BPCC: Resilient Positioning Amid Volatility & Economic Uncertainty

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BARINGS

Tariffs, trade wars and growth concerns have left investors to grapple with a challenging market backdrop—and the prevailing uncertainty looks unlikely to fade anytime soon. While public market investors have historically accepted volatility, Barings Private Credit Corp (BPCC) may serve as a solution for investors who are concerned about inflation, rates, and economic weakness. Relative to other strategies and asset classes, BPCC's risk mitigative features include:

1. Core Middle Market Focus
2. First Lien Positioning
3. Strategic Industry Selection
4. Alignment
5. High Current Income
6. Low Historic Volatility of Return Profile

1. Core Middle Market Focus

Barings Private Credit Corp (BPCC) operates in the core 'middle' of the middle market, where businesses typically have between $15 M and $75 M of EBITDA. In addition to offering attractive pricing, this segment of the market has maintained an illiquidity premium above the broadly syndicated loan market over time. Unlike broadly syndicated markets and the upper (upper) middle market, most transactions have financial maintenance covenants and/or negative covenant packages, as well as other structural protections that can provide a buffer for investors against downside risk. Over the past few years, amid a strong economy and low volatility, the benefits of this market's conservative leverage profiles and structural protections have not been as evident, given that they were designed to protect against downside risk. They have become less of a priority for certain investors as a result. However, when the tide goes out, conservative underwriting, financial maintenance covenants and negative covenants that protect underlying collateral do matter. One area that has garnered particular scrutiny is the large corporate segment of private credit—or the upper (upper) middle market—which has essentially converged with the public broadly syndicated loan market and as a result, largely lacks financial maintenance covenants.

Notably, **financial maintenance covenants** help ensure underlying businesses maintain certain financial ratios and, in doing so, allow managers to step in early if a company begins to underperform. Stepping in early can help limit downside risk for the lender in a few ways—namely, requiring an additional equity contribution from the private equity owner of a business de-risks the lender's position. Additionally, early intervention may allow for the credit agreement to be amended to provide additional lender protections, and additional fees/spreads are usually captured.

Negative covenants are also designed to help protect the underlying collateral. In recent years, there have been instances where collateral dropped down from large corporate or broadly syndicated loan lenders—and this was allowed within the credit agreements. In the core middle market, on the other hand, negative covenant packages are widespread, and do not allow these sorts of carve outs.

Another key component of core middle market businesses is they do not generate meaningful revenue abroad and, as a result, are relatively insulated from tariff risk. Large businesses by nature are more exposed to tariff risk given their global customer bases and supply chains.

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Figure 1: Structural Protections Standard in Core Middle Market Lending

Often · Sometimes · Rarely · Barings Focus

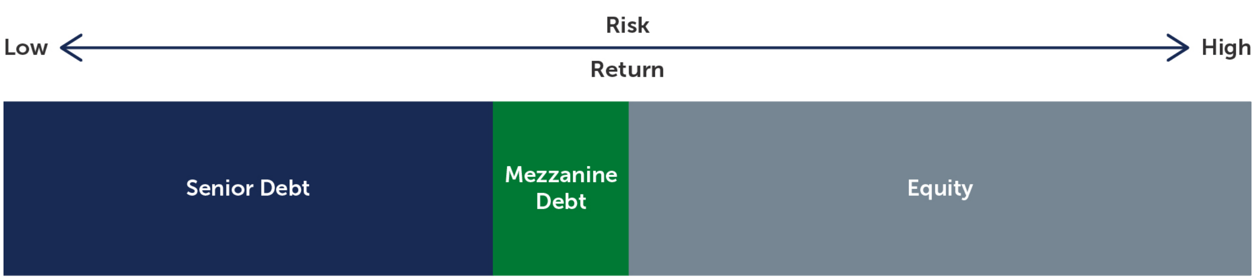
	PRIVATE CREDIT		PUBLIC CREDIT	
	Core Middle Market (Barings Focus)	Large Corp Club/ Mega Cap	Broadly Syndicated Loans	High Yield Bonds
Borrower Size	EBITDA $15–75 M	EBITDA $75 M+	EBITDA $100 M+	EBITDA $100 M+
Privately Negotiated	Often	Rarely	Sometimes	Sometimes
Floating Rate	Often	Often	Often	Sometimes
Senior Secured	Often	Often	Often	Sometimes
Financial Maintenance Covenants	Often	Rarely	Sometimes	Sometimes
Leader Influence on Debt Structure	Often	Rarely	Sometimes	Sometimes
Call Protection	Rarely	Rarely	Rarely	Often
Control During Workout Process	Often	Sometimes	Sometimes	Sometimes

Source: Barings. For illustrative purposes only.

2. First Lien Positioning

BPCC's first lien, senior secured focus is designed to limit downside risk given the substantial first loss protection in the capital structure. A typical core middle market transaction may be structured as 40% loan-to-value (LTV). This means that the value of the underlying business would have to decline by more than half before the lender would be impaired. Certain other segments of the market combine first lien debt with mezzanine debt in what is called a 'unitranche' loan. While unitranche loans are usually categorized as first lien, they typically have much higher leverage profiles and debt/EBITDA attachment points, which can expose lenders to higher losses in the event of default. In that respect, it's important for investors to understand what a manger means by "first lien."

Figure 2: Typical Middle Market Deal Structure and Risk-Return Spectrum



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3. Strategic Industry Selection

A cornerstone of Barings' senior loan strategy, since its inception in 2012, is the avoidance of industries that have experienced high historical default rates. These industries include consumer facing businesses, restaurants, retail, oil & gas, real estate, and cyclical manufacturing. During periods of economic weakness, these industries—many of which are cyclical in nature—tend to face greater challenges.

Credit Quality

Barings senior global private loan strategy has experienced low default and loss rates across the more than $67 billion invested in more than 725 issuers since 2012.

Figure 3: Barings Senior Loan Strategy Historical Default & Loss Rates (Annualized)

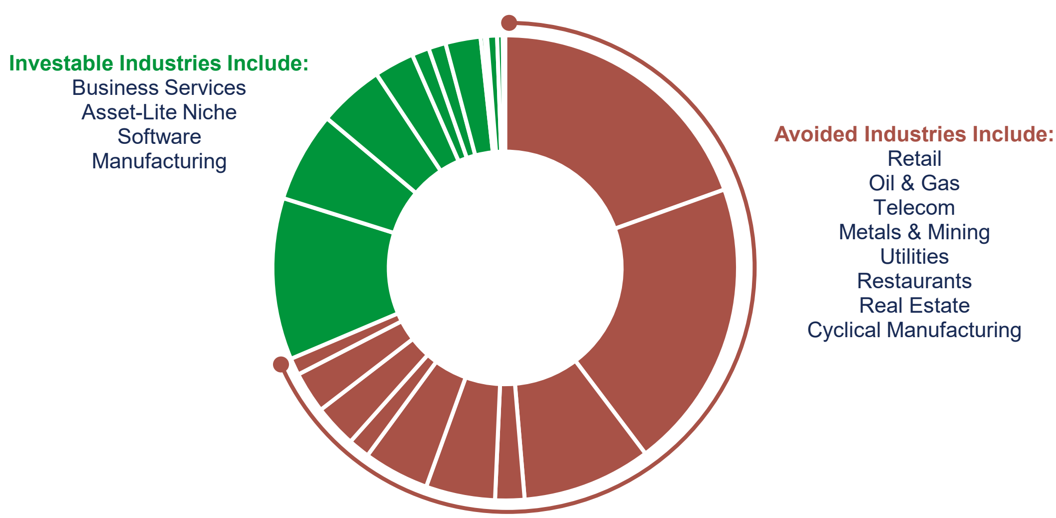
	ANNUALIZED DEFAULT RATE %	ANNUALIZED LOSS RATE %
North America	0.16%	**0.03%**
Europe	0.22%	**< 0.001%**
Asia Pacific	0.00%	**0.00%**

Barings demonstrated loss rate among Sponsor backed first lien transactions originated by the Global Private Finance team is < 2bps over the course of the past decade+

Source: Barings data. As of June 30, 2025. Loss Rate Since Inception is calculated as total losses on realized investments by the relevant regional platform as a percentage of total invested capital since inception of the relevant regional platform, divided by number of years since inception. Includes interest, fees, principal proceeds, and related expenses. Includes all of Barings private senior loan strategies. Barings North American Senior Loan Strategy, excluding secondary purchases and deals originated solely for Barings Middle Market CLOs (Inception: 2012). Barings European Senior Loan Strategy (Inception: 2013). Barings Asia Pacific Senior Loan Strategy (Inception: 2011).

Figure 4: Leveraged Loan Index Default Rates by Industry—Last Five Years

Barings generally avoids industries that have been historically over-represented in leveraged loan defaults



Source: S&P LCD. As of December 31, 2023. Represents Initial Amount Invested that ultimately defaulted. *Industries highlighted in green represent those within the Barings Global Private Finance platform's typical investable universe; industries highlighted in red represent those that the Platform

25-4820287

actively seeks to avoid given their perceived cyclicality and the potential idiosyncratic risks associated with them. All of the above is subject to change and there can be no assurances that the stated will be achieved. **PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.**

4. Alignment

Barings ownership structure allows for a long-term approach to managing capital and relationships. We consider ourselves to be asset selectors rather than asset aggregators as we are managing capital as principle as well as managing capital for our third-party partners. Barings direct lending platform includes diverse sources of capital, where a principle investor mindset prevails—driving a culture of alignment across the organization.

Figure 5: A Robust, Diversified Capital Base

Barings Global Private Credit

Barings Direct Lending Platform manages over $50 B
commitments across six primary sources of capital

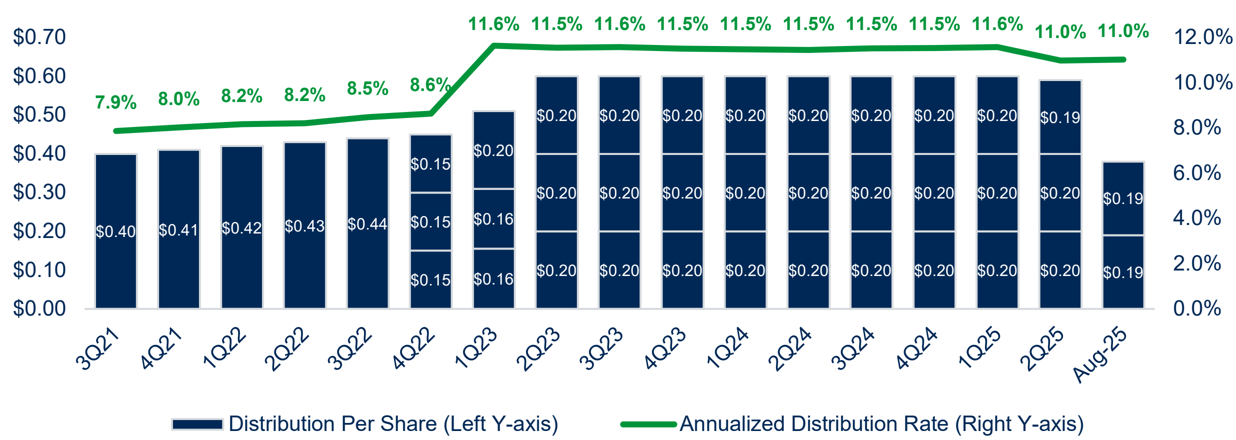
Commingled Funds	Separately Managed Accounts	BDC Franchise	MassMutual GIA	CLOs	Balance Sheet

Source: Barings data. As of June 30, 2025. Dry powder defined as undrawn investor commitments available for use. Abbreviations defined as follows: APAC—Asia Pacific; BDC—Business Development Company; GIA—General Investment Account; CLO—Collateralized Loan Obligation.

5. High Current Income

Public market volatility has introduced "worst case scenario" analysis into the minds of many investors. To that end, if BPCC did experience defaults—in what we would consider a fairly extreme scenario given the features outlined above—the high current income profile would come into play. Specifically, BPCC's current income profile is high enough that a zero annual return proposition would require ~10%+ NAV impairment on a portfolio primarily comprised of first lien loans. This type of scenario also would not occur in isolation. Many markets would be impacted, and on a relative basis, private credit remains defensively positioned.

Figure 6: An Income-Driven Return Profile



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6. Low Historic Volatility of Return Profile

Since inception, BPCC has only experienced one month of negative net returns. The last time public markets experienced meaningful drawdowns was 2022, a year in which BPCC delivered an 8.5% net total return with relatively low volatility compared to perpetual BDC peers. Many of BPCC's peers have 20%+ exposure to public broadly syndicated loans (BSLs), which can introduce public market volatility, lower spreads, and a lack of financial maintenance covenants into the private credit offerings—all of which can impact returns.

Figure 7: Net Total Returns Since Inception

1 MONTH	3 MONTH	YTD	1 YEAR	3 YEAR	ITD
1.2%	2.6%	6.2%	11.2%	11.2%	11.2%

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2025	0.9%	0.8%	1.0%	0.9%	1.1%	0.3%	1.2%						6.2%
2024	1.2%	1.1%	1.2%	0.8%	1.1%	0.5%	0.9%	0.9%	0.7%	0.9%	1.2%	0.9%	11.9%
2023	1.1%	0.7%	1.8%	1.0%	0.9%	0.7%	1.1%	0.9%	1.4%	1.1%	1.0%	0.9%	13.3%
2022	0.7%	0.6%	2.6%	0.6%	0.3%	0.3%	1.0%	0.6%	0.8%	0.6%	0.7%	(0.5%)	8.5%
2021					1.7%		2.4%			2.7%			7.0%

Source: Barings data. BPCC ("The Fund") inception date of May 13, 2021. Dividend and distribution rate data is as of August 25, 2025; net total return data is as of July 31, 2025. Inception-to-date ("ITD") and 3-year returns are annualized and assume reinvestment of dividends. The annualized distribution rate is based on the declared, next payable dividend multiplied by 12 and divided by the most recent quarter-end or month-end NAV. Distributions are not guaranteed in frequency or amount and may change or be terminated. Distributions may be paid from sources other than income which may reduce the amount invested and may not be sustainable; since inception, the Fund has paid its dividends exclusively from net investment income (NII) and not from a return of capital or other sources. Distributions may not be reflective of the Fund's performance. The Fund began paying monthly dividends in October of 2022. YTD Total Net Return, 3-month return, and 1-year return are calculated using a geometric return methodology, wherein monthly total returns (or quarterly returns prior to 2023) are calculated by taking the change in NAV per share, plus distributions per share (assumes dividends and distributions are reinvested), divided by prior period NAV per share, and then compounded monthly (or quarterly prior to 2023). Returns greater than one year are annualized and assume reinvestment of dividends and distributions. All returns are derived from unaudited financial information and are net of all BPCC expenses. **PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.**

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Barings is a $456+ billion global asset management firm that partners with institutional, insurance, and intermediary clients, and supports leading businesses with flexible financing solutions. The firm, a subsidiary of MassMutual, seeks to deliver excess returns by leveraging its global scale and capabilities across public and private markets in fixed income, real assets and capital solutions.*

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**As of June 30, 2025*

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