INSIGHTS • OCTOBER 2026

Private Credit—Understanding the Asset Class

In this video, Lord Abbett Portfolio Specialist Michael Cibelli provides an overview of private credit, highlighting its fundamentals and the key considerations investors should understand about the asset class.



Michael Cibelli, CFA®
Portfolio Specialist,
Alternatives

Michael Cibelli: What happens when banks stop lending, but businesses still need funding? That's where private corporate lending by non-bank institutions comes in. And it's a big reason why private credit has taken off in recent years.

This is Lord Abbett Explains: Private Credit

The Genesis of Private Corporate Lending

In our previous video, we discussed how private credit has evolved beyond corporate loans. It now includes private real estate loans, infrastructure, and even loans backed by specific assets or asset-based financing.

But let's zero in on that corporate subset. Which is when—instead of borrowing from a bank or through public bond and loan issuances in the capital markets—a company receives a loan directly from a private, non-bank lender.

It's not a new asset class, but it's been growing in recent years.

What's Driving the Growth?

1. **Bank Consolidation**
   First, bank consolidation. Since 2001, the number of U.S. commercial banks has declined by half.[1] The consolidation has led to fewer and larger banks, which have become less willing to lend to smaller corporate borrowers.
2. **Bank Regulation**
   Second, bank regulations. Capital requirements have become stricter post-global financial crisis. Banks must hold more capital against the loans they make to offset the risk of those loans, which has discouraged lending to smaller corporate borrowers.
3. **Take Share**
   Third, private credit has begun to take share, not only from banks, but from the publicly traded leverage credit markets as well.
4. **Risk-Adjusted Performance**
   Fourth, the risk-adjusted performance of the asset class has been very compelling, attracting institutional investors, and now, individual investors to the space.
5. **Access**
   Fifth, access. Thanks to investment vehicles like interval funds and business development companies, individual investors now have access to private credit strategies that were historically only available to institutions, enhancing the ability of private credit to service the needs of borrowers up and down the middle market.

Let's Talk Numbers

The result of all this? Private corporate lending has grown from about $310 billion in 2010 to $1.7 trillion today and now accounts for roughly one-third of the overall leveraged credit market.[2]

And it's important to note, while direct lending assets have grown, so has the demand for private capital. In other words, it's not new capital chasing the same borrower base.

Let's Recap

Growth Drivers

So, while the concept of private corporate lending isn't new, it has experienced significant growth. Driving that growth has been...

1. **Transfer of risk**
   One, the transfer of risk from commercial banks to non-bank lenders due to bank consolidation and regulation.
2. **Private loans market share**
   Two, private loans gaining market share from the publicly traded leveraged credit markets.
3. **Risk-adjusted returns**
   Three, compelling risk-adjusted returns.
4. **Greater access**
   And four, greater access for individual investors.

Thanks for joining us. Don't miss our next Lord Abbett Explains: Private Credit video on private market segmentation.

[1] Federal Deposit Insurance Corporation (FDIC) Historical Trends as of 12/31/2024.

[2] Prequin. Data as of September 30, 2024. Most recent data available.

GLOSSARY OF TERMS

Asset-based loans are a financing arrangement where the lender provides credit that is secured by collateral. The collateral typically includes inventory, accounts receivable, equipment, or other property owned by the borrower.

Business development company (BDC) is a type of investment company in the U.S. that provides capital to small and mid-sized businesses, as well as distressed companies. BDCs are designed to help these firms grow during their early stages or regain financial stability.

Direct lending is a type of private credit strategy that makes direct, illiquid loans to middle market companies outside of the traditional banking system. A direct loan refers to a privately negotiated loan provided by non-bank lenders directly to a borrower, typically a middle-market company.

Global financial crisis refers to a severe worldwide economic downturn that occurred between 2007 and 2009, primarily due to the downturn of the U.S. housing market and the subsequent failure of major financial institutions.

An interval fund is a type of closed-end investment company registered under the Investment Company Act of 1940 that do not trade on public exchanges. They offer periodic repurchase opportunities at specific intervals, usually quarterly, when investors can redeem a portion of their shares at the fund's net asset value (NAV).

Important Information

The information contained herein is provided by Lord, Abbett & Co. LLC ("Lord Abbett"). Lord Abbett is a registered investment adviser under the U.S. Investment Advisers Act of 1940 (the "Advisers Act"), as amended, and is subject to the Advisers Act rules and regulations adopted by the U.S. Securities and Exchange Commission ('SEC"). Registration with the SEC does not imply a particular ability or training. Lord Abbett is a global asset manager with headquarters in Jersey City, New Jersey.

The information contained herein is current as of the date of issuance (or such earlier date as referenced herein) and is subject to change without notice. Lord Abbett has no obligation to update any or all of such information. All amounts, market value information, and estimates included herein have been obtained from outside sources where indicated or represent the good faith judgment of Lord Abbett.

Where such information has been obtained from outside sources, Lord Abbett cannot guarantee the accuracy or completeness of such information. These materials are not intended to be an offer or solicitation with respect to the purchase or sale of any security or other financial instrument or any investment management services. These materials do not constitute investment advice and should not be used as the basis for any investment decision.

These materials do not take into account individual client circumstances, objectives, or needs. No determination has been made regarding the suitability of any securities, financial instruments, or strategies for particular clients or prospects.

None of the information provided should be regarded as a suggestion to engage in or refrain from any investment-related course of action as neither Lord Abbett nor its affiliates are undertaking to provide impartial investment advice, act as an impartial adviser, or give advice in a fiduciary capacity. If you are an individual retirement investor, contact your financial advisor or other fiduciary about whether any given investment idea, strategy, product or service may be appropriate for your circumstances.

Certain information contained in the material constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events, results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. Nothing contained in the material may be relied upon as a guarantee, promise, assurance or a representation as to the future.

The information contained herein is provided on the basis and subject to the explanations, caveats, and warnings set out in this notice and elsewhere herein. Any discussion of risk management is intended to describe Lord Abbett's efforts to monitor and manage risk but does not imply low risk.

A Note about Risk:

Alternative investments are often speculative, usually have higher fees than traditional investments, involve high risk, and are suitable only for eligible long-term investors willing to forgo liquidity and put capital at risk for an indefinite period. They can be highly illiquid and may engage in leverage and speculative practices, increasing volatility and risk of loss.

The information provided is solely for general investment education. Contact your financial advisor or other fiduciary to determine whether any given investment idea, strategy, product, or service may be appropriate for your circumstances.

These materials may not be reproduced in whole or in part or any form without the permission of Lord Abbett.

These materials do not purport to provide any legal, tax, or accounting advice.

All investments involve risk, including the loss of capital. Investments are not guaranteed by Lord Abbett, its affiliates, or any governmental agency.

Copyright © 2026 by Lord, Abbett & Co. LLC. All rights reserved.

Copyright © 2026 by Lord, Abbett & Co. LLC/Lord Abbett Distributor LLC. All rights reserved.