



What Comes Next for Private Credit?

A New Era of Opportunity Through Selectivity, Discipline and Innovation

By Aura Wealth Management

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Private credit has evolved from a niche institutional asset class into one of the defining pillars of modern capital markets. Over the past decade, investors have increasingly turned to private lending strategies seeking higher income, lower volatility, and diversification away from traditional public fixed-income markets. Global private credit assets now exceed **US\$2 trillion**, making the sector one of the fastest-growing segments within alternative investments.

Yet 2026 marks an important transition.

Following several years of exceptionally favorable conditions—including rising interest rates, limited competition, and strong investor demand—the industry now faces a more complex operating environment. Concerns surrounding artificial intelligence's impact on software businesses, increased redemption requests from semi-liquid investment vehicles, changing monetary policy, and evolving credit fundamentals have introduced a level of scrutiny rarely seen in private markets.

Rather than representing a structural weakness, Aura believes these developments signal the beginning of a more mature phase for private credit—one in which superior underwriting, disciplined risk management, and manager selection become increasingly important drivers of long-term success.

Understanding Private Credit



Private credit refers to loans provided by non-bank institutions directly to businesses, real estate owners, infrastructure projects, or other borrowers. Unlike publicly traded bonds or syndicated bank loans, these transactions are privately negotiated and generally held until maturity.

The market has expanded significantly since the Global Financial Crisis, as stricter banking regulations encouraged traditional lenders to reduce exposure to certain types of corporate lending. Private investment firms, pension funds, sovereign wealth funds, insurance companies, and family offices increasingly stepped in to fill this financing gap.

Today, private credit encompasses numerous investment strategies, including:

- Direct Lending
- Asset-Based Finance
- Infrastructure Debt
- Real Estate Credit
- Specialty Finance
- Distressed Debt
- Opportunistic Credit
- Venture Debt
- Structured Credit

Among these, **Direct Lending** remains the largest segment by assets under management.

Direct Lending: The Foundation of Modern Private Credit



Direct lending involves investment managers providing loans directly to middle-market companies without traditional commercial banks acting as intermediaries.

Borrowers typically include privately owned businesses requiring capital for:

- acquisitions
- expansion
- refinancing
- recapitalizations
- shareholder liquidity
- operational growth

Loans are generally floating-rate instruments, secured by company assets, and negotiated individually between lenders and borrowers.

For investors, returns primarily come from:

- contractual interest payments
- origination fees
- prepayment premiums
- equity warrants (occasionally)
- capital appreciation in certain situations

Because these loans are not actively traded, direct lending portfolios tend to exhibit lower mark-to-market volatility than public bond markets.

Why Sentiment Changed in 2026

Although private credit fundamentals remain broadly resilient, investor sentiment shifted meaningfully during early 2026.



Several developments contributed to this change.

Artificial Intelligence Disruption

Rapid advances in AI created uncertainty surrounding certain software companies that represent a meaningful portion of middle-market borrowers.

Investors began questioning:

- future earnings durability
- competitive positioning
- refinancing capacity
- enterprise valuations

This uncertainty naturally extended to lenders financing those businesses.

Redemption Pressure

Semi-liquid "evergreen" private credit funds experienced elevated redemption requests.

Unlike public mutual funds, many evergreen vehicles permit redemptions only:

- quarterly
- subject to notice periods
- with redemption limits (often around 5% of NAV per quarter)

When redemption demand exceeds available liquidity, investors may receive only partial withdrawals, with remaining requests carried into future periods.

While these structures are functioning largely as designed, heightened redemption activity has increased investor awareness of liquidity characteristics that previously attracted little attention.



Interest Rate Normalization

Perhaps the most important shift has been monetary policy.

During 2022–2024, rising interest rates significantly boosted direct lending returns because most loans carried floating interest rates.

As central banks subsequently reduced policy rates, that tailwind naturally diminished.

The result is not a collapse in returns—but rather a return toward historical averages.

Aura's Outlook for Direct Lending

Navigating a New Phase in Private Credit

The private credit market has matured considerably over the past decade, evolving from a specialist financing solution into a mainstream institutional asset class. Direct lending, in particular, has become an integral component of diversified portfolios for pension funds, sovereign wealth funds, insurance companies, family offices, and high-net-worth investors seeking stable income and attractive risk-adjusted returns.

While the long-term structural outlook for direct lending remains constructive, the investment environment entering the second half of 2026 differs markedly from the exceptionally favorable conditions experienced over recent years. Investors should anticipate a transition from an era largely driven by macroeconomic tailwinds to one where returns will depend increasingly on manager expertise, disciplined underwriting, and prudent portfolio construction.

Aura Wealth Management believes direct lending continues to offer compelling opportunities for long-term investors. However, future performance is expected to normalize as several powerful market forces reshape the asset class. In our view, three primary factors will define the next stage of direct lending.



1. Lower Base Rates: Income Generation Returns to Historical Levels

One of the principal drivers of direct lending performance during the past several years was the rapid increase in global interest rates. Because most direct lending transactions are structured as floating-rate loans, investors benefited directly as benchmark interest rates rose.

Typically, these loans are priced using a floating benchmark—such as SOFR in the United States or SONIA in the United Kingdom—plus a negotiated credit spread that compensates investors for assuming credit risk.

For example:

SOFR + 5.75%

When benchmark rates increased sharply between 2022 and 2024, total loan coupons increased accordingly, producing exceptionally strong income generation without requiring lenders to assume significantly greater credit risk.

This environment created one of the strongest periods in the history of modern private credit.

However, monetary policy has since entered a different phase.

As inflation moderates and central banks gradually reduce policy rates, benchmark interest rates have begun to decline. Because direct lending portfolios primarily consist of floating-rate loans, lower benchmarks translate directly into reduced interest income.

Consequently:

- Coupon income on existing floating-rate loans gradually declines as benchmark rates reset.
- Newly originated loans begin with lower all-in yields.
- Overall portfolio income moderates over time.



- Total return expectations become more aligned with long-term historical averages.

Importantly, this should not be interpreted as a deterioration in the attractiveness of direct lending.

Even under lower-rate environments, direct lending continues to offer yields that remain competitive relative to many traditional investment-grade bonds and public fixed-income securities.

Instead, investors should recognize that the extraordinary returns generated during the recent high-rate environment represented an exceptional period rather than a permanent feature of the asset class.

The coming years are therefore expected to represent a return to normalized income generation rather than a structural decline.

2. Greater Competition Compresses Credit Spreads

The remarkable growth of private credit has naturally attracted increasing amounts of institutional capital.

Over the past decade, the market has expanded dramatically as investors sought alternatives to low-yielding public fixed income and banks continued reducing exposure to middle-market lending following post-financial crisis regulatory reforms.

Today, hundreds of investment firms compete globally for high-quality borrowers.

While increased capital has strengthened the overall private credit ecosystem, it has also intensified competition among lenders.

In practical terms, when multiple lenders pursue the same borrower, financing terms generally become more favorable for the borrower and less attractive for lenders.

This competitive environment typically results in:



- narrower credit spreads;
- reduced arrangement and origination fees;
- more borrower-friendly documentation;
- greater flexibility in loan terms;
- increased pressure on lender returns.

Borrowers with strong financial profiles can negotiate lower borrowing costs because numerous lenders are willing to compete for their business.

For investors, this means that generating attractive returns becomes increasingly dependent upon identifying superior lending opportunities rather than simply participating in a growing market.

Although some recent transactions have shown modest spread widening—reflecting greater caution among lenders—competitive pressures remain significant across much of the direct lending market.

Looking ahead, Aura believes manager differentiation will become substantially more important.

The strongest investment managers are likely to distinguish themselves through:

- proprietary deal sourcing;
- long-standing corporate relationships;
- sector specialization;
- disciplined pricing;
- robust covenant negotiation;
- selective capital deployment.

Rather than pursuing market share at the expense of underwriting quality, experienced managers are expected to prioritize preserving long-term risk-adjusted returns.



In this environment, the quality of loan origination may become a greater determinant of performance than broader market conditions.

3. Higher Credit Losses: A Return to Normal Credit Cycles

Credit markets are inherently cyclical.

Periods of economic expansion are typically characterized by improving corporate earnings, strong cash flows, readily available financing, and historically low default rates.

Conversely, periods of slower economic growth inevitably introduce greater financial stress across certain sectors and borrowers.

Aura believes direct lending is entering a phase where credit fundamentals—not interest rates—will become the principal driver of investment performance.

As economic conditions normalize, some borrowers are likely to encounter increasing financial pressure resulting from:

- slower revenue growth;
- rising operating costs;
- reduced profit margins;
- weaker consumer demand;
- refinancing difficulties;
- elevated debt servicing obligations.

These pressures may manifest through several stages before default occurs.

Initially, companies may experience declining free cash flow or temporary liquidity constraints.



Over time, management teams may seek amendments to loan agreements, request covenant relief, or negotiate revised repayment schedules.

In more severe cases, borrowers may require financial restructuring or additional capital injections.

Ultimately, some businesses will default on their obligations.

Importantly, defaults are neither unexpected nor inherently negative within private credit portfolios.

Well-managed lending strategies anticipate that a small proportion of borrowers will encounter financial difficulties during any credit cycle.

The defining characteristic of superior investment managers is not the complete avoidance of defaults, but rather their ability to manage credit deterioration effectively while preserving investor capital.

Disciplined managers typically distinguish themselves through:

- rigorous due diligence before loan origination;
- conservative leverage assumptions;
- strong collateral protection;
- comprehensive financial covenant packages;
- continuous borrower monitoring;
- proactive engagement with management teams;
- experienced restructuring capabilities.

By contrast, managers who expanded aggressively during periods of abundant liquidity—often accepting weaker documentation or higher leverage to deploy capital rapidly—may face greater challenges as credit conditions become more demanding.

The coming environment is therefore expected to widen performance differences across managers.



Those with disciplined underwriting frameworks and conservative portfolio construction are likely to demonstrate greater resilience, while portfolios built during highly competitive periods may experience elevated credit losses and weaker recoveries.

Aura's Investment Perspective

Aura Wealth Management believes the direct lending market is not entering a period of structural decline but rather a period of normalization.

The exceptional tailwinds that supported the asset class over recent years—including rapidly rising interest rates, abundant yield premiums, and limited competition—are gradually fading. In their place emerges a more balanced investment environment in which sustainable returns will depend less on favorable macroeconomic conditions and more on investment discipline, credit expertise, and active portfolio management.

For long-term investors, this evolution should be viewed positively. More normalized market conditions often create greater differentiation between managers, allowing experienced investment firms with superior underwriting capabilities, proprietary deal sourcing, and rigorous risk controls to demonstrate their competitive advantage.

Aura therefore believes the future of direct lending will not be defined by the pursuit of the highest stated yields, but by the consistent delivery of resilient, risk-adjusted returns through careful borrower selection, disciplined capital allocation, and prudent credit management. As the market continues to mature, quality—not quantity—will increasingly become the defining characteristic of successful direct lending portfolios.

Liquidity: Understanding Evergreen Structures

Balancing Investor Flexibility with Long-Term Capital Preservation

One of the most widely discussed developments in private credit throughout 2026 has been the redemption activity within **evergreen direct lending funds**. Increased investor withdrawals have brought greater attention to a topic that has traditionally received little public scrutiny: liquidity management.



At first glance, some investors may perceive redemption limits or delayed withdrawals as a weakness of the investment structure. In reality, these mechanisms are fundamental to the design of evergreen private credit funds and reflect the underlying characteristics of the assets they invest in.

Aura Wealth Management believes it is essential for investors to distinguish between **liquidity expectations** and **liquidity design**.

Unlike publicly traded securities, private loans are negotiated directly between lenders and borrowers. These loans are generally intended to be held until maturity and are not actively traded in deep secondary markets. As a result, immediate liquidity cannot always be achieved without potentially selling assets at unfavorable prices.

Evergreen funds were specifically designed to address this challenge by providing a balance between long-term investment stability and periodic investor liquidity.

Unlike traditional closed-end private credit funds—which often require investors to commit capital for seven to ten years—evergreen vehicles offer scheduled opportunities to redeem a portion of their investment while allowing managers to maintain a long-term investment strategy.

This hybrid structure has made evergreen funds increasingly popular among wealth management clients, family offices, and institutional investors seeking ongoing exposure to private markets without committing to fixed fund lifecycles.

How Evergreen Liquidity Works

Although individual fund terms differ, most evergreen private credit funds share several common structural features.

Quarterly Liquidity Windows

Rather than allowing daily withdrawals like mutual funds, evergreen funds generally permit investors to submit redemption requests during designated quarterly windows.

These periodic redemption opportunities provide investors with a reasonable level of flexibility while ensuring that portfolio managers can plan liquidity requirements without disrupting long-term investment strategies.



Advance Notice Requirements

Investors are typically required to notify the fund manager several weeks before the redemption date.

Advance notice enables managers to assess expected cash requirements, manage portfolio liquidity prudently, and avoid unnecessary disruption to ongoing lending activities.

Redemption Caps

Perhaps the most discussed feature is the redemption cap.

Many evergreen funds limit aggregate quarterly redemptions to approximately **5% of the fund's net asset value (NAV)**, although exact limits vary by fund.

If investor redemption requests exceed the available quarterly limit, requests are generally fulfilled on a pro-rata basis, with the remaining balance carried forward into subsequent redemption periods.

Importantly, this mechanism is not designed to restrict investor access arbitrarily. Rather, it protects all investors equally by preventing excessive withdrawals from forcing managers to liquidate assets under unfavorable market conditions.

Manager Discretion During Exceptional Circumstances

Fund documentation often grants managers limited discretion to temporarily modify redemption activity during periods of extraordinary market disruption.

Such circumstances may include:

- severe financial market dislocation;
- systemic liquidity events;
- significant economic crises;
- unusually large redemption requests;
- events affecting loan market functioning.



These provisions exist to safeguard the interests of the entire investor base rather than favor any individual investor.

Why Liquidity Controls Matter

Private credit investments differ fundamentally from publicly traded securities.

A publicly listed corporate bond may be sold within minutes through an exchange or dealer network.

A privately negotiated middle-market loan, however, often requires extensive documentation, legal review, borrower consent, and negotiations before ownership can be transferred.

Attempting to sell large portions of a private loan portfolio rapidly may require accepting substantial price discounts, ultimately reducing returns for all remaining investors.

Liquidity management mechanisms are therefore intended to avoid **forced selling**, one of the greatest risks during periods of financial stress.

By allowing managers to manage redemptions in an orderly manner, evergreen structures help preserve:

- portfolio value;
- credit quality;
- investment flexibility;
- long-term income generation;
- fair treatment among investors.

Although redemption queues may occasionally frustrate investors seeking immediate access to capital, these temporary delays are generally preferable to permanent losses resulting from distressed asset sales.

Setting Appropriate Investor Expectations



For this reason, Aura believes private credit should not be viewed as a substitute for cash or highly liquid fixed-income investments.

Instead, it should be considered a **medium- to long-term strategic allocation** designed to generate stable income and attractive risk-adjusted returns over multiple years.

Investors allocating capital to evergreen private credit funds should ensure they maintain sufficient liquidity elsewhere within their portfolios to meet short-term spending needs and unforeseen obligations.

When used appropriately within a diversified investment strategy, evergreen structures offer an effective balance between access to private markets and measured liquidity.

Why Manager Selection Matters More Than Ever

The Defining Factor in the Next Phase of Private Credit

During the rapid expansion of private credit over the past decade, favorable macroeconomic conditions supported a broad range of investment managers. Rising interest rates, strong investor demand, low default rates, and abundant lending opportunities allowed many portfolios to generate attractive returns despite differences in investment approach.

That environment is now changing.

As interest rates normalize, competition intensifies, and credit conditions become more selective, Aura Wealth Management expects **performance dispersion among private credit managers to widen significantly**.

In other words, the difference between exceptional managers and average managers is likely to become increasingly apparent.



Future investment success will depend less on simply participating in the private credit market and more on the quality of the professionals responsible for sourcing, underwriting, monitoring, and managing each individual investment.

Proprietary Deal Origination

One of the most valuable competitive advantages in direct lending is access to proprietary investment opportunities.

Managers with long-established relationships among business owners, financial sponsors, investment banks, and corporate advisers often gain access to transactions before they become widely marketed.

This enables them to:

- negotiate stronger lending terms;
- conduct deeper due diligence;
- avoid highly competitive auction processes;
- maintain pricing discipline;
- select higher-quality borrowers.

Managers relying primarily on broadly syndicated opportunities may face greater competition and reduced pricing power.

Negotiating Stronger Covenant Protection

Loan documentation is one of the most important tools available to lenders.

Well-structured covenants establish financial thresholds and operational requirements that borrowers must satisfy throughout the life of the loan.

Strong covenant packages provide lenders with:

- greater transparency;
- earlier warning signs of financial deterioration;



- improved negotiating leverage;
- stronger legal protections;
- enhanced recovery prospects in stressed situations.

During periods of abundant market liquidity, some lenders accepted weaker covenant protections to remain competitive.

Aura believes disciplined managers who continue prioritizing robust documentation are likely to demonstrate greater resilience throughout future credit cycles.

Active Portfolio Monitoring

Successful lending extends well beyond the initial investment decision.

The strongest private credit managers maintain continuous oversight of portfolio companies through:

- regular financial reporting;
- management meetings;
- industry analysis;
- covenant compliance reviews;
- cash flow monitoring;
- operational performance assessments.

Early identification of emerging risks often enables managers to work constructively with borrowers before challenges escalate into more serious financial distress.

Active portfolio management therefore represents one of the most important differentiators within modern private credit investing.

Restructuring Expertise

Even the highest-quality portfolios will occasionally encounter borrower difficulties.



The defining characteristic of experienced managers is not the complete avoidance of credit events but their ability to respond effectively when challenges arise.

Managers with established restructuring capabilities can often:

- renegotiate loan terms;
- improve collateral positions;
- coordinate additional financing;
- preserve enterprise value;
- maximize recovery rates;
- minimize permanent capital impairment.

Successful restructurings frequently require extensive legal, operational, financial, and industry expertise, making experience particularly valuable during periods of market stress.

Disciplined Portfolio Diversification

Risk management remains central to long-term investment success.

Experienced managers seek to diversify portfolios across multiple dimensions, including:

- industries;
- geographic regions;
- borrower size;
- sponsor relationships;
- loan maturities;
- capital structures.

Diversification helps reduce concentration risk and limits the potential impact of individual borrower defaults on overall portfolio performance.



Rather than maximizing exposure to rapidly growing sectors or fashionable investment themes, disciplined managers maintain balanced portfolios capable of performing across varying economic conditions.

Preserving Downside Protection

Private credit is fundamentally a risk management business.

While generating attractive income remains important, preserving investor capital during adverse market conditions is equally critical.

Aura believes the strongest managers consistently prioritize downside protection through:

- conservative underwriting assumptions;
- prudent leverage levels;
- strong collateral security;
- comprehensive due diligence;
- disciplined loan pricing;
- rigorous ongoing monitoring.

Over full credit cycles, avoiding significant losses often contributes more to long-term returns than pursuing incremental yield through higher-risk lending.

Aura's Investment Perspective

Aura Wealth Management believes the private credit market is entering a stage where **manager quality will increasingly outweigh market momentum**. The broad tailwinds that once lifted much of the industry are giving way to a more selective environment in which investment outcomes will vary significantly across managers.

This shift presents both challenges and opportunities. Investors who focus solely on headline yields or recent performance may overlook the underlying factors that determine long-term success. Conversely, those who carefully evaluate a manager's underwriting discipline, sourcing capabilities, portfolio construction, risk controls, and restructuring expertise are likely to be better positioned to navigate changing market conditions.



In the years ahead, Aura expects private credit to remain an important component of diversified portfolios. However, achieving consistently strong, risk-adjusted returns will increasingly depend on partnering with managers who combine experience, discipline, and a proven ability to preserve capital across multiple credit cycles. In a more competitive and mature private credit market, **manager selection is no longer simply an important consideration—it is the defining investment decision.**

Key Indicators Investors Should Monitor

Sophisticated investors increasingly evaluate underlying portfolio quality rather than focusing solely on distribution yields.

Important indicators include:

Payment-in-Kind (PIK) Income

PIK interest allows borrowers to capitalize interest rather than paying cash immediately.

Although appropriate in certain situations, sustained increases may indicate borrower cash flow stress.

Non-Accrual Loans

Loans placed on non-accrual status no longer generate recognized interest income because repayment has become uncertain.

Higher non-accrual rates often signal deteriorating portfolio quality.

Realized Losses

Unlike unrealized valuation adjustments, realized losses represent actual capital impairment following restructurings, recoveries, or loan sales.

Tracking realized losses provides valuable insight into underwriting quality over time.



Publicly Listed Opportunities: Business Development Companies (BDCs)

Not all direct lending investments require locking capital into private funds.

Business Development Companies (BDCs) provide listed exposure to private lending portfolios through publicly traded shares.

Because BDC shares trade daily, market sentiment can create meaningful pricing differences relative to underlying net asset value (NAV).

Periods of excessive pessimism may produce attractive entry opportunities for long-term investors when:

- discounts to NAV widen significantly
- portfolio fundamentals remain stable
- dividend coverage remains healthy
- credit quality is resilient

For patient investors, such dislocations can enhance prospective total returns.

Beyond Direct Lending

Expanding Opportunities Across the Private Credit Universe

Direct lending has been the cornerstone of private credit's remarkable growth over the past decade, providing investors with attractive income, floating-rate protection, and access to a segment of the corporate lending market traditionally dominated by banks.



While Aura Wealth Management continues to view direct lending as an important strategic allocation within diversified alternative portfolios, the evolving market environment is creating increasingly compelling opportunities across other areas of private credit.

As competition intensifies in traditional direct lending and return expectations normalize, investors may benefit from broadening their perspective beyond a single strategy. The private credit universe today encompasses a diverse range of specialized lending opportunities, each with distinct return drivers, risk characteristics, and market dynamics.

Aura believes that selective allocations across multiple private credit strategies can enhance portfolio diversification, improve risk-adjusted returns, and reduce reliance on any single segment of the credit market.

Asset-Based Finance

Investing Against Tangible and Contractual Assets

Among the most attractive opportunities in today's private credit market is **Asset-Based Finance (ABF)**, a rapidly expanding segment that differs fundamentally from traditional corporate lending.

Rather than relying primarily on a borrower's projected cash flows, asset-based finance involves loans secured by identifiable assets with measurable economic value. These assets provide an additional layer of security for lenders and may improve recovery prospects should a borrower encounter financial difficulties.

Collateral may include:

- transportation assets such as aircraft, railcars, and shipping vessels;
- commercial and industrial equipment;
- infrastructure assets;
- renewable energy projects;
- real estate-related receivables;



- consumer and commercial receivables;
- trade finance assets;
- intellectual property in certain specialized transactions.

Because repayment is supported by tangible or contractual assets, asset-based finance often exhibits risk characteristics that differ from conventional corporate lending.

This diversification can be particularly valuable during periods when corporate earnings weaken or broader economic growth slows.

Furthermore, many asset-based lending opportunities remain underserved by traditional financial institutions due to their complexity, specialized servicing requirements, or regulatory capital considerations.

These market inefficiencies allow experienced managers to negotiate attractive lending terms while maintaining strong collateral protection.

Aura believes asset-based finance will continue to experience significant institutional demand as investors seek income-producing assets with relatively lower correlation to traditional corporate credit markets.

Distressed Credit

Finding Value During Periods of Market Dislocation

Market volatility often creates some of the most compelling investment opportunities.

Distressed credit focuses on acquiring loans, bonds, or other debt instruments that trade significantly below their intrinsic value due to temporary financial stress, economic uncertainty, or company-specific challenges.

These investments are often misunderstood.

Distressed investing is not simply purchasing failing companies.



Rather, it involves identifying fundamentally viable businesses or valuable assets that have become temporarily impaired by operational difficulties, refinancing challenges, liquidity shortages, or broader market dislocations.

Experienced distressed managers possess the legal, financial, operational, and restructuring expertise required to unlock value through:

- debt restructurings;
- balance sheet recapitalizations;
- operational improvements;
- negotiated settlements;
- strategic asset sales;
- corporate reorganizations.

Periods of heightened market volatility often increase the supply of distressed opportunities while simultaneously reducing competition among buyers.

This dynamic allows disciplined managers with patient capital to acquire high-quality assets at substantial discounts, creating the potential for attractive long-term returns once market conditions stabilize.

However, distressed investing requires specialized expertise, extensive due diligence, and significant restructuring capabilities. Successful outcomes depend not only on identifying undervalued assets but also on actively managing complex legal, operational, and financial processes throughout the investment lifecycle.

Aura believes distressed credit can provide valuable diversification while offering the potential to capitalize on periods of market inefficiency that often accompany economic transitions.

Opportunistic Credit

Flexibility Across Market Cycles



Unlike more narrowly defined lending strategies, opportunistic credit is characterized by flexibility.

Rather than investing within a predetermined segment of the market, opportunistic managers have broad mandates that allow them to allocate capital wherever they identify the most compelling risk-adjusted opportunities.

This flexibility enables managers to invest across:

- senior secured loans;
- subordinated debt;
- mezzanine financing;
- structured credit;
- special situations;
- rescue financing;
- secondary loan purchases;
- distressed securities.

The ability to move dynamically between sectors and capital structures allows opportunistic managers to adapt portfolios as market conditions evolve.

For example, during periods of economic expansion, managers may focus on performing corporate loans with attractive spreads.

Conversely, during periods of market stress, they may shift capital toward discounted debt, rescue financing, or special situations offering enhanced return potential.

This dynamic approach enables portfolios to respond proactively to changing interest rate environments, credit conditions, and economic cycles rather than remaining concentrated in a single market segment.

Aura believes opportunistic credit strategies may become increasingly valuable as macroeconomic uncertainty creates greater dispersion in asset valuations across global credit markets.



The Long-Term Outlook

Structural Drivers Remain Intact

Although the private credit industry is currently navigating a period of normalization, Aura Wealth Management does not believe the long-term investment thesis has fundamentally changed.

Recent challenges—including lower benchmark interest rates, tighter lending spreads, elevated redemption requests, and greater investor scrutiny—represent cyclical developments rather than structural weaknesses.

The underlying forces that have supported private credit's expansion over the past two decades remain firmly in place.

Continued Evolution of Traditional Banking

Global banking regulations introduced following the Global Financial Crisis significantly reshaped the lending landscape.

Commercial banks continue to operate under stricter capital requirements, enhanced regulatory oversight, and more conservative balance sheet management.

These structural changes have reduced banks' willingness or ability to finance many middle-market companies, complex transactions, and specialized asset classes.

Private credit managers have increasingly filled this financing gap by providing customized capital solutions that banks are often unable to deliver efficiently.

Aura expects this structural trend to continue supporting long-term demand for private lenders.

Growing Demand for Customized Financing



Corporate borrowers increasingly value financing solutions tailored to their specific operational needs.

Unlike standardized bank lending products, private credit managers can structure transactions with customized maturities, amortization schedules, covenant packages, and repayment profiles.

This flexibility benefits both borrowers and lenders.

Companies gain financing aligned with their strategic objectives, while investors receive opportunities to negotiate pricing and protections appropriate for each individual transaction.

As businesses continue seeking more flexible sources of capital, demand for private lending solutions is expected to remain robust.

Expansion of Global Private Capital Markets

Private markets have expanded well beyond North America and Western Europe.

Institutional investors across Asia-Pacific, the Middle East, Latin America, and emerging markets are increasingly allocating capital to alternative investments, supporting the continued globalization of private credit.

This expansion is creating new lending opportunities across:

- infrastructure;
- renewable energy;
- technology;
- healthcare;
- industrial manufacturing;
- transportation;
- digital infrastructure;



- specialty finance.

Greater geographic diversification broadens the opportunity set available to experienced global investment managers while reducing dependence on any single regional economy.

Institutional Allocation Continues to Increase

Private credit has become a permanent component of institutional portfolio construction.

Pension funds, sovereign wealth funds, insurance companies, endowments, foundations, and family offices continue increasing allocations to alternative investments in pursuit of enhanced diversification, stable income, and attractive long-term risk-adjusted returns.

As institutional portfolios mature, private credit is increasingly viewed not as a tactical allocation but as a strategic asset class alongside private equity, infrastructure, and real assets.

Aura expects institutional participation to remain a significant long-term source of capital supporting industry growth.

Persistent Demand for Diversified Income

Demographic changes, evolving retirement needs, and ongoing portfolio diversification objectives continue to reinforce demand for reliable income-generating investments.

Private credit offers contractual cash flows that are generally less sensitive to daily market volatility than publicly traded fixed-income securities.

For long-term investors seeking predictable income while maintaining diversified exposure beyond traditional bond markets, private credit continues to represent an attractive component of a balanced investment strategy.

A More Selective Investment Environment



While the structural outlook remains positive, Aura believes future investment success will differ meaningfully from the experience of recent years.

The exceptional returns generated during the high-interest-rate environment are unlikely to be replicated consistently across the industry.

Instead, future performance is expected to depend increasingly upon:

- disciplined underwriting standards;
- proprietary deal sourcing;
- rigorous due diligence;
- active portfolio monitoring;
- conservative leverage;
- thoughtful diversification;
- effective restructuring capabilities.

Performance dispersion between investment managers is therefore likely to widen as the market matures.

The next phase of private credit will reward expertise, patience, and disciplined execution rather than broad market participation alone.

Aura's Investment Perspective

Investing with Discipline in a Maturing Asset Class

At Aura Wealth Management, we believe private credit is entering one of its most important periods since becoming a mainstream institutional asset class.

The market is transitioning from an environment driven largely by abundant liquidity, rising interest rates, and rapid asset growth to one characterized by **selectivity, discipline, and differentiation**.



In our view, this transition represents an opportunity rather than a setback.

Periods of normalization often separate truly exceptional investment managers from those whose performance has been supported primarily by favorable market conditions. As credit markets become more discerning, investors should shift their attention beyond headline distribution yields or short-term performance metrics and instead evaluate the underlying drivers of sustainable long-term returns.

These include the quality of loan origination, the strength of underwriting standards, portfolio diversification, covenant protection, active risk management, and the experience of investment teams navigating multiple credit cycles.

Aura's Global Investment Office continuously evaluates opportunities across the full spectrum of private credit, including direct lending, asset-based finance, structured credit, distressed debt, and opportunistic strategies. Our objective is not merely to identify attractive yields, but to construct resilient portfolios capable of generating consistent income while preserving capital across varying market environments.

We believe the future of private credit will belong to investors who embrace a long-term perspective, remain disciplined in their allocation decisions, and recognize that successful investing extends beyond chasing returns—it requires understanding the underlying quality of each opportunity and the risks undertaken to achieve those returns.

As the private credit landscape continues to evolve, Aura remains committed to delivering independent research, rigorous investment analysis, and thoughtful portfolio construction rooted in our enduring principles of prudence, integrity, and long-term value creation. In an increasingly sophisticated market, we believe enduring success will belong not simply to those who invest in private credit, but to those who invest with conviction, discipline, and an unwavering commitment to excellence.

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