

# ACI Monaco

The Financial Markets Association



# ACI

— MONACO —



THE FINANCIAL  
MARKETS ASSOCIATION



## PRIVATE CREDIT

FONDAMENTAUX, ACTEURS ET  
OPPORTUNITÉS D'UN MARCHÉ EN FORTE  
CROISSANCE

March 2026

# INTRO + AGENDA

OUR TIME TOGETHER TODAY

**What is Private Credit? What does it do? Why?**

**Why put private credit (or private markets more broadly) into a portfolio? Some use cases...**

**The key concepts to know about Private Credit**

**Yes, there are of course risks!**

**How to pick a good manager (including a checklist) and a few names**

**Your questions...**

# 1 – WHAT IS IT?

## WIDELY USED AND WIDELY MISUNDERSTOOD TERM...

Public Credit is typically issued by banks or very large corporates (loans, bonds, notes, commercial paper etc) or repackaged by them (CLOs, MBS etc)

**My rule is = you can see it on Bloomberg, its public**

**Another example = borrow money from a bank, it's probably going to end up being public (packaging)**



Private Credit is issued by **non-bank lenders** and is typically privately held. One of the most popular types is called Direct Lending

**My rule here is = if you can't buy the paper directly, its probably private**

**Example – I lend you 50 bucks. Only we know the interest rate, the contract around it and the terms of the deal...**



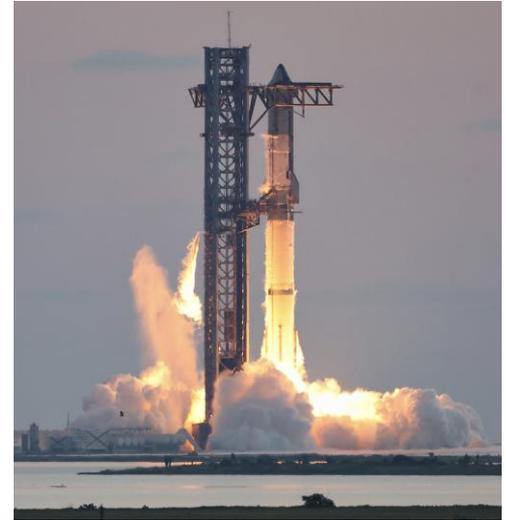
# WHAT DO THESE THREE HAVE IN COMMON?



**San Siro Stadium**



**Hinckley Point C**



**SpaceX Starship**

# PRIVATE CAPITAL FINANCES SIGNIFICANT PARTS OF THE “REAL ECONOMY”

**PUBLIC ASSETS MORE AND MORE CONCENTRATED – PRIVATE OFFERS A WHOLE NEW INVESTMENT UNIVERSE**

8,090

U.S. Public Companies in 1996<sup>1</sup>

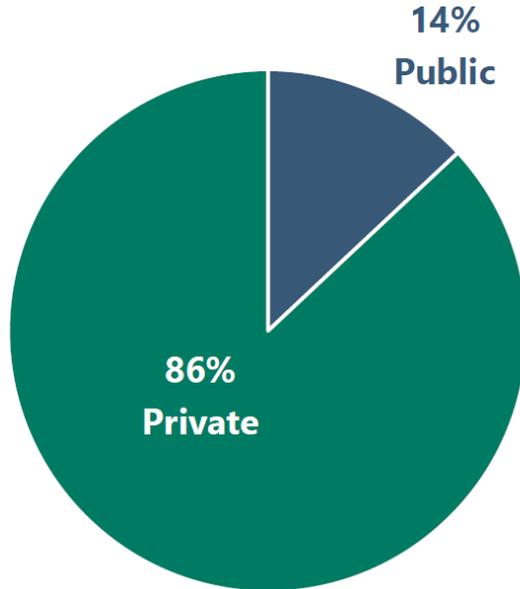


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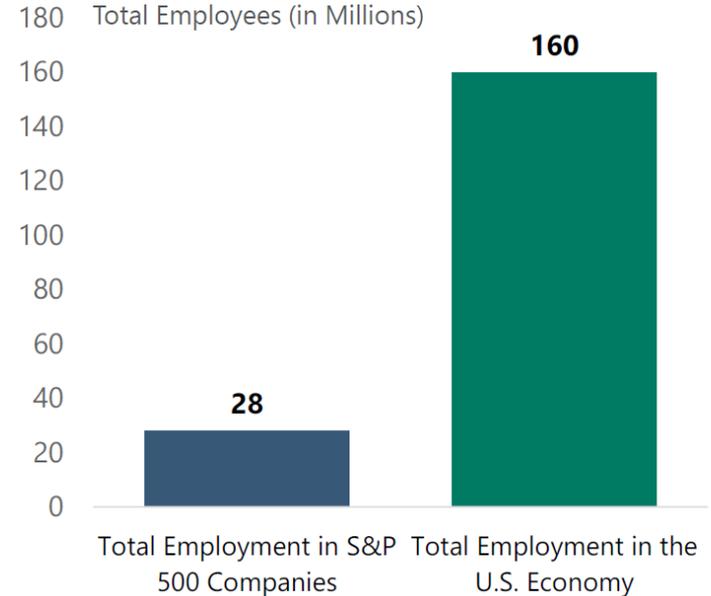
3,935

U.S. Public Companies in 2025<sup>1</sup>

**86%** of U.S. companies with \$100M+ of revenue **are private**<sup>2</sup>



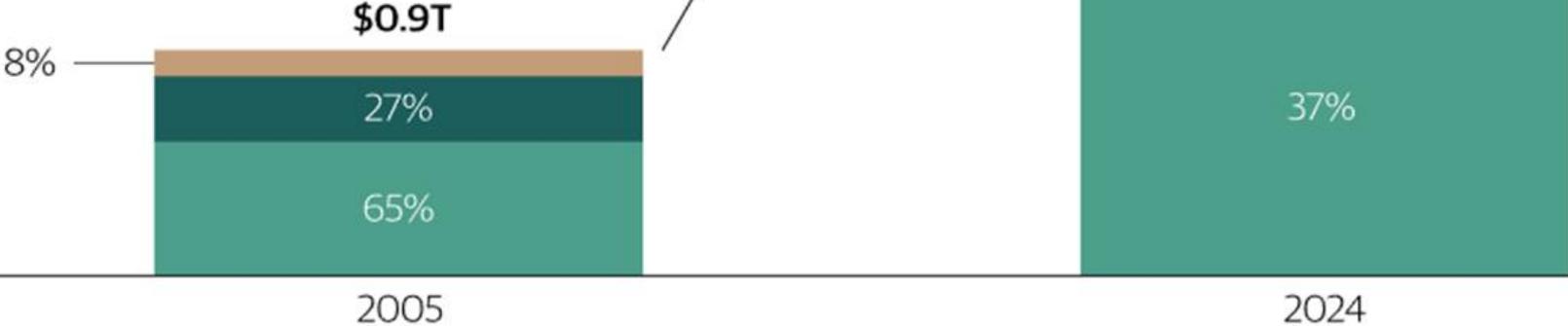
S&P 500 companies represent **~80%** of public market cap but only **~18%** of total U.S. employment<sup>3</sup>



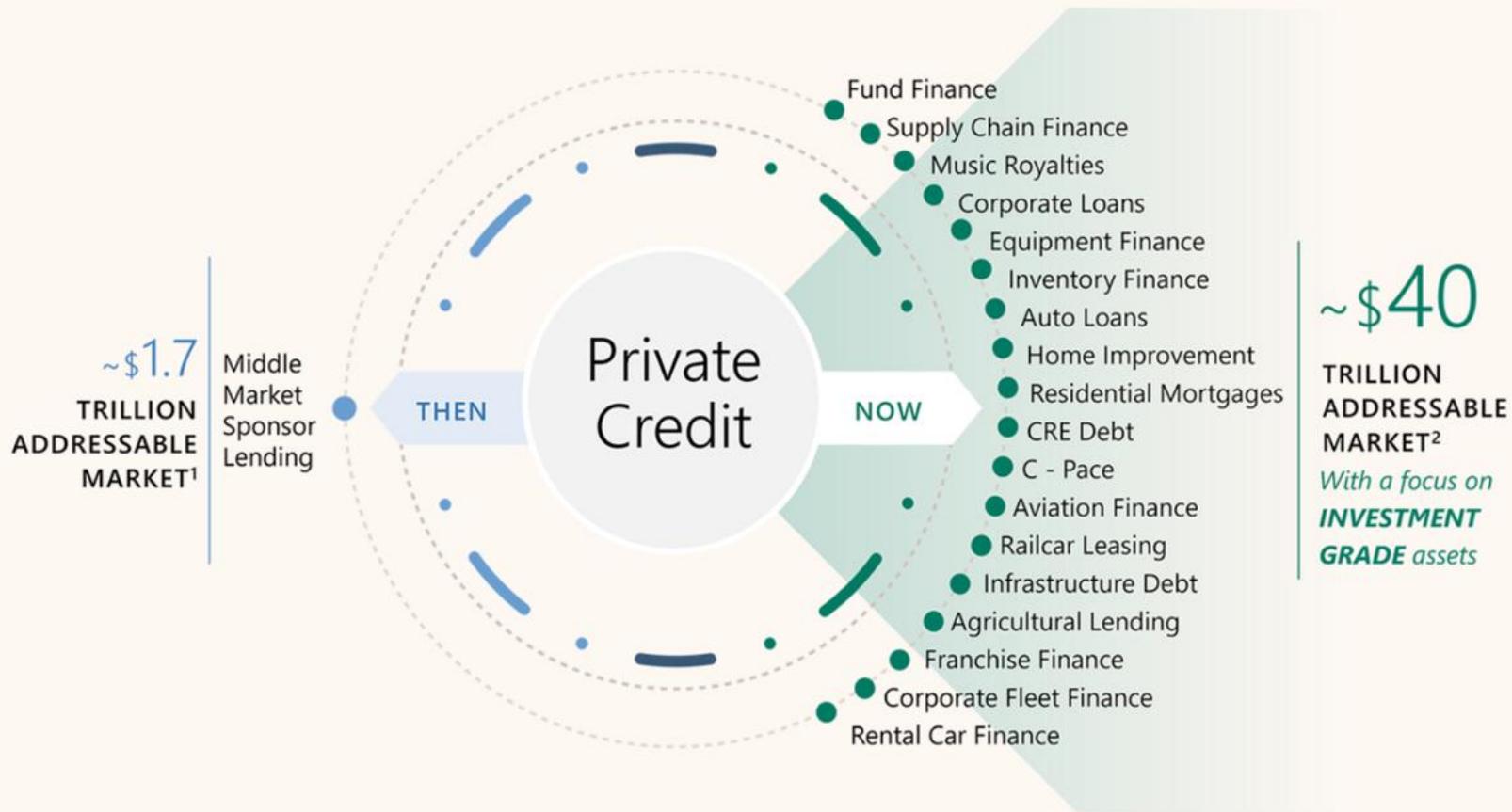
# PRIVATE CREDIT

A GROWING PART OF THE CREDIT SPACE

High Yield Senior Loans Private Credit



# PRIVATE CREDIT IS A \$40T MARKET AND LARGELY INVESTMENT GRADE



# WHO DO BUSINESSES USE PRIVATE CREDIT?

- **ITS NOT FOR THE CHEAPNESS OF IT...**
- **CAN BE VARIED AND MODIFIED**
- **FLEXIBLE, PART PIK, BROAD RANGE OF COLLATERAL ACCEPTED...**

## Benefit to Borrowers



Certainty and speed of execution

---



Lack of traditional funding alternatives

---



Flexible, tailored structuring

---



Operational ease

---



Confidentiality

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No roadshows

# WHO DO INVESTORS LIKE IT?

- THE MONTHLY YIELD IS DELICIOUS
- LOW CORRELATION
- SENIOR IN THE CAP STACK

## Benefit to Investors



Potentially enhanced risk adjusted returns

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Diversification potential

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Reduced volatility  
(floating rate and held-to-maturity)

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Low default rates  
(first lien, senior secured)

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Structural protections  
(lender-friendly terms and covenants)

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Deep due-diligence

# KEY CONCEPTS AND QUESTIONS...

# SENIORITY

## Illustrative Capital Structure (%)

Public Market Equivalent

Private Market Naming Convention

Leveraged Loans & IG  
Corporate

Senior Debt  
(30-40%)

1 Lien (1L) = secured

High Yield

Junior Debt  
(20-30%)

2 Lien (2L) = secured  
Mezzanine = unsecured

Equity  
(30-50%)

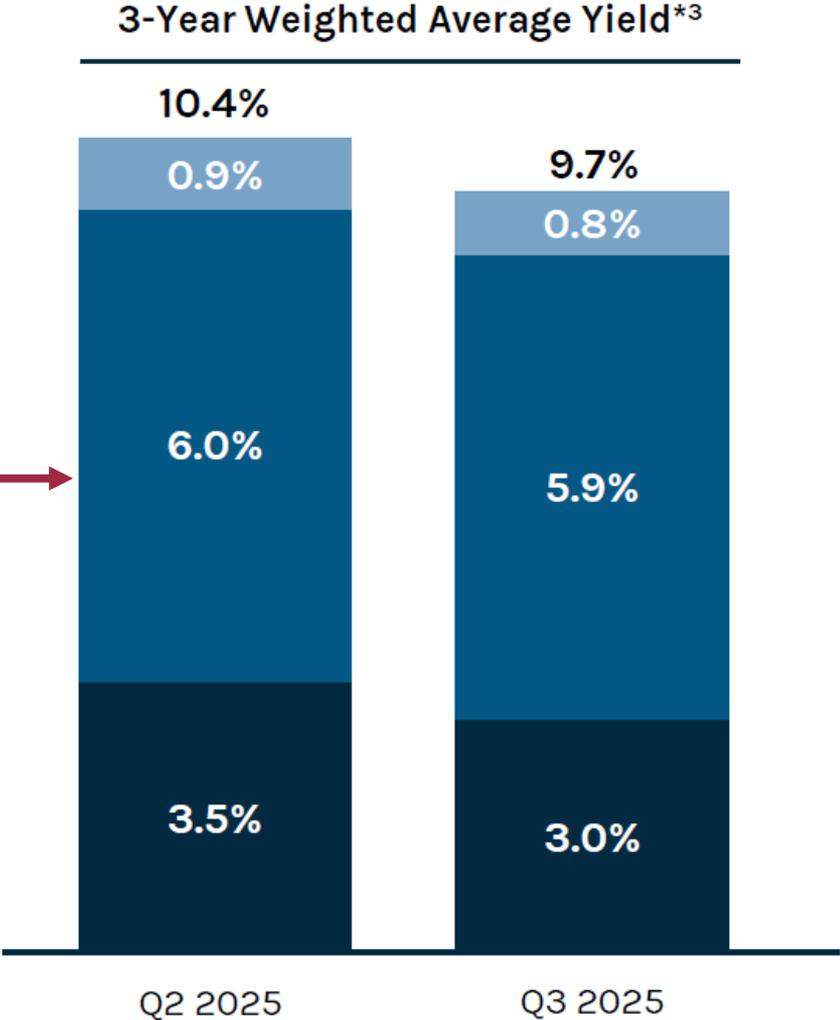
# WHY IS BEING SENIOR QUITE A NICE THING WHEN THINGS GO BAD?



# LOAN SPREADS

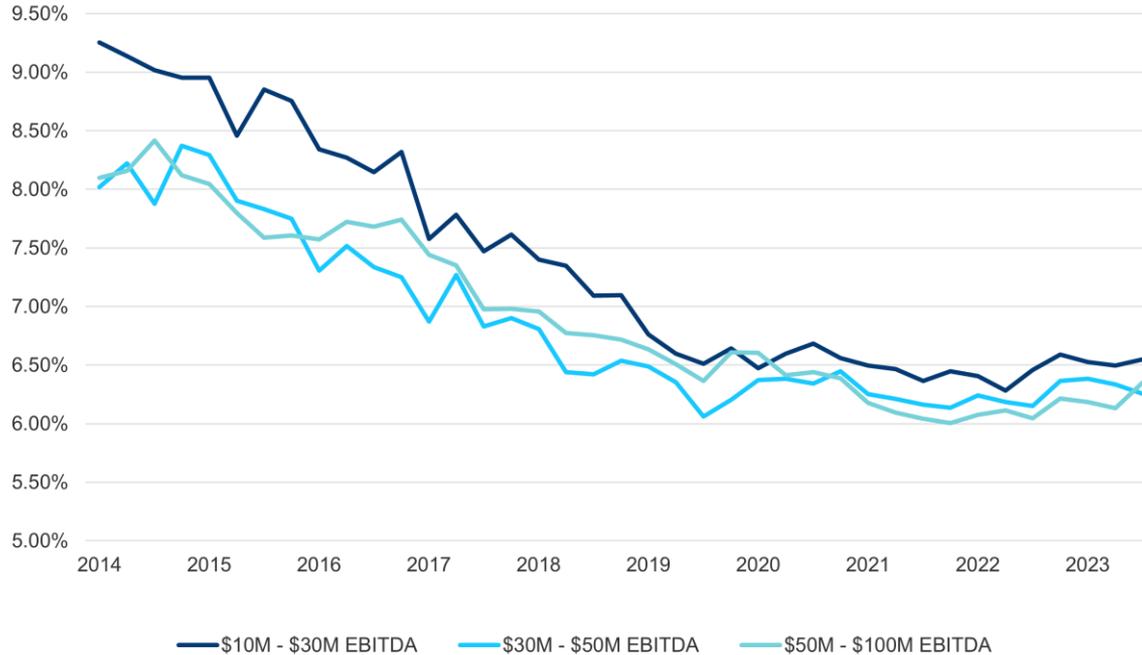
**Average Yield Components\***

- Base Rate
- Margin
- Amortized Origination Fee



# SPREADS HAVE COMPRESSED AS ASSET CLASS MATURES

LOOKS LIKE WE HAVE FOUND THE “NORMAL” RANGE FOR THE NEAR FUTURE



## 2026 Outlook for spreads, bps

	US	EU
Mega/Large Cap	450	525
Upper Mid Cap	550	600
Special Sits and ABF	600+	700+

# WHAT IS THE “SPREAD” AND WHY IS IT IMPORTANT?



# LEVERAGE

## Direct Loans Have Conservative Structures and Loan to Values

Illustrative capital structure for a company with \$125 million in EBITDA

### Initial Credit Metrics

45%

Loan-to-total value

125M

EBITDA

0.83 : 1

Debt-to-equity  
ratio

2.0x

Interest coverage  
at 10% interest

### Total Enterprise Value (TEV)

11.0x = \$1.4B TEV

Debt

5.0x  
\$625M

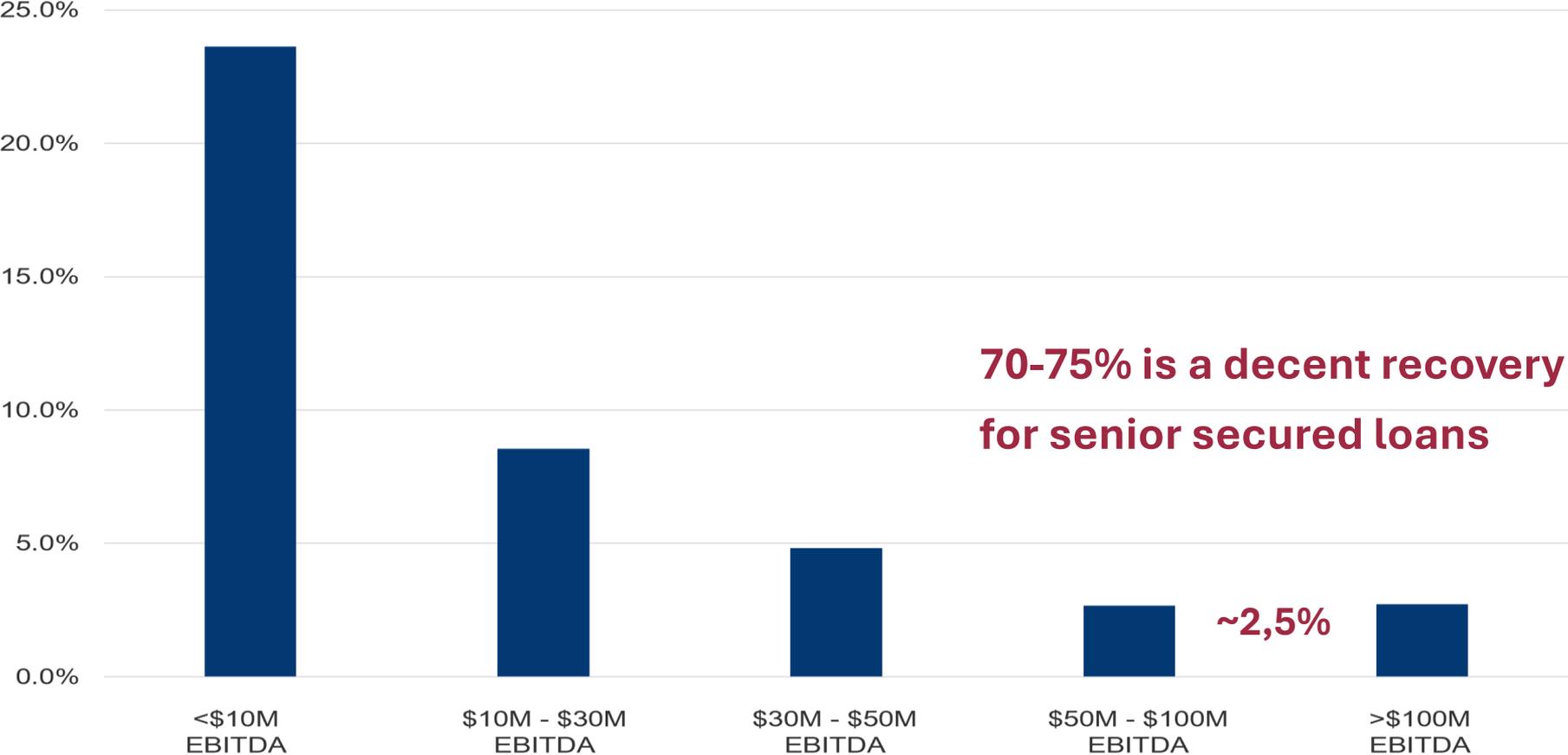
Equity

6.0x  
\$750M

# WHY DO WE CARE ABOUT LEVERAGE AND LTV?



# DEFAULT RATE AND RECOVERY RATE.



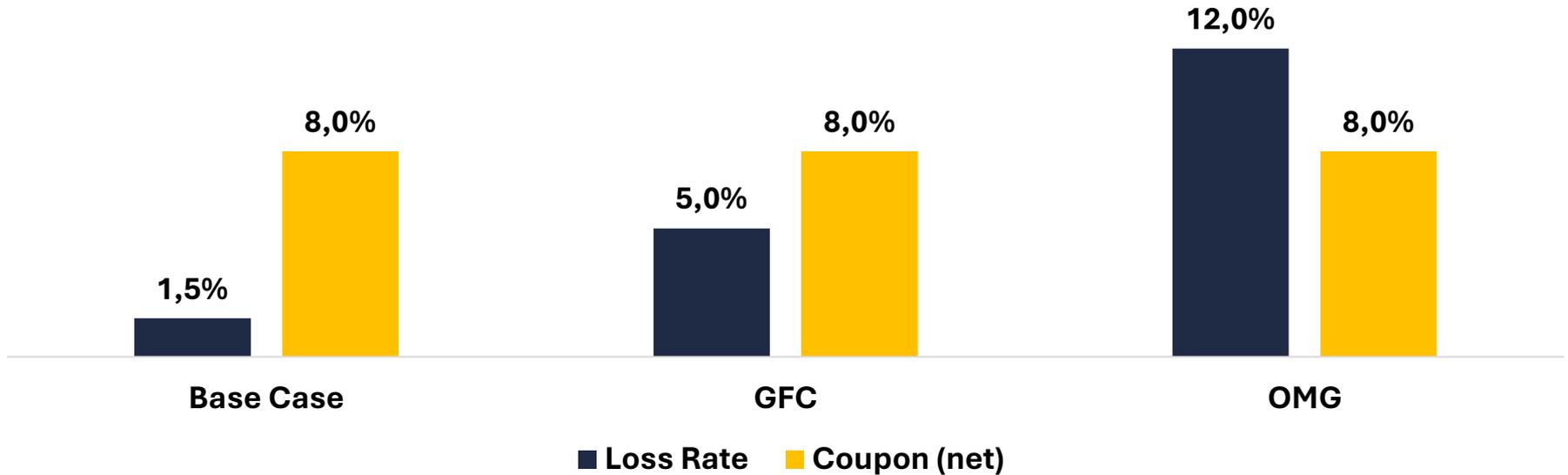
**WHAT DO YOU GET WHEN YOU MULTIPLY  
DEFAULT RATE BY RECOVERY RATE?**



# LOSS RATE

5% Default Rate \* 70% Recovery = **1.5% of capital loss**

## Loss rates vs current coupons



**OK, GREAT. NOW HOW DO WE FIND AND  
PICK GOOD MANAGERS?**

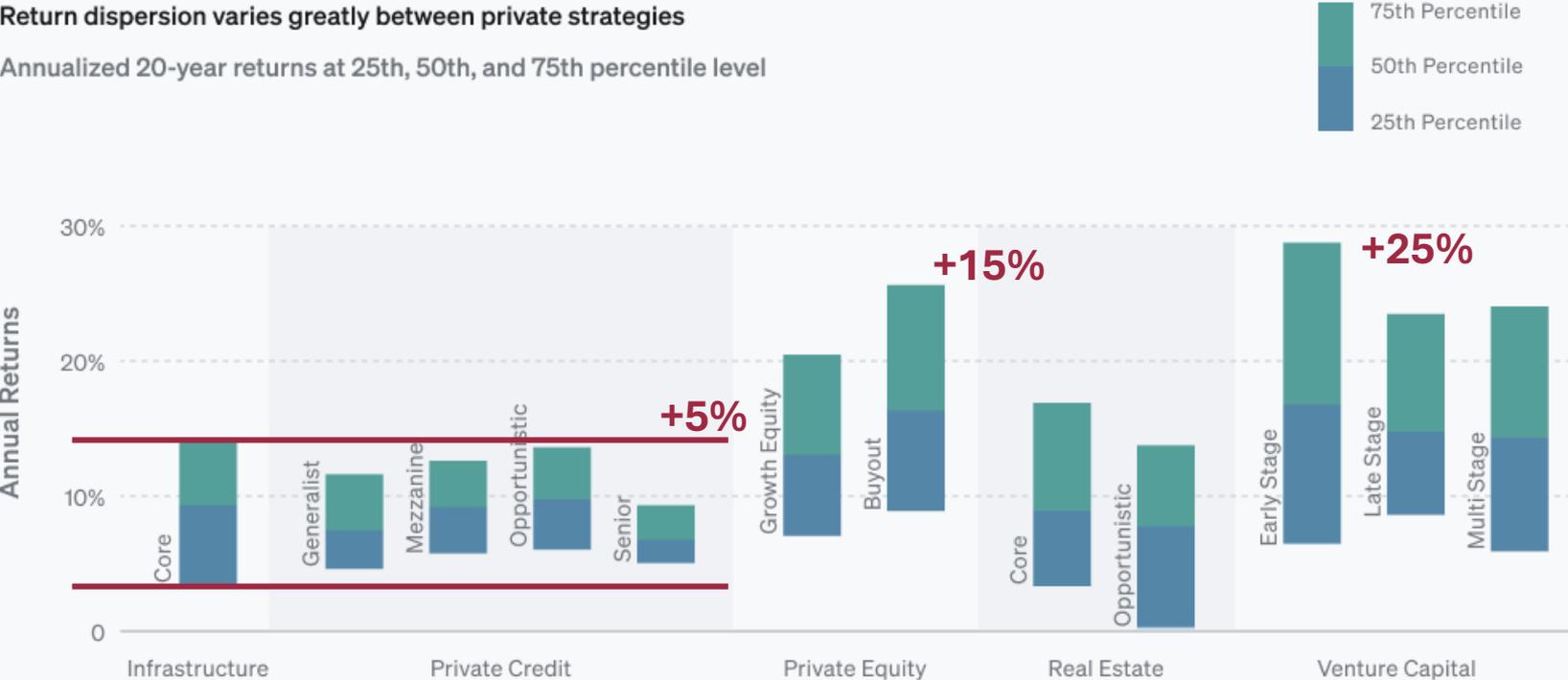


# DISPERSION IS HUGE – CHOOSE WELL!

PRIVATE MARKET PERFORMANCE IS A PREDICTION ENGINE – WE ARE LOOKING FOR REPETITION

Return dispersion varies greatly between private strategies

Annualized 20-year returns at 25th, 50th, and 75th percentile level



Source: Burgiss, as of June 30, 2022. Private fund returns are a calculated Internal Rate of Return.

# THE ALLOCATOR CHECK LIST

PRIVATE MARKET PERFORMANCE IS A PREDICTION ENGINE – WE ARE LOOKING FOR REPETITION

Criteria	Good	OK	Bit of a ?
Size of fund and firm	\$100bn>	\$100-50bn	<\$5bn
Asset class experience and track record	>15 years together for senior team	>10 years together for senior team	I just launched a cool credit fund!
Vintages	>5, all consistent	>2	See above...
Reputation of firm	Excellent, respected	Known, kind of liked	See above...
Other teams inside firm	LBO, Turnaround, Liquid Credit, Special Sits etc	Probably an LBO team or a Liquid Credit Team	I have a dog with me here...
Deal Sourcing	Proprietary mostly	Some prop, some auction	I saw it in the press!
Clear evidence of value-add	Internal consulting, AI Teams, Management on demand...	I just provide capital and some introductions	Ummm...
Deep dive on fund metrics and team performance	9,5/10 on - Loss rates, Spread Maintenance, PIKs, covenants, leverage, inflows, depth of bench, sector experience, evidence of getting out of trouble, recovery rates, credibility, relationships and deal sourcing...	8/10 on those at least	You measure these things?
100 more things to think about (operational issues, commercial terms, legal structure, tax, marketability of brand, reputation risk...)			

Bubble size = Private Credit AUM

US HQ'd

APOLLO

\$690bn

Blackstone

\$508bn

ARES

\$377bn

Brookfield

\$349bn

KKR

\$261bn

Goldman Sachs

\$233bn

CARLYLE

\$208bn

BlackRock

\$206bn

BLUE OWL

\$152bn

PGIM

\$112bn

Europe HQ'd

Investment Managers

\$67bn

CVC

\$56bn

Arcmont

\$41bn

PARTNERS GROUP

\$38bn

M&G Investments

\$30bn

PEMBERTON

\$29bn

TIKEHAU CAPITAL

\$27bn

HAYFIN

\$25bn

PERMIRA

\$21bn

ICG

\$19bn

# SOME GOOD PLAYERS

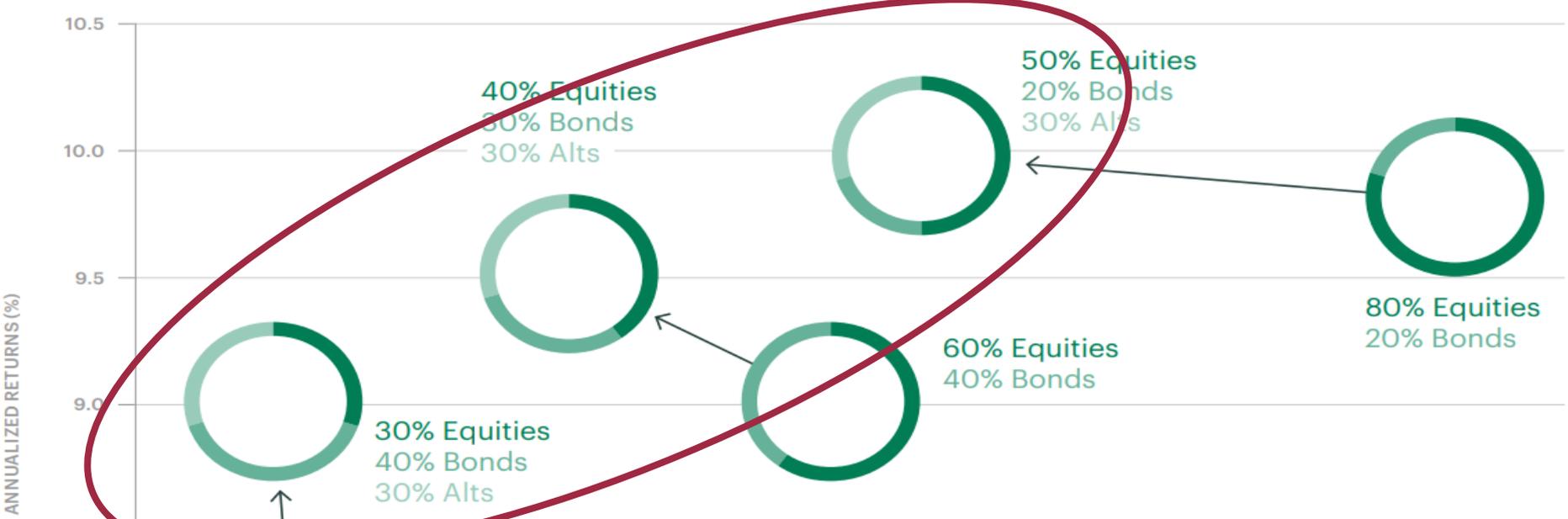
TO GIVE YOU AN IDEA OF TEAMS AND MANAGERS THAT HAVE DONE IT FOR A WHILE AND WHO I THINK ARE GOOD

# WHY USE IT IN MODERN PORTFOLIOS? MVO...



# ALTERNATIVES AND PORTFOLIO RISK/RETURN

Annualized volatility and returns, 1989 – September 2021



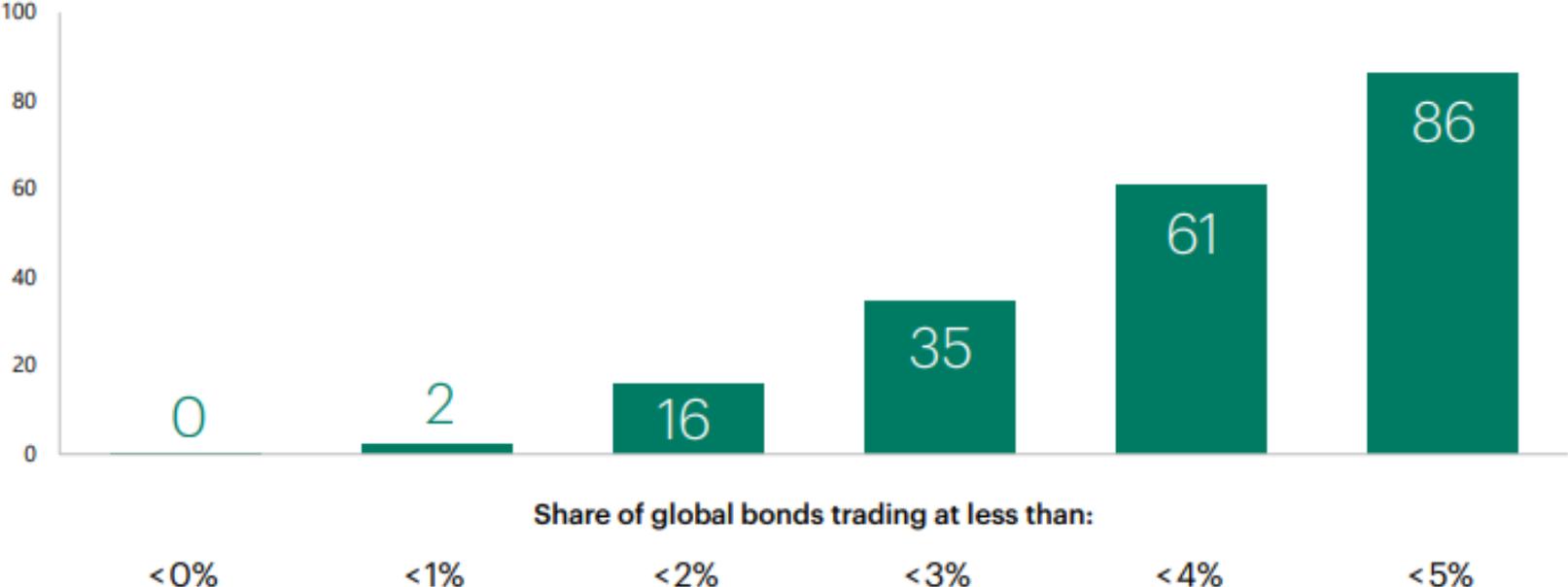
Portfolio Allocation	Volatility	Annualized Returns
40 Equities / 60 Bonds	6.39%	8.08%
60 Equities / 40 Bonds	9.33%	9.04%
80 Equities / 20 Bonds	12.52%	9.87%
30 Alts / 30 Equities / 40 Bonds	6.29%	9.04%
30 Alts / 40 Equities / 30 Bonds	7.78%	9.53%
30 Alts / 50 Equities / 20 Bonds	9.35%	9.98%

# PRIVATE CREDIT MORE SPECIFICALLY...

REGULAR INCOME THAT PAYS MORE THAN MOST OTHER TYPES OF FIXED INCOME



% global bonds outstanding



Private Credit

# Private credit: fixed income performance in context

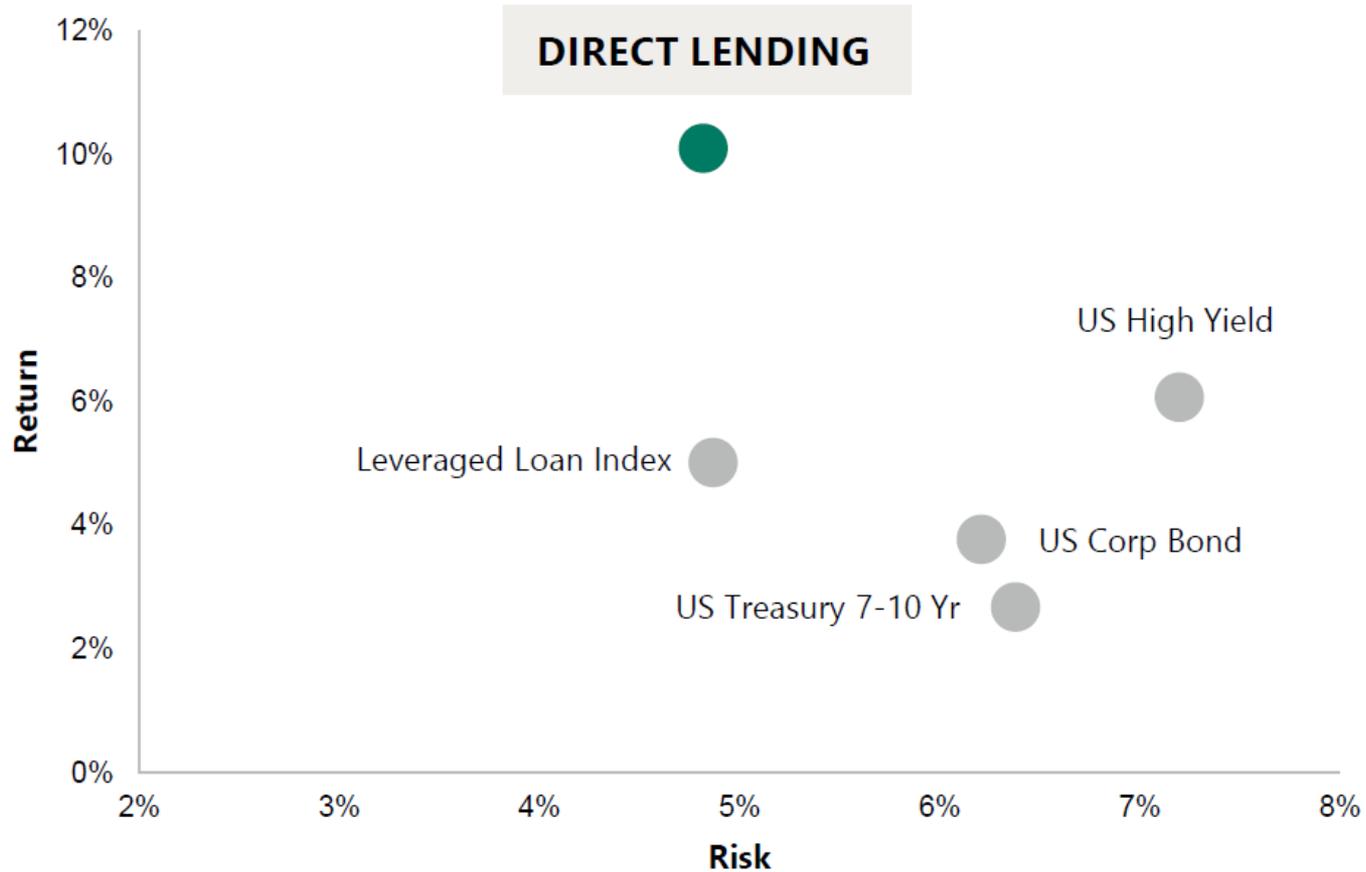
Average Annual Base Rate (2008-2024)<sup>(1)</sup>

2.9%	0.7%	0.3%	0.3%	0.4%	0.3%	0.2%	0.3%	0.7%	1.3%	2.3%	2.2%	0.4%	0.0%	1.6%	5.0%	5.2%
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Annual Returns of Key Indices Ranked in Order of Performance (2008-2024)

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
11.4% Treasuries	58.2% HY Bonds	15.8% Private Credit	9.8% Private Credit	15.8% HY Bonds	12.7% Private Credit	9.6% Private Credit	5.5% Private Credit	17.1% HY Bonds	8.6% Private Credit	8.1% Private Credit	14.3% HY Bonds	7.5% IG Bonds	12.8% Private Credit	6.3% Private Credit	13.4% HY Bonds	11.3% Private Credit
5.2% IG Bonds	51.6% Leveraged Loans	15.1% HY Bonds	7.8% IG Bonds	14.0% Private Credit	7.4% HY Bonds	6.0% IG Bonds	1.2% Treasuries	11.2% Private Credit	7.5% HY Bonds	1.8% 1-3 Month T-Bill	9.0% Private Credit	7.1% HY Bonds	5.3% HY Bonds	1.5% 1-3 Month T-Bill	13.3% Leveraged Loans	9.0% Leveraged Loans
1.8% 1-3 Month T-Bill	13.2% Private Credit	10.1% Leveraged Loans	6.6% Treasuries	9.7% Leveraged Loans	5.3% Leveraged Loans	2.6% Treasuries	0.5% IG Bonds	10.2% Leveraged Loans	4.1% Leveraged Loans	1.4% Treasuries	8.7% IG Bonds	5.8% Treasuries	5.2% Leveraged Loans	-0.8% Leveraged Loans	12.1% Private Credit	8.2% HY Bonds
-6.5% Private Credit	5.9% IG Bonds	6.5% IG Bonds	5.0% HY Bonds	4.2% IG Bonds	0.0% 1-3 Month T-Bill	2.5% HY Bonds	0.0% 1-3 Month T-Bill	2.6% IG Bonds	3.5% IG Bonds	0.4% Leveraged Loans	8.6% Leveraged Loans	5.5% Private Credit	0.0% 1-3 Month T-Bill	-7.8% Treasuries	5.5% IG Bonds	5.3% 1-3 Month T-Bill
-26.2% HY Bonds	0.1% 1-3 Month T-Bill	5.3% Treasuries	1.5% Leveraged Loans	1.7% Treasuries	-1.3% Treasuries	1.6% Leveraged Loans	-0.7% Leveraged Loans	1.1% Treasuries	1.1% Treasuries	0.0% IG Bonds	5.2% Treasuries	3.1% Leveraged Loans	-1.5% IG Bonds	-11.2% HY Bonds	5.1% 1-3 Month T-Bill	2.4% Treasuries
-29.1% Leveraged Loans	-1.4% Treasuries	0.1% 1-3 Month T-Bill	0.1% 1-3 Month T-Bill	0.1% 1-3 Month T-Bill	-2.0% IG Bonds	0.0% 1-3 Month T-Bill	-4.5% HY Bonds	0.3% 1-3 Month T-Bill	0.8% 1-3 Month T-Bill	-2.1% HY Bonds	2.2% 1-3 Month T-Bill	0.5% 1-3 Month T-Bill	-1.7% Treasuries	-13.0% IG Bonds	4.3% Treasuries	1.3% IG Bonds

# 15-Year Annualized Returns and Volatility by Asset Class<sup>1</sup>



**WOW. IM SOLD. WHATS THE CATCH?**





# ILLIQUIDITY IS THE MAIN RISK

THESE ARE FUNDAMENTALLY ILLIQUID INSTRUMENTS



**Funds can gate if redemptions exceed 5% of NAV per quarter**

**It can take several quarters to get your money out**

**“Semi Liquid” things can become illiquid very quickly**

**Solve with diversification, sensible allocation and LTV (many banks offer at least some)**

# MEDIA

LIES, DAMN LIES ...

**FT** FINANCIAL  
TIMES

## Private credit could ‘amplify’ next financial crisis, study finds

Industry may become a ‘locus of contagion’ during market upheaval, report from US officials and bankers says

**Bloomberg**

## First Brands and Tricolor Are Signs of What’s to Come

The two companies’ debt troubles show what investors should be worried about in subprime and private credit.

**WSJ**

## The \$1.5 Trillion Private-Credit Market Faces Challenges

The market for private corporate loans, now larger than its publicly traded counterpart, faces a high-rate environment for the first time since booming in popularity

**INSTITUTIONAL  
INVESTOR**

## The IMF Is Raising the Alarm on Insurance Investments in Private Credit

Conflicts of interest, lack of transparency, and securitized products all pose risks, according to an International Monetary Fund report.



# THE FOUR THINGS TO REMEMBER...

**Private Markets are a great way to broaden out investable universe and the Private Credit asset class is one of the simplest and most accessible one of them**

**Picking managers is the most important thing. Huge dispersion. And it's a prediction engine so we want to see repeatability**

**Private Markets and Alts can improve portfolios and give access to attractive deals and recent format innovation allows a broader set of investors to participate**

**Its not all free jam however – there are plenty of risks and potential to lose money or get gated. So tread carefully, pick well and don't get greedy**

# QUESTIONS

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