

PRIVATE DEBT

Fewer Deals, Bigger Dollars

This report is excerpted from the *Second Quarter 2026 Fixed-Income Sector Views*.

Larger deals support volume as deal count slows.

The fourth quarter marked \$56.6 billion in direct lending volume across 189 transactions in the United States, the lowest volume in two years and fewest deals since the third quarter of 2023. While private credit default rates remain below historical averages, we continue to closely monitor borrower performance across the market as the cumulative effects of elevated borrowing costs and slower economic growth take hold.

Sector Commentary

- Trailing three-month direct lending volume reached its highest level since the third quarter of 2024, driven by a cluster of jumbo transactions in January, even as overall deal count declined. Vantage Data Centers' \$2.4 billion Ares-led facility exemplified sustained lender appetite for AI and cloud infrastructure.
- Year-to-date leveraged buyout (LBO) deal count in 2026 is sharply lower versus last year, yet aggregate volume remains stable, indicating sponsors are pursuing fewer but larger transactions.
- Direct lending continues to capture LBO fundings. While broadly syndicated loans have outpaced direct lending in overall sponsor-backed issuance, direct lenders continue leading LBO-specific volume, reflecting sponsor preference for execution certainty in control-oriented transactions.
- Payment-in-kind (PIK) toggles and amendment activity have increased in BDCs, signaling pockets of stress that warrant cautious underwriting and active monitoring.

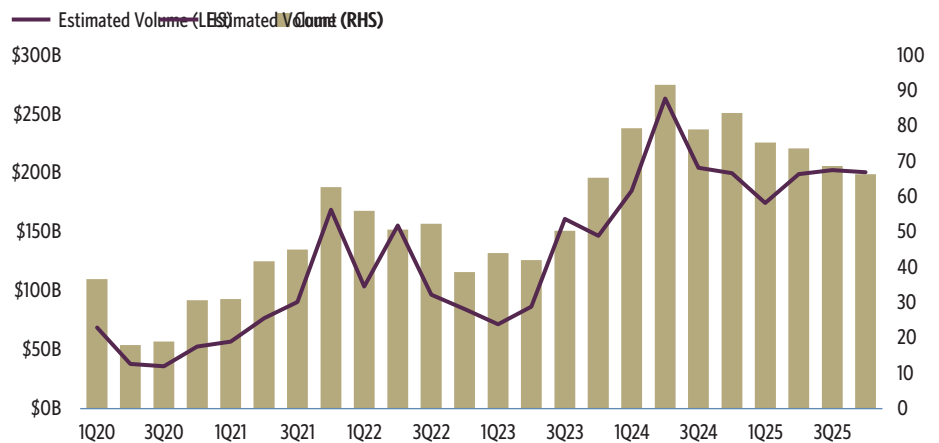
Investment Themes

- Over the past 12 months, the share of new-issue LBO spreads in the 450–499 basis point range rose 38 percent while the 500–600 basis point share declined 33 percent, signaling meaningful pricing compression among new issues.
- Recent weakness in leveraged loan prices, sliding to April 2025 lows amid geopolitical and AI-related concerns, could suggest widening in private credit spreads if sustained, potentially reversing the compression trend.
- Investor sentiment toward software borrowers has softened as AI disruption concerns mount, prompting closer examination of BDC portfolios. While the majority of software loans in BDCs remain marked near par, the market is adopting a more cautious stance.

By Joe McCurdy and Mark Pridmore

Trailing three-month direct lending volume reached its highest level since the third quarter of 2024, driven by a cluster of jumbo transactions in January, even as overall deal count declined.

Deal Count Declines as Larger Deal Volumes Rise



Source: Guggenheim Investments, Pitchbook. Data as of 12.31.2025.

This material is distributed or presented for informational or educational purposes only and should not be considered a recommendation of any particular security, strategy or investment product, or as investing advice of any kind. This material is not provided in a fiduciary capacity, may not be relied upon for or in connection with the making of investment decisions, and does not constitute a solicitation of an offer to buy or sell securities. The content contained herein is not intended to be and should not be construed as legal or tax advice and/or a legal opinion. Always consult a financial, tax and/or legal professional regarding your specific situation.

One **basis point** is equal to 0.01%.

This material contains opinions of the authors, but not necessarily those of Guggenheim Partners, LLC or its subsidiaries. The opinions contained herein are subject to change without notice. Forward-looking statements, estimates, and certain information contained herein are based upon proprietary and non-proprietary research and other sources. Information contained herein has been obtained from sources believed to be reliable but are not assured as to accuracy. Past performance is not indicative of future results. There is neither representation nor warranty as to the current accuracy of, nor liability for, decisions based on such information.

Investing involves risk, including the possible loss of principal. In general, the value of a fixed-income security falls when interest rates rise and rises when interest rates fall. Longer term bonds are more sensitive to interest rate changes and subject to greater volatility than those with shorter maturities. During periods of declining rates, the interest rates on floating rate securities generally reset downward and their value is unlikely to rise to the same extent as comparable fixed rate securities. High yield and unrated debt securities are at a greater risk of default than investment grade bonds and may be less liquid, which may increase volatility. Investors in asset-backed securities, including mortgage-backed securities and collateralized loan obligations (“CLOs”), generally receive payments that are part interest and part return of principal. These payments may vary based on the rate loans are repaid. Some asset-backed securities may have structures that make their reaction to interest rates and other factors difficult to predict, making their prices volatile and they are subject to liquidity and valuation risk. CLOs bear similar risks to investing in loans directly, such as credit, interest rate, counterparty, prepayment, liquidity, and valuation risks. Loans are often below investment grade, may be unrated, and typically offer a fixed or floating interest rate. Private debt investments are generally considered illiquid and not quoted on any exchange; thus they are difficult to value. The process of valuing investments for which reliable market quotations are not available is based on inherent uncertainties and may not be accurate. Further, the level of discretion used by an investment manager to value private debt securities could lead to conflicts of interest.

Guggenheim Investments represents the following affiliated investment management businesses of Guggenheim Partners, LLC: Guggenheim Partners Investment Management, LLC, Security Investors, LLC, Guggenheim Funds Distributors, LLC, Guggenheim Funds Investment Advisors, LLC, Guggenheim Corporate Funding, LLC, Guggenheim Wealth Solutions, LLC, Guggenheim Private Investments, LLC, Guggenheim Investments Loan Advisors, LLC, Guggenheim Partners Europe Limited, Guggenheim Partners Japan Limited, and GS GAMMA Advisors, LLC.

Not FDIC insured. Not bank guaranteed. May lose value.

© 2026, Guggenheim Partners, LLC. All Rights Reserved. No part of this document may be reproduced, stored, or transmitted by any means without the express written consent of Guggenheim Partners, LLC. GPIM 5384055