Private Credit Risk Not Systemic, Yet Structures, Asset Classes Evolving

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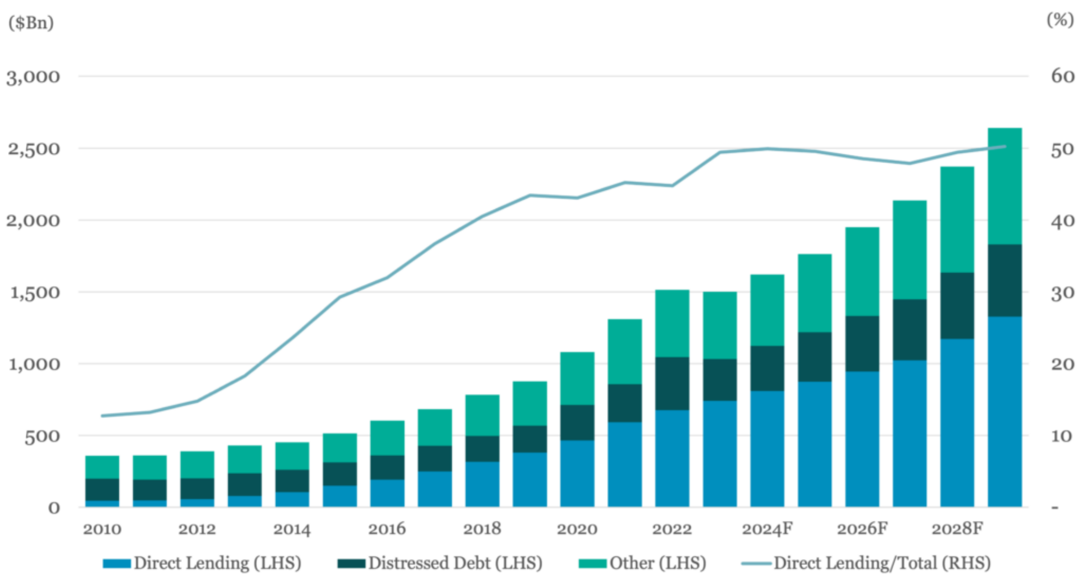
Private Credit AUM Expansion to Continue



Source: Fitch Ratings, Preqin.

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Private credit, in isolation, is not currently a systemic risk given numerous mitigants, particularly within direct lending, which continues to dominate the asset class, Fitch Ratings says in a new report. Increased transparency will aid in the assessment of risk, but evolving structures, new asset classes and growing interconnectedness require closer monitoring.

Global private credit has grown rapidly in recent years to $1.6 trillion in assets under management (AUM), according to Preqin. Direct lending accounts for half of AUM, but asset-based finance will drive growth over the next several years. Some alternative investment managers (IMs) are expanding this asset class via bank portfolio purchases and/or flow agreements, as banks focus on capital efficiency.