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From Niche to Necessity: The growing role of private credit secondaries

GENERALI ASSET MANAGEMENT
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May 2026

As private markets mature and liquidity constraints persist, secondaries are becoming an essential tool for improving portfolio resilience, capital efficiency, and return visibility, explains Marco Busca, in this Q&A.

1. WHAT MARKET OR PORTFOLIO PRESSURES ARE PUSHING PRIVATE CREDIT SECONDARIES FROM AN OPPORTUNISTIC STRATEGY TOWARD A MORE CORE ROLE?

Private credit secondaries are becoming core portfolio tool because they address structural pressures in private markets.

First, liquidity management has become critical for investors. Over the past few years, private credit allocations have grown while exits have slowed, making portfolio rebalancing harder. Secondaries provide a pragmatic solution: investors can redeploy capital into existing, income-generating portfolios, while offering sellers an efficient exit. This is now a structural feature of portfolio management, particularly for insurers and pension funds.

Second, as private credit matures, investors are focused on resilience, and capital efficiency. Secondary investments offer immediate diversification across managers, vintages, geographies, and borrowers, and shorter duration with faster cash flows, reducing blind-pool risk and smoothing return profiles.

Third, volatility has reinforced their appeal. Market dislocations expose mismatches between duration and liquidity, driving more secondary transactions. For buyers, this creates opportunities to acquire high-quality assets at attractive entry levels with strong performance visibility.

Finally, improved data availability and standardization have made secondaries more scalable. Much like private equity secondaries a decade ago, they are becoming a core allocation, not because they are opportunistic, but because they are increasingly essential for resilient and active portfolios.

2. AS PERFORMANCE DISPERSION ACROSS PRIVATE CREDIT MANAGERS WIDENS, WHAT DISTINGUISHES SUCCESSFUL SECONDARY INVESTORS?

As dispersion across private credit managers widens, differentiation is increasingly driven by underwriting depth and selectivity, not only by access to deal flow.

Experienced investors bring a strong foundation in primary private credit and fund-of-funds investing, allowing them to assess managers, portfolios, and asset quality holistically. They look beyond headline metrics to understand underwriting standards, portfolio construction, covenant structures, and manager behavior and how these evolve across cycles.

A key differentiator is asset-level analysis. Returns are increasingly driven by the composition and maturity of underlying loans rather than by broad market beta. Leading investors analyse borrower fundamentals, sector concentration, sponsor quality, and cash-flow sustainability, while closely monitoring tail risks such as non-performing loans and recovery dynamics.

Execution capability also matters. Experienced players are typically better positioned to source proprietary or complex transactions, including GP-led restructurings, continuation vehicles, or multi-asset solutions that require speed, structuring expertise, and strong relationships. Newer entrants often compete in more intermediated processes, where pricing is higher and margins thinner.

Finally, disciplined portfolio construction separates consistent performers from opportunistic participants. Experienced secondary investors actively manage diversification across vintages, strategies, geographies, and risk profiles, with oversight of duration and cash-flow timing. They treat secondaries as a long-term allocation, not a cyclical trade.

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3. HOW DO RISK, RETURN, AND COMPLEXITY COMPARE WITH PRIMARY PRIVATE CREDIT?

At this stage of the cycle, secondaries and primary private investments differ meaningfully across risk, return, and complexity.

From a risk perspective, secondaries are typically acquired later in the asset lifecycle, when performance is observable. This reduces blind-pool risk and improves underwriting accuracy. Secondary portfolios typically offer shorter duration, greater cash-flow visibility, and greater transparency around defaults and recoveries than primary funds still in their investment phase.

In terms of returns, secondaries benefit from multiple drivers beyond contractual yield including discounted entry prices and accelerated cash flows. These features allow strategies to target double-digit net returns, exceeding comparable unlevered primary funds, while deploying capital faster and mitigating J-curve effects.

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Complexity is the key trade-off. Primary investments are relatively straightforward: investors commit capital and rely on the manager. Secondaries require asset-level due diligence, pricing portfolios across vintages and credit cycles, and negotiation of bespoke terms. This added complexity underpins their enhanced visibility and return potential.

In summary, secondaries offer a combination of greater transparency, improved capital efficiency and higher complexity, making them an attractive component to primary allocations.

4. WHAT EXECUTION OR UNDERWRITING RISKS ARE INCREASING AS CAPITAL FLOWS INTO CREDIT SECONDARIES ACCELERATE?

Pricing risk is the most visible. Increased competition is compressing discounts and encouraging more aggressive assumptions. Returns are highly sensitive to entry price, so even small misjudgments in cash-flow timing or recovery assumptions can materially impact outcomes.

Underwriting risk is also increasing. Secondaries require granular asset-level analysis, but newer entrants may rely on fund-level assessments, overlooking concentrations or emerging credit issues. In a market with widening dispersion, this can prove costly.

Execution risk is also rising. Transactions often involve tight timelines, complex structures, and multiple stakeholders. The ability to execute efficiently, while maintaining robust legal and operational diligence, is a key differentiator.

Finally, there is a growing risk of strategy drift. As competition intensifies, investors may expand into unfamiliar areas, such as junior capital or distressed assets, without adapting their underwriting frameworks. Success depends on pricing discipline, deep credit expertise, and consistent execution.

5. DO YOU EXPECT INSURER-AFFILIATED ASSET MANAGERS TO BECOME MORE ACTIVE IN THIS MARKET?

Insurer-affiliated asset managers are likely to become increasingly active as the strategy aligns closely with their structural needs. Their long-term horizon and stable capital base suit the shorter duration and predictable cash flows of secondary portfolios. Investors in seasoned assets can enhance yield while maintaining control over liquidity and solvency.

Scale is a key advantage. Insurance groups often act as cornerstone investors, enabling early deployment, improving access to proprietary transactions, and strengthening relationships with managers. Insurance groups also bring strong governance and risk management frameworks, which are critical for asset-level analysis and better alignment between risk and return.

However, constraints remain. Regulatory capital frameworks, such as Solvency rules, can limit flexibility, while internal approval process may slow decision-making in competitive transactions.

Overall, insurer-backed asset managers are well-positioned to become long-term, structural player in a market that is evolving from niche to a core allocation.

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SUB-FUND DETAILS

Fund	Generali Private Credit Secondaries S.C.A. SICAV-RAIF
Sub-Fund	Generali Private Credit Secondaries S.C.A. SICAV-RAIF – Compartment I
Sub-fund launch date	14 May 2025
Benchmark	The Sub-fund actively managed without reference to any benchmark index
Target allocation	70% core/senior, 30% opportunistic, 50% GP-led 50% LP-led
Target geography	Global (50% US 50% EU)
Currency	EUR
Domicilie	LU
Portfolio manager	Generali Asset Management S.p.A. Società di gestione del risparmio
Management company	GENERALI INVESTMENTS LUXEMBOURG S.A.
Target Net IRR[1]:	10-12% p.a.
Investment Term	8 years from initial closing
Investment Period	3 years from initial closing
SFDR	Art. 8

IMPORTANT INFORMATION

1 The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and/or current market conditions and are not an exact indicator. Investment may lead to a financial loss. Future performance is subject to taxation which depends on the personal situation of each investor and which may change in the future.

2 The decision to invest in the promoted fund should take into account all the characteristics or objectives of the promoted fund as described in its Issuing Document.

Source: Generali Asset Management S.p.A. Società di Gestione del risparmio, as of end of April 2026. This marketing communication is related to Generali Private Credit Secondaries S.C.A. SICAV-RAIF and its Sub-fund Generali Private Credit Secondaries S.C.A. SICAV-RAIF – Compartment I, an Alternative Investment Fund (AIF) under Luxembourg law of 12 July 2013, and qualifying as a Reserved Alternative Investment Fund (RAIF) an unregulated investment vehicle within the meaning of the Luxembourg law of 23 July 2016. This marketing communication is intended only for professional investors where the fund is registered for marketing and is not intended for retail investors, nor for U.S. Persons as defined under Regulation S of the United States Securities Act of 1933, as amended. This newsletter is co-issued by Generali Asset Management S.p.A. Società di gestione del risparmio and Generali Investments Luxembourg S.A.

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Non exhaustive list of risk: Illiquidity of Secondary Investments, Multi-sector investment strategy, Interest rate and prepayment risk, Floating rates, Credit risk, Equity security risk, Investment modification risk. This is a non exhaustive list of risks, other risks apply. Prior to making any investment decision, investors must read the Issuing Document, paying particular attention to section “32. Risk Considerations,” which provides a comprehensive list of risks associated with the investment, as all investments inherently carry risks.

The Issuing Document is available in English (not in French), upon request and free of charge to Generali Investments Luxembourg S.A., 4 Rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg, e-mail address: GILfundInfo@generali-invest.com. More information on sustainability aspects, pursuant to Regulation (EU) 2019/20898, is available at the following link https://www.generali-investments.lu/lu/en/institutional/sustainability-related-disclosure. The AIFM may decide to terminate the arrangements made for the marketing of its collective investment undertakings in accordance with Article 32a of Directive 2011/61/EU.

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ENV30102026