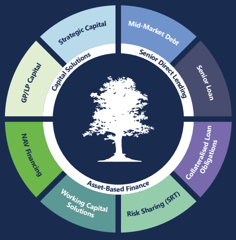


PEMBERTON

Mid-Year Review

Insights into European Private Credit

Includes Pemberton's Quarterly European Mid-Market Monitor

July 2026

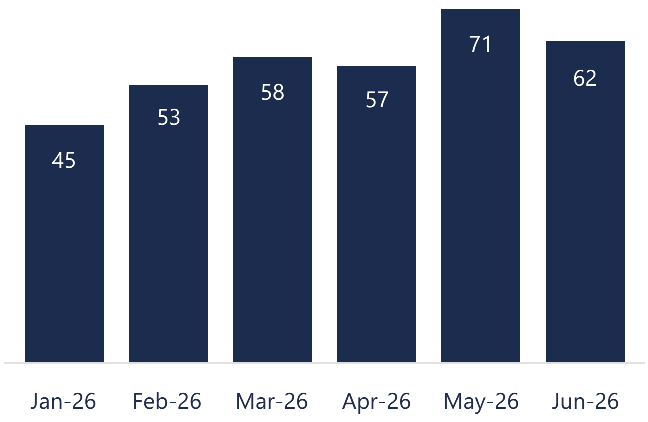
H1 2026 Ends With Surge in Momentum for Renewed Activity Potential in H2

In an overall more challenging market, environment refinancing activity in H1 2026 continued to account for a meaningful share of market volumes, while M&A activity improved through Q2 as broader credit markets stabilised.[1] As sponsors re-engaged with execution processes and with deal pipelines continuing to build, we believe the market is well positioned for a more active second half.

Direct Lending Deal Activity - H1 2026[2]

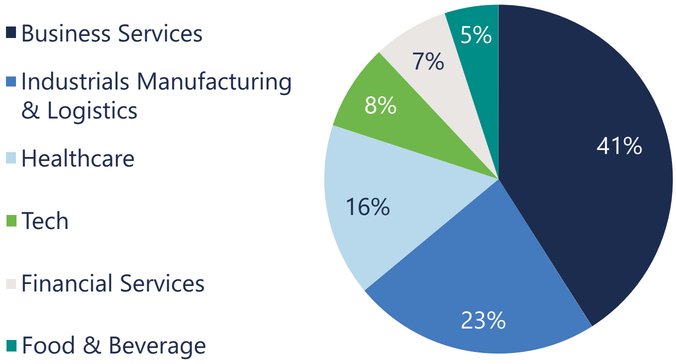
Despite softer market volumes, Pemberton continued to originate healthy deal activity levels in H1-26, committing capital across 17 investments and add-ons. Direct lending introductions remained stable at 346 for the first six months, sustaining volumes seen in the prior half (H2 2025: 331 intros). Introduction flow demonstrated resilience against an uncertain macro backdrop, further reinforcing the importance of extensive local origination channels, with monthly introductions steadily building.

Direct Lending Deal Introductions



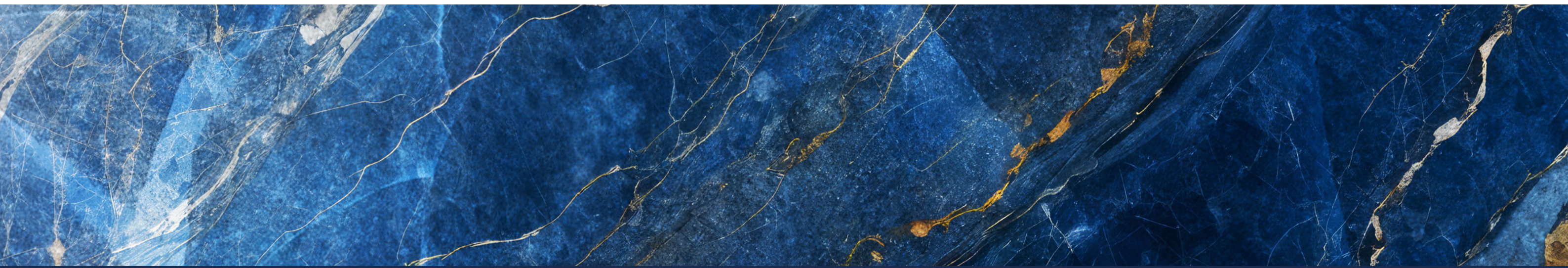
Source: Pemberton internal data as of 30 June 2026.

Introductions per Sector*



*Sectors as defined by Pemberton.
Source: Pemberton internal data as of 30 June 2026.

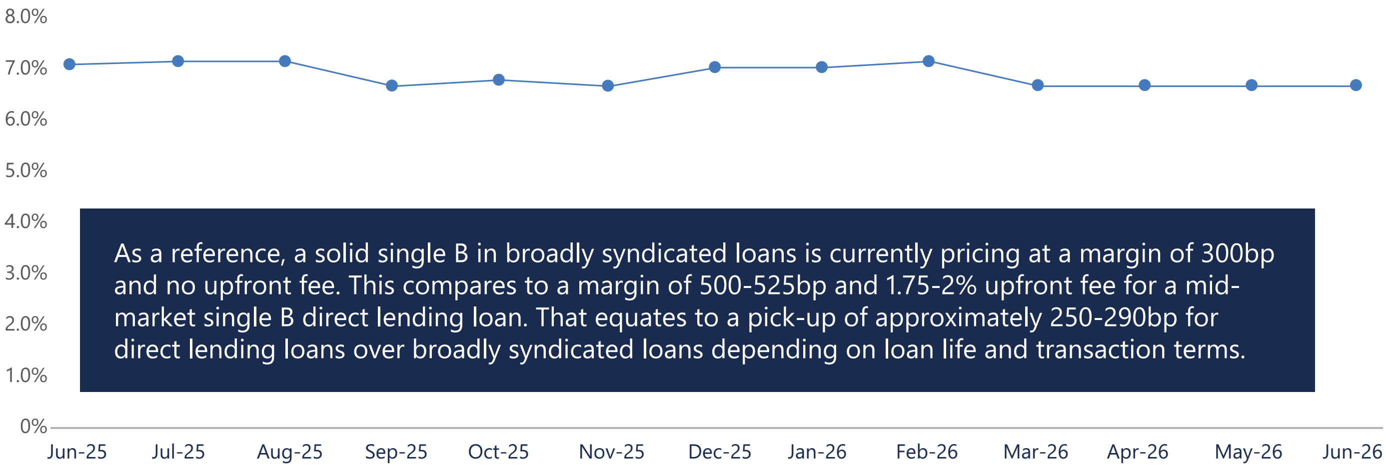
[1]Debtwire – European Direct Lender Rankings Q1 2026.
[2]Pemberton's direct lending funds include Mid-Market Debt (MDF), Senior Loan (SLF) and Strategic Capital (SCF).
Past performance is not a reliable indicator of future results.



Direct Lending Deal Activity – H1 2026 (cont'd)

H1-26 was characterised by a more volatile pricing environment across European credit markets. While direct lending spreads compressed modestly, competition remained concentrated around high-quality opportunities, with lenders differentiating pricing based on sector exposure, business quality and resilience to technological and macroeconomic disruption. As a result, average market spreads do not fully capture the premium still commanded by more complex or less favoured credits. The contrast with public markets was particularly evident during the period. Despite slight spread compression, direct lending maintained an attractive premium to public markets while continuing to offer typically stronger lender protections and substantial sponsor equity support. As a reference, a solid single B in broadly syndicated loans is currently pricing at a margin of 300bp and no upfront fee. This compares to a margin of 500-525bp and 1.75-2% upfront fee for a mid-market single B direct lending loan. That equates to a pick-up of approximately 250-290bp for direct lending loans over broadly syndicated loans.

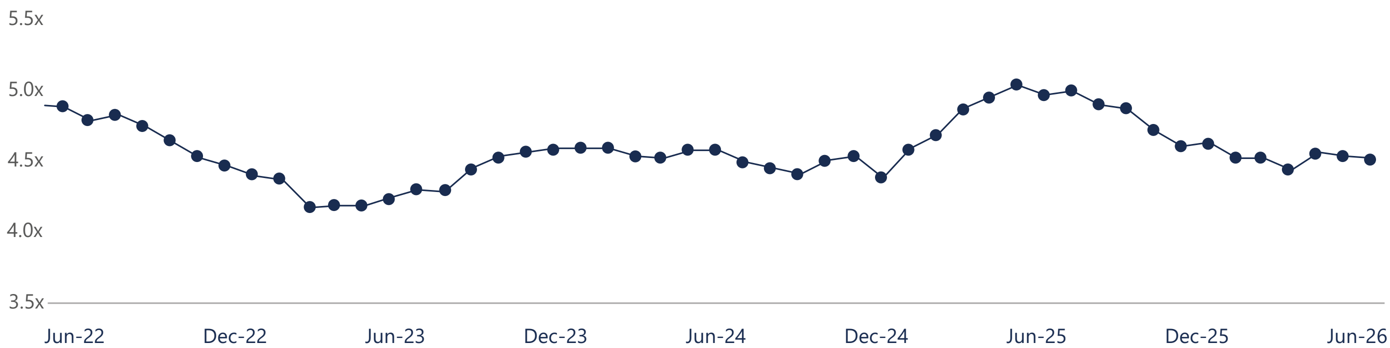
LTM All-in Spread*, Mid-Market Strategy, Completed Transactions (12-month moving average) EUR



*All-in spread defined as target spread plus upfront fees (including commitment fees on undrawn portions) on a three-year convention, excluding base rates.
For illustrative purposes only. Source: Pemberton internal data as of 30 June 2026.

Following the elevated leverage environment seen in H1-25, leverage indications across Pemberton's mid-market deal flow continued to normalise during H1-26, ending the period at c.4.5x compared to a peak of c.5.0x in mid-2025. Despite an improving transaction environment towards the end of the quarter, sponsor and lender confidence remained measured over the period, supporting more conservatively structured transactions. Leverage levels remain broadly in line with historical averages and reflective of a disciplined market backdrop. Consistent with our underwriting philosophy, Pemberton typically targets c.50% equity cushions at entry, ensuring meaningful sponsor alignment and downside protection throughout the investment lifecycle.

Mid-Market Strategy - Leverage Indications (6-month moving average)



Leverage indications represent all investment opportunities introduced to Pemberton during the period, regardless of investment outcome. Figures are shown as a rolling 6-month moving average.
For illustrative purposes. Source: Pemberton internal data as of 30 June 2026.

Private Credit Fundraising Environment

We believe the fundraising environment for European mid-market private credit strategies in H1 2026 is characterised by several broader trends:

- **A structural rebalancing of LP allocations towards European private debt, following a record 2025**. Europe-focused private credit funds raised a record $69bn in 2025, up 35% on 2024, and captured approximately 29% of global private credit fundraising, driven by investors seeking diversification to European markets.[3]
- **The continued rotation from the US to Europe is now increasingly viewed as structural rather than tactical**. US LPs are looking at European private credit in significant numbers, with US and European pensions, sovereigns and private wealth channels steadily increasing commitments, suggesting a sustained rebalancing of global capital flows rather than a short-term rotation.
- **Continued expansion and diversification of private credit strategies**. Direct lending remains the foundation of the private credit market, but investor appetite is broadening. Opportunistic capital is attracting increasing fundraising interest, specialty finance and asset-based finance are among the fastest-growing segments, and NAV financing continues to gain momentum. We expect this diversification to continue throughout 2026 and beyond.
- **The sustained relative attractiveness of the European mid-market**. The US direct lending market has matured significantly, with spread compression reflecting the volume of capital that has entered the space. Europe remains structurally less concentrated, with wider spreads persisting and investors continuing to identify attractive risk-adjusted return dynamics and growing infrastructure financing as additional deployment catalysts. The structural case rests on three well-established drivers: bank lending accounts for approximately 50% of total European corporate lending[4], and both Basel IV implementation and increased private equity activity are expected to continue the transition of lending activity to private debt funds.

Pemberton Activity

In May 2026, Pemberton held the final close of its fourth Strategic Capital[5] vintage at c.€3.5bn, surpassing its €2.5bn–€3bn target and making it currently Europe's largest opportunistic direct lending fund of its kind[6]. Total commitments across all four vintages now stand at €8.4bn, with over €8.5bn deployed since the strategy launched in 2017.

The fund attracted a broad, geographically diverse LP base spanning public and private pension funds, insurers, family offices, and financial services investors across Europe, North America, Asia, and the Middle East, with strong participation from both returning and new investors.

The successful raise is particularly notable given continued volatility across global capital markets. It reflects sustained institutional demand for flexible European direct lending strategies that combine alpha generation with first-lien downside protection. Borrower complexity is increasing, and Pemberton's 10-office origination network and deep sponsor relationships continue to drive proprietary deal flow into the strategy.

[3]With Intelligence, Private Credit Fundraising Report 2025, April 2026.
[4]Morgan Stanley Report 2025, European Private Credit: Why Now?, August 2025.
[5]As of Q4 2025, Pemberton's Strategic Credit strategy was renamed to Strategic Capital strategy.
[6]Based on total commitments and data available for other funds and sizes. Source: Preqin Debt Funds launched since 2017.

Sector Focus – IT Services

A Sector Built to Adapt, Not to Be Displaced

IT Services remains one of our most active investment sectors, and the emergence of AI does not alter that conviction. If anything, it sharpens the case for disciplined, well-selected exposure. The demand backdrop is supportive. Worldwide IT spending is forecast to reach $6.31 trillion in 2026, up 13.5% year on year, with information security spend alone growing at an estimated 12.5%.[7] Demand is not in question. What matters is who captures it, and on what terms.

In IT Services, we invest primarily across four sub-sectors: Managed Services, Cybersecurity, IT Consulting & Digital Transformation, and Systems Implementation & Integration. Portfolio performance remains robust, though recent macroeconomic pressure and geopolitical instability have introduced headwinds for the more investment-heavy, discretionary-project-led business models. This is a dynamic the larger listed players echo, reporting muted discretionary spend alongside stronger traction in Cloud, Data and AI. We regard this divergence not as a concern but as evidence of why selectivity matters. It is important for us to distinguish resilient, recurring-revenue models from those exposed to discretionary project cycles.

On the question of AI itself, the consensus among the leading research houses is that it is shifting the sector away from labour-based delivery towards platform, automation and outcome-based models. This creates near-term cannibalisation risk in commoditised, effort-based work, but materially stronger demand in AI consulting, modernisation, data, governance and AI-enabled managed services. Recent research identifies AI management as the single largest planned managed services investment area, with buyers increasingly seeking strategic, AI-driven value rather than transactional delivery. We view this as a multi-year tailwind for providers positioned correctly, rather than as a threat to the sector as a whole.

Because IT Services companies are, at their core, people businesses, with labour the primary cost driver, AI should deliver meaningful efficiency gains for some operators. Two strategic questions follow. The first is how much of that efficiency must be passed back to clients through pricing. The second is how competitive mid-market operators remain against the large system integrators investing heavily in AI and proprietary technology. The current evidence suggests the pass-through is gradual rather than abrupt, and that the efficiency benefit is more likely to support margins over the medium term than to trigger a near-term step-change in cost.

The listed integrators are using AI to change work mix and improve throughput rather than to drive mass staff reductions, with headcount intensity per dollar of revenue expected to decline gradually while absolute headcount holds broadly steady. The clearer near-term risk sits with firms over-exposed to effort-based offshore delivery and commoditised support, which is precisely the profile we screen against.

Our underwriting discipline reflects this. Every new deal is subjected to extensive AI due diligence, supported by dedicated AI due-diligence reports, expert calls and additional primary research. We concentrate on the areas that could get exposed to AI transformation, the quality and recurrence of revenues, the sustainability of margins, and the quality of cash flows. This maps directly onto where the research points. Value is accruing to providers with recurring, platform or IP-differentiated models and defensible pricing power, and away from those monetising repetitive human effort.

Our deployment focus remains on mid-market businesses serving SMB clients. Many of these clients lack the internal capability to manage their own IT stack and, increasingly, want to invest in AI without knowing how to do so. They require trusted advisers to guide that journey, and that advisory and management relationship is structurally sticky. Importantly, it is being reinforced rather than eroded by AI adoption, with stronger cybersecurity awareness among smaller businesses alone keeping spending resilient. For mid-market firms that are themselves simply reselling commoditised, effort-based support, the large integrators' AI investment is a genuine competitive threat. The advantage lies specifically with advisory-led models that fill a capability gap the large integrators are not economically structured to serve, given their focus on large enterprise transformation programmes. Mid-market providers that move up the stack into consulting, industry solutions and AI-enabled managed services can precisely win the work the market is shifting towards.

On timing, we remain highly selective, but the current environment is unusually attractive for the right assets with genuinely high-quality businesses transacting at more measured multiples and financed at more conservative leverage, combined with more lender-friendly documentation.

[7] Gartner Market Databook, 1Q26. April 2026.

Regional Focus – United Kingdom

The UK was the fastest-growing G7 economy in Q1 2026[8], underpinned by a services-led economy that continues to generate businesses with contracted revenues and strong cash conversion, a profile that lends itself naturally to more levered financing structures. It also remains Europe's largest and most mature private equity and private credit market: in the 12 months to March 2026, 157 sponsor-backed unitranche financings were completed in the UK, ahead of France (108) and Germany (85)[9]. Pemberton has been a consistent participant in this market, ranking among the top three firms by direct lending deal activity for a number of years.[10]

While Q1 is typically a seasonally quieter period, the opening months of 2026 were noticeably subdued. Two factors weighed on sentiment: the Iran War, to which the UK was more exposed given its reliance on oil and gas imports, and growing concern around the impact of AI disruption on the tech and services sectors. UK deal volumes declined 56% in Q1 2026 relative to Q4 2025, whereas regions with more industrially weighted economies, such as Germany and Benelux, saw flat to modestly increasing volumes.[11]

Activity has since rebounded in a meaningful way. In June, Pemberton's UK deal introductions reached their highest level since September 2025,[12] and we attribute the recovery to three reinforcing dynamics. First, the market has developed greater conviction around the characteristics that define resilience to AI disruption: ownership of proprietary data, regulatory barriers to substitution, breadth of service lines, and the technology sophistication of the underlying customer base. Second, the fundraising backdrop has improved materially, with several leading UK mid-market sponsors closing significant new funds. Third, sponsors are approaching transactions with greater structural creativity, reflected in the increased use of NAV financing and continuation vehicles. Conversations with corporate finance advisors and sponsors reinforce our confidence in the post-summer pipeline.

Against this backdrop, Pemberton has remained highly active in the UK, deploying capital across seven transactions, including three new platform investments.

Competition in the UK mid-market remains relatively concentrated among the top five to six funds, which has helped preserve attractive deal terms and keep cov-lite penetration limited for businesses below €50m EBITDA. While pricing has compressed from the levels seen two years ago, it has remained broadly stable over the past 12 months.

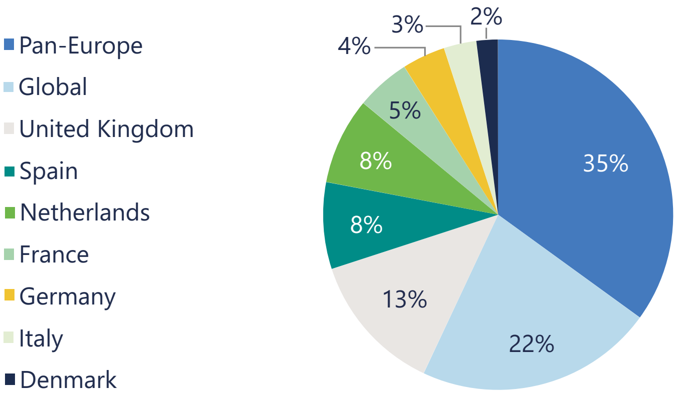
We have observed a modest step-up in bank activity, with several institutions raising dedicated funds to complement their balance sheet lending and enable larger hold positions. That said, banks remain disadvantaged by cumbersome approval processes that require coordination across separate balance sheet and third-party investment teams, which continue to limit their competitiveness in more complex situations.

[8] UK Parliament, GDP International Comparisons: Economic Indicators, 12 June 2026.
[9] Houlihan Lokey, MidCapMonitor, Q1 2026.
[10] Pemberton internal data. As evidenced in Houlihan Lokey's MidCapMonitor reports dating back to 2023.
[11] Houlihan Lokey, MidCapMonitor, Q1 2026.
[12] Pemberton internal data, as of 30 June 2026.

Direct Lending Portfolio Overview

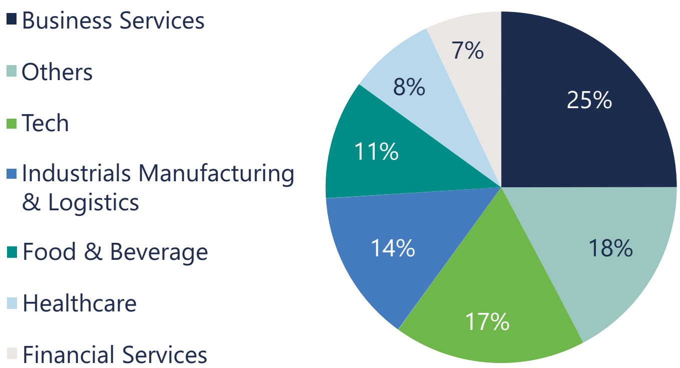
Pemberton's Direct Lending portfolio with 107 portfolio companies continues to be well diversified across sectors and regions. (Note that while we are a European-focused lender, some of our borrowers have global revenues as reflected in the chart). 68.2% of the portfolio recorded positive revenue delta[13]. While Tech formed 17% of our portfolio, 1% relates to software exposure[14].

Portfolio Companies by Region[15]



Source: Pemberton internal data as of Q1-26. Analysis is conducted on LTM revenue as of Q1-26. Chart data reflects region where portfolio companies generate majority of revenues (over 50%).

Portfolio Companies by Sector



Source: Pemberton internal data as of Q1-26. Sectors as defined by Pemberton. Others includes sectors defined by Moody's: Capital Equipment, Construction & Building, Consumer Goods: Durable, Consumer Goods: Non-Durable, Energy: Electricity, Hotel & Leisure, Media: Broadcasting & Subscription, Retail Services: Consumer Sovereign & Public Finance, Transportation: Consumer.

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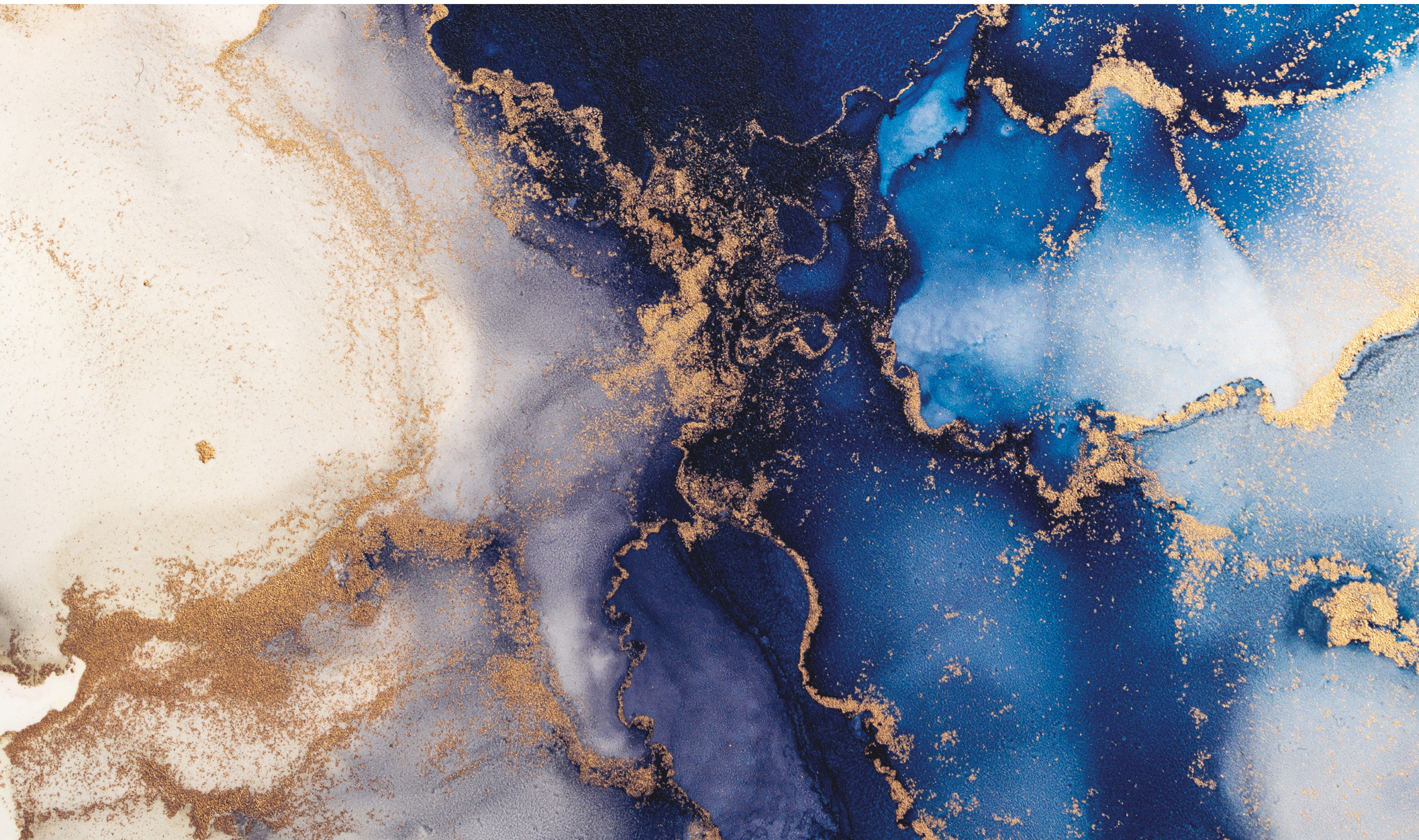
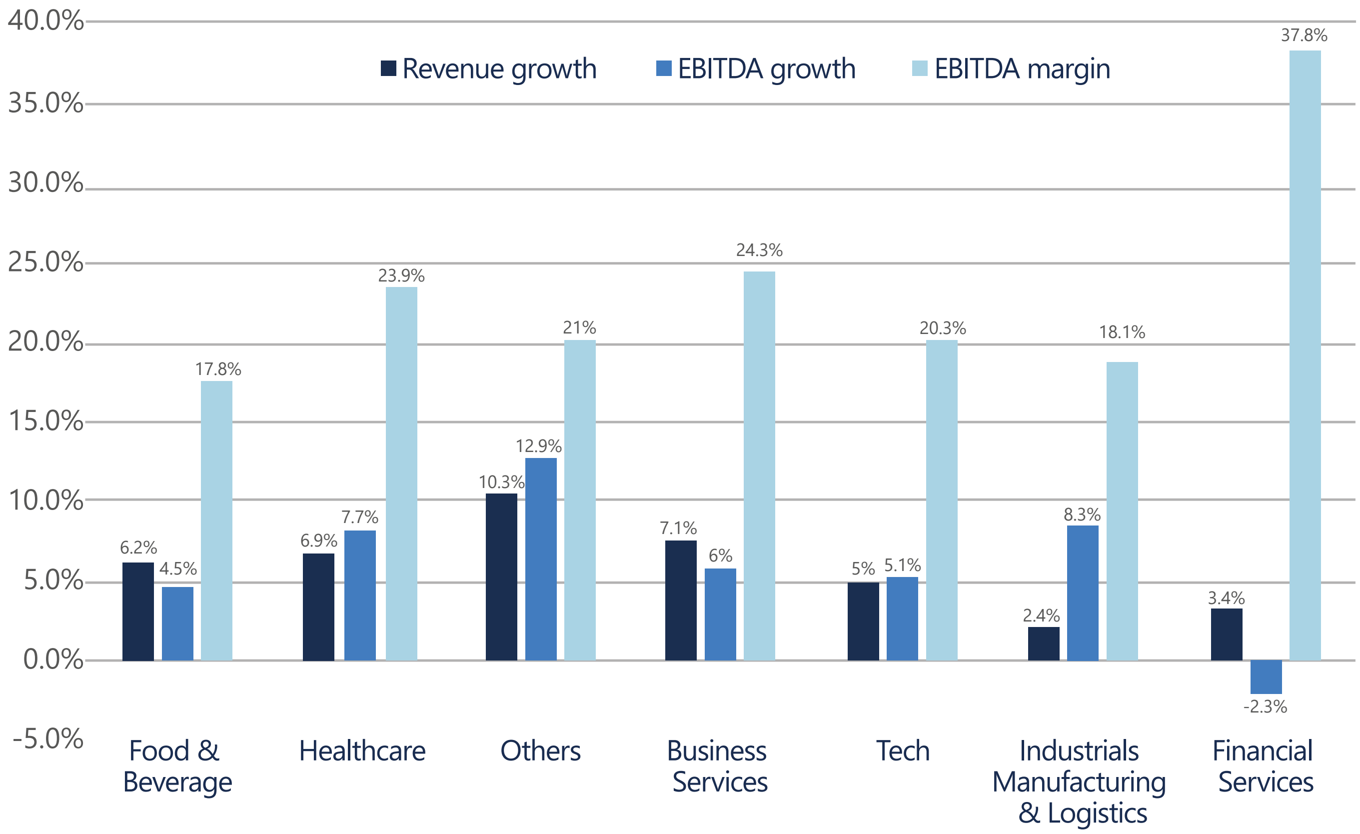
[13]Past performance is not a reliable indicator of future results.
[14]Pemberton internal data as of Q1-26.
[15]Borrowers with more than 50% of revenues within the country where they are headquartered will be classified as within that specific country. Pan-Europe: Borrowers who have more than 50% of their revenues outside of the country in which they are headquartered but still largely within Europe. Global: Borrowers who have more than 50% of their revenues outside of Europe.



Sector Performance Q1-25 vs. Q1-26

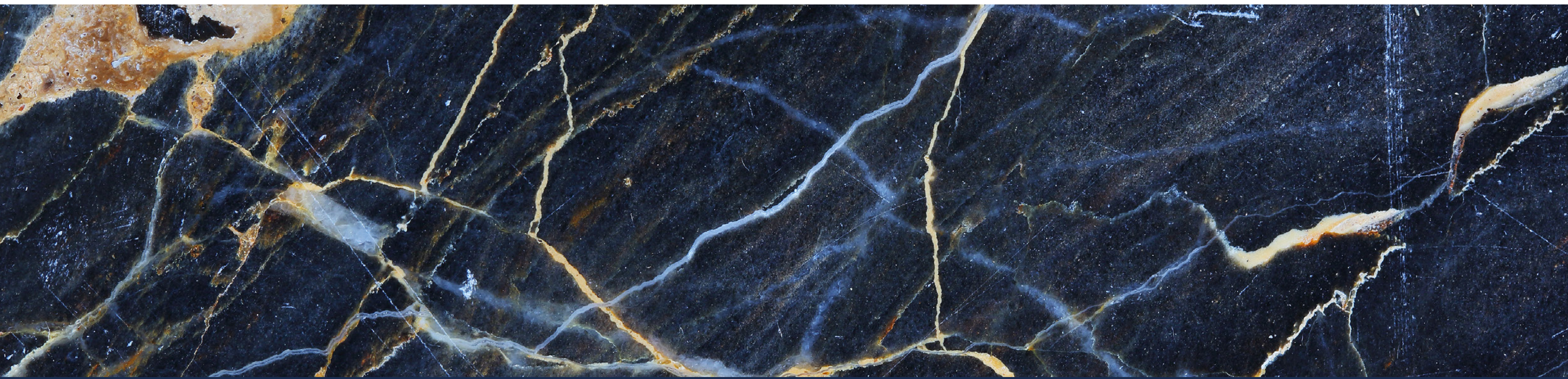
The chart purpose is to illustrate mid-market sector performance in Europe. Since independent third-party data is unavailable, we have used a subset of our Direct Lending portfolio (71 companies) as a representative portfolio[16]. These companies are unaffected by M&A activity, turnaround and restructuring situations that we believe would distort the underlying picture and undermine the chart's purpose of reflecting genuine sector trends.

Sectors delivered positive revenue growth in the period. Growth rates varied across the portfolio, ranging from more measured gains to double-digit expansion. EBITDA growth exceeded revenue growth across a number of sectors, with the gap most pronounced in Industrials, Manufacturing & Logistics. Others and Healthcare sectors are pointing to continued margin improvement in these areas. Despite recording the highest average EBITDA margin across the portfolio, Financial Services saw a slight year-on-year EBITDA decline.



Source: Pemberton internal data as of Q1-26.
There is no guarantee that sector performance growth will be achieved in the future. Past performance is not a reliable indicator of future results.

[16]Portfolio analysis is based on a sample size of 71 companies. Criteria excludes (i) companies with material M&A activity (financial data is not like-for-like or PF adjusted), (ii) turnaround situations (material growth due to underperformance in PY), (iii) names undergoing restructuring.



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