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New frontiers in private credit: opportunity through specialisation

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Introduction: A timely conversation

In late October 2025, Ocorian hosted a high-level roundtable at the House of Lords to explore the opportunities and challenges shaping private credit. We brought together leading voices from across the private credit ecosystem to discuss the most pressing issues facing this rapidly evolving market.

The timing was apt. The collapse of US-based auto lenders First Brands and Tricolor, both financed through private debt, had drawn renewed attention to non-bank lending. Their failures raised questions about contagion and risk, even if their circumstances were unique.

Meanwhile, the global economy remains unsettled. Geopolitical tensions and elevated tariff rhetoric have continued to shape risk perception. While many of April's "Liberation Day" levies have since been superseded by trade deals, average US import tariff rates are still higher than they have been since the 1930s.

Against this background, or despite it, private credit has remained buoyant, and our roundtable participants were generally optimistic. To some extent, their views mirrored **Ocorian's Annual Private Credit Survey**, published earlier this year, which found strong momentum in the sector despite Washington's unorthodox approach. In March, 95% of our respondents expected growth, and confidence had only dipped slightly when we quizzed them again after the US tariff policy changes.

Scan to download **Ocorian's Global Asset Monitor – US**

Scan to download **Ocorian's Annual Private Credit Survey Report**

Our annual Global Asset Monitor supports this view. Our modelling shows that private credit assets under management have grown by 7.7% through September 2025, reaching a record $1.36 trillion.

So has the optimism of early spring endured, despite six months of tariff threats, retaliations and climb downs? Have continuing political and military tensions in Ukraine and the Middle East dampened enthusiasm for deal-making in private credit? And what impact might the First Brands and Tricolor failures have? This was the political and economic backdrop when setting the agenda for the roundtable.

The debate was lively and thought-provoking. We covered the industry's growth potential as 2025 draws to a close, the evolving appetite for risk in private credit and strategies for risk management. We also discussed the growing regulatory burden and the impact of compliance challenges on market dynamics and operations.

We'd like to thank everyone who took part in the roundtable. This was a valuable discussion at a crucial moment for non-bank lending. We will summarise key points and conclusions in the rest of this report.

CHAPTER 1

Market growth and optimism

Key takeaways

- Most private credit participants are optimistic about growth prospects into 2026.
- A few mega managers dominate the top of the market, so positioning is key.
- A focus on esoteric deals, cultivating strong relationships, and dedicating significant time to thorough deal due diligence are routes to growth for smaller managers and they have a good story to tell.
- New opportunities may emerge as banks and private equity houses retreat from certain segments or ask too much of mid-market business owners.

Our Annual Private Credit Survey was published in early spring. Liberation Day was an unwelcome backdrop, but faith in the potential of private credit remained intact. While uncertainty and risk aversion had risen after April's slew of US policy announcements, industry professionals remained confident about strong demand from borrowers and lenders in the medium term.

Six months later, our roundtable shared that optimism.

David Levenson of Salica Investments anticipated growth in the private credit market for the next 20 years due to the continuing retreat of banks from mid-market lending and growing interest from new investor groups.

"It's a paradigm shift in the credit market," he said. "Private credit is taking market shares from banks, it's taking market shares from the high-yield bond market, and I think it will take market shares in the investment-grade credit market, too. So, I'm very optimistic about growth, but portfolio positioning to capture superior risk/return requires caution and a skilful approach."

Differentiation in private credit

Market positioning was a recurring theme, perhaps inevitably given the level of concentration at the top of the market. Pitchbook estimates that the top 10 GPs will manage 33% of all capital raised by the private credit industry in 2025, compared with 26.6% in 2021[1].

In this context, emerging players have to work hard to be heard above the noise. For intermediaries, that means helping clients define and communicate what sets them apart. Smaller, more tailored deals built on specialist knowledge attract borrowers, and investors are happy to diversify portfolios into more esoteric spaces when rewards are good and risks tightly controlled.

Emerging lender Growth Credit Partners has found its niche in structured lending strategies targeting European mid-size tech companies that have outgrown venture capital. The firm's Partner, Chief Operating Officer & General Counsel, Charlotte Henderson told the roundtable that deals are based on tight covenants and strong relationships, and that flexibility and focus are key to investor appeal.

"Investors are interested in the story of what we're doing, the track record of the CIO and the team, and the fact that the way we structure deals is quite different."

> "Private credit is taking market shares from banks, it's taking market shares from the high-yield bond market and I think it will take market shares in the investment-grade credit market, too"

1 Pitchbook, January 2025, How 10 private credit firms came to manage a third of the industry's capital – PitchBook

Where private credit can expand

In our most recent Global Asset Monitor – US edition, Scott Warner of US-based manager Ghost Tree Partners noted that concentration at the top of the market has left gaps for specialists to capture better risk-adjusted returns.

Our roundtable participants agreed that increasingly, private credit is finding value in areas where other non-bank lenders are stepping away. For example, Warren Brockway of Westbrooke Alternative Asset Management noted that banks and private equity had significantly retreated from the space in which his firm operates. That created opportunity, though he also saw risk in the aggressive behaviour of many direct lenders. "Some of them are running at these opportunities too hard and potentially too recklessly, with looser terms and fewer downside protections," he added.

Tom Wakeman of Soho Square Capital, another emerging player, thought that many business owners still instinctively look for a private equity partner, but depressed valuations mean they often feel pressured to give away too much too cheaply. That could open another door for private credit, he said.

On the investor side, Soho Square Capital's differentiated strategy, based on a hybrid of equity and debt, is seeing a lot of interest from US LPs in particular. "The majority of capital raised for UK and European private credit has flowed into mega-funds, with a focus on larger, sponsor backed deals," Tom said. "In contrast, the mid-market remains underserved, especially for non-sponsored businesses, where deals can be originated with strong downside protection and tighter covenants, while delivering attractive risk-adjusted returns. This is an opportunity drawing attention from investors."

Overall, our roundtable discussion mirrored the sentiment in Ocorian's Annual Private Credit Survey. Respondents to our poll had seen deal size rise by 8.5% over the previous 18 months. They anticipated that the best future growth prospects would be in specialist areas such as distressed debt and project financing. Technology, property and energy were considered the most promising sectors.

Our discussion revealed an industry that remains optimistic about growth in 2025 and 2026 but believes low-hanging fruit may be harder to find. Adept positioning will be crucial to continuing success.

Risk appetite and default dynamics

Key takeaways

- Defaults remain low for now, but there is growing investor focus on prudent underwriting and default recovery processes.
- LPs want to see diverse strategies and are wary of an over-reliance on direct lending.
- Operating models are under the microscope. Data-driven portfolio management and a local presence in target regions are increasingly important.

Our Annual Private Credit Survey found increased risk aversion after the trade and tariff upheavals of early spring. But many of our respondents felt risk aversion had also increased over the previous year, with 47% saying that terms increasingly favoured lenders – compared with 30% who thought borrowers were getting better deals.

Again, our roundtable discussion broadly reflected this finding. For example, one participant agreed that, while defaults remain low, investors should be focused on ultimate recovery rates.

There appears to be a heightened sense of caution among LPs regarding the types of mid-market businesses that direct lenders typically support, as evidenced by the increased emphasis on recovery processes and prudent underwriting. The collapse of First Brands and Tricolor will only add to that concern.

Increasing investor scrutiny

The main takeaway for managers and intermediaries is that oversight and scrutiny from investors are on the rise. For instance, there is increasing attention from limited partners on how underwriting and risk scoring are conducted, with a strong focus on comparing initial risk assessments with actual outcomes. As a result, significant effort is dedicated to assisting investors in interpreting and understanding the underlying data.

Benjamin Lamping of Reframe Capital, a firm that advises managers on their go-to-market strategy and alignment with institutional investor priorities, agreed that LPs are increasingly focused on workout capabilities and resources; as they look beyond the top ten GPs, they want to know how effectively managers handle defaults. If the edginess of investor due diligence teams is any kind of bellwether, the industry is expecting default levels to rise – a trend that advisors and intermediaries need to help their clients prepare for.

Diversification and resilience in private credit

Investors are looking at the deals GPs have turned down as well as the deals they've made. They want to see diversification across regions and credit types. Esoteric credit, real estate, infrastructure and other asset-backed opportunities are increasingly favoured, while direct lending is seen as a risk.

"We see both the large, well-known credit fund sponsors and the sponsors with more esoteric credit strategies doing well," said Edward Prestwich of Kirkland & Ellis. "Where there's an esoteric strategy with a good story to tell, even in a market where fundraising is challenging, sponsors can be very successful. It's the sponsors in the middle that are struggling a bit with fundraising."

> "Investors are very interested in how we thought a deal or portfolio would turn out when we did our risk score, versus how it actually did turn out"

Carefully considered strategies are one side of the risk management coin. Effective operations are the other. "Areas like data integrity and implementing an analytical approach to monitoring portfolios are something managers have traditionally found challenging," Benjamin said. "But they are coming under heavy scrutiny from LPs. When LP scrutiny becomes tighter, your operational model becomes key."

Technology and geography

The evidence indicates that, while defaults remain low, investors are growing wary. They are digging into the details, putting the onus on managers to implement more sophisticated data management and processing systems. Against that background, opportunities for managers lie in diversified strategies, skilful underwriting and a keen attention to operational detail – all areas where strong intermediary guidance can prove invaluable.

Teddy Sasada suggested that local knowledge is a significant factor in his firm's favour. "Underwriting, documentation and enforcement vary from geography to geography," he said. "Having a presence in all the locations we operate in really helps us from both an underwriting and deal-sourcing perspective."

CHAPTER 3

Regulation and compliance

Key takeaways

The regulatory burden is growing, with small managers feeling particularly squeezed by compliance requirements.

Europe is leading the way in private credit regulation, with AIFMD 2.0 aimed squarely at the industry.

While regulation can be challenging, it can also open up opportunities and create a more stable environment.

The industry needs to work with regulators to help shape regulation in a more positive way.

Respondents to our Annual Private Credit Survey ranked "regulatory restrictions, regulatory changes and KYC/AML" as the top operational or market challenge that direct lenders face today. Staying compliant came ahead of even "access to high-quality deal flow" and "limited investor appetite" in our findings.

The situation isn't likely to get easier anytime soon. Our survey also found that the majority of industry professionals expect tighter rules and more stringent regulator scrutiny in the near future.

What will that mean at the coalface? Our roundtable expressed concern that smaller players get squeezed by excessive regulation, leading to even greater market consolidation around a few very large managers. That can lead to loss of choice and fewer diversification options for investors.

Europe leads on private credit regulations

Europe is a particular concern, with AIFMD 2.0 – due to be fully implemented by April 2026 – heaping new demands on private credit funds and managers.

AIFMD 2.0 will be helpful in some ways. It offers greater regulatory certainty and gives private credit funds smoother access to the single market through a cross-border lending passport. Our participants noted the existing patchwork of fragmented regulation, with very different lending criteria between EU member states. Theoretically, the new regulation should help ease this fragmentation.

But it also aims to mitigate systemic risk and create more solid protections for investors, which translates to new rules and responsibilities. There will be new fund level leverage limits and lending restrictions and, potentially, more regulation around specific strategies and products. In short, private credit will face greater scrutiny on a number of levels.

Europe has been more proactive than the US when it comes to regulating private markets, which may help to explain why it lags in attracting capital. "In the US they tend to let the market rip and then regulate," one participant said. "In Europe, we regulate first and everybody has to fall into line." Another participant noted that the European Securities and Markets Authority often rushes into legislation without taking industry feedback fully on board.

> "In the US, they tend to let the market rip and then regulate. In Europe, we regulate first and everybody has to fall into line"

Collaborative approaches to private credit regulation

But it isn't all doom and gloom. Participants suggested that, while regulations are painful, regulators are getting better. Regulations can be wide off the mark to begin with, but incremental improvement is possible. At the product level, Benjamin Lamping brought up the example of the European Long-Term Investment Fund (ELTIF). "ELTIF 1.0 was not fit for purpose, but ELTIF 2.0 is a significant step in the right direction," he said.

"Regulation is a double-edged sword," he added. "It creates challenges and significant costs, especially for early-stage managers. The other side is regulation like ELTIF that opens access to new investor groups. That's regulatory innovation. Balancing the cost of regulation against the opportunities presented by markets with varying degrees of regulatory oversight together with a GPs unique growth ambition, remains a complex problem. Increased regulatory collaboration would go some way to resolving this, ultimately benefiting GPs and LPs with a less opaque environment."

There was general agreement that the industry has to jettison the "us and them" mentality. Managers who complain about regulation should also be lobbying for change, filling out consultation forms and engaging with the process. Regulation may never be perfect, but it will only improve if the industry as a whole commits to ensuring regulation is fit for purpose.

Creating opportunity

While there was certainly a sense that European private market regulation is restrictive, there was also an acceptance that better regulations can open up opportunities and create a more stable industry. For now, it was agreed that the principle of proportionality should be applied to loosen the squeeze on smaller managers. Innovation in regtech was also mentioned as a way to reduce costs.

But the overriding message from our discussion was that politicians, regulators and managers all have a vested interest in growth. That should at least create common ground for a more collaborative approach.

Private credit: a forward-looking industry

Despite a challenging macroeconomic backdrop, private credit has momentum. Six bumpy months after the publication of Ocorian's Annual Private Credit Survey, our roundtable attendees broadly agreed with its conclusions. Risk aversion may be on the rise, but private credit's importance for both investors and borrowers guarantees its continued growth.

Still, there are challenges ahead. Participants sensed increased nervousness on the part of investors, which manifested as deeper and wider scrutiny of managers' track records and resources. Underwriting and operations are two areas where proactive managers will want to pay particular attention.

While defaults are currently low, LPs have concerns. Despite this, they remain enthusiastic about private credit. Large managers dominate the top end of the market, but emerging players with a good story are finding profitable niches lower down.

With banks and even private equity firms retreating from some sectors, LPs favour diversity, specialist knowledge and data-driven portfolio management. GPs of any size can thrive if they communicate well and pay attention to detail.

Meanwhile, regulation – while it has a key role to play in bringing confidence to investors and stability to markets – remains a challenge. Large managers may be well-equipped to deal with a constantly shifting regulatory landscape, but smaller firms struggle. And not all regulation is well thought through.

> "In order to overcome obstacles and capitalise on opportunities, funds require the freedom to concentrate on their core strengths."

But the fog may be lifting a little. In Europe, new iterations of legislation such as ELTIF and AIFMD, while far from perfect, are incrementally better than their predecessors. The sense from some in the room was that the industry needs to engage more fully with regulators to help shape its future. Carefully considered and proportionate regulations can unlock opportunities and foster greater growth.

In order to overcome obstacles and capitalise on opportunities, funds require the freedom to concentrate on their core strengths. Ocorian can help. We offer integrated administration and loan services specifically tailored to private credit strategies, managing the entire value chain without third party handoffs. Our specialists arrange and manage loan deals, stay on top of cash flows and ensure smooth communication between parties, significantly reducing the administrative burden on both lenders and borrowers. Our services improve governance, reduce risk and build trust. Our clients rely on us to navigate the everyday complexities of asset servicing, and to support their growth into new markets and jurisdictions.

For more information on our Private Credit services, please reach out to the team using the QR code.

Why choose Ocorian for Private Credit services?

Alternative assets' expertise

Our teams have been providing Private Credit funds with expert loan and fund solutions for over 30 years.

Seamless data flow across the asset and fund lifecycle

We manage the entire value chain without handoffs between third parties. From loan origination and servicing to NAV calculation and investor reporting, we ensure accuracy and timeliness between your fund operation and loan activity.

Faster execution and onboarding

New deals, borrower ammendments, capital calls, and distributions can be processed more quickly, as there's no lag in communication between service providers. Our internal teams are aligned, speeding up onboarding, drawdowns, and ongoing servicing.

Alignment with lenders and investors

Our dual role gives us a 360-degree view of what lenders and investors expect. We ensure that investor reporting aligns with loan servicing data and that compliance obligations are met in real-time, reducing operational risk and improving governance.

Ocorian's three pillars of customer success

1. People

- Qualified loan experts, fund administration and accounting specialists, delivering high-quality service.
- Highly experienced in supporting alternative fund strategies throughout the entire fund lifecycle
- Flexible, agile and collaborative partnership with our clients.

2. Technology

- eFront used as single Loan Solutions platform so no transposition of data from loan system to fund accounting engine.
- Automated functionality with shared, bi-directional workflow.

3. Process

- Service delivery designed around our client's operating needs.
- Robust risk and control framework.
- Compliance first approach in a highly regulated and evolving industry.

Integrated Private Credit services

Fund and SPV services

- Fund structure set up and migrations
- Investor onboarding
- AML/KYC, and reporting portals
- Capital call and distribution processing
- NAV calculation and investor reporting
- Financial statements preparation (GAAP/IFRS)
- Directorships
- CoSec and board support
- Regulatory compliance services (AIFMD, FATCA, CRS, etc.)

Loan administration services

Loan portfolio management on behalf of the fund.

- Loan portfolio details set up and maintained in accordance with loan documentation
- Full automation of all load calculations
- Distribution of periodic interest and principal payments notices
- Reconciliation of all cash movements and follow up to resolve late payers
- Suit of reports to provide full detail on your loan portfolio including fees

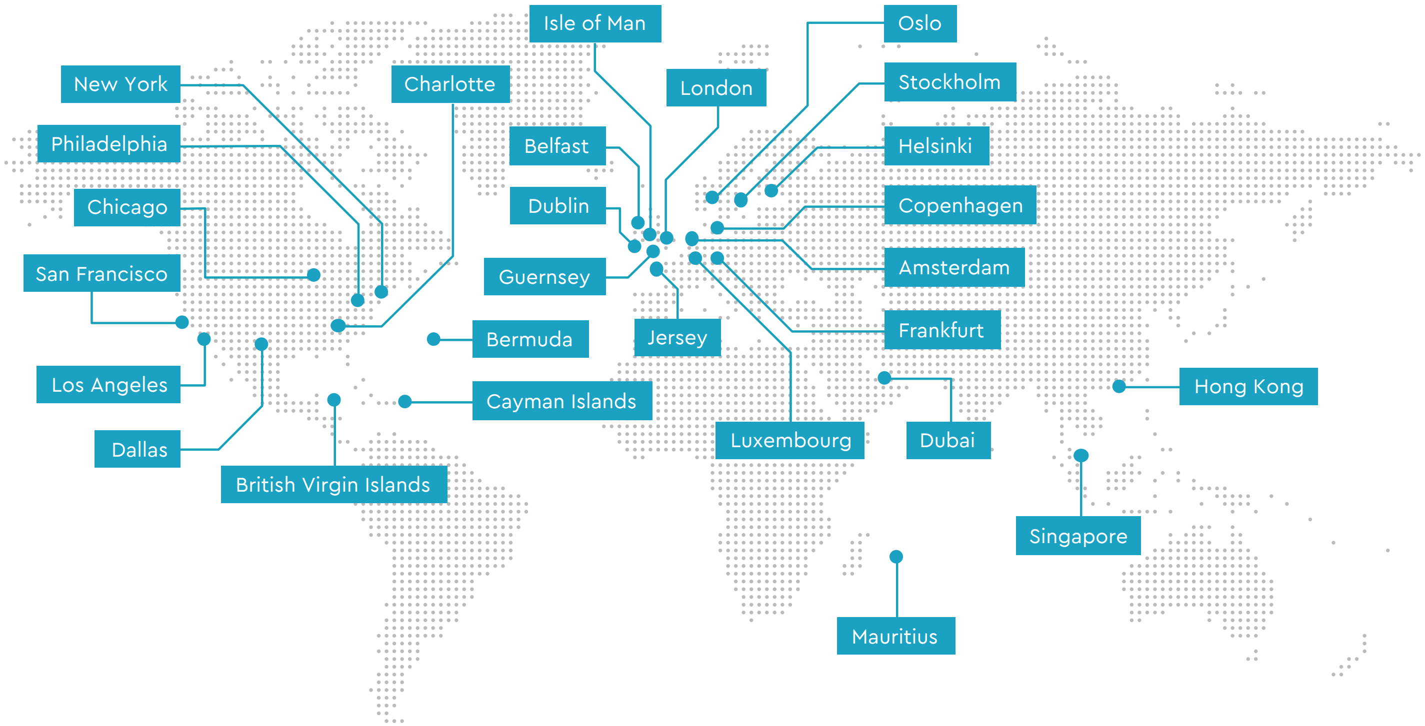
Loan agency services

Loan specific management where an external agent is required or preferred.

- Administer loan facilities and agreements in line with loan documentation
- Manage drawdowns, repayments, and amortization schedules
- Calculate interest, fees, and other amounts due under the facility
- Monitor compliance with financial covenants and reporting obligations
- coordinate communications between lenders, borrowers, and other agents
- manage collateral, security arrangements, and cash movements

About Ocorian

Here at Ocorian, we use our expertise, trust, and scale to manage and solve your complex operational, administrative and regulatory challenges, so you can focus on growing your business. That's why our solutions are trusted by asset managers, financial institutions, corporates, high net-worth individuals, and family offices, worldwide.



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