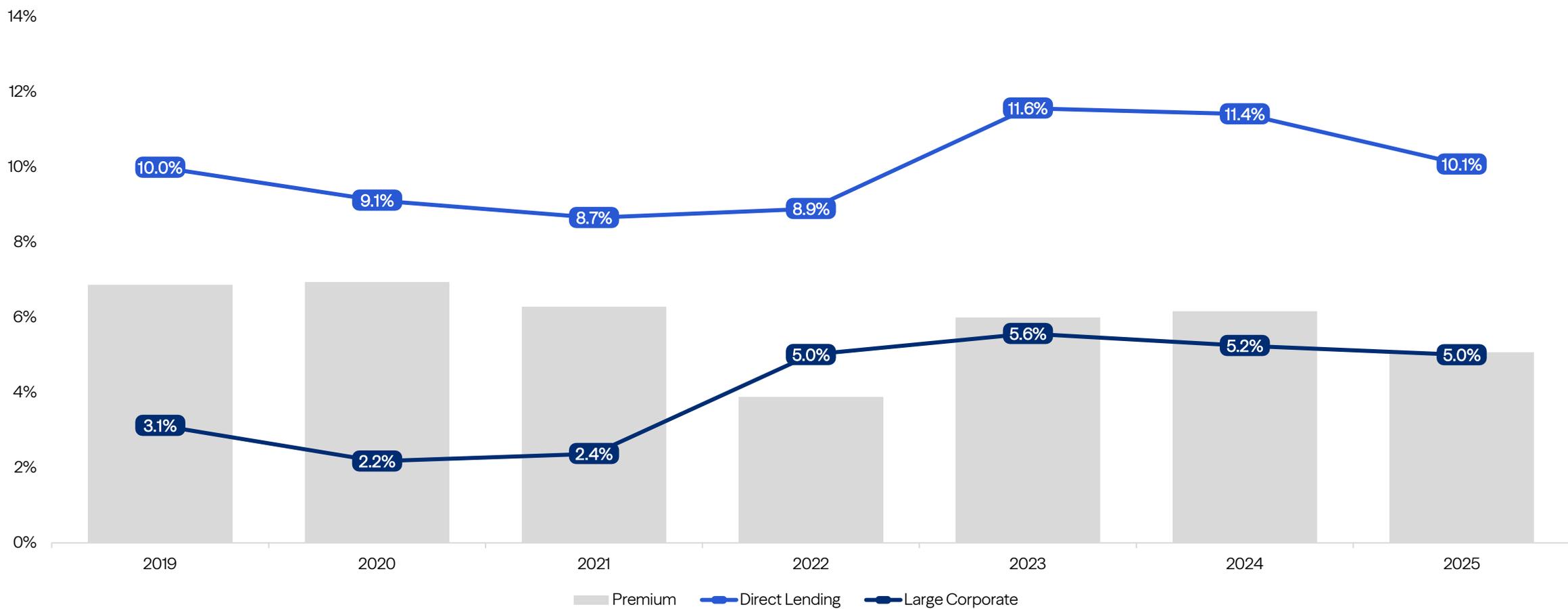
- Lenders that offer new origination yields at or near market rates is a general indicator they are staying within their underwriting standards.
- The risk lies with lenders that are trying to achieve higher returns by compromising credit quality or chasing higher yields by making loans to risky borrowers.

Source: Cliffwater LLC, February 2026. Note, Other includes original issue discount and credit spread adjustment. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

• Direct Lending Yields and Spreads Have Been Consistent—Outliers Can Indicate Risk

Current Yields: Direct Lending vs. Public Fixed Income Benchmarks

Direct lending sponsored all-in first-lien yields, quarterly (%)



Source: Cliffwater, Ice Data Indices, LLC via FRED, February 2026. Direct lending proxied by the Cliffwater Direct Lending Index, Large Corporate proxied by ICE BofA US Corporate Index Effective Yield. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

Important Information

INDEX DEFINITIONS

Cliffwater Direct Lending Index (CDLI): An asset-weighted index of over 10,000 directly originated middle market loans. It seeks to measure the unlevered, gross of fee performance of U.S. middle market corporate loans, as represented by the asset-weighted performance of the underlying assets of Business Development Companies (BDCs), including both exchange-traded and unlisted BDCs, subject to certain eligibility requirements.

CDLI-Perpetual (CDLI-P): Comprised primarily of loans held in perpetually structured, non-exchange traded BDCs and was created to explore the comparative performance of this increasingly popular BDC structure against the entire universe of middle market loans represented by CDLI.

ICE BofA US Corporate Index: Tracks the performance of US dollar denominated investment grade rated corporate debt publicly issued in the US domestic market. To qualify for inclusion in the index, securities must have an investment grade rating (based on an average of Moody's, S&P, and Fitch) and an investment grade rated country of risk (based on an average of Moody's, S&P, and Fitch foreign currency long term sovereign debt ratings).

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