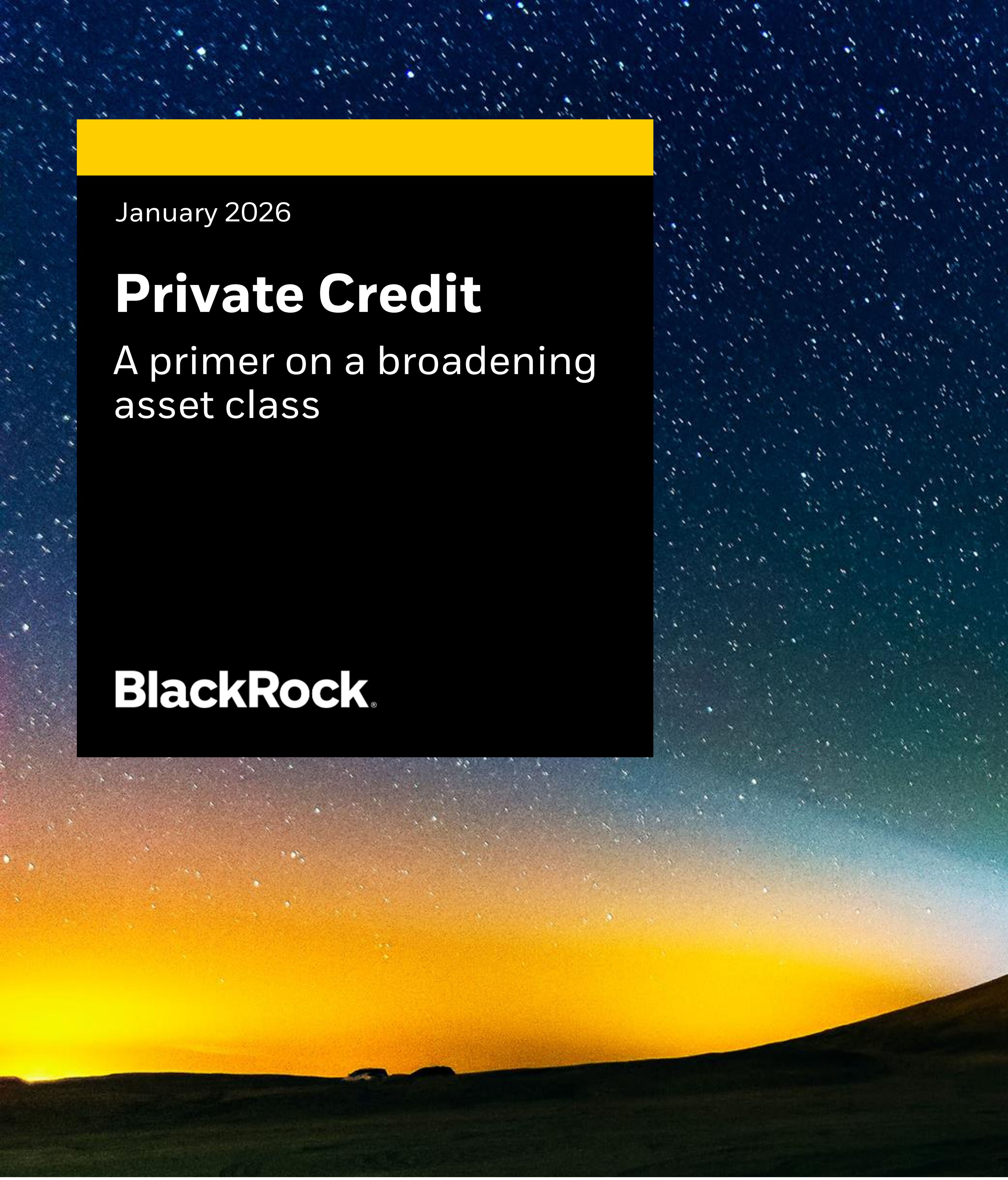

January 2026

Private Credit

A primer on a broadening asset class

BlackRock

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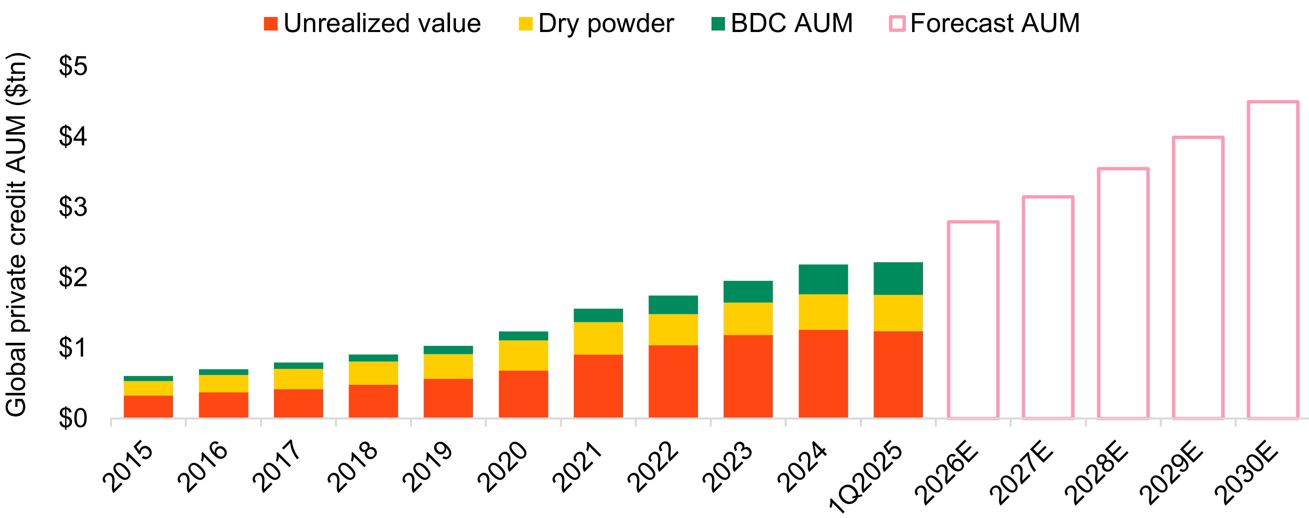
Key takeaways

- Over time, private credit has evolved from a niche source of financing into a sizable, scalable, stand-alone asset class. For industry participants, understanding private credit is no longer optional, as its scale, scope, and influence increasingly shape broader financing market dynamics. **This *Private Credit Primer* provides a four-part framework for understanding private credit today:**

1. **Defining private credit:** While private credit's definition has historically focused on middle market corporate lending, today it encompasses a broader set of opportunities. As such, we now define private credit as credit that is originated, structured, and held by lenders (pages 3-5).
2. **Unpacking private credit's growth drivers:** Private credit's expansion has been supported by four structural growth drivers, each detailed within: (1) an expanding addressable market of borrowers, and borrower preferences, (2) investor desire for portfolio diversification and increased comfort with private credit, (3) structural shifts in the public debt and equity markets, and (4) shifts in the bank lending ecosystem. Together, these dynamics underpin our expectation for global private credit AUM to reach $4.5 trillion by year-end 2030 (pages 6-29).
3. **Performance update:** Private credit performance has remained resilient in aggregate, delivering attractive interest income relative to realized losses. Further, it has historically offered a yield pick-up versus public markets, and comparable realized losses (pages 30-34).
4. **Fundamentals update:** Underlying fundamentals remain constructive, in aggregate, with continued borrower growth, improving coverage metrics, and contained default rates. That said, dispersion remains evident across characteristics such as manager experience, fund vintage, borrower size, and borrower sector. This, in our view, reinforces the importance of underwriting discipline, active credit selection, and portfolio construction as the asset class matures (pages 35-42).

Exhibit 1: We expect global private credit AUM to reach $4.5 trillion by year-end 2030
Private credit global assets under management ($ in trillions), and forecast AUM



Source: Preqin, Cliffwater, BlackRock. Historical (actual) data from Preqin and Cliffwater as of each calendar year-end and March 2025 (most recent available for Preqin). 2026E to 2030E are BlackRock estimates. **There is no guarantee any forecasts may come to pass.**

Part I

Defining private credit

As the asset class has grown, its definition has expanded

Defining the term "private credit"

Private credit has evolved meaningfully over recent years. Historically, references to the growing asset class of "private credit" have largely focused on the concept of lending to middle-market corporate borrowers. But as private credit's addressable market has continued to expand, so too has its definition. Today, we view the definition of private credit as anything that is originated, structured, and held by a lender.

Most of this piece will focus on the more "traditional" definition of private credit, where data tends to be more granular, widely available, and somewhat homogenous. That said, we will also discuss private credit's expanding scope, which includes strategies such as private ABF and private IG corporate credit.

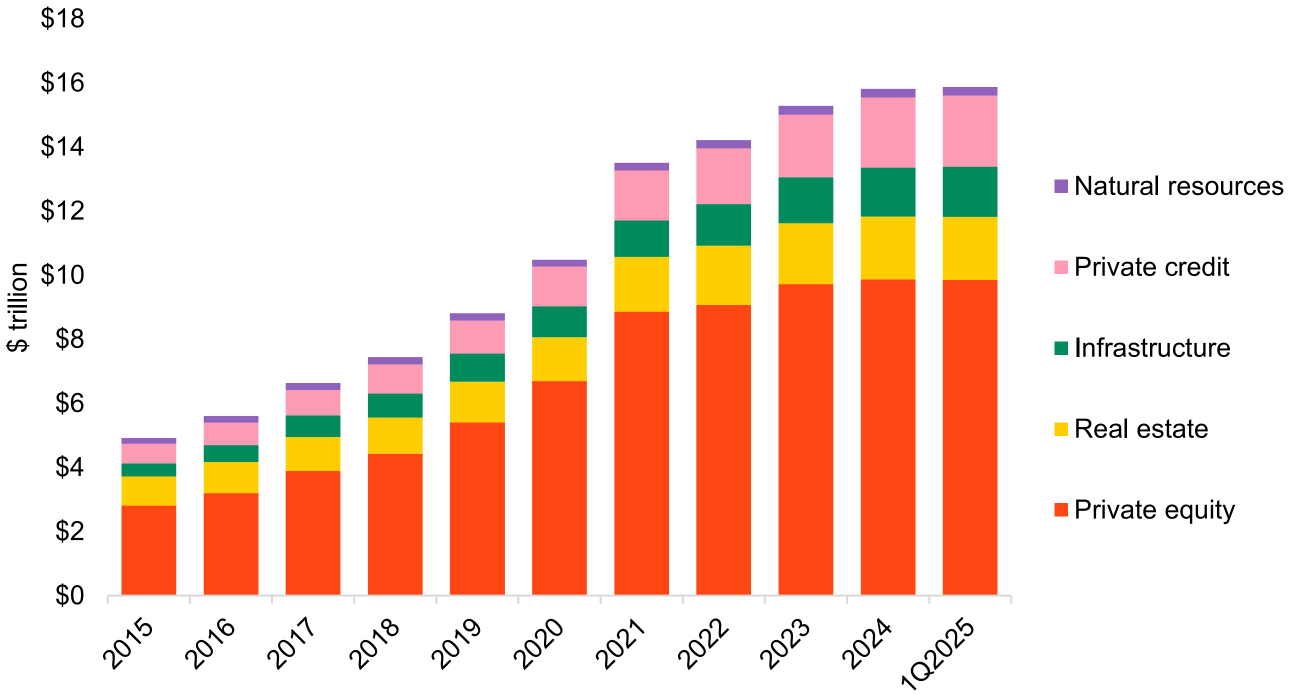
Sizing the global private credit market

While the concept of middle-market lending has existed for decades, it was historically conducted via so-called "relationship lending" using banks' own capital (i.e., balance sheet) or deposits. Following the onset of the 2007-2009 global financial crisis (GFC), shifts in how banks utilized their balance sheet capacity caused private credit to evolve into a *stand-alone asset class* driven by inflows of institutional third-party capital.

Private credit continues to cement its status as a sizable, scalable, stand-alone asset class for a wide range of long-term investors. The asset class – which totaled more than $2.2 trillion in assets under management globally as of March 2025 (according to data from Preqin and Cliffwater) – represents roughly 14% of the $15.9 trillion alternative investment universe (Exhibit 2).

We continue to forecast that the global private credit market will reach $4.5 trillion in AUM by year-end 2030 (Exhibit 1). This implies a roughly 13% compound annual growth rate (CAGR) over the next five years. Considering the average annual growth rate from 2020-2024 was 16%, we view this as quite achievable – especially considering the structural shifts in the financing ecosystem (banks and public debt / equity markets) over the past few years (discussed later).

Exhibit 2: Private credit represents 14% of the $15.9 trillion alternatives universe
Assets under management (unrealized value and dry powder) across alternative asset classes



Source: Preqin, Cliffwater, BlackRock. As of March 31, 2025 (most recent available). To avoid double counting of available capital and unrealized value, fund of funds and secondaries are excluded.

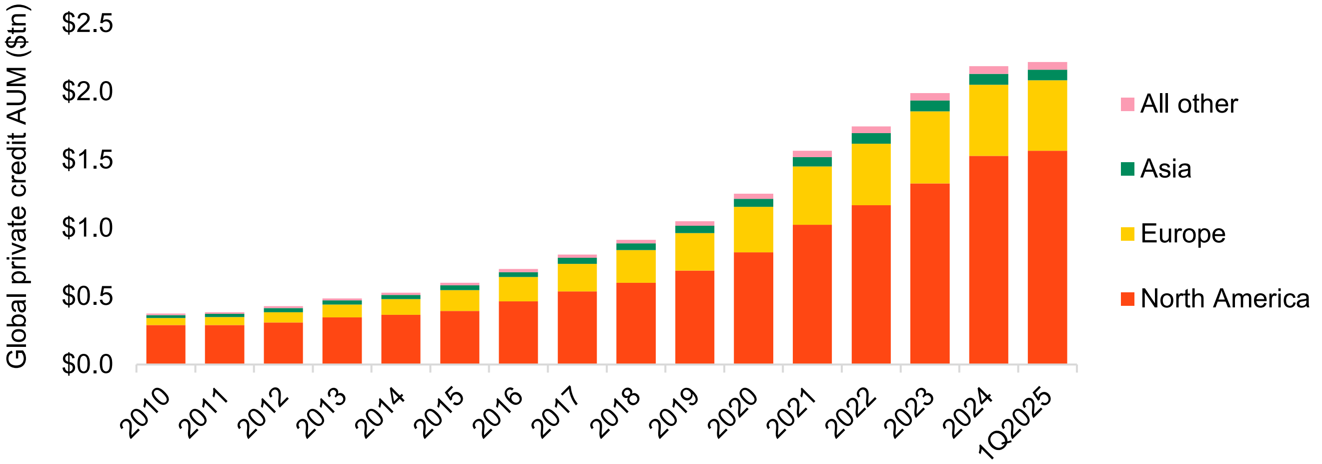
Using widely accepted measures from third-party data providers such as Preqin and Cliffwater, global private credit AUM has more than doubled in size vs. 2018 and quadrupled in size vs. 2014 (again, Exhibit 1). As demonstrated in Exhibit 3, North America represents the largest region in terms of total private credit AUM.

Though growth has been meaningful, in absolute terms, a comparison of North America markets demonstrates that private credit is not 'outsized' (Exhibit 4).

A range of "private credit" strategies

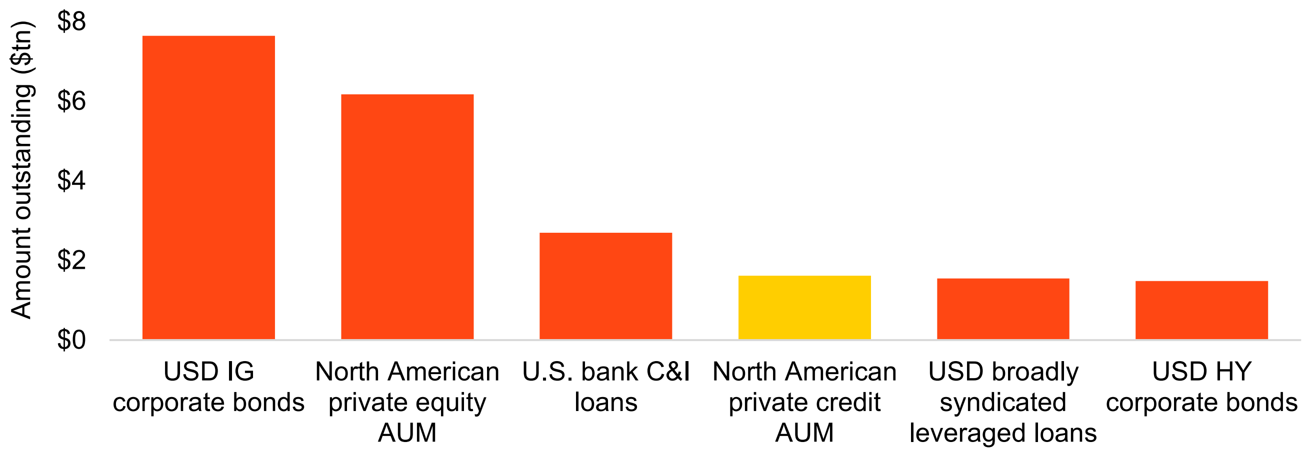
Beyond regional nuances, the various lending strategies captured by the term "private credit" are also quite distinct. The largest, by far, is direct lending, which represents roughly 54% of global AUM, according to data provider Preqin (Exhibit 5). (Note that this data does not include AUM from business development companies (BDCs), which is captured by the Cliffwater Direct Lending Index.)

Exhibit 3: North America represents 71% of global private credit assets under management
Total global private credit assets under management, by region



Source: BlackRock, Preqin, Cliffwater. As of March 31, 2025 (most recent available for Preqin). North America includes BDC AUM from the Cliffwater Direct Lending Index. All other includes Latin America / Caribbean, Africa, Australia / New Zealand, Middle East & Israel, and Diversified / Multi-Regional.

Exhibit 4: Private credit is still modest in the context of other North America markets
Amount outstanding of various lending and financing markets in North America, in $ trillions



Source: Preqin, Cliffwater, Bloomberg, Morningstar/LSTA, Board of Governors of the Federal Reserve System, BlackRock. Data includes the most recent available for each dataset. 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, and (2) the Cliffwater U.S. business development company (BDC) universe, as of September 2025. Private equity AUM is as of March 2025. Both private credit and private equity AUM include dry powder. 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 year-end 2025; these index-level amounts will not capture bonds and loans which are not index eligible. U.S. bank C&I loans as of November 2025.

Part II

Unpacking private credit's growth drivers

There are four growth drivers underscoring our expectation for private credit to reach $4.5 trillion by year-end 2030

Unpacking the growth drivers of private credit

Private credit's growth has been driven by four primary factors over the past several years (some of which have been in place for a while):

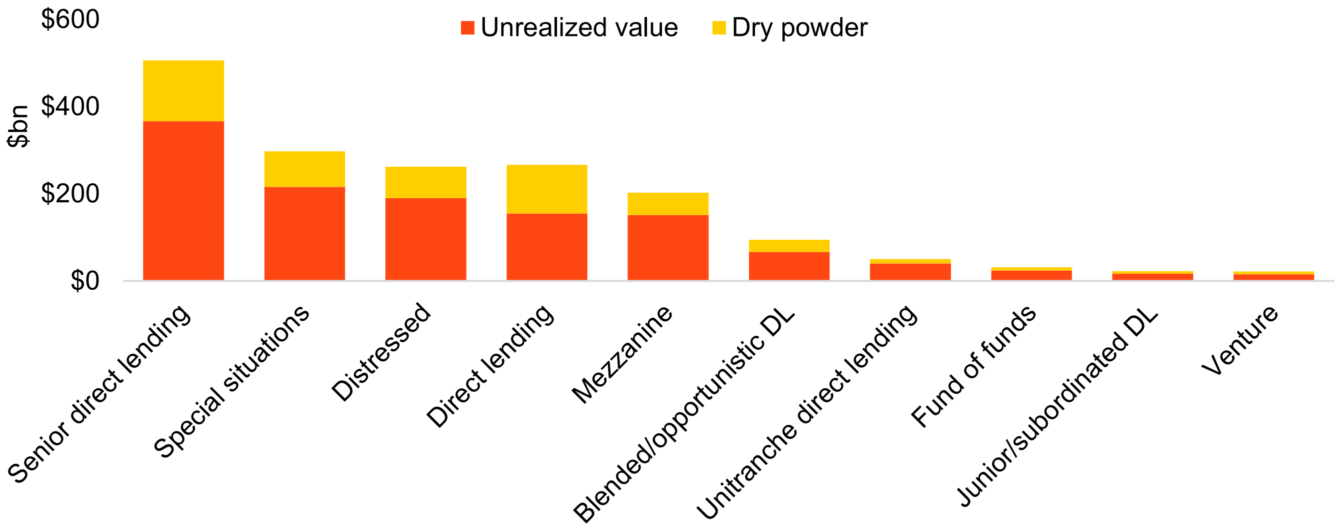
(1) An expanding addressable market of borrowers and evolving borrower preferences. As the asset class has grown, so too has its "addressable market" of borrowers. Indeed, it can now compete in areas where it previously could not, among larger borrowers that have historically issued in the syndicated debt markets. Further, many corporates, including those with public investment grade (IG) credit in their capital structure, desire customized funding solutions and value the certainty of execution and flexibility inherent in a long-term borrower-lender relationship. *We view this as the "demand" for private credit.*

(2) Investor desire for portfolio diversification and increased comfort with private credit. In its earlier years, we believe some institutional investors were concerned about the potential for "adverse selection" in private credit markets. In our view, that theory has been somewhat disproven, as (1) companies with demonstrated access to the public markets have chosen the path of private credit, and (2) as private credit losses (demonstrated by the Cliffwater Direct Lending Index) remain in line with USD public markets, even as private credit's track record has extended. In the context of a "whole portfolio" view, more investors are turning to private credit for diversification, reliable income, and opportunities to introduce structural protections, depending on the strategy. *We view this as the "supply" of capital used in private credit lending.*

(3) Structural shifts in the public debt and equity markets. The public debt markets (i.e., HY bonds, leveraged loans) now serve larger borrowers, as evidenced by average new issue deal sizes that are prohibitively large for most middle market companies. Furthermore, companies are staying private for longer, as illustrated by a long-term decline in new equity listings and longer private equity "hold times" for portfolio companies. This provides an opportunity for private financing to play a larger role in the growth journeys of many companies.

(4) Shifts in the bank lending ecosystem. Since the GFC, the share of bank lending to U.S. GDP has declined notably. Regulatory considerations have driven banks to reassess the most capital-efficient uses of their own balance sheet. We believe private credit is well-positioned to fill any potential resulting "financing voids," even in an evolving regulatory environment. And importantly, we believe the growth of private credit to become a third viable funding option for a wide range of companies – alongside the public debt markets and the banking channel – is a *positive* for financial stability.

Exhibit 5: The term 'private credit' encompasses a wide range of investing strategies
Total global private credit assets under management, by strategy



Source: Preqin, BlackRock. As of March 31, 2025 (most recent available). Excludes Real Estate and Infrastructure lending. DL = direct lending.

Growth driver #1: Expanding market, borrower preferences

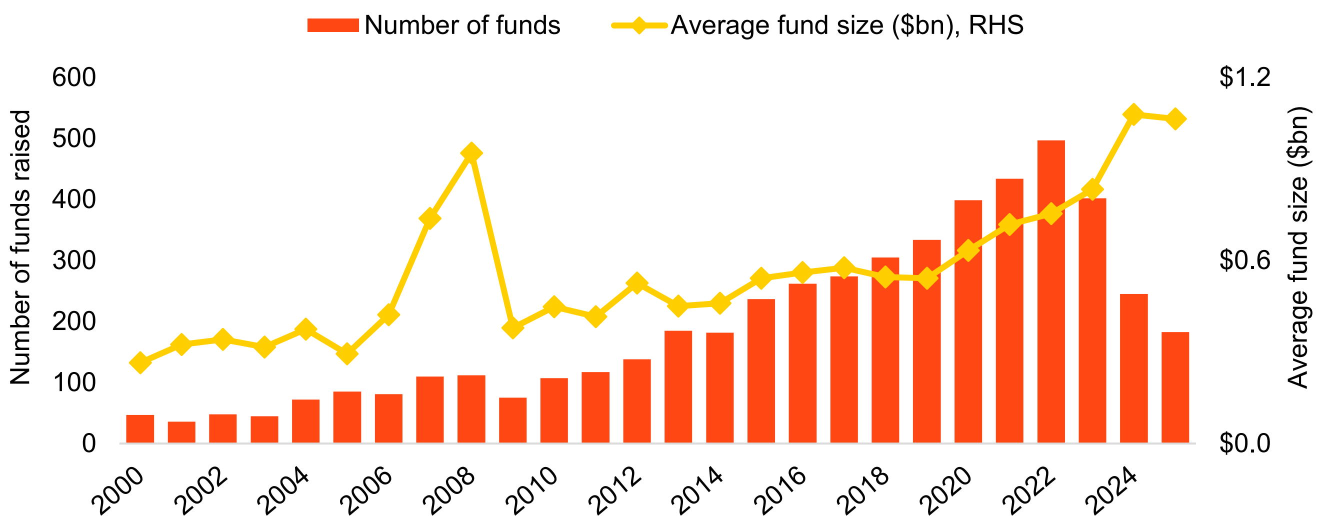
The first driver of private credit's growth is an expanding addressable market of borrowers, supported by two related factors: broadening addressable borrower size and borrower preference.

First, as the asset class has grown, it's become more practical for a wide range of deals. In the earliest days of the asset class, private credit was used primarily for small financing needs or for companies without meaningfully positive (or even negative) EBITDA. But this asset class is no longer reserved for niche pockets of the market.

Exhibit 6 demonstrates the number of private credit funds closed each year and the average fund size in billions. As the asset class has grown, so too has the average fund size, allowing managers to write larger checks without compromising on portfolio diversification in their investment vehicle.

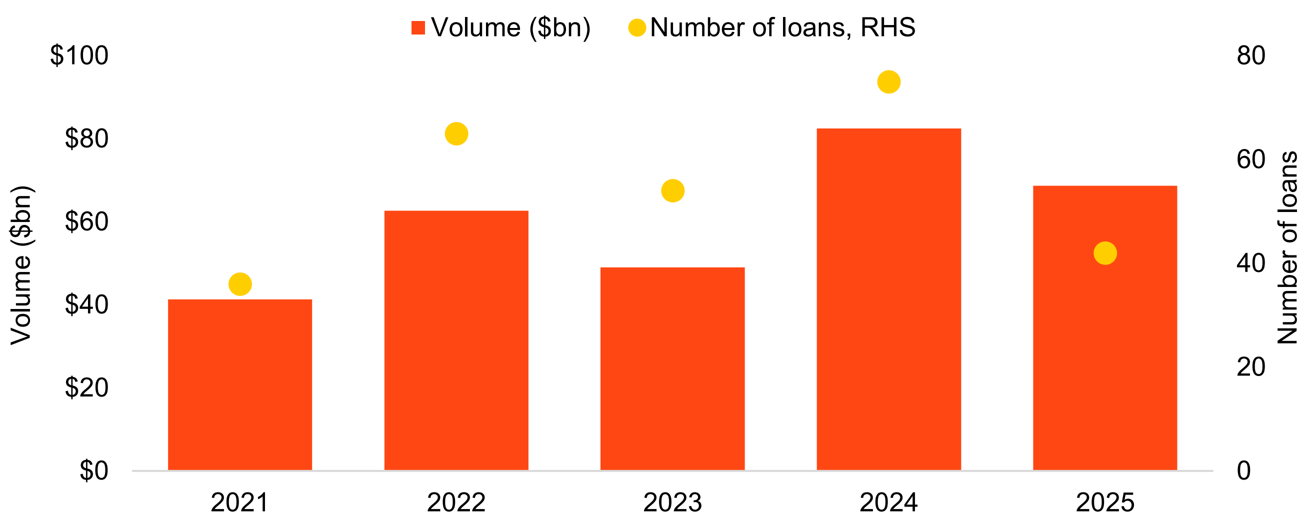
Exhibit 7 illustrates how USD 'jumbo' loan volume, or loans equal to, or greater than, $1 billion, has trended higher over recent years. The average size of jumbo loans has increased over time as well.

Exhibit 6: Larger fund sizes in private credit fundraising
Number of global private credit funds closed and average fund size, in $ billions, RHS. Captures the "final close date" for each fund.



Source: BlackRock, Preqin. As of year-end 2025.

Exhibit 7: Private credit 'jumbo' loans have grown over time
Volume, in $ billions, and number, RHS, of USD private 'jumbo' loans, or loans totaling $1 billion or more



Source: KBRA DLD, BlackRock. Captures data through year-end 2025 (most recent available). Includes incremental amounts to existing financings that total $1 billion or more.

Expanding borrower base: Larger, sub-IG borrowers

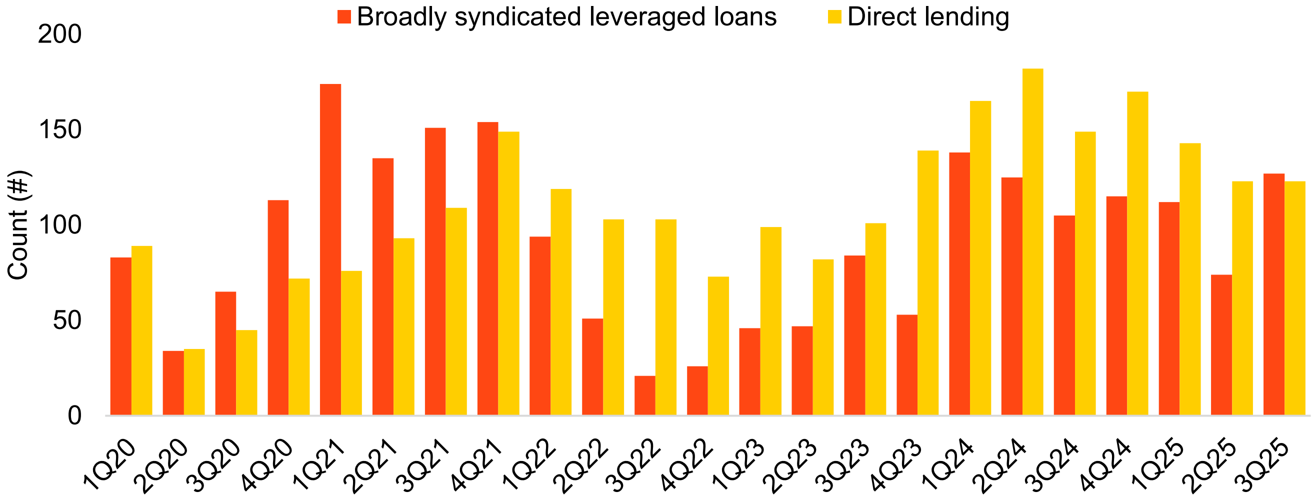
Both the broadly syndicated loan (BSL) market and the direct lending market are open to a variety of borrowers, including those with and without sponsor backing. These two markets are often more favorable to PE-backed borrowers than the HY bond market, a comparable sub-investment grade financing market, because of their more borrower-friendly terms, such as limited non-call protections.

As shown in Exhibit 8, the count of USD sponsor-backed deals financed by the BSL and direct lending markets changes over time, reflecting dynamics in the deal-making environment. Notably, in recent years, the count of USD sponsor-backed deals financed by direct lending has exceeded that of the BSL market.

That said, by volume, sponsor-backed activity in the BSL market tends to outpace direct lending, reflecting the larger borrower and deal sizes that are common in the BSL market (Exhibit 9).

Exhibit 8: The count of direct lending financings has generally outpaced the BSL market for sponsor-backed deals…

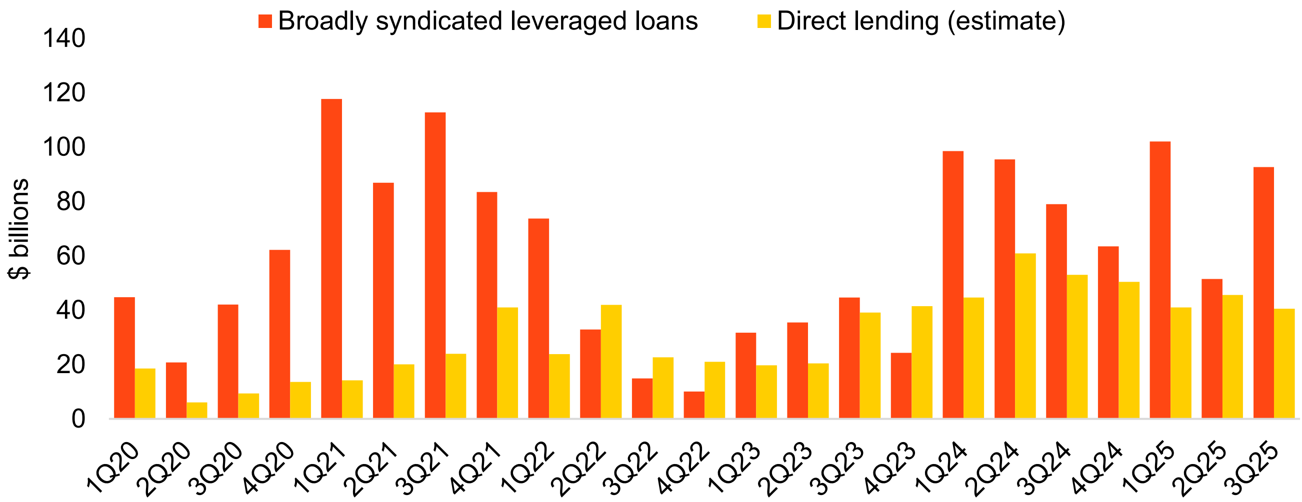
Count of USD sponsor-backed deals financed in the broadly syndicated loan market, vs. in the direct lending market



Source: Pitchbook LCD, BlackRock. As of September 30, 2025. Data is based on transactions covered by LCD News.

Exhibit 9: …though volume has favored the BSL market

New-issue sponsor-backed volume for loans financed in the broadly syndicated loan market, vs. in the direct lending market, in $ billions



Source: Pitchbook LCD, BlackRock. As of September 30, 2025. Data is based on transactions covered by LCD News.

We expect deal activity between the two markets will 'ebb and flow'

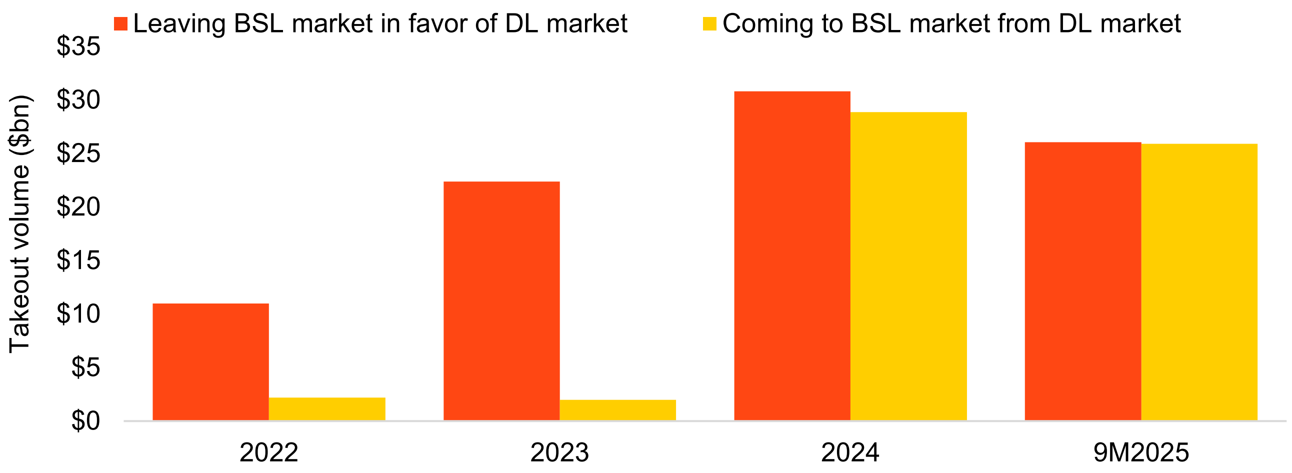
Though as private credit lenders have grown to fund larger deals, it has led to more competition with the syndicated leveraged finance markets. Indeed, refinancing activity between the public and private credit markets, often called a 'takeout', has become more common. Exhibit 10 demonstrates takeout activity between the BSL market and the direct lending market, which has been considerably balanced in 2024 and the first 9 months of 2025.

Further, some borrowers that are eligible to finance in both markets will run 'dual track' processes, in which they simultaneously assess investor interest in both public and private credit markets to determine where they can achieve the best execution.

Data from KBRA DLD shows how USD volume refinanced from the BSL market into the private credit market (i.e., private market 'steals') has increased steadily over recent years (Exhibit 11). Such data, which dates back to 2019, also reveals that 'steals' activity has shifted over time to capture larger financing.

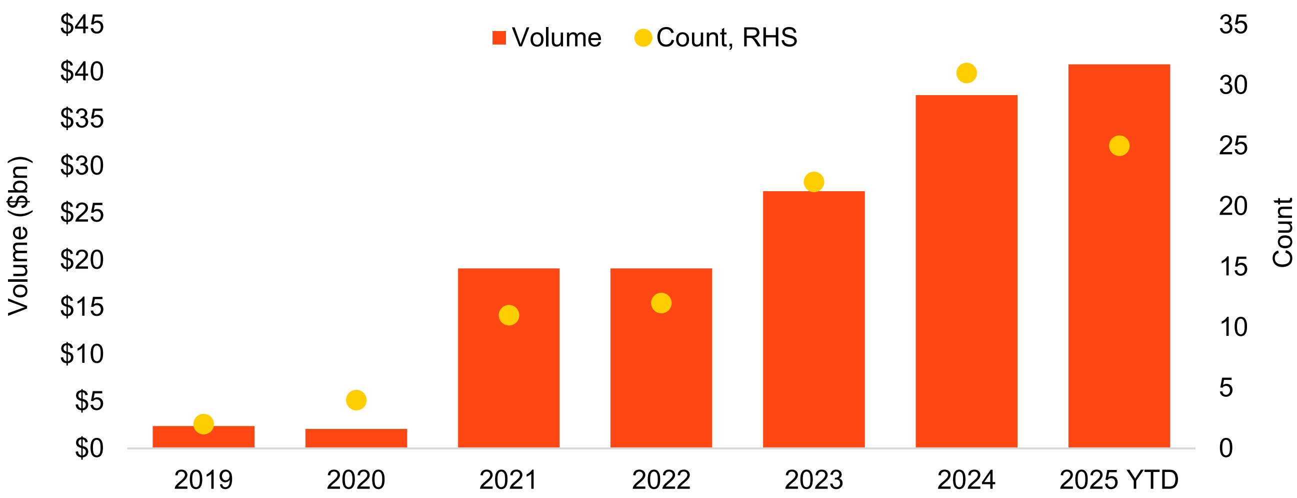
We expect that activity between the two markets will 'ebb and flow' each year, based on financing conditions and the risk appetite of the syndicated loan market.

Exhibit 10: We expect takeout volume will 'ebb and flow' over time
Broadly syndicated leveraged loan (BSL) and direct lending (DL) 'takeouts' by year



Source: Pitchbook LCD. BlackRock. As of September 30, 2025.

Exhibit 11: 'Steals' activity has grown steadily as the borrower base of private credit expands
Private market 'steals': volume and count, RHS, of USD deals refinanced from syndicated loans into private credit, in $ billions



Source: KBRA DLD, BlackRock. As of December 26, 2025. Includes incremental amounts to existing financings which total $1 billion or more.

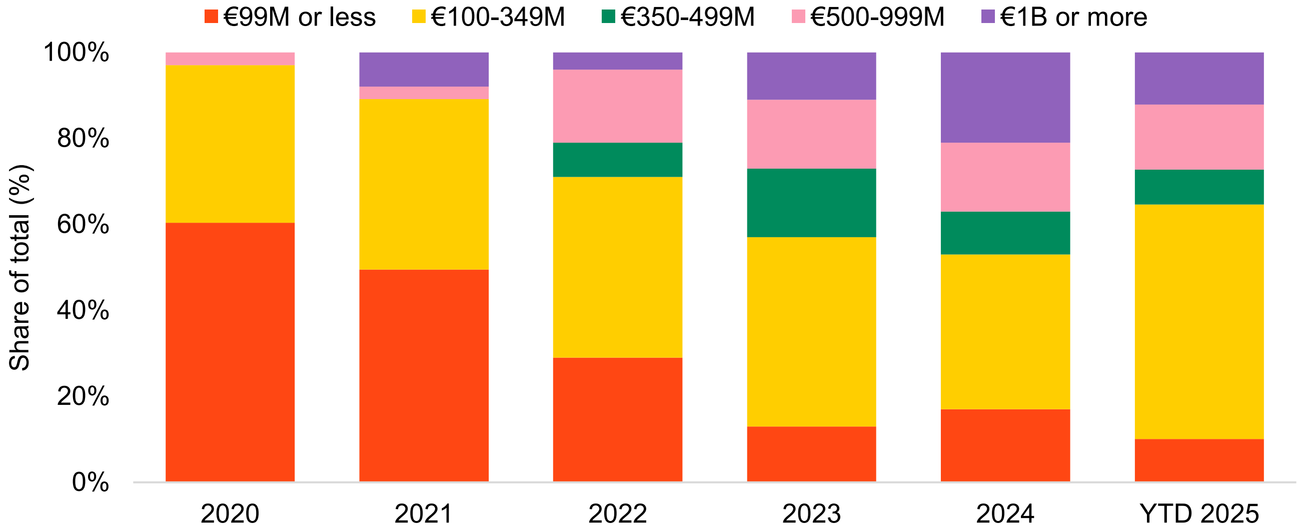
European markets have seen a similar trend…

The same dynamic is evolving in European markets, though for context, European public and private debt markets are considerably smaller than their U.S. counterparts.

Deal sizes in Europe have shifted larger, as is evident in the distribution of direct lending transactions over time (Exhibit 12). For example, deals in the '€99 million or less' segment have declined from 61% of deals in 2020 to 10% of deals in the first 9 months of 2025 (9M2025). By contrast, deals that are '€1 billion or more' have grown from 0% in 2020 to 12% in 9M2025. We expect that deal sizes will continue to grow as the European private credit market matures.

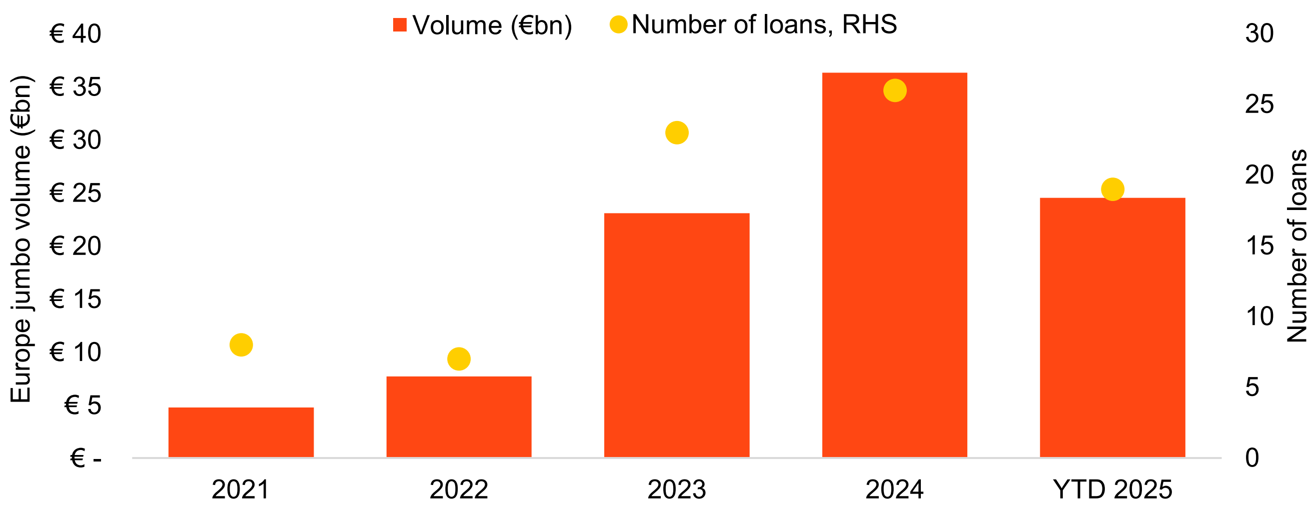
Data from KBRA DLD also shows a similar trend to that observed in U.S. markets, with European jumbo financings, or those greater than USD 1 billion, growing. In 2025 to date (as of November 25, 2025), there was €25 billion of 'jumbo' loan deal volume, up from €5 billion in 2021 (Exhibit 13).

Exhibit 12: Deal sizes have also grown in Europe
Deal size diversification of European direct lending deals, by deal count



Source: Pitchbook LCD, BlackRock. As of September 30, 2025. Direct lending data is based on transactions covered by LCD news. Share calculated based on deals where size information is disclosed.

Exhibit 13: Deal sizes have also grown in Europe
Volume, in € billions, and number, RHS, of private 'jumbo' loans, or loans totaling USD 1 billion or more, in the European market



Source: KBRA DLD, BlackRock. Captures data through November 25, 2025. Includes incremental amounts to existing financings that total USD 1 billion or more.

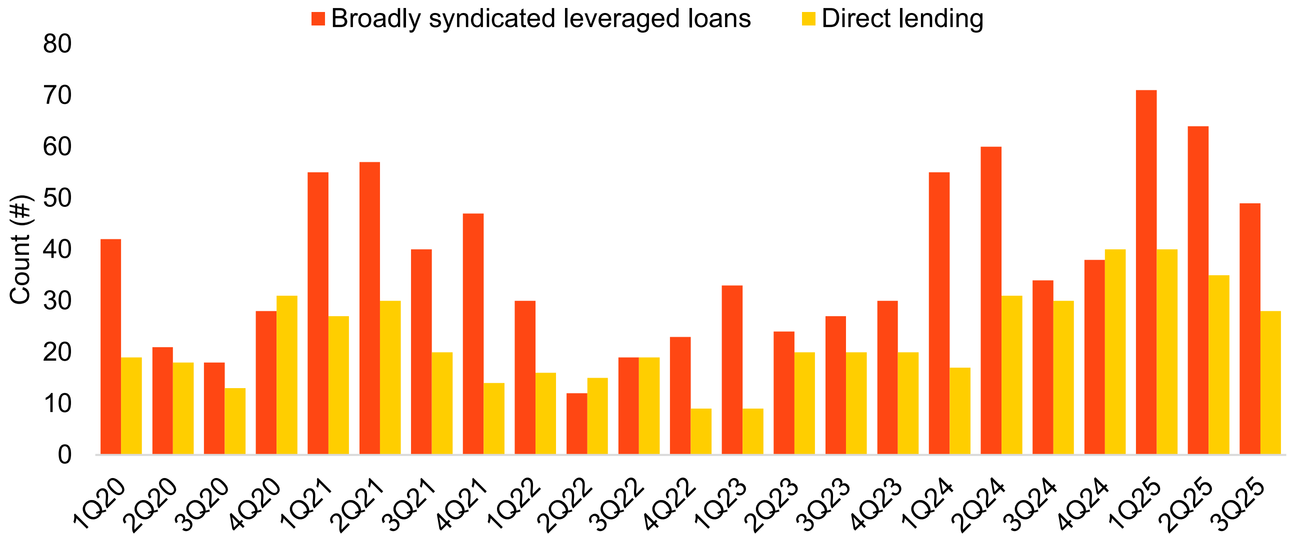
...Though EUR sponsor-backed BSL activity has largely outpaced direct lending

Though while European private credit and its deal sizes continue to grow, sponsor-backed deal activity generally favors the BSL market in both count and volume (Exhibits 14 and 15). This diverges somewhat from patterns we've seen in the USD market, in which the sponsor-backed deal counts generally skew towards direct lending (again, Exhibit 8).

In our view, this divergence reflects the somewhat less mature private credit ecosystem in Europe. Naturally, we see meaningful scope for private credit to grow in the region.

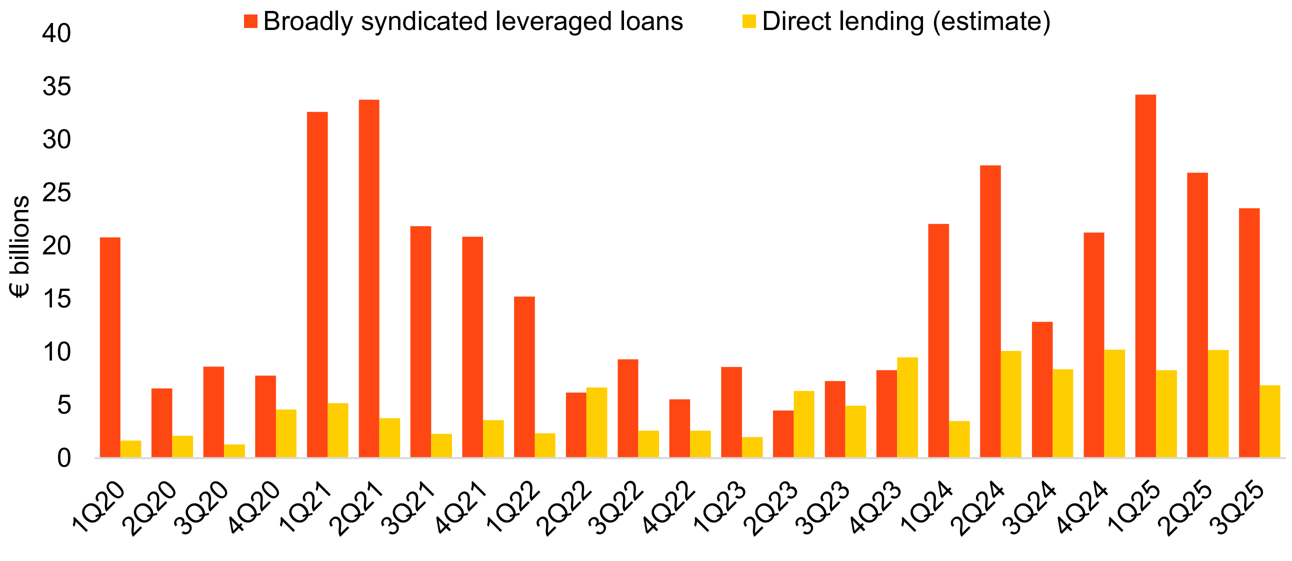
We expect that further growth should support private credit's ability to compete directly with the public debt financing markets, and we view this as a natural evolution of the asset class.

Exhibit 14: BSL sponsor-backed deals have outpaced direct lending most quarters, by count...
Count of European sponsor-backed deals financed in the broadly syndicated loan market, vs. in the direct lending market



Source: Pitchbook LCD. BlackRock. As of September 30, 2025. Data is based on transactions covered by LCD News.

Exhibit 15:... and by volume
European new-issue sponsor-backed volume for loans financed in the broadly syndicated loan market, vs. in the direct lending market, in € billions



Source: Pitchbook LCD, BlackRock. As of September 30, 2025. Data is based on transactions covered by LCD News.

Expanding borrower base: IG-rated borrowers

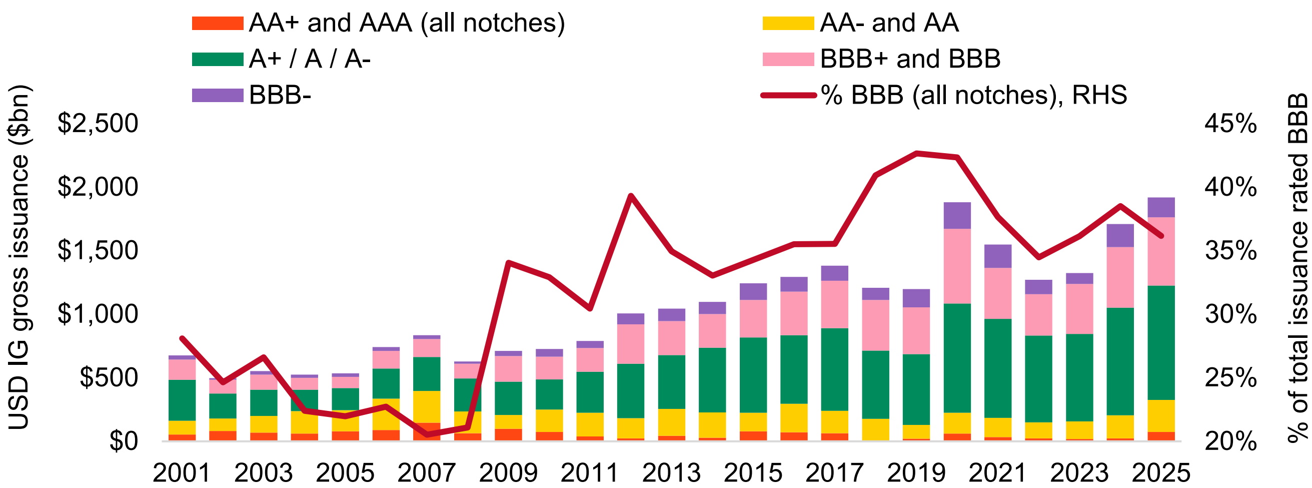
Beyond growth related to middle market borrowers, including those with demonstrated access to the sub-investment grade syndicated debt markets, investment grade (IG)-rated borrowers also represent an opportunity for private credit expansion.

There are several interconnected drivers influencing private credit's expansion into IG-rated financings, including IG-borrower capital structure optimization, the ongoing technology buildout related to artificial intelligence, and increasing demand for IG private credit from insurance companies.

To start, the USD IG universe has shifted lower in ratings and higher in leverage as it has grown. Exhibit 16 demonstrates how BBB issuance has grown as a share of total over time. We believe this pattern reflects corporate CFOs' views that the cost of debt capital is likely better optimized at a higher leverage level, so long as the rating remained comfortably within IG territory (at BBB).

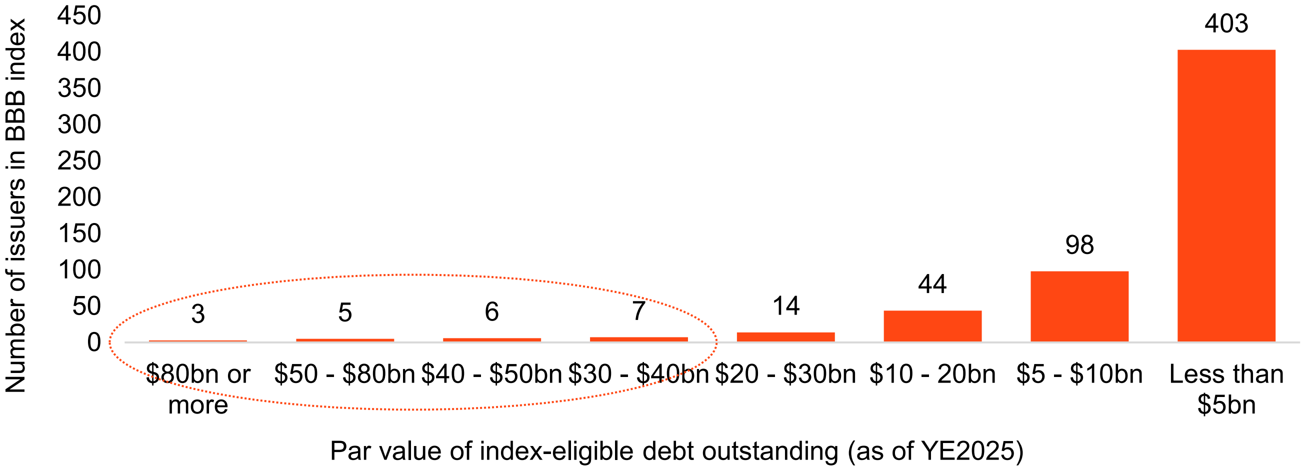
Further, some of the outstanding USD BBB capital structures are quite large (Exhibit 17). Many of these issuers have already tapped global IG debt markets (EUR, CHF, GBP, JPY) to diversify funding sources. With such a large amount of publicly traded debt outstanding, these borrowers risk pushing market capacity limits and/or the upper bound for IG-rated leverage at the holding company level.

Exhibit 16: BBB-rated debt has captured a larger share of USD IG new issue activity
USD IG gross issuance by Dealogic "Effective Rating at Launch," ($ in billions), and the share rated BBB (across all three notches), RHS



Source: Dealogic (ION Analytics), BlackRock. As of year-end 2025.

Exhibit 17: Some USD BBB debt structures are now very large
Number of issuers in the Bloomberg USD BBB Corporate Index by index-eligible debt outstanding



Source: Bloomberg (LCB1TRUU), BlackRock. As of year-end 2025. Excludes issuers that are not index-eligible.

Private credit may provide a more optimal and customized financing solution, especially for IG-rated borrowers with asset-rich or cash flow-rich subsidiaries (where value may be unlocked with secured financing, such as private ABF). These capital solutions can often be 'rating efficient'.

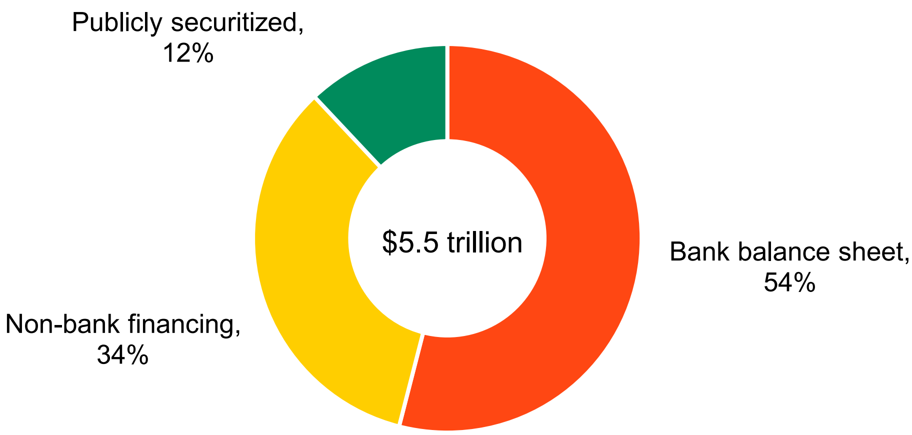
Private ABF refers to lending secured by pools of assets, where the contractual cash flows from those assets are applied to debt service, often through amortizing structures. This stands in contrast to corporate lending, which instead relies on an individual borrower's ability and willingness to service its debt via regular coupon payments until a large maturity at the end of the loan.

Private ABF encompasses lending related to consumer debt, hard assets, commercial financing, and intellectual property, and is estimated to be a $5.5 trillion addressable market in the U.S., per an April 2024 Oliver Wyman analysis. Further, Oliver Wyman estimates that ~$300 billion of the 'non-bank financing' segment is funded by the private credit universe, which leaves its overall market share currently around 5%, per the analysis (Exhibit 18). This may become especially relevant as IG-rated technology borrowers continue to undertake artificial intelligence-related capital expenditures.

Finally, as we discussed in our November 2025 paper *Private credit's growth through an insurance lens*, insurance demand for private credit has grown as insurers increase allocations to the asset class. Benefits for insurers include: matching long-term assets with long-term liabilities, the potential for more capital-efficient yield, enhanced portfolio diversification, and changing market and client dynamics. To address this demand, private credit lenders are increasingly focused on expanding their IG-rated private credit assets.

Exhibit 18: Oliver Wyman estimates private credit represents ~$300 billion of the $1.9 trillion U.S. specialty finance "non-bank financing" market

U.S. specialty finance market by estimated source of financing, per Oliver Wyman analysis



Source: "Private Credit's Next Act," April 2024 by Huw van Steenis and colleagues, Oliver Wyman, BlackRock. The Oliver Wyman analysis and estimates were aggregated from a range of sources including, but not limited to: Federal Reserve Board (Z1 tables, G19, G20 and H8); Federal Reserve Bank of New York; Federal Reserve Bank of Dallas; Bureau of Transportation Statistics (BTS); Dealogic; Conning, Inc., Conning Esoteric ABS Strategy Fact Sheet — used with permission; Finsight.com; Structured Finance Association; Boeing (Commercial Aircraft Finance Market Outlook); Secured Finance Network; Equipment Leasing and Finance Association; Morgan Stanley Research; CACIB Research; company reports and disclosures. Note: Non-bank financing includes fee-paying private credit AUM, captive financing (e.g. manufacturer-funded finance) and direct investments by insurers and other asset managers.

Borrower preference

The second factor influencing private credit's expanding borrower base is borrower preference. This factor cuts across borrower types, in our view.

Corporates' desire for customized funding solutions has resulted in significant demand for private credit. For example, due to private credit's direct negotiation and underwriting process, lengthy investor roadshows and rating agency reviews are largely unnecessary for borrowers when they choose the route of private credit. Another advantage, from a borrower's perspective, is the ability to keep proprietary and confidential information out of the public domain.

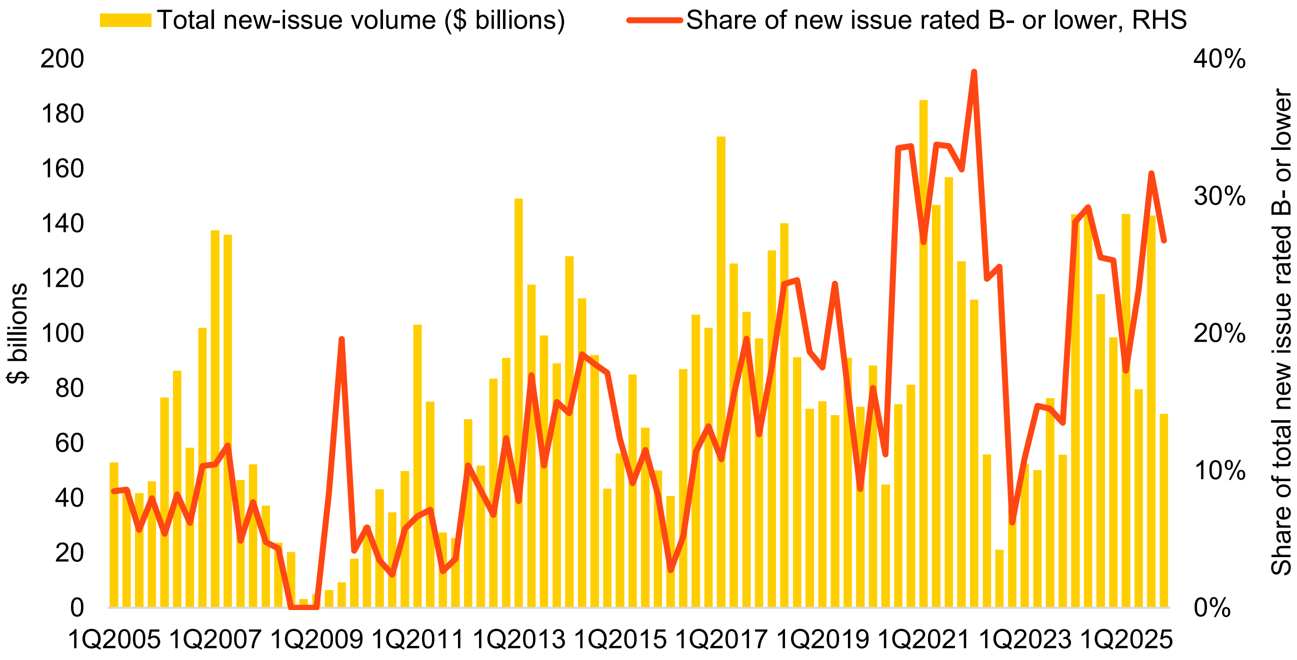
Certainty of execution is also a strong draw for many corporate borrowers, especially in periods of elevated market volatility. Extended periods of disruption in the syndicated debt markets often present an opportunity for private credit managers to deploy capital to creditworthy borrowers caught in a market dislocation. This is because private credit transactions are directly negotiated between the borrower and one lender (or a small group of lenders) and do not rely on syndication to a wide range of investors (who can become more risk averse during times of market volatility).

Exhibit 19 demonstrates how lower-rated issuance (i.e., loans rated B- or lower) falls during periods of heightened uncertainty. For example, the Federal Reserve began its most recent rate hiking cycle in March 2022, and increased interest rates by 525 basis points (from 0.0% - 0.25% to 5.25% - 5.50%) over the following 16 months. During this time, there was considerable uncertainty around the macro backdrop and borrowers' ability to navigate this higher rate regime. Consequently, lower-rated issuance fell considerably, with lower-rated supply (i.e., B- or lower) averaging 12% of total issuance from 4Q2022-4Q2023, versus 32% of quarterly volume in 2021. Collateralized Loan Obligations (CLOs), which are the largest buyer type in the new-issue leveraged loan market, are rating sensitive vehicles, and thus, uncertainty leads CLOs to exercise greater caution toward lower-rated borrowers.

And because they involve only a small group of lenders, private credit financings can often include more flexibility and customization, either at origination or, if needed, later. In other words, private credit markets may offer certainty of execution and clarity on pricing when subsets of the public markets may not.

Exhibit 19: Lower-rated issuance can vary based on the macro backdrop

Quarterly USD leveraged loan new issue volume, and the share of lower-rated supply (i.e., B- or lower) as a percentage of total supply



Source: Pitchbook LCD, BlackRock. As of December 29, 2025.

Growth driver #2: Investor desires and increased comfort

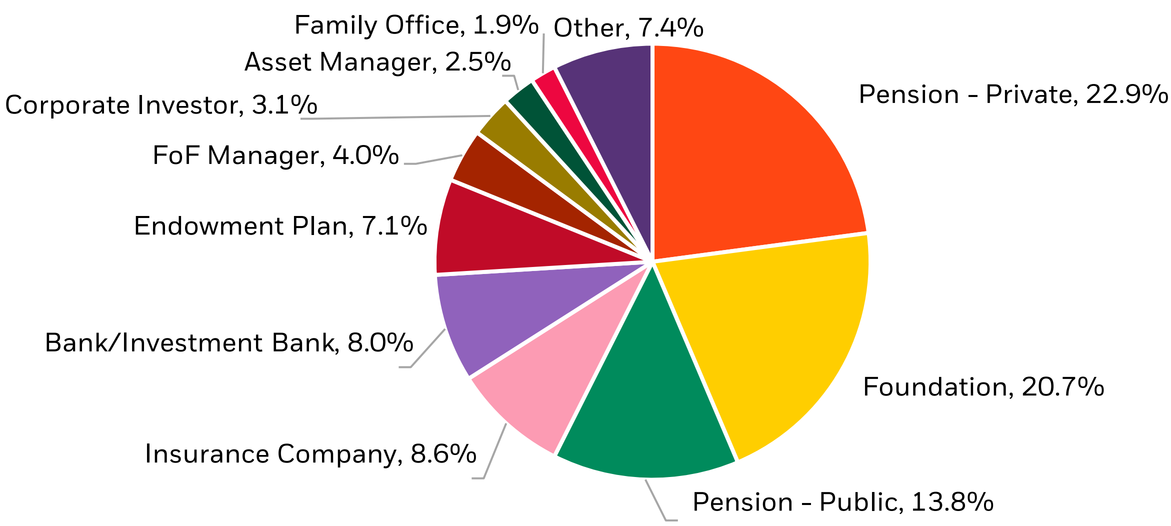
As with the previous discussion related to borrowers' preferences, the factors behind investors' participation in the private credit asset class are also multifaceted. First, to level set on the broader landscape, private credit ownership is largely composed of buy-and-hold investors, such as pension funds, endowments, foundations, and insurance companies, among others (Exhibit 20).

Many of these investors engage in asset-liability matching, whereby long-term liabilities to be paid in the future (such as life insurance payments and pension payouts) are matched against income-generating assets with a similar maturity profile.

A June 2025 survey conducted by Preqin asked institutional investors about their main reasons for allocating to a range of alternative asset classes. As shown in Exhibit 21, private credit investors most frequently mentioned a reliable income stream (60%) and diversification (56%), alongside high risk-adjusted returns (44%) and reduced portfolio volatility (34%).

Exhibit 20: The private credit ownership base is largely long-term, and "buy-and-hold" focused

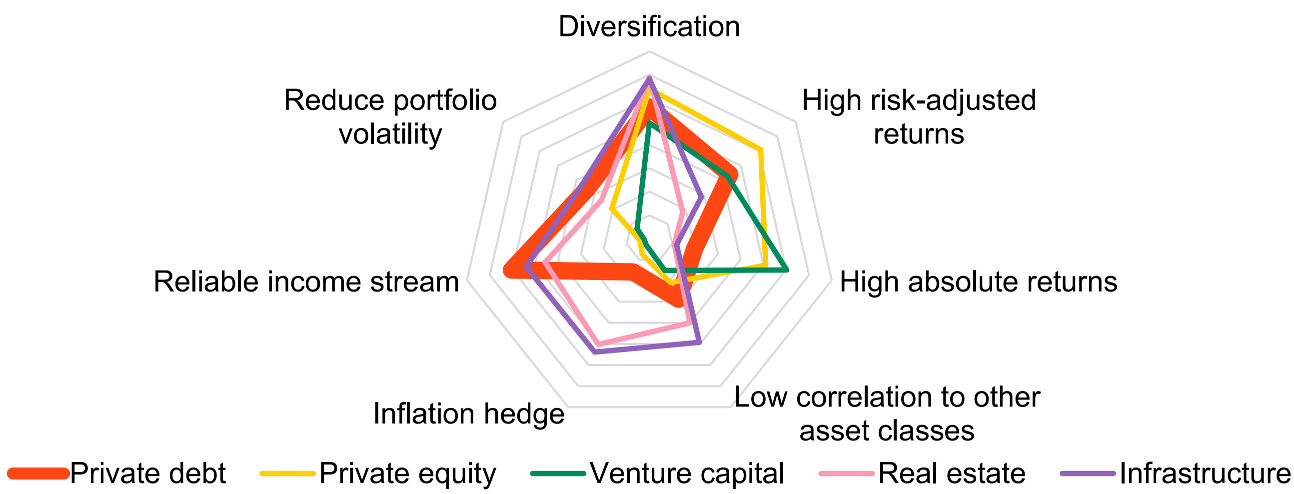
Proportion (by count) of private credit investors by investor type



Source: BlackRock, Preqin. As of November 26, 2025. The "Other" category includes Government Agency, Wealth Manager, Investment Company, Fund Manager, Investment Trust, Sovereign Wealth Fund, Superannuation Scheme, Private Equity Firm, and Real Estate Firm. FoF = fund of funds.

Exhibit 21: Income and diversification are among top reasons for private credit allocations

Institutional investors' main reasons for investing in alternative assets, per a June 2025 Preqin survey



Source: Preqin Pro June 2025 Investor Survey, BlackRock.

Insurers are increasing allocations to private credit

Insurers have long been active in select segments of the private credit universe, including private placements. Though as we discussed in our November 2025 piece, *Private credit's growth through an insurance lens*, their participation in the space is expanding. Exhibit 22 demonstrates how private bond holdings by U.S. life insurance companies have increased in recent years.

We see four primary drivers behind insurers' growing allocations to private credit:

(1) Matching long-term assets with long-term liabilities: Insurance companies generally pay claims years in the future. As a result, they have the flexibility to (1) invest over a longer-term horizon, and (2) dedicate a portion of their portfolio to illiquid assets. In some cases, private investments may allow for matching of insurers' investable assets and liabilities (i.e., required insurance claim payouts).

(2) Seeking capital-efficient yield: Some insurers turn to private credit for a higher "capital-efficient yield," given risk-based capital limitations. The incremental yield provided by private credit reflects, in part, compensation for holding an investment over the long term, as well as other structuring considerations. Anecdotally, we find that insurers especially value the consistency of excess spread.

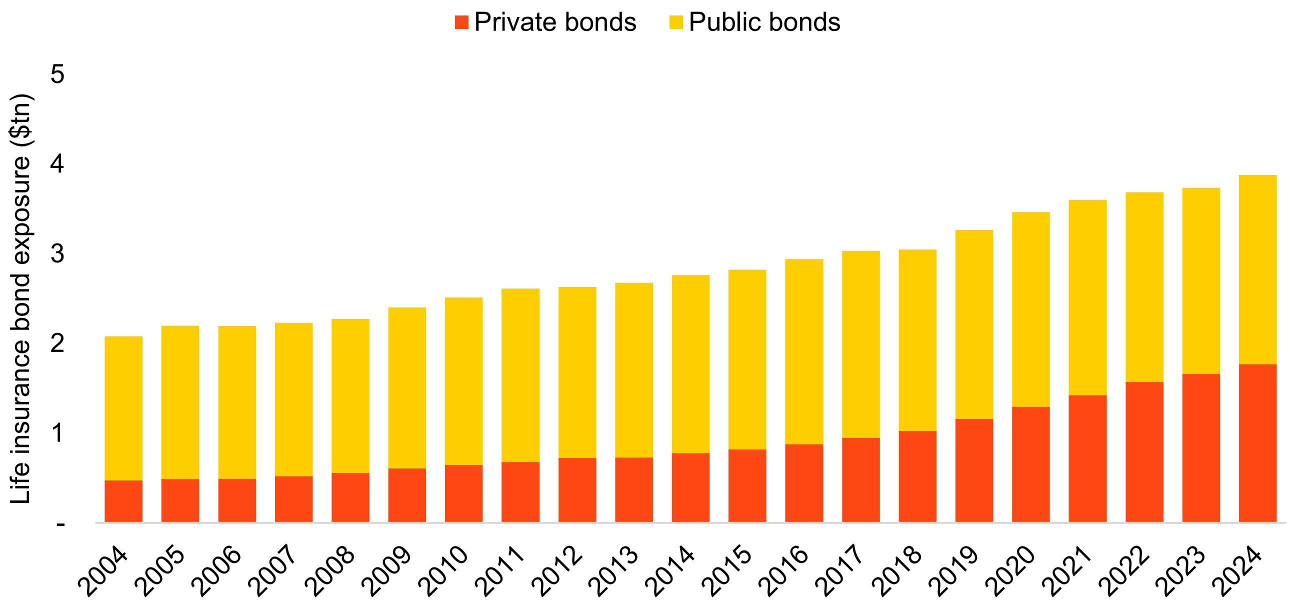
(3) Enhancing portfolio diversification: Private credit often exhibits lower realized asset volatility than public credit (because it is generally not traded or marked-to-market daily). It can also introduce portfolio diversification by: (1) allowing insurers to access borrowers or collateral that is not available in public markets, or (2) introducing structural protections and covenants, which can provide an additional layer of risk oversight and security to lenders.

(4) Responding to changing market and client dynamics: Insurers' investment strategies are shaped by both their evolving product mix and the macroeconomic backdrop. For example, an aging population and a backdrop of structurally high interest rates have broadened client interest in annuities, which offer predictable, long-term income streams to policyholders. To support competitive rates for these products, insurers seek long-duration, stable-yielding assets, making some private credit strategies an attractive match for such liabilities.

The increase in demand from insurers has further fueled private credit's growth, including expansion into the investment grade universe.

Exhibit 22: Life insurance industry exposure to private bonds has grown over time

U.S. life insurance industry bond exposure, by bond type, in $ trillions



Source: S&P Capital IQ, BlackRock. As of year-end 2024 (most recent available as of year-end 2025). Private bonds are broadly defined as bonds that are privately placed, or those that are qualified for resale under SEC Rule 144A or are freely tradable under SEC Rule 144.

The retail channel is growing, as well

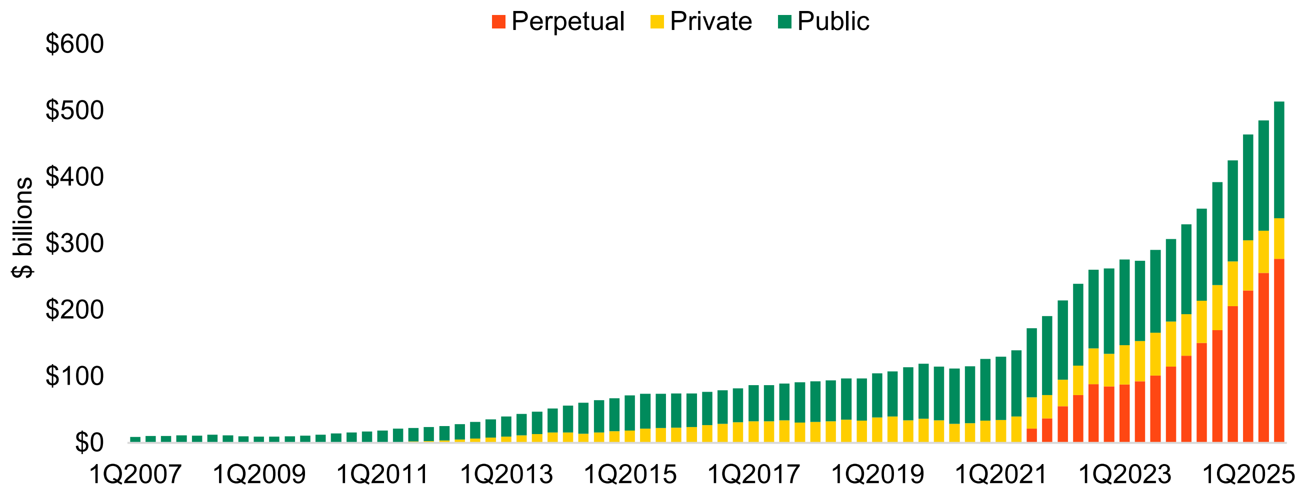
The retail channel also presents a growth opportunity for private credit. In recent years, this has been facilitated by the growth of certain types of business development companies (BDCs), which have streamlined access to private markets through features such as lower minimum investment denominations and simplified tax reporting. Exhibit 23 illustrates this growth across different BDC types.

Other innovations, such as model portfolios, have also contributed. As our colleagues recently highlighted in their retirement survey, plan sponsors see a place for private market assets, especially in formats such as target date solutions.

And while some market participants have voiced concern that the flow of capital from the wealth channel into private credit may erode some of the pricing and underwriting discipline in the asset class, retail inflows remain modest in the context of the broader asset class (Exhibit 24).

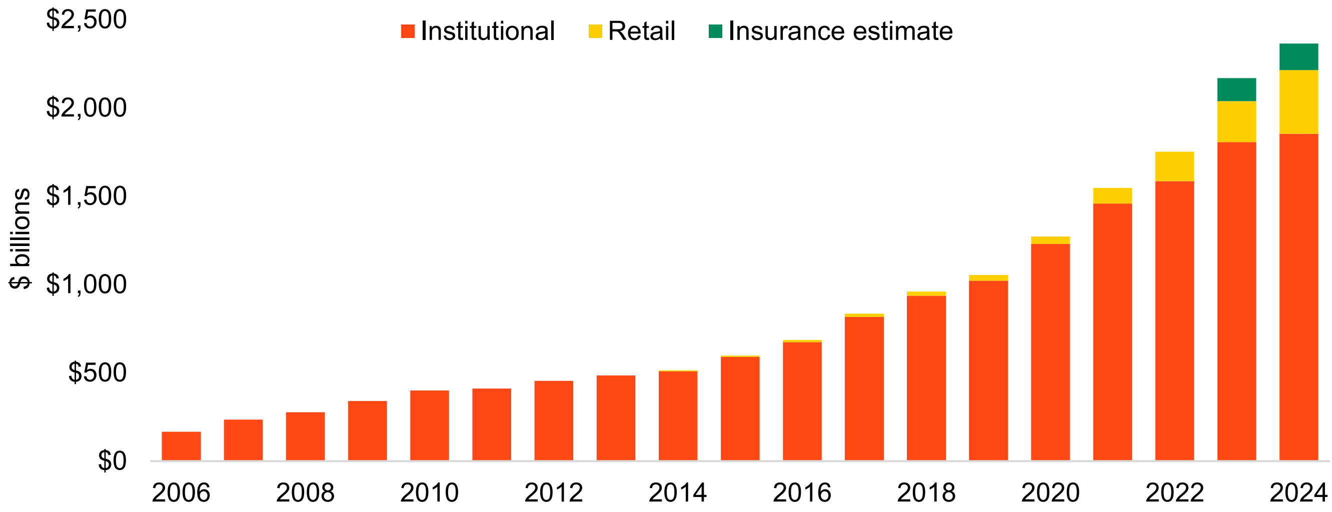
Further, there are various measures employed by the most experienced private credit managers to match new capital with suitable investment opportunities. Still, we expect dispersion to remain a feature across managers, vintages, and strategies.

Exhibit 23: Perpetual BDCs have driven much of the growth in BDC AUM in recent years
Cliffwater Direct Lending Index assets under management, in $ billions, by BDC type



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

Exhibit 24: 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.

Capital allocators prioritize experience

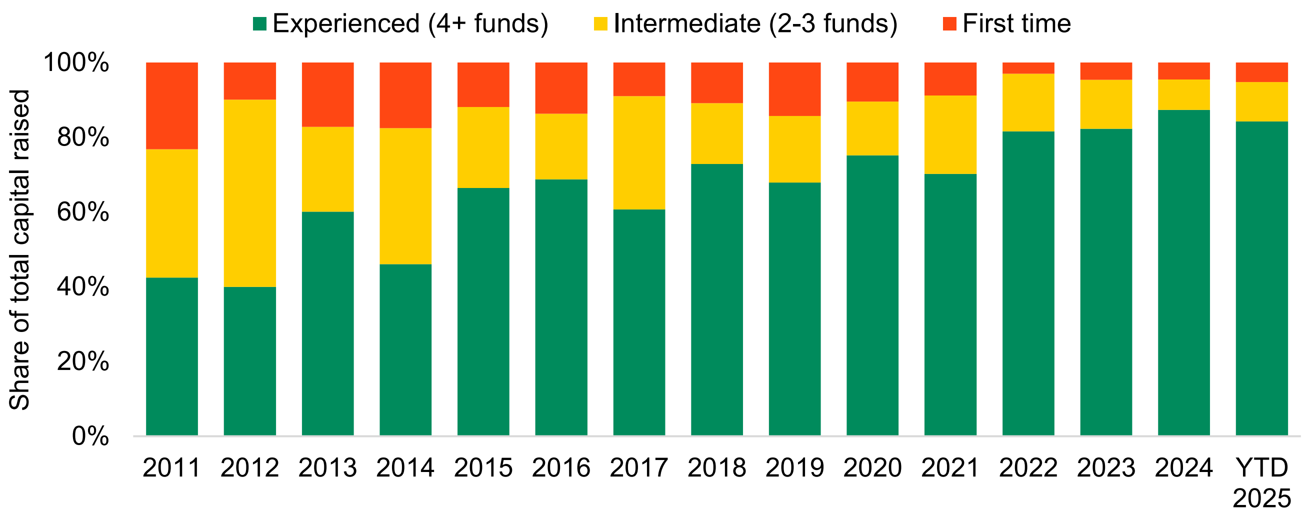
Relatedly, some market participants have raised concerns about the aggregate growth of private credit AUM in recent years, especially that new entrants may be sacrificing underwriting discipline to capture market share. Fundraising data from Preqin shows a more nuanced view: capital allocators have become more selective in the higher interest rate regime, favoring more experienced managers.

For example, Exhibit 25 shows that first-time private credit funds have captured, on average, 4.4% of total capital raised (per year) since 2022, well below the 2019-2021 run rate of 11.2%. Similarly, established private credit managers (i.e., those raising their fourth fund or later) have raised 84% of capital, on average, since 2022, compared to an average of 71% from 2019-2021.

We believe a higher interest rate environment has encouraged investors to favor more experienced managers, who typically benefit from a more robust origination pipeline and workout expertise. In a June 2025 Preqin survey of over 450 institutional investors, 75% of investors noted that they value manager experience and track record during allocating in the current market environment (Exhibit 26).

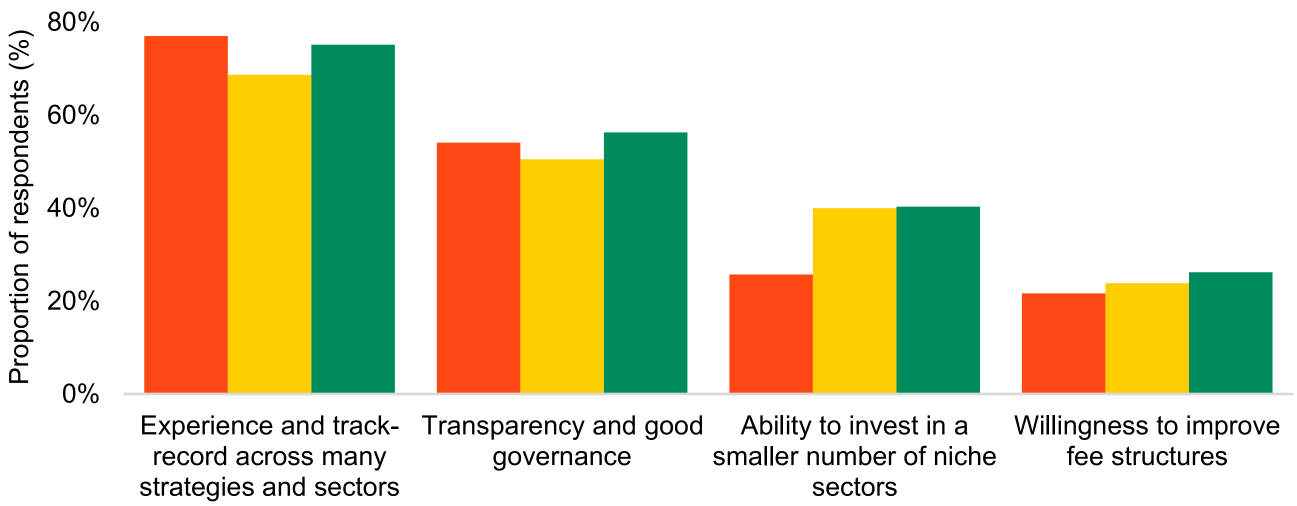
Preqin also notes that a higher concentration in private capital fundraising is common as an asset class matures and relationships with limited partner (LP) investors become more entrenched.

Exhibit 25: Experienced managers have grown their share of total fundraising
Share of total private credit capital raised by manager experience



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

Exhibit 26: Allocators value manager experience
Investors were asked: 'What characteristics in a private capital manager are investors valuing the most highly in the current market environment?'



Source: Preqin Investor Survey (June 2023–2025), BlackRock.

Room for increased investor participation and allocation expansion

Underpinning our $4.5 trillion AUM forecast (mentioned earlier) is our expectation for increased investor *participation in* – and growing *allocations to* – private credit. We previously outlined our expectation for increased investor participation, including in insurance and retail. We now turn to the opportunity for existing investors to expand their allocations.

Exhibits 27 and 28 use data from Preqin's 2H2025 Investor Survey to demonstrate investor interest in growing private credit allocations over the next 12 months, and over the longer term. Across both timeframes, private credit has among the highest, or the highest, share of respondents expecting to increase capital allocated to the asset class.

We also believe private credit is increasingly being considered by investors in the context of their broader *fixed income* allocations. As a result, we see scope for the fluidity of investor allocations between public fixed income and private credit to increase over time.

Among the more established strategies, investors surveyed saw the most opportunity in direct lending (60%), followed by special situations (42%) and distressed debt (36%). And among the so-called "emerging" strategies, asset-backed lending (60%) and private credit secondaries (42%) were listed as the most favored for the next 12 months, according to the Preqin survey.

Exhibit 27: 40% investors plan to commit more capital to private credit in the next 12 months

Investors were asked: 'In the next 12 months, do you expect to invest more, less, or the same amount of capital in the following asset classes than you did in the last 12 months?

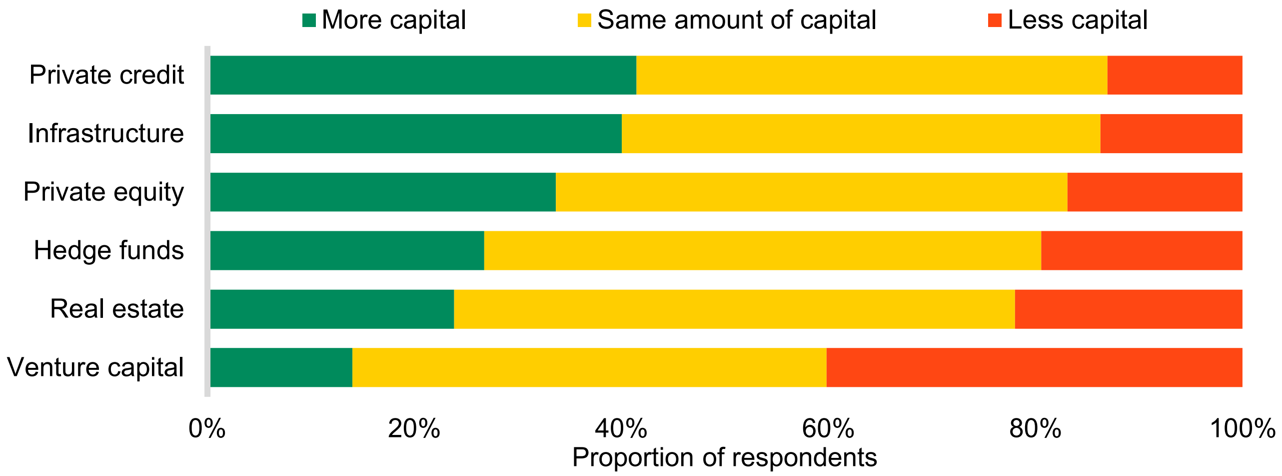
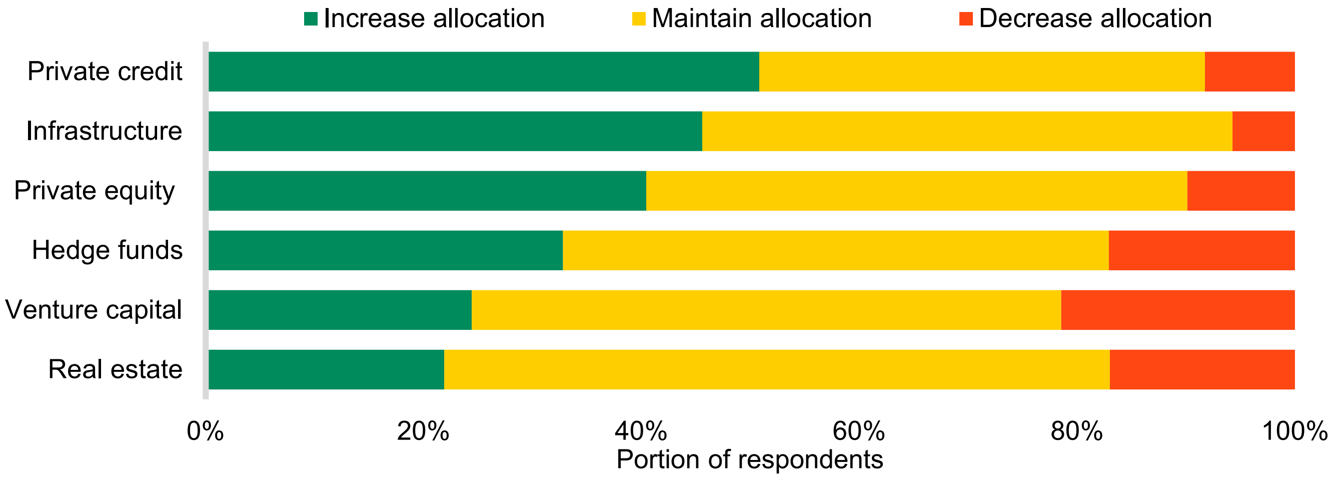


Exhibit 28: 51% of investors plan to increase private credit allocations over the longer term

Preqin investor survey responses to: Investors' intentions for their alternative asset allocations over the longer term



For both charts: Source: BlackRock, Preqin June 2025 Investor Survey. **There can be no guarantee any forecasts may come to pass.**

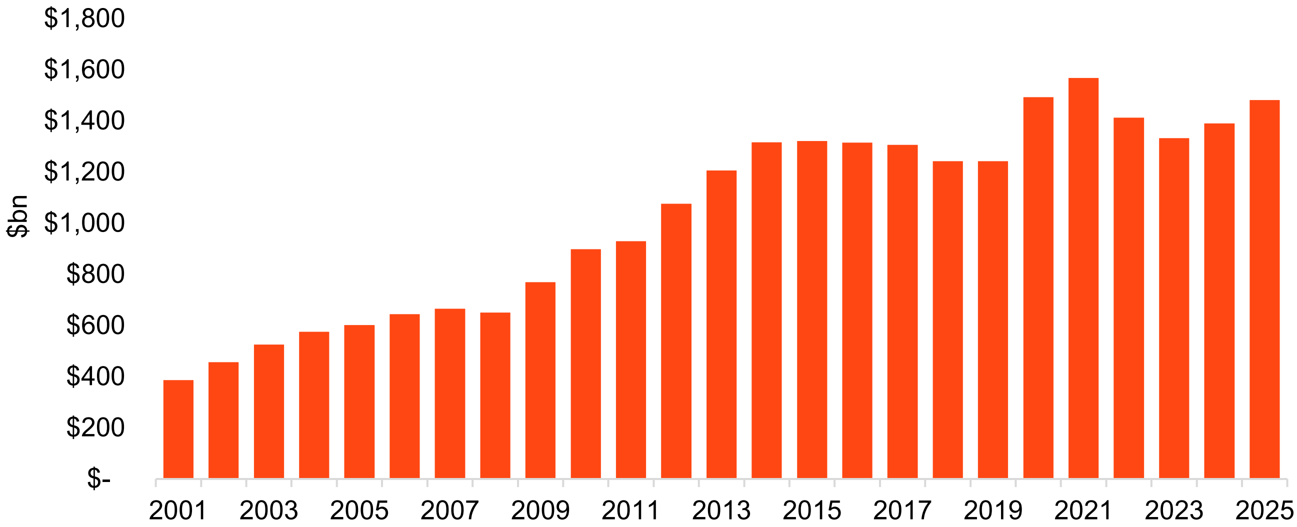
Growth driver #3: Structural shifts in public markets

Structural shifts in the public debt and equity markets have also played a role in the growth of the private credit market, particularly by shaping borrowers' demand for private credit funding earlier in their growth journeys.

We first turn to dynamics in the USD public debt market, which has evolved to serve ever-larger borrowers. For example, the USD high yield bond and leveraged loan markets have grown significantly since the GFC and now total roughly $1.5 trillion each, as shown in Exhibits 29 and 30.

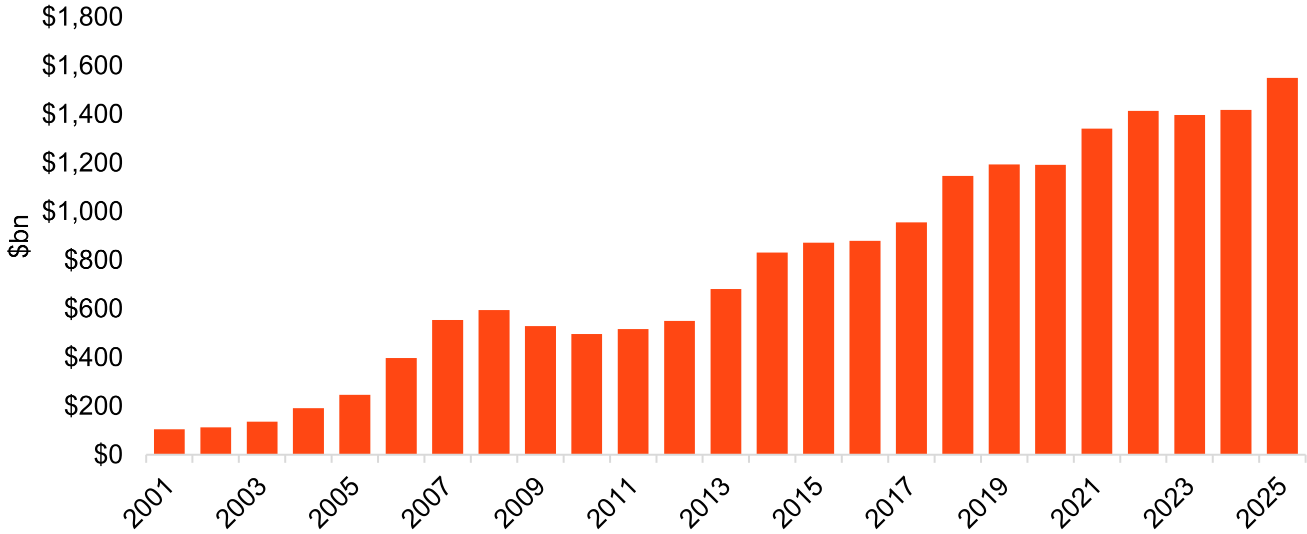
This growth has resulted in higher "barriers to entry" for small- and medium-sized firms, as public debt markets increasingly serve larger borrowers. These higher barriers are evident in the average deal sizes for new issues in the USD high yield bond and leveraged loan markets (see next page).

Exhibit 29: The Bloomberg USD HY index has $1.5 trillion of debt outstanding
Par amount outstanding ($bn) of the Bloomberg USD HY Corporate Index, as of each calendar year-end



Source: BlackRock, Bloomberg. As of year-end 2025. Excludes HY bonds that are not index eligible.

Exhibit 30: The Morningstar/LSTA USD Leveraged Loan Index is now $1.5 trillion in size
Par amount outstanding ($bn) of the Morningstar/LSTA USD Leveraged Loan Index, as of each year-end



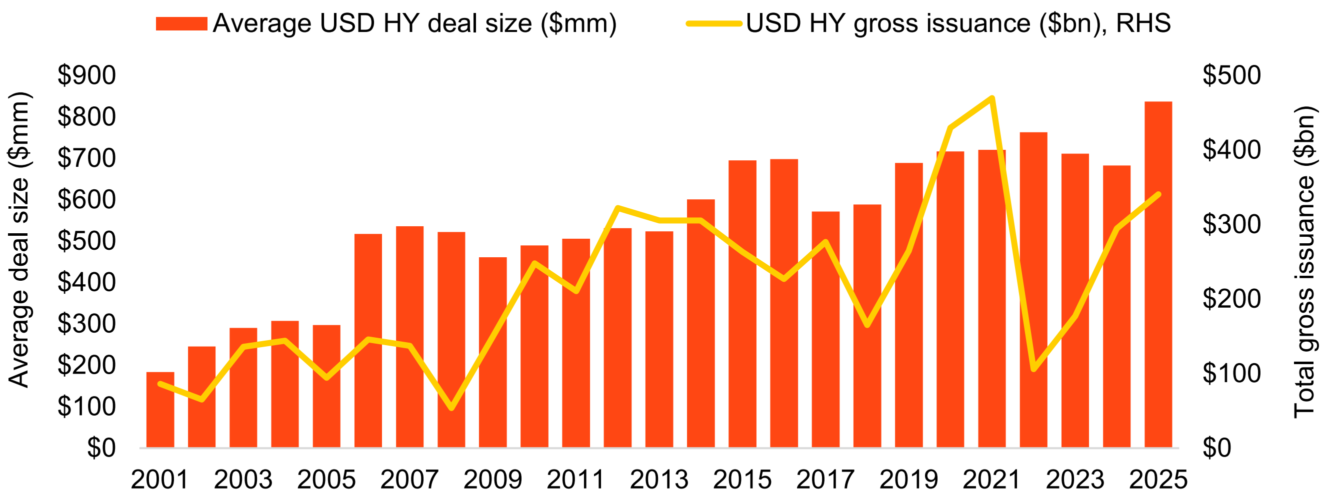
Source: BlackRock, Pitchbook LCD, Morningstar/LSTA. As of year-end 2025. Excludes leveraged loans that are not index eligible.

As shown in Exhibits 31 and 32, the average deal size in both the USD high yield corporate bond market and the USD leveraged loan market has exceeded $700 million since 2020.

For middle market firms seeking funding from the USD public debt markets, these "average" deal sizes are prohibitively large. Indeed, issuing "too little" debt in the public markets can render a capital structure illiquid and poorly held among investors. This is an unfavorable outcome if the firm would like to refinance in the future (and likely also a suboptimal outcome for investors). Further, in the event the issuer encounters financial difficulties, it runs the risk of more easily attracting a distressed investor base, who may seek to build a position in the debt and push for a restructuring.

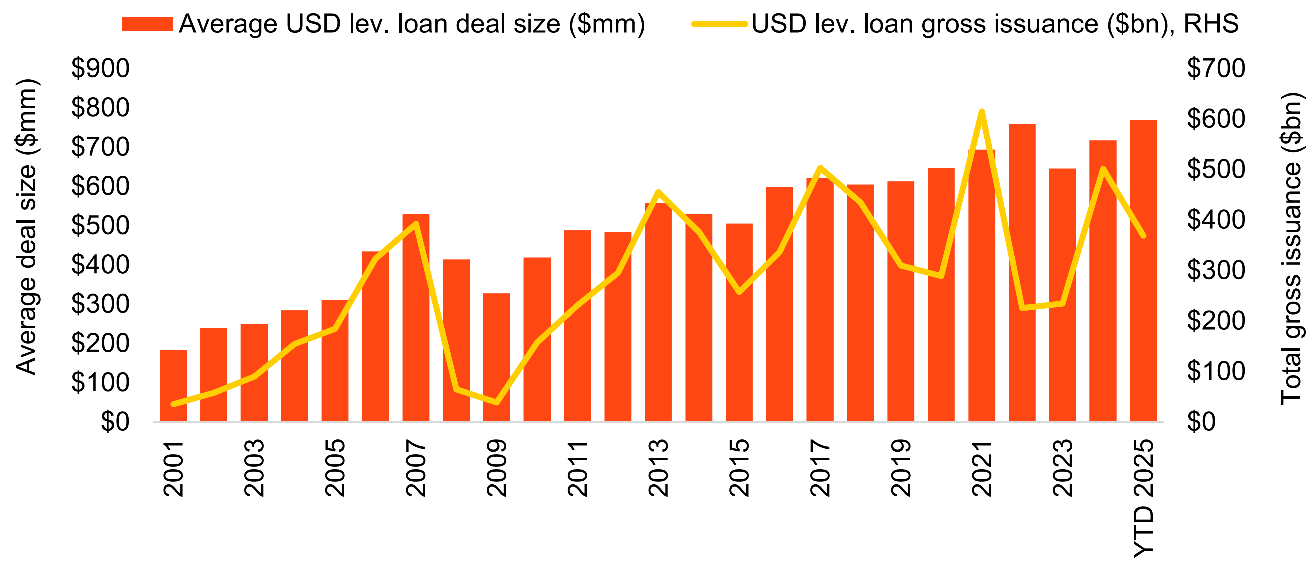
With the public debt markets serving ever larger capital structures, we expect middle market firms will continue to be drawn to the private credit markets for tailored funding solutions. In our view, the private credit market will continue to capture an increasing share of the "financing pie," including funding that may have previously been earmarked for the syndicated debt markets.

Exhibit 31: The average USD HY deal size was above $800 million in 2025…
Average USD HY deal size ($mm) and total USD HY gross issuance, RHS ($bn)



Source: BlackRock, Dealogic (ION Analytics). As of year-end 2025. Excludes private placements not reported to Dealogic.

Exhibit 32: …while the average USD leveraged loan deal size exceeded $700 million
Average USD leveraged loan deal size (in $mm) and total annual gross issuance (in $bn, RHS), by calendar year; shows new institutional money



Source: Pitchbook LCD, BlackRock. 2025 YTD as of September 25, 2025. Excludes existing tranches of add-ons, amendments, and restatements with no new money.

“Barriers to entry” also exist in the EUR public debt markets

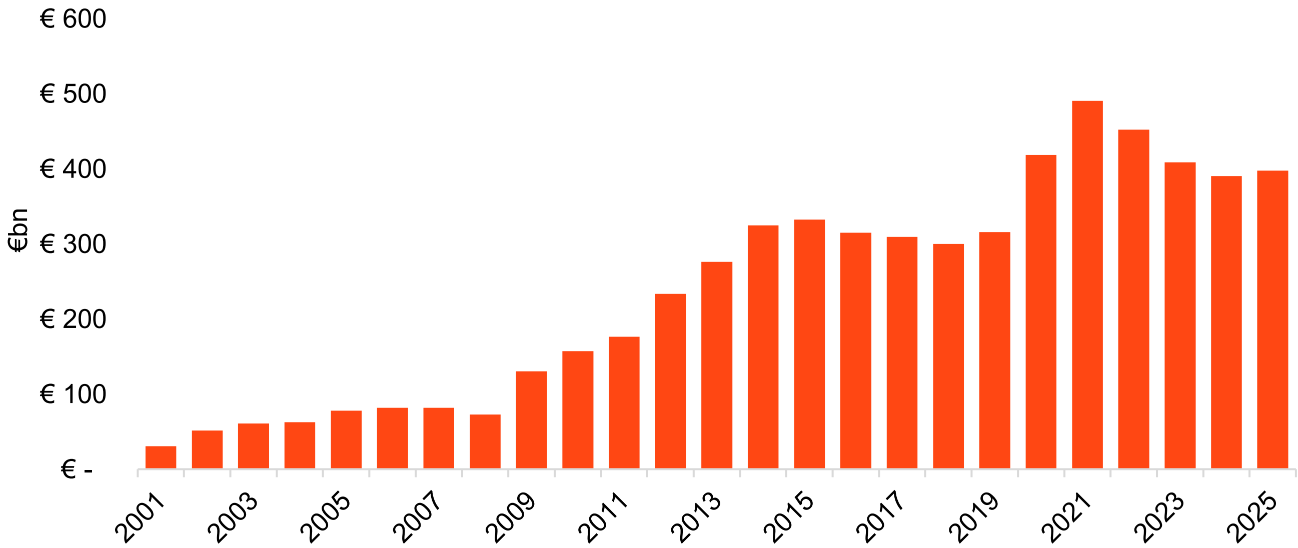
Many of the borrower “barriers to entry” we discussed in the USD public debt markets are also visible in the EUR market, though differences between the USD and EUR markets are meaningful in scale and structure.

First, the EUR HY and leveraged loan markets are much smaller than their USD peers, with par amounts outstanding between €300-400 billion each, vs. roughly $1.5 trillion in each of the USD markets (Exhibits 33 and 34). Even so, the average deal sizes in EUR markets have grown over recent years and are considerably large for most middle market companies (Exhibits 35 and 36).

The relatively smaller size of EUR public debt markets, in our view, reflects a somewhat less diversified financing landscape. Indeed, banks represent a higher share of total lending in the European market than in the U.S. (we discuss this in more detail later in this piece).

Exhibit 33: The Bloomberg EUR HY index currently stands at €398 billion

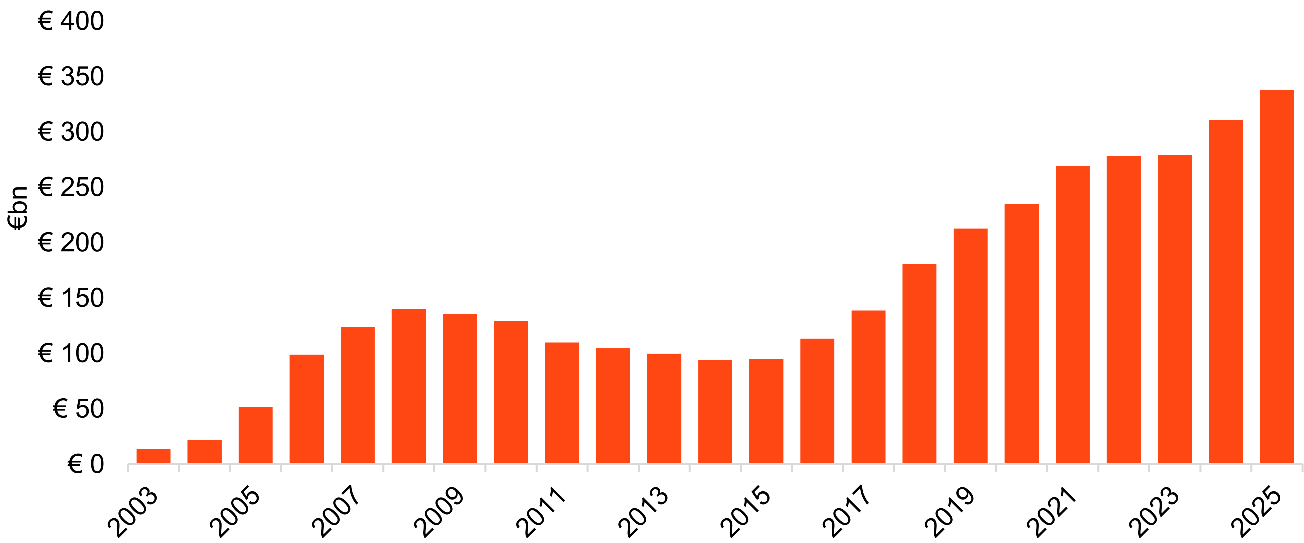
Par amount outstanding (€bn) of the Bloomberg Pan Euro HY Corporate Index, as of each year-end



Source: BlackRock, Bloomberg. As of year-end 2025. Excludes HY bonds that are not index eligible.

Exhibit 34: The Morningstar EUR Leveraged Loan Index is in excess of €330 billion

Par amount outstanding (€bn) of the Morningstar EUR Leveraged Loan Index, as of each year-end



Source: BlackRock, Pitchbook LCD, Morningstar. As of year-end 2025. Excludes leveraged loans that are not index eligible.

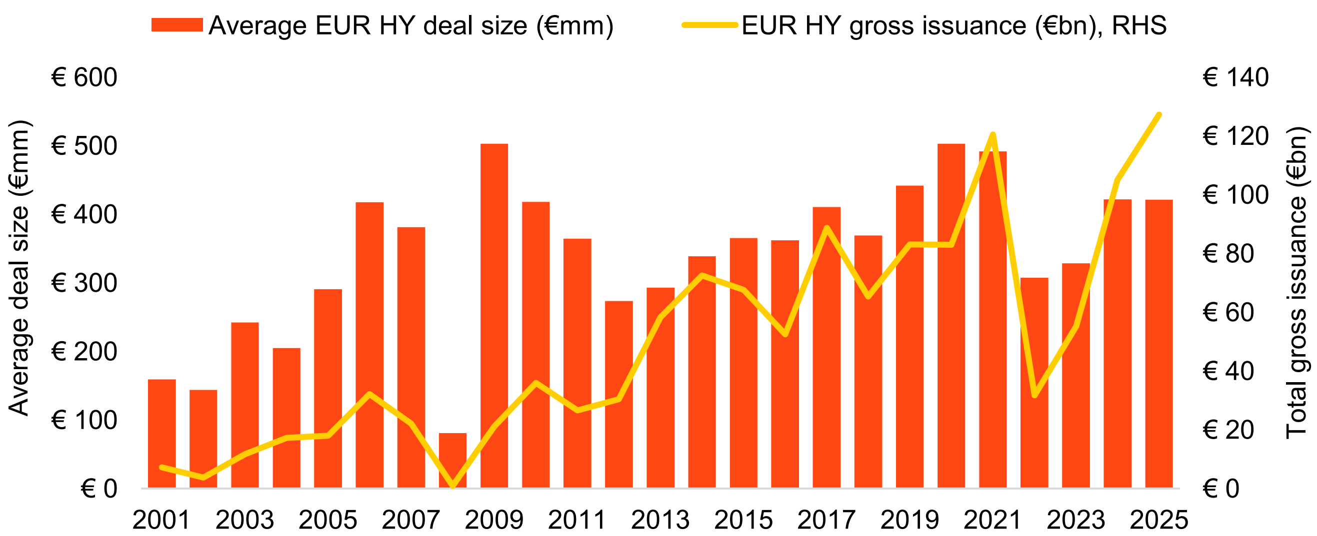
Further, Europe's capital market capabilities remain less developed than those in the U.S.

Strengthening these capabilities has been a focus for policymakers and market participants, including current European Central Bank (ECB) President Christine Lagarde and former ECB President Mario Draghi.

As recently as December 2025, Lagarde underscored in her public remarks the importance of developing a Capital Market Union (CMU) to finance the economy's digital and decarbonization initiatives. She has also emphasized the importance of a CMU for funding innovation and building economic resilience.

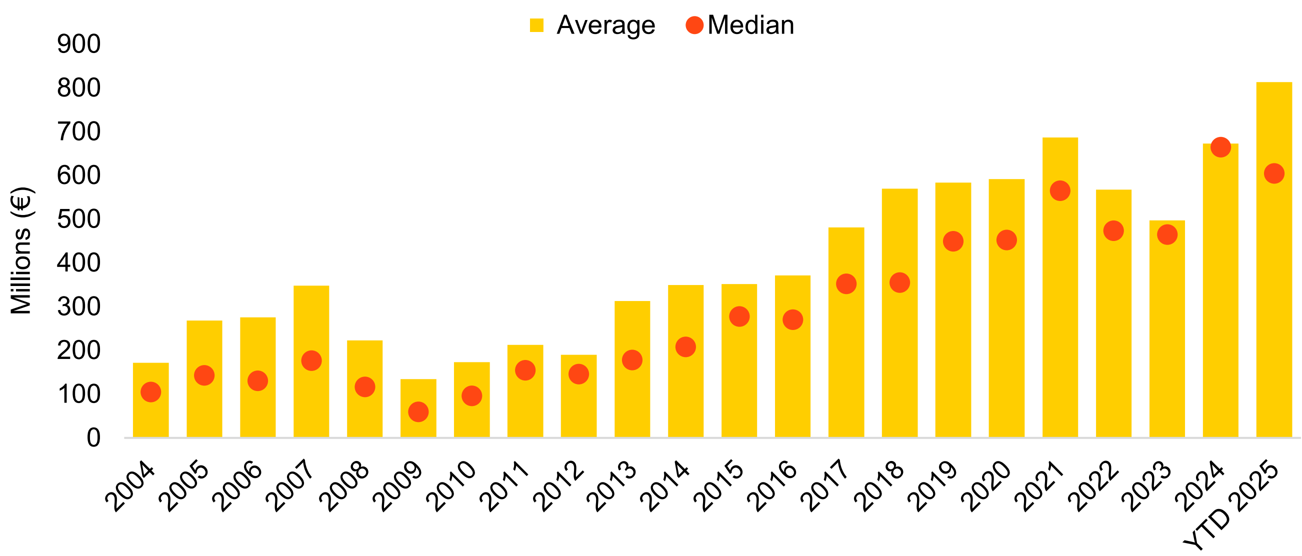
We believe that a continued focus on developing a CMU can further expand financing opportunities and the addressable market of private credit in Europe. With this in mind, we see scope for Europe's financing landscape, including private credit, to continue to grow.

Exhibit 35: The average EUR HY deal size was €421 million in 2025
Average EUR HY deal size (€mm) and total USD HY gross issuance (€bn)



Source: BlackRock, Dealogic (ION Analytics). As of YE2025. Excludes private placements not reported to Dealogic.

Exhibit 36: The average new EUR leveraged loan deal in 2025 was over €800 million
Annual average and median first lien institutional deal size for EUR leveraged loans, in € millions



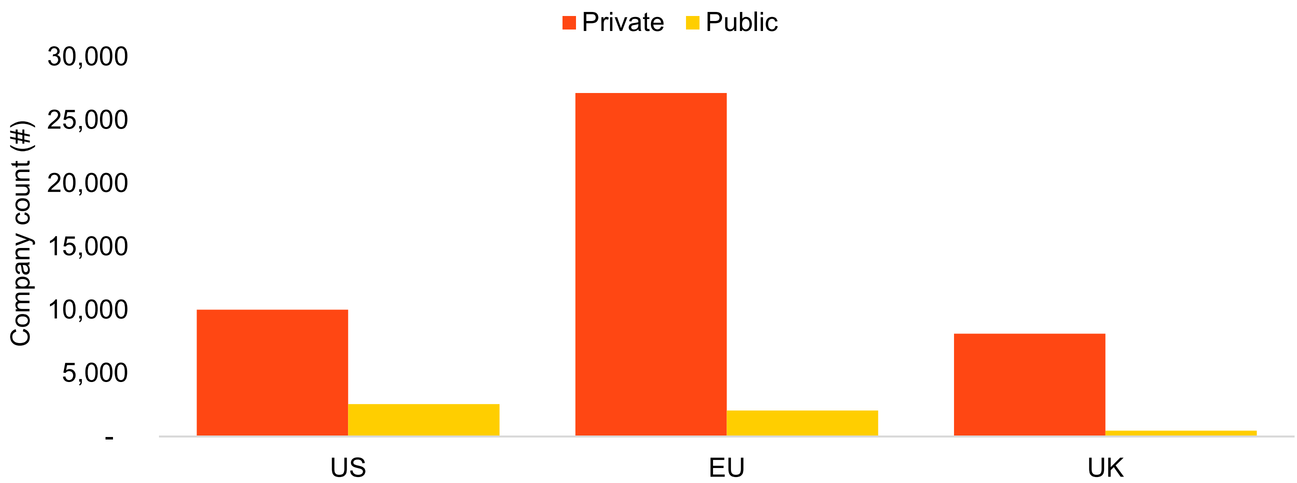
Source: Pitchbook LCD, BlackRock. YTD 2025 as of September 30, 2025. Average size analysis excludes amendment transactions, add-ons and XB tranches from US-based issuers.

Dynamics in equity markets also influence private credit's addressable market

While the increasing overlap with syndicated debt markets has offered an important avenue for growth in private credit, dynamics in equity markets also influence the asset class's addressable market. To start, private companies represent a majority of scaled businesses in the U.S., E.U., and U.K., suggesting a vast opportunity set. Exhibit 37 shows the total number of public and private companies in each region with revenues greater than $100 million. The number of private companies, 45,000, far outpaces that of public companies, pointing to an expansive addressable market for private credit borrowers beyond the current borrower segment.

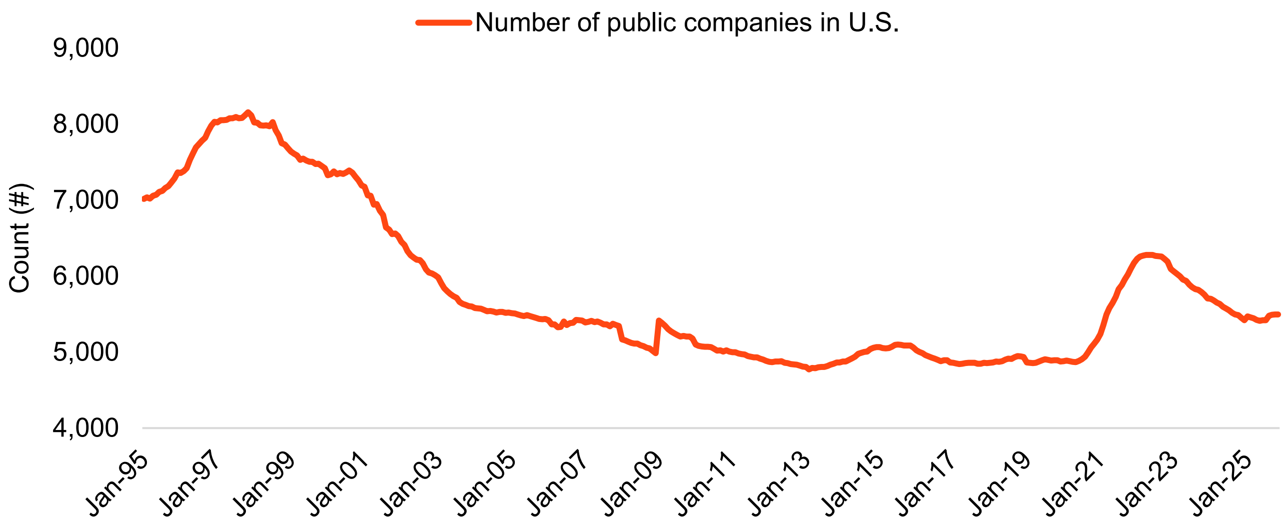
Structural shifts in U.S. equity markets are also playing a role in private credit's growth. As shown in Exhibit 38, between the early 2000s and 2020, the number of U.S. companies with publicly listed equity remained largely stagnant. After a flurry of initial public offering (IPO) activity in 2021, the trend has once again moved lower. We believe that as fewer companies choose to issue public equity, the addressable market for private credit will continue to expand, as private companies increasingly turn to private credit markets for financing into later stages of their growth journey.

Exhibit 37: There are over 45,000 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 year-end 2025.

Exhibit 38: Companies are staying private for longer
Number of public companies in the U.S., including those listed on New York Stock Exchange (NYSE) and National Association of Securities Dealers Automated Quotations (NASDAQ)



Source: BlackRock, World Federation of Exchanges, Haver Analytics. As of September 30, 2025 (most recent available).

Private equity-backed company inventory has aged

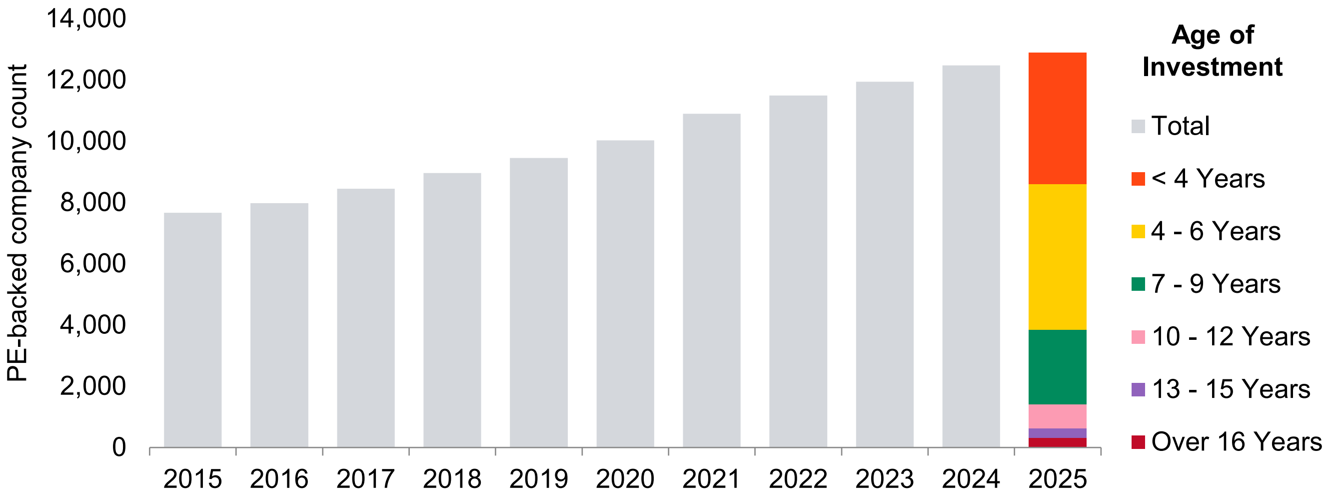
This trend of companies staying private longer is also evident in the growing universe of private equity-backed company holdings. Over the last few years, sponsor-related activity has remained somewhat muted, resulting in a growing number of PE-backed companies and an increase in the average age of investments (Exhibit 39). The median existing hold time (i.e., hold times for currently owned PE-backed companies) has also increased (Exhibit 40).

Elevated financing costs have been an important driver. This is because higher rates can both dampen existing equity market valuations and also increase financing costs. These costs are especially relevant for the private equity sponsor universe, because they are an important part of the economic calculus.

We expect a sustained recovery in the PE deal-making environment will be a key ingredient supporting private credit's addressable market, via two avenues. First, an increase in activity should boost loan realization in existing private credit portfolios, as loans are often paid back during the sales process. This would allow private credit lenders to recycle the capital into another opportunity or return it to investors. Second, private credit could continue to finance the borrower post-transaction, especially if the business is sold to another sponsor.

Exhibit 39: U.S. PE inventory has aged

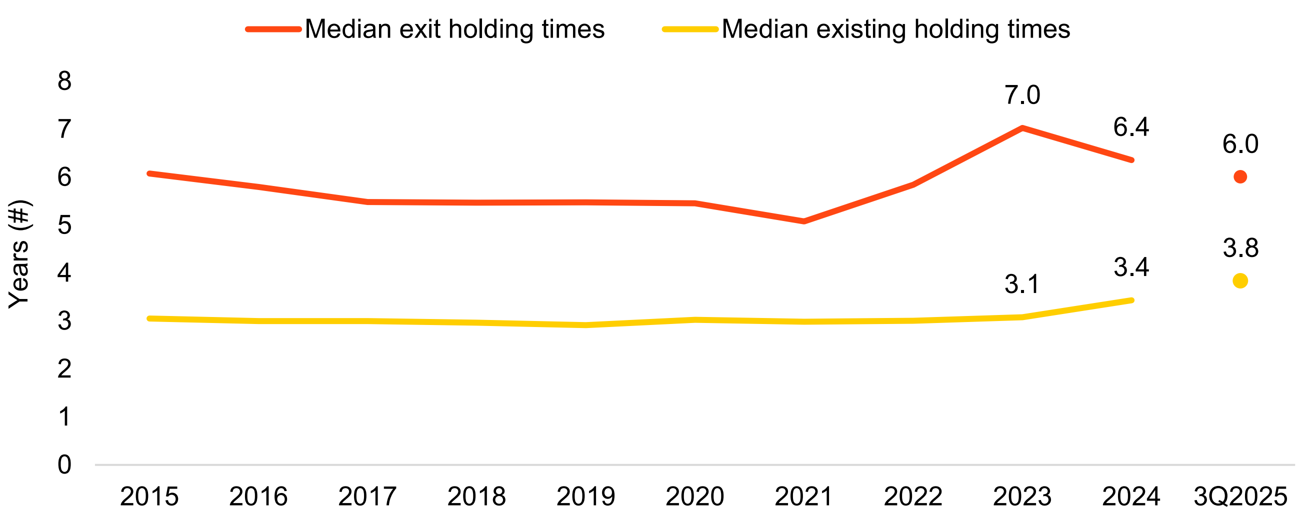
U.S. private equity-backed company count, by age bucket



Source: Pitchbook, BlackRock. As of September 30, 2025.

Exhibit 40: Median exit hold times fell in 2025

Median exit holding times and median existing holding times for U.S. PE-backed companies



Source: Pitchbook, BlackRock. As of September 30, 2025.

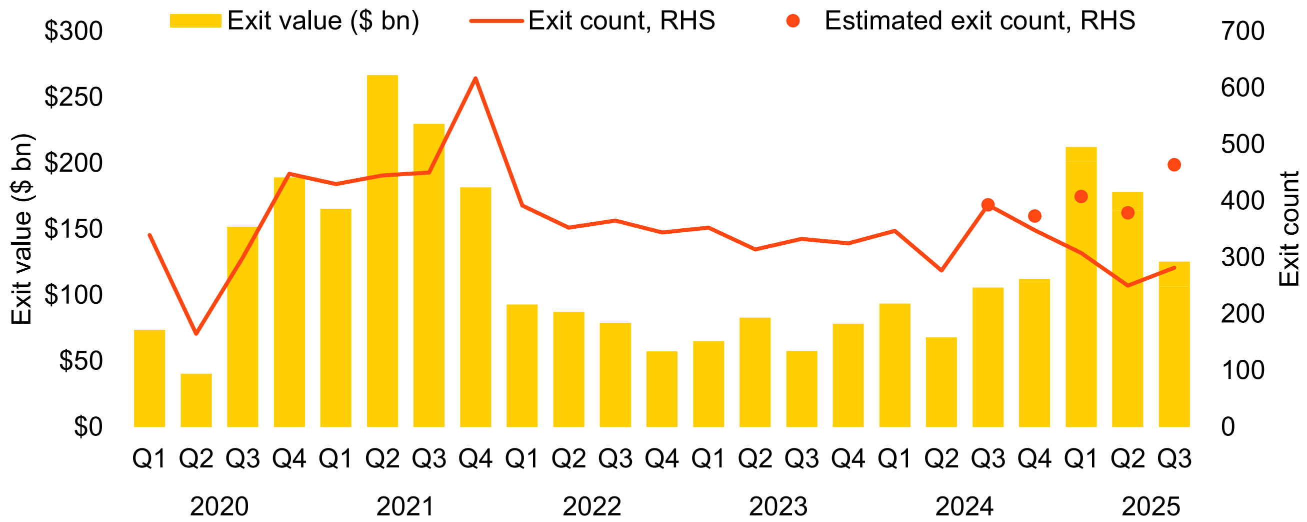
In the early part of 2025, data sourced from PitchBook LCD showed that PE exit activity was generally contained to the largest assets and hadn't yet encompassed a wide range of portfolio companies. To us, this suggested that PE general partners were likely prioritizing exits for their largest and highest-quality 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 broader set of sponsored assets (Exhibit 41). 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 42).

A broadening base of PE exit activity, beyond the largest and most valuable assets, will be a critical ingredient to a sustained and broad-based recovery in the PE deal-making environment.

Exhibit 41: PE exit counts rose in 3Q2025, despite declines in exit values

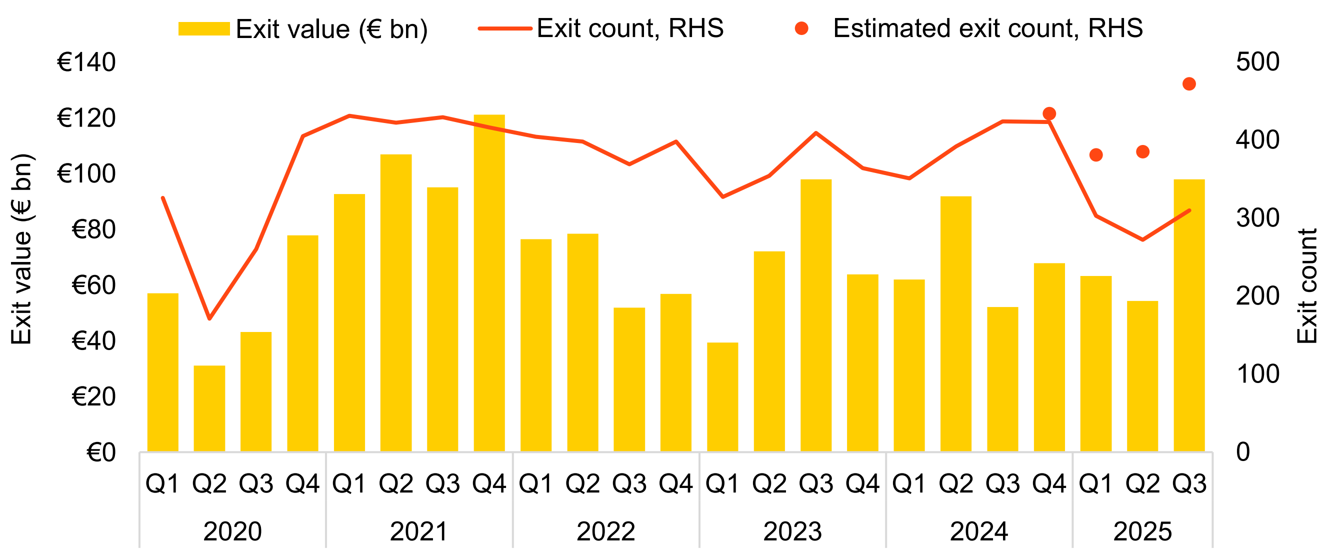
Quarterly U.S. PE exit activity, by value (in $ billions) and count, RHS



Source: PitchBook LCD, BlackRock. As of 3Q2025. 4Q2024-3Q2025 include estimated deal activity, per PitchBook LCD. **There is no guarantee any forecasts may come to pass.**

Exhibit 42: European PE exit values grew 80% QoQ and 88% YoY

Quarterly European PE exit activity, by value (in € billions) and count, RHS



Source: PitchBook LCD, BlackRock. As of 3Q2025. 4Q2024-3Q2025 include estimated deal activity, per PitchBook LCD. **There is no guarantee any forecasts may come to pass.**

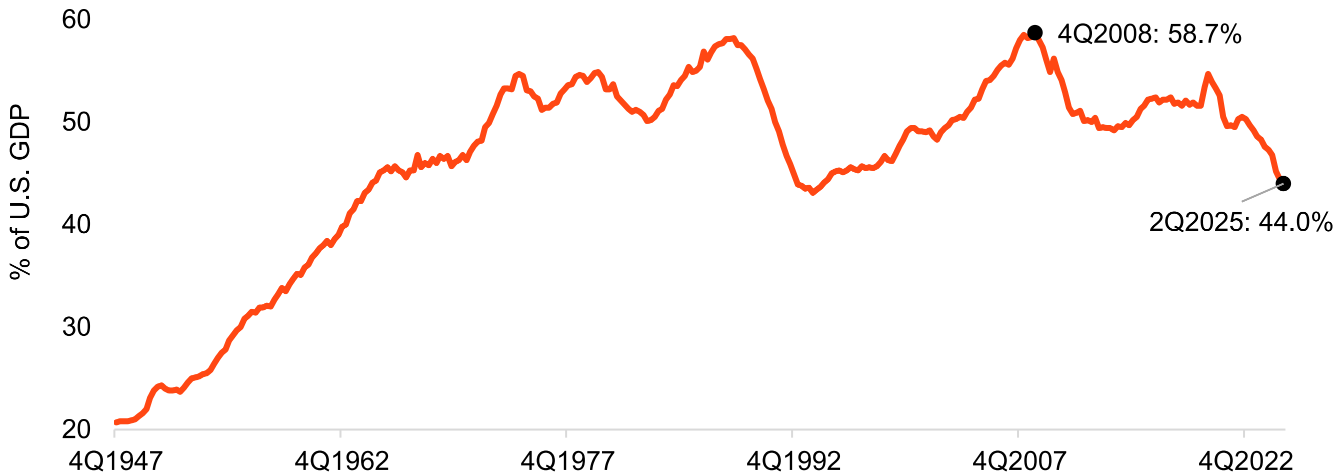
Growth driver #4: Shifts in the bank lending ecosystem

Since the peak in 4Q2008, U.S. bank lending as a share of overall U.S. GDP has declined by approximately 14 percentage points (Exhibit 43). This decline, in our view, can be attributed to a range of new requirements and restrictions placed on U.S. banks, beginning in the years following the GFC (other regions enacted their own versions of reforms).

That said, U.S. bank regulation continues to evolve and, in some cases, ease. As a result, banks are likely to prioritize business activities that are most capital efficient and well aligned with their business models. In turn, market forces, technology, and regulation should continue to shift financial activity toward channels where it can be conducted most efficiently, including private credit.

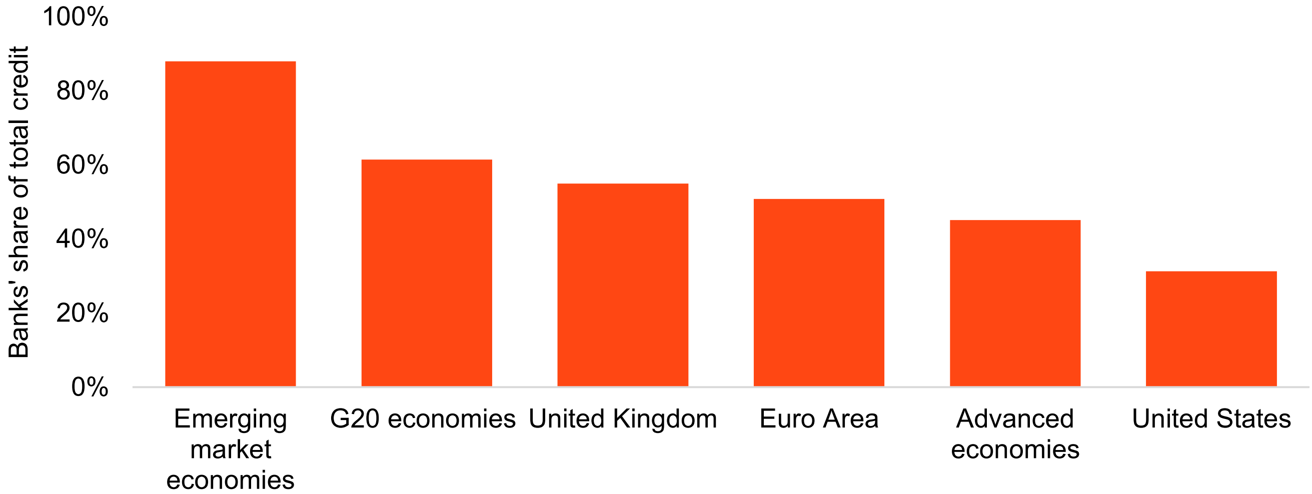
In discussing driver #4, we focus on the U.S. One reason for this is that the U.S. is less reliant on banks to finance the private sector than other developed market peers such as the Euro Area and the United Kingdom (Exhibit 44). We believe this reflects the growth of private credit, with North America representing the largest regional share of private credit AUM at 71% as of 1Q2025 (again, Exhibit 3). The very sizable and liquid debt capital markets in the U.S. have also likely played a role, in our view.

Exhibit 43: The share of bank lending to overall U.S. economic activity has declined post-GFC
U.S. bank lending to the domestic private non-financial sector, as a percentage of U.S. GDP



Source: BlackRock, Bank for International Settlements. As of 2Q2025 (most recent available).

Exhibit 44: Relative to many other regions, the U.S. is somewhat less reliant upon the banking system for financing the private sector
Banks' share of total credit provided to the private non-financial sector - select regions



Source: Bank for International Settlements, BlackRock. As of June 30, 2025 (most recent available).

Access to credit can be volatile in some financing markets

The Federal Reserve's Senior Loan Officer Opinion Survey (SLOOS) offers a glimpse into U.S. bank lending standards from quarter to quarter. Importantly, this survey measures changes over time, not the absolute level. Exhibits 45 and 46 illustrate that during market disruptions and economic downturns (i.e., early 2000s recession, 2007-2009 GFC, early 2020 pandemic, and March 2023 U.S. regional banking disruption), bank lending standards tend to tighten and borrowing costs rise.

Volatility in bank commercial and industrial (C&I) lending (coupled with the volatility in syndicated public debt markets we discussed on page 15) is important, in our view, because it further highlights a key value proposition of private credit: certainty of terms and execution *throughout* the credit cycle.

With this in mind, we view the growth of private credit as a net positive for financial stability, because it can allow creditworthy corporates access to financing at times when other sources of capital are tightening, somewhat mitigating the negative consequences of tightening bank lending.

Exhibit 45: Bank lending standards vary over time

Net percentage of domestic respondents to the Senior Loan Officer Opinion Survey (SLOOS) tightening standards for commercial & industrial (C&I) loans to large/middle-market and small firms

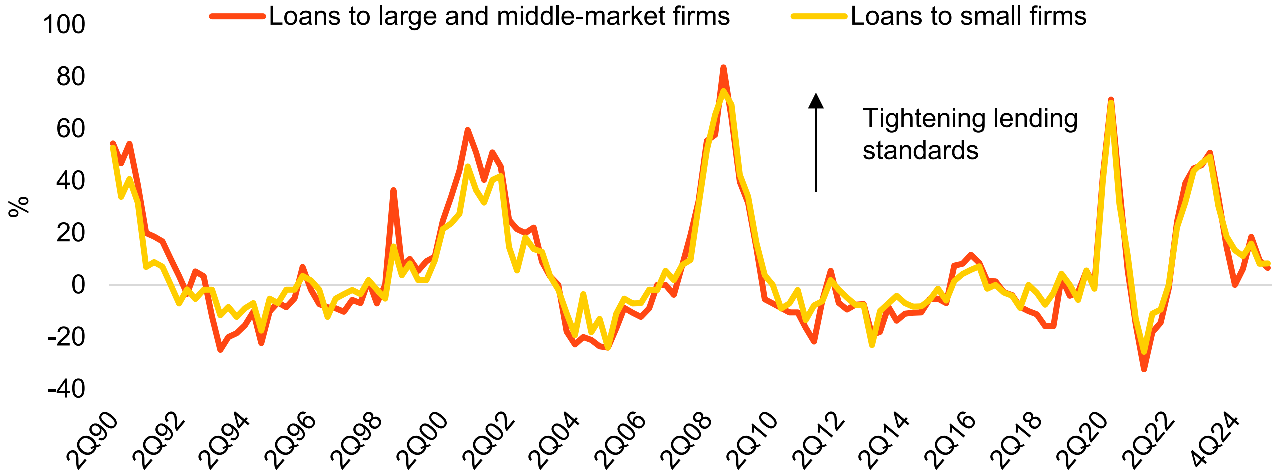
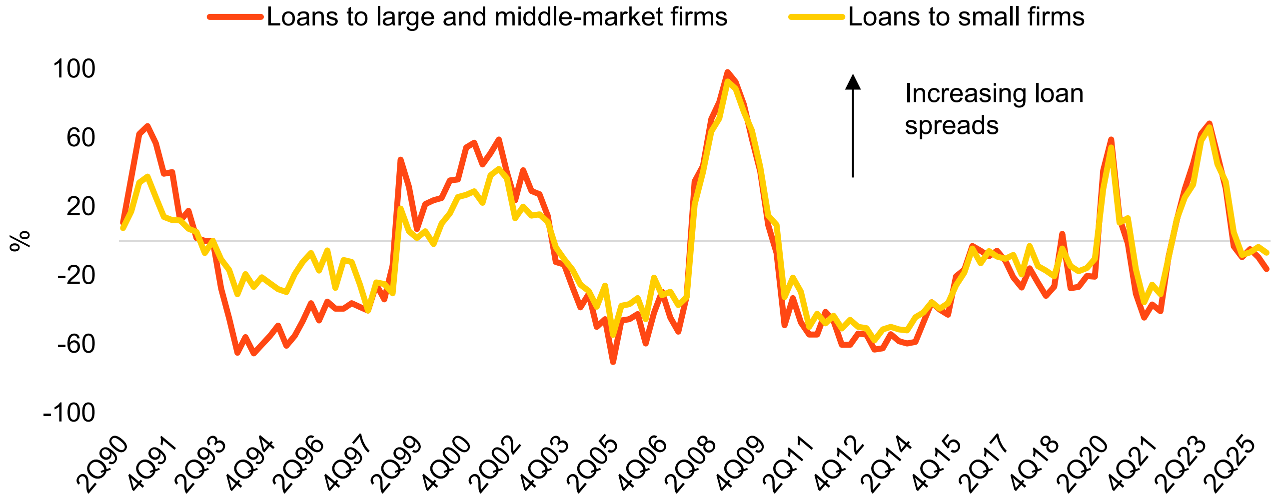


Exhibit 46: The cost of bank credit also varies

Net percentage of domestic respondents to the Senior Loan Officer Opinion Survey (SLOOS) increasing spreads of loan rates (over banks' cost of funds) to large/middle-market and small firms



For both charts: Source: Board of Governors of the Federal Reserve System, BlackRock. October 2025 SLOOS (most recent) was released on November 3, 2025. The SLOOS defines large/middle-market firms as those with annual sales of $50 million or more. Small firms are defined as those with less than $50 million of annual sales.

Part III

Performance update

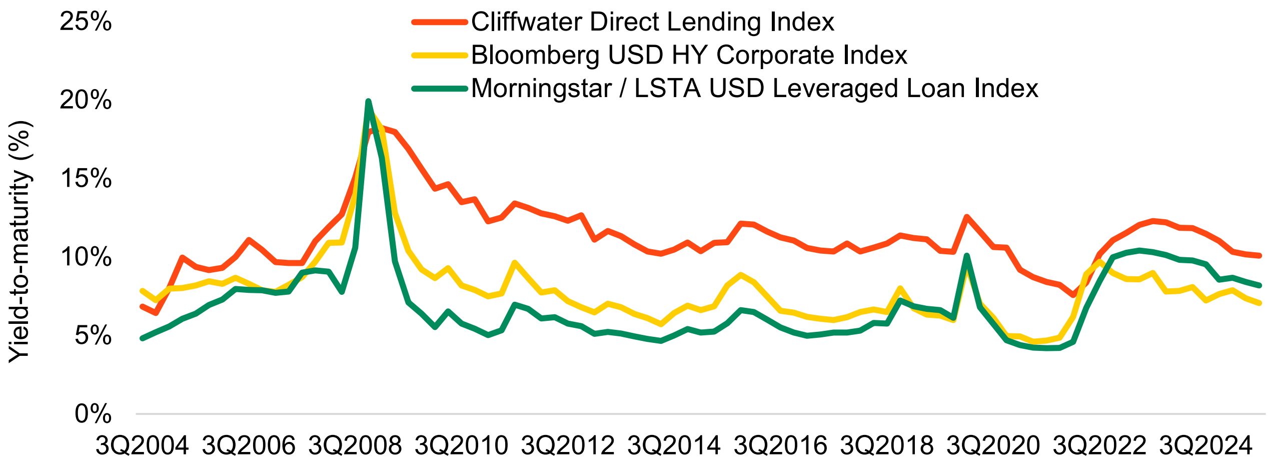
Private credit performance remains resilient, in aggregate

Performance update: resilient in aggregate, but dispersed

Exhibits 47 through 49 illustrate yield, income, and total return trends in the U.S. direct lending market, the largest strategy and region within private credit, using the Cliffwater Direct Lending Index (CDLI), which measures unlevered returns gross of fees. For context, the CDLI is comprised of more than 20,000 USD loan segments and represents approximately $514 billion in AUM as of 3Q2025.

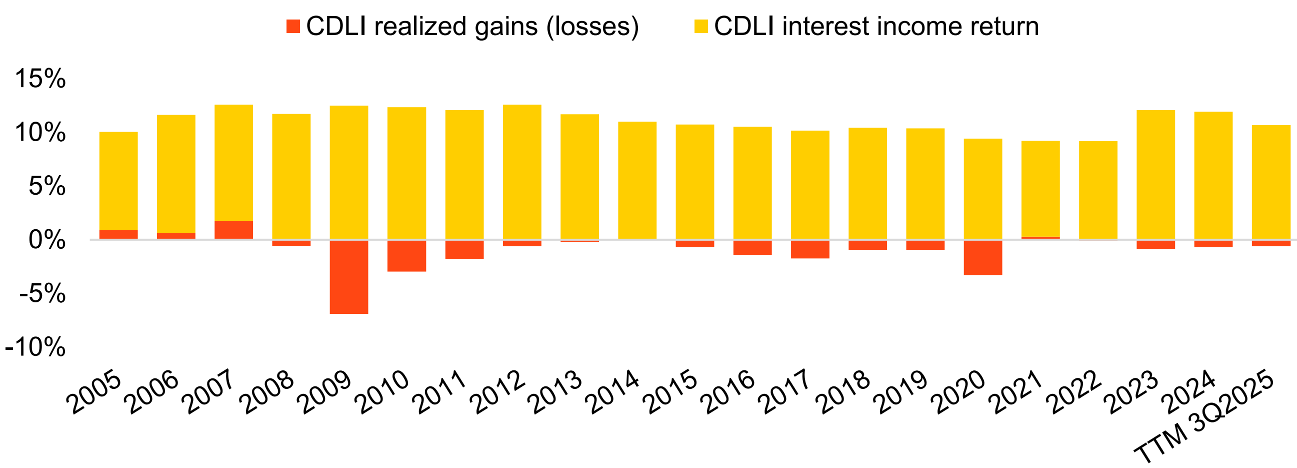
As shown in Exhibit 47, private credit has historically offered a yield premium relative to public markets. This premium reflects compensation for the certainty of execution provided to borrowers, as well as an illiquidity premium earned by lenders for holding loans over longer time horizons than comparable public debt instruments.

Exhibit 47: U.S. direct lending has historically offered a yield “pick-up” vs. public markets
Average index yield-to-maturity levels



Source: Cliffwater LLC, Bloomberg, Morningstar / LSTA, Pitchbook LCD, BlackRock. As of 3Q2025 (most recent for 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.

Exhibit 48: Realized losses for the CDLI remain modest
Trailing 12-month income return and realized gains (losses) for the Cliffwater Direct Lending Index



Source: Cliffwater Direct Lending Index, BlackRock. As of 3Q2025. Realized gains 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. We exclude unrealized gains and losses in this chart. Long-term unrealized gains (losses) are approximately zero, as they either convert to net realized losses upon a credit default, or are reversed when principal is fully repaid.

As illustrated in Exhibit 48, realized losses in private credit have historically been modest relative to the interest income generated by the asset class. Following an exceptionally low period of realized loss rates in 2021 and 2022, losses in the CDLI have begun to normalize but remain contained. As of 3Q2025 (the most recent data available), trailing twelve-month realized loss rates in the CDLI, reflecting payment defaults and restructurings, were 61 basis points.

Exhibit 49 highlights CDLI's total return performance against two widely-tracked indices in the public credit market: the Bloomberg USD HY Corporate Bond Index and the Morningstar/LSTA USD Leveraged Loan Index. Of the 20 annual periods (2005 – 2024) since the CDLI's inception, the CDLI has outperformed both indices (on a total return basis) in 14 of these years.

One key variable related to total performance (between the asset classes) is duration exposure. As a fixed-rate asset class, the USD HY bond market has exposure to duration (i.e., price sensitivity to a change in interest rates). This contrasts the CDLI and leveraged loan markets, which are floating-rate asset classes.

As such, the CDLI and leveraged loan index would be expected to perform better in a rising rate environment. Conversely, a sharp decline in interest rates from current levels would benefit the total return performance of the USD HY market.

Exhibit 49: The CDLI – a proxy for U.S. direct lending – has a solid track record of total return performance

Total return comparisons for calendar years 2005 - 2024, 1Q2025, 2Q2025, and 3Q2025

	Cliffwater Direct Lending Index	Morningstar / LSTA USD Leveraged Loan Index	Bloomberg USD HY Corporate Bond Index
2005	10.1%	5.1%	2.7%
2006	13.7%	6.8%	11.8%
2007	10.2%	2.0%	1.9%
2008	-6.5%	-29.1%	-26.2%
2009	13.2%	51.6%	58.2%
2010	15.8%	10.1%	15.1%
2011	9.8%	1.5%	5.0%
2012	14.0%	9.7%	15.8%
2013	12.7%	5.3%	7.4%
2014	9.6%	1.6%	2.5%
2015	5.5%	-0.7%	-4.5%
2016	11.2%	10.2%	17.1%
2017	8.6%	4.1%	7.5%
2018	8.1%	0.4%	-2.1%
2019	9.0%	8.6%	14.3%
2020	5.5%	3.1%	7.1%
2021	12.8%	5.2%	5.3%
2022	6.3%	-0.8%	-11.2%
2023	12.1%	13.3%	13.4%
2024	11.3%	9.0%	8.2%
1Q2025	2.1%	0.5%	1.0%
2Q2025	2.3%	2.3%	3.5%
3Q2025	2.4%	1.8%	2.5%

Source: Cliffwater LLC, Bloomberg, Morningstar / LSTA, Pitchbook LCD, BlackRock. As of 3Q2025 (most recent available for 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.

Realized loss rates have also been broadly in line with those of public markets, as shown in Exhibit 50.

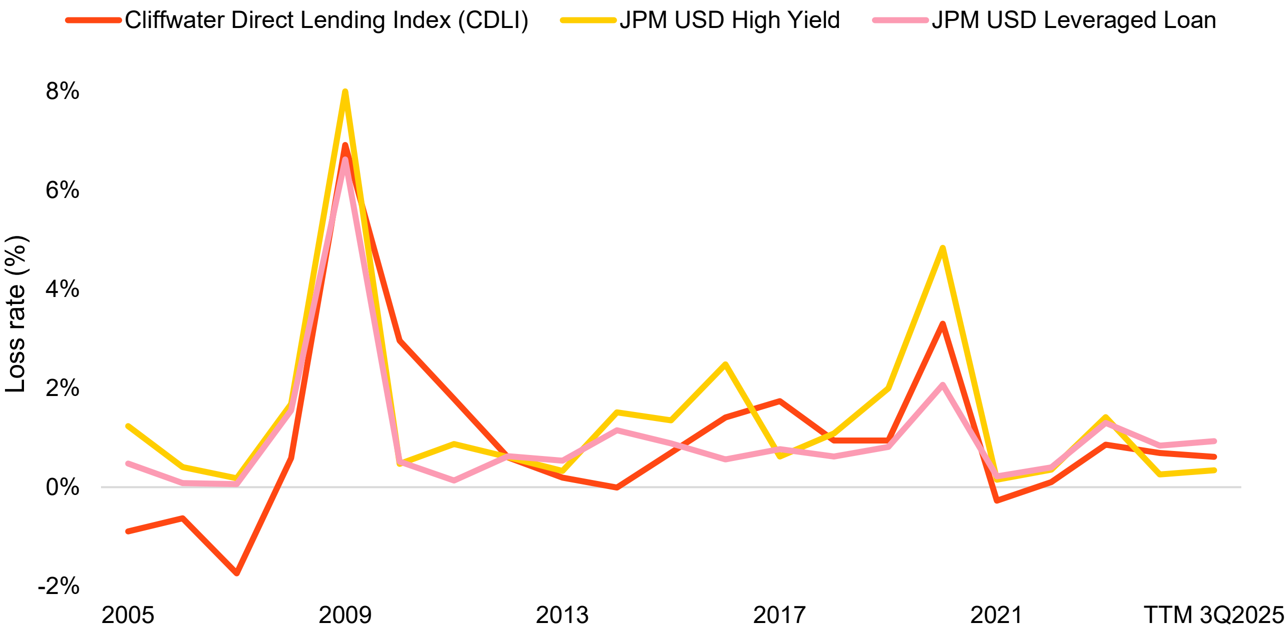
When comparing public vs. private credit, we view loss rates as more informative than default rates, driven by the increased prevalence of covenants in private credit structures. For example, tripping a covenant can often provide private lenders the time and legal standing to address issues in advance of a *payment* default.

In periods of financial market stress, such as the GFC of 2007-2009, the energy sector disruption of 2014-2015, and the pandemic in early 2020, net realized losses for the CDLI were either similar to or lower than our estimates of loss-given-default in the USD HY bond and leveraged loan markets (again, Exhibit 50).

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.

The collaboration between a private credit lender and borrower 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 50: 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 fund-level dispersion

While the asset class has continued to perform well, in aggregate, return on equity (ROE) data for business development companies (BDCs) tracked by the CDLI demonstrates that dispersion exists at the manager- and fund-level (Exhibit 51).

Further, 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- or fund-level factors, such as underwriting and strategy.

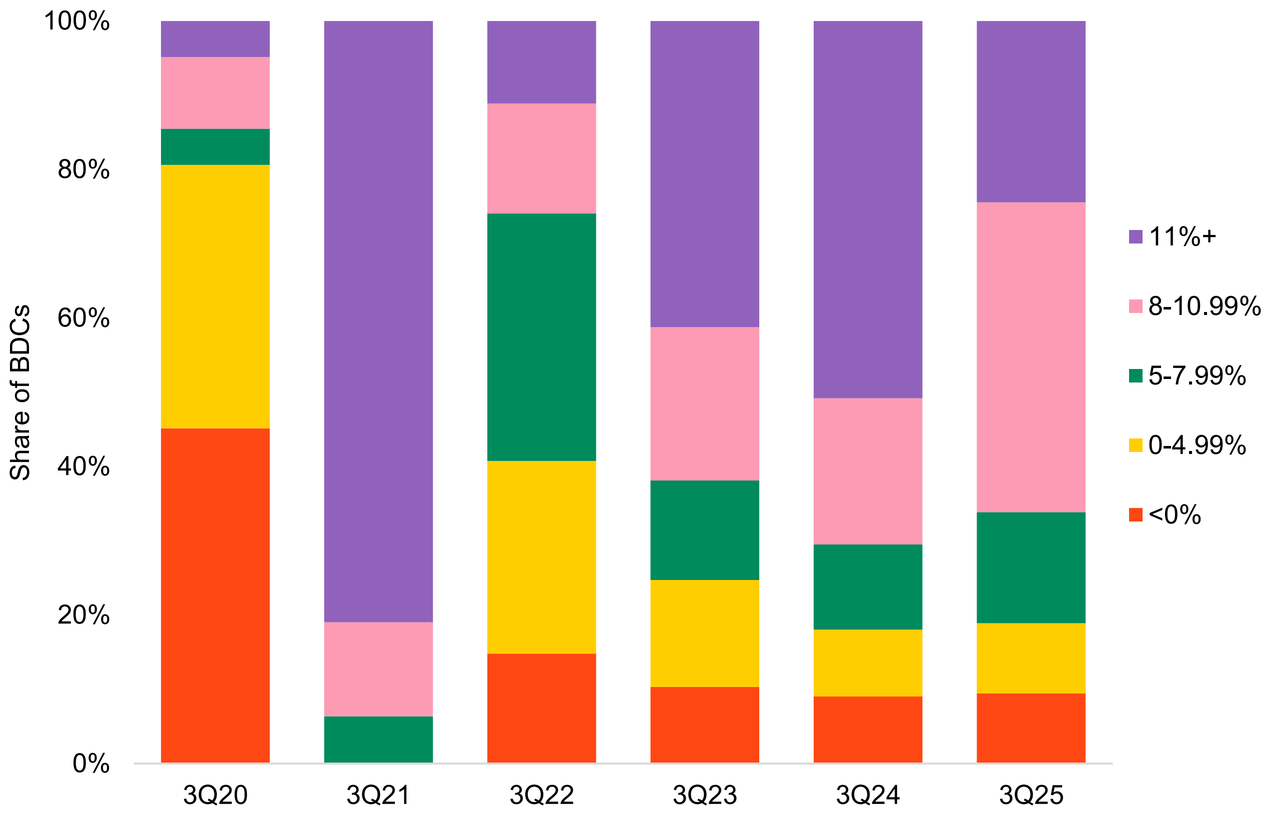
For example, 45% of BDCs experienced a negative ROE in TTM 3Q2020 data, while the year following showed a dramatic shift higher. This highlights, in our view, the performance write-downs related to the 2020 pandemic, and the subsequent rebound in valuations amid the economic 're-opening' that followed 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 fund-level dispersion.

And while lower base rates and tighter spreads have skewed the distribution downward, an analysis from Cliffwater reveals that the majority of 'low-performers' in 2025 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 51: 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. **Past performance is not a reliable indicator of current or future results.**

Part IV

Fundamentals update

Private credit fundamentals are resilient and improving, but dispersion is evident

Constructive signaling from private credit fundamentals

Investors also remain focused on the underlying fundamental as an indicator, beyond return and loss data, of the health of the asset class. As we discuss in the following slides, our review of the most recent data from a range of third-party sources has been broadly encouraging, pointing to continued strength across key fundamental metrics, in aggregate. That said, dispersion is evident across several dimensions, including borrower size and sector.

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.

Covenant defaults fell in the U.S. and Europe, but warrant watching

As we discussed in the previous section, a private credit default does not necessarily signal a payment default or a monetary loss for the lender. Indeed, we view the potential for a collaborative relationship between a private credit lender and borrower as a 'feature' of the asset class, rather than a 'bug,' as it may allow both parties to maximize recoveries in the event of borrower stress.

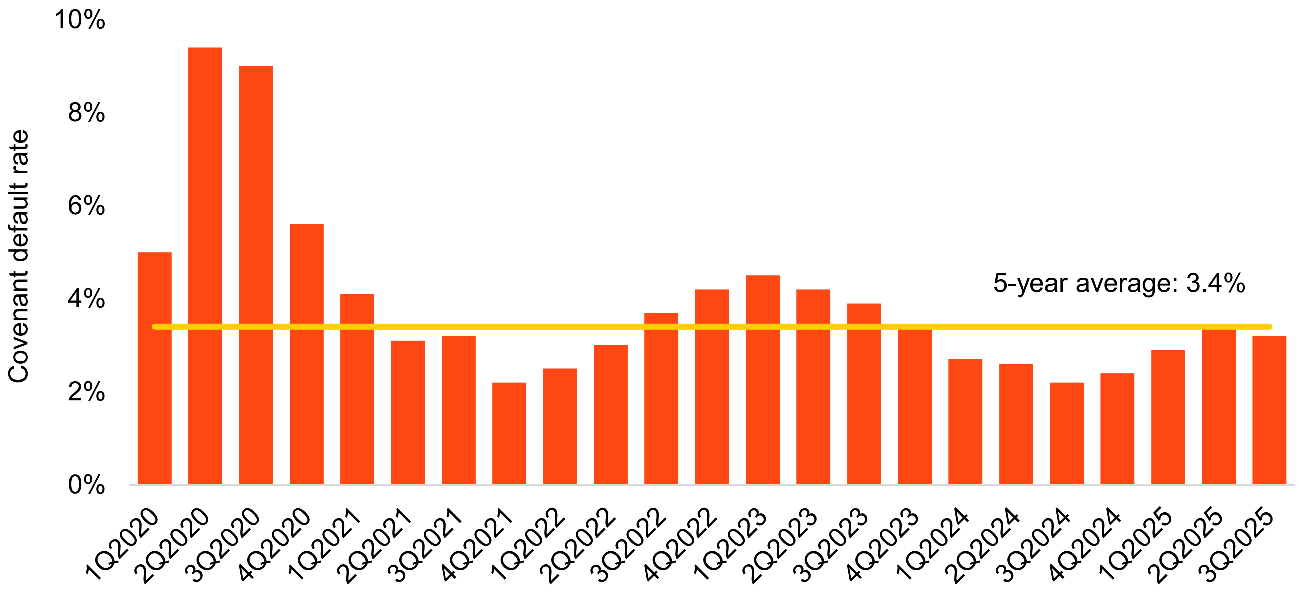
As such, we monitor directional trends in covenant defaults as a barometer of potential financial pressure within private credit. In 3Q2025, covenant default rates in both the U.S. and Europe modestly declined (Exhibits 52 and 53, next page), potentially driven by a combination of factors, including (1) borrowers' improved financial positions and (2) lenders' willingness to work with borrowers, including through amendments made in advance of a default.

Further, 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 (again, Exhibit 53).

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.

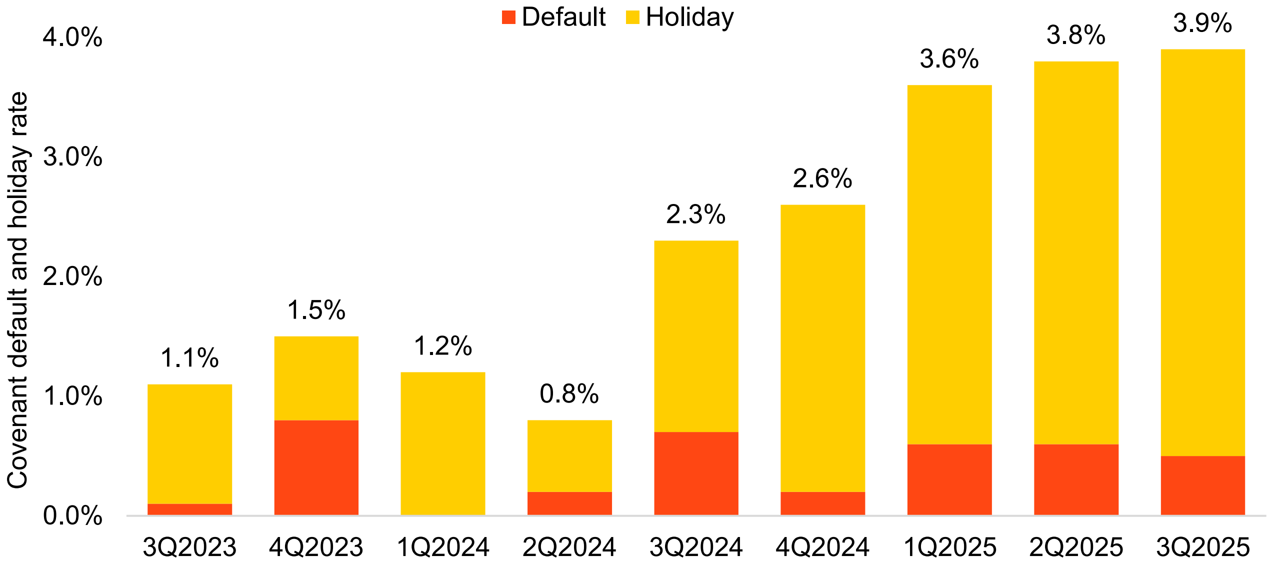
Exhibit 52: Covenant defaults declined in 3Q2025

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: 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.

Exhibit 53: Covenant 'holidays' grew in Europe
Size-weighted covenant default and holiday rate for European companies in the Lincoln International Proprietary Private Market Database

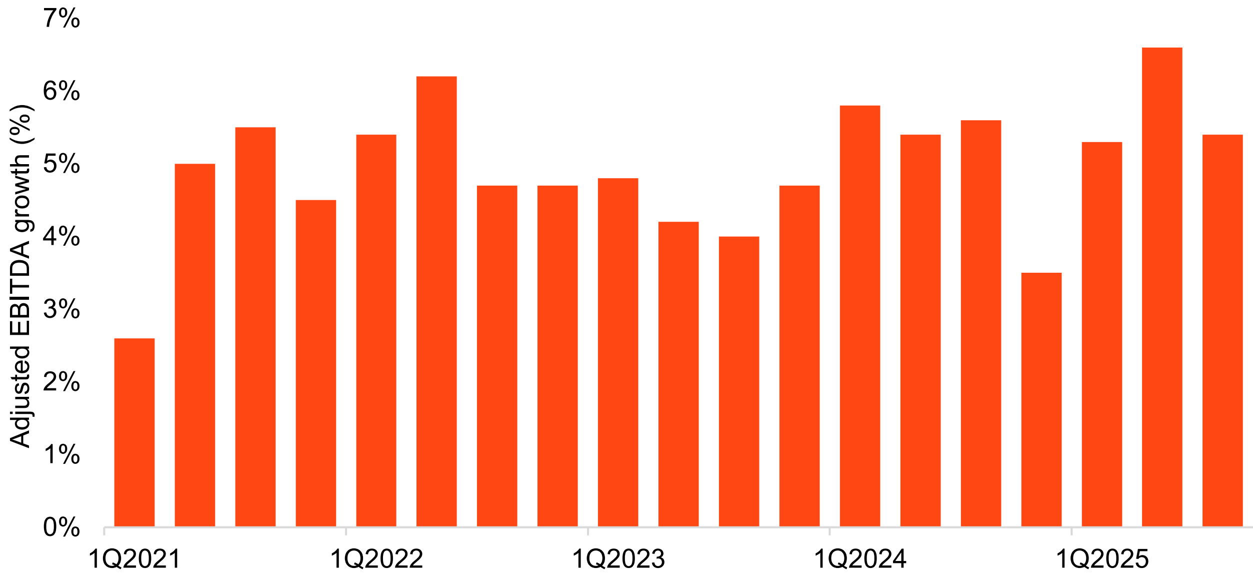


Source: Lincoln International, BlackRock. 2Q2025 and 3Q2025 data are preliminary and remain subject to change in upcoming market insights as incremental information is received post-quarter end. A covenant holiday is an agreement (often time-bound) to not test one or more covenants.

EBITDA growth remains positive for most borrowers

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 54).

Exhibit 54: 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).

Interest coverage continues to improve

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 55 and 56).

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 in our *1Q2026 Global Credit Outlook*, 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 55: 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

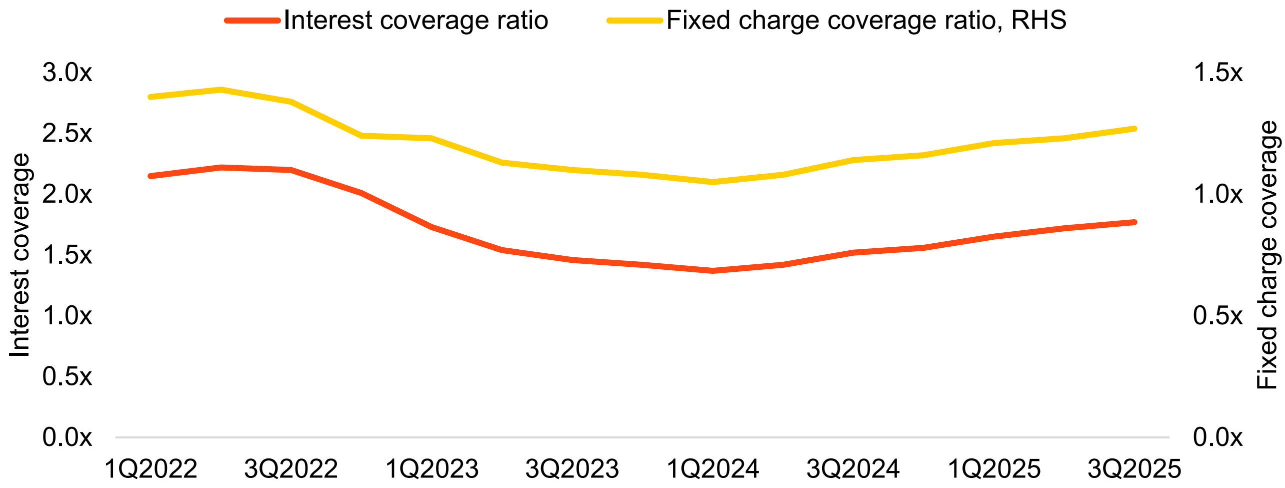
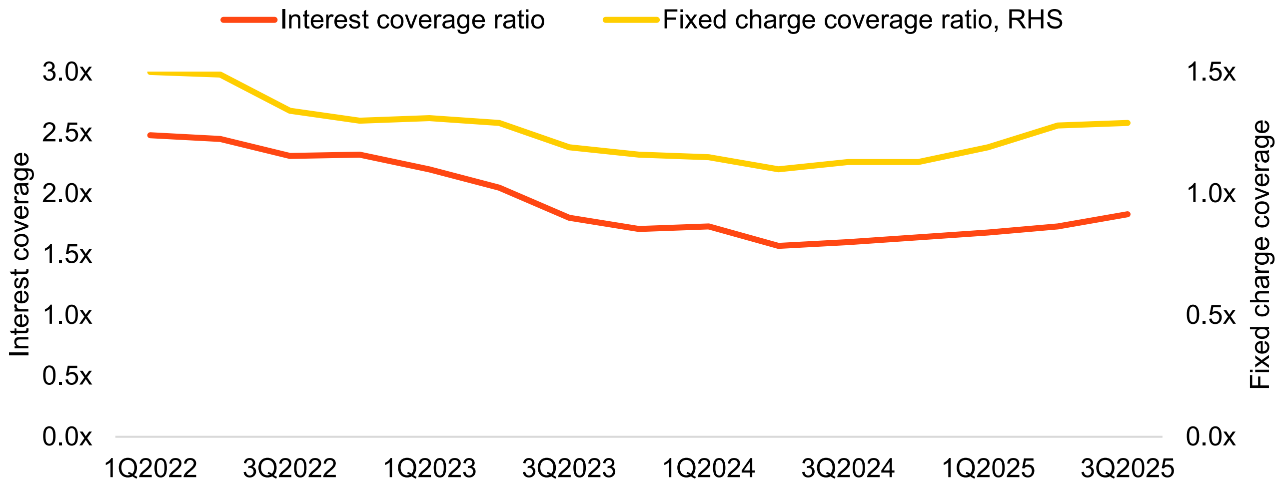


Exhibit 56: ...as did coverage ratios for European private credit
Size-weighted interest coverage and fixed charge coverage, RHS, ratios for European firms tracked by Lincoln International's Proprietary Private Market Index



For both charts: Source: Lincoln International, BlackRock. As of 3Q2025 (most recent available). Calculation of interest coverage ratio = 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.

Dispersion persists among private credit borrowers

That said, we continue to see dispersion across multiple factors, including by borrower size and sector.

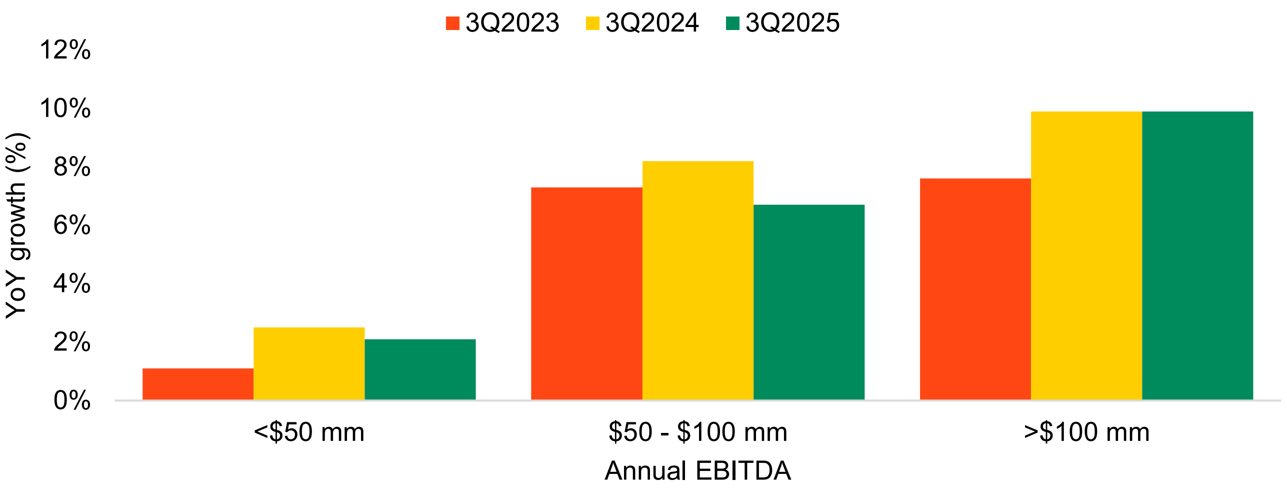
Borrower size

Exhibits 57 and 58 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.

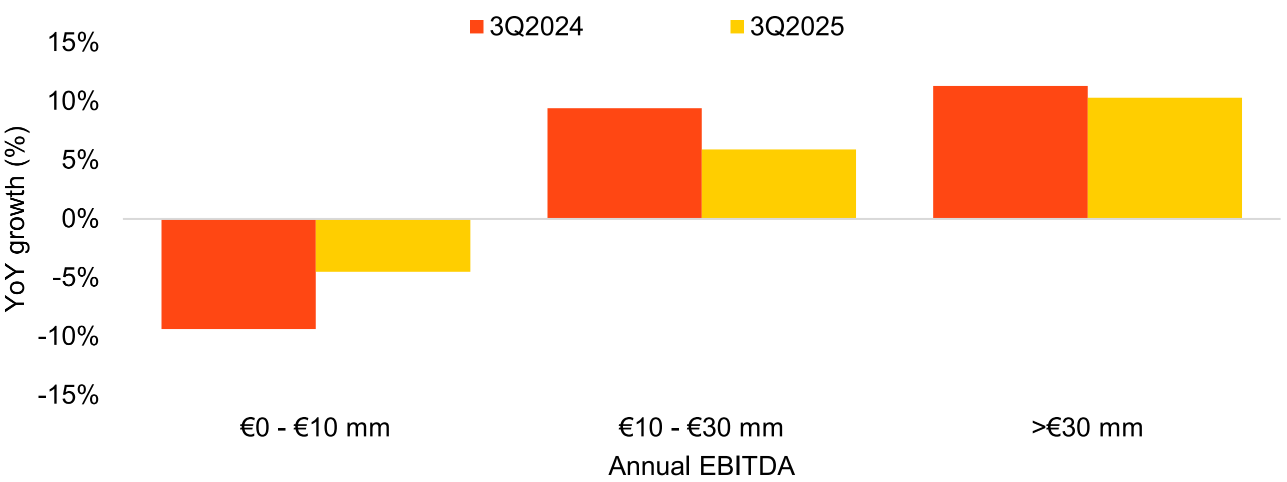
In our view, these patterns reflect the fact that smaller companies may have thinner financial cushions, less diversified business models, and weaker pricing power, while larger borrowers generally possess greater flexibility and a broader set of operational levers to support performance.

Exhibit 57: 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.

Exhibit 58: 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.

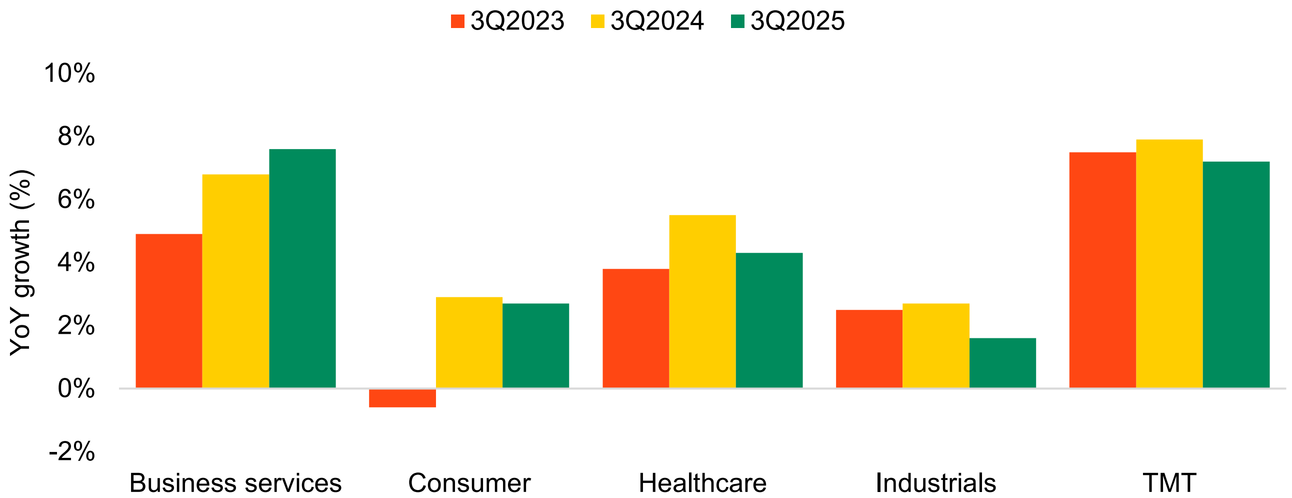
Borrower sector

And in both regions, dispersion is also evident across sectors, with some industries exhibiting strong and consistent EBITDA growth (i.e., Business Services, Technology), and others growing at a slower or less consistent pace (i.e., Industrials, Consumer; Exhibits 59 and 60). 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 emphasizes the importance of active credit selection.

Exhibit 59: EBITDA growth has favored select industries in the U.S

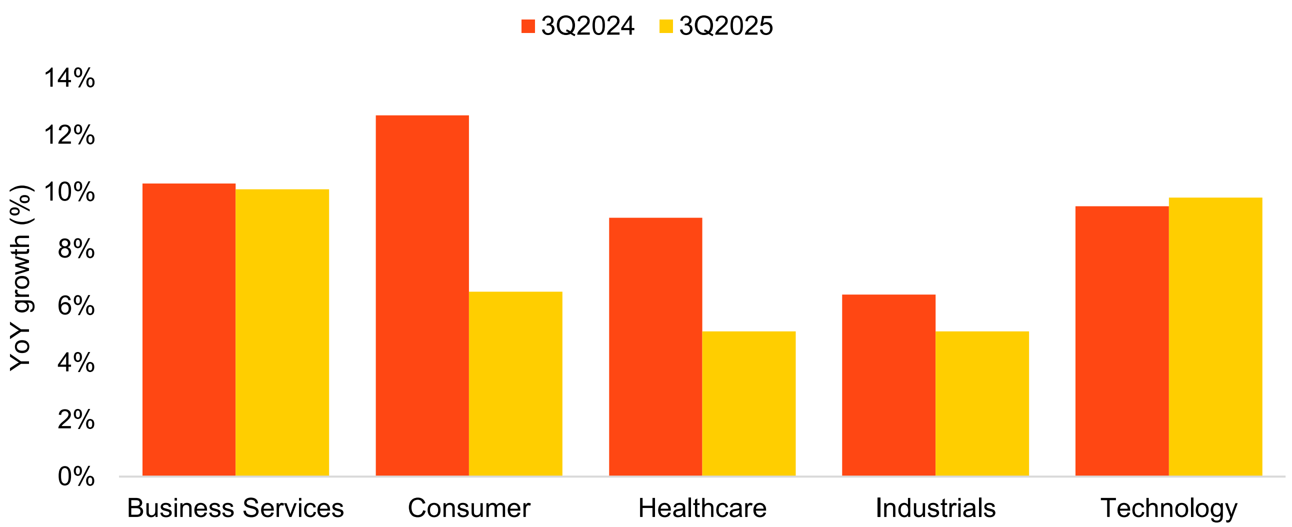
Year-over-year, last-twelve-months' adjusted EBITDA growth, by industry, for U.S. companies in the Lincoln International Proprietary Private Market database



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

Exhibit 60: 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.

The nuances surrounding 'payment-in-kind' interest

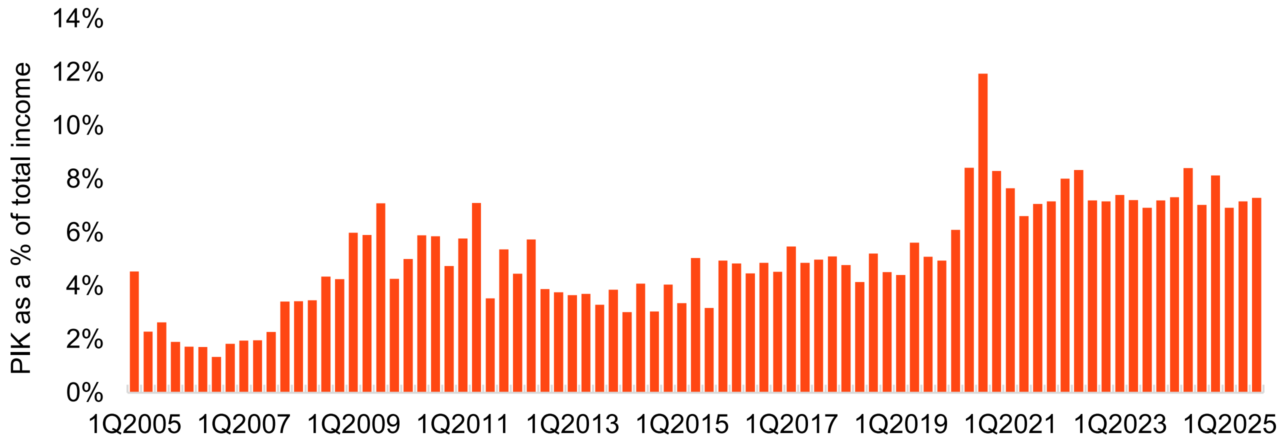
Payment-in-kind (PIK) utilization also warrants monitoring for incremental insight into potential fundamental pressures and possible catalysts for additional dispersion. PIK interest is defined as interest that is 'paid' in the form of additional non-cash principal, as opposed to cash interest.

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 61 demonstrates this metric for the Cliffwater Direct Lending Index (CDLI).

Further, Exhibit 62 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 stable trend quarter-over-quarter.

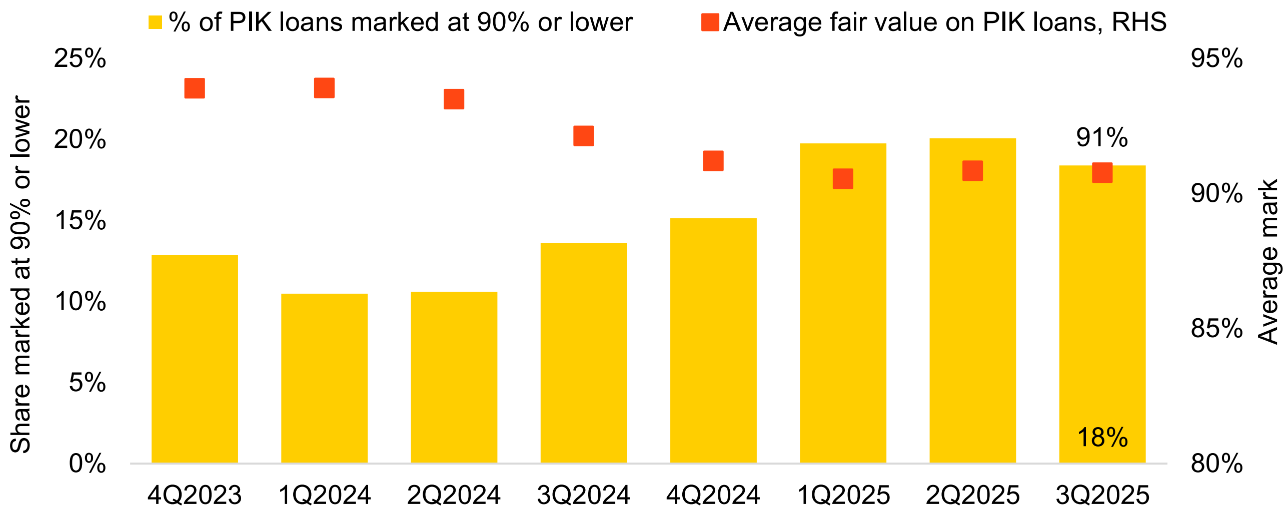
Data from Lincoln International provides another perspective on PIK, showing the rising share of companies paying PIK interest in the U.S. and Europe, including both 'good' PIK (i.e., PIK included at underwriting) and 'bad' PIK (i.e., PIK added through amendments, after origination and presumably in response to unanticipated financial stress; Exhibits 63 and 64, next page). Notably, the share of companies with PIK (both 'good' and 'bad') has grown over time in both regions.

Exhibit 61: PIK as a percentage of 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



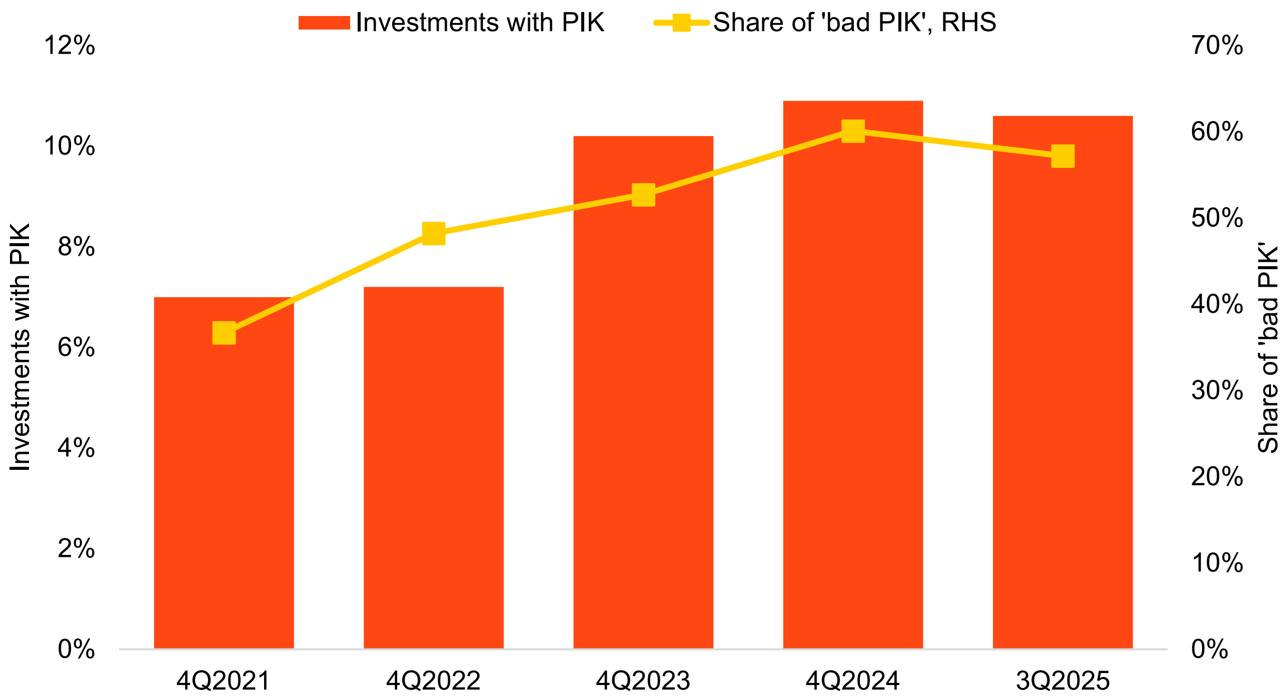
Source: Cliffwater Direct Lending Index, BlackRock. As of September 30, 2025 (most recent as of December 31, 2025).

Exhibit 62: 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



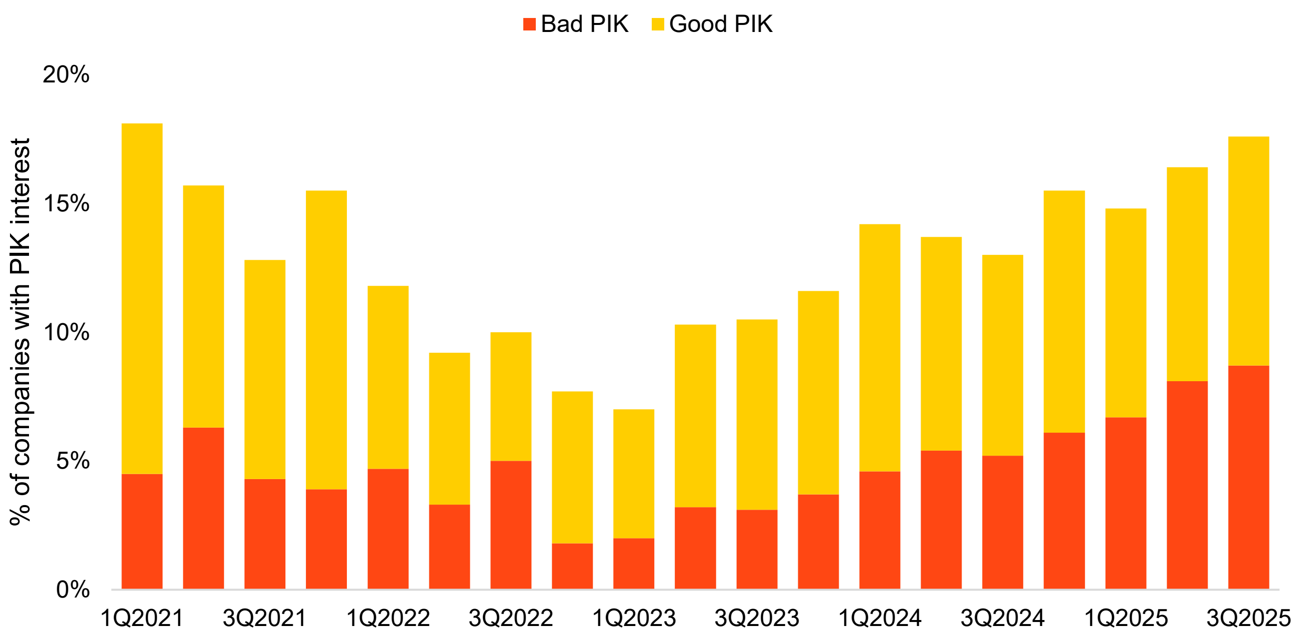
Source: Cliffwater Direct Lending Index, BlackRock. As of September 30, 2025 (most recent as of December 31, 2025).

Exhibit 63: 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



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.

Exhibit 64: '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



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.

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.

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