



2026

Alternative Credit Survey

A growing industry: The future of alternative credit portfolios

Contents

3	Introduction: A tale of rising sophistication among LPs
4	Headline findings
6	About the research
7	The rise of alternative credit continues
8	Diversification, return potential and income generation drive allocation growth
10	US remains top target but demand for geographical diversification rises
12	Sentiment remains cautiously upbeat despite the noise
14	Portfolio construction evolves
15	Moving beyond core holdings
16	Investors embrace a wider range of investment vehicles
17	Public and private credit convergence is underway but faces hurdles
19	Barriers to further adoption and demand for education
20	Transparency into valuations is a limiting factor
22	Specialist managers favored for information and education
23	Concluding remarks



Introduction:

A tale of rising sophistication among LPs

The retrenchment of banks from middle-market corporate lending after the 2008 global financial crisis (GFC) kick-started the rise of alternative credit¹ as an investment opportunity for investors looking to diversify their portfolios. Traditional banks had to reduce their lending activity, as they shored up their balance sheets, which created a multi-trillion dollar funding gap for businesses globally².

Consequently, institutional investors stepped in to fill the void and capitalize on new opportunities via direct lending, working with alternative credit managers. The growth and structuring of the successful private equity markets was the obvious starting point.

That was the beginning of the story for many investors, but in the almost two decades that have followed, the market has undergone rapid expansion. For instance, the Alternative Credit Council, part of the Alternative Investment Management Association (AIMA), estimates that global traditional private credit assets under management were US\$3.5 trillion at the end of 2024³.

And the alternative credit universe has matured to encompass a diverse group of underlying strategies including infrastructure debt, commercial real estate debt (CRE debt), special situations/distressed debt, asset-based lending (ABL) including niche areas like NAV loans and collateralized loan obligations (CLOs). As it has grown and matured, alternative credit shifted from an optional holding to a core building block of many investors' portfolios. And their allocations look set to become more sophisticated and multi-faceted in the years ahead.

But at the same time as the alternative credit industry grows and matures, it is also now increasingly in the media crosshairs as reporters try to better understand the asset class. Last year, complex financing arrangements at two US companies, Tricolor and First Brands, exploded into the mainstream news. This kicked off a heated debate about the roles and overlap between bank syndication, private credit, off balance sheet loans and ultimately the quality of underwriting.

Our latest study, which **surveys 135 senior investment professionals**⁴ at investors globally, along with in-depth interviews with investment executives at leading pensions, insurers, family offices and consulting firms, explores the future trajectory of alternative credit investing by a range of allocators. It sheds light on the next phase of diversification within alternative credit, shifting approaches to portfolio construction and expectations for the future of the asset class.

¹ In the research this report is based on, alternative credit is defined as including asset-based lending, direct lending, special situations debt and distressed debt, collateralized loan obligations (CLOs), commercial real estate debt and infrastructure debt, which may be spread across investors' hedge fund, private credit and opportunistic portfolios. In contrast, private credit is seen as comprising illiquid credit only. Consequently, we have generally used the term alternative credit in this report, unless quoting external sources or individuals who have used the term private credit, or where private credit is widely used (for example, when discussing the convergence of public and private credit).

² The Great Cross-Border Bank Deleveraging: Supply Constraints and Intra-Group Frictions; by Eugenio Cerutti and Stijn Claessens, IMF Working Paper, September 2014: "The global financial crisis (GFC) has seen a large retrenchment in cross-border banking, with aggregate gross foreign banking claims as of end-2013 some 20 percent below their pre-crisis peak in June 2008 of USD 30 trillion." In addition, for the US economy, see Federal Deposit Insurance Corporation Quarterly 2019, Leveraged Lending and Corporate Borrowing: Increased reliance on Capital Markets with important Bank Links: "Since the financial crisis, nonfinancial corporations have used debt securities more and have used bank loans less than at any time since 1950. Bank loans recovered from a sharp decline in share after the financial crisis but remain around 12 percent of corporate borrowing, half the level in 1990."

³ Financing the Economy 2025, Alternative Credit Council, AIMA: "We estimate that global private credit AUM stood at approximately US\$3.5trn at the end of 2024, a 17% increase from our estimate of US\$3.0trn at the end of 2023."

⁴ This includes CIOs, investment directors, investment strategists, head of asset allocation/fixed income/alternatives/manager selection, portfolio managers and senior investment analysts at pension funds, endowments and foundations, insurance companies, family offices and sovereign wealth funds."

Headline findings

1

Investors continue to expand their alternative credit allocations

Among the investors we surveyed, more than three-quarters (76%) already have an allocation of 5% or more to alternative credit – and a majority (51%) plan to increase their overall allocation over the next 12 months, signaling continued strong appetite for the asset class. The most popular areas for increased allocations in the next year are infrastructure debt (47%), direct lending (39%) and asset-based lending (35%). Investors with larger allocations are more likely to be increasing their allocations, highlighting that alternative credit has proved its value to them.

2

Diversification, higher returns and income generation are key drivers to allocate

Demand for further alternative credit investment is primarily being driven by expectations of portfolio diversification benefits (85%) and of higher returns than traditional fixed income (81%). Another significant driver is the potential for higher income from contractual cash flows versus traditional fixed income (60%). These drivers are largely consistent across investor types, reflecting a convergence in expectations around the value that alternative credit can deliver for portfolios.

3

Investor allocations are diversifying across regions and sub-asset classes

At the overall sample level, the US was the top destination for new allocations last year (34%). However, European allocators undertook some rebalancing towards their home region, with 51% having increased allocations there. Asia-Pacific allocators maintained a strong US focus, but 34% also increased home-region exposure. At the same time, investors with more established alternative credit portfolios – allocating 10% or more to the asset class – are growing investments in asset-based lending (43%) and distressed debt (39%) as they increasingly seek to diversify beyond core holdings.

4

Investors are cautiously optimistic about the macro backdrop for 2026

Asked whether various macroeconomic factors represent a greater opportunity or threat for alternative credit performance over the next 12 months, far more investors cited the outlook for interest rates (47% vs 23%), M&A activity (45% vs 5%) and market volatility (44% vs 20%) as opportunities than threats. This suggests they foresee a scenario in which lower financing costs boost transaction volumes and new investment opportunities arise. However, weakened credit documents are viewed as more of a threat than an opportunity (41% vs 14%), and investment leaders interviewed for the report raised concerns about an influx of newer GPs entering the direct lending market, emphasizing the importance of experience when navigating today's complex risk landscape.

5

Portfolio construction is shifting towards 'core-satellite' models

While 40% of investors say their alternative credit portfolios are currently consolidated around a few core sub-asset classes, only 19% expect this will be the case in five years' time. A majority expect to move either to 'core-satellite' models (38%) or to highly diversified portfolios that have more balanced allocations across the full spectrum of alternative credit strategies (30%) over this timeframe. Further, the proportion of investors treating public and private credit as entirely separate asset classes will move from a majority today (64%) to a minority (41%) over the next five years, reflecting expectations that it will become increasingly feasible to implement more holistic management of credit portfolios.

51%

of investors plan to increase alternative credit allocations in the next 12 months

53%

expect infrastructure debt to produce the strongest risk-adjusted returns over the next 3 years

85%

say portfolio diversification is a reason for increasing their alternative credit allocation

81%

say the potential for higher returns than traditional fixed income is a key factor for increased allocations

38%

expect to use a core-satellite model for portfolio construction in 5 years' time

81%

think that a specialist focus is the most important manager attribute for generating alpha

42%

plan to use evergreen funds over the next 12 months for alternative credit allocations

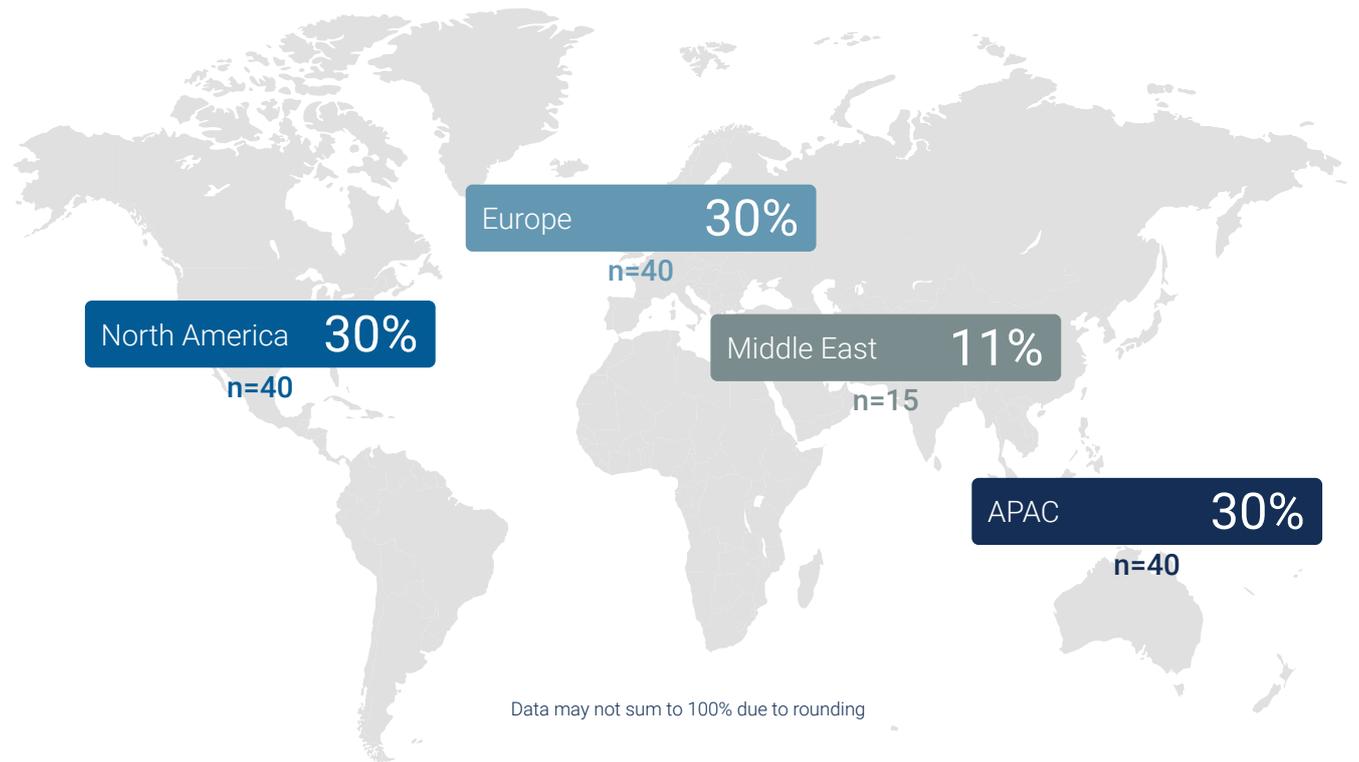
41%

say it is inevitable that investors will stop treating public and private credit as separate asset classes

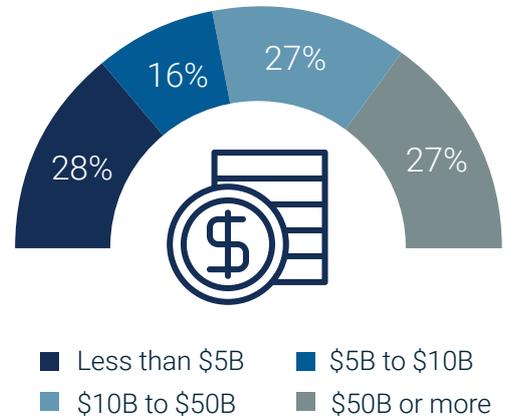
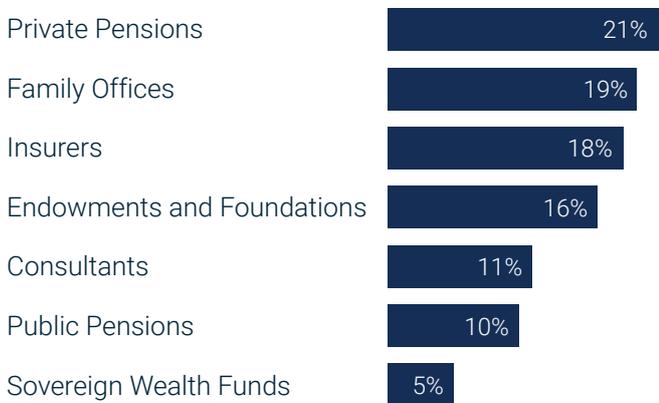
About the research

This report is based on an online survey of 135 senior investment professionals at investment institutions around the world, conducted by CoreData Group, which took place in the fourth quarter of 2025. All respondents had an influence over alternative credit allocation decisions at their institutions. To complement the quantitative element of the research, we conducted a series of qualitative interviews with senior alternative credit investors to probe into more detail and add nuance to the findings.

Regional breakdown of respondents



Institution type and assets under management



Data may not sum to 100% due to rounding

1 The rise of alternative credit continues

- Diversification, return potential and income generation drive allocation growth
- US remains top target but demand for geographical diversification rises
- Sentiment remains cautiously upbeat despite the noise



Diversification, return potential and income generation drive allocation growth

Alternative credit has become a mainstay of many investors' portfolios. Among those we surveyed, more than three-quarters already have an allocation of 5% or more to the asset class.

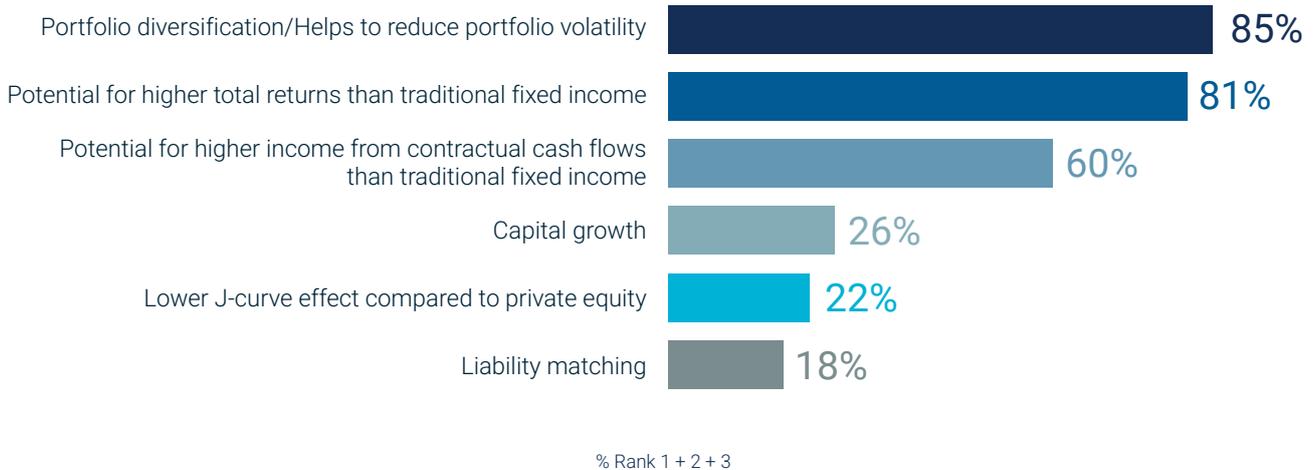
And its role within portfolios is set to increase, as 51% plan to increase their overall allocation to alternative credit over the next 12 months, while just 7% will reduce their allocation.

We also find that investors with larger existing alternative credit allocations are the most likely to be adding to them. For example, 57% of investors that

already have a portfolio allocation of 10% or more intend to increase allocations over the next 12 months. This suggests that existing strategies have proved their worth and investors in alternative credit are 'doubling down'.

The two key reasons cited for maintaining or increasing alternative credit allocations are diversification and the potential for higher returns than traditional fixed income. These drivers are largely consistent across investor types, reflecting a convergence in expectations around the value that alternative credit can deliver for portfolios.

Figure 1: Reasons for maintaining/increasing alternative credit allocation over next 12 months



A deeper look at allocators' allocation plans shows there is demand to invest across the alternative credit universe, though infrastructure debt, asset-based lending and direct lending – where strongest performance is anticipated – will likely attract the greatest share of new allocations.

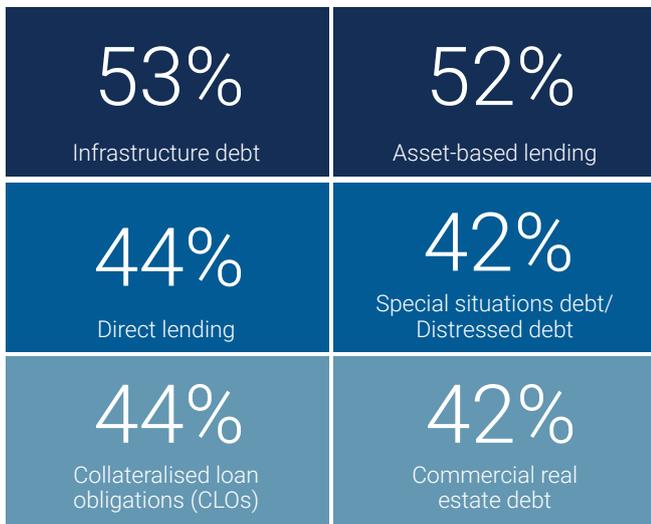
“Asset-based lending is the area where there will be further growth, because there’s still a huge amount of untapped potential,” says a portfolio manager at a single-family office in Denmark.

There’s a lot of potential in working with banks, but also in circumventing banks. Many LPs are full on corporate credit, so there is demand for some diversifiers.

Portfolio manager, single-family office, Denmark

Figure 2: Allocation plans align with investors' performance outlook

Alternative credit segments investors expect to deliver strongest risk-adjusted returns over the next 3 years

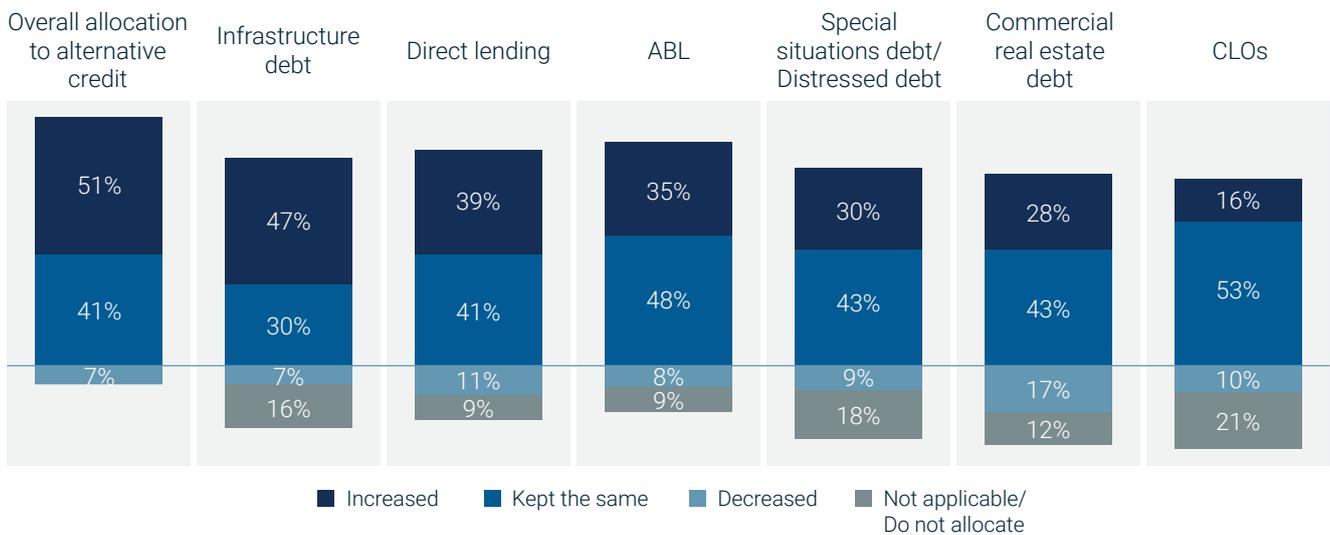


% Multiple answers allowed

Our survey also finds that those investors with more established alternative credit portfolios (an existing allocation of 10% or more) are more likely to be growing allocations within less traditional areas of the market, such as asset-based lending (43%) and distressed debt (39%).

The CIO of a public pension fund in the UK says his fund now allocates across the private credit spectrum to capture the best risk-adjusted returns available. *"We do pretty much everything and are quite opportunistic,"* he says. *"We swing between senior, mezzanine and hybrid capital and across credit segments. There's a rich opportunity set and if you are not in all these spaces, you are missing a trick."*

Planned allocation changes (Next 12 months)



Data may not sum to 100% due to rounding

While an investment consultant in South Korea says LPs in the market are branching out to diversify their risk exposures. *"Direct lending was the main focus for a lot of Korean LPs, but the recent trend is they are moving into asset-based lending or other more niche areas to diversify the underlying assets,"* he says.

In the view of Benefit Street Partners' Co-COO and Head of Distribution, Allison Davi, this reflects the next stage of a journey many investors have been on as

the asset class has matured over the last 15 years. *"Alternative credit was initially viewed as an optional holding or 'nice to have' within portfolios, but it is now regarded as a core holding,"* she says. *"Direct lending has been central to that core allocation for many asset owners – but they are now supplementing that with ABL and other sub-asset classes as the next stage, as they diversify and expand their portfolio."*

US remains top target but demand for geographical diversification rises

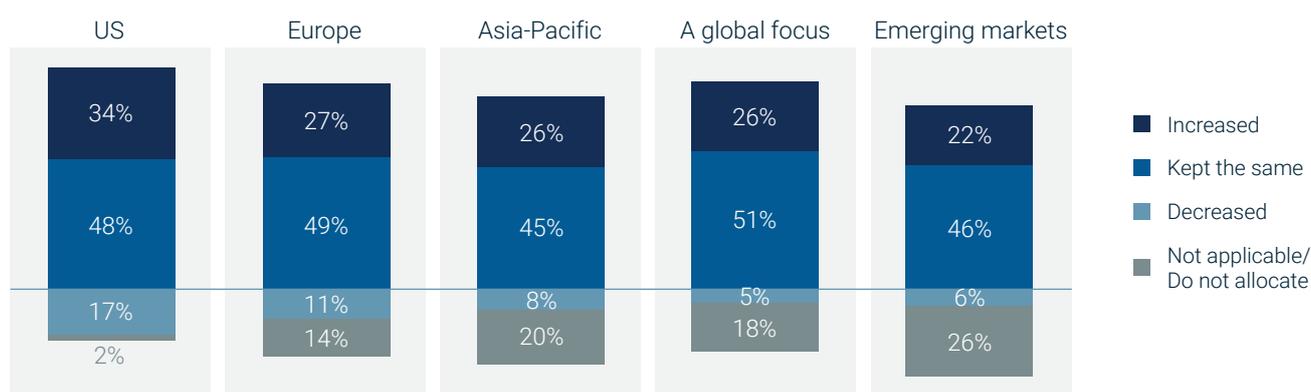
As the US has the world’s largest and most dynamic economy, it is not surprising that it represents by far the biggest market for alternative credit. The Alternative Credit Council, part of the Alternative Investment Management Association (AIMA), estimates that the US accounts for 65% of global private credit assets at the end of 2024². Within this, direct lending makes up approximately 60% of the private credit market, with ABL, infrastructure debt and real estate debt making up much of the remainder of the market.

Given the comparative size of the US direct lending and ABL markets, it is unsurprising that the US has remained a top target for new allocations amongst our global sample over the last 12 months. Over a third (34%) of investors have increased their allocation to US alternative credit in the last 12 months, making it the most popular geographic segment among investors. North American investors (48%) led the way here, followed by APAC investors (37%).

Analyzing investor behavior at a regional level also reveals that European and APAC investors have been diversifying their geographical exposure, suggesting a degree of rebalancing is underway. Indeed, a majority of Europeans have been increasing their home-region allocations, and 34% of Asia-Pacific investors increased their home-region exposure – which is significant in the context of the small size of Asia-Pacific private credit markets.

One factor here is likely the geopolitical uncertainty around the relationship between the US and some of its key trading partners that emerged in 2025. While these concerns may have eased since, they are widely seen as a reason for increased allocations outside the US.

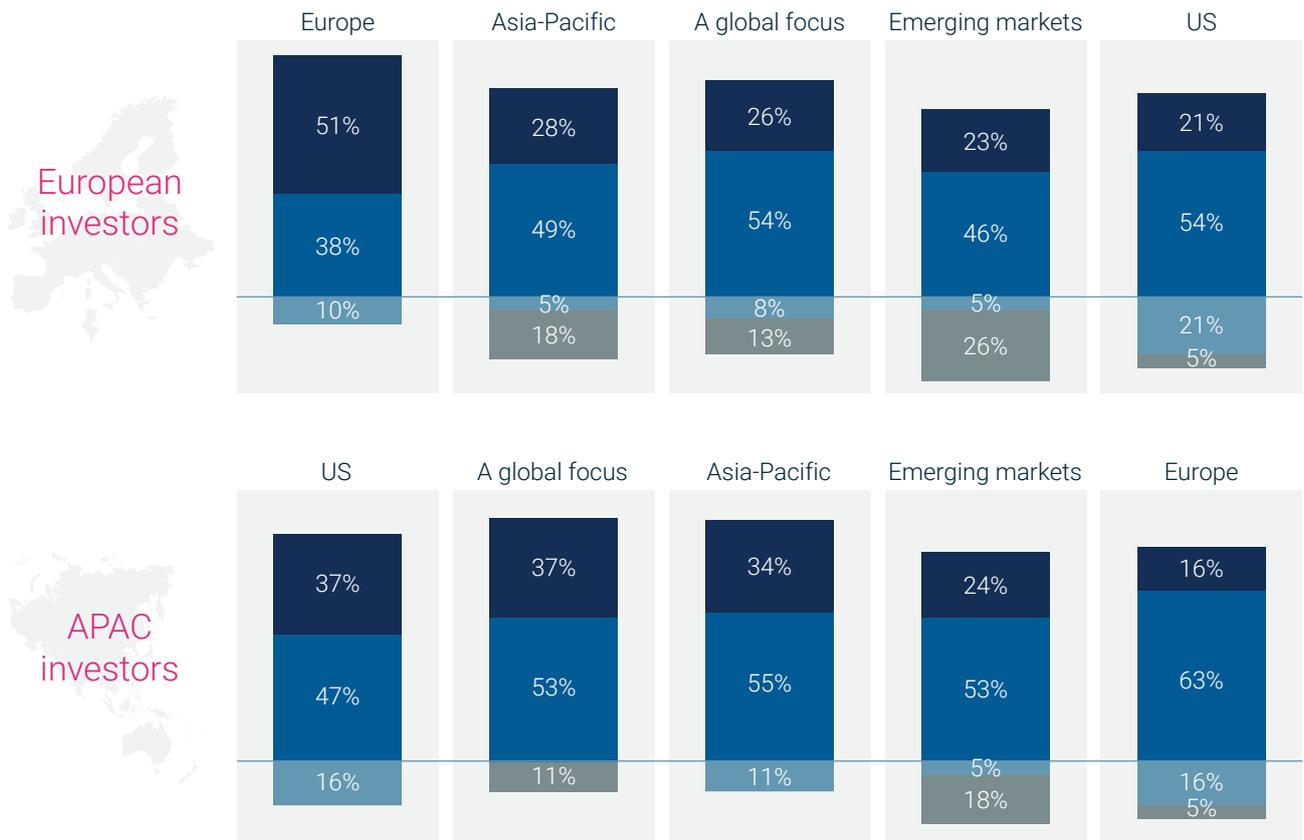
Figure 3: The US remained the top target for regional allocations over the last 12 months



Data may not sum to 100% due to rounding

²Financing the Economy 2025, Alternative Credit Council, AIMA: “Geographically, the US remains the largest market for private credit, accounting for 65% of AUM.”

Figure 4: Differing regional allocation trends of European and Asia-Pacific investors



Data may not sum to 100% due to rounding ■ Increased ■ Kept the same ■ Decreased ■ Not applicable/Do not allocate

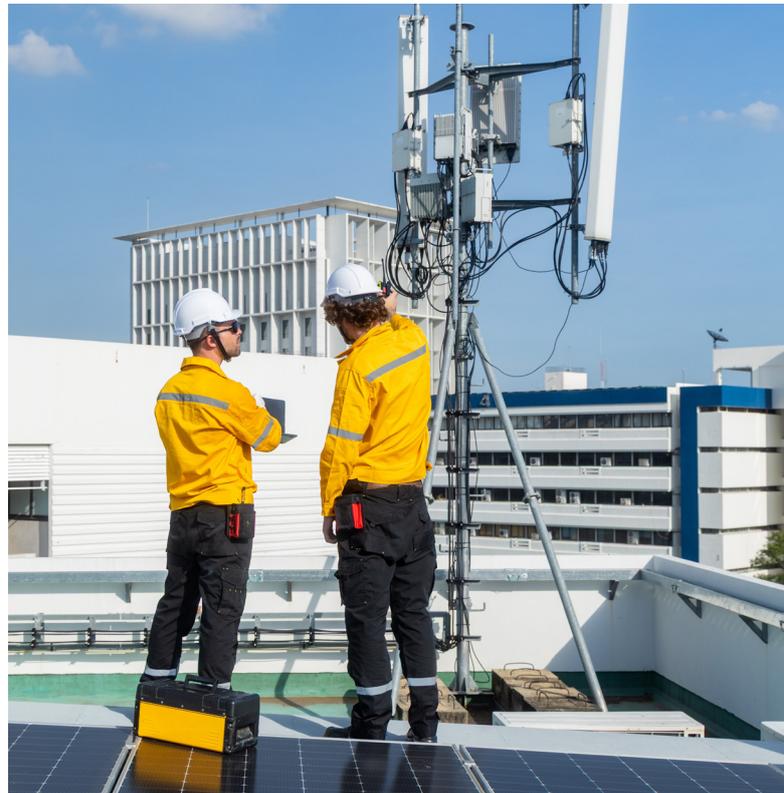
Despite its relatively small size, there are signs that Asia-Pacific investors are keen to find alternative credit investments closer to home, in order to reduce their reliance on the larger alternative credit markets in the US and Europe.

“Korean pension funds’ alternative credit portfolios tend to be concentrated in North America and to a lesser extent Europe. Some are starting to think the US concentration is a bit high, so they are putting more focus on the Asian market,” says a Korean investment consultant.



It’s tough to diversify into Asia as the market is not that big, and it is difficult to find the right GPs with long track records and sufficient fund sizes. But I believe it is the right direction, even though it will take some time.

Investment consultant, South Korea

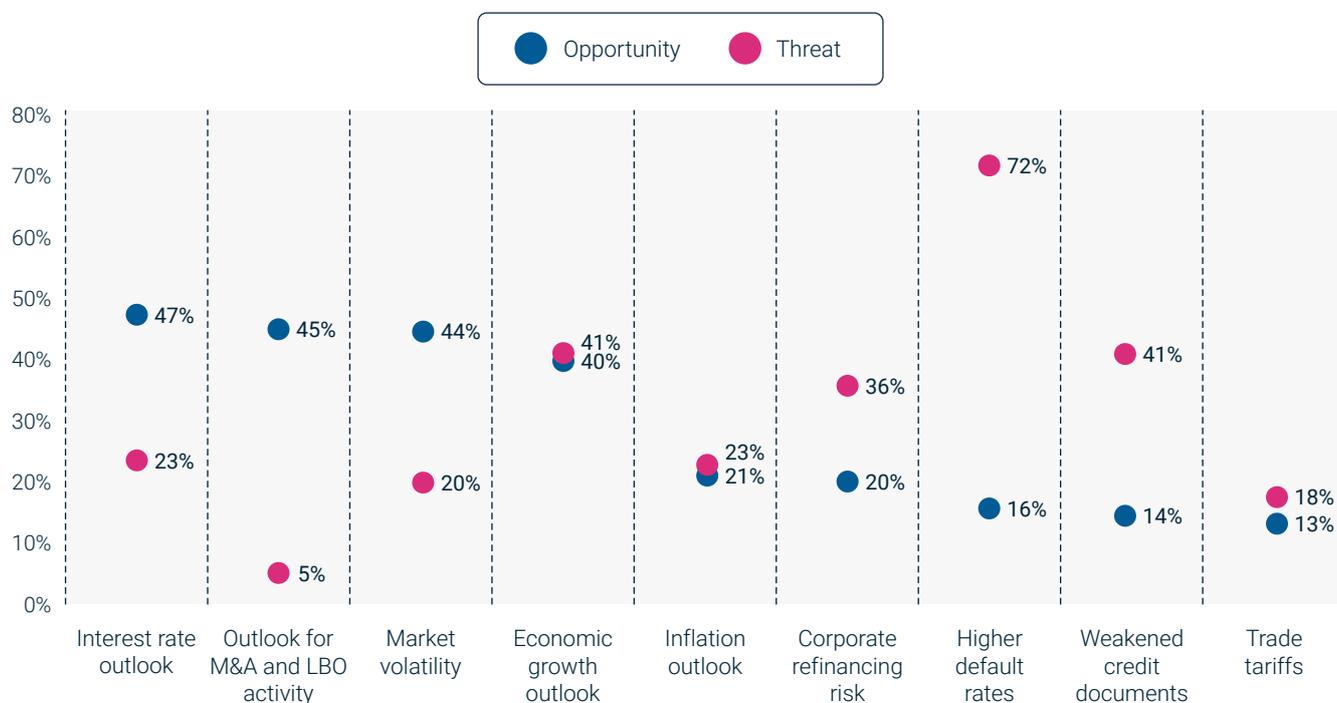


Sentiment remains cautiously upbeat despite the noise

Looking ahead to the next 12 months, investors are cautiously optimistic about the impact of macroeconomic forces on the performance of alternative credit portfolios.

For example, investors are significantly more likely to regard the interest rate outlook as an opportunity rather than a threat. The same applies to the outlook for M&A and LBO activity, suggesting they foresee a scenario in which lower financing costs may boost transaction volumes.

Figure 5: Investor perceptions of opportunities and threats to alternative credit performance (next 12 months)



"I'm quite optimistic across the board. With the mid-terms coming up, I think President Trump's focus will shift from tariffs to deregulation and supply-side policies. You can see some of the deal activity picking up in Q4 and a pickup in credit activity will go hand-in-hand with that," says the CIO of a UK pension fund.

On the flipside, the worst-case scenario would be lower than expected growth, higher than expected inflation, more tariff-related shocks, geopolitical shocks, and then CFOs go back into their cocoons and activity freezes.

Pension fund CIO, UK

The CIO of an Australian superannuation fund says that corporates and private credit markets are robust enough to cope with some turbulence.



In terms of refinancing risk, I think corporates generally are in pretty good shape right now, despite what anyone might say about the state of the market. And I suspect they can cope with higher interest rates for quite a while yet before we get anything serious.

Superannuation fund CIO, Australia

A bigger concern, from his point of view, is an influx of newer asset managers entering the market. *“The problem I see with more inexperienced managers entering the private credit space is that it’s very dependent on the ability to underwrite,”* says the superannuation CIO. *“There are lots of people who think they’re terrific at everything, including credit underwriting, but I have serious doubts that they’re of the same quality as experienced players who have been in the market for a long time.”*

Davi believes this concern is justified. *“It’s always true that when the tide goes out, the less experienced players are revealed. They haven’t lived through a default cycle and don’t have teams focused on workouts; they only prioritize originations and deal flow, rather than high-quality underwriting. When market defaults do spike, you tend to see performance dispersion,”* she says.

Against this backdrop, the investors in our survey emphasized manager specialization, above all else, as the key determinant of performance outcomes.

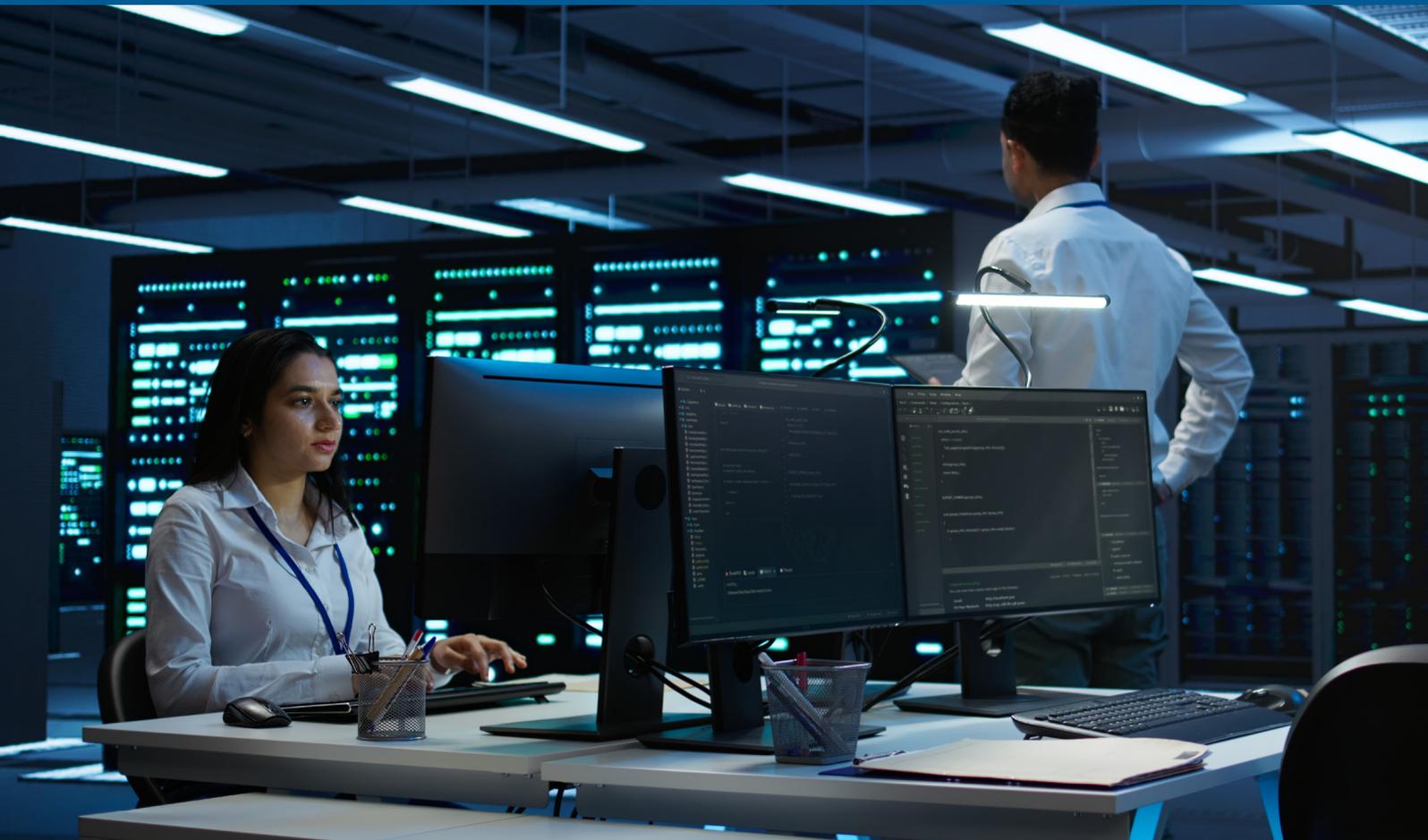
Figure 6: Manager specialization is viewed as the key attribute for generating outperformance



% Important
(Extremely important + High importance)

2 Portfolio construction evolves

- Moving beyond core holdings
- Investors embrace a wider range of investment vehicles
- Public and private credit convergence is underway but faces hurdles



Moving beyond core holdings

While direct lending continues to make up the biggest share of the market,¹ today's alternative credit universe is increasingly diverse, as fund sponsors continue to develop new strategies to fill gaps left by traditional bank lenders.

This innovation has led to dramatic growth in segments such as asset-based lending in recent years, creating opportunities for allocators to diversify the underlying exposures within their alternative credit portfolios.

As these non-core segments of the market grow, and investors expand their overall alternative credit allocations, there are clear implications for portfolio construction.

When investors were asked about the structure of alternative credit allocations today, and their projections for this in five years' time, many foresee a shift from holdings being consolidated within a few core sub-asset classes, to either 'core-satellite' models or to highly diversified portfolios that have more balanced allocations across the full spectrum of the alternative credit universe.

The CIO of a UK public pension fund that has been investing in the asset class for many years, says they have been on a similar journey and now view a flexible allocation model as one of the best ways to exploit opportunities.

"Over time we've moved from infrastructure to real estate and then into corporate lending. And then to specialty finance, ABL, CRT [credit risk transfer], litigation financing, trade receivables – all of that followed the corporate lending piece," he says. "We mainly use separately managed accounts and we don't lock the sub-categories on day one, we give a lot of leeway to our managers to react depending upon where the opportunity set is. I think that has been the key to extracting the highest risk-adjusted returns."

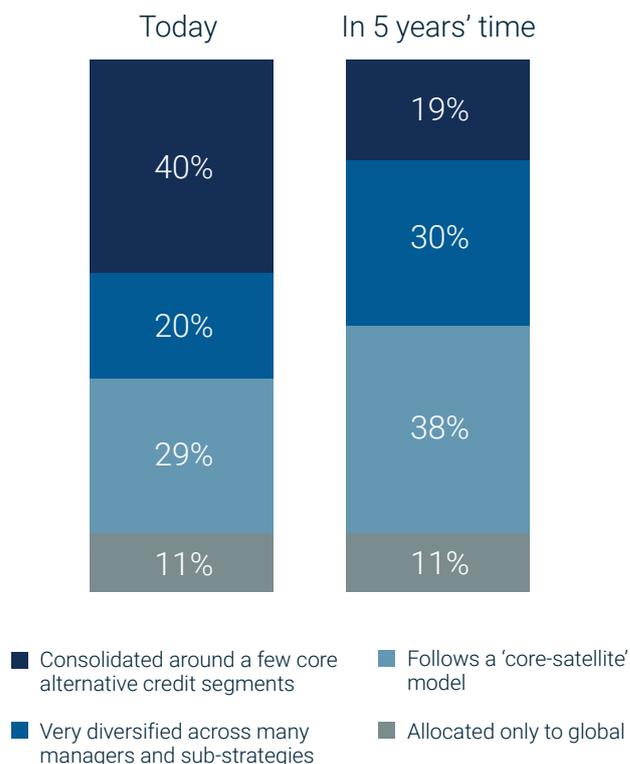
While a Korean investment consultant says LPs in the country are focused on non-core segments to diversify some of their corporate exposure. *"Direct lending was the main focus for a lot of Korean LPs, but the recent trend is they are moving into asset-based lending or other more niche areas to diversify the underlying assets,"* he says.

Another investor, a portfolio manager at a Danish single-family office, says his organization has a triple-layered approach to portfolio construction, starting with 50% allocation to senior debt in corporate lending.

Then we have what we call 'flexible capital', which is around 30% of the portfolio and could be ABL or more stretched seniors – that uses a bit more leverage and is more opportunistic, the remaining 20% aims for higher returns, with more junior and illiquid strategies. That's where we put CLO equity retention vehicles, for example.

Portfolio manager, single-family office, Denmark

Figure 7: Construction of alternative credit portfolios (Today vs Five years' time)



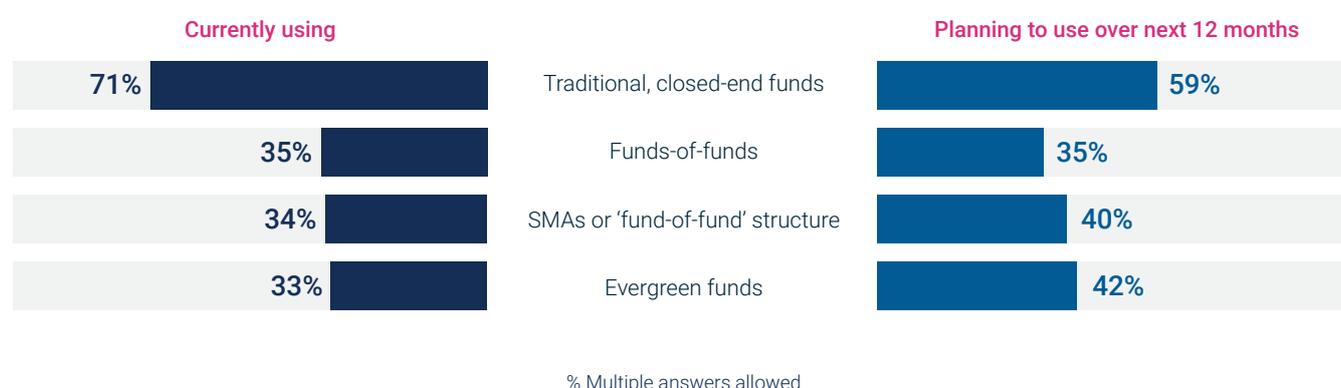
Data may not sum to 100% due to rounding

¹ Evolution of Direct Lending, Morgan Stanley Investment Management (<https://www.morganstanley.com/im/en-us/individual-investor/insights/articles/evolution-of-direct-lending.html>)

Investors embrace a wider range of investment vehicles

Just as portfolio construction for alternative credit is evolving, so is the use of different investment vehicles. Our survey results indicate that the dominance of traditional closed-ended funds may decline to some extent, as evergreen structures and SMAs rise in popularity.

Figure 8: Vehicles used for alternative credit allocations (Today vs Next 12 months)



"We increasingly prefer evergreen structures," says an Australian superannuation fund CIO.

“My experience with closed-end funds is they don't actually close, they either extend, or you get a forced redemption process, and we're forced to accept a deal we don't really like. That doesn't happen so much with open-end funds, they just keep going. The counter to that is, what do you do for liquidity? But liquidity is an issue whether it's open or closed end.

Superannuation fund CIO, Australia

From the perspective of an alternative credit manager, Davi says that while she expects traditional, closed-end funds to remain the vehicle of choice for many, increased adoption of semi-liquid, evergreen fund structures is a logical step. *"The asset class emerged mostly from private equity, not fixed income, which is why you started off with locked-up fund structures that mimic private equity. But the lives of funds have shortened, because you don't need ten years for a private debt fund,"* she says.

She adds: *"There are LPs who see the benefits of evergreen vehicles. Often, they want to remain invested or adjust their exposure to a manager over time. And the way leverage facilities work, it can be more beneficial to be in an evergreen fund."*

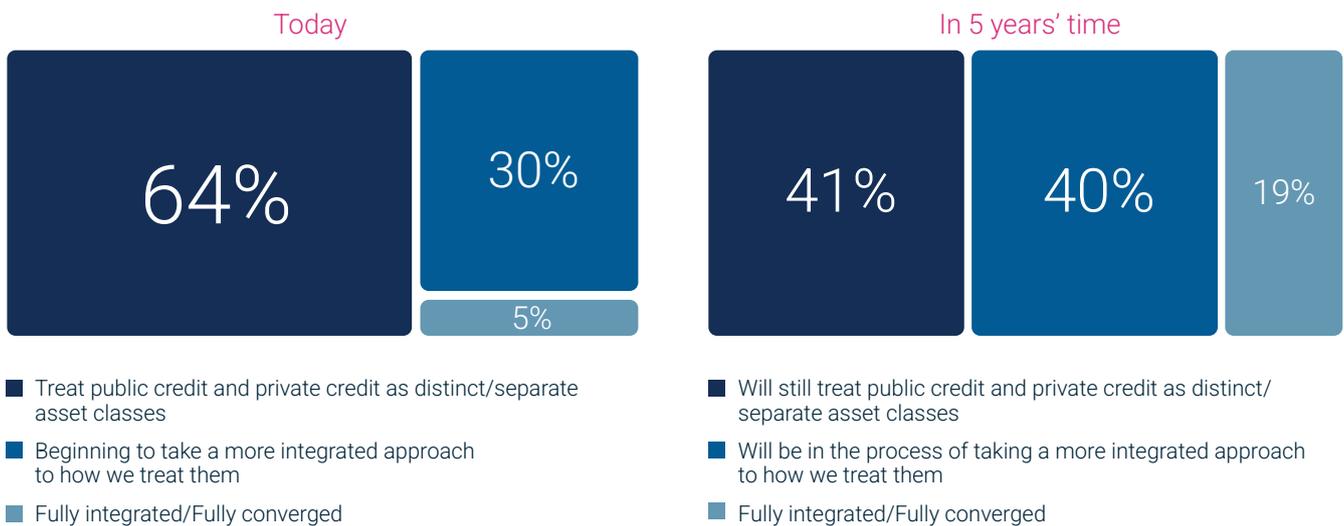
And a Danish single-family office portfolio manager says his fund used evergreen structures for its allocation to senior direct lending for similar reasons. *"You stay close to 100% committed all the time. That's nice because you make the bulk of your return from clipping the coupon. Not being 100% allocated means quite a large cash drag that we want to avoid,"* he says.

Public and private credit convergence is underway but faces hurdles

As private credit increases in size and importance as an asset class, there is increasing debate about whether this will lead to greater convergence between private and public credit markets, as the two start to overlap, leading to a more integrated fixed income landscape.

Among our survey respondents, we find that over the next five years, an increasingly large proportion say they will shift from treating the two asset classes separately to taking a more integrated approach. However, less than a fifth say they will move to a 'fully integrated approach' that involves integrating all credit teams, risk frameworks and governance processes.

Figure 9: Investors to take a more integrated approach to public and private credit



Data may not sum to 100% due to rounding

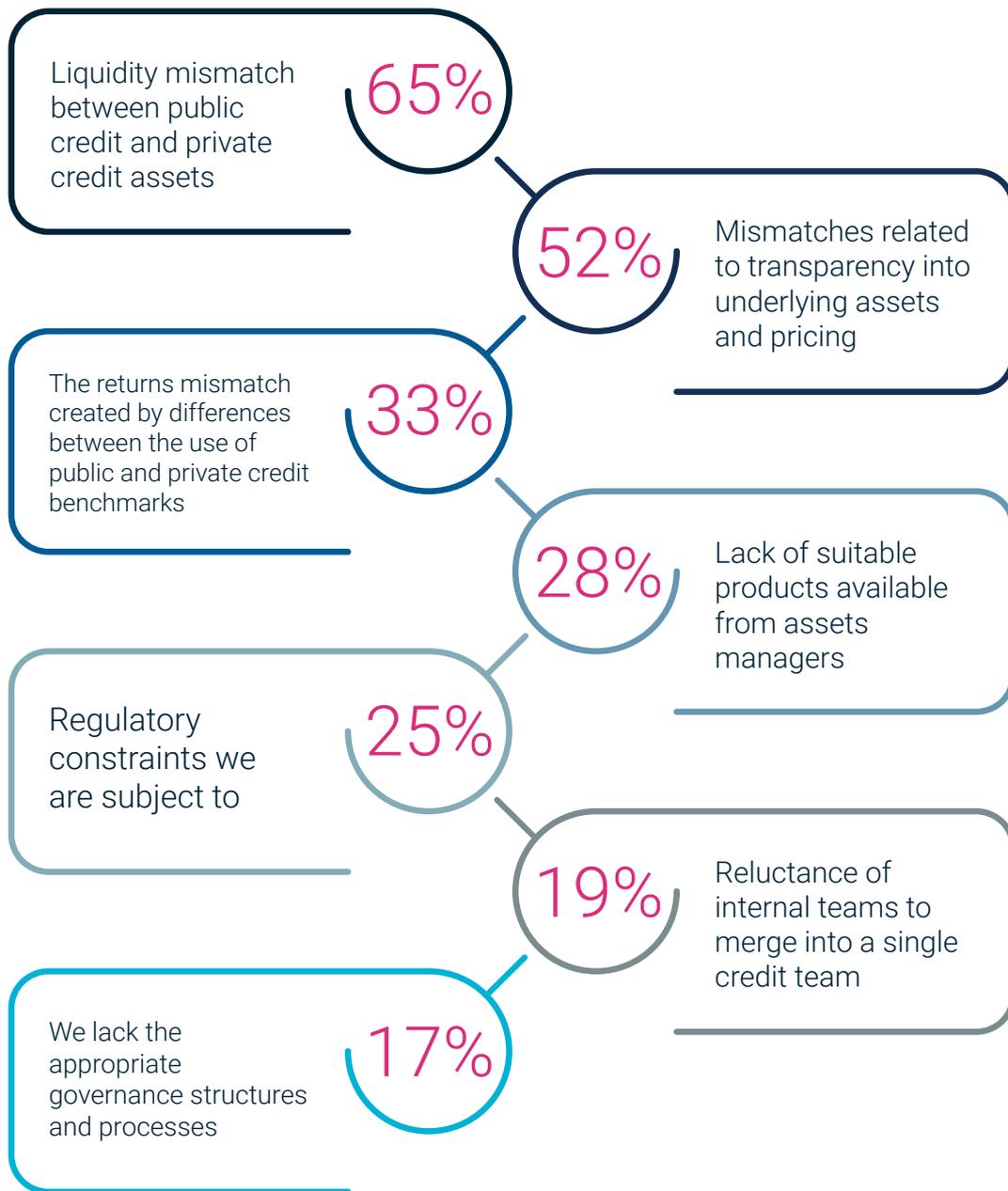
This is a striking finding and one interpretation of it is that while many investors accept the conceptual argument for convergence, the results also show they are aware of practical issues that may hinder it.

A Danish single-family office portfolio manager says in practice, convergence will make more sense in some sub-asset classes than others.

For most of the investors we surveyed, the biggest overall barrier to building an integrated public and private credit allocation is the liquidity mismatch.

“
 We can see that there is increasing convergence between upper-mid direct lending and broadly syndicated loans. We currently try to separate them, but will remain laser-focused on what structures are appropriate. I think we will need to see larger clubs of lenders and more centralized trading if we're going to have a more integrated approach and that is still a fair way off in Europe at least.
 Portfolio manager, single-family office, Denmark

Figure 10: Perceived barriers to unifying management of public and private credit portfolios



"In terms of credit risk management, you shouldn't separate private and public credit. But in terms of liquidity management, it still makes sense to keep private and public assets separate," says the CIO of a US insurance company.

"I know there are some developments in secondary trading of private debt, but it's still emerging, so I don't know how much faith I will have in being able to raise liquidity, especially during market stress."

Insurance company CIO, USA

3

Barriers to further adoption and demand for education

- Transparency into valuations is a limiting factor
- Specialist managers favored for information and education



Transparency into valuations is a limiting factor

While alternative credit has become an established part of many institutional investors' portfolios, some are still in the early stages of growing their allocations – and are facing barriers and knowledge gaps.

The biggest barriers cited by investors in our survey are the perception of limited transparency around alternative credit valuations and managing overall portfolio liquidity.

The issue of transparency over valuations can be compounded by regulatory requirements on some institutional investors, such as pension funds or insurance companies. *“The regulator is pushing for quarterly independent valuations of all the assets and that’s hard for us to manage, because we don’t have visibility of all the underlying securities in a pool, and we don’t have the resources to check the valuation of each one,”* says the CIO of an Australian superannuation fund.

Figure 11: Transparency and liquidity are the biggest barriers to increasing allocations

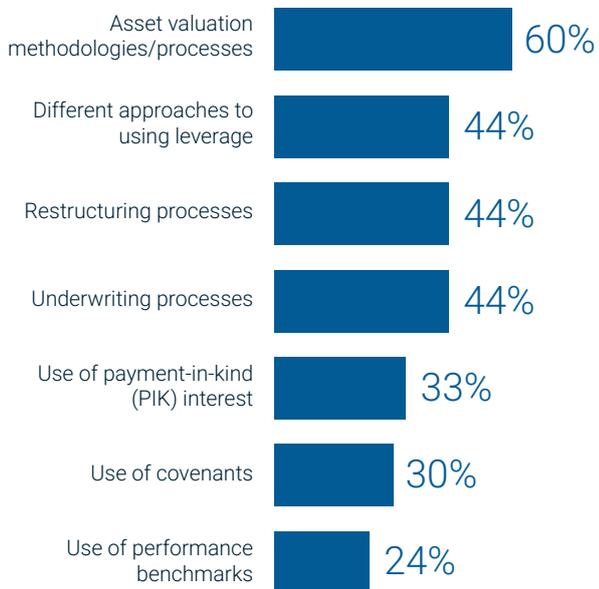


However, Davi believes the transparency issue need not be a perceived concern, particularly in relation to large GPs that now have robust and granular reporting requirements. *“The amount of data that is asked for now, for underwriting in the private debt space, is copious, with a great deal of data for each underlying investment and requirements to publish every underlying loan on a quarterly basis,”* she says. *“So, it’s really all about alignment of interests with the LP. Good managers work hard to ensure LPs receive the information and detail they need - and most use third parties for valuations. That open and service-based approach ensures a closer relationship and better outcomes”.*

Part of the issue may also relate to investors’ understanding of how different valuation methodologies are applied. When asked about which parts of alternative credit managers’ processes and practices they would like to gain a better understanding of, 60% of respondents cited processes and methodologies for asset valuation, rising to 66% among those investors with the lowest alternative credit allocations who are likely less familiar with the asset class overall.



Figure 12: Aspects of managers' processes investors want to better understand



Investors are also curious to learn more about different approaches to leverage, restructuring processes and underwriting processes ahead of the use of payment-in-kind (PIK) interest and the use of covenants.

A Korean investment consultant says PIK and covenant-lite loans can add value if deployed by GPs with the right level of experience and skill.



Covenant-lite structures can be speedy. If a GP is confident about financing company A, then by speeding this up with the use of covenant-lite structures, they can increase their return. It depends on GPs and how they manage it to take advantage.

PIK can also be a positive, if it is used by a GP to generate more upside potential, but they need to have very strong conviction on a debtor's credit position.

Investment consultant, South Korea

Specialist managers favored for information and education

Figure 13: Sources used for information about alternative credit



For information and education on alternative credit, the most widely used source of information and education is specialist asset managers.

This is comfortably ahead of other sources, such as in-house specialists, global financial institutions, financial education and not-for-profit bodies or investment consultants.

These results reflect the importance placed on manager experience and expertise in alternative credit. It is also interesting to note the relatively high results for in-house specialists, showing that many investors have now recruited their own alternative credit expertise – particularly larger investors.

Concluding remarks

In a relatively short space of time, alternative credit has become an integral part of many investors' investment portfolios – and they are still building out their allocations.

As the survey shows, most have less than 10% of their total portfolio allocated to alternative credit today, with direct lending a dominant component of this.

While infrastructure debt and direct lending are most likely to see increased allocations in the next 12 months, investors are also looking to allocate to other alternative credit segments, to take opportunities in areas such as asset-based lending and to diversify their allocations. And as we can see in the data, investors are looking to diversify on a regional basis, particularly as many portfolios are dominated by US assets.

While the alternative credit markets in Europe and Asia lag behind the US, the European market, in particular, is of growing interest to investors wanting better geographical diversification.

Another takeaway is that alternative credit portfolios will evolve from being consolidated around a few core segments to wider diversification across a range of managers and sub-strategies, or barbell and core-satellite models. And there are clear signs of a move towards evergreen investment vehicles and alternatives to the traditional closed-end funds, although the latter will continue to have an important role to play, given the illiquid nature of the asset class.

The convergence of public and private credit is an ongoing story in the fixed income world over the next few years. While it makes sense on a conceptual level, investors also feel that issues such as liquidity mismatches could slow full integration of portfolios. Nevertheless, factors such as the growth of the private credit market, product innovation and perhaps developments such as greater retail investment in private assets, will promote the convergence process.

Overall, these findings provide plenty of food for thought for those interested in alternative credit. They indicate that investors are keen to exploit new opportunities across geographies and segments as the asset class continues its rapid development. However, potential barriers and gaps in knowledge remain, where support from GPs will be needed as asset owners increase the size and sophistication of alternative credit portfolios.

Disclaimer

This material is provided for informational purposes only and is intended to be of general interest. It should not be construed as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy. Nothing herein constitutes legal or tax advice. The views expressed are those of the investment manager as of the publication date and the comments, opinions and analyses are rendered as at publication date and may change without notice. The information provided in this material is not intended as a complete analysis of every material fact regarding any country, region, market or investment product or strategy.

Prospective investors should consult a legal, tax or financial professional in order to determine whether any investment product, strategy or service is appropriate for their particular circumstances.

Survey results referenced herein are based on responses from institutional investors and reflect respondent views and expectations. They may not be representative of the broader investor base and should not be relied upon as indicative of future market conditions.

This Report is proprietary and not to be reproduced or redistributed in whole or in part without the prior written consent of BSP Group. All views, opinions and estimates in this Report constitute the best judgment of BSP Group as of the date hereof, but are subject to change without notice, and do not necessarily represent the views of BSP Group. The information in this Report may contain projections or other forward-looking statements regarding future events, targets or expectations regarding the strategies described herein (including those introduced by the terms “may,” “target,” “expect,” “believe,” “will,” “should” or similar terms). Forward-looking statements are inherently uncertain and there can be no assurance that such events or targets will be achieved. Actual outcomes may differ materially.

There is no assurance that such events or targets will be achieved and may be significantly different from that shown here. The information in this Report including statements concerning financial market trends, is based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons.

Certain information contained herein is based on outside sources believed to be reliable, but its accuracy is not guaranteed.

The information in this Report is only as current as the date indicated and may be superseded by subsequent market events or for other reasons. Investors should independently investigate any investment strategy or manager, and consult with qualified investment, legal, and tax professionals before making an investment.

This is a Report and is not intended as investment advice. The information provided within is for use by professional investors and/or distributors and should not be relied upon by retail investors.

Franklin Templeton fully owns The BSP Group, which is comprised of the following affiliated companies: Benefit Street Partners Limited (“BSP Ltd”), BSP NY LLC and Benefit Street Partners LLC (“BSP LLC”). Assets under management include assets of all companies. BSP NY LLC & BSP LLC are registered with the U.S. Securities & Exchange Commission under the Investment Advisers Act of 1940. BSP Ltd. is registered with the U.S. Securities & Exchange Commission under the Investment Advisers Act of 1940 with respect to its US clients.

BSP Ltd is authorized and regulated by the Financial Conduct Authority – Registration number 196845 - and regulated by the Securities Exchange Commission with respect to its US clients – Registration number 801-74223. Registered office for BSP Ltd is 78 Cannon Street London, EC4N 6HL, UK. BSP NY LLC & BSP LLC are regulated by the Securities Exchange Commission – Registration numbers are 801-62417 & 801-72843. Registered office for BSP NY LLC & BSP LLC is One Madison Avenue, Suite 1600, New York, NY10010, USA.

Contact Us

Investors Relations

For investor inquiries, please contact:

ir@bspcredit.com

Media Inquiries

For media inquiries, please contact:

media@bspcredit.com

General Inquiries

For general inquiries, please contact:

inquiries@bspcredit.com

Our Locations

New York

One Madison Avenue
Suite 1600
New York
NY 10010
USA

Boston

100 Federal Street
22nd Floor
Boston
MA 02110
USA

West Palm Beach

360 South Rosemary Avenue
Suite 1510
West Palm Beach
FL 33401
USA

London

Cannon Place
78 Cannon Street
London
EC4N 6HL
UK