

What is Private Credit?



Non-Bank Alternative Lenders



**Privately
Negotiated Loan**



**Borrowers: Non-Investment Grade
Middle Market Companies**



Private Credit strategies can either originate loans to non-investment grade middle market businesses or purchase existing broadly syndicated loans in the secondary market



There are significant distinctions among the various strategies that place each one at different points of the risk/return spectrum.



The main strategies that fall into the private credit space include direct lending, structured credit¹ and distressed investing.



Special situations and distressed investing strategies are well positioned to capitalize on a broader downturn in the credit cycle.



Investors should focus on managers who are nimble, have expertise across various strategies, and are flexible enough to invest across capital structures.

Source: Morgan Stanley Wealth Management GIMA.

1. Structured credit encompasses securities with varying levels of risk/return (e.g., RMBS, CMBS, CLO).

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