



Not all private credit is created equal



Private credit has moved rapidly from being an asset class in the ascendancy to one under intense scrutiny, but treating it as a single, homogeneous risk bucket is a mistake, according to Gravis.

London, 8 June 2026 – Goldman Sachs recently estimated the private credit market at around \$3 trillion today, with forecasts suggesting it could reach approximately \$4.5 trillion by 2030. At the same time, headlines have highlighted gated semi-liquid funds, a handful of high-profile corporate failures and concerns over non-bank underwriting standards, raising questions about the resilience of the asset class.

Philip Kent, CEO at Gravis, said: “Recent events have understandably unsettled investors, particularly where open-ended vehicles have promised more liquidity than their assets can deliver. But that doesn’t mean private credit has failed as an asset class. It means three fundamentals matter more than ever: knowing exactly which part of private credit you own, recognising the structural protections debt offers versus equity, and making sure fund liquidity is genuinely aligned with the underlying assets.”

Understanding what sits beneath

“Risk in private credit ultimately comes down to what you are lending against: the loans, the borrowers and the collateral,” Kent continued. “Direct lending to operating

companies, real estate debt and infrastructure debt all behave very differently through the cycle, and they should not be lumped together.”

While a small number of recent high-profile cases have pointed to fraud as a driver of distress and low recoveries, Kent warns against broad-brush conclusions. “Fraud is, by definition, designed to evade underwriting processes, and both bank and non-bank lenders have been caught out,” he said. “That does not equate to a systemic failure of private credit as a financing channel.”

Matching fund and asset liquidity

A central lesson from recent gating events is the importance of aligning fund-level liquidity with the liquidity of the underlying assets. “Private credit is inherently illiquid,” said Kent. “Loans are often bespoke, with complex documentation and limited secondary markets.”

Semi-liquid funds have typically gated because redemption requests exceeded available cash and liquid assets, forcing managers to protect remaining investors. The risk is that, in such structures, fund-level liquidity demands can drive fire-sale disposals of fundamentally sound loans,





crystallising losses that do not reflect underlying credit impairment.

“In our view, semi-liquid structures are better suited to institutional investors who redeem less frequently and understand that liquidity is an option,” Kent said. “As retail allocations into these vehicles have grown, so has the potential for a damaging liquidity mismatch.”

Kent argues that closed-ended structures are inherently better aligned with the illiquid nature of most private credit assets. “In these vehicles, investors can buy and sell shares on the stock market without affecting the pool of capital available to the manager.”

Raising the bar on disclosure and transparency

Looking ahead, Kent believes the industry must do more to improve both understanding and perception of private credit among asset allocators, regulators and end-investors. “Better disclosure is essential,” he said. “Investors need clear, consistent information on the underlying companies or assets. Private market valuations should be frequent, transparent and subject to robust independent oversight, so stakeholders can have confidence that reported numbers reflect underlying reality.”

Kent highlighted the role of enhanced reporting and portfolio-monitoring tools, such as Gravis’s proprietary Carapace system, in driving that transparency. “Tools like Carapace can help investors see the detail that sits beneath their allocations,” he said. “That level of insight is becoming a minimum expectation, not a nice-to-have.”

A selective, structural approach

Kent concluded: “Private credit is not going away; if anything, it is becoming an increasingly important part of how real-world assets and businesses are financed. The challenge for allocators is to be highly selective, to insist on strong structural protections, and to ensure that fund liquidity and asset liquidity are properly matched. Done in that way, we believe private credit can continue to offer a resilient, defensive diversifier in portfolios.”

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