

Letter from Down Under (First of Two Parts)

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In our travels last month to Perth, Melbourne, and Sydney, we had over twenty meetings with clients and friends that included superannuation funds, wealth management firms, financial advisory and consultants, and private banks. As we discovered in other locales, private credit continues to gain in acceptance there as a valuable alternative to liquid assets, both in terms of relative risk/reward premiums, consistent income, and stable valuations.

In particular, institutional investors have progressed from conversations in which corporate direct lending was considered only as a rotational portfolio holding. Today market sentiment suggests an appropriate private credit allocation starts in the 2% range, to 5-7% if other alternatives such as infrastructure were included. At the extreme end, one market leader said alts and PC represented almost 40% of their portfolio...

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