EXPERT Q&A

Wealth investors' involvement in private credit will keep growing but the next phase will reward selectivity and alignment, says Michael Massarano, partner and deputy chief investment officer at Arcmont Asset Management



Private wealth 2.0: The next chapter for private credit

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Q Wealth investors have made a significant move into private credit in recent years. What have been the key drivers?

The private credit market has reached a level of maturity where it has become a proven and accessible asset class for wealth. After 15 years of institutional adoption, it is now an almost ubiquitous allocation for institutions, so it is natural that wealth advisers want their clients to have access.

The proposition itself is compelling. The characteristics that draw institutions – floating-rate cash yield, an inflation hedge, diversification and attractive risk-adjusted returns – also mean private credit fits well in wealth portfolios. Arguably, wealth investors value those characteristics even more than institutions.

Finally, access has changed considerably. Evergreen fund technology was developed for institutions to allow for elements of liquidity in an illiquid asset class, but it has also opened up private credit to wealth investors.

Q 2026 has been the first real test of private credit in the wealth channel. Has it changed your conviction about private credit's long-term role in wealth portfolios?

2026 tested sentiment, not fundamentals. The underlying case for private credit remains intact – investors continue to seek attractive risk-adjusted returns, contractual income, downside protection and diversification from traditional markets. Nothing this year has altered those characteristics, and we expect wealth allocations to the asset class to keep growing.

What the year did reveal is that wealth investors react more quickly to headlines than institutions. Concerns about artificial intelligence (AI) disruption and geopolitics, alongside

Future of Private Credit

headlines linking high-profile corporate failures – several of them in the broadly syndicated loan market – to private credit, drove negative sentiment and higher redemptions. Yet in the same period, institutional appetite for private credit remained strong, with significant fundraising across the market.

That divergence suggests an information gap between channels. Institutional investors typically have more direct access to managers, portfolio data and long-term performance information, giving them greater visibility into underlying fundamentals, whereas wealth investors have had to rely more on public commentary.

Over the past 12 months, our direct lending portfolio has delivered double-digit revenue and EBITDA growth, alongside robust interest coverage. Pockets of weaker performance are normal in a mature credit market, but the data points to dispersion, not broad deterioration.

The events of 2026 also reinforced the importance of setting clear expectations around the nature of private credit. Private credit is a long-term, inherently illiquid asset class, and the fund structures used to provide periodic liquidity must balance investor access with protection for all investors.

In that regard, the fund mechanics were tested and worked as intended. Redemption limits and gating mechanisms are designed to prevent forced sales of performing assets and to protect investors who remain invested. Their use is not, in itself, a sign of portfolio weakness.

However, many wealth investors are engaging with structures that differ meaningfully from public market vehicles, and the mechanics were unfamiliar to some, which contributed to concern and adverse commentary.

The experience highlighted the need for greater transparency and clearer expectations, not a flaw in the investment proposition. Private credit remains, in our view, a compelling long-term allocation for wealth investors.

Q What will the next phase of growth for private wealth look like?

The opportunity for wealth remains significant and we expect private credit to become a core allocation within diversified portfolios. The next phase of growth, however, is likely to look different from the last. As the investable private credit universe broadens and the wealth channel continues to mature, the focus will move from whether to invest to manager quality, portfolio construction and alignment.

We have already seen this dynamic play out in Europe's institutional market, where fundraising has increasingly concentrated among a relatively small group of large, established managers that have consistently delivered attractive risk-adjusted returns over 15 years. We expect wealth investors to become similarly selective.

In effect, the wealth channel will institutionalise its approach. Investors will look more closely at the data and diligence the portfolio and the liquidity terms as separate questions.

While size is not important for its own sake, scale does matter. Managers operating at scale can sustain the investment, operational and servicing infrastructure required to support wealth investors effectively.

One of the most important considerations for wealth investors will be alignment. The opportunity is not simply to access private credit, but to gain exposure to the same investment platform, underwriting standards and portfolios that have long been trusted by institutional investors. That is how we are set up at Arcmont – our wealth allocation invests alongside our flagship European direct lending strategy, not in a separate portfolio. In our view, this focus on alignment will become an increasingly important differentiator.

"The events of 2026 reinforced the importance of setting clear expectations around the nature of private credit"

Q Will we see a reinvention of semi-liquid vehicles or have established structures proved durable?

We do not expect wholesale reinvention. The core technology is built from evergreen funds designed for institutions and has worked well. There will be incremental improvements in data, reporting, stress testing and disclosure, but the technology is now established as largely fit for purpose.

What matters is how managers operate that technology and how investors use it. For managers, that means ensuring they are allocating the same assets to their wealth channels as to their institutional ones. For investors, it is about understanding the liquidity constraints of the asset class and sizing an allocation they can hold through the cycle, given where else liquidity sits in their portfolio.

These vehicles need deliberate mechanisms – periodic dealing, notice periods, redemption limits and liquid sleeves – to match long-term portfolios to controlled access to liquidity.

A quarterly dealing date gives investors the opportunity to request liquidity, but meeting that request in full may take more than one quarter.

Q Does Europe offer wealth investors a distinct private credit opportunity, and what capabilities are needed to access it effectively?

Europe is a distinct market from the US. Each jurisdiction has its own language, culture, credit regime and legal system, which adds complexity to accessing the market. That complexity has historically supported a spread premium over the US for businesses of similar quality, but it also brings legal, documentation and workout risks, so capturing it requires established local teams and capability.

Europe also has pockets of organic growth, such as the Nordics and Benelux. Lending across these markets also spreads risk as each has its own economic cycle, sector mix and legal framework, so weakness in one country need not weigh on the portfolio as a whole. A pan-European mandate lets us shift origination as conditions change – for example we reduced new UK lending after the Brexit referendum and were more selective in Germany ahead of its fiscal loosening in early 2025. France, today, requires more careful consideration. Diversification is key to successfully managing volatile periods, something that has become ingrained in our investment philosophy over time.

For institutions, there has been no material shift away from the US; rather, Europe has captured a growing share of incremental allocations.

We expect wealth to follow. Europe is attractive enough on a standalone basis to warrant a complementary allocation alongside the US.

The investor base is also different. A far larger share of the US non-listed business development company market is retail money, whereas European private credit remains predominantly institutional, with wealth participation concentrated among high-net-worth and professional investors. That makes for a more stable capital base, which, in our view, is one reason sentiment swings in 2026 were felt less acutely in Europe.



Q What role can managers and advisers play in helping educate wealth investors on the investment opportunity?

Institutions know what questions to ask and do deep-dive diligence. For wealth, managers need to proactively educate the market through dialogue and engagement. Advisers are central to that: they own the client relationship and are best placed to help size allocations to each client's needs.

It starts with what the allocation is for: income, diversification or total return. Then you explain two things separately: the asset – the loans, sectors, portfolio construction and how documentation protects our position – and the product, meaning how liquidity, gating and redemptions work. Liquidity is periodic and conditional, not a substitute for daily-dealing fixed income.

After investing, clients need consistent reporting on leverage, concentration, interest coverage, amendments, defaults, realised losses, valuations and liquidity resources, so they can take an informed view of headlines as they emerge.

Q Looking forward, how do you see wealth participation in private credit shaping up over the next five to 10 years?

We expect that wealth capital will become an important and permanent component of private credit, broadening the sources of finance available to companies alongside institutional capital, banks and public debt markets.

Individual investors' private markets holdings are projected to more than double over the next few years. We expect private credit to be a major beneficiary – its contractual income and cash flows make it a natural entry point to private markets for many wealth portfolios.

We expect a move towards standard allocations to private credit at a certain level of wealth. Private equity, which typically pays no running yield and has longer lock-ups, is already widely held. In our view, private credit's income profile makes it well suited. Growth will not be linear, but the shift from public to private portfolios will continue.

Europe's investor base will remain more institutional than the US, but the wealth opportunity is large. We believe wealth capital could reach 15–20 percent of the market over time, from less than 5 percent today.

The goal is not simply more capital, but a stable investor base funding productive businesses through structures that align the horizon of investors with the horizon of the assets. ■