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Business of Private Credit: Coming Home

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Much attention has been paid to the suitability of Matt Damon in the lead role as the wily Odysseus in this summer's Christopher Nolan blockbuster. Less well known was the challenge of shooting with noisy IMAX cameras. "We learned how to put them on helicopters or airplanes or take them underwater," Nolan told an interviewer. "But what we never learned how to do was shoot an intimate conversation."

Our newsletter has long featured ways core middle market lending – the Steadicam of capital markets – also quiets the noise of tariffs, geopolitics, AI, retail redemptions. Forged in the GFC, the asset class survived by trading momentum for discipline.

Sponsors played a critical role, spending months, sometimes years, picking the right businesses to grow before lenders ever see them. As we've detailed in this series, when problems surface, hand-picked lenders already know the playbook to use. Like a good movie script, action scenes are planned well in advance. When the camera rolls, everyone already knows their parts and how everything fits together.

That discipline matters for private credit because investors have little upside. They expect at a minimum to get repaid interest, principal and fees. As we've said before, your horse doesn't have to win, place, or show, it just has to finish the race.

Resilience in middle market businesses does not mean being bulletproof. No single term, covenant or equity cushion makes a portfolio immune to a downturn. Risks appear differently: a security firm loses its best salesperson; a storm wipes out a facility. Experienced managers anticipate the worst outcomes, watching for early warning signs.

The core middle market sits in a sweet spot. Its inhabitants are large enough to have professional management teams and scale to consolidate a niche sector. But small enough to be nimble, operate below the radar of public competitors, and require tighter terms and covenants.

Like Odysseus, unrecognized in his own kingdom, these companies are hiding in plain sight. With private equity owning less than 5% of the 200,000 US companies with revenues between $10 million and $1 billion, unconquered territory is vast.

Over twenty years ago *Apollo 13* was the first Hollywood picture converted to IMAX. It too was a coming home story, with perils that echoed Homer's journey. The core middle market has successfully negotiated the market's twists and turns for forty years. We look forward to seeing the sequels.