



HOULIHAN LOKEY

HOULIHAN LOKEY PRIVATE PERFORMING CREDIT INDEX



Introduction

Houlihan Lokey's Portfolio Valuation and Fund Advisory Services practice is a leading advisor to many of the world's largest asset managers, who rely on our strong reputation with regulators, auditors, and investors; private company, structured product, and derivative valuation experience; and independent voice. As a function of this unique position within one of the world's largest capital markets, Houlihan Lokey routinely provides valuations of instruments in many of the least visible asset classes, particularly private credit. The Houlihan Lokey Private Performing Credit Index (PPCI) is an aggregate view drawn from our extensive dataset of private credit valuations.

The PPCI is intended primarily to provide a window to the universe of performing private credit loans, which is generally inaccessible, and to act as a basis for comparison to specific assets or other indices to inform discussions of market dynamics between ourselves and our clients. The initial representation of this dataset is an observation of all-in yield of 6,801 qualifying quarterly asset valuations performed since September 30, 2017.

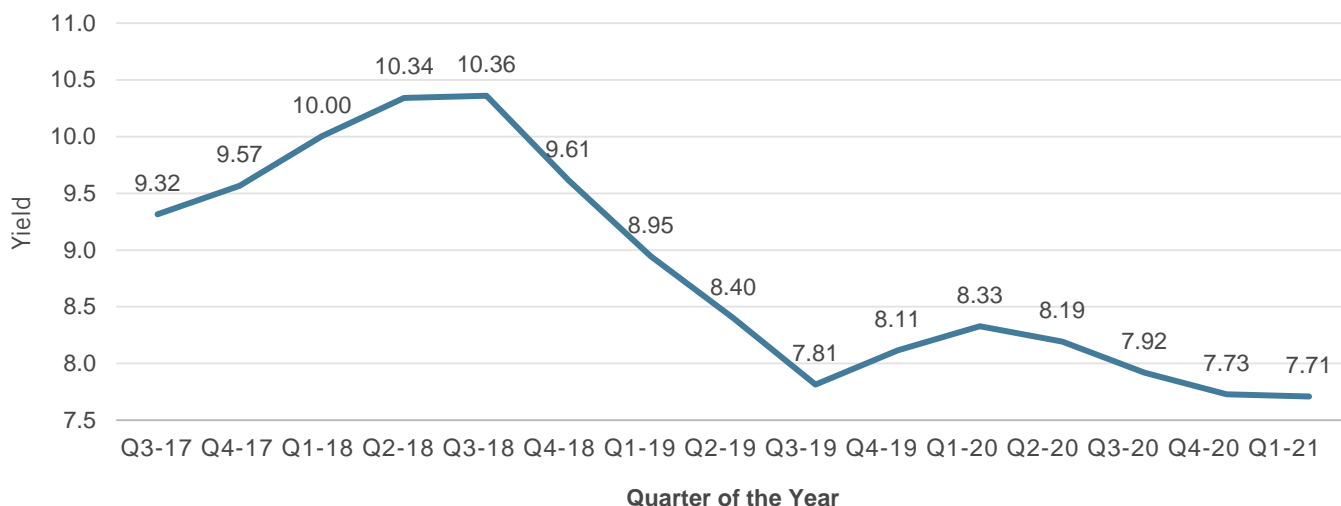
Methodology

The PPCI is the weighted average yield of all qualifying private credit loans valued in a quarter. While we begin with every instrument in our automated private credit valuation tool, we apply exclusions and limit rules:

- 1) First-time valuations are excluded, and a loan must have been previously valued to be included.
- 2) Revolving facilities and delayed draw term loans are excluded.
- 3) Outlier filters are applied to first lien and second lien instruments separately; yields outside three standard deviations are eliminated, as are loans with dollar prices below 80.
- 4) The index is weighted by aggregate principal balance outstanding, but no loan shall comprise more than 2% of the index.

Result

After applying this methodology, the index is computed as a weighted average yield. Future representations of this dataset may visualize other computations such as total return or spread.

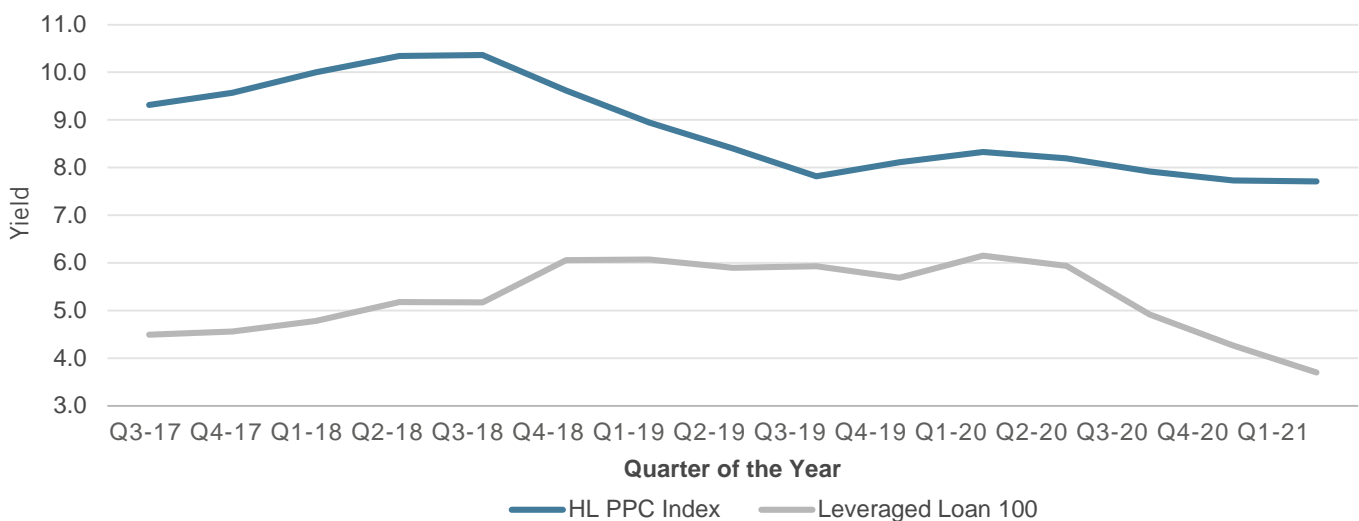


Intended Use

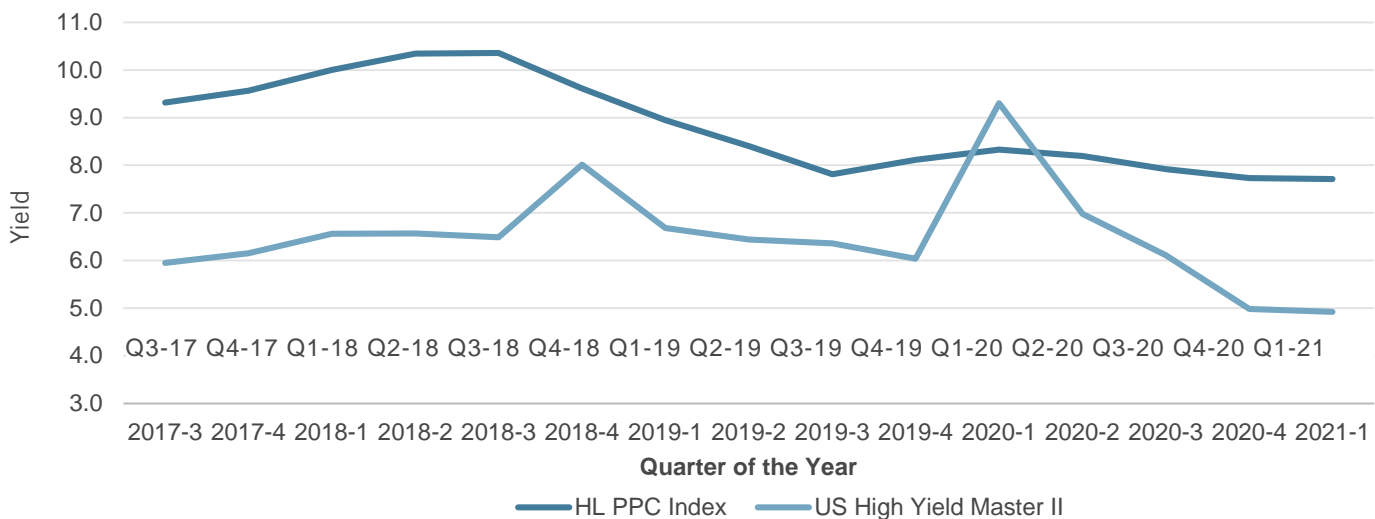
Houlihan Lokey is a global investment bank with expertise in mergers and acquisitions, capital markets, financial restructuring, and valuation. The Houlihan Lokey PPCI was developed to offer a reference set of quarterly yields that would inform conversations with clients and others interested in understanding and discussing the dynamics of the less visible private credit markets.

There are many investment theses that drive both borrowers and lenders to the private credit markets. Two of the publicly available indices are informative in these discussions of private vs. public credit and bonds vs. loans. The visualizations below can illustrate some of those differences. These two are provided as samples for the intended use of the Houlihan Lokey PPCI in discussion and comparison.

Unique view of private credit vs. leveraged loan 100 –
The largest 100 broadly syndicated loans as compiled and published by S&P Global



Unique view of private credit vs. ICE BaML* compilation of high-yield bonds



*ICE BaML = Intercontinental Exchange Bank of America Merrill Lynch.

Further Information or Analysis

To receive further information or discuss Houlihan Lokey's PPCI, please contact our Portfolio Valuation team:



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Important Disclosure

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