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How Is Liquidity Evolving in Private Investment-Grade Credit?

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Private investment-grade credit ("Private IG") sits at the intersection of public and private markets. The boundaries that once separated public from private are blurring as institutional investors seek differentiated sources of return, and advances in data, valuation, and fund structures make private assets increasingly accessible to traditional fixed income investors. Much like the evolution of leveraged loans and high-yield bonds, the Private IG market is moving along a familiar path, from a relationship-driven, buy-and-hold asset class to a broader, syndicated, and tradable segment of the market.

KEY TAKEAWAYS

- Private IG has evolved from a niche market into a more liquid and transparent segment of the credit landscape. Its development parallels the path of high-yield and leveraged loan markets toward greater standardization and tradability.
- Structural advances are reshaping liquidity and market access. Flexible evergreen fund structures, growing syndication, and dealer intermediation are transforming Private IG into a more efficient and integrated market.
- The convergence of public and private credit is redefining portfolio construction. Active managers are increasingly incorporating Private IG exposures into traditional vehicles for diversification and excess risk-adjusted return potential, turning what was once "alternative" into a core component of fixed income portfolios.

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Exhibit 1: Evolution of Credit Fund Structures and Access Points

	Traditional Credit Funds	Public & Private Evergreen Funds
FUND MANAGEMENT	• Daily liquid mutual funds and ETFs with all public exposures • Drawdown limited partnerships with capital calls	• Daily-liquid ETFs and mutual funds with private credit allocations • Evergreen private IG funds with monthly/quarterly redemptions • Interval funds with periodic liquidity windows
PRICING & VALUATION	• Daily marks for public exchange-traded or mutual fund holdings • Quarterly marks for illiquid drawdown or semi-liquid funds private holdings	• Increasing price transparency, trading activity and marks • Third-party valuations supporting frequent pricing mechanisms • Fund NAV processes aligned with prescribed redemption terms
CAPITAL DEPLOYMENT	• Immediate deployment in public funds • Multi-year J-curve in drawdown private credit • Semi-liquid vehicles with lock-up periods	• Deployment across public and private assets to mitigate J-curve • Minimal or no lock-up periods to redeem capital • Continuous capital inflows and outflows
CLIENT USE CASES	• Beta exposure (public IG / HY) • Long-term premiums for illiquidity, complexity, and proprietary sourcing (private credit)	• Private IG as a "Plus" sector to help generate excess return over public fixed income • Excess spread and income generation without taking additional credit risk

Source: Apollo analysts

Fixed income investors are increasingly integrating privately originated assets into vehicles once reserved for public securities, while intermediaries and technology platforms enhance transparency and tradability. We believe these developments represent the next phase in the modernization of credit markets—where liquidity, access, and price discovery are becoming shared features across both public and private domains (**Exhibit 1**).

The integration of public and private markets is also reshaping how active management and portfolio construction are defined. Traditional vehicles, such as mutual funds and ETFs, are increasingly incorporating privately originated, investment-grade assets. Within this framework, evergreen fund structures have become a critical mechanism for portfolio integration. By offering periodic liquidity windows and transparent valuation processes, they enable investors to manage exposure dynamically while maintaining access to private-market income.

Structural Drivers of Liquidity in Private IG

Once a niche segment of the corporate private placement market, Private IG credit has evolved into a global financing ecosystem spanning both corporate and asset-backed finance (ABF) sectors. What began as a narrow funding channel now supports large-scale strategic transactions across multiple industries and geographies.

Liquidity in this market is increasingly defined by functional tradability—the ability to transact efficiently at a fair price supported by reliable reference data. Market access continues to expand as deal sizes grow, documentation becomes more standardized, and pricing transparency improves. The growing participation of major sell-side intermediaries has further strengthened investor confidence and deepened market participation.

Together, these forces are producing several structural shifts that are reshaping liquidity in Private IG:

- **Deal Structures and Market Maturation:** Flexible deal and fund structures are broadening the investor base and increasing capital mobility. Many Private IG transactions now include transfer rights for qualified buyers, enhancing market depth. The trajectory mirrors that of the leveraged loan market, where standardization and fund innovation transformed a specialized niche into a widely traded institutional asset class.
- **Syndication and Market Participation:** The average size of private investment-grade corporate transactions has risen sharply in recent years, reflecting the capital intensity of projects that are expected to drive the economy forward. For example, hyperscale data centers require upfront investments that far exceed most issuers' internal funding capacity. As a result, investment-grade borrowers are increasingly turning to private credit markets for large, tailored financings that complement public-bond issuance. Multi-billion-dollar deals are now common, driving broader syndication among alternative credit managers, insurers, and traditional asset managers and bringing Private IG issuance closer to public-market behavior.

  Similar dynamics are unfolding in the ABF market, where in recent years, Private ABF has grown as borrowers increasingly turn to direct lenders instead of banks and the public markets for sources of financing. Larger transaction sizes and growing investor demand are driving increased syndication across a wider range of asset types, from equipment and consumer finance to renewables and transportation.

- **Pricing Transparency:** Market participants, including major banks and asset managers, now routinely structure, syndicate, and quote Private IG instruments (**Exhibit 2**). The emergence of dealer runs and quotes enhances pricing transparency and reinforces confidence in valuations. Several leading intermediaries now publish daily pricing updates on Private IG assets, creating an independent reference framework for investors and regulators.
- **Secondary Trading:** Secondary trading is one of the most tangible indicators of structural evolution in Private IG. Beyond providing execution flexibility, it creates continuous feedback on asset values. While validating portfolio marks and reinforcing confidence in NAV, it is critical to widening the aperture of market participants. Increasingly, certain Private IG transactions are obtaining CUSIPs with trades reported through FINRA TRACE, offering real-time visibility and standardized data comparable to public counterparts.

Ultimately, increased liquidity is not merely an investor convenience; it is a growth engine for the market itself. When originators can recycle capital more rapidly through sales, secondary trades, or syndications, they can redeploy that capital into new transactions, accelerating the next cycle of Private IG lending within this growing ecosystem.

Portfolio Implications

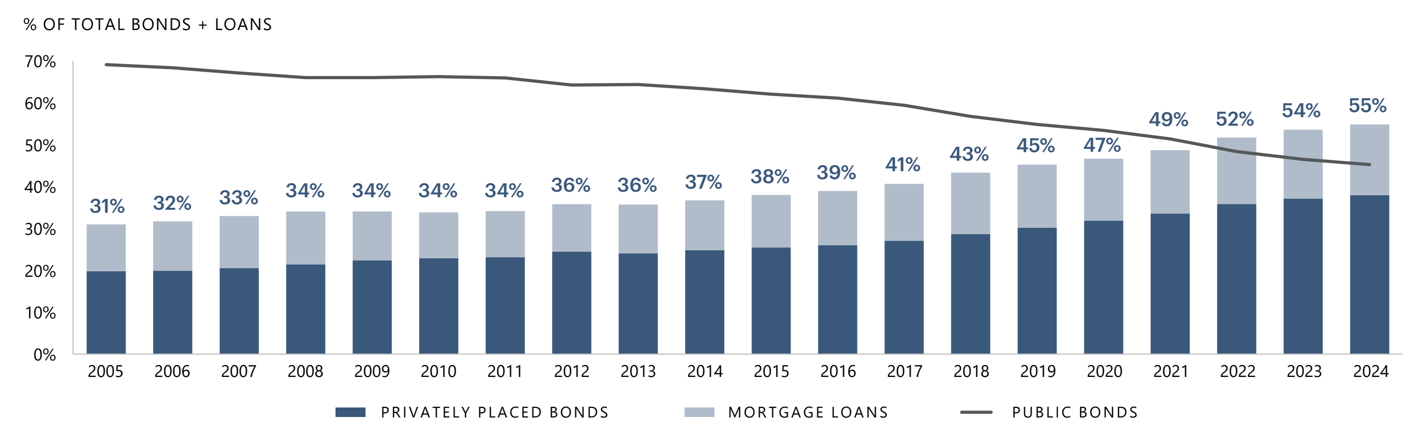
In today's environment, Private IG credit has emerged as a core component of modern portfolio construction, rather than a niche alternative. As traditional fixed income investors contend with compressed public credit spreads and rising uncertainty, many investors are finding that attractive sources of risk-adjusted return now sit outside the public sphere. Life insurers exemplify this shift: over the past decade, they have meaningfully reduced their exposure to public bonds while expanding their allocations to private credit (**Exhibit 3**). This reallocation reflects a broader shift in asset allocation that prioritizes return per unit of risk over the conventional distinction between public and private assets.

Exhibit 2: Anonymized Private IG Dealer Run

Asset	Asset Type	Size		Price		Expected YTW		Spread		Coupon	Maturity	Outstanding
		Bid	Offer	Bid	Offer	Bid	Offer	Bid	Offer			
[illegible]	4a2 Bond	5	5	104.250	105.250	4.73%	4.24%	262	213	6.000	11/30/2048	€ 1,505,300,000
[illegible]	4a2 Bond	5	5	101.375	102.375	6.90%	6.65%	312	285	7.250	5/23/2050	$987,243,882
[illegible]	4a2 Bond	5	5	98.500	100.500	5.38%	5.21%	217	198	5.250	12/15/2049	€ 828,570,000
[illegible]	4a2 Bond	5	5	101.500	102.500	6.73%	6.47%	298	271	7.125	3/23/2043	$500,000,000
[illegible]	4a2 Bond	5	5	106.000	108.000	6.00%	5.63%	229	192	6.500	3/20/2045	$10,175,000,000
[illegible]	4a2 Bond	2.5	2.5	104.000	108.000	10.35%	9.89%	634	588	5.000	3/20/2045	$1,131,000,000
[illegible]	4a2 Bond			101.500	102.000	6.17%	5.85%	253	221	7.120	11/18/2027	$300,000,000
[illegible]	4a2 Bond			100.500	102.500	6.24%	5.30%	262	167	6.470	2/15/2028	$50,000,000
[illegible]	4a2 Bond			105.000	107.000	5.80%	4.70%	217	106	8.670	9/14/2027	$75,000,000
[illegible]	4a2 Bond	5	5	107.000	108.000	5.60%	5.16%	197	153	8.800	9/14/2028	$250,000,000
[illegible]	4a2 Bond	2	2	103.000	105.000	5.90%	5.42%	210	162	6.000	6/30/2049	$968,795,605
[illegible]	4a2 Bond	2	2	99.000	101.000	6.81%	6.31%	299	250	6.000	12/15/2049	$284,935,000
[illegible]	4a2 Bond			101.000	103.000	6.24%	5.03%	260	139	6.840	8/5/2027	$100,000,000
[illegible]	4a2 Bond			102.000	104.000	6.31%	5.71%	264	204	6.910	8/5/2029	$200,000,000
[illegible]	4a2 Bond			103.000	105.000	6.53%	4.98%	285	130	8.920	3/1/2027	$136,500,000
[illegible]	4a2 Bond			108.500	110.500	6.20%	5.57%	256	191	9.070	3/1/2029	$163,500,000
[illegible]	4a2 Bond			99.000	101.000	5.80%	5.62%	130	110	5.710	10/1/2043	$188,000,000
[illegible]	4a2 Bond	5	5	105.000	106.500	5.53%	4.89%	326	264	6.000	5/31/2048	€ 626,500,689
[illegible]	4a2 Bond	5	5	105.250	106.750	5.41%	4.90%	312	262	6.000	6/15/2049	€ 841,330,000
[illegible]	4a2 Bond	2	2	99.750	101.250	7.70%	7.28%	536	494	5.500	12/31/2032	€ 988,950,000
[illegible]	PERP	2	2	110.000	112.000	7.38%	6.99%	368	327	9.480		$200,000,000
[illegible]	PERP	2	2	112.000	114.000	7.65%	7.33%	382	349	9.680		$200,000,000

Note: For illustrative purposes only. Source: Apollo analysts.

Exhibit 3: Private Bonds and Loans Represent a Growing Share of Life Insurance Portfolios



Source: SNL Financial

To capture these benefits effectively, we believe a deliberate and analytical approach to portfolio construction is required. Viewing private credit strategies through the lens of their closest public market analogs (**Exhibit 4**) can help clarify how each segment contributes to risk, return, and liquidity objectives. Such a framework can allow investors to position strategies more precisely within a portfolio, balance exposures, and build resilience across varying market environments.

The emergence of a more liquid Private IG asset class represents a meaningful shift in fixed income market dynamics. The ability to transact in a secondary market expands access and capital formation by attracting a broader range of investors, from pensions and sovereign wealth funds to global asset managers. At the same time, an active secondary market allows investors to manage risk dynamically by buying, selling, or resizing exposures as market conditions evolve, turning Private IG from a static allocation into an actively managed component of fixed income portfolios.

Exhibit 4: Public and Private Market Equivalents

PUBLIC MARKET INSTRUMENT	REPRESENTATIVE PRIVATE MARKET EQUIVALENTS	PRIVATE MARKET LIQUIDITY PROFILE	POTENTIAL BENEFITS OF PRIVATE MARKET EQUIVALENT
• Investment Grade Corporate Bonds	• Private IG Corporate Debt	Moderate to high	Enhanced spread per unit of risk, stronger covenants, lower realized losses, benchmark diversification
• Consumer Asset-Backed Securities • Residential Mortgage-Backed Securities • Commercial Mortgage-Backed Securities	• Private Warehouse Financing • Bi-lateral ABF Financing • Whole Loan Purchases	Moderate (dependent on tranche)	Yield premium for similar credit quality, flexibility in collateral type, lower loan-to-value ratios, design a tighter credit box
• Collateralized Loan Obligations (CLOs)	• Private Warehouse Financing • Net Asset Value (NAV) loans • Significant Risk Transfers (SRTs)	Moderate (dependent on tranche)	Enhanced yield for comparable risk, superior collateral visibility and credit monitoring, higher covenant protection
• Public Infrastructure / Project Bonds	• Private Infrastructure Debt	Thin but established secondary market	Long-duration match with higher spread and control over underlying project risk

Note: For illustrative purposes only.
Source: Apollo analysts.

Looking Ahead

We believe liquidity in private investment-grade credit represents a structural evolution rather than a cyclical anomaly. As more intermediaries quote daily prices, syndication expands, and technology accelerates transparency, the asset class will continue to integrate more deeply into the global fixed income ecosystem.

While certain corporate and large-scale asset-backed financings already demonstrate active two-way flow, more bespoke or smaller transactions with complex collateral frameworks are likely to remain less liquid. These distinctions are natural and healthy, reflecting the diversity of structures and return profiles that define private markets.

The Bottom Line: To capture the full potential of a fixed income allocation, we believe the focus will increasingly be on the intersection of public and private bonds. The liquidity transformation underway in Private IG credit mirrors the historical modernization of other fixed-income markets. As this liquidity framework matures, private capital is increasingly blurring the line between what was once considered ‘alternative’ and what is now a core component of the global fixed-income market.

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Brian Weinstein is a Partner and Head of Fixed Income Replacement, responsible for shaping Apollo's Fixed Income Replacement strategy and product suite. Prior to joining in 2025, Brian was at Morgan Stanley Investment Management, where he most recently served as the Head of Global Markets and Head of Fixed Income.

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