

Private Credit in Asia 2.0



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The Alternative Credit Council would like to extend a special thank you to all contributors in this report.

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FOREWORD

We are delighted to launch this report on the Asia-Pacific (APAC) private credit market, a region poised to play an increasingly significant role in the global financial landscape. This publication reflects our ongoing commitment to supporting investors, policymakers, and market participants with the insights needed to navigate the evolving private credit environment in APAC.

The global private credit market has witnessed remarkable growth over the past decade, evolving into a mature and recognised asset class. The APAC region is experiencing strong tailwinds, driven by structural shifts in economic activity, investor demand for diversification, and the increasing need for flexible financing solutions. This report explores how private credit is steadily transitioning from a niche offering to a more mainstream asset class in APAC, supported by the region's unique economic and demographic dynamics.

This report comes at a pivotal moment. The fragmented nature of APAC's private credit market presents both challenges and opportunities. With over 50 distinct markets, each with its own regulatory, legal, and economic frameworks, the region requires a nuanced approach to investment. Despite these challenges, the region's structural drivers, such as the expansion of the middle class, rapid urbanisation, and the growing demand for infrastructure financing, continue to create compelling opportunities for private credit managers. The ability of private credit to provide tailored, flexible financing solutions positions it as a critical enabler of growth for businesses across the region.

The Alternative Credit Council (ACC) has been at the forefront of promoting understanding and awareness of private credit globally. By fostering dialogue and commissioning research, the ACC aims to highlight the benefits of private credit as an asset class, including its ability to offer borrowers alternatives to traditional financing, providing investors with differentiated risk-return opportunities, and supporting policymakers in building resilient financial systems. This report aligns with the ACC's mission to shine a light on the potential of private credit in APAC and to encourage further investment in the region.

This report is not just a reflection of the current state of the APAC private credit market but also a forward-looking guide. It underscores the importance of regional expertise, innovative structuring, and strategic partnerships in unlocking the market's potential. By addressing challenges such as regulatory diversity and market fragmentation, private credit managers can position themselves to capitalise on the region's immense opportunities.



ORD

We hope this report inspires confidence in the potential of APAC private credit market and serves as a catalyst for meaningful dialogue and action. As the region continues to evolve, private credit will play a vital role in supporting businesses, creating jobs, and driving sustainable economic growth. The next phase of development will be critical, and we are optimistic about the role of private credit can play in fostering long-term growth and resilience.



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Executive Summary



The Asia Pacific (APAC) private credit market is undergoing rapid expansion, with assets under management projected to grow from US\$59 billion in 2024 to US\$92 billion by 2027, representing a 16% compound annual growth rate. This growth is driven by strong demand from institutional and private wealth investors seeking yield and diversification. Despite its relatively small share of the global private credit market, APAC is steadily transitioning towards being a more regular component of investor private credit portfolios.

The APAC private credit landscape is highly fragmented, comprising over 50 distinct markets with varied economic, legal, and regulatory frameworks. Market development is uneven: Australia and India have seen robust growth, supported by favourable macroeconomic fundamentals and investor interest, while Mainland China and Hong Kong SAR have experienced a slowdown due to economic headwinds. Japan and Singapore are emerging as important hubs, with Japan attracting global managers and Singapore serving as a regional origination and structuring centre for Southeast Asia.

Private credit in APAC is characterised by its opportunistic and bespoke nature, primarily serving Small Medium Enterprise (SME) and mid-market segment of the corporate finance sector and addressing financing gaps left by traditional banks. Most transactions are bilateral, relationship-driven, and tailored to specific borrower needs. With global private credit fund managers significantly scaling their private credit operation in APAC, larger and more complex transactions are increasing. The market remains predominantly sponsorless, with 90% of deals involving borrowers without private equity backing.

Investor participation is broadening, with private wealth investors expected



to account for 28% of APAC private credit AUM by 2027. Both global and regional managers are active in the region, employing multi-strategy approaches that encompass direct corporate lending, special situations, and infrastructure debt.

The region's regulatory landscape sees significant differences in licensing, foreign exchange controls, and creditor protections across jurisdictions. Financial centres like Hong Kong SAR and Singapore offer flexible regimes, while certain other markets impose stricter controls. Navigating this complexity is essential for market participants.

The APAC private credit market continues to face challenges such as market fragmentation and competition from banks, yet it also stands at the threshold of significant opportunity. The expanding middle class, rapid urbanisation, and a pressing need for infrastructure investment estimated at US\$26 trillion through 2030 underscore the region's potential for growth. With resilient investor interest in high-growth markets, success will hinge on leveraging regional expertise, fostering innovative solutions,



and building strategic partnerships. The outlook for the APAC private credit market remains promising and the region is set to play an increasingly prominent role in financing the region's economy.

Methodology



This report from the ACC, in collaboration with Broadridge, EY, and Simmons & Simmons, is intended to provide investors, asset managers, and policymakers with an overview of the private credit market in Asia.

The ACC, together with Simmons & Simmons, Broadridge, and EY, then conducted 10 open and candid interviews of Asia-focused private credit asset managers. These interviews focused on three specific areas:

1. The fund's investor base and strategy;
2. Origination of transactions, deployment, and structure of private debt;
and
3. Opportunities, drivers for growth, investor demand and operational challenges

While the US and European private credit markets and industry trends are well documented and understood, this research is to look specifically at private credit in Asia.

The resulting report is an indicator of the asset management industry's expectations of the opportunities and challenges of private credit in Asia.

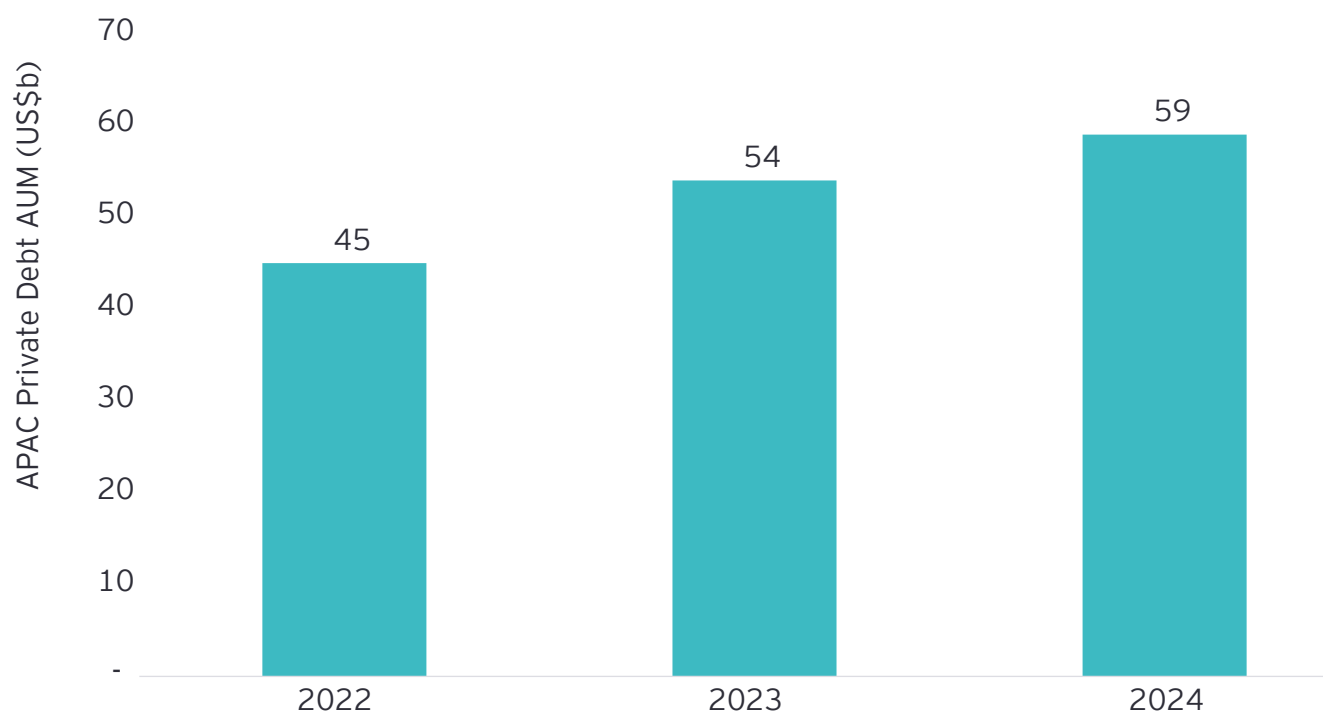
CHAPTER 1

An Overview of Asia Pacific Private Credit

Growth of the Global Private Credit Market

The global private credit market has experienced remarkable and sustained global growth in the past decade, evolving into a mature and recognised asset class. In its 2024 Financing the Economy report¹, the ACC estimates that private credit assets under management (AUM) exceed US\$3 trillion in 2024, with demand for private credit fuelled by institutional investors seeking yield and diversification and accelerating inflows from the private wealth segment. During this period of expansion, the growth of APAC private credit has been modest, with assets growing from US\$45- 59 billion in between 2022-2024 (see Figure 1.1).

Figure 1.1
AUM of Private Debt (US\$ billion)



Source: Broadridge Global Demand Model

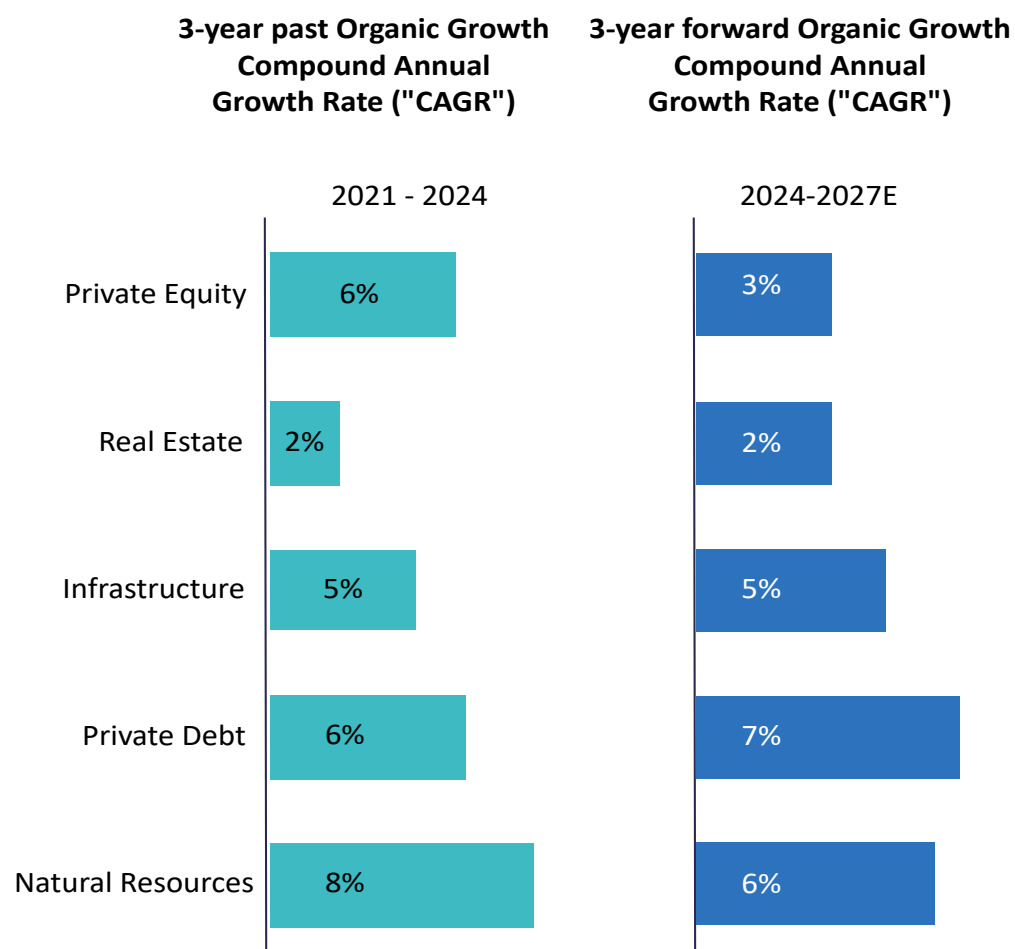


1. AIMA report "Financing the Economy 2024", <https://www.aima.org/compass/insights/private-credit/financing-the-economy-2024.html>

Private credit is also set to outpace all other private market strategies over the next three years.

Figure 1.2

Global private market by strategy



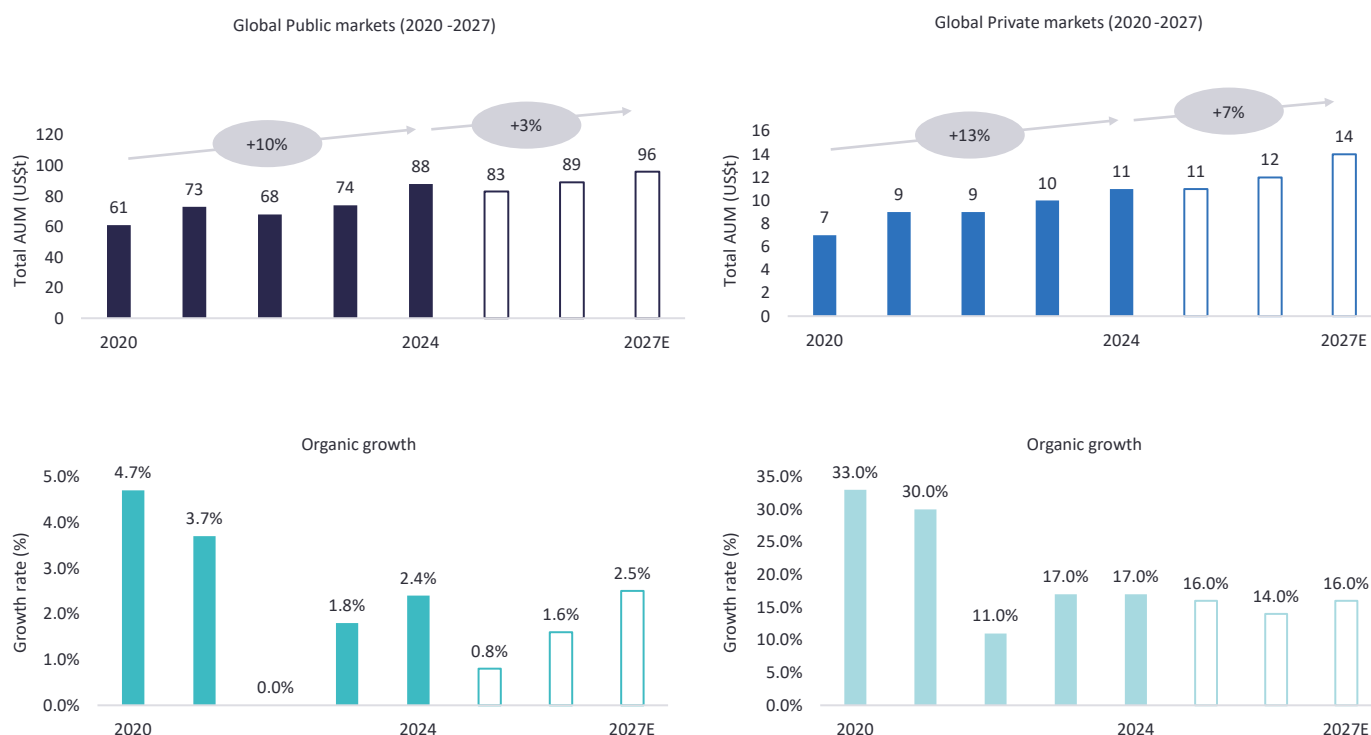
Note: Organic Growth Rates excludes net flows

Source: Broadridge Global Demand Model



The shift from public to private markets is accelerating, driven by demand for higher yields and broadening of investor access.

Figure 1.3
AUM and Organic Growth of Public and Private Markets



Note: Organic Growth is the increase in AUM which derives from the performance and expansion of existing assets, excluding any effects from new capital inflows, fund launches or acquisitions.

AUM is expected to increase 16%, and 7% of this growth is organic. 7% is anticipated to come from the growth of existing investments with the remaining 9% coming from new inflows or external expansion.

Source: Broadridge Global Demand Model

APAC Private Credit - Small in Assets but Strong Tailwinds

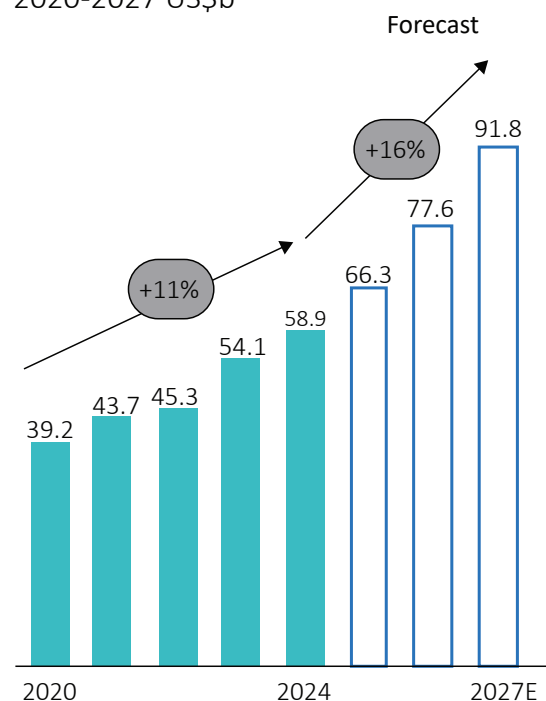
APAC private credit is beginning to scale meaningfully, with AUM projected to grow from US\$59 billion in 2024 to US\$92 billion by 2027. This represents a 16% compounded annual growth rate (CAGR) from 2024, surpassing global averages and demonstrating the strong growth momentum in the region.

Currently, the private credit asset class represents a small fraction of APAC public credit, highlighting both the nascency of the market and the considerable potential for expansion and long-term capital reallocation. This underlying structural growth signals that APAC private credit is steadily transitioning from a niche segment to a more mainstream asset class, propelled by increasing institutional participation and expanded access through broader wealth channels.



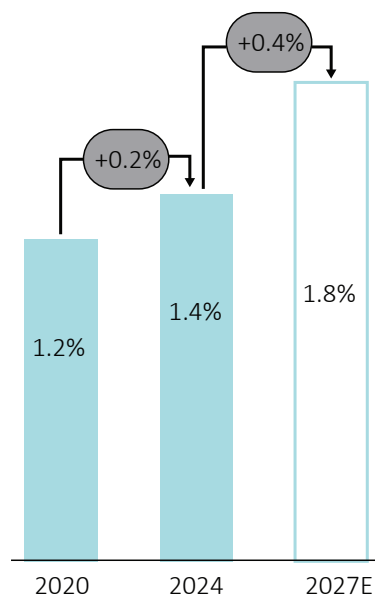
Figure 1.4

APAC Private Debt AUM

APAC Private Debt AUM
2020-2027 US\$b

APAC Private Debt AUM

Private credit share of APAC credit markets



Source: Broadridge Global Demand Model



We believe private credit is a nascent asset class in the region with tremendous growth potential and opportunity for investors.

KKR

The APAC private credit market remains nascent; the market penetration remains small relative to the North American and European markets. While nearly two-thirds of global economic growth are attributed to the APAC market in 2023 (according to International Monetary Fund).



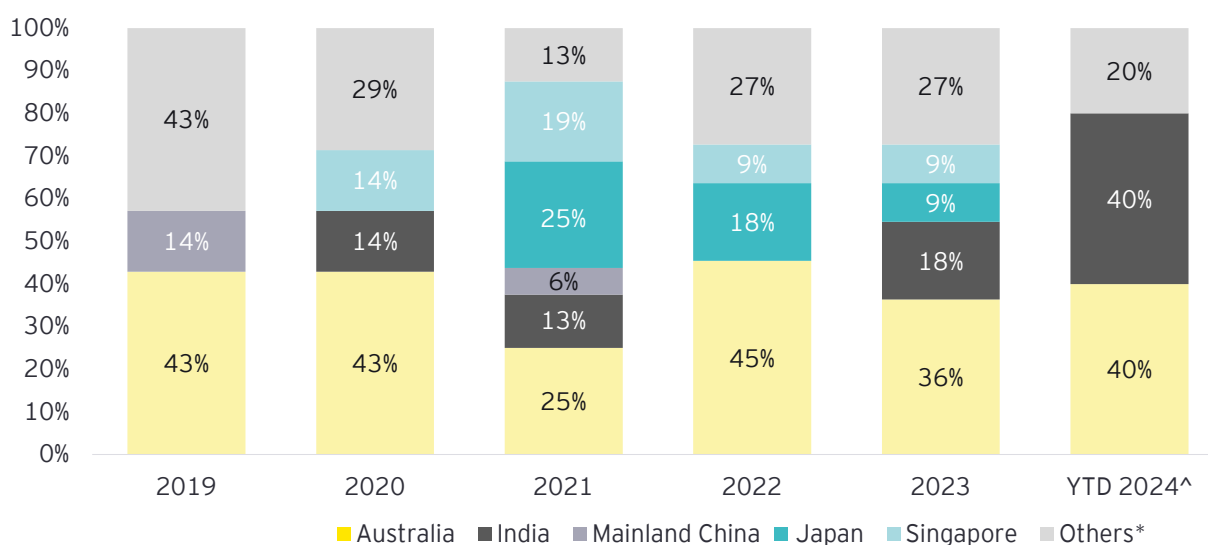
APAC – Jurisdictional Snapshot and Trend

The APAC private credit landscape is highly fragmented. APAC comprises over 50 distinct markets with varied economic, geopolitical, legal, and regulatory landscapes, currency, tax systems, credit market practices, and growth trajectories.

Despite steady overall expansion in APAC private credit, growth across the region has been uneven. Individual jurisdictions have experienced varying trajectories, with some markets seeing accelerated development while others have faced temporary slowdowns, each influenced by distinct market-driven factors.

Figure 1.5

Private Credit Deals Split By Geography



Others* include the Philippines, Taiwan, Tajikistan, Marshall Islands, New Zealand, Hong Kong SAR and South Korea.

Note: YTD 2024^ includes data till 31st October 2024

Source: EY Insights analysis



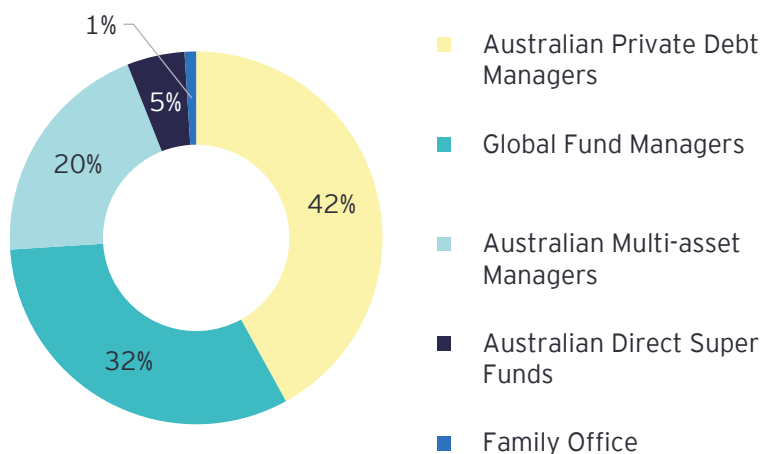
Australia

Australia represents one of the most mature private credit markets in the APAC region, underpinned by a well-developed legal and regulatory framework that provides stability and confidence to lenders and borrowers alike.

As of the end of 2024, the Australian private debt market comprised 42% of Australian private debt managers, 32% global fund managers. This total comprises business-related lending which accounting for 14% of the total business and corporate lending market and commercial real estate loans which accounting for 17% of that segment.

Figure 1.6

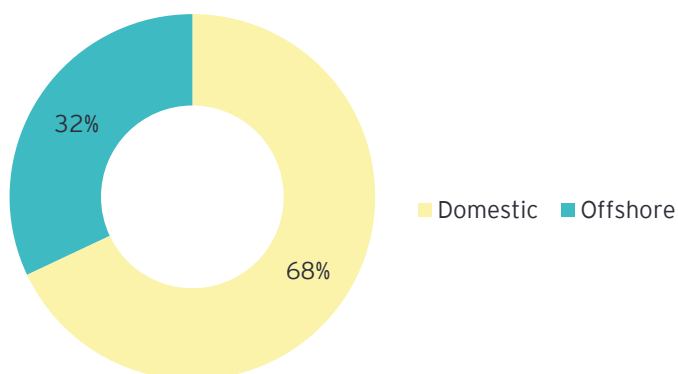
Australian private credit market by manager category



Source: EY Insights analysis

Figure 1.7

Australian private credit market by manager location



Source: EY Insights analysis

According to the Reserve Bank of Australia's 2024 Report, outstanding private credit in the country accounted for 2.5% of total business debt (which includes both intermediated lending and corporate bond issuance outstanding). Although growth in private credit moderated in 2024, it continues to outpace the expansion of overall business debt by approximately 2 percentage points, extending a multi-year trend of robust relative performance.

Domestic private credit funds dominate the market, constituting 68% of activity and driving the majority of new lending.



Mainland China/Hong Kong SAR

In contrast to the growth seen in other APAC markets, private credit activity in Mainland China and Hong Kong SAR has remained subdued, with new-money financing volumes still below pre-pandemic levels.

The market has shrunk to nearly half of its size since 2017. This slowdown reflects broader macroeconomic challenges, including high US rates, geopolitical uncertainty, and local market factors such as tightening of Mainland China's regulatory regime, increased competition from local bond markets and compressed margins. These factors have collectively redirected private credit strategies towards bridge facilities, special situations and distressed debt opportunity, particularly within real estate sector where lending volumes have plummeted amid the ongoing property market downturn.

Mainland China's private credit market is significantly different from those in North America and Europe, with a heavily regulated environment. Alternative investment funds are restricted from investing in direct lending, and banks and government entities remain major players. The current environment has made refinancing and loan restructuring (including margin adjustments, repayment rescheduling, and maturity extension) a dominant component of private credit activity in these markets.

Borrowers are mainly smaller, higher-risk firms unable to access public bond markets, though large companies with strong credit profiles also participate due to funding limits imposed on banks. Real estate companies have become prominent borrowers as they are restricted from raising any incremental debt in the open market. Investors have generally adopted a cautious approach to new deployments, prioritising the stabilisation of existing exposures over fresh originations.

Meanwhile, regulatory crackdowns and economic headwinds have disproportionately impacted specific sectors in Mainland China, such as real estate, education, and entertainment, further dampening investor appetite for private credit opportunities in these segments.





India

India has emerged as a significant and rapidly growing market for private credit, bolstered by favourable economic outlooks and its role in global investor diversification strategies. According to the *EY Private Credit Report: H1 2025*², private credit investment volumes in India reached US\$9 billion in the first half of 2025 alone, reflecting a 53% increase over the first half of 2024 and nearly triple the volume recorded in the second half of 2024.

The expansion is primarily driven by strong demand from mid-sized corporates, real estate developers, and infrastructure players that face constrained access to traditional bank lending. Domestic private credit funds continue to dominate the market, accounting for nearly 70% of deployed capital.

Increasing corporate demand for flexible capital, growing investor appetite, global capital inflows, and supportive regulatory initiatives are several key factors fuelling this sustained growth.

Market activity in India is increasingly characterised by larger and more complex transactions. In the first half of 2025, deals exceeding US\$100 million accounted for 18% of total count of transactions and represented 80% of total deal value. Notable deals included a US\$3.1 billion refinancing for the Shapoorji Pallonji Group, a US\$750 million facility for the Adani Group, and US\$733 million for GMR Infra Enterprises. Global funds including Cerberus, Apollo, KKR, Blackstone, and Bain Capital have anchored many of these large and complex transactions. Meanwhile, domestic funds such as Motilal Oswal Financial Services and Kotak Alternate Asset Managers are focusing on the mid-market and opportunistic segments, with several new private credit fund launches planned for 2025.

Looking ahead, India is expected to account for up to 30% of private credit fundraising in this region by 2025, reflecting strong investor demand for higher returns and growing corporate reliance on alternative financing. With its private credit-to-GDP ratio still less than one-fifth of that in the United States, the Indian market retains substantial potential for continued expansion.

2. EY LLP, Private credit in India H1 2025 update, <https://www.ey.com/content/dam/ey-unified-site/ey-com/en-in/insights/strategy-transactions/documents/2025/08/ey-private-credit-report-h1-2025.pdf>

Japan

Japan's substantial pool of financial assets has attracted growing interest from global private credit managers seeking to capitalise on rising demand for higher-yield opportunities.

Private credit is gaining further traction in Japan as domestic investors pursue returns beyond those available through traditional fixed income. Yen depreciation has increased the cost of hedging foreign bonds, while inflation has reduced the appeal of cash-heavy portfolios. These factors, combined with government tax incentives and policies to attract global asset managers, are accelerating demand for alternative investments.

To capture these opportunities, several leading global credit managers are expanding their presence in Tokyo. In 2025, Blackstone and KKR made their first dedicated private credit hires in Japan. They join other firms including Blue Owl Capital, Siguler Guff, Fiera Capital, and Deerpath Capital which have previously added distribution and origination professionals to their teams. In a landmark move for the industry, Blackstone partnered with Daiwa Securities in 2023 to launch Japan's first publicly offered private credit fund.

”

The aging society led to the hike of the number of LBO deals in Japan, which is now spreading to SMEs market due to business succession issues in Japan.

Topaz Capital, Inc.

Singapore

Leveraging its robust financial infrastructure and regulatory framework, Singapore has solidified its position as a leading origination and structuring hub for private credit in Southeast Asia. This growth is propelled by the broader region's rapid urbanisation and economic expansion, which have generated substantial demand for flexible capital.

Strong institutional backing has been critical to this development. In 2022, the Monetary Authority of Singapore (MAS) demonstrated its commitment by allocating US\$1 billion to global credit fund managers, aiming to establish Singapore as a premier private markets hub.

Transaction sizes in Singapore are typically mid-market, commonly structured as bilateral loans or small club deals. Although larger transactions do occur, these are generally syndicated among multiple investors, as few funds possess the capacity to underwrite them independently. MAS's SGD150 million Financial Sector Technology and Innovation Scheme has nurtured a vibrant ecosystem of hundreds of fintech firms focused on payments and digital banking, thereby stimulating credit demand in Singapore and across the region.

Concurrently, infrastructure remains a core focus for debt managers. Singapore-based strategies are frequently used to structure substantial regional deals, particularly for refinancing, growth capital, and opportunistic investments in energy and logistics projects.

This favourable environment is attracting increased activity from major global and domestic players. Apollo Global Management was recently appointed to manage a US\$1 billion private credit fund targeting local high-growth enterprises. In a significant milestone, SeaTown Holdings, a subsidiary of Temasek, closed its Private Credit Fund II in August 2024 with over US\$1.3 billion in capital commitments.



South Korea

South Korea's private credit market is gaining momentum amid expansion of local asset managers in non-bank lending and tighter banking regulations. Domestic asset managers like Hanwha Asset Management are strengthening their private credit capabilities by hiring experienced professionals and establishing dedicated teams. Other firms such as Samsung Securities, Mirae Asset, and Korea Investment & Securities are also engaging more deeply in this area through partnerships with global private credit managers.

The market has also seen opportunities arise from the restructuring of property-related loans, a segment that may continue to offer potential in the near term.



Southeast Asia (SEA) (excluding Singapore)

The SEA private credit market is gaining significant traction as borrowers seek alternative financing, driven by constrained bank lending and robust demand from high-growth sectors. Manufacturing powerhouses like Vietnam and Indonesia are key beneficiaries of supply chain diversification via the “China Plus One” strategy, fuelling demand for credit in logistics, infrastructure, and industrial real estate. Concurrently, consumer-driven sectors such as hospitality, healthcare, and financial services are expanding rapidly across Vietnam, Thailand, and the Philippines. Further momentum comes from the energy transition, generating demand for flexible financing in renewable energy and digital infrastructure, both being government priority areas.

While banks still dominate corporate lending, a significant structural opportunity exists with SMEs, who face capital shortages and value the speed and flexibility of private capital, often at a premium. Most regional and global private credit managers base their SEA operations in Singapore, leveraging its sophisticated financial infrastructure, strong legal protections, and stable regulatory environment to structure funds, raise capital, and deploy it across the SEA region.

Select SEA jurisdictions:

Vietnam

Vietnam’s private credit market is expanding rapidly, propelled by strong macroeconomic and geopolitical tailwinds. The country benefits from global supply chain shifts, key trade agreements, and a competitive labour force, driving growth in manufacturing, logistics, and services.

Investors prioritise transactions with sound risk-return characteristics and strong borrower fundamentals. Deal structures commonly incorporate blended senior and mezzanine debt, employing creative collateral mechanisms across both onshore and offshore assets.

Indonesia

Indonesia’s focus on sustainable growth and infrastructure development is opening substantial private credit opportunities in logistics, digital infrastructure, healthcare, and green energy. Leading this shift is the Indonesia Investment Authority (INA), the country’s sovereign wealth fund, which is making a strong push into private credit and hybrid capital solutions. Through partnerships with leading investment managers and building a dedicated in-house team, INA seeks to diversify financing for local businesses, attract foreign investment, and deliver attractive risk-adjusted returns.

Malaysia

Malaysian borrowers are increasingly turning to private credit as an alternative to private equity and family office capital, partly motivated by regulatory exemptions for foreign investments exceeding US\$23.7 million (MYR100 million). Since re-entering the market in 2022, private credit providers have built a robust pipeline, especially within hospitality, entertainment, industrial real estate, and manufacturing.

Malaysia’s role as a logistics and offshoring hub, coupled with strong trade ties with India and proximity to Singapore, further enhances its appeal for cross-border private credit activity. Although banks supply 80% of corporate financing in the APAC region, only 17% of Malaysian SMEs secure bank loans, leaving many dependent on personal or family funds instead. This significant financing gap presents a key opportunity for private lenders.

However, investor appetite remains mixed. While institutional interest continues, wealthy Malaysian investors have been cautious, showing only modest enthusiasm for private credit as an asset class in the local market.

Thailand

Thailand’s private credit market is nascent relative to regional peers. Although banks continue to dominate lending, a US\$40 billion financing gap persists for micro, small, and mid-sized businesses which require loans of US\$10–50 million, which are often too large for digital lenders yet too small for global funds.

However, the market faces challenges: unclear regulations for fund establishment, limited investor access, slow loan recovery processes, and a shortage of experienced local professionals. International investors also face barriers such as language and data availability.

Nevertheless, opportunities are emerging, especially within tourism and healthcare. Foreign tourist arrivals grew 44% year on year in 2024, supported by government visa exemptions, driving demand for private credit to fund distressed hospitality assets and medical tourism projects.

Table 1.1

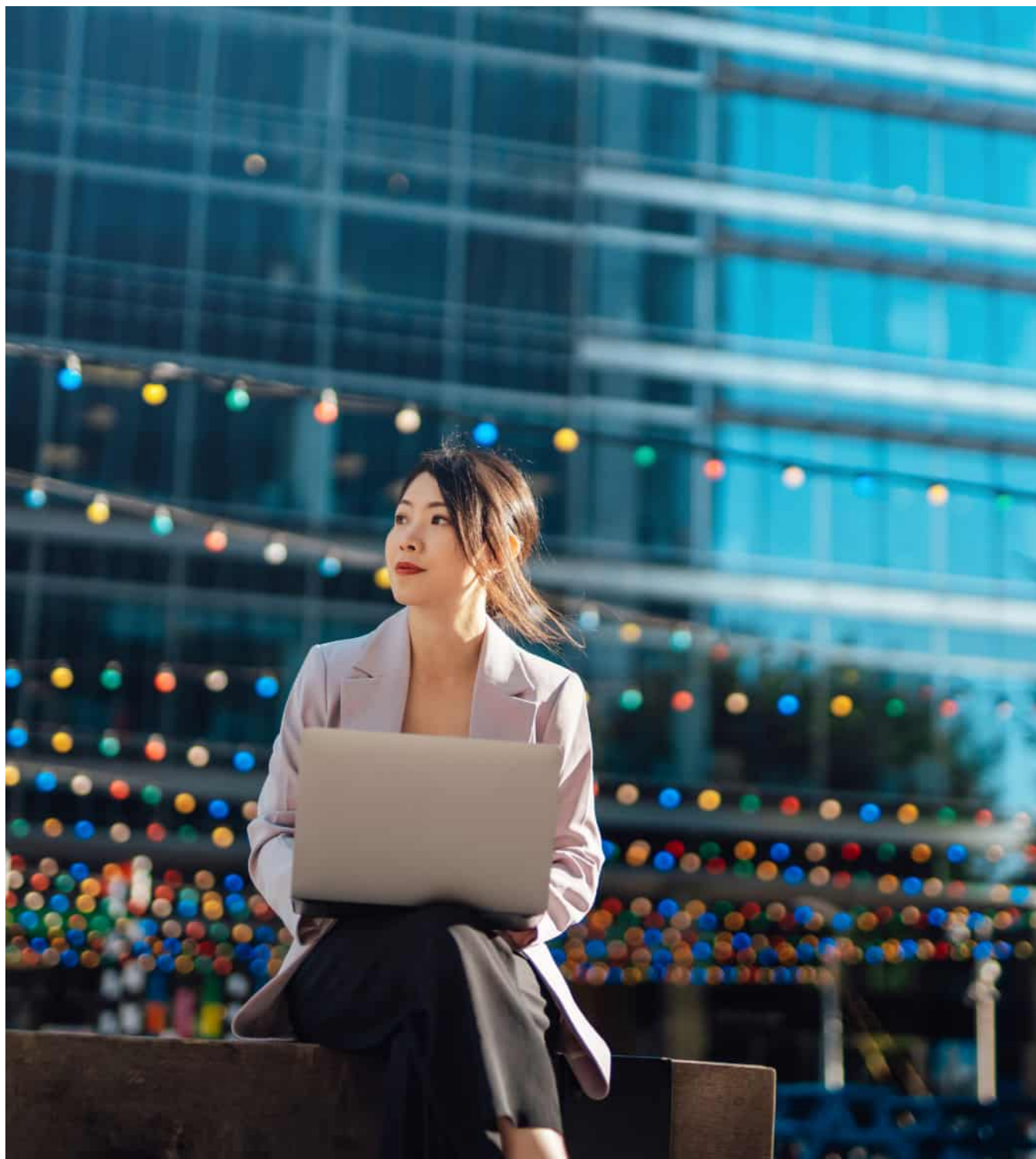
Market	Summary Status	Key Sectors (Traditional → Shifting To)	Deal Trends	Key Opportunities	Key Risks
 Australia	Mature and growing	General Lending → Healthcare, Mid-Market, Infra, Real Estate	Direct lending, unitranche, real estate, mid-market buyouts	Healthcare, education, infra, bank disintermediation	Pricing compression, increasing competition, limited high-yield
 Mainland China	Disrupted and shrinking in real estate; repositioning toward strategic sectors	Real Estate → Healthcare, Renewables, Advanced Manufacturing	Special situations, carve-outs, pre-IPO financings; RMB structures preferred	Policy-backed sectors, cross-border carve-outs	Enforcement, currency risk, opaque recoveries, geopolitical overhang
 Hong Kong SAR	Repositioning from Mainland China conduit to APAC deal origination	Mainland China real estate → Cross-border, Tech, Structured	Rescue lending, mezzanine, bridge financing	Cross-border finance, Mainland China+1 trade flows	Sentiment drag, Mainland China spillover risk, deal flow contraction
 India	Booming with record deployment and increasing domestic LP participation	Infra/Real Estate → Healthcare, Logistics, Special Situations	Performing credit, mezzanine pre-IPO; high-yield structured	SME gap, infra pipeline sponsorless lending, IBC recovery	Enforcement delays, FX volatility, deal documentaion standards
 Japan	Highly institutional; stable but conservative; growing LP interest in private debt	Bank lending → SME direct lending, LBOs, special situations	Short-duration SME loans, succession-driven LBOs, rescue lending post-COVID	Succession lending, post-COVID restructurings, partnership with banks	Small deal sizes, slow origination, high customisation needs
 Singapore	Regional HQ and fund origination hub, strong regulatory support	Bank Lending, Real Estate → Tech, Infrastructure, Mid-Cap Growth	Venture lending, tech infra, sponsorless deals	ASEAN origination hub, venture debt, ESG financing	Crowding, smaller domestic market, cross-border dependency
 South Korea	Maturing, strong demand for refinancing and restructuring capital	Real Estate → Corporate carve-outs, Buyouts	Special situations, mezzanine, LBO debt, recapitalisations	Succession deals, restructuring, sector carve-outs	Slow execution, cross-border constraints, sponsor concentration
Southeast Asia (SEA) (excluding Singapore)	Fragmented and underbanked; structurally attractive but complex	General SME → Consumer, Infrastructure, Energy, Export, fintech, data centres	Bridge loans, growth debt, high yields, SME lending	SME financing gap, high yields, local partnerships	Enforcement, political instability, deal fragmentation

Source: Broadridge Insights

Regional Diversification and Strategic Outlook

The APAC region's varied economic landscape offers compelling diversification benefits, both across geographic markets and within individual jurisdictions. This heterogeneity allows debt managers to dynamically pivot across geographies and strategies- shifting between high-growth emerging markets like India and more mature economies such as Australia and Japan, and thereby reducing concentration risk and enhancing portfolio resilience.

Beyond supplementing traditional private credit exposures in North America and Europe, APAC's varied credit cycles create opportunities for tactical deployment, whether through growth-stage lending in Southeast Asia's expanding fintech and infrastructure sector or through restructuring and special situations in Mainland China's recalibrating markets. This flexibility positions APAC private credit as a strategic component of global alternative investment portfolios, particularly for managers seeking to capitalise on regional disparities in economic recovery and credit demand.



CHAPTER 2

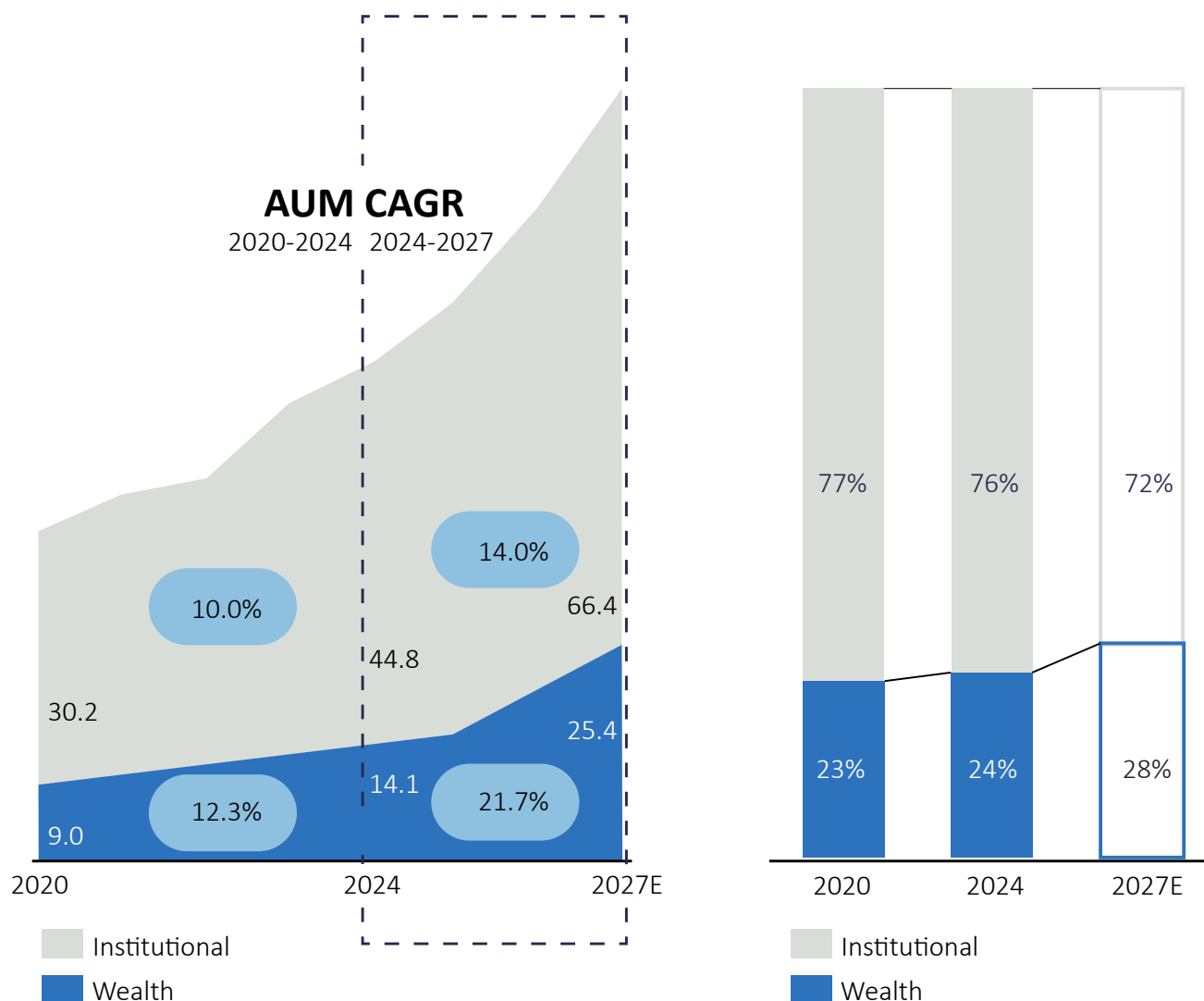
Investors and Strategies

Projected US\$25 billion Wealth Investor Opportunity by 2027

By 2027, wealth investors are expected to comprise 28% of private credit AUM, up from 23% in 2020, marking a significant transformation within the investor landscape. This expansion is being powered by product innovations like semi-liquid fund structures, lower investment minimums, and digitally enabled distribution channels. These innovations lower longstanding entry barriers and broaden access to private credit for retail and high-net-worth clients.

Figure 2.1

APAC private debt - Investors Breakdown
By investor type, US\$ billion



Source: Broadridge Global Demand Model

In addition to expanding participation, these changes signify a major capital reallocation that will reshape how private credit is packaged, marketed, and delivered. In recent years, there has been a marked increase in the number of retail investors participating in private credit investments, alongside a growing demand for, and supply of, built-in liquidity management features that restrict investors' redemptions rights³. In response, managers must develop products tailored for the wealth and retail segment, robust distribution partnerships with banks and digital platforms and ongoing advancement in investor education.

3. AIMA report "Trends in Private Credit Fund Structuring 2025"

Rising selector interest and allocations

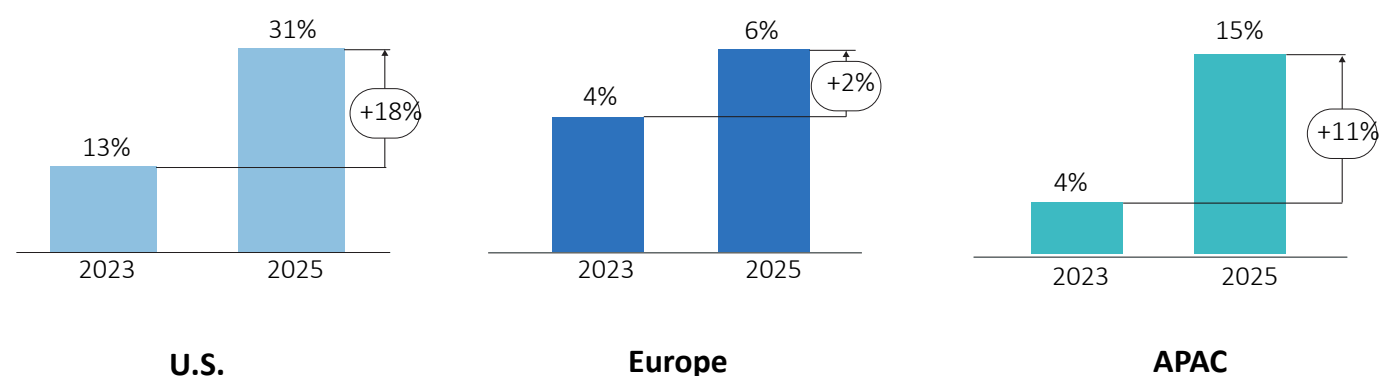
Recent data indicates an upward trend in private debt allocations among fund selectors in both APAC and the US. Net intent to allocate to the asset class is projected to rise by 11% in APAC and 18% in the US through 2025. This development reflects the evolving perception of private debt from a niche alternative to a core portfolio component.

Allocation levels are progressing rapidly; in APAC, selectors are projected to increase their allocations from 9% in 2023 to 39% in 2025, aligning with trends observed in the US. Within the region, Australia and Singapore currently maintain leading positions in allocation, while South Korea, Japan, and Hong Kong SAR exhibit notable forward intent. This reflects a dual trend of sustained adoption in established markets and accelerating growth in emerging financial hubs.

Figure 2.2

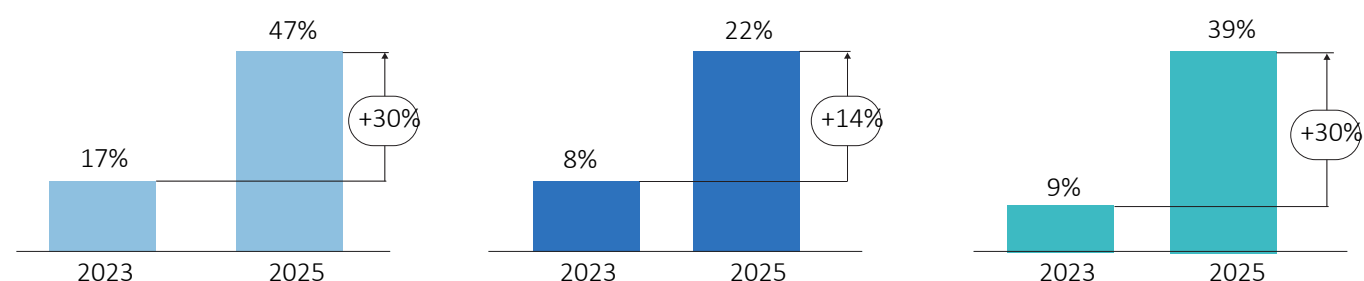
Fund selectors' net intent to allocate to private debt

By region, % of selectors



Fund selectors with allocation to private debt

By region, % of selectors



Source: Broadridge Fund Buyer Focus Intelligence⁴



4. Net intent is calculated by the net impact of fund selectors who are looking to increase versus those who are looking to reduce their allocations. Interviews are conducted quarterly with approximately 200 fund selectors across US, 350 fund selectors across APAC and 900 fund selectors across Europe respectively per year.

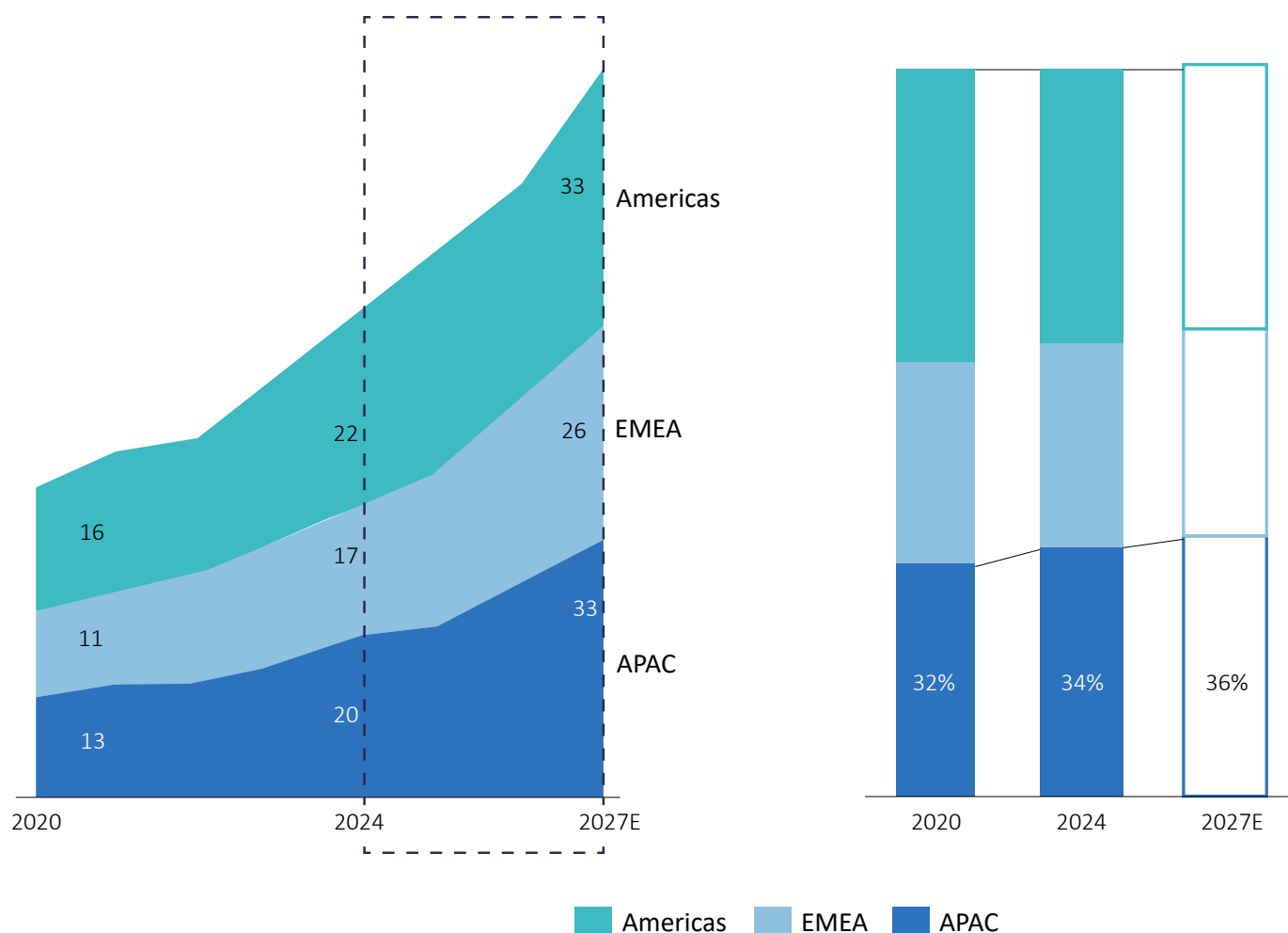
Steady increase of APAC Investors' Influence

APAC investors are steadily increasing their presence in local markets, with the region's share of global private credit AUM set to grow from 32% in 2020 to 36% by 2027. Driven by greater confidence and a shift toward capital self-sufficiency, local LPs are investing more in regional credit markets. With a projected 17.6% CAGR from 2024 to 2027, APAC investor growth is expected to outpace other regional markets, fuelled by increased allocations from local pension funds, sovereign wealth funds, and insurance capital.

Figure 2.3

APAC private debt - Investor Breakdown

By investor region, US\$ billion



Source: Broadridge Global Demand Model

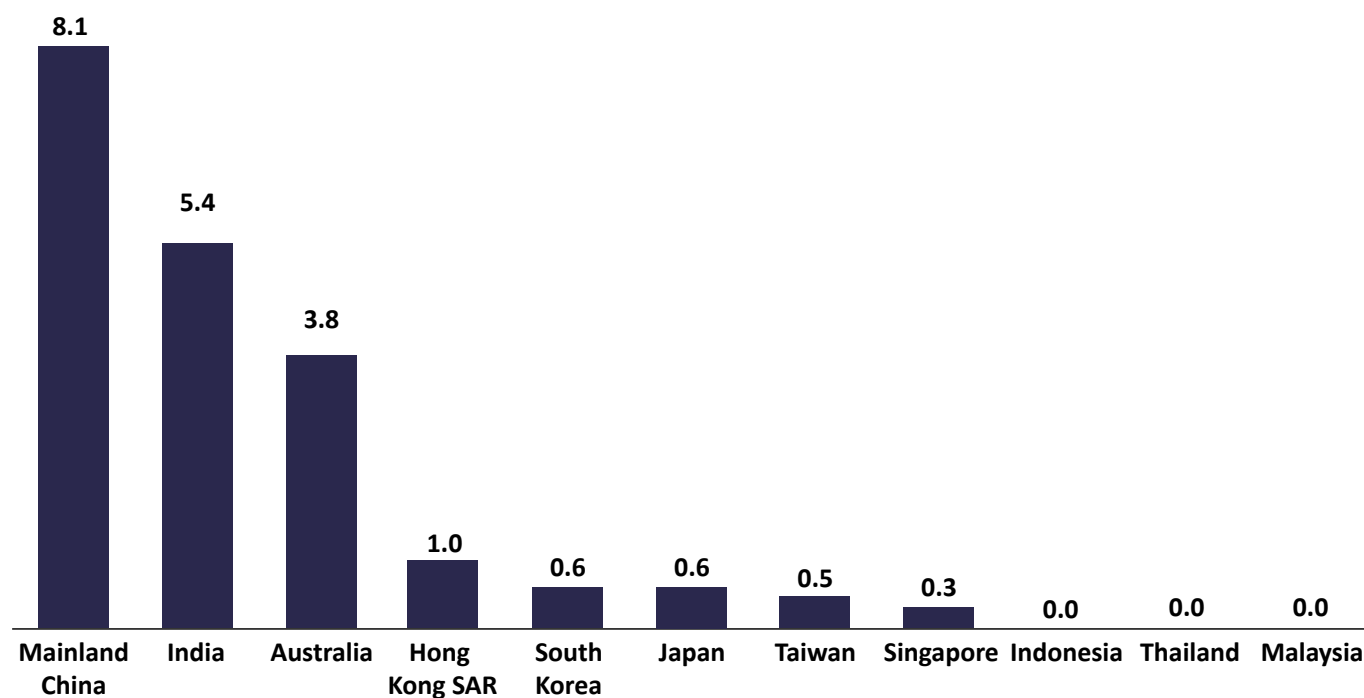
At the market level, investor growth is primarily driven by Chinese investors (US\$8.1 billion), Indian investors (US\$5.4 billion), and Australian investors (US\$3.8 billion), collectively representing the majority of regional private debt investment. While these three markets currently lead the market, a range of markets — including Hong Kong SAR, South Korea, and Japan — are starting to contribute, though from smaller bases.

The comparatively limited penetration in SEA and other emerging APAC economies underscores the substantial potential for future growth and the necessity of developing local market expertise to capitalise on upcoming demand.

Figure 2.4

APAC private debt - APAC Investors Breakdown

By market, US\$ billion



Source: Broadridge Global Demand Model, data as of 2024

Table 2.1

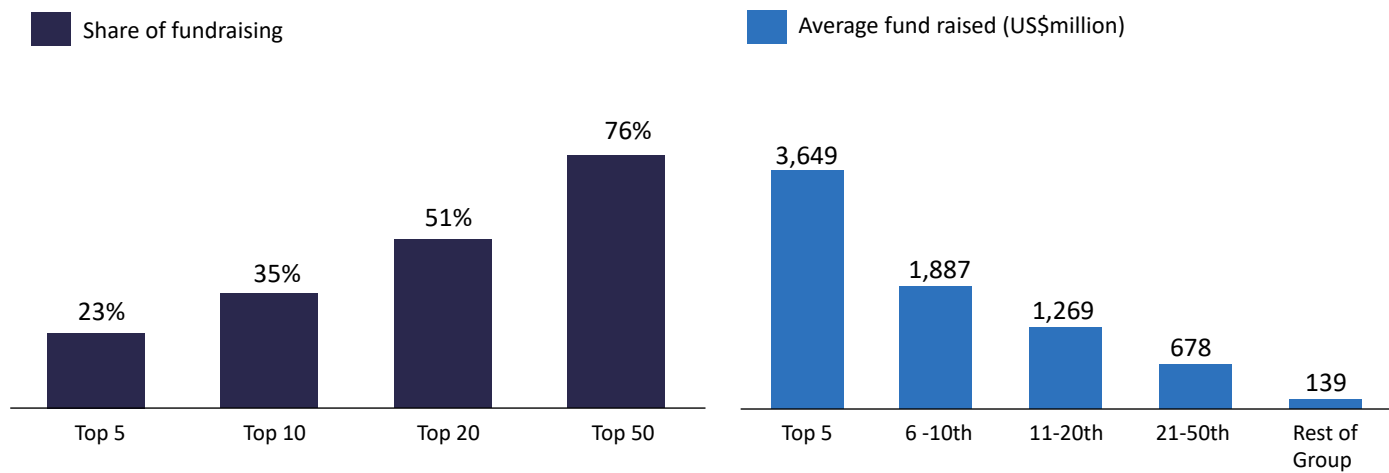
Market	Investor Base
 Australia	Super funds, insurers, local institutions; rising foreign interest
 Mainland China	Largely domestic SOEs but increasingly cautious; foreign LPs retreating
 Hong Kong SAR	Family offices, hedge funds; institutional LPs retreating
 India	Majority foreign but rising domestic investor base; rising AIF activity
 Japan	Predominantly domestic; life insurers, pensions and banks increasing alternative allocations
 Singapore	Global funds, family offices, SWF
 South Korea	Pensions, insurers, large asset managers
Southeast Asia (SEA) (excluding Singapore)	Family offices, PE credit funds, development finance institutions

Source: Broadridge Insight

Competitive Fundraising Landscape

Despite the top five managers each raising an average of US\$3.6 billion, approximately half of the total capital is available to managers outside of the top 20. This distribution highlights the competitive and fluid nature of the fundraising landscape within APAC private debt, where opportunities remain robust for both established and emerging fund managers.

Figure 2.5
APAC private debt fundraising
By manager ranking, 2020-YTD 2025



Source: Broadridge Global Market Intelligence

Leading global managers set the pace as regional specialists steadily close the gap

The landscape of APAC private debt fundraising features a dynamic interplay between leading global managers and dedicated regional managers. While established global managers such as Bain Capital, KKR, and Ares have raised substantial capital, a growing number of Asia-based managers, including PAG, EAAA Alternatives, and Hana Alternative Asset Management, are increasing their presence and influence. These regional managers are building fundraising momentum by leveraging deep local networks and credit expertise.

Many of these Asia-based managers are diversifying across a range of strategies, such as direct lending, mezzanine, and special situations. This enables them not only to cater to the varied needs of regional investors but also to compete head-on with global managers. This breadth of approach empowers regional players to match the scale and innovation of global firms, contributing meaningfully to market development. The evolving environment now reflects a more balanced distribution of influence, with both global and regional managers playing pivotal roles in shaping the future of APAC private credit.

”

We believe that having experienced leaders based on the ground in APAC who can source and execute deals with deep local market insight is a key differentiator.

Ares Management

Opportunistic, Blended Investment Strategies

APAC private credit markets are characterised by flexible, multi-strategy approaches that differ markedly from the specialised models prevalent in other developed markets. Many established APAC-focused credit funds typically operate as opportunistic debt investors looking across a broad spectrum of debt transactions reliant on event opportunities, borrower relationships, and market dislocations. Rather than focusing on singular strategies, this blended model combines traditional lending with tailored solutions addressing regional peculiarities and encompasses direct lending, special situations, infrastructure debts, distressed debts, and mezzanine debts.

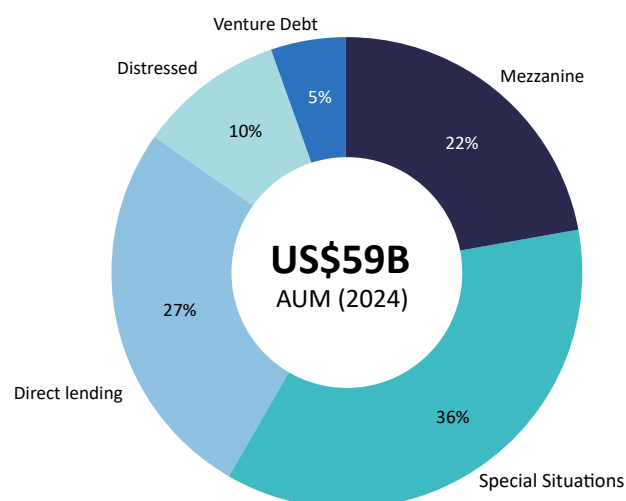
Special situations dominate but the leaderboard is fluid

By the end of 2024, data shows that Special Situations accounted for over one-third of the total AUM in APAC private debt. This highlights a trend of managers increasingly capitalising on complex scenarios including project funding shortfalls, turnaround financing, event-driven financing, and bridge financing requirements – areas where traditional bank lenders may be less inclined to participate.

Direct lending forms the foundation of many Asian private credit portfolios (*Chapter 3*), accounting for approximately 27% of regional private credit AUM as of 2024. This strategy proves particularly effective in serving mid-market businesses that continue to face limited access to traditional bank financing.

Figure 2.6

APAC private debt
By strategy, 2024



Note: Data excludes fund of funds and affiliated investments

Source: Broadridge Global Demand Model

Evolving Market Dynamics: the Sponsor-Led and Sponsorless Divide

Approximately 90% of APAC private credit deals involve borrowers without private equity ownership or financial sponsor backing (“sponsorless” borrowers)⁴. The overwhelming prevalence of sponsorless transactions in APAC creates a fundamentally different deal ecosystem from North America and Europe where sponsor-led transactions represent a key portion of private credit activity.

Only 10% of APAC transactions are channeled through private equity (compared to 30% globally, with North America approaching 40% PE-linked penetration)⁴. Traditional banks dominate the sponsor-led segment by offering highly competitive terms, leaving private credit providers limited room to compete on price. Consequently, even in syndicated sponsor deals, regional private credit funds typically participate rather than act as lead arrangers.

Sponsorless deals will likely remain a defining feature of APAC private credit, though gradual convergence with more developed market models is emerging driven by three interrelated developments:

- **Growing sponsor capabilities:** global managers are enhancing their sponsor coverage capabilities in this region, though their participation may remain largely confined to complex cross-border and sector-specific transactions due to banks’ ongoing pricing advantages.
- **Increasing global sponsors’ APAC allocations:** while global managers are directing more capital towards the region through leveraged buyouts (LBOs) and growth equity deals, their focus on large-cap or upper-mid-market transactions leaves the SME sponsorless segment largely untouched.
- **Maturation of domestic PE firms:** domestic private equity firms are adopting more sophisticated practices such as staple financing and sponsor-led syndications, generating new sponsor-backed deal flow.

This evolution has resulted in two distinct market segments developing in parallel. The sponsor-led segment, while growing, remains concentrated in larger transactions with intense competition from banks. Conversely, the sponsorless segment continues to offer unique value through diversification benefits and illiquidity premiums, but it requires specialised underwriting expertise.

Strategic Imperatives

To build a scalable private credit platform in APAC, managers must move beyond basic capital deployment and focus on three strategic pillars:

- **Differentiated Origination:** Success requires comprehensive origination networks to navigate market fragmentation and rigorous risk management for the complex legal environment. A distinctive strategy — be it sponsorless mid-market lending, special situations or else — is essential for sustained long-term performance.
- **Investor-Centric Approach:** Private credit managers must align their offerings with evolving investor demands: Institutional allocators are increasingly seeking more liquidity options in fund structure, while investors accessing through wealth channels favour feeder funds or accessible wrappers as part of the ongoing retailisation trend.
- **Technology as a Strategic Core:** As portfolios grow more complex, centralised data and automation are essential for scalability and mitigating operational risk. This transforms data into actionable insights for sharper risk management and faster decision-making, elevating technology from a back-office tool to a key competitive advantage.

Ultimately, private credit managers must approach private credit not just as a high-demand asset class, but as a platform that requires operational robustness, differentiated sourcing capabilities, and investor-centric structuring.

CHAPTER 3

Uniqueness of APAC Private Credit Structures

Opportunistic and Bespoke Nature of APAC Private Credit

The fragmented and diverse nature of APAC's economies has shaped private credit into a more opportunistic and mixed strategy, distinguished by its nimbleness and speed of execution, and primarily bridging financing gaps for SMEs. Unlike the standardised lending prevalent in traditional lending markets, APAC private credit transactions are often bespoke, ad hoc in nature, and tailored to borrowers' specific needs, which reflect the region's underdeveloped banking channels for non-investment-grade entities.

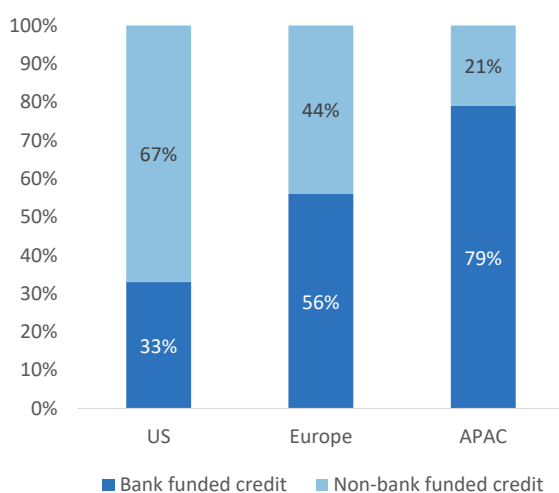
Credit origination: Banks vs. Non-Bank Lenders

Credit origination remains concentrated in the US, with non-bank lenders accounting for 67% of regional credit funding as of June 2023, followed by Europe at 44%.

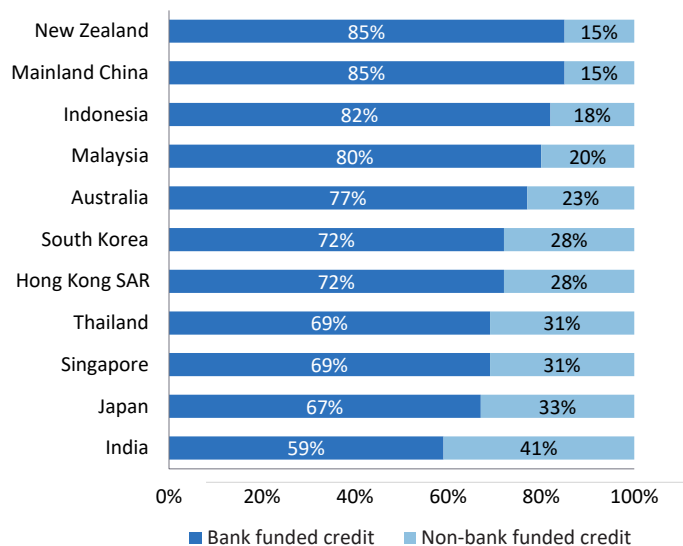
In contrast, bank lending dominates APAC credit, constituting roughly 80% of regional credit markets (with shares varying from 85% in Mainland China and New Zealand to 59% in India), leaving private credit in this region with considerable untapped potential.

Figure 3.1

Bank funded and non-bank funded credit split



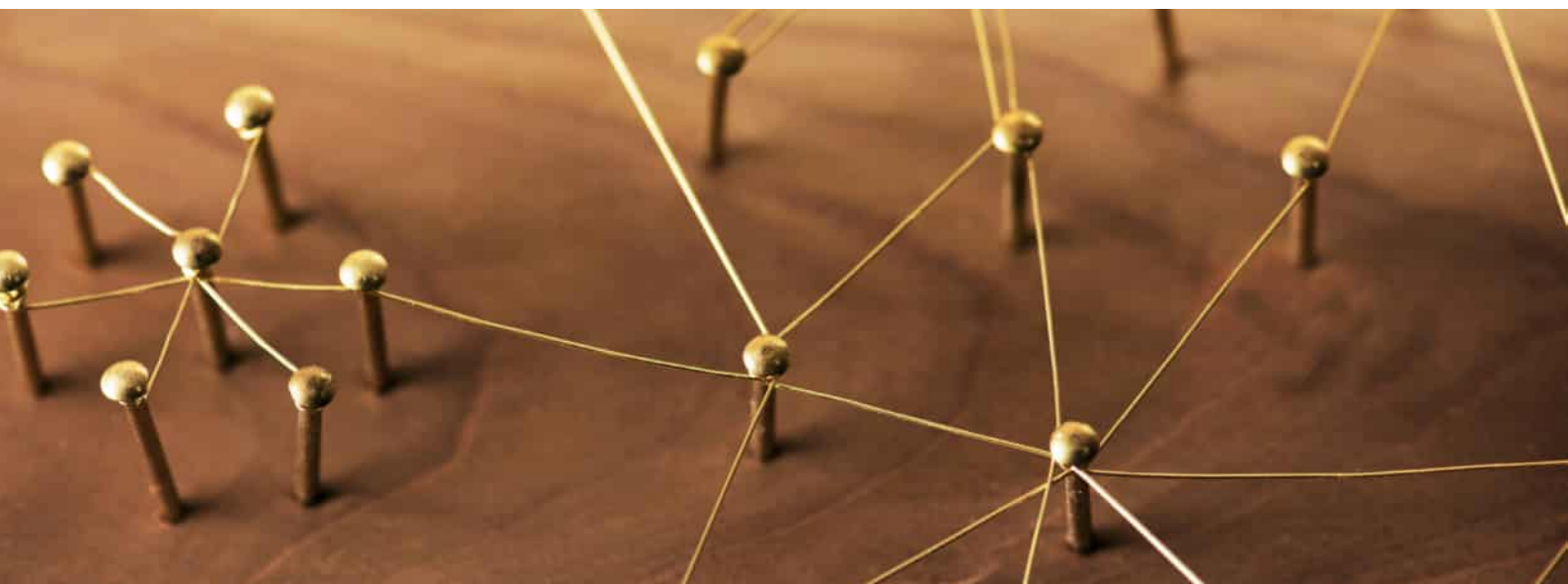
APAC bank funded and non-bank funded credit split



Note: Non-bank credit includes lending activities from a range of financial institutions that are not classified as banks, such as insurance companies, pension funds, asset managers, hedge funds, private credit funds, and other financial intermediaries.

Source: Bank Funded and Non-Bank Funded Credit Spread⁵

5. Bank for International Settlements, as of 31 March 2023. Note: Calculated as bank credit divided by total credit to the private non-financial sector. Europe includes Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, Turkey and United Kingdom. Asia Pacific includes Australia, Mainland China, WW, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, Singapore and Thailand. EY Insights analysis



Borrowers: SME Segment and Niche Opportunities

The institutional lending landscape in APAC remains heavily relationship-driven, with traditional bank lenders offering aggressively priced loans to their preferred clients –investment grade companies, multinational corporations, state-owned enterprises (SOEs), and large domestic corporates in traditional or established sectors. This creates systemic barriers for small and medium-sized enterprises (including startups) (SMEs), even high-performing ones, from accessing flexible financing.

The funding gap is significant: SMEs represent 97% of all enterprises in this region, yet confront an estimated US\$2.5 trillion financing shortfall which accounts for more than half of the global shortfall in small business funding. Asian Development Bank data reveals that SME financing accounts for only 22% of total bank loans in APAC developing economies.

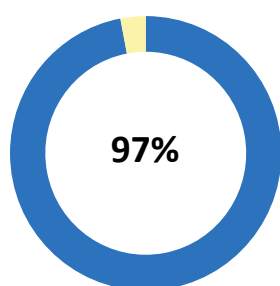
Faced with this pricing pressure, private credit providers in APAC have strategically pivoted to serve the underbanked SME segment. These borrowers often have non-standard needs (such as complex cross-border structures, incomplete project profiles or special situations), which can be too costly for banks to service but ideal for private credit's flexible, tailored solutions.

While some private debt managers do occasionally extend financing to larger corporations, these transactions tend to be opportunistic in nature, typically addressing specific needs like bridge financing for imminent refinancing or highly customised solutions that traditional lenders or public markets cannot provide swiftly enough.

This SME-centric model stands in marked contrast to private credit markets in North America and Europe, where the latter serve a much broader spectrum of borrowers including mid-market companies, large corporates, and private equity-sponsored businesses, in addition to SME financing.

Figure 3.2

Proportion of APAC businesses that are SMEs



Estimated finance gap for APAC SMEs



Our edge is customisation of capital, we sit down to understand what the borrowers need, then we offer. We are not selling standardised products.

Privity Credit

Source: Asia's \$2.5tn credit access gap is costing us dearly⁶

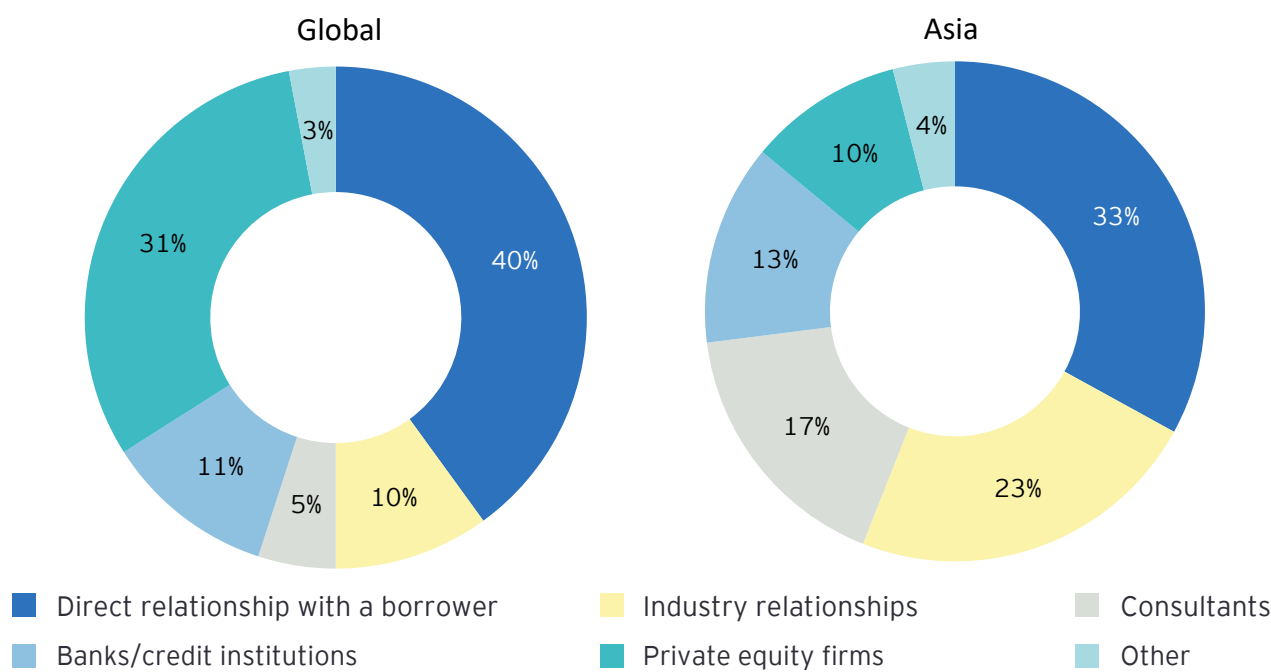
6. Asia's \$2.5tn credit access gap is costing us dearly, Ari Sarker, 20 May 2024, <https://mastercardcontentexchange.com/news/ap/en/perspectives/en/2024/asia-s-2-5tn-credit-access-gap-is-costing-us-dearly/>

Origination Channels: Relationship-Driven and Localised

The APAC lending market remains predominantly relationship-based. Approximately 75% of APAC private credit deals originate through personal networks, which include direct borrower relationships, consultants, or industry connections.

Figure 3.3

APAC origination channels



Note: A loan described as “sponsor led” is a loan to a borrower where a private equity sponsor owns or will own equity in the borrower.

Source: ACC Private Credit in Asia⁷

The region’s significant cultural and linguistic diversity renders broad, pan-Asian networks costly and operationally challenging. As a result, many private credit funds adopt highly localised, niche-focused approaches to deal sourcing.

A notable market evolution is the strategic partnership between private debt managers and banks’ dedicated private credit platforms. In these collaborations, banks leverage their extensive client relationships to provide deal sourcing capabilities and local market intelligence, while private credit funds offer flexible capital and assume the credit risk, each optimising each other’s competitive advantages.

Bilateral Deal Structures

While we observe a gradual rise in club deal volume (which is partly driven by increasing collaboration between private credit funds and traditional banks (*Chapter 6*)), most APAC private credit transactions are bilateral. This preference aligns with borrowers’ desires to engage with a single lender or a small, coordinated lending group, which typically affords greater flexibility and efficiency, streamlining not only the initial deal negotiation and execution but also the management of lender consent matters throughout the life of the facility.

Many debt managers opt for syndicated loan format to preserve flexibility for future loan transfers or participations, providing optionality for portfolio management. It is not uncommon for debt managers to engage third-party providers for agency functions such as payment processing, account management and security trustee services.

The persistence of bilateral structures speaks to the relationship-driven nature of APAC private credit and the preference for direct lender-borrower engagement. That said, the growing presence of club deals suggests that the market is gradually adopting features more common in more developed private credit markets, albeit at its own pace and with regional adaptations.

“We can see more banks are partnering with private credit investment managers to enter into this market and they are not cannibalizing each other’s business but more a complementary strategy to fill the financing gap.”

ADM Capital

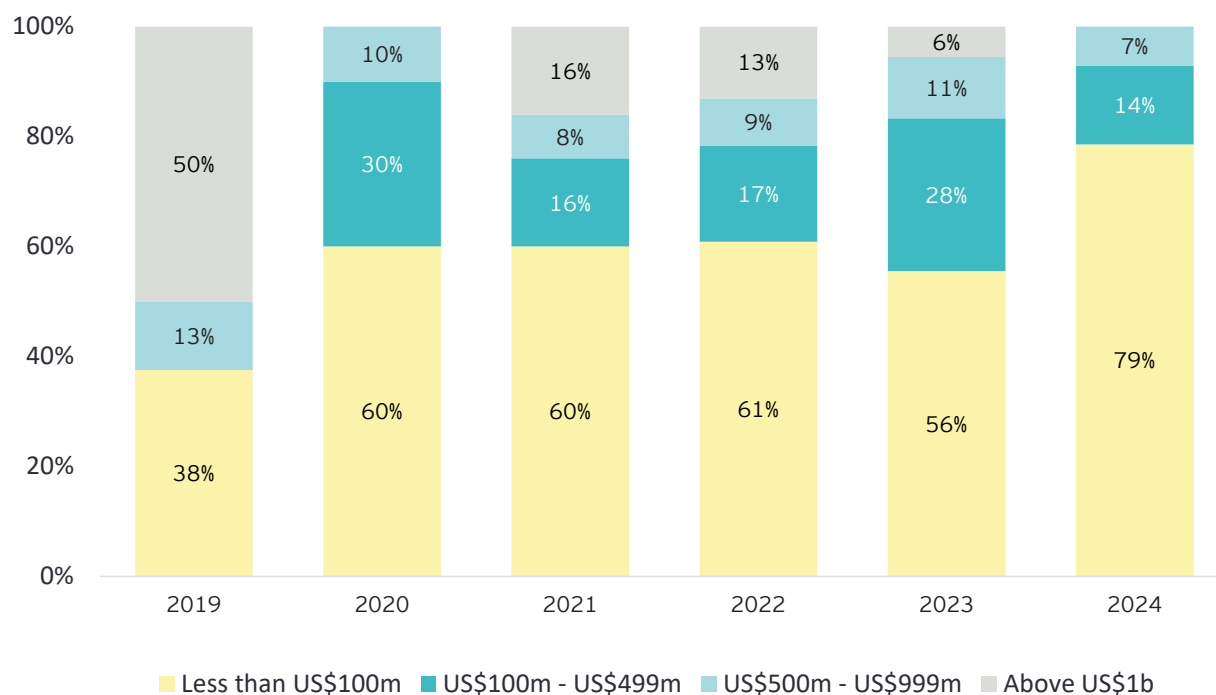
7. ACC “Private Credit in Asia”, <https://acc.aima.org/static/77a975ad-ae9e-463c-925e08b62f75750c/ACC-Private-Credit-in-Asia.pdf>

Deal Ticket Size: Middle-Market Focus with Emerging Large Transactions

The APAC private credit market exhibits significant variation in deal sizes across the region. The majority of transactions falls below the US\$100 million threshold, with a concentration in the US\$35-100 million range targeting small-to-mid-cap borrowers. This segment represents what would be classified as lower-middle-market in more developed private credit markets.

Figure 3.4

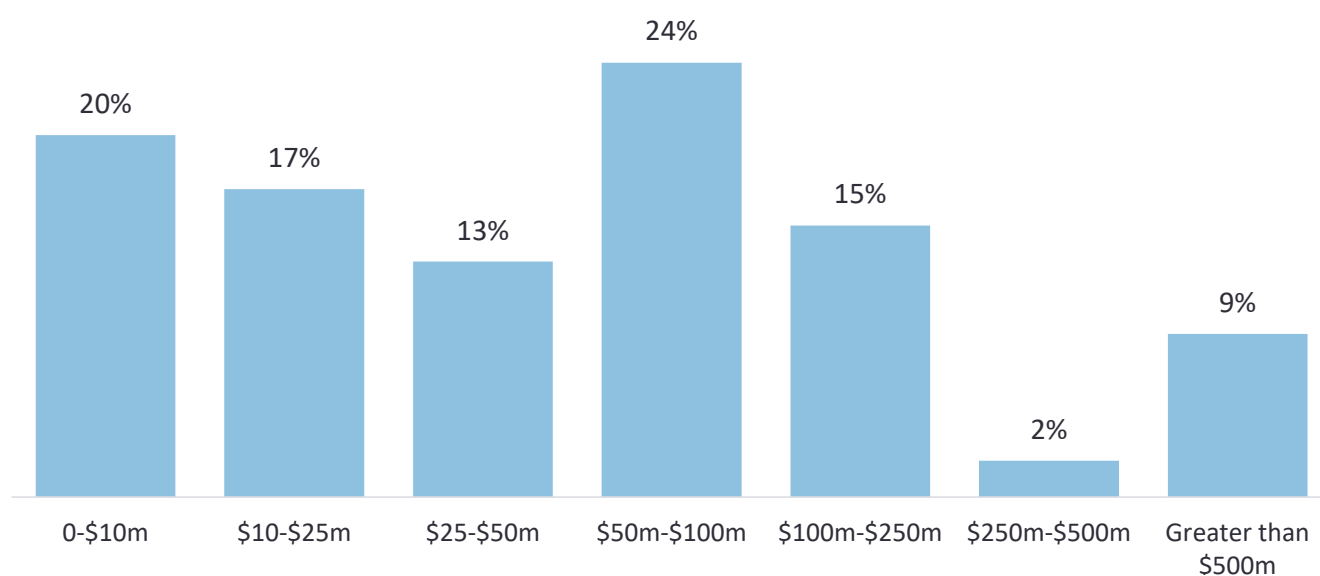
Private credit deals split by deal size



Note: Includes deals with disclosed deal value only

Source: EY Insights analysis

Typical target loan size within private credit strategy (US\$)*



*Data is based on survey conducted of 56 private credit managers and investors; Respondents collectively manage an estimated US\$914 billion in private credit investments representing approximately 60% of the total private credit market in 2023.

Source: Alternative Credit Council (ACC) and SS&C Technologies (SS&C) report "Financing the Economy 2023, EY Insights analysis"⁸

8. Alternative Credit Council (ACC) and SS&C Technologies (SS&C) report "Financing the Economy 2023", <https://www.aima.org/compass/insights/private-credit/financing-the-economy-2023.html>

Leading global private credit managers operating in APAC have driven a marked increase in larger transactions above the US\$100 million threshold across the region. These larger asset managers have demonstrated particular focus on sponsor lending, special situations and other complex financings that require greater scale.

Nevertheless, large-ticket deals remain relatively scarce in Asia when measured against the more developed private credit markets. This structural reality has prompted regional managers to develop distinct capital deployment strategies. Established APAC credit funds typically construct diversified portfolios through the aggregation of multiple smaller transactions spanning various geographies and industries. While this approach is operationally demanding, it delivers several strategic advantages:

- Enhanced portfolio diversification through exposure to a wider borrower base
- Mitigated concentration risk by geographic and sectoral distribution
- Expanded opportunity capturing across the region's fragmented markets

This operational paradigm aligns with the observed trend of APAC credit funds frequently employing multi-strategy approaches that encompass wide-ranging private credit subsectors, borrower profiles, business segments and jurisdictional exposures (*Chapter 2*).

Diverse Capital Structures

The APAC private credit market demonstrates remarkable diversity in capital structure solutions, shaped by regional economic stratification, disparate market maturity curves and heterogeneous borrower profiles across industries.

APAC private credit managers typically offer a comprehensive suite of financing solutions spanning the entire capital structure, including:

- Senior secured loans representing the most conservative risk position
- Mezzanine and junior debt instruments occupying subordinated position
- Hybrid capital products blending debt and equity characteristics

Beyond traditional loan structures, alternative debt instruments, particularly privately placed bonds and notes, are frequently employed to accommodate specific transactional requirements. This flexibility in product structuring enables tailored solutions to meet borrower's non-standard requirements while optimising risk-adjusted returns.

Mezzanine and Hybrid Capital Innovations

An expanding cohort of APAC-focused private credit funds has developed expertise in mezzanine financing and hybrid structures. Equity-linked features are incorporated in the loan product to enhance returns and participate in upside potential. Examples of some common equity participation mechanisms include:

- Convertible or exchangeable debt instruments
- Direct co-investment in borrower equity
- Board participation rights (observer status or voting seats)
- Veto rights over strategic corporate actions

These hybrid structures may incorporate additional equity-linked components such as detachable warrants or options, particularly in growth financing scenarios involving pre-IPO companies or venture capital situations. The inclusion of such equity kickers helps align lender and borrower interests while compensating for higher risk profiles.



Facility Types and Currency Practices

The APAC private credit market primarily features term loan facilities, which are commonly used for general corporate purposes, refinancing, and bridge financing. Many are typically structured as customised, one-off solutions to meet specific borrower needs. Event-driven financings, including acquisition facilities and capital expenditure loans, are also prevalent, often arranged on an ad hoc basis to address particular funding requirements.

While private credit funds do occasionally provide revolving credit facilities, such offerings remain significantly less common than in traditional bank lending. More sophisticated banking products like ancillary facilities, letters of credit, and swingline loans are rarely extended by private credit providers, as these instruments demand operational capabilities and liquidity management infrastructure that most non-bank lenders lack.

Currency Composition and Risk Management

Most APAC private credit transactions are single-currency, predominantly USD-denominated for its stability and broad acceptance in cross-border lending. Multicurrency structures remain limited due to operational complexity, FX risk, and added hedging cost which reduces lender returns and increases borrower costs.

Private credit funds that raise capital in USD naturally prefer USD loans to minimise currency risk. That said, some private debt managers would accommodate domestic currency financing (e.g. AUD, JPY, HKD, and SGD) in some markets, typically with appropriate hedging strategies implemented.

This preference for straightforward, single-currency term loans highlights the market's emphasis on operational efficiency and prudent risk management. The resulting currency mismatches create both challenges and opportunities, explored in *Chapter 5* and *Chapter 6*.

Repayment Structure

The majority of APAC private credit facilities features bullet repayment structures, with full principal repayment at maturity. Amortising structures do appear when better aligned with the borrower's cash flow profile and financing purpose.

Interest payments are typically structured as periodic cash payments at the end of each interest period. However, payment-in-kind (PIK) interest provisions may be negotiated for specific situations, for example, in certain short-term bridge financing facilities or growth-stage company financing or where there are early-stage cash flow constraints.

PIK structures are typically customised to each transaction and may take various forms: mandatory PIK interest, borrower-elected PIK options or hybrid cash/PIK structures. Notably, these PIK features typically command a pricing premium over traditional cash interest, reflecting the additional lender risk and delayed liquidity.

Fixed vs. Floating Rate Prevalence

The APAC market demonstrates a pronounced preference for fixed-rate structures. This contrasts with the growing adoption of floating-rate structures in developed markets, particularly as a hedge against rising benchmark rates. This trend has yet to meaningfully emerge in APAC markets.

Covenant Package

APAC private credit transactions typically maintain tight covenant packages. Regional private credit providers consistently implement:

- Comprehensive collateral packages with perfected security interests
- Conservative leverage parameters tied to the borrower cash flows
- Active ongoing monitoring through regular reporting and direct borrower engagement
- Stringent restrictive covenants, including maintenance tests and incurrence-based financial covenants where appropriate

This disciplined approach underscores the region's focus on non-investment-grade borrowers and tailored debt solutions, where lenders enforce stricter controls to address higher perceived risks. The emphasis on rigorous covenant packages aligns with APAC market's preference for structured, relationship-based lending.

CHAPTER 4

Regulatory Framework and Trends Shaping APAC Private Credit

The regulatory environment across APAC plays a pivotal role in shaping the private credit market. Jurisdictional variations substantially impact deal structures, risk calibration, and investment strategies.

Diverse Legal and Regulatory Landscape

The APAC region encompasses over 50 distinct jurisdictions, each with its own legal system, monetary policies, and regulatory frameworks governing lending activities, security enforcement, and capital repatriation. This complex patchwork of regulatory regimes presents considerable challenges for private credit managers in implementing regional strategies, in addition to the ongoing compliance costs associated with navigating multiple regulatory environments.

The region's regulatory diversity manifests across a broad spectrum. While generalisations are challenging given the region's complexity, several illustrative examples below highlight the divergent regulatory approaches:

At one end of the spectrum, certain financial centres, notably Hong Kong SAR and Singapore, have adopted flexible, activity-based regulatory approaches that apply existing lending regulations to private credit activities without establishing dedicated regimes. A prime example is Hong Kong SAR's November 2024 consultation paper proposing profits tax exemptions for private credit investments, which exemplifies proactive efforts to attract credit providers through targeted tax and regulatory incentives.

Conversely, markets such as Mainland China, Indonesia, and Vietnam maintain highly regulated lending environments characterised by stringent licensing requirements for non-bank lenders and specific constraints on offshore creditor protections and foreign ownership. Mainland China's evolving regulatory framework demonstrated this approach: its series of asset management rules in 2018 which implemented stricter regulatory framework on investments in non-standard debt products and addressed concerns over shadow banking, and its latest foreign debt regulations promulgated by National Development and Reform Commission (NDRC) in February 2023 which introduced enhanced reporting obligations and due diligence requirements for financial intermediaries. These developments reflect a broader regional trend toward increased oversight of cross-border lending activities in certain APAC jurisdictions.





Table 4.1

Market		Regulatory Environment
	Australia	Stable and creditor friendly; banks reducing SME exposure
	Mainland China	High scrutiny on shadow banking; tight capital controls; policy-driven
	Hong Kong SAR	Transparent, but China exposure complicates outlook
	India	Supportive (IBC, SEBI AIF reforms); strong domestic legal reform
	Japan	Supportive but complex; Basel-driven constraints creating opportunity for private funds
	Singapore	Highly supportive (MAS reforms, VC incentives)
	South Korea	Moderate enforcement; structured credit viable
Southeast Asia (excluding Singapore)		Highly variable; often weak enforcement

Source: Broadridge Insight

Key Regulatory Considerations

While not exhaustive, the below outlines several critical regulatory factors that may influence the structuring of private credit transactions across the region.

Licensing Requirements

A critical regulatory consideration in structuring private debt transactions is whether a private debt manager can provide direct lending to local borrowers without triggering local licensing requirements. Licensing requirements for lending activities differ significantly across jurisdictions within this region. For instance, in some jurisdictions (such as India and Japan) a private debt manager may require a banking licence in order to provide lending to a local borrower. On the other hand, there are some jurisdictions (such as Hong Kong SAR and Singapore) that do not require a banking licence for lending activities, but nevertheless require certain other licences unless an exemption applies.

The specific type of licence required may also depend on the nature of the transaction (such as whether it is a primary or secondary transaction) and the borrower's profile. In many cases, a foreign entity is restricted from conducting cross-border lending to a local borrower unless it holds the appropriate licence or qualifies for a specific exemption under local law. As such, it is essential for private credit managers to undertake jurisdiction-specific due diligence to ensure compliance with relevant licensing frameworks⁹.

Foreign Exchange Controls and Capital Repatriation

Capital flows and foreign exchange control are important regulatory considerations for private credit managers structuring cross-border transactions. Jurisdictions vary significantly in their approach to these regulations.

Financial hubs such as Australia, Hong Kong SAR, and Singapore maintain open capital accounts with minimal foreign exchange restrictions. These markets permit free currency conversion and unrestricted repatriation of funds, providing offshore lenders with greater operational flexibility.

At the opposite end, markets such as Mainland China and Indonesia maintain relatively stringent capital control regimes that actively monitor currency inflows and outflows. In Mainland China, for instance, outbound guarantees and security arrangements for offshore lending must be registered with the State Administration of Foreign Exchange (SAFE); non-compliance can result in the rejection of offshore repatriation for enforcement proceeds. Such controls are often subject to adjustments in response to macroeconomic or geopolitical shifts, introducing additional complexity for cross-border lenders.

Enforcement Regimes and Creditor Protections

The effectiveness of legal frameworks for security enforcement and debt recovery represents another pivotal consideration, particularly in emerging markets. Enforcement certainty similarly varies dramatically across APAC markets jurisdictions, significantly impacting risk assessment and pricing.

Established financial centres (e.g., Australia, Singapore, Hong Kong SAR) benefit from predictable enforcement timelines, independent judiciaries, transparent processes for statutory requirements, and robust corporate governance standards that provide creditors with reliable recourse. A prime example is Singapore's ratification of the Hague Convention on Choice of Courts Agreement which enhances the reciprocal enforcement of its judgments in other Hague Convention countries (notably the US), markedly increasing Singapore's appeal as a dispute resolution forum.

In contrast, certain emerging markets (e.g., Indonesia, India, Vietnam, the Philippines) present greater enforcement challenges, including protracted recovery timelines often spanning multiple years, potential biases favoring domestic debtors in legal proceedings, less developed statutory frameworks, weaker judicial independence and less transparent insolvency regimes. To compensate for these risks, lenders typically require higher risk premiums on loans, more structured credit profile, more conservative advance rates, and enhanced security packages. Experienced private credit managers operating in these markets tend to develop in-depth local legal expertise and relationship networks to mitigate enforcement challenges effectively.

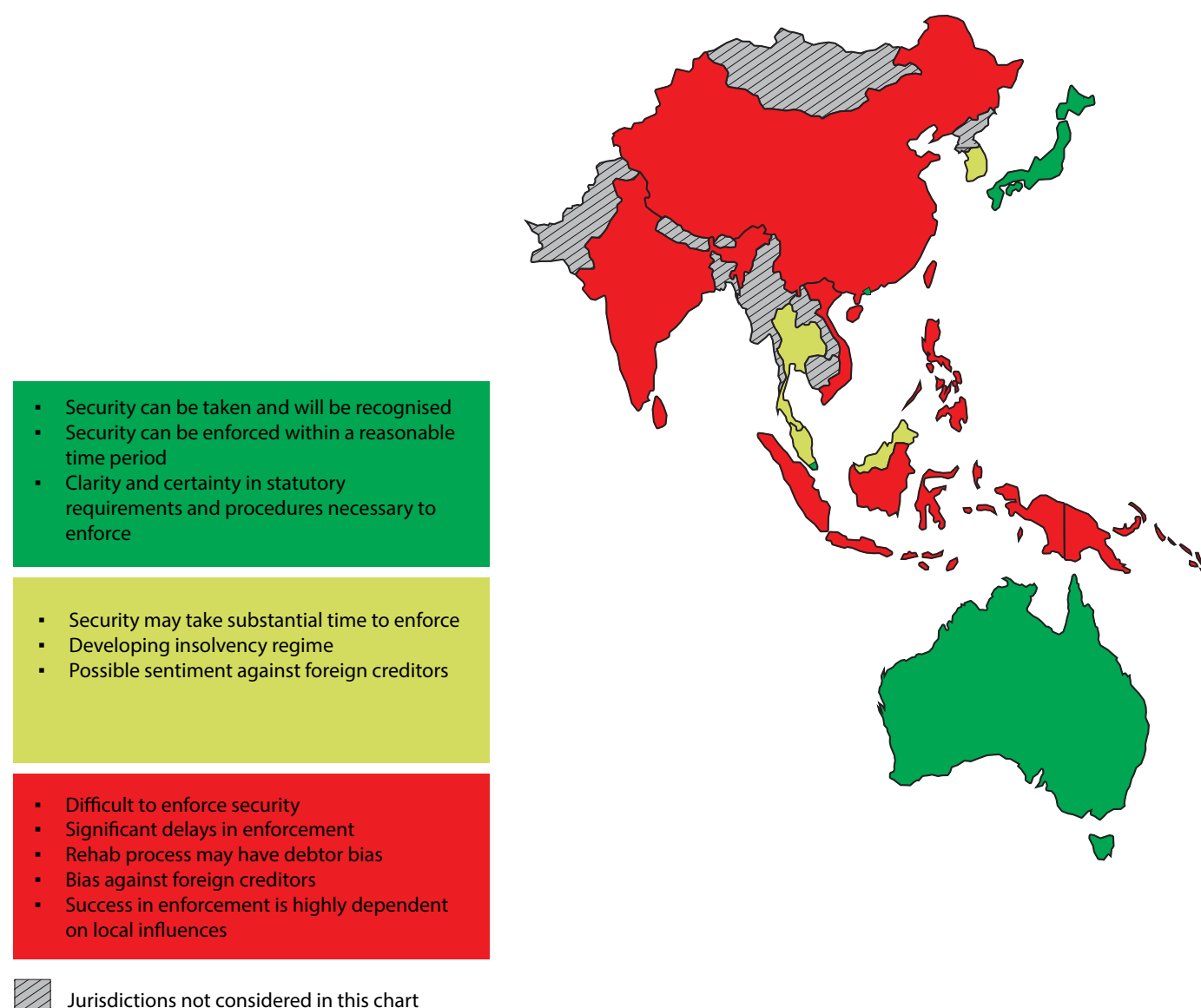


9. Licencing last word Simmons & Simmons' Navigator, an online subscription service covering financial services regulatory content across 140 jurisdictions - <https://www.simmons-simmons.com/en/products/navigator-marketing-page>

Figure 4.1 illustrates the relative levels of enforcement certainty across key APAC jurisdictions.

Figure 4.1

Overview of Enforcement in Asia



Conclusion: Navigating APAC's Evolving Regulatory Environment

The APAC region displays profound variations in regulatory philosophies, shaped by differing economic development stages, state-market relationships, and regional policy goals across jurisdictions. The material differences in legal and regulatory frameworks across jurisdictions directly influence various aspects of deal execution, including structuring, pricing, and risk management protocols.

Particularly in policy-driven jurisdictions, financial regulations frequently demonstrate strong government influence, resulting in frameworks that actively shape market outcomes. Key regulatory areas including financial licensing, foreign exchange controls, foreign ownership limitations, and offshore debt rules may undergo frequent adjustments in both policy and practice, responding to shifting administrative priorities.

To navigate this complex regulatory mosaic, it is essential for private credit managers to combine comprehensive jurisdictional due diligence with rigorous compliance frameworks, robust risk assessment tools, dynamic policy monitoring systems, and strategic local partnerships.

CHAPTER 5

Challenges

APAC-focused private credit providers contend with multiple structural challenges and recent macroeconomic conditions that influence both market penetration and deal execution. Private credit managers in particular face a complex operating environment characterised by geopolitical uncertainties, regulatory changes, and economic fluctuations.

Market and Regulatory Fragmentation

Unlike the relatively standardised regulatory environment and homogeneous market in North America, Asia's fragmented political, legal and economic landscapes create substantial barriers to scaling private credit operations and entry of new market participants in the region.

Private credit managers need to navigate varying legal and regulatory frameworks across various jurisdictions within the region (*Chapter 4*), compounded by significant cultural and linguistic differences that influence business practices and relationship building.

In addition, the APAC lending market is primarily relationship-based rather than transactional (*Chapter 3*). Establishing the necessary local market expertise, trust and relationship networks to capitalise on the local lending demand requires considerable time and resource investment and on-the-ground presence, resulting in elevated operational costs that inevitably slow market penetration.

Borrower Sentiment and Market Perception

Despite growing acceptance of alternative financing solutions, traditional bank lending remains the preferred option for most large corporate borrowers. Multinational corporations, SOEs, and large domestic companies typically opt for commercial banking to provide comprehensive financial services including cash management solutions, revolving credit lines, and transaction banking support. This entrenched preference, combined with private credit's relatively limited regional presence, constrains private credit funds' ability to capture meaningful market share from established corporate borrowers.

Competitive Dynamics

The APAC private credit market faces mounting competitive pressures from multiple directions. Asian borrowers typically demonstrate acute price sensitivity, enabling relationship-driven banks to frequently offer more attractive terms and pricing than private credit providers. This is due to the structural imperative for private credit funds to meet specific yield hurdles for their debt investments – private credit loans are typically priced 200 to 400 basis points higher than comparable public or bank loans. Consequentially, this inherent pricing disadvantage reinforces the challenge of competing with traditional lenders for regional core borrowing needs.

"

The challenge could come from geopolitics, which might force regionalisation. If geopolitics continues to force regionalisation, investors might start to think about it as a valid diversification strategy.

Apollo Global
Management

"

Previously, borrowers hesitated to borrow from private credit funds in APAC market. As a result, the APAC market is generally smaller than US or EU markets. However, there has been a change in borrowers' mindset in recent years. Firms are now more open to private credit as a means of financing.

Muzinich & Co.



Simultaneously, competition has intensified with the entry of global private credit managers into this market. Their expanded presence has created additional pressure on deal terms while raising expectations for structuring sophistication. This evolving landscape makes differentiation through specialised strategies and local expertise increasingly essential for regional private credit managers seeking to maintain competitiveness.

The current environment demands that private credit providers develop capabilities in niche sector specialisation, hybrid debt-equity solutions, and value-added operational support to complement their financing offerings.

Currency Mismatches and Funding Considerations

The APAC private credit market faces structural constraints stemming from currency mismatches and FX risk exposure. USD-denominated funds are inherently limited in offering local currency financing, a misalignment exacerbated by the strong USD environment in recent years.

This creates two key headwinds:

First, the strong USD has intensified FX volatility and considerably restricts private credit solutions primarily to offshore USD lending or cross-border financing. These transactions remain highly sensitive to shifts in global macroeconomic conditions, trade policies and M&A activity, introducing additional uncertainty into deal pipelines.

Second, the interest rate differential between high-yielding USD debt and relatively lower-cost local currency borrowing creates a material cost disparity. In markets such as Mainland China, this onshore/offshore funding cost gap often outweighs the structural advantages of private credit, deterring many corporate borrowers despite the flexibility it may offer.

Consequently, currency risk and interest rate differentials continue to constrain private credit's expansion for domestic operations. In response, fund managers are increasingly developing local currency funding solutions, as further discussed in *Chapter 6*.

Tightened Monetary Policy and Credit Environment

Post-pandemic monetary tightening across a number of APAC economies (including Australia, India, Japan and Singapore) has created headwinds for corporate borrowers, particularly those carrying elevated debt loads or operating in interest-sensitive sectors. Nevertheless, the region's lower correlation to US interest rates presents a strategic advantage, allowing astute debt managers to strategically reallocate capital within the region for relative value and yield optimisation.

Elevated borrowing costs have strained corporate balance sheets across multiple industries, leading to deteriorating credit metrics and heightened default risks, particularly among leveraged borrowers. In response, private credit managers have adopted more conservative underwriting with stricter covenant packages, enhanced collateral requirements, and more frequent portfolio monitoring.

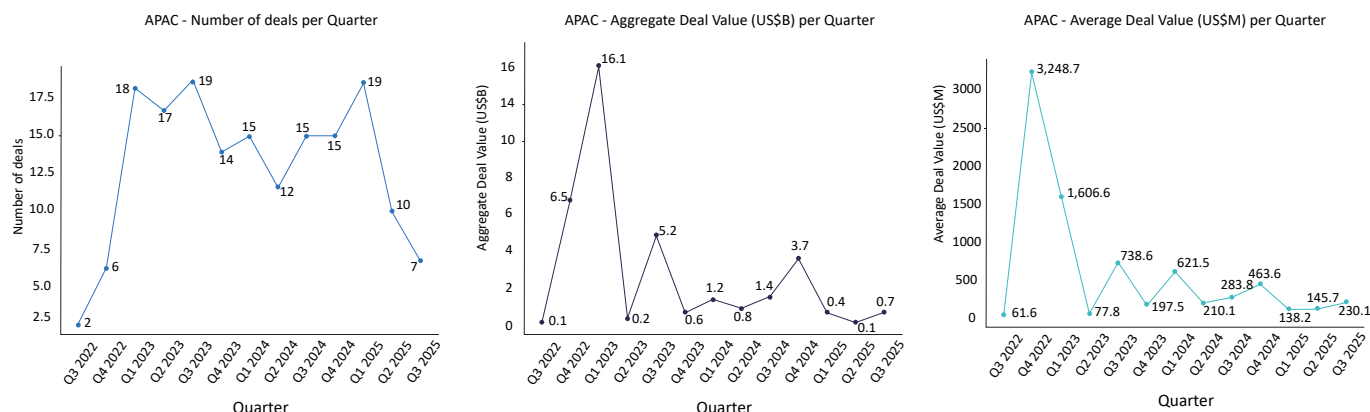
These prudent adjustments, combined with reduced borrower appetite for expensive credit, contributed to a regional contraction in deal activity. Market participants reported approximately a 20-30% decline in closed transactions during 2022 compared to pre-pandemic levels, with particular softness in cyclical sectors and highly leveraged transactions.

Despite patchy and fluctuating total deal value, the market has shown a resilient recovery. After a contraction in 2022, deal volume has rebounded in 2023 and stabilised through the first half of 2025, demonstrating the market's underlying strength and resilience of the APAC private credit market.



Figure 5.1

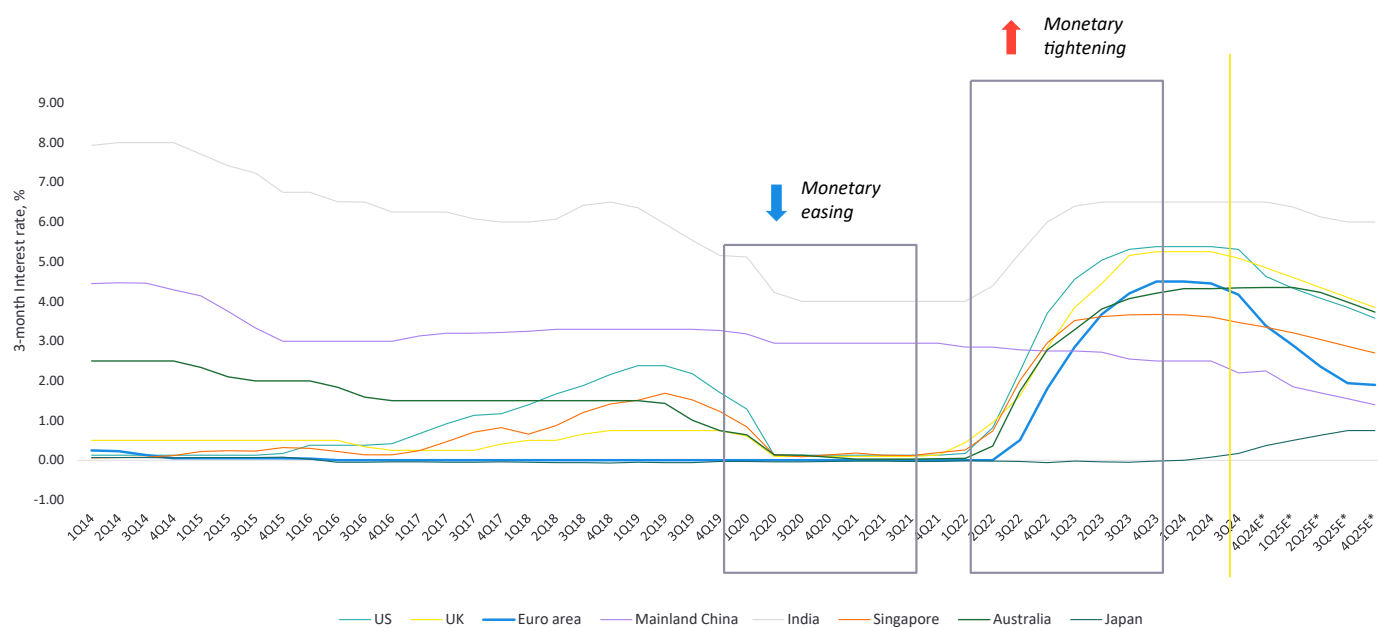
APAC – Number of Deals, Aggregate Deal Value, Average Deal Value



Source: Data from Preqin

Figure 5.2

Interest rate trend in US, UK, Euro area and selected APAC markets



*E represents the forecasted data

Source: Oxford Economics, EY Insights analysis

Mainland China's Market Recalibration and APAC Fundraising Challenges

Mainland China, historically a key driver of APAC private credit growth, is experiencing a significant market recalibration. Mounting economic uncertainty, geopolitical tensions, and sector-specific distress (particularly in real estate) have substantially dampened investor appetite, especially among US institutional allocators such as pension funds and insurance companies.

Recent data highlights the severity of these challenges. According to the *2025 Default Risk Outlook* by Credit Benchmark, the default rate for Chinese high-yield corporates is projected to increase by more than 40%. This would see the corporate default probability rise from approximately 1.2% to 1.7% in 2025. This trend reflects a broader credit deterioration where worsening risks are outpacing improvements, driven in part by the impact of tariffs on trade and tighter financial conditions.

Figure 5.3

Credit Benchmark's 2025 Projected Changes in 1-Year Default Rates – G7 + Mainland China

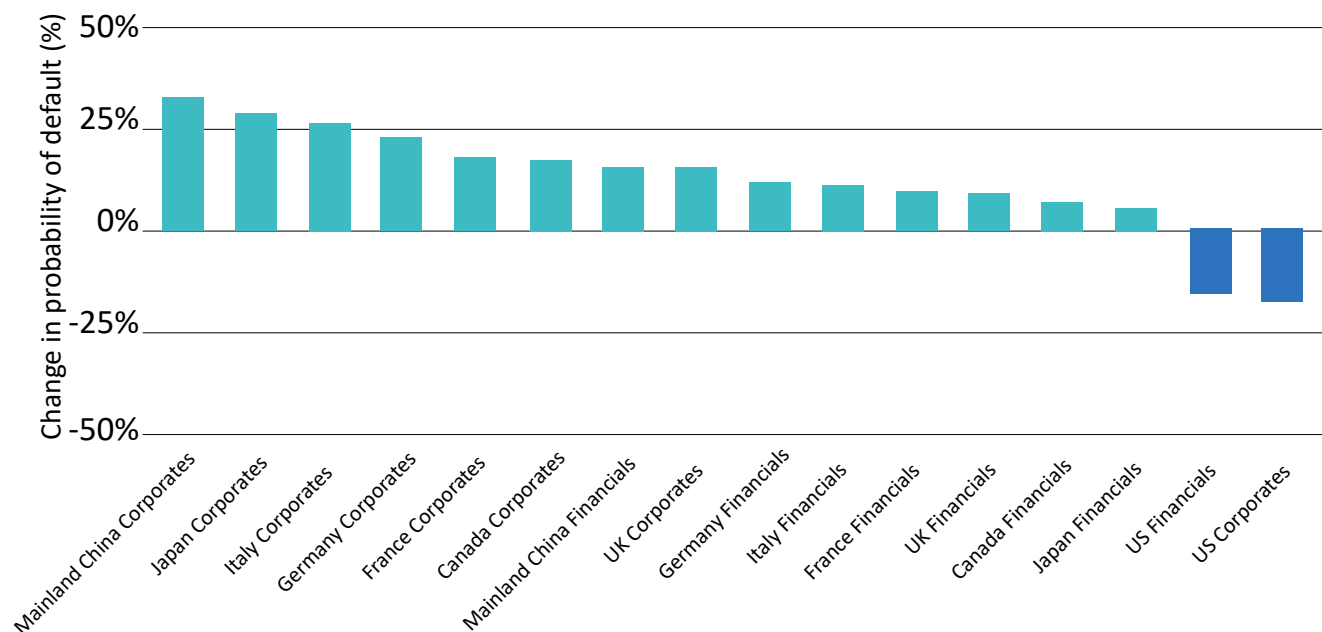
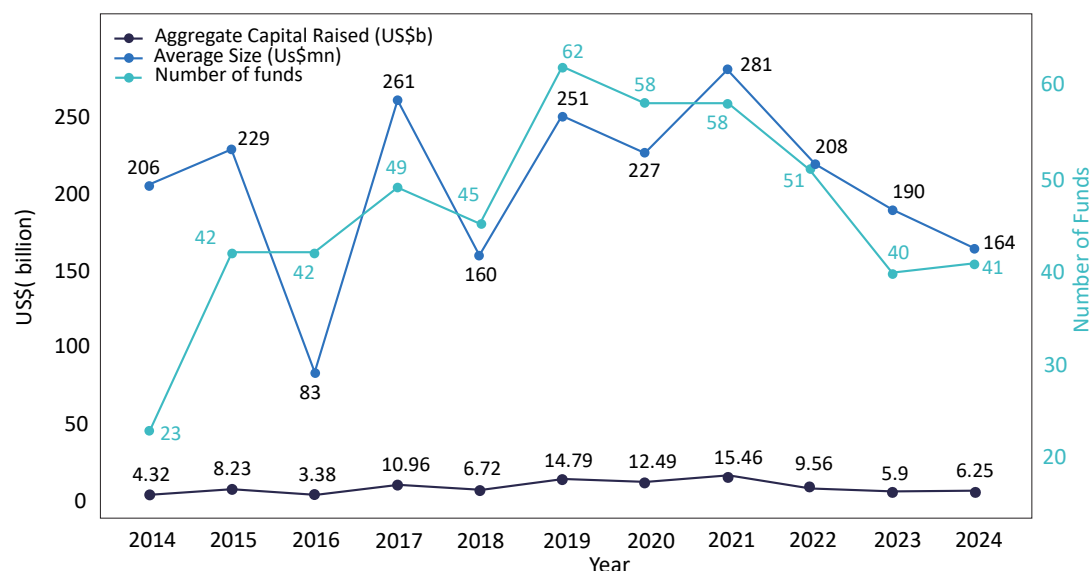
Source: 2025 Default Risk Outlook: G7 + Mainland China, Credit Benchmark¹⁰

Figure 5.4

Fundraising (US\$b) by private credit funds in APAC



Source: Data from Preqin

number of funds and capital raised. According to Preqin, fundraising of APAC-focused private debt funds stood at US\$6.25 billion in 2024, a slight bounce back from a difficult 2023 that reflects resilient investor appetite and confidence in the region's long term growth.

Mainland China-focused investment strategies have experienced a persistent decline, with key metrics for fund closes, deal volume, and deal value remaining well below their 2021 highs. This trend is starkly illustrated by the number of funds closed: after peaking at nearly 690 in 2021, the figure plummeted to 318 in 2024. Market data indicates that institutional investors now require a higher premium for Mainland China exposure compared to pre-pandemic levels, with many US allocators reducing target allocations in China exposure.

In response, capital deployment in Mainland China has become increasingly selective. Private credit managers have adopted more conservative strategies, shifting lending activity toward senior secured positions with enhanced equity cushions while extending hold periods for higher-risk exposures.

In line with the broader slowdown in fundraising globally, APAC private credit fundraising has moderated from its 2021 peak in both the

10. 2025 Default Risk Outlook: G7 + China, David Carruthers, 10 December 2024, <https://www.creditbenchmark.com/white-papers/2025-default-risk-outlook-g7-china/>

CHAPTER 6

Key Demand Drivers and Opportunities Forward

Notwithstanding recent fundraising headwinds, structural factors continue to underpin APAC private credit's long-term development.

Middle Class Expansion and SME Development

APAC is undergoing transformative demographic and economic shifts that are reshaping capital allocation patterns. According to *World Economic Forum Report (2023)* and *Asian Development Bank research (2022)*, APAC's middle class is projected to reach 3.5 billion consumers by 2030¹¹ representing one of the most significant consumer base expansions in modern economic history. This growth is particularly concentrated in emerging markets such as India, Indonesia, and Vietnam, where rising disposable incomes are driving unprecedented demand for consumer-focused services.

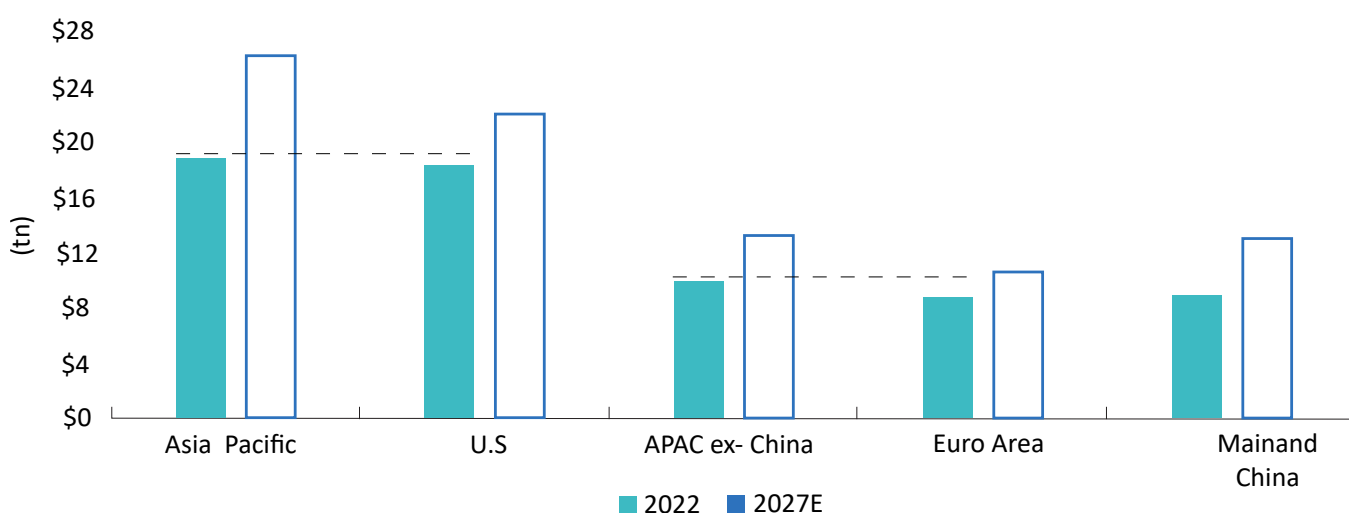
At the same time, the region is home to 60% of the world's youth population (ages 15–29), offering a long runway for growth in sectors such as education, digital services, and workforce development.

According to "*Asian Development Outlook-July 2025*", APAC region's GDP growth is projected to moderate to around 4.7% in 2025. The forecast for the year 2026 stands at 4.6% factoring macro-economic consideration such as higher US tariffs, global trade uncertainty, and weaker demand in certain sectors.

APAC is currently the main driver of global consumption growth, with millions of people rising into the middle class each year in countries like Indonesia, Vietnam, and the Philippines. This demographic shift coincides with deepening intra-regional merchandise trade flows, reducing historical dependence on Western markets. The "Asia for Asia" trade, referring to intra-regional trade within Asia, is a growing and significant trend. Currently, it accounts for around 88% of trade within Asia, approximately US\$6.4 trillion, which constitutes about one-third of global trade as of 2020. This trade volume among Asia-12 economies (Australia, Mainland China, Hong Kong SAR, Indonesia, Japan, Malaysia, the Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam) is projected to more than double to US\$13.5 trillion by 2030. This growth is driven by a rapidly expanding middle class, increasing urbanisation, ambitious regional trade agreements such as Regional Comprehensive Economic Partnership (RCEP) and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and efforts to enhance supply chain resilience and infrastructure integration within the region.



11. World Economic Forum. The Future of Asia's Middle Class. 2023 Report, p.12; and Asian Development Bank. Asia's Emerging Middle Class: Past, Present, Future. 2022 (Figure 3.4)

**Figure 6.1****Private Consumption by Region**

Data retrieved as of 12 December 2022.

Asia Pacific includes:

Australia, Mainland China, Hong Kong SAR, India, Japan, Korea, New Zealand, Taiwan, India, and ASEAN (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Thailand, Vietnam).

Source: IMF, World Bank, National Statistical Agencies, Haver, KKR GMAA analysis¹²

These converging trends are creating powerful demand drivers for private credit solutions across APAC. The burgeoning middle class is generating substantial capital needs across consumer-driven sectors including healthcare services, education technology, and retail infrastructure. In parallel, the region's deepening economic integration is fuelling demand for capital need from a rapidly expanding base of mid-market enterprises and SMEs as they scale operations to meet domestic and regional demand.

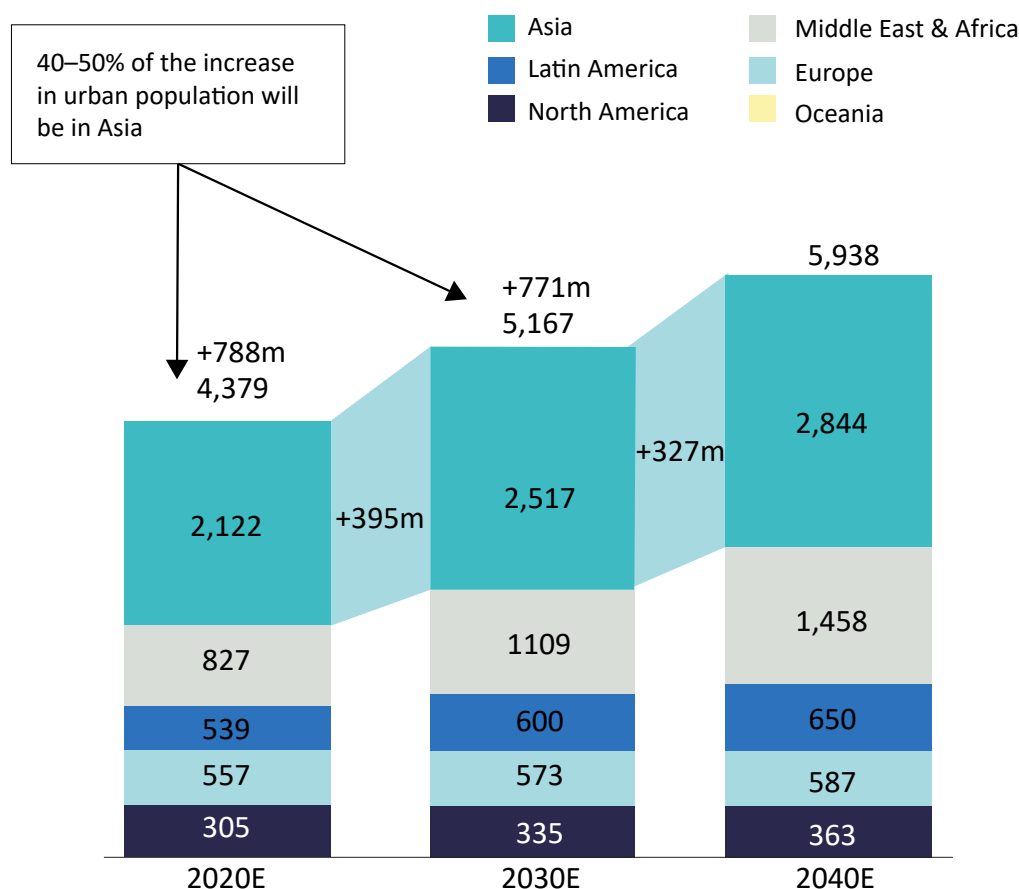
Digital Transformation and Infrastructure Financing Opportunity

Rapid urbanisation is reshaping APAC's economic landscape, by 2050, an estimated 1.2 billion people will be added to cities across the region. The Asian Development Bank 2023 Infrastructure Financing Report highlights the immense scale of investment required across Asia, estimating total infrastructure needs at US\$26 trillion through 2030. This includes a projected annual infrastructure financing gap of US\$1.7 trillion for emerging Asia (excluding Mainland China), creating substantial opportunities for private capital providers. Regulatory tailwinds, are increasingly channelling private credit towards renewable energy and digital infrastructure solutions.

12. IMF, World Bank, National Statistical Agencies, Haver, KKR GMAA analysis, <https://www.kkr.com/content/dam/kkr/insights/pdf/private-credit-in-asia-pacific.pdf>

Figure 6.2

Private Credit to Fund Asia's Smart Cities - Urban Population, in millions



Data as at 15 May 2019.

Source: United Nations, Department of Economic and Social Affairs, Population Division, World Urbanisation Prospects, Haver Analytics¹³

Besides, the relatively unleveraged government balance sheets across APAC paradoxically create opportunities for private credit in infrastructure. As the *Asian Infrastructure Investment Bank* noted, “infrastructure financing needs far exceed the fiscal capacity of governments and balance sheets of multilateral development banks”. Despite lower public debt levels, government resources remain insufficient to meet the region’s vast infrastructure demands, opening a significant role for private capital to fill the funding gap.

This infrastructure demand coincides with accelerating digital transformation across APAC economies. The region’s rapid adoption of e-commerce platforms, fintech solutions, and digital infrastructure development reflects fundamental shifts in economic activity and creates parallel financing needs.

Three high-growth areas have emerged as particularly attractive for private credit deployment:

- Renewable energy financing has gained momentum, particularly for solar and wind projects benefiting from government-mandated purchase obligations in markets like India, Vietnam, and Thailand, and ESG-linked subsidies with streamlined approvals in developed markets such as Australia and Singapore.
- Transport infrastructure public-private partnerships, exemplified by India’s innovative highway bond programmes, offer another promising avenue.
- Digital infrastructure financing, including data centres and telecom towers, has seen particularly strong activity in India, Singapore, and Southeast Asia.

Private credit funds are demonstrating growing appetite for these sectors, aligning their strategies with APAC’s urbanisation trends and ESG priorities. Infrastructure debt has grown to represent 18% of the region’s private credit AUM in the first half of 2024.

13. United Nations, Department of Economic and Social Affairs, Population Division, World Urbanisation Prospects, Haver Analytics. <https://www.admcapital.com/apac-private-credit-in-2025-shedding-light-on-the-year-of-the-snake/>

Fiscal Resilience in APAC

Governments in the APAC region maintain, on average, significantly lower debt-to-GDP ratios than their Western counterparts. According to Fitch Ratings, the median government debt-to-GDP ratio for APAC sovereigns reached 51.2% in 2024. Although this is a notable increase from 38.3% in 2019, it remains substantially below the levels seen in most developed markets.

Key regional figures illustrate this divergence: Indonesia (38.8%), South Korea (46.8%), Thailand (63.7%), India (81.6%), and Mainland China (88.3%). This stands in stark contrast to the significantly higher government debt burdens in developed economies, such as the US (124%) and Europe (87.4%).

This fiscal conservatism provides APAC governments with greater capacity to enact counter-cyclical policies and support economic stability. Importantly, it reduces the “crowding-out” effect, whereby high government borrowing constrains private sector access to capital, thereby fostering a more conducive environment for private credit growth.

Refinancing Needs

While APAC banks have maintained relatively stronger lending activity compared to their Western counterparts, corporates borrowers across the region are under escalating refinancing pressure as transitional lenders cautiously manage their exposures. This creates opportunities around the approaching “maturity wall” of leveraged loans and high-yield bonds originated during peak market conditions, many of which will require restructuring or refinancing solutions in the current environment.

The commercial and residential real estate sectors, particularly in Mainland China and Hong Kong SAR, have emerged as focal points for distressed debt and special situations strategies. With persistently elevated interest rates straining borrower cash flows, these markets present compelling opportunities for private credit providers to deliver rescue financing.

Currency Solutions for Onshore Growth

Persistent currency mismatches and hedging costs have constrained onshore lending. Yet, private credit managers are increasingly deploying innovative local-currency strategies to capitalise the demand of domestic currency lending, including launching local currency fund vehicles, implementing sophisticated hedging programmes and strategic partnerships with onshore financing companies in key jurisdictions.

Global funds like KKR and Apollo have launched locally denominated credit vehicles in Asia Pacific, including in India and Australia, partnering with domestic insurers and pension funds to match liabilities in local currencies. These structures sidestep FX volatility while complying with onshore investment rules (e.g., India’s FPI limits for foreign investors).



Case Study

In May 2025, Apollo Global Management partnered with Channel Capital to launch the Apollo Asset Backed Credit Trust (AUD), an open-ended Australian unit trust designed to provide wholesale investors access to Apollo's asset-backed finance strategy. The fund features monthly applications, redemptions, and distributions, with a 1.15% annual management fee and a minimum investment requirement of AUD100,000. Apollo oversees the underlying investment strategy, while Channel Capital handles distribution, operational management, and client support services.



In restricted markets like Indonesia and Mainland China, where capital controls complicate repatriation, private credit managers employ cross-currency swaps and non-deliverable forwards (NDFs) to hedge USD exposures. Though hedging costs remain prohibitive for small-ticket deals, such tools enable participation in high-growth sectors (e.g., Indonesian fintech).

Strategic partnerships/joint ventures with local banks further unlock opportunities, combining offshore capital with onshore balance sheets to bypass licensing hurdles in certain jurisdictions.

That said, these initiatives still face multiple structural limitations, including restrictive regulatory environments, prohibitive hedging costs, operational complexities in execution, and broader macroeconomic headwinds that collectively inhibit their widespread adoption and effectiveness.

Case Study

Tikehau Capital has entered a strategic distribution partnership with Japan's Nikko Asset Management, granting Nikko exclusive rights to distribute Tikehau's credit strategies, including its European Direct Lending funds, within Japan, and non-exclusive rights across certain other Asian markets. The collaboration leverages Nikko's established local footprint and distribution network to expand Tikehau's access to Japanese and pan-Asian investors. This alliance enhances Tikehau's ability to navigate regional regulatory requirements while effectively marrying its global credit expertise with on-the-ground distribution strength.



Strategic Imperatives for Market Participants

Global private credit leaders continue to expand their APAC presence. These players are increasingly active in infrastructure financing and sponsor-led transactions, contributing to the region's sustainable development and increasing overall deal volumes.

Beyond the structured joint ventures enabling local currency lending discussed above, regional private credit managers are deepening collaboration with private credit platform of traditional banks across the SME financing value chain (*Chapter 3*). The collaboration has evolved beyond simple referrals to include joint underwriting arrangements, collaborative due diligence processes, and secondary market distribution mechanisms. These developments are particularly impactful for SME financing opportunities.

Harnessing AI to Unlock APAC's Private Credit Potential

Market fragmentation in APAC has traditionally hindered private credit funds from scaling and deterred new entrants (*Chapter 5*). AI and digital technologies are now closing this gap by tackling data fragmentation, manual reporting, and inefficient portfolio monitoring.

New platforms consolidate performance and risk information into unified frameworks, improving visibility into positions and trends. By automating data collection and streamlining workflows, underwriting and monitoring decisions can be made faster and with fewer bottlenecks, all while integrating with existing systems to minimise disruption.

This mirrors a broader trend in asset management, where embedding AI into daily operations boosts productivity, strengthens compliance, and reduces operational burdens - benefits critical in fragmented APAC markets. It directly tackles pain points like poor data quality and siloed operations, giving managers a holistic risk view and consistent reporting.

For investors, this means greater transparency and personalised engagement through digital tools. Ultimately, AI provides the operational foundation for managers to reduce costs, meet compliance, and scale efficiently to capture the region's strong investor appetite for private debt.

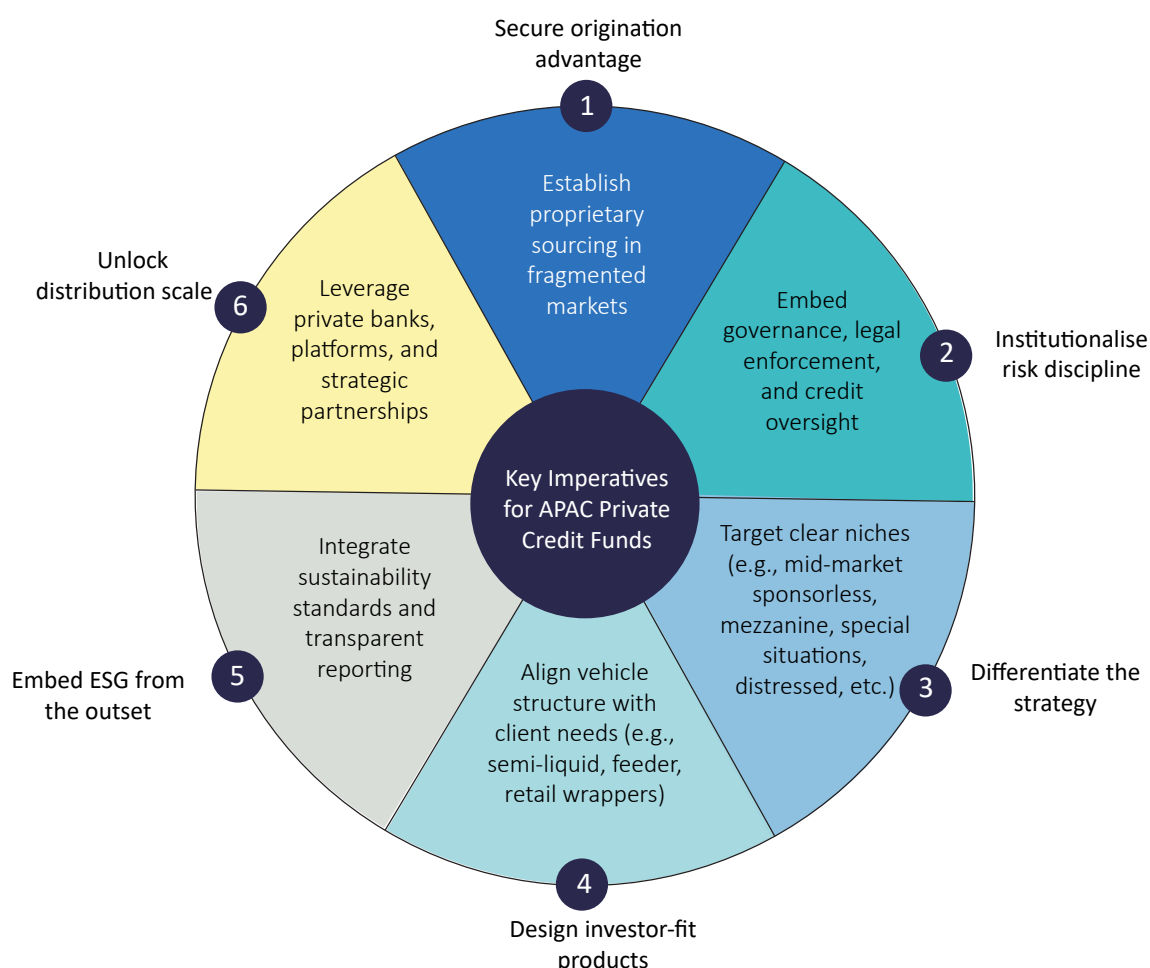


We expect innovations in technology will allow the pulling of information together efficiently to give better insights real time to assist in making better investment decisions.

Blackstone

Figure 6.3

Key Imperatives for APAC Private Credit Funds



CONCLUSION

In today's dynamic environment, the APAC private credit landscape presents a substantial and compelling opportunity for managers. Unlocking this potential lies in a strategic synthesis of global institutional best practices with deep, on-the-ground regional expertise. Managers cannot simply import Western models. Instead, they must adeptly localise their approaches. Success hinges on the ability to combine robust global operational standards with nuanced local knowledge, which enable managers to navigate the region's complex and fragmented markets while still meeting the demands of international investors.

The market's trajectory points towards accelerated and diversified growth. Core strategies like special situations and direct lending will continue to see strong demand, particularly as they cater to the significant funding needs of the region's underserved SME sector. Furthermore, certain high-growth industries are poised to become major drivers of deal flow. Sectors such as consumer healthcare, technology (notably fintech), clean energy infrastructure, and energy transition solutions (including decarbonisation) represent the structural growth engines of the APAC economies and will require tailored capital solutions.

To seize these sector-specific opportunities, managers must develop highly specialised underwriting capabilities and a flair for innovative financial structuring. The era of one-size-fits-all solution is no longer sufficient. Instead, managers must design flexible financing solutions tailored to the distinct legal, regulatory, and business environment of each jurisdiction. This often means moving beyond traditional senior debt to incorporate non-standardised financing structures that better align with the unique risk-return profiles and cash-flow patterns of local borrowers.

Ultimately, sustainable growth and competitive edge will depend on strategic collaboration and an unwavering commitment to understanding local dynamics. The most successful managers will be those who invest in building trusted partnerships with local family offices, corporates, and financial institutions. These relationships are not merely beneficial – they are fundamental to unlocking exclusive deal pipelines and sourcing proprietary opportunities. By cultivating a deep-rooted presence, private credit firms can position themselves not just as external capital providers, but as indispensable, long-term partners in the APAC region's continued economic ascent.



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ABOUT US



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The Alternative Credit Council (ACC) is a global body that represents asset management firms in the private credit and direct lending space. It currently represents 250 members that manage over US\$2 trillion of private credit assets.

The ACC is an affiliate of AIMA and is governed by its own board which ultimately reports to the AIMA Council.

ACC members provide an important source of funding to the economy. They provide finance to mid-market corporates, SMEs, commercial and residential real estate developments, infrastructure as well the trade and receivables business.

The ACC's core objectives are to provide guidance on policy and regulatory matters, support wider advocacy and educational efforts and generate industry research with the view to strengthening the sector's sustainability and wider economic and financial benefits.

Alternative credit, private debt or direct lending funds have grown substantially in recent years and are becoming a key segment of the asset management industry. The ACC seeks to explain the value of private credit by highlighting the sector's wider economic and financial stability benefits.



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