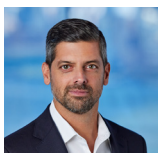




The Investment Conversation: Private Credit Origination, from Start to Finish



Andy D'Souza
Partner, Chief Marketing Officer



Juli Van Hook
Managing Director, Private Credit

In this podcast, Lord Abbett Managing Director Juli Van Hook discusses her team's approach to the discipline of sourcing and structuring direct loans to businesses—and what she sees in the market today

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ANDY D'SOUZA: Welcome back to *The Investment Conversation*. I'm Andy D'Souza, chief marketing officer here at Lord Abbett. Joining me today is Juli Van Hook, a managing director on our firm's private credit team. Today, we're digging into the deal side of the market, how transactions actually come together, and what matters most when looking at them. Juli, welcome to the podcast.

JULI VAN HOOK: Thank you, Andy. Happy to be here.

D'SOUZA: Lovely to have you. So, Juli, you joined the firm a little less than a year ago.

VAN HOOK: Correct.

D'SOUZA: And prior to that, you were with Stifel.

VAN HOOK: Yes.

D'SOUZA: And prior to that, US Bank. Take us all the way back. How did you get into the business back in '96, I believe it was?

VAN HOOK: Yes.

D'SOUZA: Thank you.

VAN HOOK: Well, obviously, I'm dating myself a bit, but I originally started with Boatmen's Bank in their commercial loan officer training program. And a lot of the banks used to have very formalized training programs, where it was a great feeding ground for young analysts to learn core underwriting skills, and credit underwriting. And so, I started with that.

And then we were able to do rotations in different areas of the bank, which would allow them to kind of try you on, and you to try them on, to determine what type of lending you were most interested in. And from there, I joined more of a large corporate group. But then there was an opportunity at Mercantile Bank, which, again, dating myself.

But now that's part of US Bank. And that was to become part of their sponsor finance lending group. So, to your point, I joined that in '96. And I've been in sponsor finance lending ever since. I had a great run at US Bank and forged a lot of relationships with key private equity firms that I still manage today.

So, there's something to be said for longevity of relationships. And then I was looking for a new challenge in my career. So, I actually approached some of the guys that I knew over at Stifel Bank & Trust about coming over to start their sponsor finance lending business.

So I came over to Stifel in March of 2016. Started as a one woman show. And then built the team from there. So, when I left, I had a team in St. Louis, a team in Chicago, and a team in Dallas. And then in April 2024, we actually formed the joint venture with Lord Abbett.

And Stifel was finding it harder and harder to compete as a commercial bank, just with the proliferation of private credit. So, they actually approached Lord Abbett about buying more of the bank's book and perhaps hiring some of the people. So, myself and three guys from my Chicago office, Max Lintereur [Director, Private Credit], Mark LoSchiavo [Director, Private Credit], and Kyle Kickham [Vice President, Private Credit] all joined Lord Abbett in May of '25. And here we are.

D'SOUZA: I love that. So, 30 years in lending. But even before that, one more time to go back one more step further, so when you were growing up, and I guess through school, you think, "I want to be in banking. I want to be in lending." How'd you get there?

VAN HOOK: Yeah. Good question. So, when I was in college, I was an international business major with an emphasis in accounting. So, I kind of got exposure to various business classes. But what I knew that I liked is I felt like my personality was suited to really be directly interfacing with clients.



But I loved the analytical aspects of the job as well. And to be an effective originator, you have to understand the deal. And understanding the deal is really digging into the numbers and understanding what makes that business tick, so that you can put a structure on the table that makes sense for the business.

And that's really how you earn credibility with firms. There's something to be said for just being very candid and up front about the areas that we're going to be focused on in diligence, so that you're managing their expectations every step of the way, which will hopefully get you over the finish line to close the deal.

D'SOUZA: Yeah. It's funny, one of your colleagues, [Lord Abbett Head of Origination] Jonathan Pearl was on the podcast with us, talking to us about the importance of expectations. And sometimes it's as important how quickly you say "no" to a deal up front, a fast "no," I think he called it.

VAN HOOK: Yes.

D'SOUZA: Is that right?

VAN HOOK: Oh, it's totally right. You have to live by that, because private equity firms can appreciate the fact that not every deal is going to work for you. But if you drag them over cut glass to get to a "no," that is not going to bode well for the relationship. So, what we really try to do, and Lord Abbett, I mean, we meet almost every day to talk about new deals.

So, our credit committee is very accommodating in terms of just moving with the pace of the business. And so, we will talk. We call it a heads-up screening. So, we may have more questions than answers at that point. But we just kind of want to get it in front of our group, just to say, "Hey. Are there any showstoppers [factors that would impede making a deal] here? What do we feel about this?" And assuming that there's no showstoppers, then we come out of that meeting to really try to summarize with them where we're going to be focused on in diligence.

D'SOUZA: Got it. And I know there's been some changes recently in the marketplace, in the structure and the environment overall, but going back, what's been the biggest change, your first couple of days in the business years ago to today with the industry? What's a couple of big things that have changed?

VAN HOOK: Sure. Well, so when I started in the industry, the only lenders lending to the asset class were banks. So, by definition, banks are regulated. So, they are more hamstrung in terms of the type of leverage that they can put on deals. There are more stringent structural expectations.

So now with the proliferation of private credit, private equity firms can realize much more flexible structures that align with their investment strategy and thesis. So that's been the biggest change. So, for me, having the opportunity to come from the commercial bank side that I was at for so many years in my career, to come to the private credit side, I feel that I'm able to put just a much more competitive product in front of the private equity firms that I deal with.

D'SOUZA: Gotcha. And it is competitive, right?

VAN HOOK: Very competitive.

D'SOUZA: And so today, if you're sitting across the table from a private equity sponsor, what are they looking for in a lending partner, in your mind?

VAN HOOK: Sure. Well, they're going to be focused on a lot of factors. I mean, obviously pricing, structure, etc., are going to be things that they're laser focused on. That said, the market will kind of dictate where those things need to be. So, I really think the way you win is kind of your certainty of execution.

They want to understand where you are in the diligence process, and what you need to get to a "yes," to get it over the finish line. Because you have to bear in mind, they are managing the expectations of a seller. And they may have beaten out other private equity firms, because they say, "We can close by a certain date." So, they want to make sure that their lending partner is aligned to meet that timing.

D'SOUZA: Gotcha. And the area you focus on, your colleagues have told us, has been sort of the core middle markets, the main focus.

VAN HOOK: Right.

D'SOUZA: And when you were at the bank years ago lending to companies, maybe it was the same?

VAN HOOK: It was the same. I would say at the bank, we would do a little bit more lower middle market deals.

D'SOUZA: Okay.

VAN HOOK: Like, now within Lord Abbett, we really have a preference of \$10,000,000 of EBITDA [annual *earnings before interest, taxes, depreciation & amortization*, at the outset] and up. Part of that's just driven by critical mass, there is more comfort, just in terms of companies being able to withstand different cycles, etc.

I'll give you a little anecdote. When I was at the bank, our credit guy would say, "Does this have a poof factor?" Could it just go poof and go away if the company was too small? Especially if they're dealing with kind of much larger competitors. So, I think that's a good way for us to focus, in terms of the \$10,000,000 of EBITDA and up.

I would say our sweet spot within our team is \$15,000,000 to \$75,000,000. And what we like about the middle market is you really can have more influence over the structures that we're entering into. And it is a true partnership. If you go up-market, sometimes it feels like the terms are being dictated to you on those deals. And that's just not a place that we align well with.

D'SOUZA: I've heard this before from some of your colleagues and just in the marketplace, so in the true middle market you have better covenant protection.



VAN HOOK: Yes.

D'SOUZA: And what are some of those covenants? Give me a couple examples maybe of those covenants.

VAN HOOK: Sure. Yeah. Typically, we will have one covenant in our deal. And it's usually a maximum like total net leverage. There are some deals that are done on more of like a [covenant]-lite basis. But we do those very selectively. But to your point, in the middle market, we can really kind of determine structures that have that covenant, because we feel that that's really important, just to monitor the financial performance of the deal. And we want a mechanism to be back at the table if that deal is not performing as we expected.

D'SOUZA: Now, you source the deals that are out there, potential deals

VAN HOOK: Yep.

D'SOUZA: And you bring them back to the investment committee and to the team.

VAN HOOK: Correct.

D'SOUZA: And how much of it is a hand-off? Versus, are you there the whole way through? How does that work?

VAN HOOK: No. I'm there the whole way through. And that's something that really resonates with the market. There are some shops that have more of a hunter/skinner [i.e., different managers for different phases of the deal] approach where there is that hand-off. I do think that that can be frustrating for the private equity firm, because they may feel like they got the originator of the deal up to speed.

And I think it's human nature that people want to hear directly from the private equity firm, from the management team, about the deal. So, I think kind of our start-to-finish approach in terms of us being involved the entire time is something that is definitely well received by our clients. So basically, I will get a deal team that is formed around me. And we will work in tandem to do diligence on a deal, to determine if there is a path for Lord Abbett to participate.

D'SOUZA: Typical time for a deal team from you get the first wind of the deal to you get to either yes or no? How long does that diligence process take typically?

VAN HOOK: It can vary with sponsors. Some sponsors don't get you involved until they're a little bit more convicted. But I would say most sponsors kind of want to get that early read from you, and kind of a leverage read. Because that will determine what type of valuation they're going to put on the business in terms of what the market will give them from a leverage perspective.

So I would say from a typical deal, [when] we get [involved], we may screen it within a week to two weeks, that heads-up screening that I mentioned, just to kind of get that initial buy-in, and help frame to the sponsor where we're going to be focused on diligence.

From there, then we will get access to much more information. Like, we may be able to participate in a management presentation where we're able to ask questions directly of the sponsor, or the company that will key in on our key diligence areas.

D'SOUZA: And in terms of I guess the pond that you're fishing in, I'm assuming once you get to know certain sponsor firms, that's helpful. But are there certain industries even within there that you kind of focus your energy and your time on day to day?

VAN HOOK: Sure. We are generalists from an industry perspective. That said, I would say that service industries have tended to be a focus as of late, just seeing more of those deals. Obviously with a service business, they're not saddled with the capital expenditure requirements that a manufacturer or an industrial firm might have.

So, there's more cash flow to service debt, which gives you some comfort. We definitely look at both types of deals. But just lately in the market, we've seen a lot of service-related deals. We've seen a lot of deals that kind of go into the data center space, just because the build-out there is so prolific.

We've also been looking at some manufacturers of aerospace and defense deals. And with those deals, we're really looking for that OEM [original equipment manufacturer] pipeline that they have in place, which gives you some visibility on what the financial performance should do over the life of our loan.

D'SOUZA: And then recently we've seen news around a couple of the things that have not gone well for a couple of borrowers in the marketplace, potentially. And, of course, last fall it was the talk of, "There's one cockroach. You may see more," from Jamie Dimon.

And that's been sort of a big question in the press recently. Are they idiosyncratic? Or are these more systemic issues? What are you seeing on the ground in terms of this? And how has it changed your conversations with some of the sponsors?

VAN HOOK: It's a great question. I mean, I do think some of those have been case by case basis. And I do think though it kind of puts your antenna up on things that you need to be focused on in diligence. I think our team does a great job peeling back the onion.

Because let's face it, you get a confidential information memorandum from an investment bank, it's a sales document. So, you really need to dig in to ask the right questions, to figure out where the headwinds are in the business, just so that we are appropriately underwriting the deal.

We will sensitize the deal such that we'll look at how this company may have performed in the last [economic] cycle, just to see how impacted it was. And we will kind of layer that out into a downside case that basically shows us if our capital structure is too aggressive, or if it's something that's still palatable even with some stress.

D'SOUZA: And with this analysis, I guess as you've joined the bigger firm, Lord Abbett, and all the resources that we have to bear, how has that been as far as integrating into our network, and maybe even tapping into some of those resources as you do this analysis?

VAN HOOK: Yeah. Well, tapping into the research folks at Lord Abbett has just been a huge coup for me, just because having those internal experts to bounce questions off of really makes us a more informed lender. I mean, sometimes we are actually flagging things even to our private equity firms about, "Hey. We're focused on this."



And they are likely focused on some of the same issues. But it's nice to kind of dialogue about things that we're hearing from our research folks. So, we get the benefit of all the third-party diligence that the sponsor would commission. But being able to bolster that with--we do independent expert calls on our own, just so we can sanity check some of the information that we're getting, and also just have kind of that broader pool of feedback to make our decisions on, but then also leveraging off of [Lord Abbett Head of Research, U.S. Bank Loans] John Novak, and his team, and the research area really helps us make informed decisions.

D'SOUZA: Gotcha. What else has changed recently has been I guess rates in many ways, in call it the last five, six years. We've seen a dramatic increase from the base rates where they were to where they are today, and sort of bouncing around now. But how has that changed the landscape?

VAN HOOK: It's totally changed the quantum of debt [borrowing capacity] that a company can comfortably manage. So, to your point, a few years ago when the base rates were negligible, I mean, you could really push the envelope, in terms of the leverage that you're putting on businesses.

Today, while the valuations on some of these companies may not be that different, they can't handle that amount of debt, just because of the interest component. Also, we need to look at factors like the capital expenditure needs of the business to really determine what type of leverage this company can handle with the debt service requirements that we're going to have, and the additional interest components.

D'SOUZA: Gotcha. And then I guess as you look out today, we've talked about some of the challenges in the marketplace. But what about the opportunities, the positive side of things? Where do you see opportunities right now, when you're on the ground, and you're talking to these sponsors, and looking to companies? Where do you see the positive pockets, or things you think that are opportunities going forward?

VAN HOOK: Yeah. And I touched on some of this in some earlier comments. But we really see the data center space as a space that we're focused on just because of the positive tailwinds there. Some of what's going on with aerospace and defense, we're able to kind of pick our spots there with those companies that have that known backlog that we can really diligence to get us comfortable.

We are being obviously very tentative with anything that we think has a lot of AI risk. That's kind of the topic du jour, if you will, just given the focus on that. And a lot of times we'll hear from potential borrowers that AI is something that they can leverage. Which can be true. But we just want to make sure that AI is not something that could really impact their business, just because it could replace some of the services that they are providing to their clients.

D'SOUZA: Juli, when you're in the market speaking with private equity sponsors, and you're telling our story, and you're hearing their story, and what they're looking for, what do you think, based on the reactions, what differentiates Lord Abbett in their minds?

VAN HOOK: Yeah. Great question. When I'm out calling on sponsors and I'm talking about Lord Abbett, I think they really love the fact that the firm has been in existence since 1929. So, the staying power of the brand, the firm, is evident. Also, Lord Abbett has been involved in leveraged credit for over 50 years.

So, I think they really take comfort in the fact that it's an asset class that the firm understands well. And it's been just a natural extension for the firm to get into private credit. Also, I think they like the fact that [Lord Abbett is] a private partnership.

Also, I think Lord Abbott has built this team just the right way. You know, [Lord Abbett Head of Private investments] Steve Kuppenheimer, coming from Blackstone, folks from Carlisle, JP Morgan, Golub, Ares, Stifel. I think people really embrace the fact that we have a very tenured and experienced team, that we're not dipping our toes in the pool to see if we like it. It's an asset class that the firm is committed to that we really understand.

D'SOUZA: Gotcha. Going back to the day-to-day. How do you think about your coverage? And you've run teams before. And you're part of a team now as well. Do you think it from more of a geographic perspective? Is it more industry-specific? You said you were a little bit more generalist earlier. So how do you think about the coverage of the universe?

VAN HOOK: So, I think in originations and coverage relationship will always trump geography, because if you have a great relationship with someone, you want to leverage that all day long, just because they've been giving you flow for years. You want them to continue to give you flow.

That said, as a team, we do try to silo a bit [specialize] on geography, because if you're calling in a market, you want to get the best bang for your buck and call on as many sponsors as you can there. So, we do have geographic dispersion amongst the team. And we are all rowing the boat in the same direction. So obviously if somebody on the team is very busy, one of the rest of us can step in to kind of help out on things. So, it's very much a divide-and-conquer approach.

D'SOUZA: Gotcha. Juli, well, thank you for the time today. I really appreciate it.

VAN HOOK: Thank you. Happy to do it.

D'SOUZA: Thank you for listening to *The Investment Conversation*. Find more episodes wherever you get your podcasts, or at LordAbbett.com. And follow us on LinkedIn, Instagram, and YouTube for more perspectives from across the firm.



GLOSSARY OF TERMS USED IN THIS BROADCAST

Base rate: Variable interest rates fluctuate in line with a base rate which, typically, shifts in reaction to market factors.

Cockroaches refers to Jamie Dimon's metaphor for hidden or unrecognized financial problems—meaning that when one visible issue appears in the economy or credit markets, it likely signals more potential problems.

Debt covenants are restrictions that lenders (creditors, debt holders, investors) put on lending agreements to limit the actions of the borrower (debtor). **Covenant-lite loans**, or “cov-lite” loans, give borrowers more flexibility by including fewer lender protections and financial tests than traditional loans.

Diligence in private credit direct lending is undertaken by a lender to assess borrower creditworthiness, collateral integrity, and downside protection. It involves analyzing financial health, legal standing, and operational stability to manage risk in privately negotiated deals.

Direct lending is a private debt strategy where non-bank lenders provide loans directly to private companies, bypassing traditional intermediaries like banks. These loans are typically senior secured, privately negotiated, and often backed by covenants that can protect the interests of a lender

EBITDA refers to a company's earnings before interest, taxes, depreciation, and amortization.

Middle market lending: The middle market segment is typically considered to be credit for firms larger than small businesses but too small for large-scale commercial lending or syndicated credit.

Private credit loan **origination** involves non-bank lenders sourcing, underwriting, and structuring bespoke loans directly for borrowers, bypassing public markets.

Private credit refers to loans and debt financing provided by non-bank lenders to businesses, typically outside of public markets. A **private credit sponsor** is typically a manager or general partner of a private equity or venture capital investment fund. The sponsor is typically run by one or more private equity or venture capital investment professionals

Underwriting is the process by which the lender decides whether an applicant is creditworthy and should receive a loan.

Yield is the income returned on an investment, such as the interest received from holding a security. The yield is usually expressed as an annual percentage rate based on the investment's cost, current market value, or face value. The **gross yield** of an investment is its profit before taxes and expenses are deducted.

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