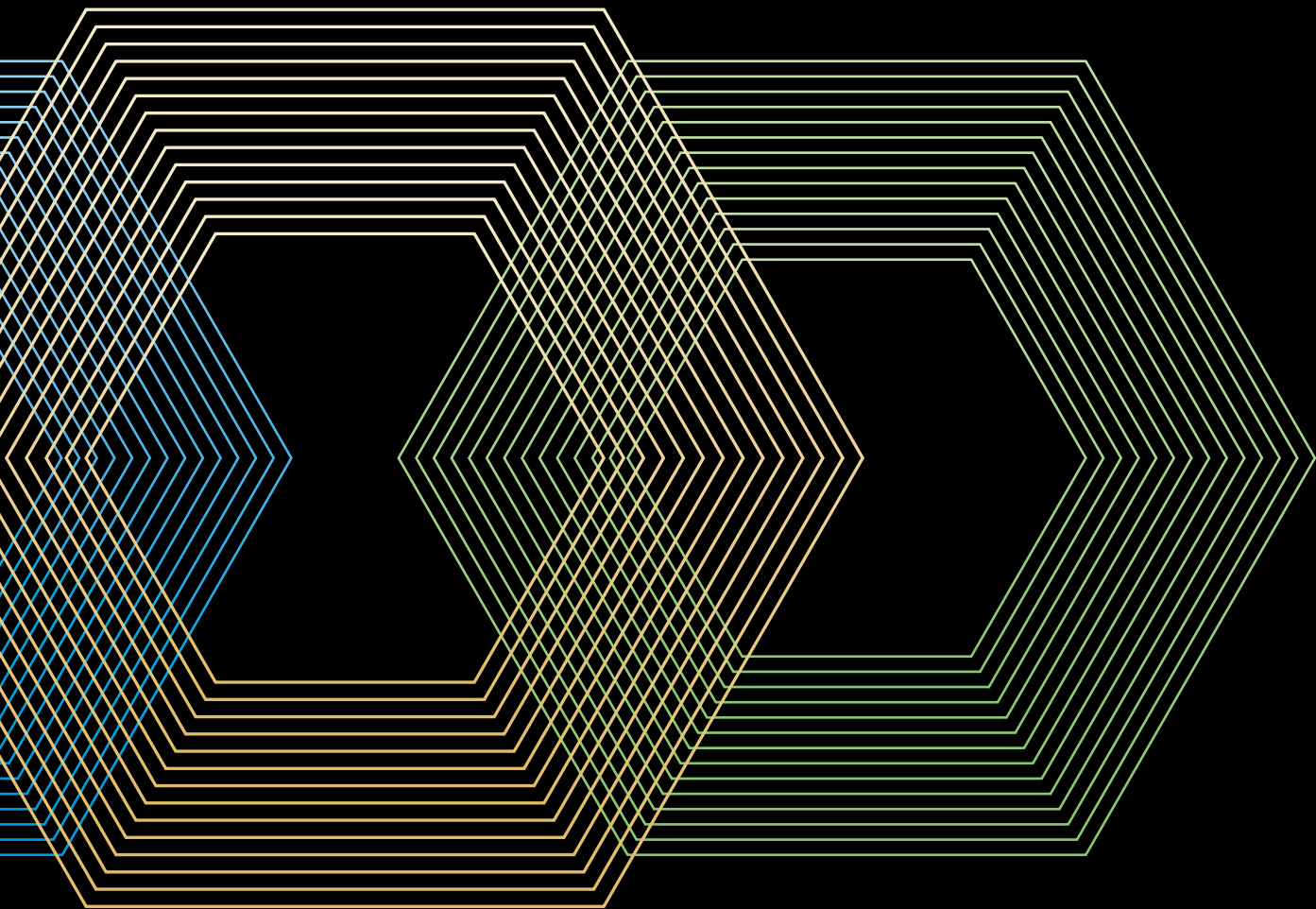


Private Credit

How It Started, Where It's Headed



GOLUB CAPITAL

This three-part series brings together the following white papers:

A Short History of Sponsor Finance 4

The Evolution of Bank and Non-Bank Participation in Middle Market Lending

The rise of private credit is closely tied to the evolution of banking regulation over the last three decades. But regulation isn't the whole story. This piece explains how non-bank lenders became central to private equity financing—and why we believe it is unlikely banks can wind back the clock and reclaim their historic role.

Crowded Market in Private Credit? 9

Enter the Large, Public Alternative Managers

Investors often ask whether the private credit market has gotten more crowded. We think it depends where you look. This piece details the recent outsized growth in direct lending funds that concentrate in the upper middle market, managed by a handful of large, publicly traded alternatives managers who have little option but to “go big.”

Rethinking the Size Debate 13

Finding Value Across the Middle Market Spectrum

The debate over large market vs. lower middle market lending comes up often, but neither side has it exactly right. We believe the fixation on size misses the point. Strong credit investing comes down to identifying resilient businesses, maintaining strict documentation and pricing risk correctly—none of which has to do with check size.

Private credit as an asset class has become a central topic of discussion for investors of all sizes (and a frequent target of headlines). Many of the questions raised by investors take time to unpack and often benefit from some historical context.

The Golub Capital Insights Team has developed a three-part series titled *Private Credit: How It Started, Where It's Headed* to address these questions directly by examining the forces shaping today's private credit market and their implications for investors.

A Short History of Sponsor Finance

The Evolution of Bank and Non-Bank Participation in Middle Market Lending

A mix of regulatory, market and client-driven forces has pushed banks away from lending to private equity-backed middle market companies, opening the door for non-bank institutions to fill the gap. This paper explores the factors behind this historic shift and the coincident emergence of a deeply symbiotic relationship between private equity sponsors and private credit managers—one captured in the term “sponsor finance.”

The Long Arc of Bank Disintermediation

The diminishing role of banks in financial markets is not a new phenomenon. Over the past several decades, banks have experienced repeated waves of disintermediation, often prompted by both industry regulation and financial innovation in capital markets (see Exhibit 1). Consider some familiar examples:

- The rise of money market funds redirected trillions of dollars from bank deposits into more flexible, higher-yielding instruments in open-end fund structures.
- Large corporate issuers began bypassing bank loans in favor of commercial paper and capital market solutions for their operating cash needs.
- Securitization allowed traditionally bank-held assets, such as mortgages and auto loans, to be pooled and sold in capital markets, offloading them from bank balance sheets.

This historical context is key to understanding the rise of private credit and sponsor finance. Importantly, the story is less one of revolution than evolution.

Exhibit 1

A History of Bank Disintermediation

Private Credit Is Just the Latest Example

Bank lending as a share of total borrowing has been falling for 50 years; increased regulation, financial innovation and advances in securitization have prompted more borrowers to bypass traditional banks.

CAPITAL MARKET INNOVATION AND TRADITIONAL BANK DISINTERMEDIATION

Money Market funds shift bank deposits to asset managers

Commercial Paper market replaces banks to support corporate operating cash needs

Securitization of traditional bank assets (mortgages, auto loans) pooled and sold in capital markets

Non-bank lenders offer more efficient “financialization” of middle market lending needs

Source: Private Credit’s Next Act, April 2024, by Huw van Steenis, Oliver Wyman and Golub Capital analysis.

Factor 1: Three Waves of Regulation

While many factors have shaped the history of private credit, regulation has been a powerful and persistent force. Since the 1980s, three major waves of regulatory reform, typically following some idiosyncratic market crisis, have cumulatively reshaped how banks participate (or are hindered from participating) in lending (see Exhibit 2).

First Wave: Savings and Loan Crisis

Rising inflation and interest rates in the 1980s created a severe mismatch on bank balance sheets: The amount banks had to pay on short-term deposits climbed dramatically, while the income earned from long-term mortgage assets remained fixed. This set in motion a long period of bank consolidation: Nearly one-third of U.S. banks became insolvent from 1986 to 1995. Many local and regional lenders, a natural source of debt capital for middle

market businesses across the United States, were gradually replaced by a handful of national and global brands.

To stabilize the industry, regulators began instituting controls over bank balance sheets. The U.S. Federal Reserve and Office of the Comptroller of the Currency instituted a formal capital ratio for larger banks in 1981. Such regulatory-based capital requirements became the nexus of most future bank regulation.

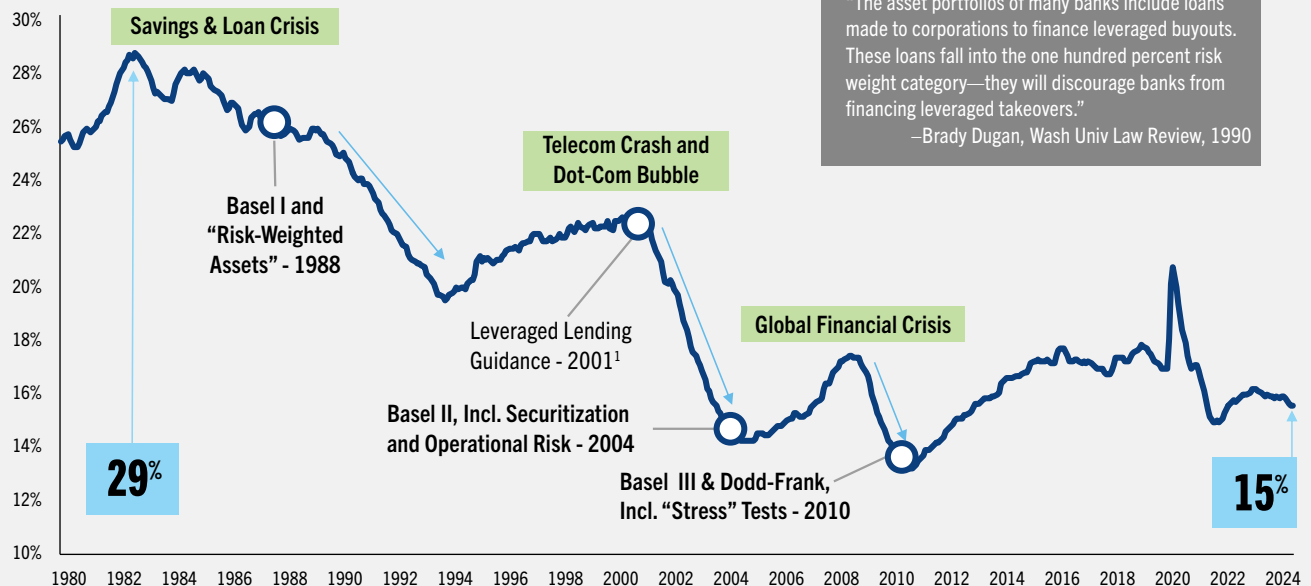
The global extension of this approach came in 1988 with the Basel I Accord, which introduced the concept of risk-weighted assets, imposing higher capital requirements for riskier credit exposures. Loans used for financing leveraged takeovers fell into a highly penalizing 100% risk weight category, making them less attractive from a return-on-equity standpoint.

Exhibit 2

Three Waves of Market Stress and Regulatory Action Drive Banks to the Periphery of Private Credit

Three market disruptions (the savings and loan crisis; the dot-com bubble; the global financial crisis [GFC]) and the increasingly nuanced regulatory capital requirements that followed (in Basel and Dodd-Frank regulations) helped progressively drive banks out of the business of lending to middle market leveraged buyouts.

Commercial & Industrial (C&I) Loans as a % of Total Bank Credit



1. In 2013, U.S. banking regulators issued updated leveraged lending guidance (LLG), which replaced the 2001 version, and outlined supervisory expectations for banks underwriting and holding leveraged loans, especially those with debt/earnings before interest, taxes, depreciation and amortization (EBITDA) ratios above 6x. While this guidance did not impose hard limits or legally binding requirements, it signaled areas of heightened supervisory focus and encouraged banks to apply more conservative underwriting and risk-management practices, contributing to the post-GFC migration of leveraged lending activity to non-bank lenders. In December 2025, the OCC and FDIC formally rescinded this guidance, citing concerns about regulatory overreach and competitiveness. Although this move gives banks greater flexibility to an extent, the LLG was never viewed as a major binding constraint, and its rescission is unlikely to have a significant impact on market dynamics. Moreover, private credit managers have become a central part of the sponsor finance landscape, and any meaningful shift in market share could take time, as banks would need to rebuild the leveraged lending infrastructure that largely migrated away in the post-GFC era.

Second Wave: Dot-Com Bubble (2000s)

The dot-com bubble and subsequent credit issues led banking agencies to issue new leveraged lending guidance (LLG) in 2001, highlighting the risks of leveraged financing, especially in the middle market. In 2004, Basel II expanded the regulatory screw-tightening to include operational and securitization risk, further raising the cost of capital for certain types of leveraged lending. Notably, these rules applied only to regulated banks, not non-bank lenders.

Third Wave: GFC (2008)

The 2008 GFC arguably brought the most transformative change, with the Dodd-Frank Act and Basel III significantly

increasing bank capital requirements. These measures also introduced stress testing to ensure that banks could weather future downturns. Combined, these rules made it even more difficult for banks to hold leveraged middle market credit exposure, and by 2010, C&I loans made up less than 15% of total bank credit.

These regulatory decisions opened a wide path for non-bank lenders. Unencumbered by the regulatory capital rules, non-bank lenders would rise to meet the growing need for flexible debt capital among middle market companies and their financial sponsors.

Factor 2: Sponsor Preferences Reshape Lending Dynamics

While regulation caused banks to retreat, it was not the only force behind the rise of private credit. Equally important was the changing nature of borrower demand—specifically from private equity sponsors. As the private equity ecosystem continued to grow in scale, private equity general partners found themselves hamstrung by slow, unreliable, inflexible and often expensive financing processes. Arranging deals through multiple banks and insurers often meant juggling conflicting terms, multiple underwritings and a patchwork of documentation, each offering only a single fragment of a total solution for the capital stack (including senior, junior or mezzanine debt) and each with its own incentives. The friction and complexity inherent in such transactions clashed with the goals of private equity sponsors.

Recognizing this client need, non-bank lenders responded by building a more tailored solution (see Exhibit 3). They offered speed, confidentiality and certainty of execution. They were willing to provide additional financing to sponsors for add-on

acquisitions and to structure and hold loans without syndication. They developed a unitranche option that offered a one-stop capital solution from a single lender, solving for the entire debt stack. This new financing model had a strong appeal for private equity sponsors who increasingly prioritized recurring bilateral lending relationships with their private debt partners over impersonal and fragmented bank syndications.

Non-bank lenders, with crisper decision-making, fewer regulatory constraints and long-duration capital that better matched the duration of their loan portfolio, were well positioned to deliver. Consequently, private credit became not just an asset class in its own right but a natural strategic partner to private equity itself. Beyond the regulatory shifts, this client-driven dynamic helped cement the dominance of non-banks as the lenders of first resort for private equity managers.

Exhibit 3

What Sponsors Want: The Industry Speaks

Non-Bank Lenders Become the Preferred Source of Capital

Non-bank lenders have replaced banks as the main source of debt capital for private equity-backed middle market companies for reasons that go well beyond bank regulatory capital constraints.

The Benefits of Direct Lending to Private Equity Sponsors

Speed of Decision-Making	Relationship Orientation	Certainty of Execution	Bilateral Negotiations/Confidentiality
Capacity to Lend in Scale	Ability to Structure Bespoke Solutions	Ease of Add-on Financings	No/Limited Syndication

Benefits of non-bank lenders drawn from the Proskauer Private Credit Survey 2024.

A Relationship Business: The Alignment of Private Equity and Private Credit

Not surprisingly, the rise of private credit has closely mirrored the growth of private equity (see Exhibit 4). Over the past two decades, global private equity assets under management have grown from \$1.2 trillion to more than \$14 trillion.

Less often acknowledged is how tightly private credit asset growth has tracked this expansion, climbing from about \$80 billion in 2004 to over \$1.6 trillion recently. The financing needs

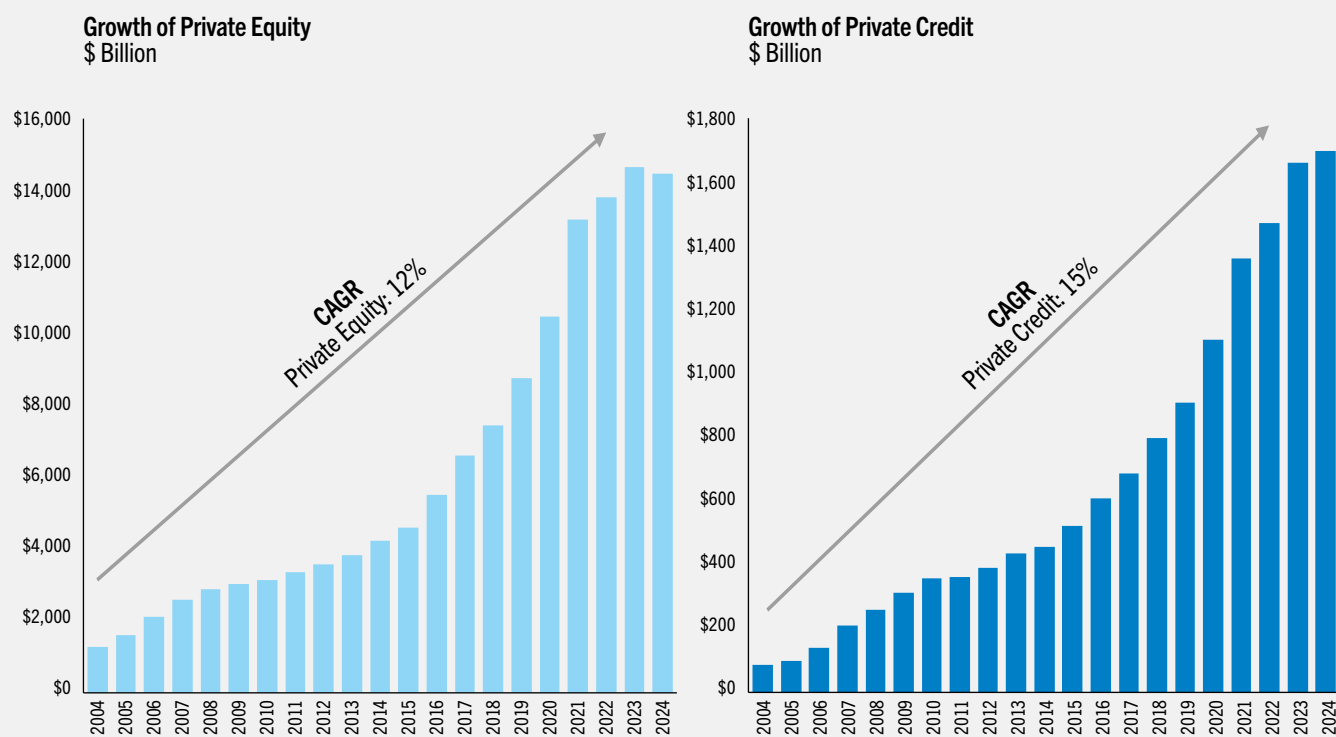
of private equity sponsors have created durable demand for private credit. As sponsors pursue more deals and larger transactions, they require lenders that can keep pace not only in dollars but in speed, confidentiality and structural flexibility. The parallel growth in private equity and private credit has been more than coincidental. It's symbiotic.

Exhibit 4

The Symbiosis of Private Equity and Private Credit

Private Equity Capital Demand Grows, Non-Bank Lenders Respond

As commercial banks face higher regulatory burdens for holding leveraged middle market debt on their balance sheets, private equity sponsors seek ever greater amounts of debt capital from non-bank lenders to finance their deals.



Source: Preqin. As of December 2024.

Note: Certain statements herein constitute forward-looking statements, which relate to future events, performance or financial condition. Actual results could differ materially from those implied or expressed in forward-looking statements for any reason, and future results could differ materially from historical performance.

CAGR is defined as Compound Annual Growth Rate.

“If You Can’t Beat Them:” Banks at the Margin of Private Credit

Faced with persistent risk-based capital pressures and shrinking returns, banks have had to rethink their relationship with the private credit ecosystem. No longer comfortable storing credit risk on their balance sheets, banks have shifted to origination and syndication. That is, rather than holding loans, they package and sell them to a broad array of investors, which allows them to earn fees while minimizing risk-based capital charges.

And while banks have largely ceded the core business of private leveraged lending to non-bank players, they continue to participate on the margins of the asset class. One example of this is the provision of credit facilities to private credit managers, including subscription lines, asset-based leverage facilities or warehouse lines that help the managers scale their operations and smooth their capital deployment.

This activity has become increasingly profitable. Since 2015, non-depository lending has grown far more rapidly than traditional C&I lending at banks (see Exhibit 5). While banks may no longer dominate sponsor finance, they remain important providers of structural support, extending liquidity to the private credit managers who do.

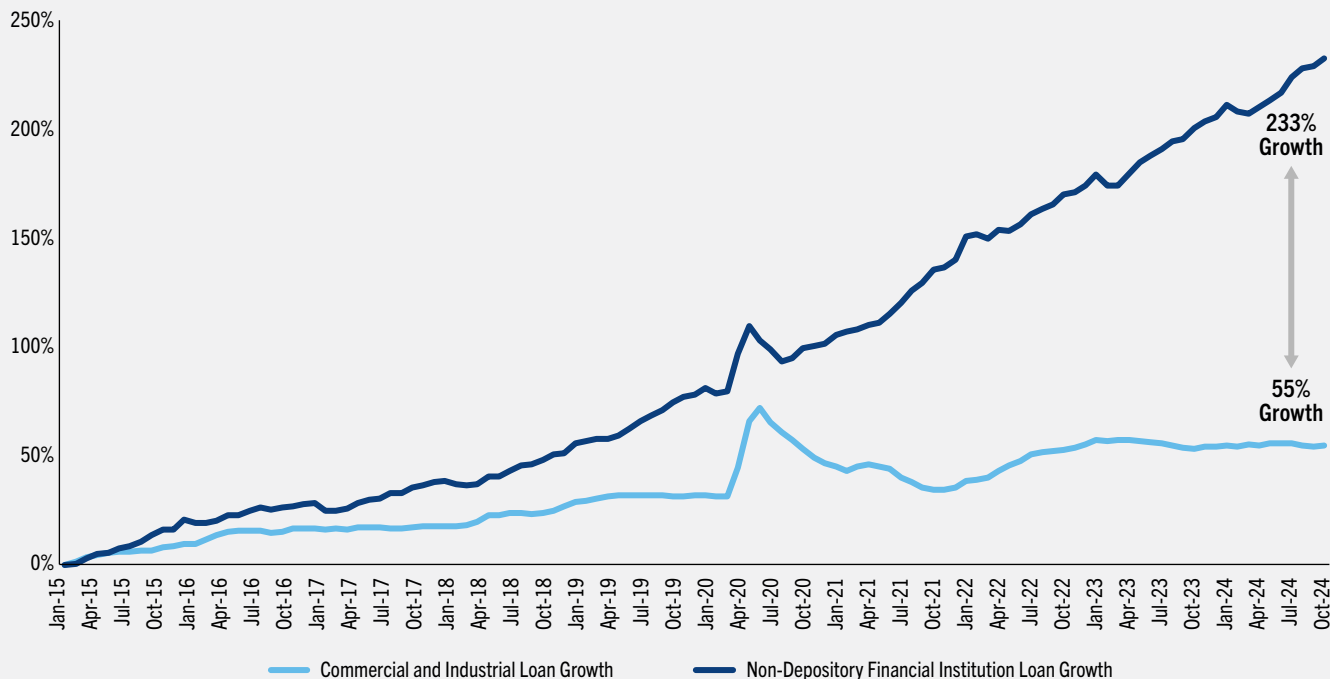
But for middle market borrowers, the center of gravity has shifted. The relationships, the talent pool and so much of the essential contours of what we know as sponsor finance have migrated to the non-bank lending community—and there is very little likelihood of a reversal of that new status quo. While banks still play a role in the world of middle market lending, their involvement today is largely supportive and secondary to that of private non-bank lenders.

Exhibit 5

Banks Seek Supporting Role on the Margins of Private Credit Loans to Non-Bank Lenders on the Rise

With talent having migrated to non-bank lenders, banks are effectively out of the core private credit space; they seek other ways to participate in the direct lending ecosystem (e.g., in credit facilities to non-bank lenders).

C&I vs. Non-Depository Loan Growth



Source: The Federal Reserve database of Assets and Liabilities of Commercial Banks in the United States from H.8 filings and Golub Capital internal analysis. As of September 30, 2024.

Crowded Market in Private Credit? Enter the Large, Public Alternative Managers

We see evidence of crowding specifically in the large market space among publicly traded alternative managers. These multi-asset alternative firms have had a clear impact on the private credit landscape by raising significant amounts of capital with an investment focus away from core middle market borrowers (\$20–100 million EBITDA); instead, they focus almost exclusively on large market borrowers (\$100+ million EBITDA). This should be no surprise. These firms were purpose-built to “go big” in order to rapidly grow their assets under management (and fee-based earnings) for public shareholders. The result is...a crowded market...but mostly in the large market space. While large market deals may be episodically attractive, we believe there’s an advantage in selective deal sourcing across the entire middle market universe.

Crowded Market?

Many investors ask whether the private credit market has gotten more crowded: We say it depends where you look.

The broad “core” of the middle market direct lending asset class (representing borrowers with average weighted EBITDA of \$20-100 million) has, by and large, retained its contours and characteristics over time. However, at the outer edge of the asset class, we’ve witnessed a kind of selective hypertrophy, focused almost exclusively in the “upper middle” or large market. This outsized growth is due to the recent entry of a rather small number of super-sized funds, managed typically by publicly traded alternative managers.

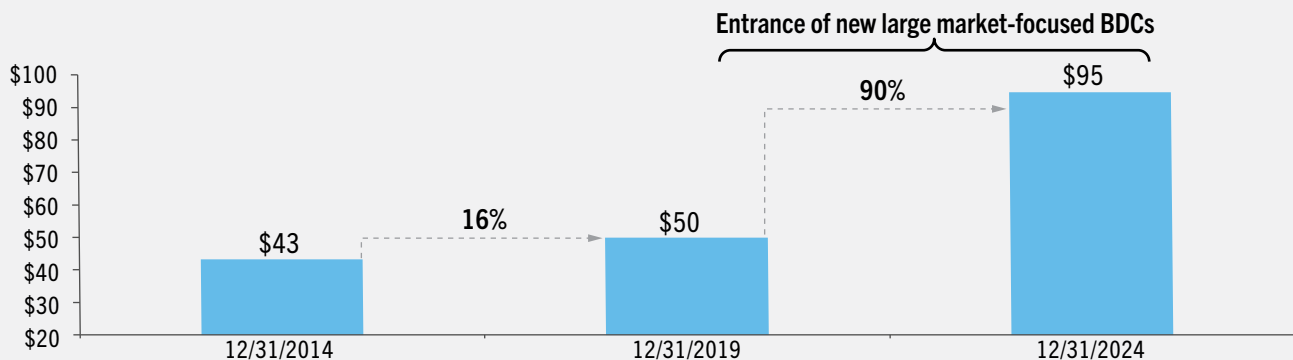
Signs of this bulge bracket intrusion in middle market lending are clear when looking, over time, at the average weighted EBITDA of borrowers across the direct lending market.

From 2014 through 2019, during a period of robust investor interest and asset growth in the middle market space (thanks in part to modest yields available from traditional fixed income during this time), the average direct lending borrower EBITDA edged up only modestly, rising 16% from \$43 million to \$50 million. But as several new publicly traded alternative managers entered the space, beginning around 2020, the borrower profile shifted significantly: Average EBITDA increased 90%, from \$50 million to \$95 million (see Exhibit 1).

Exhibit 1

A Sudden Shift: Enter Large Public Alternative Managers

Weighted Average Borrower EBITDA in Direct Lending (\$ in millions)



Source: Lincoln International and Golub Capital internal analysis. Borrower EBITDA represents the average EBITDA for all securities in the Lincoln Senior Debt Index. The Lincoln Senior Debt Index is a quarterly index that tracks the fair market value of 1,600 middle market direct lending credit investments every quarter across approximately 175+ fund clients in the United States and in Europe. The reflected data is as of December 31, 2024.

Is Double Trouble?

This large market approach by just a handful of business development companies (BDCs) had a tectonic impact on the middle market space in terms of growth, creating a kind of parallel universe in the asset class. This is evident in the sheer size and speed of asset growth among BDCs.

Over the first 20 years of this century, the middle market direct lending asset category, as measured by the BDC universe (comprising both publicly traded and non-traded BDCs), grew to \$126 billion in total assets—to be clear, that includes assets raised cumulatively over 20 years. But in just the last four years, six newly launched non-traded BDCs have raised a larger amount of capital (\$141 billion) all on their own. In just four

years, and attributable to just six newly launched funds, the private credit BDC space has more than doubled in size (see Exhibit 2).

Raising this amount of capital in such a short period is a significant achievement, but there's little secret in how it was done: These newcomer BDCs are getting big by buying big. They were able to achieve enormous scale over such a short period of time by targeting only the largest of private borrowers, lending to companies with an average EBITDA of \$241 million.

But beyond their commitment to large market borrowers, these new BDC entrants share several other characteristics.

Exhibit 2

Does Double Mean Bubble? Large Market BDCs Make Their Mark

20+ Years of Total BDC AUM Raised¹
(Ending 12/31/20)

\$126B

4 Years of AUM Raised by Six Large Market BDCs²
(Ending 12/31/24)

\$141B

Six BDCs, raised by large alternative asset managers, have a weighted average portfolio EBITDA of \$241M.

Large market-focused BDCs have raised an enormous amount of capital in a short period, more than doubling the total assets under management (AUM) raised by the entire BDC sector over a 20-year period.

1. Source: Total BDC capital raised used total AUM from Cliffwater's Direct Lending Index. Based on market data as of December 31, 2024.

2. Source: Stanger Market Pulse, BDC monthly fact sheets, company presentations, SEC filings and Golub Capital internal analysis. BDC cohort consists of six largest private BDCs that report a weighted average EBITDA. Based on market data as of December 31, 2024.

The Big Must Get Bigger

The BDCs that have helped drive this asset class shift to higher EBITDA companies share similar characteristics:

- They are all large. The law of large numbers tells us that for larger asset management firms to grow, they need higher flows and larger investment sizes. To “move the needle” at these firms, they are required to gather more investor assets and seek out larger investments.
- They are almost all multi-asset managers, with distinct businesses in private equity, private credit, real estate, infrastructure, hedge funds and other verticals. This inculcates a natural competition across the businesses to deliver on the growth goals of the firm and its investors.

- They all tend to be publicly traded. This means that every quarter, their shareholders and analysts are watching to see progress; there’s one measure that matters above all, and shareholders continue to demand quarter-over-quarter growth in fee-generating AUM.

At the end of the day, these funds are obliged to “go big” when it comes to both asset gathering and, relatedly, the size of their individual deals. So, when public alternative asset managers advertise the particular virtues of large market lending, the truth of the claim should be assessed: They have little choice but to target these types of investments.

Style Drift Narrows the Public/Private Divide

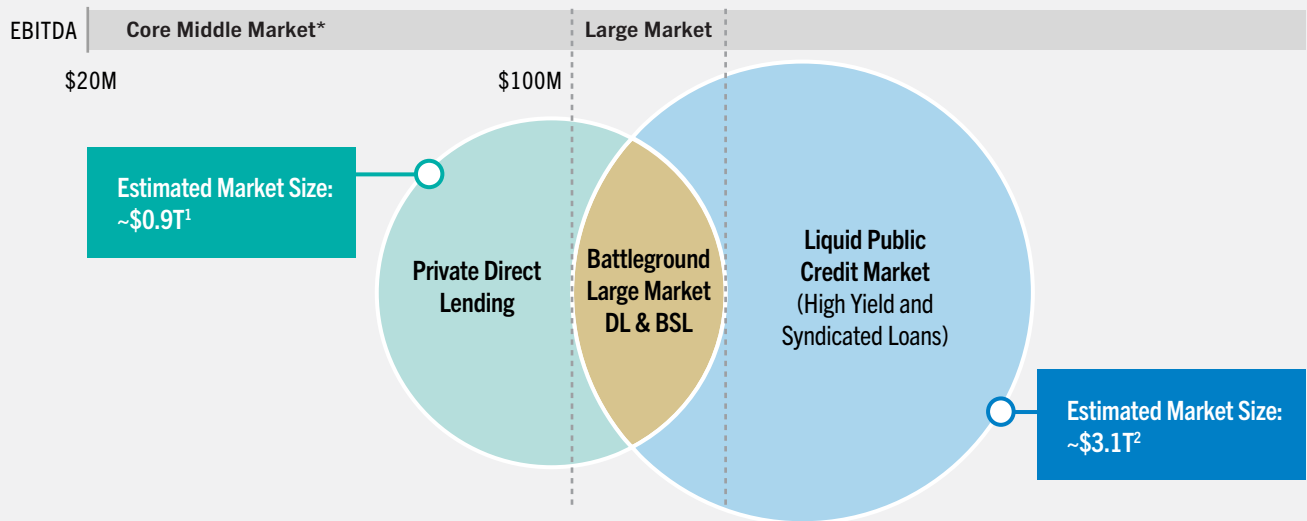
But away from debatable marketing assertions, is there any broader concern associated with this type of growth occurring in the traditional direct lending market? These large market private credit lenders are creeping into public credit territory, competing with broadly syndicated loans and high yield and clouding some important distinctions between public and private credit.

The large market BDCs occupy a form of “gray zone” between the less liquid private middle market and more liquid public

credit markets. We believe these are two distinct asset categories, each with unique characteristics, attracting different types of investors with varying costs of capital. For example, broadly syndicated loans (BSLs) typically have lower rates, fewer covenant protections and higher leverage compared to private middle market loans. Competing in this gray zone can result in a blending or blurring of terms between the BSL market and private direct lending (see Exhibit 3).

Exhibit 3

Blurring the Lines: Large Market BDCs Tilt Toward Public BSLs Public vs. Private Lending Spectrum and the Battle Within



1. Source: Private middle market direct lending represents total direct lending assets under management of \$594 billion from Preqin’s database plus \$325 billion of public BDCs and perpetually private BDCs from Cliffwater’s Direct Lending Index. The data is as of September 30, 2024.

2. Source: Syndicated loan market of \$1.4 trillion represents par amount of total U.S. loans in Morningstar’s LSTA U.S. Leveraged Loan Index. Sourced from Pitchbook LCD’s “U.S. Loan Stats Weekly Trend” report as of November 15, 2024. High yield market \$1.7 trillion represents total outstanding from S&P U.S. High Yield Corporate Bond Index. Sourced from Pitchbook LCD’s “Interactive High-Yield” Report as of October 31, 2024.

*Note: This presentation defines the core middle market generally as borrowers with \$20-100 million of EBITDA and the large market segment generally as borrowers with over \$100 million of EBITDA.

Seek a Wider Funnel

To be clear, we do not seek to apply value judgments to any segment of the market or to argue that “large is bad” or “it’s better in the middle.” Both approaches may deliver differentiated results for investors relative to their public credit peers. But their virtues are neither monolithic nor unchanging. In other words, the relative attractiveness of large market or traditional core middle market lending opportunities will vary over time, just like any other investment.

At times, investing in large market deals may look appealing. But we do not believe large market lending is best all the time, especially when the liquid credit markets are functioning well.

Instead, we believe a higher value proposition lies in being able to lend across the entire direct lending size spectrum—from lower middle to core middle and beyond.

But that requires a lot of resources, a good deal of experience, incumbencies across the sponsor and middle market company landscape and other strengths that we, in particular, have spent years developing. The important point is not to be beholden to any one segment of the market simply due to the external requirement for rapid and continuous growth. That would limit the opportunity set and reduce the diversification inherent in the broad middle market direct lending universe.

Rethinking the Size Debate

Finding Value Across the Middle Market Spectrum

Imagine sitting through your 20th private credit panel this year. Manager A takes the mic and declares that the large borrower market is the only place to be—citing its scale and stability. Moments later, Manager B counters with a passionate defense of the lower middle market, praising its wider spreads and tighter covenants. So, who’s right? Neither. We regard the fixation on borrower size as a distraction. A truer north star in credit investing involves identifying resilient businesses, maintaining strict documentation and pricing risk correctly—none of which has to do with check size.

Tunnel Vision Limits Opportunity

One question has come to dominate recent discussions around private credit: Is it better to invest with lenders who focus more exclusively on large borrowers or those who limit themselves to smaller companies occupying the so-called “lower middle market” (LMM), or some other sub-category of the “middle market”?

Proponents on either side of this debate often cite selective data to support their claims—some touting the presumed stability of larger borrowers, others emphasizing reduced competition in smaller deals. Both arguments appear tendentious, aimed at marketing a manager’s chosen strategy rather

than a meaningful effort to address fundamental questions about the asset class.

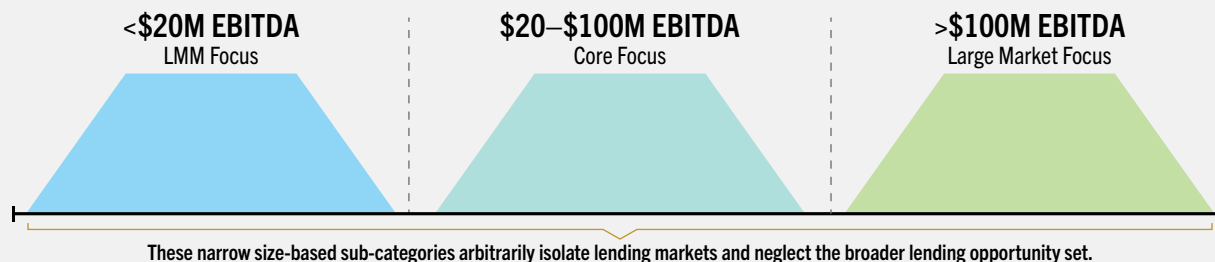
We reject the premise that any arbitrarily determined segment of the borrower size spectrum consistently delivers superior risk-adjusted returns across all market and economic environments.

That’s a form of tunnel vision (see Exhibit 1). Borrower size is just one of many variables that matter in private credit. It follows that decisions around manager selection should not be based on company size alone.

Exhibit 1

Borrower Size Blinders

Tunnel Vision Limits Opportunity



Golub Capital internal analysis. For illustrative purposes only.

A Flawed Dichotomy: Large vs. Small

Borrower size is not a static or reliable proxy for risk or return in direct lending. Each of the size segments referenced by managers—large market, core middle market and LMM—offers distinct characteristics that shift with market conditions. Rigidly focusing on a single sub-category of the middle market simply limits a manager’s potential access to higher-quality businesses across the segments.

That’s not to say that there are no relevant trade-offs between borrower size segments—there are. Large market loans are typically made to more mature businesses with greater management depth and stability. But these virtues

come with some corresponding drawbacks: tighter spreads, higher borrower leverage and looser documentation.

In contrast, LMM loans typically feature wider spreads, lower borrower leverage and stronger documentation. But these loans are often made to businesses with a greater reliance on a small group of executives, more customer concentration and a narrower product line (see Exhibit 2).

These trade-offs highlight why borrower size alone should not dictate one’s investment strategy. A more flexible approach, prioritizing best-in-class businesses and being responsive to changes in market conditions, can unlock value across the size spectrum.

Exhibit 2

The Middle Market Continuum



Source: Lincoln International, S&P Global Ratings and Golub Capital Internal Analysis. For illustrative purposes only. The spread and leverage analysis is based on spread and leverage terms from a data set consisting of more than 1,600 private credit transactions tracked by Lincoln International from 2018 through 2024. The covenant analysis is based on the presence of maintenance covenants across different size loan tranches from a data set consisting of more than 1,200 private credit agreements reviewed by S&P Global. As of December 31, 2024.

1. EBITDA is defined as earnings before interest, taxes, depreciation and amortization.

Where Size Matters: Investment Team

When a private credit manager emphasizes the size range of the borrowers they serve, it says more about the firm itself (its origin, relationships and platform constraints) than about its distinction as a lender. In fact, building the scale and infrastructure to lend across the size spectrum is not easily done.

It demands a robust platform—deep sponsor relationships, experienced underwriting teams and sophisticated portfolio monitoring. In the core middle market and LMM, deal flow is relationship-driven, built over years of consistent engagement with sponsors, advisors and borrowers. Success in this space requires significant investment in people, infrastructure and reputation. The commitment to resourcing is unavoidable (and costly) for those few managers intent on sourcing borrowers from across the broad middle market landscape.

By contrast, large market lending can be more transactional—often driven by capital availability and check size—and have far leaner staffing requirements given its narrower scope and emphasis on borrower scale. Managers oriented more exclusively to larger borrowers tend to be themselves large, publicly traded and multi-asset in nature, with substantial fundraising goals and corresponding deployment needs (see Exhibit 3).

We believe the payoff for investing across the size spectrum consists of more than just reach—it diversifies portfolio

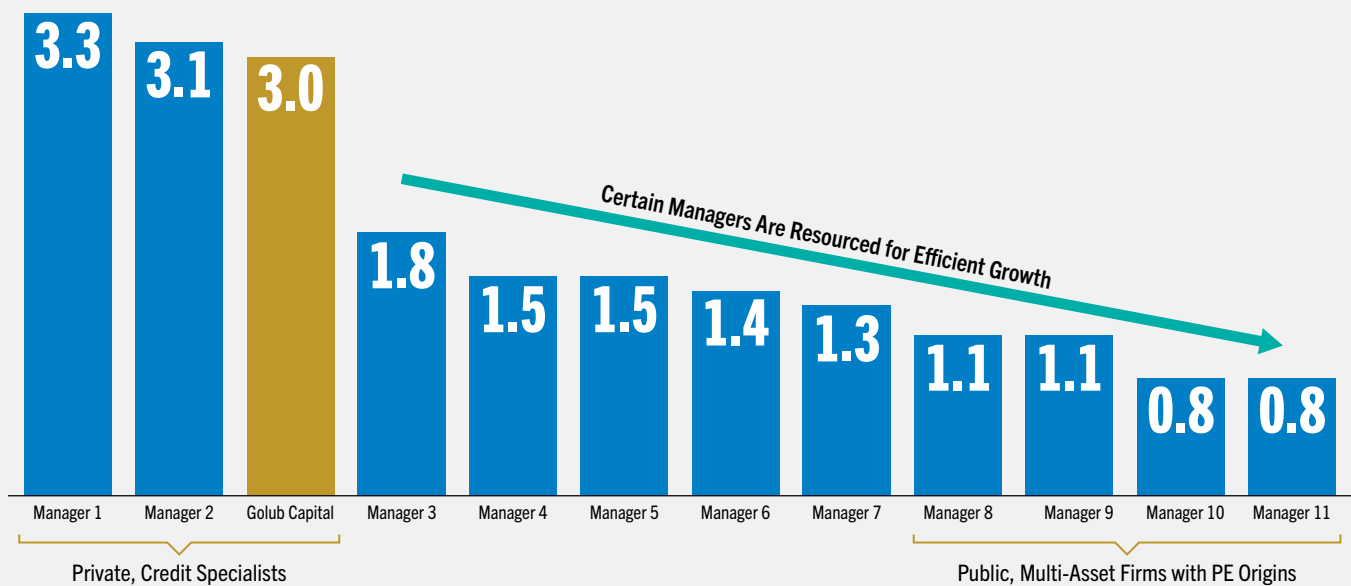
construction and can strengthen risk management. Managers who limit themselves to a single borrower segment may face a narrower opportunity set, which in some cases could lead to “trading down” within that segment, simply to meet deployment goals. In contrast, those with the flexibility to lend across the size spectrum can dynamically pursue top-tier businesses wherever they reside. This broader aperture not only expands manager access to a larger number of higher-quality deals but also enables managers to be more responsive to changing market conditions, as the relative appeal of certain sectors or businesses can vary over time.

There’s another perspective to consider as well—the private equity sponsor’s. Maintaining a core group of trusted lending partners is essential for a private equity sponsor’s business model. These sponsors cannot sustain close alliances with an unlimited number of lenders, so they naturally prioritize those with the strongest capabilities and a track record of repeat collaboration. A private credit provider that can execute across a wide range of deal sizes, not just a narrow slice of the middle market, offers a more compelling and strategic partnership. This flexibility not only enhances the lender’s platform but also deepens relationships with sponsors, positioning the lender as a preferred partner to the broader private equity ecosystem.

Exhibit 3

Resourcing (or Its Lack Thereof) Can Dictate Strategy Focus

Number of Credit Investment Professionals per Billion of Credit AUM



Source: Company filings, company websites and press releases. Credit manager cohort consists of publicly traded alternative asset managers, top-five largest non-traded business development companies (BDCs) managers and top-five managers in Pitchbook’s “Q2 2024 U.S. PE Middle-Market Lending League Tables.” Based on market data as of September 30, 2024.

Sidebar: The Advantage of Incumbency

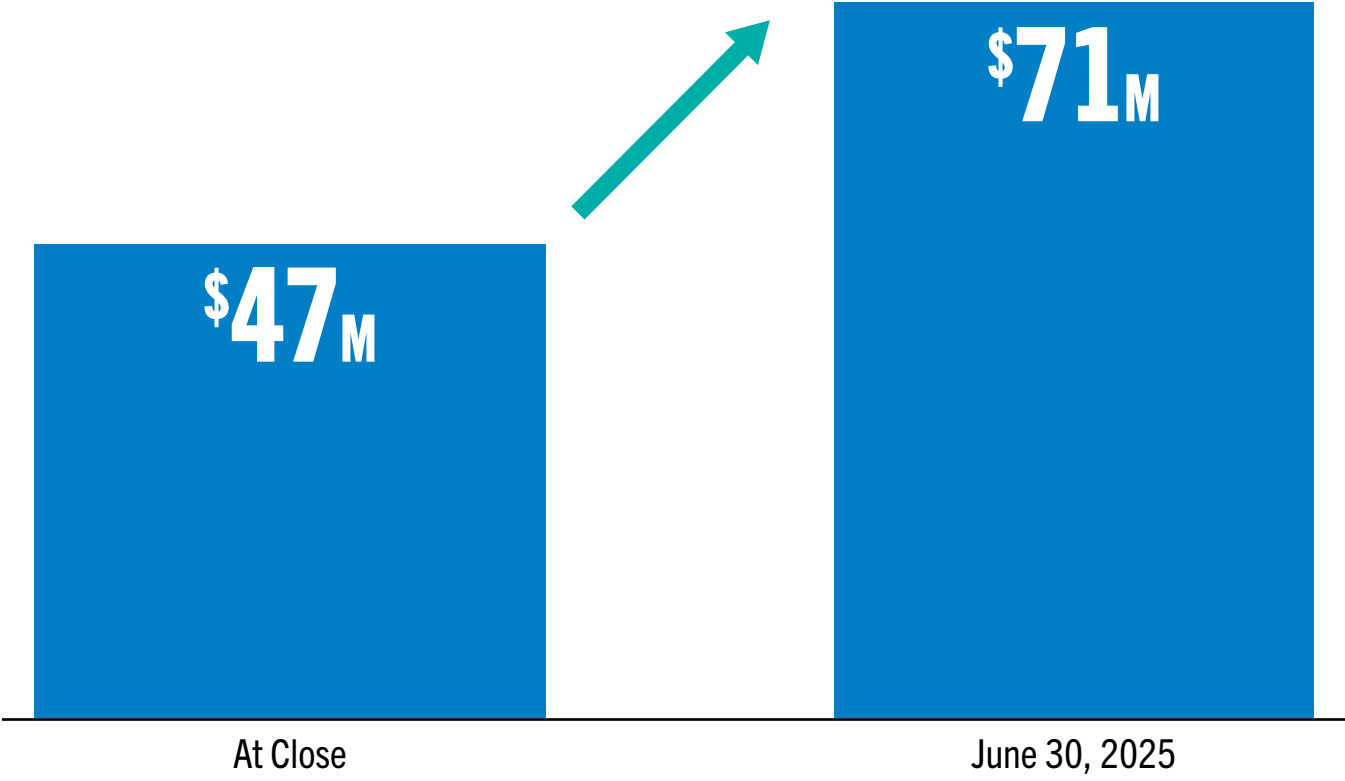
The ability to lend across the full borrower size continuum offers a less frequently discussed but highly valuable benefit to select managers: incumbency. Providing capital to lower or core middle market companies with strong growth potential allows lenders to build deep relationships and institutional knowledge early in a company’s lifecycle. As these businesses grow into core middle market or even large market borrowers, their original lenders, armed with years of insight and alignment, are uniquely positioned to support their next phase of growth. This relationship can extend even further: As some borrowers

transition into the public markets, their long-time private credit partners may continue to participate as holders of syndicated debt, benefiting from a meaningful informational edge over other market participants.

The ability to scale alongside portfolio companies, supporting them through multiple stages of growth and across market cycles, is a rare and powerful advantage of a broad middle market lending strategy.

Scaling with Our Borrowers

Golub Capital’s Direct Lending Median Borrower EBITDA at Initial Transaction Close and June 30, 2025



Source: Golub Capital internal analysis as of June 30, 2025. The median EBITDA are based on our portfolio of debt investments and exclude investments designated as recurring revenue and broadly syndicated loans.

Conclusion: Broader Is Better

Borrower size is a variable, not a strategy. Allocating capital dynamically across the size spectrum, rather than adhering to a single segment, provides a competitive edge. Lenders can capitalize on large market opportunities during favorable conditions there or shift to the core middle market when structural advantages in that range better align with market dynamics. This flexibility is more likely to result in well-balanced portfolios and consistent risk-adjusted returns across cycles.

Rejecting the false dichotomy of “large vs. small” enables a renewed emphasis on credit discipline, focusing on resilient business and long-term alignment. In a market defined by crowding and compression, a strategy rooted in a broad opportunity set and rigorous selectivity may deliver superior outcomes for investors, capturing high-quality deals regardless of where they may lie on the borrower size spectrum.

Exhibit 4

Working with Borrowers Across the Middle Market

Distribution of Golub Capital Originations: January 1, 2019–December 31, 2024



1. Based on dollar value of debt financing commitments to middle market companies within each EBITDA range at underwriting. The scatterplot excludes 52 deals that we believe are not representative of a typical Golub Capital middle market origination.

2. Includes the deals excluded in the scatterplot.

3. Based on count of new deals and add-on transactions.

Note: Past performance does not guarantee future results.

Source: Golub Capital. As of December 31, 2024.

Disclaimer

In this document, the terms “Golub Capital” and “Firm” (and, in responses to questions that ask about the management company, general partner or variants thereof, the terms “Management Company” and “General Partner”) refer, collectively, to the activities and operations of Golub Capital LLC, GC Advisors LLC (“GC Advisors”), GC OPAL Advisors LLC (“GC OPAL Advisors”) and their respective affiliates or associated investment funds. A number of investment advisers, such as GC Investment Management LLC (“GC Investment Management”), Golub Capital Liquid Credit Advisors, LLC (Management Series) and OPAL BSL LLC (Management Series) (collectively, the “Relying Advisers”) are registered in reliance upon GC OPAL Advisors’ registration. The terms “Investment Manager” or the “Advisers” may refer to GC Advisors, GC OPAL Advisors (collectively the “Registered Advisers”) or any of the Relying Advisers. For additional information about the Registered Advisers and the Relying Advisers, please refer to each of the Registered Advisers’ Form ADV Part 1 and 2A on file with the SEC. Certain references to Golub Capital relating to its investment management business may include activities other than the activities of the Advisers or may include the activities of other Golub Capital affiliates in addition to the activities of the Advisers. This document may summarize certain terms of a potential investment for informational purposes only. In the case of conflict between this document and the organizational documents of any investment, the organizational documents shall govern.

Information is current as of the stated date and may change materially in the future. Golub Capital undertakes no duty to update any information herein. Golub Capital makes no representation or warranty, express or implied, as to the accuracy or completeness of the information herein.

Views expressed represent Golub Capital’s current internal viewpoints and are based on Golub Capital’s views of the current market environment, which is subject to change. Certain information contained in these materials discusses general market activity, industry or sector trends or other broad-based economic, market or political conditions and should not be construed as investment advice. There can be no assurance that any of the views or trends described herein will continue or will not reverse. Forecasts, estimates and certain information contained herein are based upon proprietary and other research and should not be interpreted as investment advice, as an offer or solicitation, nor as the purchase or sale of any financial instrument. Forecasts and estimates have certain inherent limitations, and unlike an actual performance record, do not reflect actual trading, liquidity constraints, fees, and/or other costs. In addition, references to future results should not be construed as an estimate or promise of results that a client portfolio may achieve. Past events and trends do not imply, predict or guarantee, and are not necessarily indicative of, future events or results. Private credit involves an investment in non-publicly traded securities which may be subject to illiquidity risk. Portfolios that invest in private credit may be leveraged and may engage in speculative investment practices that increase the risk of investment loss.

This presentation has been distributed for informational purposes only, and does not constitute investment advice or the offer to sell or a solicitation to buy any security. This presentation incorporates information provided by third-party sources that are believed to be reliable, but the information has not been verified independently by Golub Capital. Golub Capital makes no warranty or representation as to the accuracy or completeness of such third-party information. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission.

Past performance does not guarantee future results.

All information about the Firm contained in this document is presented as of May 2025, unless otherwise specified.

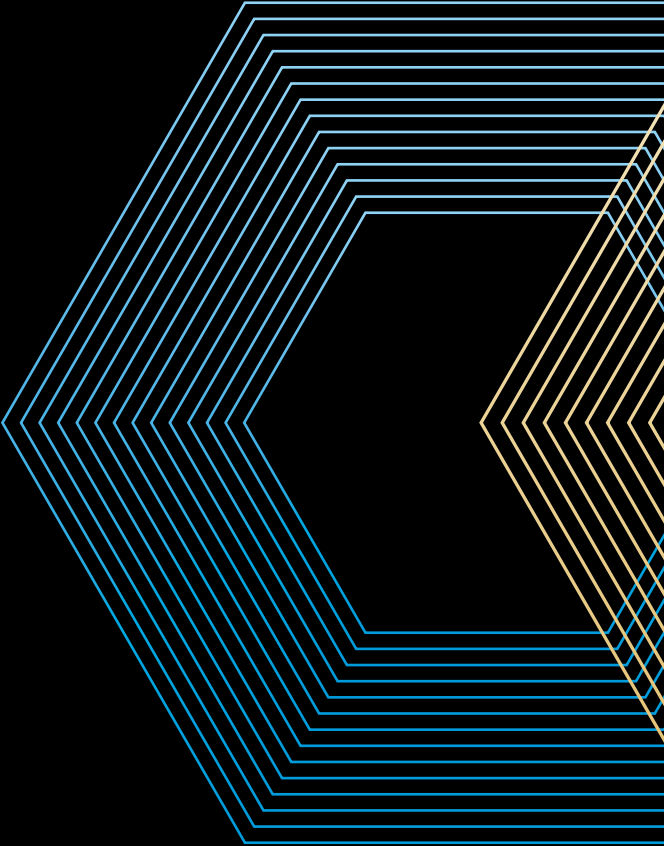
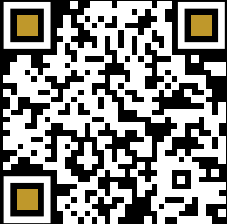
The Morningstar Indexes are the exclusive property of Morningstar, Inc. Morningstar, Inc., its affiliates and subsidiaries, its direct and indirect information providers and any other third party involved in, or related to, compiling, computing or creating any Morningstar Index (collectively, “Morningstar Parties”) do not guarantee the accuracy, completeness and/or timeliness of the Morningstar Indexes or any data included therein and shall have no liability for any errors, omissions, or interruptions therein. None of the Morningstar Parties make any representation or warranty, express or implied, as to the results to be obtained from the use of the Morningstar Indexes or any data included therein.

“Cliffwater,” “Cliffwater Direct Lending Index,” and “CDLI” are trademarks of Cliffwater LLC. The Cliffwater Direct Lending Indexes (the “Cliffwater Indexes”) and all information on the performance or characteristics thereof (“Cliffwater Index Data”) are owned exclusively by Cliffwater LLC, and are referenced herein under license. Neither Cliffwater nor any of its affiliates sponsor or endorse, or are affiliated with or otherwise connected to, Golub Capital, or any of its products or services. All Cliffwater Index Data is provided for informational purposes only, on an “as available” basis, without any warranty of any kind, whether express or implied. Cliffwater and its affiliates do not accept any liability whatsoever for any errors or omissions in the Cliffwater Indexes or Cliffwater Index Data, or arising from any use of the Cliffwater Indexes or Cliffwater Index Data, and no third party may rely on any Cliffwater Indexes or Cliffwater Index Data referenced in this report. No further distribution of Cliffwater Index Data is permitted without the express written consent of Cliffwater. Any reference to or use of the Cliffwater Index or Cliffwater Index Data is subject to the further notices and disclaimers set forth from time to time on Cliffwater’s website at <https://www.cliffwaterdirectlendingindex.com/disclosures>.

Private credit as an asset class has become a central topic of discussion for investors of all sizes (and a frequent target of headlines). Many of the questions raised by investors take time to unpack and often benefit from some historical context.

The Golub Capital Insights Team has developed a three-part series titled *Private Credit: How It Started, Where It's Headed* to address these questions directly by examining the forces shaping today's private credit market and their implications for investors.

Learn more at education.golubcapital.com



GOLUB CAPITAL
