Percent

2026 Private Credit Outlook

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Strategic Perspective by Percent Leadership

This report was prepared with contributions from independent market analysts and reflects the views of Percent's senior leadership team.

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Introduction

2025 was an extraordinary year in terms of returns on most global indices and major asset classes. It was the third consecutive year of double-digit returns for US stocks, as investors shook off concerns related to unpredictable economic policies from the new Trump Administration, particularly during the volatile first four months of the year. And unlike 2024, when US Treasuries lost ground, intermediate- and long-term bonds were in the black in 2025 although longer-term yields remained stubbornly high because of ongoing inflation concerns. Financial markets strengthened as the year wore on, as investors gradually adapted to the tactics of the new administration. High volatility of asset prices in the public markets further increased investors' focus on private credit, which was already moving to the forefront as investors sought diversification into alternative assets with attractive risk-return profiles. Even as concerns surfaced regarding corporate credit quality in the third quarter, the year ended with credit spreads that were not far from the levels at the beginning of the year. Tight credit spreads reflected the strong appetite of investors for corporate credit assets in both the public and private debt markets throughout the year.

Looking to 2026, most investors and macroeconomists expect the US economy to remain resilient, although growth is likely to moderate. Inflation continues to be a concern as it remains elevated at a level above the Fed's target. With the Fed expected to continue to ease monetary policy in 2026 and fiscal stimulus to arrive in the form of the Trump stimulus plan, the economic outlook remains credit positive in 2026.

2025 in Review

Tariffs introduce uncertainty

One of the key components of Mr. Trump's presidential platform was a promise to introduce tariffs on imports into the US to address the growing US trade deficit and to bring manufacturing jobs onshore. This culminated in an announcement on April 2, 2025, of "Liberation Day" tariffs, consisting of a series of across-the-board reciprocal tariffs on a wide range of countries. Investors had been anticipating a new tariff regime but were shocked at the scope of the new tariffs, causing risk markets to quickly unravel. The S&P 500 was already down 4.6% in the first quarter, and by April 8, was down 15.3% year-to-date. US Treasuries also unusually sold off on the news. The reaction of investors forced Mr. Trump to capitulate, with the implementation of reciprocal tariffs being deferred and ultimately watered down extensively. Equity and bond markets rediscovered their footings and began a rally that, at least for stocks, would continue throughout the year.

Volatility and conflicting signals

The Fed begins easing

Conflicting economic signals characterized the US economy for much of 2025. Keep in mind that the Federal Reserve has a dual mandate of price stability and full employment. The jobs market remained relatively strong until the fourth quarter although there had been signals of moderation during the second half of the year. The prolonged US government shutdown affected the availability and reliability of jobs, inflation, and other economic data in October and November. Even so, the Fed has remained cautious with respect to above-target inflation, which remains stuck around 3% per year. This has made the Fed reluctant to ease monetary policy too aggressively. Even though the signals were somewhat mixed, the Federal Reserve started easing in September, lowering the benchmark Federal Funds rate 25 basis points (bps) during three consecutive FOMC meetings between September and December. The outlook for the US economy as we head into 2026 remains generally positive with the caveat that the government shutdown meant that the most recent economic data is incomplete.

> "Investors had been anticipating a new tariff regime but were shocked at the scope of the new tariffs."

The 'One, Big Beautiful Bill'

With control of the Congress, President Trump was able to pass a new tax bill in July 2025 with a broad array of stimulus measures that will come into effect in 2026. These include provisions that extend most of the 2017 Trump tax cuts. The bill also reduces or eliminates taxes on auto loans, overtime pay, Social Security, etc., and decreases spending on Medicaid and food stamps. The bill is viewed as one that will spur economic growth in 2026. At the same time, the Congressional Budget Office (CBO, a nonpartisan agency) has said that this bill will increase US debt by $3.4 trillion over the period 2025-2034, worsening the US fiscal position with federal debt already at record-high levels. This is one of several factors that continues to keep pressure on intermediate- and long-term US Treasury yields.

AI

The artificial intelligence narrative became the key driver of technology stocks in 2025. Companies associated with AI saw their valuations increase markedly this past year. However, in the fourth quarter, concerns began to surface about the extensive amount of investment that front-line AI companies would need to meet demand for their AI rollout, especially the construction of new data center infrastructure. Stock investors began to question what the investment returns might actually be on the significant amount of investment required. These concerns led to volatility in AI-narrative stocks that continued until the end of the year. Nonetheless, two things are certain. AI will increase global productivity and drive hard-to-forecast labor market changes. Meeting AI demand will require substantial investment, driving financing needs across debt and equity markets.

Private Credit

GENERAL TRENDS FOR 2025

Private credit investors enjoyed a banner year in 2025, with the asset class gaining broader acceptance as interest in this alternative asset class continued to soar. The use of private credit has expanded well beyond direct lending to include asset-based financing, infrastructure financing, and project and construction financing, especially involving AI data centers. Moreover, the investor base for private credit assets – once concentrated in the hands of well-known institutional investors – has expanded rapidly to include a larger and more diverse array of institutional investors and a growing horde of retail investors, many of whom are looking for above-market returns and greater diversification. Retail investors in private credit assets also want to diversify their portfolios away from public bonds and from stocks, with valuations of US stocks remaining near historically high levels. A portfolio today without private assets is one that many would argue is not adequately diversified.

MARKET DATA

2025 in Numbers

The table below illustrates key performance metrics for the US economy over the last four quarters.

US key economic metrics

	2024	2025		2025		
	DEC	MARCH	JUNE	SEPTEMBER	CURRENT	AS OF
GDP (REAL) (A)						
Quarter over quarter	1,9%	-0.6%	3.8%	4.3%	N/A	3Q2025
Year over year (YoY)	2.4%	2.0%	2.1%	2.3%	N/A	3Q2025
CPI (INFLATION) (A)						
Headline, YoY	2.7%	2.7%	2.5%	2.9%	2.9%	Nov, 2025
Core, YoY	3.3%	3.1%	2.8%	3.1%	2.6%	Nov, 2025
UNEMPLOYMENT RATE	4.1%	4.2%	4.1%	4.4%	4.6%	Nov, 2025
YIELDS (B)						
2-year US Treasury	4.25%	3.89%	3.72%	3.60%	3.47%	Dec 31, 2025
10-year US Treasury	4.58%	4.23%	4.24%	4.16%	4.18%	Dec 31, 2025
10-year UST minus 2-year UST	0.33%	0.34%	0.52%	0.56%	0.71%	Dec 31, 2025
FEDERAL FUNDS RATE (B)						
- minimum	4.25%	4.25%	4.25%	4.00%	3.50%	Dec 31, 2025
- maximum	4.50%	4.50%	4.50%	4.25%	3.75%	Dec 31, 2025
- effective	4.48%	4.33%	4.33%	4.22%	3.64%	Dec 31, 2025
S&P 500 (INDEX ONLY) (B)	5,881.62	5,611.84	6,204.94	6,688.47	6,845.50	Dec 31, 2025

NOTE A: Quarterly average, data from FRED
NOTE B: Reading at end of quarter

MARKET DATA

Returns on key assets

Below is a table that contains returns on key asset classes for the periods 2023, 2024 and 2025, and for the five-year period 2021-2025.

Historical returns on select indices and assets

	CAGR LAST 5 YRS	ONE YEAR RETURN		
	(2021-2025)	2023	2024	2025
EQUITY INDICES				
S&P 500, total return	18.4%	26.3%	25.0%	17.9%
NASDAQ Comp, total return	13.4%	44.6%	29.6%	21.1%
MSCI global, non-US, index only (A)	6.7%	14.8%	2.0%	28.6%
CORPORATE BOND INDICES, TOTAL RETURN				
US$ investment grade corp bonds, total return	0.1%	8.4%	2.8%	7.8%
US$ high yield corp bonds, total return	4.5%	13.4%	8.2%	8.5%
US TREASURY BOND INDICES, TOTAL RETURN				
ICE US Treasury bond index, 7yr-10yr total return	-1.7%	3.8%	-0.6%	8.2%
ICE US Treasury bond index, 20yr+ total return	-8.3%	2.9%	-7.8%	4.3%
SELECT OTHER ASSETS				
Gold	18.1%	13.3%	28.0%	65.1%
Silver	21.8%	0.2%	21.4%	142.4%
Bitcoin	24.7%	153.5%	122.0%	-6.2%

	LEVEL AT END OF YEAR			
	2021	2023	2024	2025
CASH				
30-day UST bill yield (cash-equiv, EoY)	0.13%	4.23%	4.25%	3.74%

NOTE A: The MSCI global non-US is the return on the index only, meaning that dividends are not included.

From 2025 to 2026: Key Drivers for Growth

2025 was a terrific year to be an investor in the majority of traditional asset classes, with both stocks and bonds chalking up attractive gains. However, **the "star of the year" was gold**, a traditional safe-haven asset that soared in price even as risk appetite in the market remained robust in the final three quarters of the year. Corporate bonds also generated attractive returns as credit spreads remained tight both for investment grade and high yield bonds. **Defaults across the credit spectrum were at historical averages**, with no meaningful increases in 2025 despite some high-profile bankruptcies that grabbed front page news in September. After a stellar 2023–2024 run, Bitcoin disappointed in 2025 despite a promising start.

MARKET INSIGHT

+200 BPS

Private credit returns vs. high yield bonds and leveraged loans.

Source: KBRA DLD Monthly Insights & Outlook Report as of August 31, 2025.

KEY DRIVERS FOR 2026

01

The affordability crisis and the US consumer

Sentiment surveys suggest that consumers are increasingly concerned about their personal finances. According to the December University of Michigan Surveys of Consumers, long-term inflation expectations remain elevated at 4.2%, and consumer sentiment remains 30% below the reading just one year ago. Should Americans stop spending money, US economic growth would be affected because consumer spending accounts for 70% of GDP.

02

Fiscal and monetary stimulus

With the Fed easing and the implementation of the "One, Big Beautiful Bill" just around the corner, the double-dose of monetary and fiscal stimulus is expected to boost US economic growth in 2026. However, there is also risk that the twin-stimulus approach reignites inflation, which remains above the Fed's target. If this were to occur, it could worsen the affordability crisis and keep pressure on intermediate- and long-term interest rates even if the Fed continues easing short-term rates.

03

Mid-term elections

With President Trump's approval ratings in the 36% to 40% area depending on the poll, Democrats could shift control of the narrow majority that the Republicans hold in one or both houses of Congress in November. Should this occur, the partisan divide would make it more difficult for President Trump to pass new legislation that is not favored by the Democrats in the final two years of his administration.

04

New supply issue

The substantial amount of investment required to finance AI is putting pressure on credit spreads in the public debt markets. Unusually, much of the pressure in credit markets seems to involve big tech companies, most of which are strong investment grade rated. Clearly there will be significant amounts of debt required to finance the AI rollout, and this could put pressure on credit spreads as 2026 unfolds.

05

Other issues

Geopolitical risks, including the ongoing Ukraine-Russia conflict and uncertainty around the escalating tensions between the US and Venezuela.

Concerns around historically high valuations in the public stock market and the ability of corporate earnings to keep pace.

And finally, the election of a new Chair of the Federal Reserve and the central bank's ongoing independence.

Private credit trends

General trends for 2026

Credit-positive economic backdrop: The combination of continued Fed easing and incoming fiscal stimulus should support corporate earnings and improve credit fundamentals for most borrowers.

Broader formats mean investors have more choice: Direct lending, arguably the origin of private credit a decade or more ago, is no longer the main driver as issuers and investors alike migrate toward new sub-asset classes including asset-based issues (secured), infrastructure financing, and construction financing. Asset-based issuances are rapidly expanding to include more esoteric sub-asset classes like pay-as-you-go loans, litigation finance, and music royalties, among others. For investors concerned about the US economy weakening in 2026, these formats provide more protection because of their secured status. Concurrently, they offer bespoke structures with returns higher than those that can be obtained in the public bond market.

Supply-Demand Imbalance: Beyond the AI boom, a looming maturity wall and increased M&A activity in 2026 is expected to flood the market with supply. Higher supply will mean that private credit investors are spoiled for choice, resulting in not only better spreads but also improved loan terms.

Financing needs for AI investments: Not only is private credit continuing to infringe on the traditional public bond market, but a relatively new driver of financing needs has arisen in the form of AI. The rollout of AI is creating a huge need for new data centers, since AI requires large amounts of rapidly growing cloud capacity. Powering the new data centers in turn requires vast amounts of new power capacity. Financing for AI-related infrastructure will include on-balance sheet and off-balance sheet financing, both in the form of equity and debt. AI-driven debt financing will offer investors the opportunity to diversify their private credit portfolios, especially since the ultimate borrowers are often investment-grade rated credits. The need for large amounts of new capital to finance the AI boom will boost supply in the public and private debt markets in 2026. Large volumes of new debt issuance could put (upward) pressure on spreads in 2026.

Defaults are not expected to increase: The bankruptcies of Tricolor and First Brands Group in September 2025 caught the market off guard, with many experts predicting that these two high-profile failures would be the beginning of a cascading number of defaults as the cycle turned. However, both bankruptcies were related to fraud, and so far, there has not been the broad rise in default rates many expected.

Percent’s Perspective

Against this backdrop, here is how Percent's leadership team is thinking about 2026: our positioning, the risks we're watching, and where we see opportunity.

Note: the views expressed in this section reflect the opinions of Percent's senior leadership team and are provided for informational purposes only. They do not constitute investment advice or a recommendation to buy or sell any security.

The 2026 private credit story shifts from growth to scrutiny

Private credit is not retreating in 2026, but the market's tolerance for weak underwriting, weak controls, and marketing-first narratives is. After a year where high-profile failures and fraud allegations pulled private credit into louder headlines, the next phase looks less like capital-at-any-price and more like diligence-at-every-price.

WE EXPECT THREE SECOND-ORDER EFFECTS

Capital gets more selective, not scarce. Dry powder can coexist with tighter terms, stronger covenants, and more intrusive reporting requirements.

Transparency becomes a competitive advantage. Managers and originators with cleaner data, auditable servicing, and consistent collateral verification will win allocation.

The market bifurcates. Mega-managers defend scale and brand, while specialist platforms and managers gain share by offering differentiated exposure, structure, and data.

Asset-based financing keeps normalizing

We believe asset-based finance will continue taking share as borrowers and managers prioritize collateralized structures, especially where investors want tighter credit protections and shorter paths to repayment.

Direct lending remains a core pillar of private credit, but 2026 will make the differences more visible. ABF is increasingly about engineering and monitoring collateral—**the edge is underwriting plus data plus servicing discipline**. Direct lending is increasingly about manager selection and cycle readiness, where dispersion matters more when spreads are tight and refinancing activity rises. For many portfolios, the practical takeaway is that private credit exposure should not be treated as one monolithic bucket. Structure, duration, collateral, and manager process matter more than the label.

In 2026, we continue to see the most compelling risk-adjusted opportunity in the sub-$50 million lender finance and specialty capital segment, particularly where structures are senior, collateralized, and supported by frequent reporting. Our favored asset classes within specialty finance remain litigation finance, merchant cash advance, revenue-based finance, earned wage access, medical receivables, and factoring. These are not risk-free assets—but the combination of structure, collateral, and shorter-duration cash flows can be attractive for investors seeking income-oriented exposure beyond traditional fixed income.

The risk we're watching most closely: the US consumer

Much of the market's attention is focused on corporate credit quality and the specter of rising defaults. We are more concerned about consumer credit, particularly at the subprime and near-prime tiers.

The 'average' consumer data is masking a deep fracture between prime and subprime borrowers. While lenders with diversified portfolios across credit bands may remain more resilient, we anticipate rising delinquencies for lenders focused exclusively on subprime and near-prime consumers.

The fintech-driven expansion of credit to historically underbanked populations, once seen as innovation, may contract as lenders pivot toward borrowers with more predictable risk profiles.

We are more constructive on platforms that can demonstrate diversified borrower mix, real-time performance reporting, conservative advance rates, and stable funding relationships rather than dependency on a single channel.

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AI introduces a new correlation shock risk

Artificial intelligence is the narrative of the decade, and private credit will benefit from the massive infrastructure financing required for data centers and power capacity. This represents a genuine diversification opportunity, as many AI-related borrowers carry investment-grade credit profiles.

However, AI introduces a systemic risk that we believe is underappreciated: algorithmic crowding. As funds increasingly rely on a handful of similar AI models for risk management, blind spots become synchronized. If algorithms attempt to de-risk the same segments simultaneously, it could trigger a correlated shock that human managers might not predict.

Investors should ask their managers hard questions about model diversity and scenario planning.

Technological sobriety: the end of hype

Banking-as-a-Service Struggles. The model of acting as an intermediary for banks is fundamentally stressed by spread compression and regulatory scrutiny. As consent orders mount and rates decline further, we expect weaker BaaS models to face existential questions. In many cases, the economics favor being the bank rather than an intermediary for a bank.

Tokenization skepticism. While blockchain technology has promise, the tokenization of real-world assets (RWA) has largely been a solution in search of a problem. Technology should enhance efficiency, not merely add a layer of complexity to assets that are inherently illiquid by nature.

AI as table stakes. For originators, AI-powered underwriting is no longer a pitch deck bullet point—it's a requirement for securing capital. Lenders must demonstrate real-time risk performance, not theoretical capability.

CONTRARIAN VIEW

The illiquidity premium is expiring

One of our more contrarian views: the days of private credit enjoying a durable illiquidity premium may be numbered.

As the market scales, standardizes, and digitizes, we expect secondary activity to become a more meaningful part of portfolio management.

The right benchmark is not whether private credit trades like public bonds tomorrow (which are notoriously illiquid)—it's whether a digitally native market can support more consistent data standards, clearer price discovery, repeatable secondary workflows, and improved investor controls. We believe the future of private credit will be a technology-enabled marketplace rather than a fragmented collection of bilateral relationships.

Where Percent stands

By year-end 2025, Percent had surpassed 140+ borrower programs, 20+ managers, and 50,000+ investors, recording twenty-seven consecutive months of net AUM growth. Asset-based securities represented the majority of our issuance volume, and we expect this trend to accelerate in 2026. Our positioning is distinct: we are one of the leading platforms providing investors direct access to both primary issuance and secondary trading of asset-based private credit.

Our signature short-duration, current-pay deal structures—paired with direct access via self-directed brokerage, SMA, or indirect exposure via commingled funds—make Percent a category of one. We are not a crowdfunding platform. We are a global fintech building the infrastructure for how private credit will be accessed, traded, and understood.

140+	20+	50,000+
Borrower Programs	Managers	Investors

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