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**Amanda Hale**

Hi, I'm Amanda Hale welcoming you to our new Behind the Mic Industry Perspectives podcast series where we'll explore the latest themes shaping financial services.

In each episode we'll be bringing you insights from thought leaders, helping you to stay informed, navigate challenges and seize opportunities.

Joining me as a co-host for today's discussion is Matthew Cherrill.

00:22

**Matthew Cherrill**

Private markets, debt and equity investment in privately owned companies as well as investment in real estate, infrastructure and natural resources is not new.

For many years investors with a long-term view have sought returns outside of publicly traded markets, providing finance to companies ranging from startups to mature companies, shopping centres and office blocks, hospitals and oil fields.

00:43

**Amanda Hale**

And once the domain of banks, venture capital funds and professional investors, private markets have recently become the focus of governments around the world seeking to encourage everyday investors to provide capital, either directly through new long-term investment funds or indirectly through pension schemes to fund long-term projects that they say have the potential to generate returns exceeding traditional investments.

01:08

**Matthew Cherrill**

So, what's behind the latest push for greater investment in private markets what are the potential benefits and risks facing retail investors who venture into the world of private investment?

01:17

**Amanda Hale**

Joining us for our discussion on private markets. I'd like to welcome Viral Patel, CEO of BXPE, Michael Dryden, Partner, Global Head of Asset Based Finance and FIG from Sixth Street. Daniel Pietrzak, Partner, Global Head of Private Credit from KKR, and Citi's own Rajiv Amlani, Global Head of Private Markets Coverage within Spread Products.

By way of further introduction, can each of you briefly tell us about the specific areas of private markets that you're involved in.

Daniel, if you take the lead.

01:52

**Daniel Pietrzak**

Yes, sure, happy to do. And thanks for having us on here.

So, as you said, I run the private credit business at KKR. I've been here for 10 years. Was at a handful of banks for about 17 years before that, Deutsche Bank being the longest of that. Here at KKR, our private credit business is roughly 130 billion dollars of AUM. When we talk about that business, I've really put it into two buckets:

Bucket number one is we lend money to corporates. Those could be private equity owned companies, family-owned companies, other private companies, etc. We play in that market sort of up and down the capital structure. So firstly in unit tranche, secondly in mezz, hold co, tech, etc.

The other part of the private credit business for us, we call asset-based finance. Think about portfolios of financial and hard assets. Also, a global sort of effort. Also sort of up and down the capital structure. But here kind of financing the real-world economy. So, just by definition, everything we're touching is privately originated, privately negotiated deal flow, but across that corporate and asset-based finance buckets.

03:05

**Amanda Hale**

Thank you. Michael.

03:08

**Michael Dryden**

Absolutely. Thanks again for having us here.

So I, as you mentioned, I'm a partner at Sixth Street focused on the asset based finance business.

Within the asset based finance world, our focus is across asset classes such as resi-mortgages, commercial real estate debt, consumer and commercial finance assets. And similar to what Dan mentioned, we also go up and down the capital structure, investing in everything from triple A bonds through whole loans through control equity investments into specially finance platforms.

We also do it across various different geographies, all focused on the developed markets in that way.

Really, we invest across sort of four main themes. We invest in loans and leases, securitizations, platforms, and then ultimately an asset in asset co's and JVs and all across again the asset-based finance world.

04:02

**Amanda Hale**

Okay, Viral.

04:04

**Viral Patel**

Thank you guys so much for having me.

So you guys, you noted Blackstone, we're the world's largest alternative asset manager, 1.2 trillion in assets.

I've been with the firm a little over 20 years. We're actually just celebrating the firm's 40th anniversary this year, which has been very exciting. You know, I had multiple roles at the firm, but today, as you mentioned, I lead our private equity strategy for individual investors, where the purpose of the platform is to make private equity more accessible for eligible individual investors and also to expand the access to really the full breadth of Blackstone's PE platform. When we think about private equity at Blackstone, it really falls under five broad categories, encompassing nearly 300 billion dollars of AUM, who are a really scaled platform across global buyouts, opportunistic investing, life sciences, secondaries, and growth investing. That's kind of how we think about the platform today. So excited to be here.

05:06

**Amanda Hale**

Thank you.

And then, Rajiv.

05:08

**Rajiv Amlani**

Thanks, Mandy.

So, I sit within the city markets business as the global head of private markets coverage within Spread Products. And Spread Products is a combination of our credit, real estate, mortgage, and ABS business for both public and private side activity.

And my team and I cover institutional clients like Blackstone, Sixth Street, and KKR as an example for origination and distribution focused primarily on the various parts of the private credit world.

05:38

**Matthew Cherrill**

Industry research estimates that US financial advisors currently allocate around 2 trillion US dollars to less than fully liquid private market strategies and projects this to grow to around 3.5 trillion US Dollars through to 2029.

Globally, the exposure to private debt alone is predicted to reach an all-time high of 2.6 US dollars trillion over the same period.

In the UK, analysis suggests that British savers have more than 614 billion pounds of cash on deposit, which could potentially earn higher returns through capital investment while providing much needed funding.

And this demonstrates just one area of potential that governments and regulators are looking at as they consider how to drive economic growth.

So, therefore it'd be interesting to understand what trends you have seen recently in global private market dealmaking and fund structuring, and

what opportunities these have afforded for unlocking capital and driving value.

Viral, if you could start us off, please?

06:35

**Viral Patel**

Sure. I mean, I think there's almost two questions in there in terms of what we're seeing in terms of dealmaking and then perhaps the fund structuring side.

On the dealmaking front, what I would say is we're seeing a pretty material uptick in overall activity on the private equity side.

And if you look at just the number of NDAs our deal teams are signing as an example in terms of a leading indicator of activity, post-Labor Day we've seen that number tick up twice - more than twice what it was earlier this year. And so, you are seeing a lot more activity, partly being driven by surprisingly resilient economic fundamentals at the businesses that we're invested in. We're seeing inflation be relatively under control. And we're seeing the cost of capital continue to come down globally. And as that happens, that tends to be pretty active - pretty attractive, rather, for investors that are looking to put capital to work in all markets, but in particularly private markets. And I think on the fund structuring side, that general increase in activity is also coinciding, at least for private equity, with the advent of perpetual funds, which have really entered the market on the private equity side more recently relative to real estate and credit classes, which have had them for a while. But these products are increasingly being thought of as a core asset class, creates a better access point for individual investors to get access to institutional quality deal flow, and frankly, have attributes that are more appealing to individual investors, meaning capital fully invested from the data subscription, no deployment lag, periodically have the ability to subscribe and redeem at the fund's nav.

So, when we talk about individual investors having cash on their balance sheets, these vehicles have become a potential way for folks to access some of the increased deal activity that we're seeing in the market.

08:36

**Matthew Cherrill**

Michael, Daniel, do you have anything else you could add?

08:40

**Michael Dryden**

Sure, I'll jump in here next, and I'll focus just specifically on what we're seeing sort of in the asset-based finance markets.

Some of what Viral is mentioning is, frankly, in 2025, we've just seen continued growth of opportunities within the ABF world. A lot of it is because of the fact that we've seen continued asset creation because of the fact of where the economy has been at, and we've seen good origination volumes across a number of the different asset classes. In addition to that, we have seen players who have historically been larger players within the space be taking either a step back or sort of

flatlining their growth, in particular, some of the different banks, which has created more opportunities in the asset-based finance world.

And just sort of even taking a bit of a step back just from like a trend perspective, I've been sort of in the asset-based finance world for 20-plus years, and we haven't seen sort of a time where you've seen more sort of hoopla or discussions about what's happening in the asset-based finance world, which I find a little amusing at times, but at the end of the day, it is where we're at today.

And look, part of it is, I think, because of the fact that these are large markets, these are large markets that have historically been 90% plus financed by banks, and now you're starting to see a number of those assets actually funded by alternative asset managers or various different other sort of fund structures and other sort of market participants. And so as the market size, I think some people will talk about it being 40 to 50 trillion dollars in size, we think it's probably a fraction of that, but even still, 5 to 10 trillion is a large market that a lot of folks are focused on today, and we're going to continue to see sort of that activity grow over time.

The last thing I would say too is that the trend here has also been sort of this convergence of asset managers, insurance, and then I'd add ABF onto that as well. A lot of it just because of the fact that we've seen insurance companies in today's world look for ways to be able to invest their float in ways to generate higher risk-adjusted returns than what they've been able to do in sort of their historical asset allocation.

Today, what we've seen is them shifting some of that exposure from, for example, corporate IG into asset-based finance. And if you can pick up 100 to 200 basis points on a, for example, life insurance balance sheet that's 10 to 15 times levered, even if you only move 10% of your exposure into the asset-based finance world, you can generate close to 200 basis points of incremental ROE. So, you're seeing folks who historically haven't been able to sort of compete with the banks now be able to compete with the banks.

11:16

**Matthew Cherrill**

Daniel.

11:19

**Daniel Pietrzak**

Yeah. And, you know, I think there are a couple of different questions on there, but just to touch on some of the comments that were made. You know, I think if you think about on the corporate credit side of the direct lending side for us, when Viral and teams are busy, it usually means we're busy too, right? So, you know, I think there's been a historic or almost historic lows of kind of regular way M&A for several years. I think that's not overly surprising considering all the rate moves, all the inflationary comments, you know, or sort of actions, all of the kind of market noise around Liberation Day, etc. So, you know, on that part of the business, we were busier than Q3, then we were in Q2, we were busier in Q2 than we were prior, any of the prior sort of say eight quarters, right? So, I think that's been good to see. You know, like Mike, I've been doing this for a while. I am probably also amused at

somewhat of the sudden interest in the asset-based finance kind of market, because it's entirely not new. You can argue the formats of these things is different. But, you know, I think there we've seen a tremendous amount of what I'd say deal activity, which has been great to see. There's been a pretty large thematic out there of larger companies looking to be more balance sheet light. I think the public equity market is pushing them to do that. I think these are generally companies that historically, you know, these businesses haven't necessarily been able to interact with. But if you think about it, they want to be balance sheet light. We're raising pools of capital that want to own assets. That's like their goal, right? So that's a really nice, you know, I think, you know, kind of mix there or sort of partnership.

On your fund structure side, I mean, clearly there's been more of these perpetual structures out there. I think Viral said it well, it historically did exist, you know, mainly in credit and real estate, but it's gone sort of beyond that now.

You know, we do think that is good to see. I may be just a couple of different points there. I think they're starting to be more interest on the credit side in things that aren't just direct lending, right? So, including things like asset-based finance. I think that that is a conversation there.

And I think the one thing that is interesting here is, you know, the idea of the institutional market and kind of the wealth market being very different. I think that's starting to kind of converge a little bit. You know, on the institutional side, one of the biggest conversations we have had or we've actually have done is the use of evergreen funds instead of your regular way, old school, private equity style fund, right? So, you're starting to see that, you know, I think level of convergence. And then what's been really important for us on the fund structure side is, well, there might be different funds. There might even be one that's institutional, one wealth, is they're generally doing the same deals, right? So, the deal funnel's up here. The pools of capital is sort of down here.

You know, that's the way we've run kind of the credit business from the start with exemptive relief from the SEC. But I think that's an important piece that we try to make sure the end investors understand.

14:26

**Michael Dryden**

And maybe just complementing what Dan just sort of mentioned as well, I think is interesting. If you think about what he mentioned, what Viral mentioned around evergreen funds and then also looking at similar funds, investing in the same things. It also means that really the greater fund structures of having more broad based underlying investment asset classes within them rather than like single strategy funds continues to perpetuate as well. Where you have folks looking at things that actually can span various different sort of asset classes. It's not like in ABF, it's just a resi-mortgage fund. It's actually something that does a number of asset classes or again is broad based across direct lending or some of the other areas. And so, I think you're seeing that as another theme where folks are looking for exposure across credit markets or across various different subsets of markets rather than very sort of defined specific strategy funds. And I think you're seeing that from an

LP perspective as well, their desire to be in a position of actually getting broader exposure in that type of way as well.

15:24

**Viral Patel**

Yeah. And I think, you know, just to add on a couple of those points, the ability and Mike, you mentioned this and Dan, you mentioned it as well, right? All these private markets are starting to work much more closely together. Like on the private equity side, we are active users of the private credit market. They provide substantial benefits to us as borrowers. And I think as you see more of this all work more closely together, it does tend to be a little bit of a virtuous cycle and drive more activity in the market. So, this this all feels like an attractive way of pulling different segments of the market together to compartmentalize risk and then and frankly, just drive better execution for transaction activity.

16:10

**Matthew Cherrill**

And Rajiv, have you got any thoughts from the Citi side?

16:15

**Rajiv Amlani**

From the Citi side, I think I would just add and maybe we're going to talk about it. But when you think about value creation, we as a bank see value in moving geographically towards newer jurisdictions and even newer product types and assets. And I think that's a function of the fact that the market is seeing a lot of competition from a bank perspective, right? We see competition from our peers. We see competition in some cases from our clients and insurance companies have been mentioned a couple of times on this call. And they have different capital, right? They have longer and stickier capital than banks. And so, for us to continue to make good risk adjusted returns, we feel the need to innovate to move into newer jurisdictions because the spread premium is being pushed further down in the US and parts of Europe.

17:07

**Amanda Hale**

That's very interesting.

Just sticking with opportunities for unlocking capital and driving value. Does that mean that value creation differs depending on the jurisdiction in which business is being done or perhaps the asset class being invested in?

17:21

**Viral Patel**

On the private equity side, yes, would be the short answer of it. Look, I think our approach has been one of active management where we're really looking to take a business and transform it into something else, right? That's the way we tend to create excess return over public markets. And it's an important aspect of how we run and operate our businesses. And so, if you think about where we're deploying capital today, just to give

you two examples, right, Japan has gotten a lot more attractive for us in the past year or two relative to historically moving from a safer economy to a growing economy, from stagflation to inflation. And importantly, you're starting to see foreign direct investment come into their domestic economy in a way that hasn't really happened historically. And in Japan, I'd say the thesis falls much more around this idea of trapped asset value. You have a number of assets sitting in large conglomerate balance sheets. There's a lot more you can do with those businesses once you pull them out.

I'd contrast that with an economy like India as an example. That's much more of a growth-oriented strategy where we're focusing on growing middle class. And we have opportunities to invest behind a significant amount of government spend in infrastructure and a fast-growing domestic economy, right? And so, we will certainly tailor the way we approach a company depending on what geography it's in, what markets it's in, and where we see the opportunity set. So that definitely changes over time.

18:59

**Daniel Pietrzak**

Just to add to that, and Mike might want to comment something additional on the asset-based finance side, but I think sitting in the credit seat, it's a different conversation around value creation, right? We're the senior secured lender. The average LTV of the deals we've done the past couple of years has probably been 40%-45%.

So, I think in my mind, what we are trying to do is make sure we're focusing on kind of broad origination, making sure the top of that funnel is as big as possible, making sure we have the ability to be overly selective as we sort of build out portfolios.

I think the origination side on the direct lending piece is fairly well understood, right? We're covering sponsors and all the non-sponsor channels. The asset-based finance side, probably a little bit broader, maybe even a little bit more unique.

I do think it's useful for us to be able to go up and down the capital structure in everything we're doing, right? Yet a little bit the ability to be a solutions provider, a little bit the ability to pick and choose what you think is the best risk adjusted return.

I think when we think about how are we creating value, we're trying to create value for kind of our end investors, right? I think we're a good partner when we lend money to these businesses, and we're prepared to treat those businesses like portfolio companies, and honestly, which we don't want to do, but we're prepared to take over those businesses as something goes wrong. But if you think about our sort of end investor here, we're trying to create a highly diversified, well-downside protected portfolio.

That's giving excess returns versus whatever the relevant benchmark might be, right? Direct lending, you would comp that out to syndicated loans. Mike talked about the IG part of the asset-based finance business, comping versus kind of corporate. You think about our more opportunistic asset-based finance deals trying to make low to mid-teens, which we think is super interesting considering how downside-protected it is.

And maybe just last point, at least from our side, we're in the developed markets here, right? We're, you know, business is global, but that really means the US, heavy Western Europe. We do have a growing kind of Asia footprint that's sort of pretty broad, but it's not kind of Eastern Europe and not Latam, or South America.

21:20

**Michael Dryden**

Maybe just a couple of comments from me is, as Dan mentioned, as a credit investor, like if you really think about it is, what are we trying to do is we're trying to be able to analyse the distribution of outcomes and be able to be in a position where we actually feel confident that there's a very low probability of actual impairment or loss because we are a credit investor. We don't have upside, like in the private equity world, etc., and so if you think about that across asset classes, we also have a view at Six Street that we're constantly looking at rotating between asset classes. We're not just setting a strategic asset allocation plan and sort of sticking with it. We actually do think that there is different prices that you can achieve in those different markets at different points and to be able to rotate between them. You can find better risk-adjusted returns as well as like skew those probability of outcomes in a more favorable way. And so that's really a lot of our focus. Similar to Dan, we're in sort of developed markets. We actually, the way we always think about it is, when we feel comfortable, you can actually project out asset risk. Those are markets that we can be in, areas where there's actually jurisdictional nuances or jurisdictional risks that can overwhelm asset risk. Very tough to invest in if you're investing in the asset-based world.

Lastly, geographies are interesting, though, because when you look at it, there can be different and better or worse risk-adjusted recurrence across geographies. One of the really key elements to that is a lot around supply and demand, as well as like what the banking infrastructure is. And so, if you look at it, there's certain markets in Europe as an example that are attractive. There's certain markets that are actually very challenging to be able to invest in as the local banks still dominate those markets and make it very tough for folks like Dan, Viral, ourselves to invest at points in time in a way where it's actually more attractive than looking at a market like the U.S. or other markets around the world. And so, we're constantly looking at how to think about that relative value and the potential sort of driving of incremental return in that way.

23:21

**Amanda Hale**

Well, talking about geographies, which we've obviously just touched on, in the U.K. the government and regulators have proposed changes to the retirement sector to promote greater investment in less liquid assets, plus the launch of the U.K.'s private intermittent securities and capital exchange system, which has been referred to as Pisces. That's been designed by the regulator to make it easier and quicker to trade shares in private companies.

Then in Asia, the SFC, have proposed adopting a step-by-step approach to facilitate new fund offerings for retail access to private markets, first by admitting listed closed-ended alternative asset funds, and then by

following on a case-by-case basis greater flexibility for SFC-authorized unlisted funds to invest a larger proportion in illiquid assets. And that's subject to robust safeguards on the fund's overall liquidity risk management.

Then in the U.S., we've also seen some proposed changes in the Big Beautiful Bill, along with an executive order looking to clear the way for greater access to illiquid assets within 401(k)s, and the Bill potentially providing other benefits for private equity firms.

So, I wondered in your opinion, in the short term, what is likely to be the next wave of private market innovation.

Viral, can you kick us off on that one?

24:45

**Viral Patel**

Sure.

Well, first, I guess I really like what Mike and Dan said earlier, which is, you know, all this demand for private markets isn't really a new thing. It's really the innovation that's happening now is how people are accessing it more than anything else. I mean, if you look at our capital base today at the firm and you look at our institutional investors, whether it's pension plans, sovereign wealth funds, you know, families, endowments, you'll see a significant amount of capital already allocated to the asset class right?

So, our pensions, sovereigns, they'll push 20%-30% of their portfolios into private markets. You know, families and endowments can push 50%-60% broadly into private markets. And it's just really the individual investor that hasn't done that, right? If you look at, you know, some estimates have that at 140 trillion dollars of wealth across individual investors globally, less than 1% of that is in private markets. And, you know, if you talk to at least on the private equity side, the institutions that have access to it, it's for a few reasons, right? One, diversification is a big component of it, right? If you look at companies of scale, you know, we like to talk about companies, 250 million of revenue and more, you know, nearly 90% of those businesses are actually in the private markets, not in the public markets. And so, as you try to build out diversified equity exposures, if you're just doing it in private, in public markets, rather, you're not actually getting exposure to the entire global economy. And then, again, for private equity, you see the private market outperformance over public markets pretty meaningfully. You know, private equities outperformed U.S. equities by over 500 basis points over long periods of time. So, I think the benefits of private markets have been known for a long time. And I think what's happening now is asset managers like us, Mike, Dan, we're putting together products that are making it easier for individual investors to access those asset classes. Regulators around the globe are now trying to figure out what is the right way for those individual investors to actually understand what they're buying, understand the risks associated with them. And so, education is a big piece of how we think this market is going to evolve in the coming years. So, I think the innovation is really the access to the asset class, not a change in the asset class. It's just opening up the benefits of this asset class to more investors globally versus just institutions.

27:25

**Michael Dryden**

Maybe one thing that Viral mentioned, because I think he hit it spot on, is what's been interesting to what we see over the last handful of years is if you look at a number of investors, their ability to invest just even operationally into a number of these different asset classes has actually been very challenged. If you think of why, a number of years ago, people actually rolled out the securitisation market, it was because it was actually really hard for an individual investor to go and invest in Raj's individual mortgage.

And so, what taking a pool of mortgages, combining them together, turning it into a Q-SIP instrument that nobody could invest in, settle it via an exchange with something that allowed people to actually continue to get that exposure. And so, to Viral's point, it's like, how do you actually get people access to these different asset classes in various different structures to be able to do so? What we've seen over the last number of years is the ability to be able to do that just operationally and from a technological perspective has changed very significantly. And those changes are now allowing the ability to be able to access those assets and then put them into structures that allow various different investors to invest as well. And so, I think that that combination that is sort of happening today, I think, is really important to be able to allow sort of the ability for individual investors as well as folks to just focus more on these private markets. And so that access point is going to be the key going forward.

28.56

**Daniel Pietrzak**

I don't have much to add here, because I thought they're all very well said. But I think just for the listeners, what we're really talking about here in private markets is kind of not new, number one. And I think that's an important sort of takeaway.

I do think, and Viral sort of said this, but these are institutional quality deals. A lot of cases, they're the same exact deals that are going into the institutional funds that are going into the pools of capital that you're talking about here with your question. So, I do think it's all just about access. I'm not sure this is about anything that's new that's innovation. It's just about format and access. And then I think the industry needs to and wants to make sure that that whole process is done well, the investor education piece is done well, but more access than innovation.

29:44

**Amanda Hale**

That time went by very quickly as we have already reached the end of episode 1,

But there's still plenty to discuss on this topic.

So, stay tuned for episode 2,

Where we will continue our discussion on the private markets theme,

With Viral, Michael, Daniel and Rajiv.