Private Credit vs. BSL Covenants

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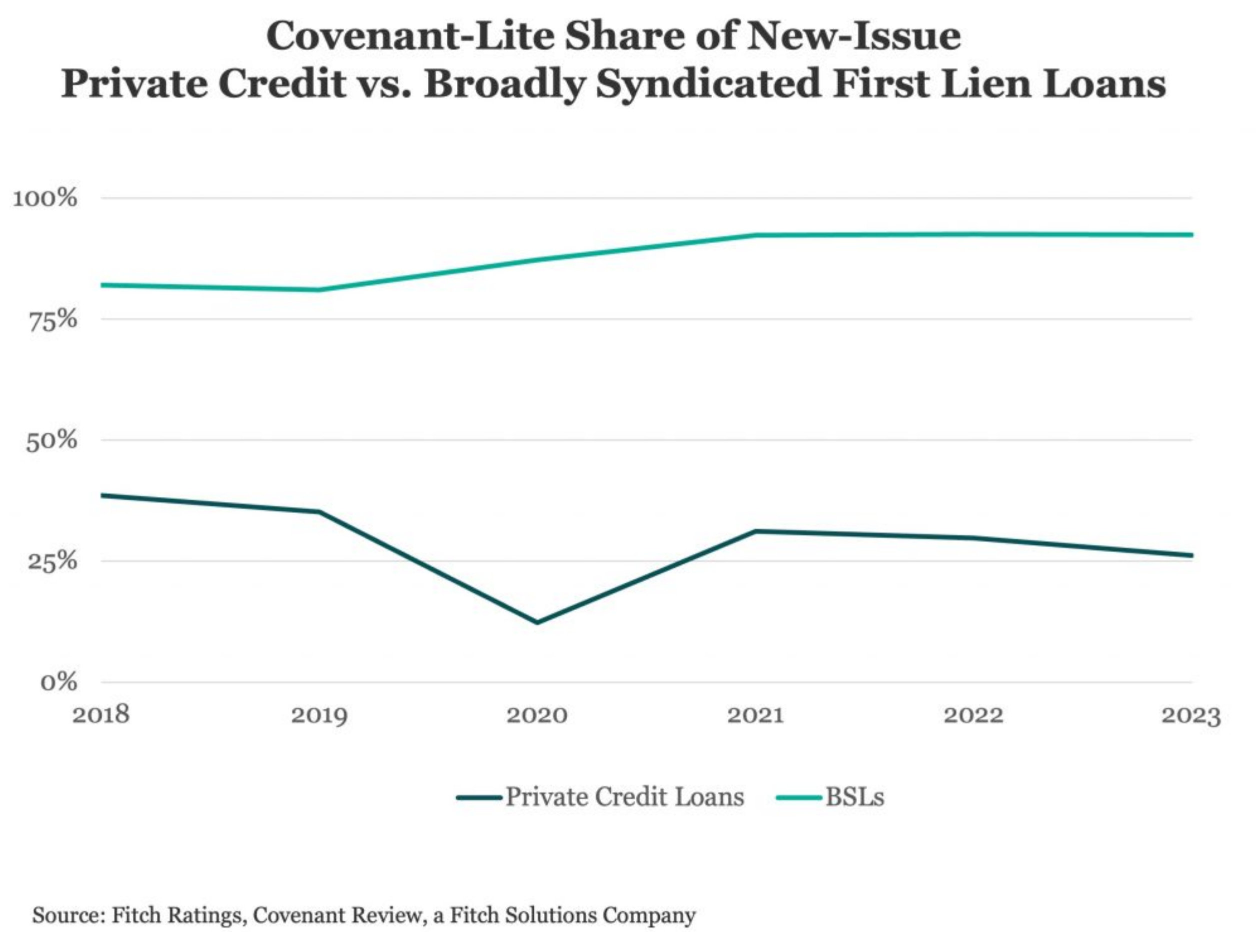

How Do Covenants for Private Credit Loans Compare to Broadly Syndicated Loans?

Download FitchRating’s Report here.

While liability management exercises (LMEs) are not necessarily prohibited in direct lending documents, they are considerably less common than in the BSL market. We have yet to observe LMEs in the private credit portfolio rated for asset managers.

Fitch believes that the lack of LMEs within private credit indicates sponsors’ preference to avoid the reputational risk inherent in mistreating their lender-partners more than any concerted effort on the lenders’ side to avoid covenant weaknesses, such as those exposed in BSL LMEs including J. Crew and Serta.

(Past performance is no guarantee of future results.)