Private Credit vs. Syndicated Leveraged Loans

Private credit and syndicated leveraged loans are distinct financial arrangements. Understanding the difference between the two is key for prudent investors and borrowers alike.

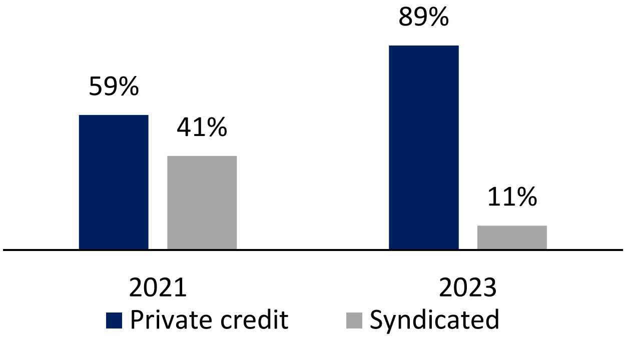
	Private Credit	Syndicated Leveraged Loans
Privately Originated	Often	Rarely
Privately Negotiated	Often	Rarely
Floating Rate	Often	Often
Senior Secured	Often	Often
Financial Maintenance Covenants	Often	Rarely
Restrictions on Capital Structure	Often	Rarely
Call Protection	Sometimes	Sometimes
Control During Workout Process	Often	Rarely

Private credit loans are directly negotiated between a borrower and a lender. This approach allows the lender to tailor the loan to fit the specific needs and risks of the borrower. In contrast, an underwriter structures terms for syndicated loans it believes can attractive enough investors to fill the financing structure.

Private credit loans typically have one or a select few lenders. A syndicated loan may have up to 200 lenders in a single transaction and involves risk that the underwriters will not be able to successfully sell the loan to lenders. Private credit also offers confidentiality for borrowers who see value in limiting public access to data.

Private credit loans rarely involve credit ratings from agencies such as Moody's or S&P. Instead, the lender conducts its own due diligence on the company's finances. Accordingly, private credit transactions tend to include financial covenants that are designed to protect the lender by ensuring the borrower remains financially healthy to repay the debt (e.g., maximum leverage ratio, minimum interest coverage ratio).

% of LBO Market (by deal count)[1]



Due to the tailored nature of private credit, these loans can have faster underwriting and closing timelines compared to broadly syndicated loans. Additionally, private credit typically offers a higher certainty of size, pricing, and close. Sentiment began shifting in 2022 in the debt capital markets amid inflation, interest rate hikes, recession fears, and geopolitical uncertainty. Consequently, market share has shifted further towards private credit as borrowers place a high emphasis on certainty in volatile times.

Amid an unprecedented market backdrop, we believe private credit continues to offer a greater degree of structural protection than alternative fixed income strategies and is a critical component in an investor's portfolio.

Footnotes:

(1) Pitchbook Leveraged Commentary & Data (LCD) Leveraged Lending Review, counts are on a last twelve month basis through September 30 for each year.

Disclosures

Past Performance is not indicative of future results

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