Theme: Private credit

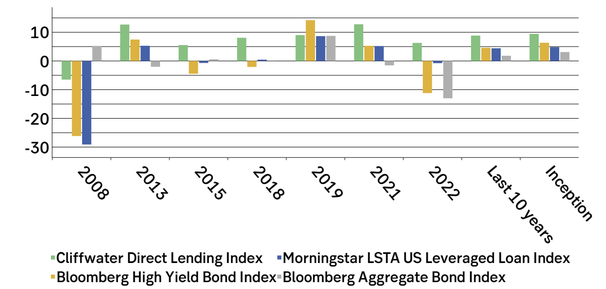
Private credit has evolved from a niche for specialized investors and institutions into a core component of modern investment portfolios. Offering higher expected returns than traditional fixed-income investments and historically lower volatility than public credit markets, the asset class provides both stability and control through to direct borrower relationships.

A growing force in modern credit markets

Private credit expanded rapidly after the financial crisis, as tighter banking regulations created a structural need for alternative financing sources. Today, it encompasses multiple strategies, with direct lending as the largest segment, alongside asset-backed lending, real estate and infrastructure loans, and distressed debt. Returns are primarily cash-flow driven, derived from base rates, credit spreads, and an illiquidity premium paid to investors for committing capital. Floating rates make the asset class resilient during periods of rising interest rates, while the absence of daily market pricing adds stability in volatile times.

Key risks include credit risk, illiquidity, and manager selection. For long-term investors seeking yield, diversification, and steady cash flows, private credit has become a natural portfolio building block – and all indicators suggest its importance will continue to grow in the years ahead

Direct lending has demonstrated resilience across market cycles



Source: Cliffwater , J.P Morgan, Bloomberg, Morningstar 2005-2023