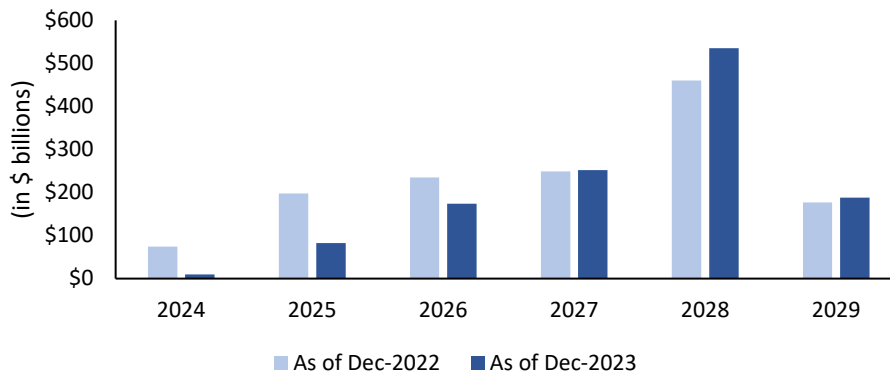


## Private Credit: 2024 Demand Outlook

The Federal Reserve began raising interest rates in March 2022 and continued at the fastest pace in decades. This sharp increase dampened origination activity into the first half of 2023 before picking up in Q3 2023. We expect more robust origination volume from refinancings and M&A in 2024, which benefits the private credit industry as stronger deal flow allows lenders to be more selective.

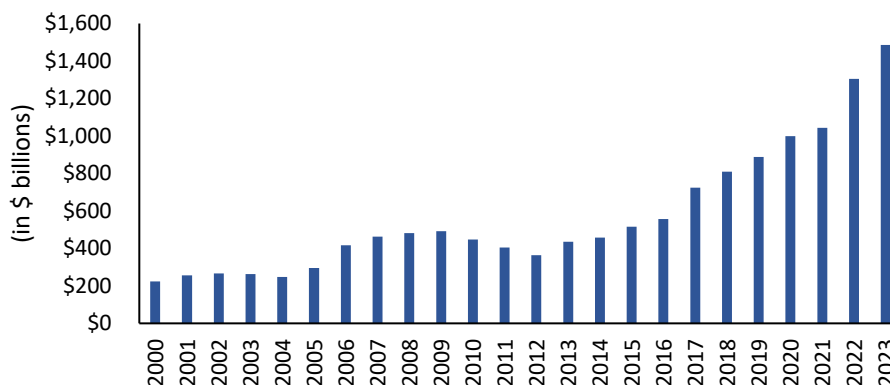
- Borrowers have put off refinancing into new facilities in the prior two years, instead opting for “amend-and-extend” transactions that push out loan maturities by one or two years. This has resulted in looming maturity walls from 2025 onwards. Loans tend to be refinanced up to a year out, so we expect greater refinancing activity in 2024 compared to the prior year.

Maturity Breakdown of Performing Loans <sup>(1)</sup>



- The M&A market was depressed for most of 2022 and 2023 as economic uncertainty, inflationary pressures, and higher interest rates prevented buyers and sellers from being on the same page in terms of valuations. This has contributed to a backlog of deals in the pipeline and a record amount of private equity dry powder sitting on the sidelines. As of December 2023, there was \$1.5 trillion of private equity capital waiting to be deployed. Meanwhile, investment banks have reported a greater number of deal pitches since late 2023, which is a leading indicator of deal activity.

North America Private Equity Dry Powder <sup>(2)</sup>



**Footnotes:**

(1) PitchBook and Morningstar LSTA US Leveraged Loan Index.

(2) Preqin.

## Disclosures

Past Performance is not indicative of future results

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