Top 10 with…

Interview with **Joe Sciortino**,
Head of UGA – Private Credit

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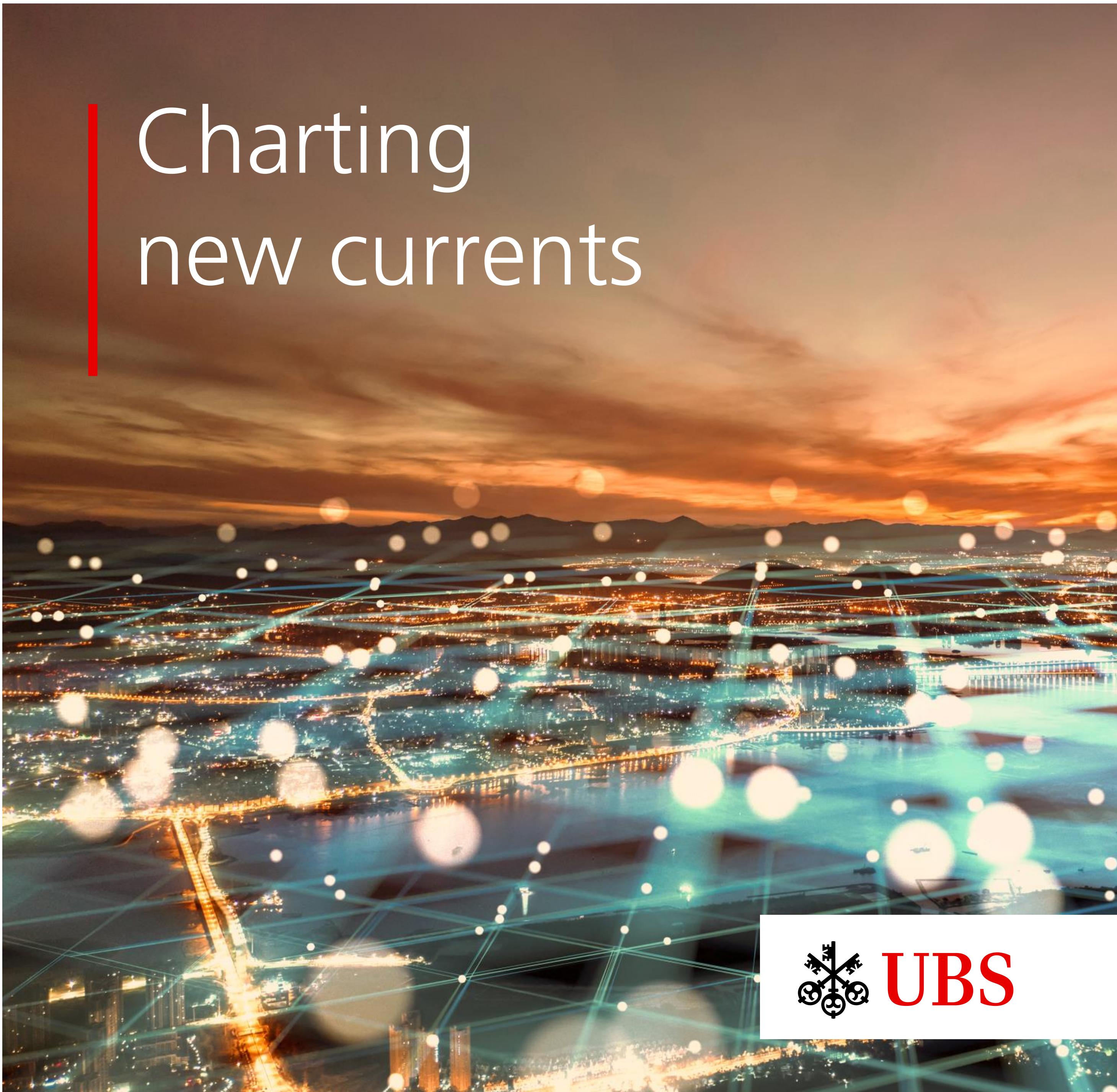
Beyond public markets

Unlocking yield premium

Strategic diversification



Charting new currents

Key facts

14+

Average years of investment experience

100+

Co-investments vetted on average per year[1]

~110

Private credit funds and co-investments[2]

1,500+

Private credit investments vested[1]

Source: UBS Asset Management, Unified Global Alternatives (UGA), data as at 30 June 2025.
Notes: **1** From June 2017 through September 2024. Please note that such investments have been made in other UBS Asset Management products. **2** As of 1 June 2025; excluding Credit Hedge Fund Investments

Private credit's landscape evolves rapidly

Amid tighter regulation, macroeconomic uncertainty, and changing bank appetites, investors are increasingly looking to private credit for stability and opportunity.

Joe Sciortino, Head of UGA – Private Credit, outlines how the platform is adapting to capture value across asset-based, corporate, and real estate lending. From enhanced downside protection to flexible capital allocation, how does UGA – Private Credit leverage expertise and innovation to help investors navigate today's dynamic markets?

Joe Sciortino

Head of Unified Global Alternatives – Private Credit

How do you define private credit?

1

When we at UGA – Private Credit think of private credit, it's typically viewed as lending that takes place outside the public bond or syndicated loan markets, usually involving directly negotiated loans between lenders and borrowers. Unlike public credit, which is broadly traded and marked to market, private credit emphasizes bilateral relationships, bespoke structures and can provide investors with an illiquidity premium.

That said, we invest across the liquidity spectrum because, at its core, credit is credit – both public and private markets share the same fundamental principle of assessing a borrower’s ability to service debt and structuring protections for investors. Private credit is often understood as direct loans to corporate borrowers, since it represents the largest share of the market. However, we invest across a broader range of strategies, such as structured credit, real estate lending, insurance strategies and specialty finance strategies.

Private credit continues to attract an astonishing amount of capital – what do you think the reasons are and do you foresee the trend reversing in the near term?

2

Private credit has gathered significant capital because it can offer investors attractive risk-adjusted returns, often with higher yields, stronger covenants, and diversification benefits compared to traditional fixed income. For borrowers, it can also provide speed, flexibility, and certainty of execution, particularly in an environment where banks have retrenched due to increased regulation. The asset class has also benefited from the secular shifts of institutions and private wealth into alternatives.

While growth could moderate in the face of weaker credit performance or reduced overall yields, we don’t anticipate a structural reversal of regulation that would lead banks to re-enter the market in a significant way. More recently, there has been an increase in banks partnering with private lenders to maintain client relationships and share deal flow, which has further entrenched private lenders in the market.

What role can private credit play in an investor's portfolio?

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In a portfolio context, private credit can provide stable, contractual cash flows with relatively low correlation to equities and traditional fixed income. In most markets, it should also provide enhanced yield, downside protection through structuring and covenants, and diversification away from public markets. The illiquidity premium is ultimately a key driver, making it attractive for investors with longer time horizons.

Why should an investor consider a multi-manager approach to integrate private credit in their portfolio?

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A multi-manager approach allows investors to access the breadth of private credit, across strategies such as direct lending, opportunistic, real estate, asset-backed and specialty finance, while reducing both single-manager or single-strategy risk. Investors partner with multi-manager groups that specialize in private credit, because they have the depth and breadth to cover these diverse and often complex investment strategies in ways that most investors don't have the resources for. Multi-manager groups may provide investors with greater access, better terms, and importantly, better economics. The deep expertise of these groups can also help investors avoid areas of overcrowding in the market and potentially provide better long-term results. In addition, a multi-manager like UGA – Private Credit can help tailor a portfolio to align with individual risk requirements and desired complementary exposures.

How does private asset-based lending (ABL) differ from traditional corporate lending?

Private ABL is secured by specific collateral, such as receivables, inventory, equipment, or real estate, whereas corporate lending is typically underwritten based on the enterprise's overall cash flow and credit profile and is more focused on covenants. This structural difference means private ABL often offers stronger downside protection and can lead to lower loss-given-default, but it requires rigorous collateral monitoring and specialized managers. Currently, we believe it's attractive because banks have pulled back, creating space for private lenders to provide bespoke, flexible capital at higher yields, while borrowers gain access to financing that may not be available in traditional corporate debt markets. The market itself is much larger than the corporate direct lending market and we've been working for several years with specialized managers, often in bespoke UGA – Private Credit structures, to provide investors with differentiated access to these opportunities.

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How do you compare the relative risk/reward across private asset-based, corporate, and real estate lending?

Our investment process utilizes a blend of bottom-up manager selection and top-down asset class research. The UGA – Private Credit team begins by analyzing the fundamentals, valuations, and technical drivers of each segment within the credit markets. Once an attractive area is identified, the team examines various forms of credit and the strategies employed within that sector. This involves a detailed review of underlying collateral, volatility, and the specific attachment points where credit may deteriorate. Scenario analyses are conducted to determine the market conditions required for such events and to estimate their likelihood. This represents the first step of our process.

Private ABL typically offers lower vo0latility and stronger collateral coverage than corporate loans, while potentially delivering slightly lower returns in exchange for greater protection. ABL frequently incorporates self-amortizing features instead of bullet repayments, further reducing risk, and generally involves shorter durations compared to corporate loans. On the other hand, corporate direct lending tends to carry higher spreads but also greater idiosyncratic risk tied to a borrower's business model and management. Real estate lending, while similarly secured by tangible assets, is more sensitive to cyclical property valuations and geographic concentration. In the US, for example, we continue to see a structural undersupply of homes, which we've addressed in our portfolios by working with specialized managers over several years.

In summary, corporate credit offers higher risk and potentially greater returns; real estate lending is cyclical but secured by physical assets; and private ABL provides defensive, collateral-driven income. Our comprehensive approach and expertise allow us to assess these segments holistically and aim to position portfolios for potentially attractive risk-adjusted outcomes.

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What are the current trends, risks, and opportunities in real estate-backed private credit?

Digital Map Market Size, 2022-2032
80
70
60
30
20
14.00%
Largest Region
Fastest Growing Region
2022
2032

Following the failure of Silicon Valley Bank, banks have reduced their involvement in commercial real estate, especially transitional and bridge loans. As such, private lenders are finding more opportunities to step in. Industrial and multi-family properties continue to hold up well, while office properties still face challenges, though a gradual return to the workplace in cities like New York has led to some improvement. Major risks for investors include refinancing difficulties, changes in asset values, and excessive exposure to a single sector.

By providing liquidity, private lenders may be able to negotiate stronger covenants and pursue equity-like returns with debt-level risk when deals are structured effectively. Working with specialized managers in sectors like homebuilding can provide differentiated exposure. We believe that partnering with managers who have experience in both investing and operations, including asset management in the event of property possession, is very important in order to mitigate losses in a downturn.

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How do macroeconomic factors impact private ABL compared with corporate and real estate credit?

As in all markets, macroeconomic factors can have a significant impact on investments. While we do not make investments based solely on our opinions about the direction of these factors, we dedicate considerable time to understanding the potential risks they present. Higher rates increase borrower debt service costs across all markets, but in private ABL, collateralized structures and shorter durations may help mitigate risk.

Inflation can serve as a partial tailwind for ABL if asset values, such as inventory or receivables rise, whereas it tends to pressure corporate borrowers' margins and weigh on real estate valuations. Regulatory tightening on banks is reducing their willingness to provide secured credit, giving private lenders a larger role than they held a decade ago. As a result, we tend to favor asset-based strategies during periods of greater macroeconomic risk.

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What role is technology, particularly AI, playing in private ABL?

While it’s still early days, we believe that technology will improve underwriting and monitoring by allowing real-time tracking of collateral. AI can quickly spot payment anomalies, assess fraud risk, and predict collateral issues better than manual methods.

In portfolio management, AI can help lenders adjust credit exposure more efficiently, potentially reducing losses and scaling operations. While machines can't replace humans in credit, they can greatly enhance performance and identify risks more effectively.

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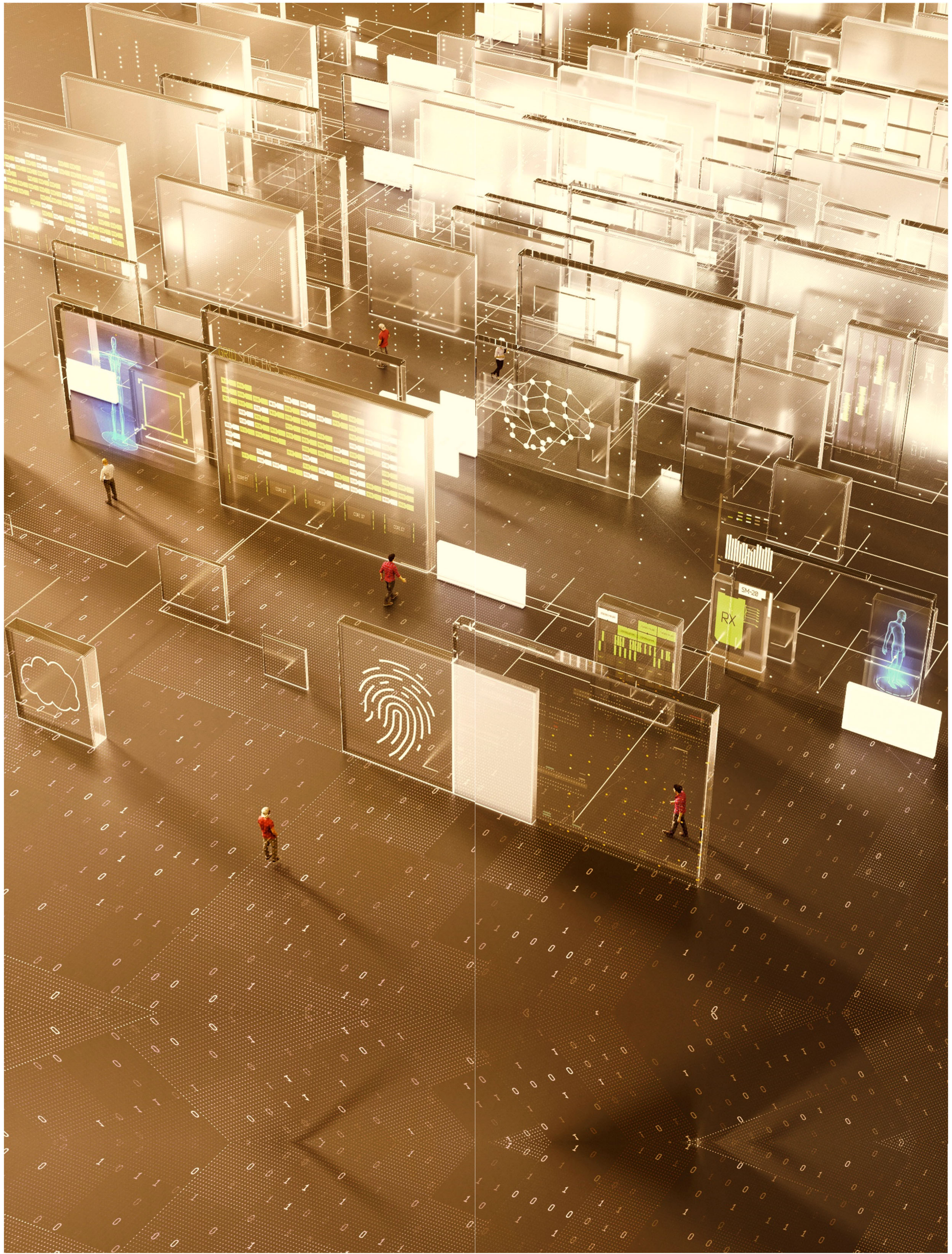

What are the key challenges and opportunities for managers diversifying across private ABL and corporate credit?

Private credit markets are vast, but significant growth can lead to overcrowding and strain managers' ability to source attractive deal flow. In some areas, these strategies also compete with public markets, making it essential to understand the supply/demand dynamics to avoid mistakes. Our broad and strategically positioned team enables us to maintain a strong foothold across markets, providing deeper insight into the quality of originated paper.

Being able to view the entire ecosystem of the credit market allows us to better understand the ebb and flow of capital across different areas of the market. We believe that having flexible capital that can shift to the most attractive opportunities at any given moment, and more importantly, avoid areas of overcrowding, should lead to better results over time.

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