2026 Private Credit Strategy Outlook

AC PRIVATE MARKETS

Aksia | CALAMOS

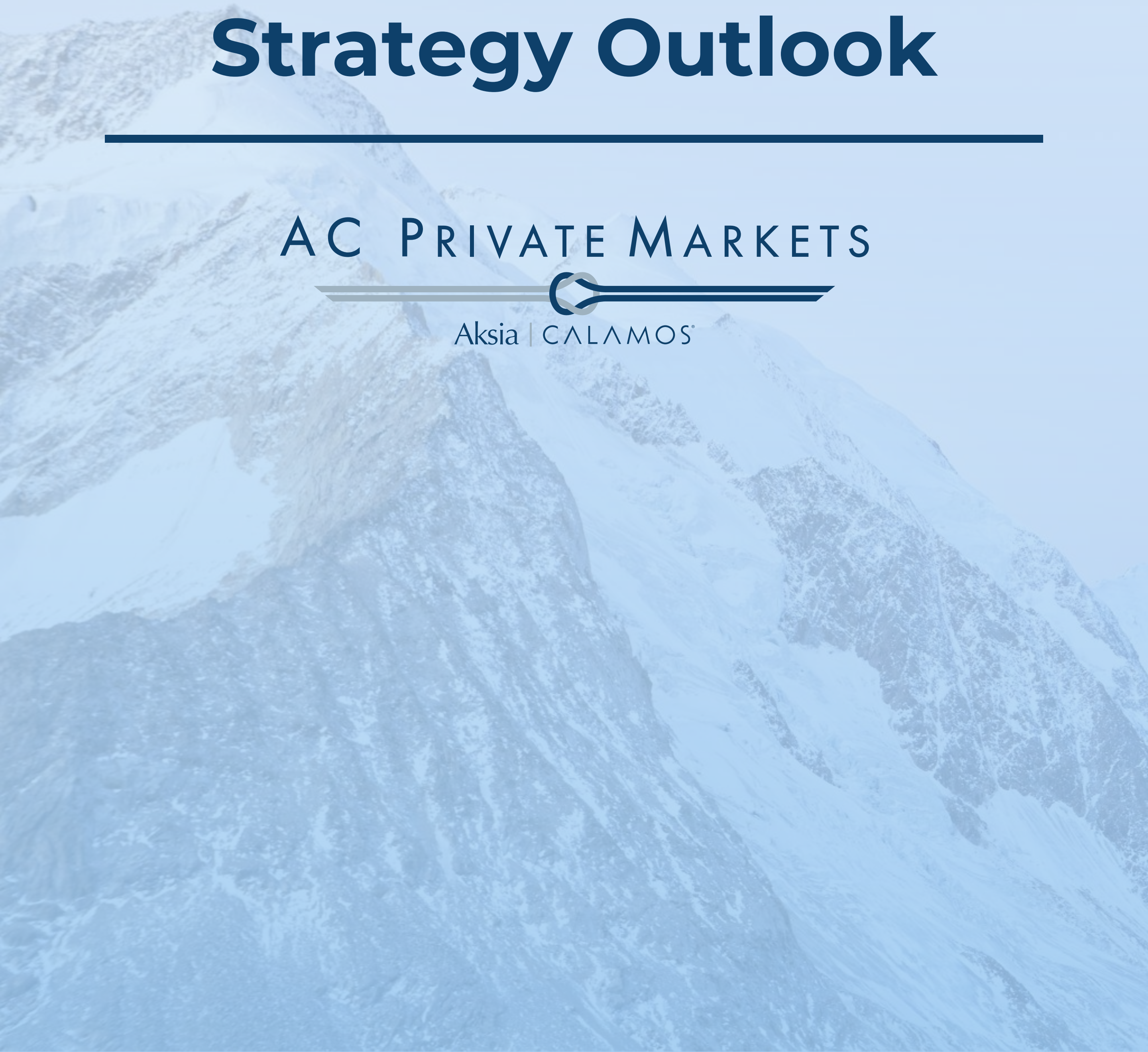


Table of Contents

Private Credit Year-end Market Update

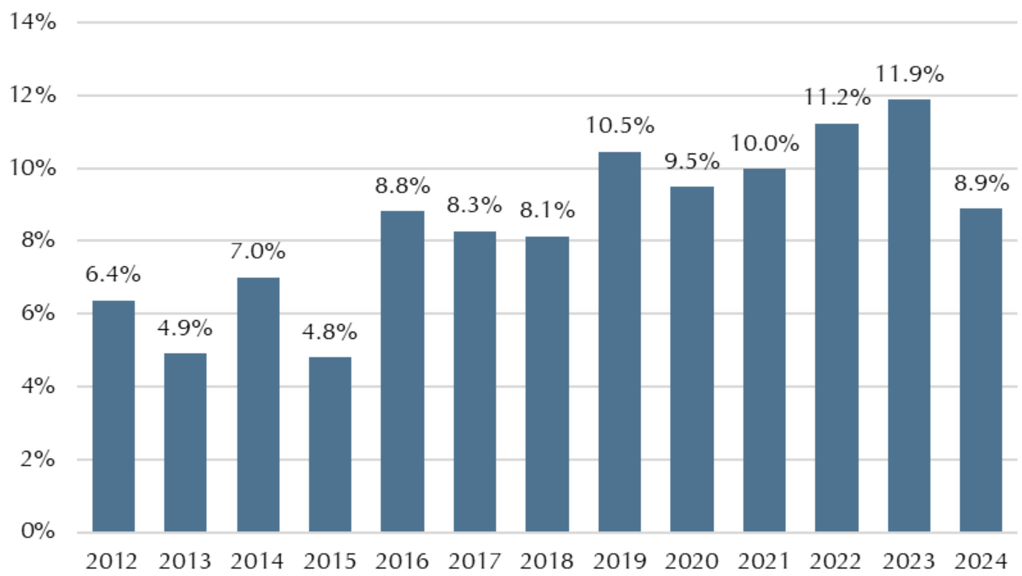
2025 Performance To-Date

Despite recent headlines, overall fund performance across the private credit asset class has remained strong. Many 2022 and 2023 vintage funds continue to be stand out performers among recent vintages, buoyed by both wide credit spreads and elevated base rates. More broadly, the asset class has delivered consistent performance relative to historical levels and public markets stretching back to 2019.

While we would caution against placing too much emphasis on the apparent drop-off in performance for 2024 vintage funds at this stage (given that many of the underlying funds have less than 12 months' performance data), it is clear that downward pressure on both base rates and credit spreads has begun to emerge.

At the same time, we also recognize that valuation approaches vary widely across the market, which may obscure underlying credit risks that could weigh on future returns. In the sections that follow, we examine recent developments in middle-market corporate borrower fundamentals and what they may signal for performance going forward.

Figure 1: Annual Fund Net Returns by Vintage Year

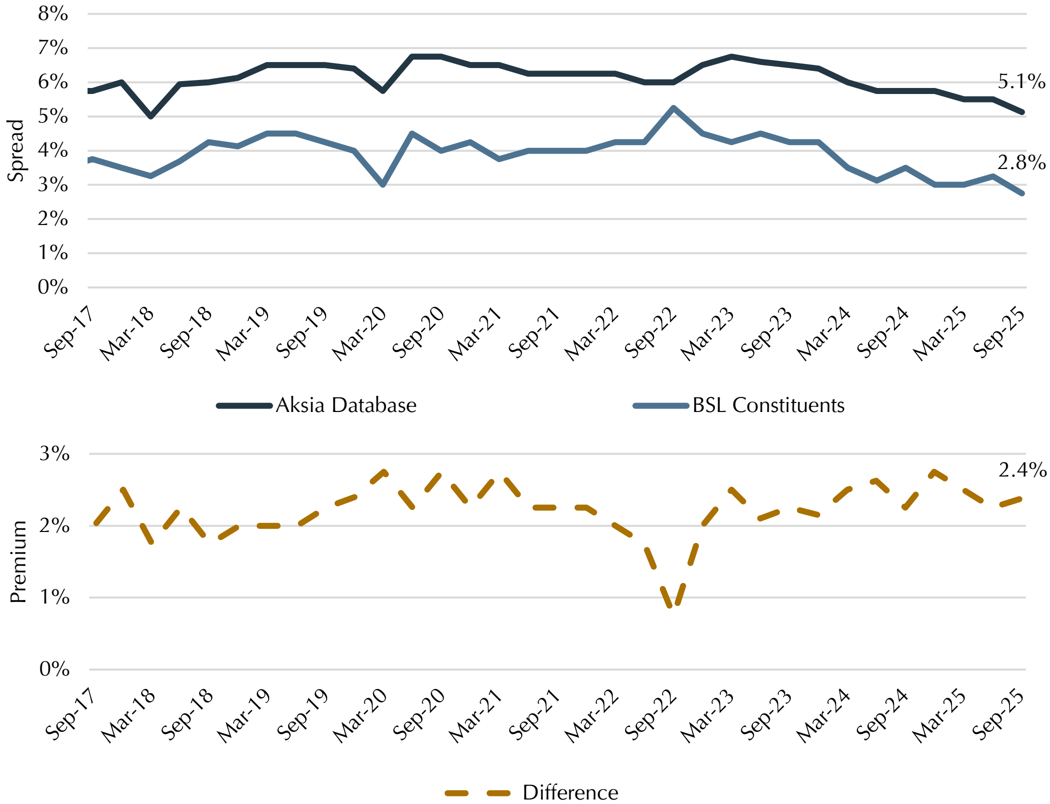


Aksia, Fund level returns as of June 30, 2025, from over 695 total investment programs. Past performance is not indicative of future results.

Public vs Private Pricing

Spread compression has been the defining trend of 2025. Without delving too deeply into the underlying drivers, the broadly syndicated loan ("BSL") market has continued to experience a pronounced supply/demand imbalance: too much capital chasing too few deals. The result has been a rapid and sustained downward pressure on credit risk pricing.

Figure 2: Public vs Private Median New Issue Spreads

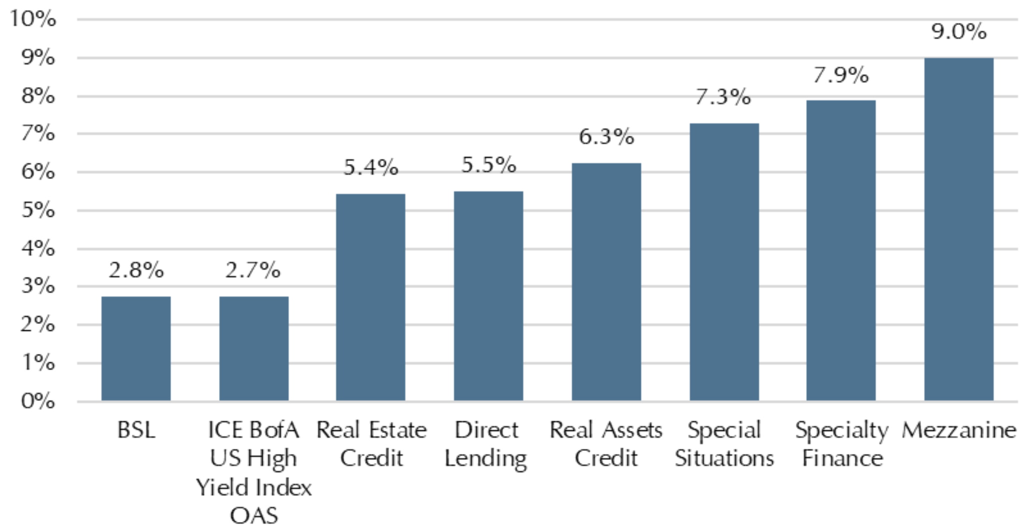


Aksia Middle Market Database, Pitchbook, and Credit Suisse as of September 30, 2025.

Private credit has not been immune to this dynamic. We have observed a clear "polluting effect" as direct lending credit spreads have been pulled down by an overheating BSL market. This effect has been most pronounced where competition from the BSL market is strongest, namely the U.S. Upper Mid-Market ("UMM"), though it has been felt across a variety of sectors and geographies.

If there is a positive element to this pricing story, it is that the illiquidity premium has held up well. We continue to see a 150–250bps premium for direct lending relative to the BSL market, a healthy buffer in a market where the premium was commonly 100–150bps prior to 2018. Meanwhile spreads outside of the large corporate credit market remain more attractive as lender competitive dynamics differ widely and capital formation has been surprisingly challenging for more specialist strategies and niche lenders.

Figure 3: TTM Sep-25 Median New Issue Spreads by Private Credit Sector



Aksia Middle Market Database, Pitchbook, and Credit Suisse as of September 30, 2025. Past performance is not indicative of future results.

Looking ahead, the path of market pricing may depend on several factors. While the BSL market's supply/demand imbalance shows no sign of abating, a variety of variables may influence how pricing and new deal activity evolve:

1. **Renewed Volatility / Investor Sentiment Shift:** The BSL market has historically exhibited periodic bouts of volatility (every 3–5 years) that prompt a re-pricing of credit risk. These episodes, driven by factors such as interruptions in CLO formation or reversals in U.S. loan fund flows, have historically helped reset market equilibrium. At the same time, negative headlines and high-profile problem credits and bankruptcies may temper enthusiasm for new private-capital formation.
2. **Private Markets Transaction Volumes:** Will lower rates and competitive pressures finally catalyze a sustained uptick in new deal activity? Early signs would suggest yes as we are observing a noticeable uptick in activity as we head into year-end.
3. **Reemergence of Market Dislocations:** A range of catalysts may create smaller global dislocations where private credit investors could find new opportunities. Examples such as real estate refinancings, over-levered mid-market corporates, softness in technology lending, LP/GP liquidity challenges, or an increase in distressed-debt volume each may drive specialist lending activity.

Taken together, despite repeated lender complaints about a crowded direct lending market and deal flow constraints, the broader private credit landscape remains vibrant, with a range of emerging opportunities to consider in the year ahead.

We are fortunate to meet with some of the largest global institutional investors each year to discuss their activities across the alternatives market and the challenges they face in navigating an increasingly complex investment landscape.

The private credit asset class is undergoing significant change, from shifts across the GP and lender landscape to the growing pool of capital targeting the space, alongside rising questions about whether broad-based portfolio issues are being masked by lax valuation practices. Each of these is a substantial topic, and we provide our perspective on them in the sections below.

Question #1 – How has Continued Consolidation and Partnership Activity Impacted the Private Credit Landscape?

Over the past 12 months, manager consolidation in private credit has accelerated, with several new private-focused deals announced. We've also seen a surge in bank and insurance company partnerships, as well as foreign institutional investors taking significant equity stakes in private credit platforms. At the same time, several new entrants, including large hedge funds such as Millennium and Point72, as well as new specialist lenders, have announced plans to enter the private credit arena.

Date Announced	Asset Manager / Acquirer	Bank/Insurer/Target	Strategy Focus	Relationship Type
Sep-24	Apollo Global Management	Citigroup	US Direct Lending	Strategic partnership
Sep-24	Golub Capital	Mizuho Financial Group	US Direct Lending	Strategic partnership
Oct-24	FS Investments + Cliffwater + Shenkman Capital	JPMorgan Chase	US Direct Lending	Strategic partnership
Dec-24	BlackRock Inc.	HPS Investment Partners	Global Private Credit	Acquisition
Jan-25	Sixth Street	Northwestern Mutual	Global Private Credit	Strategic partnership
Jan-25	Generali Investments	MGG Investment Group (majority)	US Direct Lending	Acquisition
Feb-25	Sixth Street	Figure Technology Solutions	Asset Based Credit	Joint venture
May-25	General Atlantic (GA Credit)	UBS Group	US Direct Lending	Strategic partnership
Jun-25	Ares Management	Antares Capital	US Direct Lending	Secondary
Jun-25	Franklin Templeton	Apera Asset Management (majority)	Eur. Direct Lending	Acquisition
Jul-25	ORIX USA	Hilco Global (majority)	Asset Based Credit	Acquisition
Jul-25	BlackRock Inc.	ElmTree Funds	Real Estate Equity	Acquisition
Jul-25	Arctos Partners (Keystone Fund)	Hayfin Capital Management (majority)	Eur. Direct Lending	Acquisition
Jul-25	Man Group plc	Bardin Hill Investment Partners	Opportunistic Credit	Acquisition
Jul-25	Blue Owl Capital	Voya Financial	US Direct Lending	Strategic partnership
Aug-25	Manulife Investment Management	Comvest Credit Partners (majority)	US Direct Lending	Acquisition
Aug-25	Park Square Capital	Nomura	US Direct Lending	Strategic partnership
Sep-25	Rithm Capital Corp.	Crestline Investors Inc.	Opportunistic Credit	Acquisition
Nov-25	Delphi Financial Group/Tokio Marine	ACORE Capital (majority)	Real Estate Credit	Acquisition

Aksia research; issuer/manager press releases; major financial media and industry publications as of November 30, 2025. Provided for illustrative purposes only and does not constitute investment advice, a recommendation, an offer, or a solicitation. Not an endorsement.

Motivations behind these transactions vary, encompassing insurance and wealth channel access, operating synergies, ownership transitions, sourcing and broader business diversification. The net result is a reshuffling of a meaningful portion of the asset class, leading to a more diverse array of managers, strategies, and partnership models for investors to evaluate.

These ownership transitions often necessitate a re-underwrite of existing relationships, as alignment between new ownership structures and legacy investment teams and their investors/LPs can weaken. Conversely, new entrants sometimes offer an LP-friendly, highly motivated approach aimed at establishing credibility and growing market share. Against this backdrop, institutional investors are left questioning existing relationships and the outlook for the managers' product set.

Our Take

The widespread market shuffle is occurring just as investors place greater scrutiny on track records and organizational stability. History offers cautionary examples of acquisitions that led to underperformance, senior team turnover, and strategy drift years later.

To improve the odds of selecting long-term winners, LPs should focus on incremental due diligence considerations unique to M&A and partnership scenarios. Key areas include:

- Details of employment and retention agreements for senior investment staff;
- Alignment of economic interests across legacy and new stakeholders;
- Growth and integration plans post-transaction;
- Terms and structure of new strategic partnerships; and
- Potential new conflicts of interest.

In all cases, LPs should "follow the money", analyzing how the transaction expands distribution channels, influences product design, and alters strategic priorities.

For new entrants, a deliberate selection approach remains critical. This includes extensive referencing, deep dives into sourcing and underwriting capabilities, and assessing whether the firm's commitment to private credit represents a durable strategic pivot or an opportunistic pursuit of AUM growth.

The Bottom Line

Overall, we view the reshaped private credit landscape as offering a broader and more diverse set of opportunities for sophisticated institutional investors, both in terms of fund investments and strategic partnerships. However, a healthy degree of skepticism remains essential. Even in private credit, where growth narratives can be compelling, history shows that not all well-intentioned plans translate into successful outcomes.

Question #2 – Will New Pools of Capital Erode Traditional Institutional Investor Dominance of Fundraising Markets?

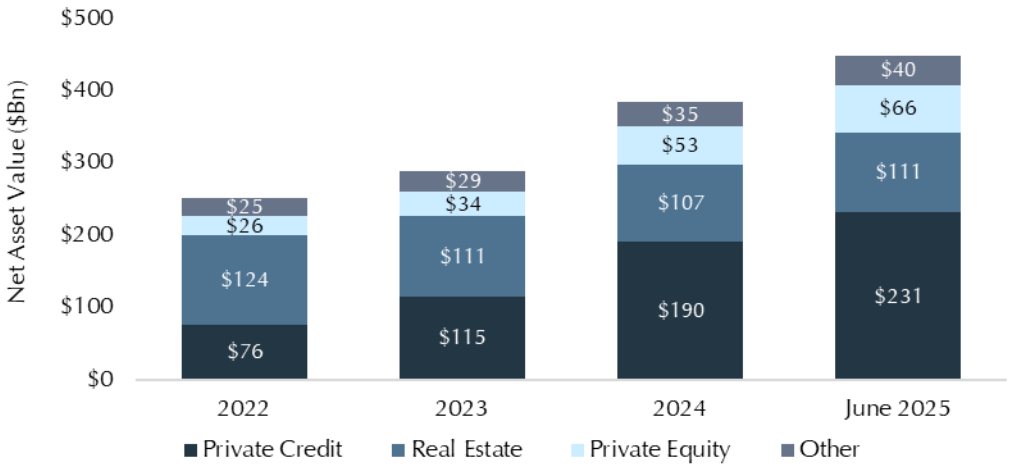
After years of rapid expansion, private credit fundraising among traditional institutional investors has begun to plateau.[1] LPs have been grappling with denominator effects, declining distributions from private equity portfolios, and other plan-specific constraints. In contrast, wealth and insurance markets have emerged as formidable new sources of capital helping sustain overall industry growth even as legacy institutional demand levels off.

Recent policy efforts to open 401(k) and other defined-contribution plans to private markets are poised to accelerate this transition further, broadening the investor base for alternative lenders and reshaping competitive dynamics across private credit.

A few specific stats on this growth are below:

- **Evergreen Wealth Vehicles Surge:** Now one of the fastest growing segments of the alternatives industry, rising from $250 billion in net assets in 2022 to nearly $450 billion as of the middle of 2025. Private credit has driven much of the growth, climbing at a rate of 32% per annum to hit $230 billion at the mid-year point.

Figure 4: Total Assets in Evergreen Vehicles by Asset Class

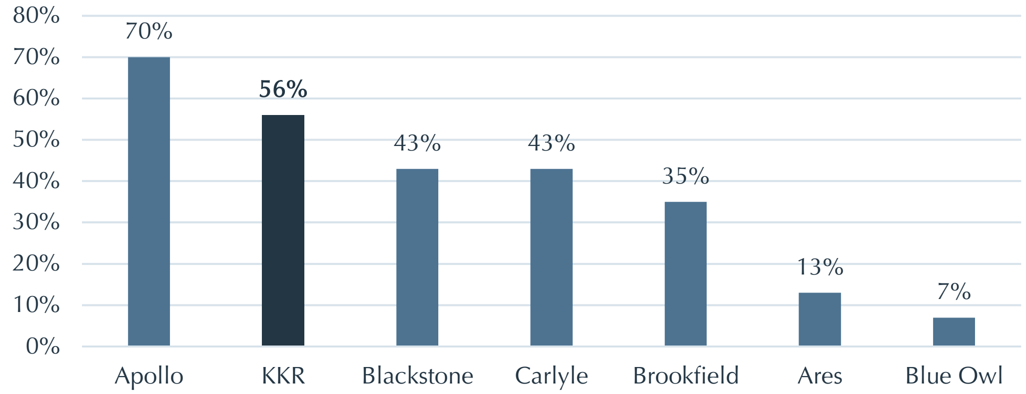


ILPA Whitepaper, ILPA Retail Capital Analysis, published October 2025. Data as of June 30, 2025.

- **Insurance Capital Rising Sharply:** Insurance consultant Oliver Wyman estimates[2] that private credit AUM from insurers at the top seven North American listed private credit managers totaled around $2.25 trillion at the end of 2024 (arguably on par with the size of entire private credit institutional and wealth market!), up by $900 billion from the 2021 total of $1.35 trillion. The authors also estimate this could increase by another $2 trillion over the next five years.
  - This influx has made insurance assets a material portion of many large managers' private credit platforms and continues to reshape their product design, duration management, and overall risk appetite.

[1]Pitchbook, "Private credit fundraising continues to show signs of fatigue", November 2025.
[2]Oliver Wyman, "Will Private Credit Fuel the Capital investment Boom?" January 2025.

Figure 5: Estimated Q3 2024 Share of Credit Assets Funded By Insurers at Top Seven North American Listed Private Market Firms



Oliver Wyman analysis and estimates, as of September 30, 2024.

For traditional LPs, the arrival of these massive new capital sources raises important concerns. As wealth and insurance channels provide incremental capital to managers, spread compression and credit term deterioration become growing risks, particularly as overall market yields contract.

Institutional investors worry that the influx of semiliquid retail capital and captive insurance mandates could:

- Introduce allocation conflicts between vehicles with differing liquidity, yield, or rating objectives;
- Shift economic incentives toward growth and fee generation rather than alpha preservation; and
- Undermine institutions' long-standing role as primary allocators and governance anchors in the private markets' ecosystem.

In recognition of these dynamics, ILPA recently published new guidelines[3] outlining best practices for institutional investors assessing manager participation in the expanding wealth market. Recommendations include greater transparency on cross-vehicle allocations, stronger governance oversight for affiliated insurance structures, and enhanced disclosure of fee and incentive arrangements.

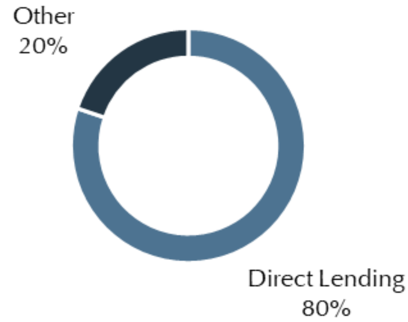
Our Take

The rapid rise of wealth and insurance channels is unevenly transforming the private credit landscape.

According to data from Morningstar and Pitchbook, the majority of new wealth capital has been invested into direct lending strategies. Amongst the evergreen private credit vehicles they track, only 20% were allocated to other private credit strategies outside of direct lending.

[3]ILPA, *"Retail Capital Analysis: Primer and Questions to Ask GPs"*, published October 2025

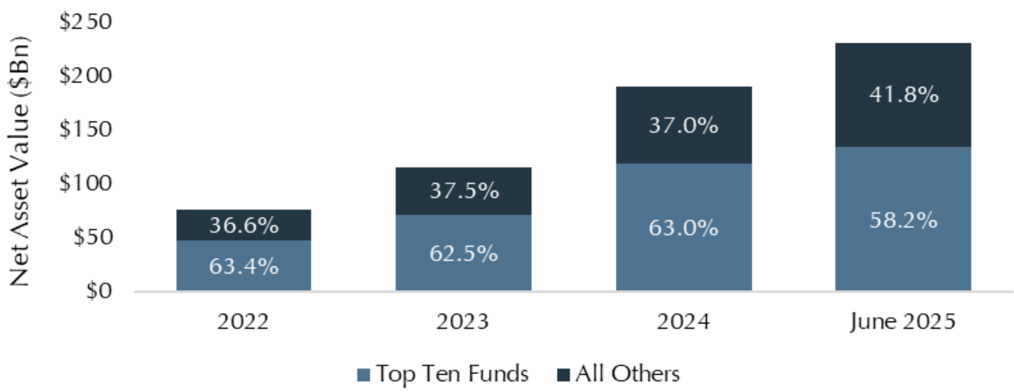
Figure 6: Evergreen Credit Fund NAV by Sector



Morningstar | Pitchbook, Benchmarking the Evergreen Evolution, as of June 30, 2025.

In addition to concentration within the direct lending sector, a significant portion of this capital is also flowing into the largest funds. Roughly 60% of all the assets in evergreen private credit vehicles reside in the top ten largest evergreen funds, the smallest of which is over $4 billion[4].

Figure 7: Private Credit Wealth Assets by Fund Size



Morningstar Research, The State of Semiliquid Funds, published June 2025.

This concentration has contributed to spread compression, alongside a greater use of PIK interest and an erosion of lender protections in certain transactions, a trend most evident at the upper end of the middle market (which is logical given its share of the inflows). In particular, lenders managing large, daily liquid evergreen vehicles must accommodate variable inflows and redemption-driven liquidity needs that in turn may influence both capital deployment and portfolio construction. We believe that these dynamics were at least partly responsible for the recent repricing wave observed across upper-middle-market loans.

[4]*Morningstar Research, The State of Semiliquid Funds, published June 2025.*

Meanwhile, insurance-linked capital continues to inflate the largest managers' AUM and is shaping the direction of the fast-growing asset-backed finance (ABF) market. The emergence of "IG ABF private credit" strategies where asset managers originate and securitize investment-grade tranches for insurance affiliates represents a further new frontier (more on this in the ABF section below). These structures require careful due diligence around:

- Investment team coverage across the capital stack (from senior to residual tranches);
- Allocation policies and conflict management;
- Economic alignment across captive and third-party vehicles; and
- The overall scale and leverage of insurance commitments.

The Bottom Line

Aksia believes that the influx of wealth and insurance capital is likely to sustain industry-wide AUM growth, but also have the potential to intensify competitive and structural pressures in certain parts of the private credit market. Institutional investors should evaluate not only managers' performance and underwriting standards, but also their distribution strategies, cross-platform governance, and incentives as they expand into these new markets.

Ultimately, vigilance over manager growth plans, conflict controls, and credit discipline will be critical for preserving returns and alignment as private credit enters its next phase of evolution.

Question #3 - The Golden Age is Over. Is a Private Credit "Winter Coming"?

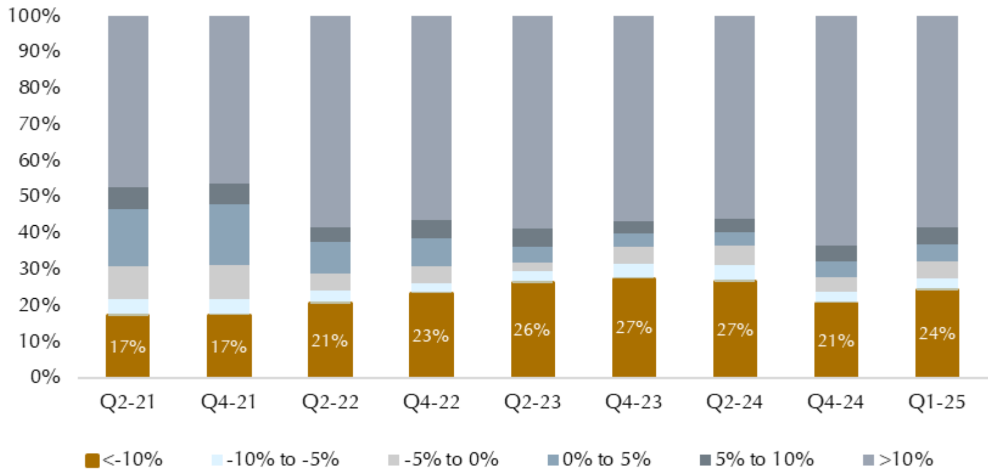
By now everyone has been inundated with articles and opinion pieces sounding the alarm on the First Brands and TriColor bankruptcies, with the prevailing concern well-summarized by Jamie Dimon's warning of "cockroaches" lurking elsewhere in credit markets. Although we would caveat that First Brands and TriColor were more indicative of stress in the BSL and asset-backed securitization markets, respectively, it is true that in the weeks that have since followed, some instances of private credit losses have also started to bubble up to the surface.

Even before credit events started making headlines, it has been hard for us to ignore that risks have been growing under the surface of the private credit market. We have been highlighting interest coverage ratios in middle market direct lending for several years as a leading indicator of stress, and we also delved into the nuances of asset-based lending in our focused piece earlier this year (more on this in the ABF section to follow). As always, let's look at the underlying investment-level data to help inform our latest views. We have focused the following analysis mainly on the corporate lending market, however we have observed similar general trends in our reviews of other sectors as well.

Our Take

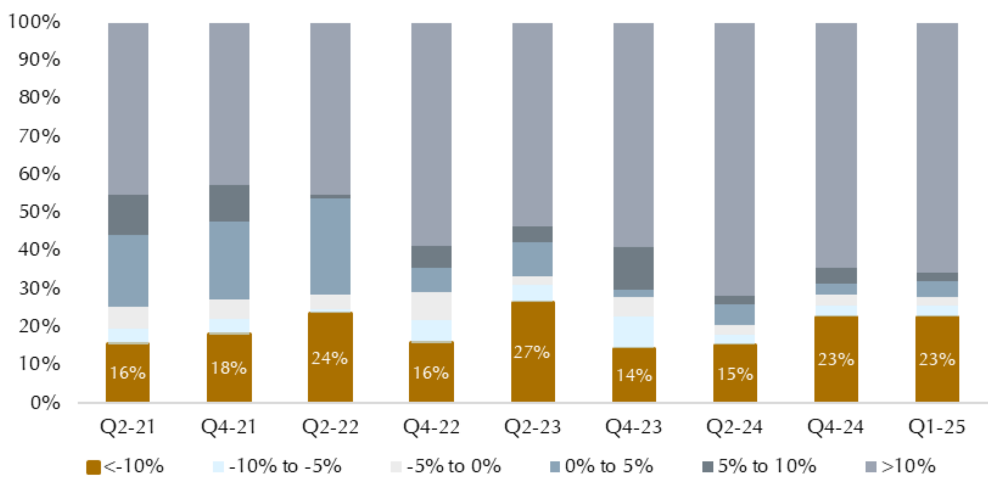
Across both North America and Europe, the proportion of "underperformers" (defined as borrowers with EBITDA declines greater than 10% since entry) increased notably following the Fed's rate-hiking cycle but has since remained fairly contained. Although headline events are grabbing attention, these need to be assessed considering the idiosyncrasies of the underlying credits, before they are deemed to be reflective of widespread deterioration in overall credit fundamentals. That said, we have observed certain pockets of stress forming around themes such as over-levered physician practice management roll-ups in healthcare, COVID disruption/normalization impacting supply and demand, and inflation related pressures where price increases are experiencing some resistance or are further challenged by the recent tariff-induced uncertainties.

Figure 8: EBITDA Performance Distribution – North American Borrowers



Aksia Middle Market Transaction Database, as of March 31, 2025. Past performance is not indicative of future results.

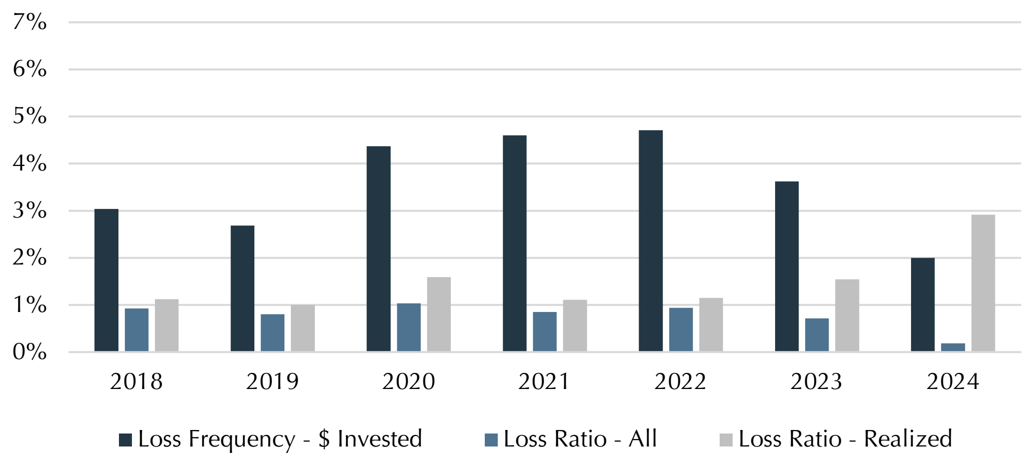
Figure 9: EBITDA Performance Distribution – European Borrowers



Aksia Middle Market Transaction Database, as of March 31, 2025. Past performance is not indicative of future results.

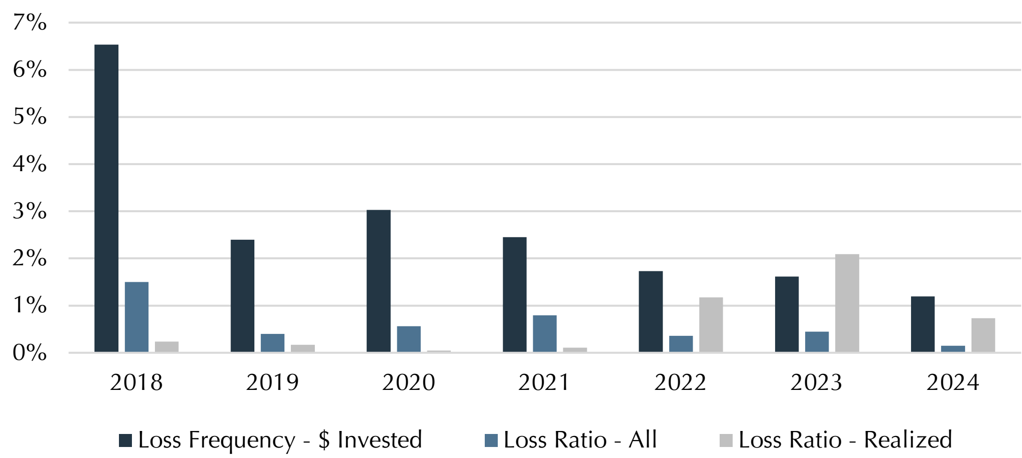
Turning now to loss ratios in corporate portfolios, the picture also looks relatively stable and contained. We can observe a general trend of loss frequency increasing; however, most managers have not yet seen this translate into actual losses as a percentage of their portfolios (though we note this is of course a lagging indicator that can be influenced by gamesmanship by managers, more on this below).

Figure 10: Loss Ratio and Frequency by Vintage Year – North America



Aksia Direct Lending Database, as of March 31, 2025. Past performance is not indicative of future results.

Figure 11: Loss Ratio and Frequency by Vintage Year – Developed Europe

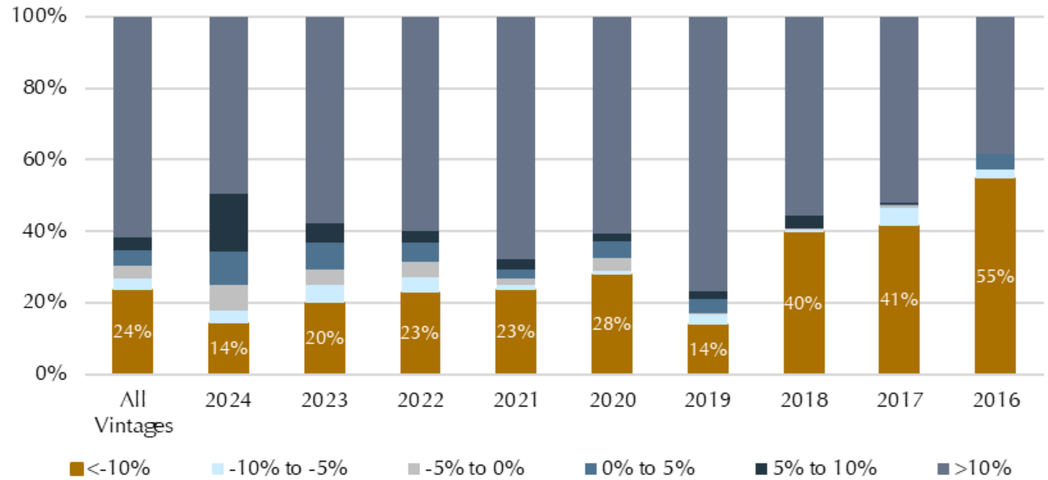


Aksia Direct Lending Database, as of March 31, 2025. Past performance is not indicative of future results.

Note: Loss frequency is defined as the percentage of invested capital that is tracking / realized at below 1.0x TVPI (i.e., the frequency of losing positions in the exposure). Loss ratio is defined as the sum of realized and unrealized losses as a percentage of invested capital (i.e., the magnitude of loss).

As losses often come from the tail of portfolios, this aggregate data never tells the full story. When we cut the same EBITDA performance data as above by year of entry now, we can see below that meaningful stress as measured by underperformers is mounting in the older vintages (2016-18). These loans are often approaching or have passed their original maturity date, prompting lenders and sponsors to engage in "amend & extend" discussions, frequently involving more flexibility in the form of PIK relief mechanisms.

Figure 12: Global EBITDA Performance by Loan Vintage (N.A + Eur)

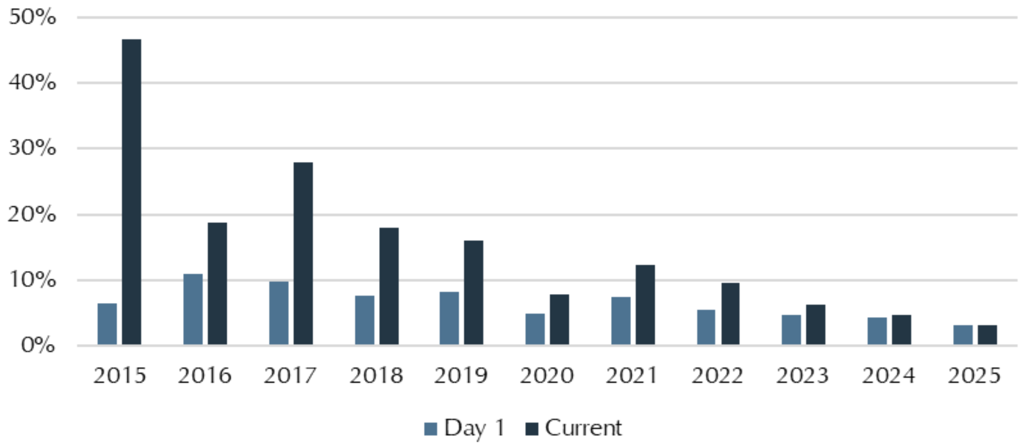


Aksia Middle Market Transaction Database, as of March 31, 2025. Past performance is not indicative of future results.

Digging deeper into PIK relief, while this tool can help borrowers manage short-term liquidity pressures, it also has the effect of masking payment defaults, with the consequence that the prevalence of PIK components, especially when compared to their original structures, is a signal that stress is being deferred rather than resolved. In fact, we have already seen that stress is reaching a breaking point in certain cases. According to Lincoln International, lender takeovers in the first half of 2025 represented **$21 billion of pre-takeover principal**, exceeding the combined volumes from 2019 through 2024.[5]

[5] *J.F. Lehman & Company, Weekly Credit Roundup, November 3, 2025. Citing Lincoln International data (data through June 30, 2025).*

Figure 13: Proportion of Unrealized Deals with PIK



Aksia Middle Market Transaction Database, as of March 31, 2025.

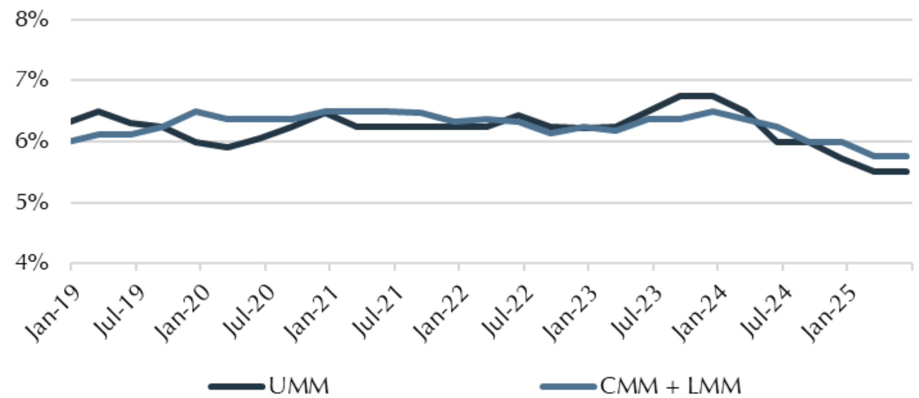
The Bottom Line

Overall, we can conclude that while the aggregate borrower performance has generally remained stable over the last year, notable cracks are continuing to develop in the older vintages. As such, we do not anticipate a systemic crisis unfolding in private credit, but we do expect to see a step-up in credit losses coming from these vintages with a greater dispersion in performance across managers. Those managers favoring credit fundamentals and underwriting discipline are more likely to outshine those that have pursued more aggressive asset raising and deployment. For LPs, this reinforces the importance of following a data-driven underwriting process focused on investment-level credit performance.

Theme #1 - Finding Value in a Riskier Direct Lending Market

As we discussed, there is no doubt that the supposed "Golden Age of Private Credit" is over, however we believe that headlines of a bubble in the asset class, particularly direct lending are unfounded. Spreads have compressed across the market but remain roughly consistent with 2018-2019 levels while tightening is most pronounced in the UMM segment. Despite recent compression, the spread premium between direct lending and liquid credit markets has remained durable.

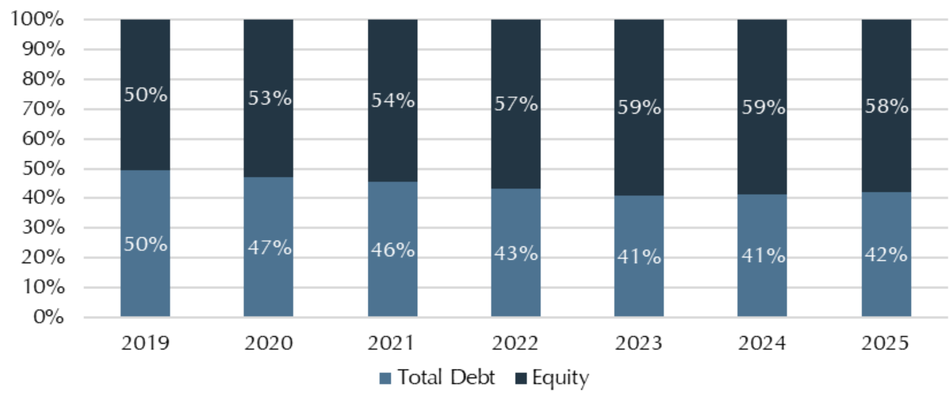
Figure 14: Median New Issue Spread (Rolling 12 Months)- Direct Lending



Aksia Middle Market Database, as of June 30, 2025.

Further, equity cushions at inception of new deals remain healthy and sponsors are still generally well-capitalized, providing significant first loss capital in the event of broad-based economic stress. In fact, capital structures have remained over half equity on average, and debt as a percentage of capitalization remains below 2019-2021 levels.

Figure 15: Capital Structure on Day 1 – Global Mid Market Direct Lending



Aksia Middle Market Database, as of March 31, 2025.

2025: A Transition Year

The year 2025 has been particularly eventful for direct lending, with several market shifts influencing the opportunity set:

What's Changed?	Our Take
PE Deal Flow Showing Signs of Life	+ Early signs that PE activity is starting to unfreeze, with the path to liquidity increasingly relying on less conventional transactions such as single asset continuation vehicles ("CVs") and minority investments/ recapitalizations.
Capital Formation Remains Uneven	- Wealth/insurance capital raising particularly strong for largest lenders. + Smaller and more niche direct lenders find longer fundraise timelines and an overall challenging fundraise environment saturated in product.
Fund Terms Favoring Investors/LPs	+ Fee concessions, reduced carry, platform economics and co-investment access are improving investor economics and generating structural alpha.
Rates and Spread Movements	± Base rates have fallen (<4% 3-month SOFR, ~2% Euribor), easing pressure on borrowers but reducing yields.
Borrower Loan Terms to Watch	- Monitor for portability clauses, increased PIK interest, liability management exercise (LME) loopholes, and large delayed draw term loans (DDTLs), weaker call protection, especially in contested transactions. - PE increased use of CVs to catalyze exits also present unique lender considerations.
Macro Risks Emerging	- AI adoption, tariff volatility, and potential government spending cuts introduce new sector-specific risks for middle-market borrowers.

Despite the provocative headlines, the direct lending picture remains nuanced with the opportunity set shaped by several key dynamics:

- Potential increase in deal flow as sponsor activity improves;
- Headwinds from potential capital formation constraints;
- Lower base rates offering liquidity relief to leveraged borrowers; and
- Potential for credit issues to accelerate for select lenders, revealing weak underwriting practices or idiosyncratic borrower risks and further differentiate lender track records

Direct Lending Areas of Focus for 2026

We continue to see more compelling opportunities outside the U.S. UMM segment, particularly in Europe, non-sponsored and more complex loans, along with core/lower middle market borrowers (with added selectivity given some market tightness here too). We believe these deals generally offer:

- Spread premiums of ~50–200 bps vs. UMM private loans;
- More attractive illiquidity premia versus liquid credit instruments;
- Improved lender protections (tighter documentation, covenants, and stronger earnings integrity); and
- Can provide superior structural control and tightly held clubs, giving lenders better tools to manage downside risk. In contrast, LMEs, now commonplace in the traded credit markets and at risk of seeping into the UMM segment, make recoveries more challenging for traditional credit investors lacking proper control mechanisms.

That said, direct lenders have captured significant market share from syndication-focused banks. There remains a wide range of situations where customized capital solutions provide attractive, risk-adjusted opportunities for both lenders and their investors.

The Bottom Line

As always, we believe that direct lending is not a "beta play."

Keys to success remain manager selection, disciplined underwriting, active portfolio and risk management, along with individual deal selection where appropriate.

Theme #2 - ABF Market Update: Beyond the Hype

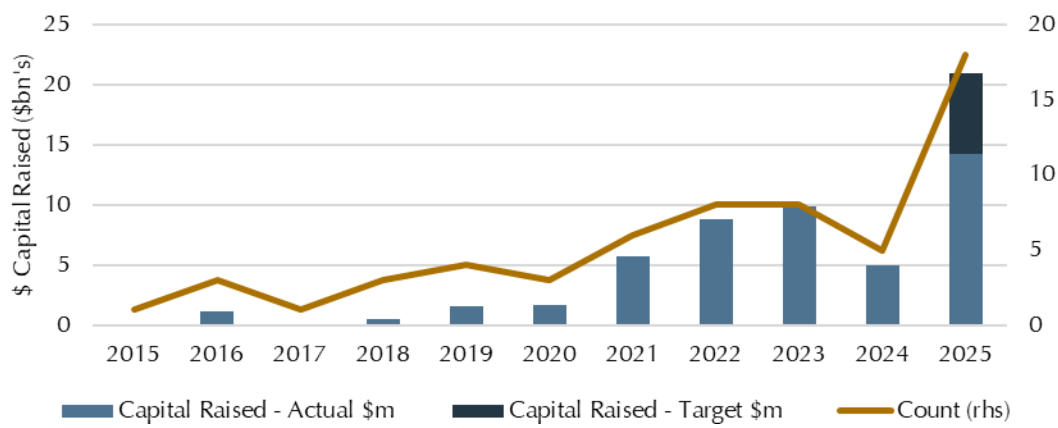
In our June 2025 piece Demystifying the Asset-Backed Finance (ABF) Market we took a deep-dive into all things ABF. To briefly recap, the common narrative surrounding the ABF opportunity includes:

- ABF is a massive ($30T+) and scalable "new" opportunity for the private credit market;
- LPs are fully allocated to direct lending and seeking enhanced or diversifying returns;
- The ABF market is ripe for disintermediation and banks are overregulated; and
- ABF is largely uncorrelated, non-cyclical, and asset protection provides significant margin of safety.

While some of these marketing sound bites hold water, we maintain a healthy degree of skepticism whenever the marketing machine goes full tilt in a certain space. We believe the ABF market is indeed large, diversifying and additive to private credit portfolios. But it's not a new market and opportunities for private credit are situation specific. Though ABF transactions can vary widely, key considerations include (i) structural risk, (ii) reliance on third-party originators, (iii) collateral quality and (iv) cyclicality.

Fundraising activity in broadly diversified ABF funds (typically found in the Aksia diversified specialty finance sub-strategy universe) has seen an uptick in 2025. However, capital raising has been relatively concentrated within a few large platforms. Since the start of 2023, the top five funds in the category have accounted for over 60% of total institutional capital raised.

Figure 16: PC Fundraising – Diversified Specialty Finance

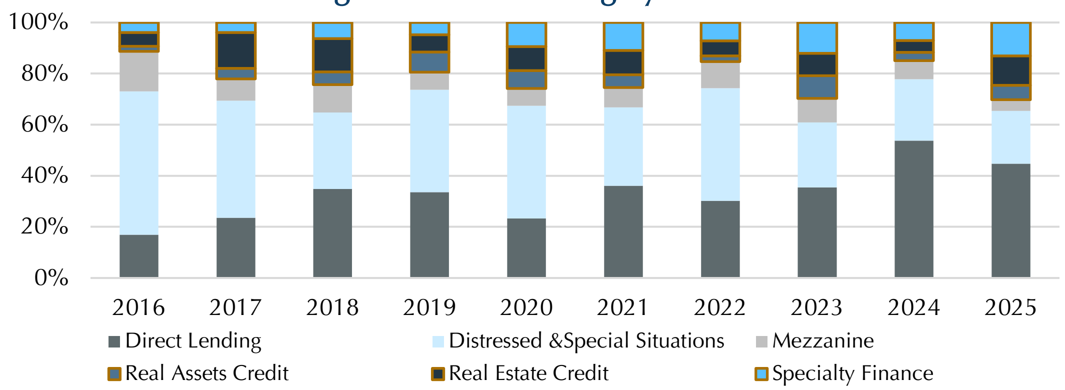


Aksia, as of October 21, 2025.

Investor comfort in parts of the ABF market has been tested recently by a series of high-profile credit and fraud incidents, consistent with the caution we outlined in our ABF paper, where we highlighted that underlying deal characteristics and quality vary widely across the market. There remains a meaningful chance that diversified ABF strategies, particularly those heavily reliant on external platforms, substantial back leverage, and potentially cyclical underlying collateral, fall out of favor in the coming year as investors grow weary of recent headlines and the general opacity of the market.

Despite the increased airtime ABF has received in 2025, aggregate capital raised for specialty finance, real estate credit, and real asset credit has remained relatively modest as a percentage of total private credit fundraising, ranging between 15% and 30% in recent years. We believe market share for these strategies will continue to grow over the long run but expect a non-linear growth trajectory, as opposed to the near-term launchpad implied by ABF email volumes.

Figure 17: Fundraising by Sector

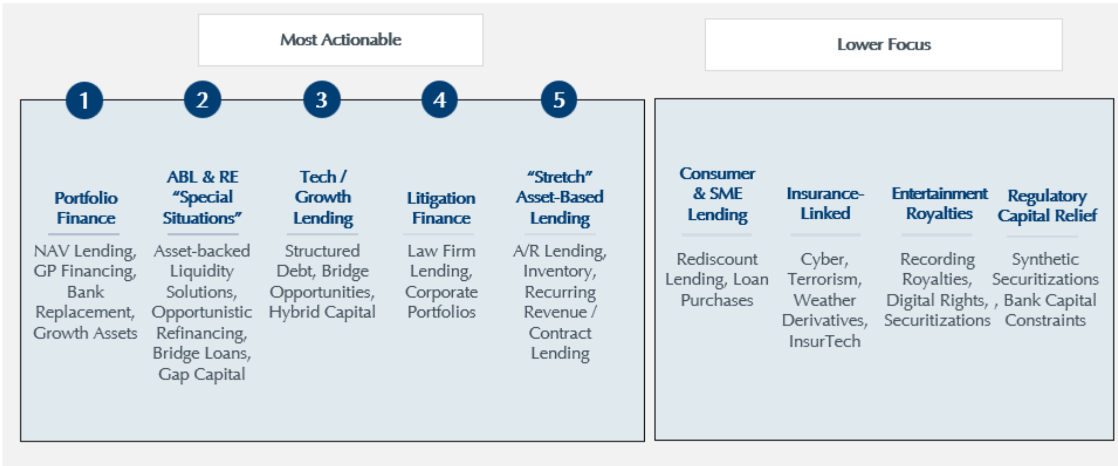


Aksia, as of October 21, 2025.

Headwinds/Tailwinds for ABF Heading in 2026

Tailwinds	Headwinds
+ Investor appetite for non-corporate PC exposure with diversification benefits	× New entrants with limited cohesive track records across credit cycles
+ Increased sophistication of asset heavy borrowers seeking to diversify financing as well as an increased desire to move hard assets and capex off balance sheet to optimize financing costs and rating	× Aggressive fundraising and increased competition across the board, including from other areas like special situations / distressed / capital solutions investors
+ Insurance appetite with scalable partnerships	× Recent fraud instances have shown cracks in underwriting / due-diligence approaches
+ Emergence of private ABS structures	× Complexity of collateral and/or deal structuring including subordination and meaningful use of leverage
+ Fragmented and undercapitalized loan origination market	× Cyclicality of certain underlying collateral types
+ Bank capital requirements, risk transfer activity, and balance sheet trimming from M&A activity	× Limited true correlation benefits in areas tied to corporate risk (CLOs, NAV lending, SRT, etc.)
+ Opportunity set less tied to general corporate M&A activity and volumes	× Scalability challenges related to origination / servicing volumes particularly for niche asset classes and fundraising limitations
+ Growing demand for NAV-based and other forms of Portfolio Finance as managers seek liquidity solutions	× IG ABF strategies may lack a clear institutional home today, albeit holds massive potential if FI allocation were to adjust

ABF Areas of Focus for 2026



Extra Credit: Thoughts on "IG" ABF

Although IG ABF is not a new concept for large institutional investors such as life insurance companies, it has become an emerging area of focus among large managers seeking to capitalize on fundraising potential in the white space between traditional / public fixed income and private credit. Among the offerings reviewed by Aksia, these strategies typically seek a 100-200bps spread premium, and occasionally incrementally higher, over public IG corporate bonds while allocating across a wide spectrum of asset-backed (and sometimes corporate-backed) deal structures. The movement underscores the increasing convergence between insurance company balance sheets and PC funds, as well as continued fragmentation of lending opportunities historically dominated by commercial banks.

Our Take

We remain somewhat skeptical of the spread-premium-to-illiquidity tradeoff on offer and believe that many IG ABF transactions are highly complex, carrying elevated legal and execution risk. An allocation to this market may lack a natural home for many institutional portfolios outside insurance, where ratings treatment may provide a benefit. From a fixed income allocation perspective, it may be impractical or even non-negotiable to forfeit liquidity for a portion of the allocation. From a private credit allocation perspective, net-of-fee IG ABF yields are quite muted relative to other sectors across the private credit universe with similar (il)liquidity.

In targeted cases where reduced liquidity is acceptable and a mid-single-digit yield profile meets investor objectives, IG ABF may complement traditional public fixed income allocations while providing diversification away from public bond offerings.

Extra Extra Credit: Brief Thoughts on Private Credit Financing Data Centers

Data center finance is experiencing its own "Golden Age" driven by the momentum in AI and punctuated by the recently announced ~$30 billion joint venture between Meta and Blue Owl Capital financed by lead lender PIMCO amongst others. Data center ABS and CMBS issuance surged to $20 billion YTD as of October 2025 despite the first issuance coming only seven years ago in 2018.[6] Private financing has also grown significantly on the back of insurance demand, with spreads and terms tightening meaningfully over the last couple of years. According to Morgan Stanley Research,[7] the global buildout of data centers through 2028 will require $1.5 trillion in funding outside of regular way cash flows from hyperscalers, half of which is expected to be provided by private credit. Growing data center investment is closely tied to capital needs in other tangential areas, some of which are already apparent such as the increased demand and need for investment in power generation and transmission, land procurement, financing of AI chips, and more.

Our Take

Today, outside of IG-rated financing, we see limited opportunities for private credit within regular-way data center financing. We would expect any solutions approaching a double-digit return to require either material subordination (potentially with PIK flexibility) and/or an opportunistic angle.

Within power and energy markets and other tangential markets tied to data center tailwinds we see opportunities for private credit to finance transitional or bridge assets, where investors can capture a spread premium and benefit from more lender-friendly structural elements. Over time, we believe the massive data center spending cycle will create special situations and distressed opportunities driven by overbuilding in certain markets, binary outcomes tied to leasing or power procurement, underappreciation of contractual or structural complexity, or poor operational execution.

[6] *International Monetary Fund, "US Asset-Backed Securities," October 24, 2025.*
[7] *Morgan Stanley Research, "The Global Buildout of Data Centers," 2025. Summary cited via Reuters, "Five debt hotspots in AI data centre boom," November 5, 2025.*

Theme #3 - Adding Value through Investment Structure

Investors today face a growing array of options for accessing the private credit asset class. A quick scan within MAX (our alternatives client portal) may reveal five or more ways to access the same underlying direct lending strategy through different structures. While variety brings flexibility, it also introduces complexity. A manager may have a strong performance record, yet the investment vehicle itself could prove less attractive due to fees, valuation practices, or structure.

Below is a simplified framework to help investors evaluate key structure types and trade-offs.

Structural Comparison at a Glance[8]

Consideration	Evergreen	Closed-End Fund	Direct Credit / Co-Invest	Secondary Market / LP Liquidity
Examples	BDCs, Interval/Tender, Private Funds	Levered/Unlevered vehicles, Insurance-rated, CLO Equity/Debt	Deal-by-deal, Sidecars	GP-led, Secondary Direct Credit, Secondary Funds, Continuation Vehicles
Deployment Speed	Fast commitments, Delayed funding	Gradual (3–4 yrs typical)	Immediate	Typically fast (existing assets)
Blind Pool Risk	Moderate, depends on GP transparency	High (blind pool period)	Very low	Moderate, info-dependent
Fee Savings	Minimal	Limited	High	Some but potential for multi-layered fees
Incentive Fees	Higher (carry, liquidity terms)	Higher (carry, liquidity terms)	Very limited	Some but potential for multi-layered fees
Valuation Sensitivity	Mark-to-market exposure	Limited exposure	Stable (deal-based)	Pricing-driven
Other Highlights	Limited options outside DL, redemption and re-investment mechanisms	Warehouse facilities, late-stage commitments, and other competitive fund features (e.g., fee breaks)	Targets emerging themes quickly, alignment with GP	Vintage diversification, purchase discounts

Despite the potential benefits of a broader range of offerings, the devil is in the details. Specific terms and fund attributes can dramatically alter the attractiveness of an investment. For example, annual carry waterfalls in evergreen funds that ignore performance, combined with overvalued or aging assets, can be deal breakers even when other factors appear sound.

[8] *Aksia Research, internal data and analysis.*

We note three emerging access points that we expect to accelerate into 2026:

1. **Direct Lending Portfolio Sell-downs ("Secondary Directs"):** Multiple catalysts are driving this trend, including managers' desire to rebalance portfolio exposures, free up liquidity for new commitments, and crystallize carried interest ahead of fundraising cycles.
2. **Private Credit Continuation Vehicles (CVs):** This trend formally took hold in 2025 as several transactions were completed with the support of specialist advisors. We expect CVs to become a common tool for managers seeking to extend ownership of high-performing assets or manage older vintage funds. That said, NAV pricing may soon become a point of contention as secondary investors grow more selective.
3. **Warehousing:** Increasingly, managers are establishing warehouse facilities funded by large institutions to hold portfolios of direct loans ahead of new fund launches. This structure provides flexibility to deploy capital opportunistically, manage short-term risk, secure future co-investment capacity and maintain control over portfolio construction during fundraising periods.

Our Take

- **There is no "one-size-fits-all" solution.** Each structure serves a distinct role depending on liquidity needs, target yield, and portfolio construction.
- **The fine print really matters.** Seemingly small details around fees, existing exposures and liquidity mechanisms may vary widely across the market.
- **Not all funds will be investable.** Given the sheer number of offerings, some may never reach scale creating risks of orphaned vehicles, higher operating expenses, and portfolio concentration.
- **Emerging access points:** Secondaries, direct credit and LP sponsor origination continue to expand, offering opportunities for customized exposure and thematic access.

The proliferation of structures reflects an asset class that is not only growing rapidly but also maturing. In a world of compressing returns, sophisticated investors can leverage this added complexity to create value in their portfolios particularly through reduced fees, optimized cash flow, and valuation asymmetry.

4. 2026 Areas of Focus

AC PRIVATE MARKETS
Aksia | CALAMOS

Strategies in Focus

As we have discussed throughout, despite the almost daily negative headlines surrounding private credit along with the tighter observed spreads, the market still offers plenty of investment opportunity for active investors.

Below we highlight a few areas that our team will be focused on in the year ahead.

Market Drivers	Corporate Strategies of Focus
- U.S. large cap spread compression & terms degradation - Extensive use cases remain for direct lending solutions - Signs of LBO activity being unlocked	- CMM Senior Lending - LMM Senior Lending - Opportunistic Lending - European Lending
- Increased demand for flexible capital (e.g., complicated refinancings, growth stage borrowers, deleveraging, cash flow optimization)	- Capital Solutions - Structured Equity - Growth Stage Credit
- Supply of over levered mid-market corporates expanding	- Corporate Distressed/Rescue Loans - Stress / Distressed Trading - PC "Special Situations"

Market Drivers	Asset Backed Strategies of Focus
- CRE refinance challenges - Bank balance sheet constraints	- CRE Transitional Lending - Residential Mortgages - RE Special Situations
- Proliferating capital needs across infrastructure, power, data center, energy and transportation - Increasing asset-heavy borrower balance sheet optimization beyond ABS market	- Infrastructure / Energy Loans - Growth Capital - Other "Hard Asset" Financing
- Continued PC and PE DPI issues - Stretched GP balance sheets - Evolving secondaries market	- Private Credit Secondaries - Portfolio Finance / NAV Lending / GP Financings

DISCLAIMERS

FOR EDUCATIONAL PURPOSES ONLY: These materials are provided for general informational and educational purposes and should not be construed as investment, legal, tax, or regulatory advice. They are intended for a broad audience of investment professionals, including institutional investors, consultants, and wealth management professionals, and are not tailored to the specific objectives or circumstances of any individual or entity. These materials may not be reproduced, distributed, or incorporated into other documents, in whole or in part, without prior written permission from Aksia LLC and/or its affiliates (“Aksia”). Use of Aksia’s name or logo is not permitted without express authorization.

NO OFFERING: These materials do not in any way constitute an offer or a solicitation of an offer to buy or sell funds, private investments or other securities mentioned herein. These materials shall not constitute advice or an obligation to provide such services.

RECOMMENDATIONS: Any Aksia recommendation or opinion contained in these materials is a statement of opinion provided in good faith by Aksia and based upon information which Aksia reasonably believes to be true. Recommendations or opinions expressed in these materials reflect Aksia’s judgment as of the date shown, and are subject to change without notice. Actual results may differ materially from any forecasts discussed in the materials. Except as otherwise agreed between Aksia and the Intended Recipient, Aksia is under no future obligation to review, revise or update its recommendations or opinions.

NOT TAX, LEGAL OR REGULATORY ADVICE: The Intended Recipient is responsible for performing its own reviews of any private investment fund it may invest in including, but not limited to, a thorough review and understanding of each fund’s offering materials. The Intended Recipient is advised to consult its tax, legal and compliance professionals to assist in such reviews. Aksia does not provide advice concerning the tax treatments of a private investment fund’s holdings of assets or an investor’s allocations to such private investment fund. Tax treatment depends on the individual circumstances of each client and may be subject to change in the future.

RESPONSIBILITY FOR INVESTMENT DECISIONS: The Intended Recipient is responsible for performing his, her or its own reviews of any funds or other investment vehicles or opportunities described herein including, but not limited to, a thorough review and understanding of each vehicle’s or opportunity’s offering materials. The Intended Recipient is advised to consult his, her or its tax, legal and compliance professionals to assist in such reviews. For clients who receive only research services or non-discretionary advisory services from Aksia: the Intended Recipient acknowledges that he, she or it (and not Aksia) is responsible for his, her or its investment decisions with respect to any investment vehicles or opportunities described herein.

No assurances can be given that a particular investment or portfolio will meet its investment objectives. Any projections, forecasts or market outlooks provided herein should not be relied upon as events which will occur. Past performance is not indicative of future results. Use of advanced portfolio construction processes, risk management techniques and proprietary technology does not assure any level of performance or guarantee against loss of capital.

RELIANCE ON TOOLS AND THIRD PARTY DATA: These materials reflect and rely upon information provided by fund managers and other third parties which Aksia reasonably believes to be accurate and reliable. Such information may be used by Aksia without independent verification of accuracy or completeness, and Aksia makes no representations as to its accuracy and completeness. For the avoidance of doubt, these materials have not been produced, reviewed, verified or approved by the fund managers and other third parties to which the materials relate. As such, they do not necessarily reflect the views or opinions of such fund managers and third parties. Furthermore, any reference to EBITDA (or ratios using EBITDA as a component) included in the report, reflect Adjusted EBITDA provided by the fund manager as defined in the loan agreements. Adjusted EBITDA may be higher than EBITDA figures calculated based on GAAP or IFRS compliant financial statements, which may result in relatively lower debt/EBITDA and higher interest coverage ratios.

PRIVATE INVESTMENT FUND DISCLOSURE: Investments in private investment funds and other similar investment opportunities involve a high degree of risk and you could lose all or substantially all of your investment. Any person or institution making such investments must fully understand and be willing to assume the risks involved. Some private investment funds and opportunities described herein may not be suitable for all investors. Such investments or investment vehicles may use leverage, hold significant illiquid positions, suspend redemptions indefinitely, provide no opportunity to redeem, modify investment strategy and documentation without notice, short sell securities, incur high fees and contain conflicts of interests. Such private investment funds or opportunities may also have limited operating history, lack transparency, manage concentrated portfolios, exhibit high volatility, depend on a concentrated group or individual for investment management or portfolio management and lack any regulatory oversight. For a description of the risks associated with a specific private investment fund or investment opportunity, investors and prospective investors are strongly encouraged to review each private investment fund or opportunity's offering materials which contain a more specific description of the risks associated with each investment. Offering materials may be obtained from the fund manager.

PERFORMANCE DATA: Performance figures shown rely on manager-reported data or previously defined Aksia MFCs and may differ from the results of specific funds, share classes, or investor portfolios. These figures are informational only and should not be relied upon as predictive. Past performance is not indicative of future results.

INDICES: The indices referenced herein are widely recognized market indices and are included solely to illustrate broader market trends over the periods shown. They are unmanaged, cannot be invested in directly, and do not reflect the fees, expenses, or liquidity constraints associated with private investment funds. These indices are provided for contextual comparison only and are not intended to suggest that any portfolio will achieve similar results or exhibit similar risk or return characteristics.

FOR RECIPIENTS OF REPORTS DISTRIBUTED BY AKSIA EUROPE LIMITED: Aksia Europe Limited is authorized and regulated by the Financial Conduct Authority; such authorization does not indicate endorsement or approval by the FCA of the services offered by Aksia. The Market Abuse Regulation (Regulation (EU) No 596/2014) (“MAR”) requires that persons who produce or disseminate investment recommendations or other information recommending or suggesting an investment in financial instruments admitted to trading on an EU market (each a "Recommendation") are required to take reasonable care to ensure that such information is objectively presented, and to disclose their interests or indicate conflicts of interest concerning the financial instruments to which that information relates. Aksia’s primary research focus is on private investment funds whose shares are typically not listed on any exchange. Certain private funds may, however, list their shares on an EU market, even though there is typically no secondary market or trading of those shares. Unless stated otherwise, the person or persons responsible for the production of a Recommendation is not aware of any conflicts of interest that may impact the objectivity of any Recommendation. To the extent required by MAR, further information, including information regarding the author(s) of a Recommendation is available upon request at compliance@aksia.com.

Continue your exploration of the alternatives landscape with additional insights, commentary, and research available on our **AC Private Markets Research page**.

AC PRIVATE MARKETS

Aksia | CALAMOS