



# CASUAL FRIDAY

Berkshire Asset Management  
46 Public Square, Suite 700  
Wilkes-Barre, PA 18701  
570.825.2600

## Private Credit Debate + What's Holding You Back?

June 13, 2025

Let's open a discussion this week! Private credit is booming.

Big sponsors: raking in oceans of capital, ramping up product offerings with aggressive marketing efforts.

Brokerage firms: adding more products to help advisors differentiate based on sophisticated "alts" capability.

Advisors: may feel they have something "different, non-traditional, unique, less vanilla" that may give them an edge.

As recommended allocations grow, we are curious and offer key debate topics. What are the key questions worth asking?

1. Are these companies actually strong, cash-flowing businesses that are taking advantage of new forms of financing, or j the deals traditional banks wouldn't touch?
2. That extra yield... is it priced correctly and a good compensation for risk, or a mirage wrapped in illiquidity?
3. Is NOW a good time to invest in this asset class? Spreads on publicly traded, lower-rated debt are still tight by historical standards.
4. Will clients be able to understand it if deals go bad?
5. Just how illiquid is it? How big are the haircuts for retail investors who want out? Can they get out at all?
6. Are today's private credit structures just the latest chapter in Wall Street's long history of packaging complexity as innovation? Remember CDO's in '08?
7. Is credit already deteriorating?
8. Is there (has there been) too much cash pushing too few deals? Are sponsors lowering standards just to get capital deployed?
9. Can deals survive elevated or rising rates or a financial downturn? They are, after all, a fixed-income security, just less liquid. Check the stock prices on the major publicly traded sponsors like KKR, Apollo, Blackstone during Q1 for clues!
10. Do we really want to buy something that Wall Street is so hyped up to sell clients on Main Street? Or is private credit just another clever way to justify higher fees, since most traditional strategy fee structures have been ground into a pulp?

We're genuinely curious (maybe a little biased), but how are you positioning around private credit today? Allocating with confidence, holding back, or rethinking based on these emerging fault lines? Are there risks or BENEFITS we are missing?

### What's Holding You Back?

The needs of clients are more demanding than ever. And as advisors shift more to wealth manager, many are outsourcing investment management services to enhance overall practice productivity:

[More Financial Advisers Are Outsourcing Investment Decisions](#)

BUT embarking on the outsourcing process has challenges...

Here Are Persistent Hurdles to Outsourcing Investment Management... [Berkshire Offers Helpful Solutions:](#)

- Capital gains issues to transition accounts?
  - [Berkshire Tax Alpha Transition Program](#)
- Clients may feel disconnected from the investment process?
  - Berkshire's "inside the huddle access", [in-depth communication style](#), and commitment to stewardship creates a "partner" in the process, not just a "product" offering
- Clients don't want a "watered-down" model index portfolio?
  - Berkshire's transparent SMA maintains ~35 high-quality, large-cap dividend growers that your clients will recognize and likely stick with over time

\* "Peer group" - Morningstar groups managers reasonably considered to be close investment alternatives, and for which performance and other statistical measures, such as fees, are comparable.

- Fee Compression?
  - Berkshire offers a competitive fee structure for both manager-traded and model-delivery portfolios
  - [Fidelity Clearing & Custody “Growth Hub” \(2024\)](#)
- cites advisers reclaim ~ 10.2 hours per week after outsourcing portfolio management off their desks
  - 10 hours weekly to serve current clients deeper and to prospect new clients! (added manager fees pay for themselves over time)

### **Brian Wilson, RIP**

While the Beach Boys awakened perceptions as a “California good time surf band” Brian Wilson’s song composition was groundbreaking and defied the norms of music theory. “Good Vibrations”, for example, pulled off 14 different exotic key changes. Take a closer look at listen! <https://www.usatoday.com/story/entertainment/music/2025/06/11/brian-wilson-beach-boys-songs-death/84151833007/>

Have a great weekend!

Gerry

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