BLOOMFIELD CAPITAL

Understanding Private Credit

An orientation on the growth of Private Credit in institutional portfolios: its role, merits, and cautions.

PRESENTED BY

Bloomfield Capital

Founded in 2008, Bloomfield Capital has spent 17+ years investing in elusive, equity-rich small-balance credit opportunities often overlooked or unseen by larger managers.

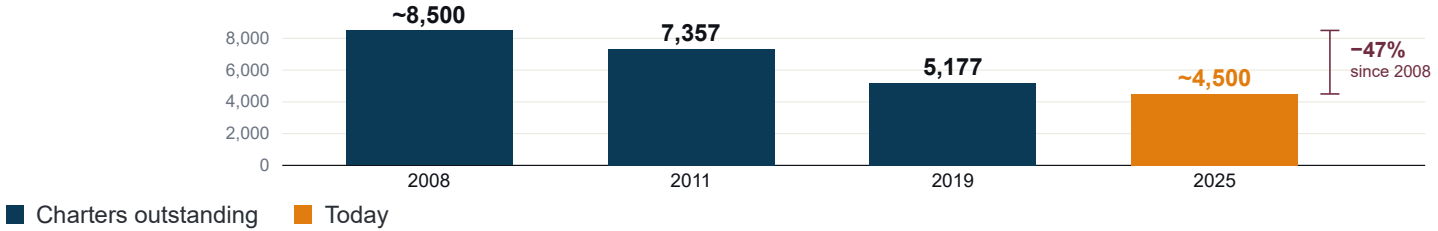
PREPARED FOR

FPPTA Fall Trustee School · 2026

The banking system has nearly halved since the crisis

FEDERALLY INSURED U.S. BANK AND THRIFT CHARTERS

SOURCE: FDIC



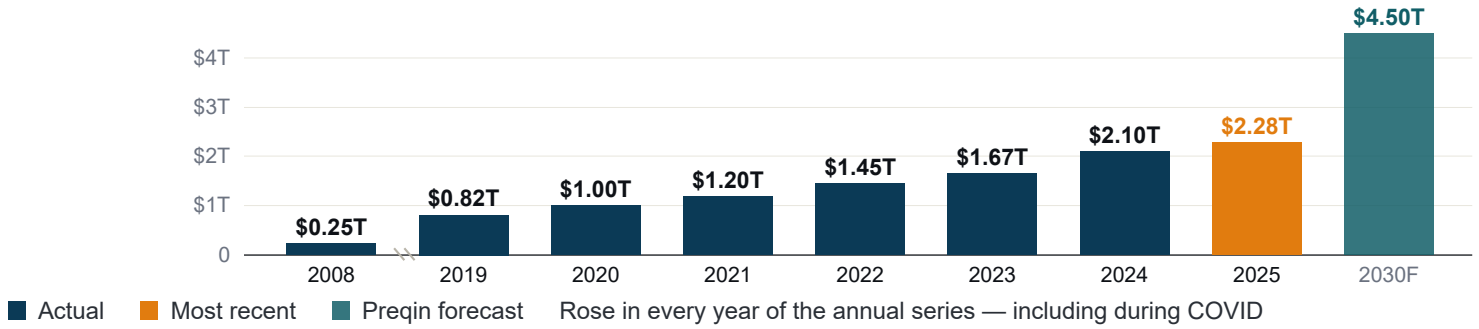
SUPPLY SIDE — BORROWERS

- Banks retrenched post-GFC — Basel III capital rules and the supplementary leverage ratio made whole categories of lending uneconomic
- Regional bank stress — 2023 failures accelerated an ongoing pullback from transitional and small-balance CRE
- Speed, certainty and bespoke structure — borrowers pay a premium over the lowest headline rate for execution

Private credit has grown 9× since 2008

GLOBAL PRIVATE CREDIT ASSETS UNDER MANAGEMENT — ALL STRATEGIES · $ TRILLIONS

SOURCE: PREQIN

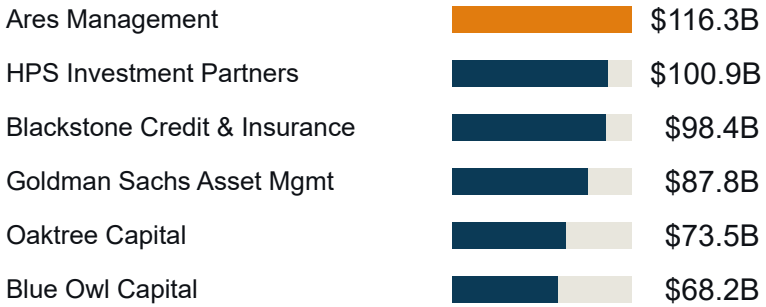


DEMAND SIDE — INVESTORS

- Steady, higher current return — expected returns on traditional assets fell below actuarial targets and stayed there
- Need for cash distributions — negative net cash flow and monthly benefit obligations require income, not paper marks
- Uncorrelated returns — held-to-maturity loans do not reprice with listed equity sentiment
- Nowhere else to earn it — for 9 of the last 18 years, Fed policy rates sat at or near zero

The market is large — and highly concentrated

LARGEST MANAGERS · 5-YR CAPITAL RAISED



Sources: Private Debt Investor, PDI 200 (2025) — capital raised over trailing five years. Overlap per Raymond James analysis of five large BDCs.

CONCENTRATION

Eight managers accounted for more than half of the $152.7 billion raised by direct lending funds in 2024.

MARKET SHARE OF LBO FINANCING

Private credit funded over 80% of all leveraged buyout transactions in 2024 — a role investment and commercial banks held a decade ago.

INVESTMENT OVERLAP

Raymond James found five large BDCs had over 60% overlap with each other. As deals grew large enough to require multiple lenders, allocators increasingly own the same loans through different managers.

Corporate private credit vs. real estate private credit

Same label, different risk.

	CORPORATE PRIVATE CREDIT	REAL ESTATE PRIVATE CREDIT
Collateral	Enterprise value — a multiple of EBITDA; often a blanket lien on a going concern	A specific, appraisable physical asset with a recorded first-lien mortgage
What you underwrite	Earnings durability, customer concentration, sponsor projections	Property cash flow, market rents, replacement cost, borrower equity
Loss cushion	Junior debt and equity — often thin, and can be structurally subordinated	Borrower cash equity — measurable as loan-to-value at origination
Path on default	Restructuring negotiation; recovery depends on a buyer for the business	Foreclosure and sale of a tangible asset; slower but more predictable

Four structural questions about the position

01 · COLLATERAL TYPE

Hard: a recorded first-priority lien on tangible real estate — an enforceable path to liquidation.

Soft: pledged equity, holdco shares or mezzanine positions, which can be wiped out in a restructuring.



02 · SENIORITY

First-lien senior debt is paid first and holds the collateral. Mezzanine and preferred earn more but sit behind. Does the incremental spread compensate for moving down? Often it does not.



03 · FUND-LEVEL LEVERAGE

Many funds amplify returns with bank warehouse lines. If a line is pulled or a margin call lands, the manager may be forced to sell performing loans at a discount — and NAV-based fees rise with the leverage.



04 · CONTROL VS. SYNDICATION

A sole lender holding the whole loan controls the workout, timing and remedy. A syndicated participant needs consent from others whose interests may diverge — and cannot act when speed matters.



Four questions about return quality and diversification

05 · NATURE OF THE RETURN

Is the yield paid currently, in cash, or accrued into a reported IRR realized only on exit? A structured IRR can look identical on a tear sheet and deliver nothing until a liquidity event.



06 · SECTOR CONCENTRATION

A book concentrated in one theme — AI and data-center credit, say — carries very different risk from one spread across multifamily, industrial and hospitality. Concentration is invisible until the theme turns.



07 · GEOGRAPHIC DIVERSIFICATION

Single-MSA exposure means you own that local economy — employment, supply pipeline, tax policy. Diversification across regions and property types is the cheapest risk mitigation available.

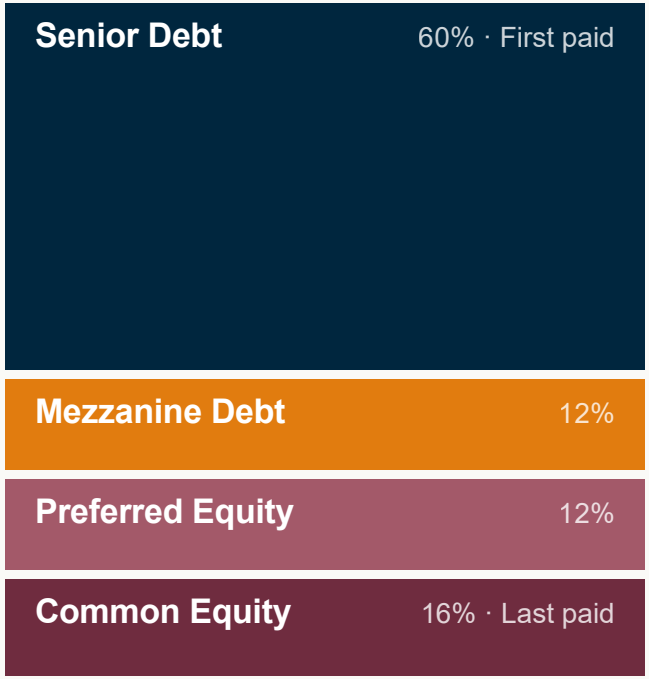


08 · DURATION

Short, self-liquidating positions limit rate exposure and shorten the time you are wrong if you are wrong. Long-dated, extension-dependent books concentrate cycle risk you cannot exit.



The capital stack determines who gets paid first



Senior Debt — The primary mortgage, collateralized directly by the property. Fixed interest payments, first to receive repayment — and no participation in appreciation.

Mezzanine Debt — Secured by ownership interests, not the property. Repaid after senior, before equity.

Preferred Equity — Paid before common equity. Higher yield than debt, less upside than common.

Common Equity — Basic ownership. Highest upside and tax benefits — but no collateral, and last to be repaid.

Illustrative split at a 60% senior LTV; actual capital structures vary by transaction. Band heights are proportional to each tranche's share.

Hard collateral and the loan-to-value cushion

HARD COLLATERAL — THE PHYSICAL SHIELD

A direct, first-priority lien on tangible real estate or capital assets, with a clear and predictable path to liquidation if the borrower defaults.

SOFT COLLATERAL — THE CONTRACTUAL PROMISE

Pledged equity, holding company shares, cash flow or mezzanine positions — all of which can be wiped out in a restructuring or a business slowdown.

VALUATION CUSHION AT A 65% ORIGINATION LTV

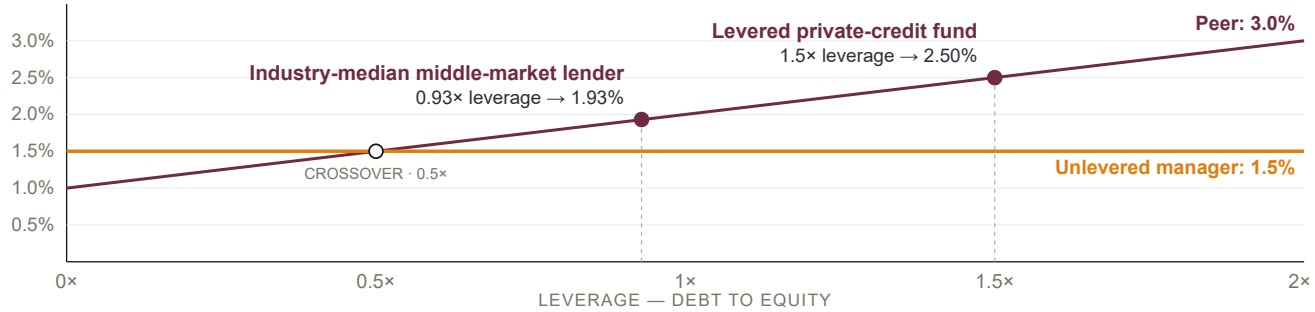


The asset can lose **35% of its value** before the lender is exposed to a first dollar of loss. Conservative underwriting keeps origination LTVs below the 70–80% range.

The 1% that isn't 1%

EFFECTIVE FEE ON LP EQUITY VS. DEBT-TO-EQUITY LEVERAGE

1% HEADLINE FEE, LEVERED · VS. 1.5% UNLEVERED



$25,000/yr

1% × $2.5M ASSETS — $1M OF EQUITY LEVERED 1.5×

$15,000/yr

1.5% × $1M CONTRIBUTIONS — UNLEVERED

$10,000/yr

DIFFERENCE ON THE SAME $1M

Worked example: $1M of LP capital. Median leverage of 0.93× refers to BDCs, the closest reporting analog. Source: Houlihan Lokey, BDC Monitor — Winter 2025. Illustrative math for peer comparison.

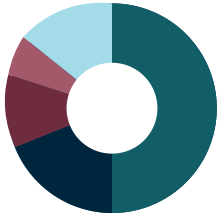
Who holds commercial real estate debt

$5.02T
COMMERCIAL & MULTIFAMILY MORTGAGE DEBT OUTSTANDING · Q1 2026

37%
HELD BY BANKS & THRIFTS LARGEST SINGLE GROUP

$2.32T
MULTIFAMILY SHARE OF THE TOTAL

MULTIFAMILY MORTGAGE DEBT BY HOLDER · Q1 2026



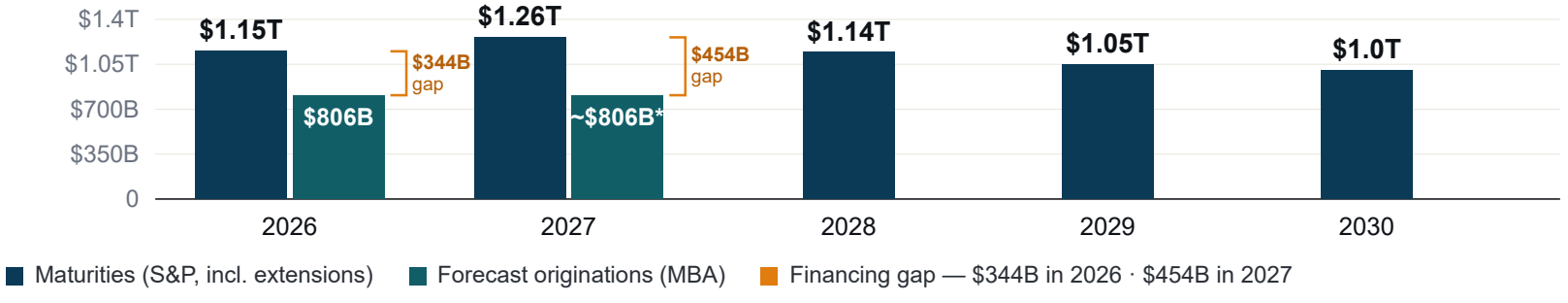
Agency & GSE portfolios and MBS	$1.2T · 50%
Banks & thrifts	$665B · 29%
Life insurance companies	$265B · 11%
State & local government	~$93B · 4%
CMBS, CDO & other ABS	~$70B · 3%

Source: MBA, Commercial/Multifamily Mortgage Debt Outstanding, Q1 2026; state & local and CMBS shares per MBA Q3 2025. Small-balance transitional lending is largely absent from these groups.

Maturities exceed forecast originations — a financing gap

SCHEDULED CRE DEBT MATURITIES VS. FORECAST ORIGINATIONS, $ BILLIONS

S&P GLOBAL · MBA



6.2%
AVERAGE RATE ON RECENTLY ORIGINATED CRE LOANS

4.3%
AVERAGE RATE ON THE DEBT BEING REPLACED

$5.02T
TOTAL COMMERCIAL & MULTIFAMILY DEBT OUTSTANDING

Maturities: S&P Global Market Intelligence, Q1 2026. Originations: MBA 2026 CREF Forecast. Bases differ. 2028–2030 show maturities only.

What to bring back to your board

01 · IT IS LENDING

Private credit filled a gap banks left — it is lending, and it behaves like lending.

02 · SAME LABEL, DIFFERENT RISK

Corporate and real estate private credit share a name, not a risk profile.

03 · ASK THE EIGHT QUESTIONS

Collateral, seniority, leverage, control, cash vs. IRR, sector, geography, duration.

04 · KNOW THE CUSHION

Know the loan-to-value on every credit fund you hold — the cushion is what protects you.

DISCUSSION

Thank you

Questions welcome — and we are glad to return for a deeper session on the capital stack, diligence, or manager selection.

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