October 30, 2025

Global Credit Weekly:

Framing private credit's wealth expansion

BlackRock

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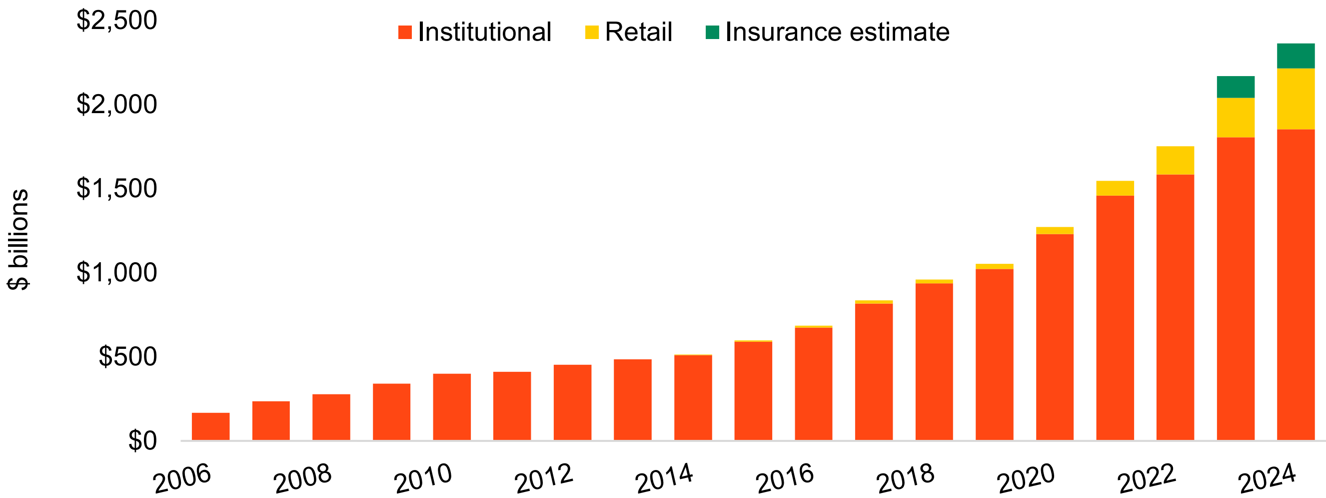
Key takeaways

- As private credit has grown into a sizable and scalable asset class, its addressable markets of borrowers and investors have both expanded. On the borrower side, private credit now reaches areas historically serviced by the public (syndicated) debt markets – a function of larger fund sizes, and an increasing ability to meet the needs of even the most established firms (which have demonstrated access to the public debt markets). On the investor side, we see scope for additional growth among institutions, including insurers seeking a "capital efficient yield."
- The retail channel also presents a growth opportunity. In recent years, this has been facilitated by the growth of certain types of business development companies (BDCs), which have streamlined access to private markets through features such as lower minimum investment denominations and simplified tax reporting. Other innovations, such as model portfolios, have also contributed. And as our colleagues recently highlighted in their recent retirement survey, plan sponsors see a place for private market assets – especially in formats such as target date solutions.
- One concern voiced by some market participants is that the flow of capital from the wealth cohort into private credit may erode some of the pricing and underwriting discipline in the asset class. But as we show in this *Global Credit Weekly*, this capital is small in the context of the private credit asset class, and there are various measures employed by the most experienced private credit managers to match new capital with suitable investment opportunities. That said, dispersion is likely to remain a feature across managers, vintages and strategies.
- The Federal Reserve (Fed) rate decision was also in focus this week. Chair Powell noted that an additional rate cut at the next meeting in December – beyond the 150bp of cuts already delivered in this cycle – is not a forgone conclusion. This leaves us comfortable with our expectation for a "normalization" cycle as opposed to "easing" into accommodative territory. For this reason, we continue to prioritize income and yield when allocating to credit, as we noted in our 4Q outlook.

Exhibit 1: Retail is a growing – but still modest – portion of private credit
Global private credit assets under management, $ in billions, by investor channel



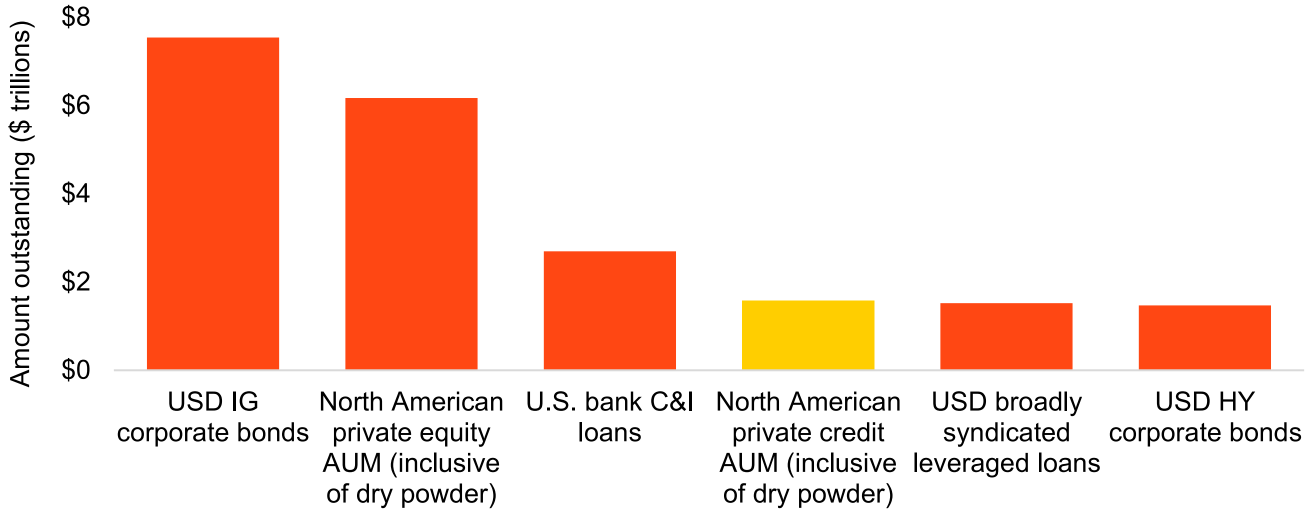
Source: PitchBook LCD, BlackRock. Institutional AUM as of 12/31/2024, Retail and Insurance estimate as of 6/30/2025. **There is no guarantee any forecasts may come to pass.** Institutional includes net asset value (NAV) and dry powder. Insurance and Retail include NAV. Retail is predominantly U.S. based.

Placing the size of private credit in context

North America is the largest region for private credit and is also the region with the most established wealth participation (as BDCs are unique to the U.S., although structures such as ELTIFs do exist in Europe). In Exhibit 2, we place the size of the North American private credit market in context, relative to 1) the USD syndicated corporate debt markets (IG, HY, leveraged loans); 2) U.S. banks' commercial & industrial (C&I) loans; and 3) the North American private equity asset class. As Exhibit 2 illustrates, private credit's size is still modest, in absolute terms.

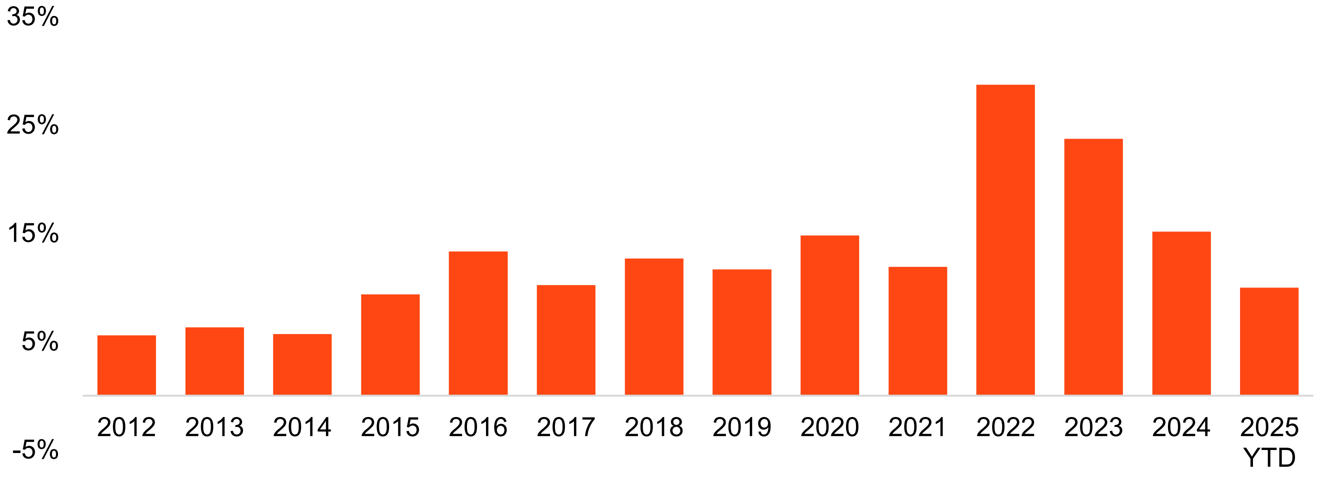
Exhibit 3 takes this one step further to show private credit's 'share' of financing in the USD leveraged finance market – focusing only on 'below investment grade' exposures. Year-to-date, private credit has captured 10% of overall financing. As we noted in July, we expect private credit's financing 'share' to ebb and flow with market conditions, increasing during periods of episodic market volatility.

Exhibit 2: Private credit is still modest in the context of other financing markets' sizes
Amount outstanding of various lending and financing markets in North America



Source: Preqin, Cliffwater, Bloomberg, Morningstar/LSTA, Board of Governors of the Federal Reserve System, BlackRock. Private credit AUM in North America captures two universes: (1) the Preqin universe of closed-end funds across direct lending, mezzanine, special situations, distressed debt, fund of funds, and venture debt as of March 2025 (most recent), and (2) the Cliffwater U.S. business development company (BDC) universe, as of June 2025 (most recent). Private equity AUM is as of March 2025. We use the Bloomberg Corporate Indices for USD IG and USD HY, and we use the Morningstar/LSTA Index for USD leveraged loans, all as of October 2025; these index-level amounts will not capture bonds and loans which are not index eligible.

Exhibit 3: Private credit's share of financing ebbs and flows with market conditions
U.S. private credit fundraising as a percentage of total USD leveraged finance issuance



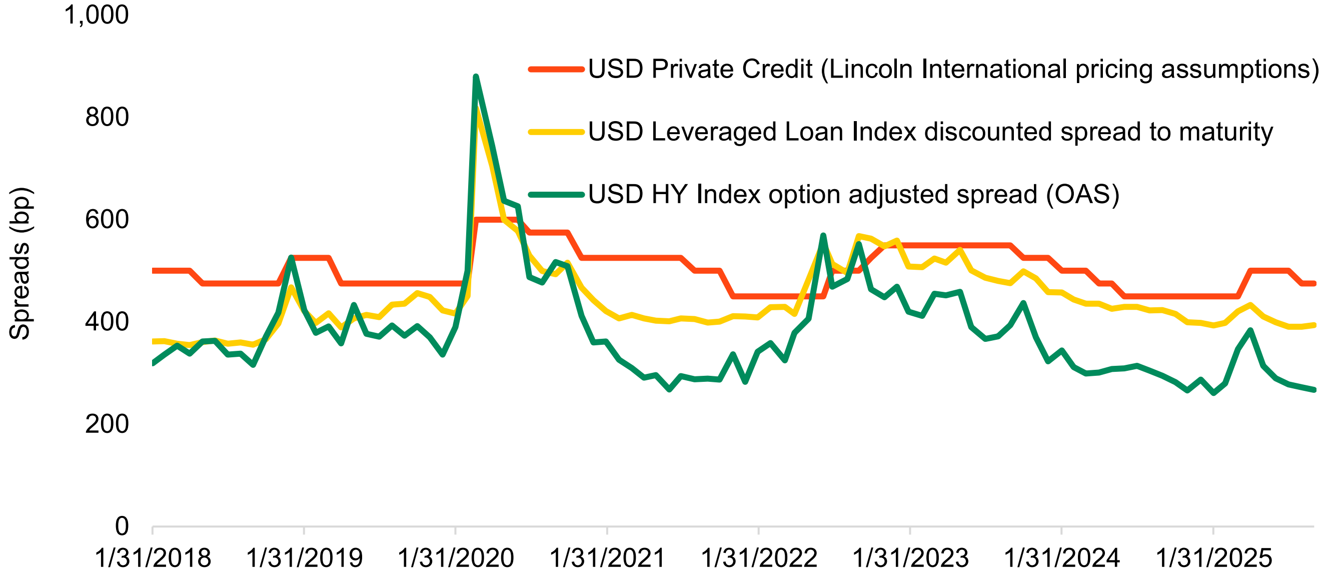
Source: Dealogic (ION Analytics), Pitchbook LCD, BlackRock, Preqin. As of October 27, 2025. USD leveraged finance issuance includes: (1) USD private credit fundraising per Preqin, (2) USD HY bond issuance per Dealogic (ION Analytics), and (3) USD institutional leveraged loan issuance per PitchBook LCD.

Spreads in private credit are informed by syndicated markets

As the fluidity between liquid and private credit markets increases, market conditions and risk appetite in the syndicated credit markets are increasingly influencing the private credit market. Exhibits 4 and 5 illustrate this by comparing two private credit spread series – Lincoln International's pricing assumptions and Cliffwater's 1st lien new issue spread data – against the Morningstar / LSTA USD Leveraged Loan and Bloomberg USD HY Corporate indices. We use these syndicated market indices as barometers of *directional* risk sentiment. The takeaway? Spreads in the USD leveraged loan and HY markets are at multi-year tights, which we believe is keeping private credit spreads somewhat 'anchored' in a tighter range – at least for now. That said, an increase in market volatility – and a focus on financing execution risk in syndicated markets – would likely provide an opportunity for private credit spreads to widen.

Exhibit 4: Private credit spreads are influenced by valuations...

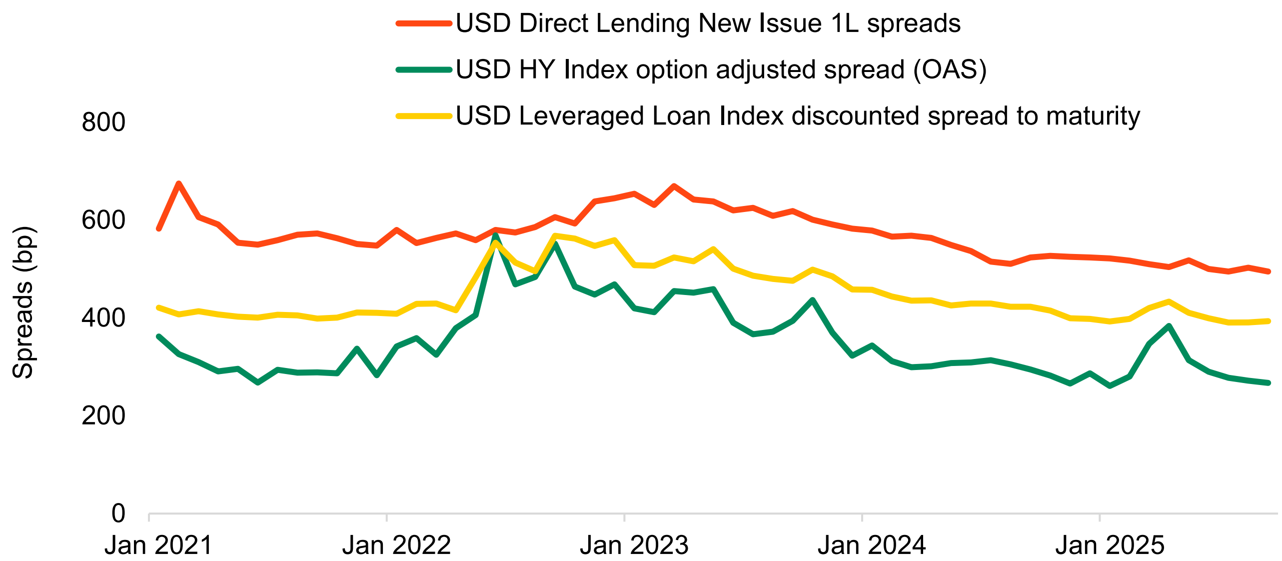
Spreads for private credit, broadly syndicated leveraged loans, and high yield bonds in the USD market



Source: Lincoln International, Morningstar / LSTA, PitchBook LCD, Bloomberg, BlackRock. For private credit spreads, we use the upper end of spread pricing assumptions (as estimated by Lincoln International), for cash flow senior loans (firms with $40-$100 million of annual EBITDA). Captures data through September 30, 2025. **There is no guarantee any forecasts may come to pass.**

Exhibit 5: ...and risk appetite in syndicated credit markets

Spreads for private credit, broadly syndicated leveraged loans, and high yield bonds in the USD market



Source: Cliffwater LLC, Morningstar / LSTA, PitchBook LCD, Bloomberg, BlackRock. Captures data through September 30, 2025.
For both charts: 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.

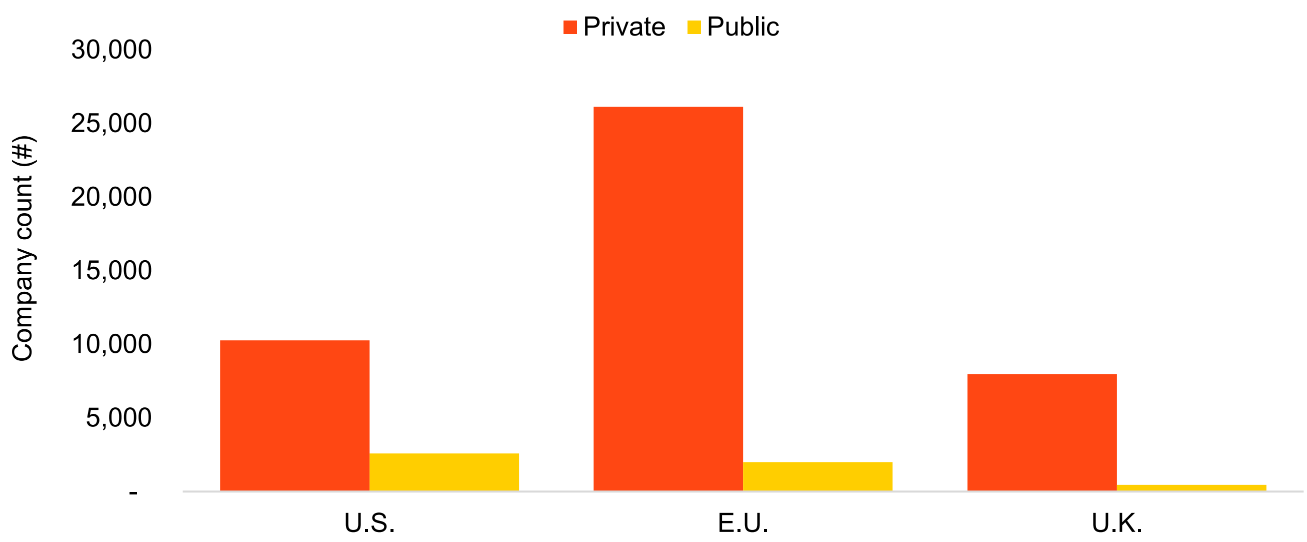
The private markets opportunity is significant

Importantly, the capital allocated to private markets is not 'chasing' a small – or static – investable opportunity set, as some market participants have suggested. Rather, the economic opportunity represented by private firms is substantial, and expanding, as we noted in our *4Q2025 Global Credit Outlook*.

Data from Capital IQ shows that the number of private companies with revenue greater than $100 million far outpaces public companies in the U.S., E.U., and U.K., both in absolute terms and as a share of total (Exhibits 6 and 7).

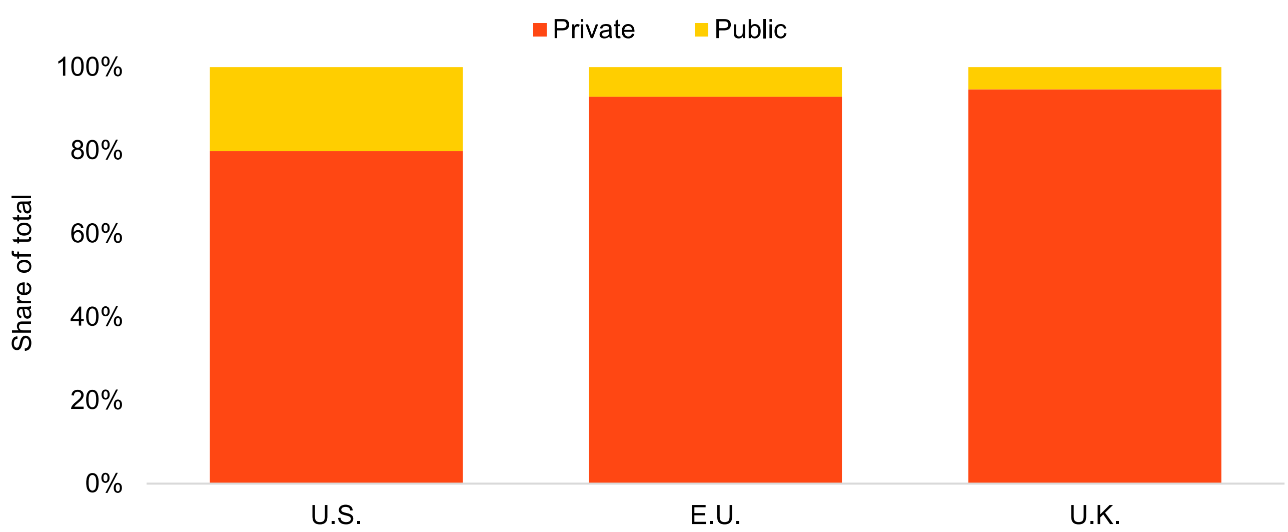
Exhibit 8 puts the size of this business opportunity in dollar terms, capturing the aggregate last-twelve-month (LTM) revenues for public and private companies with revenue greater than $100 million. The total revenues associated with these private businesses amount to $40 trillion. For context, publicly listed companies with more than $100 million in revenue represent an aggregate of $35 trillion in LTM revenue in the U.S., the E.U., and the U.K. (again, Exhibit 8).

Exhibit 6: There are over 44,000 private companies across the U.S., E.U., and U.K.
Count of private and public companies with revenue greater than $100 million, in the U.S., E.U., and U.K.



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

Exhibit 7: The majority of scaled businesses are private, across regions
Share of private and public companies with revenue greater than $100 million, by count, in the U.S., E.U., and U.K.



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

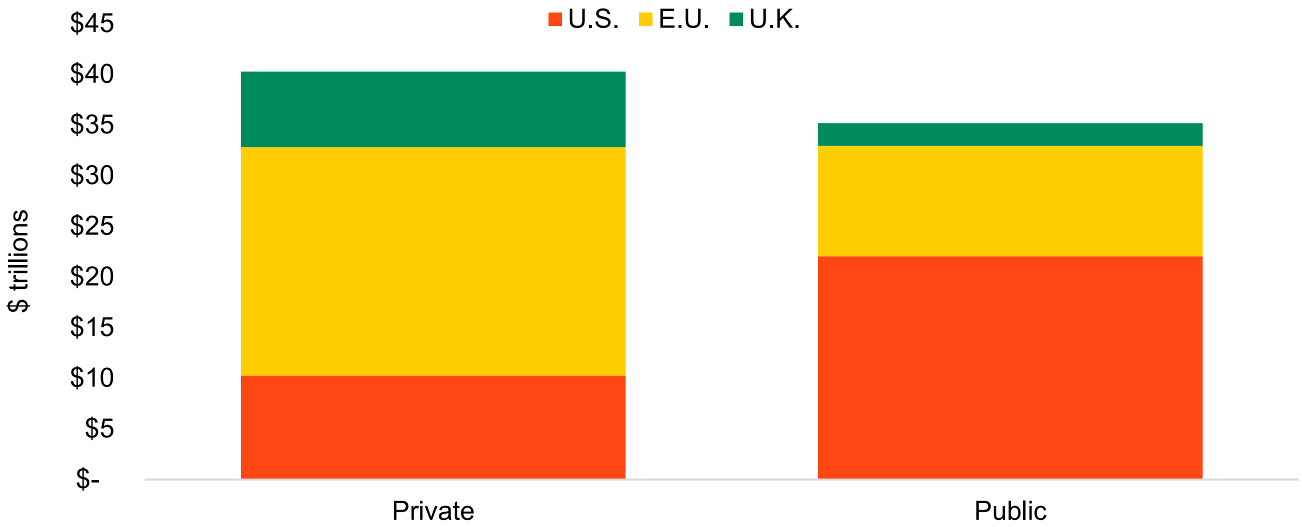
And while private companies capture a meaningful opportunity set for financing, the universe is not restricted to non-listed firms. Indeed, we expect an ongoing expansion of private credit's addressable universe of borrowers into cohorts that the syndicated markets have historically serviced.

This expansion of private credit's borrower base has been driven by a key 'feedback loop,' in our view: as experienced managers have captured a larger share of fundraising in recent years, private credit fund sizes have increased accordingly. Data from Preqin shows the average private credit fund size has grown from $627 million in 2020 to $1.05 billion in 2024, with the largest managers able to raise funds exceeding $10 billion in size. This, in turn, has allowed private credit to finance larger deals.

These larger financings, often referred to as 'jumbo' financings, have increased in recent years (Exhibit 9). They generally include larger borrowers – some of which have demonstrated access to the syndicated debt markets. As such, private credit is no longer reserved for smaller, niche financings – as it was in earlier stages of its growth.

Exhibit 8: Private company annual revenues total $40 trillion and outpace public company revenues, in aggregate

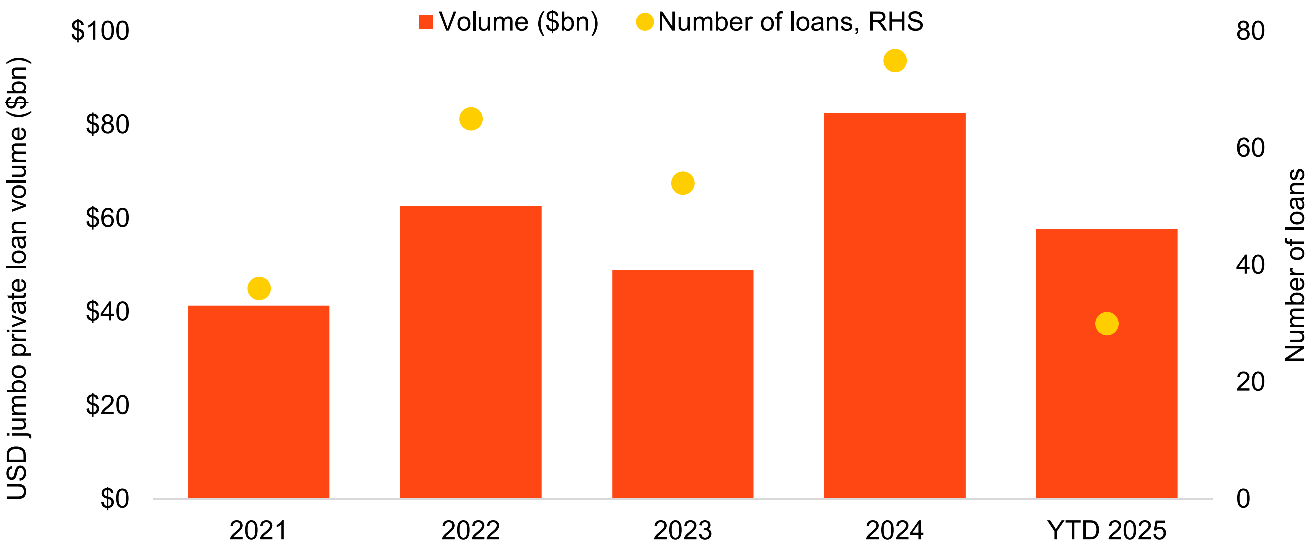
Aggregate annual revenues for private and public companies, with revenues greater than $100 million, in the U.S., E.U., and U.K.



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

Exhibit 9: The number of 'jumbo' loans has increased

Private ('jumbo') loans greater than $1 billion, in the USD market



Source: KBRA DLD, BlackRock. Captures data through September 30, 2025 (most recent as of October 27, 2025). Includes incremental amounts to existing financings that total $1 billion or more.

Dispersion will likely remain elevated

As Exhibit 1 highlights, the net asset value allocated to retail products (such as non-traded BDCs) is modest in the context of the private credit landscape.

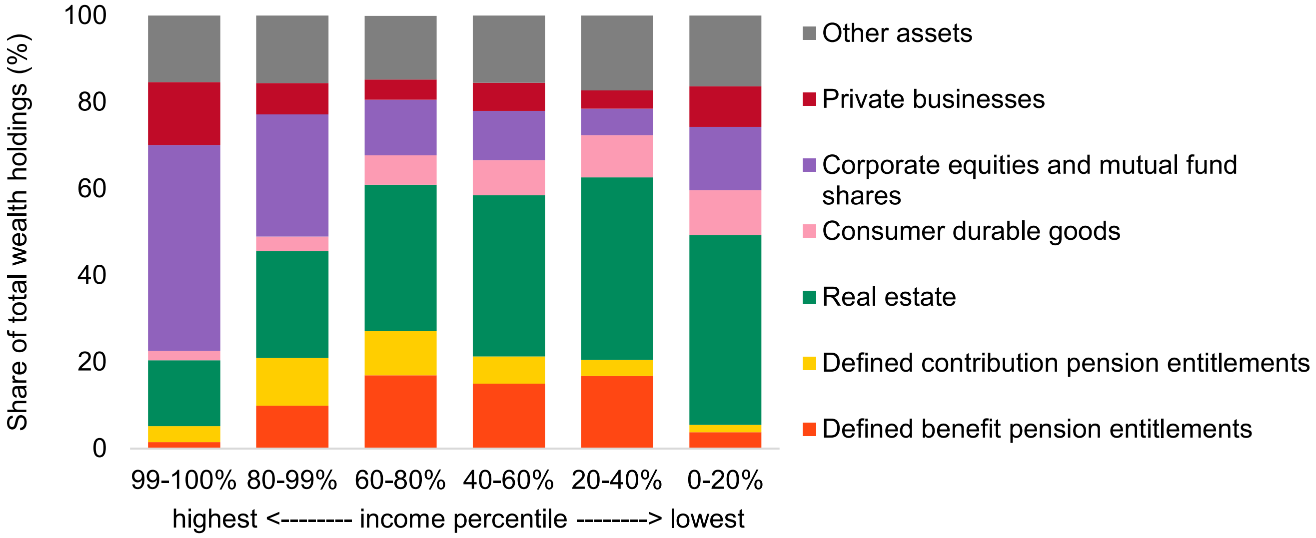
Some of the largest and most experienced private credit investors have placed limitations on inflows to ensure their portfolios are able to match new capital with their pipelines of appropriate investment opportunities. Others have focused on investor segments where the velocity of flows is more subdued. In many instances, the institutional and retail vehicles are investing in the same pool of potential assets.

That said, dispersion is likely to remain a key feature of the asset class – consistent with the trends we have highlighted in liquid corporate credit, consumer credit, and commercial real estate. This underscores the importance of underwriting discipline, credit selection, and due diligence.

Exhibit 11 highlights this pattern using performance dispersion for the BDC assets in Cliffwater's universe.

Exhibit 10: The components of wealth vary across income cohorts

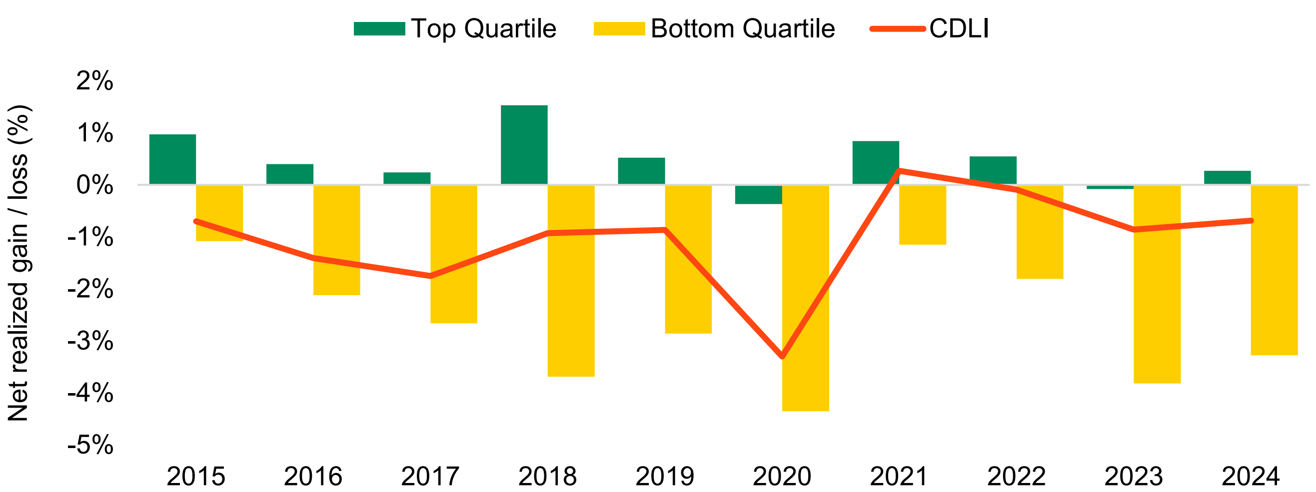
Distribution of U.S. consumers' various wealth components, by income percentile



Source: The Federal Reserve Board, BlackRock. As of 2Q2025 (most recent as of October 29, 2025).

Exhibit 11: Performance dispersion among BDC managers is evident

Trailing 12-month realized gains (losses) for the top and bottom quartile BDCs, and entire Cliffwater Direct Lending Index



Source: Cliffwater Direct Lending Index, BlackRock. Performance data represents past performance, which does not guarantee future results. There is no assurance that similar investments will be made or that similar results will be achieved. As of YE2024 (most recent).

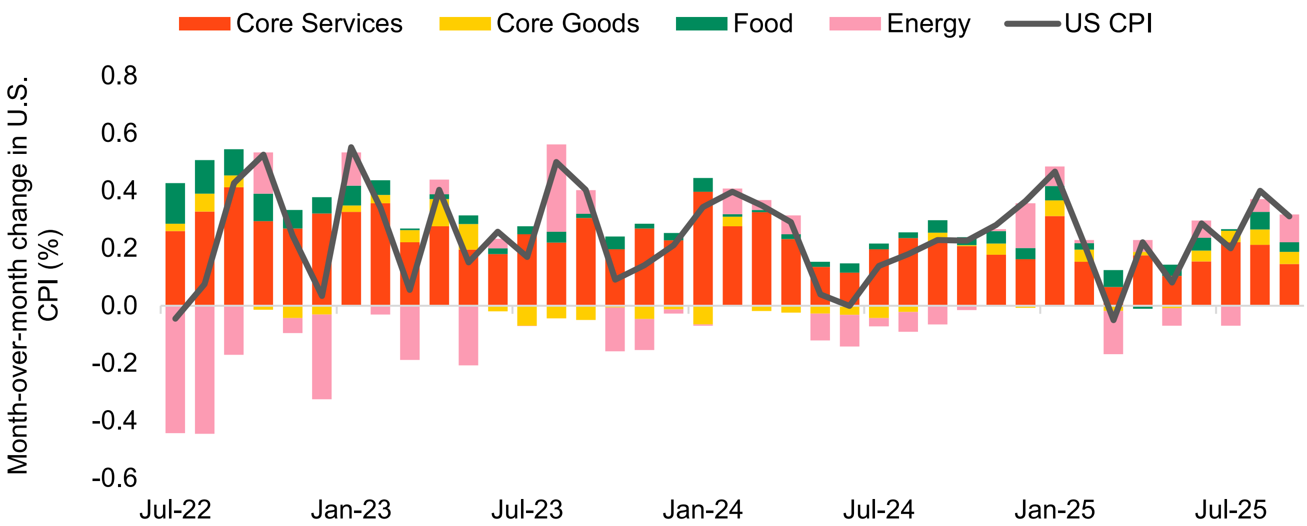
October FOMC: setting up for a potential pause in December

In our view, the most notable takeaway from Federal Reserve Chair Powell's comments at the October 29th FOMC press conference was that a rate cut at the next meeting (December 9th – 10th) is "far from" a "forgone conclusion," citing "strongly differing views" on the Committee. With Fed Funds now in the 3.75%-4.0% range (following 150bp of cuts already delivered for this cycle), Chair Powell said he believes the policy rate is now within the context of many estimates of the neutral rate.

During the Q&A, he once again cited tension in the Fed's dual mandate, given the upside risks to inflation and downside risks to employment. That said, the Chair also reiterated that a "reasonable base case" is that the upward price pressures from tariffs ultimately prove to be "relatively short lived" and a "one time shift in the price level." He added that inflationary pressures from tariffs may persist into the Spring of 2026 but are likely to be modest (potentially adding 20bp to 40bp to inflation measures).

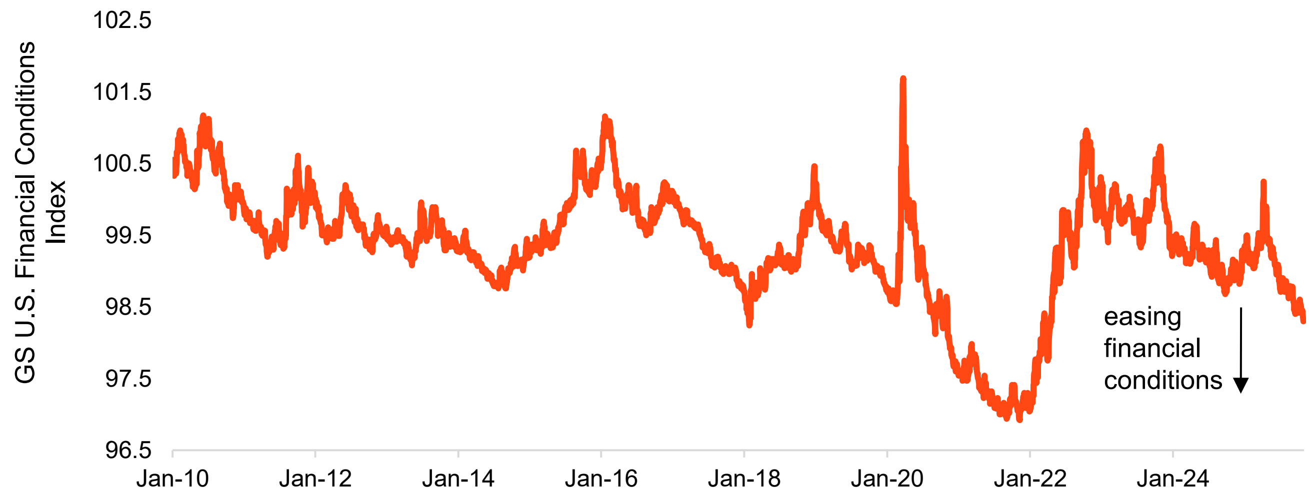
On net, this leaves us comfortable with our long-standing expectation for a *normalization* cycle – as opposed to a deep *easing* cycle into accommodative territory. For this reason, we continue to prioritize income and yield when allocating to credit, as we noted in our *4Q2025 Global Credit Outlook*.

Exhibit 12: U.S. CPI is tracking at 3.0% year-over-year
Contributions (by category) to the month-over-month, seasonally adjusted, change in U.S. CPI



Source: Bloomberg, Bureau of Labor Statistics, BlackRock. Captures data through September 30, 2025.

Exhibit 13: Financial conditions have continued to ease, in aggregate, since early April
Goldman Sachs U.S. Financial Conditions Index



Source: BlackRock, Bloomberg, Goldman Sachs Global Investment Research. As of October 29, 2025.

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

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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.

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