

# Alternative & Real Assets | Private Markets Multi-Manager strategies Horizon

## Why Private Debt Demands a Different Playbook

Private debt has a diversification problem. Not because investors ignore diversification, but because many apply the same portfolio construction logic they use in other asset classes.

To be blunt, this approach fundamentally misunderstands the nature of private debt and is unlikely to make the most of a limited private debt allocation. Why? Because a distinct set of considerations apply to private debt that do not apply to other asset classes. From loan vintage to lending strategies to the fact that company size doesn't always equal safety, private debt is different, and too few investors are taking these differences into account.

This failure to account for the unique profile of private debt leads investors to follow the same investment journey as in other asset class, a journey which can appear logical but is deeply flawed.



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### Private Debt Is Not Just Another Asset Class

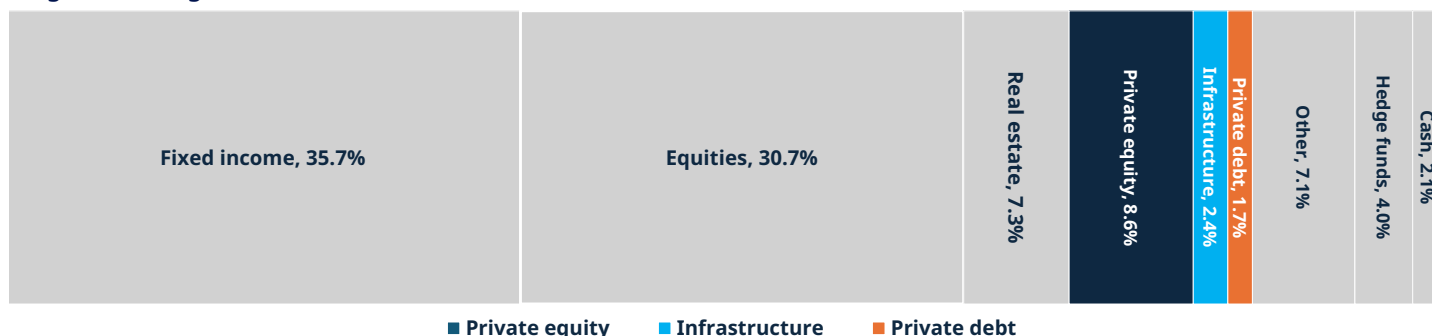
This journey usually begins with an investment in a single specialist private debt fund. With little expertise and insufficient resources to invest directly in loan deals, this initial step appears logical. But there are significant drawbacks. A single fund is likely to be invested in a portfolio of around 25 to 40 loans, and even one default can have a meaningful impact on the overall portfolio. Backing just one GP also means an investor is dependent on one manager's sourcing network and their judgements about deal risk and debt quality.

To manage these risks some investors will back two or three brand name managers. On paper this appears to solve the problem, but often creates the illusion of diversification while increasing risk. There are the standard challenges that come from investing in a handful of well-known funds, as these managers chase the same deals in the same regions and sectors. With due diligence, these can be overcome.

A far less appreciated risk which most investors have little experience navigating is the risk associated with loan vintage. Consider the credit shocks of just the last five years: the pandemic, the war in Ukraine, and now the fall-out from the Iran war. A large number of debt funds will have deployed capital at similar points in each of these cycles, meaning that a significant number of loans will have been originated under comparable market conditions.

An investor may therefore have what looks like a well-diversified portfolio by manager and loans, but in reality is concentrated around one point in the credit cycle, with loans originated under similar interest rate conditions. This matters because vintage-specific factors can prove more influential than many investors realise. For example, the substantial capital raised for BDCs in 2025 compressed credit spreads considerably, a dynamic that may ultimately have a greater impact on returns than differences in manager selection.

### Weighted average institutional allocations as a share of AUM, 2025<sup>1</sup>



Source: Preqin

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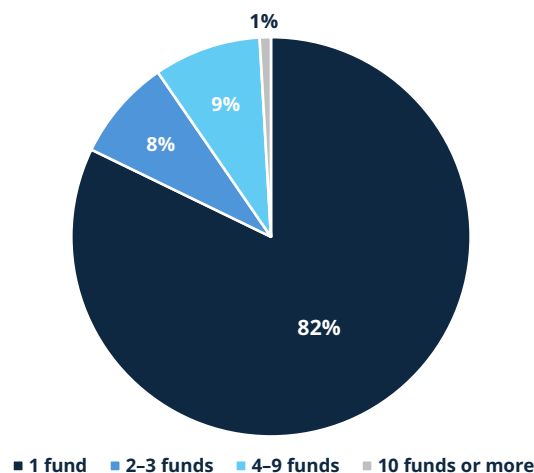
## Three Managers, One Bet

Another factor unique to private debt concerns the type of debt a fund invests in. Are investors aware that more risk doesn't automatically equal more reward? Consider a deal where senior debt yields 8% and junior debt yields 11%. If the borrower defaults, the senior lender might still recover most of its investment because it sits first in the capital structure. The junior lender, on the other hand, absorbs losses after the senior claim has been satisfied. Is this extra yield adequate compensation for such a big step up in risk? On top of this, the upper market isn't always the safest bet. A smaller company may offer senior secured debt with tighter covenants and stronger lender protections than a larger borrower, and may be easier to restructure following a default, while providing a similar or even higher yield because competition among lenders is less intense. This is why investors should diversify across lending strategies and company sizes rather than concentrate their exposure in a single segment.

The bottom line is that private debt cannot be treated like other asset classes. And appointing two or three specialist debt fund managers doesn't solve the problem of concentration risk, because rather than creating a portfolio for any one individual investor, each fund is balancing its own portfolio. Three individually balanced funds can all be balanced in the same direction.

As should be clear, the challenges of investing in private debt differ from those of other asset classes. So what are the solutions?

Investors' Planned Private Debt Commitments (Next 12M)<sup>2</sup>



Source: Preqin

## A Better Way to Build Exposure

One solution is to build an in-house private debt capability, with specialists responsible for due diligence, portfolio construction and ongoing monitoring. Yet dedicating specialist resources to an asset class that typically represents just 2%<sup>1</sup> of a portfolio is difficult to justify when a handful of investment professionals are responsible for all other asset classes. The economics only really work if private debt represents a significantly larger share of the portfolio. However, for investors with the capacity to write only two to three tickets in the space, this solution is simply not feasible.

This leaves many investors with a single practical option: investing via a multi-manager.

An experienced multi-manager with access to a deep network of GPs can provide the diversification that a private debt allocation requires, typically across 8 to 12 managers. Dedicated teams can assess fund vintages, debt types, sectors and geographies, and construct genuinely diversified portfolios tailored to individual investor objectives. For many investors, this offers a more efficient way to access the full breadth of the private debt market without having to build and maintain a dedicated in-house capability.

The rewards of private debt are clear, but the risks are not always as visible.

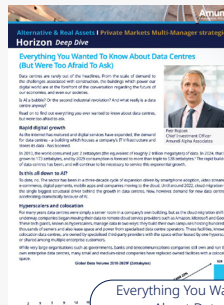
Investors should stop simply transposing investment approaches used for other asset classes onto private debt. Instead, they should recognise what makes private debt different and build portfolios that reflect those realities.

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## About Amundi Alpha Associates

Amundi Alpha Associates is the private markets multi-manager business line of Amundi Alternative & Real Assets, a trusted European partner with over 40 years of investment experience. Amundi Alpha Associates manages over EUR 24b in AuM across private equity, private debt, and infrastructure funds-of-funds and segregated accounts, primarily on behalf of a global, institutional client base. The business line employs over 80 professionals across its offices in Zurich, Paris, and Barcelona.

## Further Insights



## Important Information

- <sup>1</sup> Preqin Institutional Allocation Study 2026
- <sup>2</sup> Private Credit Q2 2026 Preqin Quarterly Update

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Amundi's private market multi-management business, based in Paris, was launched in 1998 under the legal entity Amundi Private Equity Funds (PEF). Zurich-based Alpha Associates AG was founded in 2004 as a spin-off from Swiss Life. These two entities have been working together since 2024 to create the Amundi Alpha Associates platform.

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