

ABOVE THE FRAY

Public Proxy for Private Credit

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Private credit has been a major source of headlines for years. For a long time, the focus was on the industry's growth, exceeding trillions in assets and expanding its targeted investor base. But lately, the news cycle has been more concerned with the quality of the deals within private credit funds.

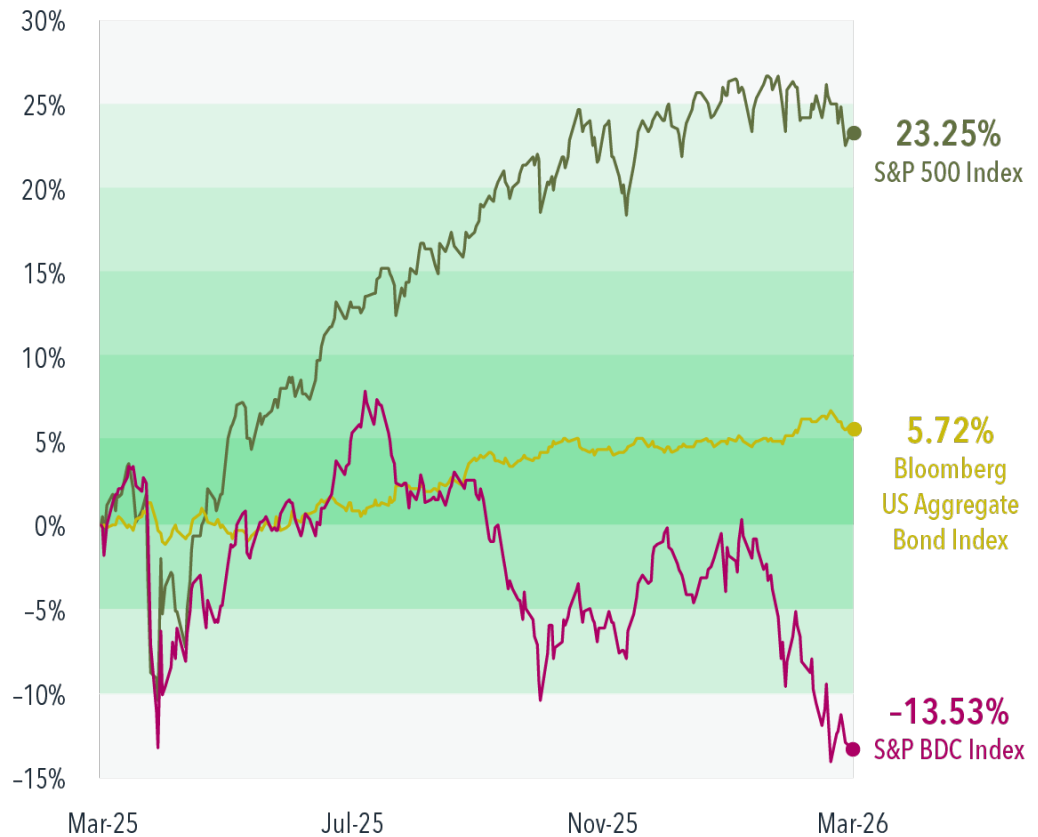
It's challenging to know the exact state of private credit investments because of the inherent opacity with private market funds. Without continuous mark-to-market requirements, private fund returns may not be [as informative](#) about the health of their assets as public market fund returns.

Business development companies (BDCs) may give us some insight. These are closed-end funds that primarily purchase private credit debt. Because they are publicly traded, BDCs offer a continuously updated indicator of the market's view of private credit investments.

Unlike the broad US stock and bond markets, which are both up since last March, an index of BDCs is down more than 13%. To the extent that this BDC index proxies for the investments of private credit funds, recent returns suggest the market views private credit assets as less valuable than a year ago.

Exhibit 1**Private Credit Concerns**

Cumulative returns, March 11, 2025–March 10, 2026



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Private credit: Loans made to small and midsize businesses by private investment funds.

Mark-to-market: Valuing assets based on their current market price.

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