New-issue spread and yield to maturity of loans backing LBOs by quarter

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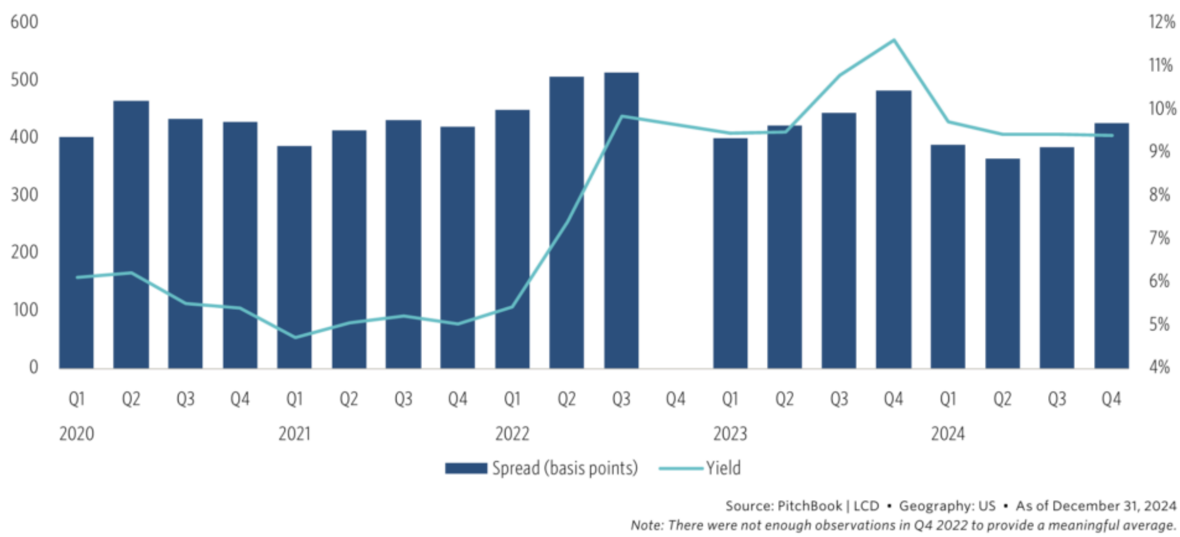

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Borrowers and sponsors, in turn, increasingly appreciated private credit's certainty of execution, flexibility, willingness to offer PIK options and delayed-draw term loans, and bespoke terms that facilitated navigating downturns. Recently, however, the environment has shifted again: As the broadly syndicated market came roaring back in 2024, credit spreads tightened significantly, especially for larger transactions that could be refinanced in the liquid credit markets. Some 67% of LBOs financed by direct lenders carried spreads between 500 and 600 basis points. These tighter spread levels, combined with 2024's base rate cuts, will compress overall returns.

(Past performance is no guarantee of future results.)