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Market Commentary
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Through the Gates

Just like that, another tender offer window is behind us. For the second consecutive quarter, the majority of funds were faced with tender requests above 5%, but gated redemption requests at the 5% threshold. As a result, cumulative unmet redemptions since the start of the year now stand at $16.1 billion, an overhang that could contribute to continued requests for the remainder of 2026.[1]

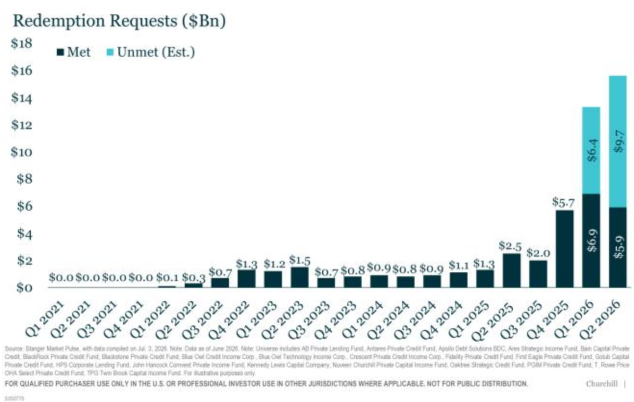
Given this outlook, investors are faced with two key questions. First, what does the trajectory of redemption requests look like, and when might we see them peak? Second, if requests continue to exceed 5%, will that lead to asset sales?

However, there are reasons for measured optimism. A reprieve in negative headlines, driven by resilient credit fundamentals, has shifted the tone and may signal that redemption pressures are closer to a peak than many appreciate.

WHAT IS THE RUNWAY FOR REDEMPTION REQUESTS?

- Redemption requests continued to climb in Q2, rising to $15.6 billion from $13.3 billion in Q1.[2] Unmet requests also increased from $6.4 billion to $9.7 billion[3], as funds once again honored requests up to the 5% threshold (see Exhibit 1). After a few quarters of requests exceeding that cap, the natural question is how much longer this can persist.

Exhibit 1: Redemption requests continue to climb in Q2



- There are some signs that this quarter (Q2 ’26) could mark the peak in redemption requests, in line with forecasts from several large banks, including Bank of America and RBC.

- Factors that could support this include: 1) Six funds have reported a quarter-over-quarter (QoQ) decline in redemption requests – though only three were below the 5% cap.[4] This compared to the one last quarter.[5] 2) Flow dynamics appear less negative under the surface. Several funds noted that offshore investors accounted for the bulk of the redemption requests, while new redemption requests for certain funds actually declined in Q2.[6] Based on estimates, new redemption requests – those coming from investors who had not submitted a request in the prior quarter – likely dropped to ~7% this quarter, down from 30-40% in Q1.[7] And while headlines focus on retail redemption requests, wealth investors actually drove inflows for certain funds.
- With new requests falling in Q2 and based on a JP Morgan analysis indicating that 57% of requests have been paid back, **we would expect it to take a couple more quarters to work through the redemption backlog** – though this remains dependent on market conditions and other factors.[8]
- Even in a more stressed credit environment – not our base case – an IMF study suggests that funds could continue meeting the 5% request threshold for 9-11 quarters under a moderate stress scenario and for 5-7 quarters under a more severe one.[9]
- **Churchill Take:** We believe Q2 may represent the peak in redemption requests, though levels will likely remain above the 5% threshold through the remainder of 2026. **Should negative headlines abate further and fundamentals remain resilient, we expect redemption pressures to gradually ease from here.**

WILL ELEVATED REDEMPTIONS RESULT IN ASSET SALES?

- As a result of elevated redemptions, a natural concern is whether this will lead to asset sales. However, managers can pull many levers before getting to this point.
- First, there is a natural liquidity runway from interest and principal payments from borrowers. With approximately 25% of the portfolio turning over annually through refinancings and maturities (assuming an average effective loan life of 4-years), the 5% quarterly gate – 20% annualized – should be well-supported by natural capital return, even before accounting for new inflows.[10] This duration match is often overlooked and should help protect investors.
- Second, these vehicles maintain liquidity sleeves. Cash on hand across the industry sits at approximately 2-3% of assets, while allocations to broadly syndicated loans (BSL) represent roughly 10% of assets – specifically in place to meet redemption requests.[11]
- Third, access to capital markets and untapped credit facilities offer additional capacity. Despite the concerns, BDCs have continued to access capital markets this year through bond issuance, raising $16.8 billion – in line with 2024 and 2025 levels.[12] Beyond that, funds can also draw on revolving credit facilities if needed. Today, the average untapped capacity across the BDC universe sits at approximately 65%.[13] However, it is worth noting that the terms and structure of these facilities vary by issuer, and many are borrowing based in nature. As a result, availability may diminish when credit conditions become more stressed, which should temper how much weight investors place on this as a reliable liquidity backstop.
- **Churchill Take:** While redemption pressures may continue, we do not think

this will result in asset sales. Managers have multiple levers available to meet requests, with natural portfolio liquidity and liquidity sleeves (cash and BSL) serving as the most accessible. **The 5% gate also serves as an important safeguard for protecting investors, by helping managers maintain a healthy liquidity buffer to meet potential redemption requests and reduce the need for asset sales.**

BOTTOM LINE

- Redemption pressures have persisted, but the trends beneath the surface are encouraging. We believe Q2 may represent peak requests, though redemptions will likely remain above the 5% threshold through the remainder of 2026.
- Even in a more stressed credit environment, analysis suggests managers should be able to meet 5% redemption requests, supported by natural portfolio liquidity, cash on hand, and BSL allocations.
- We do not believe asset sales will be necessary to meet these requests. **Managers have multiple levers available, and the current data suggests those levers are more than sufficient to navigate the remainder of the year.**

ABOUT CHURCHILL ASSET MANAGEMENT

- Churchill, an investment-specialist affiliate of Nuveen (the asset manager of TIAA), provides customized financing solutions to U.S. middle market private equity firms and their portfolio companies across the capital structure. With over $64+ billion of committed capital under management, we provide first lien, unitranche, second lien and mezzanine debt, in addition to equity co-investments, secondary solutions and private equity fund commitments. Churchill has a long history of disciplined investing across multiple economic cycles and our unique origination strategy and investment approach are driven by nearly 200+ professionals in New York, Charlotte, Chicago and Los Angeles.

For more information, please visit us at nuveen.com.

1. Stanger, as of Jul. 2, 2026.
2. Stanger, as of Jul. 2, 2026.
3. Stanger, as of Jul. 2, 2026.
4. Company filings, as of Jul. 6, 2026.
5. Company filings, as of Jul. 6, 2026.
6. Company filings, as of Jul. 6, 2026.
7. JP Morgan, as of Jul. 9, 2026.
8. JP Morgan, as of Jul. 9, 2026.
9. IMF, as of Apr. 2026.
10. Cliffwater Direct Lending Index, as of Mar. 31, 2026.
11. UBS, as of Apr. 22, 2026.
12. Bloomberg Intelligence, as of Jul. 7, 2026.
13. Bloomberg Intelligence, as of Jul. 7, 2026.