

A Silver Age of Private Credit

Past the euphoric phase, repriced, and rewarding the disciplined

Q2 2026 | Letter to Investors

Private credit is no longer a niche corner of alternatives; it has become a core part of the global leveraged finance market. Global AUM reached approximately \$3.5 trillion by the end of 2025¹, making it the second-largest private capital strategy behind private equity. After a decade of near-uninterrupted growth, the asset class now faces what industry observers are calling its first genuine stress test.

A cocktail of AI-driven software disruption, retail redemption pressure, geopolitical volatility, and a Federal Reserve that has signalled a more cautious tone on near-term rate cuts create a challenging backdrop for investing. The headlines, predictably, have become more cautious. In our view, however, the underlying picture is more nuanced and, in many respects, more constructive for disciplined lenders than the consensus allows.

Hamilton Lane has captured the moment well², describing private credit as having entered its "Silver Age". This is a period after the euphoric phase of the rate-hiking cycle, where markets have repriced and now offer attractive entry points for patient institutional capital willing to be selective. Drawing on market research, proprietary data, and our own investment experience, this letter sets out how we see this new phase and, critically, where we see the opportunity for Corinthia and our investors.

The Silver Age is not a downturn. It is a recalibration — one that rewards selectivity, penalises concentration, and separates managers that collected assets through the easy years from those that remained selective and disciplined.

A market recalibrating in lenders' favour

The supply and demand dynamics that defined private credit markets between 2022 and 2024 have begun to reverse. For two years, capital formation outpaced deal flow, compressing spreads and weakening structural protections. We believe that cycle is now turning.

Wells Fargo's Q1 2026 data (predominantly US focused)³ show median spreads holding at 475 basis points with dispersion widening, and 37% of large cap deals now pricing above 500bps, compared with just 13% in Q4 2025. At the same time, average senior leverage has dropped from 4.9x to 4.6x, unitranche leverage from 6.9x to 6.7x, and, most tellingly, payment-in-kind at origination has collapsed from 17% to 7%, the lowest level in eight quarters.

Reported pricing data tells the same story from a different angle. Unitranche all-in yields in the US upper middle market are now sitting in the 9.00–9.75% range⁴. We have witnessed similar dynamics in our own Investment Committee (IC) discussions, with spreads in both North America and Europe widening 25–75 basis points across instruments. New-issue collateralised loan obligation (CLO) liability spreads have widened on similar magnitude. Documentation is tightening, and bank lenders have moved risk-off, opening further space for disciplined private credit to take share.

These are not the conditions of a market in retreat. They are the conditions of a market returning discipline to pricing and structure after a prolonged period in which both were weakened. For lenders deploying fresh capital into this environment, the setup is materially more attractive than it was twelve months ago.

Tested through cycles

It is worth pausing on the historical record, because the current narrative of "first real test" can obscure how much testing the asset class has already absorbed. The Cliffwater Direct Lending Index (CDLI), focused on reporting US middle market loan performance, is a widely used proxy for long term performance in direct lending. The CDLI has been the highest-returning credit benchmark in 13 of the past 19 years, annualising 9–10% with materially lower downturns than public credit or equities⁵. Through the three most meaningful stress periods of the last two decades – the Global Financial Crisis (peak-to-trough downturn of roughly 8%), the 2015–2016 energy-sector volatility (drawdown of less than 1%), and the COVID-19 shock (roughly 10% with swift recovery) – direct lending returned a positive 5.4% annualised. This was the only major asset class to deliver historically strong positive returns through volatile periods. Equities, by contrast, fell 50% or more in the same windows⁶.

Live data from 2025 and Q1 2026 tells a broadly consistent story, with PitchBook showing direct lending stabilising at 6.3%⁷. A recent LP survey⁸ found roughly 90% of private credit investors said the asset class met or exceeded their expectations over the prior twelve months; only 9% were disappointed. Campbell Lutyens notes that in bearish⁹ five-year windows, private credit's worst annualised return has still outperformed public credit, equities, and most real assets. Moody's baseline forecast¹⁰ has speculative-grade defaults falling below 3% by year-end 2026.

The question today is not whether private credit can perform through volatility. The evidence suggests it can. The more important question is which managers, with which books, are best positioned to navigate the next phase of the cycle. That is a question of selection, not of asset class viability.

¹Alternative Credit Council, Financing the Economy 2025 (AIMA / Houlihan Lokey).

²Hamilton Lane, 2025 Market Overview, "The Silver Age of Private Credit".

³Wells Fargo, Q1 2026 Direct Lending Report.

⁴Proprietary, available on request. The figure represents the current gross all-in yields (including base rates, spreads, original-issue discount, and fees) on new US upper-middle-market unitranche loans; it is illustrative only, may move materially with short-term interest-rate changes and credit spreads, and is therefore not guaranteed.

⁵Cliffwater Webinar Q1, 2025; Index comparisons are for illustrative purposes only; public credit represented by the Bloomberg U.S. High Yield Index and S&P/LSTA U.S. Leveraged Loan Index, equities by the S&P 500 Index (Total Return), and direct lending by the Cliffwater Direct Lending Index (CDLI). As of March 2026.

⁶Hamilton Lane 'Market Overview' March 2026; Cliffwater Direct Lending Index. Returns represent asset class performance during each respective period. Past performance is not a reliable indicator of future results.

⁷PitchBook, 2025 Annual Global Private Debt Report (rolling one-year IRRs through H1 2025) - reflecting portfolio income and capital movements; this figure is not guaranteed and will fluctuate with credit market conditions. Short-term volatility, including spread widening or elevated defaults, could result in lower income or capital loss in any given period.

⁸Preqin, H1 2026 Investor Outlook (LP survey, November 2025).

⁹Campbell Lutyens, Private Credit Market Pulse, March 2026.

¹⁰Moody's Investors Service, Default Trends – Global, baseline forecast through year-end 2026.

Software, AI, and the manager dispersion thesis

The single biggest thematic shift seen in industry publications and in our own underwriting discussions concerns software and artificial intelligence. Information technology fell to 17% of direct lending volume in Q1 2026, down from 23% in Q4 2025¹¹, and US software loan spreads widened ~141bps versus ~67bps for the broader B-rated market¹². Lenders are pricing AI-exposed credits at an additional ~75bps premium, and borrowers with unresolved disruption risk are effectively shut out of the primary market until questions are answered.

In our view, this is not a crisis for private credit as an asset class. For most managers, it is not yet a crisis in individual portfolios either. For some, however, it poses very serious questions. Software accounts for roughly 25% of direct lending portfolios industry-wide, with individual BDC¹³ exposures ranging from 8% to 30%. Managers carrying concentrated positions in, for example, SaaS credits originated through 2021–2022 (at peak valuations, on high assumed forecast growth) now face a genuine workout challenge.

PitchBook's observation here is telling¹⁴. US leveraged loans had their worst start to a year in a decade, returning -1.08% through February 2026, with software loans down 756 basis points since year-end versus 124 bps for the rest of the index. Public BDCs concentrated in software now trade at discounts to NAV exceeding 20¹⁵. This is the definition of manager-specific dispersion, and we expect it to intensify through 2026 as the software maturity wall (roughly 40% of software outstanding loan balance maturing in 2027–2029) comes into focus.

At Corinthia, we see this dislocation as an opportunity for an unencumbered player to select software credits at enhanced yields. AI has been a feature of the competitive landscape since we began investing, and we carry no legacy overhang of assets. We are building a fresh portfolio factoring in current market dynamics. Our AI displacement framework, which assesses borrower exposure to AI-driven software substitution risk, as set out in our paper "The Answers You Get Depend Upon the Questions You Ask", is designed not to predict outcomes with precision but to consistently distinguish durable credit from emerging vulnerability. We are firm believers that critical thinking must drive investment decision making, and we continue to see potential for less aggressive capital structures, improved pricing, and reduced competition as some managers rebalance software exposure. We expect to be active buyers of carefully selected software credits through the cycle.

The easy-money era is over. Performance from here will be driven by manager alpha, not floating-rate tailwinds. Selection is the dominant determinant of returns.

The evergreen question

A structural story has been building quietly beneath the headline numbers, and Q1 2026 volatility has brought it into sharper focus. Open-ended evergreen and perpetual private credit vehicles reached \$644 billion¹⁶ in assets under management by mid-2025, growing 45% year-on-year, with the five largest US alternative managers now running roughly 40% of their combined credit AUM in permanent-capital structures. For the industry, this is the clearest growth vector of the next five years. For investors, it has introduced a new and untested variable: retail liquidity expectations meeting illiquid underlying assets.

The stress test arrived in Q1 2026 when redemption requests at major non-traded BDCs exceeded the 5% quarterly gating thresholds, with some funds capping at the contractual limit and others deploying sponsor or employee capital to meet requests. Blue Owl's attempt to merge¹⁷ its non-traded BDC into its listed vehicle was ultimately cancelled in

November 2025 when the 20% NAV discount would have crystallised immediate paper losses for non-traded holders. The episode illustrated a structural truth that institutional allocators have long suspected: in private markets, liquidity comes at a price.

We want to be clear about our view here. The magnitude of retail redemptions remains small in the context of a \$3.5 trillion market, and nearly 80% of private credit AUM sits in closed-ended or insurance vehicles with no redemption rights. This means there is no credible mechanism for retail turbulence to cascade into forced selling across the core market.

That said, these redemption dynamics are significant for a subset of managers and, more broadly, for market conditions overall. For some time, the largest private debt platforms, dominated by retail capital, have been the marginal dollar driving spread compression, leverage creep, and covenant erosion. With these platforms now distracted by redemption management, secondary selling, and liquidity concerns, their capacity to compete aggressively for new deals is meaningfully reduced.

For institutional-only managers with closed-end capital and limited retail overhang, this is a positive development. Less competition translates directly into better leverage, stronger terms, improved pricing, and access to higher-quality credits. We also expect a growing secondary loan market, particularly in the US, as larger platforms reduce position sizes, creating additional attractive entry points. Corinthia's institutional-focused capital base leaves us free to focus exclusively on origination and credit selection at precisely the moment when many others cannot.

Two specific opportunities: Europe, and the refinancing wall

Two features of the current market deserve emphasis because they are less widely discussed and more directly actionable. The first is European divergence. The Lincoln European Senior Debt Index closed Q3 2025 at a fair value of 99.1%, the second-highest reading in the index's history and well above its 97.8% historical average, with European direct lending fair values exceeding their US counterparts¹⁸. European portfolio fundamentals also outpaced the US in 2025: Last twelve-month (LTM) EBITDA growth across Lincoln's European Senior Debt Index portfolio rose to 7.9% in Q3 2025, while the full-year 2025 figure for the US Lincoln Private Market Index settled at 4.7%¹⁹. European revenue growth across Lincoln's European Private Market Index ran at 7.6% year-on-year in Q2 2025, materially ahead of comparable US readings²⁰. Software exposure in European portfolios is materially lower, and the retail investor base is thinner, insulating European credit from the two headwinds that have defined the US narrative²¹.

¹¹Wells Fargo, Q1 2026 Direct Lending Report.

¹²Proprietary, available on request.

¹³BDC is a business development company, a US-regulated investment vehicle.

¹⁴PitchBook | LCD, US Leveraged Loan Index, year-to-date through February 2026.

¹⁵Campbell Lutyens, Private Credit Market Pulse, March 2026.

¹⁶With Intelligence, Private Credit Outlook 2026 (evergreen AUM data through H1 2025).

¹⁷Blue Owl Capital, public disclosures regarding the proposed merger of OBDE into OBDC, November 2025.

¹⁸Lincoln, S&P Private Credit - Indices | S&P Dow Jones Indices

¹⁹Lincoln, S&P Private Credit - Indices | S&P Dow Jones Indices

²⁰Lincoln, S&P Private Credit - Indices | S&P Dow Jones Indices

²¹Wells Fargo, Q1 2026 Direct Lending Report.

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European private credit raised a record share of global fundraising in 2025, with European private debt funds capturing approximately one-third of global commitments per PitchBook and 46% of Q1 to Q3 fundraising per Preqin, in both cases roughly double the prior year²². US institutional allocators are actively building European exposure for diversification reasons that have only strengthened through Q1 2026. The opportunity for managers with established European platforms is substantial.

The second opportunity stems from the approaching refinancing wall. Loans originated in 2021 and 2022, at peak leverage and peak valuations, are now approaching maturity in the most concentrated cohort of the outstanding loans. Industry data shows direct lending foreclosures rose to ~0.7% in 2025 with most transactions tied to 2021 and 2022 vintage deals²³. The 2021 vintage was structured for a rate environment that disappeared before borrowers had time to grow EBITDA and remains a focus for those looking to deploy opportunistically into special situations. These vintages will need to refinance into a less bullish, AI-disrupted market, and they will do so at a time when some incumbent lenders are already stretched, with the broader US leveraged loan market facing a \$360 billion maturity wall over the next three years and 2028 alone bringing \$301 billion of maturities²⁴.

Corinthia – positioned for this Silver Age

Corinthia was founded with the ambition to redefine what is possible in private credit, with a commitment to combining world class talent, innovative technology and an unwavering focus on transparency. At the core of our approach is a simple belief: disciplined underwriting in the **core middle market** is an effective and historically proven way of delivering attractive risk-adjusted returns through the cycle. It is an approach that has defined the careers of our senior team for decades and one we believe is particularly relevant in today's environment.

We believe Corinthia is well positioned for the next phase of the market, with an **institutional quality platform** and one of the industry's most experienced global teams. Our portfolio is newly ramped, with **no legacy exposure** to peak-vintage underwriting or concentrated software positions. Our **institutional capital base** means the team remains undistracted by redemption management or NAV-discount dynamics.

Our investment committee has worked together across multiple cycles, and our established **'Five Pillars' underwriting framework**, now extended with a structured AI displacement assessment across both software and non-software borrowers, is designed precisely for the environment we are now in. Our presence in **both North America and Europe** gives us direct access to the divergence opportunity we see globally.

We are focused on the core middle market, where documentation remains strong, diligence is comprehensive, and the **illiquidity premium** to broadly syndicated alternatives is 100–300 basis points²⁵. We are leaning into both **primary and secondary** opportunities. We are selective about software, open to high-quality credits that meet our framework, and comfortable saying no to those that do not.

The market will distinguish between winners and losers from here. In the Silver Age, that distinction is the risk adjusted return.

As always, we welcome further discussion on any of the themes outlines above. The next twelve to eighteen months are likely to shape the next decade for private credit. The "Golden Age" delivered returns on the back of a rising tide. The "Silver Age" will deliver them to managers who have earned the right, through discipline, selection, and the ability to act while others are constrained. We believe Corinthia is well positioned for that environment and are excited about the opportunity ahead for both the firm and our investors.

²²PitchBook, 2025 Annual Global Private Market Fundraising Report, March 2026; Preqin, 2026 Global Private Credit Report, December 2025.

²³Proprietary, available on request.

²⁴PitchBook LCD 2026 US Leveraged Loan Outlook, published 16 December 2025.

²⁵Industry research indicates a historical illiquidity premium of c.150–200bps for private credit over broadly syndicated loans (PineBridge Investments; LSEG LPC). The investment team's experience at their predecessor firm suggests European middle market premiums have typically been wider, at c.200–300bps.

The Corinthia Investment Team

Please reach out to your Relationship Manager or our investor relations team at investor-relations@corinthiagm.com for further discussion.

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Management as of the date shown and is based on information from sources believed to be reliable, including third-party reports referenced throughout. Views are subject to change without notice. Past performance is not indicative of future results.

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Performance data and comparisons. Historical performance data for direct lending is sourced from the Cliffwater Direct Lending Index (CDLI); the "Silver Age" framing and related market stress analysis is sourced from Hamilton Lane, 2026 Market Overview, published 11 March 2026. "Times of market stress" refers to three discrete periods: the Global Financial Crisis (2008–2009), the Energy Sector Volatility (2015–2016), and the COVID-19 drawdown (2020). Returns represent asset class performance during each respective period. Past performance is not a reliable indicator of future results.

Default forecasts. Moody's baseline forecast for speculative-grade defaults is grounded on stabilising macroeconomic conditions and a gradual improvement in corporate earnings through 2026. A positive scenario (e.g. earlier-than-expected rate cuts, robust GDP growth) could see defaults fall below 2%; a negative scenario (e.g. recessionary conditions, tightening credit availability, or further AI-driven disruption to leveraged borrowers) could push defaults materially above 3%. Moody's figures are gross market forecasts and do not reflect Corinthia's portfolio outcomes. Forecasts are not a reliable indicator of future performance and are subject to material revision.

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