Proskauer The Private Credit Group

TR€ND$ IN PRIV£TE CREDIT

The Industry **Speaks**

Contents

Executive Summary

The private credit market enters 2026 with a mix of optimism and caution. While fundraising is strong and most lenders expect increased deal activity, there's still a lingering overhang of risk aversion, some concern over asset quality, and frustration with stagnant deal flow. In addition, worries over interest rates, macroeconomic stability, and muted sponsor realization opportunities are also crowding lenders' minds for attention.

Still, 82% of lenders surveyed said they expect more deal activity in the coming year than they saw in the last 12 months; and while this was down from the record high of 91% that said that in our previous survey, it is still a strong indication of lender optimism.

Also, the level of total capital deployed halted a downward trend seen over the past few years by holding steady at around $206 billion, roughly the same as the previous year. There was movement in capital strategies toward larger deployment levels as the percentage of firms that deployed between $1 billion and $5 billion in credit strategies in the past 12 months grew, while the percentage that said their firms were deploying $1 billion or less decreased slightly.

Clearly, the private credit market is resilient, but lenders are appearing more selective and disciplined, focusing on quality deals and more robust credit protections on other deals.

This is a marked departure from the start of 2025 when we published our last survey report on the private credit market. Then, many lenders said they were expecting significant opportunities after a slow 2024, and many had deep pockets of capital to deploy and saw continued investor confidence in private credit as an asset class. While those hopes weren't exactly dashed throughout 2025, they were tamped down a bit because the overall global economy experienced some turbulence that was driven by changes in tariffs, evolving regulations, sticky inflation fears, and heightened geopolitical tensions.

These factors created uncertainty and made dealmaking more challenging, which led many in the private credit market to go into a holding pattern and wait for conditions to improve before committing to new investments. When the anticipated surge in activity did not occur, it left pent up demand and a sense of frustration among lenders. Thus, lenders are taking an understandably more cautious approach as we begin 2026.

The *Proskauer Private Credit Survey 2026*, which annually gathers responses from private credit firms in the United States, the United Kingdom, and Mainland Europe, showed that overall, almost all respondents say they are keeping an eye on default levels, static deal flow, interest rates, and the likely waning patience of sponsors, especially private equity firms that may be under pressure to seek realization.

As in previous years' surveys, we look into the most critical drivers of deal flow in the private credit market, as well as what major challenges lenders are facing today. The report also cites some of the hottest topics lenders are talking about for this coming year, such as asset quality, acquisition activity, and the possibility of recession. We also explore the key five year trends that may impact dealmaking and the private credit market in 2026 and beyond. Further, this report offers insight into the minds of private lenders in areas such as deal volume, pricing, borrower EBITDA, deal covenants, and, perhaps more importantly, why they think borrowers continue to choose private credit solutions in the first place.

As our data shows, lenders today are traversing terrain in which competition for high quality deals has intensified; yet, despite the competitive environment, a notable imbalance has emerged in deal flow. Many lenders are finding themselves waiting for higher quality opportunities, while others moved quickly to secure deals as they became available. Underpinning all this is private equity firms, which are facing their own pressures to realize their investments through platform divestitures — if they can get the terms they want.

Fortunately for those waiting, we're already seeing some positive signs of an opening of the deal flow spigot, if only slightly. This year, the portion of lenders that made less than 50 new credit investments in 2025 fell to 66% from 71% in 2024. That deal pace — roughly two deals a month — demonstrates how slow the market had been for new deals in 2024, and it is good news for dealmakers that a smaller portion of lenders are falling into that category today.

Still, the road ahead is far from clear, and the regulatory and geopolitical risks that fueled much of the choppiness of 2025 have not yet abated. Indeed, almost four in 10 lenders surveyed say that either we are in a recession now or will be within the next 12 months — a significant jump from what we saw in our previous survey.

Despite these concerns, our survey shows that lenders with robust fundraising plans can afford to be patient and wait for higher quality deals that meet their risk criteria. Of course, if the market in 2026 can deliver a wave of new deals, there is potential for a significant uptick in activity as pent up demand is released.

Many lenders are more cautious for 2026, as their high expectations for 2025 didn't fully materialize

- A smaller portion — although still a majority (66%) — of firms made fewer than 50 new credit investments last year, while 34% made between 26 and 100 new credit investments last year. That deal pace shows a bit of improvement over the previous year, when 71% of firms made fewer than 50 new credit investments.
- A large portion of lenders (82%) said they expect more deal activity in the coming year than they saw in the last 12 months, down from the record high of 91% that said that in our previous survey.
- A large majority of lenders said they are raising debt funds with further plans to fundraise, and 80% said they have fund level leverage facilities, with 70% of those employing leverage of less than 1.5 times.
- Interest rates were identified by respondents as the top factor driving increased deal activity, while *sponsors seeking realizations* ranked as the most important driver of deal flow.
- The portion of U.S. respondents that won't do deals without financial maintenance covenants grew dramatically to 46%, climbing 11 percentage points from 2025 and pointing to an increased desire on the part of lenders to seek credit deterioration protection.
- Interestingly, 83% of lenders said they would be willing to offer pay in kind (PIK) pricing options at origination.
- A larger portion of lenders (61%) said that the size of the check their firm is willing to write has increased in the past 12 months, compared to 49% and 28% that said that in 2025 and 2024, respectively. This appears to show that lenders today continue to be more willing to increase the size of their check to compete for larger deals.

Challenges for the year ahead

- A larger portion of lenders (39%) said that either we are in a recession now or will be within the next 12 months — a significant jump from those that said so in our previous survey and a worrisome sign of overall lender sentiment.
- While a significant majority of overall lenders say that less than 2.5% of their portfolios are already in default, more than one quarter of lenders say 2.5% or more of their portfolio is already in default — a warning sign that hasn't abated over the past couple of years.
- The largest portions of respondents cited *lack of alignment on purchase price* and *lack of quality assets in the market* as their two biggest concerns over the next 12 months, underscoring that worries over dealmaking and credit quality are foremost in lenders' minds.

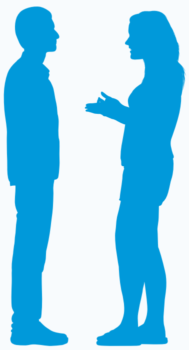
Demographics of Respondents

The *Proskauer Private Credit Survey 2026* gathered 98 responses from private credit firms. Of this year's respondents, 73% were in the United States, and 27% were in the United Kingdom & Europe. Further, 64% of respondents were either Managing Directors or Partners at their firms, and 80% of respondents were senior level executives.

(See full breakdown in the charts below.)

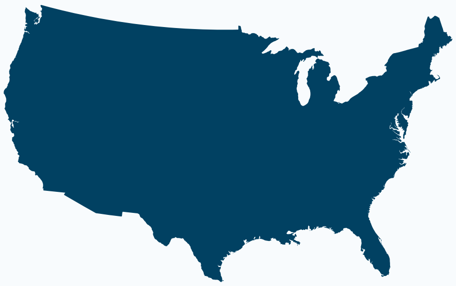
In terms of assets under management (AUM), less than half (47%) of this year's survey respondents came from firms with $10 billion or more in AUM, and another 38% came from firms with between $1 billion and $9.99 billion in AUM. The remaining 15% came from firms with less than $1 billion in AUM.

Managing Director	**40%**
Partner	**24%**
Director	**11%**
Vice President	**8%**
Principal	**7%**
Executive Director	**5%**
Associate	**2%**
Senior Associate	**1%**
Internal Counsel	**1%**
Other	**1%**



98 **Respondents in total**

73%



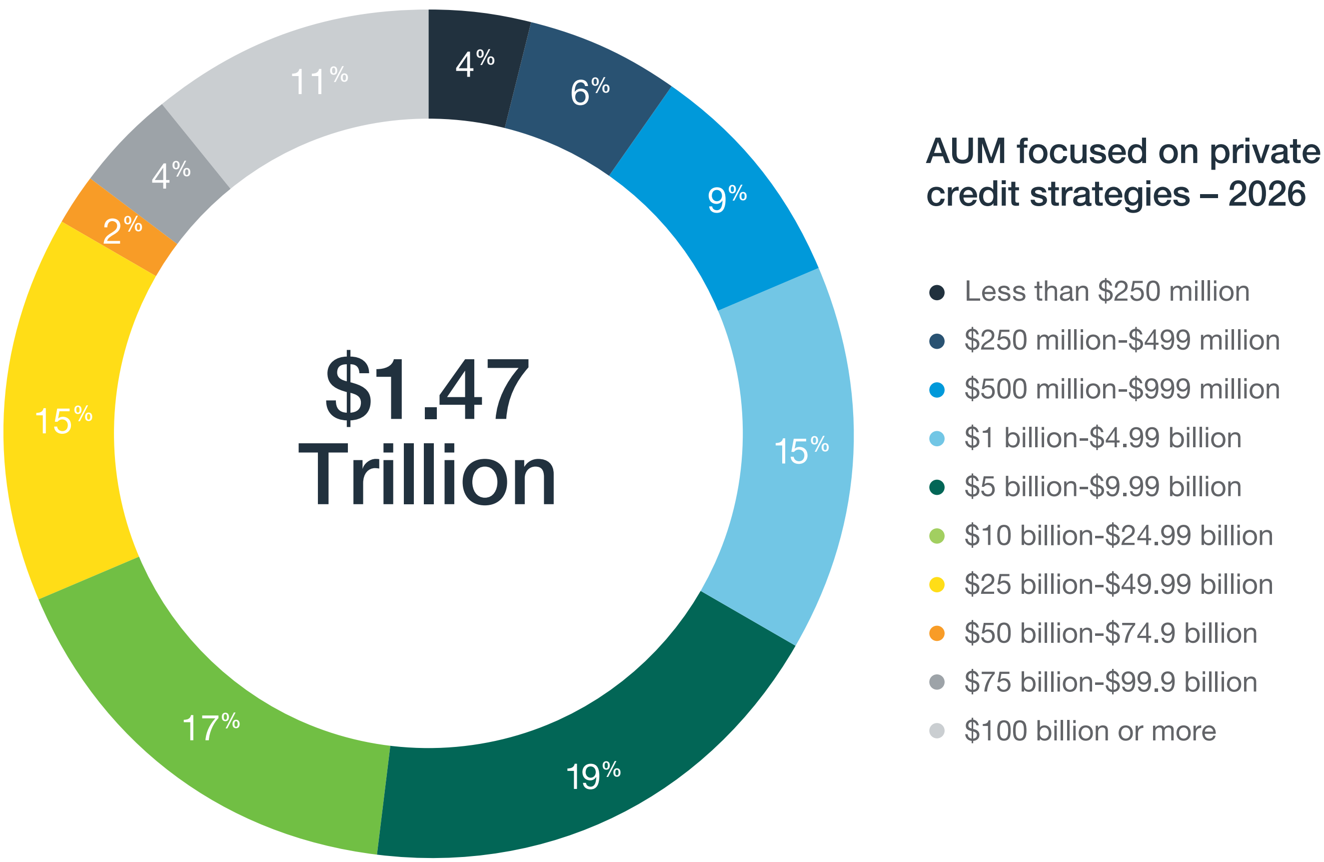
United States

27%

United Kingdom & Europe

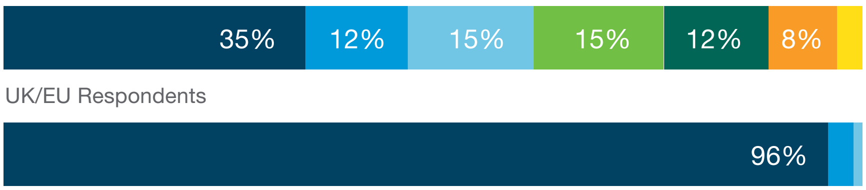
Demographics of Respondents

The private credit firms surveyed in this report represent total AUM of roughly $1.47 trillion. [1]

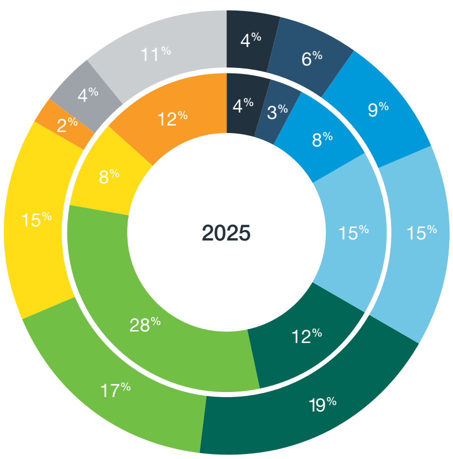


1. To calculate a total figure for AUM among the respondent base, we identify the most senior respondent per company (so we have one response per company) and take the lowest AUM value in the range. For example, if they selected $250m to $499m, then we take $250m as the value for that response. If they chose "Less than $250m," we take $100m as the value. Adding them all together then gives us the collective AUM for the market, as represented by respondents to the survey. UK/EU (€) is converted to USD ($) with the exchange rate of 1.0557073 to calculate combined total AUM.

Headquarters 2026

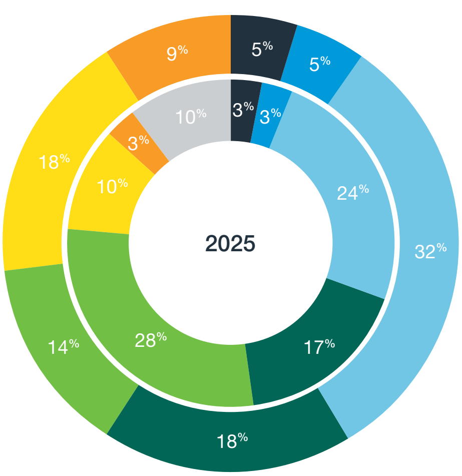


85% of respondents manage $1 billion in assets or more.



U.S. 2026 – $1,151,450,000,000

- Less than $250 million
- $250 million-$499 million
- $500 million-$999 million
- $1 billion-$4.99 billion
- $5 billion-$9.99 billion
- $10 billion-$24.99 billion
- $25 billion-$49.99 billion
- $50 billion-$74.9 billion
- $75 billion-$99.9 billion
- $100 billion or more



UK/EU 2026 – €257,600,000,000

- Less than €250 million
- €250 million-€499 million
- €500 million-€999 million
- €1 billion-€4.99 billion
- €5 billion-€9.99 billion
- €10 billion-€24.99 billion
- €25 billion-€49.9 billion
- €50 billion-€74.9 billion
- €75 billion-€99.9 billion
- €100 billion or more

Current State of Play

The survey results that underpin The *Proskauer Private Credit Survey 2026* are generally in line with other forecasts and market studies that point to a mixed showing, at least for the beginning of 2026, as some of the choppiness of 2025, especially around macroeconomic conditions, could continue to impact dealmaking going forward.

"The uncertainty that marked 2025 is likely to persist in the new year," S&P Global suggested. "Challenges may also intensify in the form of new pressures from tariffs on businesses and consumers, as well as the potential for monetary policy to remain tighter for longer." [2]

While this sentiment underscores the cautious view among lenders to which some of our survey data pointed, overall sentiment remains high, as seen by high expectations for deal activity and continued robust levels of fundraising.

Indeed, many market experts agree and paint a somewhat rosier picture of the coming year. For example, Adams Street pointed out certain aspects of the market that were likely to keep the private credit market humming along. "We believe the outlook for private credit continues to remain largely favorable and is well suited for the current environment," Adams Street wrote. "Private credit all in yields remain high and continue to compare favorably to most credit alternatives." [3]

BlackRock also noted that the presence of such strong private equity activity could be a boon to the private credit market in 2026. "Private equity (PE) exit activity has generally been contained to the largest assets and hasn't yet encompassed a wide range of portfolio companies," BlackRock writes. "To us, this suggests that PE general partners are likely prioritizing 'exiting' their largest and highest quality assets." [4]

Overall, an optimistic view, tempered with a bit of caution, is the prevailing sentiment.

Overview of key economic and market statistics

- The U.S. Federal Reserve cut [100] basis points off its federal fund rate over the past 12 months. The Federal Funds Effective Rate was 3.50% to 3.75% following the most recent rate cut in December 2025.
- Bank of England base rate is 4%, 75 basis points less than where we were last year at this time.
- 10 Year Treasury Rate is at 4.02%, down 20 basis points from the close of the previous year.
- Over the past year, the S&P 500 Index is up 13.09% and near its all time high of 6,920.34
- The S&P Global Ratings expects the speculative grade corporate default rate to climb to 4.25% by June 2026, higher than in 2025 but on par with the default rate in 2024.

- The yield on the 10 Year Government Bond is 4.14%, as of December 5, 2025, which is down slightly from a year ago.
- Preqin forecasts that private credit AUM will grow significantly, reaching about $2.64 trillion by 2029, up from roughly $1.7 trillion today.

What forecasters are saying:

According to the plurality of private credit market forecasters, the market is poised for growth in 2026, supported by strong investor demand, resilient fundamentals, and evolving macroeconomic conditions. Multiple leading financial institutions and research sources — including S&P Global Ratings, BlackRock, JP Morgan, Oaktree, Goldman Sachs, Moody's, and Morgan Stanley — provide a consensus view that private credit will remain a key driver in alternative investments and corporate financing, even as the past year's challenges remain and new risks and uncertainties emerge.

"Private credit is expected to continue expanding in 2026, driven mainly by sustained episodes of market volatility that push more borrowers away from the syndicated loan market and into private credit," writes BlackRock, emphasizing that sponsor related M&A activity has accelerated and is expected to broaden, creating additional deal flow for private credit. In fact, BlackRock sees asset backed finance (ABF) as a major growth engine, with 58% of investors planning to prioritize ABF strategies. That will provide "a significant runway for private credit expansion," BlackRock writes. [5]

Forecasters also point out factors such as projected strong fundraising and significant capital ready to deploy. Also, the sector is projected to gain $119 billion in alternative fund in-flows by 2026, representing 58% of all such projected alternative in-flows, according to Mark Goldberg, founder of Alternative Investments Market Intelligence. Larger lenders are likely to dominate fundraising, he adds, and the market is expanding globally, with non bank lenders gaining market share, especially in the United States and Europe.

Goldberg writes that the private credit sector has had a "meteoric rise, having expanded nearly 17-fold in fundraising between 2020 and 2026. Together, total alternative fundraising across asset classes is forecast to grow approximately 17.7% between 2025 and 2026, from $192 billion to $226 billion. [6]

One glitch in the market — the recent high profile collapse of First Brands in September 2025 — may have cast a harsh light on possible deeper risks in the private credit market.

Jamie Dimon, CEO and Chair of JPMorgan Chase, used the metaphor "when you see one cockroach, there's probably more" to suggest that these failures may signal broader weaknesses in lending standards. Dimon's comment triggered some blowback, as Marc Lipschultz of Blue Owl Capital blamed the negative attention on unnamed "people" who have "meaningful, parochial interests" in seeing the private credit market stumble.

Despite this dust up, the vast majority of forecasters say the outlook for private credit in 2026 is largely favorable, with strong growth, resilient fundamentals, and expanding opportunities. They do caution, however, that investors should remain disciplined, monitor risks, and focus on quality deal selection in the coming year.

"Growth of private credit will remain robust," writes S&P Global Ratings. "Private credit providers continue to see strong fundraising and have significant capital to deploy." [7]

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2. S&P Global, *Market Intelligence: Insights in Motion* © 2025; (Lead author: Chris Fenske, Head of Capital Markets Research, Primary Markets Group, S&P Global Market Intelligence).
3. Adams Street, *Private Markets 2026 Outlook* (November 2025).
4. BlackRock, *Global Credit Quarterly: 4Q2025* (October 2025).
5. BlackRock, *Ibid*.
6. Alternative Investments Market Intelligence, or AltsMI.com, bases its data on the *Alts Leaders Survey* for the years 2025 and 2026, as well as historical data from Robert A. Stanger & Company covering 2020 to 2024.
7. S&P Global Ratings; *Global Banks Outlook 2026: Resilience Amid Uncertainty* (Nov. 12, 2025); p. 32.

Detailed Results

What our survey respondents are saying

Looking at our survey respondents' predictions for the private credit market and the overall global economic outlook, clear strands of both optimism and caution are evident. Many lenders seem to be taking the lessons of 2025 to heart. It was a year in which great expectations led to a bit of disappointment, and they are trying not to get out ahead of themselves in the new year.

For example, the portion of lenders that made fewer than 50 new credit investments in 2025 fell in 2025, but it was still almost two thirds of lenders. That deal pace of fewer than 50 new credit investments equals roughly two deals a month, a certain sign of a slow deal market. Yet, fewer lenders falling into that category is good news for the market.

A further positive sign is that deal activity is expected to be positive on balance, with a +80 net percentage favorability that shows lenders expect deal activity to be more active. Although that's down a bit from last year's survey, it's stronger than some of the past years, which were net percentage negative.

Still, significant challenges remain in the market and lenders' sentiment attests to that. For example, the largest portions of respondents cited *lack of alignment on purchase price* and *lack of quality assets in the market* as their two biggest concerns over the next 12 months, highlighting their concerns over dealmaking and credit quality.

Also, a sizable portion of respondents said that either we are in a recession now or will be within the next 12 months — a worrisome sign of overall lender sentiment.

Still, as 2026 begins, private credit lenders seem to have more to smile about than not. "We are seeing more front end opportunities, and sponsors indicate more books coming in," says one U.S. based lender. "Not in a huge way, but almost all indicate some level of uptick."

Lenders' Insight

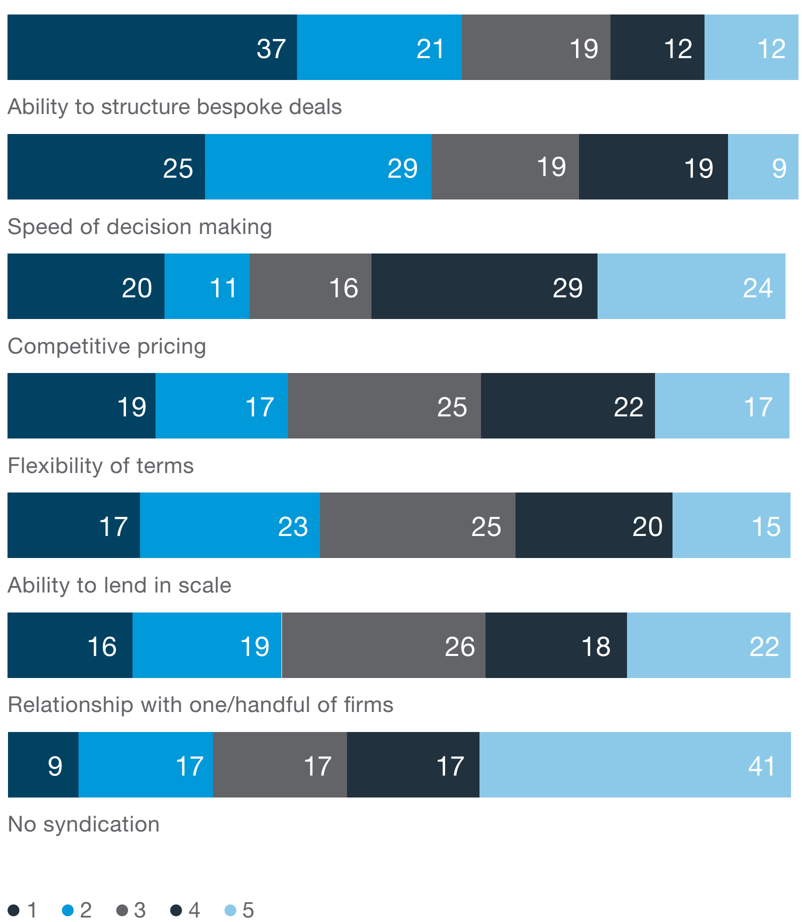
Respondents gave various reasons as to why they think their borrowers value private credit lending, offering insight into what lenders see when they look at their borrowers, the market, and the terms of the deals they are considering. Respondents were asked to select up to five reasons why they believe borrowers value private credit and rank them in order of importance.

Interestingly, there was a reshuffling of the top reasons borrowers value private credit, according to this year's survey with *ability to structure bespoke deals* landing first and *speed of decision-making*, which topped the list the past two years, falling in favor.

One possible reason for this reshuffle may be that the lack of robust deal flow leaves more opportunities to structure more specialized deals, leading to a higher emphasis on varied strategies and a lower emphasis on speed.

Advantages of private credit?

Overall - Sorted by first rankings



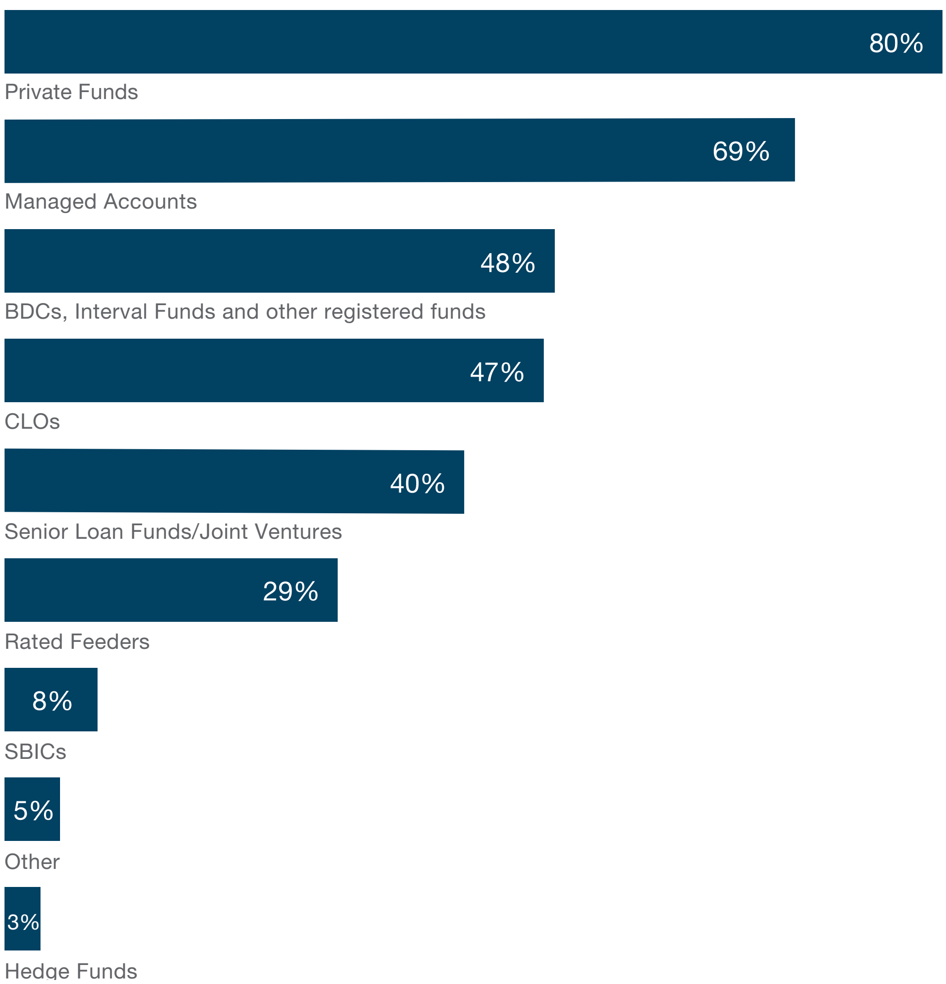
Investment Conditions and Considerations

Lending Vehicles

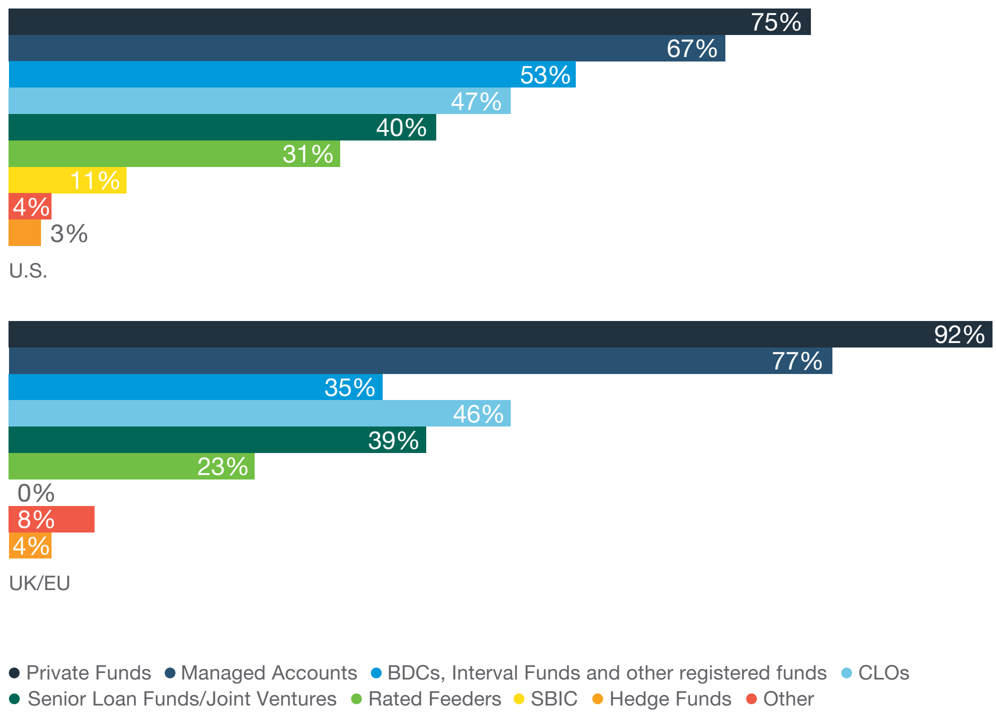
A large majority of all respondents (80%) continue to cite private funds as their preferred lending vehicle, including 75% of U.S. respondents and 92% of UK/EU respondents. However, that percentage has continued to slip a bit every year since 2021 and is most marked among U.S. respondents. In 2021, 91% of U.S. respondents said private funds were their lending vehicle of choice.

This may indicate a continuation of a diversification trend we've seen over the past several years, especially among those lenders with $10 billion in AUM.

What vehicles do you utilize for your lending activities?



What vehicles do you utilize for your lending activities?

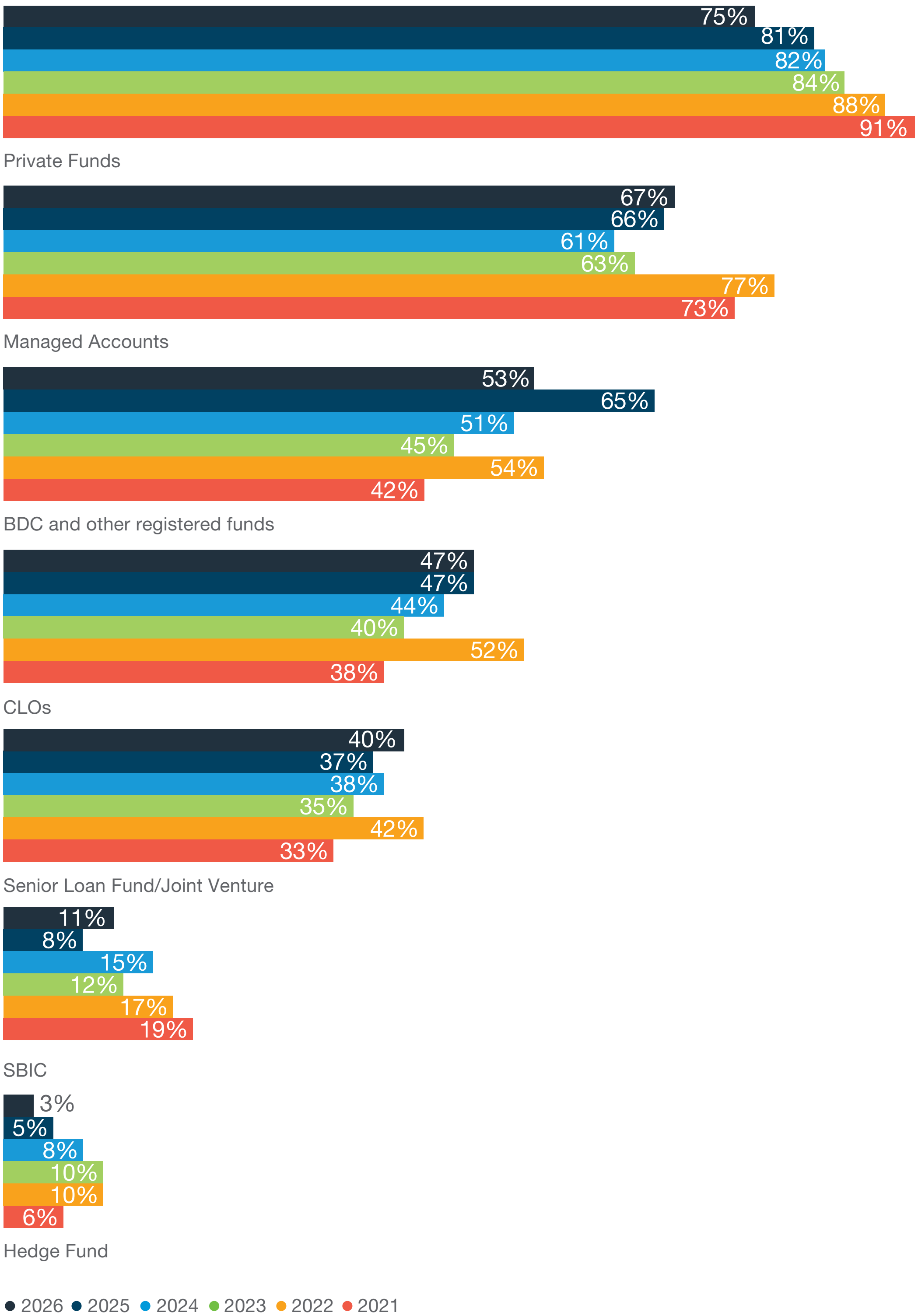


In a counter to the trend of last year, the use of other lending vehicles — such as managed accounts, collateralized loan obligations (CLOs), and business development companies (BDCs), which all saw large upticks in use in our previous survey — saw more of a mixed bag this year. In the U.S. market, for example, the use of BDCs dropped, although more than half of U.S. respondents (53%) still said they use these vehicles; however, BDCs seem to gain favor in the UK/EU region, with 35% of those respondents saying they use them, a 14 percentage point climb from the previous survey.

Lending Vehicles

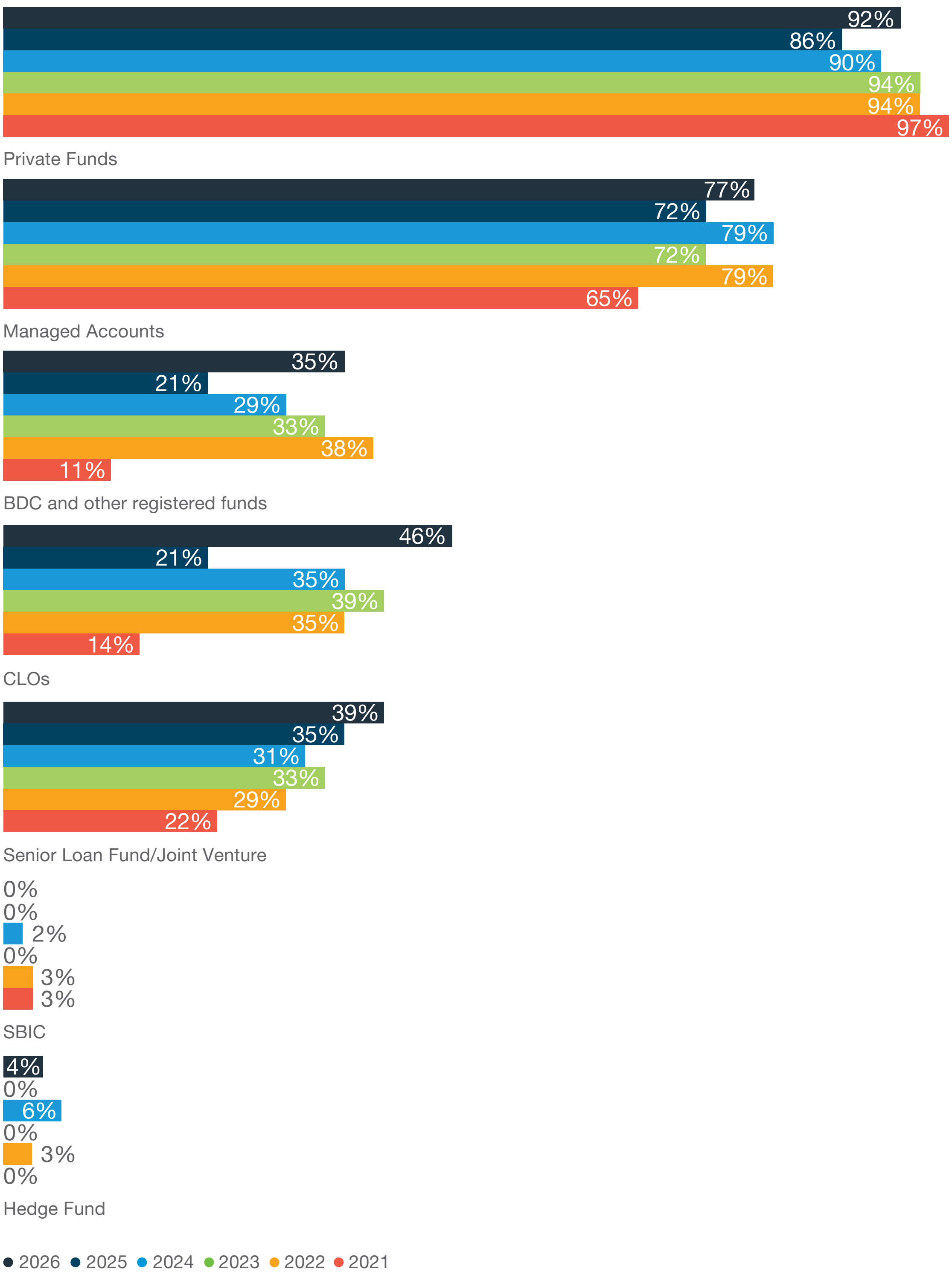
What vehicles do you utilize for your lending activities?

U.S. 2026/2025/2024/2023/2022/2021



What vehicles do you utilize for your lending activities?

UK/EU 2026/2025/2024/2023/2022/2021

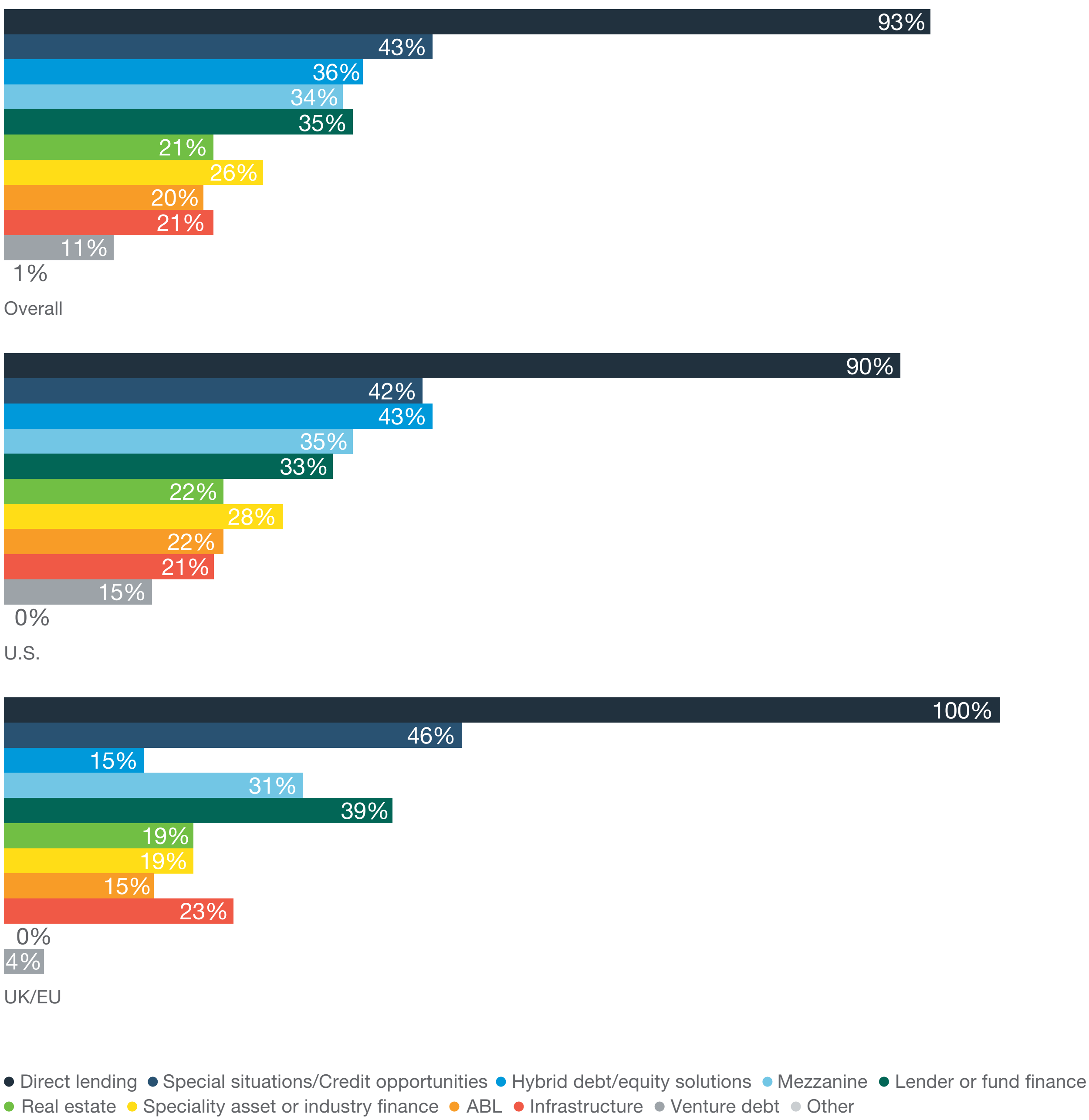


Hybrid debt/ equity solutions and venture debt notably less common in UK/EU

Private Debt Strategies

Direct lending continues to be the top private debt strategy in all regions by a wide margin and again is even slightly higher in the UK/EU market than it's been for the past several years. Farther down the list but still the second most cited strategy, *special situations/credit opportunities*, fell back in favorability a bit, even being eclipsed by *hybrid debt/equity solutions* among U.S. lenders.

What private debt strategies does your firm pursue?

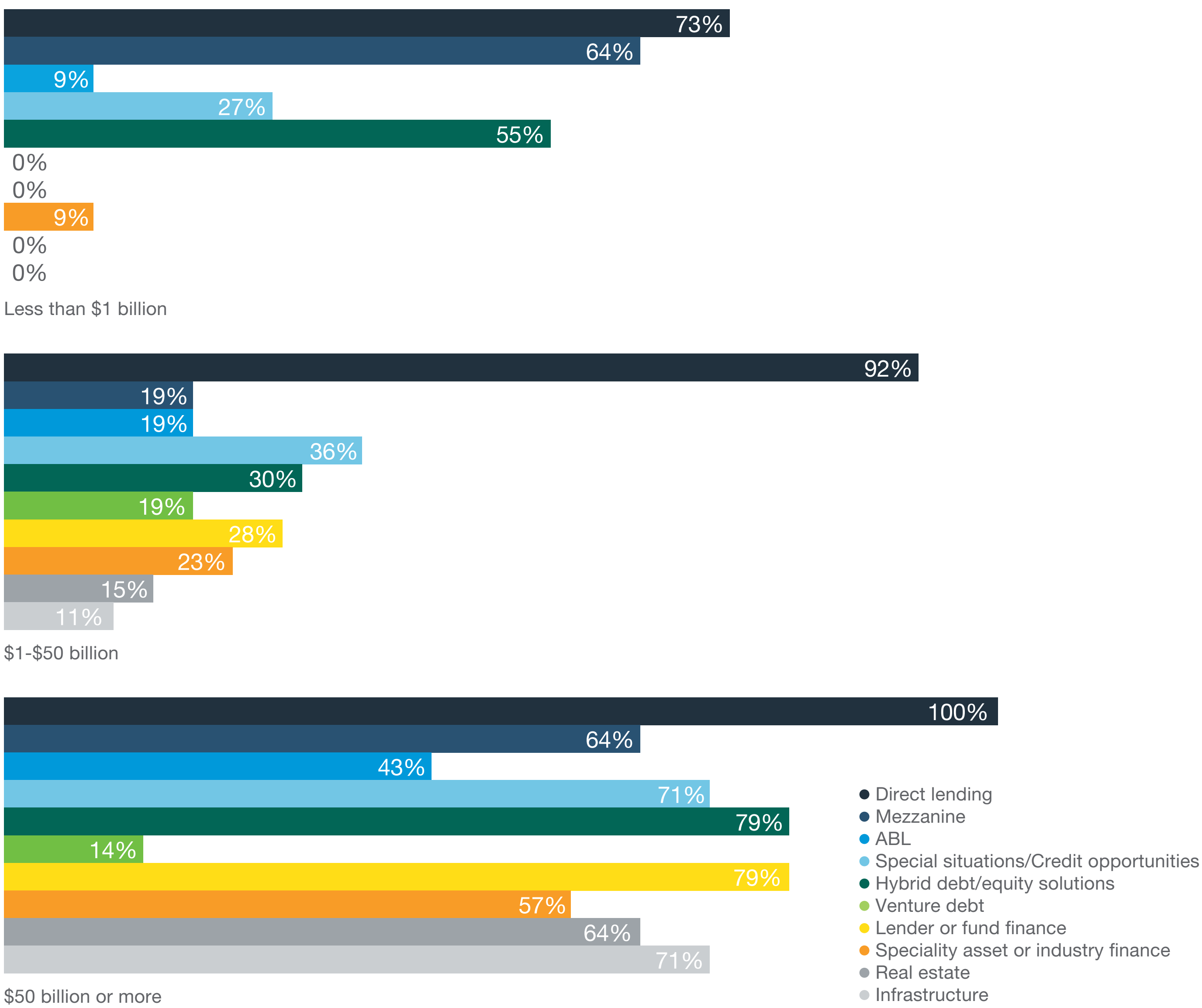


When responses from the U.S. market were broken out by AUM, we see those firms with between $1 billion and $50 billion AUM strongly attached to *direct lending*, with only *special situations/credit opportunities* being used by more than one third of U.S. lenders in that category.

Among those U.S. firms with $50 billion or more of AUM, private debt strategies cited continued to be widely dispersed, with just two of the nine strategies being cited by less than half of U.S. lenders and seven others cited as a preferred strategy by more than half of the largest U.S. lenders.

What private debt strategies does your firm pursue?

U.S. by AUM

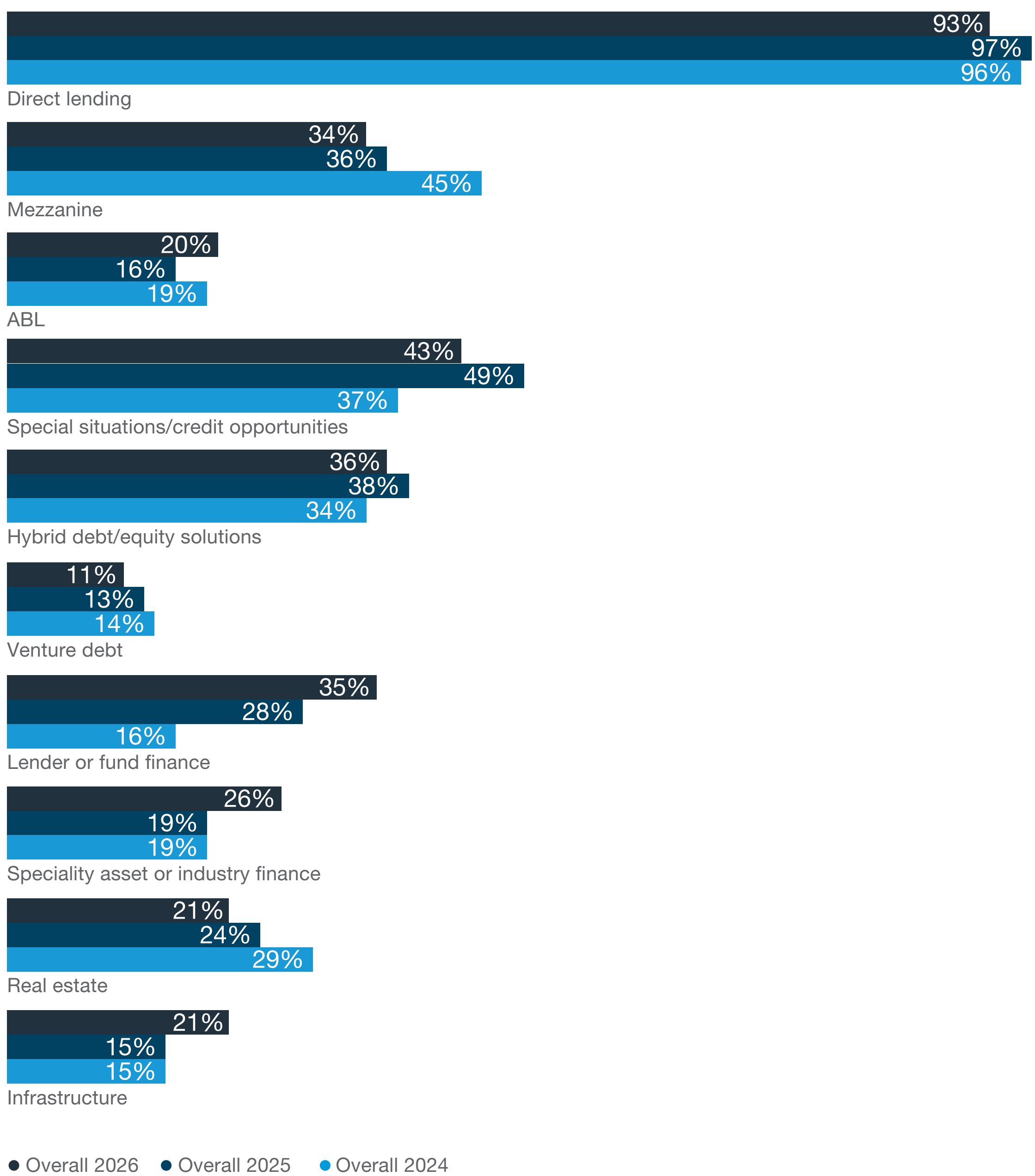


Lenders increasingly chose lender or fund finance, specialty asset or industry finance and infrastructure.

Compared to the last couple of years, lenders increasingly chose *specialty asset or industry finance, lender or fund finance, asset based loans (ABLs),* and *infrastructure* — all of which gained in popularity while other strategies declined.

What private debt strategies does your firm pursue?

2024/2025/2026

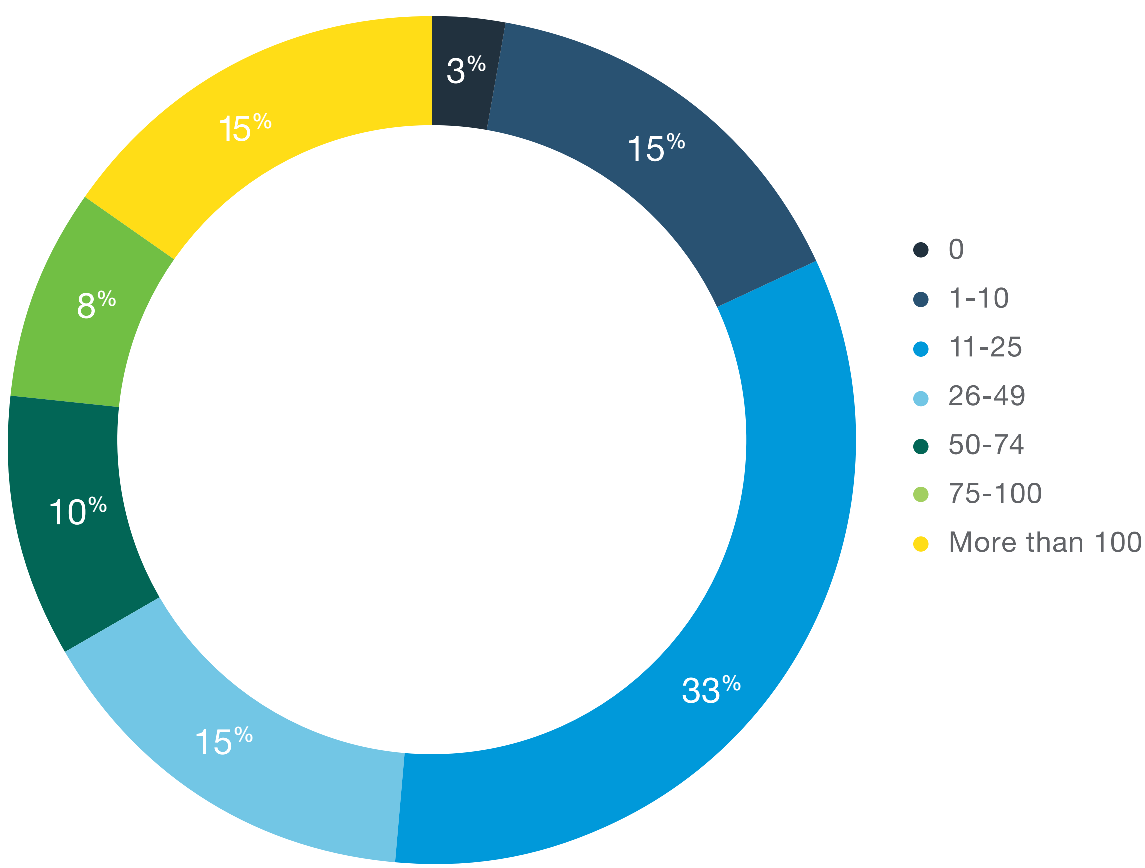


Investment Conditions and Considerations

New Credit Investment

Overall, 66% of our survey respondents said their firm made less than 50 new credit investments last year, a drop of six percentage points compared to last year and the previous year. In fact, this year's mark was roughly the same as in our 2023 survey, indicating perhaps that the deal drought of the past few years is ending and more lenders are making more deals.

How many new credit investments did your firm make last year?

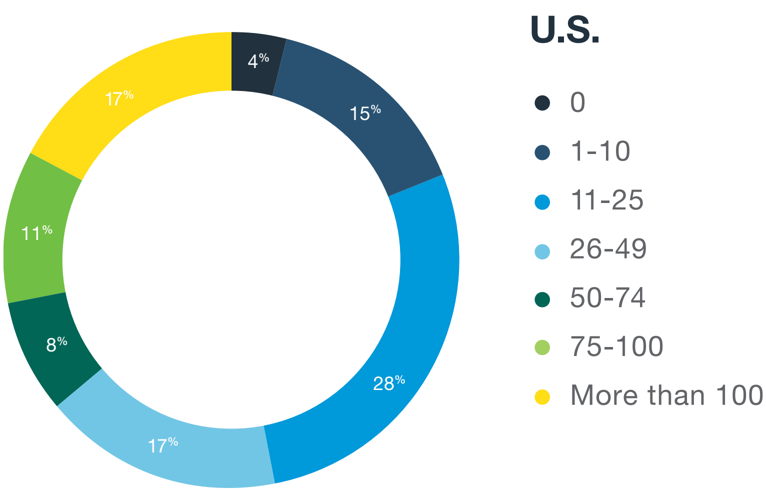


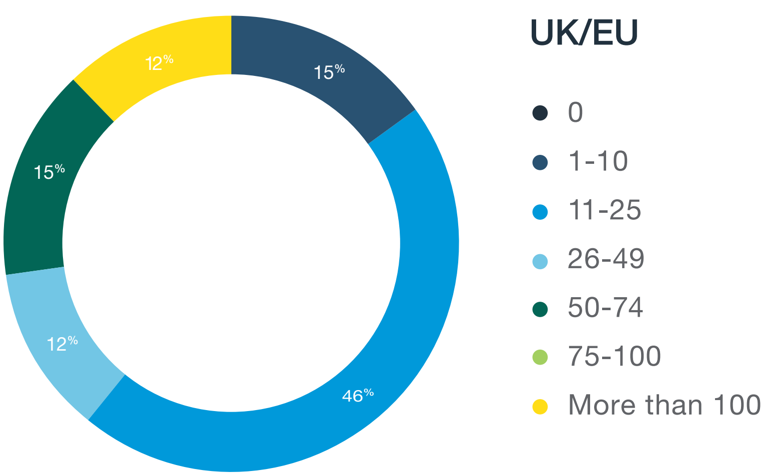
Breaking out the numbers by regional, less than half (47%) of U.S. lenders made 25 or fewer new credit investments last year, including 4% that made no new credit investments last year. In the UK/EU market, almost two thirds (61%) of lenders surveyed made 25 or less new credit investments, a big jump from the previous year.

This continually diminishing level of deal flow in both regions, but especially pronounced in the UK/EU, results in roughly just two investments per month and points to a continued slow market for deals.

Squaring these two statistics — fewer lenders doing less than 50 deals, while more lenders are doing less than 25 deals — could point to a divergence in the lender market as larger lenders tend to pursue more and larger deals. Indeed, the portion of lenders overall doing 50 or more deals last year increased by several percentage points compared to the previous survey.

How many new credit investments did your firm make last year?



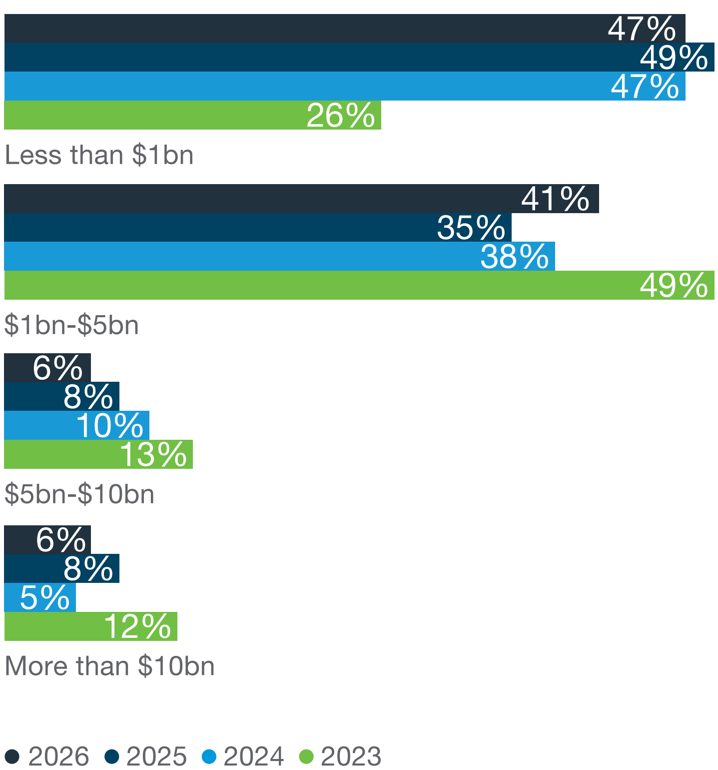


Deploying Capital

Interestingly, in the past year, lenders bucked the trend we had seen for the past several years as a larger portion of respondents (41%) said their firms deployed between $1 billion and $5 billion in credit strategies over the past 12 months. This reversed a two year decline in this category although it still falls short of the mark set in 2023 when almost half (49%) deployed between $1 billion and $5 billion in credit strategies.

Also reversing was the percentage of respondents who said their firms were deploying $1 billion or less into credit strategies in the past 12 months, which ticked down to 47%, compared to 49% the previous year and more in line with 2024. The data also showed a continued downward trend in the largest deployments, those of $5 billion or more.

How much capital has your firm deployed into credit strategies in the past 12 months?



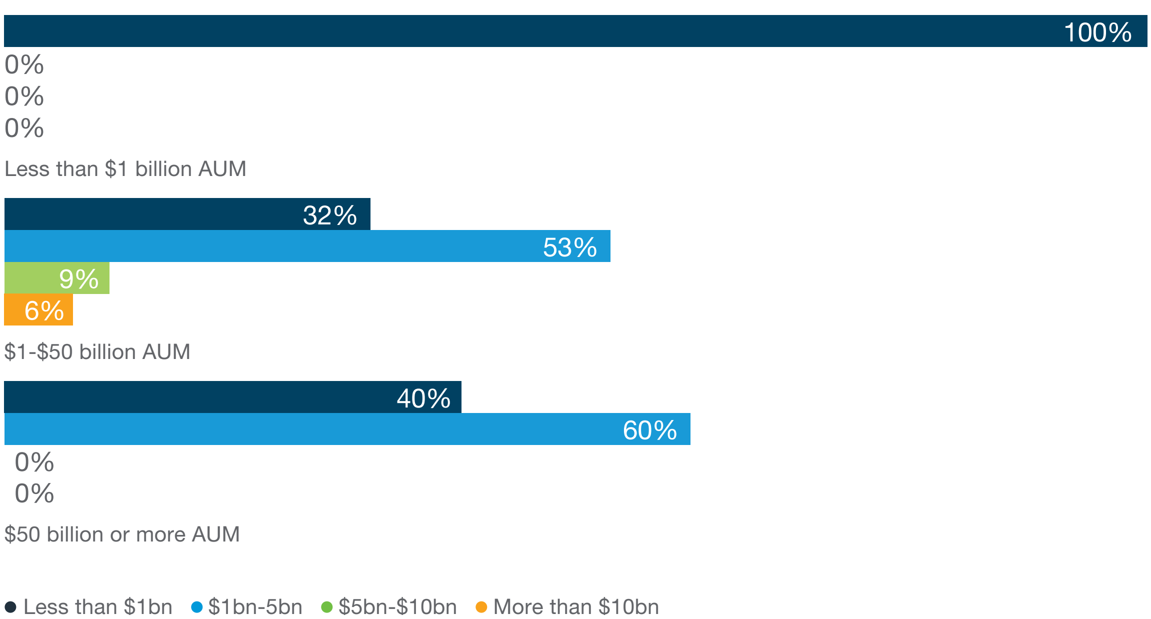
This pullback was starkly evident among U.S. respondents, as a look at deployment levels by AUM over the past several years clearly shows.

Among those U.S. lenders with between $1 billion and $50 billion in AUM, 53% of them have deployed capital of between $1 billion and $5 billion into credit strategies over the past 12 months, an increase compared to last year when 45% deployed capital at that level and more in keeping with past years of deployment levels.

The reasons behind this may be that as deal flow remains tepid overall, some U.S. lenders are showing a new willingness to move higher levels of capital into the market in the pursuit of good opportunities.

Capital deployed into credit strategies

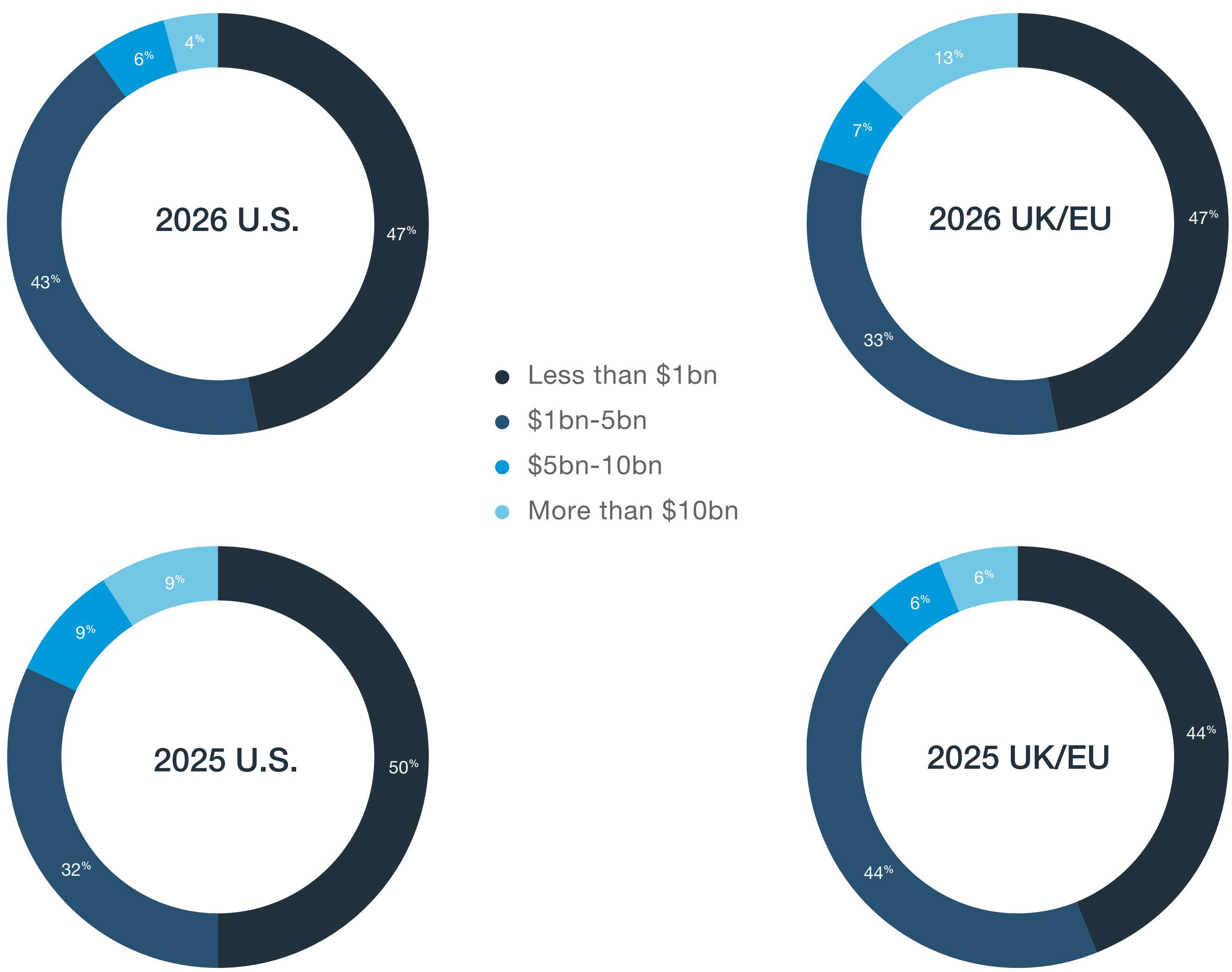
U.S. by AUM



Broken down by region and compared by year, a significantly larger portion of respondents from the UK/EU region (20%) invested between $5 billion or more into credit strategies over the past 12 months compared to the previous year (12%), clearly showing a propensity for larger dealmaking.

In the U.S., the portion of respondents saying their firms had deployed between $1 billion and $5 billion over the past year climbed, while the portion investing $5 billion or more fell significantly, perhaps indicating a more cautious note among U.S. investors.

How much capital has your firm deployed into credit strategies in the past 12 months?

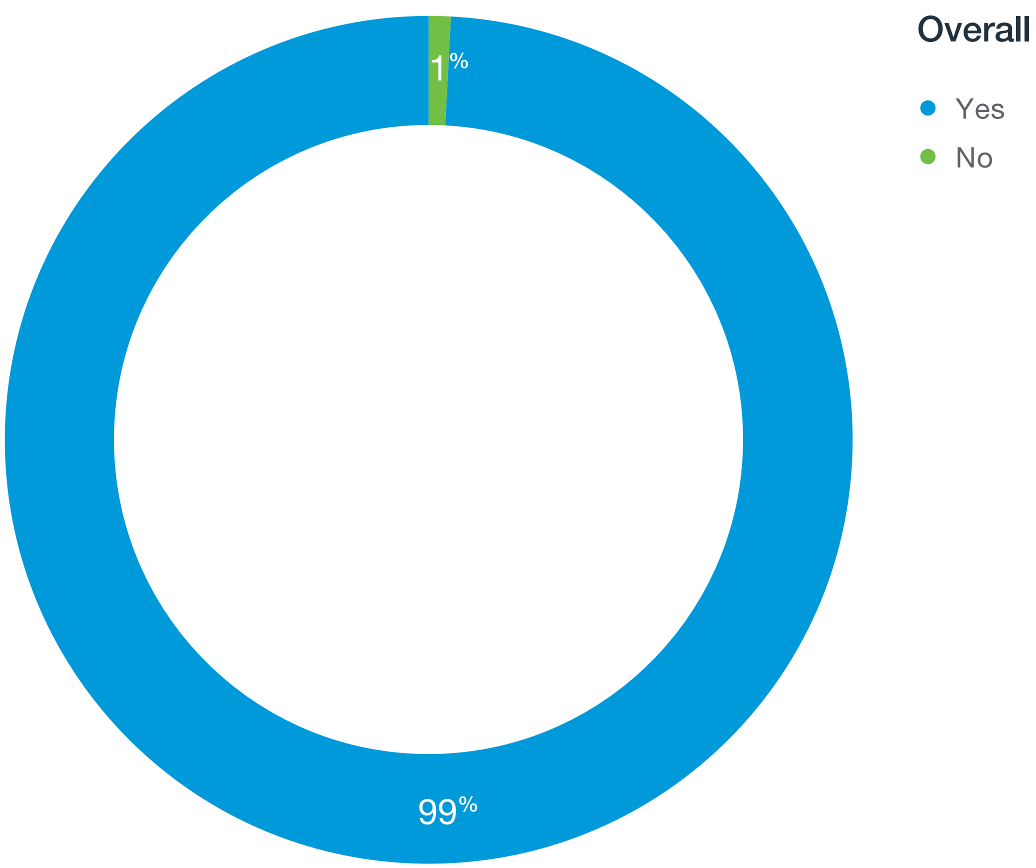


Investment Conditions and Considerations

New Lending Opportunities

Not surprisingly, almost all respondents (99%) said they are actively looking for new lending opportunities. This is similar to past years and may continue to indicate a desire on the part of lenders to keep lending even as the overall economic environment remains somewhat choppy.

Is your firm looking for new lending opportunities today?



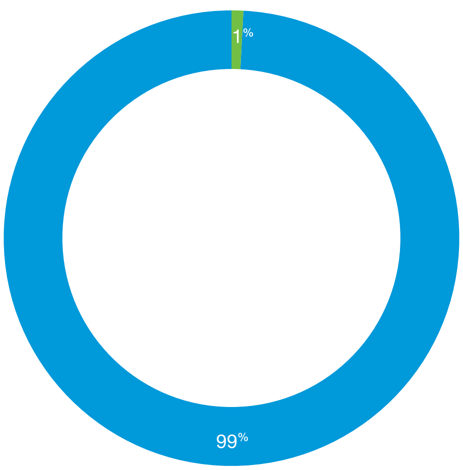
When asked to comment on their response, people said:

"Actively looking to deploy capital."

"Actively looking to grow our portfolio of direct investments in middle market private credit."

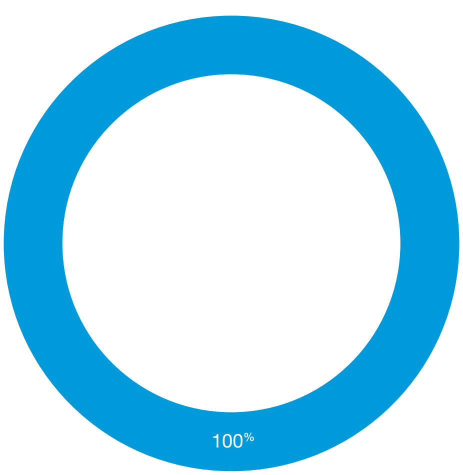
"In [an] investment period."

"We are always looking for investments that meet our risk appetite. We do not have pressure to deploy, however. We have patient, sensible capital."



U.S.

- Yes
- No



UK/EU

- Yes
- No

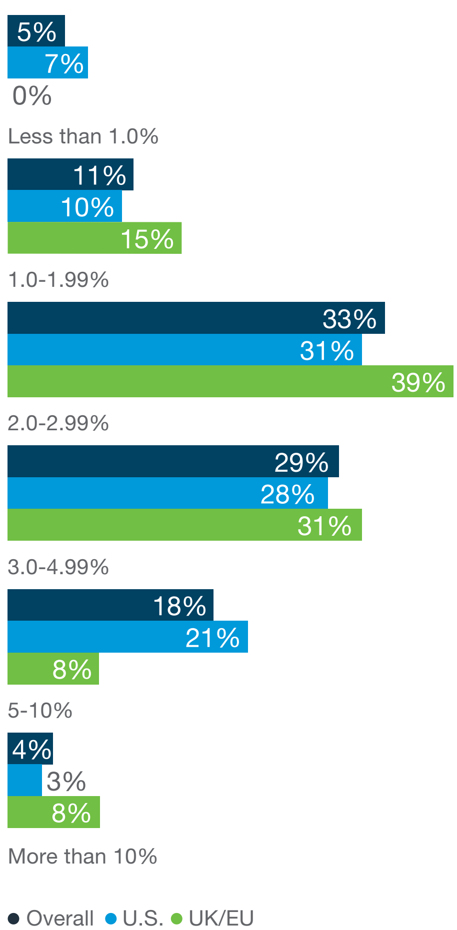
Investment Conditions and Considerations

Deal Closure

As in past years, there is a higher deal closure rate among U.S. respondents, with 24% of U.S. respondents saying they close 5% or more of the deals they screen; however, UK/EU respondents greatly narrowed the closure gap, with 16% of UK/EU respondents saying they close 5% or more of the deals they screen, compared to just 3% who said that last year.

Overall, there was a big uptick in those responding who said they close between 2% and 4.9% of the deals they screen, which grew to 62% this year, compared to 50% last year. While much of this growth was among those closing between 2% and 2.9% of the deals they screen, this could point to a tightening of lending standards or even a scarcity of good quality deals.

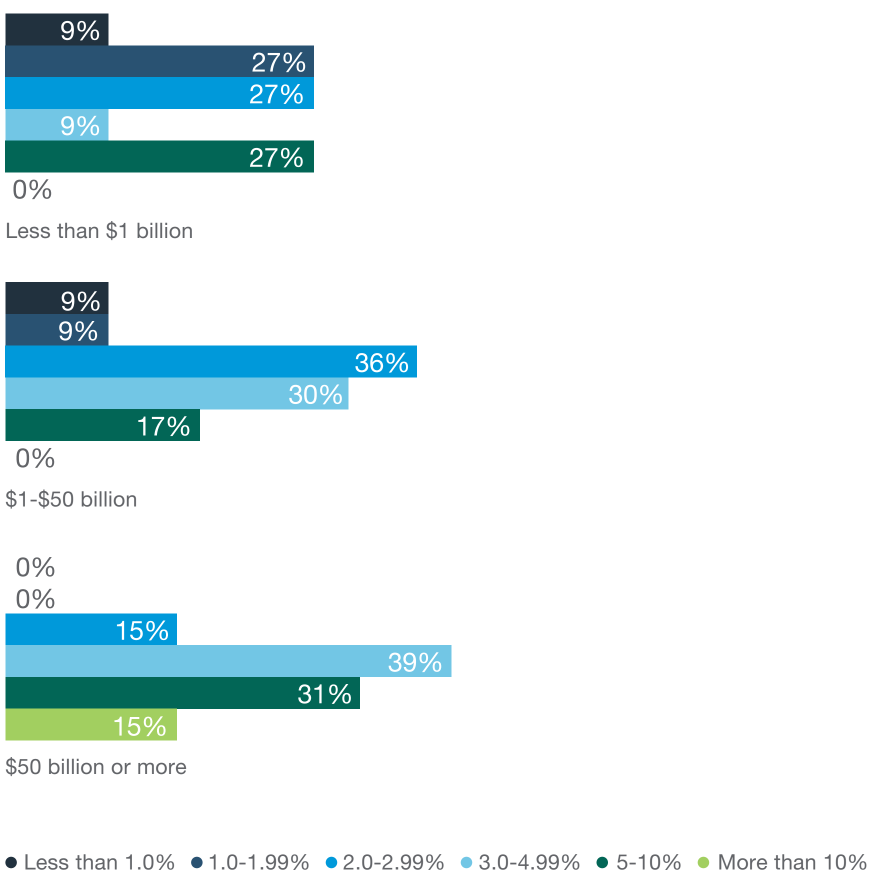
What percentage of deals do you close in relation to the number of deals you screen?



Broken out by AUM among U.S. respondents, we are seeing that the largest U.S. lenders — those firms with more than $50 billion in AUM — are pulling away from the rest in terms of deal closure. Indeed, about 85% of firms with $50 billion or more in AUM close 3% or more of the deals they screen, up dramatically from last year's 70% mark. More dramatically, less than half (47%) of U.S. firms with between $1 billion and $50 billion in AUM and just 36% of U.S. firms with less than $1 billion in AUM close 3% or more of the deals they screen. Both of these figures are down significantly from last year.

What percentage of deals do you close in relation to the number of deals you screen?

U.S. by AUM



Investment Conditions and Considerations

Maximum Leverage

The maximum leverage that private credit lenders were willing to incur seemed to level out in our latest survey with between 15% and 16% of respondents saying the maximum leverage their firms were willing to underwrite ranged from 6.0 times to 7.5 times or higher across four distinct leverage categories.

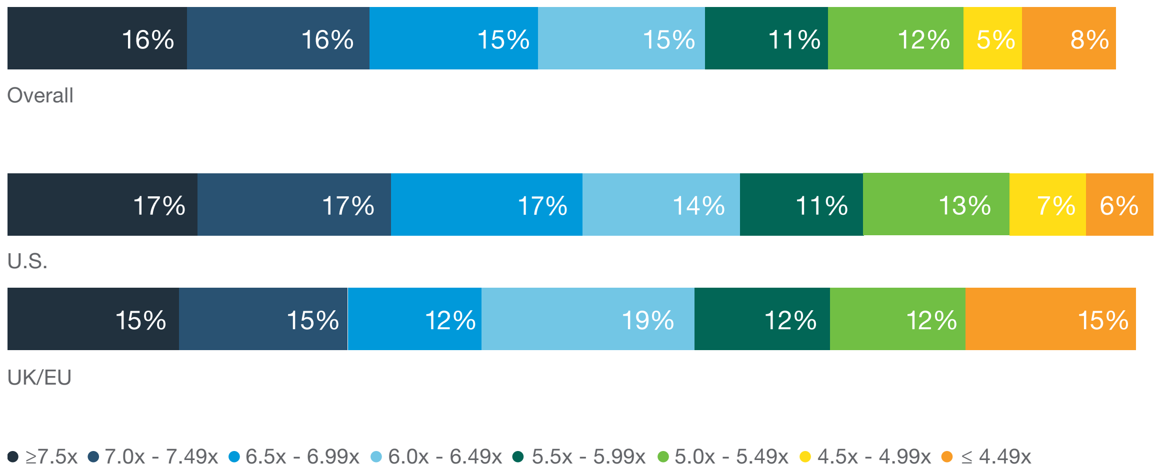
In our previous survey, we saw a significant move toward respondents selecting a maximum leverage range of 7.5 times or higher, moving away from the more tempered 5.5 times to 5.9 times range. Indeed, that range continued to fall into disfavor this year, with just 11% of respondents selecting that as their firm's maximum range — about half the portion compared to the average response from our previous three surveys.

This leveling out was seen strongly among U.S. lenders, 17% of which selected one of the three categories that make up the top ranges for maximum leverage, running from 6.5 times to 7.5 times or higher. Meanwhile, lenders in the UK/EU region favored a maximum leverage range of 6.0 times to 6.49 times, with 19% of respondents selecting that range.

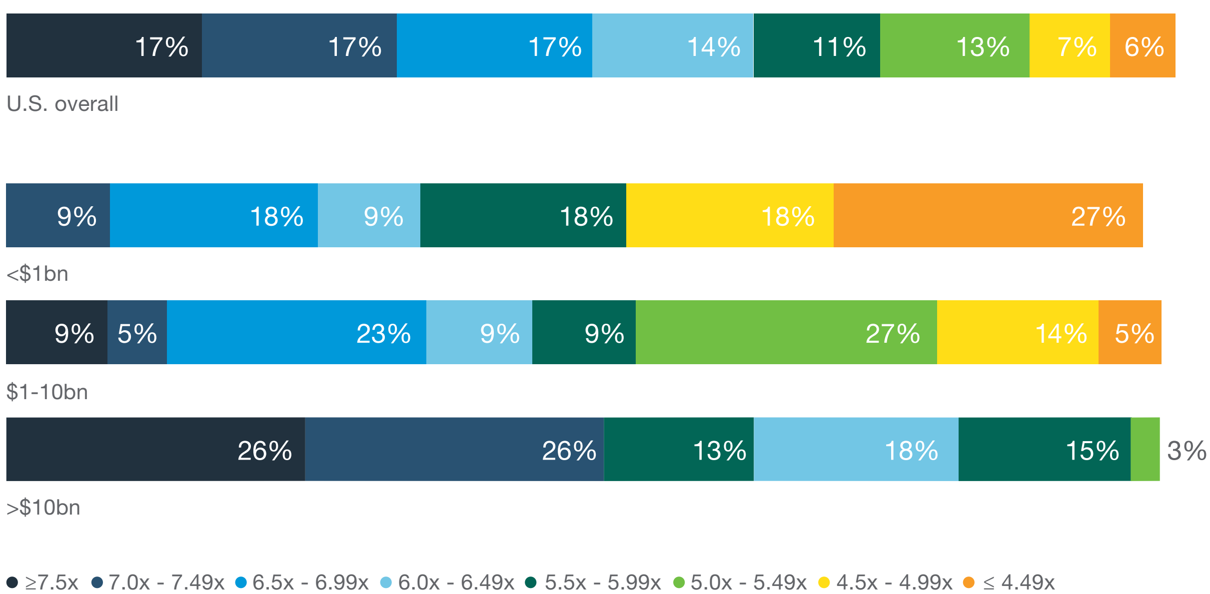
If there was any embrace of more highly leveraged deals again this year, it was driven by the largest lenders, as they continue to underscore a common theme that the biggest lenders are looking for bigger deals, even if those deals come with higher risk. Indeed, about one quarter of respondents from the U.S. (26%) and the UK/EU (25%) whose firms have AUM above $10 billion said they would accept a maximum leverage of 7.5 times or above.

While this represented a slight uptick for U.S. lenders from our last survey, the UK/EU lenders made a bigger move, almost doubling the portion of the largest lenders willing to take the most risk compared to our previous survey.

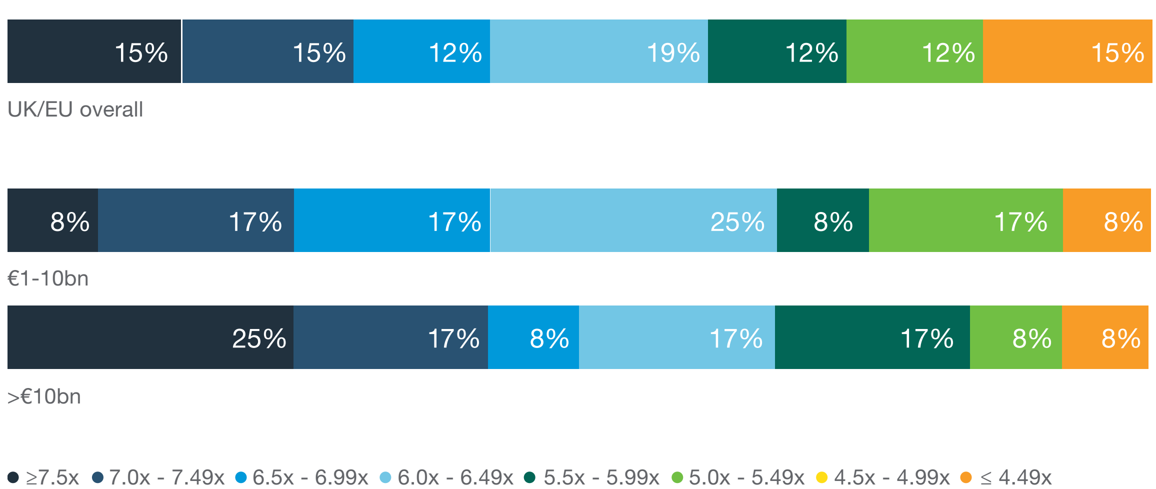
Maximum leverage
By Overall



Maximum leverage
By U.S. AUM



Maximum leverage
By UK/EU AUM



Investment Conditions and Considerations

Maximum Total Leverage

Lenders seemed to continue to regain a little bit of comfort around underwriting higher levels of leverage, possibly indicating a willingness to accept higher risk to get more deals done, especially among the largest lenders.

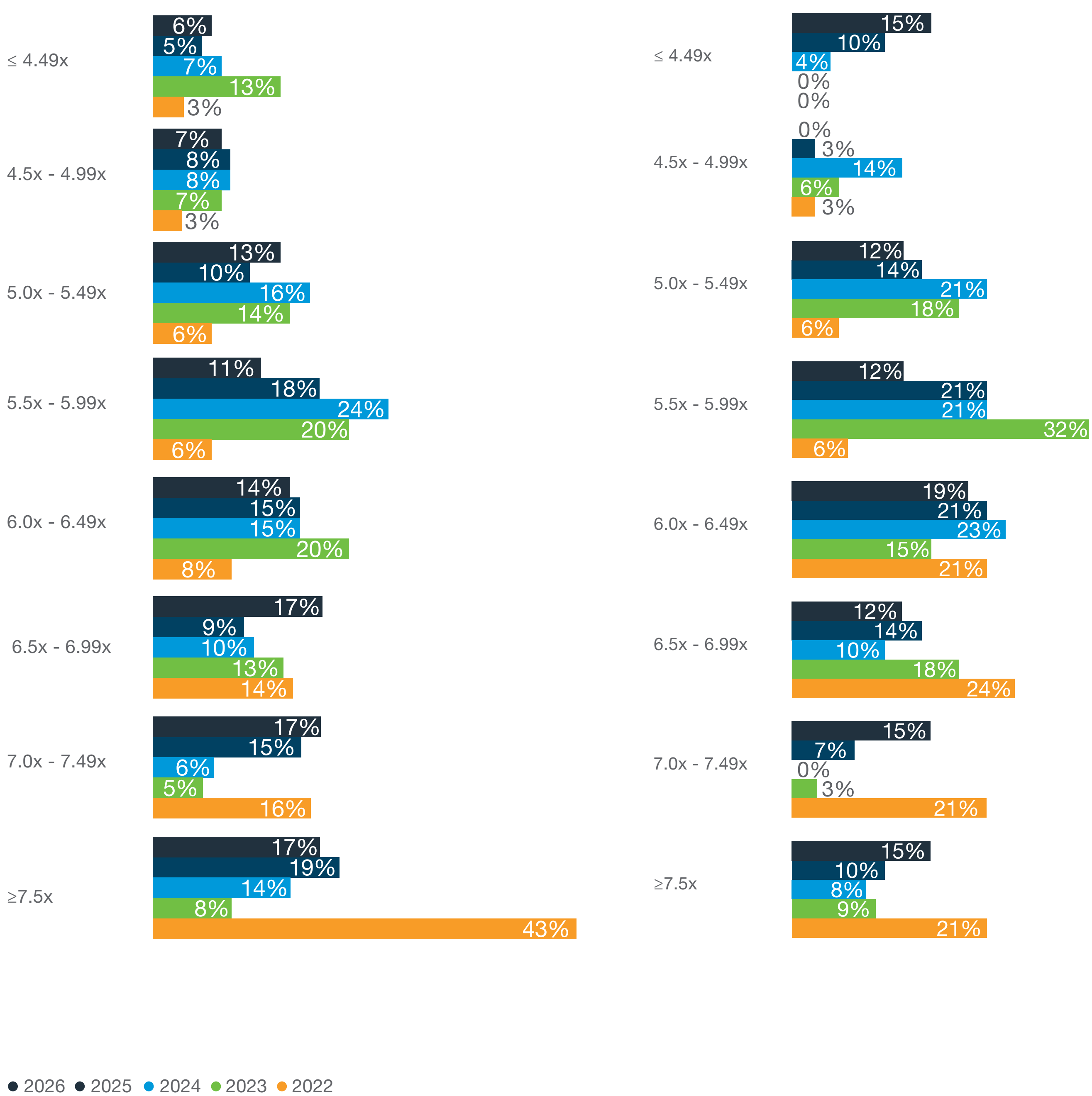
Among U.S. based lenders, previous ranges that had fallen out of favor in past years — such as the 6.5 times to 6.99 times and 5.0 times to 5.49 times categories — saw a resurgence of interest, as the portion of respondents selecting 6.5 times to 6.99 times almost doubled from the previous year.

Among UK/EU respondents, there were declines all across the 4.5 times to 6.99 times categories, while higher leverage categories, such as 7.0 times to 7.5 times or higher, saw significant jumps in the portion of UK/EU respondents that said their firms were comfortable underwriting at those levels of leverage.

What’s the maximum total leverage that you will underwrite today?

U.S.

UK/EU



Continued decrease in leverage; increases in levels above 7.0x

UK/EU experienced relatively stable leverage levels

Investment Conditions and Considerations

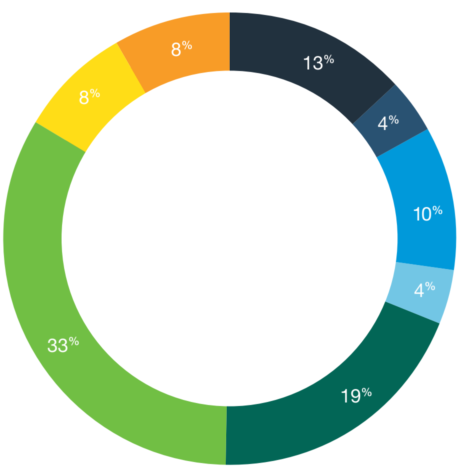
Maximum Deal Size

Among U.S. respondents, less than half (49%) said the maximum deal size their firm is willing to underwrite is $250 million and above, which represents a pullback from the largest deals as 58% said the maximum deal size their firm is willing to underwrite is $250 million and above in our 2025 survey.

Indeed, a higher portion of U.S. respondents (19%) said the maximum deal size their firm is willing to underwrite is between $200 million and $249.9 million than said that their maximum deal size was $500 million to $599.9 million (8%) and more than $1 billion (8%), combined.

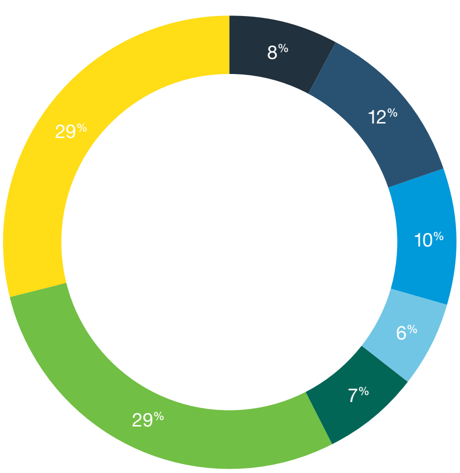
Among the smallest deals, 13% said the maximum size deal their firm will underwrite is less than $50 million, which notched up from last year's survey's response of 8%.

All this could point to a private credit market that is growing more cautious, except among the largest lenders which are still showing an appetite for more deals and consequently, more risk.



U.S. 2026

- <$50mm
- $50-$99.9mm
- $100-$149.9mm
- $150-$199.9mm
- $200-$249.9mm
- $250-$499.9mm
- $500mm or more
- $1.0b or more

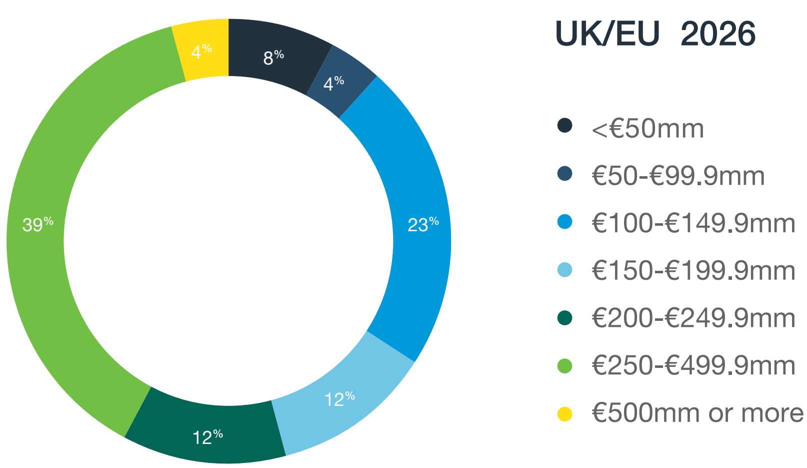


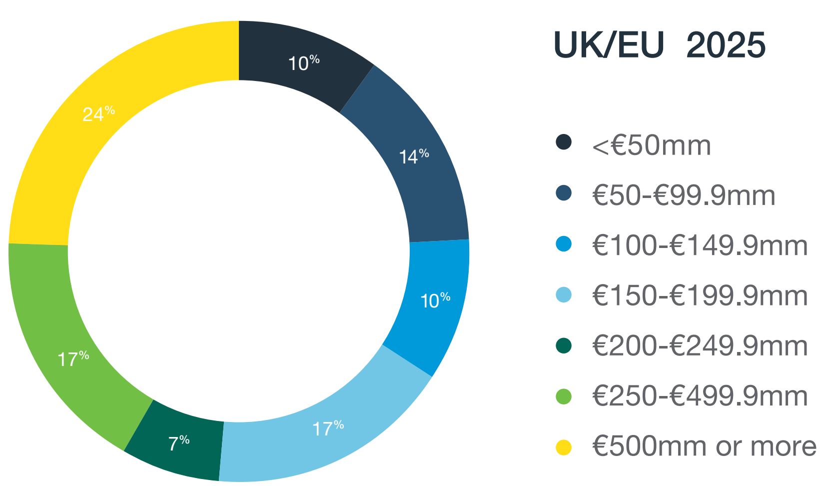
U.S. 2025

- <$50mm
- $50-$99.9mm
- $100-$149.9mm
- $150-$199.9mm
- $200-$249.9mm
- $250-$499.9mm
- $500mm or more

Among UK/EU respondents, this fear of risk played out in a significant fashion. Just 4% of UK/EU lenders said the maximum size deal their firm is willing to underwrite is €500 million or more, compared to almost one quarter (24%) that said that in our previous survey. Interestingly, this level of aversion to the largest deals is more in keeping with 2024 survey, when 8% of UK/EU respondents said the maximum size deal their firm is willing to underwrite is €500 million or more.

Still, there is an uptick in the size of deals UK/EU lenders are willing to undertake. The largest percentage of UK/EU lenders (39%) said the maximum size deal their firm is willing to underwrite is €250 million to €499.9 million, which is a change from the previous survey when the largest percentage chose to underwrite deals in the €100 million to €149.9 million range.





Investment Conditions and Considerations

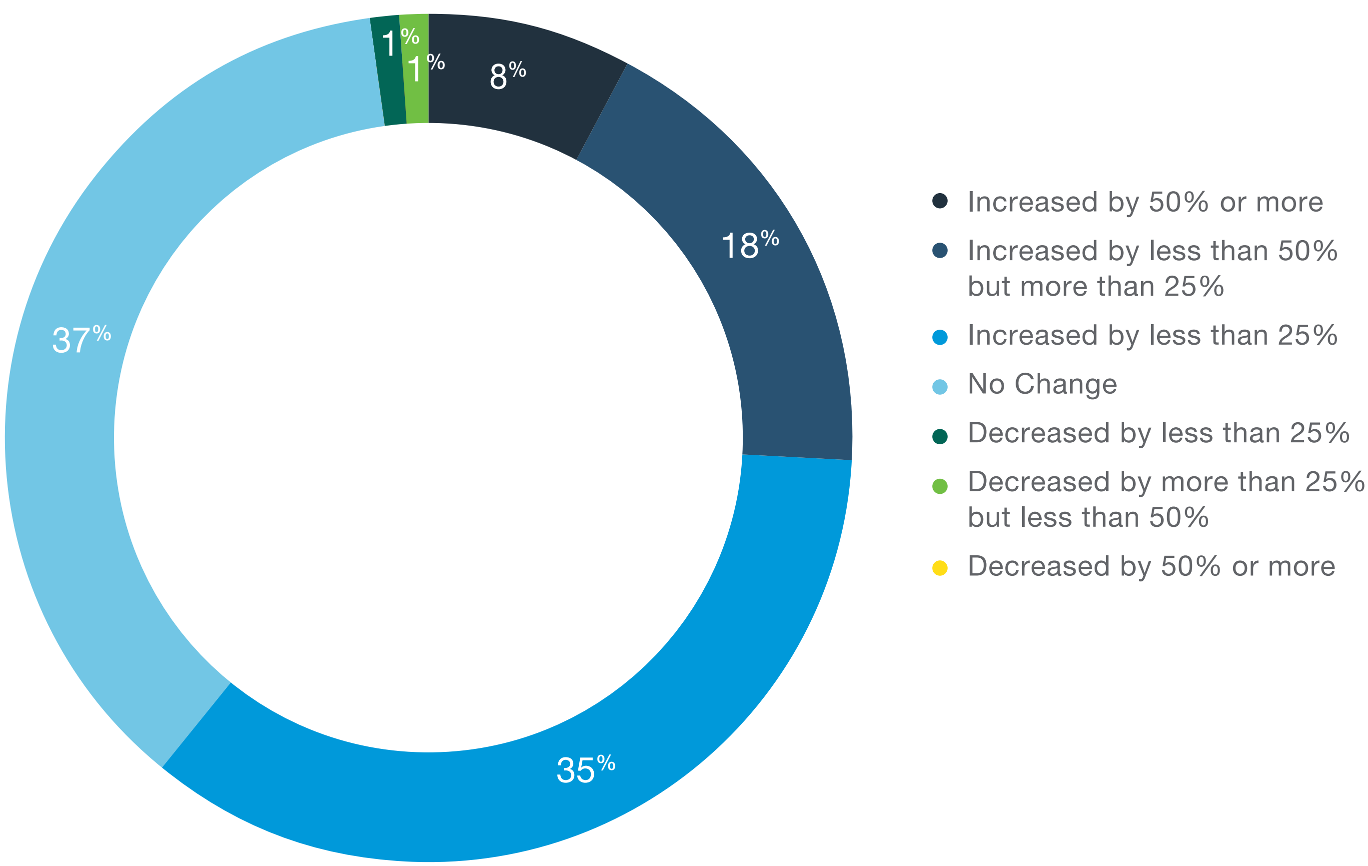
Check Size

More than 6 in 10 lenders (61%) said the size of the check their firm is willing to write has *increased* in the past 12 months. In fact, this portion of respondents continues to grow, compared to 49% of respondents who said that in 2025 and 28% that said that in 2024. Coupled with some of the maximum total leverage responses, it appears that lenders today continue to be more willing to increase the size of their check to secure larger deals.

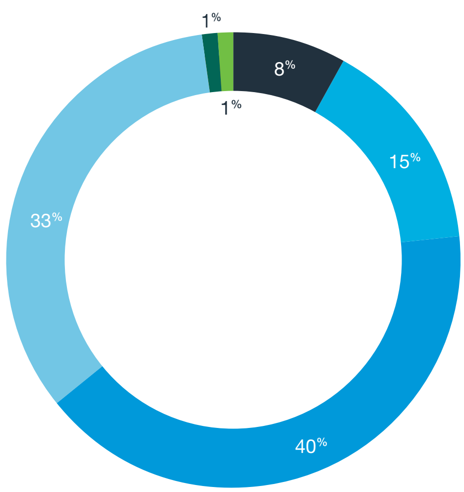
Further, the portion of respondents who said the check size their firm is willing to write has *not changed* in the past 12 months fell to 37%, down slightly from the previous survey (40%) and down significantly from 2024 when it was the majority view (52%).

Majorities of respondents in each region demonstrated the same willingness to increase their check size, with 63% of U.S. respondents saying their firms' check size has increased and 54% of UK/EU respondents noting an increase in check size.

Has the size of the check your firm is willing to write changed over the past 12 months?

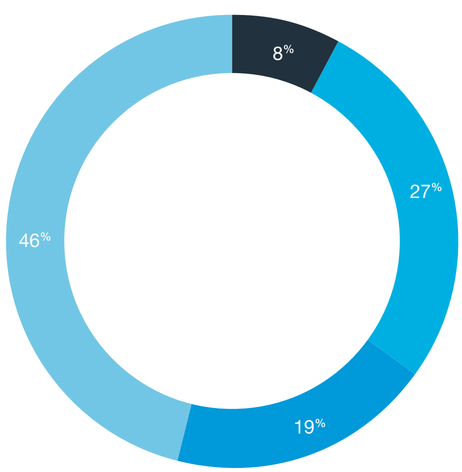


Broken out by AUM among U.S. firms, of those respondents from firms with between $1 billion and $50 billion in AUM, 70% said their check size increased, while about the same portions of respondents from firms with less than $1 billion in AUM said their check size either increased or didn't change over the past year.



U.S. respondents more likely to select increase

- Increased by 50% or more
- Increased by less than 50% but more than 25%
- Increased by less than 25%
- No change
- Decreased by less than 25%
- Decreased by more than 25% but less than 50%
- Decreased by 50% or more

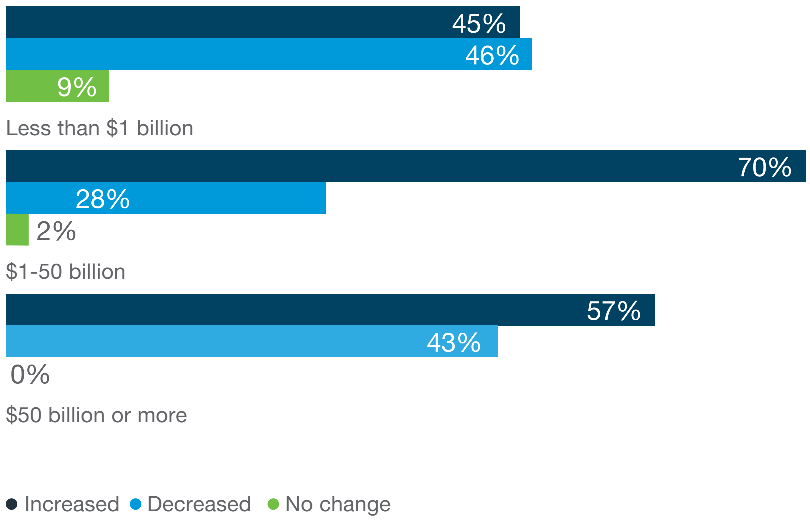


UK/EU respondents more likely to select decrease

- Increased by 50% or more
- Increased by less than 50% but more than 25%
- Increased by less than 25%
- No change
- Decreased by less than 25%
- Decreased by more than 25% but less than 50%
- Decreased by 50% or more

Has the size of the check your firm is willing to write changed over the past 12 months?

U.S. by AUM



When respondents were asked for the reasons for their answers about their firms' check size, almost two thirds (62%) said the firm had a successful fundraising effort, eclipsing all other reasons by a wide margin. Indeed, among respondents who said their check size was *increasing*, 84% attributed it to successful fundraising, and among respondents who have seen their check size remain the same over the past 12 months, 44% attribute it to seeing fewer deals that fit their underwriting guidelines.

Why has it increased/decreased or remained the same?

Additionally, several respondents offered more precise answers around the movement of their firms' check size:

Increased

"We have unlocked new SMAs."

"Increasing capacity for cov-lite."

"Merger."

Decreased

"Risk appetite."

No Change

"We stay consistent with our strategy and target market."

"No reason to change our max check size."

"Changing portfolio strategy to do more private credit and need more diversification."

"No change — business as usual."

Investment Conditions and Considerations

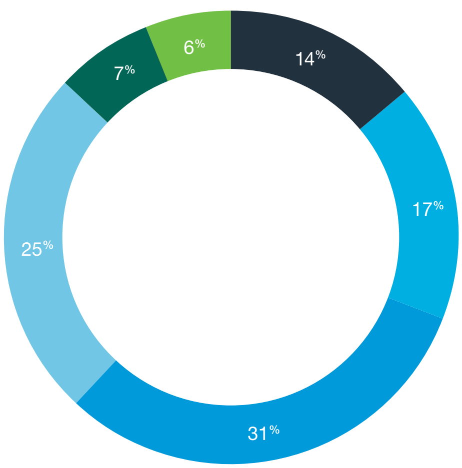
EBITDA Profile of Borrowers

Again, as in past years, the most common average EBITDA of companies in lenders' portfolios was between $25 million and $49.9 million (€25 million to €49.9 million), with 31% of U.S. respondents and 35% of UK/EU respondents saying this was the average range for their portfolio companies.

However, the portion of U.S. lenders that said that the average EBITDA of companies in their portfolios was more than $50 million this year fell to 38% of respondents, compared to 47% who said this in our previous survey. Even fewer (6%) were saying it was more than $100 million, compared to 16% that said that previously.

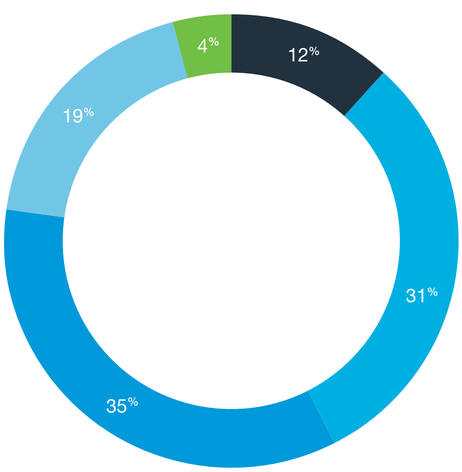
Among UK/EU respondents, the portion saying the average EBITDA of companies in their portfolios was more than €50 million continued to shrink to 23%, compared to 31% who said this in our previous survey.

This trend, which we didn't see in earnest in previous years, could mean that lenders are focusing on smaller companies in their portfolios or simply that these smaller companies are absorbing more and more of lenders' investment.



U.S.

- Less than $15 million
- $15-24.9 million
- $25-49.9 million
- $50-74.9 million
- $75-99.9 million
- $100 million or more

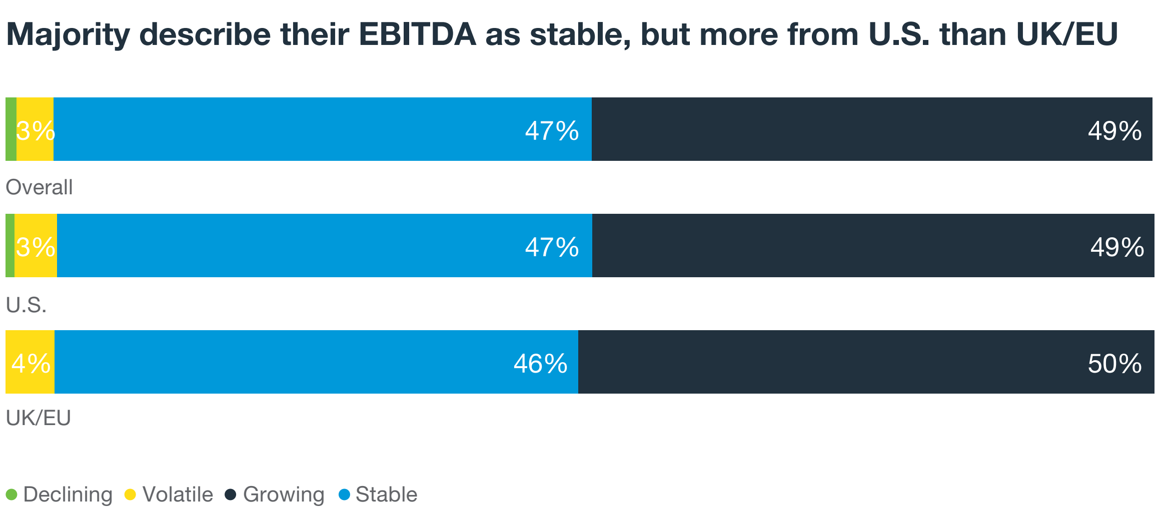


UK/EU

- Less than €15 million
- €15-24.9 million
- €25-49.9 million
- €50-74.9 million
- €75-99.9 million
- €100 million or more

Perhaps not surprisingly, the large portion (96%) of overall respondents describing the EBITDA of their portfolio companies as *stable* or *growing* was itself relatively stable compared to past years. Clearly, this sentiment continues to reflect great faith lenders have in the companies in their portfolios that they've exhibited over the past few years.

From the following options, how would you describe the EBITDA of your borrowers?



In fact, several respondents offered more detailed reasons as to why they described the EBITDA of their portfolio companies as either *growing* or *stable*:

Growing

"Stripping out silly, funny money adjustments, we look for companies that are growing in terms of cash EBITDA."

"On average we are seeing EBITDA growth as PE firms implement optimization strategies and expansion of our base businesses."

"Low single digit growth YoY."

"Growing. Specific situation as our portfolio has been built from scratch over the past 18 months (so will be more heavily weighted towards growing companies, definitionally)."

"Grows through M&A but stable via organic growth."

"Seen steady growth over the majority of the portfolio."

"Seeking to finance dynamic growth companies."

"The majority of the transactions that we finance have a DDTL [delayed draw term loan] so add on acquisitions occur. Total EBITDA is increasing, and organic EBITDA is flat to up."

"As investors in both debt and equity, we are seeking companies with growth."

Stable

"We only underwrite good companies."

"The EBITDA of our borrowers is stable."

Deal Terms

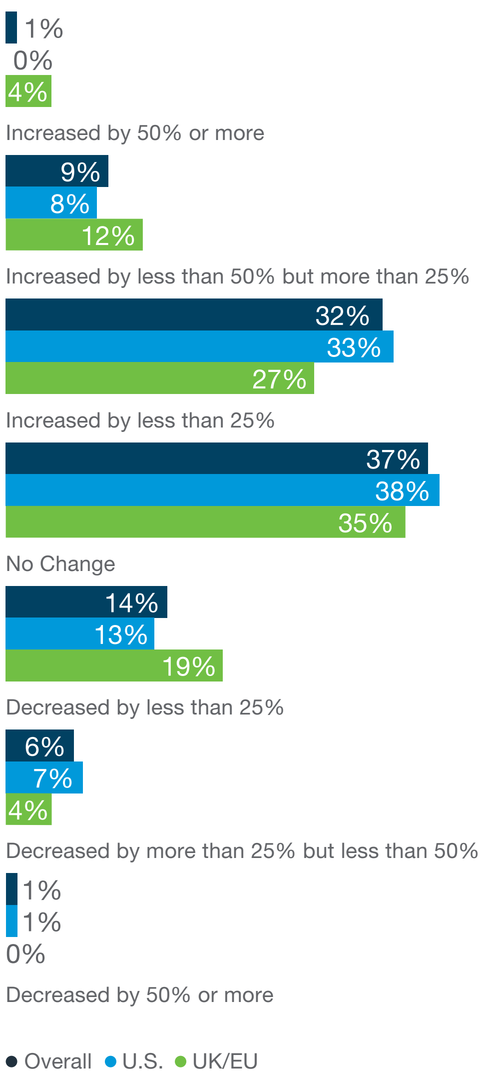
Repayments and Margins

Looking at loan repayments over the past year, more than one third of overall respondents (37%) say that repayments on existing loans have not changed, ticking up a bit from our previous survey.

Similar to last year, a large portion of lenders — 43% of those in the UK/EU and 41% of those in the U.S. — experienced increases in repayments, with a small portion of UK/EU lenders seeing increases by more than 50%. Again, the explanation for this could be that portfolio companies are refinancing or paying down debt.

Repayments

In the past twelve months, were repayments on existing loans up or down from your firm's historical trends?



Investment Conditions and Considerations

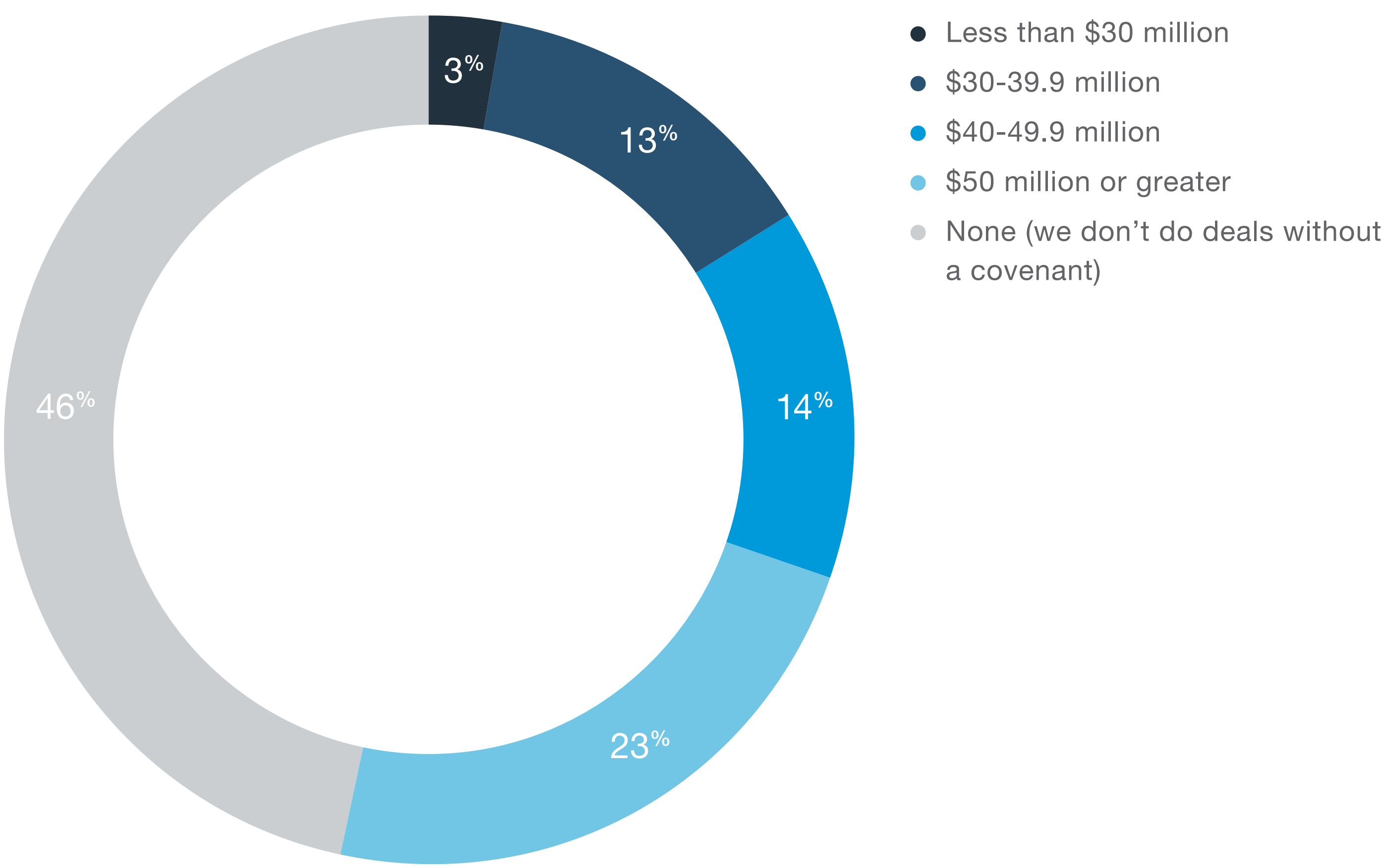
Covenant-lite Transactions

A willingness on the part of lenders to accept more risk that was so evident over the past few years may have faltered in this year's report. This year, almost half of U.S. respondents (46%) say they will do not do deals without a covenant, which was an increase from 35% in our 2025 report but is more in line with the 2024 report that showed that more than half (52%) of U.S. lenders said they will do not do deals without a covenant.

Among those U.S. lenders that say they would consider doing deals without a covenant, less than one quarter (23%) said they would need the target company's EBITDA level to be more than $50 million to make the deal workable. That's down dramatically from the 49% of U.S. respondents who said that in 2025 and the 35% who said that in 2024.

This may show that the market is becoming a bit more selective as to which credits lenders will permit a covenant-lite execution, potentially indicating a level of risk wariness that may, unfortunately, have some lasting power.

At what EBITDA level would you consider a covenant-lite transaction?



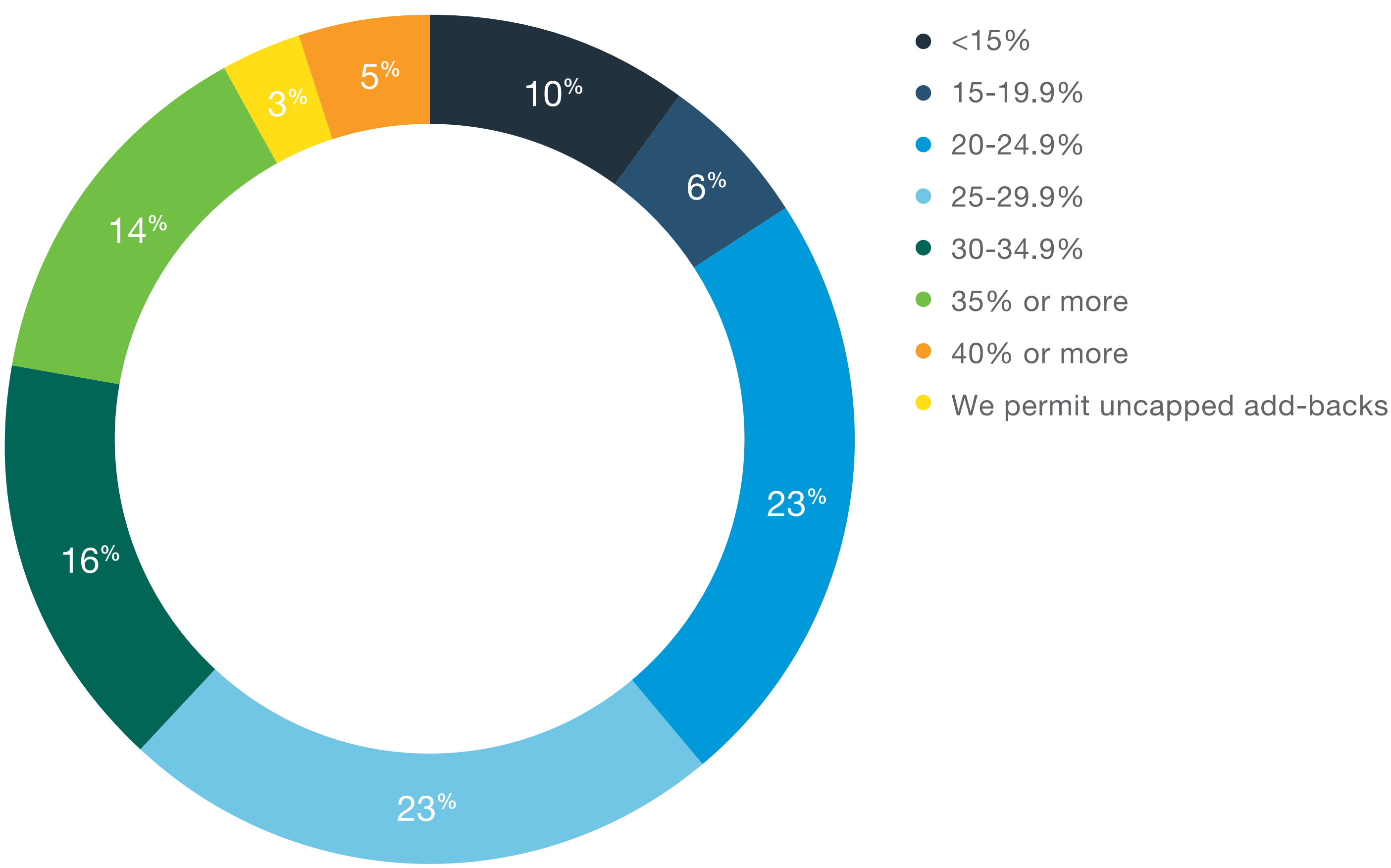
EBITDA Add-Backs

The percentage of lenders who said they would permit uncapped EBITDA add-backs continued to drop, falling to 2%, far below the 10% cited by respondents in 2022.

The most common maximum aggregate amount of EBITDA add-backs permitted by lenders was 20% to 24.9% and 25% to 29.9%, with 23% of lenders overall each selecting those categories.

Interestingly, the category of 30% to 34.9% saw a significant downshift as just 16% of overall lenders said that was their most common maximum aggregate amount of EBITDA add backs permitted. In last year's survey, almost one quarter (24%) of lenders said this.

What is the maximum aggregate amount of EBITDA add-backs you will permit for your transactions?



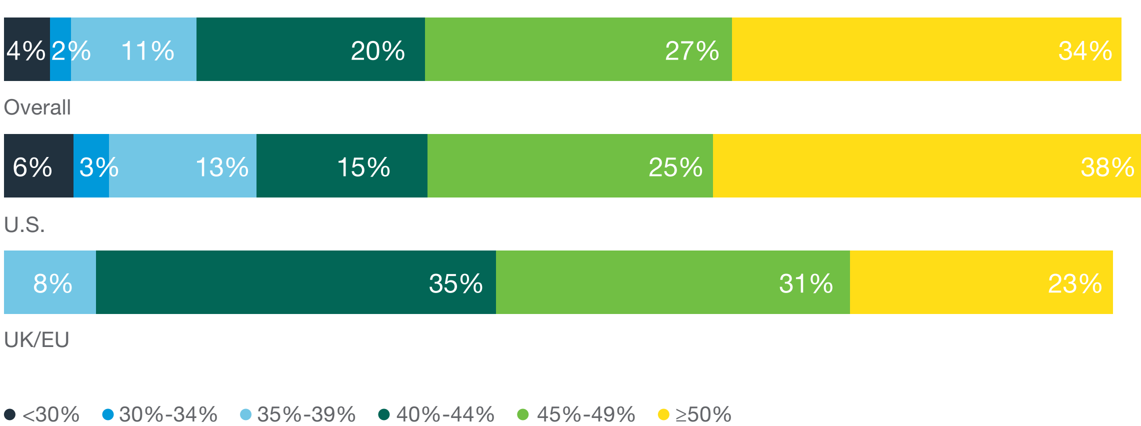
Investment Conditions and Considerations

Equity Contributions

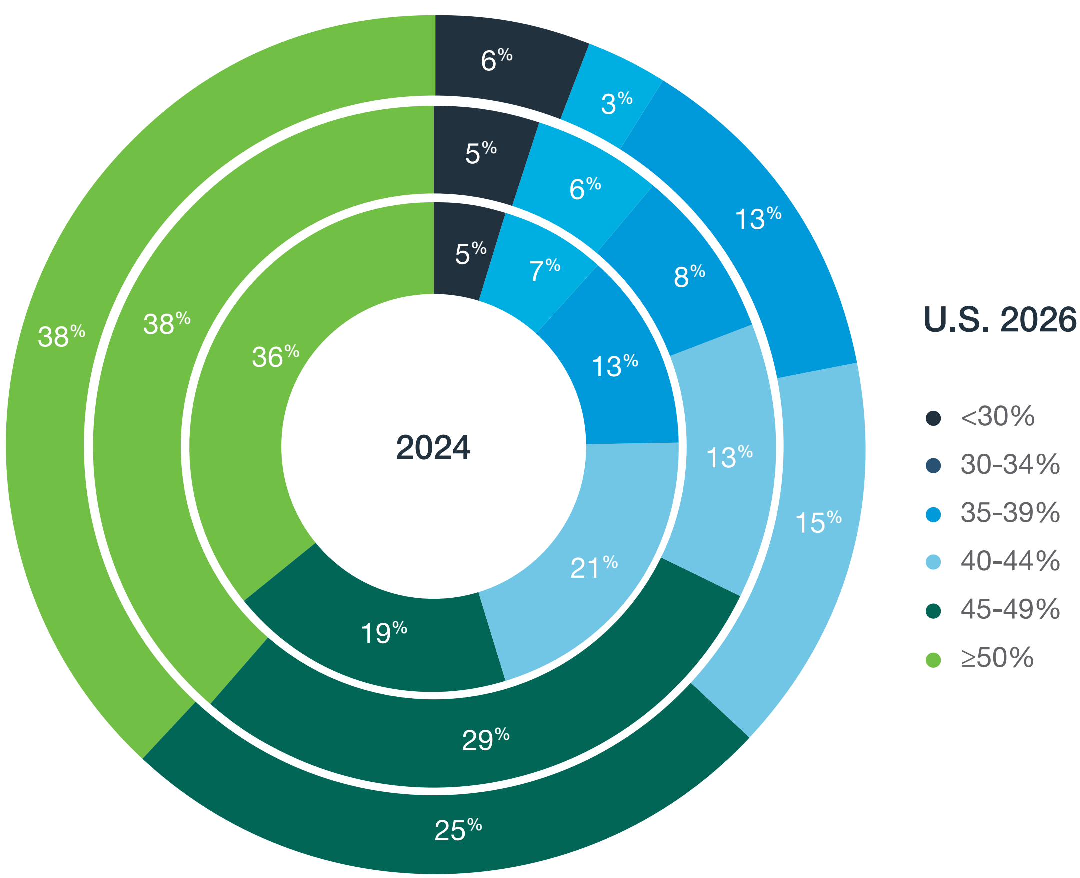
More than six in 10 lenders (61%) say they would require 45% or more equity in their transactions, a slight downshift from 64% in 2025 after a big jump from 56% in 2024. This could possibly indicate a need on lenders' part to lower their equity requirements in order to secure deals.

Again this year there was divergence between the regions as the largest portion of U.S. lenders (38%) said they would require 50% or more equity in their transactions; and the largest portion of UK/EU lenders (35%) saying that 40% to 44% was what they required.

How much equity (on a % basis) does your organization typically require in your transactions?

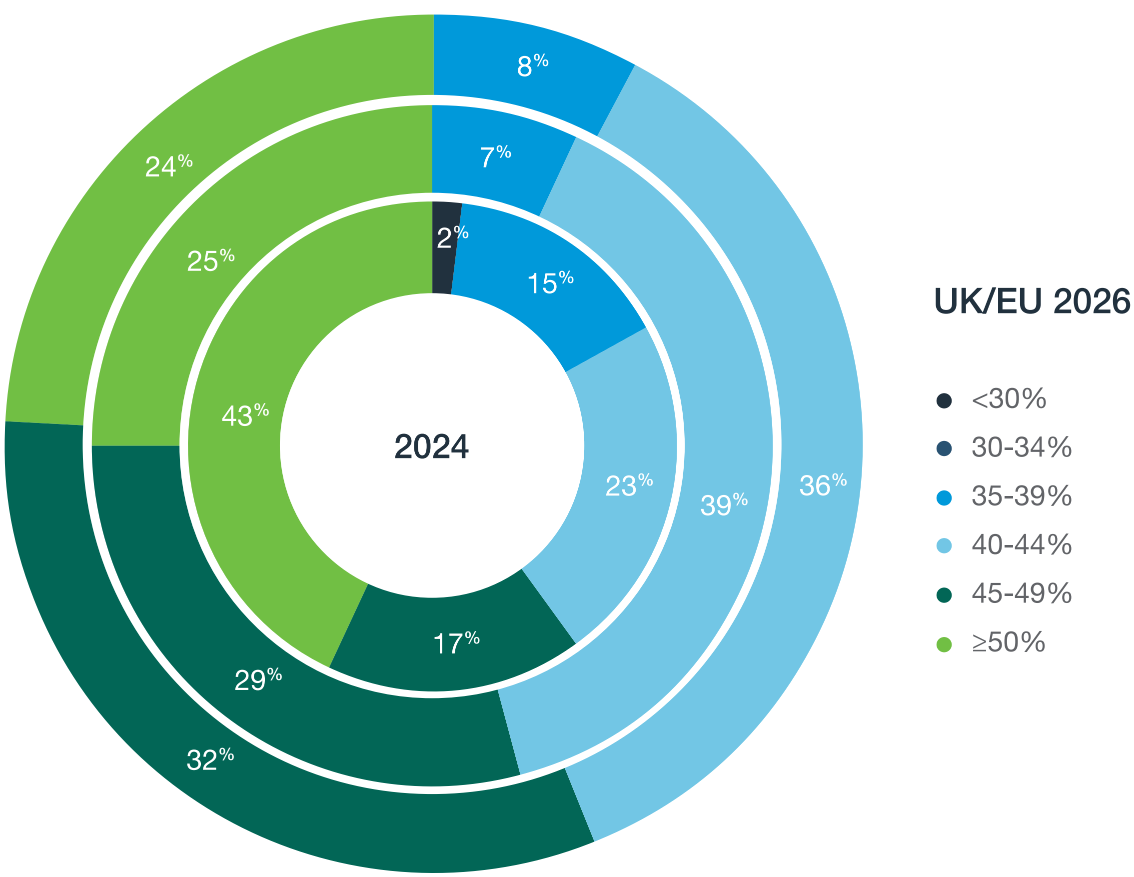


Comparing equity requirements over the past few years, this latest year represented a steadiness from the year previous after some strong sentiment shift before that. U.S. lenders, for example, saw their requirements of 45% to 49% equity tick up only slightly in 2026 after a big jump from 2024.



Investment Conditions and Considerations

Among UK/EU lenders as well, we saw a continuation of the downshifting from higher equity requirement that we had seen in past years.

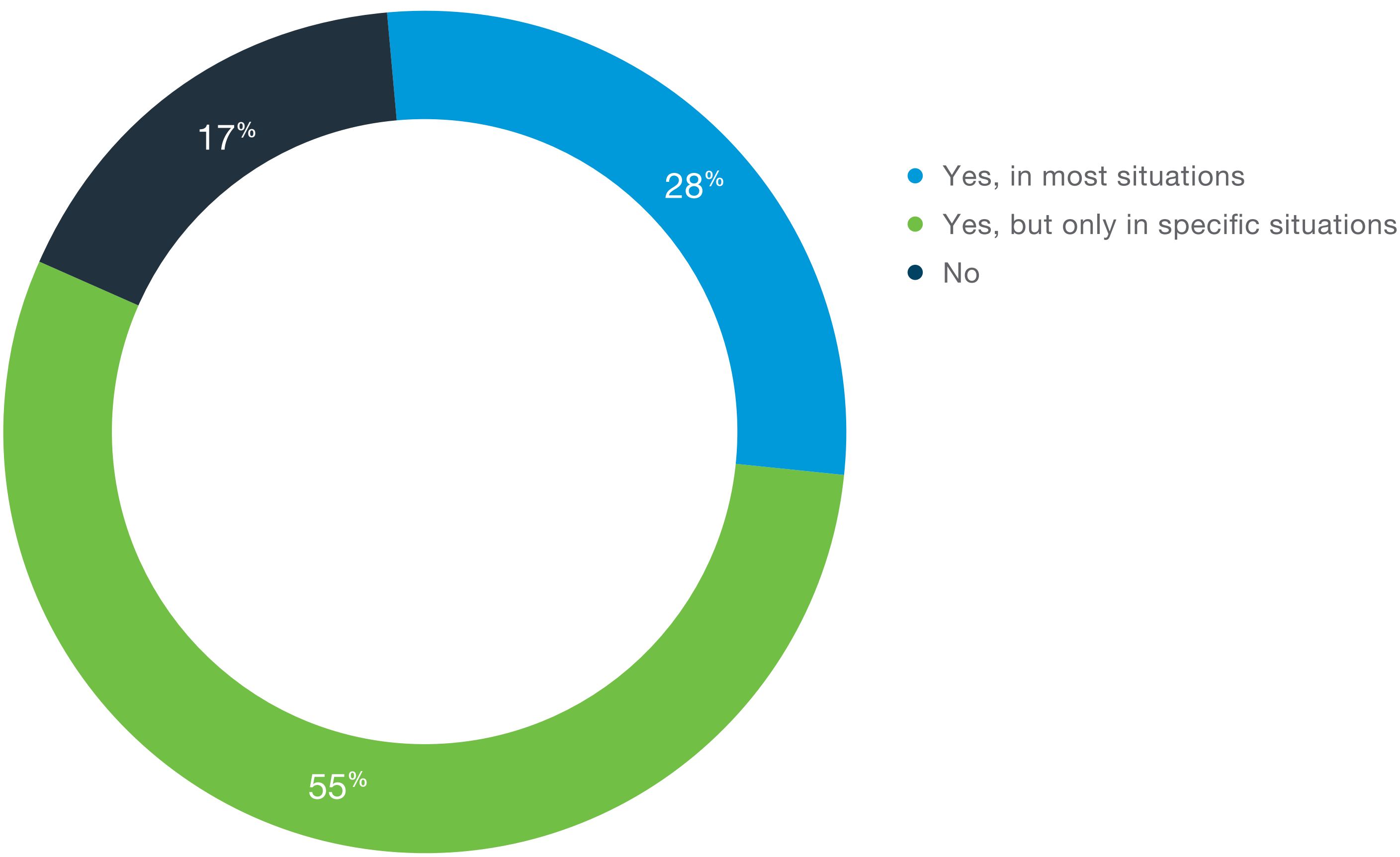


PIK Pricing

In a phenomenon we haven't addressed previously in our surveys, we saw that this year a large portion of lenders (83%) were willing to offer payment in kind (PIK) pricing options at origin, but 55% say they are only willing to offer it in specific situations.

Often, PIK interest is influenced by several factors, including the company's performance and the lender's risk acceptance. Given the large portion willing to use PIK pricing options, it appears both might be growing.

Overall: Is your organization/firm willing to offer PIK pricing options at origination?



Geographic Investment

U.S. lenders

Similar to past years' responses, U.S. lenders said they expect to see their biggest growth opportunities at home, in Europe, the UK, and Canada. Looking to the coming year, all U.S. respondents said their firm is considering investing in the U.S., and percentages have increased across the globe in all regions except Canada, which was slightly down, perhaps owing to the ongoing trade disputes between the two countries.

Biggest growth opportunities for your firm over the next 12 months

U.S.	**97%**
Europe	**46%**
UK	**41%**
Canada	**30%**
Asia	**10%**
Latin America	**4%**
Middle East	**3%**
France	**0%**
DACH	**0%**
Other	**0%**

Which locations are your organization considering investing in over the next 12 months?

Geographic Investment

UK/EU lenders

Not surprisingly, large majorities of UK/EU respondents said their firms are considering investing in the UK, Europe, and France, although interest in France cooled somewhat. Interestingly, the portion of UK/EU lenders looking to invest in the U.S. in the coming year rose to almost two thirds (62%) compared to less than half (48%) in 2025.

Biggest growth opportunities for your firm over the next 12 months

Europe	**77%**
UK	**58%**
U.S.	**35%**
France	**27%**
Asia	**27%**
DACH	**19%**
Middle East	**12%**
Latin America	**0%**
Canada	**0%**
Other	**0%**

Which locations are your organization considering investing in over the next 12 months?

Investment Conditions and Considerations

Industry Investment

Lenders' investment interest or consideration in specific industries continued to be mixed as in past years, with 6 of 13 industries having fallen out of favor from our previous survey. This year, those industries continuing to attract interest included real estate and the newly resurgent sectors of healthcare and transport and logistics, both of which had been seeing a decline in interest in past surveys.

Other industries, such as software and technology and financial services, saw a drop in investor interest.

Overall: In which industries is your organization interested in/considering investing in over the next 12 months?

94%
93% in 2025
Business Services

87%
79% in 2025
Health Care

78%
85% in 2025
Software & Technology

68%
64% in 2025
Manufacturing

52%
54% in 2025
Education

36%
32% in 2024
Media

30%
37% in 2025
Consumer & Retail

23%
18% in 2025
Real Estate

66%

74% in 2025

Financial Services

60%

50% in 2025

Transport & Logistics

53%

46% in 2025

Construction, Engineering
& Infrastructure

22%

25% in 2025

Sports

18%

28% in 2025

Energy & Renewables

3%

1% in 2025

Other

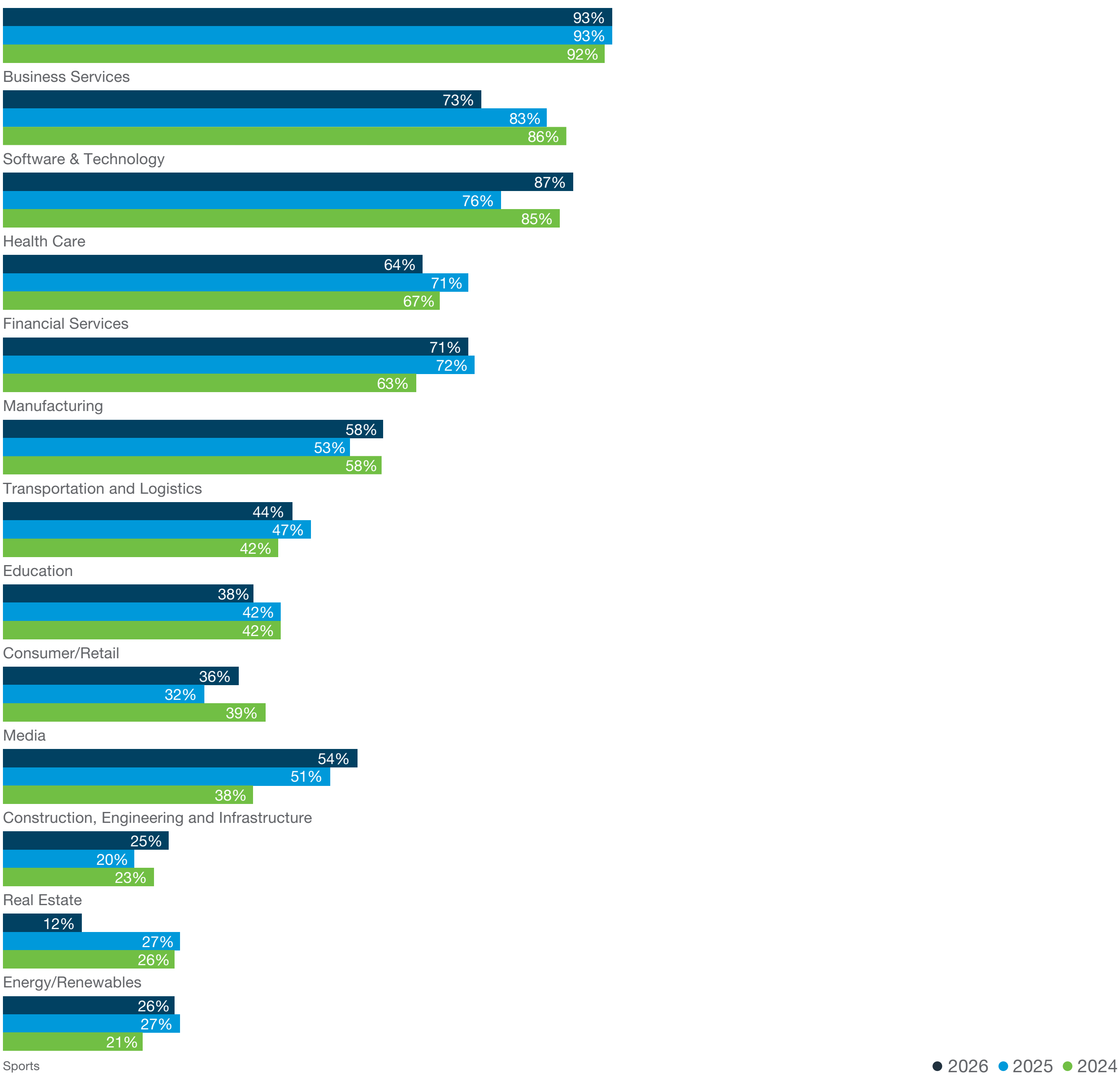
Investment Over the Years

U.S.

In a turnaround from last year, U.S. lenders' interest in investing *decreased* in more than half of the industries cited over the coming 12 months, with interest in investing in sports, energy and renewables, consumer/retail, education, manufacturing, financial services, and software and technology all decreasing from the previous year.

In which industries is your organization considering investing in over the next 12 months?

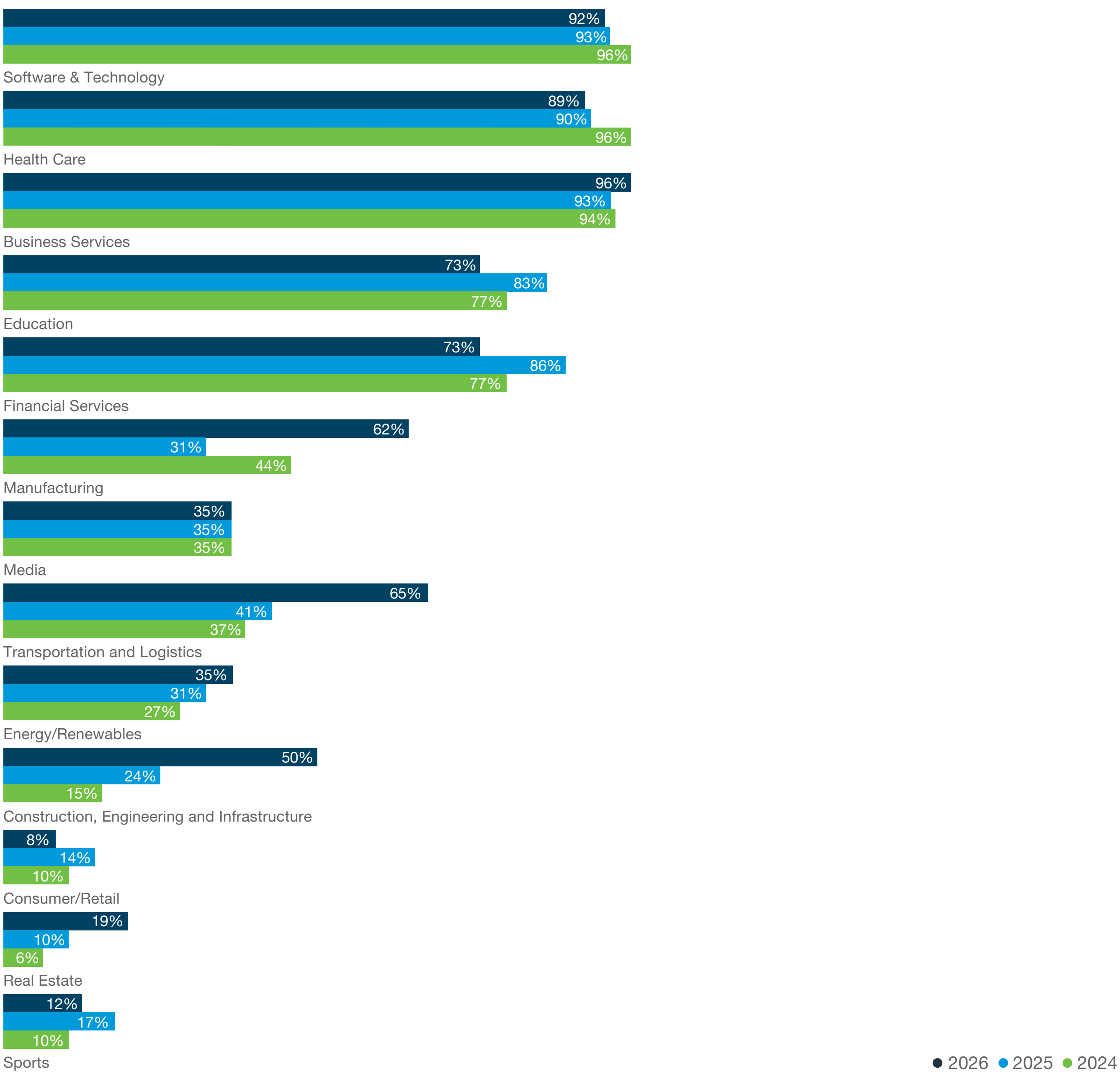
U.S. 2026 v 2025 v 2024



UK/EU

Meanwhile, lenders in the UK/EU region presented more of a mixed bag of interest, with interest increasing in six of the investment areas and decreasing in six areas, with one area, media, remaining the same.

UK/EU 2026 v 2025v 2024



Fundraising

A large portion of respondents (84%) said their firms were engaged in fundraising plans for 2026, with 80% saying they were currently raising a debt fund. While both of these figures are down slightly from our previous two surveys, they still show that a substantial portion of lenders are confident about the coming year.

Investment Plans

Is your organization currently raising a debt fund?

Does your firm have plans to fundraise in the next 12 months?

● Yes ● No

Both regions showed a decrease in plans to fundraise compared to 2025, with U.S. lenders continuing on that downward trend over the past few years, but UK/EU lenders' fundraising plans reversing downward after a sharp increase since 2024.

Investment Plans

U.S. 2026 v 2025

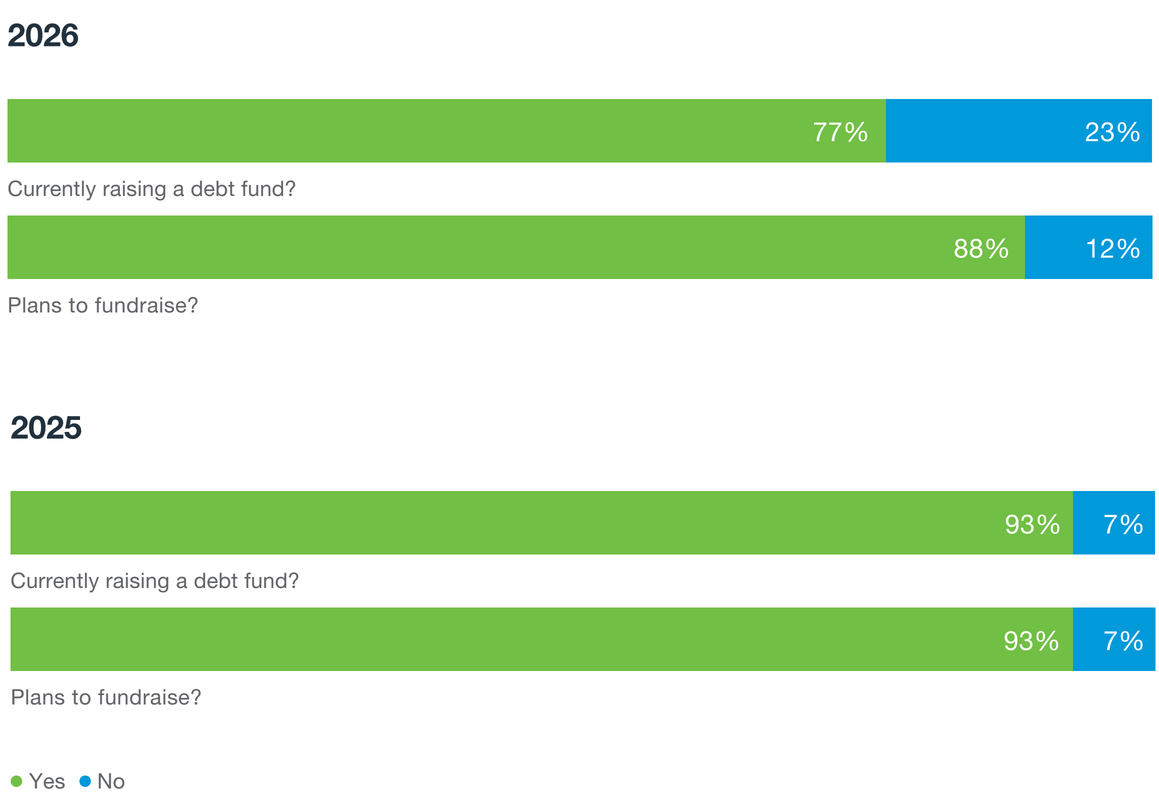
2026

2025

● Yes ● No

Investment Plans

UK/EU 2026 v 2025



Market Predictions

Deal activity

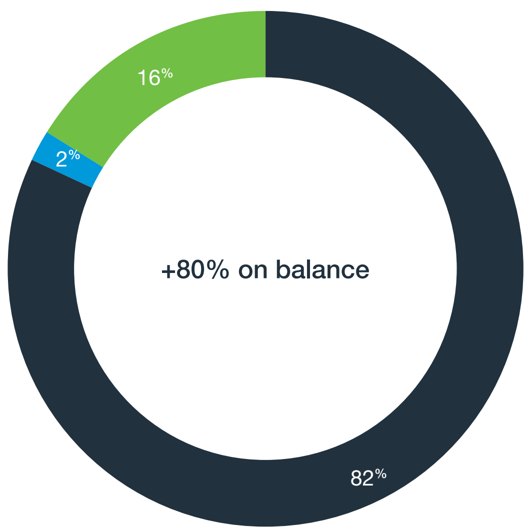
As a possible indicator that lenders may be adjusting their past exuberance, just 82% of all respondents said they expect deal activity to increase in the coming 12 months compared to the past 12 months. That's a nine percentage point drop from our previous survey and likely reflects a more cautious stance going into the coming year after robust deal flow failed to materialize throughout last year.

While deal activity is expected to be positive on balance, with a +80 net percentage favorability, that number too is down from 2025 when there was a +87 net percentage favorability, although it's higher than the +70 net percentage favorability seen in 2024.

What are your expectations for deal activity in the market over the next 12 months?

Why do you think deal activity will increase/decrease or remain the same?

Increased activity	%
Interest rates	39%
M&A activity	30%
Economic outlook/ market conditions	23%
Availability/amount/ return of capital	19%



Remain the same	%
No/limited catalyst either way	66%
No headwinds/ offsetting headwinds	27%
M&A activity	9%

Decreased activity	%
Economic outlook / market conditions	100%

Among U.S. respondents, predictions that deal activity would increase are more modest compared to last year. However, no U.S. lenders said they expect deal activity to decrease altogether. And among UK/EU respondents, sentiments leaning towards increased activity are roughly in line with last year.

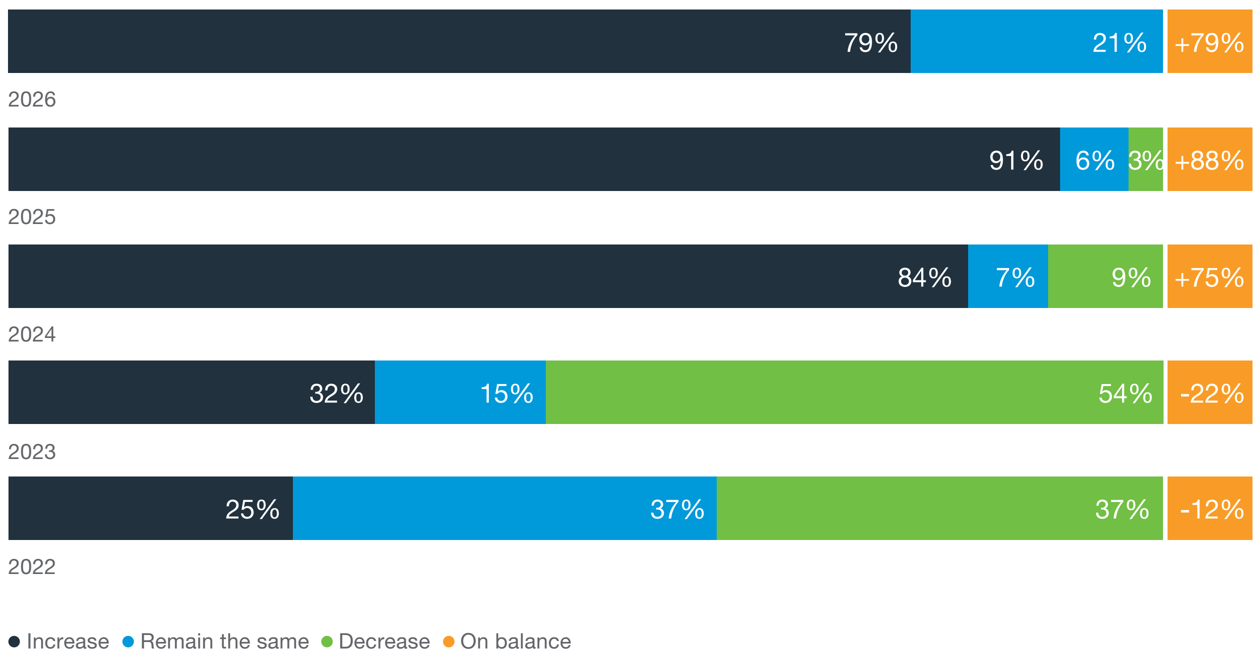
Market activity expectations

- More active than previous 12 months
- Less active than previous 12 months
- No change

Market Predictions

What are your expectations for deal activity in the market over the next 12 months?

U.S. 2026 v 2025 v 2024 v 2023 v 2022

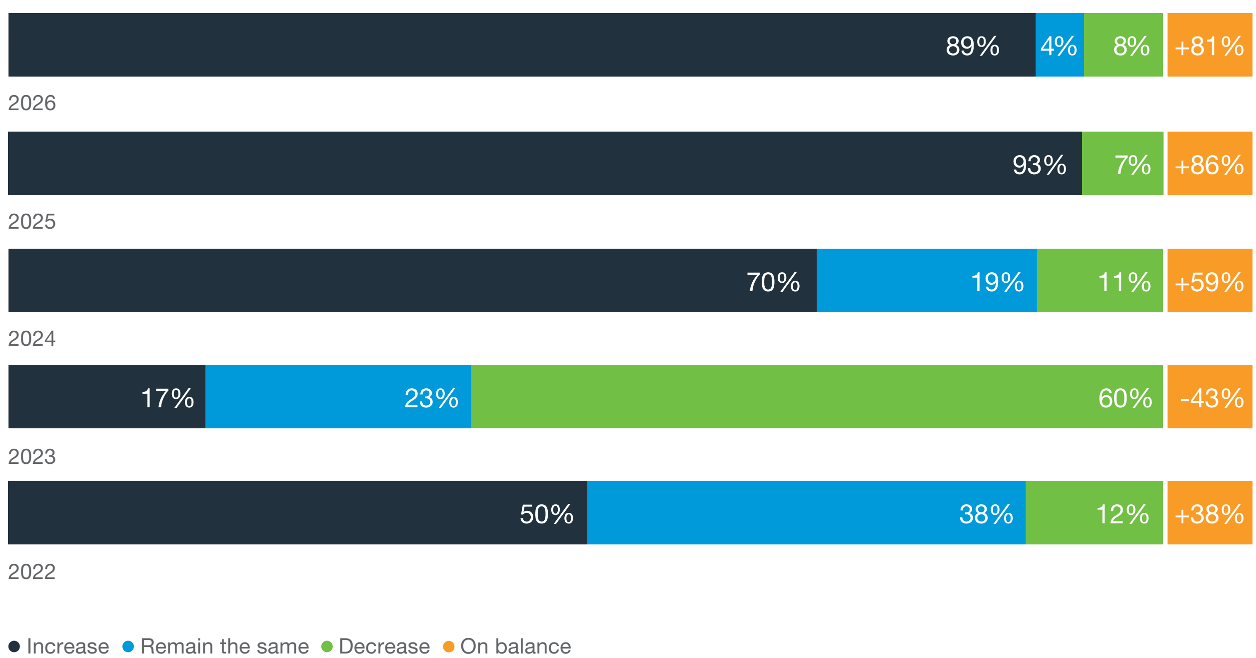


Increased activity	#	%
Interest rates	22	54%
M&A activity	11	27%
Economic outlook/ market conditions	11	27%
Availability/amount/ return of capital	8	20%

Remain the same	#	%
No/limited catalyst either way	6	60%
No headwinds/ offsetting headwinds	3	30%
M&A activity	1	10%

What are your expectations for deal activity in the market over the next 12 months?

UK/EU 2026 v 2025 v 2024 v 2023 v 2022



Increased activity	#	%
M&A activity	6	38
Availability/amount/ return of capital	3	19
Sponsor activity	3	19
Dry powder	3	19
Realizations	3	19
Level of supply	3	19

Remain the same	#	%
No/limited catalyst either way	1	100

Decreased activity	#	%
Economic outlook/ market conditions	2	100

When those respondents who said they expected *increased* deal activity were asked as to their reasons for this view, 59 offered more detailed insight as to their reasoning:

Increased deal activity

"Increased demand from borrowers and we expect more capital to be available as our returns are less market correlated and so will not go down in the same manner as sponsor backed floating rate deals."

"Increasing certainty around tariffs, continued low interest rates, need for sponsors, and direct lenders to put money to work, general macro stability."

"2025 was a down year transaction wise across the market."

"Volumes have been muted for too long and need to see some equilibrium of new deals as sponsors seek exit opportunities and capital return."

"Lack of PE exits to date, excess PE dry powder, declining rates."

"Lower rates, resilient U.S. economy, growing pressure on PE firms to return capital to LPs."

"We are seeing it already. Pent up activity from capital providers and sellers."

"We have available capital."

"Maturity walls, PE drive to deploy and realize returns. Therefore, it may be increased activity from refinancing (as opposed to new deals)."

"Only 6% to 7% of global private credit capital raised is earmarked for APAC, while APAC drives 40% to 50% of global GDP. Banks also continue to pull back from the region. With increased demand for growth capital from middle market corporates unable to tap public markets or obtain bank loans, coupled with the lack of competition in private credit lenders, it's inevitable that deal activity will continue to increase."

"Increasing fundraising and declining base rates."

"We are seeing more front end opportunities and sponsors indicate more books coming in. Not in a huge way but almost all indicate some level of uptick."

"Lower rates, sponsors need to realize liquidity, overall positive macroeconomic environment."

"Need to return capital to investors and demonstrate realizations across private equity portfolio assets."

"Rates stabilized to coming down, dry powder build up."

"Rates are easing, more stability, less tariff uncertainty."

"Significant increase in leading indicators linked to M&A. Supportive economic environment (for the most part) during the majority of 2025 creates a platform for sponsor exits in 2026."

"Starting off a low base, into an easing cycle with higher valuations potentially unlocking backlog of "exits" from assets held for many years (more M&A)."

"Better economy, more quality assets."

"Capital to deploy plus M&A has been sidelined for some of 2025, driven by uncertainty of macro and geopolitical environments."

"EV multiples are increasing which should get sellers off the sidelines."

"Policy predictability, tax policy, interest rates, forced sellers of businesses by PE owners — all of which can lead to increased M&A."

"M&A is picking up. Deal introductions are increasing month on month."

"Financing availability, private equity dry powder, and sponsors' need to exit investments."

Respondents who said they expect *decreased* deal activity or expected no change in deal activity offered their reasons, as well:

Decreased deal activity

"Everything still feels very uncertain and EBITDA hard to grow."

"Wider market conditions will weaken while private credit market remains very competitive."

No change

"Choppy economic conditions — continuing elevated seller expectations around value."

"No readily apparent catalyst to cause it to change."

"Hard to imagine more PE activity."

"Too many countervailing pressures, do not believe the narrative that massive deal flow is about to be unleashed."

"My assessment of the observable variables indicates to me deal activity will remain the same."

"Relatively stable economy."

Market Predictions

Drivers of Deal Flow

We also asked respondents to select the three most important drivers of deal flow over the coming 12 months and then to rank their chosen drivers in order of importance. Similar to past years, more respondents (41%) ranked *sponsors seeking realizations* as the most important driver, and that category also had the most overall rankings. However, that category did drop compared to past years in which 85% of respondents ranking that category first in 2025 and 66% ranked *sponsors seeking realizations* first in 2024.

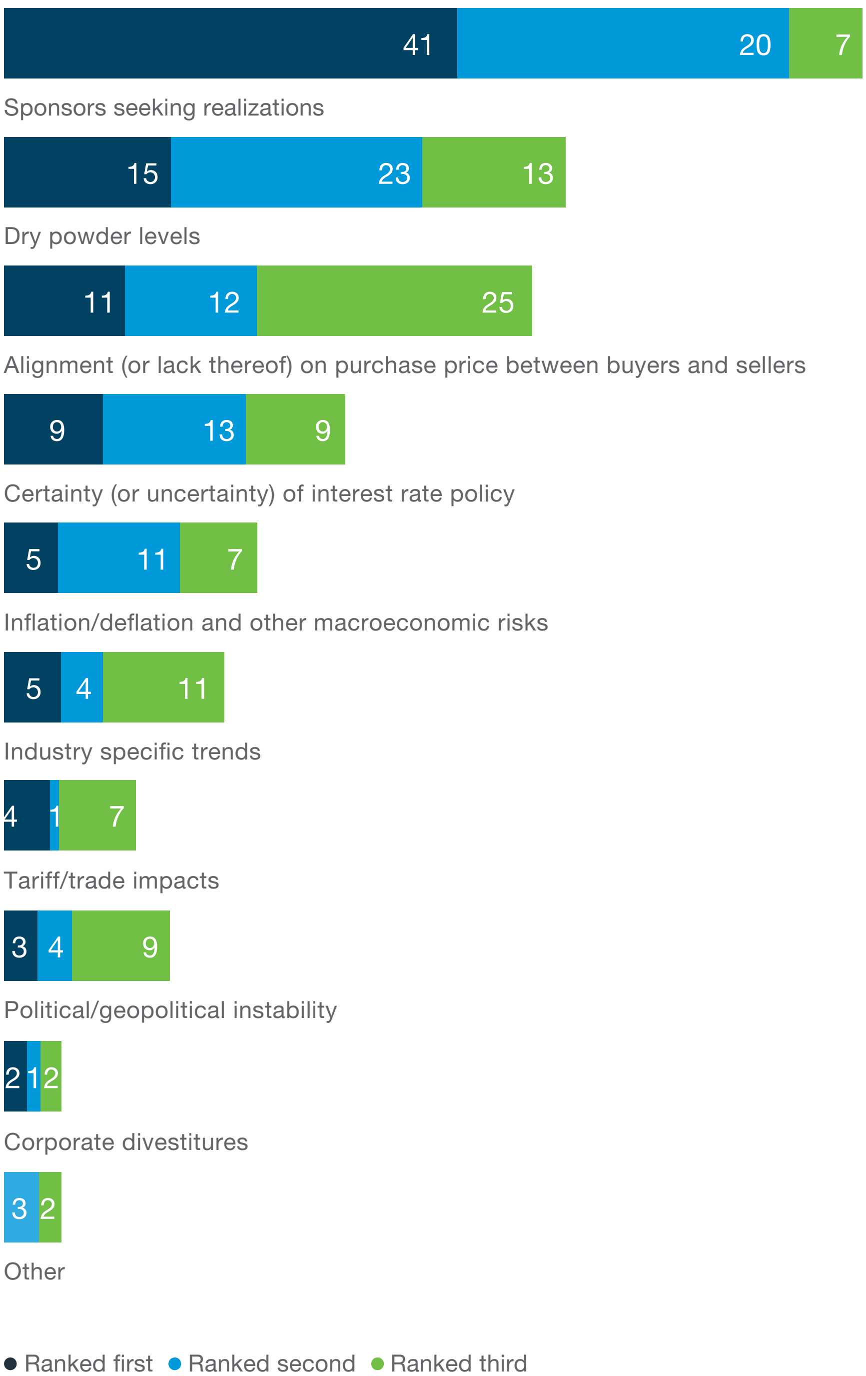
Also in line with our last survey, *dry powder levels* had the second most overall rankings as a driver of deal flow (15%), although this continued to see a significant decline compared to our previous surveys.

Somewhat surprisingly given the current economic uncertainty, rankings of *inflation/macroeconomic risks* as the most important driver of deal flow continued to drop, with just 5% ranking it as most important this year. Just three years ago, in our 2023 survey, it was top ranked with 67% saying it would be the most important driver of deal flow in that coming year.

Looking at future sentiment on a regional basis, lenders in both the U.S. and the UK/EU strongly echoed the overall rankings of what would be the top drivers of deal flow in the coming year.

What do you expect to be the most important driver of deal flow in the next 12 months?

Overall – Sorted by overall rankings



Regionally, both the U.S. and UK/EU views generally reflected the overall assessment of what factors were driving deal flow.

U.S. respondents cite sponsors seeking realizations as most important.

U.S. respondents – sorted by overall rankings

UK/EU respondents rank sponsors seeking realizations as most important and most overall rankings.

UK/EU respondents – sorted by overall rankings

Market Predictions

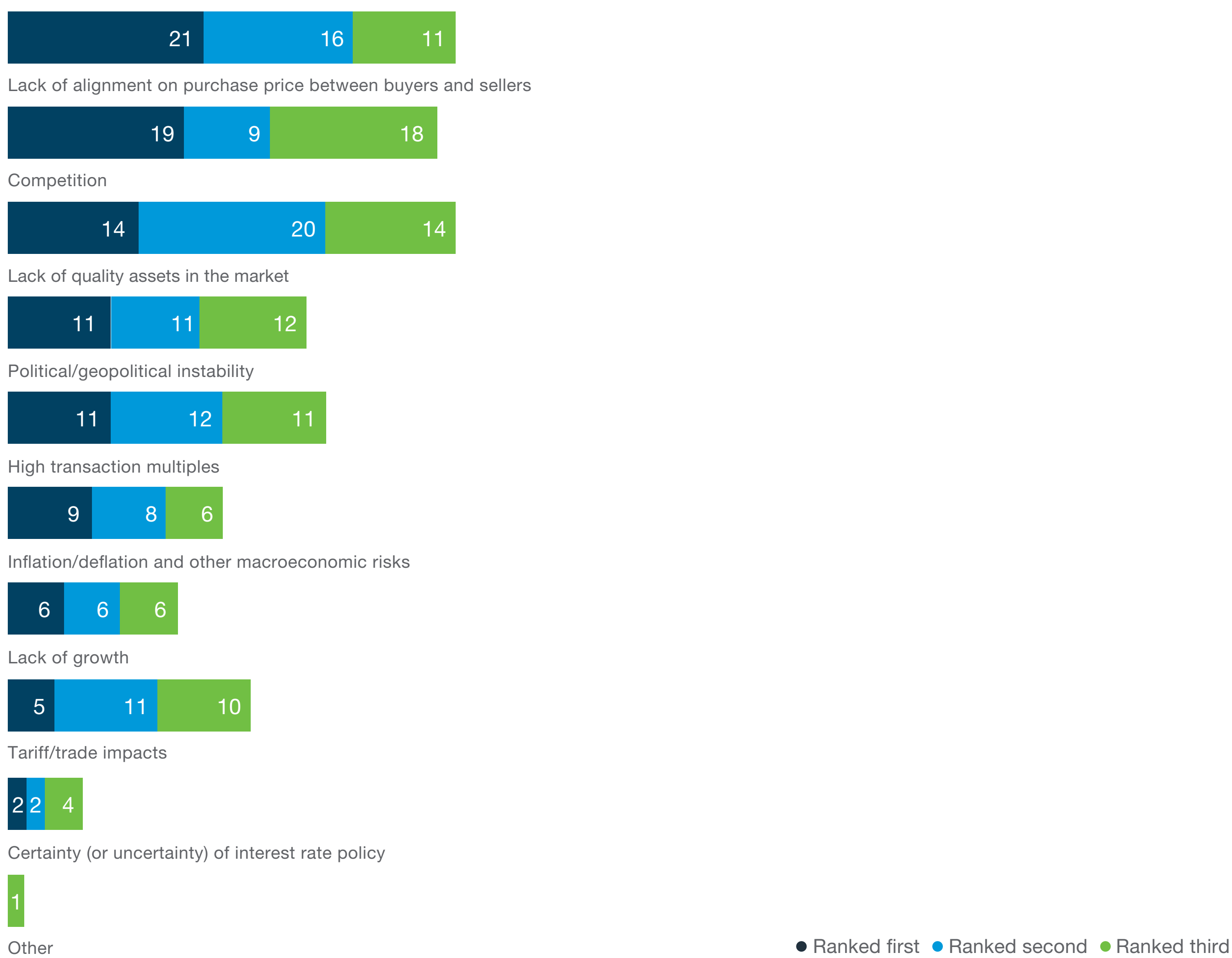
Challenges for Dealmakers

The largest portion of respondents (21%) cited *lack of alignment on purchase price* as their biggest concern over the next 12 months, making this category the highest ranked overall and the most frequently cited. However, it just barely edged out *lack of quality assets in the market*, which had been cited the second most this year.

Interestingly, as *inflation/macroeconomic risks* fell back a bit as a cited challenge, *high transaction multiples* rose up, tying *political/geopolitical instability* as a major concern.

What do you anticipate to be the biggest challenge for dealmakers in the next 12 months?

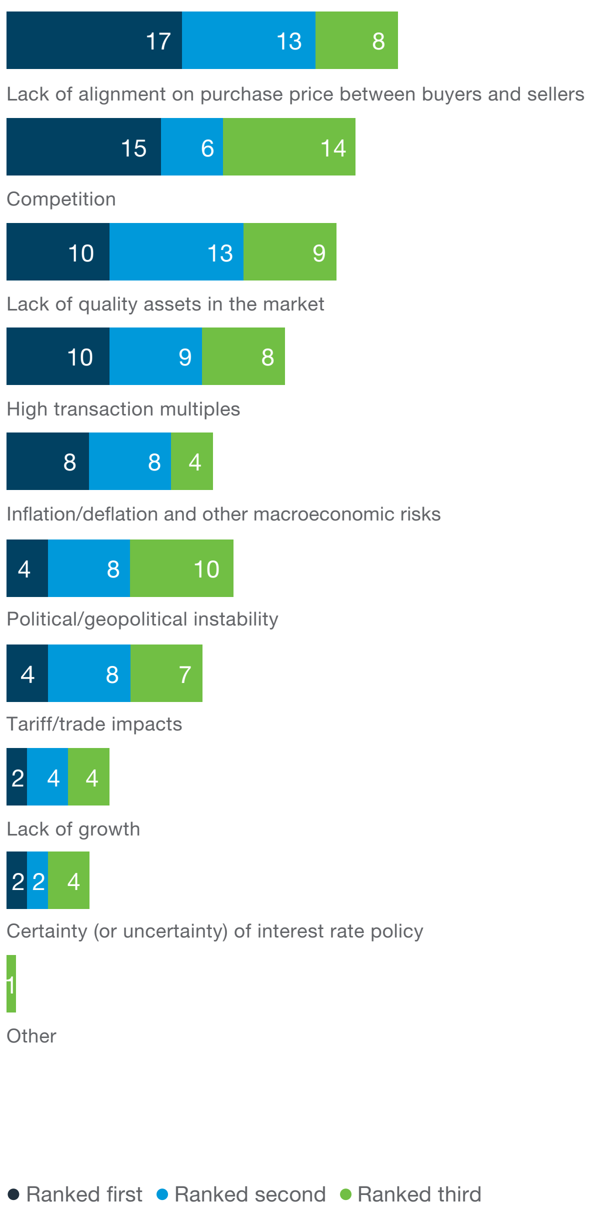
Overall - Sorted by overall rankings



Breaking out the numbers by region, U.S. lenders largely echoed the overall rankings, with *lack of alignment on purchase price* being ranked highest overall and most frequently. In the UK/EU region, *political and geopolitical instability* rose up to be highest ranked overall; however, *lack of quality assets* in the market was the most frequently cited.

What do you anticipate to be the biggest challenge for dealmakers in the next 12 months?

U.S. respondents



What do you anticipate to be the biggest challenge for dealmakers in the next 12 months?

UK/EU respondents

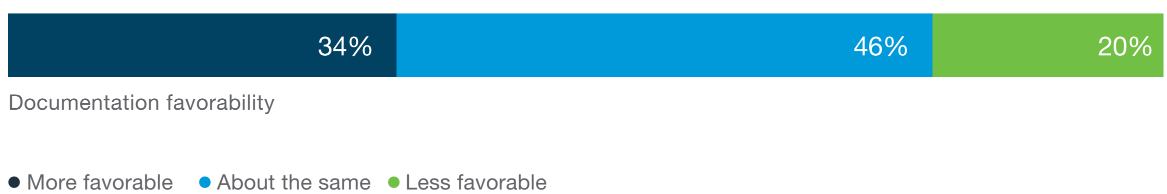
Market Predictions

Document Favorability

Similar to past years, respondents said they believe documentation favorability will become mixed over the next 12 months. Overall, about one third of respondents (34%) said they expect loan documentation to become more favorable to borrowers, and less than half (46%) said they expect it to stay about the same.

Do you expect loan documentation to become more or less borrower-favorable over the next 12 months?

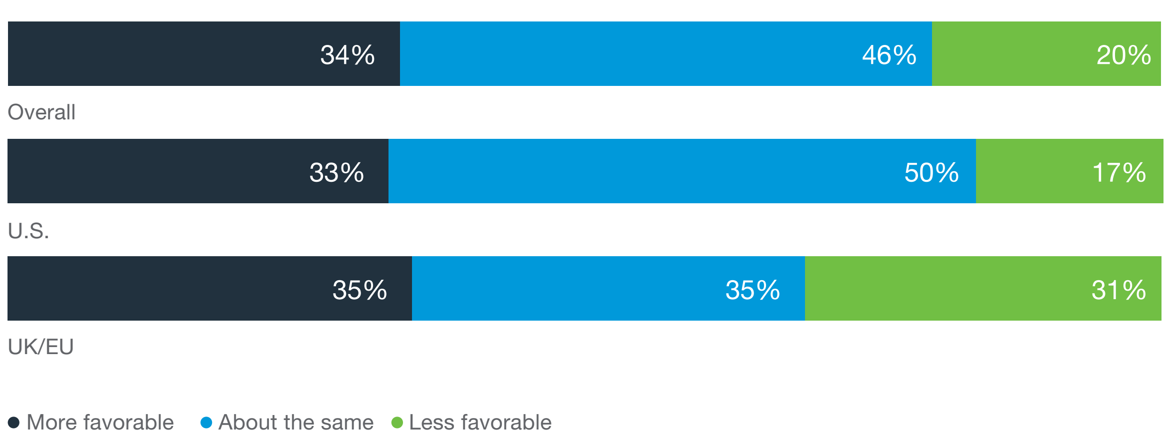
Overall



Among U.S. lenders, the largest portion (50%) said they expect loan documentation to remain about the same, while among UK/EU lenders, just as large a portion (35%) said they expect loan documentation to become more favorable to borrowers (35%).

Has loan documentation become more or less favorable?

U.S. v UK/EU

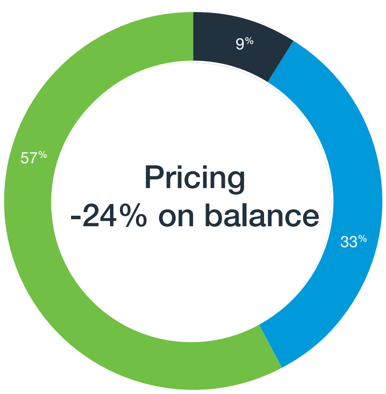


Market Predictions

Pricing Predictions and Defaults

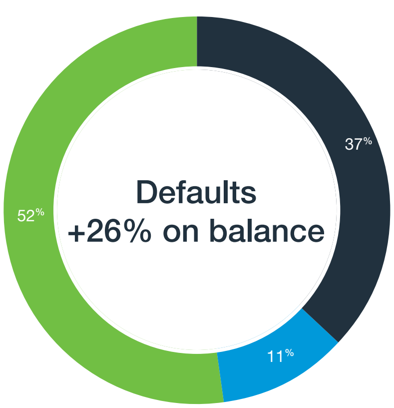
Looking at the coming year, one third of all respondents (33%) said they expect lower pricing than they saw in the past 12 months, and just 9% said they expect higher pricing. That means on balance there is a 24 net percentage favorability that shows more than one quarter of respondents are expecting lower pricing. However, the portion of respondents that expect pricing to remain unchanged rose dramatically this year to 57% compared to 39% in 2025.

When asked their predictions concerning defaults, 37% of all respondents said they believe there will be more defaults in the coming 12 months than there were in the past year, and 11% said they believe there will be less defaults, resulting in a +26 net percentage favorability that leans toward more defaults in the coming 12 months. Again, however, the largest portion of respondents (52%) said they believe there will be no change in the level of defaults for the coming 12 months.



What are your expectations for pricing over the next 12 months?

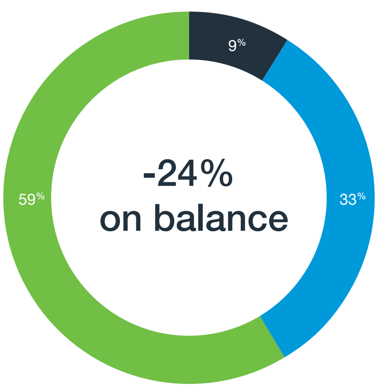
- Higher pricing than previous 12 months
- Lower pricing than previous 12 months
- No change



What are your expectations for your portfolio over the next 12 months?

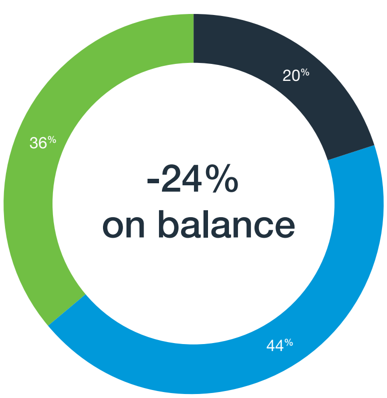
- More defaults than previous 12 months
- Less defaults than previous 12 months
- No change

Among U.S. lenders, pricing expectations remain much the same on balance as in past surveys, but there was an expectation of more defaults this year compared to last year.



2026 U.S. Pricing

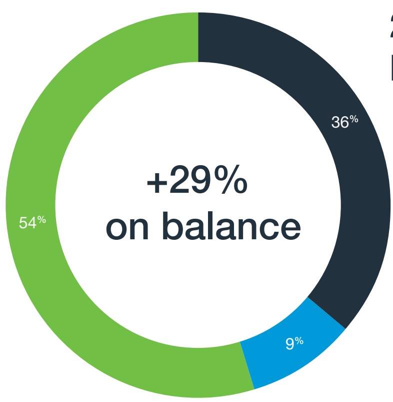
- Higher pricing than previous 12 months
- Lower pricing than previous 12 months
- No change



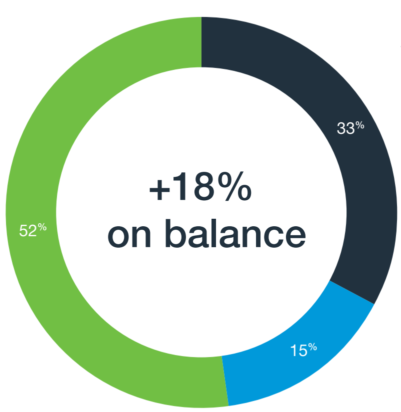
2025 U.S. Pricing

- Higher pricing than previous 12 months
- Lower pricing than previous 12 months
- No change

2026 U.S. Defaults



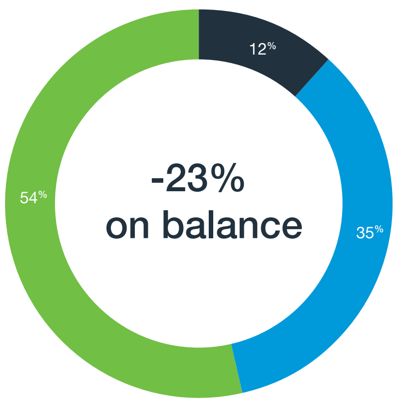
2025 U.S. Defaults



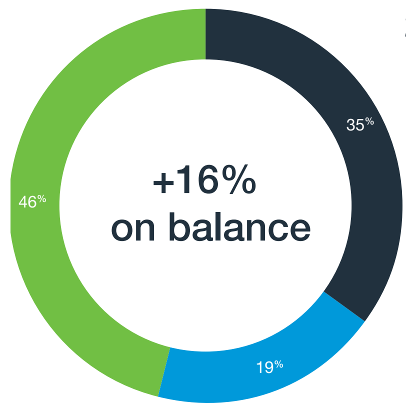
- More defaults than previous 12 months
- Fewer defaults than previous 12 months
- No change

Among UK/EU lenders, a drop in those predicting higher prices this year led to an overall 23 net percentage favorability that shows less than one quarter of respondents are expecting lower pricing in the coming 12 months, a significant drop in this sentiment compared to last year. Also, among UK/EU lenders, there were slightly increasing expectations of more defaults this year (37%) compared to last year (28%).

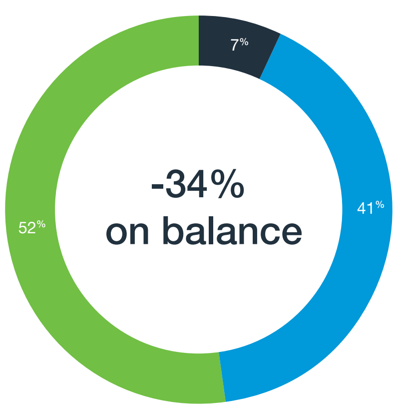
2026 UK/EU Pricing



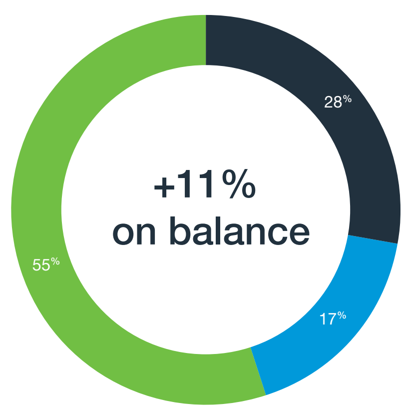
2026 UK/EU Defaults



2025 UK/EU Pricing



2025 UK/EU Defaults



- Higher pricing than previous 12 months
- Lower pricing than previous 12 months
- No change

Market Predictions

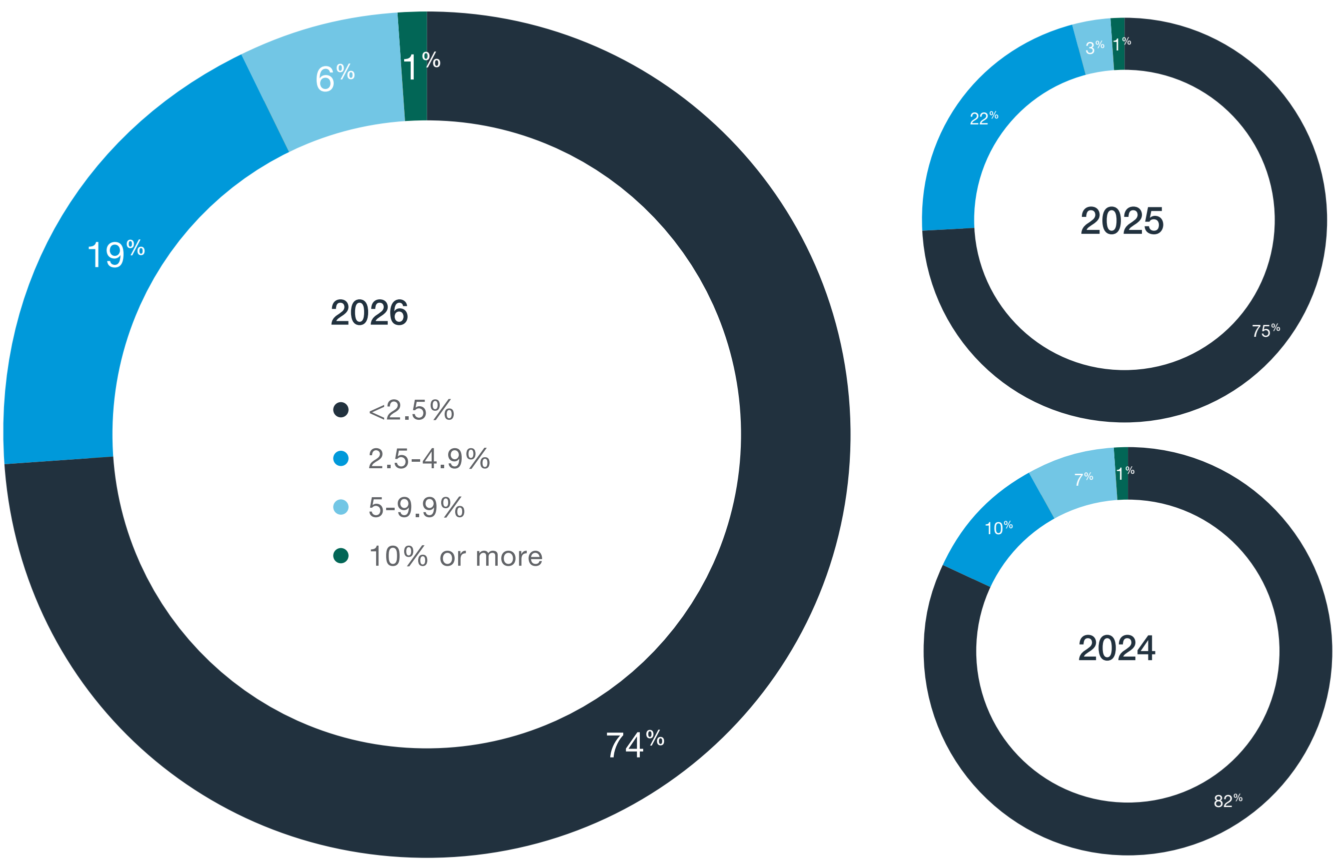
Current Levels of Defaults

While the vast majority of overall lenders continue to see less than 2.5% of their portfolio already in default, the portion that sees 2.5% or more of their portfolio as already in default has stubbornly refused to come down after leaping in 2023.

In the UK/EU region, for example, this year saw an uptick in the portion of lenders that saw 2.5% to 4.9% of their portfolio as already in default.

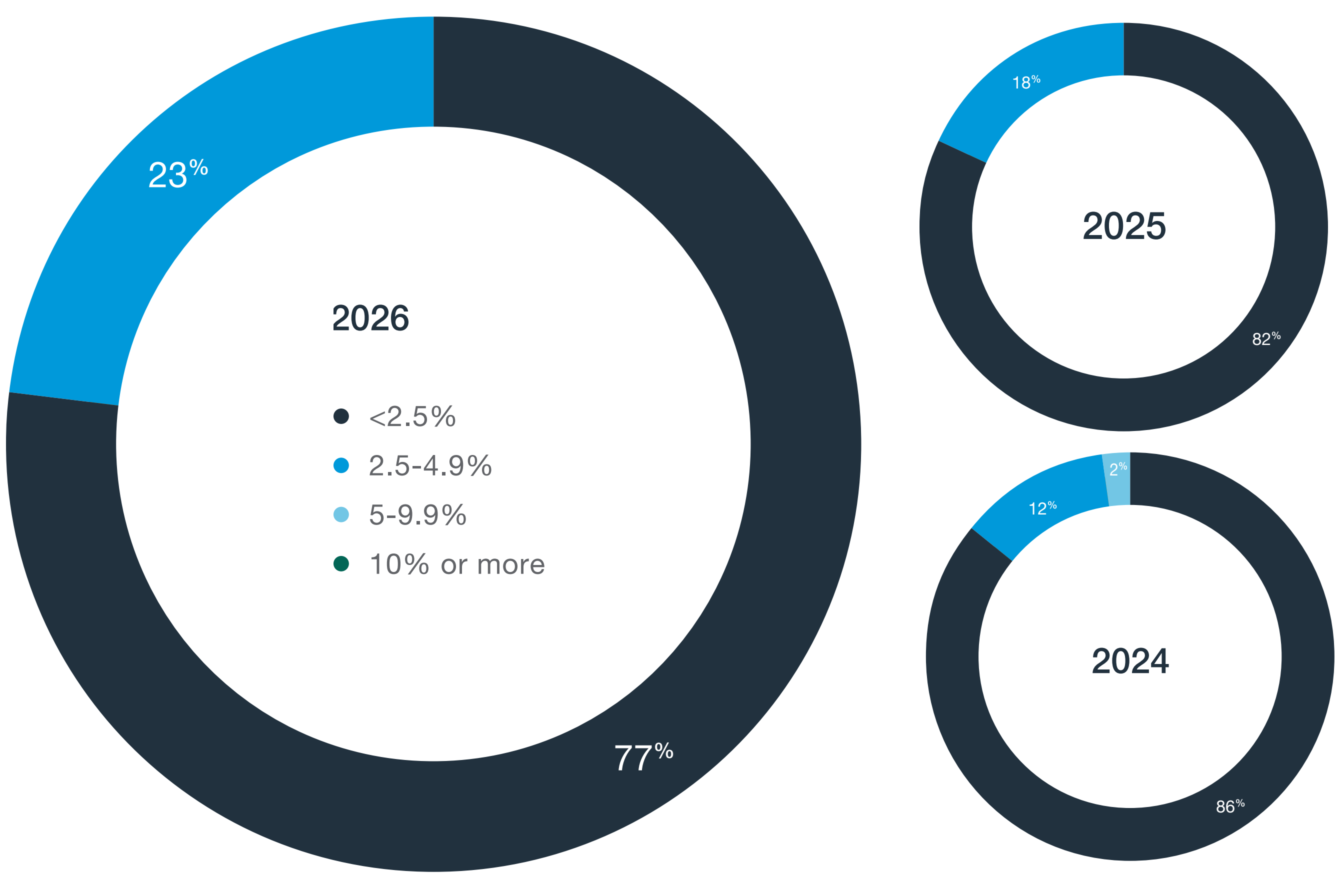
What percentage of your portfolio is in default?

U.S. only



What percentage of your portfolio is in default?

UK/EU only

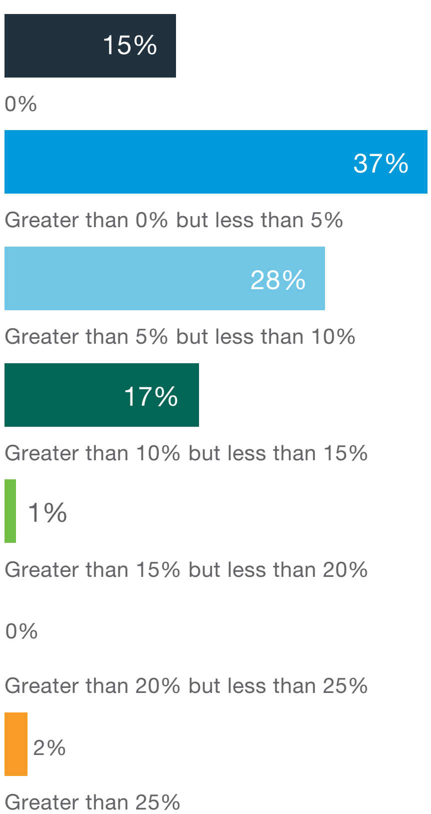


Loans Subject to Adjustments and Non-Accrual

In a noticeable shift, more than one third (37%) of overall respondents said the portion of their loan portfolio that had been subject to significant loan term adjustments was *greater than 0% but less than 5%*, compared to almost half of respondents (49%) who said that last year.

This coupled with the fact that the percentage of respondents who said the portion of their loan portfolio that had been subject to significant loan term adjustments was *greater than 5% but less than 10%* grew 13 percentage points compared to last year could be pointing to the beginning of some troubling times for lenders.

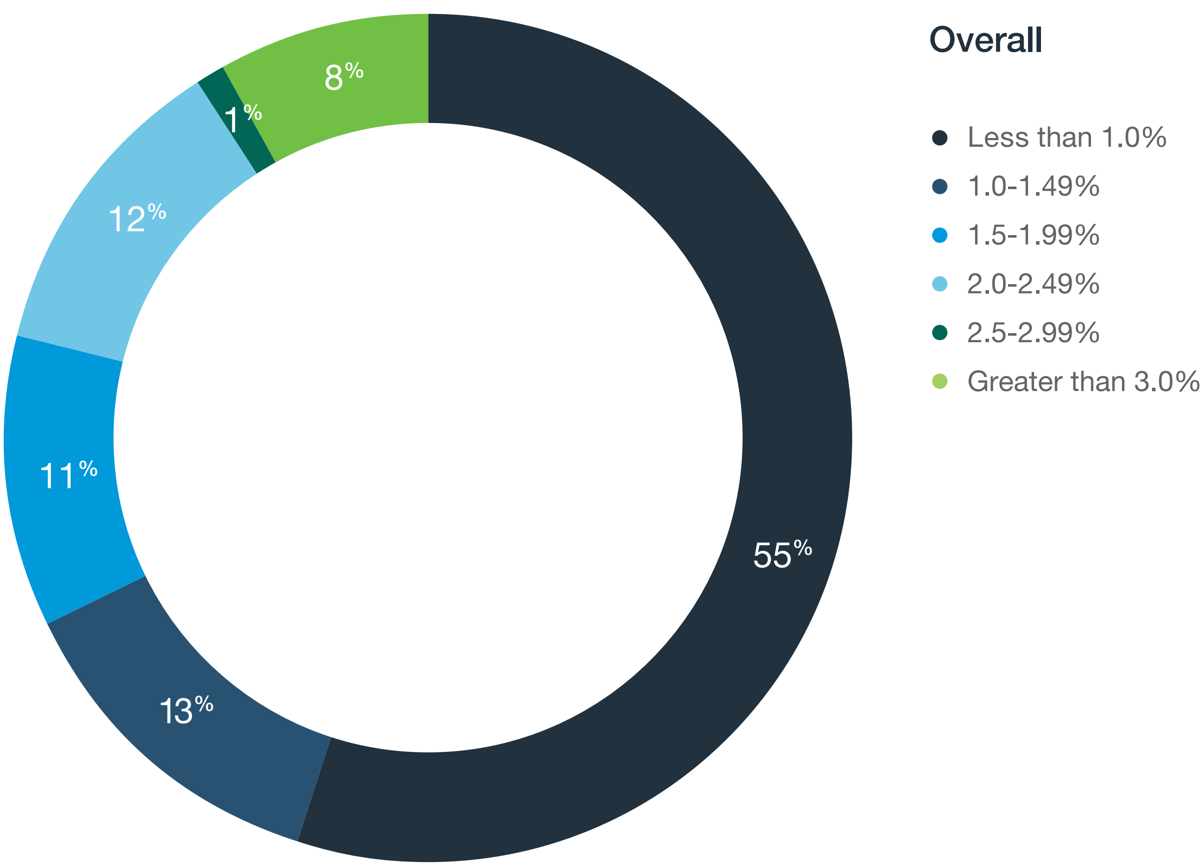
What proportion of the loans in your portfolio have been subject to significant loan term adjustments?



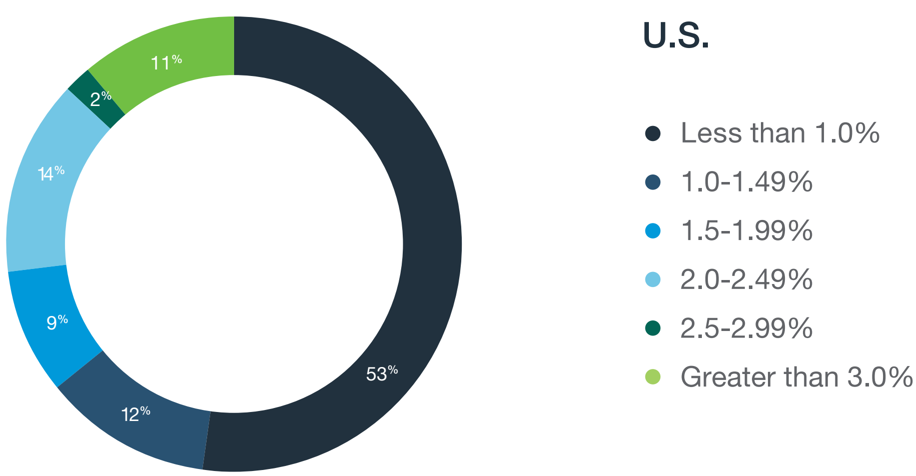
Market Expectations

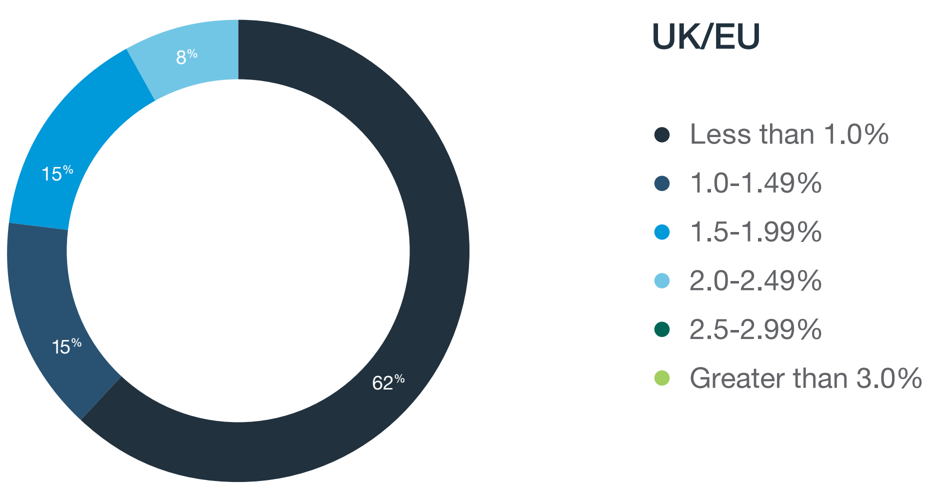
While the majority of overall respondents (55%) say that less than 1% of their loan portfolio in on a non-accrual basis, more than one third (37%) say that up to 3% of their loan portfolio is on non-accrual.

What percentage of your loan portfolio is on non-accrual?



What percentage of your loan portfolio is on non-accrual?





Market Predictions

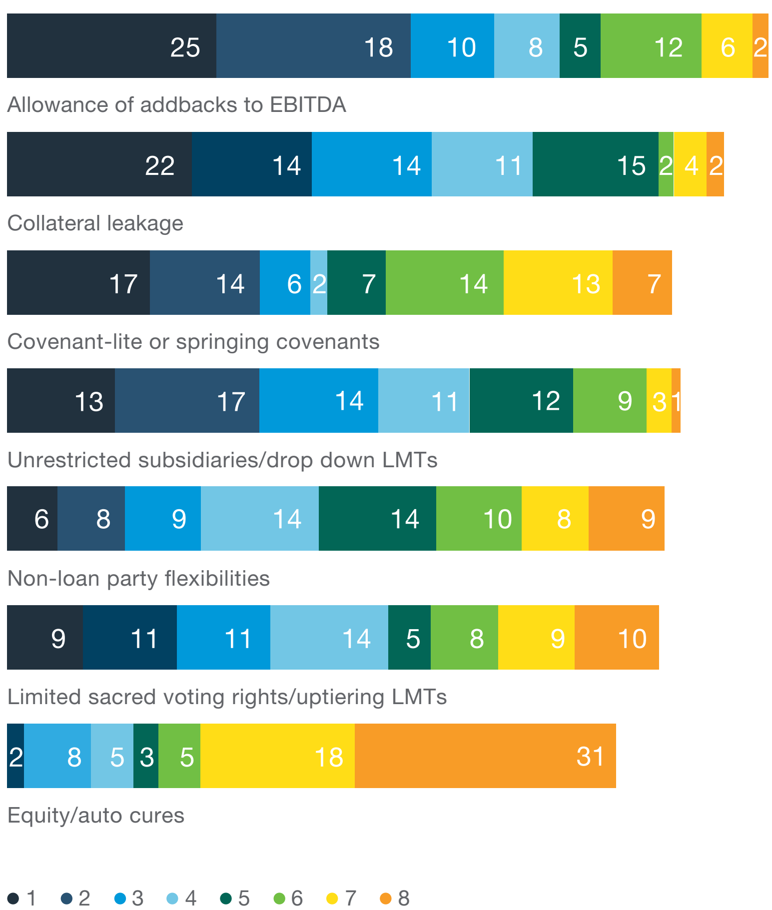
Lender Risks

We asked all respondents to rank which lender concessions represents their greatest risk, and most ranked *allowance of addbacks to EBITDA*, *collateral leakage, and Covenant lite or springing covenants* (which moved up to third place from fifth last year) as their greatest risks.

Interestingly, when sorted by first ranking, *allowance of addbacks to EBITDA* retook the top spot after losing that to *collateral leakage* last year.

Which of the following concessions by lenders do you believe presents the greatest risk to lenders?

Overall – sorted by overall rankings

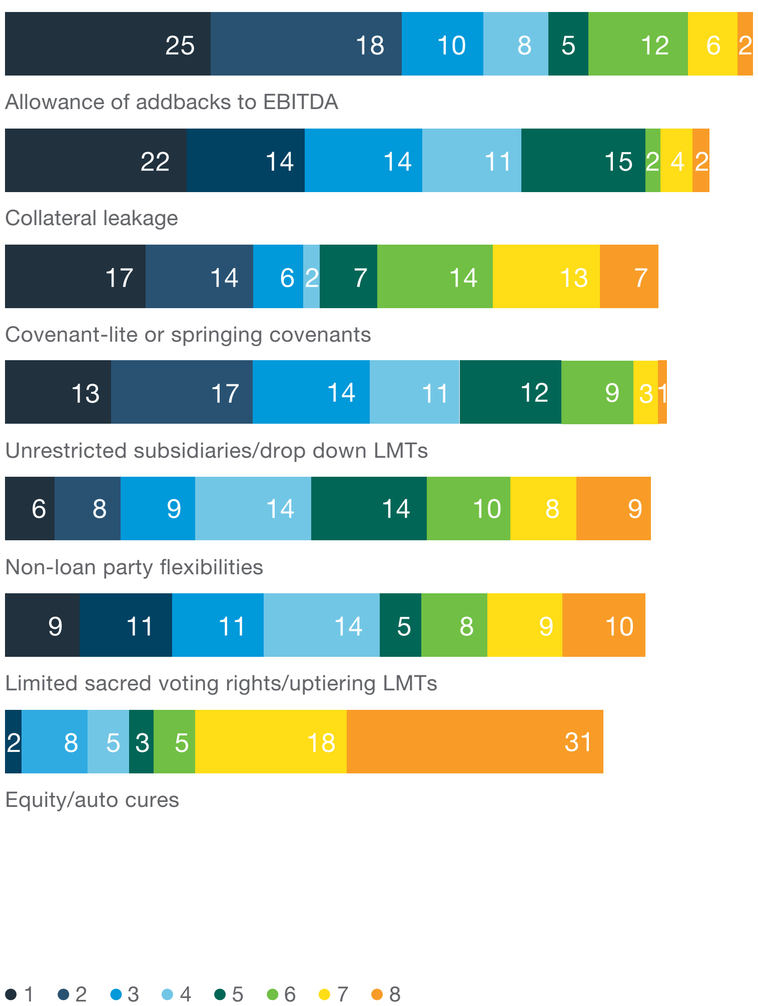


Lender Risks

When broken out by region, the top cited risks were mostly unchanged, *allowance of addbacks to EBITDA* and *collateral leakage* are the most ranked overall and have more first rank votes from U.S. respondents.

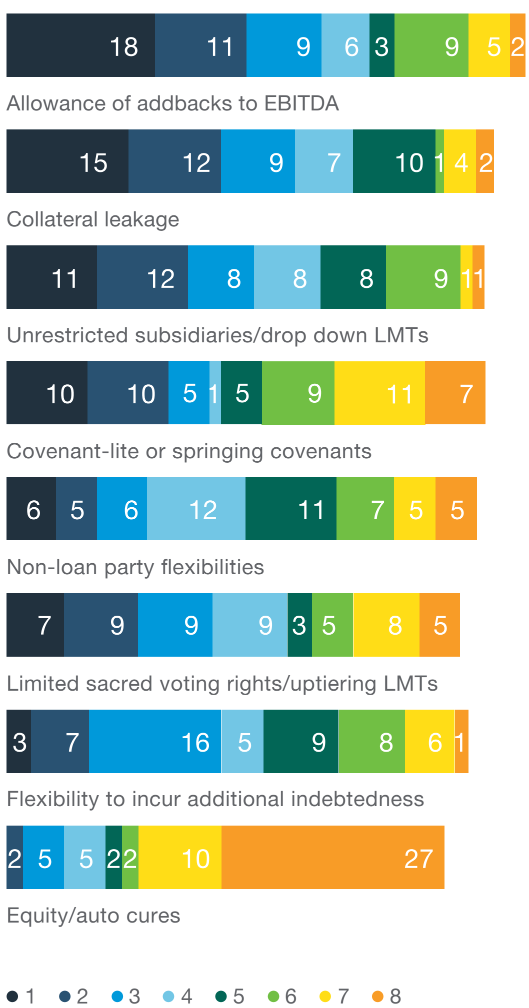
Which of the following concessions by lenders do you believe presents the greatest risk to lenders?

Overall – sorted by 1st rankings



Which of the following concessions by lenders do you believe presents the greatest risk to lenders?

U.S. – sorted by overall rankings

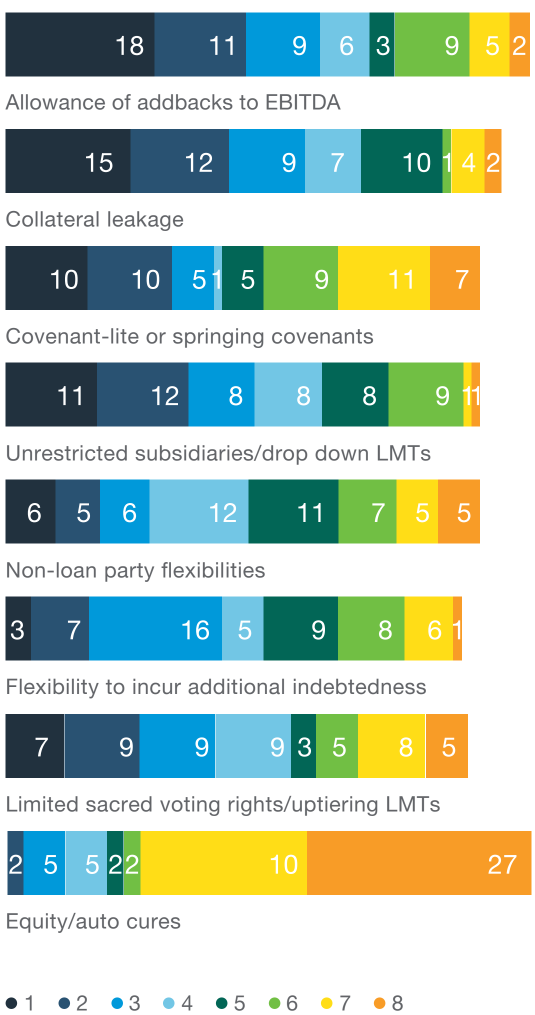


Market Predictions

Collateral leakage was top ranked in overall rankings of the greatest risks to lenders this year after concerns over it seemed to wane among UK/EU lenders in past years. In fact, this year UK/EU lenders put *collateral leakage, allowance of addbacks to EBITDA* and *covenant lite or springing covenants* into a three way tie for most first ranked.

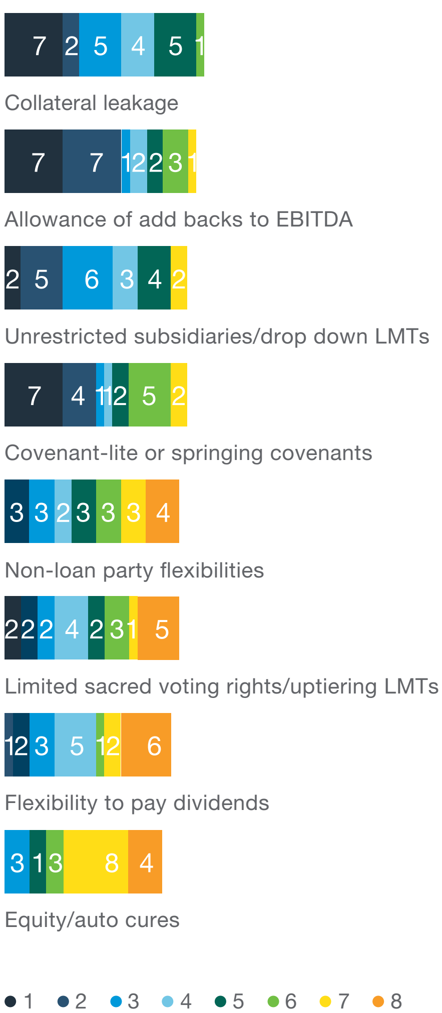
Which of the following concessions by lenders do you believe presents the greatest risk to lenders?

U.S. – sorted by 1st rankings



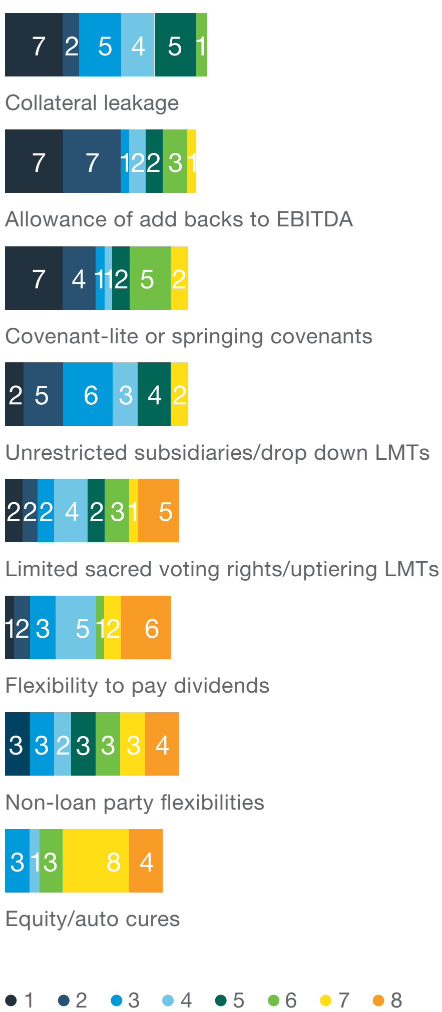
Which of the following concessions by lenders do you believe presents the greatest risk to lenders?

UK/EU – sorted by overall rankings



Which of the following concessions by lenders do you believe presents the greatest risk to lenders?

UK/EU – sorted by 1st rankings



In addition, several respondents in both regions offered more detailed reasoning for selecting the risks they did.

In the U.S.:

"Aggressive EBITDA adjustments present a significant risk."

"Factors that lead to highly levered balance sheets with minimal controls likely to result in biggest financial risk to companies."

"Lenders need the ability to act before an issue becomes acute; lack of covenants prevents that action. Once an issue is present, lenders have fewer alternatives and owners engage in option value."

"My assessment of current observable variables has yielded my ranking as shown."

"The dilution of the EBITDA definition means closing leverage is materially higher than represented. The highly adjusted EBITDA combined with debt incurrence flexibility results in an over leveraged company. Collateral leakage, LME [Liability Management Exercises], covenant-lite are issues but not the key issues to me."

"We see the top three more often and may stomach them due to competition for good businesses. We would pass on deals with the bottom three."

In the UK/EU:

"Covenants are like dampeners/breaks to avoid a slow car crash — without them it just happens to be a faster car crash."

"Creditor violence is a concern, but more fundamentally, before you get to that point, the concern is around various promiscuous concessions that confer unreasonable flexibility to support leakage from under the lenders. Secured debt in 2025 is not the secured debt of 2010. It possesses a 'debt' label but is much more hybrid in character, much more equity like but without the equity like returns."

"Covenants need to be meaningful and to trigger at the right time to allow a lender the time to consult, engage, and ultimately act as is necessary to protect its position. Anything that seeks to render covenants as useless, fundamentally undermines the secured nature of the loan."

"Covenants are now pretty meaningless. [The] key is to prevent leakage both via distributions and with value. Lenders have become more focused on credit selection given where doc[ument]s are, and more reliant on long term relationships with stakeholders (i.e., so that sponsors don't seek to leak value out)."

"We see documents which allow latitude for a sponsor to execute LMTs [Liability Management Transactions] are (whether drop down or up tier) without needing lender consent as one of the most concerning prevalent documentary trends. Aggressive EBITDA add backs feed into this capacity. Collateral leakage and flexibility to pay dividends also form part of our general concern over potential value leakage."

"Risk of losing collateral is untested in the market and concerning; equally the cov[enant]-lite prevalence likely to affect current vintages performance due to lack of protection and ability to improve documentation and terms over life of the investment."

"Ranking focusing on areas that feel like the greatest go forward risk — e.g., covenant-lite is something that is well understood. Whereas LME has not really been tested in European private credit, but feels like lenders are not aware of the holes that have been introduced to documentation over the past 12 months. With more deals becoming clubs (LME isn't so important in a bilateral deal), it feels like 'when' rather than 'if' we will see some pretty horrible outcomes (to the extent they are made public)."

"Gap between EBITDA and real cash generation is widening leading to liquidity issues."

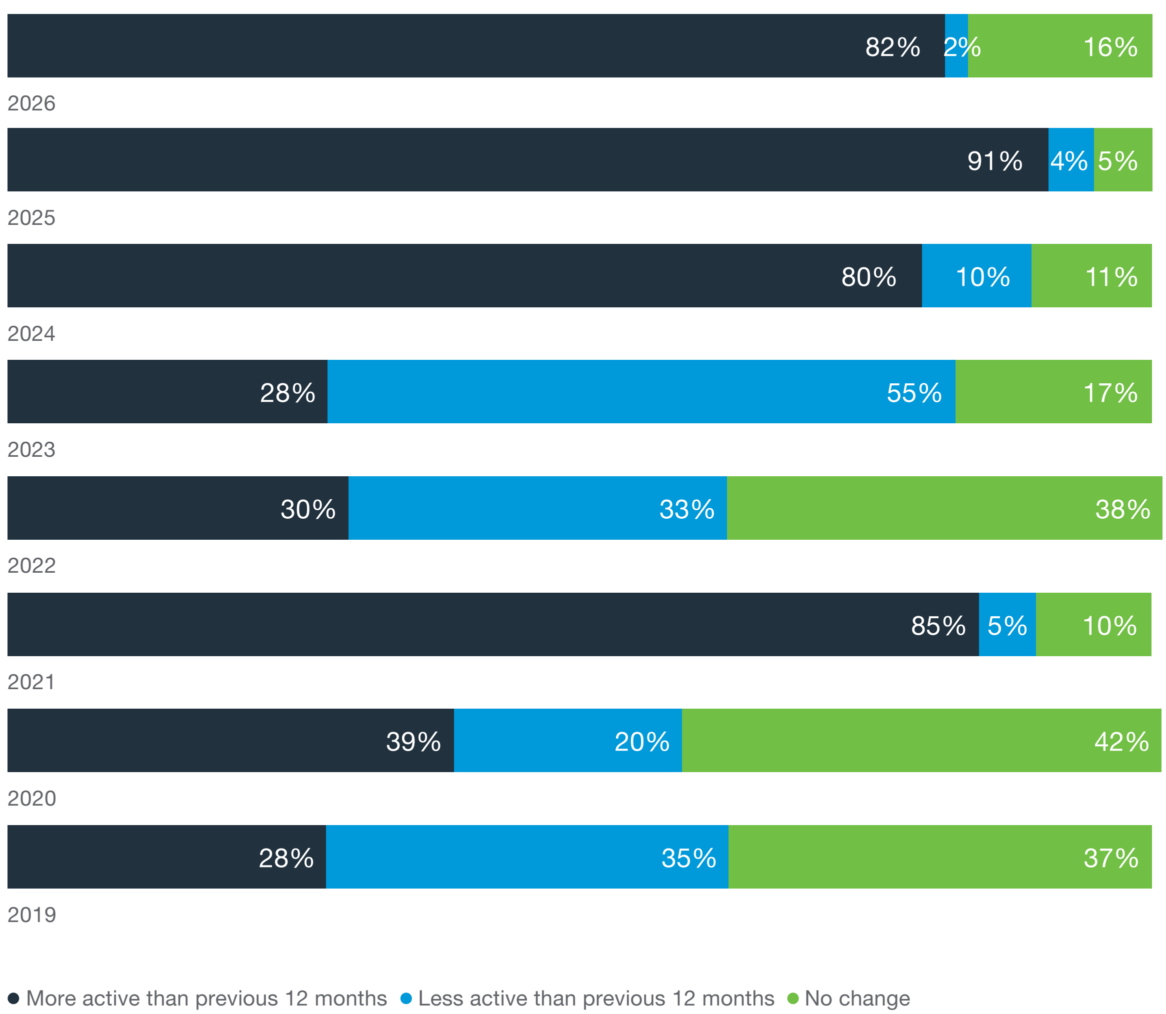
Eight-Year Trends

We asked respondents for their predictions for deal activity, pricing, and default levels for the coming year. Then, we compared their answers to responses we've gathered in our past surveys since 2019.

Volume of Deal Activity

The portion of respondents saying they expect dealmaking to be more active than in the previous 12 months dipped this year to 82%, after setting a record last year at 91%. Still, this year's mark is the third highest on record.

What are your expectations for deal activity in the market over the next 12 months?



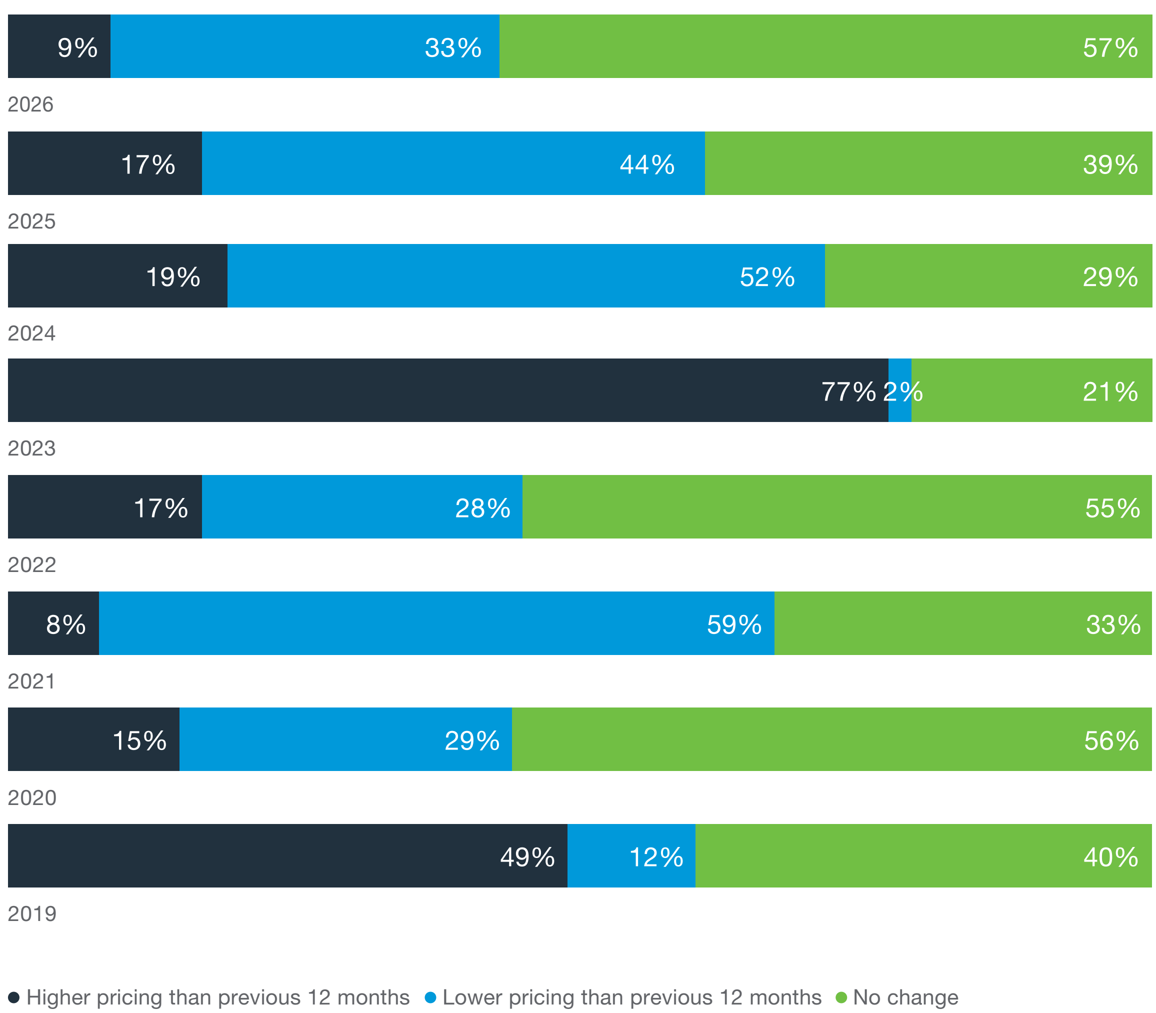
Five-Year Trends

Pricing Predictions

For the first time since 2022, the majority of respondents (57%) said they expect pricing to remain unchanged in the coming year, compared to the previous 12 months, breaking a two year streak in which the largest portion of respondents said they expect pricing to be lower.

Interestingly, the bands of 2026 and 2025 look similar to those of 2022 and 2021, a period that reflected some stabilization that came after a period of a lessening concerns — at the time, concerns around the pandemic. Now, the expectation of no change (and away from the expectation of lower pricing) potentially could reflect that some trepidation is creeping back into the market.

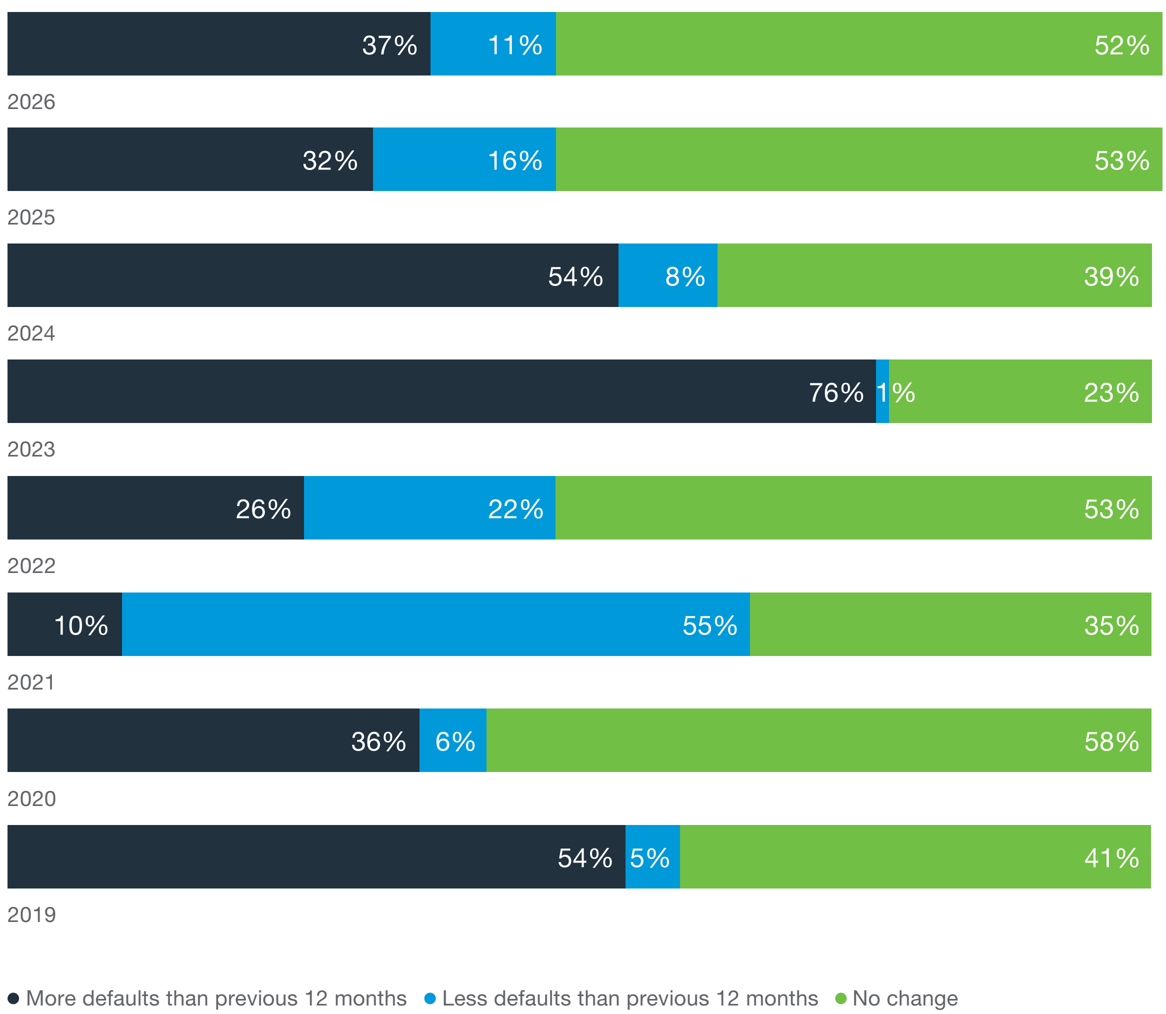
What are your expectations for pricing over the next 12 months?



Default Expectations

The expectation of defaults, while ticking up slightly, remains generally stable since last year. Both 2026 and 2025 reflect a massive comedown in default expectations that sees around one third of lenders (37% and 32%, respectively) saying they believe there will be more defaults in the coming year than in the past 12 months. That compares to more than half (54%) saying that in 2024 and more than three quarters (76%) in 2023.

What are your expectations for your portfolio over the next 12 months?



Hot Topics

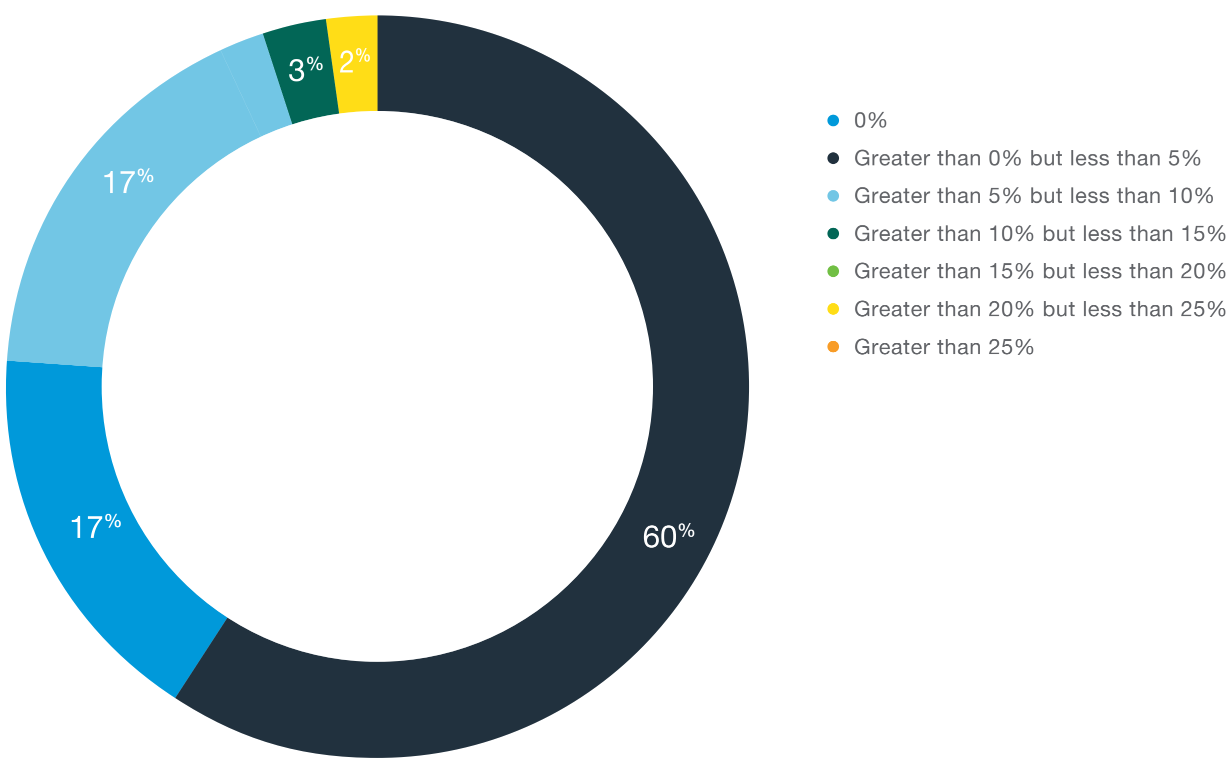
Quality of assets

One hot topic that continues to resonate with respondents, unsurprisingly, is concern over quality of the assets in their portfolio for the coming year, and this concern is particularly acute around that portion of their portfolio that may be currently or expected to become distressed, face enforcement action, or need a boost of liquidity.

This year, we saw that while the largest portion of respondents (60%) said that the percentage of their portfolio assets that were distressed or expected to be was *greater than 0% but less than 5%*. That percentage actually ticked down from 63% last year.

Simultaneously, those who said that the percentage of their portfolio assets that were distressed or expected to be was *greater than 5% but less than 10%* moved up slightly to 17% this year from 15% last year.

What percentage of your assets are distressed (i.e, have liquidity issues and have failed to pay interest and/or principal required to be paid under the loan documentation or are forecast to do so within the next 12 months)?

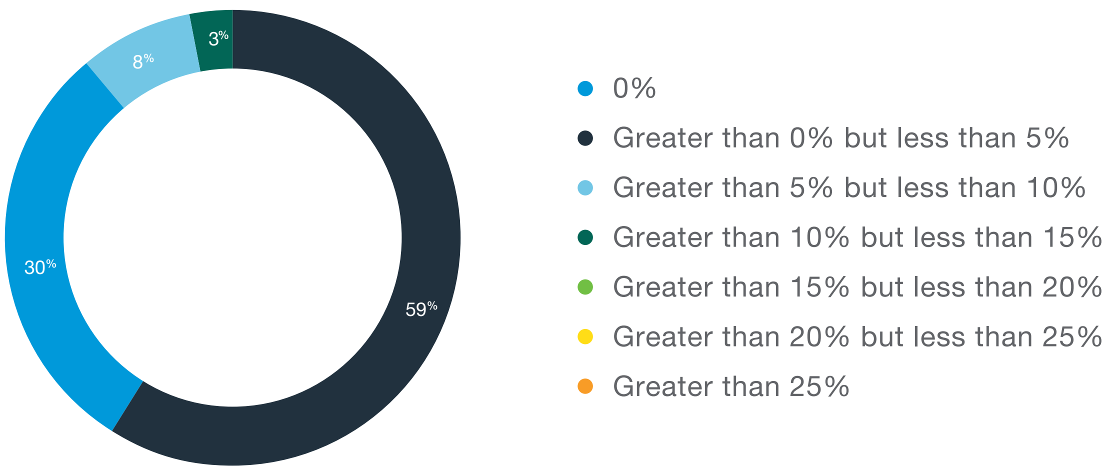


A higher majority (67%) said more than 0% but less than 10% of their assets had been subject to creditor enforcement or remedy in the past year, representing a slight jump from the previous year.

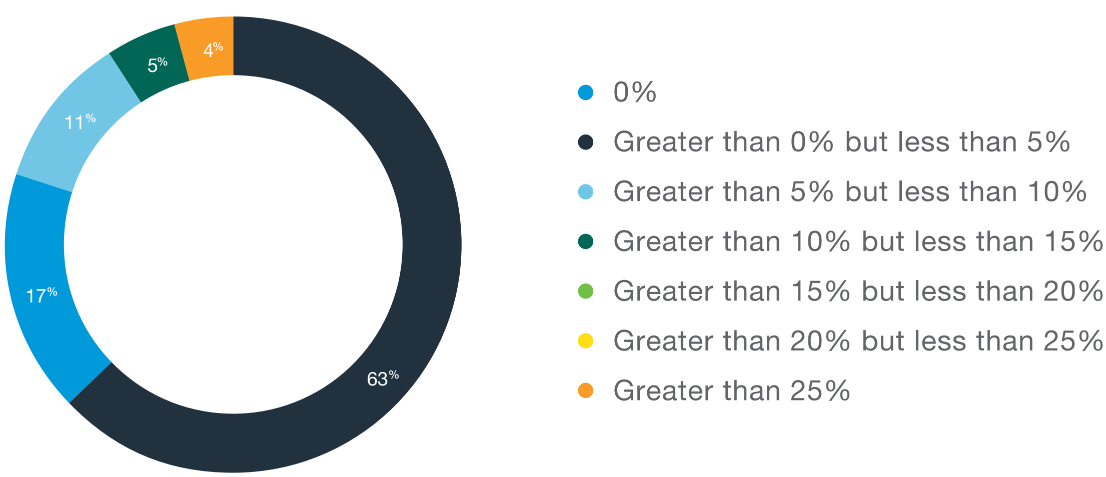
Of those lenders that saw such creditor action in their portfolios this year, almost three quarters (74%) said that up to 10% of the assets in their portfolios were consensually restructured because of financial underperformance.

Hot Topics

What percentage of your assets have been subject to an enforcement or an exercise of creditor remedies in the past twelve months?



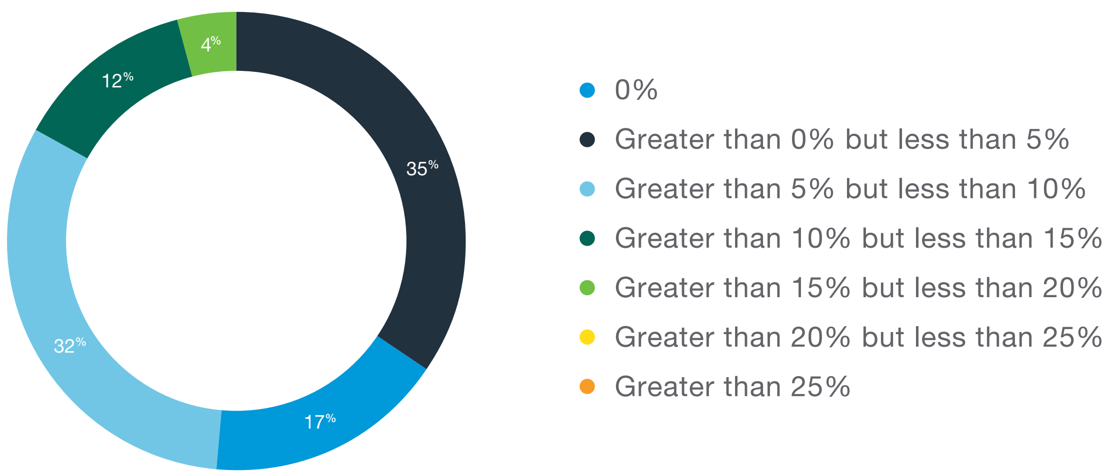
If greater than 0%, what percentage of your assets have been consensually restructured because of financial underperformance in the last twelve months?



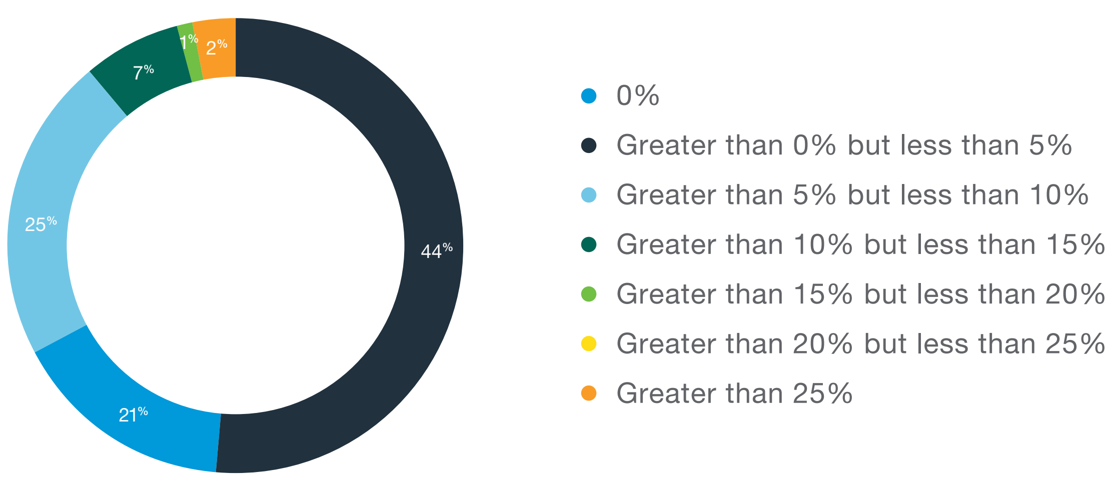
Interestingly, the same percentage of respondents (67%) said more than 0% but less than 10% of their assets had received additional liquidity in the past year. This represents a slightly better liquidity picture than in our previous survey in which 73% of respondents said that more than 0% but less than 10% of their assets had received additional liquidity.

Of those respondents who said they saw such liquidity infusion in their portfolios this year, almost seven in ten (69%) said up to 10% of the assets received additional sponsor support in some fashion.

What percentage of your assets have received additional liquidity from their respective financial sponsors/shareholders over the past 12 months?



If greater than 0%, what percentage of your assets have received support from the sponsor in the form of a sponsor guarantee or equity commitment?



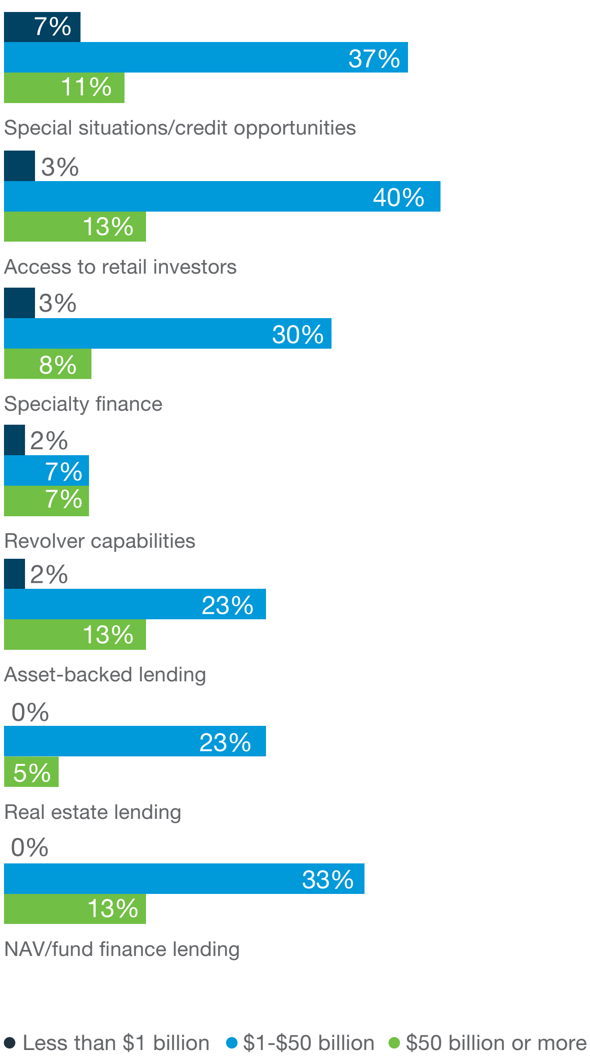
Hot Topics

Acquisition and Expansion

Like in previous year's surveys, many firms' acquisition and expansion plans were another hot topic of discussion, as many lenders potentially look to acquire additional targets or expand their capabilities.

Overall, those lenders with between $1 billion and $50 billion in AUM seemed to be the most aggressive acquirers with large portions saying they are looking to acquire or expand in capabilities such as *access to retail investors* (40%), *special situation/credit opportunities* (37%), and *NAV/fund finance lending* (33%).

Is your firm looking to acquire or expand any of the following capabilities?



Recession Expectation

Also not surprisingly, expectations of a recession became a hot topic of discussion this year and will likely remain one for the foreseeable future.

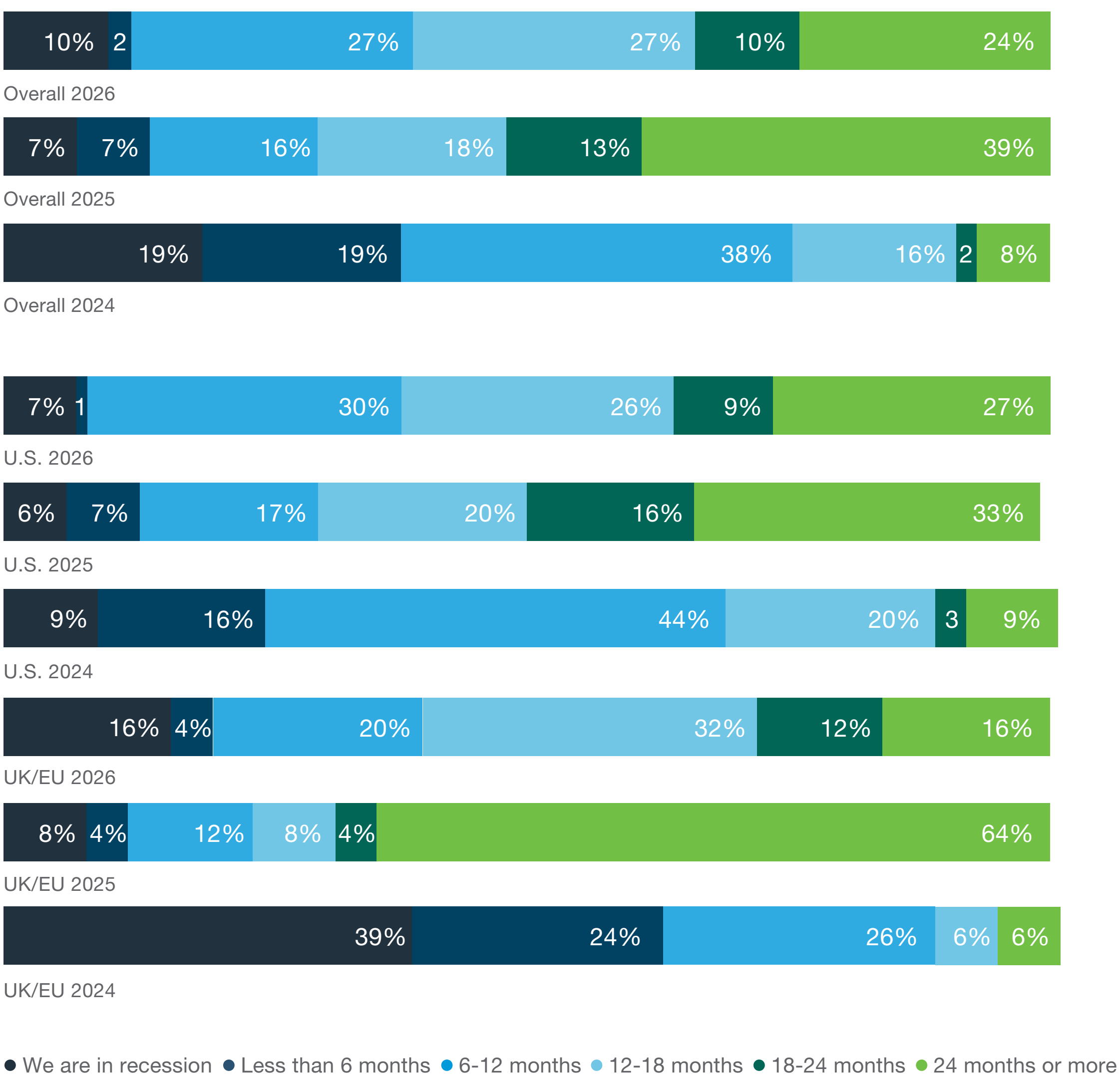
Compared to last year, recession timeline expectations have shortened dramatically. This year, 39% of respondents say that either we are in a recession now or will be within the next 12 months. That compares to just 30% who said that last year.

If you stretch the timeline out to a recession beginning within the next 18 months, two thirds of lenders (66%) say that is now likely, compared to less than half (48%) who said that last year.

Among UK/EU lenders, 40% say they expect central bank rates to reduce meaningfully within the next 6 to 12 months, while just 12% think it will be earlier than that.

By region and year - When do you expect the next recession to begin?

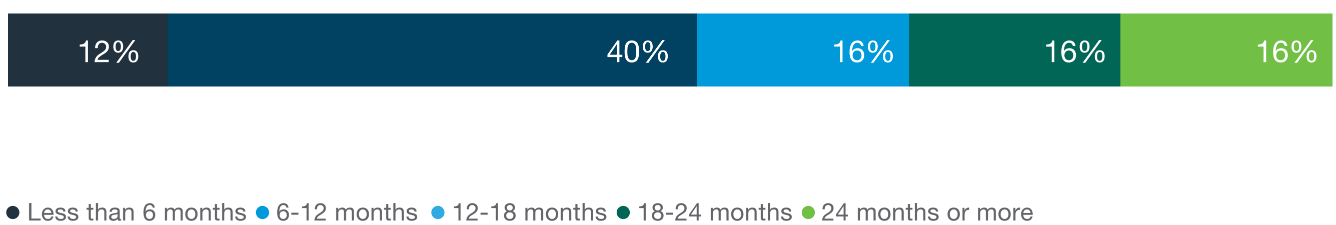
Compared to last year, recession timeline expectations have shortened.



Central bank rate expectations

UK/EU Respondents - When do you expect central bank rates to reduce meaningfully?

40% of UK/EU respondents expect rates to reduce meaningfully in 6-12 months



Conclusion

Today, the private credit market is a mix of optimism and caution. Fundraising remains robust, and most lenders anticipate increased deal activity. However, risk aversion and concerns over asset quality persist. Interest rates, macroeconomic stability, and sponsor realization opportunities are top of mind for lenders and likely to be the factors driving or derailing deal flow.

Despite these challenges, 82% of lenders said they expect more deal activity in the coming year, although this is slightly down from last year's record optimism. With total capital deployed holding steady at around $206 billion, reversing a previous downward trend, stability looks to be a key factor with a shift toward larger capital deployments and more firms investing between $1 billion and $5 billion, while the portion of those deploying less than $1 billion declined slightly. This shows that lenders are now looking to be more selective, focusing on quality deals, and strong credit protections.

The market's reticence contrasts with the start of 2025, when expectations were high following a slow 2024. However, global economic turbulence — tariffs, evolving regulations, sticky inflation fears, and geopolitical tensions — tempered those high hopes, leading to a cautious approach and pent up demand to start 2026.

As lenders continue to closely monitor default levels, static deal flow, interest rates, and sponsor patience, those with strong fundraising plans are better positioned to wait for high quality opportunities. If macroeconomic conditions improve, a surge in deal activity could release pent up demand. As 2026 unfolds, adaptability and innovation will be key for those lenders seeking to capitalize on new opportunities.

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