



CAIS ALTERNATIVE INVESTMENT SUMMIT

Lifting the Veil on Direct Lending and the Lower Middle Market

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Speaker

Theodore L. Koenig

Monroe Capital, LLC
Chairman & CEO

Monroe Capital Firm Overview

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- **Founded in 2004, Monroe Capital LLC (“Monroe”) provides Private Credit solutions to borrowers in the U.S. And Canada; Monroe specializes in financing companies with less than \$35 million of EBITDA**
 - Monroe Capital Management Advisors, LLC, an affiliate of Monroe Capital LLC, is a SEC-registered investment adviser with \$13.8 billion of committed and managed capital (as of July 1, 2022)
- **Headquartered in Chicago, Monroe has grown to a team of approximately 190 employees with 90 investment professionals that are focused on deal sourcing and underwriting**
 - Monroe’s senior management averages over 25 years of experience
 - Eight additional offices in Atlanta, Boston, Los Angeles, Miami, Naples, New York, San Francisco and Seoul
 - Specialized expertise in Healthcare, Software, Technology, Business Services, Litigation Finance, NAV Based, Asset Based, Real Estate and Non-Sponsored Finance transactions.
- **Differentiated origination platform**
 - Senior origination employees located in offices throughout the U.S.
 - Deep industry relationships with regional banks, private equity sponsors, investment banks, joint venture partners, intermediaries and service providers
 - Reputation for timely, efficient and seamless deal execution
- **Disciplined underwriting standards with a 19-year track record in direct lending / private credit**
 - “Credit First – Zero Loss” Mentality – strong underwriting infrastructure with turnaround and restructuring experience
 - Focus on downside and principal protection has led to an 9.4% GROSS unlevered returns on Monroe Capital’s 575 directly originated loan transactions¹⁻³
- **Diversified private credit platform for institutional and high-net-worth (“HNW”) investors**
 - Institutional Direct Lending and Opportunistic Private Credit Closed-End Fund Vehicles
 - HNW Focused Private Credit Fund Vehicles
 - Collateralized Loan Obligations (“CLOs”)
 - Public and Unlisted Business Development Company (“BDC”)
 - Institutional Separate Managed Accounts (“SMAs”)
 - Rated Note Structures – Commingled Feeders and SMAs

1. Prior investment performance is not indicative of or a guarantee of future results. Please see important disclaimers at the back of this presentation.

2. Investments include all directly originated loans held by all of Monroe’s funds for the period from January 2004 through June 30, 2022. The returns of this selected group of investments are provided for illustrative purposes only, and do not reflect the returns of all investments made by the predecessor firm and the referenced Monroe advised funds, which returns may be materially different from the returns of this selected group.

3. The gross investment performance referenced above is presented on a gross unlevered basis before the effects of leverage, management fees, “carried interest” or incentive fees, taxes, and other fund expenses to which an investor in a Fund would be subject. Any future investor’s return will be reduced by the advisory fees and other expenses that such investor may incur as a client of Monroe Capital Management Advisors, LLC. All such advisory fees of Monroe Capital Management Advisors, LLC are described in Part 2A of its Form ADV.

Award Winning Firm

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Private Debt Investor

AWARDS 2021



2021, 2020, 2018, 2017, 2016, AND 2015 | Lower Mid-Market Lender of the Year in the Americas by Private Debt Investor¹

2021, 2014 | Senior Lender of the Year in the Americas by Private Debt Investor¹

2020 | Lender of the Year by Private Debt Investor¹

2020 | CLO Manager of the Year by Private Debt Investor¹

2013 | Unitranche Lender of the Year in the Americas by Private Debt Investor¹



2021, 2020, 2019, AND 2018 | Best U.S. Direct Lending Fund by Creditflux⁵

2021 | Middle Markets Lender of the Year, U.S.A. by Global M&A Network⁴

2020 | Mid Markets Lender of the Year in the Americas by Global M&A Network⁴

2022, 2021, 2019, 2018, 2017, 2016, 2015, 2014 AND 2013 | Small Middle Markets Lender of the Year in the Americas by Global M&A Network⁴



2020 | Private Credit Strategy of the Year by Pension Bridge⁷



2018 | Lender of the Year by Mergers & Acquisitions⁶



2016 | Lender Firm of the Year by The M&A Advisor²



2015 | Small Business Investment Company (SBIC) of the Year by U.S. Small Business Administration³

¹ These awards are determined annually through a PDI reader poll and aim to recognize the contributions of industry participants to the development of the private debt asset class. Winners were selected by eligible voters among the private debt, private equity and institutional investor communities. For additional information, please visit: <https://www.privatedebtinvestor.com>

² This award is based on the firm's notable transactions, expertise, track record, team leadership and client service. Monroe Capital's nomination for this award is not indicative of the future performance of any Monroe managed fund. For additional information, please visit: www.theadvisor.com

³ The SBIC of the Year award is based on the fund's overall performance and demonstrated commitment to supporting the growth and expansion of small businesses. Monroe Capital's nomination for this award is not indicative of the future performance of any Monroe managed fund. For additional information regarding this award, please visit: <https://www.sba.org>

⁴ The Small Middle and Middle Markets Lender of the Year Awards, in the Americas and U.S.A., is based on the firm's notable transactions, expertise, track record, team leadership and client service. For purposes of these awards, a Small Middle and Mid-Markets Lender is a lender in the middle market to lower market segments qualified per sweet spot range on EBITDA average between \$5 to 100 million. Monroe Capital's nomination for this award is not indicative of the future performance of any Monroe managed fund. For additional information regarding these awards, please visit: <https://globalmnanetwork.com>

⁵ These direct lending awards are calculated based on several criteria including a combination of net IRR, leverage calculations, and capital deployed. This award is based solely on detailed, data driven metrics. For additional information, please visit <http://creditflux.com/>

⁶ This award is based on the firm's growth, volume of loans and their significance, innovation, thought leadership and influence on the M&A industry. For additional information, please visit: <https://www.themiddlemarket.com>

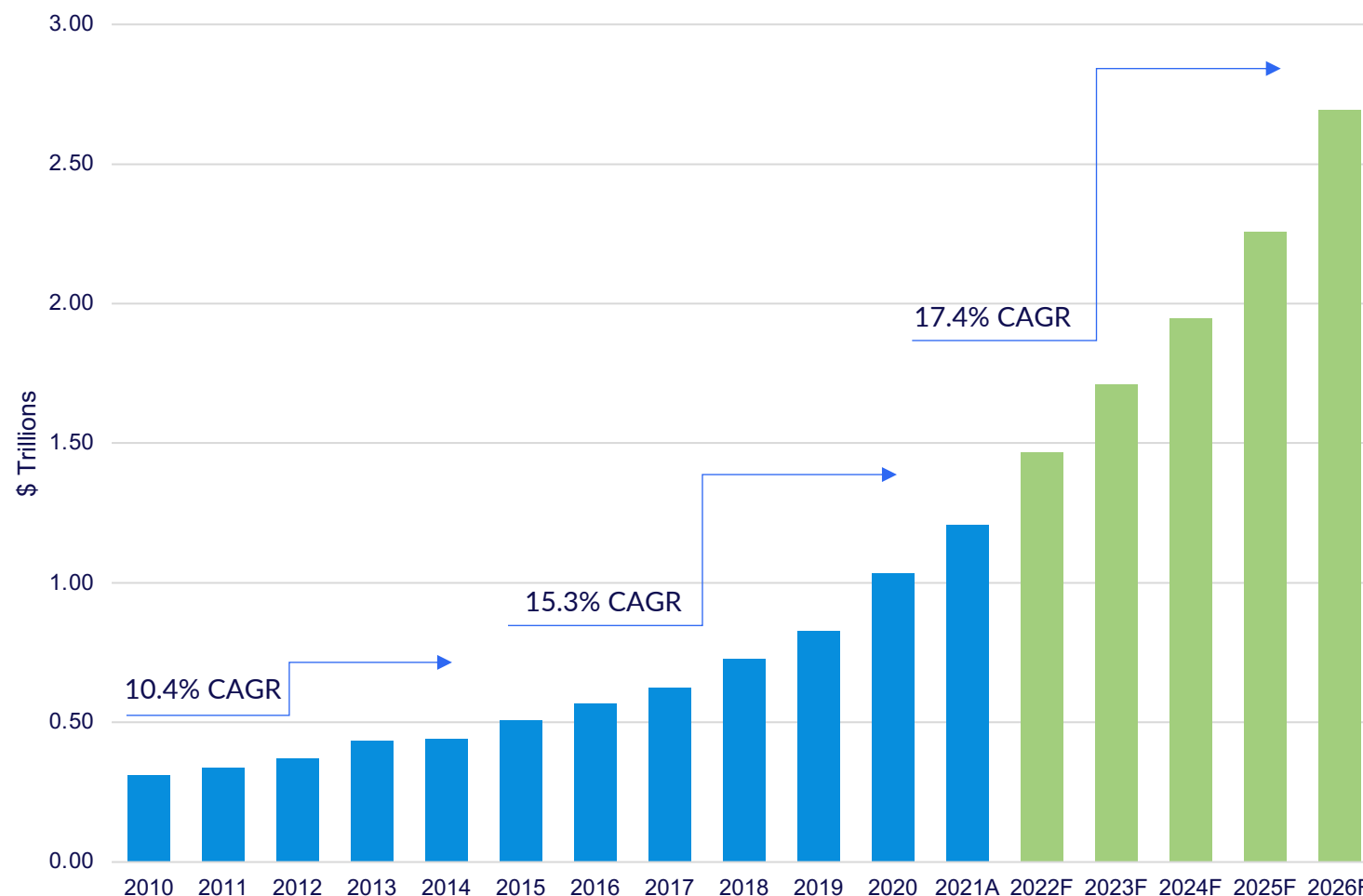
⁷ This award is based on the fund's overall performance and the firm's expertise, growth, track record, team leadership, ESG strategy and client service. For additional information, visit <https://themanagementawards.awardstage.com/>

Private Credit is the Fastest Growing Alternative Asset Class

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Private Debt AUM History and Forecasts¹

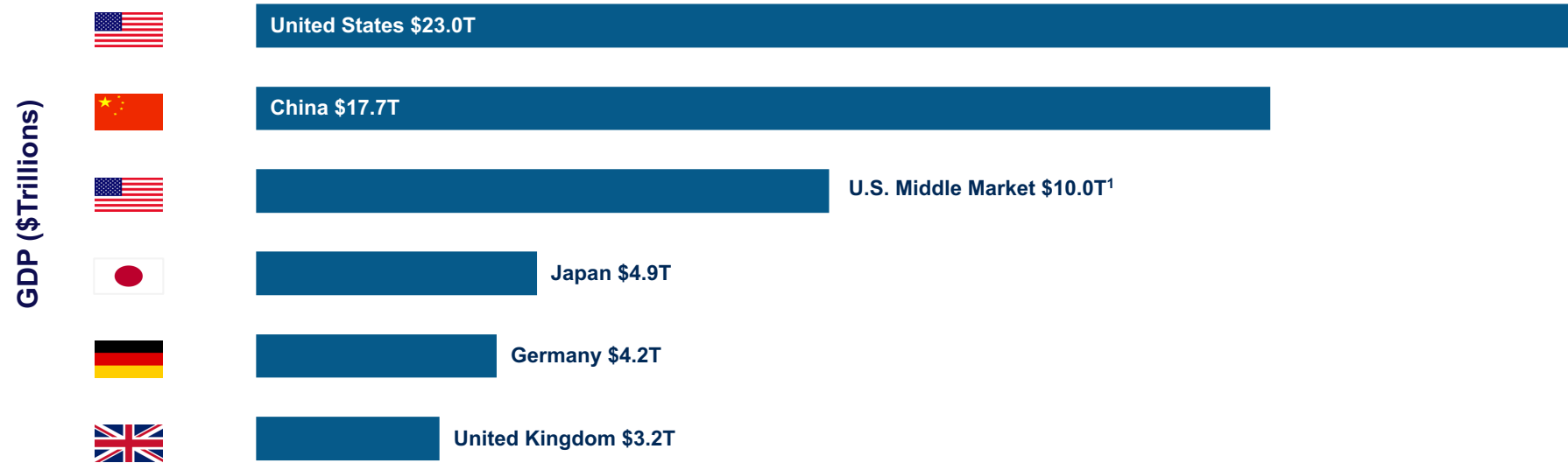


1. Source: Preqin Forecasts

Current Landscape – Middle Market Opportunity Set

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350K

The middle-market is made up of 350,00+ businesses

1/3

The middle-market contributes one-third of the US Private Sector GDP¹

48M

The middle-market accounts for 48+ million American jobs²

1. National Center for the Middle Market, Q4'21 Middle Market Indicator

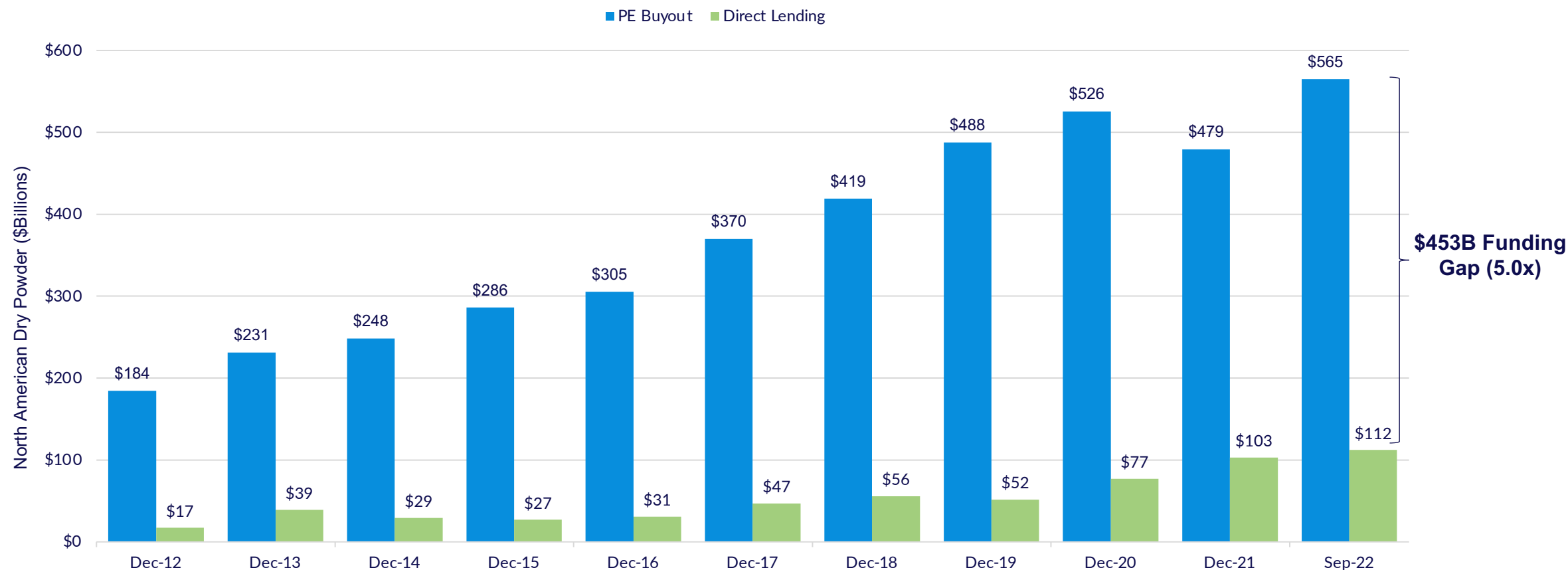
2. The World Bank, 2019 GDP

Imbalance between PE & Direct Lending Dry Powder will continue to drive attractive lending conditions

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North American PE dry powder outnumbers direct lending dry powder by 5x¹



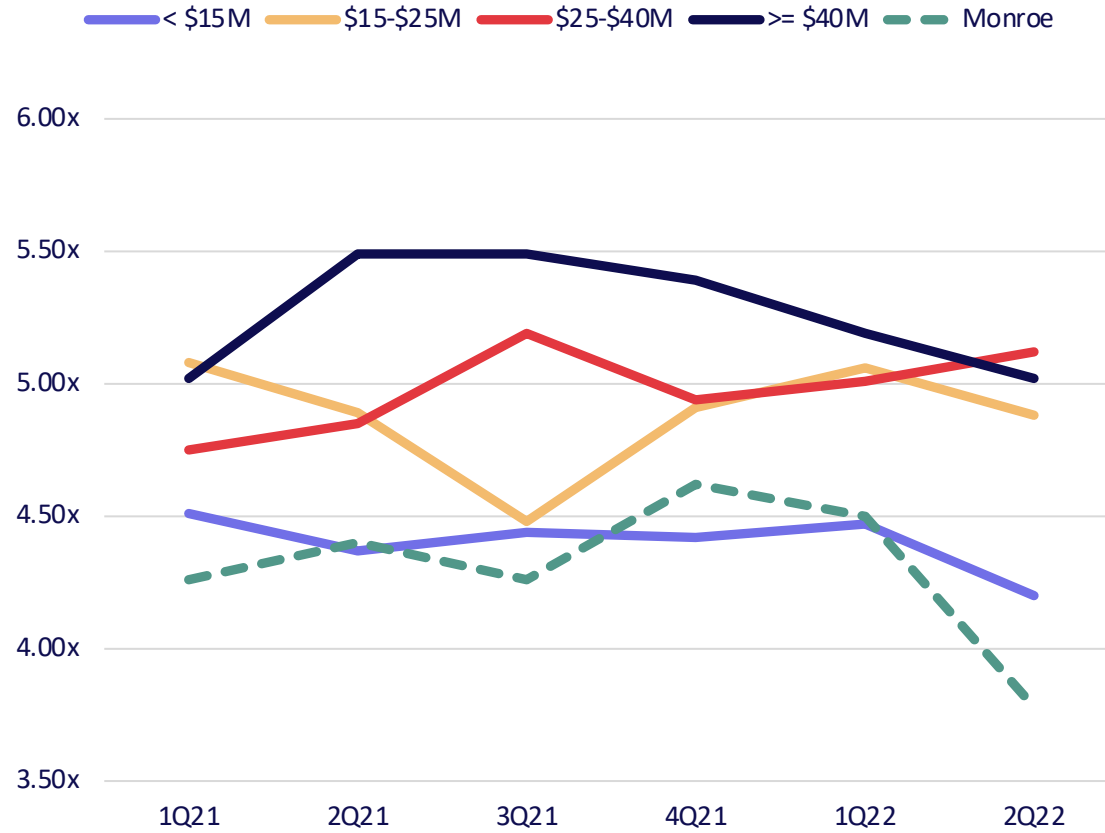
1. Source: Preqin Forecasts; 2022 Global Private Debt Report.

Monroe and the Middle Market Advantage

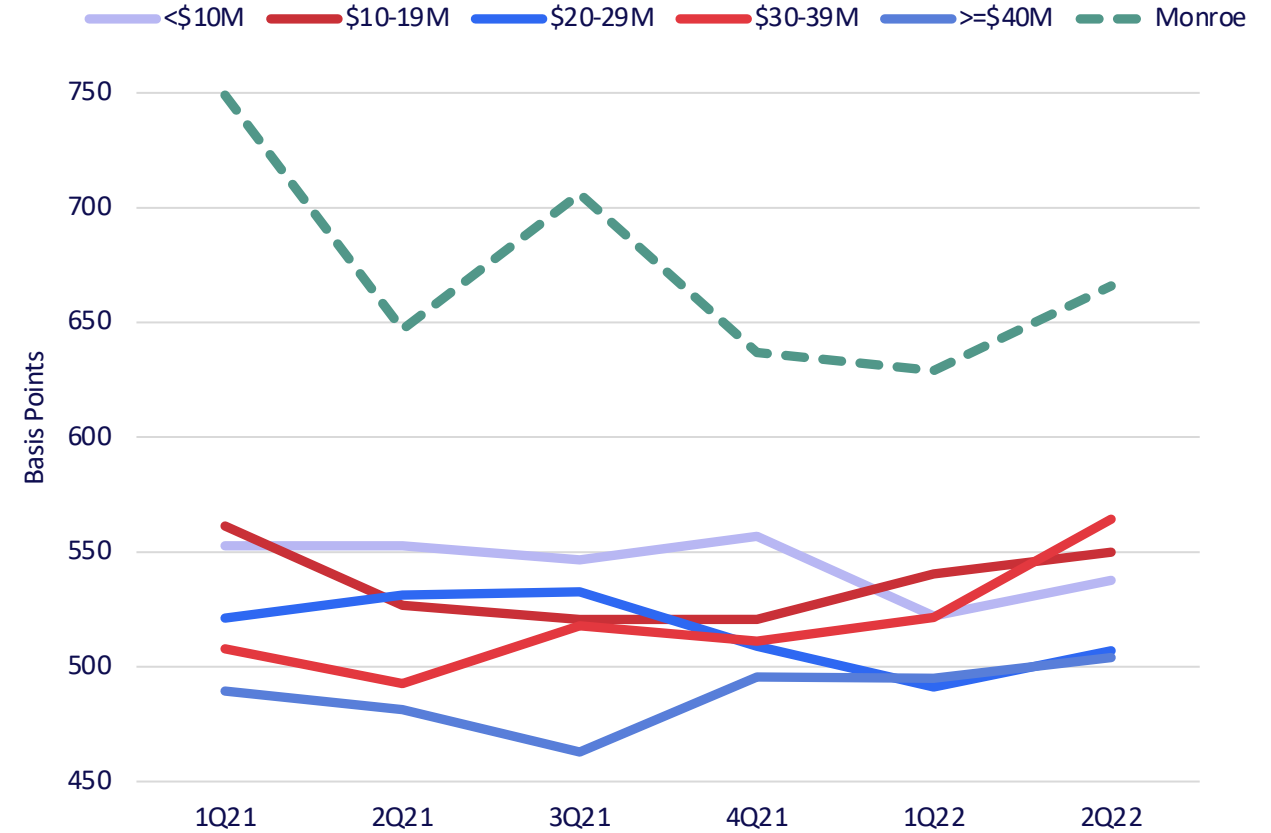
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Monroe & Middle Market total leverage by EBITDA size¹



Monroe & Middle Market spread by EBITDA size¹



1. Source: Refinitiv LPC's Middle Market Sponsored Private Deal Analysis as of 6/30/2022.

Why Private Credit will continue to grow as the dominant Alternative Asset Class

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1. Private Credit Funds provide a natural hedge to rising interest rates with its floating rate structures.
2. Private Credit Funds invest in senior secured loans at the top of the capital structure, thus ensuring safety and lower risk.
3. Private equity sponsored M&A, recaps/dividends and public to private transactions will continue at heightened levels due to significant dry powder available.
4. Private Credit firms will continue to take market share away from the Syndicated Bank Loan market due to certainty of execution, flexible and customized terms, and stability of capital.
5. Private Credit transactions are seeing enhanced pricing and more favorable document terms in a more lender-friendly market.
6. The market will continue to favor defensive industries such as healthcare, business services, software and technology due to safety and predictability of future cash flows. Manager selection is crucial to success as private credit is an actively managed asset class.
7. Traditional Fixed Income – bonds – have significantly underperformed, down 20% in 2022.

Current Macro Factors and Predictions

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1. The U.S. Economy will continue to grow, but at a slower pace than anticipated.
 - What is hot – healthcare, business services, software and technology.
 - What is not hot – textiles, apparel, paper/packaging, leisure and entertainment.
2. Supply chain and labor challenges will constrain growth.
3. Inflation will continue to be stubborn and high.
4. Private equity dry powder and credit liquidity will drive middle market M&A, recaps/ dividends, and public to private transactions.
5. The U.S. Fed will continue to raise interest rates.
6. Central banks around the world will follow suit and raise interest rates, but not at the same pace as the U.S. Fed.
7. The U.S. Dollar will continue to strengthen against most all major currencies.
8. Corporate earnings will disappoint in Q4 and for full year 2022.
9. Europe and Asia will face a perfect storm of rising interest rates, high inflation, slow growth, and energy shortages.
10. China is in worse shape than advertised - slower economy, depreciating currency, real estate and mortgage collapse, resulting in a government mandated cut of interest rates.



Thank you!

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