THE CANADIAN PRIVATE DEBT GROWTH FUND

("The Growth Fund")

Opening Statement to the Standing Senate Committee on
Banking, Commerce and the Economy | April 16th, 2026

Why Private Credit Is Critical for Canadian SMEs

- **Canada has 100,000 fewer entrepreneurs** than twenty years ago despite adding ten million people to its population. Only 1.3 per thousand Canadians now start a business, down from 3 per thousand in 2000. (BDC, 2023/2025)
- **350,000 Canadian entrepreneurs** lack access to the financing they need. Roughly half of all SME financing requests face rejection or partial funding. (BDC, 2025)
- **Net emigration has reached a 50-year high.** 70% of those leaving hold university degrees. 67% are aged 20–44—the demographic that builds growth companies. (Statistics Canada; The Hub, April 2026)
- **~40% of Canada's potential top-1% earners have moved to the U.S.,** accounting for up to two-thirds of the Canada-U.S. productivity gap and three-quarters of the GDP-per-adult gap. (Bank of Canada, 2024)
- **The U.S. produces 45× more high-potential startups per capita than Canada,** up from 11× in 2015. Nearly half of Canadian founders raising $1M+ are now U.S.-based and raise nearly twice as much as those who stay. (Leaders Fund, 2024)
- **Banks are retreating from SME lending.** Regulatory capital requirements concentrate bank lending on larger, collateral-backed transactions. Asset-light companies in services, technology, defense and healthcare are underserved despite strong cash flows.
- **Without domestic growth capital, Canadian companies are forced into premature foreign exits** — selling to U.S. acquirers not by choice but for lack of alternatives. IP, jobs, and tax revenue leave with them.

Private Credit as an Asset Class: The Evidence

- **20-year track record:** The Cliffwater Direct Lending Index—covering ~21,000 loans and $549B in assets—returned 9.3% in 2025 and has averaged 9.5% annually with only one negative year (2008).
- **Governor Macklem endorses the role:** "Private credit fills real gaps… it's playing an important role in supporting new investment cycles." He stresses the need for transparency and quality underwriting. (Bank of Canada, March 4, 2026)
- **Recent headlines reflect a product design problem, not an asset class problem.** Retail-oriented funds (Ares, Apollo, Blue Owl, Courtland, Trez, Rompsen) promised frequent redemptions secured by illiquid loans. The Growth Fund is the structural opposite: closed-end, institutional, no redemption windows.

- **In Canada, ~$30 billion — nearly 40% of capital in private real estate funds — is currently gated**. These are predominantly private *mortgage* and *real estate* funds with concentrated property exposure — not private *corporate credit* funds like the members of The Growth Fund. However, they share the same structural vulnerability: open-end designs promising redemptions against illiquid assets. The fact that this liquidity mismatch has caused failures across multiple asset types reinforces why The Growth Fund's closed-end, institutional structure — where liquidity comes via principal and interest from diversified portfolio of loans to operating businesses across sectors in Canada.
- A notable driver of recent growth has been **the entry of U.S. and other foreign private credit providers into the Canadian market**, where foreign PE firms acquiring Canadian assets bring their own financing relationships — meaning Canadian capital isn't being deployed, and returns flow offshore.
- **CPP Investments** invests more than $35 billion in private credit globally but almost all of that goes to non-Canadian borrowers.
- **Current market dislocation creates opportunity.** While capital outflows feel uncomfortable, they are actively improving return profiles for disciplined long-term investors—wider spreads, stronger covenants, less competition.

THE GROWTH FUND at a Glance

- **$3–$5 billion** in new lending capacity over five years, focused exclusively on Canadian SMEs.
- **50/50/25 structure:** Private credit managers fund ≥50% of each loan (skin in the game); pension funds co-lend the remainder; a federal guarantee covers 50% of the pension fund exposure (25% of total loan).
- **No new institutions required.** Leverages existing private-sector capabilities within a governed framework overseen by government, pension fund, and private credit representatives.
- **Create a compelling mechanism to redirect a portion of our Canadian**
- **Institutional capital back into the Canadian economy.**

SPOKEN REMARKS

Estimated delivery: 5 minutes

Chair, Honourable Senators, thank you for the opportunity to appear before you today. I am Jeffrey Deacon, Founder and Managing Partner of Private Debt Partners, here on behalf of the founding partners of The Growth Fund—together with Pillar Capital, FirePower Capital, and Timia Capital. We are practitioners who originate, underwrite, and service hundreds of SME loans each year, and we are here with a concrete, investable proposal to help improve productivity in Canada by closing the financing gap your Committee has studied.

Your 2023 report called on Canada to *unleash new streams of capital* into the innovation-driven economy. Since then, the urgency has only grown. Canada has 100,000 fewer entrepreneurs than twenty years ago despite adding ten million people. Net emigration has reached its highest level in fifty years—seventy percent of those leaving hold university degrees. Bank of Canada research shows that roughly 40 percent of Canadians who would rank in the top one percent of earners have moved south, accounting for up to two-thirds of the Canada-U.S. productivity gap. The U.S. now produces 45 times more high-potential startups per capita than Canada, up from 11 times a decade ago. When founders cannot access growth capital here, they don't just sell their companies—they leave, and the tax base leaves with them.

On the ground, SMEs account for 98 percent of Canadian businesses and more than half of private-sector employment, yet roughly half of their financing requests face rejection or partial funding. Banks are concentrating lending on larger, collateral-backed transactions. High-quality, asset-light companies in services, technology, defense and healthcare cannot access the growth capital they need—and too often are forced into premature foreign exits as a result.

Our proposed Growth Fund intervenes precisely at that point. Over five years, it has potential to mobilize $2 to $5 billion in flexible, non-dilutive lending for underserved Canadian SMEs. It would require private credit managers to originate, lead and fund at least 50 percent of each loan—skin in the game—pension funds co-lend the rest, supported by a federal guarantee covering 50% percent of the pension fund total exposure. No new Crown corporation. No new bureaucracy. Existing Canadian capabilities, deployed through a transparent, governed platform. The details of the structure are at a foundational stage, and I am happy to walk through them during your questions.

Honourable Senators, you may have seen recent headlines about stress in parts of the private credit market. It is important to understand: this is a product design problem, not an asset class problem. The funds under pressure are retail-oriented vehicles that promised frequent redemptions secured against illiquid loans. The underlying asset class delivers strong returns. The Growth Fund is to be built as the structural opposite of what is failing: closed-end, institutional, liquidity via regular borrower principal and interest payments. While headlines about capital outflows for misaligned strategies make retail investors feel uncomfortable, they are actively improving return profiles for disciplined long-term investors—wider spreads, stronger covenants, less competition. This is exactly the moment to deploy.

Bank of Canada Governor Macklem confirmed in a speech on March 4th that private credit fills real gaps in the corporate financing ecosystem, while stressing the need for transparency and oversight. The Growth Fund is designed to sit at that intersection—channelling private debt into the SME gaps your report identified, within a framework for reporting, standards, and governance. The proposed Fund does not just react to your work—it helps implement it, turning your vision of domestically anchored capital into a concrete program that keeps Canadian savings working in Canada's productive economy.

We would be honoured to present further details, together with CEOs of Canadian companies that have used private debt to fuel growth and expand their workforce. Thank you, Chair and Honourable Senators. We welcome your questions.