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Q2 | 2026

FOR FINANCIAL ADVISORS

Private Credit: Drawdown Funds vs. Semi-Liquid Structures

What Q1 2026 Revealed

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How traditional drawdown and semi-liquid private credit structures have historically differed across returns, liquidity, and fees.

194bps	12.3%	3.16%	50-80%
Historical net return difference observed across selected private credit vehicles Trailing 10 years through year-end 2025	Average redemption requests observed in Q1 2026 across selected non-traded BDCs	Average stated expense ratios among selected semi-liquid direct lending vehicles	Of gross loan spread consumed by leverage and fees in retail wrappers

THE VERDICT

For Qualified Purchasers, Q1 2026 did not reveal a new risk — *it clarified an old one.*

Private credit returns are driven as much by vehicle structure as by manager skill. Traditional drawdown vehicles — closed-end, capital-call structures long reserved for institutions and QPs — have historically exhibited different structural characteristics than BDCs and interval funds marketed to the wealth channel.

On a net-of-fees, time-weighted, like-for-like basis across selected indexes, historical differences are evident. Over the trailing ten years, the Preqin Direct Lending Index returned 7.84% annualized (through Dec 31, 2025). The Morningstar PitchBook US Direct Lending Evergreen Fund Index returned 5.90% (through Nov 30, 2025). The gap is 194 basis points per year in favor of drawdown vehicles. After applying representative advisor and platform fees, the observed historical gap increases in certain scenarios.

The first quarter of 2026 reflected a period of market dislocation that highlighted structural differences. Semi-liquid vehicles failed in predictable ways: benchmark drawdowns, redemption gating, and fee architectures that have historically reduced net returns available to investors. Drawdown vehicles exhibited different liquidity dynamics during the period. They are not subject to investor-driven redemption mechanics. They do not require cash sleeves to meet redemptions. Capital deployment follows the contractual capital-call structure.

10-YEAR NET RETURN COMPARISON

One asset class. *Four wrappers.* Four different outcomes.

Returns below follow a strict apples-to-apples framework — net of all fund-level fees — to isolate the cost of vehicle structure from market timing or manager selection.

VEHICLE	3-YR	5-YR	10-YR
DRAWDOWN VEHICLES NET TWR TO LP, AFTER ALL GP FEES + CARRY			
Preqin Private Debt — All Net TWR after mgmt fee + carry	7.96%	9.59%	8.65%
Preqin Direct Lending — All Net TWR after mgmt fee + carry	7.75%	8.12%	7.84%
SEMI-LIQUID RETAIL VEHICLES NET TWR, INSTITUTIONAL SHARE CLASS			
MS PitchBook US DL Evergreen Index Net TWR, institutional class; excl. advisor / platform fees	11.30%	11.20%	5.90%
Same index — retail-adjusted (est.) Less ~85 bps typical advisor / platform fees	10.45%	10.35%	5.05%
PUBLIC LIQUID CREDIT INVESTOR-ADJUSTED			
Morningstar LSTA US Leveraged Loan Gross index less 0.70% ETF expense ratio (BKLN proxy)	7.30%	5.23%	4.91%
LISTED BDC AFTER ALL FEES; AFTER FEDERAL INCOME TAX			
BIZD ETF — after federal income tax Net of all BDC + ETF fees; highest fed. rate on distributions	—	7.47%	5.22%
S&P BDC Net Total Return Index BDC fees embedded in price; 30% notional withholding	5.29%	2.97%	4.76%

Sources: Preqin Private Debt Indexes (Dec 31, 2025); Morningstar PitchBook US Evergreen Fund Indexes (Nov 30, 2025); VanEck/SEC Form 497K; S&P Dow Jones Indices (Apr 30, 2026); Morningstar LSTA Factsheet (Mar 31, 2026).

THREE STRUCTURAL ADVANTAGES

Why the drawdown wrapper *structurally outperforms.*

01

Absence of investor-driven redemption mechanics

Capital is committed and drawn as opportunities arise. QPs are not exposed to herd-driven redemption pressure or forced loan sales triggered by retail outflows.

02

Impact of structure on credit spread retention

Semi-liquid funds typically maintain cash sleeves and higher ongoing expense ratios, while drawdown funds generally remain invested according to capital-call schedules, affecting how credit spreads are realized by investors.

03

Lower structural leverage cost

NISA Investment Advisors estimates leverage in retail BDCs is "extremely expensive," consuming 50–80% of the loan spread before a single dollar of default loss is recognized. Drawdown structures avoid that fee drag entirely.

THE Q1 2026 STRESS TEST

The retail private credit boom met its first *real test.* The wrapper failed first.

Benchmark prices moved, then redemption pressure followed. Semi-liquid funds responded with gates, partial fills, and fire sales. Drawdown vehicles continued to deploy capital as designed.

–11%
CONCENTRATION RISK

MSCI US Listed BDC Index fell ~11% through March 11 as software-heavy portfolios repriced. ~27% of semi-liquid DL assets sit in software — vs. 6% in the S&P 500.

12.3%
LIQUIDITY MISMATCH

Fitch reported avg. redemption requests of 12.3% across non-traded BDCs — more than 2× the typical 5% quarterly cap. Outflows rose 48% QoQ.

–12.20%
WRAPPER COST (2022)

S&P BDC NTR returned −12.20% in a year the LSTA Loan Index returned −0.77%. Identical underlying loans. The wrapper turned a flat loan year into a 12-point loss.

CASE STUDIES — SEMI-LIQUID FAILURES

Five funds, five gating events — *one structural lesson.*

These were not failures of credit underwriting. They were failures of structure — predictable consequences of selling daily-priced liquidity against an illiquid loan book.

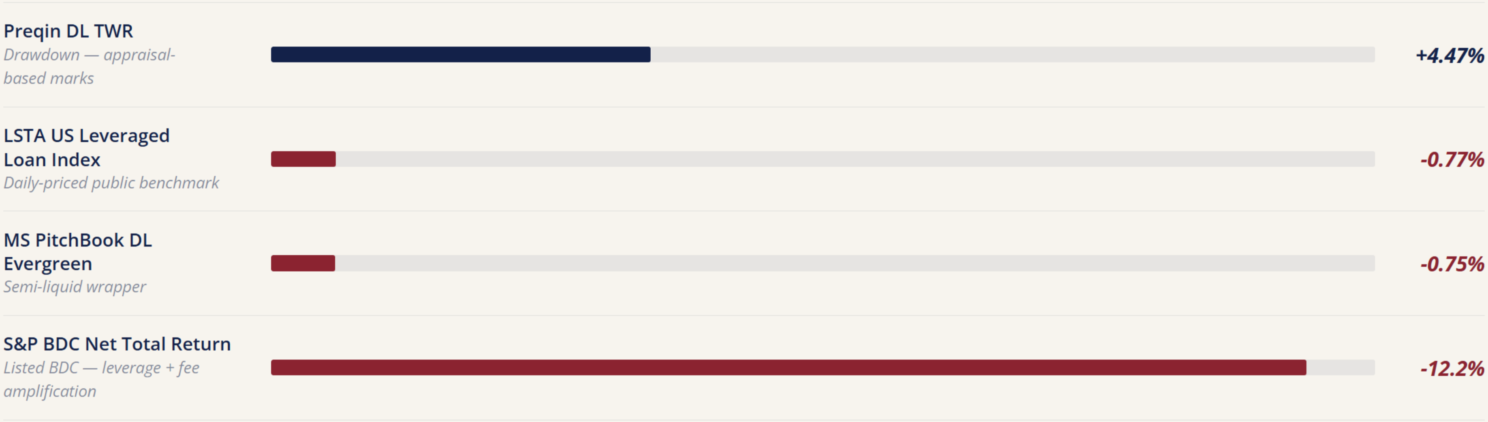
FUND	STRUCTURE	REDEMPTION REQ.	WHAT HAPPENED
Blue Owl Capital Corp II OBDC II	*Non-traded BDC*	30% of NAV	Ended quarterly redemptions entirely; executed $1.4B loan fire sale to relieve pressure.
Carlyle Tactical Private Credit CTAC	*Interval fund*	15.7% of assets	Fund capped at 5%; investors received roughly one-third of requested liquidity.
Ares Strategic Income Fund ASIF	*Non-traded BDC*	11–12% of NAV	Partial payouts only; rising non-accruals and dividend cuts followed.
BlackRock / HPS Corporate Lending HLEND	*Interval / tender-offer*	~9% of NAV	5% cap enforced; explicit acknowledgment of structural retail risk by the manager.
Oaktree Strategic Credit	*Interval fund*	8.5% of net assets Bloomberg	Bonds issued by the fund widened ~250 bps before NAV mechanics caught up — public pricing revealed stress the NAV did not.

Sources: Alternative Credit Investor (Feb 2026); Reuters (Apr 2026); CNBC (Mar 2026); Reuters via Economic Times (Mar 2026); Reuters (Mar 2026).

THE MATHEMATICAL EROSION

Same loans. *Same year.* Wildly different investor outcomes.

A key component of private credit returns is compensation for illiquidity risk. In retail vehicles, it is often consumed before it ever reaches the investor. The 2022 cohort — when leveraged loans were essentially flat — makes the wrapper cost visible.



The BDC wrapper turned a near-zero loan market result into a **12-percentage-point loss** for investors. That delta is not manager skill or alpha. It is the cost of structure.

THE AFFIRMATIVE CASE — THE CRYSTAL SOLUTION

Crystal Capital Partners is how advisors access drawdown vehicles — at scale, without the operational burden.

For QP-eligible investors, the optimal structure has always been the traditional drawdown vehicle, accessed through a disciplined vintage diversification program. Crystal Capital Partners is the platform that makes that program executable. A laddered drawdown allocation through Crystal maintains continuous exposure as older funds distribute and newer funds deploy capital — seeking to retain a greater portion of credit spread without cash-sleeve drag and without concentration in any single vintage year.

Crucially, advisors and their clients avoid the asset-liability mismatch that defines the semi-liquid structure: there is no quarterly redemption mechanic to gate, because there is no quarterly redemption right. Liquidity comes from natural distributions — not from engineered windows conditional on benign markets.

> *"Vintage diversification achieves the same goals semi-liquid funds market — ongoing exposure, reinvestment benefits, smoother cash flow — without the structural or reputational risks."*

Historically, operational friction — capital calls, K-1s, multi-vintage reporting, subscription documents — pushed advisors toward retail wrappers despite their structural inferiority. **Crystal Capital Partners has eliminated that friction.** Our platform consolidates manager access, automates capital-call coordination, and unifies multi-vintage documentation and reporting in a single advisor workflow. The result: QP-eligible clients access the structural advantages of the drawdown vehicle without the operational tax that historically accompanied it.

Crystal curates a vetted roster of institutional-quality drawdown managers, supports laddered vintage pacing across the cycle, and handles the back-office mechanics end-to-end — so the advisor's role is portfolio construction, not paperwork.

ACCESS DRAWDOWN VEHICLES WITH CRYSTAL

The wrapper matters as much as the strategy. *Crystal is how advisors access the right one.*

Sign up to view Crystal's platform fund exposures and start exploring how to build a vintage-diversified drawdown program for your QP-eligible clients.

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SOURCES & METHODOLOGY

Sources & Methodology

VEHICLE DEFINITIONS & COMPARISON

Three structures dominate private credit access. They share an underlying asset class — primarily senior secured loans to private companies — but differ materially in how investors enter, exit, and bear risk.

DRAWDOWN VEHICLES	INTERVAL FUNDS	BUSINESS DEVELOPMENT COMPANIES (BDCS)
Closed-end private funds that draw committed capital over a defined investment period and return proceeds as loans are repaid.	Continuously offered, closed-end '40 Act funds that repurchase a limited share of NAV at periodic (usually quarterly) intervals.	Regulated investment companies created under the Investment Company Act of 1940 that invest in private middle-market debt; can be listed, non-traded, or perpetually private.

METHODOLOGY

Returns in this paper follow a strict apples-to-apples framework to isolate vehicle structure rather than market timing or manager selection. Drawdown returns (Preqin Private Debt and Direct Lending Indexes) are net time-weighted returns to LP investors after all GP fees and carried interest. Semi-liquid returns (Morningstar PitchBook US Evergreen Fund Indexes) are net time-weighted returns at the institutional share class, excluding advisor and platform fees. Public liquid credit (Morningstar LSTA US Leveraged Loan Index) is shown gross; the investor-adjusted figure subtracts 0.70% for a representative ETF wrapper (BKLN). Listed BDC returns reflect BDC-level management and incentive fees already embedded in stock prices; the BIZD after-tax figure additionally applies the highest federal marginal rate to distributions.

A note on shorter horizons: the semi-liquid evergreen index shows higher 3- and 5-year returns than drawdown for two structural reasons that do not reflect genuine outperformance — NAV smoothing (appraisal-based quarterly marks lag real market moves) and J-curve drag on drawdown TWR (management fees accrue on committed but not yet invested capital). Both effects are mechanical and temporary. The 10-year figure, which spans full deployment and harvest cycles across multiple fund vintages, is the more honest measure of through-cycle delivery.

INDEX & RETURN DATA

Preqin Private Debt Indexes
Net TWR to LPs after GP fees and carry. As of Dec 31, 2025.

Morningstar PitchBook US Evergreen Fund Indexes
Net TWR, institutional share class. As of Nov 30, 2025.

Morningstar LSTA US Leveraged Loan Index
Factsheet, Mar 31, 2026.

S&P BDC Net Total Return Index
S&P Dow Jones Indices, Apr 30, 2026.

VanEck BDC Income ETF (BIZD)
SEC Form 497K filing.

Retail-adjusted semiliquid figures are Crystal Capital Partners estimates (less ~85 bps typical advisor / platform fees).

CITED RESEARCH & REPORTING

NISA Investment Advisors
NISA Investment Advisors — Liquid Complements to Private Credit (Part 2).

Crystal Capital Partners
Drawdown Funds vs. Interval Funds and Seeing Through the Liquidity Mirage: Why Vintage Diversification Is the Smarter Route Into Private Markets.

MSCI
Run Risk or Rational Repricing? Private Credit's Software Stress Test.

Fitch Ratings
US Perpetually Non-Traded BDCs See More Widespread Negative Net Flows (Apr 13, 2026).

CNBC
Private credit defaults, loan quality and systemic risk (Mar 25, 2026).

Morningstar Manager Research
Semiliquid direct lending portfolio analysis and Medalist Ratings

Morningstar Manager Research
A Closer Look at Semi-Liquid Funds . June 2025.

Case study reporting
Alternative Credit Investor (Feb 2026); Reuters (Mar & Apr 2026); CNBC (Mar 2026); Reuters via Economic Times (Mar 2026).

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