Building Confidence in Private Credit Valuations

 Daniel Forbes  Andrew Kelly August 31, 2026

Private credit has entered a new stage of maturity. As managers move into more complex strategies, including asset-backed finance, specialty lending, distressed debt and non-performing loan portfolios, valuation has become one of the defining tests of operational quality in the market.

Producing an accurate Net Asset Value (NAV) remains fundamental. But institutional investors are increasingly focused on how that value is derived. They want confidence that assumptions are robust, valuation policies are applied consistently, and methodologies can withstand scrutiny from investors, auditors and regulators. That requirement is sharpened by an inherent asymmetry in transparency: unlike public companies, private companies are not subject to the same disclosure obligations, which can leave managers and investors more dependent on manager-sourced information, borrower reporting and well-documented valuation judgement.

For investment managers, this shifts the conversation from "what is the portfolio worth?" to "why should investors have confidence in the valuation process behind it?". This matters because valuation is no longer viewed as a back-office exercise. In private credit, it sits close to the investment proposition itself. Investors are increasingly underwriting the quality of the manager's operating model as well as the assets, particularly where portfolios are illiquid, bespoke or dependent on judgement-based assumptions.

Why valuation confidence matters now

Valuation has moved up the agenda because private credit portfolios are becoming more diverse, more illiquid and more bespoke. Many assets do not have observable market prices, while others depend on future cash flows, recovery assumptions, collateral values or borrower-specific performance.

That complexity is particularly relevant across asset-backed finance, distressed debt and non-performing loan (NPL) portfolios, where valuation often requires a combination of financial analysis, market evidence, borrower or servicer reporting, collateral performance data, recovery assumptions and practical understanding of the underlying assets.

At the same time, investor scrutiny has increased. A more challenging macroeconomic environment, refinancing pressures and reduced transaction activity have made investors more focused on valuation assumptions and consistency. They are no longer looking only at reported performance. They are asking how valuations are produced, who reviews them and whether the process is sufficiently robust. That scrutiny is also shaped by the imbalance between valuations and realisations: reported credit valuations can differ materially from eventual outcomes, particularly where exits depend on refinancing conditions, enforcement processes, collateral recovery or borrower-specific performance.

This has made valuation an important measure of operational quality. Managers need to demonstrate that their valuation approach is not only technically sound but transparent, repeatable and capable of adapting as market conditions change. It also reflects a disparity in valuation methodologies: in credit funds, particularly where loans are bilateral, illiquid or borrower-specific, subjective assessments can form a larger part of the valuation process, increasing the need for structured review and independent scrutiny.

Complexity goes beyond pricing

Private credit valuation is rarely a simple pricing exercise. The right methodology depends on the nature of the asset, the availability of market evidence and the characteristics of the underlying portfolio. A performing private loan, an asset-backed position, a distressed exposure and an NPL portfolio may each require a different approach. This is why methodologies need to remain dynamic. As market stress changes liquidity, recovery assumptions and observable evidence, accounting standards and accepted valuation practices continue to evolve to reflect market realities.

The challenge is not only selecting an appropriate methodology. It is applying that methodology consistently across large and often complex portfolios, while maintaining clear documentation, effective controls and a defensible audit trail.

This is where experienced administration and valuation support becomes particularly important. Investors need confidence that valuation policies are understood, applied correctly and supported by teams with practical knowledge of the asset class. For specialist credit strategies, that requires more than process execution. It requires commercial understanding of how these assets behave, how stress may emerge and how valuation assumptions should be assessed over time.

Key considerations: What investors are looking for today

As operational due diligence becomes increasingly sophisticated, investors are assessing valuation frameworks as closely as investment performance. Managers should be prepared to demonstrate:

- Clearly documented valuation methodologies for each asset type
- Consistent application of valuation policies across portfolios
- Robust governance and approval processes
- Transparent documentation of key assumptions and judgement calls
- Evidence of independent review and challenge where appropriate.

The managers best positioned to build investor confidence are those that can clearly explain not only the valuation outcome, but the process behind it.

From calculation to confidence

The role of the service provider has also evolved. In complex private credit strategies, value is not created simply by calculating a NAV. It comes from understanding the portfolio, applying valuation policies consistently, maintaining reliable data flows, supporting transparent reporting and helping managers evidence the robustness of their process.

That distinction matters. As investors undertake more detailed operational due diligence, managers need to show that valuation is supported by the right infrastructure, expertise and governance. They need confidence that the process behind the number can stand up to challenge.

Supporting robust valuation frameworks

As private credit continues to grow, valuation confidence will remain a critical issue. Managers that can demonstrate disciplined, transparent and well-governed valuation processes will be better placed to build trust with institutional investors and respond to heightened scrutiny.

Waystone supports investment managers across a broad range of private credit strategies, combining valuation expertise, fund administration capability, corporate services and practical structured finance experience to help strengthen valuation processes. By supporting consistent execution, robust reporting and effective oversight, we help managers build confidence with investors, auditors and regulators.

If you have any questions regarding the themes raised in this article, please contact your usual Waystone representative or our team via the button below. You can also find more insights from Waystone's experts and join our mailing list on our News & Events page.

Contact Us →