The Price of Admission

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Next time you are in Barcelona, stop at the Dow Jones Bar. There, drink prices move all night, as you watch the ticker tape like a crowded trading floor. Bull Run Fizz, anyone?

A Daily NAV, for some, is the solution for greater transparency. Like many, we believe more transparency benefits the asset class and investors as a whole. We're just not convinced this is the "real" solution.

Start with the basic premise: what's the appeal of private credit in the first place? A return profile that's less correlated with public markets, while getting compensated for taking on illiquidity risk. A Daily NAV doesn't necessarily break that premise, but it does further blur the line between public and private markets. MSCI's own private credit daily index doesn't independently appraise the economic value of underlying loans. Instead, it estimates where GPs' reported marks are heading, largely off daily moves in high-yield corporate bond spreads.

A Daily NAV can change on any given day. But it would take events severe enough for conservative managers to update their marks. Think COVID, the 2022 rate shock, or the recent software pullback. That also means a daily NAV can diverge from the actual value of the underlying loans. Is that the kind of transparency investors signed up for?

However, there are positives to this process. Large markdowns are still decided by the regular valuation committee, and can catch investors off guard. As the NAV is updated daily, that stress gets reflected sooner rather than sitting unseen until quarter-end. That timing is a real benefit for investors.

For all the attention being paid to daily NAV, the price at which you actually transact is still determined the way it always has been. As one firm's own disclosure says so plainly: "The Company's Transactional NAV is expected to be determined on a monthly basis in accordance with the Company's valuation policies and procedures." The same policies and rigorous process involving upward of 20 data fields, as we discussed in Beyond The Mark.

So, does any of this actually create more transparency? Probably not. Will it drive greater adoption? Likely. As one industry executive put it, "Traditional asset managers will not move in size into the private marketplace unless we can do things like daily NAV." The real audience for daily NAVs: allocators who need a daily price so they can hold middle market direct lending in their models, and retail investors looking for timely risk monitoring and alignment with public markets. Provide them with the metric and the capital should follow.

Any trips to Spain on the calendar? The Dow Jones Bar is worth the visit for tourists. And a Daily NAV can draw a crowd the same way. The locals, though, are down the street at their favorite watering hole.