



(UBS)

What is the outlook for private credit?

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Worries that AI could disrupt some established tech businesses have also resulted in a revival of concerns over private credit—with many funds providing loans to such businesses. Such concerns have been stoked by recent news that some funds were writing down select loan valuations or restricting redemptions by investors.

Private credit could face additional headwinds if a more sustained rise in energy prices slows global growth. This combination has caused some investors to worry that the asset class poses a threat to the global financial system.

So this week—and beyond—investors will be on the lookout for further news from the sector. The outlook in the Middle East could also have an impact on confidence in the asset class. Our view is that for long-term investors, the asset class still offers relatively attractive yields and diversification benefits. Selectivity is important, however. Last September, we downgraded direct lending as an asset class from Attractive to Neutral, reflecting a more balanced outlook. Our rationale was based on anticipated rate cuts, tight spreads, and bifurcation in credit quality. Loan vintage is also becoming increasingly important, with loans originated in 2021-22 under greater distress and default risk. And of course, as with other private asset strategies, investors must be prepared to tolerate illiquidity.

We recommend investors consider biasing exposure toward funds focusing on senior, sponsor-backed, upper-middle-market loans in non-cyclical sectors, which are proving more durable.

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Finally, we view systemic risks stemming from the asset class as contained given that direct lending is a relatively small segment within the broader credit market. In addition, most lenders operate with underutilized leverage, maintain adequate coverage cushions, and exhibit limited asset-liability mismatches or run risk.

Original report: [Weekly Global: What to watch in the week ahead?, 23 March 2026.](#)

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