

Building a Private Credit Index for Alternative Lending Markets

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Project Overview

Why is there a need to enhance transparency in alternative lending markets?

\$1.5T Market (Opaque)

Strong Yields, Hidden Risks

BDCs' Trackable Exposure

Data

- Collected SEC **10-Q/10-K** filings for all BDCs (2001–2025), processing **5,400 filings (~5 GB)** and extracting each CIK's *Schedule of Investments*.
- Faced mixed and inconsistent formats - HTML (70%), TXT (6%), iXBRL (24%).
- Shifted to **iXBRL only** for clean, structured, consistent fields and machine-readable tags.
- Final dataset spans **2023 Q1 - 2025 Q2**, covering **176 active BDCs**, **1,385 reports**, and **~300K** standardized loan-level records.

Data Pre-Processing & Cleaning



Index Construction

Yield Reconstruction

Cash Rate + PIK

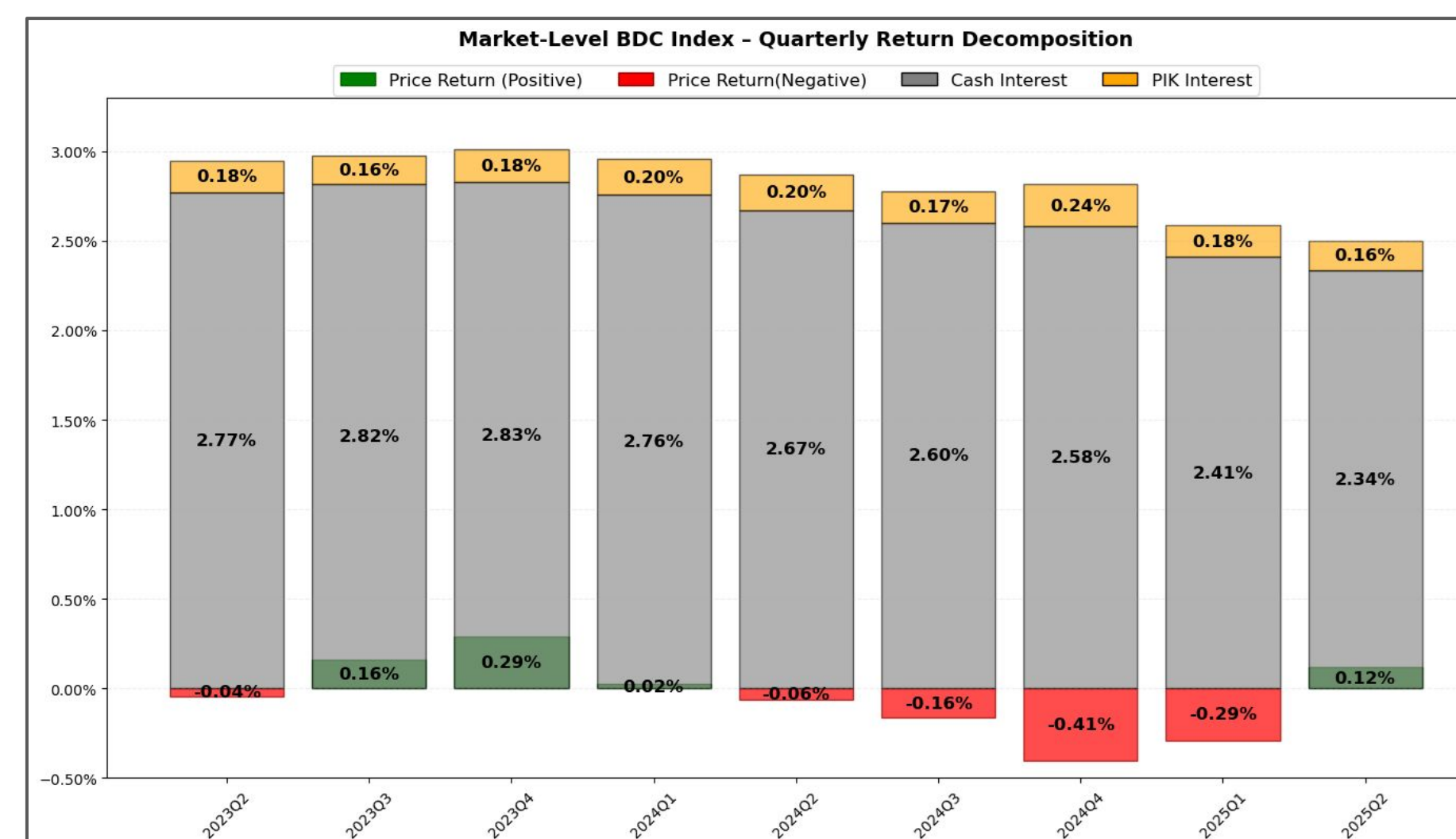
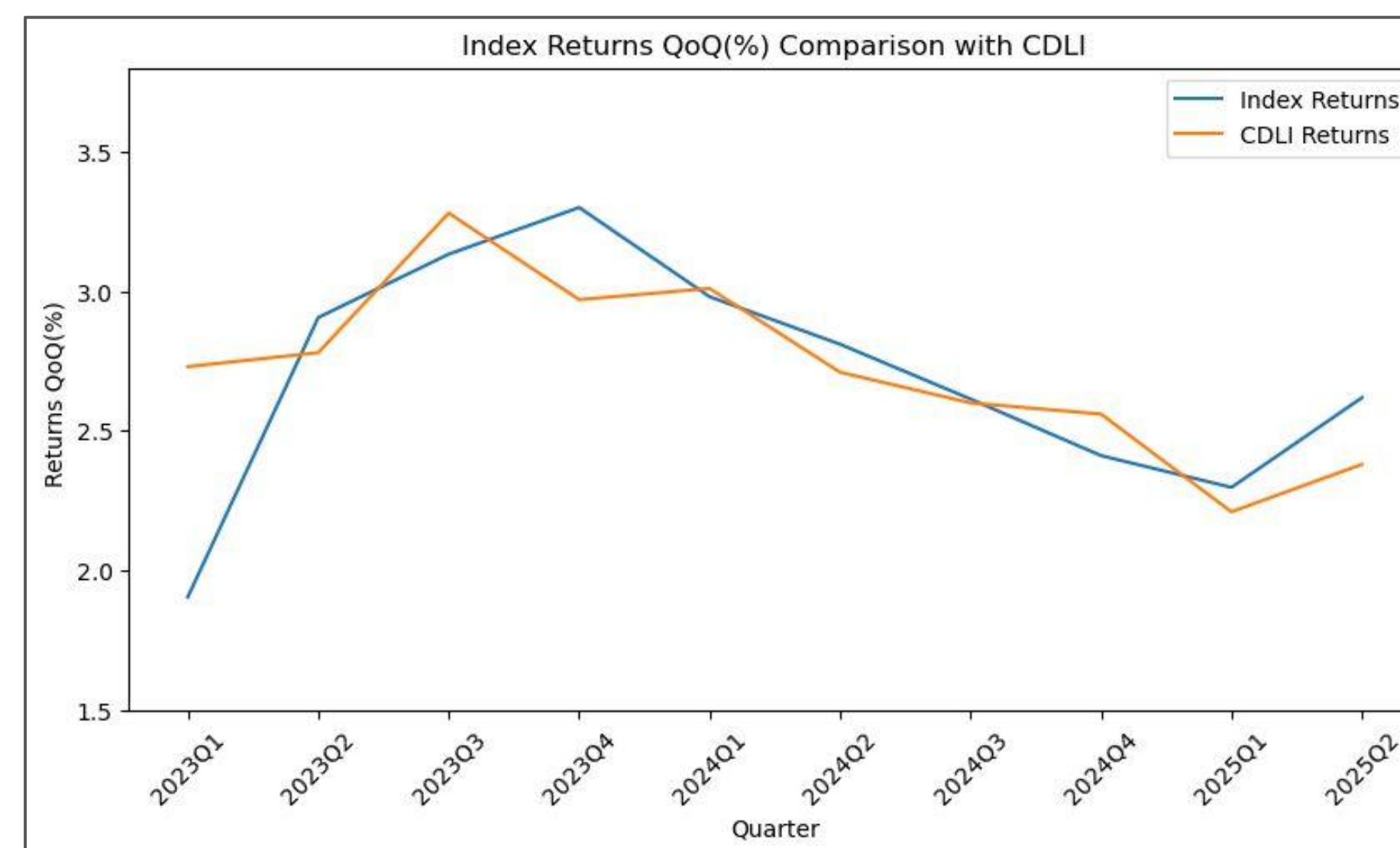
Base Rate + Spread

Position-Level Returns = $\Delta(\text{QoQ FV}) + \text{Cash} + \text{PIK}$

Market-Value Weighting

Weight each position by its beginning-of-quarter fair value to reflect actual market exposure.

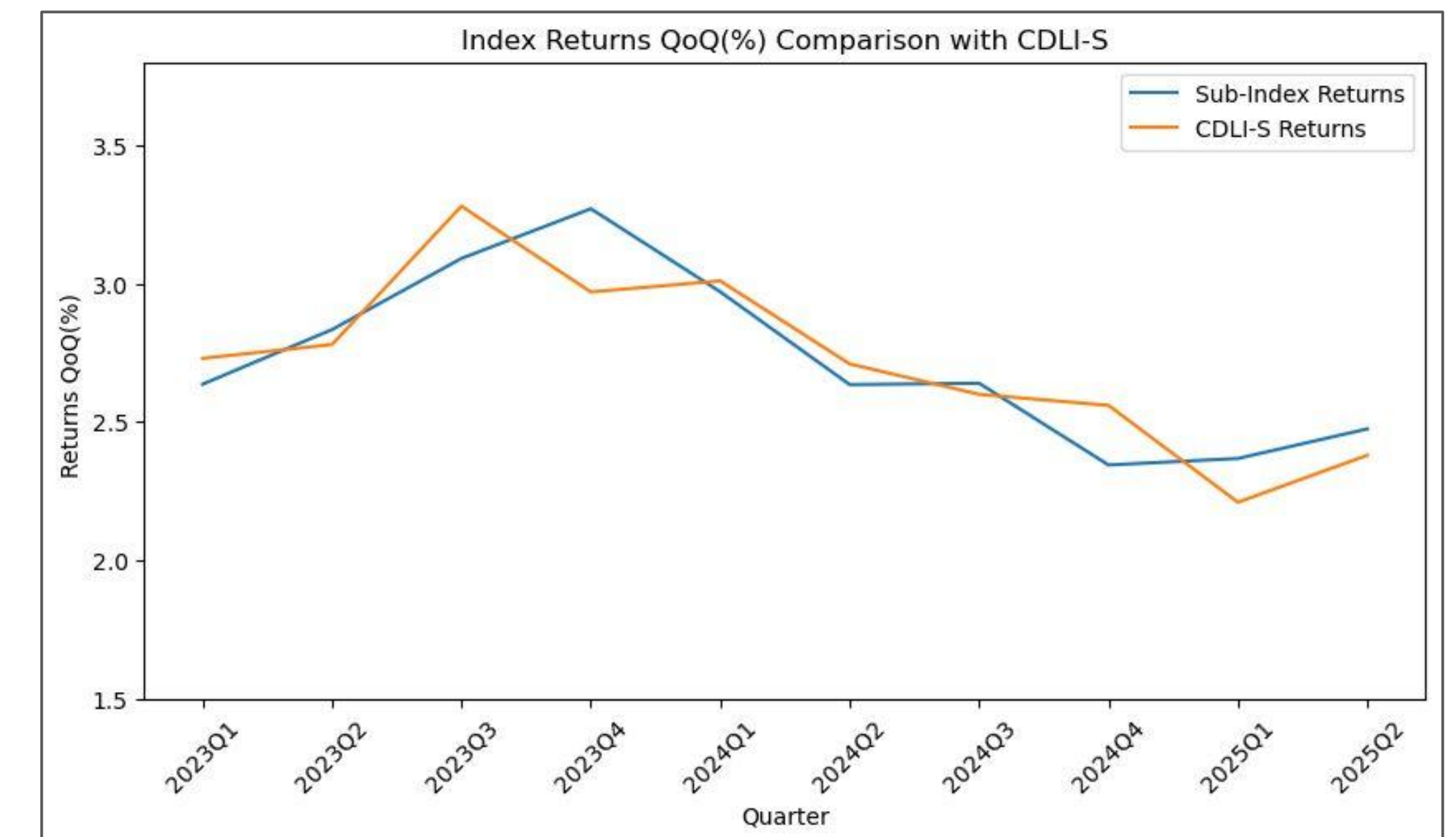
Key Results



Ann. Return = 11.23% | Corr. = 86.95% | T.E. = 0.33%

Impact

Created a **seniority-based index** designed to mirror **CDLI-S**, along with other sector-specific indices (e.g. Technology, Healthcare, Financial & Insurance)



- Transparent, open index methodology - an alternative to pay-walled CDLI benchmarks.
- Granular visibility into underlying loan-level positions.
- AUM-based tracking of BDC capital flows.
- Fully automated end-to-end data pipeline.
- LLM-derived qualitative signals for thematic sub-indices.
- Provides transparent cash-PIK-price return breakdowns.
- Identify early warning signals, such as persistent markdowns prior to the First Brands bankruptcy.

Future Scope

- Desmooth returns using expanded data.
- Increase data coverage for a stronger signal.
- Develop a higher-frequency private credit index with lower reporting lag (nowcasting).
- Reconstruct monthly series from quarterly filings.
- Build sector, industry, geography, and yield sub-indices.