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The OG of Private Credit: Welcome to the Platinum Era™

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"This is great for us." That's how one private credit manager summarized the cumulative impact of noise around the asset class. Tariffs, cockroaches, geopolitics, oil, and AI all took their best shots. But the best shops who stuck to their knitting in the core middle market, held dry powder, and remained trusted PE partners, find themselves exactly where they want to be.

The post-GFC zero-grav environment created an optical illusion for LPs. Low rates and spreads made all private managers look like heroes. Then came COVID. Suddenly, a flood of investors of all stripes and sizes sought private credit for inflation and rate protection. The tyranny of dry powder pushed some managers upmarket, deploying bank/bond replacement capital.

As our special series has detailed, that upper MM is where today's challenges are being found – software concentration, high leverage, weak covenants, more PIK, etc. Traded BDCs saw NAVs compress; retail cash fled non-traded BDCs. Accordingly large cap lenders' ability to commit in size shrunk. Core middle market managers with scale now benefit from 25-50 bps higher spreads and deal flow that has shifted to HALO – heavy asset, low obsolescence – sectors.

We showed how core MM sources deals not from hot M&A sectors, but from thousands of service businesses insulated from macro headline risks. Think commercial landscapers, HVAC maintenance providers, and power generation companies. No signs they are sweating AI exposure or recalibrating supply chains around tariffs. They are durable, cash-flowing enterprises in sectors where essential services create a natural competitive moat.

Trusted managers in the core MM with decades-long PE relationships also have unique access to these scaled businesses. Their scale, experience, and proven track records navigating credit cycles weren't built overnight. Newcomers are challenged to break into these exclusive clubs.

As dispersion between managers widens, investors can distinguish between portfolios that reflect disciplined asset selection and conservative structures, and those who rode the momentum wave. This should help shift LP behavior from sentiment-driven to fact-based.

Here, then, is the opportunity in private credit. Its period of rapid growth, market legitimacy, and institutional backing is moving to a new stage. With it comes growing recognition that illiquidity, premium returns, value stability, portfolio diversity, and structural conservatism characterized by the core MM is a more durable, resilient, and investor-friendly asset class. Welcome to the Platinum Era of Private Credit.

Critical to this new covenant between GPs and LPs is better education around an increasingly complex and sophisticated arena in capital markets. The lesson is that direct lending calms cycles, diversifies away from at-risk software, and finances sector leaders backed by top-tier PE sponsors with low defaults.

Finally, as investor options in private credit expand, there also needs to be broad acknowledgment that higher yields may glitter but not always be gold.