RAYMOND JAMES

Private credit investments

Alternative investment strategies: Loans, bonds and other credit instruments not traded in the public markets.

WHAT IS PRIVATE CREDIT?

Private credit refers to a wide range of privately negotiated strategies, including direct lending, distressed debt, second lien or mezzanine debt, among others, where the values are based on the underlying fundamentals of the company. Private credit most often involves direct lending by institutions other than banks to, typically, small to middle-market companies via private offerings. Companies may choose to access private credit because they are either in unique situations that prevent them from accessing public markets or they choose not to use public credit and are willing to pay a premium to access capital.

WHY PRIVATE CREDIT?

For investors, a favorable return profile, loss rates comparable with (or better than) the public markets, and diversification from a traditional investment portfolio make this a strategy to consider. On the borrower side, companies value the ease and simplicity of the transactions, the certainty of execution, and the value of having a strategic partner. Finally, structural market shifts have also allowed the private credit market to grow, as seen in the higher barriers to entry in the public markets.

GOALS OF PRIVATE CREDIT INVESTORS

Private credit may be viewed as an extension to existing traditional fixed income allocations. Investors seeking to diversify their portfolios, obtain a yield premium or reduce volatility typically associated with public markets may consider exploring how private credit investments align with their specific goals.

KEY POINTS

May offer higher income than traditional fixed income and credit investments

Offers diversification when included in portfolios as a fixed income alternative

Can mitigate risks associated with potential public market volatility

	TRADITIONAL FIXED INCOME	PRIVATE CREDIT
Market description	Publicly syndicated and traded	Privately originated and held
Coupon structure	Typically fixed rate	Typically floating rate
Credit rating	Rated	Not rated
Liquidity	Liquid	Illiquid
Valuation	Daily	Monthly or quarterly

PRIVATE CREDIT OPPORTUNITIES

- Higher-yielding alternative to traditional fixed income
- Directly negotiated terms and investor protections
- Seniority in the capital structure can provide greater capital preservation
- Floating interest rates may help investors hedge against rising rates

RISK FACTORS

Private credit investments can present specific risks, including:

- Limited or time-sensitive liquidity
- Floating interest rates may rise or fall
- Non-guaranteed distributions, potentially from sources other than cash flow

Talk to your financial advisor for personalized investment advice that's based on your individual goals and financial plan

RAYMOND JAMES®

INTERNATIONAL HEADQUARTERS: THE RAYMOND JAMES FINANCIAL CENTER
880 CARILLON PARKWAY // ST. PETERSBURG, FL 33716 // 800.248.8863 // RAYMONDJAMES.COM