

# Private Credit Beyond the Headlines: What Experienced Investors Still Prioritize Today

*Headline trends may change quickly, but disciplined underwriting, cash flow durability, and manager selection continue to shape long-term outcomes.*



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Lynn is a senior member of the Private Credit Team and Deputy Chief Credit Officer for Direct Lending portfolios. She leads credit portfolio management, overseeing the performance of the Direct Lending portfolio and providing guidance to the underwriting team. Lynn joined Apogem Capital from Madison Capital, where she has worked since 2012. She began her career in the financial services industry in 2005.

For much of my career in private credit, direct lending was not a market that generated headlines. It was a relatively quiet industry - often referred to as cash flow lending or sponsor finance - and rarely part of cocktail party conversations. That has changed markedly. The asset class has moved into the spotlight, bringing with it more attention, more capital, and more conflicting narratives.

Having seen the evolution of this market, I believe the rhetoric around private credit has changed far more than its underlying fundamentals. In a market shaped by strong fundraising, product expansion, and growing performance dispersion, the key questions remain familiar: How durable is the cash flow? How conservatively is downside risk underwritten? How repeatable is the manager's investment process?

### **It All Comes Back to Cash Flow.**

At its core, every credit investment depends on a business's ability to generate cash flow and service its debt. That distinction often separates durable strategies from those more dependent on favorable market or economic conditions.

***"In private credit, not every risk can be underwritten away at origination, and outcomes are often shaped by how well the key risks are understood in advance."***

### **Relationships Shape Outcomes.**

Credit is often framed through leverage multiples, covenant levels, and legal documentation. Those are essential. But outcomes are also shaped by the ability of lenders, sponsors, and management teams to work together constructively - relationships built through transparency and credibility when conditions change.

### **The Work Begins With Understanding the Risk.**

In strong environments, assumptions often go unchallenged. When deals are performing, focusing only on the base case can feel sufficient. But in private credit, outcomes are often shaped by how well the key risks are understood in advance. Those who continue asking difficult questions are often better positioned.

## Perspective Comes From Experience.

Private markets are full of compelling narratives - some grounded in experience, others less tested. Realized track records, loss histories, and performance through more challenging periods provide the clearest perspective.

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## The Differences Lie Beneath the Surface.

Private credit is often discussed as though it were a single, uniform asset class. Strategies may share broad labels while embedding very different risk profiles, portfolio composition and underwriting standards.

That is why manager selection remains so important. In private credit, performance dispersion often reflects not only market opportunity, but the consistency of a manager's underwriting and portfolio management processes over time. Headline yield and asset deployment often draw attention. But in today's market, higher yields can sometimes reflect looser structures or more aggressive underwriting rather than better opportunities. Here are some questions to ask in due diligence to understand the risk profile of a private credit strategy:

- **How have yields and realized loss rates performed in a variety of economic cycles?**
- **How are deals sourced and how tenured are the relationships?**
- **What types of legal and collateral protection do the credit investments have?**
- **How diversified is the portfolio from a borrower, sponsor and industry perspective?**
- **What are the firm's capabilities to handle underperforming loans?**

The narrative around private credit will continue to evolve. New risks will emerge, and old ones will reappear in different forms. But the underlying drivers of outcomes remain fundamentally consistent. Cash flow durability, manager judgment, constructive relationships and disciplined portfolio construction are crucial.

### Cash Flow Durability

Stability of cash flows separates durable strategies from those dependent on market conditions

### Relationship Quality

Outcomes depend on transparency and collaboration when conditions change unexpectedly

### Understanding Risk

Asking difficult questions, even in strong markets, positions managers for long-run success

### Manager Selection

Performance dispersion reflects consistency of underwriting and portfolio management over cycles

***Looking beyond the headlines is not about dismissing them. It is about recognizing that what matters most is often quieter, more fundamental, and more repeatable than the story of the day.***