

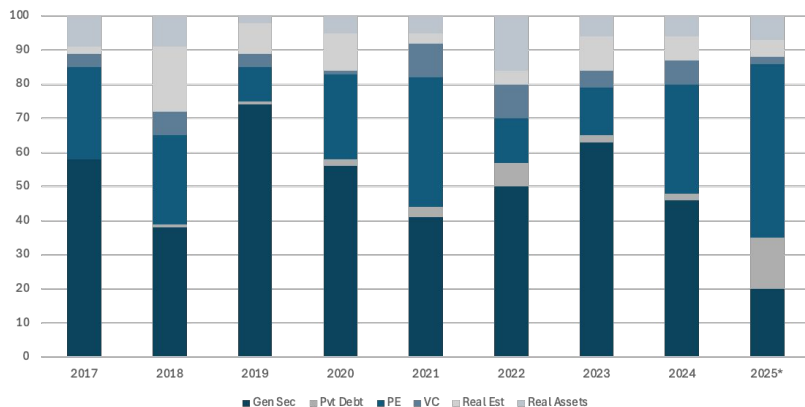
Private Credit : Bomb or Bogeyman?

April 1, 2026

Key Takeaway

- In the non-traded BDC space, redemptions as a percentage of beginning-period NAV in Q4 nearly tripled compared to the prior quarter, reaching 4.71%.
- While software sector default rates remain low for now, market concerns center on the industry's debt serviceability and highly leveraged nature — fears that these vulnerabilities could prove untenable in the face of AI disruption.
- "Significant but not Systemic"—Unlike the Global Financial Crisis, corporate balance sheets remain largely healthy, limiting broader market spillover. Additionally, private credit funds use meaningfully lower leverage, and built-in gating mechanisms effectively contain forced selling risks.

Share of secondary fundraising by type (%)



Source: JPMorgan Global Markets Strategy Mar 18

Price to NAV ratios of companies in the S&P BDC Index



Source: JPMorgan Global Markets Strategy Mar 18, Bloomberg

Investment Implications

- **Direct Lending / Senior Secured Private Credit:** Preferred defensive allocation. First-lien protection and floating-rate income provide durable carry with controlled downside. Favor low-leverage managers with strong covenants, avoid gross/net leverage >3.5x and concentrated software exposure.
- **BDC Equity / Semi-Liquid Structures:** Selective. ~20% NAV discounts reflect lagged markdown risk — loan prices historically drop ~20% in the two quarters before non-accrual. Redemption gates across major platforms confirm liquidity stress, avoid interval funds, favor low PIK-at-restructuring managers.
- **European Insurance:** Resilient. Private credit exposure remains limited (<3%, largely IG) and structurally distinct from stressed US direct lending. Strong solvency buffers (>150%) support stability, prefer high Solvency II names with ongoing buybacks.