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PRIVATE CREDIT IS RESHAPING WEALTH PORTFOLIOS

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WHY READ THIS REPORT?

Individual investors are the next frontier for private credit. We estimate that wealth portfolios already account for 12% of the private credit assets of leading firms today and are growing four times faster than assets from institutional investors.

There is an explosion of new funds and partnerships seeking to capitalize on the mainstreaming of private credit, particularly via "evergreen funds," as investors increasingly barbell their fixed-income allocations, combining low-cost bond exchange-traded funds (ETFs) at one end with higher-yielding, less liquid private credit at the other. Private credit evergreen funds are among the fastest growing parts of the investing world, we think. Those in interval fund envelopes are growing at an annualized rate of roughly 70% this year and those in non-listed business development companies (BDCs) by about 50%.

Advisers and investment firms we surveyed suggest private credit assets from wealthy individuals could double to quadruple in the next five years as private credit increasingly becomes a core component in a broader credit, or alternatives, sleeve of a portfolio. As the lines become increasingly blurred between private and public credit, we explore what this could mean both for investors' portfolios and the investment firms serving them.

GATES OPEN FOR AFFLUENT TO INVEST IN PRIVATE CREDIT

Once the domain of pension funds, insurers, and the uber-wealthy, private credit is undergoing a quiet transformation.

Product innovation and technological advances are rapidly opening the door to a new class of investor: individuals who are affluent but not in the top tier of the ultra-rich. One blended fund that invests in public and private assets now has a minimum investment of just $1,000.

The result is one of the fastest-growing segments in investing. Private credit holdings by the wealthy have grown 2.5-fold in the last three years — four times faster than the traditional institutional business. On new estimates by Oliver Wyman, these investors now account for roughly 12% of the private credit assets of leading firms. Much of this is still concentrated in the hands of the ultra-rich, but the ambition is clear: to bring private credit into the mainstream of wealth portfolios. Oliver Wyman estimates the top seven firms have around $275 billion of private credit assets under management from the wealthy and the total industry to have between $325 billion and $375 billion.

Evergreen funds, which allow new investors to buy and redeem stakes periodically rather than invest for a fixed period, are transforming access. One key reason is the ability to put funds to work right out of the gate, unlike so-called drawdown funds which make complex cash demands on investors, calling in committed funds over time to deploy.

Investors are also rethinking what makes a diversified credit portfolio, asking why they should put 100% of fixed income investment into public assets. Many wealthy investors are starting to adopt a "barbell" strategy — combining low-cost bond ETFs at one end with higher-yielding, less liquid private credit at the other. This barbell effect, long a hallmark of equity investing, is now reshaping bond investing and has a very long way to run.

Technology, meanwhile, is enabling a simpler process. Private assets have historically been a heavy lift in their document demands and sold in large lots. But this is being streamlined into something closer to the experience of buying a mutual fund, albeit with a few more signatures.

How far could this go? Advisers and managers that Oliver Wyman has surveyed suggest private credit allocations by wealthy individuals could double or quadruple in the next five years as they become a component in a broader credit portfolio. Still, success will hinge on asset managers solving four key challenges.

First, liquidity management. Private credit, by definition, is illiquid. Firms will need to navigate the likely cyclical nature of retail capital flows and maintain underwriting discipline amid rapid growth. Those with diverse origination channels and strong risk controls will be better placed to do this.

Second, cost-effective distribution. Reaching hundreds of thousands of financial advisers across the US and internationally is no small task. Private credit firms typically lack the sales infrastructure to address retail channels at scale, while traditional asset managers often lack deep expertise in private markets.

This creates a compelling rationale for partnerships — such as Apollo's tie-up with Lord Abbett, KKR's with Capital Group, and Blackstone's alliances with Wellington and Vanguard. Expect more of these to emerge — as well as some further acquisitions to add capabilities.

Third, infrastructure. For private credit to become a true retail product, it will need secondary market liquidity, evolved pricing conventions, and better data and analytics. The ecosystem remains nascent, but development is accelerating.

Last, regulation. Regulators will have to keep an eye on the sector and ensure customers are being treated fairly. As allocations grow, expect them to issue guidance.

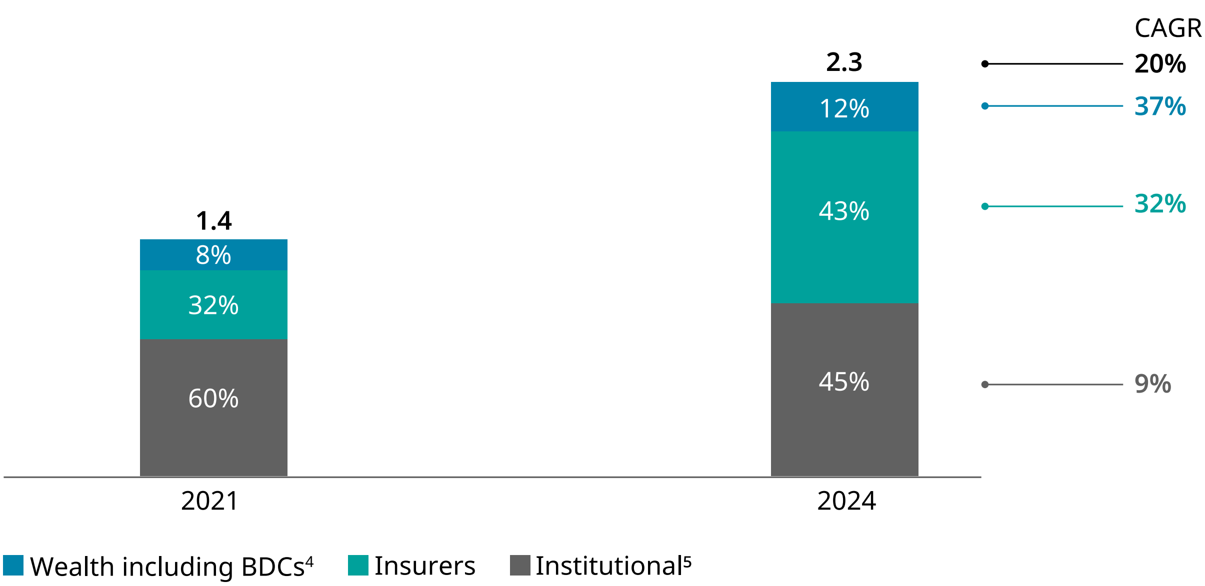
All of this is happening before any regulatory changes in the US allow more investments by 401(k) pensions plans in private assets. Broadly, private credit is likely to become a component in diversified credit portfolios — including managed investment accounts. In some ways, this is akin to the mainstreaming of derivatives in credit mutual funds in the 1990s and 2000s to add to returns and manage risks.

This shift underscores just how much the market structure of finance is changing. The lines will be increasingly blurred between private and public credit. As more capital flows outside public markets, the foundations of how risk is priced, accessed, and distributed are quietly being rewritten.

This first section appeared in the Financial Times on July 8, 2025, under the headline "Gates open for affluent to invest in private credit," by Huw van Steenis.

Exhibit 1: Credit assets from wealthy clients have grown over four times faster than classic institutional assets in the last three years

Estimated AUM in credit[1] for largest seven private markets firms,[2] by client segment,[3] USD trillion



1. Includes liquid and private credit strategies; 2. Largest seven North American firms listed in both 2021 and 2024: Apollo, Ares, Blackstone, Blue Owl, Brookfield, Carlyle, KKR; 3. Client segments as defined by each individual firm. Note that there may be some differences in perimeter definitions across firms, although efforts have been made to normalize wherever possible when information is available; 4. Based on company disclosures on AUM from wealth/retail channels wherever possible, however where estimates were made using BDC reporting, some institutional capital may be included. Efforts have been made to exclude institutional capital from BDC figures where possible; 5. Includes AUM from all other sources. Source: Oliver Wyman estimates based on public company disclosures, filings, and earnings calls.

THE WEALTH OPPORTUNITY FOR PRIVATE CREDIT IS IN TAKE-OFF

The wealth segment is becoming increasingly important to private markets firms. Our new estimates suggest that wealth clients now account for approximately 12% of private credit assets of the leading firms. This segment grew 2.5-fold in the last three years — four times faster than assets from classic institutional channels.

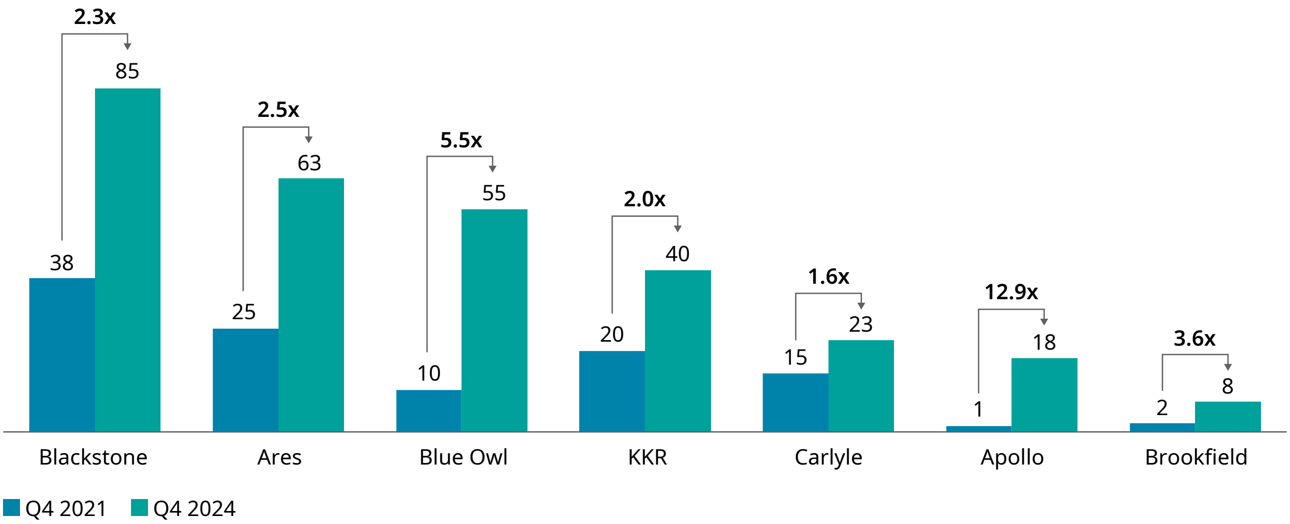
But these assets are mostly from the ultra-wealthy. There is an explosion this year of new funds and partnerships seeking to capitalize on the mainstreaming of private credit, particularly via "evergreen funds." We estimate that private credit evergreen funds in interval fund format, which allow investors to redeem shares at set intervals, are growing at an annualized rate of roughly 70% this year while those in non-listed business development companies (BDCs) format are growing at about 50%, making this the fastest growing part of the investing world. Hence our keen interest to shed light on how this trend is reshaping clients' portfolios and firms' prospects.

It is far from easy to get your hands around the size of the wealth-investor segment in private markets. Our new bottom-up estimates try to address the limitations of the larger private markets data providers, most of which have limited views into capital sources and fail to capture assets held in separately managed accounts (SMAs) or BDCs. Both vehicles are common in wealth and insurance segments, so these bottom-up estimates likely better reflect the true expansion of private credit usage. We aimed to capture all wealth assets across the spectrum by triangulating between public disclosures, regulatory fund filings, interviews, and color provided in earnings calls and at investor conferences.

In all, we estimate that private credit assets of the wealthy grew by approximately 37% per year in the last three years, four times faster than assets sourced from institutions, the traditional origin of private credit business (see Exhibit 1 in previous section). Wealth segments now account for just under $290 billion of private credit held by the seven largest firms, approximately 12% of their entire private debt book. Breaking this growth down by firm, this is not constrained to a few outliers — almost all have at least doubled wealth assets in private credit over the past three years (see Exhibit 2). Credit assets from wealth have also been one of the fastest growing asset classes for these firms, faster than growth in overall wealth AUM (see Exhibit 3). This said, assets from insurers have been the largest source of assets in the last three years, as we have noted in a previous report in this series.

Exhibit 2: Almost all firms in our sample have at least doubled their wealth assets in credit during the past three years

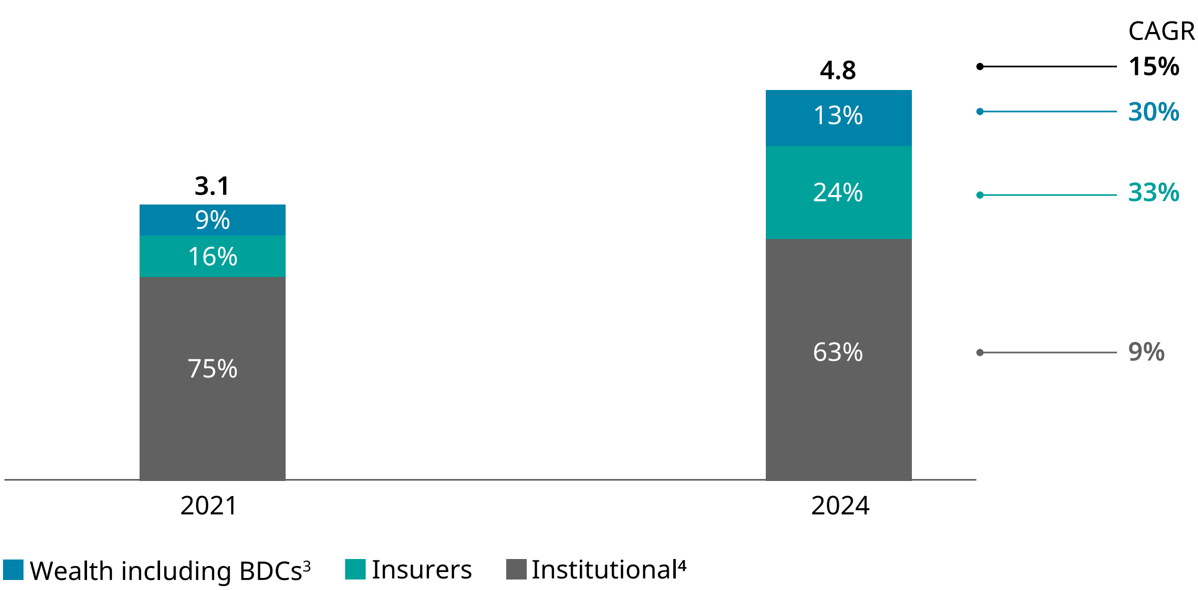
Estimated wealth AUM[1] in credit[2] for largest seven private markets firms,[3] Q4 2021 and Q4 2024, USD billion



1. Wealth AUM (including BDCs) as defined by each individual firm. Note that there may be some differences in perimeter definitions for wealth across firms, although efforts have been made to normalize wherever possible when information is available. BDC AUM may include some institutional AUM invested in BDCs; efforts have been made to exclude institutional capital wherever possible; 2. Includes liquid and private credit strategies; 3. Largest seven North American firms listed in both 2021 and 2024: Apollo, Ares, Blackstone, Blue Owl, Brookfield, Carlyle, KKR. Source: Oliver Wyman estimates based on public company disclosures, filings, and earnings calls.

Exhibit 3: Wealth AUM in credit has grown faster than overall wealth AUM

Estimated AUM for largest seven private markets firms,[1] by client segment,[2] USD trillion



1. Largest seven North American firms listed in both 2021 and 2024: Apollo, Ares, Blackstone, Blue Owl, Brookfield, Carlyle, KKR; 2. Client segments as defined by each individual firm. Note that there may be some differences in perimeter definitions across firms, although efforts have been made to normalize wherever possible when information is available; 3. Based on company disclosures on AUM from wealth/retail channels wherever possible, however where estimates were made using BDC reporting, some institutional capital may be included. Efforts have been made to exclude institutional capital from BDC figures where possible; 4. Includes AUM from all other sources. Source: Oliver Wyman estimates based on public company disclosures, filings, and earnings calls.

One challenge with our estimates is each private asset manager defines "wealth" differently. We aimed to capture all wealth assets across the spectrum by triangulating between public disclosures, regulatory fund filings, and color provided in earnings calls and investor conferences. We may understate assets from the very wealthiest individuals and family offices, which some firms may classify as institutional — especially if their clients participate via direct co-investment. We also probably capture some institutional investors that use evergreen structures such as BDCs.

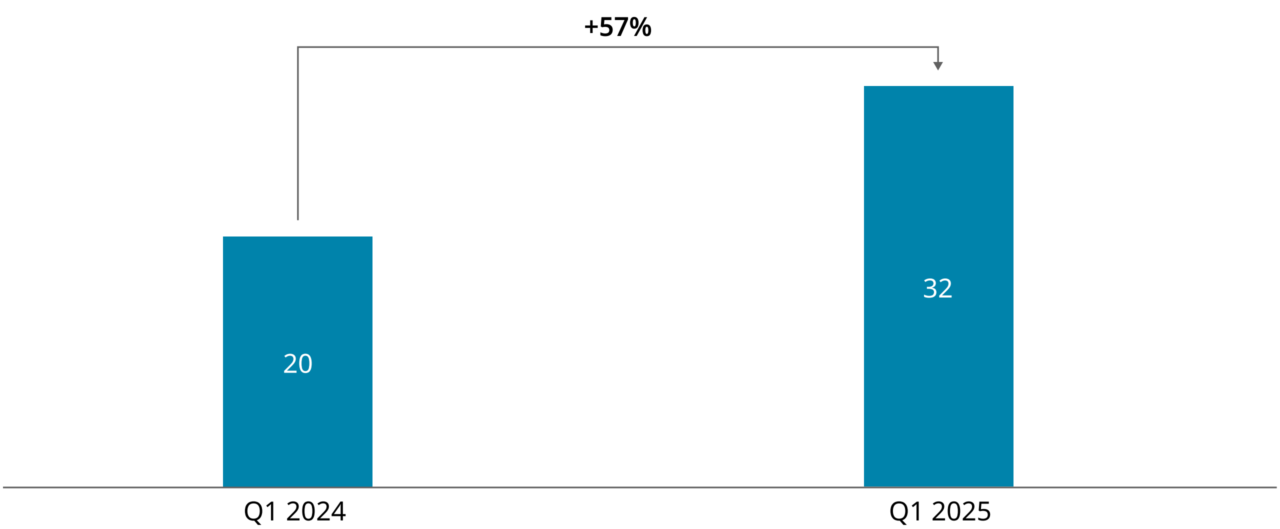
The direction of travel is clear: Flows appear to be increasing rapidly. Inflows from wealthy investors rose almost 60% year-over-year in the first quarter of 2025; our estimates suggest the vast majority of this was in private credit (see Exhibit 4).

Growth was so strong that some managers and distributors parked inflows earmarked for their evergreen funds in a queue or "holding pattern" (like when landing at an airport) when subscriptions surged beyond a pace at which they could deploy capital appropriately while maintaining underwriting discipline.

The seven largest asset managers don't provide geographic detail regarding their wealth-oriented growth. Some of the firms indicate that as much as 30% of their recent flows have been sourced outside the United States, but most likely from very affluent individuals. Mass-affluent purchases appear mostly US in provenance, although many firms report strong individually oriented growth in their European long-term investment fund (ELTIF) semi-liquid structures and from the Australian market.

Exhibit 4: Inflows from wealth were up almost 60% in Q1 2025 compared with Q1 2024

Quarterly private wealth[1] inflows for largest seven private markets firms,[2] USD billion



1. Client segments as defined by each individual firm. Note that there may be some differences in perimeter definitions across firms, although efforts have been made to normalize wherever possible when information is available; 2. Largest seven North American firms listed in both 2021 and 2024: Apollo, Ares, Blackstone, Blue Owl, Brookfield, Carlyle, KKR. Source: Oliver Wyman estimates based on public company disclosures, filings, and earnings calls.

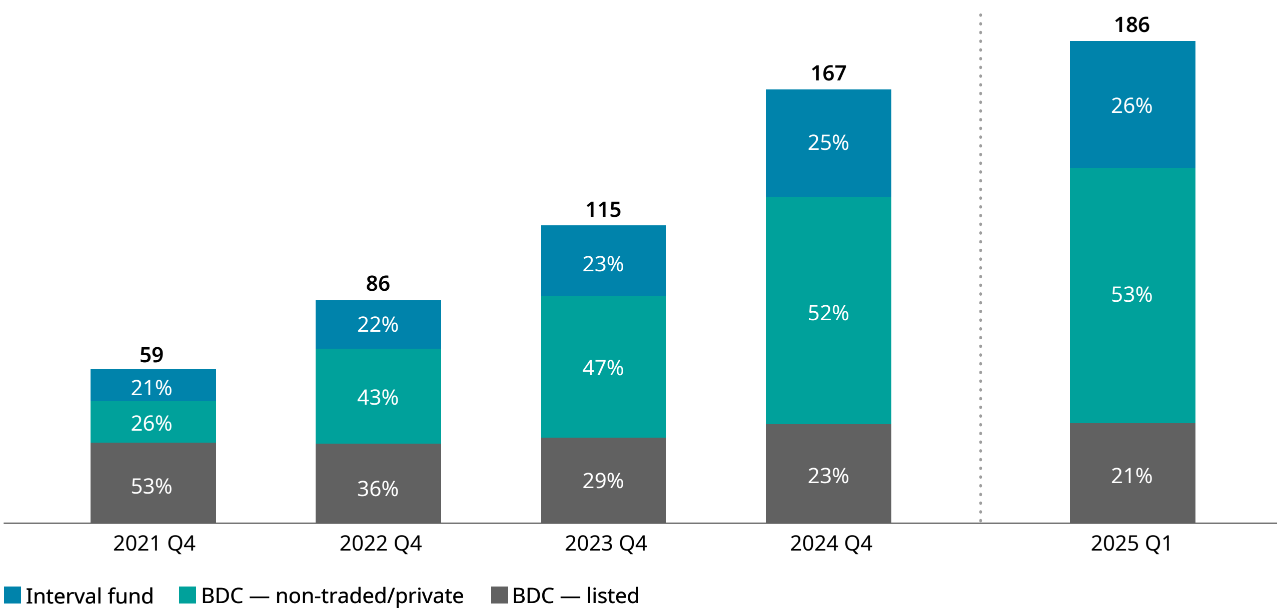
The expansion has been fueled by proliferation and innovation in fund vehicles and product partnerships. These seek to widen individual participation in private credit beyond the ultra-high-net-worth and family offices. A variety of evergreen structures now target the wealth segment. Each has different characteristics, but all aim to provide private credit exposure with liquidity provisions, fees, distribution infrastructure, and (sometimes) tax considerations friendly to individual investors and their advisers.

While not new — most come under the US 1940 Investment Company Act — evergreen funds, which are open-end and continuously reinvest returns, have been critical for growth. They reduce the complexity of managing capital calls, put money to work more quickly, limit investor exposure to the J-curve, and reduce the required investment size. Consequently, these vehicles — initially non-traded BDCs but more recently closed-end interval funds — have been attractive for individual and some institutional clients. Among leading private markets managers, non-traded BDCs and interval funds invested in private credit have consistently grown more than 40% year-over-year in net asset value (NAV) since 2021. These fund types made up almost 80% of NAV in our sample at the end of the first quarter of 2025, up from less than 50% at the end of 2021 (see Exhibit 5).

Interval funds, in particular, have accelerated inflows during the first quarter of 2025, reflecting an annualized growth rate of 70% year-over-year (see Exhibit 6). Interval funds often have lower minimum investment thresholds and more flexible eligibility requirements. They also offer more liquidity than non-traded BDCs (as liquidity is mandated at set intervals, rather than at the discretion of a board).

Exhibit 5: Evergreen funds mainstreaming private credit to wealthy have accelerated in popularity since 2021

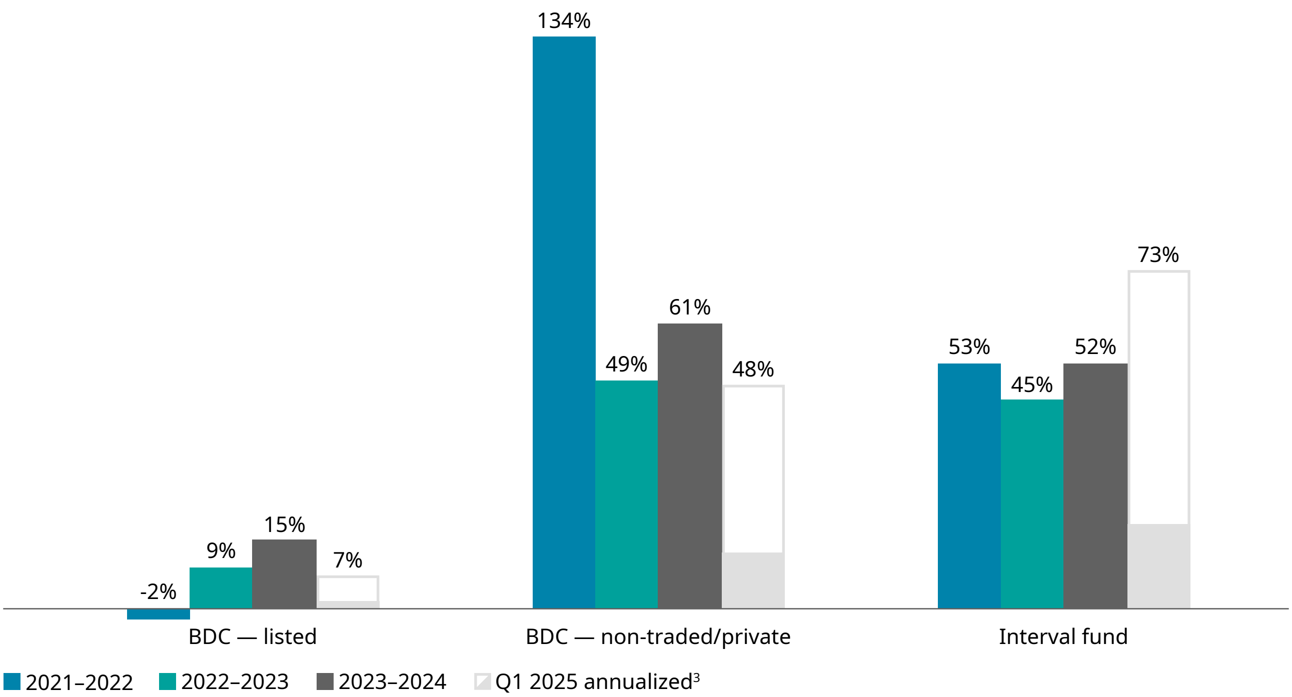
NAV of evergreen private credit funds[1] from selected private markets firms (representing approximately two-thirds of assets[2]), split by vehicle type, USD billion



1. Universe predominantly consists of funds with a primary mandate in private credit but also includes diversified credit vehicles which have smaller private sleeves (20%-30%). Limited to perpetual-life funds filing N-CSR/10-K annual reporting. Limited partnerships and European funds (e.g., Luxembourg-domiciled SICAVs, RAIFs, ELTIFs, UCI Part II funds) are excluded; 2. Includes evergreen private credit funds offered by Apollo, Ares, Blackstone, Blue Owl, Brookfield, Carlyle, KKR, Cliffwater, BlackRock/HPS, Hamilton Lane, PIMCO — total comprises roughly 60% of total NAV in all BDCs and roughly 70% of total NAV in all credit interval funds. Source: Company reports, SEC filings, Morningstar.

Exhibit 6: Interval funds are poised for rapid growth in 2025, with annualized Q1 growth above 70%

Growth in NAV of evergreen private credit funds[1] from selected private markets firms,[2] %



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A timeline (Box 1) of some notable fund launches shows private markets managers are continuing to innovate the fund structures they use to attract individual investors. And while the largest evergreen products focus solely on private credit, a growing number of funds are offering blended capabilities — a window into the future for many of these products.

Box 1

Notable funds in the mainstreaming of private credit

Year / Fund	Why	Fund structure	Investment strategy
2016 **Partners Group Private Loans**	One of the oldest and largest Luxembourg-domiciled-private credit evergreen funds — recently reached €2 billion in assets. Initially designed for institutions and now available to private wealth	SICAV-SIF, with monthly subscriptions and quarterly redemptions (with a 90-day notice)	Unlevered global portfolio currently comprised of over 140 primarily senior secured direct loans with pro rata allocation to the same investments as Partners Group's closed-end funds
2019 **Cliffwater Corporate Lending Fund**	Largest credit interval fund today with about $30 billion in NAV	Interval fund with daily subscriptions and quarterly repurchase offers of 5%–25% of outstanding shares. Has a 1% management fee, with no incentive layer	Direct lending to mid-market companies — current portfolio has 96% first lien. Multi-originator structure with 20+ affiliated lenders
2021 **Blackstone Private Credit Fund**	Largest retail private credit fund with a NAV of more than $40 billion (or $70 billion total assets). Also has the highest credit rating among non-traded BDCs: Moody's (Baa2 / stable), S&P (BBB- / positive)	Perpetual non-traded BDC, with monthly subscriptions and expected quarterly tender offers up to 5% of shares (at board discretion); shares held for less than one year repurchased at 2% discount to NAV	Senior secured direct lending targeting an 80% or greater private credit allocation; current portfolio has 90% first lien exposure
2024 **Goldman Sachs Alternatives European Credit**	One of the largest European evergreen private credit funds	Luxembourg UCI Part II fund, sub-fund of Goldman Sachs Alternatives SICAV, with monthly subscriptions and monthly redemptions up to 2% of NAV per month / 5% per quarter	Senior secured direct lending to medium- to large-sized European companies
2025 February **Lord Abbett (with Apollo): Flexible Income Fund**	Dual-manager model — liquid public sleeve is managed by Lord Abbett, while Apollo originates and manages private credit sleeve	Credit interval fund with daily subscriptions and quarterly repurchase offers of 5%–25% of outstanding shares	Two complementary sleeves: i) short-duration liquid public credit and ii) private credit (35%–65% of total assets) consisting of asset-backed credit and direct lending

Box 1 (continued)

Notable funds in the mainstreaming of private credit

Date / Fund	Why	Fund structure	Investment strategy
2025 February **State Street Global Advisors (with Apollo): IG Public and Private Credit ETF**	First US ETF with a private credit sleeve, with a novel liquidity arrangement with Apollo, which is contractually obliged to provide daily bids on Apollo-originated holdings	Open-ended ETF listed on NYSE ARCA	Investment-grade debt across public and private credit, with a private allocation target of 10%–35%, consisting of Apollo-sourced senior secured loans and asset-backed financings
2025 April **Capital Group KKR Core Plus+ and Multi-Sector+ Credit**	Raised $0.4 billion in total assets in first month of launch; higher liquidity — 10% target repurchase offer size compared to 5% typically offered by other interval funds; low investment minimum of $1,000	Credit interval fund with daily subscriptions and quarterly repurchase offers of 10% of outstanding shares	60% public sleeve (Core Plus+ in IG core bonds, Multi-Sector+ in high-yield and securitised credit) managed by Capital Group, and 40% private sleeve managed by KKR
2025 Launch TBD; announced in May **Wellington (with Vanguard and Blackstone): WVB All Markets Fund**	First product from three-way collaboration, with Wellington as the investment adviser and Vanguard/Blackstone as unaffiliated parties providing funds for public/private exposure	Credit interval fund with daily subscriptions and quarterly repurchase offers of 5%–25% of outstanding shares	Broad range of public/private market exposure: 40%–60% public equities, 15%-30% public fixed income, 25%-40% private markets (credit, equity, real estate, infrastructure)
2025 Launch TBD; announced in June **BlackRock/Great Gray private markets target date fund**	Mainstream 401(k) target date solution with hard-wired private sleeve	Collective investment trust — BlackRock supplies custom glide-path with Great Gray as trustee; Wilshire Advisors to oversee liquidity management	Glide path expected to allocate 5%–20% private assets: 15%–20% equity-leaning allocation for younger participants, tapering to 5%–10% credit-focused allocations for older investors

UNLOCKING THE WEALTH OPPORTUNITY

Advisers and investment firms we surveyed suggest private credit allocations by wealthy individuals could double to quadruple in the next five years as private credit increasingly becomes a core component in a broader credit, or alternatives, sleeve of a portfolio. Unlocking the opportunity will require further product innovation, cost-effective distribution, strong asset-liability matching within origination, and better market infrastructure. The firms that help solve these challenges — asset managers, intermediaries, or market-makers — stand to benefit most from the growth of wealth assets in private credit.

Exhibit 7: To unlock growth, firms will need to solve four sets of problems

Product innovation	Accessing clients cost effectively	Manage asset-liability matching	Infrastructure buildout	Around the corner
• Well structured evergreen funds offering simpler access and no J-curve • New funds combining public and private credit • Integration as components into model portfolios, SMAs, UMAs, target date solutions • Rethinking porfolios (e.g., credit-plus-plus)	• Wirehouses, wealth managers, RIAs offering private credit products further down wealth spectrum • Partnerships between private and public asset managers • Integration into managed accounts	• Strategies which are appropriate for new fund envelopes • Calibration and stress test asset-liability matching • Diverse origination channels and business mix to flex with likely pro-cyclical retail allocations and maintain underwriting discipline	• Evolving pricing conventions and independent valuations • Industry benchmarks and third-party credit ratings to support product comparison • Analytics to support liquidity management • Technology platforms	• Regulatory shift to unlock 401(k) and DC pension market via litigation shield • Tokenization of assets to enable fractional ownership

Product innovation

Many private markets products for individuals are designed to fit into a portfolio's private markets or alternatives allocation. But increasingly, individual investors — and the advisers who aid them — view private credit as an extension of a portfolio's overall credit exposure, rather than a distinctly separate alternatives allocation. This fits with our view of the barbelling of fixed-income portfolios, which we have written about before. This is becoming more prevalent in conversations as less affluent investors explore credit-plus-plus allocations, looking for diversification and higher risk-adjusted returns.

Aging baby boomers seeking retirement income are more concerned about creating steadier, higher yields than whether the instruments generating these cash flows are listed or unlisted. And evergreen funds appeal to those over 60 who might fret that they could need access in the future.

Products that blend public and private credit — and investment platforms that combine public and private credit capabilities, either through partnership or under the same roof — are in their infancy.

The resulting products, with a higher proportion of investment grade (or near investment grade) assets can be thought of as "credit-plus-plus." We expect such strategies will fuel a large part of forecasted growth, particularly at the lower end of the wealth spectrum. Ultra-high-net-worth investors and family offices have the scale and sophistication to make more granular investments, and likely will continue to pull directly from the private markets side — in evergreen or drawdown vehicles.

In addition, as demand rises, we expect asset managers will blend a wider range of private debt into such portfolios — not just direct lending but also investment-grade asset-backed credit. These blended or integrated strategies let credit managers assess relative value across the full credit spectrum, and reduce the time required to trade between assets when opportunities arise. Asset-backed can offer shorter-duration funds, which can help with growing vehicles, too. They also provide a wide range of opportunity with a single subscription and incorporate enough listed securities to attract investors anxious about liquidity. Such products also appeal to intermediaries seeking an array of credit products with attractive risk-adjusted return profiles.

Asset managers today rarely have these capabilities unified on a common platform. Several, however, have partnered to provide these blended strategies (see Box 1). A few asset managers with public and private credit capabilities have announced efforts to combine them into single organizations. In addition, some asset managers with traditional fixed-income capabilities are acquiring private credit teams. Designing an operating model that provides adequate infrastructure for integrating these capabilities effectively and efficiently will be a critical requirement for success.

Cost-effective distribution

Selling private credit to individual investors, particularly mass-affluent clients, requires a different approach from the one private asset managers use with institutional buyers. Individual investors focus less on portfolio components than they do on outcomes (for example, retirement income). The wealth segment is highly intermediated, often by advisers with less experience explaining the role of private debt within portfolios. Individuals rightly or wrongly place less value on illiquidity, and more on lower fees. (Institutional investors also are rapidly embracing the lattermost point, however.) We see much of the future growth coming from solutions which increase clients' portfolio allocations to private credit assets.

Traditional asset managers have a distribution advantage their private markets peers often still lack. They already have invested in large wholesaling forces or client coverage organizations that support incumbent relationships with many advisers within large intermediaries, such as wirehouses in the United States or private banks in Europe. Several offer model portfolios designed to guide advisers into specific portfolio solutions increasingly engineered not only around diversification but also achieving specific outcomes. And many traditional firms have well-established brand recognition with individual investors, a halo they can extend across new products. All are helpful advantages in supporting wider use of private credit, either through standalone or blended strategies, among individual investors.

Intermediaries also will have significant influence in unlocking the private credit opportunity among individual investors. Large distributors — and in the United States, that includes the growing turnkey asset management platforms (TAMPs) that service smaller registered investment advisers (RIAs) lacking their own custodial platforms — already have more of the technology required to deliver advice effectively and efficiently across a wide range of vehicles: not only mutual funds and ETFs but the evergreen funds and (eventually) separately managed accounts many private credit providers will use. Unified managed accounts (UMAs), the US wirehouse platforms which enable advisers to deliver portfolios that blend funds and SMAs, will be a significant catalyst in delivering private credit capabilities to market in ways that advisers can easily implement for high numbers of clients.

Even the largest private asset managers will struggle with distribution. Few have existing wholesaling forces or holistic model portfolios spanning public and private exposures; few have decades-old brand equity with individual investors; most are new to distribution platforms such as UMAs. More important, traditional asset management firms and large distributors have long histories serving fee-sensitive investors. Private markets firms don't.

To reach more individual investors, private markets managers will explore creative ways to solve distribution challenges that avoid large-scale organic investments at heavy costs. They will use strategic partnerships to link themselves more tightly with existing distribution forces better able to reach and educate advisers and investors. They will embed their credit offers into broader holistic advice propositions such as other — or their own, potentially — model portfolios. They will seek preferred shelf space in large UMA and advisory platforms. And they will attempt to leverage existing brands familiar to individual investors, at least while they spend time building their own.

Of course, demonstrating performance, consistent risk-adjusted returns, lower volatility, and diversification benefits will underpin successful distribution.

Managers must be able to justify the value that higher-fee private credit products bring to client portfolios.

Effective asset and liability management

As individual investors purchase more private credit through evergreen structures that promise greater liquidity, private credit managers will have to adapt to new liquidity considerations. Holding more assets in liquid credit through blended strategies will help. But many firms will need to make additional changes across origination and structuring to better address the asset-liability mismatch that a more procyclical, liquidity-sensitive individual investor base will create.

Several private markets managers already are taking steps here in their evergreen funds. Tenor is one: Investing in asset-backed and securitized products with shorter-weighted average life can support additional liquidity. Credit facilities and term repo also can play a role, allowing funds to honor redemption requests without holding as high a proportion of short-term instruments. The experimentation in exchange-traded funds has, so far at least, not yet caught the investor excitement with flows.

Evergreen funds need to put investors' money to work immediately, while maintaining underwriting discipline. Managers with diverse and scaled origination capabilities, who can flex underwriting volumes to match vacillating flow volume, may have an edge, though this is likely to be an ongoing challenge. Bank partnerships could play a role here, providing investment opportunities for funds outside of more traditional sponsor-backed lending, as would diverse proprietary channels.

Infrastructure buildout

Maximizing private credit's expansion into wealth management will require not only changes within market participants, such as asset managers and intermediaries, but also within the market's own ecosystem. Market-wide changes will create transparency and consistency for investors, as well as simplify access to, and purchase of, private credit funds.

As more firms — traditional and private markets — promote private credit funds, intermediaries and investors will seek more ways to comparison shop, not only for performance but also credit ratings and risk profiles. Managers will provide some of this themselves, but overall growth will benefit from third parties providing consistently applied measures across valuation, performance, fees, and credit ratings. Reference indices will help with performance comparison among private credit firms, rather than simple comparisons to irrelevant benchmarks purely composed of liquid securities.

Creating a more common market infrastructure across the wide array of private credit vehicles would make such products more prevalent and easier to purchase. Industry solutions for this already exist, through several financial technology firms that build and monitor a wide array of conduits and feeders that pipe assets from smaller investors into large vehicles. These providers lengthen the value chain and squeeze fees for private markets players. Industry standardization — using a CUSIP-like protocol or potentially leveraging blockchain-facilitated smart contracts or tokens — could provide some relief. Technologies that facilitate ever-growing and complicated documentation also would benefit all participants, including individual investors.

Finally, private markets managers themselves would benefit from further innovations in technology. Private credit managers will have an increasing number of investments to manage, potentially across multiple funds — and scrutiny on investor reporting is likely to increase. Offline tracking of investments is unlikely to remain the most appropriate solution. Managers will need more sophisticated analytics to support more flexible and detailed liquidity management. Predictive capabilities to anticipate significant redemption requests or large inflows likely could support differentiated manager performance.

Around the corner: US retirement

Our projections for the expansion of private credit exposure in individual portfolios do not include any additional inflows that could arise if US defined contribution plans — the 401(k) system — were permitted to invest participant assets in private markets. Defined contribution plans in many other countries already invest participant assets in private markets, but mostly through central pooling rather than through participant-directed accounts. This would require not only more explicit guidance from US regulators but likely also extension of the "safe harbor" protection that shields US retirement plan providers and their asset managers from litigation. Any exposure to private markets likely would occur within US default options (known as qualified default investment alternatives, or QDIAs). It's unclear if regulations would permit private equity, debt, or both.

As one example, some leading Australian super funds, the best pension system in the world for retirees, put approximately 20% in alternatives and have about 2% in private credit — and are growing allocations swiftly. The long-dated nature of private markets aligns with the suggested investment timeframes for retirement savings. Deregulation efforts could be derailed by plenty of factors: a liquidity crisis, a focus on poor investment performance, legislative challenges, or the costs of technology required to implement private markets within QDIA offers or defined contribution schemes. But it's the litigation safe harbor that is uppermost in our thinking.

Sizing the prize

If market participants can solve these challenges and the enablers are put into place, the opportunity that individual investors represent for private credit managers is significant. Looking globally, how large could the opportunity be?

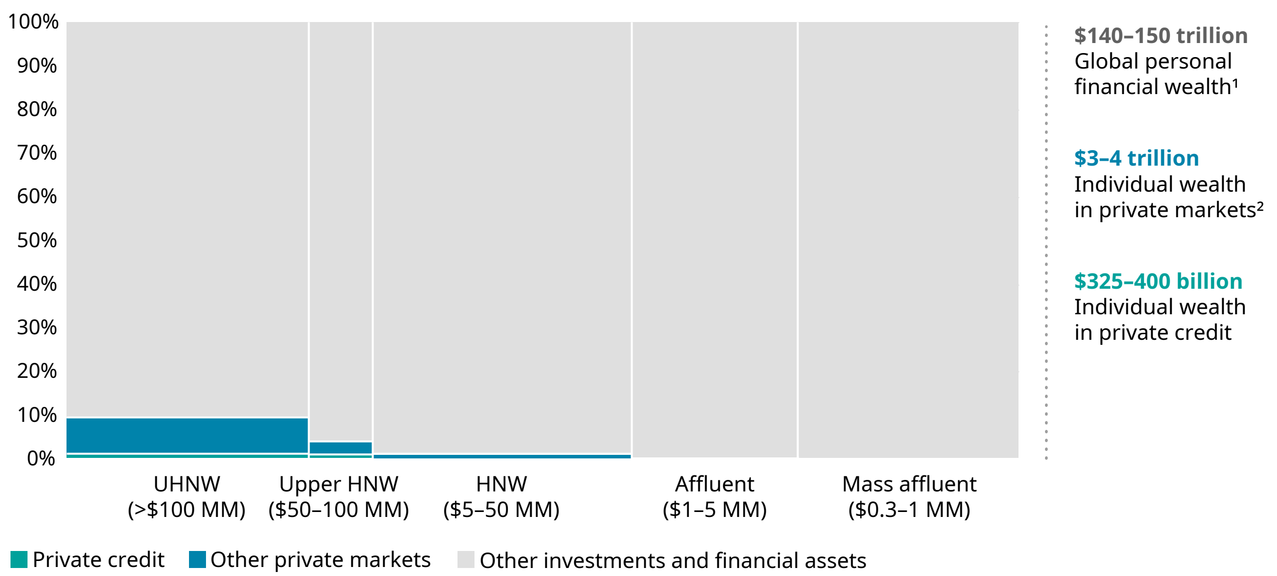
We estimate that global allocations to private markets today make up approximately 3% of personal investable financial wealth, of which more than roughly 85% comes from individuals with over $50 million (see Exhibit 8). That represents approximately $3 trillion to $4 trillion in private markets today. Of this, we estimate that private credit investments total approximately $325 billion to $400 billion.

That would mean wealthy individuals held about 10% to 12% of the $3.3 trillion of private credit assets under management globally at year-end 2024, based on estimates jointly created with Morgan Stanley last year.[1]

We believe the $325 billion to $400 billion the wealthy have allocated to private credit today could reach $800 billion to $1.5 trillion by 2029 (see Exhibit 9), based on our discussions with leading funds and distributors. Much of this growth is driven by rising private credit allocations — from our estimated 0.3% today to an average allocation of 0.4% to 0.8% in 2029. Investors in the United States are likely to make up 50% to 60% of the total, with the high intensity of advice delivered in wealth channels continuing to support faster adoption.

Exhibit 8: Global allocations to private markets make up roughly 3% of individual wealth today

Estimated global personal investable financial wealth[1] allocated to private markets,[2] %, 2024



1. Wealth defined as investable personal financial assets including investable assets (deposits, equities, mutual funds, and alternatives), excluding assets held in insurance policies, pensions, and direct real estate or other real assets. Excludes wealth held by retail segments (USD <0.3 million); 2. Private markets defined as infrastructure, private debt, private equity, and real estate investments. Excludes hedge funds and natural resource investments and direct investments in real estate, private equity, and infrastructure. Source: Estimated based on Oliver Wyman Global Wealth Pools.

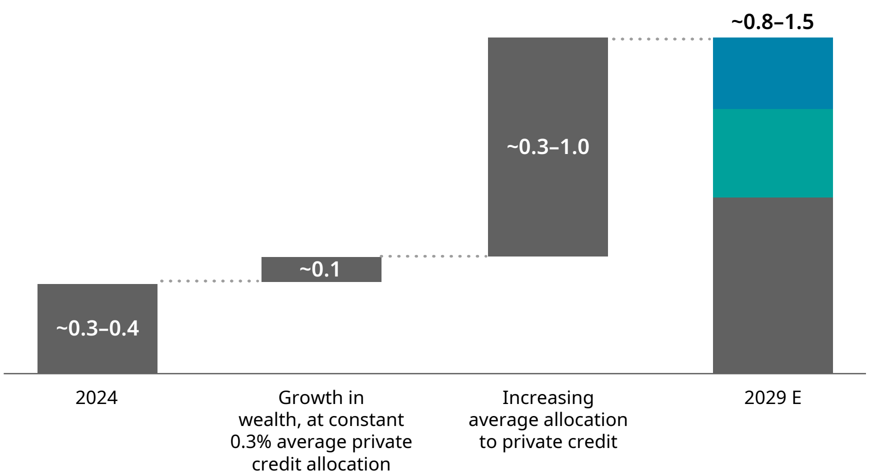
1 "Extending Credit: The Evolving Role of Wholesale Banks in Credit Markets," Morgan Stanley and Oliver Wyman, November 2024

Putting this together, what might the overall asset mix look like for leading firms over the next five years? Based on our conversations with leading funds and distributors, and triangulating from analyst consensus, we estimate that wealth assets in private credit could grow by two and a half to four times for the leading firms — faster than the growth of overall wealth assets in private markets (see Exhibit 10).

Wealth assets look set to make up a greater share of the overall asset base of many of these firms, and we expect that credit will drive much of this growth. The yield-oriented nature of the asset class and its finite term make it easier to incorporate into semi-liquid vehicles than asset classes like equity, which is key to driving uptake further down the wealth spectrum.

Exhibit 9: In our base case, global allocations to private credit from individual investors could reach $1.1 trillion by 2029

Estimated growth in personal investable wealth[1] allocated to private credit, USD trillion, 2024–2029E



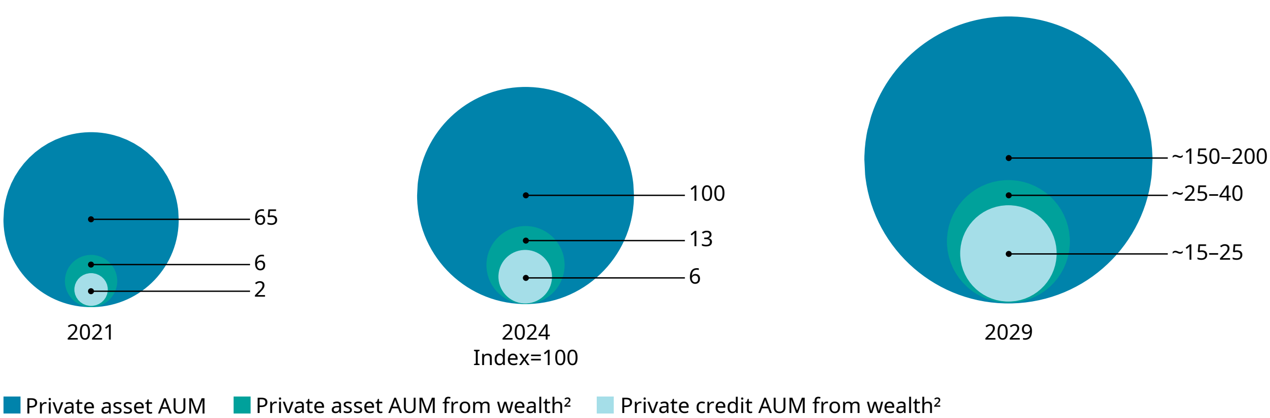
By 2029

Average private credit allocation	Total individual private credit assets	Growth
0.8%	Upside: ~$1.5 trillion	~4x
0.6%	Base case: ~$1.1 trillion	~3x
0.4%	Downside: ~$0.8 trillion	~2x

1. Wealth defined as investable personal financial assets including investable assets (deposits, equities, mutual funds and alternatives), excluding assets held in insurance policies, pensions and direct real estate or other real assets. Excludes wealth held by retail segments (USD <0.3 million).
Source: Estimated based on Oliver Wyman Global Wealth Pools.

Exhibit 10: Wealth AUM in private credit may double to quadruple, based on our conversations with firms and distributors

AUM in private markets firms,[1] indexed to 100 for private asset AUM in 2024, 2021-2029E



1. AUM mix for private markets firms estimated for 2029 from a range of sources. Includes analyst consensus, public disclosures, and public guidance from largest listed private markets firms (Apollo, Ares, Blackstone, Blue Owl, Brookfield, Carlyle, KKR), and includes color from our interviews with a range of firms, distributors, and advisers; 2. Wealth segment as defined by each individual firm. Note that there may be some differences in perimeter definitions across firms, although efforts have been made to normalize wherever possible based on available information. Source: Oliver Wyman estimates and analysis based on public company disclosures, filings, earnings calls, and interviews with market participants.

WHAT ARE THE IMPLICATIONS, AND WHERE COULD WE BE WRONG?

Risks to our base case

Like any new market, several factors have to go right at the same time; if not, our expectations could be way off. Several factors could impede individual investors' appetite for private credit.

A severe credit cycle could hit returns and dampen interest. Private credit could become a victim of its own success: Substantial inflows could compress spreads and weaken the very value proposition individual investors seek from less liquid debt.

Advisers and intermediaries might not provide the necessary support required for widespread adoption. It is clear that firms need to invest heavily in supporting the wealth market.

Managing private credit involves high fixed costs relative to other investment products, and there is only so much margin to trim before firms may impact their ability to retain (expensive) investment professionals — which many firms argue are critical to differentiated performance. Private credit managers could balk at the pressure that retail clients and intermediaries likely will apply to both management and performance fees. Fees for blended vehicles are being set at 0.8% to 1.0%, which can work at scale, but may disappoint below scale. Limited downwards movement on fees could mean growth doesn't prove as widespread if individual investors remain price sensitive.

And some firms may fail to get sufficient asset-liability matching within the vehicles, causing heavy redemptions and/or reputational damage for the sector.

But even if our projections above are partly true, the intersection of private credit and wealth management will represent one of the industry's brightest spots for growth for the next five years. More important, its expansion has the potential to rewire several participants in the asset management, wealth management, and broader financial services industries.

What are some of the implications for firms?

Private asset managers will change significantly if wealth channels account for a substantial part of their client base. Higher inflows will be offset by lower fees and rising fixed costs from supporting the structures and distribution needed to reach individual investors. Retail inflows into private credit will be procyclical and less predictable, making it important for private credit platforms to maintain flexible origination that maintains their credibility as lenders. Pushing into wealth channels will force private asset managers to run themselves as more industrialized capital markets businesses under more intense profitability pressure. Those that fail to adapt can expect their valuation multiples — real or perceived — to shrink. Firms may also look to innovate on fee structures, such as reducing clawbacks or lock-up periods, as an alternative to competing down fees. Cash flow management will become far tougher — and require major upgrades of treasury functions at private credit firms.

Increased interest in private credit from individuals will benefit **traditional fixed-income** managers able to add new capabilities to their existing distribution prowess. Firms with large books of public credit are especially well placed to launch blended products that could interest a wider swath of more risk-averse investors reluctant to trade much liquidity for yield. Many fixed-income managers are already integrating their listed and unlisted credit desks, anticipating future product demand and development. These firms may also benefit from rapid client feedback loops through their strong distribution capabilities — supporting faster product development. However, building and scaling expertise in private markets takes time — many managers will need to explore external options to avoid being left behind as the market grows.

Savvier **capital markets participants** will try to get in on the act. Exchanges, market-makers, insurers, and even traditional deposit banks will seek to help asset managers originate enough debt and ease liquidity crunches. We expect some of these players will take advantage of evolving infrastructure to directly buy and sell debt in increasingly deep secondary markets — potentially creating some competition for private credit asset managers. We are particularly interested to see how index and ratings firms, offering benchmarks and analytics, tackle these markets. We think this could be a very rich seam to mine.

Individual interest in private credit will transform **intermediaries, wealth managers, and advisers**, creating broader and more impactful use cases for model portfolios and UMA accounts. Comfort with advice around private credit, ease in providing access to the right semi-liquid structures, and ample liquidity backstops will be powerful forces reshuffling winners and losers among advice providers, not just in the hyper-intermediated US marketplace but also worldwide.

The expansion of private credit among individual investors will touch a broad array of financial services firms, triggering both competition and potential cooperation. The wide range of tools needed to succeed in selling private credit in wealth channels spans portfolio management, origination, underwriting, distribution, technology, and liquidity management — making it less likely that any single firm has all the necessary skills. M&A is one avenue, but the persistent (if shrinking) gap between multiples of firms focused on private markets vis-à-vis those centered on listed securities makes these deals challenging to pose and execute. A spectrum of creative strategic partnerships is the likelier result. Firms that focus efforts on their unique competitive advantages and successfully reach out to others as means of extending their capabilities are the ones likely to navigate and win outsized portions of one of the industry's fastest-growing opportunities.

APPENDIX

US private credit fund structures

	Exchange traded funds	Listed BDCs	Interval funds	Non-traded BDCs	Private BDCs	Private partnerships (LP/LLC)
Term	Perpetual	Perpetual	Perpetual	Perpetual/Finite	Perpetual/Finite	Perpetual/Finite
Mandated portfolio requirements	<15% illiquid assets; diversification rules	>70% of assets in US companies which are privately held or small/mid-cap	Sufficient liquidity to meet repurchase schedules	>70% of assets in US companies which are privately held or small/mid-cap	>70% of assets in US companies which are privately held or small/mid-cap	None
Purchase method	Intraday on exchange	Intraday on exchange	Daily (most funds) or monthly subscriptions	Monthly subscriptions	Private placement and drawdown model; periodic private offerings observed in newer evergreen vehicles	Private placement and drawdown model; periodic subscriptions observed in newer evergreen vehicles
Liquidity	Intraday on exchange	Intraday on exchange (price may deviate from NAV)	Quarterly repurchases between 5%-25% of shares	Quarterly repurchases capped at 5% of shares, set at board discretion	Liquidity restricted to ad-hoc tender offers — newer perpetual-life models may expect quarterly offers capped at 5% of shares	None until wind up; evergreen vehicles offer quarterly/ semi-annual tenders
Typical NAV cadence	NAV daily; indicative value real-time	NAV quarterly	NAV daily/ weekly	NAV quarterly	NAV quarterly	NAV quarterly
Maximum leverage[1]	33%	67%[2]	33%	67%[2]	67%[2]	No mandated cap
Typical investor requirements	None	None	None — may be distributor-specific	Gross income and net worth each >\$70k or net worth >\$250k[3]	Accredited status[4] — qualified purchaser[5] share classes may exist	Qualified purchaser[5] status — accredited[4] investors may invest through feeder funds
Typical min. investment	None	None	\$1k–25k	\$2.5k–25k	Variable — often >\$25k	Variable — often >\$25k
Example fund	SPDR SSGA IG Public and Private Credit ETF	Ares Capital Corporation (ARCC)	Cliffwater Corporate Lending Fund (CCLFX)	Blackstone Private Credit Fund (BCRED)	Blue Owl Technology Finance Corp (OTF)	Carlyle Direct Lending Fund (Levered), L.P.

1. Borrowings as a % of total assets, unless otherwise stated, rounded to nearest integer; 2. 67% maximum leverage is limit for BDCs eligible under terms of Small Business Credit Availability Act, otherwise limit is 50%; 3. State-specific investor rules may also exist; 4. Accredited investors meet one of following requirements: i) net worth >$1 million (excluding primary residence), ii) income >$200,000 or joint income >$300,000, iii) hold a Series 7, 62, or 65 license; 5. Qualified purchasers refer to individuals with >$5 million investments for themselves or >$25 million for themselves and other QPs. Source: Oliver Wyman analysis.

European private credit fund structures

	LTAF	ELTIF 2.0	Part II UCI (Lux)	SIF	RAIF (Lux) / QIAIF (Ireland)	Limited Partnership
Term	Perpetual	Perpetual/Finite	Perpetual/Finite	Perpetual/Finite	Perpetual/Finite	Perpetual/Finite (most common)
Mandated portfolio requirements	>50% investment in illiquid/long-term assets	>55% NAV in eligible long-term assets[1] — stricter diversification and concentration limits apply for retail ELTIFs	<20% NAV in securities from a single issuer	<30% assets in from a single issuer	<30% assets in securities of the same kind from a single issuer (Lux); <25% single issuer exposure (Ireland)	None — future cap to apply if LP qualifies as AIF[3]
Purchase method	Periodic subscriptions, often monthly	Periodic subscriptions (open-ended) or drawdown model (closed-ended)	Periodic subscriptions or drawdown model	Periodic subscriptions or drawdown model	Periodic subscriptions or drawdown model	Periodic subscriptions or drawdown model (closed-ended)
Liquidity	At most monthly redemptions with 90-day notice	At most quarterly redemptions in principle (open-ended); none (closed-ended)	Periodic redemptions (open-ended); none (closed-ended)	Periodic redemptions (open-ended); none (closed-ended)	Periodic redemptions (open-ended); none (closed-ended) — redemption price not required to be on NAV	None until wind-up; periodic redemptions seen in newer semi-liquid LPs
Typical NAV cadence	At least monthly	At least annually — monthly/ quarterly in practice for open-ended funds according to dealing frequency	At least monthly	At least annually — monthly/ quarterly in practice for open-ended funds according to dealing frequency	At least annually — monthly/ quarterly in practice for open-ended funds according to dealing frequency	At least annually — monthly/ quarterly in practice for open-ended funds according to dealing frequency
Maximum leverage[2]	<30% NAV	<50% NAV (retail); <100% NAV (professional)	<25% NAV in principle	None — future cap to apply[3]	<200% NAV (Ireland) — future cap to apply[3]	None — future cap to apply if LP qualifies as AIF[3]
Typical investor requirements	Professional and 'restricted mass-market' as defined by UK promotion rules	None — retail investors subject to MiFID II suitability tests	None — may be distributor-specific	Well-informed investors[4]	Well-informed investors[4] (Lux) or Qualifying investors[5] (Ireland)	No restriction typically UHNW/ professional investors
Typical min. investment	£10-25k	€10-50k	€25k	€100k[6]	€100k[6]	€100k-1m+
Example fund	BlackRock Diversified Private Markets LTAF	Carlyle European Tactical Private Credit ELTIF	Goldman Sachs European Credit SICAV	Partners Group Private Credit SICAV-SIF	KKR-Income Trust SCA SICAV-RAIF	Apollo European Private Credit ILP

1. As defined in Article 10 of ELTIF regulation, consolidated in ELTIF 2.0 — private credit-relevant buckets include debt instruments issued by non-financial EU companies which are unlisted or with market-cap <€1.5 billion; 2. Borrowings as a % of total assets, unless otherwise stated, rounded to nearest integer; 3. AIFMD II — Directive (EU) 2024/927 in force (transposition due by 2026), introducing caps for loan-originating AIFs: max leverage of 175% of NAV for open-ended AIFs or 300% of NAV for closed-ended AIFs, concentration limit of 20% of capital in loans to a single financial undertaking, UCITS or AIF; 4. 'Well-informed' investor (Lux.) defined as an institutional/MiFID-professional or any person investing >€100,000 or certified competent; 5. 'Qualifying investor' (Ireland) defined as any subscriber investing >€100,000 who is a MiFID professional, formally appraised, or self-certified knowledgeable; 6. For non-professional investors. Source: Oliver Wyman analysis.

We would like to thank the several dozen folk we have had the opportunity to meet with across private credit, asset managers, investment advisers, and banks. We also would particularly like to call out our colleagues Katie Sessa, Marilyn Malone, Rob Hunter, Dylan Walsh, Julian Gorski, Joshua Zwick, Kamil Kaczmarski, and João Miguel Rodrigues.

FURTHER READING

For more on our recent perspectives on the evolution of private credit, investing, banks and market infrastructure see:

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