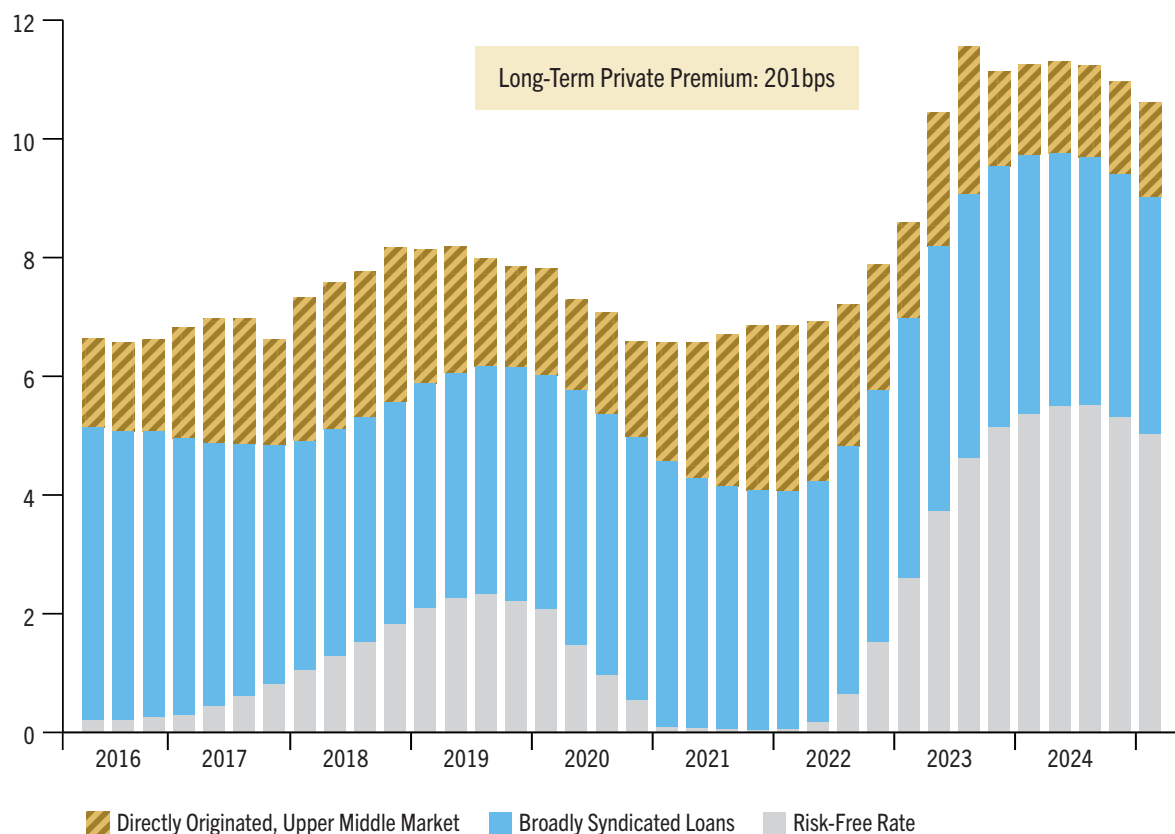


# A Hand-Crafted Asset: Building a Consistent Return Premium

**Private market managers** are akin to artisans, creating and molding the risk and return characteristics of their chosen investment medium.

## The Direct Lending Return Premium



### The Upside of Illiquidity

- Private fund managers seek to earn a return premium over public credit markets by thoughtfully capitalizing upon the distinct characteristics of private market investing, for example:
  - Private debt tends to be less liquid: it is not traded in a public market and is often held to maturity.
  - There are no public ratings or analyst research available, so information is managed through confidential, bilateral agreements.
  - Deal flow is off market and relationship driven, with few lenders able to compete for any single deal.
  - Direct lenders create bespoke loan documentation with strong covenants and other creditor protections to help control for the desired outcome.
- We believe all of these characteristics enable direct lenders to support a return premium over public investments.

Sources: Morningstar. Cliffwater Direct Lending Index ("CDLI") Q2 2016 – Q1 2025. Data as of March 31, 2025.

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