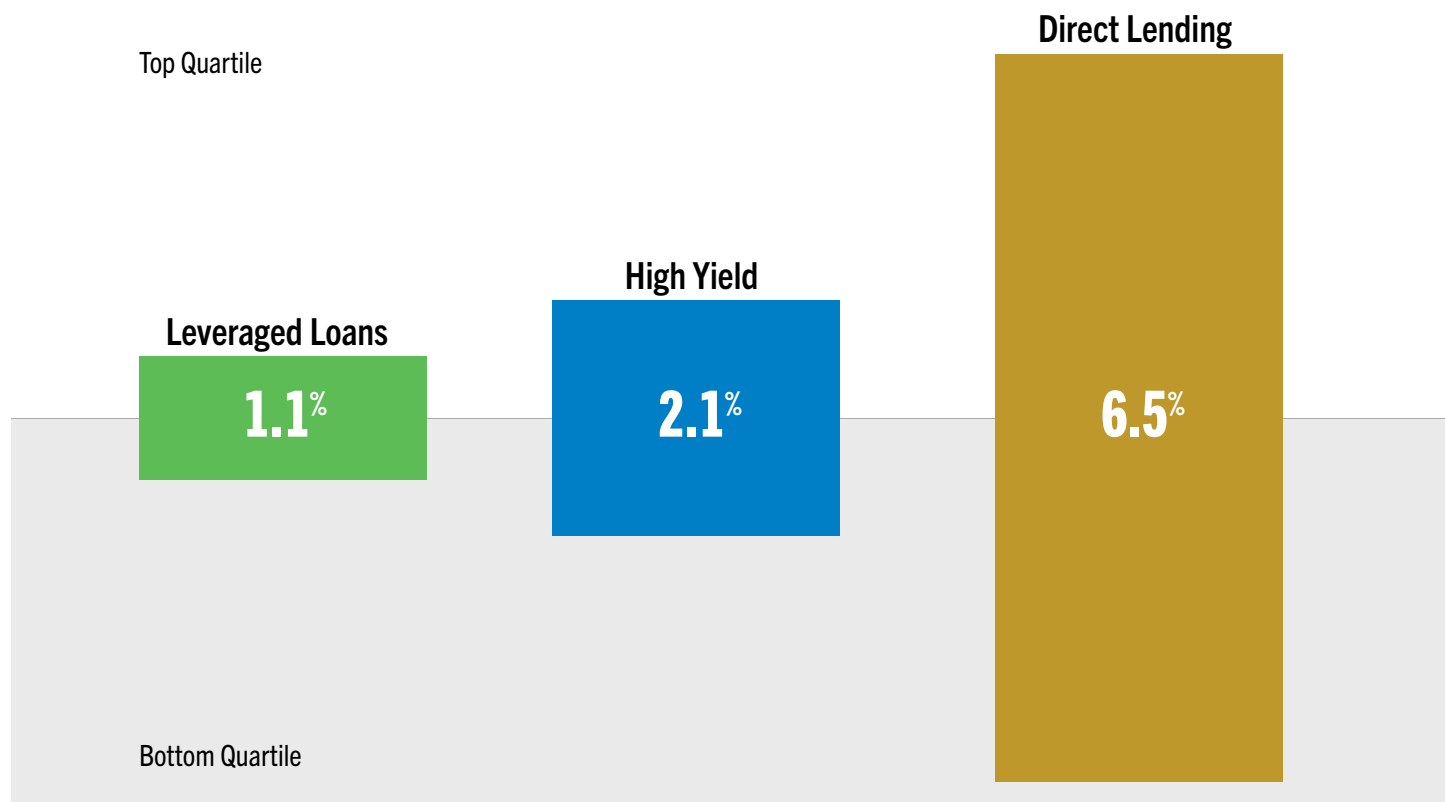


Caveat Emptor: The Manager Matters in Direct Lending

Manager dispersion is far greater in private credit managers than among public credit funds.

Performance Spread Between Top and Bottom Quartile Managers



The Consequences of Manager Selection

- Even the most active managers in public markets are at the mercy of their “beta”—the vast majority of their returns rise and fall with the generic tide of the markets.
- Over time, top and bottom manager performance may vary by one to two percentage points.
- But in private market investing, and direct lending specifically, the gap between top- and bottom-quartile managers can be three times that or more.
- This underlines the importance of manager selection in middle market direct lending.

Source: Performance dispersion from Morningstar, Preqin and Golub Capital. Includes performance of actively managed mutual funds and ETFs for Leveraged Loans and High Yield over the 10-year period through March 28, 2024, and Preqin Vintage Year IRRs for top- and bottom-quartile funds. Performance persistence data from “Direct Lending Returns,” Antti Suhonen, Financial Analysts Journal 80:1, 57–83, 2023.

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