MILL CREEK

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Weekly Market Commentary

Chart of the Week

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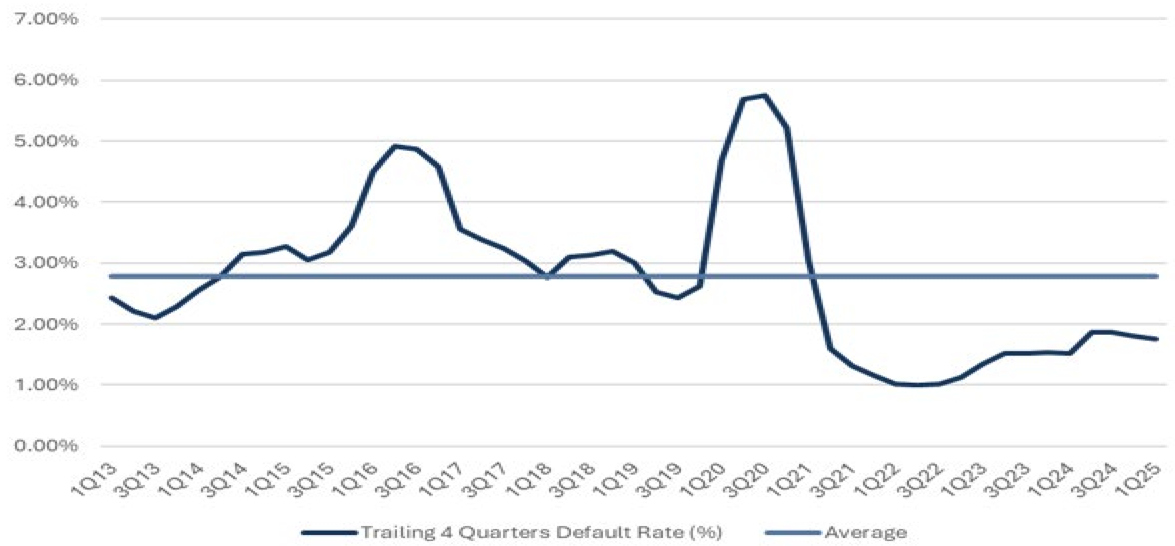
Are Credit Defaults Picking Up?

Private credit default rates have edged up slightly from their late-2022 lows but remain well below the longer-term average of 2.78%. This trend is consistent with what we're seeing in the public markets. As of 1Q25, the trailing 12 month default rate in the liquid leveraged loan market stood at just 0.78%. A combination of supportive economic conditions and healthy capital markets has enabled most borrowers to meet their debt service obligations. Tight credit spreads reflect market confidence that this stability will persist and that management teams can successfully navigate new policies accordingly. We continue to view private credit as an attractive source of absolute yield relative to other asset classes, though we caution that certain segments appear 'priced for perfection,' and remain highly selective around the investments we pursue.

Fig. 1: Trailing 12 month Default Rate, BDC Universe as of 3/31/25



Source: Cliffwater, Mill Creek

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