Briarcliffe Bellwether

Our Proprietary Institutional Investor Survey

December 2023

Private Debt Investor AWARDS 2022

Advisory and Placement Agent of the Year: Americas

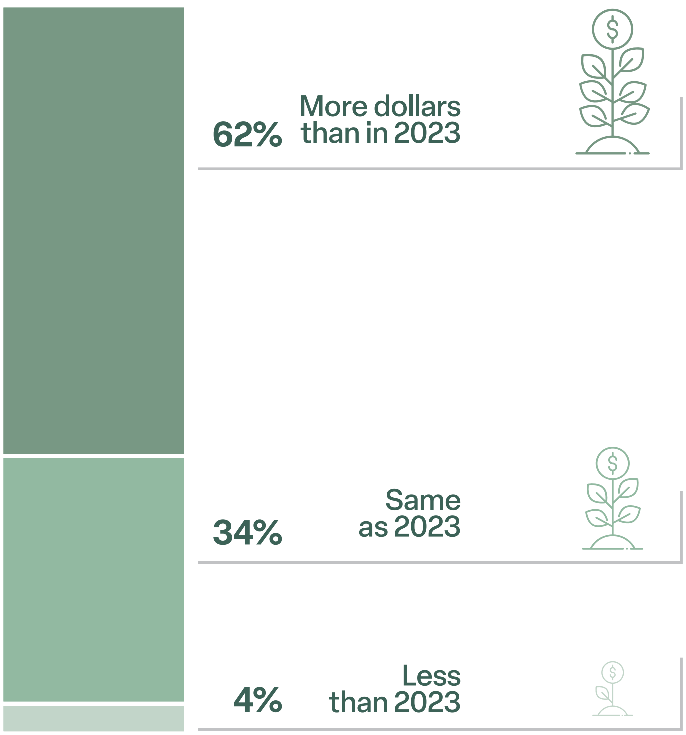
In September, Briarcliffe hosted its annual Investor Summit New York City, bringing nearly 100 institutional private credit investors and consultants together to meet directly with our eight investment managers representing differentiated private credit fund offerings. The forum provided investors an opportunity to speak directly with managers of strategies ranging from specialty finance, opportunistic credit, and asset-backed lending, to venture debt, including sector specialized funds with focuses on technology, media and telecommunications, residential mortgages, and enterprise software, among others.

During the opening discussion, Founder & CEO Jess Larsen asked investors about their plans for private credit in 2024. Answers were submitted anonymously in real time which produced the results outlined in this report.

The responses indicate that investors continue to value private credit given its innate risk / return attributes and strategy diversity. Investors indicated a strong appetite to increase allocation in 2024, as well as to onboard new manager relationships.

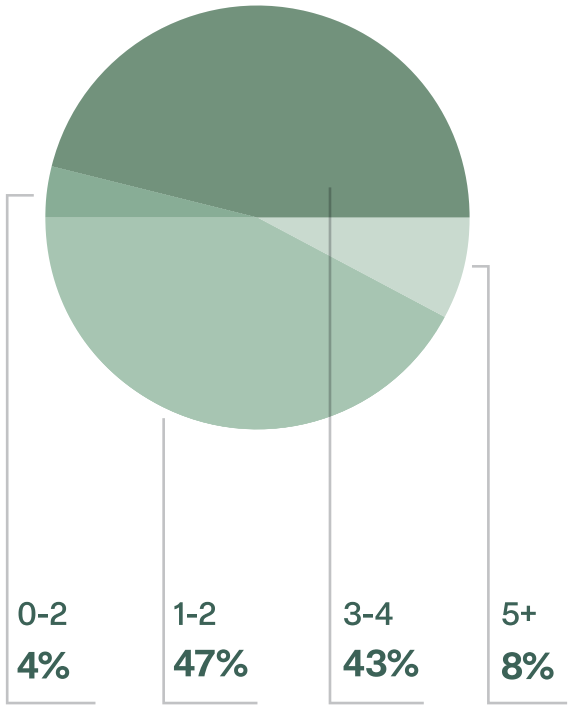
Question #1

How do you anticipate allocating to private credit in 2024?



Question #2

How many new (non-re-up) allocations do you anticipate for 2024?



The private credit market is broad and provides opportunities for investors across differing market cycles regardless of objectives and risk appetite. To illustrate the breadth and depth of the universe, Briarcliffe's proprietary mapping divides strategies into the Four Pillars of Private Credit™ which represent 26 sub-strategies. Through one lens, when market conditions are less predictable, risk averse LPs can invest at the top of the capital structure via senior lending or in strategies purchasing debt backed by collateral via asset-based lending. Those who wish to lean into value created by volatility can invest in special situations and opportunistic strategies.

Briarcliffe's Four Pillars of Private Credit™

1. Corporate Credit

- Direct Lending
- Distressed
- Mezzanine
- Non-Performing Loans (NPL)
- Opportunistic
- Secondaries
- Special Situations
- Venture Debt

2. Specialty Finance

- Asset Based Lending
- Consumer Lending
- Insurance Linked
- Litigation Finance
- Net Asset Value (NAV) Lending
- Regulatory Capital Relief
- Royalties
- Trade Finance

3. Structured Credit

- Asset Backed
- Collateralized Loan Obligations
- Commercial Mortgage Backed
- Residential Mortgage Backed

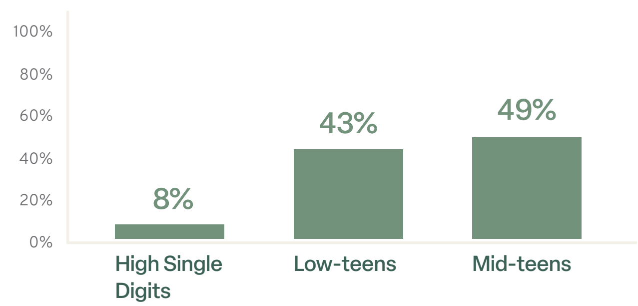
4. Real Assets Credit

- Agriculture
- Energy
- Infrastructure
- Metals & Mining
- Real Estate
- Transportation

It is clear investor interest is being driven by high interest rates and the downside protection many credit strategies offer, resulting in absolute and relative returns that cannot be ignored. The marking down of private equity portfolios in 2022-2023 following a decade of strong performance leaves investor return bogies unmet. We note that nearly all (92%) of respondents expect private credit to deliver returns in the low- to mid-teens, well above other alternatives and certainly compelling on a risk-adjusted basis.

Question #3

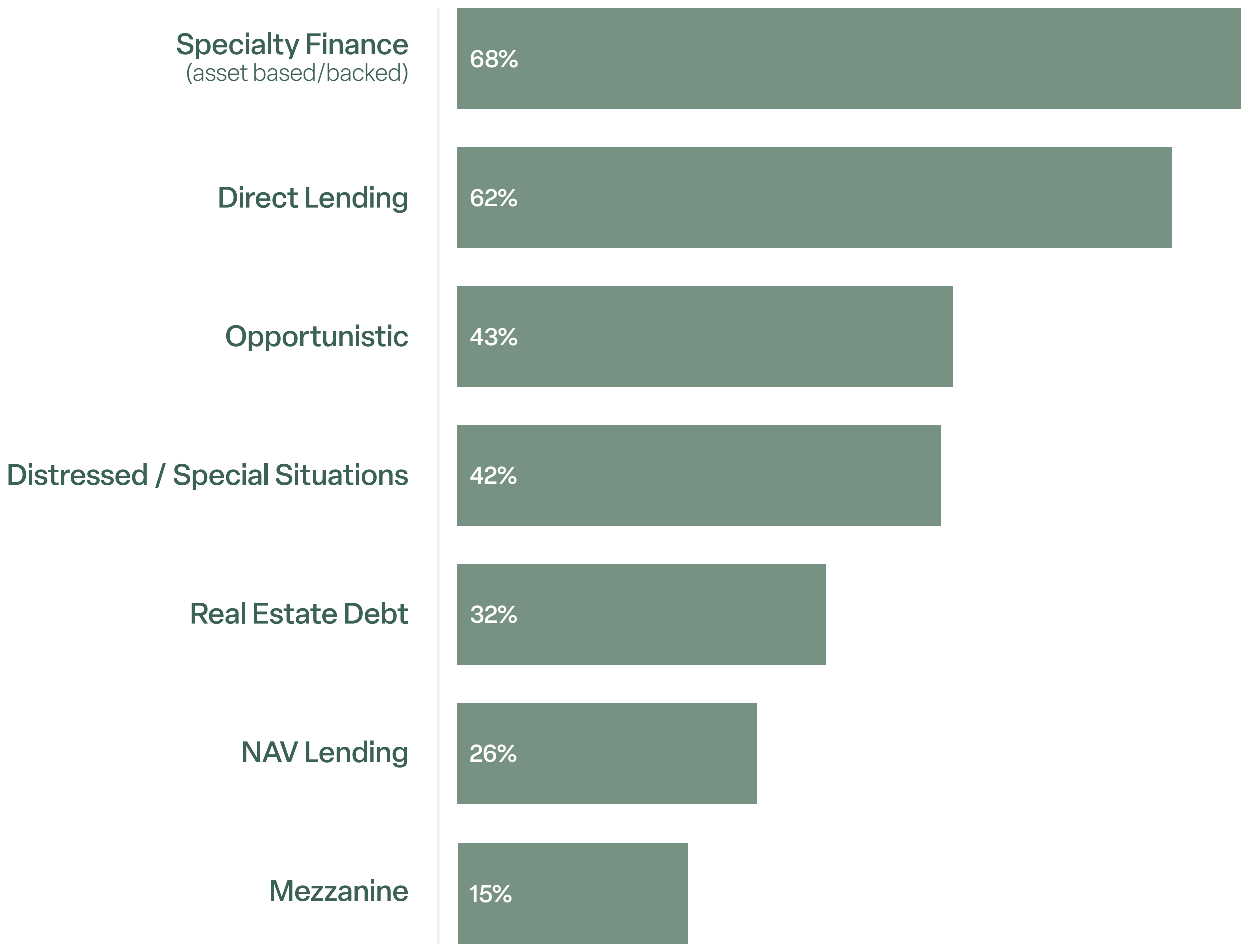
What are your return expectations for private credit strategies?



Many investors are seeking complements to mature, corporate credit exposure (i.e., direct lending) in other scaled credit markets. This, coupled with a defensive instinct to be closer to assets (financial and real), has led many investors to see the appeal of specialty finance (asset based / backed) which drew so much attention with 68% of investors expressing interest in those strategies. Nearly 90% of respondents indicated interest in opportunistic or distressed / special situations strategies, perhaps in anticipation of volatility on the horizon.

Question #4

Which three strategies are of most interest to you?

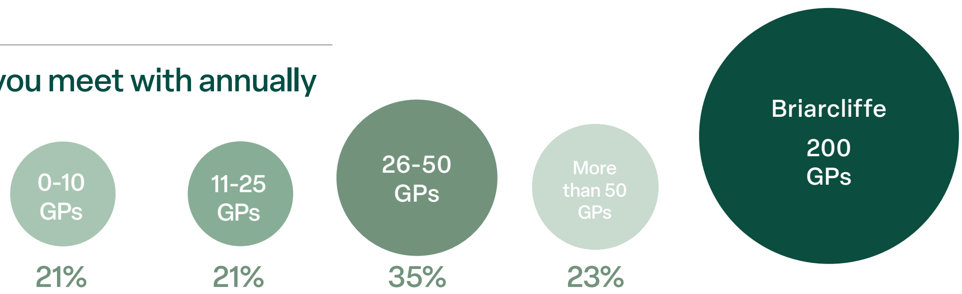


Investors, who in recent years have been stretched in many directions, do not necessarily have the capacity to meet with all private credit Funds in market – presently roughly 1,000[1]. In fact, about half of investors surveyed meet with fewer than 25 new managers per year, which we believe may result in missed opportunities.

By focusing exclusively on private credit, Briarcliffe knows the universe. Since inception in 2021, we have met with more than 600 credit managers, or 200 per year. Through stringent criteria, Briarcliffe has selected to represent just 2% of those funds, bringing to our investors the most compelling and differentiated strategies and teams.

Question #5

How many new GPs do you meet with annually (video or in-person)?



One of Briarcliffe's criteria for manager selection is proven performance within times of market volatility and then transition. We also see demand for sector specialists as they are intimately entrenched in their respective sectors, providing a deeper understanding of worst-case scenarios. As a result, investors benefit from their ability to navigate and perform through market cycles, as was reflected by respondents. Managers knowing when to pivot to further protect or enhance capital as markets transition is equally important and is determined through detailed track record review.

Briarcliffe origination criteria

Specialized focus

Our selected funds encompass investments of these types:

- Fund II or higher
- Top quartile performance
- Fund size: $500m – $2bn
- Net IRR:>10%
- Differentiated

Uniquely selective

We act very selectively to present positive offerings for investors. Of the 200+ GPs we meet with per year, we select just 2% to 3% of mandates to represent.

200 GPs Annually

- Initial screening
- LP-style underwriting
- Due diligence
- Legal

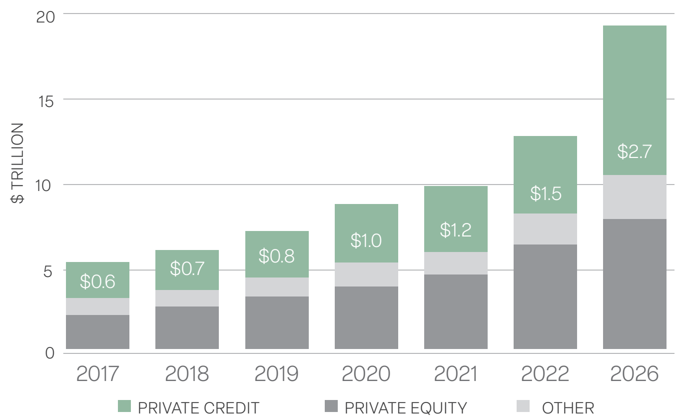
8 Mandates we bring to investors

Notes: 1. Preqin

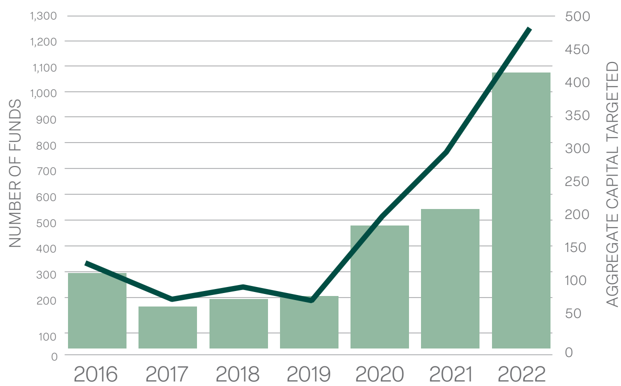
As the asset class continues to prove its value, investors shared with us their continued interest in pursuing all avenues to gain exposure efficiently and expeditiously including co-investments and secondaries. Evergreen structures are attracting more investor attention, as well. They help reduce time and resources required to re-underwrite strategies periodically and can offer allocation flexibility through liquidity. The efficiency of evergreen structures can give investors more time and optionality to review new private credit strategies and manager relationships, so we expect to see this structure used more in the coming years.

Notwithstanding some current headwinds, private credit remains in a secular bull market as the global financing infrastructure evolves. The industry has grown substantially over the past decade and continues to do so, with annual growth estimates exceeding 20% for the next several years.[1] Assets under management, expected to double to $2.7 trillion by 2027[1], has attracted new managers and sub-strategies to meet financing needs of corporations and individuals, in good times and bad.

AUM Growth[1]



GP Fund & Capital Growth[1]



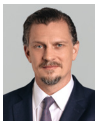
Adding to this momentum, the $178 trillion private wealth universe is in its early days investing in private credit. When combined, the result will be a $5 trillion industry[1] in the coming years – the current size of private equity AUM.

It is a great time to be in private credit. ■

Notes: 1. Preqin

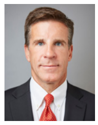
Deep expertise

Fundraising

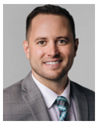


Jess Larsen
Founder & CEO

Kyle John
Managing Director



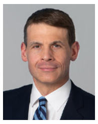
Jonathan Moll
Managing Director



Brett Murray
Vice President

Bogdan Vilicich
Vice President

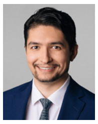
GP Advisory



Kyle Abel
COO & Co-Head of GP Advisory

Roger Li
Co-Head of GP Advisory

Robert Molina
Head of Origination



Dax O'Gorman
Associate

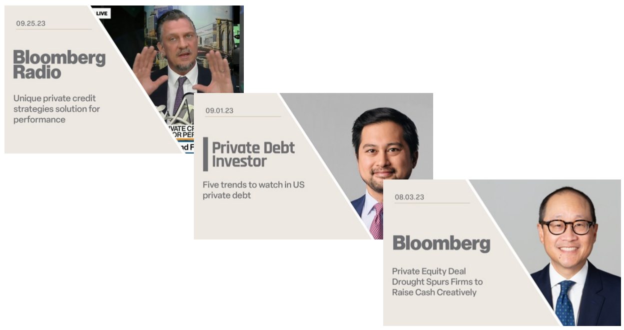
Alexander Schuck
Associate

Firm

Ryan Tirre
Head of Marketing & Communications

Laura Morales
Head of HR & Office Infrastructure

Our insights are sought throughout the industry, which includes speaking regularly at private credit and alternatives conferences and with global media.



CAIA ASSOCIATION®

UniFi Private Debt MICROCREDENTIAL

Briarcliffe helped coauthor the curriculum of the newly launched private debt credential administered by the Chartered Alternative Investment Analyst Association (CAIA). The certificate covers private credit fundamentals, corporate and asset-based lending, and portfolio implementation.

BRIARCLIFFE
CREDIT PARTNERS

Private Debt Investor
AWARDS 2022

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