

There's a New Tariff in Town (Second of Two Parts)

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One criticism of private credit goes something like this: “Sure, private credit has a pretty good track record. But that’s because it’s never been tested by a real recession.”

The point is valid for most direct lenders. According to one study, only 5% of those managers were around before 2009. But during the past 16 years, all asset classes went through identical conditions. Regardless how “real” you consider Covid and its significant aftereffects, we’ve had a string of mini crises since the GFC: budget standoffs, supply chain disruptions, geopolitical events and now tariffs. Private credit steered through them with steadier values and returns.

Emerging threats today are the knock-on effects from tariff policies, including consumer confidence (near record lows) and recession risk. The latter has been validated by an unexpected 1Q US slowdown to -0.3%. The unpredictability of these policies has also led to pencils down for M&A mandates until a clearer trade picture emerges...

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