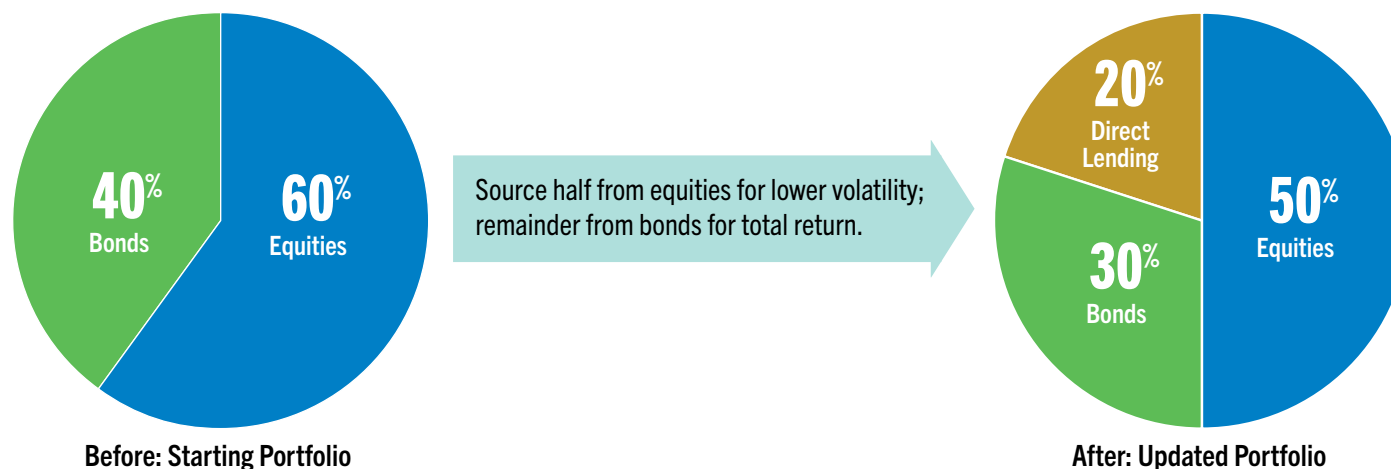


# Giving Traditional Allocations an Income Boost

An allocation to **Direct Lending** may help achieve distinct investor goals; consider the income-oriented investor.

## Direct Lending Can Help Build Better Portfolios

Illustrative Example: Moderate Risk Investor with an Income Orientation



### The Results:<sup>1</sup>

MAINTAIN RETURN GOAL		REDUCE RISK: 12%		INCREASE INCOME: 46%		IMPROVE PORTFOLIO EFFICIENCY: 11%					
RETURNS	7.2 BEFORE	7.2 AFTER	VOLATILITY	10.0 BEFORE	8.8 AFTER	YIELD	2.4 BEFORE	3.5 AFTER	SHARPE	0.62 BEFORE	0.69 AFTER

Note: Stock and bond returns are represented by the S&P 500 and Bloomberg U.S. Aggregate, respectively. Direct Lending is represented by the unlevered CDLI index for NAV investors. Net NAV Direct Lending income and total return are reduced by estimated fund-level fees and expenses totaling 3%. Stock and bond income/total return are reduced by estimated fund-level fees of 10 bps and 3 bps, respectively. The analysis sought to maximize certain portfolio characteristics, in this case to maximize income while keeping returns consistent with the original 60/40 allocation. Suggested allocations will vary depending on constraints applied; recommended sourcing is derived from many factors, including relative correlations, volatilities, returns and income for each asset alone and in combination with the other two.

1. Results shown here are for illustrative purposes only and do not represent an outcome that any investor has achieved. There is no guarantee that such results could be achieved in any given market environment.

### A Healthy Portfolio Additive

- Income-oriented investors often seek to drive higher yields from their portfolio without unduly sacrificing its potential for long-term growth.
- Starting with a traditional 60/40 stock/bond portfolio, we consider how the inclusion of direct lending could maximize income without giving up growth or taking on additional risk.
- The optimal range will depend on individual investor preferences, but a 20% exposure would raise total portfolio income by about 50%, from 2.4% to 3.5%.
- The inclusion of direct lending in that amount would also reduce risk by over 10%, from a standard deviation of 10% to a standard deviation of 8.8%.

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