



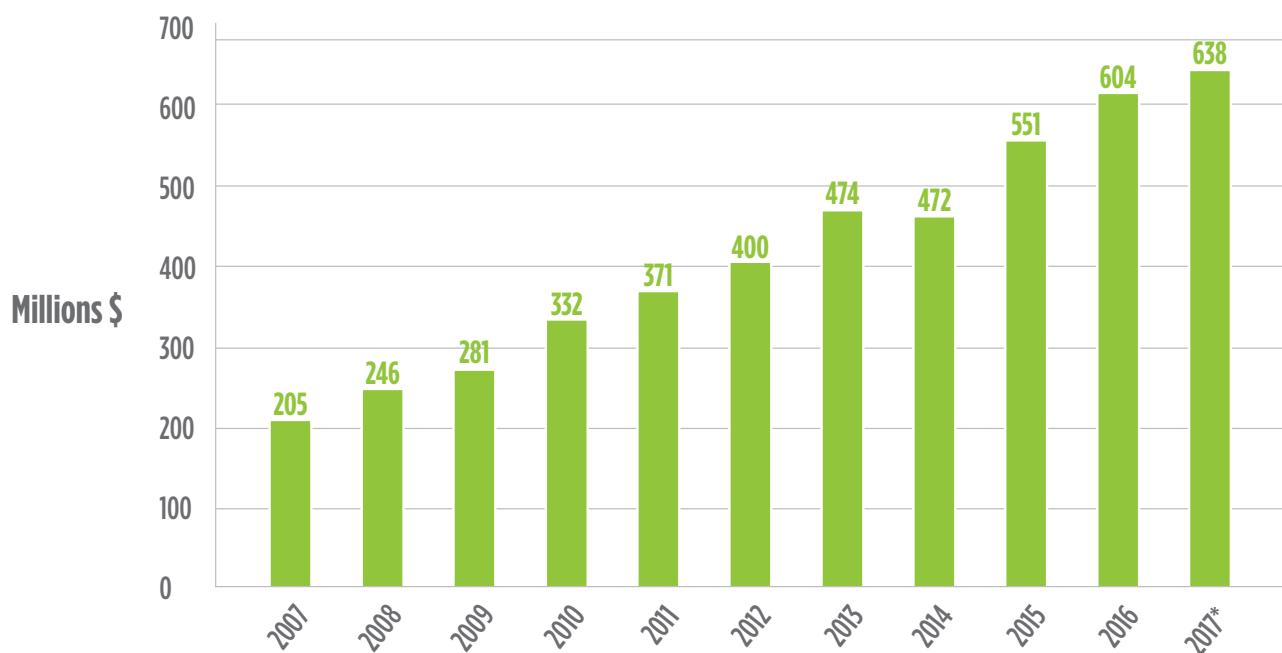
Private Debt: Market Outlook



The Private Debt Industry Is Rapidly Expanding

A perfect storm of cash-hungry mid-market firms who are unable to secure conventional loans, plus investors searching for alternatives to low yielding bonds and volatile equities has injected tremendous energy into the Private Debt space. Here's what it looks like:

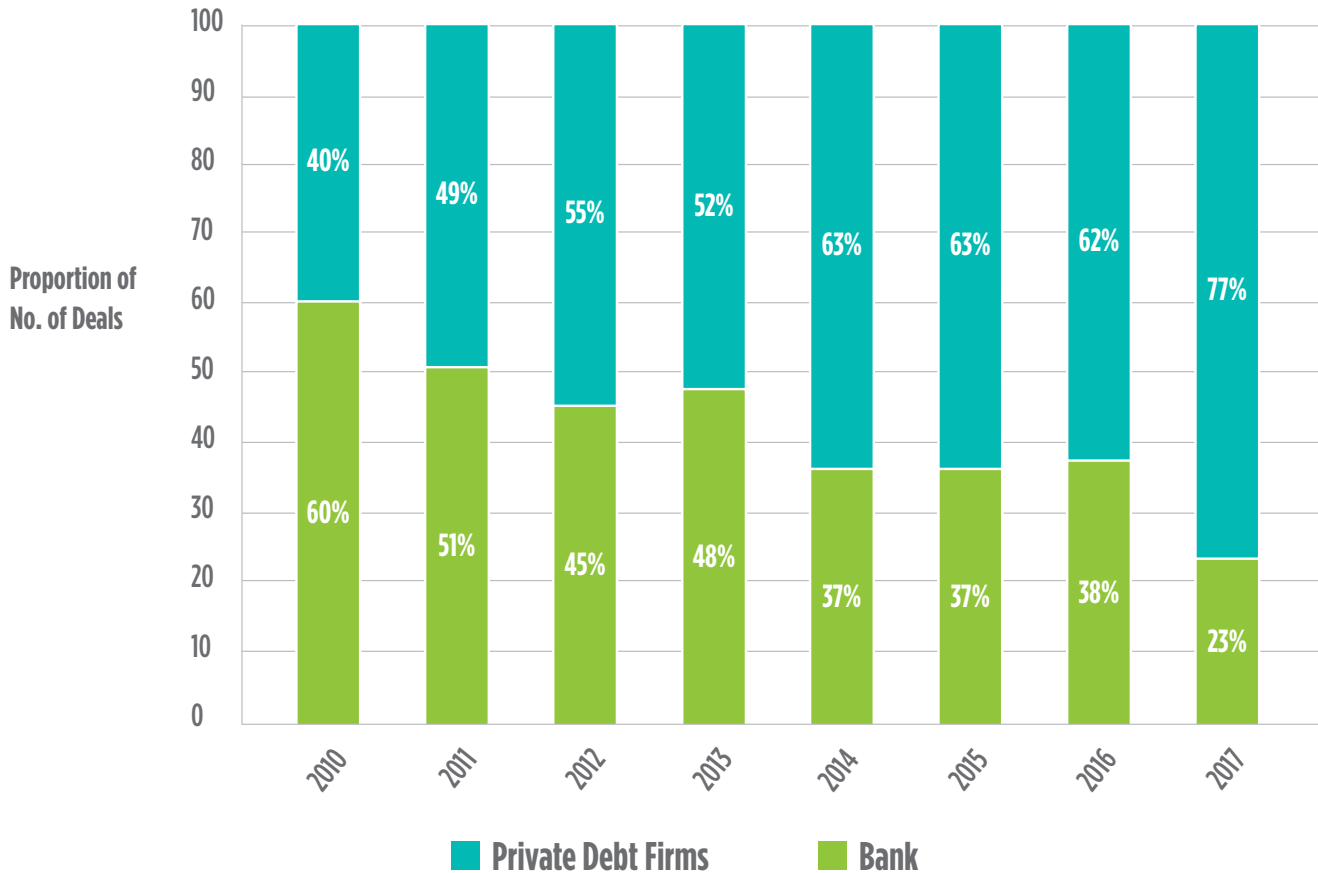
1 Private Debt AUM has more than tripled since 2007



*As of June 30/17. Source: Preqin Online Products 2018.

2

Globally, Private Debt capital is now the preferred source of financing for corporate deals*



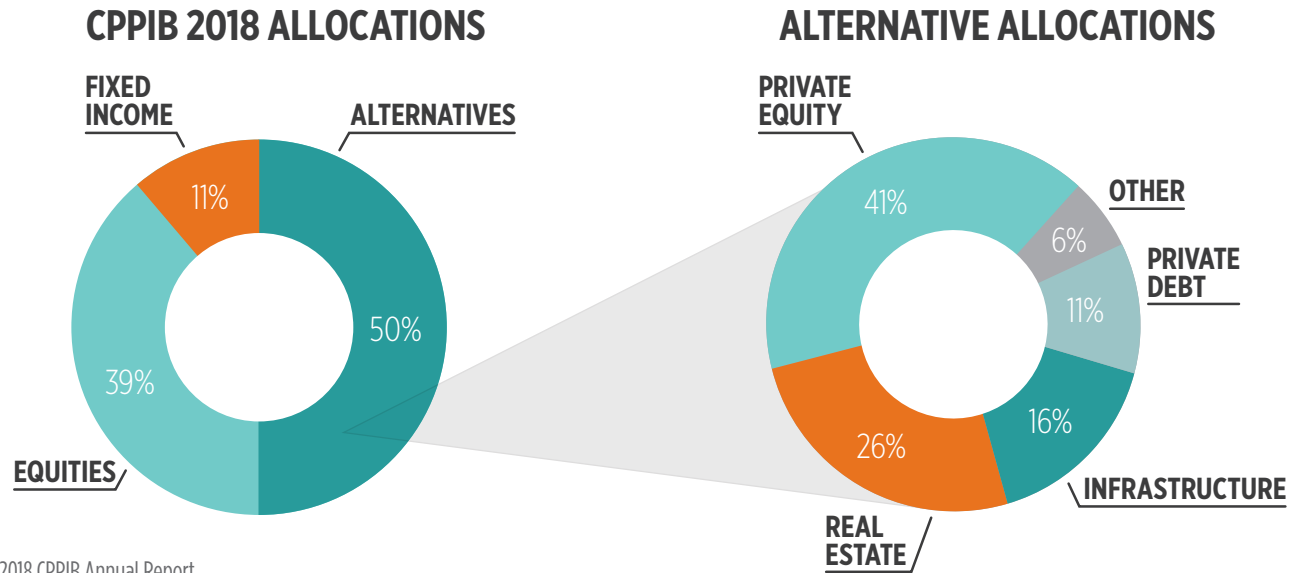
*Includes private equity transactions and corporate acquisitions. Source: Prequin Private Debt Online.

“ The growth in private debt financing is largely attributable to a continuing retreat by banks from loan markets under the pressure of tougher capital rules. ”

Source: 2018 Prequin Global Private Debt Report.

3

In 2018 the Canada Pension Plan allocated 11% to Private Debt



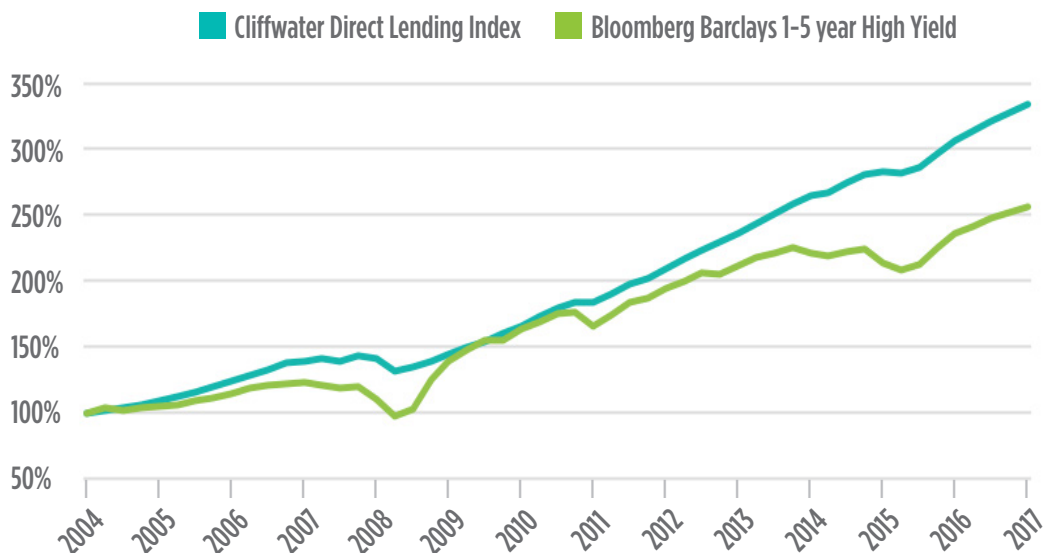
“ The CPPIB investment portfolio has outperformed the Reference Portfolio over both the past 5 and 10-year periods. ”

Source: CPPIB, May 2017.

4

Direct Loans have outperformed High Yield, with less volatility

PRIVATE DEBT VS. HIGH YIELD RETURN
CUMULATIVE RETURN FROM SEPTEMBER 2004 – SEPTEMBER 2017



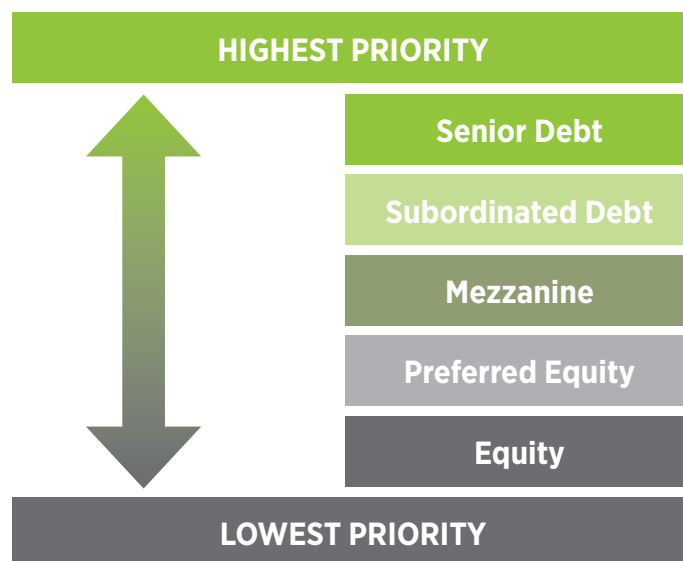
Source: Cliffwater Direct Lending Index, Morningstar.

5 Two distinct approaches to Private Debt investing



*Ninepoint Partners' current Private Debt strategy.

6 Direct Senior Debt is the safest part of the capital structure



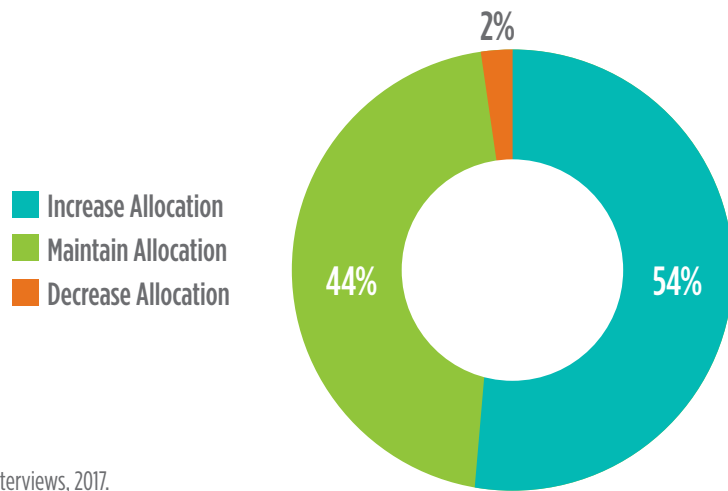
*Ninepoint Partners' current Private Debt strategy.

“ Although the perception of the private debt sector can sometimes be characterized as being more risky than traditional bank debt, the number of private credit funds opting for a more conservative ‘senior secured’ structure suggests the contrary. ”

Source: CPPIB, May 2017.

7

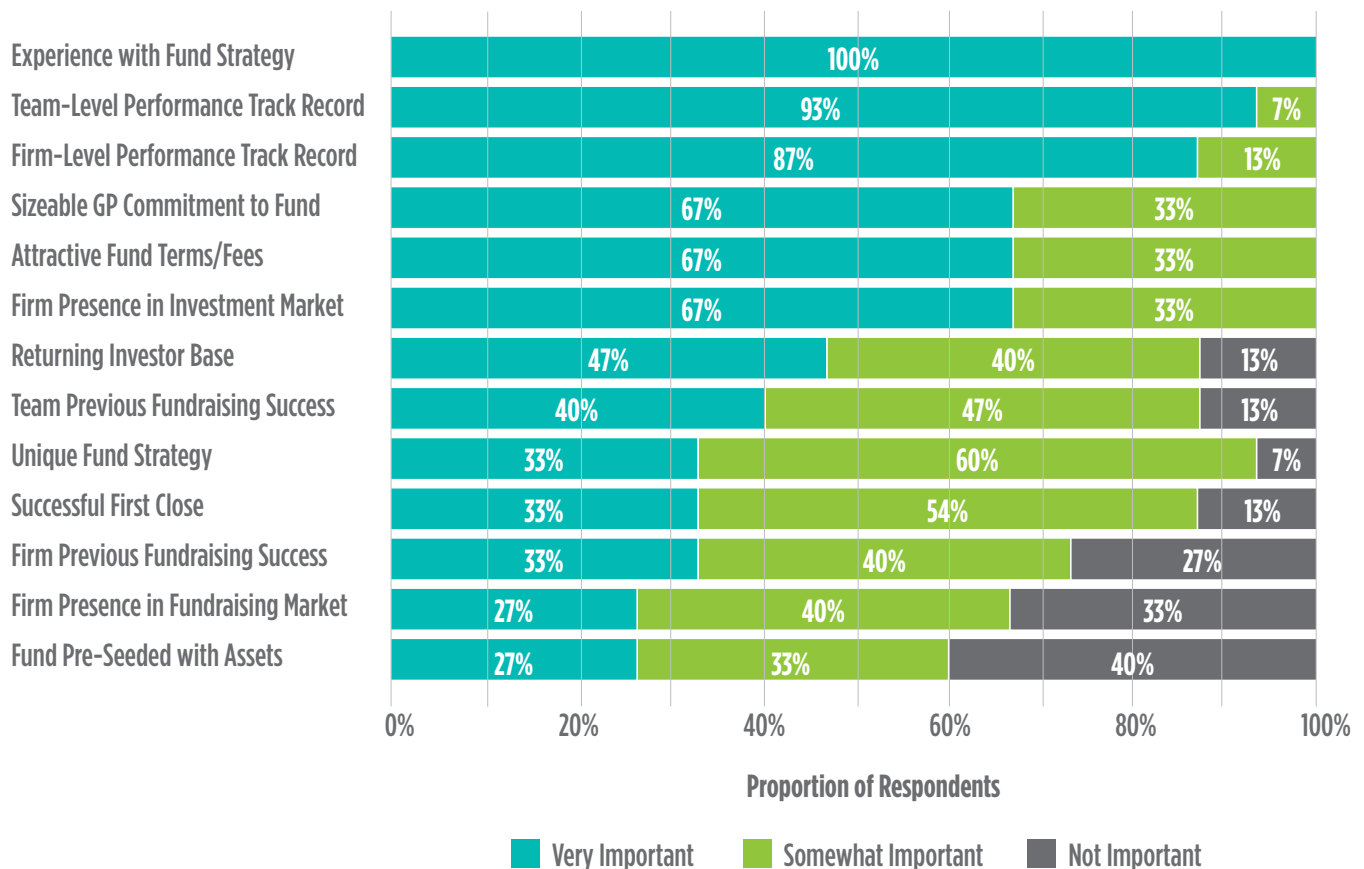
Over half of current Private Debt investors intend to increase their allocations



Source: Prequin Investor Interviews, 2017.

8

Investment consultants say experience with fund strategy is key to Private Debt manager selection



Source: Prequin Investment Consultant Survey, November 2017.

9

Private Debt can be viewed as a defensive asset class in an uncertain and a complex world

BENEFITS

- ✓ An innovative way to generate income
- ✓ Low volatility
- ✓ Equity-like returns
- ✓ Collateralized by assets
- ✓ Safest part of capital structure
- ✓ Non-correlated to traditional asset classes
- ✓ Lower historical default and loss rates than high-yield bonds
- ✓ Capital preservation with strong long-term performance

CHALLENGES

- ✓ Illiquidity
- ✓ Transparency
- ✓ Limited information available on track record of the asset classes
- ✓ Lack of comparability with other asset classes in private and public markets
- ✓ No linear deal flow resulting in cash drag

A good manager can help you take advantage of the benefits while mitigating the challenges

To learn more about Private Debt investing, please contact your financial advisor.



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