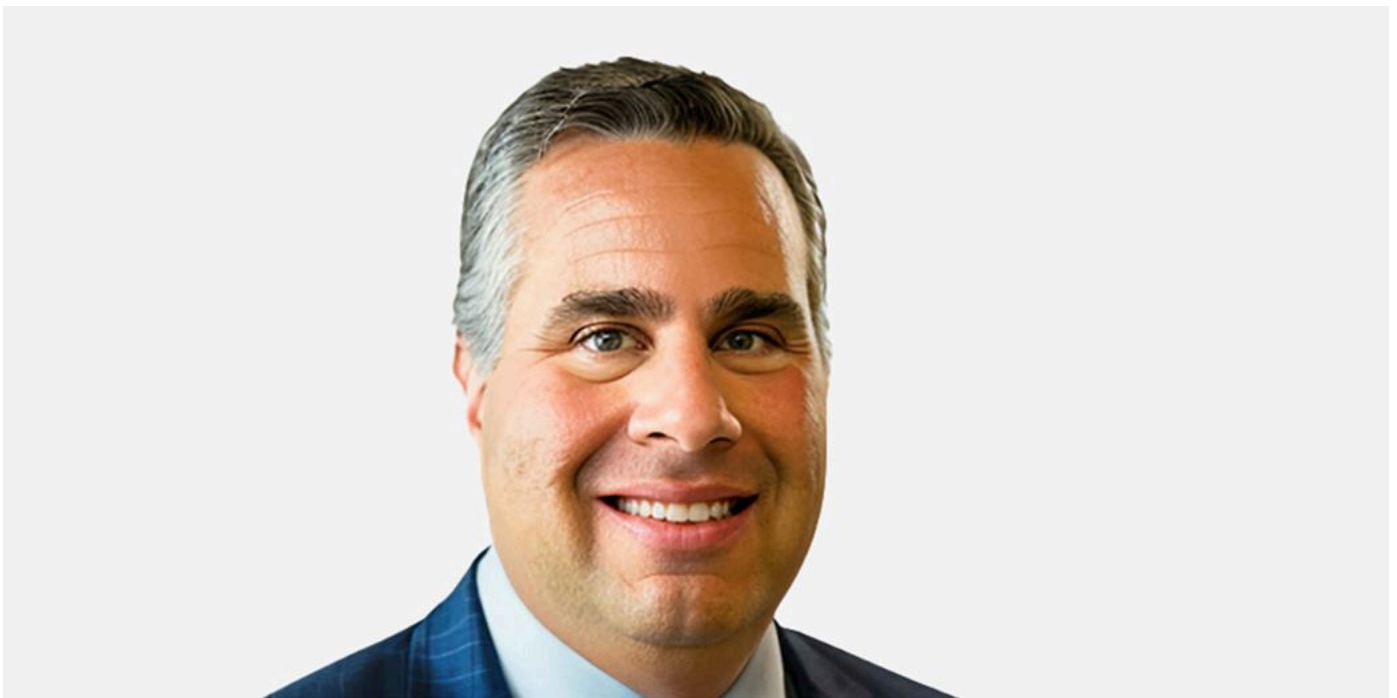


## Cary Street's top gatekeeper urges caution with private credit

Matthew Rubin, the \$10.7bn firm's CIO, sees a lot of opportunity in private credit. But with that potential for growth comes concern.

BY EVA THOMAS



Matthew Rubin, the chief investment officer at Cary Street Partners, said that with the growth of private credit, he is skeptical of managers who might lower their standards to increase yields.

'I've never seen such a proliferation of products in any asset class as I've seen in private credit over the last few years,' Rubin said.

At the \$10.7bn Richmond, Virginia-based firm, Rubin and his team of four analysts invest in 20 different private investments across interval and traditional drawdown funds that are available to Cary Street's 70-plus advisors.

When it comes to private assets, Rubin said that he and his team are 'very cognizant' of the underlying credit quality that the manager is invested in. He is not interested in looking for managers who are reaching for yield by lowering their standards of credit quality.

'Given that so much capital has been raised in the space and there's a lot of capital to deploy, we want to be sensitive that managers aren't reaching for yield,' Rubin said.

If there were to be a 'turn-down' in the economy, Rubin wouldn't want to be invested in managers who are 'loosening their covenants,' or, in other words, lacking concern about what's required from a company perspective to be able to pay a loan.

Managers can often produce a high yield as a result of lowering their standards in terms of credit quality, and Rubin likes to be mindful of that risk.

'If they lend to lower quality companies, they could potentially see more yield, or if they're just adding general leverage to the overall portfolio, they could look to juicy yields ... but we want to be extra sensitive to that,' Rubin said.

## Current searches

Even though private credit searches have been a priority for Cary Street for some time, Rubin said they continue to like private credit that is senior in the capital structure. In this structure, he likes where managers are lending to sponsor-backed companies, and where there's significant equity behind a manager's investment.

Going a step further in private credit, Rubin said his team is interested in private credit real estate opportunities; he finds the space 'interesting given the quality of size and the returns that you could see today on private credit real estate investments.'

Rubin said they are also searching for private real estate opportunities. When looking at that space, Rubin said they are interested in managers with real expertise and a focus on specific geographic areas. He also likes to look at the property types managers have invested in previously.

Regarding current changes, Rubin said that they are working with a bespoke individual manager in the middle market buyout space.

'We're looking to make both a direct [limited partnership] investment with a manager, as well as co-invest alongside the manager in that particular strategy,' Rubin said.

Rubin did not disclose the particular manager but said they 'bring a tremendous area of expertise to this segment.'

'There's a lot of their own money invested in this strategy, so there's a lot of conviction in what they're doing,' Rubin said.

Rubin said he expects that strategy to be added in the next few months.

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