

European Private Credit: A Complementary Opportunity

Private credit supports established businesses as they invest, grow and adapt.

European private credit has developed across a diverse financing landscape, shaped by different local financing systems and lending practices.

These characteristics mean European private credit may effectively complement a broader private credit allocation.

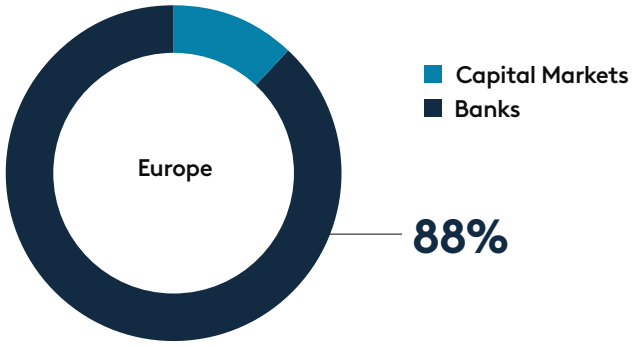
1 A significant market with room to grow

Europe accounts for around 29%[1] of global private credit AUM, yet banks still provide 88% of European corporate debt financing.

Post-financial crisis regulation has constrained banks' capacity to support borrowers. **Private lenders can help meet these financing needs** by providing additional capital through tailored lending.

Investment needs linked to priorities such as reindustrialisation, the energy transition and strategic autonomy are also creating **structural demand for capital** and supporting the continued development of the European private credit market.

Banks remain the main source of European corporate debt financing



Source: SIFMA, 2026 Capital Markets Fact Book. Data as of year-end 2025.

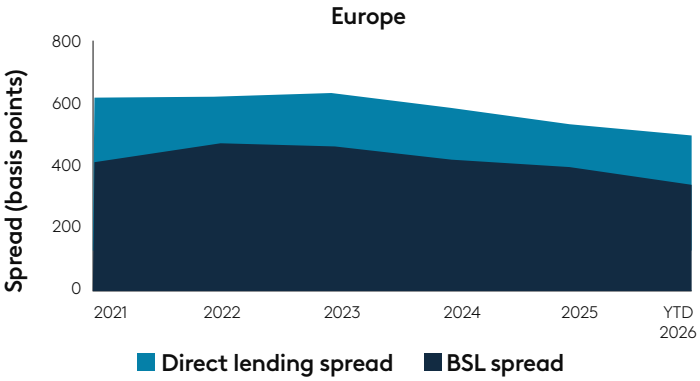
2 Local understanding matters

Direct lending has historically offered a spread premium over broadly syndicated loans. This can reflect factors such as illiquidity and the value of tailored financing.

Europe's fragmentation adds another dimension. Different languages, legal systems and business cultures make local relationships and market knowledge especially valuable.

For lenders with established local networks, these connections can help identify bilateral opportunities, understand borrowers and negotiate appropriate protections. They can also provide access to a **different mix of lending opportunities**, while supporting disciplined judgement about which businesses merit capital.

Direct lending offers a spread premium over broadly syndicated loans



Source: PitchBook | LCD. As of 31/07/2026.

1 Designed for Durability | Structural Case for Direct Lending | CVC

3 Structure that supports resilience

European direct lending reflects local market practices and legal frameworks, making local knowledge important. **Loans may feature** prudent starting leverage, healthy interest coverage ratios, detailed documentation and negotiated covenant protections.

These features can provide borrowers with financial flexibility and help lenders monitor performance and engage when business conditions change.

More broadly, direct lending often involves close borrower relationships, senior-secured loans and floating rate coupons. These features may support income generation in higher interest rate environments.

In the analysis shown below, **direct lending historically delivered higher annualised returns with lower measured volatility** than leveraged loans and high yield bonds. This illustrates its potential role alongside public credit investments in a diversified portfolio.

Direct lending has combined attractive returns with diversification benefits



Source: CVC analysis of data from PitchBook | LCD. Return series cover January 2016 to December 2025. Calculations for the annualised volatility of direct lending use de-smoothed quarterly returns adjusted for auto-correlations. Sharpe ratios are calculated based on SOFR rate post-2018 and Libor rate pre-2018. For illustrative purposes only. Past performance is not a reliable indicator of future results.

A distinct role in a portfolio

Adding European private credit to a broader private credit allocation can widen exposure across borrowers, sectors and economies, while diversifying potential sources of income.

A broader regional mix may also help manage sector concentration, including exposure to software.

Returns can vary widely between managers, making selection important. Across regions, disciplined underwriting, selectivity and a clear focus on borrowers' ability to repay remain central.

CVC pem wealth awards
BEST PRIVATE DEBT EVERGREEN FUND 2025

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Source: IPEM Wealth Awards. In February 2026, CVC was named one of the 2025 winners of IPEM Wealth Awards' Best European Fund Manager, Best Wealth Partnership with UBS and a silver award for Best Private Debt Evergreen Fund. Please see additional important information about Awards and Ranking in Performance Endnotes.

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