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PRIVATE DEBT SPOTLIGHT

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DIRECT LENDING: CAN THE MARKET SUPPORT EXPANSION?

Direct lending specifically has seen growth in transaction sizes in recent years, as deals that were once the territory of banks, broad syndication or high-yield fixed income are now on the radar of direct lending fund managers.

Find out more on page 3

POSITIVE OPPORTUNITIES IN THE DIRECT LENDING MARKETPLACE

"We believe the private debt capital committed to the space over the coming years, as well as the demand, will continue to grow in lockstep with the opportunity set

This month, we feature an exclusive Q&A with CM Investment Partners' Michael Mauer, as he discusses the opportunities in the direct lending marketplace for the year ahead.

Find out more on page 5

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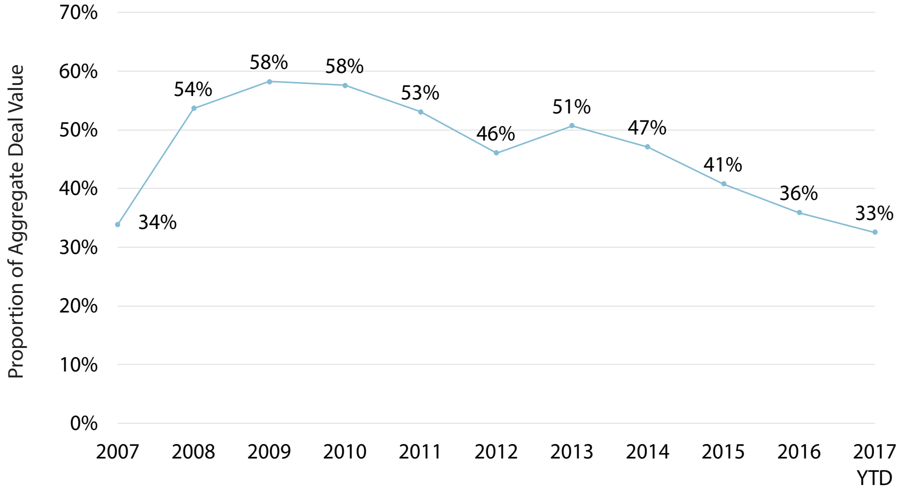
DIRECT LENDING: CAN THE MARKET SUPPORT EXPANSION?

Strong fundraising and a record level of new funds in market will see the direct lending explosion continue into 2018. With dry powder already at historic highs, will the opportunities exist to put this money to work effectively?

THE GROWTH OF DIRECT LENDING

Private debt fund managers have enjoyed a wave of fundraising success in recent years, driven by the strong performance of private lending funds and the resulting investor appetite. Since 2007, positive risk-adjusted returns throughout the credit cycle, contrasting with lacklustre results from traditional fixed income products, have attracted record numbers of investors to direct lending, while existing backers have increased allocations. 2017 is set to be another strong year for new fundraising; with $25bn raised through 38 funds, dry powder is at near-record levels ($65bn) and there are an additional 158 new vehicles in market seeking an aggregate $66bn. With so many firms now active with significant levels of capital available to deploy, is there a danger that competition for opportunities could drive down future returns? We examine the growth of the industry and analyze key indicators from the buyout market to place the dry powder reserves in context.

Fig. 1: Proportion of Global Aggregate Buyout Deal Value Accounted for by Deals of Less than $1bn in Total Value, 2007 - 2017 YTD (As at August 2017)



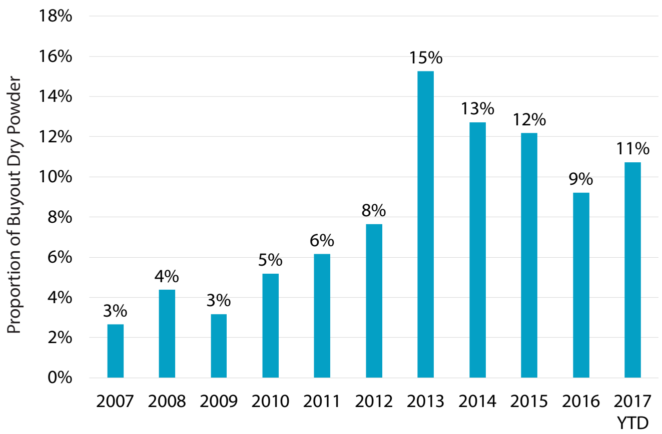
Source: Preqin Private Debt Online

Increasing numbers of commitments have led direct lending fund managers to up their fundraising efforts, seeing bigger and more aggressive funds expand into larger markets and larger loan facilities across the board. Direct lending specifically has seen growth in transaction sizes in recent years, as deals that were once the territory of banks, broad syndication or high-yield fixed income are now on the radar of direct lending fund managers. Additionally, there are outstanding credits that stand to be refinanced in the years to come, which offer another avenue of opportunity for alternative lenders.

The types of deal entered into by direct lending managers can vary between sponsored and non-sponsored transactions, the former involving a private equity sponsor providing, on average, 40% equity to a deal where the direct lending manager traditionally provides around 60% debt to a buyout. The percentage of equity used in buyout deals has ranged from 30% to more than 50% since 2000.

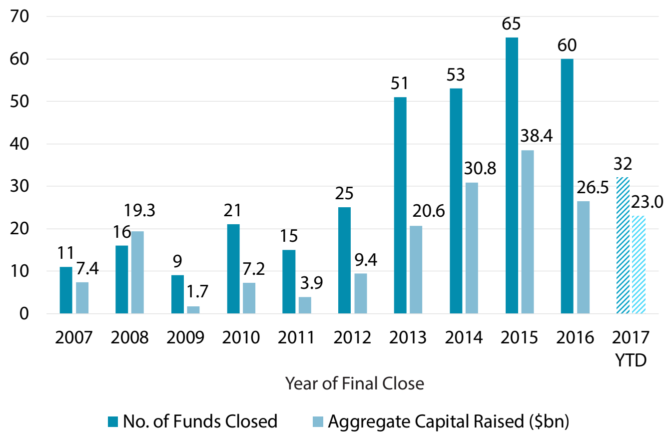
It is clear at this point that non-bank lending has carved out a strong slice of the marketplace and will continue to be a large part of both sponsored and non-sponsored corporate lending in coming years. Using buyout dry powder and sponsored deal statistics, we can examine the fundraising and deal-making

Fig. 2: Direct Lending Dry Powder as a Proportion of Buyout Dry Powder, 2007 - 2017 YTD (As at August 2017)



Source: Preqin Private Debt Online

Fig. 3: Annual Direct Lending Fundraising, 2007 - 2017 YTD (As at August 2017)



Source: Preqin Private Debt Online

opportunities at hand for private debt managers in 2017 and beyond.

BUYOUT vs. DIRECT LENDING DRY POWDER

Since a large proportion of direct lending deal activity depends upon private equity-backed buyout deal activity, we examine the ratio of direct lending dry powder to that of the buyout industry. Currently, direct lending managers hold $65bn in dry powder and buyout fund managers have $605bn – a ratio suggesting plenty of additional capacity. When viewed historically, the ratio of direct lending to buyout dry powder has narrowed slightly (Fig. 2), but still appears to allow plenty of scope for direct lending funds to be selective in the transactions they support. However, not all buyout deals will fall into the sweet spot for direct lending, and it is possible to provide a more specific measurement for direct lending as a proportion of the addressable market.

ADDRESSABLE MARKETS

While the strict parameters of the market segment accessible for financing from direct lenders can vary, the bulk of activity has taken place in the broad "middle market", which includes the lower- and upper-middle market segments.

Typically, the lower-middle market has been defined as enterprises with $5-50mn in EBITDA, with the upper-middle market spanning enterprises with EBITDA from $50mn to above $100mn*. Additionally, several fund managers are expanding above the traditional boundaries of private lending managers by moving into deals requiring larger credit facilities, which used to be exclusively financed by banks, high-yield markets or broadly syndicated loans.

LENDING CAPACITY

Since 2007, an average of 46% of aggregate buyout deal value is accounted for by deals with a total value of less than $1bn, the size range in which private debt managers can effectively compete against traditional debt providers (Fig. 1). By this metric, $278bn of current available buyout capital ($605bn*46% = $278bn) stands to be supported by private debt capital as at August 2017.

As mentioned earlier, buyout transactions have typically involved about 40% equity and 60% debt, with the percentage of equity used in these deals having ranged from 30% to above 50% since 2000. Using $278bn of current buyout dry powder as the 40% equity portion of future middle-market buyout deal value, the private lending portion can be projected at $417bn. In other words, there is an estimated maximum of $417bn in alternative financing capacity, as dictated by the $278bn of buyout dry powder which is likely to be allocated towards transactions within the deal size range addressable by private debt.

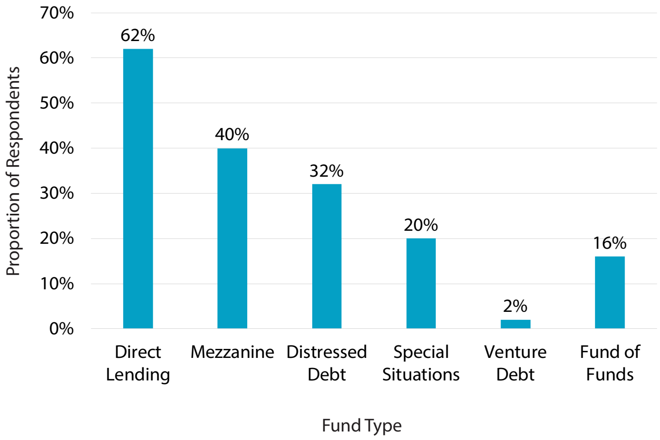
OUTLOOK

Direct lending dry powder sits at $65bn (compared to $417bn in estimated capacity) as at August 2017, so there would appear to be significant runway for the continuation of strong deal flow and fundraising cycles within the private debt environment, especially given lenders with larger platforms expanding into formerly high-yield and syndicated loan territory, which requires the writing of larger checks. Capacity could increase even further: according to Michael Mauer at CM Investment Partners, the debt opportunity which includes both new funds and refinancing exists in the range of $600bn+ in the near future (see page 5).

Direct lending fundraising has been strong since 2013, peaking in 2015 on $38bn (Fig. 3). With 2017 YTD commitment levels at $23bn, managers are on pace to finish out the year matching or surpassing previous fundraising totals. There are clear signals that direct lending, as well as other private debt strategies across the capital stack, is sustaining the momentum gained in the past decade, seeking to fulfil both the current and upcoming potential buyout opportunities.

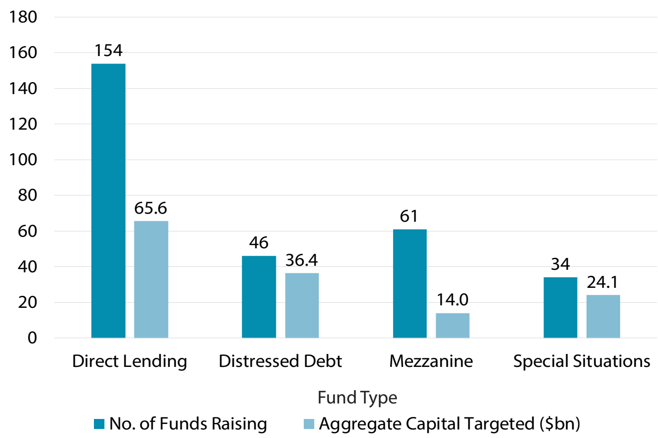
Given estimated lending capacity above $400bn, any concerns about an overheated lending fund environment appear to be unfounded, even as fundraising and dry powder near or reach certain highs. There is space for growing demand to be fulfilled by quality private debt opportunities, due to the consistent opportunity for capital to be deployed into addressable buyout activity in coming years. Strong returns and consistent deal flow throughout debt cycles should be enough to satisfy fund investors and secure continued commitments in the near future, given consistency and growth in the buyout market as well.

Fig. 4: Fund Types Investors View as Presenting the Best Opportunities



Source: Preqin Investor Interviews, June 2017

Fig. 5: Private Debt Funds in Market by Type (As at August 2017)



Source: Preqin Private Debt Online

** Definitions do vary based on the manager and their market preferences.*

POSITIVE OPPORTUNITIES IN THE DIRECT LENDING MARKETPLACE

- Michael Mauer, **CM Investment Partners**

This month, we hear from Michael Mauer of CM Investment Partners, who provides insight into how middle-market direct lending platforms are growing and how CM Investment Partners in particular is engaging with them.

There has been steady growth across middle-market direct lending platforms over recent years. Is this a crowded space or do you think the middle market opportunity will allow for continued growth?
There has absolutely been an uptick in the activity surrounding this space, but we do not think it is crowded to the point that you have more supply than demand. Speaking specifically, there are around $500bn of refinancings to be done over the next five or more years. In addition, there is around $600bn in sponsored equity, of which 30-40% generally goes to work in the middle market. Given current debt-to-equity ratios that would translate into over $600bn of additional deal flow for the space.

We also believe, based on conversations with our relationships at middle-market regional banks, that there will not be a resurgence of lending into this space from these institutions. This is counter to some of the initial enthusiasm around loosening of regulation coming from the current administration in Washington. The focus will remain on the alternative credit market, private lenders fulfilling the refinancing and sponsor needs. Furthermore, we believe the private debt capital committed to the space over the coming years, as well as the demand, will continue to grow in lockstep with the opportunity set.

The opportunity set is wide but there is still an increasing number of participants. What does that mean for performance?
That has been the biggest implication of the inflow of funds to the sector. Two years ago, our targeted, unlevered return was in the 10-13% range; today this target is closer to between 9% and 11%. Given market conditions, we believe a 9-11% target return still presents a very good risk profile for a secured investment. We are also of the belief that the market we invest in will hover around 10%, plus or minus a couple of percentage points. Given our scale we can be selective in where we invest and these are floating rate credits. A year and a half ago, Libor was at 50bps and today it is at 130bps, with the trends pointing north, perhaps slowly north, but north nonetheless. These factors will allow us to maintain a solid risk/reward profile in our portfolio.

Discuss the founding and evolution of CM Investment Partners.
Since 1991 my experience has been in credit, and in my career I have had multiple roles and titles including Head of North America Investment Grade and Leverage Loan Syndicate at JP Morgan, Global Co-Head of Leverage Finance at Citicorp and as a part of Carl Icahn's investment team at Icahn Capital. In 2011, Steve Freidheim of Cyrus Capital and I decided to set up a fund, seeded by Cyrus, to address investment opportunities in the direct lending space.

We defined the focus at the time as middle-market dislocation, with target returns of 10-15%. In March 2012 I reached out to my current partner, Chris Jansen, to join me, and this September will mark the six-year anniversary. As our firm and our relationships across the middle-market landscape continued to grow, we were excited in 2013 to be able to also secure a strategic partnership with Stifel Financial, which today adds an additional key component to our sourcing and diligence efforts.

Today, we utilize the credit investing experience of myself and my Co-CIO Chris Jansen, along with all the resources available to us from our experienced team of investment professionals and our strategic partners, Stifel and Cyrus, in order to create what we believe is a differentiated secured portfolio, with an attractive risk/reward profile.

Are there any sectors you prefer versus others? How about capital structure? The market focus has been mostly on senior, top of the capital stack, is there any other value to be found?
Like most, there are sectors that we prefer and sectors we avoid. Our focus as investors is toward lower volatility sectors within the middle market. From there we are looking for $15mn and above in EBITDA, but more importantly we concentrate on free cash flow. Depending on how capital intense a sector is, the EBITDA number can be a misleading indicator on the vitality of a business. A few sectors we tend to avoid are retail, restaurants and grocery stores.

On where in the capital structure, we are almost exclusively first or second lien secured. We are principally 50% first lien and 50% second lien with that shifting marginally given market conditions. We are very focused on being secured lenders. There are many mid-market lenders that will split the portfolio between secured and unsecured mezzanine-type lending, but we focus intensely on secured credits.

A lot of the market in the direct lending space is currently focused on sponsor-driven transactions. Are you able to find deals outside of the private equity market? What are your main deal sourcing channels?
We source 60-70% of our deals through traditional private equity opportunities, and source the balance of our investments directly through our professional network of boutiques, law firms and relationships. We have an active team of five people

working through their contacts, in addition to myself and my Co-CIO Chris Jansen, who over the past 25 years of managing multibillion-dollar portfolios has developed meaningful relationships with the regional and money center banks.

Additionally, our strategic partnership with Stifel entitles us to see and participate in any sub-investment-grade debt opportunities that come through their investment bank or capital markets group, and our partnership with Cyrus positions us well to see unique credits as they may be emerging from previously distressed situations. In summary, we certainly believe that our direct sourcing capabilities differentiate us, and have often allowed us to get attractive pricing on assets that have been well known to us and our partners for many years.

We have seen relatively benign credit markets for going on a decade, except for a few industries e.g. energy. Where do you see the markets going and how is CM Investment Partners mitigating downside risk?

We would agree, generally, across all industries that the corporate space has been relatively benign. With that said we, like some others, have found some opportunities in energy and natural resources to underwrite some deals on hard assets that are first or second lien. We have been able to get structural protections in this space with hedging of the underlying commodities or cash flow against them. Earlier, I mentioned that we tend to be 50% plus or minus first lien/second lien. In 2015/2016 we were closer to 60% second lien. As the market has become more aggressive on terms, we have shifted to more first lien. Our focus is to find great opportunities, wherever they are, and protect downside when a cycle comes. That is a when, not an if, because that is the nature of a cycle. Lastly, my Co-CIO Chris and I have lived and studied the middle market through multiple credit cycles; we feel this wealth of experience continues to prove beneficial in terms of finding and evaluating attractive risk/reward opportunities, especially so in the competitive environment we face today.

MICHAEL MAUER

In 2012, Mr. Mauer co-founded CMIP in partnership with Cyrus Capital Partners LLC. In 2014, CMIP launched a publicly-traded BDC, CM Finance Inc (Nasdaq: CMFN), which manages approximately $300mm. Mr. Mauer serves as Chief Executive Officer and Chairman of CMFN. Mr. Mauer's former roles include: Senior Managing Director and member of the investment team at Icahn Capital (2009-2010), Global Co-Head of Leverage Finance and Global Co-Head of Fixed Income Currency and Commodity Distribution at Citicorp (2001-2009), Head of North America Investment Grade and Leverage Loan Syndicate and Sales and Trading at JP Morgan (1988 to 2001). Mr. Mauer received a BS from the University of Scranton and an MBA from Columbia University.

www.cmfn-inc.com

PREQIN GLOBAL DATA COVERAGE

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ALTERNATIVES COVERAGE	FIRMS	FUNDS	FUNDS OPEN TO INVESTMENT	INVESTORS MONITORED	FUNDS WITH PERFORMANCE	DEALS & EXITS
	28,185	50,546	19,064	14,723	26,216	287,884

	PRIVATE EQUITY*	HEDGE FUNDS	REAL ESTATE	INFRASTRUCTURE	PRIVATE DEBT	NATURAL RESOURCES
INVESTOR COVERAGE	6,744 Active Private Equity LPs	5,227 Active Hedge Fund Investors	5,903 Active Real Estate LPs	3,130 Active Infrastructure LPs	2,947 Active Private Debt Investors	2,882 Active Natural Resources Investors
FUND COVERAGE	17,901 Private Equity Funds	24,550 Hedge Funds	6,666 PE Real Estate Funds	1,213 Infrastructure Funds	2,382 Private Debt Funds	1,712 Natural Resources Funds
FIRM COVERAGE	11,938 Private Equity Firms	9,069 Hedge Fund Firms	4,162 PE Real Estate Firms	523 Infrastructure Firms	1,498 Private Debt Firms	995 Natural Resources Firms
PERFORMANCE COVERAGE	5,928 Private Equity Funds	16,977 Hedge Funds	1,746 PE Real Estate Funds	241 Infrastructure Funds	811 Private Debt Funds	513 Natural Resources Funds
FUNDRAISING COVERAGE	2,036 Private Equity Funds	15,832 Hedge Funds	1,145 PE Real Estate Funds	269 Infrastructure Funds	337 Private Debt Funds	380 Natural Resources Funds

	BUYOUT	VENTURE CAPITAL	REAL ESTATE	INFRASTRUCTURE
DEALS & EXITS COVERAGE	78,927 Buyout Deals** and Exits	141,597 Venture Capital Deals*** and Exits	41,587 Real Estate Deals	25,773 Infrastructure Deals

Alternatives Investment Consultants Coverage:
563
Consultants Tracked

Funds Terms Coverage: Analysis Based on Data for Around
16,677
Funds

Best Contacts: Carefully Selected from our Database of over
418,552
Contacts

PLUS

Comprehensive coverage of:

+ Placement Agents
+ Fund Administrators
+ Law Firms
+ Debt Providers
+ Dry Powder
+ Compensation
+ Plus much more...

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2015 Annual CAIA Corporate Recognition Award Winner
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hedgeweek USA AWARD WINNER 2015

*Private equity includes buyout, growth, venture capital, turnaround, private equity fund of funds, private equity secondaries, direct secondaries, balanced, hybrid, hybrid fund of funds, PIPE, co-investment and co-investment multi-manager funds.

**Buyout deals: Preqin tracks private equity-backed buyout deals globally, including LBOs, growth capital, public-to-private deals, and recapitalizations. Our coverage does not include private debt and mezzanine deals.

***Venture capital deals: Preqin tracks cash-for-equity investments by professional venture capital firms in companies globally across all venture capital stages, from seed to expansion phase. The deals figures provided by Preqin are based on announced venture capital rounds when the capital is committed to a company.

As at 4th September 2017

INDUSTRY NEWS

In this month's industry news, we take a look at recently closed private debt funds, funds in market and recent investor commitments. Plus, our Chart of the Month reveals first-time private debt fundraising in relation to the rest of the market.

RECENTLY CLOSED FUNDS

Since early June 2017, 21 private debt vehicles have reached a final close. These funds secured an aggregate $18bn in capital, surpassing the total capital originally targeted by 30%. Direct lending vehicles accounted for the largest proportion (62%) of funds closed, followed by distressed debt (19%), mezzanine (10%) and special situations (10%).

The five largest funds to close made up more than half (52%) of aggregate capital raised by funds closed in the period. Leading these is Castlelake's distressed debt vehicle Castlelake V, which targets investments in global aviation and distressed assets in North America and Europe. The fund closed 20% above its target, securing $2.4bn, and is the only fund to exceed $2bn in fundraising since early June.

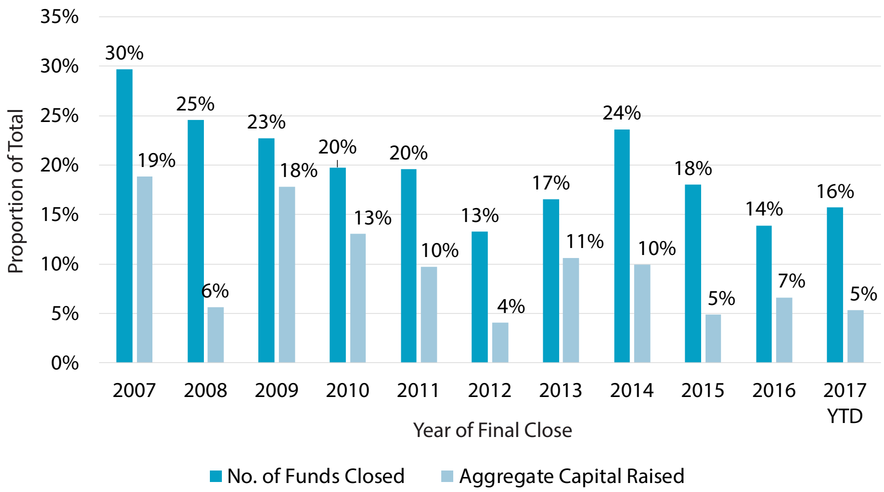
FUNDS IN MARKET

Of the 320 private debt funds in market, almost half (47%) are direct lending vehicles, accounting for 45% of the aggregate capital sought. The remaining funds on the road are a mix of mezzanine (19%), distressed debt (14%), special situations (11%), venture debt (6%) and fund of funds (3%) vehicles.

The 10 largest funds on the road account for nearly 28% of the aggregate capital targeted. Leading the way is 3G Special Situations Fund V, a special situations vehicle managed by 3G Capital, which is targeting $10bn in capital. This is $3.5bn and $6.0bn more than the target size of the second and third largest funds respectively, GSO Capital Solutions Fund III and Apollo European Principal Finance Fund III.

CHART OF THE MONTH

First-Time Private Debt Fundraising as a Proportion of Total Private Debt Fundraising, 2007 - 2017 YTD (As at August 2017)



Source: Preqin Private Debt Online

Our Chart of the Month profiles first-time fundraising as a proportion of total private debt fundraising from 2007 to 2017 YTD. First-time fundraising was at its strongest pre-GFC, as first-time funds accounted for 30% of the number of funds closed and 19% of aggregate capital raised in 2007. While first-time fundraising has not yet recovered to its former share of the market, there has been growth in both the number of first-time funds and the total capital raised by first-time funds since 2013.

RECENT INVESTOR COMMITMENTS

Private Debt Online contains details of investors in the recently closed Capital Spring Investment Partners V, managed by Capital Spring. The fund reached a final close on $725mn with help from three known public pension funds: Employees' Retirement System of Rhode Island, Ohio Police & Fire Pension Fund and San Antonio Fire and Police Pension Fund. The US-focused direct lending vehicle is targeting senior debt investments in the US franchise and branded-restaurant sector.

Stellex Capital Partners, managed by Stellex Capital Management, reached a final close on $870mn in July with headline commitments of $300mn from New York State Common Retirement Fund and $50mn from Teacher Retirement System of Texas. Other investments included $14.6mn from California Public Employees' Retirement System (CalPERS) and $30mn from Houston Firefighters' Relief and Retirement Fund.

THE IMPACT OF ESG FACTORS ON PRIVATE DEBT

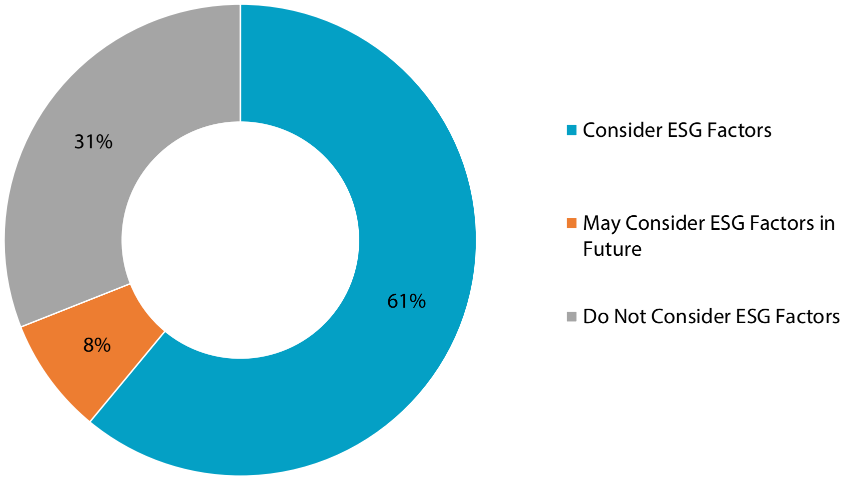
*Using data from Preqin's recently released **Private Debt Fund Manager Outlook, H2 2017**, we take a look at how ESG factors have affected fund managers' views on the private debt asset class.*

Evolving market conditions and investor preferences mean that fund managers are looking to differentiate themselves from their competitors in the race to secure capital. One increasingly prominent due diligence consideration among investors is the environmental, social and corporate governance (ESG) policies and implications of a portfolio company. Among GPs surveyed by Preqin in June 2017, 61% consider ESG factors during the deal-making process (Fig. 1) and 60% have decided not to invest in a portfolio company as a result (Fig. 2). In comparison, 39% do not consider such factors – including 8% that do not currently consider ESG factors, but may in the future – and have never eliminated a potential investment due to ESG objections.

Governance factors are considered by the largest proportion (71%) of private debt managers, followed by social (62%) and environmental (57%) policies. All managers surveyed that consider governance factors also take the balance of the management structure into account. Over half of fund managers identified both child labour and health and safety as the most important social issues, while sustainability of resources is the most commonly considered environmental factor among fund managers, followed by climate change.

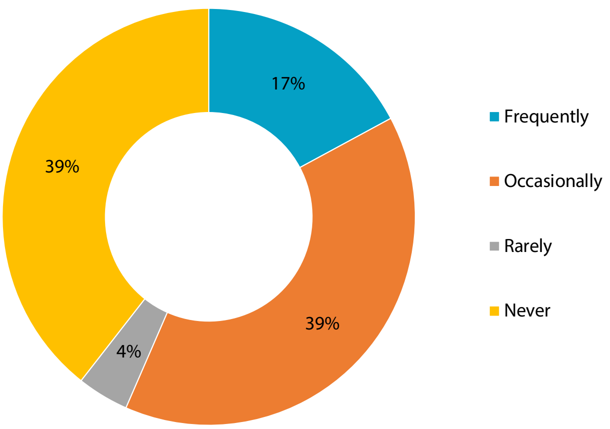
The most important factor in differentiating themselves from other fund managers, according to surveyed GPs, is their deal-sourcing capabilities (62%, Fig. 3). A consideration of ESG factors is one of many aspects of the deal-sourcing process that fund managers can therefore use to stand out among investors.

Fig. 1: Fund Managers that Consider ESG Factors as Part of the Deal-Making Process



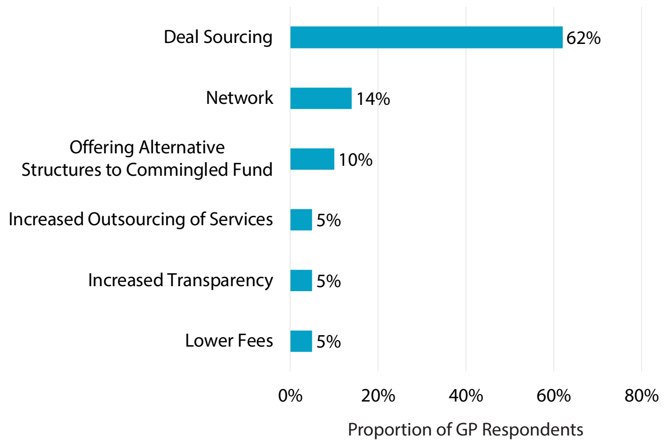
Source: Preqin Fund Manager Survey, June 2017

Fig. 2: Frequency with Which Fund Managers Have Decided Not to Invest in a Portfolio Company Due to ESG Factors



Source: Preqin Fund Manager Survey, June 2017

Fig. 3: Fund Manager Views on How to Differentiate Themselves from Their Peers



Source: Preqin Fund Manager Survey, June 2017

PRIVATE DEBT IN CHICAGO AND THE MIDWEST

*Using data from Preqin's **Private Debt Online**, we take a look at the private debt market in Chicago and the Midwest. We reveal the largest fund managers and investors, as well as sample private debt deals completed so far this year and more.*

15%
of Midwest-based private debt investors are located in Chicago.

$15bn
is currently allocated to private debt by Midwest-based investors.

3.3%
Midwest-based investors currently allocate, on average, 3.3% of their total assets to private debt.

Fig. 1: Five Largest Midwest-Based Investors by Current Allocation to Private Debt

Investor	Type	Location	Current Allocation (As a % of AUM)	Current Allocation ($mn)
Michigan Department of Treasury	Public Pension Fund	East Lansing, Michigan	3.0	1,802
Aegon Americas	Insurance Company	Cedar Rapids, Iowa	1.0	1,000
Exelon Corporation Pension Fund	Private Sector Pension Fund	Chicago, Illinois	5.0	940
CUNA Mutual Life Insurance	Insurance Company	Madison, Wisconsin	6.0	931
Minnesota State Board of Investment	Public Pension Fund	Saint Paul, Minnesota	1.0	869

Source: Preqin Private Debt Online

Fig. 2: 10 Largest Chicago-Based Private Debt Fund Managers by Total Capital Raised in the Last 10 Years

Firm	Estimated Dry Powder ($mn)	Total Capital Raised in Last 10 Years ($mn)
Prudential Capital Group	1,711	3,947
NXT Capital	599	2,483
Twin Brook Capital Partners	1,762	2,196
Monroe Capital	504	1,570
Guggenheim Investment Management	171	1,350
Maranon Capital	358	1,197
Freeport Financial Partners	332	748
Equity Group Investments	2	625
Merit Capital Partners	26	612
Victory Park Capital	22	555

Source: Preqin Private Debt Online

Fig. 3: Five Largest Private Debt Funds Closed by Midwest-Based Fund Managers in the Last 12 Months (As at August 2017)

1
CASTLELAKE V
Castlelake
Distressed Debt
Final Size: **$2,400mn**

2
PRUDENTIAL CAPITAL PARTNERS V
Prudential Capital Group
Mezzanine
Final Size: **$1,830mn**

3
VARDE FUND XII
Värde Partners
Distressed Debt
Final Size: **$1,740mn**

4
TWIN BROOK CAPITAL PARTNERS DIRECT LENDING FUND II
Twin Brook Capital Partners
Direct Lending
Final Size: **$1,600mn**

5
NXT CAPITAL SENIOR LOAN FUND IV
NXT Capital
Direct Lending
Final Size: **$900mn**

Source: Preqin Private Debt Online

Fig. 4: Five Largest Private Debt Funds in Market Managed by Midwest-Based Fund Managers (As at August 2017)

1
GUGGENHEIM PRIVATE DEBT FUND II
Guggenheim Investment Management
Direct Lending
Target Size: **$1,500mn**

2
MERCED V
Merced Capital
Special Situations
Target Size: **$800mn**

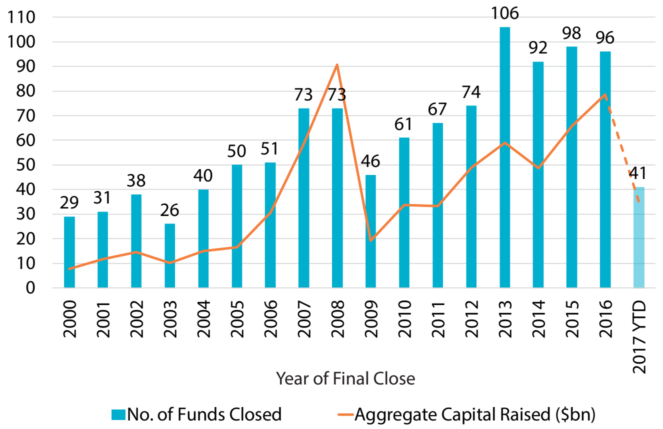
3
NXT CAPITAL SENIOR LOAN FUND V
NXT Capital
Direct Lending
Target Size: **$800mn**

4
GUGGENHEIM DISTRESSED DEBT FUND
Guggenheim Investment Management
Distressed Debt
Target Size: **$750mn**

5
VPC FUND III
Victory Park Capital
Distressed Debt
Target Size: **$650mn**

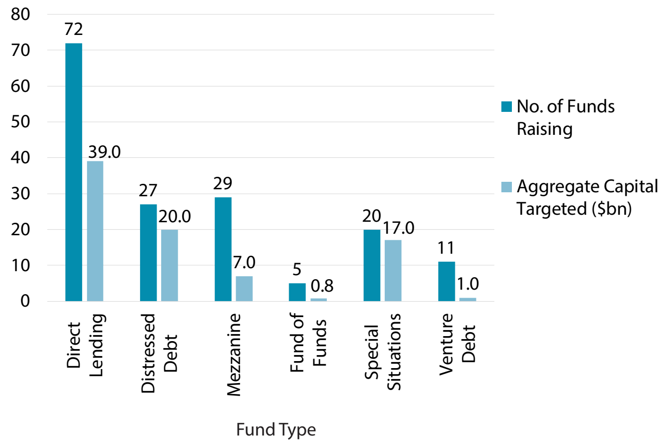
Source: Preqin Private Debt Online

Fig. 5: North America-Based Private Debt Fundraising, 2000 - 2017 YTD (As at August 2017)



Source: Preqin Private Debt Online

Fig. 6: North America-Focused Private Debt Funds in Market by Type (As at August 2017)



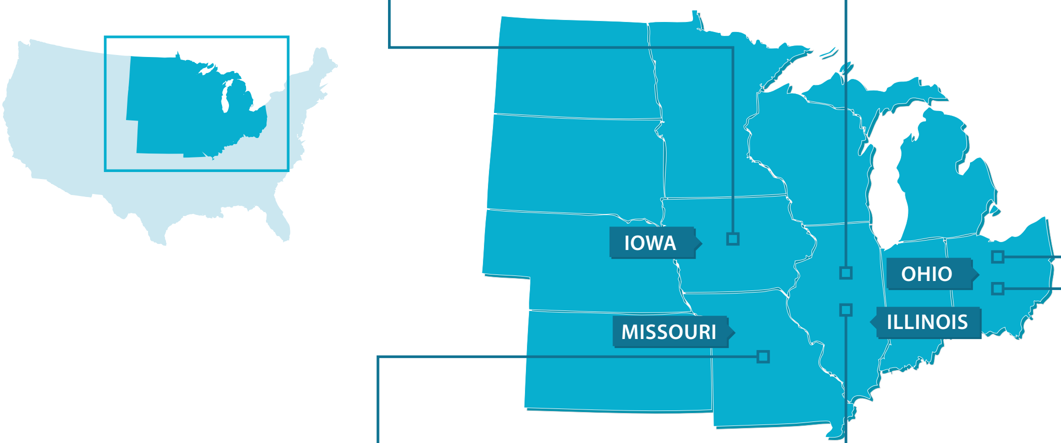
Source: Preqin Private Debt Online

Fig. 7: Sample Private Debt Deals Completed in 2017 YTD for Midwest-Based Portfolio Companies (As at August 2017)

PORTFOLIO COMPANY: Consumer Safety Technology
INVESTOR(S): Welsh, Carson, Anderson & Stowe
DEBT FINANCING PROVIDER: Ares Capital
CAPITAL STRUCTURE: Senior Debt

PORTFOLIO COMPANY: Becker's Healthcare
INVESTOR(S): Pamlico Capital
DEBT FINANCING PROVIDER: Barings
CAPITAL STRUCTURE: Senior Debt

PORTFOLIO COMPANY: MRI Software
INVESTOR(S): TA Associates
DEBT FINANCING PROVIDER: Golub Capital
CAPITAL STRUCTURE: Unitranche



PORTFOLIO COMPANY: Midwest Wholesale Hardware
INVESTOR(S): High Road Capital Partners
DEBT FINANCING PROVIDER: Monroe Capital
CAPITAL STRUCTURE: Unitranche

PORTFOLIO COMPANY: Stampede Meat, Inc.
INVESTOR(S): Wynnchurch Capital Partners
DEBT FINANCING PROVIDER: LBC Credit Partners
CAPITAL STRUCTURE: Senior Debt

PORTFOLIO COMPANY: Human Arc Corporation
INVESTOR(S): Centauri Health Solutions, Inc., Silversmith Capital Partners
DEBT FINANCING PROVIDER: Brookside Mezzanine Partners
CAPITAL STRUCTURE: Mezzanine

INVESTOR SATISFACTION WITH PRIVATE DEBT

*In an exclusive extract from Preqin's recently released **Investor Outlook: Alternative Assets, H2 2017**, we take a look at investor satisfaction with the asset class at present.*

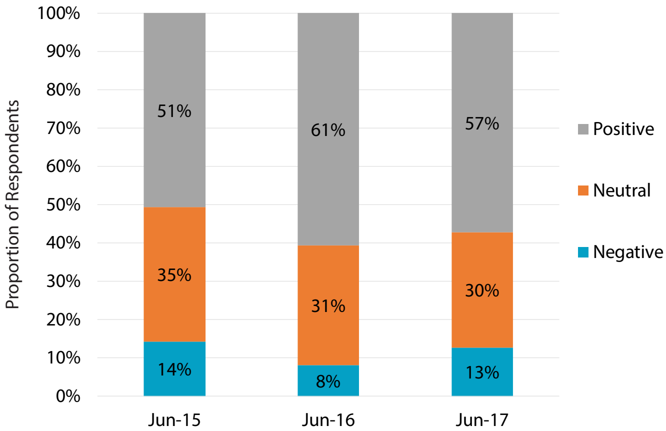
Investors' positive perception of the private debt industry remains strong moving into H2 2017, as cited by more than half (57%) of survey respondents (Fig. 1). Potentially more telling, however, is the consistently low reports of any negative perception from investors. When combined, the proportion of investors reporting positive or neutral attitudes towards the private debt asset class has remained at or over 86% since our 2015 study.

Reflecting on the year to June 2017, investor respondents are more satisfied with private debt performance than ever before. As investors become increasingly familiar with the maturing asset class, significantly more are reporting that their portfolios have met expectations over the preceding 12 months, with 80% having responded in this way in H2 2017 compared to 52% just two years earlier (Fig. 2). A further 12% of investors reported their private debt investments exceeded expectations over the past 12 months.

Looking back on the past three years, investors' views on private debt performance are even more positive: 21% have seen the asset class outperform expectations and just 6% signalled that their allocations have fallen short of expectations (Fig. 3).

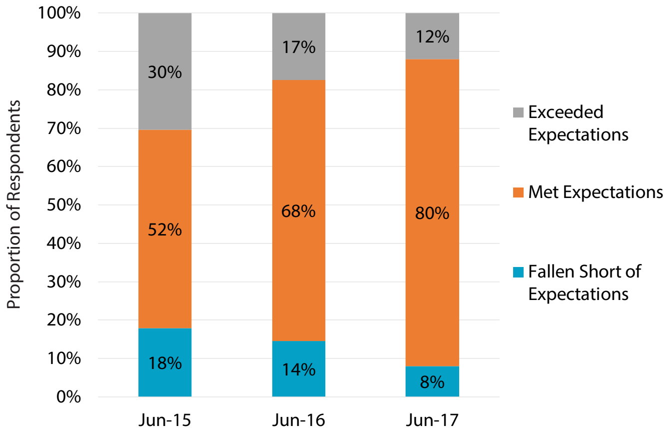
As shown in Fig. 4, investors over time have become increasingly confident in private debt's ability to meet portfolio objectives. Only 11% of investors reported that their confidence in the asset class has decreased over the past year, down from 16% of investors interviewed in June 2016 and 19% in June 2015.

Fig. 1: Investors' General Perception of the Private Debt Industry, 2015 - 2017



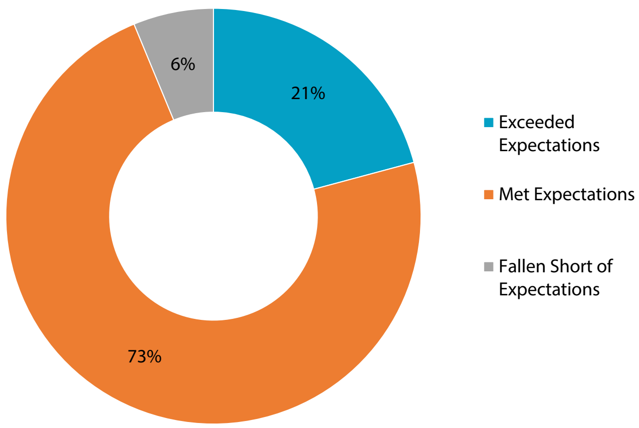
Source: Preqin Investor Interviews, June 2015 - 2017

Fig. 2: Investor Views on Private Debt Portfolio Performance over the Past 12 Months Relative to Expectations, 2015 - 2017



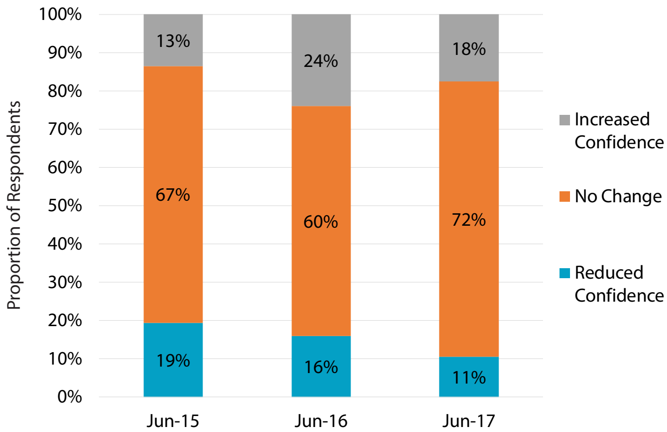
Source: Preqin Investor Interviews, June 2015 - 2017

Fig. 3: Investor Views on Private Debt Portfolio Performance over the Past Three Years Relative to Expectations



Source: Preqin Investor Interviews, June 2017

Fig. 4: Investors' Change in Confidence in the Ability of Private Debt to Achieve Portfolio Objectives over the Past 12 Months, 2015 - 2017



Source: Preqin Investor Interviews, June 2015 - 2017

CONFERENCES

SEPTEMBER 2017

Conference	Dates	Location	Organizer	Preqin Speaker	Discount Code
8th Specialty Finance Summit	13 - 14 September 2017	New York, NY	iGlobal Forum	-	-
Women's Investment Management Leadership Summit	14 September 2017	New York, NY	Opal Financial Group	-	-
Emerging Managers Summit	14 - 15 September 2017	New York, NY	Opal Financial Group	-	-
Ai CEO Institutional Investment Summit 2017	18 September 2017	New York, NY	Africa Investor	-	-
LPGP Connect Private Debt Chicago	19 September 2017	Chicago, IL	LPGP Connect	Ryan Flanders	-
DM Alternatives Conference	21 - 22 September 2017	Seoul	DarcMatter	-	-
IPE in Person – Investing in Private Debt	25 - 26 September 2017	Amsterdam	IPE	Ryan Flanders	-
SuperReturn Asia	25 - 28 September 2017	Hong Kong	KNect365	Mark O'Hare Felice Egidio	10% Discount – FKR2433PRQW
Global Distressed Investments Forum	26 September 2017	London	WJ Global Group	-	-
Channel Islands Funds Forum 2017	27 September 2017	Jersey	BL Global	Amy Bensted Tom Carr	-

OCTOBER 2017

Conference	Dates	Location	Organizer	Preqin Speaker	Discount Code
Australian Investors Summit 2017	5 - 6 October 2017	Sydney	marcus evans Summits	-	-
FundForum Middle East & Africa	9 - 11 October 2017	Dubai	KNect365	-	-
Latin Private Wealth Management Summit	9 - 10 October 2017	Cancún	marcus evans Summits	-	-
Local Government Pension Investment Forum	11 October 2017	London	KNect365	-	-
EURUS 2017	12 October 2017	Zürich	EURUS Forum	-	-
Global Investors Summit 2017	16 - 18 October 2017	Montreux	marcus evans Summits	-	-
C4K Investors Conference	18 - 19 October 2017	Toronto	Capitalize for Kids	-	-
Family Office & Private Wealth Forum – West	25 - 27 October 2017	Napa, CA	Opal Financial Group	-	-
Canadian Specialty Finance Summit: Accelerating Alternative Lending in 2018	26 October 2017	Toronto	iGlobal Forum	-	-
Private Wealth Management Summit APAC 2017	30 October - 1 November 2017	Macao	marcus evans Summits	-	-

NOVEMBER 2017

Conference	Dates	Location	Organizer	Preqin Speaker	Discount Code
SuperReturn Private Credit	1 - 2 November 2017	Chicago, IL	KNect365	Ryan Flanders	10% Discount – FKR2447PRQW
9th Annual Women's Alternative Investment Summit (WAIS)	2 - 3 November 2017	New York, NY	Falk Marques Group	-	-

LENDIT EUROPE 2017

DATE: 9 - 10 October 2017

INFORMATION: www.lendit.com/europe

LOCATION: InterContinental The O2 London

ORGANIZER: LendIt Conference LLC

LendIt Europe is Europe's largest global fintech and lending conference. This year's conference is expanding to cover the hottest fintech topics including digital wealth, blockchain, insurtech, and more. Meet 250+ industry leaders, 150+ investors and 1,000+ attendees from fintech companies, investment firms, banks, etc. Save 15% with VIP code PreqinVIP!

SUPERRETURN PRIVATE CREDIT

DATE: 1 - 2 November 2017

INFORMATION: https://finance.knect365.com/superreturn-private-credit/?vip_code=FKR2447PRQS&utm_source=PRQ_Spotlight&utm_medium=Spotlight&utm_campaign=FKR2447-PRQ-Spotlight&utm_content=FKR-2447PRQS&tracker_id=FKR2447PRQS

LOCATION: Four Seasons, Chicago

ORGANIZER: KNect365

Where the LP/GP marketplace meets to shape the future of private credit investing. Expand your knowledge. Generate targeted business opportunities. Maximize returns on your investments. Meet and learn from the best in private credit - one of the fastest growing alternative asset classes.

EUROPEAN CLO SUMMIT

DATE: 2 November 2017

INFORMATION: www.opalgroup.net/trk/ecloc1702.html

LOCATION: etc.venues County Hall, London

ORGANIZER: Opal Group

The CLO Summit is an educational forum designed for investors, issuers, underwriters, rating agencies, lawyers and accountants. At this conference, they can learn the newest techniques to maximize returns and reduce risk exposure in this growing area of Asset-Backed Finance.

2ND ANNUAL LPGP CONNECT PRIVATE DEBT BERLIN

DATE: 7 November 2017

INFORMATION: http://www.lpgpconnect.com/privatedebt/2nd-annual-lpgp-connect-private-debt-berlin/

LOCATION: Berlin Marriott Hotel, Inge-Beisheim-Platz 1, 10785 Berlin, Germany

ORGANIZER: LPGP Connect

LPGP Connect 2nd annual Private Debt conference brings together LPs and GPs from the global private debt community to analyse the latest trends in the market, build meaningful business relationships for long term growth and discover new investment opportunities around the globe.