
Weekly Market Flash

Hard Times in Private Credit

April 3, 2026

March was not a great month in most asset classes. The S&P 500 lost a bit more than five percent from the month's opening bell to its closing coda a couple days ago. Many other equity benchmarks took it on the chin even harder. Bond yields rose, and oil prices rose by a whole lot more. But for all the short-term pain, at least investors in these highly liquid markets had ready access to their capital if need be. Not so for the multitudes, retail and institutional alike, who over the past several years heard the siren song of private credit funds and opened their wallets to the purveyors – private closed-end funds and business development companies – of these dulcet tunes.

Owl Trouble

You can check out any time you want, but you can never leave. That line from the Eagle's iconic hit "Hotel California" may be on auto-repeat in the heads of investors in one of the funds at the top of the private credit world. The figurative front desk at Blue Owl Capital has been full of folks trying to check out of their investment and leave -- \$5.4 billion in redemption requests in the first quarter of this year. For one of the firm's two flagship funds, the Blue Owl Technology Income Fund, the amount of money seeking to get out ran to more than 40 percent of the fund's total asset value. In response, Blue Owl slapped a cap of five percent (of total asset value) on withdrawals, so for most of those check out requests, the exit doors are shut and sealed. Most of Blue Owl's peers in the elite tranche of private credit funds, including Apollo Global, KKR and Ares Management, have instituted similar measures to limit redemption outflows.

A \$22 Trillion Walled Garden

The private credit market, with around \$2 trillion in total assets, is part of the \$22 trillion colossus that is the market for private capital, which includes as well the sprawling complex of private equity that has insinuated itself into every highway and byway of the global economy. This market has come a long way from 1982, when a consortium of investors led by former Treasury Secretary William Simon purchased the Gibson Greeting Cards company for the modest sum of \$81 million and thus launched the leveraged buyout craze immortalized a few years later by Bryan Burrough and John Helyar in their classic "Barbarians at the Gate." Private equity concerns today invest in all manner of businesses from consumer retail to hospital chains, technology infrastructure and software. Much of the funding – and this has been axiomatic to the business model since those early days in the go-go 1980s – takes the form of debt, and much of that debt is financed from sources outside the traditional banking industry. Enter the likes of Blue Owl and its cohort of private credit funds.

One of the key drivers for the recent surge in redemption requests from private credit funds has been the equity market shakeout in software companies. As noted above, software has been one of the big areas of focus for private credit, and vehicles like the aforementioned Blue Owl Technology Income Fund feature prominently in providing debt capital to the sector. The woes of publicly-traded software-as-a-service companies, some of which have seen their market value tumble by more than 40 percent in the recent sector-wide drawdown, has hit private companies (and their capital providers) in this space hard.

But even before the recent software crisis – which in time may turn out to be an overblown reaction to some of the latest developments in AI tools for enterprises – conditions in private capital were turning

sour. The industry went through a massive boom in the early 2020s, with a tidal wave of new money chasing productive investments and driving up valuation multiples. During this time, the marketing arms of private capital enterprises reached out beyond their traditional base of sophisticated institutional investors and tapped into retail – individuals who might have a very poor understanding of the risks associated with the potential returns in these funds, with \$25,000 or \$50,000 to jump into the game. These are the folks – your nice lawyer neighbor with a couple kids in college and tuition bills to pay – who are now stuck inside the walled garden while the private credit funds try to ride out the storm.

Could the troubles in private credit be another canary in the coal mine like the subprime housing market was in the months before the 2008 global financial crisis? There is some commentary out there making this case. We think the conditions are quite different. Although financial leverage is at play in both cases, and most major financial institutions have some exposure, the structure of the private capital market appears to us to be more robust than the fragile web of interdependencies that made up the derivatives products like collateralized debt obligations and credit default swaps that all unraveled when the 2008 crisis hit. That being said, though, we have enough other concerns at present, including a geopolitical mess and the looming threat of stagflation, not to be complacent about the potential threats coming from the troubles in private credit.

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