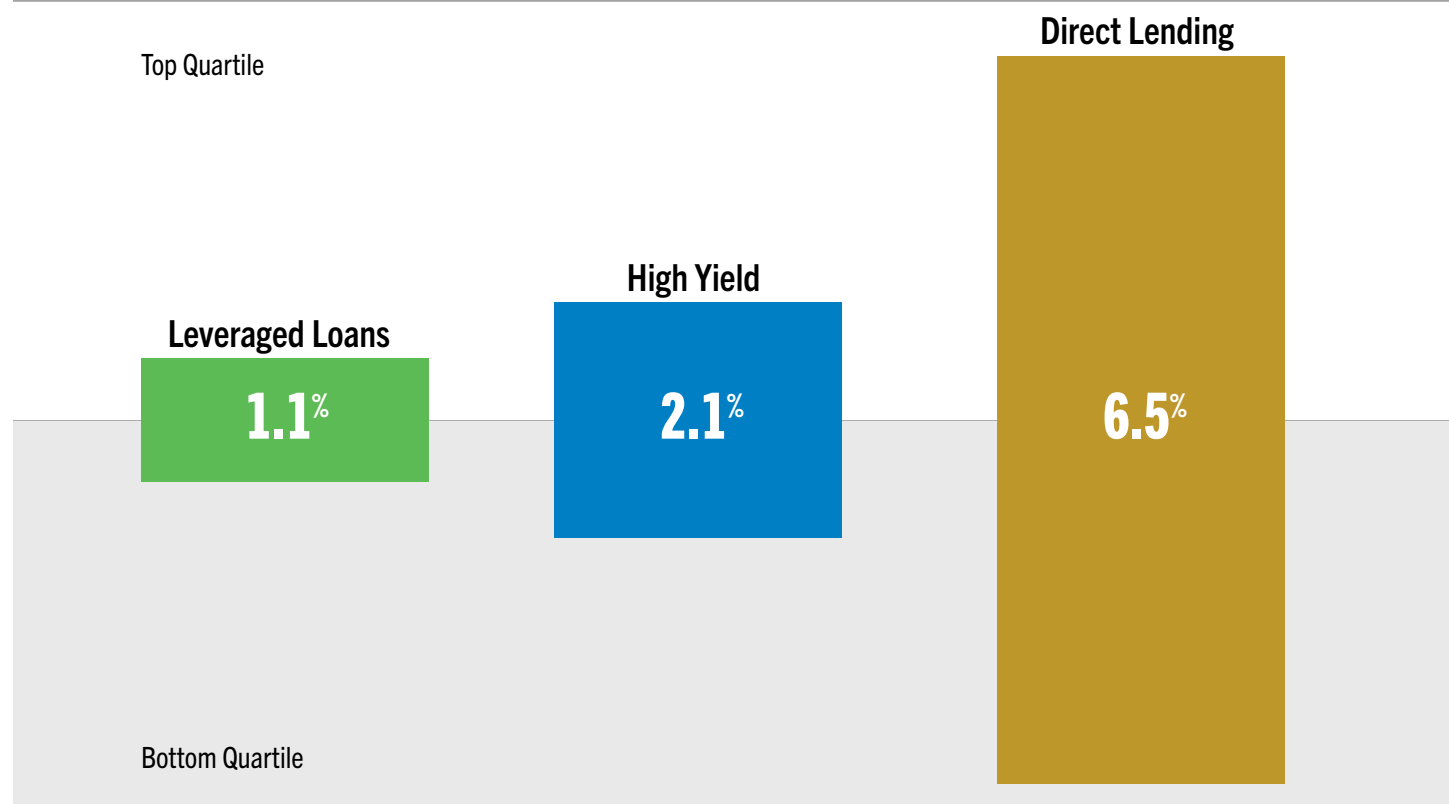


# Caveat Emptor: The Manager Matters in Direct Lending

**Manager dispersion** is far greater in private credit managers than among public credit funds.

## Performance Spread Between Top- and Bottom-Quartile Managers



### The Consequences of Manager Selection

- Even the most active managers in public markets are at the mercy of their “beta”—the vast majority of their returns rise and fall with the generic tide of the markets.
- Over time, top and bottom manager performance may vary by one to two percentage points.
- But in private market investing, and direct lending specifically, the gap between top- and bottom-quartile managers can be three times that or more.
- This underlines the importance of manager selection in middle market direct lending.

Source: Performance dispersion from Morningstar, Preqin and Golub Capital. Includes performance of actively managed mutual funds and ETFs for Leveraged Loans and High Yield over the 10-year period through March 28, 2024, and Preqin Vintage Year IRRs for top- and bottom-quartile funds. Performance persistence data from “Direct Lending Returns,” Antti Suhonen, Financial Analysts Journal 80:1, 57–83, 2023.

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