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Unitranche minimum spread threshold shifts higher

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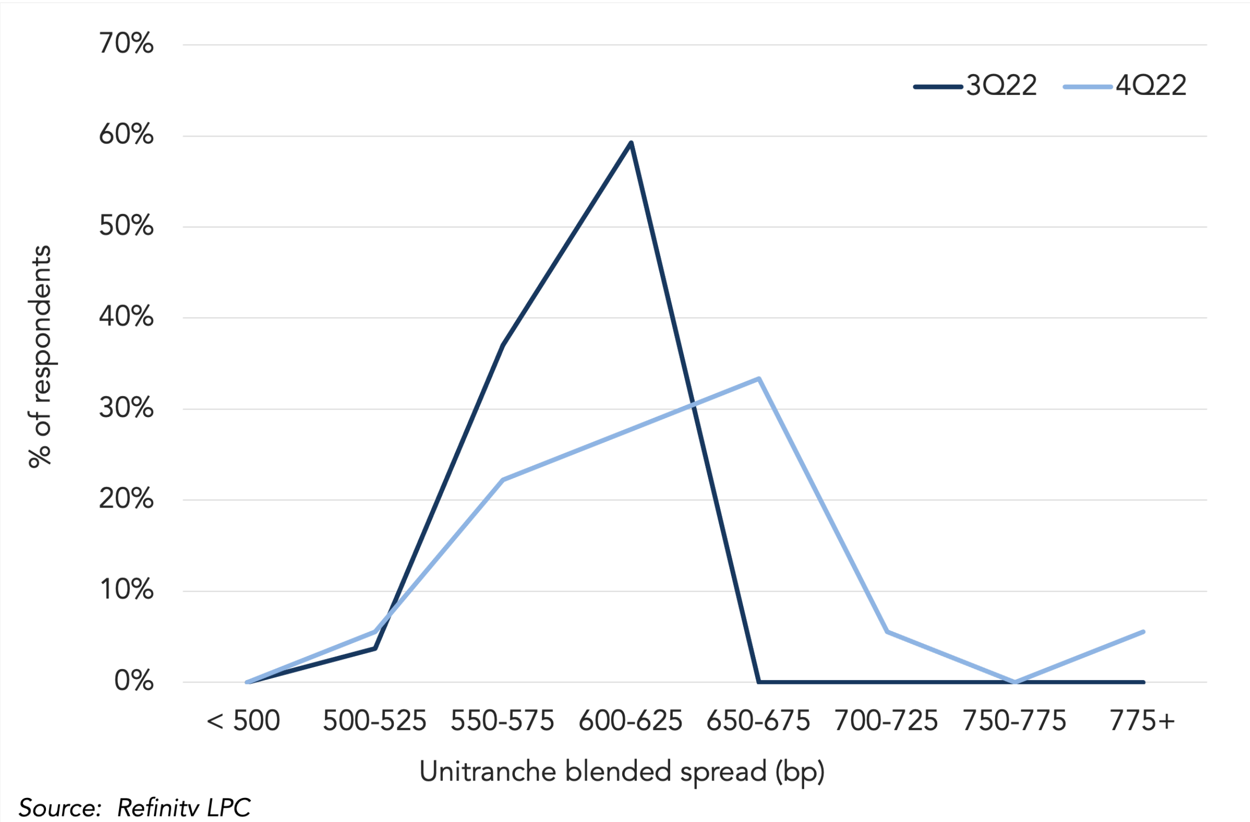

While volatility led to a significant increase in pricing in the broadly syndicated institutional loan market early in the year, it took longer to have an effect in the direct lending space. For unitranches, the average blended spread in 2Q22 was flat relative to 1Q22 at 596bp. However, direct lenders say there was a shift in late June and early July, and that pricing has increased in the direct lending market. Preliminary results for Refinitiv LPC's 4Q22 Middle Market Outlook Survey point to further widening. When asked what their minimum spread threshold on unitranches is heading into 4Q22, 45% of respondents say they are looking for a minimum spreads above 650bp. Three months earlier, no respondents were looking at spreads above that level. The most common response in the latest survey is 650-675bp, which was cited by one-third of respondents. In comparison, the most popular response last quarter was a lower 600-625bp, with more than half of respondents selecting that range.

(Past performance is no guarantee of future results.)