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Rising Payment-in-Kind Trends in Private Credit Will Have a Mixed Impact

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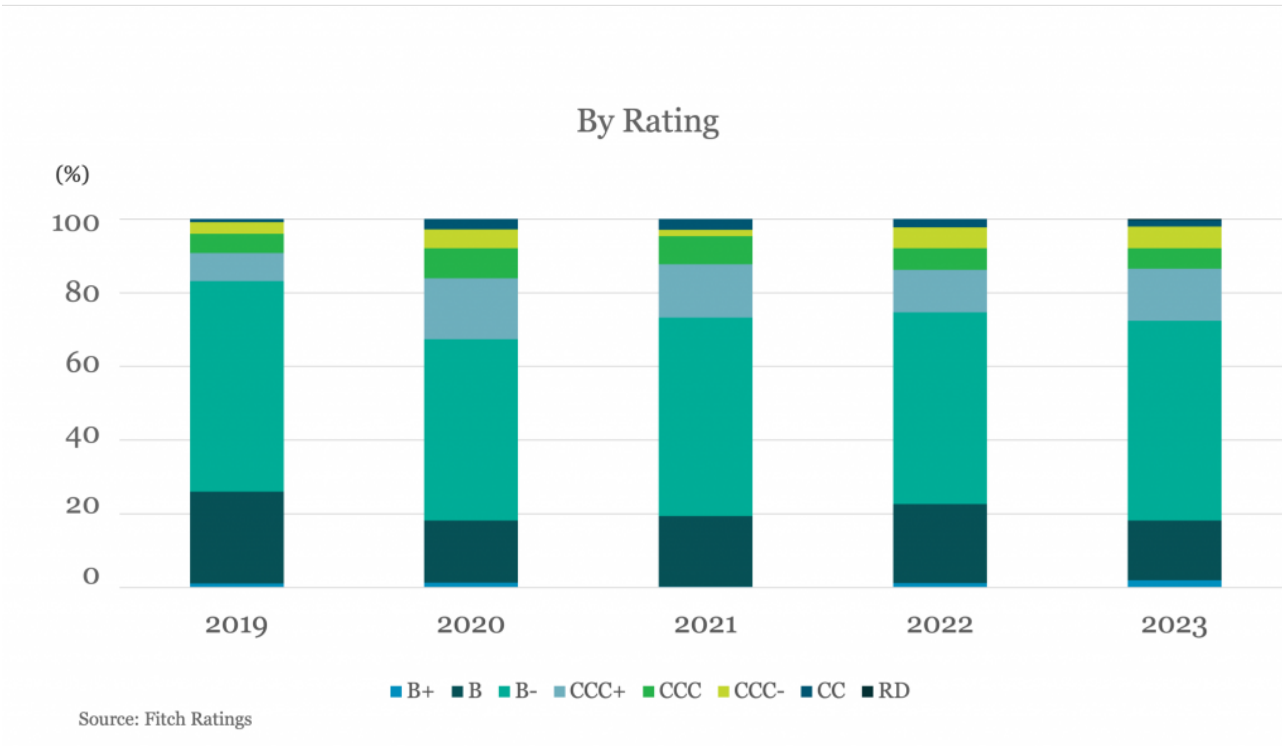

Interests paid-in-kind (PIK) are likely to rise among private middle-market loans in the US through both amendments to existing loans and as an optionality in new loan originations, as the impact of higher rates fully kicks in and credit burden builds up among borrowers. The rising competition from the broadly syndicated market will also pressure underwriting, particularly in the upper-middle market, and potentially incentivize PIK to be increasingly underwritten into new loan originations – since this is a benefit that private credit can offer relative to the syndicated market.

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