



CAISCRED Index

Solactive CAIS Private Credit BDC Index ("CAISCRED Index") Q4 2025 Quarterly Review

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CAISCRED Index Quarterly Review

“ Q3 marked a decisive shift: deal activity accelerated, capital continued to move into BDCs, and credit conditions remained broadly stable despite isolated headline stress. Yields normalized as rates eased, but income remained compelling and valuations recovered from earlier overshoots. As dispersion widens and the market scales, **disciplined underwriting and selective deployment will be the key determinants** of returns heading into 2026.



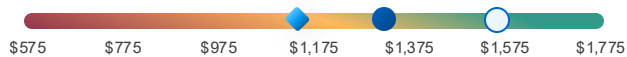
Duy Nguyen
CAIS Advisors PM

CAIS Advisors Private Credit Sentiment Indicator

● Long Term Average⁵ ◆ 1 Year Ago
○ Most Recent

Market Environment

Global M&A Deal Volume¹ (\$BN) (Q)
Analysis Period (6/30/2004-9/30/2025)



LBO Volume^{2,6} (\$BN) (Q)
Analysis Period (3/31/2020-9/30/2025)



PE Dry Powder³ (\$BN) (Y)
Analysis Period (1/1/2008-9/30/2025)



Return

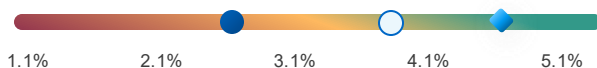
Indicated Div Yield Public BDC^{1,7} (%) (D)
Analysis Period (3/28/2013-12/31/2025)



Direct Lending Spreads² (bps) (YTD)
Analysis Period (2018-2025)

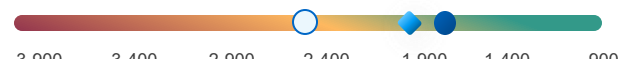


SOFR¹ (%) (D)
Analysis Period (4/2/2018-12/31/2025)



Risk

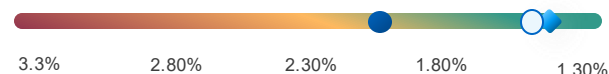
Chapter 11 Filings¹ (N) (Q)
Analysis Period (6/30/2004-9/30/2025)



SP600 Debt/EBITDA¹ (N) (D)
Analysis Period (1/30/2004-12/31/2025)



BDCs Default Rates⁴ (%) (Q)
Analysis Period (12/31/2014-9/30/2025)



Source: (1) Bloomberg, (2) Pitchbook LCD, (3) Preqin, (4) LSEG BDC Collateral

Disclaimers: The gradient applied to each bar is derived from a proprietary methodology developed by CAIS advisors. It visually represents the relative favorability of data points related to private credit asset class fundamentals, where green denotes a positive contribution and red denotes a negative contribution to the overall assessment. (5) The Long-Term Average represents the arithmetic mean calculated over the available data period and serves as the basis for determining the average, minimum, and maximum values. Initial dates for each data point are: 6/30/2004 for Global M&A Deal Volume and US New Bankruptcy Cases Chapter 11 Business Filings; 1/30/2004 for SP600 Debt/EBITDA; 3/28/2013 for Indicated Div Yield Public BDCs; 4/2/2018 for SOFR; 3/31/2020 for LBO Volume and Private Credit Defaults; 1/1/2018 for DL spreads; 2008 for Pe Dry Powder. (6) LBO Volume data is limited to US data. (7) Indicated Div Yield Public BDC refers to the Dividend Indicated Yield of the BIZD ETF 90 Day Rolling Average (4) BDCs is a non-accrual percent based on debt outstandings for both public and private BDCs at cost at year/quarter-end filing date (excludes equity)

Diverging Narratives Dominate Headlines

Late-2025 commentary revealed a sharp divide: some highlighted headline failures, weaker structures, and the risk of systemic spillovers, while others pointed to stable fundamentals, low default rates, and stress that remains idiosyncratic rather than broad-based. The picture is less one of clear deterioration and more one of heightened scrutiny and mixed signals as the asset class scales. With this backdrop, it is useful to anchor the discussion in the underlying data.



Deal Activity & Supply

- M&A and LBO volumes have moved back toward the upper end of their historical ranges, with Q3 activity above long-term averages and stronger than a year ago. This shift marks an inflection from the muted deal environment of 2023–24 and signals that buyers and sponsors are regaining conviction as rate volatility eases.
- PE dry powder remains elevated—though off its peak—creating a healthier dynamic where abundant capital is now meeting a growing set of opportunities. Managers note this transition reduces the “chasing scarce deals” behavior of prior years and supports a more constructive deployment backdrop for private credit heading into 2026.



Pricing & Yields

- Yields normalizing, not collapsing: SOFR has eased from its peak to 3.95% but remains well above long-term averages, keeping base-rate income elevated even as policy loosens. Lower SOFR is also improving borrowers’ coverage ratios and reducing the cost of BDC leverage, both supportive of credit performance. Direct lending spreads have tightened, shifting returns from peak-cycle highs to more sustainable levels, while the yield premium over public credit and BSL remains compelling from a spread perspective.
- Public BDCs Indicated yields near 11.2% as of end of Q42025 (vs 9.3% LT average) largely reflect earlier price sell-offs after Fed cuts, when some BDCs traded at ~80% of NAV. With discounts now narrowing, the move increasingly looks like market overreaction, not an earnings problem.



Credit Quality & Risk

- Small-cap leverage remains elevated but stable, Chapter 11 filings sit above historical norms, and BDC default rates have edged higher yet remain below their long-term average. The pattern is characteristic of a late-cycle environment: pressure is emerging in specific sectors and in vintages originated at peak valuations, while systemwide deterioration is still absent. Overall, conditions point to normalization from unusually benign credit levels, with dispersion—rather than a generalized downturn—driving outcomes and placing greater importance on underwriting discipline and portfolio composition.

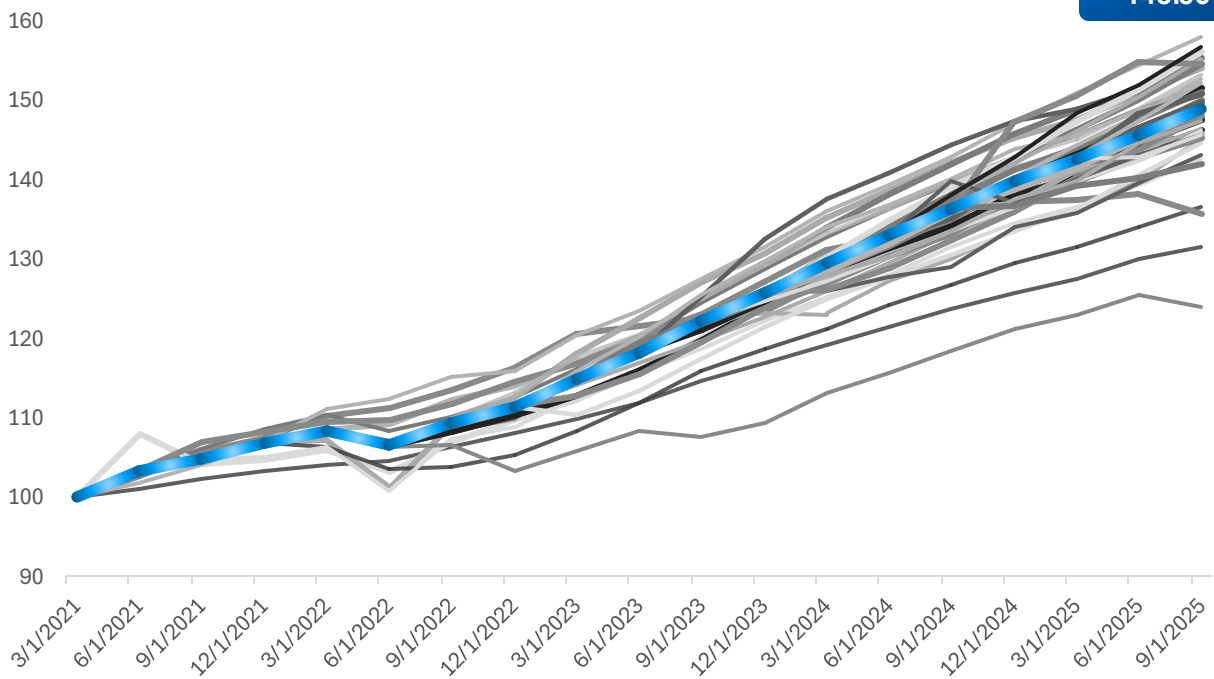
Source: (1) Bloomberg. (2) Pitchbook LCD, (3) Preqin, (4) LSEG BDC Collateral (5) Fitch Rating (6) CAIS Advisors

CAISCRED Index Overview

Solactive CAIS Private Credit BDC Index, CAISCRED Index, is a first-of-its-kind index that aims to track performance of perpetual non-traded Business Development Companies (BDCs) with a modified asset-weighted methodology.

For additional index details, please visit [Solactive](#).

CAISCRED Index vs Constituents



Disclaimer: Index starts on 3/31/2021, Inception date of the CAISCRED Index. Constituents with a shorter track record than the index start at the index level of the quarter before their inception

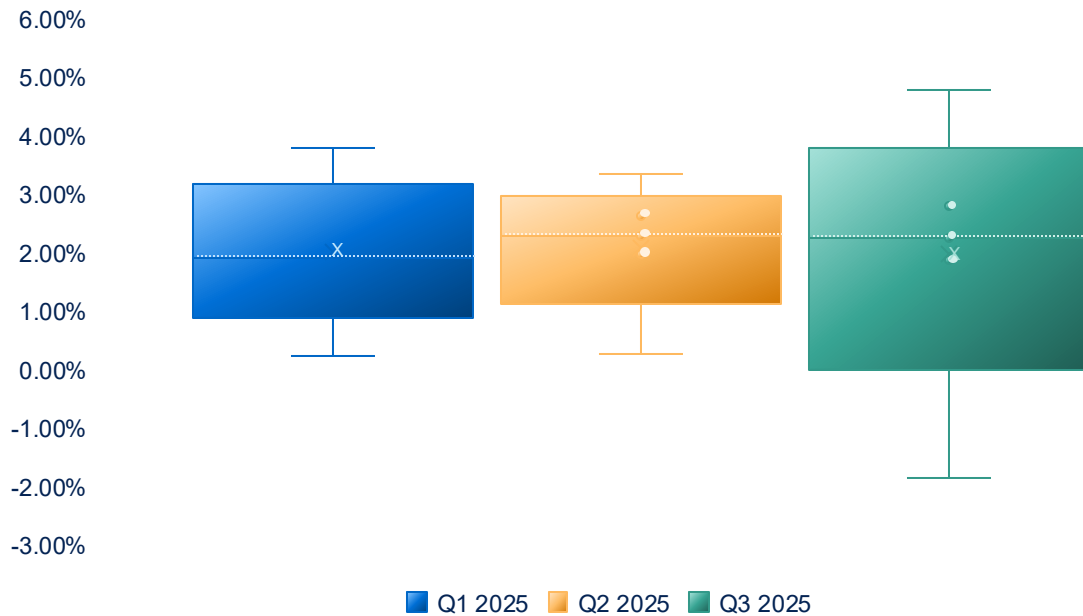
CAISCRED Index Performance

3Q 2025	2.18%
Return (LTM)	9.13%
Return (3Y Annualized)	10.84%
ITD Annualized	9.24%

Source: Solactive_CAIS Private Credit BDC Index ([Solactive | Indices](#)) Data as of 9/30/2025

Q3 2025 returns showed a marked uptick in dispersion—underscoring the widening gap between strong and weak underwriting. As investor opinions fracture and market conditions diverge, this growing spread highlights one thing clearly: rigorous due diligence and disciplined manager selection have never been more critical.

CAISCREd Index BDC Constituents Total Return (Quarterly Returns)



Average Performance by Quartile

	Q1 2025	Q2 2025	Q3 2025
Top Quartile	2.91%	2.91%	3.13%
Upper-Middle Quartile	2.26%	2.45%	2.74%
Lower-Middle Quartile	1.75%	2.08%	2.06%
Bottom Quartile	1.25%	1.25%	1.42%

Source: Solactive_CAIS Private Credit BDC Index ([Solactive | Indices](#))

Data as of September 30, 2025. Boxes in the graph indicate the 25th percentile return (bottom) and 75th percentile (top). The whisker indicate the Max and Min value for each quarter. The table titled "Average Performance by Quartile" reflects all index constituents in Q1 (40), Q2 (42) and Q3 (44), grouped by performance quartile, with arithmetic averages calculated for each group.

CAISCRED BDC Constituents – State of the Market



Unprecedented Expansion in the Perpetual BDC Market:

Since 3Q20, the number of companies in perpetual non-traded BDC portfolios has grown from **~300 to ~9,600** ($\approx 31\times$), while reported assets jumped from **~\$2.3bn to ~\$277bn** (more than **100×**). Over just the last 12 months, assets are up **~54%** and company count **~43%**, underscoring how central perpetual BDCs have become to middle-market financing.

This rapid scaling also shapes the refinancing backdrop:

The CAISCRED maturity wall remains relatively light in the near term—only **~9%** of loans mature before 2028—while **nearly 80%** cluster between **2028–2031**, with the balance beyond that. This long-dated profile supports stability today, giving managers time to work credits and refinance proactively, even as it sets up a more meaningful maturity wave later in the decade that allocators should monitor as the market continues to grow.

A supportive regulatory backdrop for a rapidly expanding market:

As BDCs scale, the regulatory environment has evolved to reinforce their role in the credit ecosystem. Leverage limits are well defined and consistently observed, disclosures continue to strengthen, and post-crisis bank rules have shifted more middle-market lending toward well-capitalized permanent-capital vehicles. Policymakers and market participants increasingly view BDCs as a transparent complement to banks—reflecting that, even amid rapid growth, they operate within a regulatory framework that emphasizes regular reporting and disclosure, supporting visibility into portfolio exposures and financial results and underscoring their role in the broader credit landscape.²

Source: LSEG BDC collateral (2) Federal Reserve Board, Washington, D.C “Indirect Credit Supply”

Non-traded BDC Events



Record Growth Continues in Q3 2025

Total BDC assets under management (AUM) reached ~\$534 billion in 3Q25, up 31% year-on-year. Perpetual-life NT BDCs led the expansion – this category now encompasses 50 funds with ~\$277 billion of assets (a 7.6% jump in the quarter alone). In terms of flows, aggregate non-traded BDC NAV surged to ~\$153 billion in Q3 (50% YoY), reflecting roughly \$10 billion of net inflows in the quarter.¹



Inflows concentrated among top sponsors:

Fundraising remains highly concentrated, with the top five sponsors capturing ~80% of all non-traded BDC inflows over the past quarter. Platform share of total net inflows: Blackstone Private Credit Fund (23.7%), Blue Owl Credit Income Corp (17.9%), Ares Strategic Income Fund (17.0%), Apollo Debt Solutions (11.0%), and HPS Corporate Lending Fund (10.2%)—highlighting the sustained dominance and scale advantages of the largest managers.¹



Expanding product set

By end of Q3 2025, the perpetual non-traded BDC universe grew to 50 active funds, reflecting continued platform expansion and new launches. The CAISCRED Index also broadened meaningfully, rising from beginning of year 40 constituents to 44 by end of Q3, with Stone Point Credit Income Fund and Fortress Private Lending Fund newly added.¹



Non-Accruals Contained

Credit quality is holding up with some pockets of stress. The weighted average non-accrual rate edged up to ~1.47% of BDC portfolios in 3Q25 (a slight increase), and roughly \$2.1 billion of loans were newly placed on non-accrual during Q3. Out of ~159 reporting BDCs, 55 saw non-accrual levels rise, 44 saw improvements, and 60 were unchanged – indicating mixed trends across managers.²



Idiosyncratic credit events, not broad deterioration

Q3 non-accruals were concentrated in Retail (\$473M), Healthcare (\$311M) and Automotive (\$238M), largely driven by a few headline situations — First Brands, Tricolor, and Renovo-linked credits. Each reflects issuer-specific failures (fraud, opaque financing, aggressive leverage) rather than sector-wide weakness, and market consensus continues to view these as isolated disruptions, not signs of systemic stress in BDC portfolios.²



Unitranche activity reaccelerates

Middle-market unitranche issuance rose to \$15.9B in Q3, while large-corporate volume jumped to \$37B — a 30% QoQ rebound driven by renewed M&A and refinancing demand. Despite the strong quarterly pickup, activity remains below last year's pace, reflecting a market that is improving but not yet fully normalized.²

Spotlight: Reading Signals, Not Headlines

Every credit cycle produces a familiar tension: rapid growth invites bubble headlines long before the data is conclusive. Private credit is now in that phase. High-profile voices warn of “the next subprime” and point to weaker covenants, more PIK features and a handful of messy restructurings as evidence that excess is building. Those concerns deserve attention—particularly in the riskier corners of leveraged lending where competition has pressured terms and underwriting discipline.

But growth, by itself, is not a bubble. A true bubble implies prices and structures that have decisively detached from underlying cash flows and risk, sustained by momentum and easy liquidity rather than fundamentals. Much of today’s private credit market still looks different: defaults remain modest by historical standards, leverage and interest coverage are broadly stable, and many portfolios are anchored in first-lien, senior secured loans with reasonable loan-to-value ratios and long-duration, match-funded capital from pensions and insurers.

It is important for allocators to move beyond the binary question of “bubble or not” and focus on *where* risks are accumulating. Late-cycle behavior is most likely to show up in specific segments: weaker covenants, late-stage “bad PIK,” overly sponsor-friendly structures, or managers stretching outside their core competency to keep deploying capital. The takeaway is less that private credit is exempt from cycles, and more that careful segmentation—by quality, structure and manager discipline—matters far more than the headline that assets have grown quickly.

Takeaway:

Bubble concerns have grown louder, but current evidence points more to heightened late-cycle scrutiny than to systemic strain. Growth alone isn’t a warning sign—what matters is separating headline noise from underlying fundamentals, which remain broadly stable.

For more information, please contact
CAISAdvisors@caisgroup.com or visit [CAISCRED Index](#)

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The Solactive CAIS Private Credit BDC Index aims to track the performance of non-traded private credit funds(BDCs) with a modified market-cap weighting. Detailed information about the Solactive CAIS Private Credit BDC Index, including the factsheet and rulebook, is available at <https://www.solactive.com/indices/> and searching for “Solactive CAIS Private Credit BDC Index”. References to indices, benchmarks, or other measures of relative market performance are provided for informational purposes only. Indices are unmanaged, do not incur management fees, costs, or expenses, and cannot be directly invested in. The performance of an index does not represent the performance of any specific investment, and the composition of an index may not reflect the manner in which a client’s portfolio is constructed.

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For further information regarding the calculation of performance and a description of the Solactive CAIS Private Credit BDC Index, please contact CAIS Advisors at 212-300-9355.

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