



December 2025

Global Credit Quarterly: 1Q2026

Dispersion, not
disruption

BlackRock

Authors



**Amanda Lynam,
CPA**
Head of Macro Credit
Research



Dominique Bly
Macro Credit Research
Strategist

Key takeaways

- **Macro:** We believe we are now past the peak headwinds related to trade policy uncertainty, debt service costs, and economic weakness. We see scope for growth to track at a trend pace in 1Q2026, and the labor market to stabilize after a few months of notable weakening. Episodic volatility is likely to remain a persistent theme. In both liquid and private credit, we expect an environment of heightened dispersion, but not widespread market disruption. Pages 3 – 15.
- **Liquid credit:** Spread valuations are tight vs. history, but the bar for a *sustained* widening is still high, in our view. We continue to prioritize the income and all-in yield aspects of liquid credit (which still screen as compelling vs. history), as opposed to a potential total return ‘boost’ from tighter spreads or materially lower interest rates. Pages 16 – 28.
- **Private credit:** The structural shifts driving private credit’s expanding addressable markets of borrowers and investors remain firmly in place. Dispersion across managers, vintages, and company characteristics (size, sector) will become increasingly evident, in our view. Pages 29 – 46.
- **Commercial real estate (CRE):** The recovery in the CRE market has been slow, but steady. We expect this to extend in 2026, driven by an ongoing rebound in transaction volumes, as buyer and seller expectations move into better alignment. Similar to the credit market backdrop, dispersion is also a prominent theme. Pages 47 – 52.
- **Risks to our view:** A sharp downturn in global growth and severe deterioration in corporate profit margins are the key downside risks, as this could fuel additional deterioration in the labor market. Upside risks include an above-trend pace of economic activity, bolstered by a combination of resilient consumer spending and business investment.

Macro: Past peak headwinds

Although a sharp deterioration in the labor market is a key downside risk

The macro should remain supportive

For much of the last several quarters, we have highlighted the importance of monitoring *two-sided* macroeconomic risks and have emphasized the opportunity cost of being too defensive (and under-risked) in the USD and EUR corporate credit markets. Heading into 2026, our posture towards credit risk remains generally constructive, but we are prioritizing the income and all-in yield components of corporate credit in a more pronounced way. While credit spread valuations are unquestionably tight and leave minimal ‘room for error,’ we continue to see a high bar for a *sustained* widening. Similar to the experience of 2024 and 2025, we expect periods of spread widening to be short-lived and met with demand (especially from yield-based buyers).

A few factors underpin our constructive view, namely an expectation for ‘solid enough’ global growth and healthy corporate fundamentals. On net, we also expect the combined impact of supply and demand technicals will be a tailwind – although to somewhat lesser of a degree vs. 2025. That said, this is not a blanket ‘risk-on’ position, given the significant dispersion and bifurcation that persists under the surface of aggregate index-level metrics.

Exhibit 1: USD performance by rating

Cumulative total returns for Bloomberg USD corporate credit indices

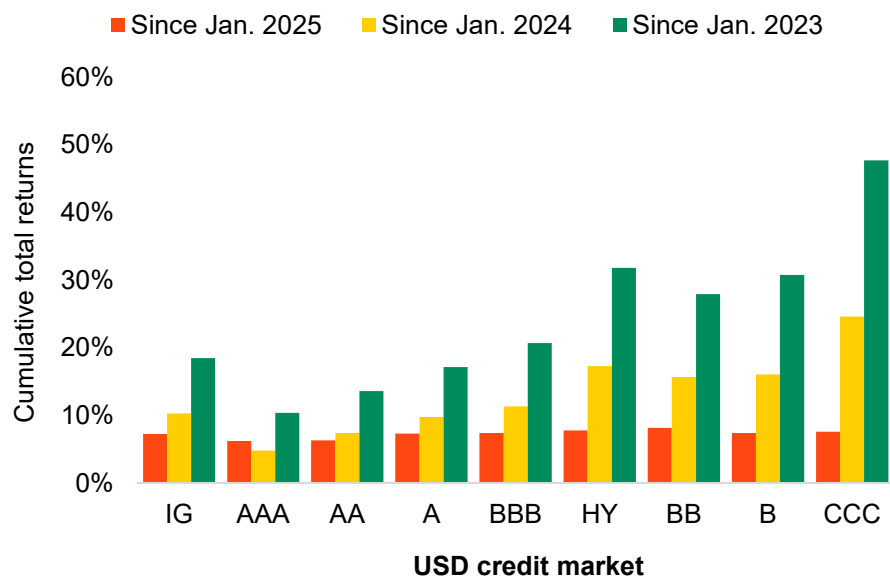
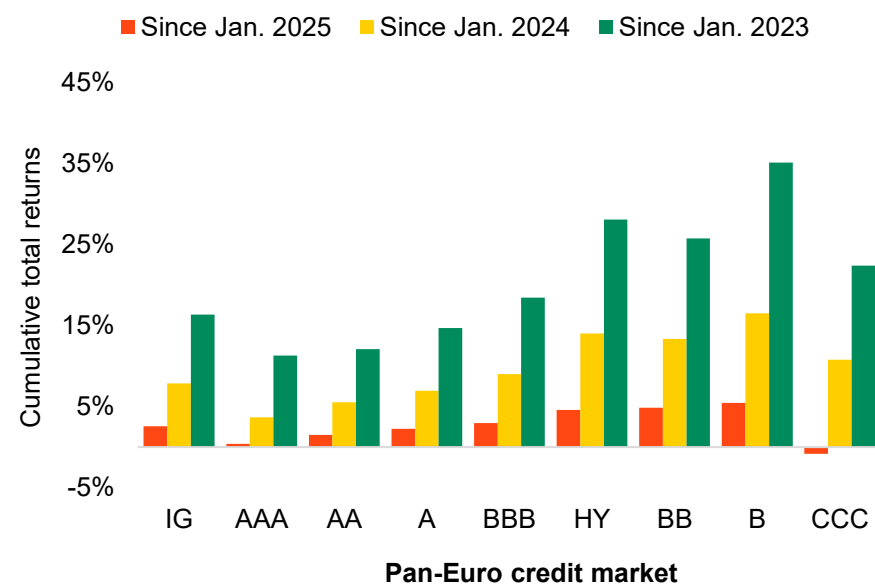


Exhibit 2: EUR performance by rating

Cumulative total returns for Bloomberg Pan-Euro USD corporate credit indices



For both charts: Source: BlackRock, Bloomberg. As of December 9, 2025. **The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.** Index performance returns do not reflect any management fees, transaction costs, or expenses. Indices are unmanaged and one cannot invest directly in an index.

Likely past peak headwinds for growth

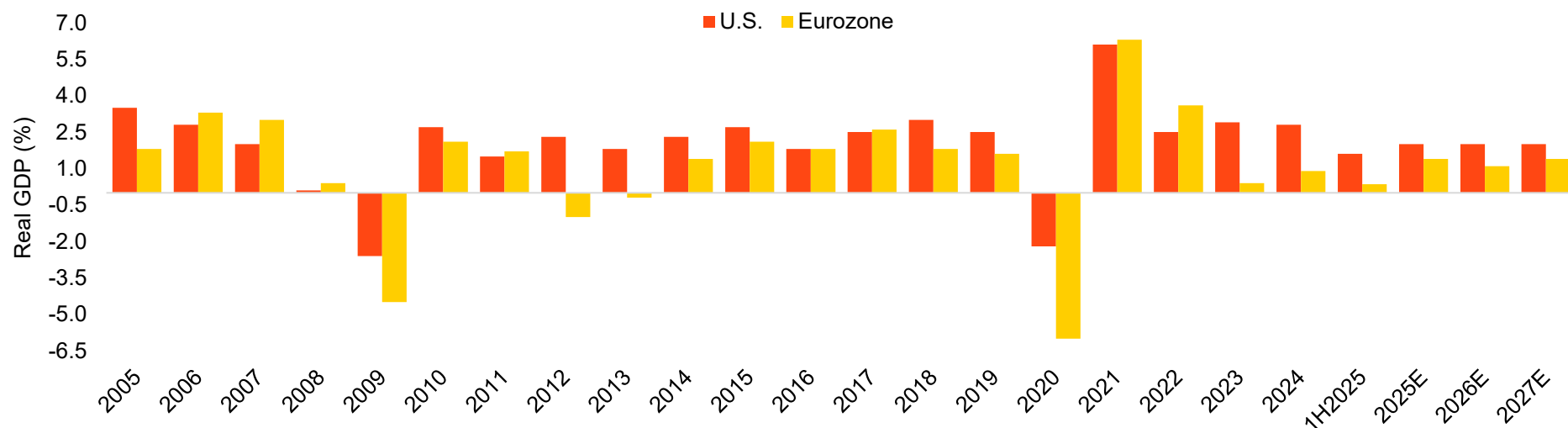
Our base case for 2026 is for U.S. real GDP to be in the 1.9% to 2.0% range (a trend-like pace), as headwinds from trade policy uncertainty and peak interest rate levels fade. Fiscal legislation passed in 2025 – but which will become effective in 2026 – may also provide a modest boost to middle-income consumers (in the form of tax rebates, as one example).

The capital-intensive boost from artificial intelligence (AI)-related investment spending is also expected to support U.S. growth in 2026 and has already contributed three times its historical average in 2025, according to our colleagues in the BlackRock Investment Institute. We also expect the policy and regulatory backdrops to remain favorable heading into the U.S. midterm elections (November 2026).

The upside risk related to AI is a ‘breakout’ in growth above the 2% long-term trend level – a tall order, but not inconceivable due to the potential for a ‘self-reinforcing loop of accelerating innovation’ and associated productivity gains. In any case, however, it will require a significant upfront capital investment. The key downside risk to the growth backdrop, in our view, is a sharp deterioration in the labor market (discussed later).

Exhibit 3: We see scope for U.S. growth to be in the range of 1.9-2.0% in 2026

Actual real GDP (annual, year-over-year) for the U.S. and Eurozone, from 1992 to 2024, and 1H2025, and Bloomberg composite forecasts for full-year 2025 – 2027



Source: Bloomberg, BlackRock. As of December 10, 2025. 1H2025 uses the average of 1Q2025 and 2Q2025 quarter-on-quarter figures. 2025 – 2027 estimates use the Bloomberg Composite of forecasters. **There is no guarantee any forecasts may come to pass.**

Adapting to shifts in trade policy

Over the past few quarters, corporate management teams have demonstrated an ability to adapt to a dynamic trade policy environment, using a range of operational, efficiency and product mix levers. One of the key events to watch in the coming weeks is the Supreme Court's ruling on the use of the International Emergency Economic Powers Act (IEEPA) to impose country-specific tariffs. If the Supreme Court rules that tariffs imposed under IEEPA were unlawful, additional tariffs under other trade authorities are likely to recreate the current regime, based on comments from officials in the US administration.

That said, because we continue to believe that peak trade policy uncertainty has passed, we would view this as a catalyst for additional dispersion, as opposed to a broad market disruption. Potential margin headwinds related to higher input costs are among the most prominent downside risks we are monitoring, because of the possible read-through to labor market weakness. That said, we are also attuned to upside risks in this environment, such as deregulation and corporate tax incentives related to recently passed legislation.

Exhibit 4: Past peak trade policy uncertainty

Trade Policy Uncertainty Index

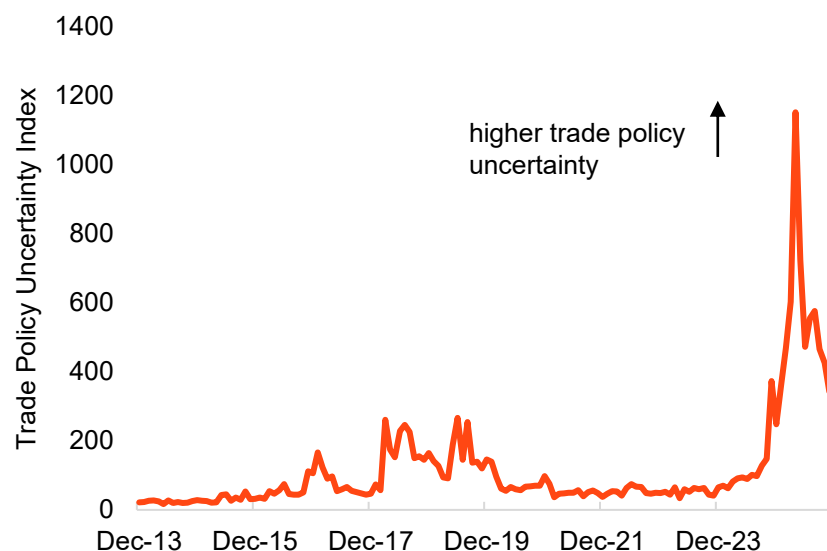


Exhibit 5: Adjusting to a higher tariff rate

U.S. effective tariff rate – all countries (in aggregate)

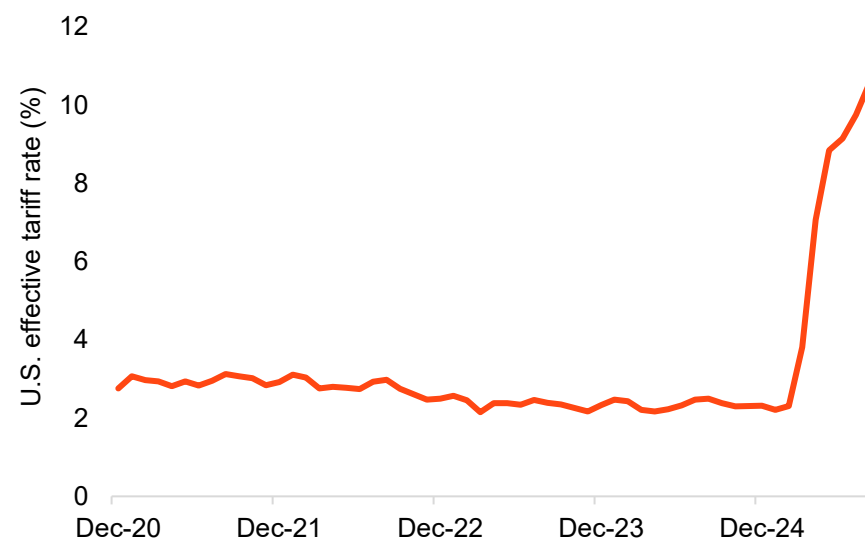


Exhibit 4: Source: Haver Analytics, BlackRock. Captures data through November 30, 2025 (most recent available as of December 10, 2025). The Trade Policy Uncertainty (TPU) Index is based on automated text searches of the electronic archives of seven newspapers: Boston Globe, Chicago Tribune, Guardian, Los Angeles Times, New York Times, Wall Street Journal, and Washington Post. The measure is calculated by counting the monthly frequency of articles discussing trade policy uncertainty (as a share of the total number of news articles) for each newspaper. The index is then normalized to a value of 100 for a one percent article share. Developed by Dario Caldara, Matteo Iacoviello, Patrick Molligo, Andrea Prestipino, and Andrea Raffo.

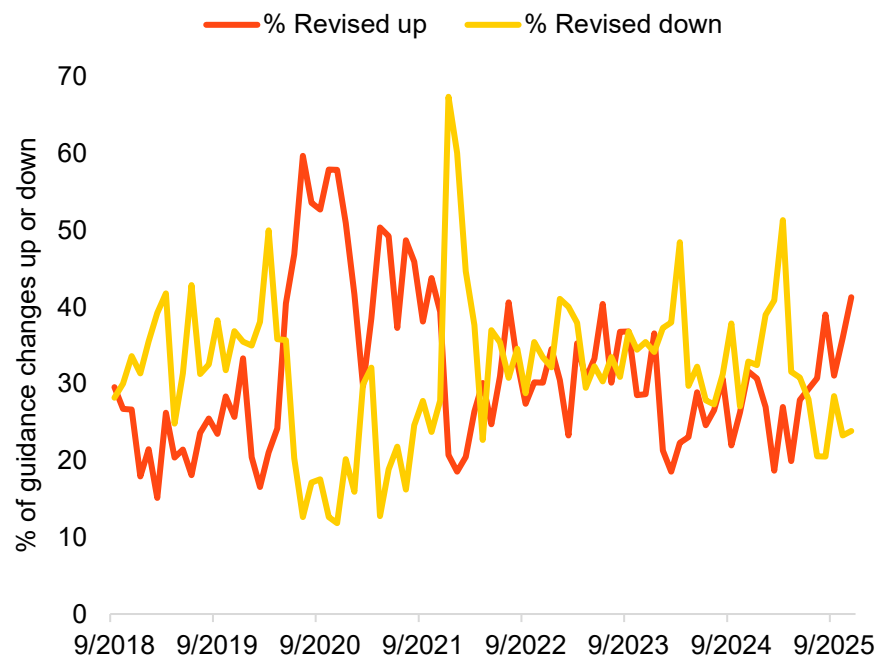
Exhibit 5: Source: U.S. International Trade Commission. Effective tariff rates calculated by Bloomberg. As of August 2025 (most recent available as of December 10, 2025).

Company guidance has inflected higher

Corporates' ability to adapt to a shifting policy backdrop is evident in the positive inflection of management teams' earnings guidance over the past two quarters. For U.S.-listed companies, upward guidance revisions have outpaced downward revisions for each of the past six months (Exhibit 6). And 41% reported a positive change to earnings guidance in November 2025 – the highest since October 2021. Higher frequency data shows a moderation in analysts' S&P 500 earnings estimates for the next 12 months, suggesting there may be some scope for such estimates to move higher in 2026, in our view (Exhibit 7).

Exhibit 6: Earnings guidance upgrades have outpaced downgrades

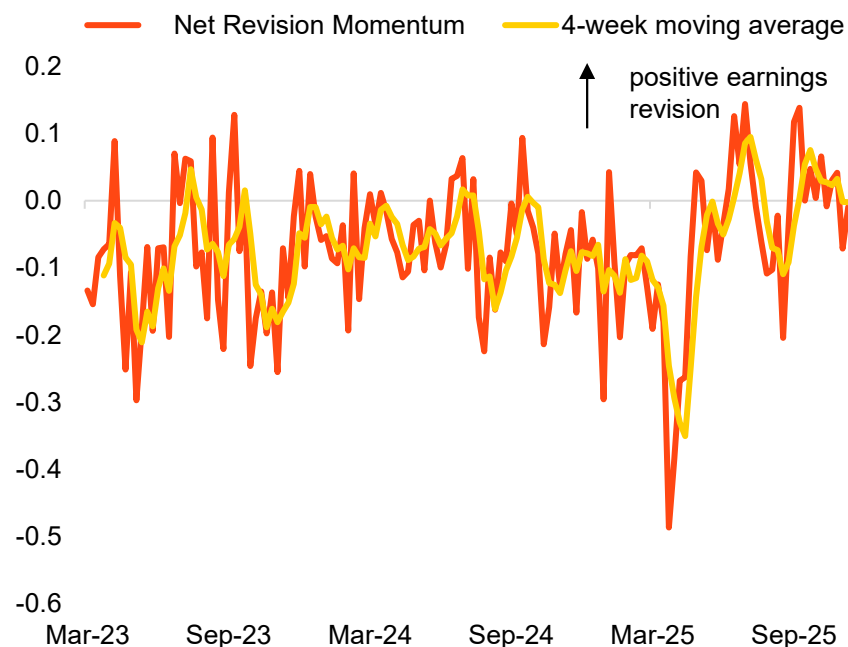
Monthly earnings guidance revisions provided by U.S. corporates (as of each month end)



Source: Bloomberg Intelligence, BlackRock. Captures data through November 30, 2025 (most recent available as of December 10, 2025). Excludes neutral guidance revisions. Captures guidance for all companies listed on a U.S. stock exchange (as the primary and active exchange). **There is no guarantee any forecasts may come to pass.**

Exhibit 7: A similar trend is visible for the S&P 500

Net Revision Momentum: 12-month forward EPS, for the S&P 500

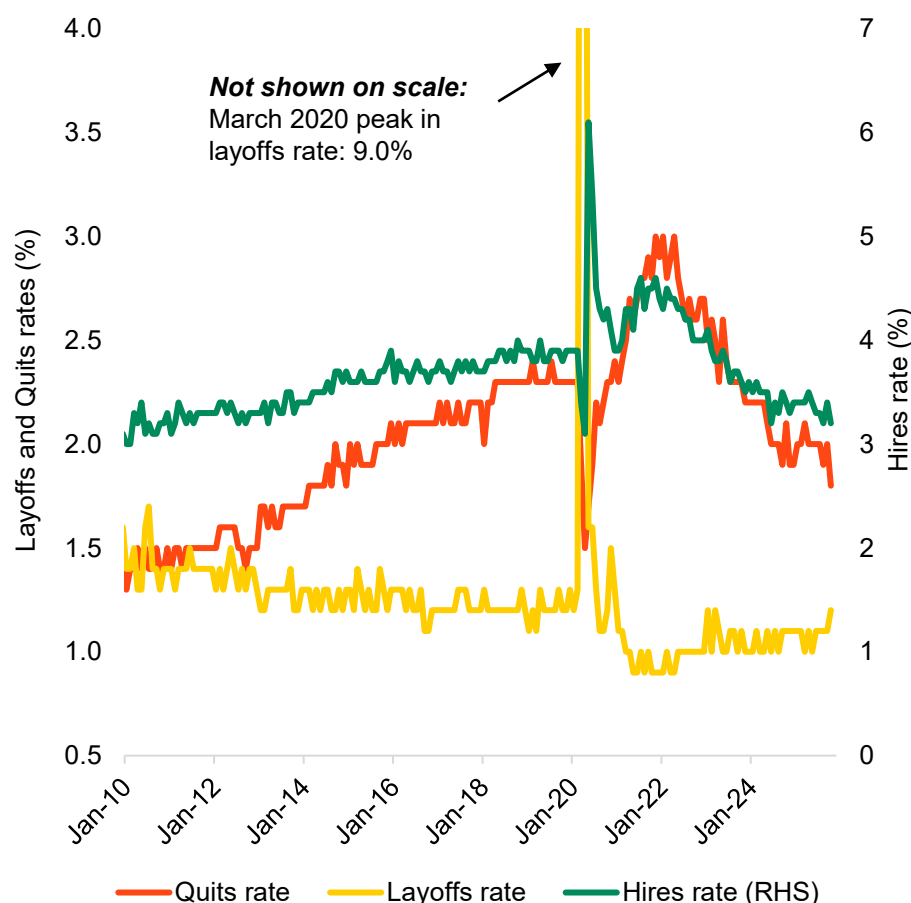


Source: Bloomberg Intelligence, BlackRock. Captures data through November 28, 2025 (most recent available as of December 10, 2025). **There is no guarantee any forecasts may come to pass.**

The margins-labor ‘feedback loop’

Exhibit 8: The “low hire, low fire” labor market

U.S. Layoffs & Discharge Rate (%), the U.S. Quits Rate (%), and the U.S. Hires Rate (%), all seasonally adjusted



Source: Bureau of Labor Statistics, Bloomberg, BlackRock. Captures data through October 31, 2025 (most recent as of December 9, 2025). The Layoffs & Discharge Rate tracks involuntary job separations initiated by the employer; the Quits Rate tracks voluntary job separations initiated by the employee; the Hires Rate tracks additions to the payroll.

The most critical risk to monitor, in our view, is the ‘feedback loop’ between corporate margins, the labor market, consumer spending and overall economic activity.

The U.S. unemployment rate of 4.4% (as of September 2025, which is the most recent due to the U.S. government shutdown) has increased 30bp since June 2025 (4.1%) and is 100bp higher than the local trough set for this cycle in April 2023 (3.4%).

Under the surface, the increase in unemployment in certain cohorts (ages 20-24, for example) has been more visible (9.5% as of September 2025). Alternative labor market data over the past few months has also exhibited softness.

At the current juncture, we view the U.S. labor market as cooling, but not necessarily weak enough to warrant a sharp easing of monetary policy (especially given above-target inflation).

At the December FOMC, Chair Powell referred to a backdrop of lower demand for labor along with lower supply. He also suggested the monthly pace of non-farm payrolls creation of approximately 40k (on average, over the past few months) could be overstated by as much as 60k per month – resulting in the possibility of *negative* jobs growth. That said, prospects for higher productivity may mitigate the potential associated economic headwind.

We see scope for the unemployment rate to stabilize in 2026, owing to the mix of macro tailwinds outlined earlier. But an additional deterioration in the labor market poses a risk to our constructive credit view, as it would weigh on consumer confidence, and thus, consumer spending. A potential pull back in consumer spending would be a headwind to overall economic activity, given the consumer generates two-thirds of U.S. GDP.

Monetary policy has already normalized

Over the course of 2025, a range of developed market central banks have reduced the level of restriction embedded in their monetary policy rates (Exhibit 9). We see limited scope for additional, deep rate cuts across many of these regions. This means that floating-rate corporate borrowers and consumers will need to navigate a structurally higher cost of financing relative to the period between the global financial crisis and the pandemic (again, Exhibit 9). It also means, however, that the income opportunity captured by investors is likely to remain attractive by historical standards.

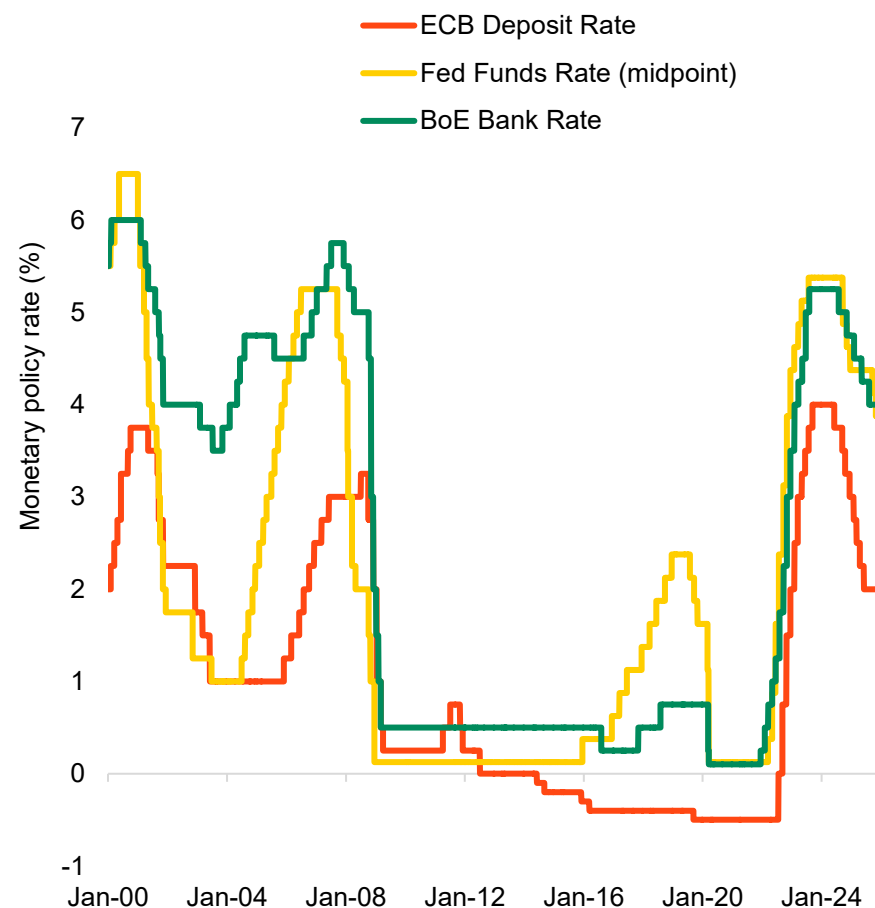
The European Central Bank (ECB) has delivered 200bp of rate cuts, and we expect the Governing Council will be on hold for the foreseeable future, now that inflation is closer to target and risks to growth are more balanced. This was echoed by President Lagarde at the October 30th press conference, when she offered that policy was in “a good place,” albeit not on a predetermined path.

The Bank of England (BoE) noted at its November meeting that the extent of further rate reductions will depend on the outlook for inflation, now that the level of restrictiveness in the Bank Rate has been reduced.

In the U.S., the Federal Reserve (Fed) has already delivered (through December 10th) 175bp of rate cuts for this cycle, bringing the Fed Funds rate (3.5-3.75%) to the high end of some estimates of the neutral rate. We see scope for 25bp of additional cuts for this cycle if the labor market shows more (moderate) softness. But we believe easing into accommodative territory (below neutral) would require a sharp deterioration in the labor market. The supportive growth backdrop we outlined earlier will also likely keep inflation sticky and above the Fed’s 2% target – as it has been for the past few years. This further reduces the urgency to cut rates sharply, in our view.

Exhibit 9: Monetary policy moves toward neutral

Monetary policy rates for the European Central Bank, Federal Reserve, and Bank of England



Source: BlackRock, European Central Bank, Federal Reserve, Bank of England, Bloomberg.
As of December 10, 2025.

Tension in the Fed's dual mandate

A range of Federal Reserve officials have been vocal regarding the tension in their dual mandate of maximum employment and price stability. This view was echoed by Chair Powell at the [December FOMC](#), when he reiterated “there is no risk-free path” for monetary policy, given above-target inflation and a softening labor market backdrop.

This “tension” is illustrated in Exhibit 10. Core PCE inflation has been above the Fed’s 2% target since early 2021. Meanwhile, demand for labor has softened, and job creation is running below the so-called “breakeven rate” required to keep the unemployment rate constant. During the December FOMC press conference, Chair Powell characterized the labor market as facing “significant downside risks.”

For now, it appears that the FOMC is poised to continue to ‘look through’ elevated inflation and place more emphasis on the labor market side of its mandate.

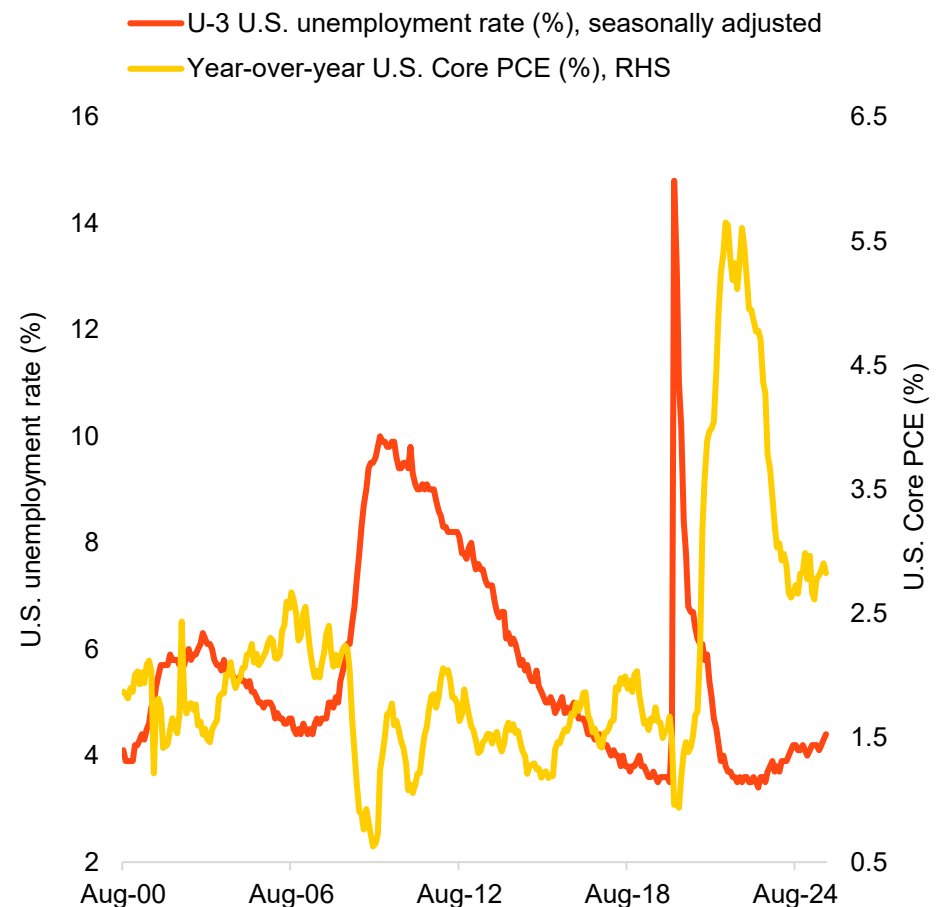
For example, the Fed’s most recent [Summary of Economic Projections](#) (from December 2025) shows the median FOMC participant expects inflation to drop to 2.5% by year-end 2026, and to return to Fed’s 2% target in 2028.

Chair Powell has noted – at the [Jackson Hole Economic Symposium](#) and multiple times since – that “a reasonable base case” (vis-à-vis tariffs) is that the effects will be “relatively short lived – a one-time shift in the price level,” while adding that “one-time does not mean all at once.”

At the December FOMC, Chair Powell also noted the Committee estimates goods inflation will peak in 1Q2026, and that services disinflation was ongoing.

Exhibit 10: We expect the Fed will continue to ‘look through’ elevated inflation, in the near term

U-3 U.S. unemployment rate (%) seasonally adjusted, and year-over-year U.S. Core PCE inflation (%) seasonally adjusted, RHS



Source: Bureau of Labor Statistics, Bureau of Economic Analysis, BlackRock. Captures data through September 30, 2025 (most recent available as of December 8, 2025).

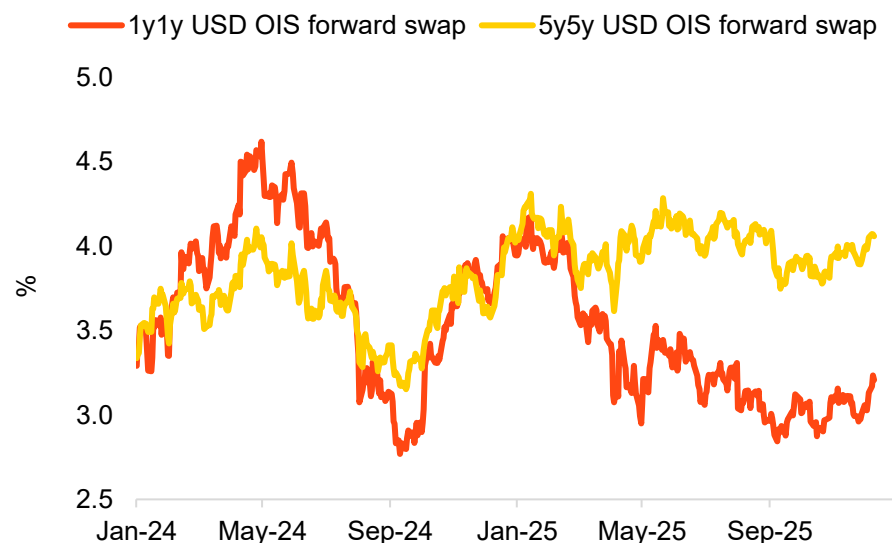
The *normalizing* vs. *easing* debate

For the past several quarters, we have placed the most emphasis on the *drivers and depth* of the rate cutting cycle, as opposed to the timing of cuts. In our view, rate cuts in response to easing inflation and actions done to ‘get ahead’ of additional, material labor market weakness were more likely to be supportive of risk asset valuations. By contrast, rate cuts in response to a more visible (and potentially non-linear) deterioration in the labor market were likely to be accompanied by increased risk premia in credit and equity markets – leaving such an action less supportive, in our view, for risk asset valuations.

Our long-standing base case has called for *normalizing* monetary policy, not a deep easing cycle into *accommodative* territory. But a factor at the heart of this debate is the so-called “neutral” rate of interest, which neither stimulates nor restricts the economy. A wide range of Fed officials have acknowledged the lack of clarity in pinpointing an exact level of neutral (Chair Powell has said “we know it by its works”). At the December 10th FOMC, Chair Powell noted that the current Fed Funds rate (3.5-3.75%) is now within “a range of plausible estimates of neutral” and leaves the Committee “well positioned to determine the extent and timing of additional adjustments to our policy rate.” Exhibit 12 highlights how financial conditions have *eased* since early April 2025 – suggesting the economy (at least in aggregate) is not experiencing widespread restraint from the current level of monetary policy.

Exhibit 11: We see scope for a higher neutral rate

1y1y and 5y5y Overnight Indexed Swap (OIS) forwards



Source: Bloomberg, BlackRock. As of December 10, 2025. 1y1y Overnight Indexed Swap (OIS) forwards, as a proxy for the terminal rate of this cycle, and 5y5y OIS as a proxy for the long-term neutral rate.

Exhibit 12: Financial conditions are not tight

Goldman Sachs U.S. Financial Conditions Index



Source: BlackRock, Bloomberg, Goldman Sachs Global Investment Research. As of December 9, 2025.

The U.S. consumer is still spending

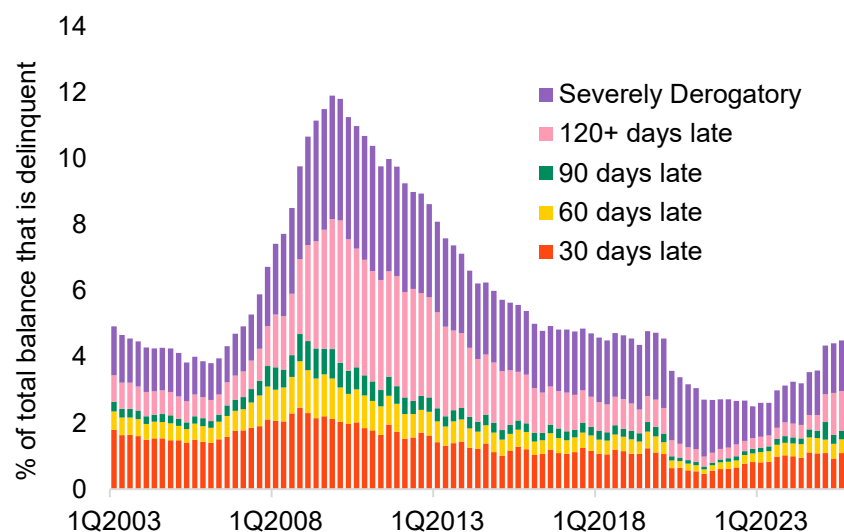
One of the most important factors underpinning the resilience of U.S. economic activity has been the strength in aggregate consumer spending, which represents two-thirds of U.S. GDP. Data from The Bank of America Institute highlighted five consecutive months of aggregate consumer spending increases through October 2025, boosted by back-to-school and holiday spending. Our base case anticipates this resilience will persist – at least in aggregate.

For much of 2025, granular data and commentary around the financial strength of the U.S. consumer were seemingly sending ‘mixed signals’. We do not view these ‘mixed signals’ as inconsistencies but rather see them as reflective of the bifurcation which has become a defining characteristic of the various U.S. consumer cohorts. This is evident in the delinquency data.

For example, Federal Reserve data revealed a modest increase in aggregate consumer delinquencies in 3Q2025 (Exhibit 13). That said, there is considerable dispersion across loan types (Exhibit 14). As a reminder, student loan collections resumed in May following the expiration of a grace period. And the low level of home-related loan delinquencies is a consequence of strong home price appreciation in recent years.

Exhibit 13: Delinquent debt balances are back to pre-pandemic levels

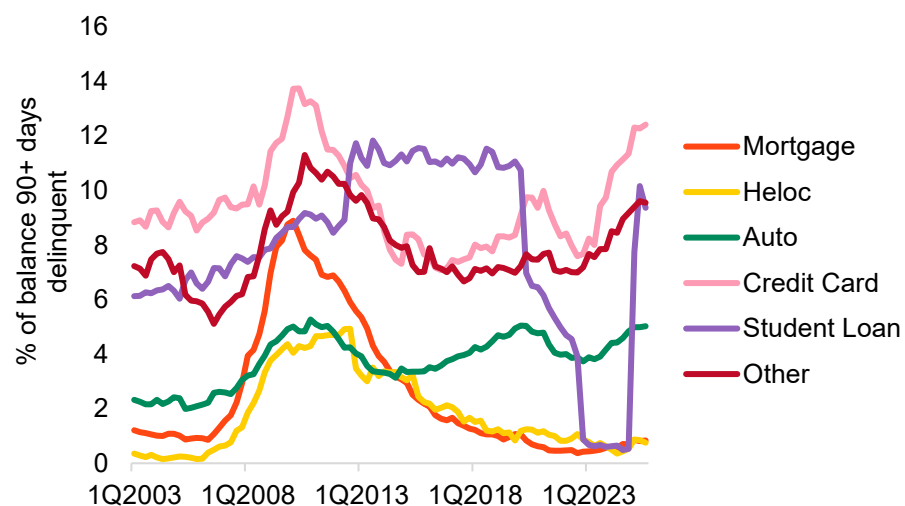
Delinquent balance as a share of total U.S. consumer debt



Source: New York Fed Consumer Credit Panel/Equifax, BlackRock. As of 3Q2025 (most recent as of December 10, 2025).

Exhibit 14: Student loan delinquencies inflected higher, post the late 2024 grace period expiration

Percent of balance 90+ days delinquent, by loan type



Source: New York Fed Consumer Credit Panel/Equifax, BlackRock. As of 3Q2025 (most recent as of December 10, 2025). The Other category includes Consumer Finance (sales financing, personal loans) and Retail (clothing, grocery, department stores, home furnishings, gas etc.) loans.

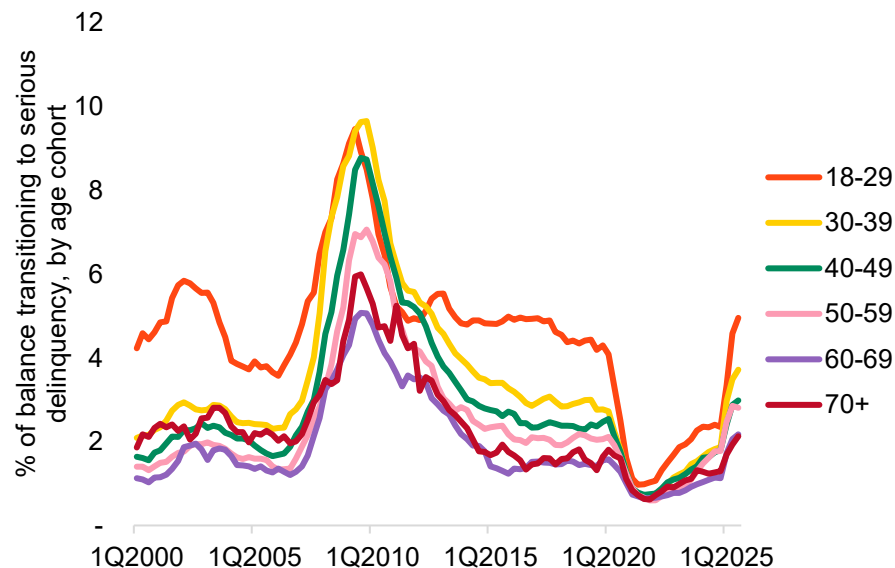
Bifurcation is evident, however

Beyond consumer credit types, bifurcation among income and age cohorts is also evident, as shown in Exhibits 15 and 16. For example, student loans represent 28% of debt balances for 18- to 29-year-old U.S. consumers, while mortgages represent a much greater share for older consumers. This helps explain, in our view, why delinquency rates for the younger cohort have outpaced older age groups in recent quarters. As another example: data from the Bureau of Labor Statistics reveals that only 44% of U.S. consumers in the lowest income quintile are homeowners, compared to 87% in the highest income cohort.

All of this underscores the trend of bifurcation and dispersion— which has direct implications for credit investors given the different customer end markets served by various sectors (and firms). And while bifurcation is not a new concept, we believe it matters more in the current market backdrop. This is because consumers in a *net borrower* position are encountering elevated debt service costs while not participating in sharp gains from home ownership and stock market investments in recent years (as *net asset owners* have).

Exhibit 15: Younger borrowers tend to default at a higher rate than older borrowers

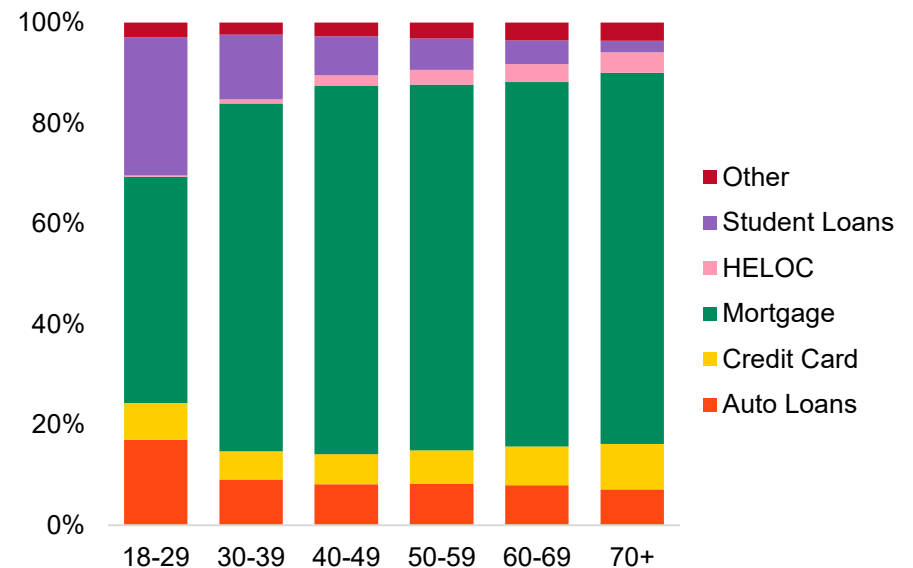
Percentage of balance transitioning into serious (90+ day) delinquency, by age cohort.



Source: New York Fed Consumer Credit Panel/Equifax, BlackRock. As of 3Q2025 (most recent as of December 10, 2025). Based on a four-quarter moving sum.

Exhibit 16: Student loans represent 28% of younger consumers' total debt balances

Share of debt balances by type and age

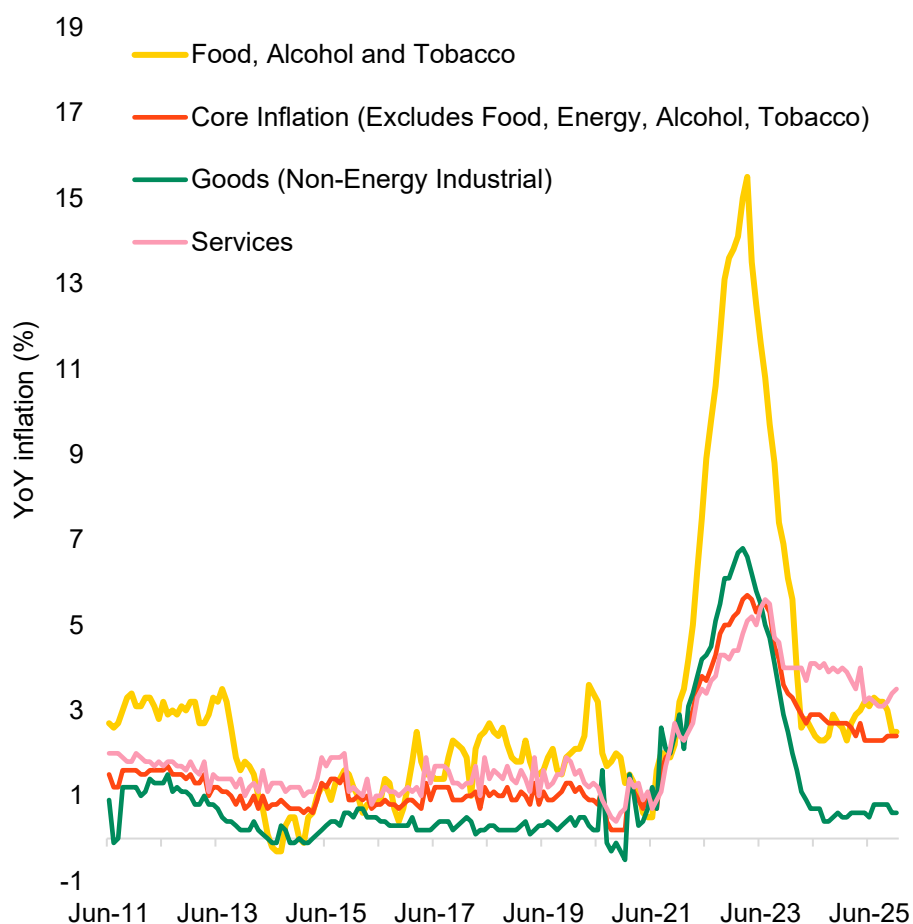


Source: New York Fed Consumer Credit Panel/Equifax, BlackRock. As of 3Q2025 (most recent as of December 10, 2025).

Europe: a mix of tailwinds to monitor

Exhibit 17: Inflation is close to the ECB's target

Year-over-year inflation (not seasonally adjusted) for the Euro Area, by category



Source: Eurostat, Bloomberg, European Central Bank, BlackRock. Captures inflation data through November 30, 2025 (most recent available as of December 8, 2025).

In 2026, we are generally constructive on growth in the Euro Area. At the ECB [press conference](#) on October 30th, President Lagarde outlined an expectation for consumer spending to be supported by real wage gains, and for business investment to be supported by past rate cuts (200bp since mid-2024) and by longer-term fiscal spending plans on defense and infrastructure.

Economic activity for the Euro Area grew 0.7% in 1H2025, and ECB staff [expect](#) 1.0% growth in 2026 and 1.3% in 2027 (per their September 2025 projections). Inflation is now close to the Governing Council's 2% medium-term target (Exhibit 17), and forward-looking indicators such as the ECB's wage tracker suggest that compensation per employee will moderate further (vs. the 3.9% level in 2Q2025).

A range of commentary from ECB officials over the past several weeks suggest the activity data has been stronger than expected. In our view, this suggests that the next round of ECB/Eurosystem staff projections (expected in December) may reflect upside momentum in economic forecasts. This further reduces the urgency for a rate cut from the ECB in the medium term, in our view.

In late August, the U.S. and E.U. announced a [trade framework](#), another step in the direction of reducing uncertainty related to trade policy. This is notable, given the established link between trade policy uncertainty and the potential for adverse economic developments (as [discussed](#) by the ECB in May). A more recent (October 2025) [analysis](#) by the ECB found that increased policy uncertainty in the U.S. spills over into the Euro Area, reducing the supply and demand for lending and making policy rate cuts less effective.

Asia: solid exports, weak domestic demand

One of the most notable macroeconomic developments from the Asia Pacific region over the past few months has been the continued relative resilience of export activity from Asia, despite tariff-related volatility.

Technology exports – especially from Taiwan and Korea – have led the strength. We expect this pattern to persist, driven by the ongoing demands related to the build-out of artificial intelligence capabilities and related infrastructure.

Under the surface, we also see evidence of a regional mix shift. As shown in Exhibit 18, China's exports to the U.S. have declined in recent months, while its exports to Europe have increased.

This has implications across regions. For example, ECB economists have estimated that additional Chinese exports could lower headline HICP inflation by 0.15 percentage points in 2026, with smaller effects persisting in 2027.

We also see potential for downside risks to Euro Area growth, depending on the magnitude of export competition from China – especially in select industries.

Beyond the potential for export and supply chain fluctuations, weak domestic consumption in Asia is also a focus – especially in China.

Using Bloomberg consensus forecasts, growth for the Asia Pacific region is expected to remain stagnant from 2025 through 2027, at approximately 3.9-4.0% in real terms. This marks a deceleration from the 2023-2024 pace of 4.4-4.5%.

Exhibit 18: Evidence of a 'mix shift' in exports

China exports to the U.S. and E.U., in \$ billions (not seasonally adjusted)



Source: China Customs General Administration, Bloomberg, BlackRock. Captures data through November 30, 2025 (most recent as of December 8, 2025).

Liquid credit: Focus on yield

The bar for a sustained widening in credit spreads is high, in our view

The resilience of credit

One of the themes which has remained firmly in place over the past several quarters has been the resilience of credit spreads. Episodes of widening around periods of market volatility have been short lived, and spreads across most rating cohorts continue to hover at the tight end of the post-global financial crisis range, in both the USD and EUR markets.

A range of factors have contributed, including ‘good enough’ economic activity (as mentioned earlier), solid corporate fundamentals, and technical tailwinds related to both supply and demand.

These technicals include limited net issuance (as a large portion of supply in the leveraged finance market was earmarked for refinancing in 2025), as well as robust demand from yield-based investors, considering that all-in yields are still attractive by historical standards (albeit lower vs. the start of 2025).

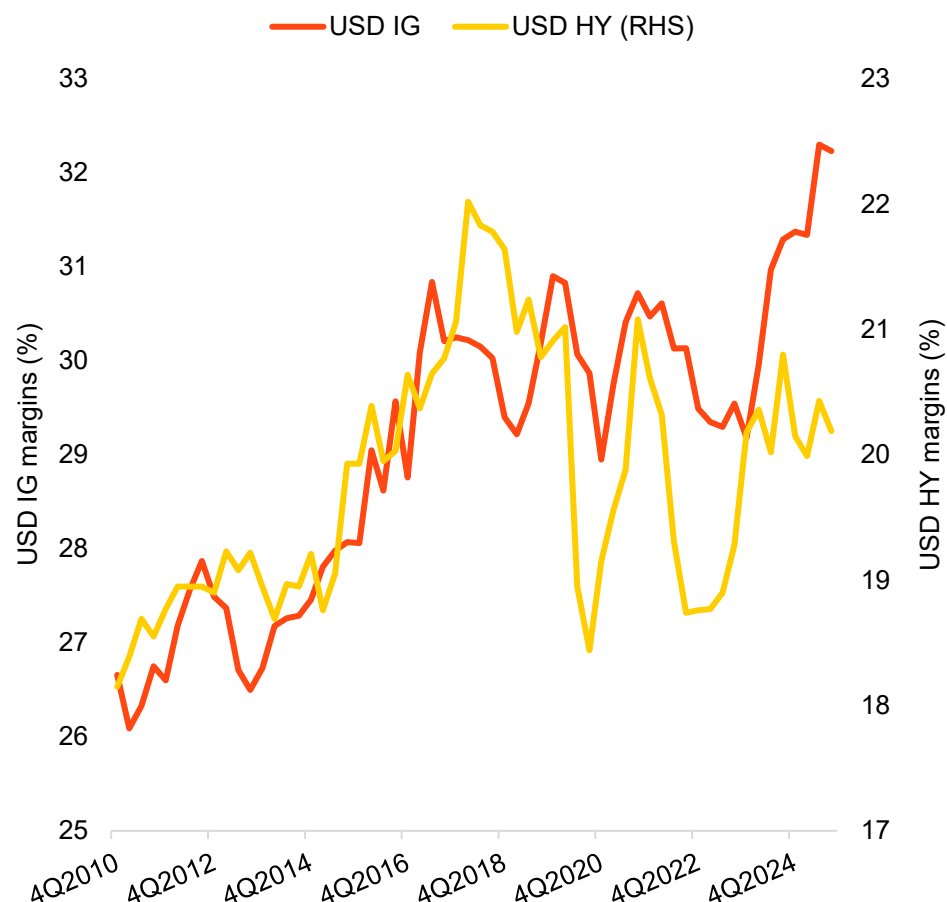
The pace of earnings growth and margins have also contributed. As Exhibit 19 illustrates, USD IG margins for the median issuer have improved during the course of 2025. And margins for the median USD HY issuer has been range-bound since early 2024.

Many of these factors are expected to remain in place for 2026, as we outline in the following slides.

Entering 2026, spreads across most cohorts are hovering near the tight end of the historical range (Exhibit 20). That said, all-in yields screen as more compelling from a valuation perspective (Exhibit 21).

Exhibit 19: USD IG margins have been especially resilient

Trailing 12-month adjusted EBITDA margins for the median issuer in the Bloomberg USD IG and HY Corporate indices



Source: Bloomberg Intelligence, BlackRock. Captures data through 3Q2025 for IG and 2Q2025 for HY (both most recent as of December 10, 2025). Indexes are unmanaged and are used for illustrative purposes only. It is not possible to invest directly in an index.

The spread vs. yield 'tug of war' persists

Exhibit 20: Spreads have remained tight...

Percentile rank of daily index-level corporate bond option-adjusted spreads, since January 1, 2010

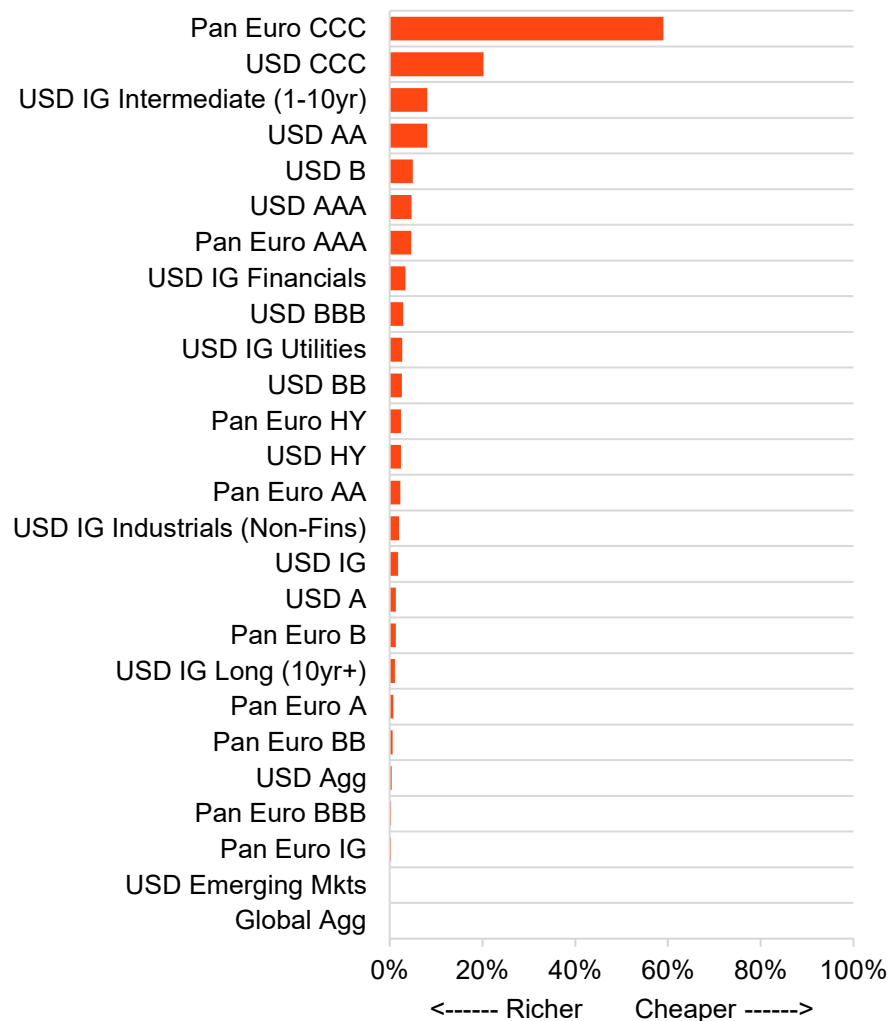
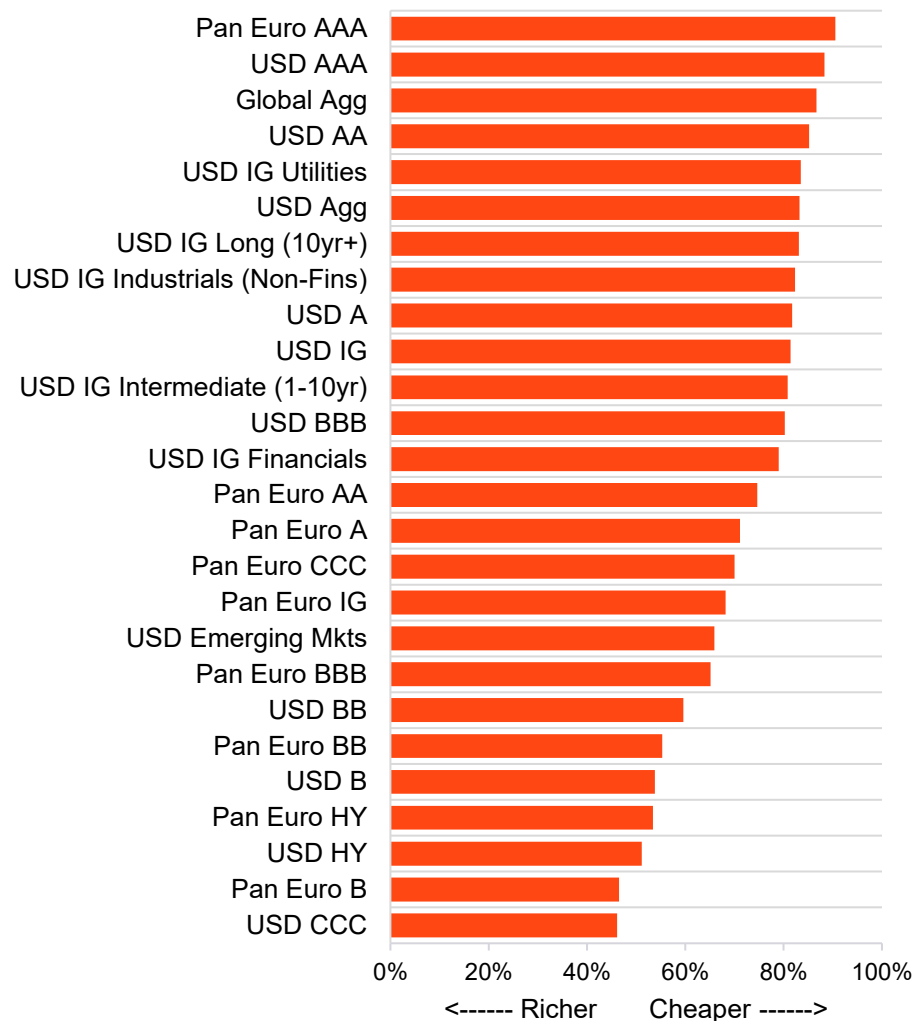


Exhibit 21: ...supported by the yield backdrop

Percentile rank of daily index-level corporate bond yield-to-worst levels, since January 1, 2010



For both charts: Source: BlackRock, Bloomberg. As of December 9, 2025. **The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.** Index performance returns do not reflect any management fees, transaction costs, or expenses. Indices are unmanaged and one cannot invest directly in an index.

FOR PROFESSIONAL, QUALIFIED, INSTITUTIONAL AND WHOLESALE INVESTORS / QUALIFIED CLIENTS USE ONLY

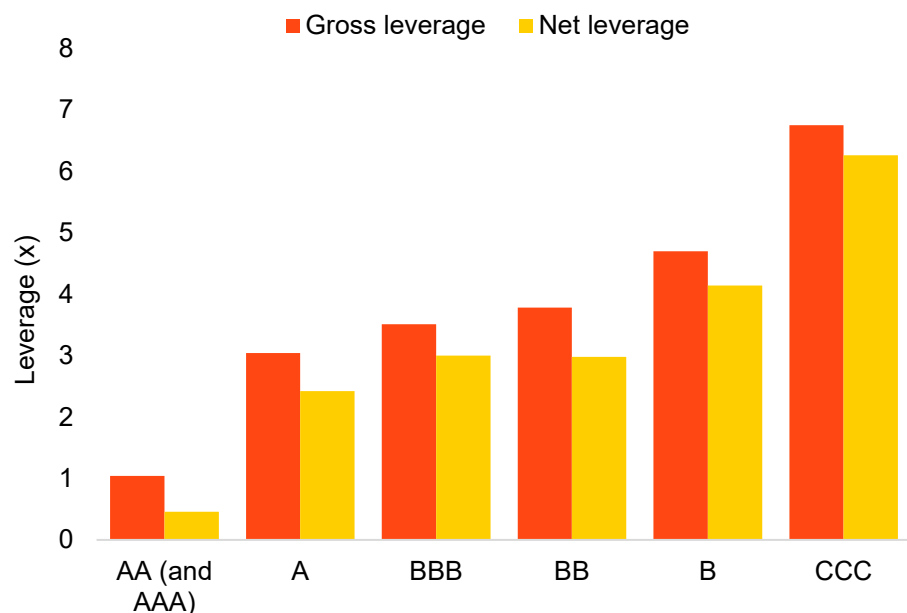
Selectively move down in credit quality

Since April 10th, we have been comfortable selectively moving down in credit quality, driven by a mix of macroeconomic, fundamental and technical factors. For investors constrained to the investment grade universe, this has meant a preference for BBB-rated credit over its higher rated peers (where we see more scope for balance sheet deterioration within the construct of an IG rating).

And for investors with a more flexible mandate, this has meant reaching into the high-end (i.e., BBs and B+) of high yield. As Exhibit 22 illustrates, net leverage for the BB and BBB cohorts is very similar. That said, the very thin financial cushions (and highly idiosyncratic nature) of the CCC-rated cohort require an intense focus on credit selection (Exhibits 22 and 23).

Exhibit 22: Leverage for BBBs and BBs is modest, and similar

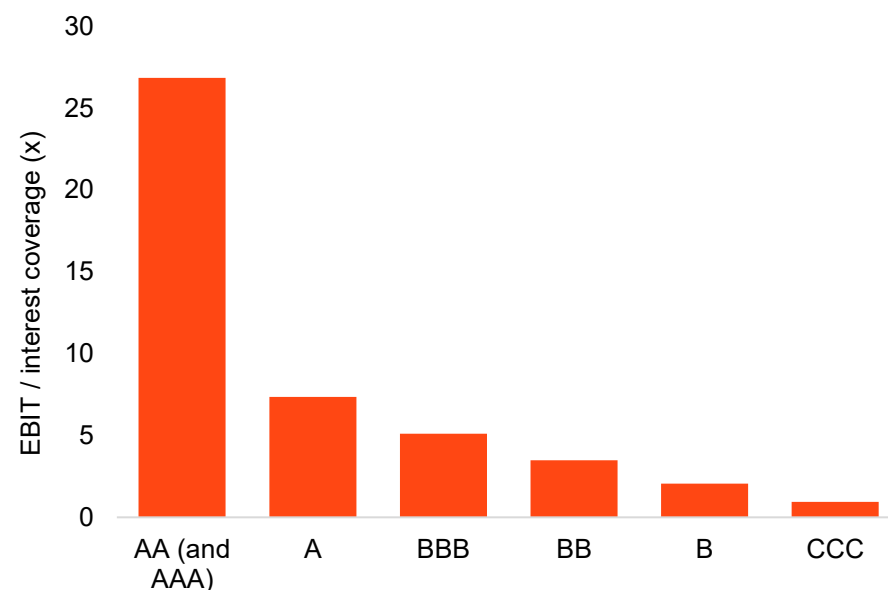
Trimmed mean (excludes top / bottom 10%) leverage metrics, for the last twelve months ended 3Q2025. Captures issuers in the Bloomberg USD IG and HY Corporate indices.



Source: Bloomberg, BlackRock. Captures trailing 12-month metrics as of 3Q2025 (most recent available as of December 10, 2025).

Exhibit 23: Coverage varies significantly, however

Trimmed mean (excludes top / bottom 10%) interest coverage metrics, for the last twelve months ended 3Q2025. Captures issuers in the Bloomberg USD IG and HY Corporate indices.



Source: Bloomberg, BlackRock. Captures trailing 12-month metrics as of 3Q2025 (most recent available as of December 10, 2025).

Carry and income are the focus for 2026

As shown in Exhibits 24 and 25, the lower-rated portions of the corporate credit market have been resilient on a year-to-date basis – again underscoring why a ‘generic’ up-in-quality tilt may not be the best approach even when uncertainty is elevated and policy shifts are frequent. For investors allocating to fixed rate corporate credit in 2026, we recommend doing so for the all-in yield and income opportunity – and not for a potential total return ‘boost’ from tighter spreads or lower interest rates.

We see limited scope for spreads to tighten on an absolute basis from current levels but also see a high bar for a *sustained* sell-off (i.e., widening) in credit spreads. And our colleagues in the BlackRock Investment Institute have recommended a tactical underweight to long-term U.S. Treasuries in their [2026 Outlook](#), owing in part to an expectation for higher term premium to reflect elevated debt servicing costs for fiscal deficits.

Exhibit 24: The high-end of HY has been resilient vs. its IG-rated peer group

Year-to-date total returns (%) for various USD corporate credit indices

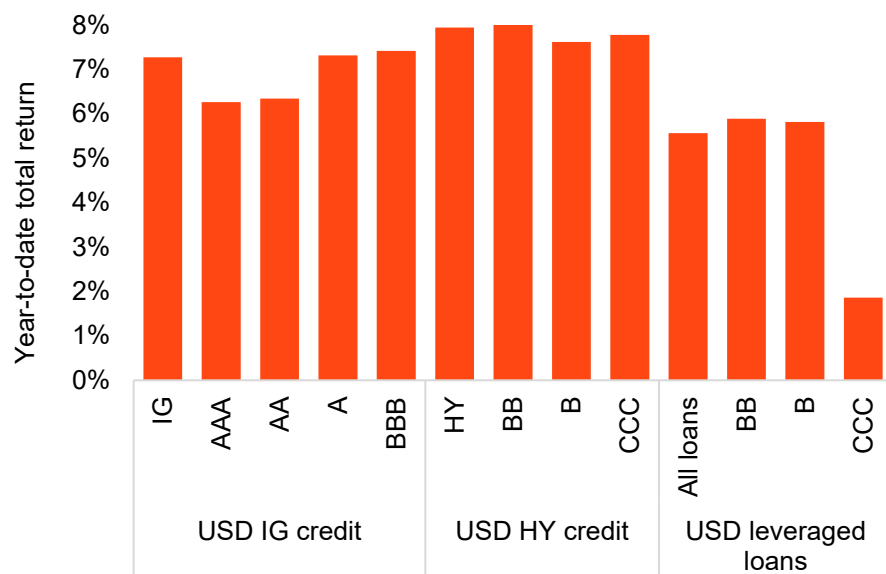
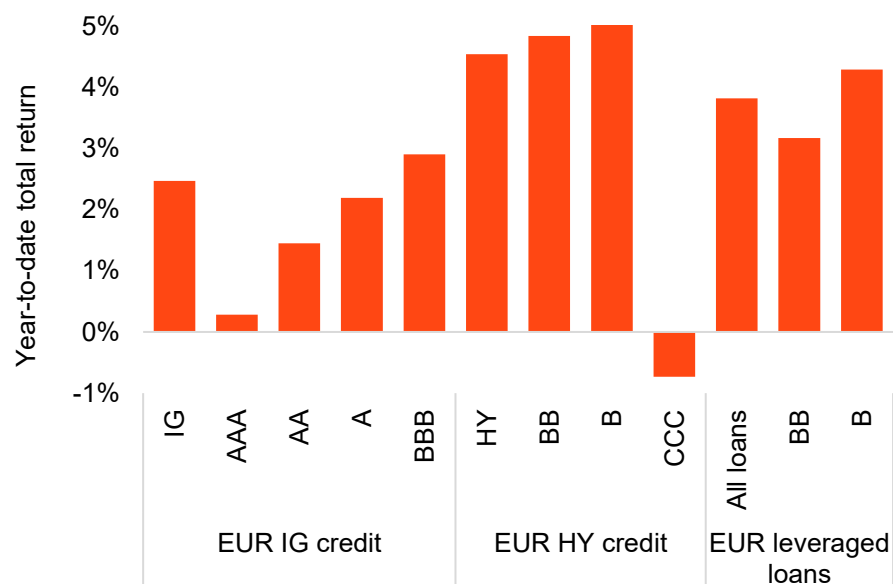


Exhibit 25: EUR HY has also outpaced EUR IG on a total return basis

Year-to-date total returns (%) for various EUR corporate credit indices



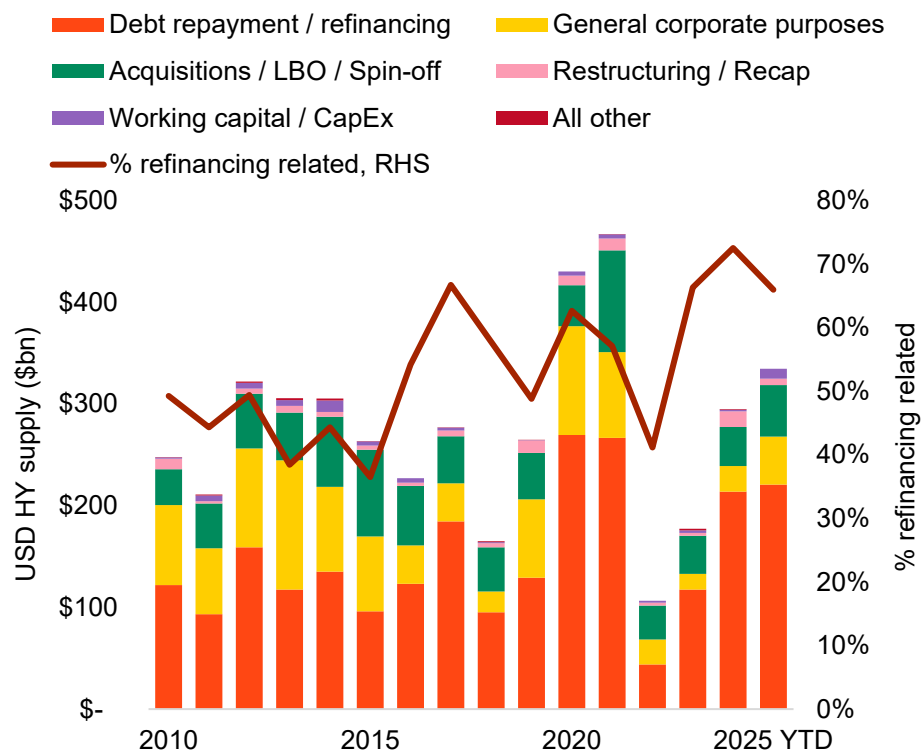
For both charts: Source: Bloomberg, Pitchbook LCD, BlackRock. As of December 9, 2025. **The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.** Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index.

Favorable supply technicals in HY

Exhibits 26 and 27 illustrate how supportive the technical backdrop has been for the USD and EUR HY bond markets. Using 'use of proceeds' data captured by Dealogic, we find that 66% of the year-to-date gross USD HY supply has been earmarked for debt repayment or refinancing. This is just below the post-financial crisis record of 73% set in 2024. Similarly, the share of gross EUR HY issuance earmarked for debt repayment or refinancing stands at 61%. This follows 2024, which was also a heavy year for refinancing activity, at 54%.

Exhibit 26: Most recent issuance in the USD HY market has been refinancing related

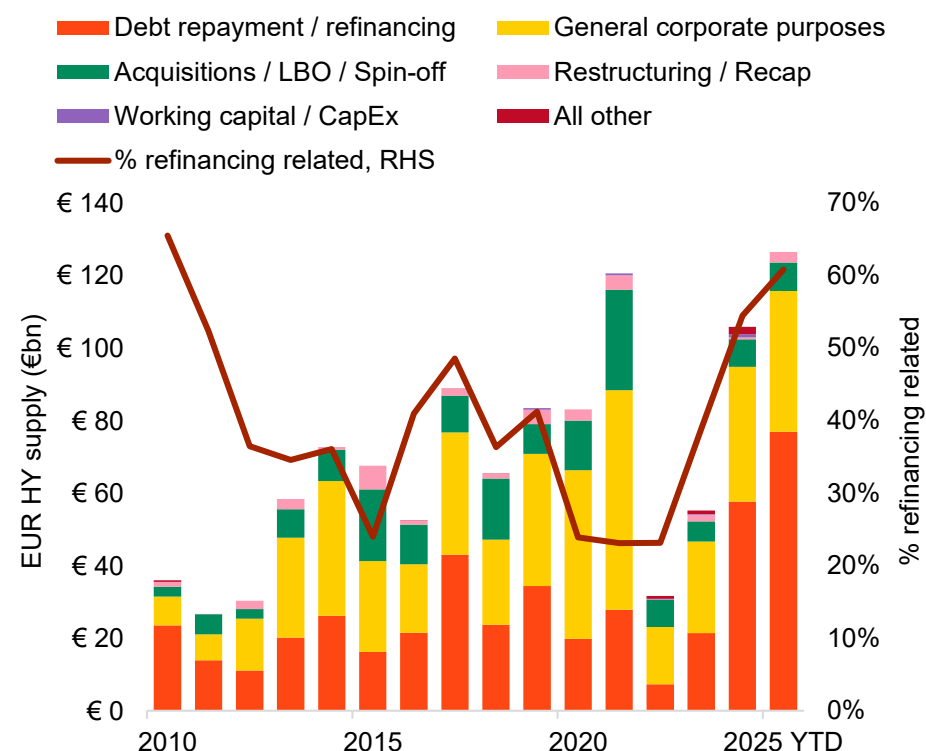
USD HY gross issuance by tranche use of proceeds and the share related to refinancing (RHS)



Source: Dealogic (ION Analytics), BlackRock. 2025 is as of December 9, 2025.

Exhibit 27: The share of refinancing issuance in EUR HY reached a new local peak

EUR HY gross issuance by tranche use of proceeds and the share related to refinancing (RHS)



Source: Dealogic (ION Analytics), BlackRock. 2025 is as of December 9, 2025.

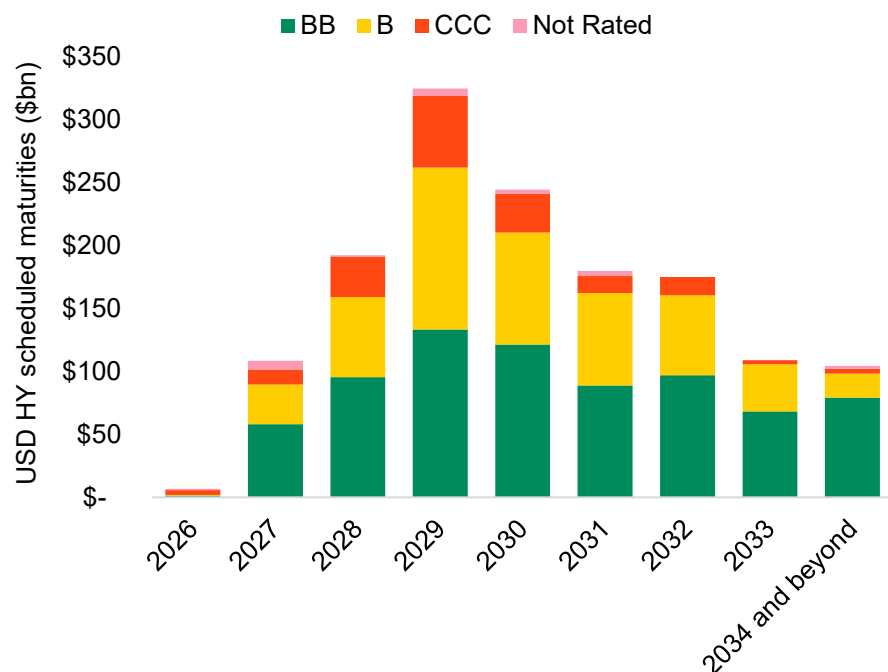
Near-term maturity walls are low

In both markets, back-to-back years of limited net new issuance have created a supportive technical backdrop. And a focus on refinancing activity has left near-term maturity walls very low, as shown in Exhibits 28 and 29.

In 2026, we expect HY management teams will remain prudent and proactive with their balance sheet management, as they have done since the pandemic. In some cases, this may mean opting to address upcoming maturities well in excess of the 12-month mark prior to maturity (when a debt becomes ‘current’). This could include pre-funding maturities years in advance, given the supportive market tone and tight spread levels.

Exhibit 28: USD HY maturity walls

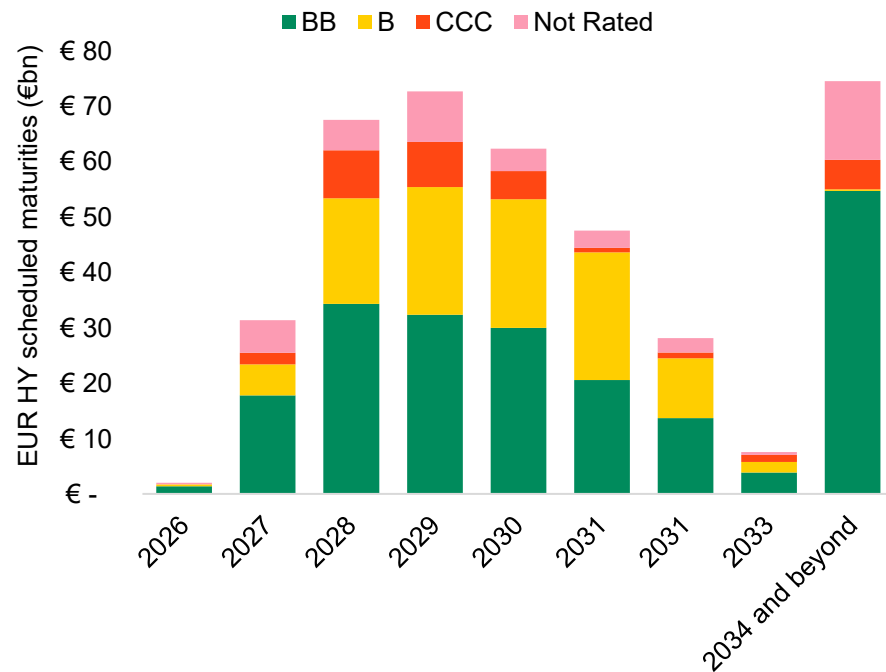
Maturity schedule for the bonds included in the Bloomberg USD HY Corporate Index, by Bloomberg Composite rating.



Source: Bloomberg, BlackRock. As of December 1, 2025. Excludes bonds which are not index eligible. Also excludes bonds rated C+ or lower.

Exhibit 29: EUR HY maturity walls

Maturity schedule for the bonds included in the Bloomberg Pan-Euro HY Corporate Index, by Bloomberg Composite rating.



Source: Bloomberg, BlackRock. As of December 1, 2025. Excludes bonds which are not index eligible. Also excludes bonds rated C+ or lower.

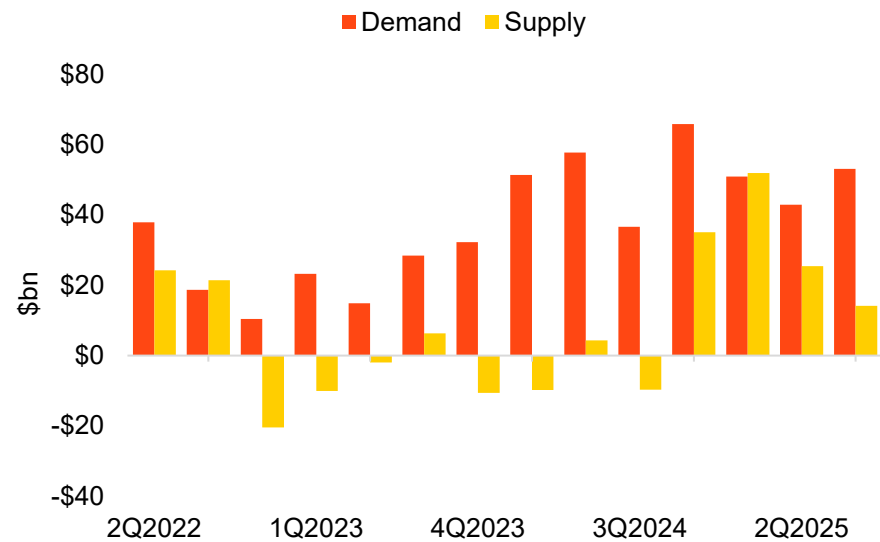
Loan technicals are still a net tailwind

Similar to the USD and EUR HY bond markets, the technicals in the leveraged loan market have also been a tailwind – a pattern we expect to persist in 2026, largely owing to the strong levels of investor demand and collateralized loan obligation (CLO) creation illustrated in Exhibits 30 and 31. While shifts in the so-called CLO ‘arbitrage’ may moderate the pace of CLO creation from here, we expect it will nonetheless remain a supportive factor for leveraged loans in the secondary market. For context, as of October 2025, there were an estimated 274 open CLO warehouses in the USD market, according to data compiled by Barclays Research and U.S. Bank.

That said, for corporate credit allocators choosing between the USD HY and leveraged loan markets, the more important relative value considerations relate to the yield opportunity and duration exposure, in our view. When isolating at the B rating level, index level data compiled by PitchBook LCD shows that leveraged loans offer a 86bp yield ‘pick up’ relative to HY bonds (as of Dec. 9th). This is down from the peak of 273bp in September 2024 (just prior to the start of the Fed’s rate cutting cycle), and also below the 2025 average (113bp), but is above the five-year average of 48bp.

Exhibit 30: USD loans – demand exceeds supply

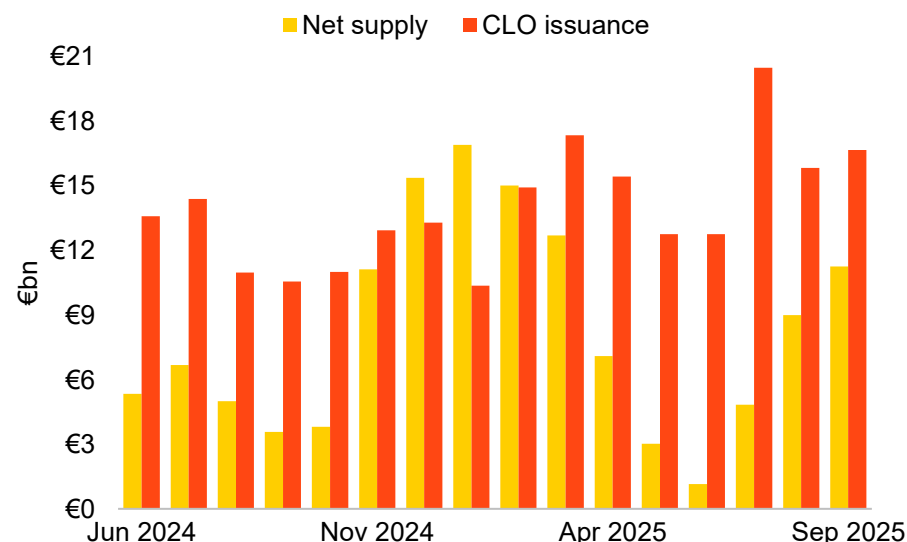
USD leveraged loan market: measurable investor demand vs. supply



Source: Pitchbook LCD, Morningstar Direct, BlackRock. Data through September 30, 2025 (most recent as of November 18, 2025).

Exhibit 31: A similar trend is visible in EUR

EUR leveraged loan market: rolling 3-month institutional market net supply vs. CLO issuance



Source: PitchBook LCD, Morningstar European Leveraged Loan Index. Data through September 30, 2025). Net supply is calculated as new issues tracked by the index minus repayments.

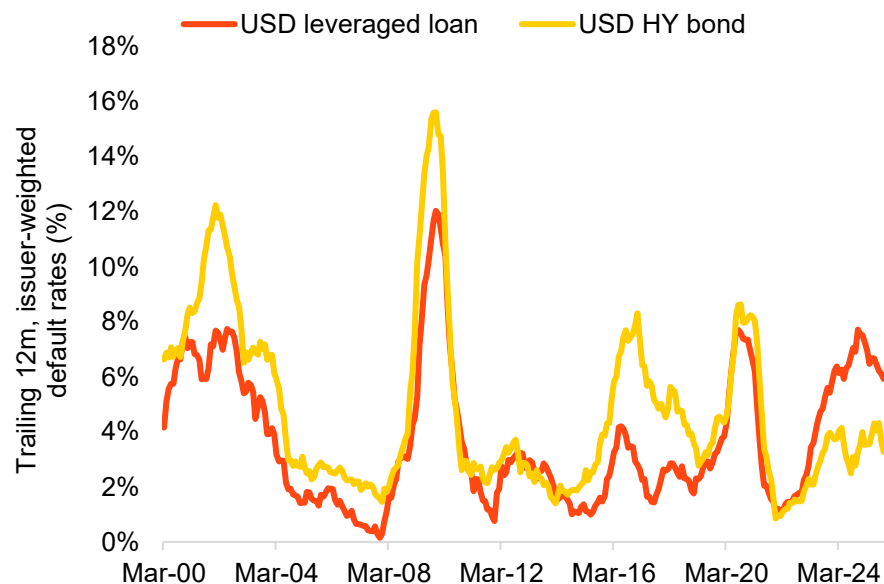
The peak in defaults is behind us

Recent idiosyncratic headlines have refocused some market participants on default trends in the liquid and private credit markets, and whether a new peak in defaults is on the horizon. As we outlined in our [4Q2025 Global Credit Outlook](#), we believe the peak in corporate default activity is likely behind us, driven by a combination of ‘supportive enough’ economic growth, moderating debt service costs, and corporates’ demonstrated ability (so far) to navigate a dynamic backdrop with resilience, owing to a myriad of operational levers at their disposal.

That said, we expect dispersion to remain a defining feature of the investing landscape, as some firms may still have difficulty ‘growing into’ debt capital structures formed in an ultra low-interest rate environment. We expect this to be most pronounced for firms with exposure to the most pressured end markets. We believe this underscores the importance of credit selection, underwriting and workout expertise. The key question for investors, in our view, is whether pockets of stress warrant an outright defensive stance towards corporate credit risk. We do not believe such a posture is justified at this stage.

Exhibit 32: The gap between loan and HY defaults should continue to narrow

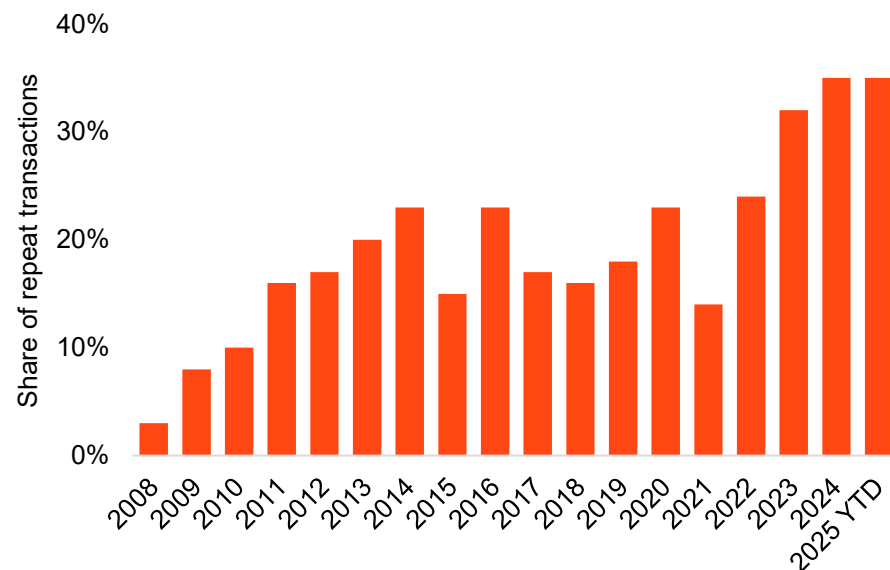
Trailing 12-month, issuer-weighted default rates for the universe of USD HY bonds and USD leveraged loans tracked by Moody's



Source: Moody's, BlackRock. As of October 31, 2025 (most recent available as of December 8, 2025).

Exhibit 33: As distressed exchanges have become more common, so too have ‘repeat defaulters’

Share of repeat defaulters in the USD credit market



Source: J.P. Morgan Research, BlackRock. As of December 1, 2025.

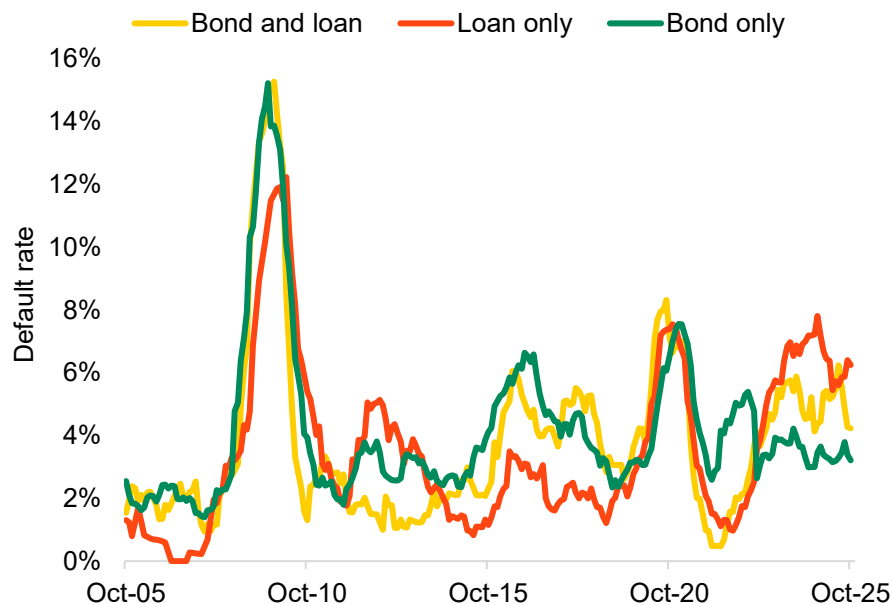
Default 'themes' show some moderation

Nearly one year ago, we highlighted four 'default themes' visible across corporate credit markets: (1) smaller firms were defaulting at a higher rate than larger peers, (2) leveraged loan defaults were outpacing HY bond defaults, (3) distressed exchanges represented a larger share of overall default activity, and (4) an elevated share of default activity was attributed to 'repeat defaulters.'

While these trends are still largely in place, some are showing signs of moderation. For example, while leveraged loan defaults are still outpacing defaults of HY bonds, the gap is narrowing. And the issuer-weighted default rate has shown signs of improvement while the notional-weighted rate has been flat – suggesting the default rate among smaller firms is slowing. We view these signs of moderation, coupled with a 'supportive enough' growth backdrop and an overarching theme of corporate resilience, as further evidence that default activity has likely passed its peak for this cycle.

Exhibit 34: Default rates by capital structure

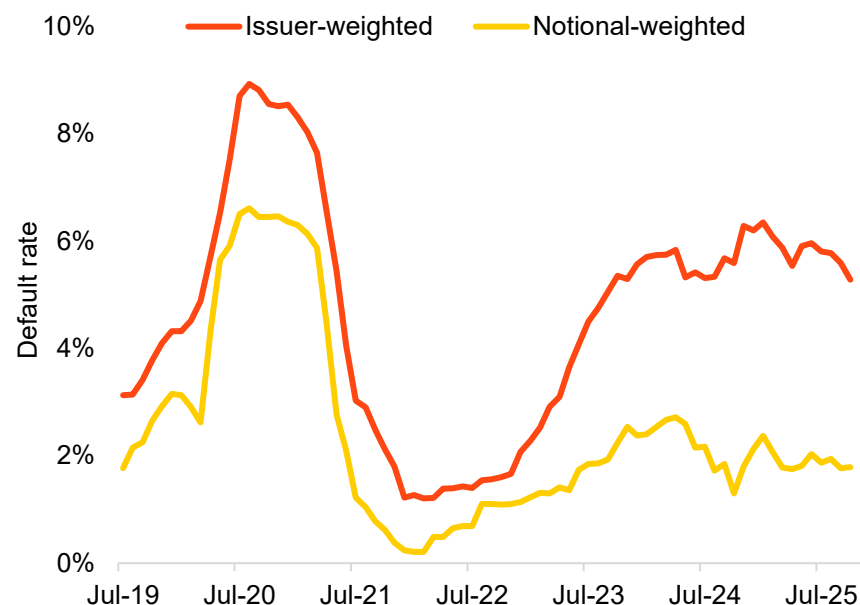
Issuer-weighted, trailing 12-month default rates for the global universe of issuers tracked by Moody's. Default rates include distressed exchanges.



Source: BlackRock, Moody's. As of October 31, 2025 (most recent available as of December 8, 2025).

Exhibit 35: Improvement in issuer-weighted defaults

Issuer-weighted and notional-weighted trailing 12-month default rates, for the universe of USD leveraged loans and HY bonds tracked by Moody's



Source: Moody's, BlackRock. As of October 31, 2025 (most recent as of December 8, 2025).

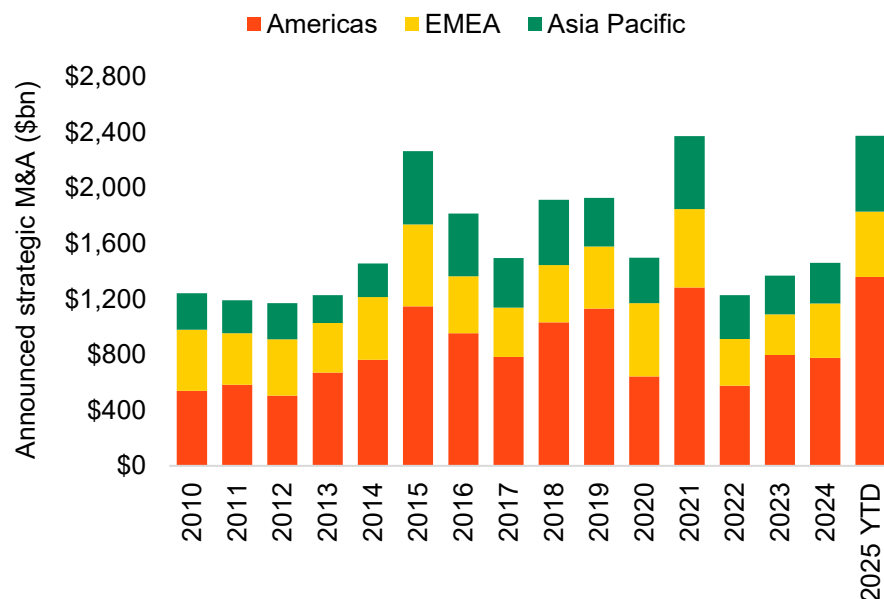
The M&A momentum is poised to extend

Beyond earnings guidance commentary from management teams, strategic M&A is also closely watched as a barometer of C-suite confidence. These deals often relate to long-term business objectives, such as product diversification, entering an adjacent market, reaching a new customer, or acquiring complementary capabilities. They can also require significant investments.

The past several months have seen a resurgence in strategic M&A activity, and we expect this pattern to accelerate in 2026 as C-suites gain more clarity and confidence around the macroeconomic and policy backdrops. So far this year, global acquirers have announced \$2.3 trillion of strategic deals – already surpassing the full-year amounts of 2022-2024 and leaving 2025 YTD equivalent with full-year 2021 (which was ultimately a record; Exhibit 36). Acquisitions announced by European acquirers have been relatively more muted, by contrast.

Exhibit 36: Strategic M&A has reaccelerated

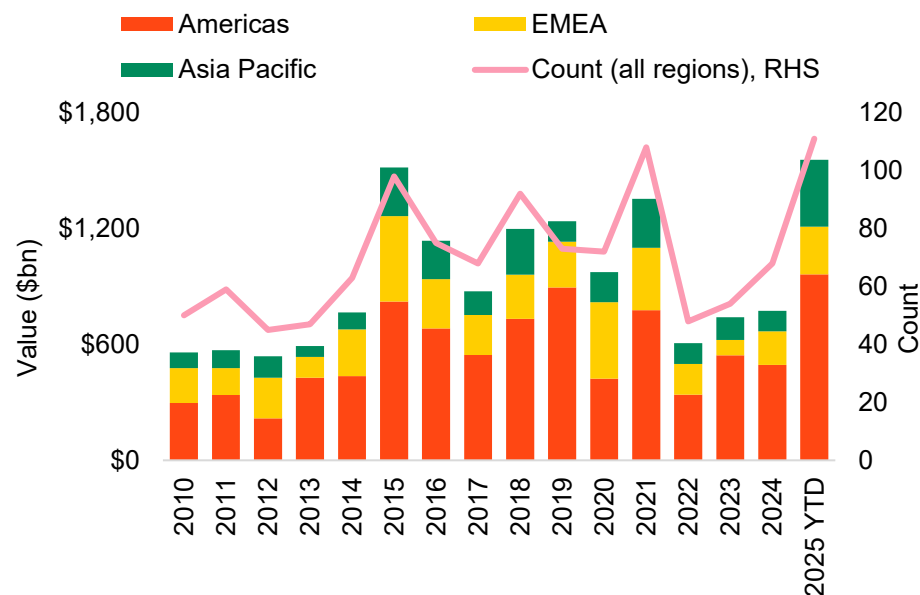
Announced strategic M&A by acquiror world region. Captures deals valued at \$1 billion or more at announcement. Excludes cancelled and withdrawn deals.



Source: Dealogic (ION Analytics), BlackRock. 2025 is as of December 9, 2025.

Exhibit 37: Large M&A so far in 2025 has already surpassed the full years of 2022-2024

Announced strategic M&A deals valued at \$5bn or more at announcement (value and count, RHS), by year. Captures acquirers across all world regions. Excludes cancelled and withdrawn deals.



Source: Dealogic (ION Analytics), BlackRock. 2025 is as of December 9, 2025.

A less-friendly financing mix for bondholders

Large-scale M&A – or deals valued at \$5bn or more, at announcement – has also reaccelerated in 2025. As Exhibit 37 highlights, both the *value and count* of \$5bn+ deals announced so far in 2025 have easily surpassed the full-year amounts of 2016-2024.

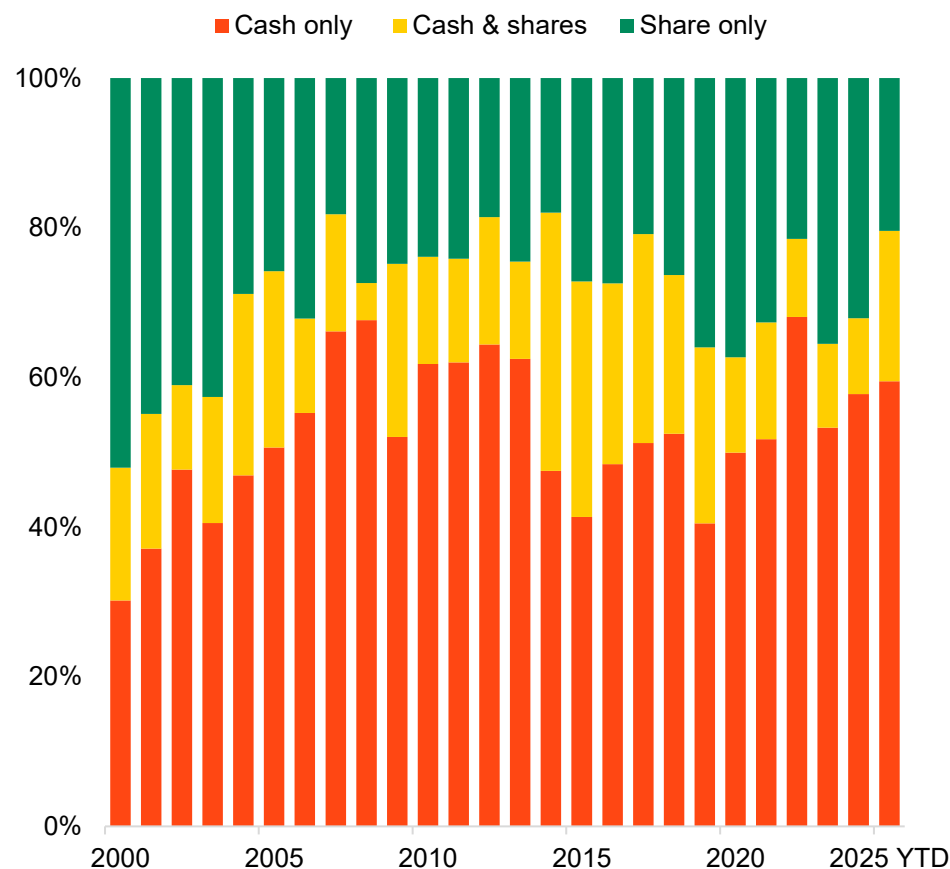
This is important for bondholders to monitor, as such large transactions often require additional financing from external sources – such as equity or debt issuance. And even when the deals are funded via cash resources already on hand, anecdotal evidence often finds that this liquidity is often ‘replaced’ with debt, at a future date.

As Exhibit 38 shows, the share of ‘cash only’ deals in 2025 (60%) is the second highest of the past several years (behind 2022’s 68%). And the share of ‘all-stock’ deals (20%) is the lowest level since 2014’s 18%. We view this as a reflection of the financial flexibility and debt capacity available to some of the most active acquirers. It also likely reflects the elevated equity market volatility of the past several months.

Sector ‘leadership’ has also shifted so far in 2025, based on our analysis of Dealogic deal-level data. For example, certain sectors have been larger contributors to the 2025 deal-making backdrop, relative to the average of the previous five years. This includes Technology, Telecommunications, Financials, Transports, Autos, and Construction. By contrast, sectors which have often been sizable contributors in past years – such as Healthcare, Oil & Gas, Energy / Utility and Real Estate – are tracking towards a more modest share in 2025.

Exhibit 38: The financing mix of strategic M&A has been somewhat unfriendly for bondholders in 2025

Funding mix of announced global strategic M&A. Captures deals valued at \$1bn or more at announcement. Excludes cancelled and withdrawn deals.



Source: Dealogic (ION Analytics), BlackRock. 2025 is as of December 9, 2025.

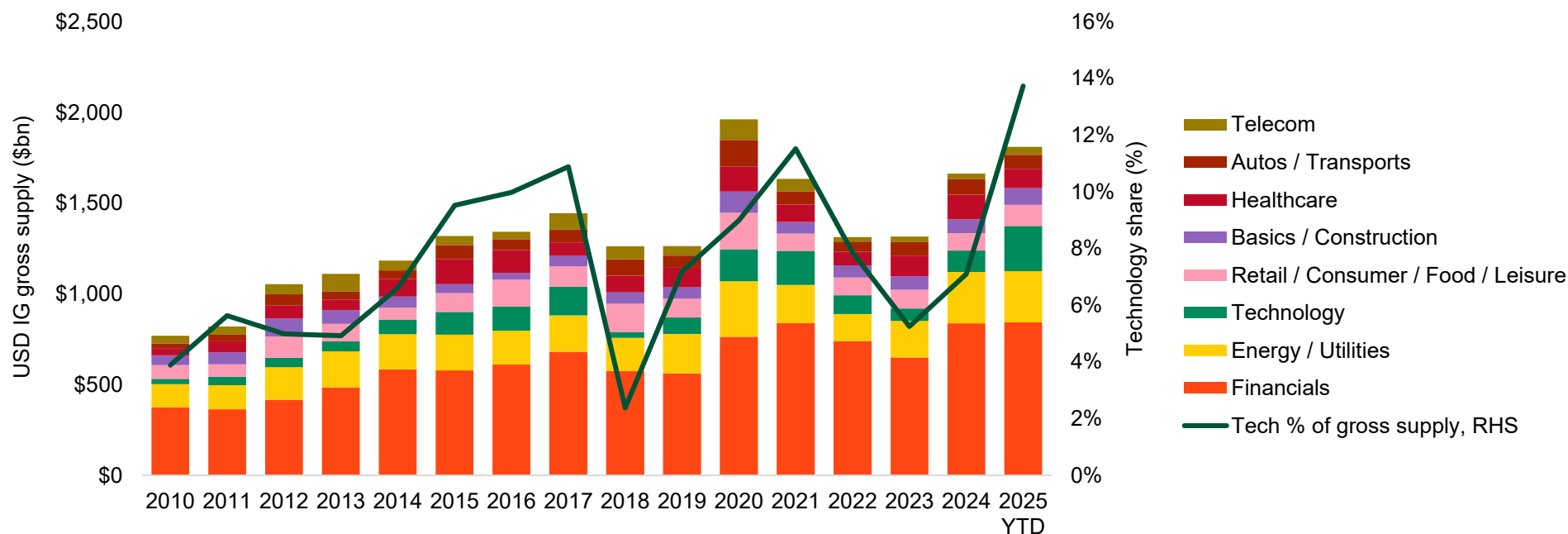
USD IG supply will be boosted by M&A, Tech

Large-scale M&A tends to be dominated by IG-rated acquirers, as the financial flexibility required to complete such transactions typically maps to the higher end of the rating spectrum. So far this year, 8% of overall USD IG gross supply (as of Dec. 9th) has been earmarked for acquisitions. This sits at the low end of the historical range, which has spanned from 3% to 17% in the post-financial crisis era. As the announced deals from 2025 are funded (there is typically a several month time lag from a deal's announcement to its subsequent financing), we expect the share of M&A related supply in the USD IG market to increase.

More broadly, gross issuance in the USD IG market is on track for the busiest year since 2020, as shown in Exhibit 39. The activity has been driven, in part, by an acceleration of supply from the Technology sector. Our colleagues in the *BlackRock Investment Institute* have noted that external estimates of AI corporate capital spending range from \$5 to \$8 trillion globally through 2030 – with most of that spend in the U.S. Investment of this scale will create a vital role for both public and private capital markets, in our view.

Exhibit 39: USD IG supply is on track to be the largest since 2020, boosted in part by Technology

USD IG gross supply by sector (\$bn), and share of supply associated with the Technology sector, RHS



Source: Dealogic (ION Analytics), BlackRock. 2025 YTD is as of December 9, 2025.

Private credit: An ongoing evolution

The addressable markets of borrowers and investors should further expand, amid episodic volatility and ongoing dispersion

Episodic volatility may expand borrower base

Private credit's expansion over the past several years has been driven by a multi-faceted set of growth drivers including: (1) borrowers' desire for certainty of execution, customization and a long-term financing relationship; (2) investors' desire for diversification and income, (3) structural shifts in public debt and equity markets, which are serving larger borrowers as companies 'stay private for longer,' and (4) an evolution in the bank lending landscape.

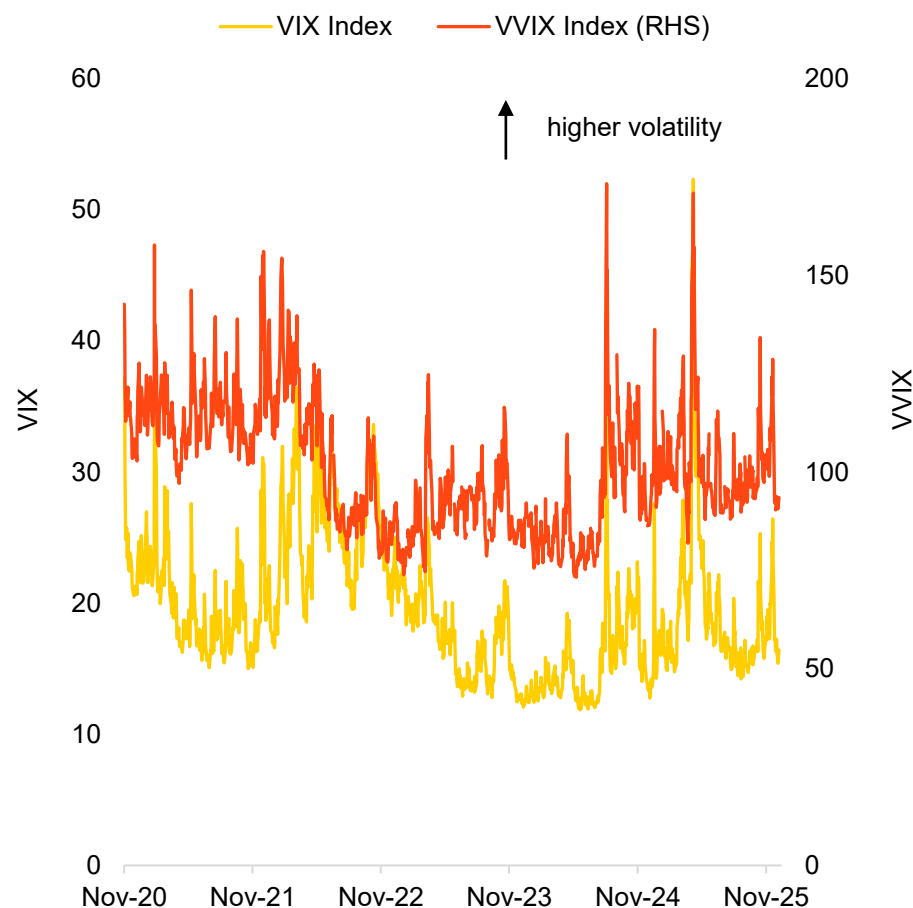
Periods of episodic market volatility – which we expect to remain a feature of the investing landscape in 2026 – further underscore the importance of financing certainty for borrowers with near-term or sizable capital needs (Exhibit 40). This is likely to further expand private credit's addressable market of borrowers in 2026, given the certainty, flexibility and customization that private financing solutions can provide.

Innovation is also expanding investor access to private credit. Once largely reserved for institutional investors, private assets are increasingly available to individual investors and retirement portfolios. Lower entry points, better liquidity and greater transparency are opening private credit to more investors. It can diversify portfolios, generate income, hedge inflation and provide access to an engine of growth often absent from traditional fixed income.

Private credit is no longer reserved for niche financing solutions, as it was in its early days. As private credit has increased in size and scale, the most experienced managers have raised larger funds and are now able to service larger borrowers' needs – reaching into areas historically serviced by syndicated debt markets. This has opened a new market opportunity for scaled providers and, in our opinion, represents one of the largest potential growth vectors for the industry.

Exhibit 40: Episodic volatility is a feature of the investing backdrop, in our view

Daily values of the CBOE VIX Index (a proxy for U.S. equity market volatility), and the CBOE VVIX Index (which measures volatility of the VIX)



Source: ICE-BofA, CBOE, Bloomberg, BlackRock. As of December 8, 2025.

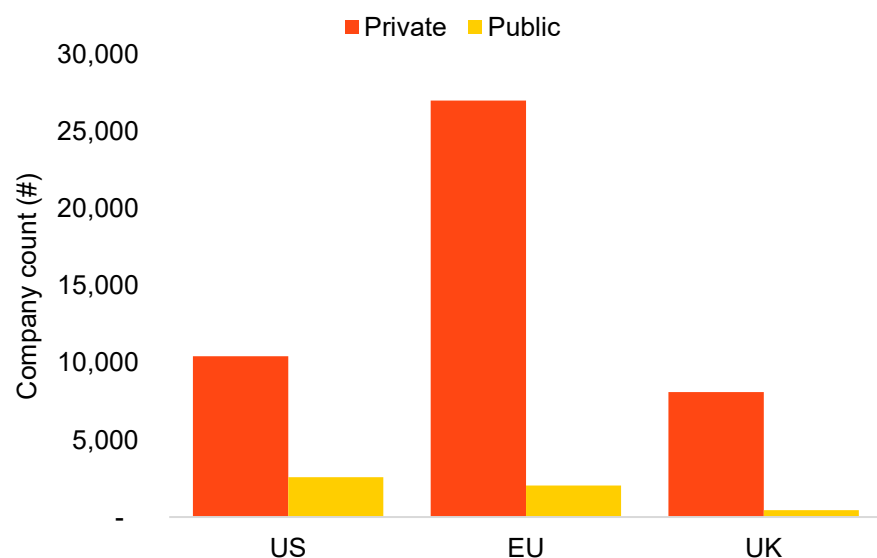
Opportunities in 2026

Private credit, a \$2.1 trillion asset class that we expect to more than double by 2030, is central to financing the middle-market firms that are key drivers of economic growth and job creation. There are 45,000 private firms in the US, EU and UK, which generate \$41 trillion in revenues annually (Exhibits 41 and 42). In the US, middle-market companies generate one-third of GDP and employ more than 40 million people. With the syndicated credit markets serving ever-larger borrowers, smaller companies are increasingly likely to rely on private credit for incremental financing. They may also benefit from a partnership-oriented lending relationship and customized financing, as they move through their growth journeys.

Away from the “traditional” areas of middle market direct lending, we also see scope for growth in other private credit strategies. We expect the pace of growth in private asset-based finance to gain further momentum in 2026, given the magnitude of projected capital expenditures in energy and digital infrastructure. Private high-grade credit is also experiencing a meaningful evolution. We expect even greater investor demand for this asset class, which we anticipate will be met with participation from new borrowers looking to diversify their funding sources.

Exhibit 41: There are over 45,000 private companies across the US, EU, and UK

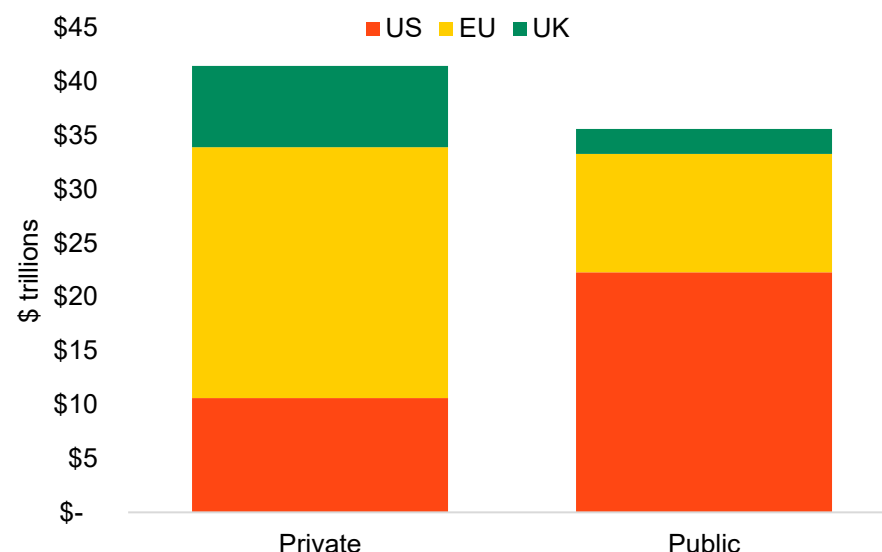
Count of private and public companies with revenue greater than \$100 million, in the US, EU, and UK



Source: S&P Capital IQ, BlackRock. As of November 19, 2025.

Exhibit 42: Private company annual revenues total \$41 trillion

Aggregate annual revenues for private and public companies in the US, EU, and UK



Source: S&P Capital IQ, BlackRock. As of November 19, 2025. Captures firms with last twelve months' revenues of \$100mm or more.

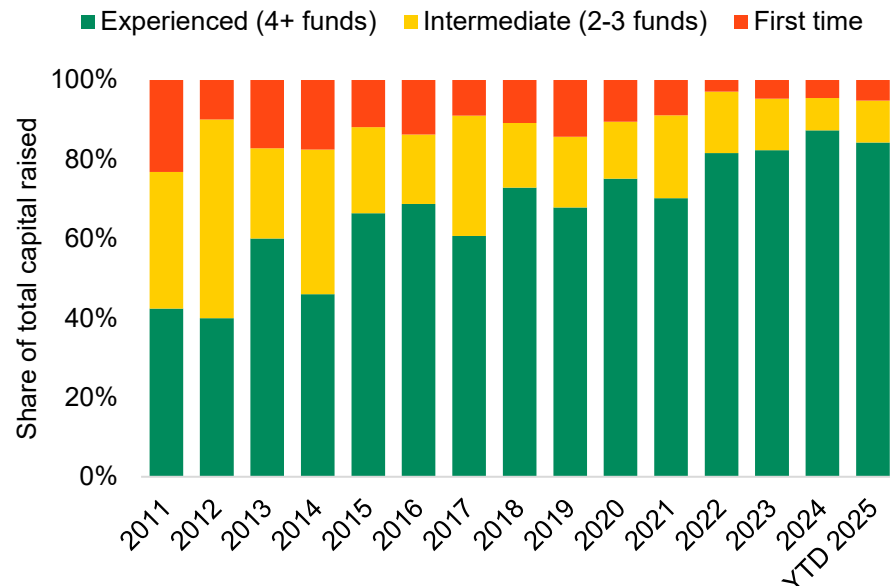
Further growth in fund sizes

Experienced private credit managers – defined as those with four or more funds – have represented the majority of private credit fundraising in recent years. In 2025 (through November 10th), experienced managers raised 84% of total private credit capital, compared to 66% in 2015, and 75% in 2020 (Exhibit 43). We expect this shift toward experienced managers to persist in 2026, as allocators are likely to prioritize underwriting experience and restructuring expertise amid a backdrop of heightened dispersion and episodic volatility.

As fundraising flows have favored scaled and experienced managers, the average private credit fund size has grown in parallel, reaching \$1.11 billion in 2025 – and narrowly surpassing 2024's level to set a new record (Exhibit 44). With access to larger fund sizes, private credit managers are increasingly able to write larger check sizes, and thus, finance larger borrowers. As a result, private credit is no longer reserved for niche financing solutions or lending exclusively to smaller, middle-market corporate borrowers. Rather, it can now reach areas where it previously could not, including larger borrowers with demonstrated access to the syndicated corporate credit markets, such as broadly syndicated leveraged loans, high yield bonds, and even investment grade bonds.

Exhibit 43: Fundraising has favored experienced private credit managers...

Share of total private credit capital raised by manager experience

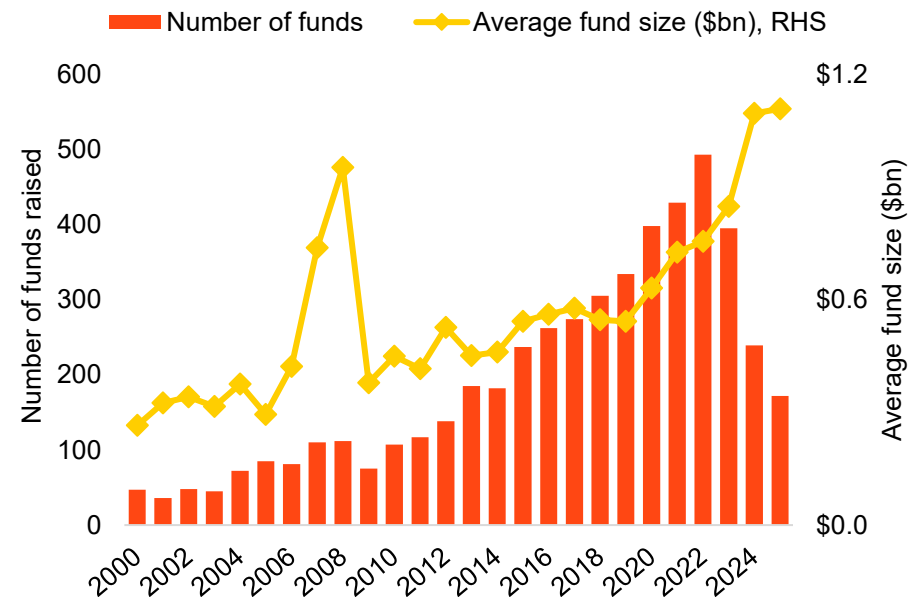


Source: BlackRock, Preqin. Captures data as of November 10, 2025. Captures closed-ended private debt funds.

FOR PROFESSIONAL, QUALIFIED, INSTITUTIONAL AND WHOLESALE INVESTORS / QUALIFIED CLIENTS USE ONLY

Exhibit 44: ...and fund sizes have grown

Global count of private credit funds closed each year, and average fund size, in \$ billions, RHS



Source: BlackRock, Preqin. As of December 9, 2025. Captures the "final close date" for each fund.

‘Jumbo’ issuance continues

One of the clearest ways to track private credit’s increased traction in financing larger deals is by monitoring ‘jumbo’ private credit loans (i.e., loans greater than \$1 billion). Exhibit 45 highlights volumes and deal counts for jumbo loans in the USD market. Since 2024, there have been 108 jumbo deals for a combined \$147 billion in volume. And in the EUR market, the pace of ‘jumbo’ private credit deals has also accelerated – especially since 2023.

With size no longer a binding constraint on private credit’s reach, larger borrowers can benefit from its ability to construct flexible and bespoke financing solutions, with certainty of execution. This can position private credit as a complement to other financing solutions in the existing capital structure. It also supports the increased fluidity between private and syndicated credit markets, in our view.

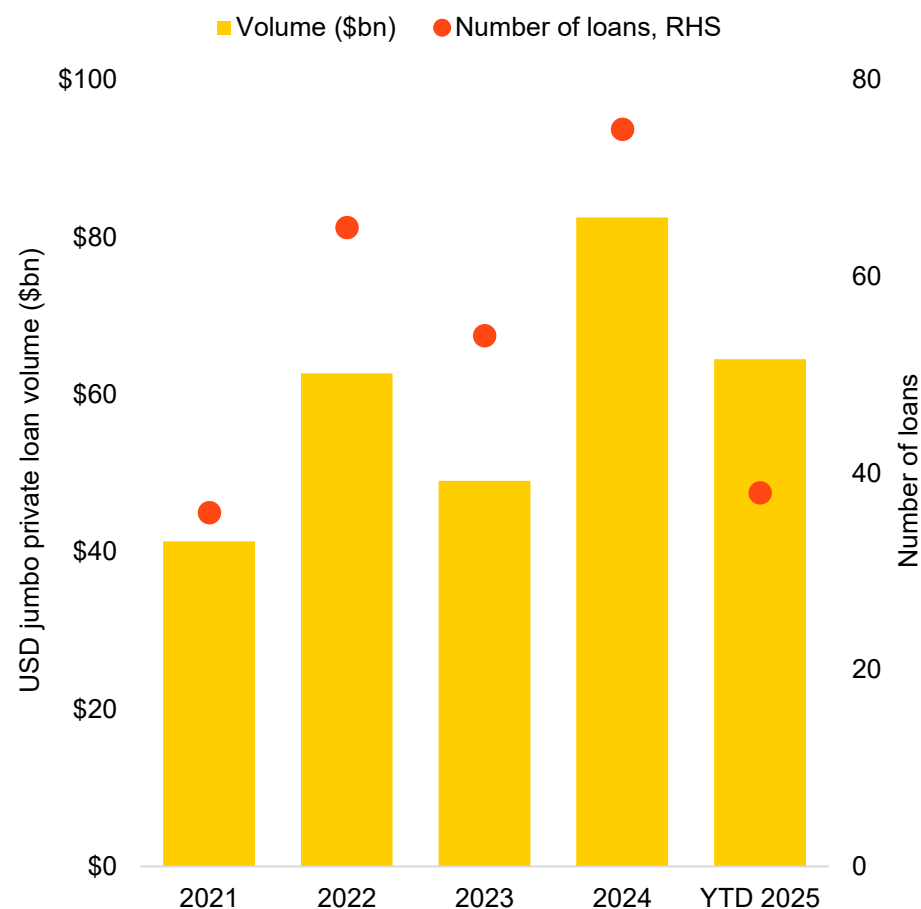
For example, some large IG-rated borrowers may be bumping up against syndicated market issuer concentration limits. Others may value certainty of financing for long-term projects, including those related to the AI-buildout.

While this presents a structural tailwind for upper middle market and larger scale private credit borrowers, we still see a compelling opportunity across the core middle market. Smaller-sized borrowers are increasingly likely, in our view, to rely on private credit for incremental financing that is too small to be considered liquid in the syndicated credit markets (which are serving ever larger borrowers).

We also believe these companies can benefit from the partnership-oriented lending relationship and customized financing as they move through the various stages of their growth journey.

Exhibit 45: The number of ‘jumbo’ loans has increased in recent years

Private (‘jumbo’) loans greater than \$1 billion, in the USD market



Source: KBRA DLD, BlackRock. As of December 1, 2025. Includes incremental amounts to existing financings that total \$1 billion or more.

Public-private ‘mix-shift’ to ‘ebb and flow’

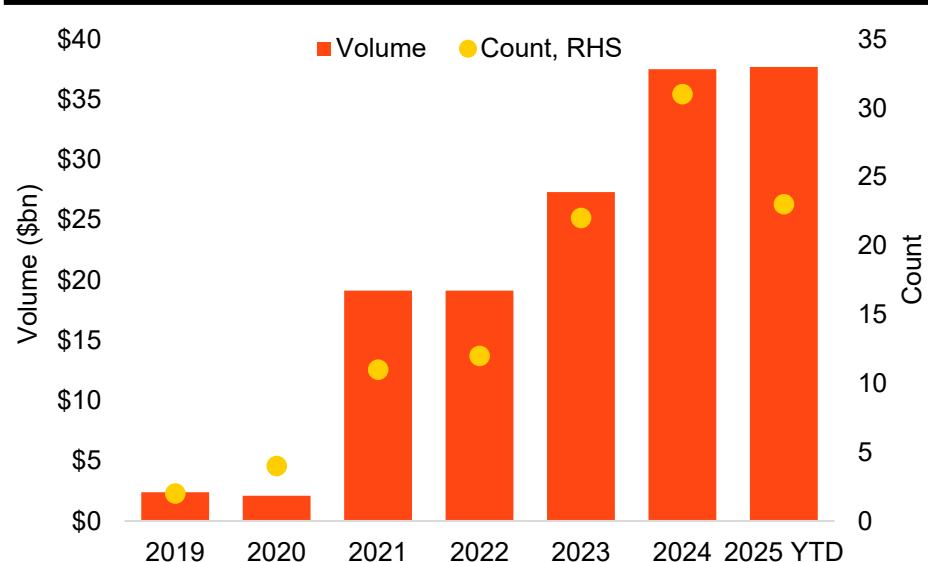
We expect recent periods of episodic market volatility may act as a tailwind in further broadening the addressable market of borrowers accessing private credit for financing solutions. This is largely due to private credit’s ability to provide certainty of execution and terms, flexibility in structure, and customization across the capital structure.

We track the financing ‘mix-shift’ in two ways. The first is refinancing from the broadly syndicated loan (BSL) market into private credit – which are referred to as private market “steals”. As of late November, 2025 “steal” volume in the USD market had already (albeit narrowly) set a new annual record, outpacing previous *full-year* activity in the KBRA DLD dataset, which dates back to 2019 (Exhibit 46).

The second metric tracks movement in *both* directions – from BSL into private credit, and vice versa. As shown in Exhibit 47, activity for the first nine months of the year has been roughly balanced but has skewed more in the direction of private credit ‘takeouts’ over the last three months. We see scope for fluidity between these two markets to intensify and expand, as the addressable markets continue to converge. Key drivers of movement between the two markets will likely be investor risk appetite and technicals in the syndicated markets.

Exhibit 46: YTD private credit “steals”

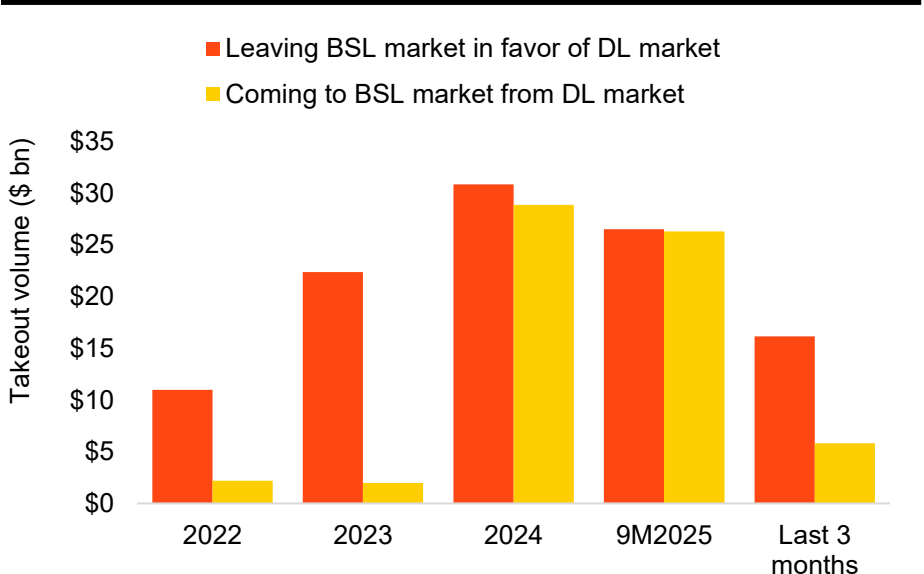
Private market “steals” (by volume and count) which represent the volume of debt refinanced from the broadly syndicated USD leveraged loan market into the private credit market (\$bn)



Source: KBRA DLD, BlackRock. As of November 25, 2025. Includes incremental amounts to existing financings which total \$1 billion or more.

Exhibit 47: Two-sided refinancing activity

Broadly syndicated leveraged loan (BSL) and direct lending (DL) ‘takeouts’ by year



Source: PitchBook LCD, BlackRock. Data through October 31, 2025. Last 3 months captures August 1 - October 31, 2025.

Constructive signaling from fundamentals

Beyond the structural shifts impacting the private financing markets, investors also remain focused on the fundamental trends. The signaling from the most recent data (capturing 3Q2025) has largely been encouraging, in our view.

As we discuss in the following slides, our review of the 3Q2025 data released from a range of third-party data sources reveals continued strength in EBITDA growth, incremental improvements in interest and fixed charge coverage ratios, and realized loss rates that remain below historical average levels.

That said, dispersion remains evident across a range of factors, including company size, sector, and vintage year. And away from the more ‘traditional’ credit metrics, we are closely monitoring trends – and important nuances – related to payment-in-kind (PIK) utilization, covenant defaults, and non-accrual rates as potential signposts to watch as catalysts for additional dispersion.

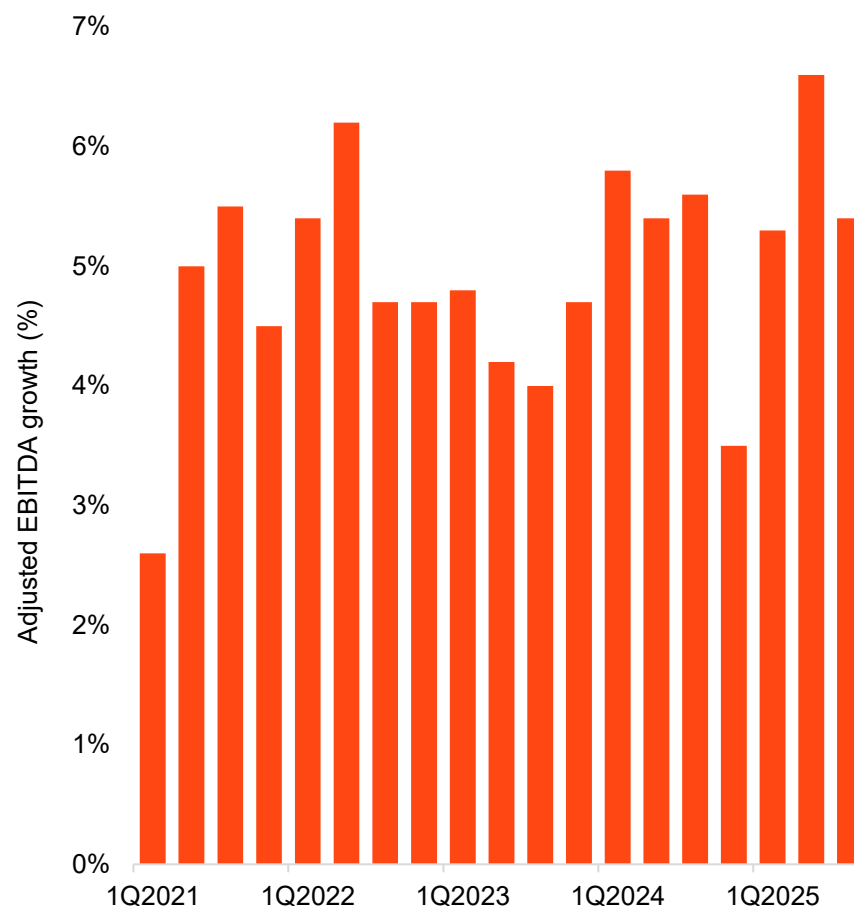
In our view, this underscores the importance of manager selection, credit underwriting and structuring, workout expertise, and origination capabilities, among other variables.

We first start with the Lincoln International Proprietary Private Market Database, which conducts quarterly valuations for over 6,500 portfolio companies and is estimated to capture 30% of all U.S. private equity-backed companies.

In 3Q2025, 62.3% of U.S. companies tracked by Lincoln reported an increase in adjusted EBITDA, which is above the historical average of 60.7%. Average adjusted EBITDA growth was 5.4% in the third quarter, modestly down from 6.6% in 2Q2025 (Exhibit 48).

Exhibit 48: EBITDA growth remains resilient

Adjusted EBITDA growth (last twelve months, year-over-year) for U.S. firms tracked by Lincoln International’s Proprietary Private Market Index



Source: Lincoln International Proprietary Private Market Database, BlackRock. As of 3Q2025 (most recent). © 2025 Lincoln Partners Advisors LLC. All rights reserved. Used with permission. Third-party use is at user's own risk.

Coverage metrics have improved...

Further, size-weighted interest coverage and fixed charge coverage ratios (FCCR) continue to improve for both the U.S. and European borrowers in the Lincoln International Proprietary Private Market Database (Exhibits 49 and 50).

This has been supported, in large part, by a backdrop of declining rates in both regions, which have in turn lowered borrowing rates for floating-rate borrowers. That said, as we detailed earlier in this piece, we expect that the bulk of rate cuts may be behind us in both regions, at least in the medium term. This suggests that any future improvements in interest and fixed charge coverage ratios may need to be driven by borrower financial (EBITDA) performance, rather than lower interest rates.

Exhibit 49: U.S. private credit coverage ratios improved in 3Q2025...

Size-weighted interest coverage and fixed charge coverage, RHS, ratios for U.S. firms tracked by Lincoln International's Proprietary Private Market Index

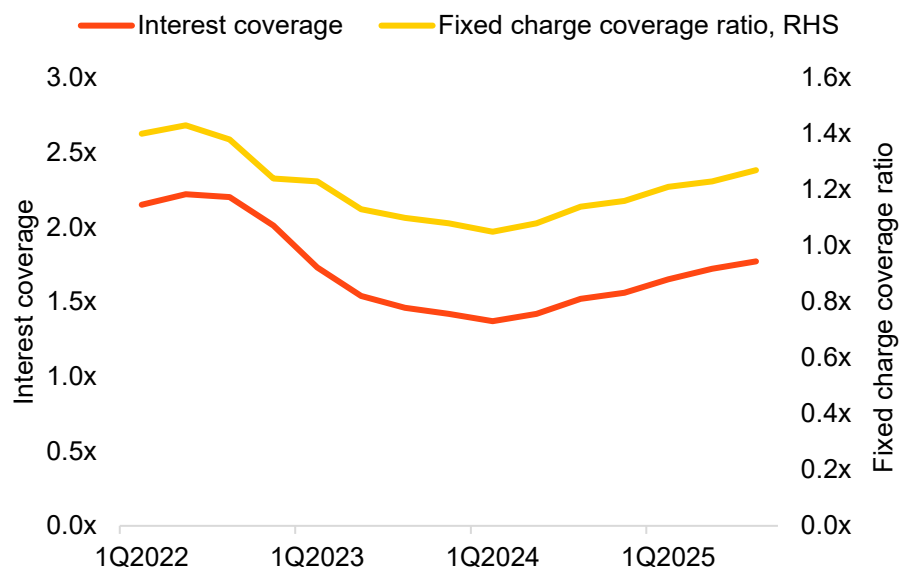
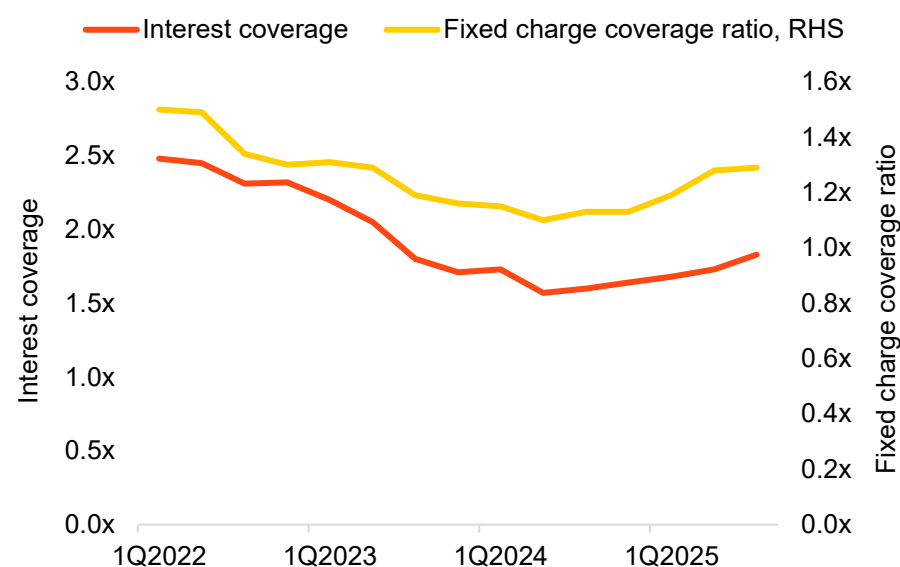


Exhibit 50...as did coverage ratios for European private credit

Size-weighted interest coverage and fixed charge coverage, RHS, ratios for European firms tracked by Lincoln International's Proprietary Private Market Index



Source: Lincoln International, BlackRock. As of 3Q2025 (most recent as of December 10, 2025). Calculation of Interest Coverage = PF LTM EBITDA / Interest. Calculation of fixed charge coverage ratio = (PF LTM EBITDA - Taxes - Capex) / (Interest Expense + (1% * Total Debt). Capital Expenditures ("Capex") utilizes LTM capex by default. If LTM Capex is unavailable, a proxy is determined using either NFY Capex, LFY Capex, or by estimating it as a percentage of revenue. Note: Interest calculations exclude companies using Payment-in-Kind (PIK) interest if cash interest is not being paid. Adjusted EBITDA rather than reporting EBITDA was utilized within the analysis.

...but dispersion persists

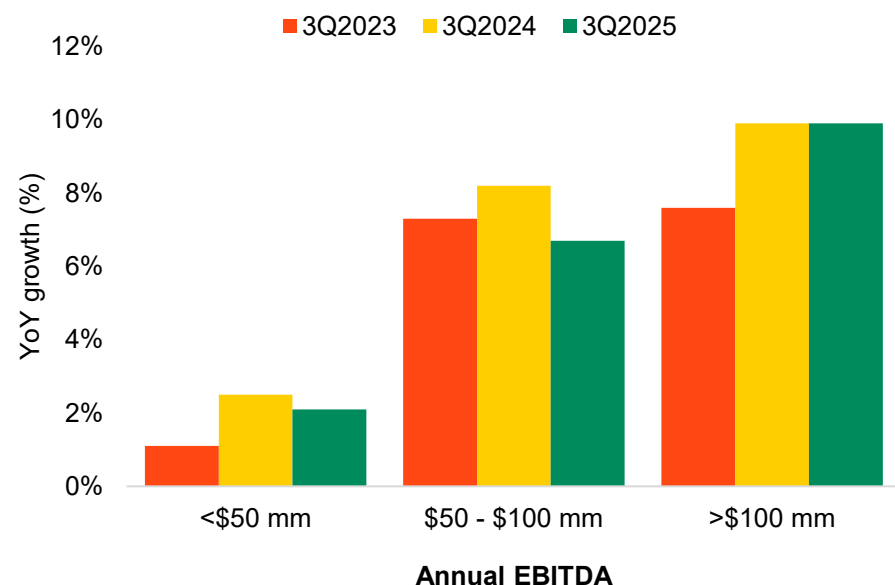
That said, we continue to see dispersion across multiple factors, including by company size, sector, and vintage year. Exhibits 51 and 52 highlight the variation in year-over-year (YoY), last-twelve-month (LTM) adjusted EBITDA growth by borrower size.

For borrowers in both the U.S. and Europe, the smallest size cohorts have been the most challenged, growing at the slowest pace, and in the case of Europe, recording negative YoY growth. Similarly, the largest size cohorts in each region tend to provide the highest and most consistent growth rates.

In our view, these patterns reflect the fact that smaller companies may have thinner financial cushions, less diversified business models, and weaker pricing power, while larger borrowers generally possess greater flexibility and a broader set of operational levers to support performance.

Exhibit 51: In the US, larger companies have grown EBITDA faster vs. smaller peers

Year-over-year, last-twelve-months' adjusted EBITDA growth, by company size (annual EBITDA) for US companies in the Lincoln International Proprietary Private Market database

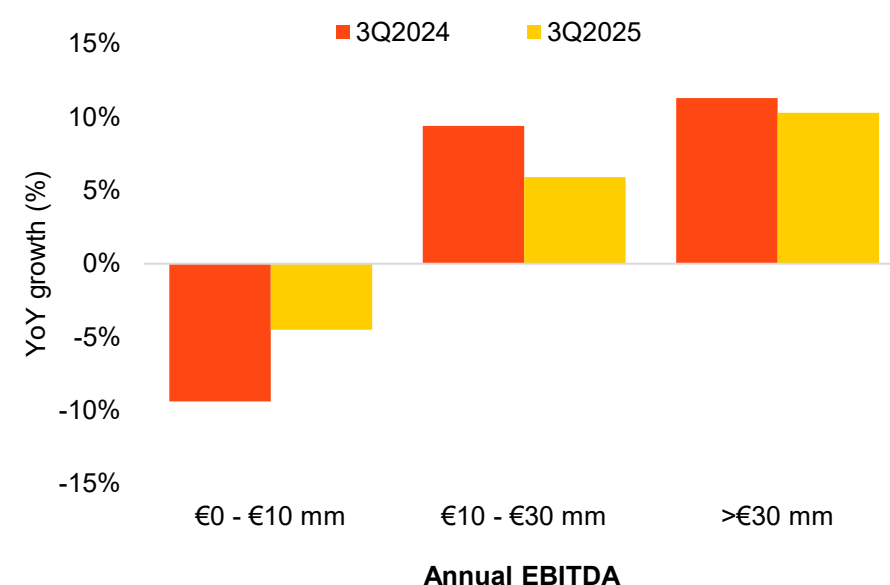


Source: Lincoln International Proprietary Private Market Database, BlackRock. As of 3Q2025.

FOR PROFESSIONAL, QUALIFIED, INSTITUTIONAL AND WHOLESALE INVESTORS / QUALIFIED CLIENTS USE ONLY

Exhibit 52: A similar trend is visible in Europe

Year-over-year, last-twelve-months' adjusted EBITDA growth, by company size (annual EBITDA) for European companies in the Lincoln International Proprietary Private Market database



Source: Lincoln International Proprietary Private Market Database, BlackRock. As of 3Q2025.

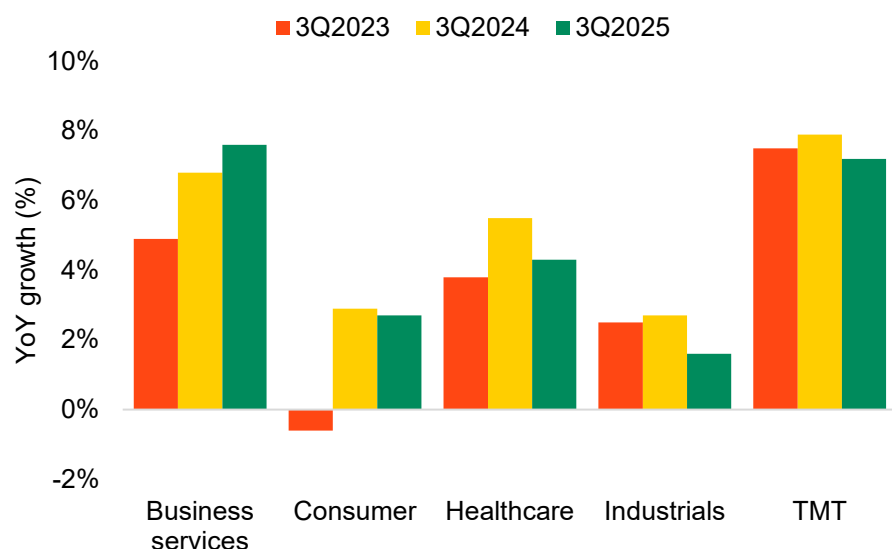
Sector dispersion is evident, too

And in both regions, dispersion is also evident across sectors, with some industries exhibiting strong and consistent EBITDA growth (Business Services, Technology), and others growing at a slower or less consistent pace (Industrials, Consumer; Exhibits 53 and 54). This likely reflects sector-specific nuances, such as industry growth tailwinds or consumer end-market profiles (given the [bifurcation](#) we have previously highlighted).

Sector-level dispersion is a trend that's been in place for quite some time (in both private and [public](#) credit markets). In our view, this underscores the importance of diversified allocations, within and between asset classes. For example, private credit has historically favored less-cyclical sectors, such as Business Services, Healthcare, and Technology (instead of commodities-focused industries) because managers underwrite private credit loans to hold throughout the economic cycle. It also, in our view, emphasizes the importance of active credit selection.

Exhibit 53: EBITDA growth has favored select industries in the U.S

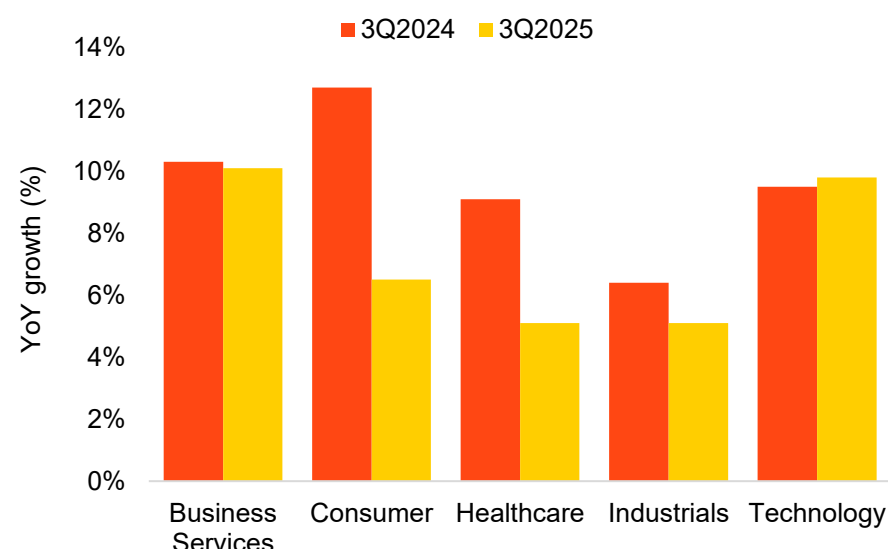
Year-over-year, last-twelve-months' adjusted EBITDA growth, by industry, for U.S. companies in the Lincoln International Proprietary Private Market database



Source: Lincoln International Proprietary Private Market Database, BlackRock. As of 3Q2025.

Exhibit 54: Sector variation is also evident in Europe

Year-over-year, last-twelve-months' adjusted EBITDA growth, by industry for European companies in the Lincoln International Proprietary Private Market database



Source: Lincoln International Proprietary Private Market Database, BlackRock. As of 3Q2025.

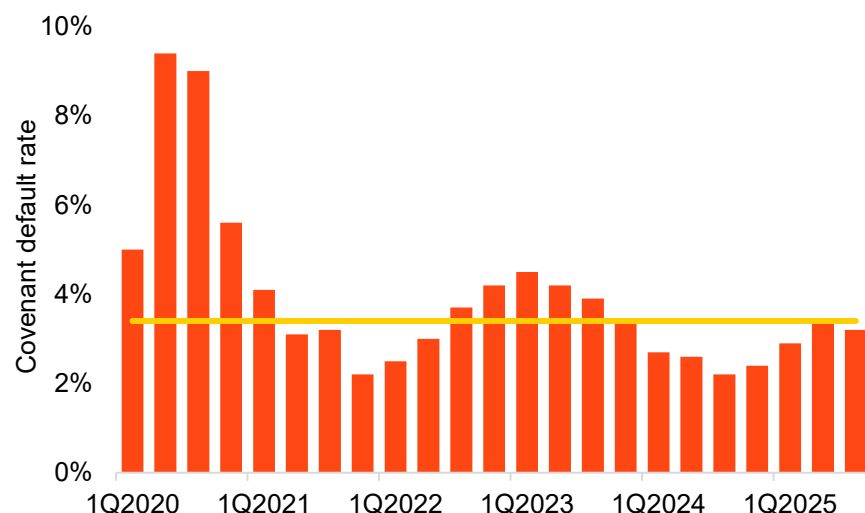
Assessing covenant defaults across regions

The directional trend in covenant defaults is monitored by many market participants as a barometer of potential financial pressure within private credit. In 3Q2025, covenant default rates in both the U.S. and Europe modestly *declined* (Exhibits 55 and 56). This could be driven by a combination of factors, including (1) borrowers' improved financial positions and (2) lenders' willingness to work with borrowers, including in amending covenants in advance of a default. Importantly, a private credit covenant default does not necessarily lead to a monetary loss. For this reason, we discuss defaults alongside realized loss data in the coming pages, which is more related to lender outcomes (Exhibit 61).

Lenders' willingness to work with borrowers is evident in the European data, which also tracks covenant 'holidays,' or agreements to suspend testing of one or more covenants, usually for a period of time (Exhibit 56). While each case can be nuanced, the effectiveness of 'holiday' or amendment activity in resolving borrower stress (and maximizing capital returns) largely depends on lenders' expertise and the underlying viability of the borrowers' business, in our view.

Exhibit 55: Covenant defaults declined in 3Q

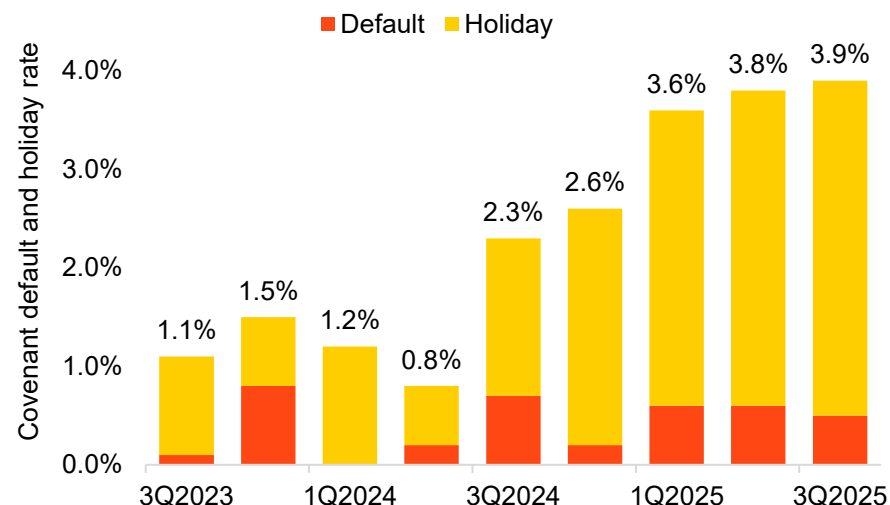
Aggregate size-weighted covenant default rate, and the 5-year historical average, for the U.S. portfolio companies included in the Lincoln International Proprietary Private Market Database



Source for Exhibit 55: Lincoln International Proprietary Private Market Database, BlackRock. As of 3Q2025. A default is defined by Lincoln as a covenant default (not necessarily a monetary default). The calculation is size-weighted and considers the total net debt balance for each of the portfolio companies that had a defaulting security in the respective quarter. © 2025 Lincoln Partners Advisors LLC. All rights reserved. Used with permission. Third party use is at user's own risk. **Source for Exhibit 56:** Lincoln International, BlackRock. 2Q2025 and 3Q2025 data are preliminary and remain subject to change in upcoming market insights as incremental information is received post-quarter end. A covenant holiday is an agreement (often time-bound) to not test one or more covenants.

Exhibit 56: Covenant 'holidays' grew in Europe

Size-weighted covenant default and holiday rate for European companies in the Lincoln International Proprietary Private Market Database



The nuances surrounding ‘PIK’

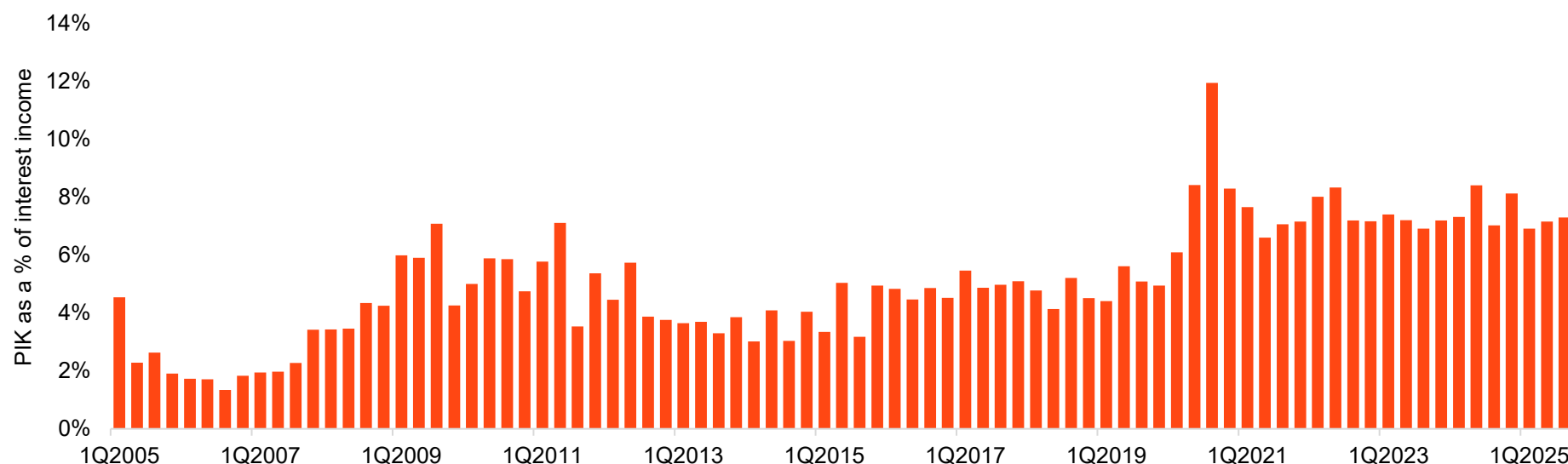
Payment-in-kind (PIK) utilization also warrants monitoring for incremental insight into potential fundamental pressures and possible catalysts for additional dispersion. PIK interest is defined as interest that is ‘paid’ in the form of additional non-cash principal, as opposed to cash interest. While there are various ways to track PIK utilization, we believe monitoring PIK as a percentage of total interest income is among the most informative.

Exhibit 57 demonstrates this metric for the Cliffwater Direct Lending Index (CDLI), a universe of over 20,000 USD loan holdings representing roughly \$514 billion in assets under management, as of 3Q2025. Further, Exhibit 59 (next page), shows the share of loans with PIK interest that are marked below 90% (as a rough proxy for a stressed valuation), and the average mark of those loans. Both exhibits demonstrate a relatively steady level quarter-over-quarter.

Data from Lincoln International provides another perspective on PIK, showing the rising share of companies paying PIK interest in the U.S. and Europe, including both ‘good’ PIK (i.e., PIK included at underwriting) and ‘bad’ PIK (i.e., PIK added through amendments, after origination and presumably in response to unanticipated financial stress; Exhibits 58 and 60, next page). Notably, the share of companies with PIK (both ‘good’ and ‘bad’) has grown over time in both regions.

Exhibit 57: PIK as a percentage of total interest income has remained range-bound since 2021

Payment-in-Kind (PIK) as a percentage of total interest income for the Cliffwater Direct Lending Index



Source: Cliffwater Direct Lending Index, BlackRock. As of September 30, 2025 (most recent as of December 10, 2025).

Exhibit 58: The share of investments with 'bad PIK' has edged down vs. late 2024

For the U.S. companies tracked by Lincoln International, the share of total investments with PIK interest, and the share of PIK-paying investments with 'bad PIK' (i.e., without PIK at close), RHS

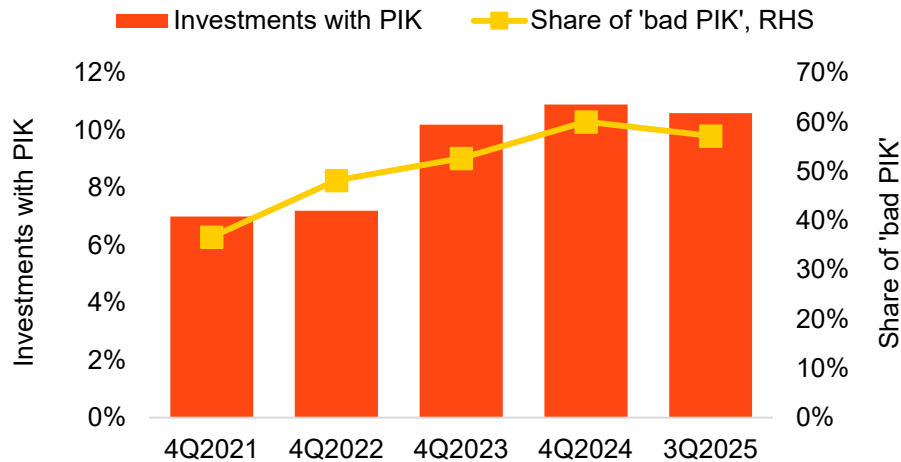


Exhibit 59: 18% of PIK loans in the CDLI were marked at or below \$90, as of 3Q2025

Percent of term loans in the CDLI that have PIK and are marked at or below 90% of par (as a proxy for distress), and the average fair value mark of term loans with PIK, RHS

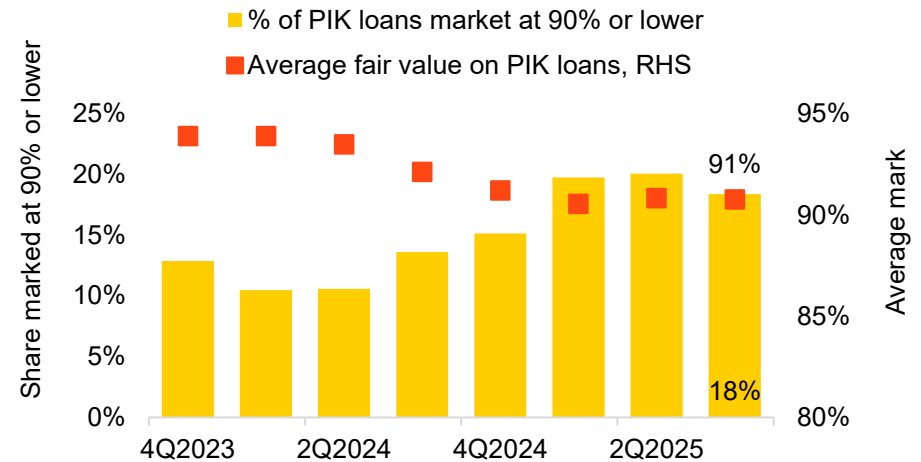
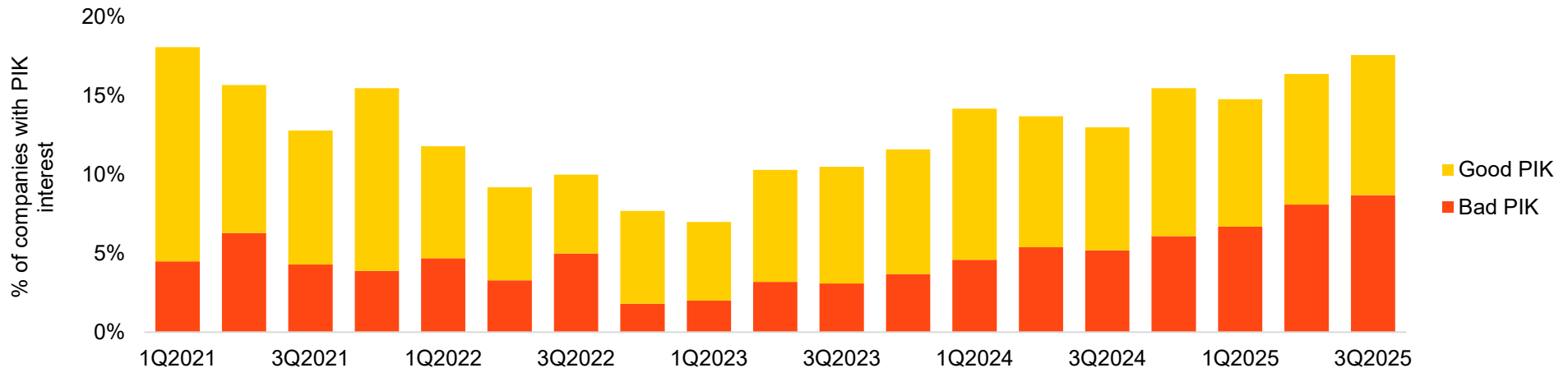


Exhibit 60: 'Bad' PIK in the EUR private credit market has increased modestly

Share of companies using payment-in-kind (PIK) interest based on PIK classification ('good' PIK, 'bad' PIK) for European companies in the Lincoln International Proprietary Private Market database



Exhibits 58 and 60: Source: Lincoln International Proprietary Private Market Database, BlackRock. As of 3Q2025. 'Bad PIK' is defined as PIK amended into existing credit agreements. 'Good PIK' is defined as PIK included in initial agreements at underwriting. **For Exhibit 59:** Source: Cliffwater, BlackRock. As of 3Q2025 (most recent available for the CDLI).

FOR PROFESSIONAL, QUALIFIED, INSTITUTIONAL AND WHOLESALE INVESTORS / QUALIFIED CLIENTS USE ONLY

Realized losses remain modest

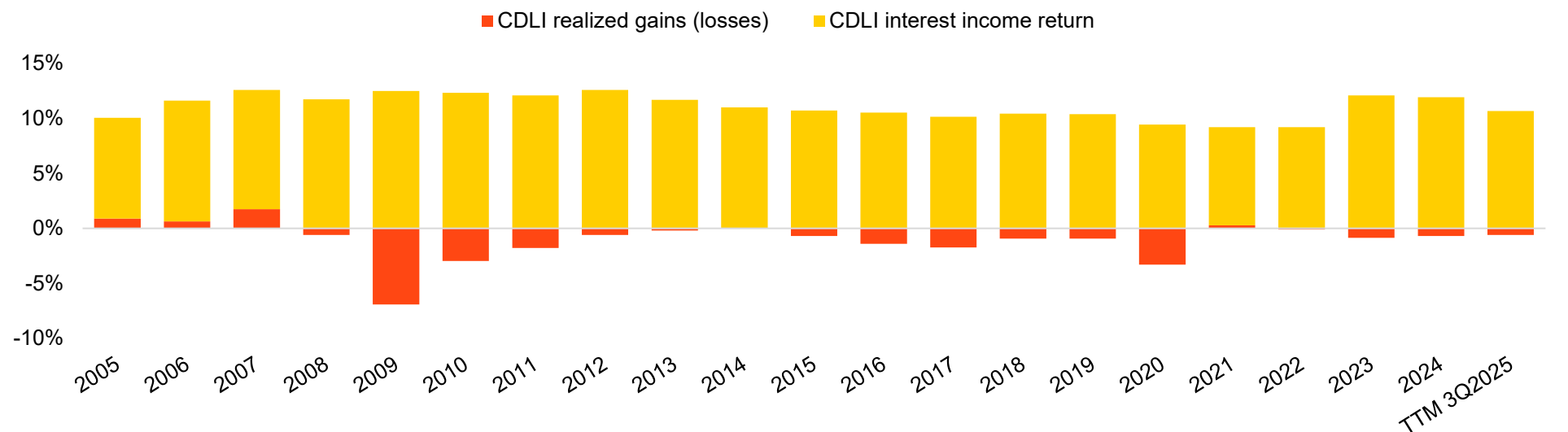
While trends in covenant default and PIK activity may act as a signpost for *potential* stress in the private credit market, neither provide *direct* insight into realized performance. For example, a covenant default in private credit does not necessarily translate into a monetary one. Indeed, most critical to private credit performance, in our view, is the interest income returned to investors, relative to the *realized loss* of the asset class over that period.

As Exhibit 61 illustrates, trailing twelve-month realized losses for the CDLI were 61bp in 3Q2025, below the 10-year average of 104bp. These loss rates are modest both in absolute terms, and relative to interest income over the same period, which totaled 10.67%. While private credit interest income return has fallen from 2023 highs, due in large part to declining (floating) interest rates, it remains modestly above the 10-year average of 10.37%.

In recent months, some market participants have become increasingly focused on the potential for late-cycle risks in the liquid and private credit markets – highlighting several high-profile defaults as potential warning signs. In our view, the granular fundamental data suggests these developments are more reflective of heightened dispersion, rather than widespread market disruption.

Exhibit 61: Private credit realized losses remain contained

Trailing 12-month interest income return and realized gains (losses) for the Cliffwater Direct Lending Index (CDLI)



Source: Cliffwater Direct Lending Index, BlackRock. As of September 30, 2025 (most recent available as of December 10, 2025). Realized gains in the CDLI can be driven by equity stubs, warrants, and gains on exited investments. These were more common in 2005-2007, when second lien and mezzanine loans were a greater portion of the CDLI. **The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.** Index performance returns do not reflect any management fees, transaction costs, or expenses. Indices are unmanaged, and one cannot invest directly in an index.

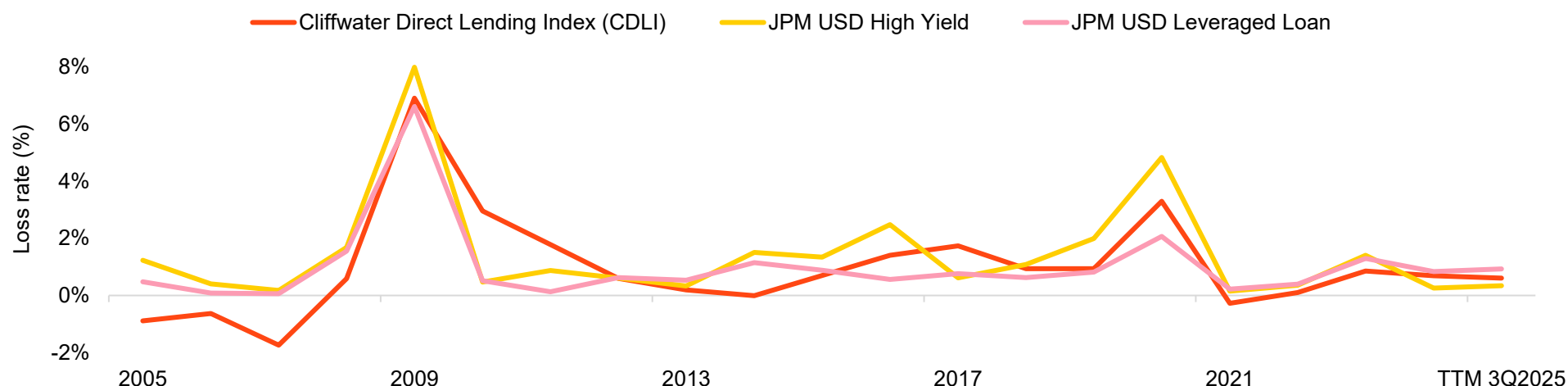
Perspective on private credit concerns

When comparing public vs. private credit, we view realized loss rates as more informative than default rates, driven by the increased prevalence of maintenance covenants in private credit structures. For example, tripping a covenant provides private lenders the time and legal position to address issues in advance of a *payment* default. Exhibit 62 shows that realized loss rates for the CDLI have compared favorably to the public markets. In periods of financial market stress, such as the global financial crisis of 2007–2009, the energy sector disruption of 2014–2015, and the pandemic in early 2020, net realized losses for the CDLI were similar to or lower than losses in the USD HY bond and leveraged loan markets (again, Exhibit 62).

We attribute this relative resilience of direct lending to a few factors, namely: (1) the extensive due diligence and underwriting in the investment selection process, (2) structural protections, as the loans are senior secured in the capital structure, as well as covenants (3) ongoing monitoring to help mitigate downside risk, and (4) having a strategic partner who can work collaboratively with the company to provide needed support over the long-term, if required. This can often result in a more efficient process for negotiating amendments vs. what would otherwise occur in the syndicated public market, where a wide array of lenders would need to agree on a potential change.

Exhibit 62: Realized losses in private credit track the syndicated markets

Realized annual and trailing 12-month loss rates (all par-weighted) for the Cliffwater Direct Lending Index, and for the universe of USD leveraged loans and HY bonds tracked by JP Morgan



Source: Cliffwater, JP Morgan, BlackRock. For the CDLI, we show annual and trailing 12-month realized loss rate data for 3Q2025. Realized gains in the CDLI can be driven by equity stubs, warrants, and gains on exited investments. These were more common in 2005–2007, when second lien and mezzanine loans were a greater portion of the CDLI. For USD Leveraged Loans and High Yield, we show implied loss rates based on JPM’s actual par-weighted default and recovery rates. **The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.** Index performance returns do not reflect any management fees, transaction costs, or expenses. Indices are unmanaged, and one cannot invest directly in an index.

BDC ROEs reveal manager dispersion

In addition to dispersion at the *borrower* level, we also track metrics related to manager and fund-level dispersion.

Exhibit 63 demonstrates this ‘higher-level’ dispersion in the trailing-4-quarter return-on-equity (ROE) for business development companies (BDCs) tracked by the CDLI.

The data suggests that there are some years where performance is driven by the broader macroeconomic backdrop, and others where performance (and dispersion) is driven by manager-level factors, such as underwriting and strategy.

For example, 45% of BDCs experience a negative ROE in TTM 3Q2020 data, while the year following showed a dramatic shift higher. This highlights, in our view, the performance write-downs related to the 2020 pandemic, and the subsequent rebound in valuations amid the economic ‘re-opening’ that followed in 2021, which heavily influenced BDC ROE over those years.

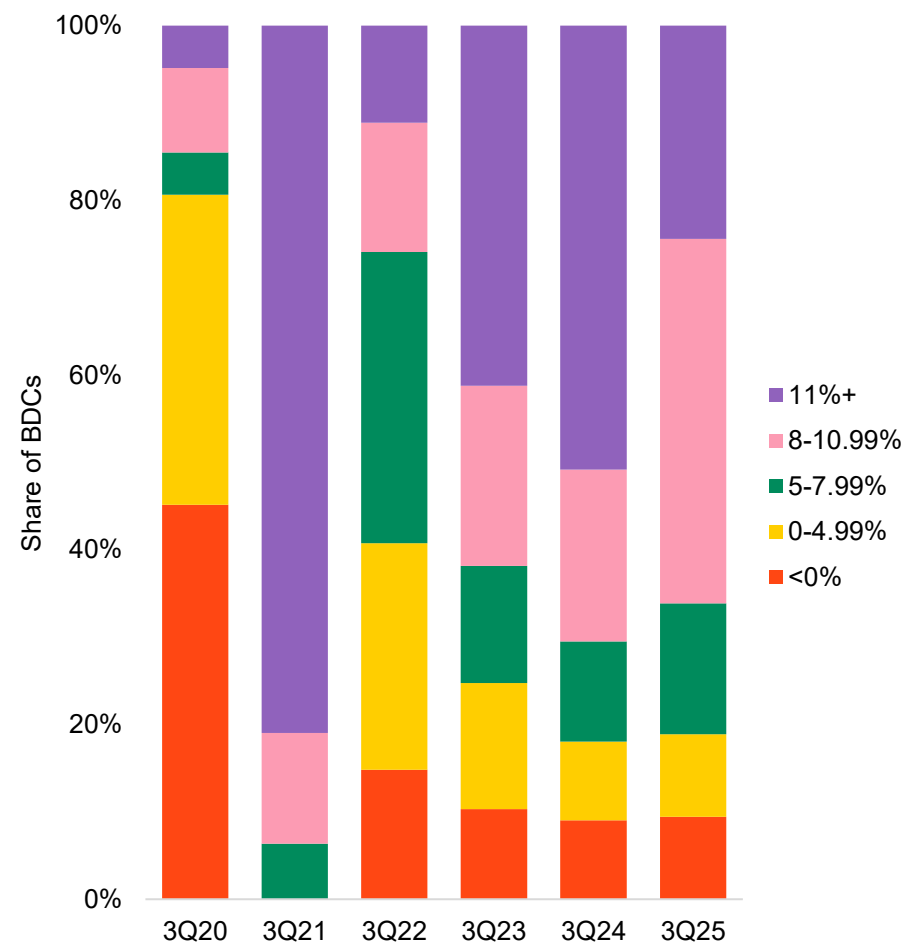
The more scattered distribution across ROE categories in recent years suggests that ROE dynamics have shifted more toward manager-level dispersion.

And while lower base rates and tighter spreads have skewed the distribution downward, an analysis from CDLI reveals that the majority of ‘low-performers’ were associated with sub-scaled portfolios, or those with less than 100 credits. For context, the average ROE for managers with a portfolio of over 200 borrowers was 9.5%, compared to an average ROE of 6.1% for managers with less than 100 credits.

This further emphasizes the importance of manager selection, in our view.

Exhibit 63: BDC ROE reveals performance dispersion

Trailing 4Q return on equity distribution for BDCs in the Cliffwater Direct Lending Index, by count



Source: Cliffwater Direct Lending Index, BlackRock. As of 3Q2025.

Sponsor M&A has more room to accelerate

After a sluggish start to the year, sponsor-related M&A volumes accelerated during the course of 2025, surpassing the last few years (outside of 2021's record-shattering, post-pandemic wave of M&A; Exhibit 64).

The relative share of sponsor-related deal-making, as a percentage of overall global M&A, is 32% using data sourced from Dealogic.

This is in line with the 10-year average (2014-2024) of 32%, when using a universe of global deals valued at \$100 million or more at announcement. That said, it is somewhat below the five-year average (2020-2024) of 36%.

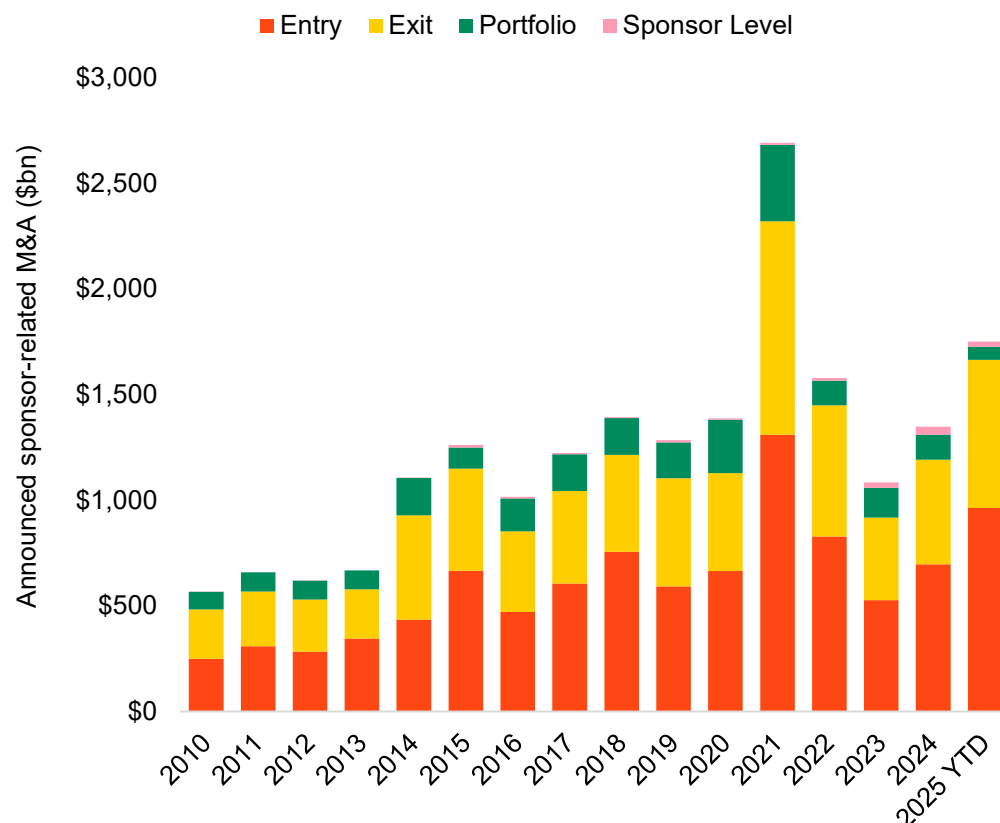
We see scope for the pace of sponsor-related M&A activity to broaden further, given the macroeconomic and policy factors outlined earlier. For context, our colleagues in Preqin estimate there is \$2.78 trillion of dry power in global private equity (PE) portfolios.

We also believe a 'valuations expectations gap' between buyers and sellers persists, to some degree, and see potential for this gap to narrow in the coming quarters. This could provide incremental financing opportunities for private credit lenders over the medium term.

As we discuss next, the broadening base of PE exit activity in both regions – beyond the largest and most valuable assets – is a critical ingredient for a sustained and broad-based recovery in the PE deal-making environment.

Exhibit 64: Sponsor-related deal making has room to run, in our view

Global sponsor-related deal volumes (\$bn), by type. Captures deals valued at \$100 million or more, at announcement. Excludes cancelled or withdrawn deals.



Source: Dealogic (ION Analytics), BlackRock. 2025 YTD is as of December 10, 2025. A deal is classified as a sponsor-related transaction if a financial sponsor is involved as a buyer or a seller. These figures will double-count transactions, in some instances (i.e., an investment captured as an entry and exit, by two different financial sponsors).

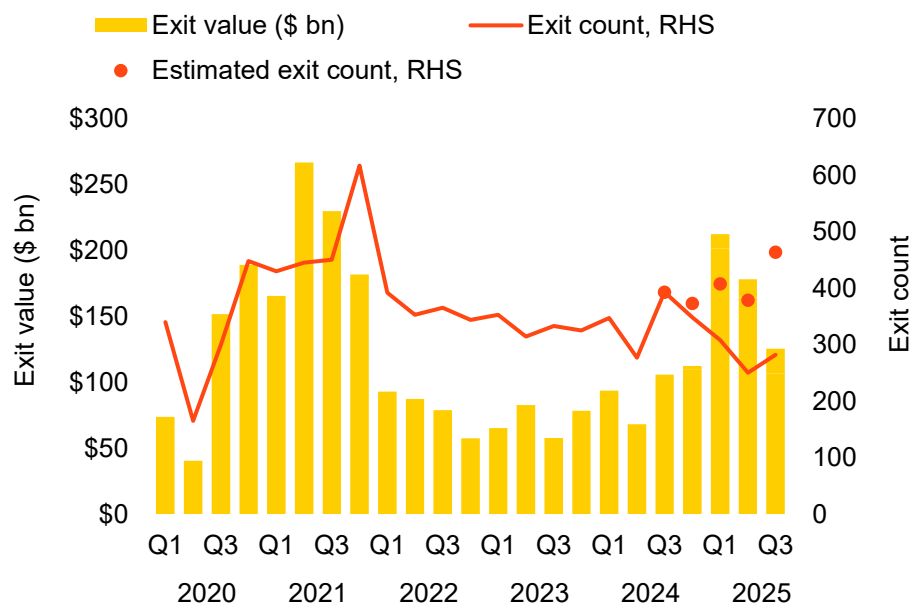
Watching for a broadening in PE exits

In the early part of 2025, data sourced from PitchBook showed that PE exit activity was generally contained to the largest assets and hadn't yet encompassed a wide range of portfolio companies. To us, this suggested that PE general partners were likely prioritizing 'exiting' their largest and highest quality assets given the market volatility, as higher interest rates and intermittent concerns about a slowdown in global growth weighed on financial sponsors' ability to exit existing investments in recent years.

But more recent data suggests that PE exit activity may be broadening. For example, U.S. PE exit counts rose 22% QoQ in 3Q2025, indicating that transactions are encompassing a wider set of sponsored assets (Exhibit 65). In Europe, PE exit values grew 80% QoQ, marking their highest quarterly value since 3Q2023. Deal counts also rose, reaching the strongest exit count on record since 2020 (Exhibit 66).

Exhibit 65: PE exit counts rose in 3Q2025, despite declines in exit values

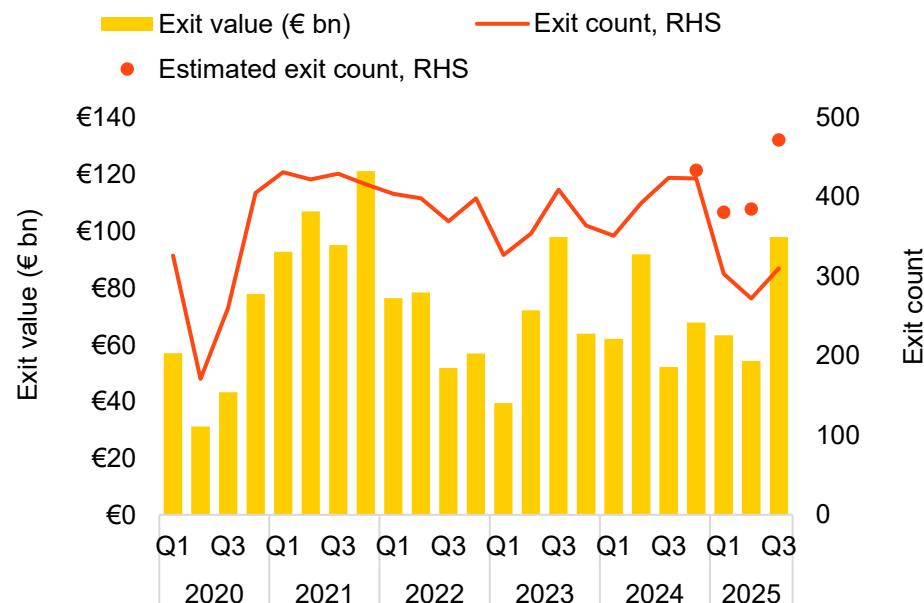
Quarterly U.S. PE exit activity, by value and exit count



Source: PitchBook LCD, BlackRock. As of 3Q2025. Includes PitchBook LCD estimates for 4Q2024 - 3Q2025. **There is no guarantee any forecasts may come to pass.**

Exhibit 66: European PE exit values grew 80% QoQ and 88% YoY

Quarterly European PE exit activity, by value and exit count



Source: PitchBook LCD, BlackRock. As of 3Q2025. Includes PitchBook LCD estimates for 4Q2024 - 3Q2025. **There is no guarantee any forecasts may come to pass.**

Commercial real estate: Still adapting

A 'slow but steady' pace toward recovery

CRE asset values rebound further

Commercial real estate (CRE) has undergone significant shifts over the last few years driven by structural changes in property usage, such as slow-ramping return-to-office trends following the COVID-19 pandemic, and changes in the macro backdrop, including to interest rates.

Since the Federal Reserve's interest rate hiking cycle began in 2022, CRE asset prices have, in many cases, retraced gains made from 2020 to 2022. The repricing of assets to reflect higher borrowing costs kept market participants focused on the pace and shape of CRE's recovery.

Now, with 175bp in interest rate cuts already delivered by the Federal Reserve, we believe the recovery in CRE is set up to experience ongoing momentum in 2026.

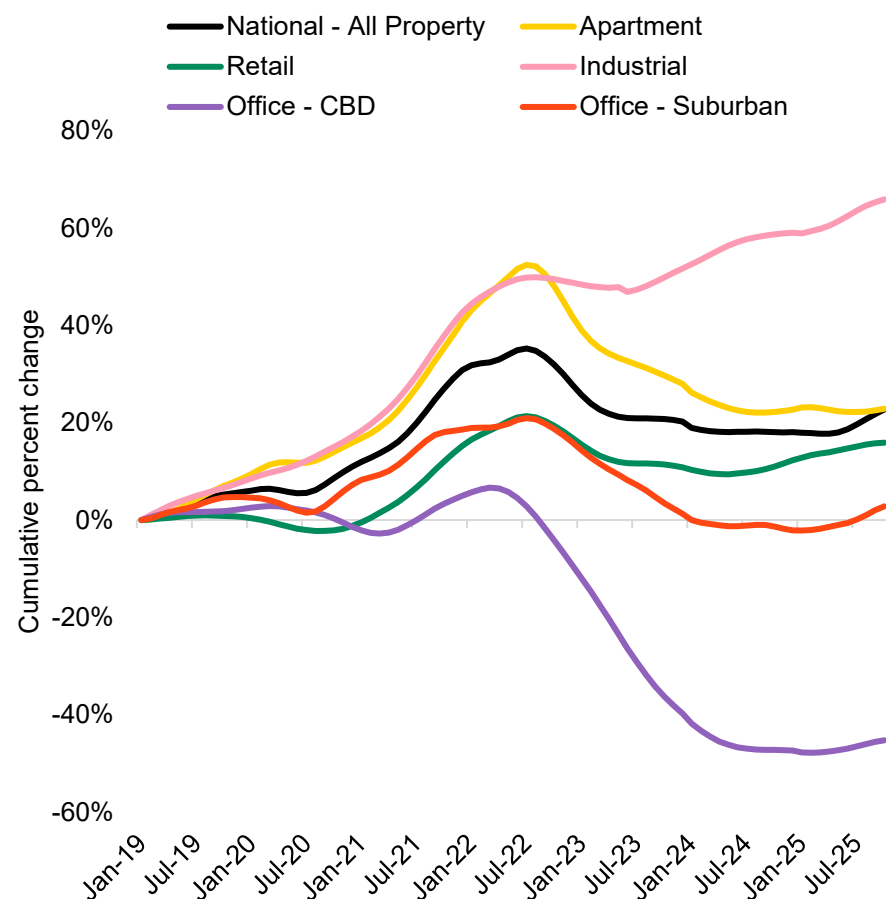
To illustrate this, we first take stock of asset valuations using data from the MSCI Real Capital Analytics Commercial Property Price Indices (RCA CPPI).

Changes in asset prices have been slow-moving and uneven across and within property types (Exhibit 67). Over 2025, we've seen small but steady improvements as asset values transition from stabilizing to *recovering*. Such a change suggests that a 'trough' in asset values has formed, relative to declines for some property types that began in 2022. This includes Central Business District offices, which experienced the most significant decline and lagged in stabilization relative to other property types covered by the indices.

Though while most property types have demonstrated a modestly positive change in asset valuations over recent months, we anticipate further fluctuations in property values may occur, especially as residual stress continues to work its way through the asset class.

Exhibit 67: Data shows stabilization in CRE asset values, and confirmation of previous troughs

Cumulative percent change in the level of the Real Capital Analytics Commercial Property Price Indices (RCA CPPI), since January 2019



Source: MSCI Real Capital Analytics, BlackRock. As of October 31, 2025 (most recent available).

Slow but steady progress in the U.S.

Similar to corporate credit, CRE is considerably nuanced. Each property type is subject to its own set of performance drivers, as demonstrated by the dispersion in asset values and in transaction activity.

Further, dispersion is evident *within* property types too. Anecdotally, we find that investors are willing to pay full valuations for high quality assets. This echoes a trend evident in other asset classes, such as U.S. private equity, in which sponsor exit activity has been most focused on the highest quality assets, which can capture attractive exit values (as we detailed on page 46).

U.S. CRE transaction activity has shown continued progress through 2025, improving modestly each quarter (Exhibit 68). 3Q2025 activity totaled \$130 billion, marking a 22% year-over-year (YoY) increase. Further, year-to-date (YTD), as of 3Q2025, transaction activity was the highest since 2022.

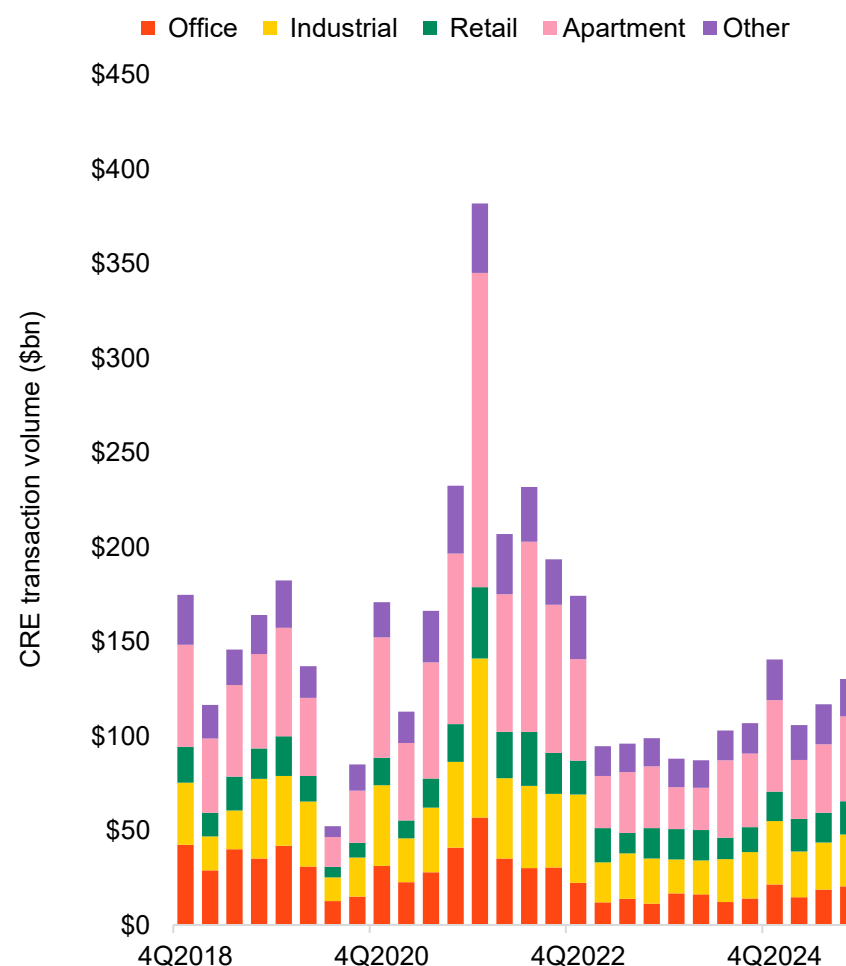
Such activity has likely been supported by a variety of factors, including lower interest rates and incremental clarity on the macroeconomic backdrop, which has likely narrowed the so-called 'expectations gap' between buyers and sellers.

That said, we see scope for continued recovery among some property segments, including Office. Indeed, while aggregate third quarter CRE transaction activity totaled 93% of the quarterly average from 1Q2016-4Q2019, Office transaction activity represented only 58% of the historic quarterly average.

By contrast, 3Q2025 Industrial property transaction activity was 121% of the historical average (due to a number of structural tailwinds for the property type).

Exhibit 68: U.S. CRE transaction activity grew in the third quarter

U.S. CRE transaction volume by property type, in \$ billions



Source: MSCI Real Capital Analytics, BlackRock. Captures data through 3Q2025. Other include hotels, dev sites, seniors housing & care, and data centers.

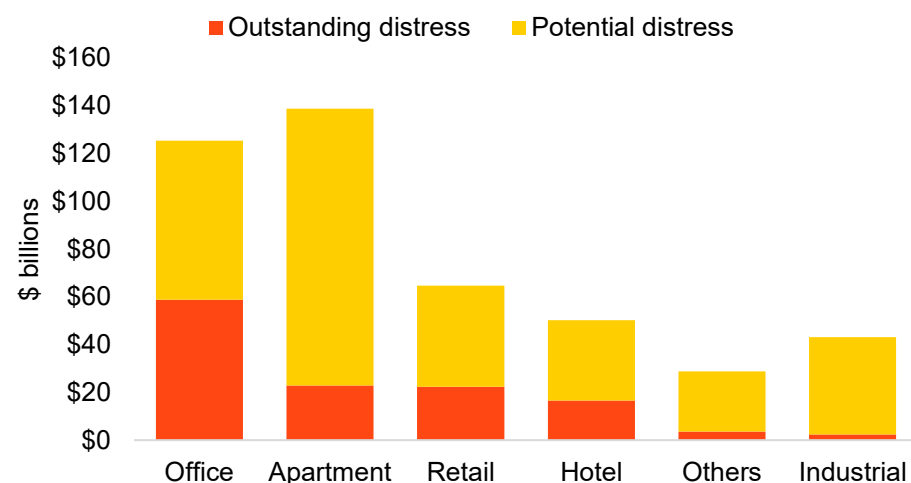
Connecting CRE distress...

While improving U.S. CRE asset values and transaction activity suggest continued progress toward recovery, we continue to monitor the distress landscape for insight into the continued dispersion characterizing the asset class more broadly. Indeed, the total volume of distressed assets in the U.S. commercial property market totaled \$126.6 billion as of 3Q2025, marking an increase of \$19.1 billion from 3Q2024, per MSCI Real Capital Analytics (Exhibit 69). The Office sector represents 46% of total outstanding distress, driven especially by high value, urban properties.

Further, with private market limited partners increasingly focused on capital distributions¹, pressure for managers to return capital is mounting. An analysis from Green Street highlights holdings of closed-end and open-end funds across CRE property types, with Apartment and Industrial representing the two largest (Exhibit 70). The analysis notes that selling pressure for these vehicles could result in an influx in supply in these two sectors coming onto the market – something that could put pressure on valuations. That said, they expect that a variety of factors, including accommodative credit markets, a recovering transaction market, and a continued favorable view of these sectors, should minimize any potential pricing headwind.

Exhibit 69: Office has the highest level of outstanding distress

Balance of U.S. CRE distress by property type, in \$ billions

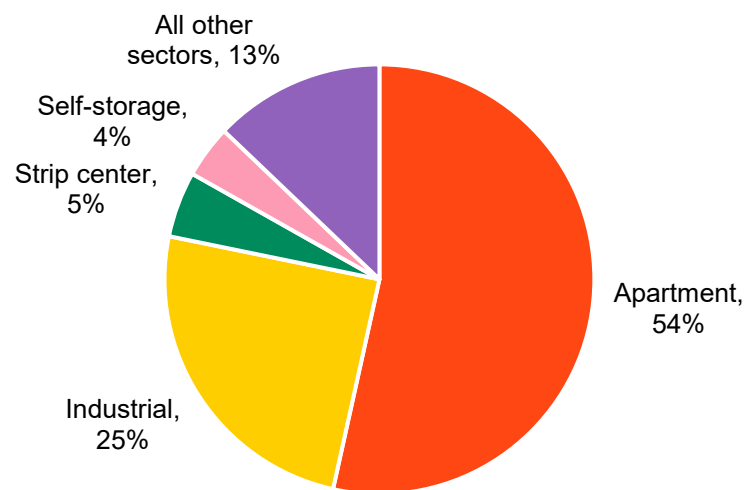


Source: MSCI Real Capital Analytics, BlackRock. Cumulative through 3Q2025. “Others” category captures asset types not included in RCA’s standard volume statistics for Capital Trends reports, such as self storage and manufactured housing.

1. McKinsey and Company LP Survey, January 2025.

Exhibit 70: Apartment and Industrial are the two largest exposures of undistributed PE funds

Sector exposure to undistributed PE funds



Source: Green Street, Bloomberg, Callan, NCREIF, BlackRock. As of November 11, 2025. Potential ~\$250B in redemption queues and under-distributed fund assets divided by the excess transaction volume seen in 2021 and 2022, relative to long-term averages. Varying levels of fund-level leverage will magnify selling pressure estimates.

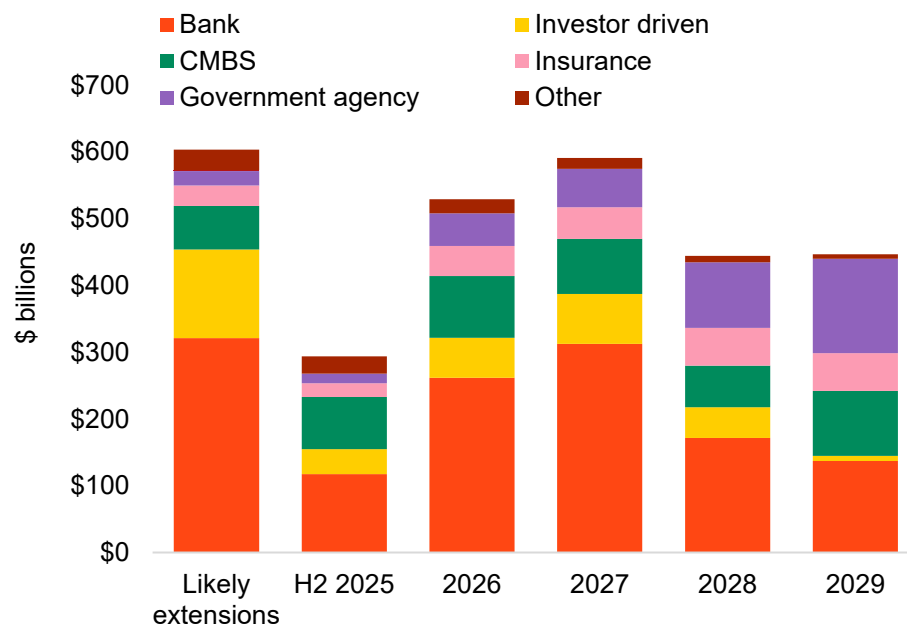
...with maturity walls

Loan repayments represent another factor in returning capital to investors. Data from MSCI RCA demonstrates CRE loan volume that has likely been extended or is expected to mature in the coming years (Exhibits 71 and 72).

As we've discussed previously, a key input to a lender's willingness to amend and extend a loan is whether it can support a more favorable outcome in the future, such as a more complete principal recovery. An analysis from MSCI RCA found that lender recoveries have *improved* throughout 2025, with average loss rates on defaulted loans improving 500bp from the 2024 average, to 21% in 3Q2025, supported in part by recovering price levels across select property types.

Exhibit 71: Banks represent the largest lender segment for upcoming maturities

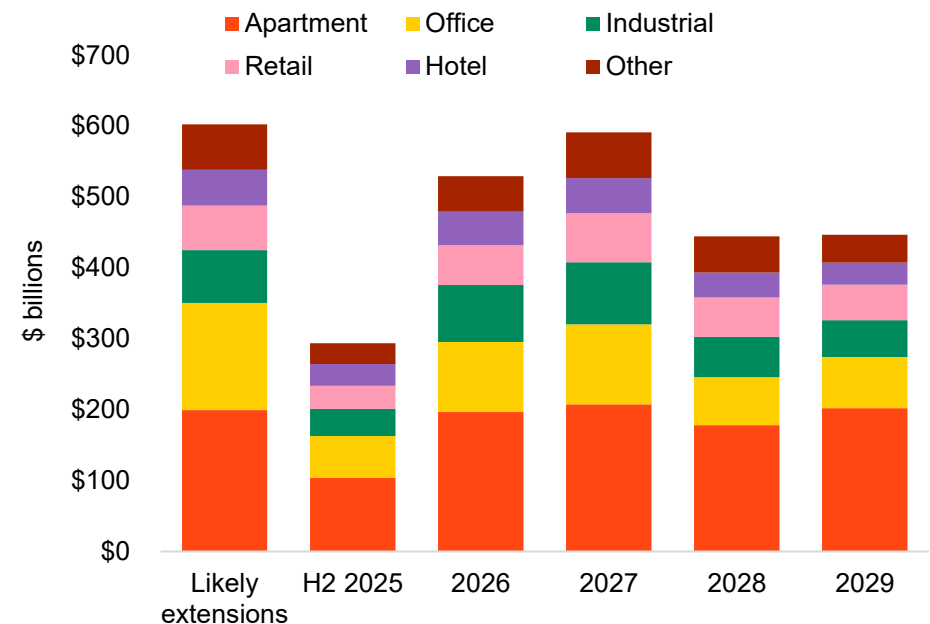
Volume of maturing commercial property loans, by lender type, in \$ billions



Source: MSCI Real Capital Analytics, MSCI Real Assets, BlackRock. Based on independent reports of properties and portfolios \$2.5 million and greater. Data believed to be accurate but not guaranteed. Data is as of September 23, 2025, and reflects the market as of June 30, 2025. 'Bank' includes international, national, and regional/local. 'Other' includes CLOs and private, among others.

Exhibit 72: Extended and upcoming maturities are diversified across property types

Volume of maturing U.S. commercial property loans, by property type, in \$ billions



Source: MSCI Real Capital Analytics, MSCI Real Assets, BlackRock. Based on independent reports of properties and portfolios \$2.5 million and greater. Data believed to be accurate but not guaranteed. Data is as of September 23, 2025, and reflects the market as of June 30, 2025. 'Other' includes development sites, senior housing and care, among others.

European CRE transaction activity lags

While U.S. CRE transaction activity has shown signs of recovery, European CRE transaction activity continues to remain low and rangebound. Indeed, amid a backdrop of economic and geopolitical uncertainty, quarterly transaction volume has hovered between €40 and €50 billion, where it's been most quarters since 1Q2023 (Exhibit 73). This is true despite interest rates moderating throughout the year (again, Exhibit 9). Further, YTD volumes (1Q2025-3Q2025) declined versus the same period last year.

That said, RCA notes that they expect to see a boost in 4Q2025 European CRE transaction activity, due to various factors including year-end seasonality, in which managers seek to deploy capital, and a strong pipeline of deals in contract at the start of October, which reached the highest level since 2022.

Further, as demonstrated in Exhibit 74, CRE deal activity is diverse by country mix. While the mix of deal activity in each region varies by year, the UK tends to be the largest region. This heterogeneity across European regions is something we've highlighted among other asset classes as well, including European private credit. We believe it underscores the value of regional expertise and the need for a local presence in sourcing and underwriting.

Exhibit 73: European CRE transaction activity fell in 3Q2025

European CRE transaction volume by property type, in € billions

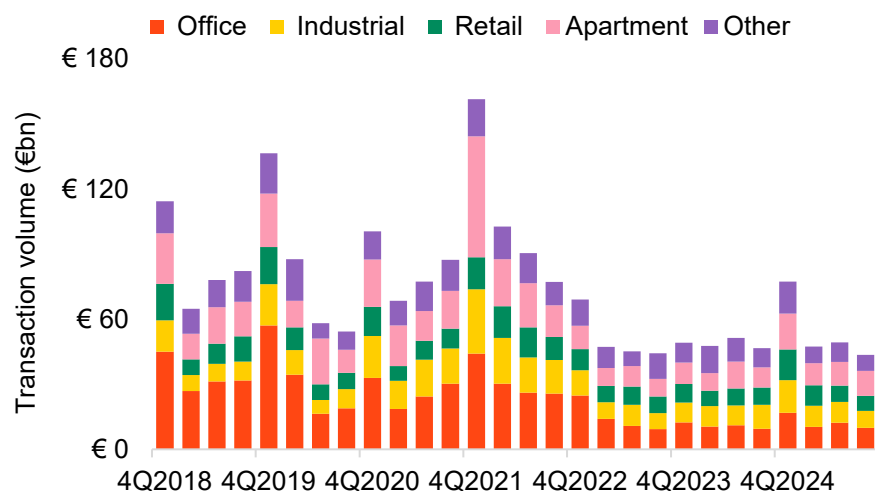
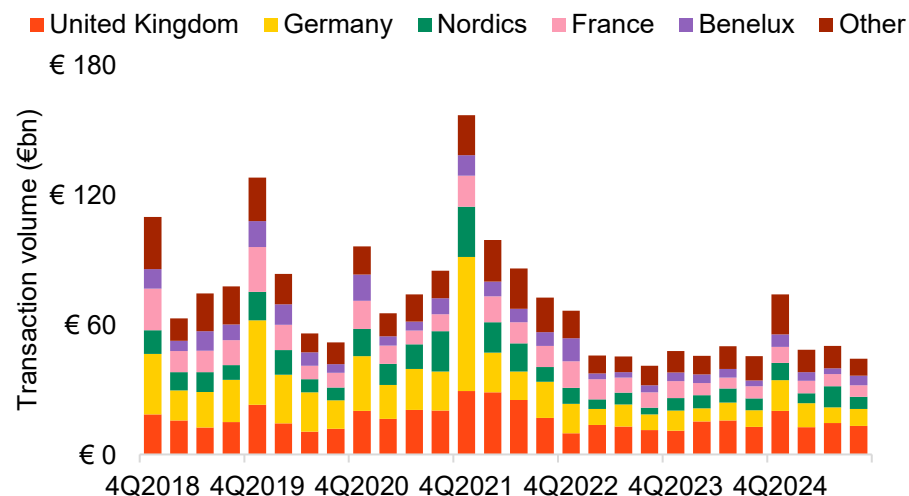


Exhibit 74: Deal activity was considerably diversified across regions

European CRE transaction volume by region, in € billions



Source for Exhibit 73: MSCI Real Capital Analytics, BlackRock. Captures data through 3Q2025. 'Other' includes hotels, dev sites, seniors housing & care, and data centers. **Source for Exhibit 74:** MSCI Real Capital Analytics, BlackRock. Captures data through 3Q2025. Captures the following property types: Office, Industrial, Data Center, Retail, Apartment, Hotel, Seniors Housing & Care and Land sales. Nordics includes Denmark, Finland, Iceland, Norway, and Sweden. Benelux includes Belgium, Luxembourg, and Netherlands. 'Other' captures Spain, Central Europe (Czech Republic, Hungary, Poland, Slovakia), Austria and Switzerland, Italy, and Eastern Europe (excluding Russia).

Unless otherwise stated, all reference to \$ are in USD.

Risk Warnings:

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. You may not get back the amount originally invested.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time.

Cliffwater Direct Lending Index (CDLI) is an index that assists investors to better understand private credit as an asset class. The CDLI seeks to measure the unlevered, gross of fees performance of U.S. middle market corporate loans, as represented by the underlying assets of Business Development Companies ("BDCs"), including both exchange-traded and unlisted BDCs, subject to certain eligibility criteria. The CDLI is an asset-weighted index that is calculated on a quarterly basis using financial statements and other information contained in the U.S. Securities and Exchange Commission ("SEC") filings of all eligible BDCs. Eligibility is set as all assets held by BDCs that (1) are regulated by the SEC as a BDC under the Investment Company Act of 1940; (2) have a substantial majority (approximately 75%) of reported total assets represented by direct loans made to corporate borrowers, as categorized by each BDC and subject to Cliffwater's discretion, and (3) file SEC form 10-Q (or 10-K, as applicable) within 75 (or 90) calendar days following the current Valuation Date. If a BDC meets the eligibility criteria, but has not filed its report on Form 10-K or 10-Q with the SEC at the time the index is reconstituted, asset information from its report will be included in the index at the time of the next reconstitution. This information is derived from sources that are considered reliable, but BlackRock does not guarantee the veracity, currency, completeness or accuracy of this information.

Important Information:

In the U.S., this material is for institutional use only – not for public distribution.

In Canada, this material is intended for permitted clients as defined under Canadian securities law, is for educational purposes only, does not constitute investment advice and should not be construed as a solicitation or offering of units of any fund or other security in any jurisdiction.

In China, this material may not be distributed to individuals resident in the People's Republic of China ("PRC", for such purposes, not applicable to Hong Kong, Macau and Taiwan) or entities registered in the PRC unless such parties have received all the required PRC government approvals to participate in any investment or receive any investment advisory or investment management services.

In Singapore, this document is provided by BlackRock (Singapore) Limited (company registration number:200010143N) for use only with institutional investors as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.

In Hong Kong, this material is issued by BlackRock Asset Management North Asia Limited and has not been reviewed by the Securities and Futures Commission of Hong Kong. This material is for distribution to "Professional Investors" (as defined in the Securities and Futures Ordinance (Cap.571 of the laws of Hong Kong) and any rules made under that ordinance.) and should not be relied upon by any other persons or redistributed to retail clients in Hong Kong.

In Japan, this is issued by BlackRock Japan. Co., Ltd. (Financial Instruments Business Operator: The Kanto Regional Financial Bureau. License No375, Association Memberships: Japan Investment Advisers Association, The Investment Trusts Association, Japan, Japan Securities Dealers Association, Type II Financial Instruments Firms Association) for Institutional Investors only. All strategies or products BLK Japan offer through the discretionary investment contracts or through investment trust funds do not guarantee the principal amount invested. The risks and costs of each strategy or product we offer cannot be indicated here because the financial instruments in which they are invested vary each strategy or product. Therefore, before deciding to receive our strategies or products, please refer to the document provided prior to the execution of agreement, prospectus, terms and conditions of investment trust and the explanatory document, etc. that will be delivered to you in accordance with each offering model and confirm the contents thereof.

In South Korea, this information is issued by BlackRock Investment (Korea) Limited. This material is for distribution to the Qualified Professional Investors (as defined in the Financial Investment Services and Capital Market Act and its sub-regulations) and for information or educational purposes only and does not constitute investment advice or an offer or solicitation to purchase or sells in any securities or any investment strategies.

In **Brunei**, BlackRock does not hold a Capital Markets Services License and is therefore not licensed for conducting business in any regulated activity under the Securities Market Order, 2013. This document has been issued by BlackRock and is intended for the exclusive use of the recipient. The distribution of the information contained herein may be restricted by law and persons who access it are required to comply with any such restrictions. The information provided herein information is directed solely at persons who would be regarded as “Accredited Investors”, “Expert Investors” or “Institutional Investors” in accordance with the Securities Market Order 2013.

n **Australia & New Zealand**, issued by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975, AFSL 230 523 (BIMAL) for the exclusive use of the recipient, who warrants by receipt of this material that they are a wholesale client as defined under the Australian Corporations Act 2001 (Cth) and the New Zealand Financial Advisers Act 2008 respectively. BIMAL is not licensed by a New Zealand regulator to provide ‘Financial Advice Service’ ‘Investment manager under an FMC offer’ or ‘Keeping, investing, administering, or managing money, securities, or investment portfolios on behalf of other persons’. BIMAL’s registration on the New Zealand register of financial service providers does not mean that BIMAL is subject to active regulation or oversight by a New Zealand regulator. This material provides general advice only and does not take into account your individual objectives, financial situation, needs or circumstances. Before making any investment decision, you should therefore assess whether the material is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances. Refer to BIMAL’s Financial Services Guide on its website for more information. This material is not a financial product recommendation or an offer or solicitation with respect to the purchase or sale of any financial product in any jurisdiction. This material is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. BIMAL is a part of the global BlackRock Group which comprises of financial product issuers and investment managers around the world. BIMAL is the issuer of financial products and acts as an investment manager in Australia. BIMAL does not offer financial products to persons in New Zealand who are retail investors (as that term is defined in the Financial Markets Conduct Act 2013 (FMCA)). This material does not constitute or relate to such an offer. To the extent that this material does constitute or relate to such an offer of financial products, the offer is only made to, and capable of acceptance by, persons in New Zealand who are wholesale investors (as that term is defined in the FMCA). BIMAL, its officers, employees and agents believe that the information in this material and the sources on which it is based (which may be sourced from third parties) are correct as at the date of publication. While every care has been taken in the preparation of this material, no warranty of accuracy or reliability is given and no responsibility for the information is accepted by BIMAL, its officers, employees or agents. Except where contrary to law, BIMAL excludes all liability for this information.

In **Central America**, these securities have not been registered before the Securities Superintendence of the Republic of Panama, nor did the offer, sale or their trading procedures. The registration exemption has made according to numeral 3 of Article 129 of the Consolidated Text containing of the Decree-Law No. 1 of July 8, 1999 (institutional investors). Consequently, the tax treatment set forth in Articles 334 to 336 of the Unified Text containing Decree-Law No. 1 of July 8, 1999, does not apply to them. These securities are not under the supervision of the Securities Superintendence of the Republic of Panama. The information contained herein does not describe any product that is supervised or regulated by the National Banking and Insurance Commission (CNBS) in Honduras. Therefore any investment described herein is done at the investor’s own risk. This is an individual and private offer which is made in Costa Rica upon reliance on an exemption from registration before the General Superintendence of Securities (“SUGEVAL”), pursuant to articles 7 and 8 of the Regulations on the Public Offering of Securities (“Reglamento sobre Oferta Pública de Valores”). This information is confidential, and is not to be reproduced or distributed to third parties as this is NOT a public offering of securities in Costa Rica. The product being offered is not intended for the Costa Rican public or market and neither is registered or will be registered before the SUGEVAL, nor can be traded in the secondary market. If any recipient of this documentation receives this document in El Salvador, such recipient acknowledges that the same has been delivered upon his request and instructions, and on a private placement basis. For Guatemala Investors, This communication and any accompanying information (the “Materials”) are intended solely for informational purposes and do not constitute (and should not be interpreted to constitute) the offering, selling, or conducting of business with respect to such securities, products or services in the jurisdiction of the addressee (this “Jurisdiction”), or the conducting of any brokerage, banking, or other similarly regulated activities (“Financial Activities”) in the Jurisdiction. Neither BLACKROCK, nor the securities, products and services described herein, are registered (or intended to be registered) in the Jurisdiction. Furthermore, neither BLACKROCK, nor the securities, products, services, or activities described herein, are regulated, or supervised by any governmental or similar authority in the Jurisdiction. The Materials are private, confidential and are sent by BLACKROCK only for the exclusive use of the addressee. The Materials must not be publicly distributed and any use of the Materials by anyone other than the addressee is not authorized. The addressee is required to comply with all applicable laws in the Jurisdiction, including, without limitation, tax laws and exchange control regulations if any.

The information provided within this document is for education purposes only in **Bermuda**. This information is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution would be unlawful under the securities laws of such jurisdiction or country.

In **Latin America**, for institutional investors and financial intermediaries only (not for public distribution). This material is for educational purposes only and does not constitute investment advice or an offer or solicitation to sell or a solicitation of an offer to buy any shares of any fund or security and it is your responsibility to inform yourself of, and to observe, all applicable laws and regulations of your relevant jurisdiction. If any funds are mentioned or inferred in this material, such funds may not be registered with the securities regulators of Argentina, Brazil, Chile, Colombia, Mexico, Panama, Peru, Uruguay or any other securities regulator in any Latin American country and thus, may not be publicly offered in any such countries. The securities regulators of any country within Latin America have not confirmed the accuracy of any information contained herein. No information discussed herein can be provided to the general public in Latin America. The contents of this material are strictly confidential and must not be passed to any third party.

In **Colombia**, the promotion of each product discussed herein is carried out through the Representative Office of BlackRock Fund Advisors, authorized by the Colombian Financial Superintendence. The transmission of this information does not constitute a securities public offering in Colombia. The products discussed herein may not be promoted or marketed in Colombia or to Colombian residents unless such promotion and marketing is made in compliance with Decree 2555 of 2010 and other applicable rules and regulations related to the promotion of foreign financial and/or securities related products or services in Colombia. With the receipt of these materials, and unless the Client contacts BlackRock with additional requests for information, the Client agrees to have been provided the information for due advisory required by the marketing and promotion regulatory regime applicable in Colombia.

In **Chile**, The securities if any described in this document are foreign securities, therefore: i) their rights and obligations will be subject to the legal framework of the issuer's country of origin, and therefore, investors must inform themselves regarding the form and means through which they may exercise their rights; and that ii) the supervision of the Commission for the Financial Market (Comisión para el Mercado Financiero or "CMF") will be concentrated exclusively on compliance with the information obligations established in General Standard No. 352 of the CMF and that, therefore, the supervision of the security and its issuer will be mainly made by the foreign regulator; In the case of a fund not registered with the CMF is subject to General Rule No. 336 issued by the SVS (now the CMF). The subject matter of this sale may include securities not registered with the CMF; therefore, such securities are not subject to the supervision of the CMF. Since the securities are not registered in Chile, there is no obligation of the issuer to make publicly available information about the securities in Chile. The securities shall not be subject to public offering in Chile unless registered with the relevant registry of the CMF.

IN MEXICO, FOR INSTITUTIONAL AND QUALIFIED INVESTORS USE ONLY. INVESTING INVOLVES RISK, INCLUDING POSSIBLE LOSS OF PRINCIPAL. THIS MATERIAL IS PROVIDED FOR EDUCATIONAL AND INFORMATIONAL PURPOSES ONLY AND DOES NOT CONSTITUTE AN OFFER OR SOLICITATION TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SHARES OF ANY FUND OR SECURITY. This information does not consider the investment objectives, risk tolerance or the financial circumstances of any specific investor. This information does not replace the obligation of financial advisor to apply his/her best judgment in making investment decisions or investment recommendations. It is your responsibility to inform yourself of, and to observe, all applicable laws and regulations of Mexico. If any funds, securities or investment strategies are mentioned or inferred in this material, such funds, securities or strategies have not been registered with the Mexican National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores, the "CNBV") and thus, may not be publicly offered in Mexico. The CNBV has not confirmed the accuracy of any information contained herein. The provision of investment management and investment advisory services ("Investment Services") is a regulated activity in Mexico, subject to strict rules, and performed under the supervision of the CNBV. These materials are shared for information purposes only, do not constitute investment advice, and are being shared in the understanding that the addressee is an Institutional or Qualified investor as defined under Mexican Securities (Ley del Mercado de Valores). Each potential investor shall make its own investment decision based on their own analysis of the available information. Please note that by receiving these materials, it shall be construed as a representation by the receiver that it is an Institutional or Qualified investor as defined under Mexican law. BlackRock México Operadora, S.A. de C.V., Sociedad Operadora de Fondos de Inversión ("BlackRock México Operadora") is a Mexican subsidiary of BlackRock, Inc., authorized by the CNBV as a Mutual Fund Manager (Operadora de Fondos), and as such, authorized to manage Mexican mutual funds, ETFs and provide Investment Advisory Services. For more information on the Investment Services offered by BlackRock Mexico, please review our Investment Services Guide available in www.blackrock.com/mx. This material represents an assessment at a specific time and its information should not be relied upon by the you as research or investment advice regarding the funds, any security or investment strategy in particular. Reliance upon information in this material is at your sole discretion. BlackRock México is not authorized to receive deposits, carry out intermediation activities, or act as a broker dealer, or bank in Mexico. For more information on BlackRock México, please visit: www.blackrock.com/mx. BlackRock receives revenue in the form of advisory fees for our advisory services and management fees for our mutual funds, exchange traded funds and collective investment trusts. Any modification, change, distribution or inadequate use of information of this document is not responsibility of BlackRock or any of its affiliates. Pursuant to the Mexican Data Privacy Law (Ley Federal de Protección de Datos Personales en Posesión de Particulares), to register your personal data you must confirm that you have read and understood the Privacy Notice of BlackRock México Operadora. For the full disclosure, please visit www.blackrock.com/mx and accept that your personal information will be managed according with the terms and conditions set forth therein.

In **Peru**, this private offer does not constitute a public offer, and is not registered with the Securities Market Public Registry of the Peruvian Securities Market Commission, for use only with institutional investors as such term is defined by the Superintendencia de Banca, Seguros y AFP.

This material is for distribution to Professional Clients (as defined by the Financial Conduct Authority or MiFID Rules) only and should not be relied upon by any other persons.

In the UK and Non-European Economic Area (EEA) countries: this is Issued by BlackRock Investment Management (UK) Limited, authorised and regulated by the Financial Conduct Authority. Registered office: 12 Throgmorton Avenue, London, EC2N 2DL. Tel: + 44 (0)20 7743 3000. Registered in England and Wales No. 02020394. For your protection telephone calls are usually recorded. Please refer to the Financial Conduct Authority website for a list of authorised activities conducted by BlackRock.

In the European Economic Area (EEA): This document is marketing material. This is Issued by BlackRock (Netherlands) B.V. and is authorised and regulated by the Netherlands Authority for the Financial Markets. Registered office Amstelplein 1, 1096 HA, Amsterdam, Tel: 020 – 549 5200, Tel: 31-20-549-5200. Trade Register No. 17068311 For your protection telephone calls are usually recorded.

In **Switzerland**: This document shall be exclusively made available to, and directed at, qualified investors as defined in Article 10 (3) of the CISA of 23 June 2006, as amended, at the exclusion of qualified investors with an opting-out pursuant to Art. 5 (1) of the Swiss Federal Act on Financial Services ("FinSA"). For information on art. 8 / 9 Financial Services Act (FinSA) and on your client segmentation under art. 4 FinSA, please see the following website: www.blackrock.com/finsa.

In **Israel**: BlackRock Investment Management (UK) Limited is not licenced under Israel's Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 5755-1995 (the "Advice Law"), nor does it carry insurance thereunder.

In the **DIFC**: This document is intended strictly for Professional Clients as defined under the Dubai Financial Services Authority ("DFSA") Conduct of Business (COB) Rules. BlackRock Advisors (UK) Limited –Dubai Branch is a DIFC Foreign Recognised Company registered with the DIFC Registrar of Companies (DIFC Registered Number 546), with its office at Unit L15 - 01A, ICD Brookfield Place, Dubai International Financial Centre, PO Box 506661, Dubai, UAE, and is regulated by the DFSA to engage in the regulated activities of 'Advising on Financial Products' and 'Arranging Deals in Investments' in or from the DIFC, both of which are limited to units in a collective investment fund (DFSA Reference Number F000738).

In **Saudi Arabia**, This document is intended for Institutional and Qualified Clients (as defined by the Capital Market Authority) only and should not be relied upon by any other persons. BlackRock Saudi Arabia, authorised and regulated by the Capital Market Authority (License Number 18- 192-30). Registered office: 7976 Salim Ibn Abi Bakr Shaikan St, 2223 West Umm Al Hamam District Riyadh, 12329 Riyadh, Kingdom of Saudi Arabia, Tel: +966 11 838 3600. CR No, 1010479419. For your protection telephone calls are usually recorded. Please refer to the Capital Market Authority website for a list of authorised activities conducted by BlackRock Saudi Arabia.

In **Bahrain**: The information contained in this document is intended strictly for sophisticated institutions

In the **United Arab Emirates (UAE) (excluding the Dubai International Financial Centre (DIFC) and the Abu Dhabi Global Market (ADGM))**:

Abu Dhabi Global Markets

This communication is sent strictly within the context of, and constitutes, an Exempt Communication under the Financial Services and Markets Regulations 2015 (as amended).

In the **State of Qatar and the Qatar Financial Centre (QFC)**: This document is intended strictly for sophisticated institutions.

In **Kuwait**: This document is intended strictly for sophisticated institutions that are 'Professional Clients' as defined under the Kuwait Capital Markets Law and its Executive Bylaws.

The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock Investment Management (UK). The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public.

The information contained in this document, may contain statements that are not purely historical in nature but are "forward-looking statements". These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser. Any research in this document has been procured and may have been acted on by BlackRock for its own purpose. The results of such research are being made available only incidentally. The views expressed do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of any company in the BlackRock Group or any part thereof and no assurances are made as to their accuracy. Any opinions, forecasts represent an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research, investment advice or a recommendation. This document is for information purposes only and does not constitute an offer or invitation to anyone to invest in any BlackRock funds and has not been prepared in connection with any such offer. If you are an intermediary or third-party distributor, you must only disseminate this material to other Professional Investors as permitted in the above-specified jurisdictions and in accordance with applicable laws and regulations. Certain information contained herein has been obtained from published sources and from third parties, including without limitation, market forecasts, internal and external surveys, market research, publicly available information and industry publications. In addition, certain information contained herein may have been obtained from companies in which investments have been made by entities affiliated with BlackRock. Although such information is believed to be reliable for the purposes used herein, neither the Fund nor BlackRock assumes any responsibility for the accuracy or completeness of such information. Reliance upon information in this material is at the sole discretion of the reader. Certain information contained herein represents or is based upon forward-looking statements or information. BlackRock and its affiliates believe that such statements and information are based upon reasonable estimates and assumptions. However, forward-looking statements are inherently uncertain, and factors may cause events or results to differ from those projected. Therefore, undue reliance should not be placed on such forward-looking statements and information.

© 2025 BlackRock, Inc. or its affiliates. All Rights Reserved. BLACKROCK, BLACKROCK SOLUTIONS, iSHARES, BUILD ON BLACKROCK and SO WHAT DO I DO WITH MY MONEY are trademarks of BlackRock, Inc. or its affiliates. All other trademarks are those of their respective owners.