Antares Capital

The Current Opportunity In Private Credit

Private credit can be a powerful addition to a diversified portfolio, helping investors potentially achieve higher risk-adjusted returns while mitigating many of the risks inherent to traditional asset classes.

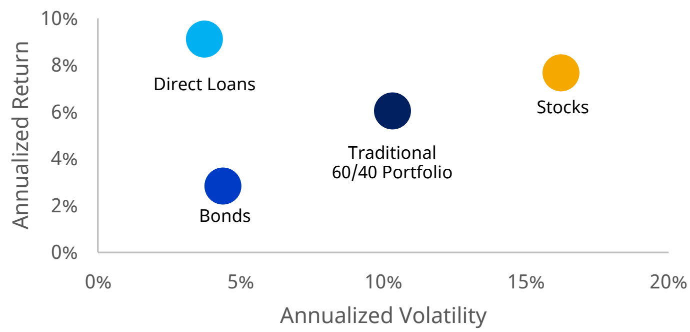
NOVEMBER 2024

A direct lending allocation has historically allowed investors to:

Improve risk-adjusted performance

Direct lending has lower volatility and higher returns compared to traditional asset classes.

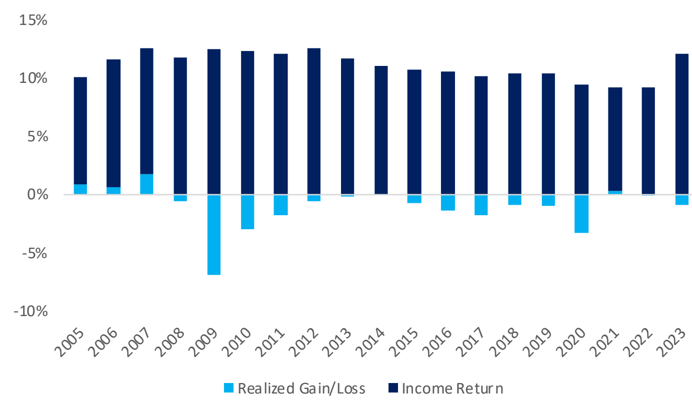
Annualized Risk / Return (Jan 08 - Dec 23)[1]



Mitigate downside risks

Direct lending has delivered steady income with low realized losses. Since 2005, interest income has averaged 10.8% vs realized losses of 1.03%.[1]

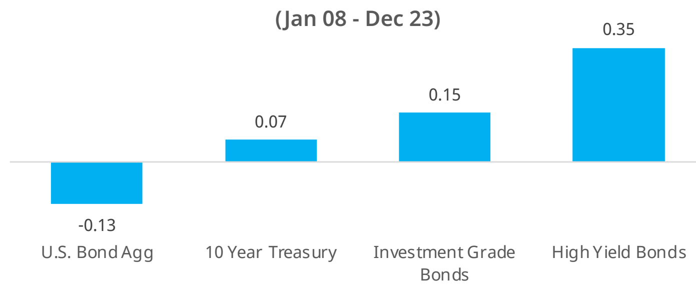
Direct Lending Income Return vs. Realized Losses[1]



Reduce portfolio correlations

Direct lending has a very low correlation with traditional fixed income investments.

Direct Lending Correlation With Traditional Fixed Income[1] (Jan 08 - Dec 23)

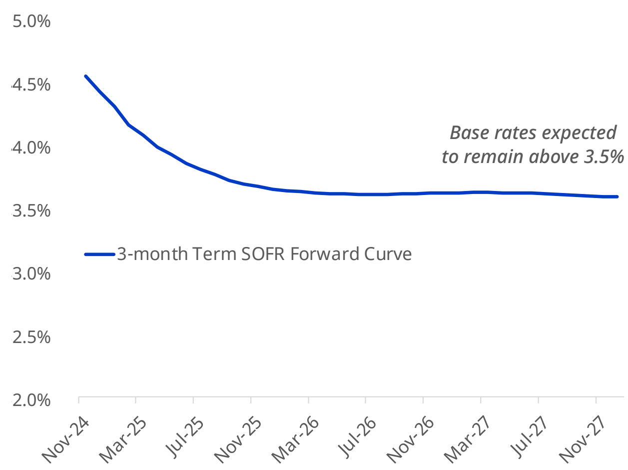


Benchmarks: Direct Loans = Cliffwater Direct Lending Index. U.S. Agg (Bonds) = Bloomberg Barclays U.S. Aggregate Bond Index. Stocks = S&P 500 Index. High Yield = Bloomberg Barclays U.S. High Yield Index. Investment Grade = Bloomberg Barclays U.S. Corporate Bond Index. All data as of December 31, 2023.

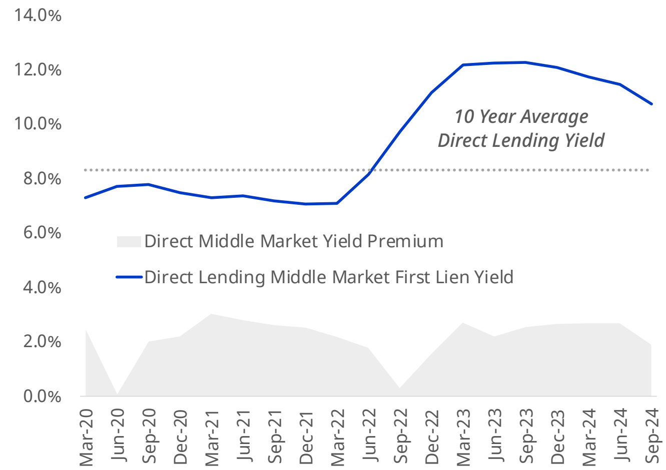
"Higher For Longer" interest rates remain a favorable tailwind for direct lending performance

Current SOFR curve suggests a moderate decline in interest rates over the next 24 months. As a result, all-in yields may fall slightly, but are likely to remain attractive.

Interest rates likely to remain elevated[2]



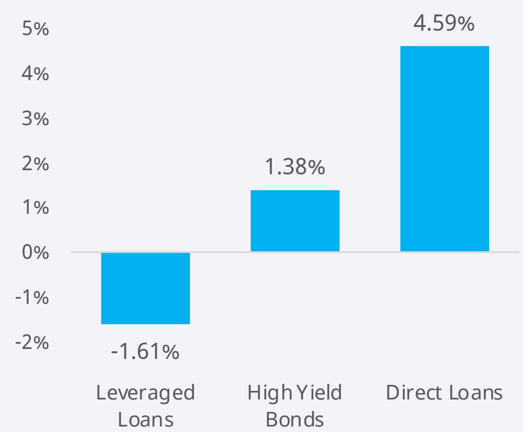
Which should continue to support favorable yields[3]



Private Credit Historically Outperforms After The First Interest Rate Cut

Looking at performance two years after the first interest rate cut in the prior two cycles, private credit on average historically outperformed traditional fixed income.

Average Performance Two Years After The First Interest Rate Cut (2007 - 2021)[4]



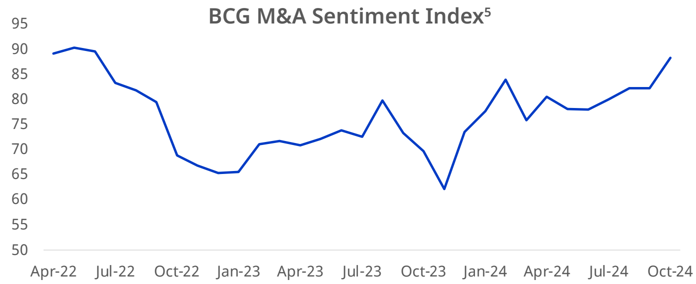
Benchmarks Direct Loans = Cliffwater Direct Lending Index. High Yield = Bloomberg Barclays U.S. High Yield Index. Leveraged Loans = Credit Suisse Leveraged Loan Index.

An improving outlook for M&A activity and conservative capital structures create a constructive deployment backdrop

Recent private credit deals in the middle market are being underwritten with lower leverage, tighter documentation and larger equity cushions, potentially providing additional downside protection in periods of market stress.

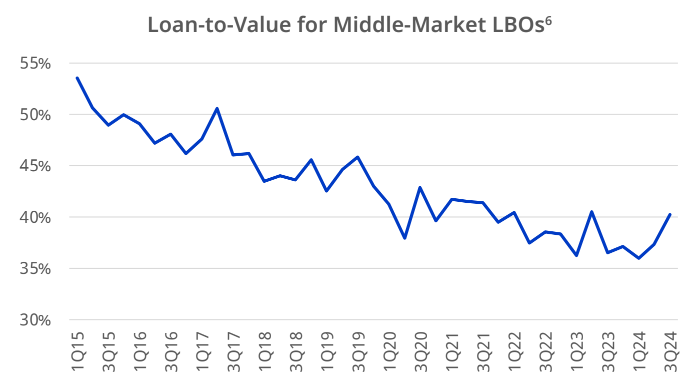
Outlook for M&A Activity Improving

Resilient economic growth and increasing confidence in the path for interest rates is leading to an improvement in the outlook for M&A activity.



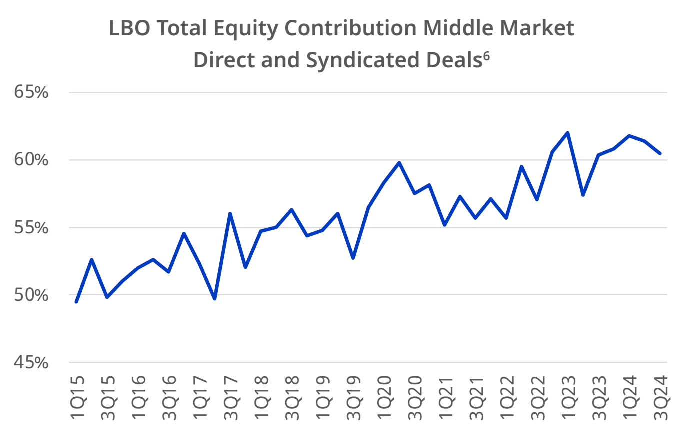
Conservative Capital Structures

Loan-to-values for direct loans are at relatively low levels, which can provide additional downside protection.



Strong Equity Cushions

Private equity firms continue to 'over equitize' deals to put capital to work leading to more favorable terms for direct lenders and sponsors with more 'skin' in the game.



Disclosures

Note: Unless otherwise stated herein, the statements included in this whitepaper reflect Antares' beliefs. Past performance is not a reliable indicator of future performance and future results may differ materially.

[1] Cliffwater LLC and Bloomberg as of December 31,2023.

[2] Chatham Financial as of November 5th, 2024

[3] LSEG LPC as of September 30, 2024

[4] Cliffwater LLC and Bloomberg as of December 31,2023. Easing periods are June 2007 – May 2009 and August 2019 – July 2021.

[5] BCG, BCG M&A Sentiment Index, as of November 6, 2024

[6] LSEG LPC as of September 30, 2024.

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