

Transcript

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[Music]

[Chris Monigle, MODERATOR] Welcome to the Changing Shape of Leveraged Finance. I'm Chris Monigle, Managing Director, US Client Development Loan Market Solutions, there have been a lot of headlines in the loan market this year, particularly private credit. We will be talking about what we're seeing beneath the headlines in leveraged finance in the current economic and geopolitical environment—with a focus on observable trends in both the private credit and broadly syndicated loan, or BSL, space.

Since late 2025, considerable narrative has focused on potential stress—redemptions, concentration risk, and questions about how much growth the market can really absorb. But when you look past the headlines, the picture is more nuanced.

To help us unpack what's actually changing—and what that means in practice from our perspective as providers of loan agency services—I'm joined by three specialists: Bobby Weil, Head of Loan Agency in the US, Elaine Lockhart, Head of Loan Agency Europe, and Josh Stowell, Client Development for our US CLO business. Thanks for being here.

[Bobby Weil 1 – U.S.; Non-CLO] Glad to be here.

[Elaine Lockhart – Europe; Non-CLO] Thanks, great to join.

[Josh Stowell – CLO Specialist; U.S.] Happy to be part of the discussion.

[Chris Monigle] Let's start with the backdrop. For the better part of 2026, we've seen increasingly negative headlines around private credit. Bobby, from your perspective, what's actually happening in the market?

[Bobby Weil – U.S.] Great question Chris, The headlines have centered on redemption pressure and concerns about credit stress—particularly tied to concentrations in sectors like AI and software. And it's true, we've seen some withdrawal activity following more than \$200 billion of inflows in the credit market over the prior five years.

But underneath that, activity hasn't stopped. Private credit continues to play a critical role in providing credit facilities across the capital markets. What's really shifted is how much financing it now provides in comparison to the traditional BSL lending by large financial institutions and their syndicates.

[Chris Monigle] So, , the headlines suggest investor equity inflows are slowing at the margin and redemption activity is increasing, so the market itself still seems very active—just evolving.

[Bobby Weil] Exactly. We're seeing convergence across three dimensions: who's lending, how deals are structured, and what it takes to administer those deals.

[Chris Monigle] Now let's talk about lender trends. What's different today compared to a few years ago?

[Bobby Weil – U.S.] Well, in the U.S., one of the biggest shifts is direct lenders moving upmarket. Deals that would have been almost exclusively financed through the syndicated market five years ago are now being done by a small club of asset managers—or even a single manager—who have the ability to invest at scale.

The appeal from a borrower/sponsor perspective is execution certainty, flexibility, and speed. Private credit lending generally results in more flexible and friendly terms for issuers. Given it's a smaller club group of lenders, getting to closing and funding has a much shorter runway than traditional bank financing.

[Chris Monigle] And that certainty of execution really changes the calculus for sponsors. Elaine, how does that compare with Europe?

[Elaine Lockhart – Europe] Europe is experiencing a similar trend, but at a different pace. While banks remain the primary source of financing across the European leveraged finance market, direct lending continues to gain momentum.

That said, European direct lending is expanding quickly, with deployment increasing significantly during 2025. At the same time we're also seeing banks adapting to this shift by forming partnerships and joint ventures with direct lenders, as well as launching direct lending strategies through their asset management businesses.

[Chris Monigle] So I suppose on both sides of the Atlantic, the same capital providers are increasingly showing up in places they wouldn't have before.

[Elaine Lockhart] That's right. The distinction between the two markets is becoming much less defined than it used to be.

[Chris Monigle] And Beyond who's providing capital, deal structures themselves are changing. Bobby and Elaine, what does that look like in practice?

[Bobby Weil – U.S.] Another great question Chris, We're actually seeing features that used to be specific to direct lending—like unitranches, hybrid covenants, and cross-capitalized facilities—now appearing in syndicated deals.

And yet, at the same time, direct lending is becoming more standardized. As lenders and sponsors work together repeatedly, documentation becomes more templated over time, even if it still allows for greater flexibility.

[Elaine Lockhart – Europe] I agree but the markets haven't fully merged. Each still has its own identity. What we're seeing instead are hybrid structures which are transactions that draw from both playbooks depending on the situation.

You might have a deal that looks syndicated but includes direct lending mechanics, or a private credit deal that adopts documentation conventions from the syndicated market. It really depends on the demands of the transaction.

[Chris Monigle] And that convergence shows up differently when we look at CLOs. Before we go deeper, it's important to note that our discussion of CLO structures and practices here refers specifically to the U.S. market. Josh, how are you seeing this play out?

[Josh Stowell – CLO Specialist] Yes, exactly—what I'm referring to here is specifically to the U.S. The convergence is actually less about what's inside the portfolio and more about what happens earlier in the lifecycle.

The Collateral pools themselves largely remain segregated by asset type. BSL CLOs typically have a much larger number of positions and are more actively traded, while private credit CLOs tend to be smaller and less liquid.

Where convergence is happening is upstream—in warehousing structures and asset-based lending facilities. Managers may use syndicated loan exposure to quickly invest capital and generate income, then gradually sell some of those loans and replace them with private credit or middle-market assets over time.

[Chris Monigle] So the convergence is real, but it's happening before assets even enter the CLO structure—at least as we're seeing it in the U.S. market.

[Josh Stowell] Exactly. The pools themselves still maintain distinct profiles.

[Chris Monigle] Let's turn to execution. As deals become more hybrid and bespoke, I'm curious to know, what that means for agents, trustees, and administrators?

[Bobby Weil – U.S.] It significantly increases operational complexity. Hybrid covenants, bespoke facility structural terms, and documentation variations all require much more careful handling.

In direct lending, when a borrower runs into pressure, the response might not be a traditional restructuring. It could be a waiver, a forbearance, or an incremental facility—and each requires an operational understanding and precise execution by the agent.

[Elaine Lockhart – Europe] Delayed draw term loans with no fronting bank, can be another example. They're attractive to borrowers, but in a syndicated deal, they require

coordinating funding from potentially hundreds of lenders on the same day. That's much harder than in a small private credit club.

[Josh Stowell – CLO Specialist] From the CLO and administration side, documentation variance is a major pressure point. These variations create downstream challenges for trustees and collateral administrators, especially when notices don't align with system expectations. Over time, workarounds accumulate, which makes straight-through processing more difficult.

There are also workflow differences. Private credit often relies on paper-based processes and private rating letters that update less frequently. Whereas BSL, on the other hand, benefits from standardized data feeds and daily ratings updates. That divergence is where a lot of the day-to-day complexity shows up operationally.

[Chris Monigle] And again, reference to CLO's reflects U.S.-specific market infrastructure not European market practice.

Thanks to all three of you for sharing your perspectives. I think the big takeaway here is that while the headlines focus on stress and outflows, what's happening underneath is more nuanced.

Private credit and syndicated loans aren't replacing each other; rather, they're beginning to look more and more similar as they compete in the same markets. The lender base is overlapping, deal structures are blending, and operational demands are increasing as transactions become more bespoke.

For sponsors, arrangers, and service providers, understanding how these hybrid deals function—from documentation through administration—is becoming just as important as pricing or structure.

Keep listening to hear how convergence, complexity, and global expansion are reshaping structured finance markets in the U.S. and Europe.

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