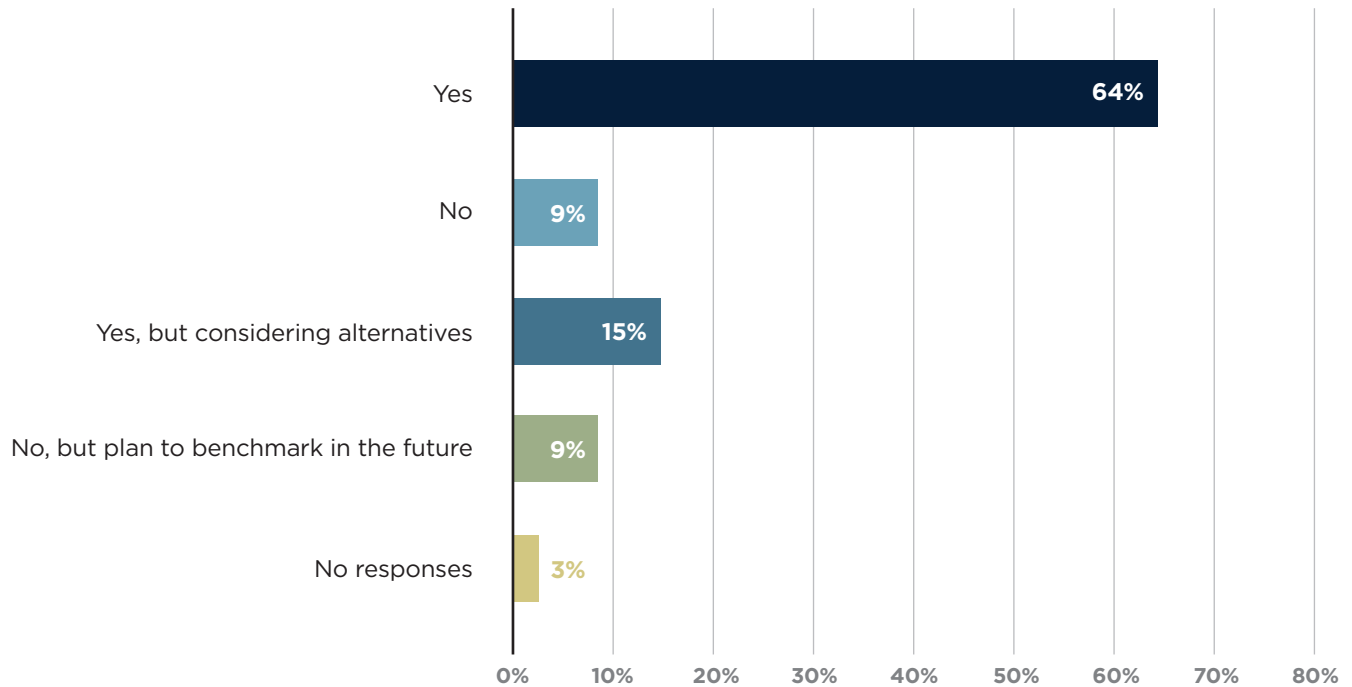


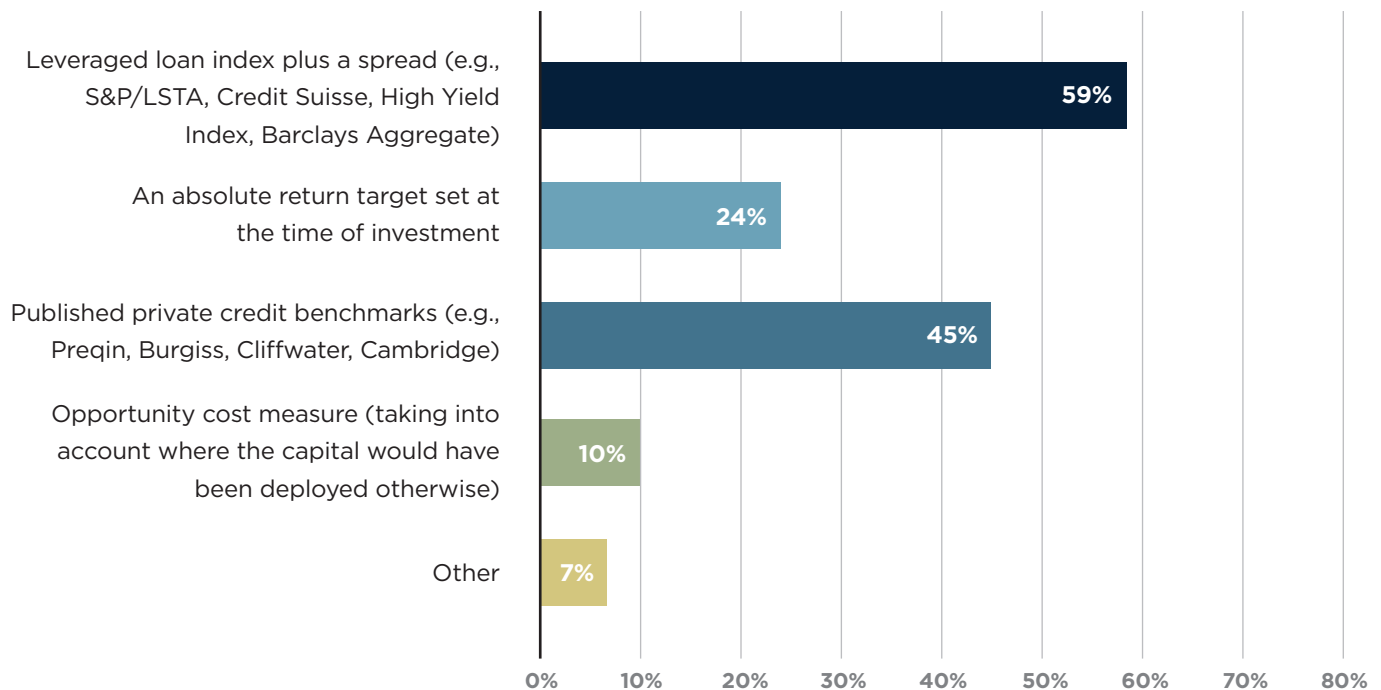


Survey Results

Do you use a benchmark for middle market private credit funds?



If yes, what benchmark(s) do you use?





Survey Results

Many investors we speak to are trying to enhance their approach for benchmarking private debt. With the diversity of strategies and its more recent emergence as a mainstream asset class, it is no surprise that they are grappling with this issue and we expect they will recalibrate benchmarks as programs mature and track record information becomes more readily available.

- Based on our survey, nearly 80% of investors currently benchmark their funds with another 10% planning to do so in the future
- The most favored approach, cited by more than half of respondents, is to use a leveraged loan index plus a spread. We attribute this in part to the availability of this data and an expectation of higher returns in private debt due to illiquidity and perhaps other factors
- Published private credit benchmarks are used by 45% of participants. We suspect that this number will grow as several new benchmarks have recently been launched in response to investors' strong desire to measure the relative performance of their investments against funds pursuing similar strategies
- About 25% of participants set an absolute return target at the time of investment
- In the absence of a single accepted method, roughly a third of respondents told us they use more than one method for benchmarking

We expect benchmarking to be an ongoing focus for investors as they seek to understand how the asset class is performing generally and the relative performance of their private credit investments.

If you have any other question recommendations, comments or feedback you would like to share please e-mail marketing@nxtcapital.com.

Survey was conducted in September 2019.

Loans will be arranged or made pursuant to a California Financing Law License.

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