

Investment

Private and public markets almost interchangeable: Expert

BY MATTHEW WAI | FRIDAY, 5 SEP 2025 12:41PM

Private credit has traditionally been seen as an alternative during volatile events impacting listed investments, but that is changing, an expert says.

Speaking at the JANA Annual Conference 2025, Shirley Luo, portfolio manager and director of opportunistic credit research at Shenkman, said the two markets are slowly converging, reminding asset allocators and credit issuers that they must have exposures to both markets.

"[The private credit] growth has been compounded each time that we've seen volatility in the public market, whether it's during COVID [or other shock events], when interest rates were sharply higher, private credit stepped in and has proven itself as the alternative funding venue for issuers and sponsors," Luo said.

"[Between] 2022 and 2023 when credit spreads were a lot wider, we saw a bunch of public transactions leave the public market where private credit stepped in and helped to recognise them.

"That trend then reversed in the first quarter last year when spreads became a lot tighter and the public capital markets opened up to a wide range of opportunities. The public market then took a share from the private credit side. That trend then continued into 2025 as well."

Despite behaving like "competitors" during a stable period, some of the recent private credit deals carried a lot of public deal characteristics, Luo added.

"They're [private credit deals] much larger in size today, and they no longer only have three or four investors on day one... Some of the deals that were at launch is already fully backstopped, fully reversed world class deals with anchor investors," Luo said.

She also added that many issuers are running a "dual track" between the two markets now.

"Now, do you want a lower cost of financing? If so, go to the public market; if you want a more tailored financing solution, then go to the private market," Luo said.

"... I don't think we can sit here and say that the [public and private] markets are interchangeable yet, but today I'm going to make the argument that they can."

She noted that there are still plenty of merits to private credit alone, but simultaneously, at the very minimum, the public market injects liquidity.

"What we're seeing is that the two markets are seeing more of a convergence, coming in together, and effectively, the punchline is that as investor allocators, you must have exposure to both markets now. Because you end up having a lot of these same issuers or the same type of credit risk, then you're going back-and-forth between the two markets," Luo added.

"I think that as managers, you have to be able to interact with both markets. As allocators, you must have exposure to both now, because the convergence is happening with time."