

E X P E R T Q & A

Asia-Pacific is complex and demands a sophisticated approach to individual markets. But the opportunity has never been better for managers with deep understanding and relationships, says Haseeb Malik, head of Asia Credit at Värde Partners



The case for Asia private credit now

The lending landscape in Asia-Pacific looks a lot like Europe and the US did early in their development. Haseeb Malik at Värde Partners shares his thoughts on the features of an early stage market – the spread premium, the extra structural protections, the ability to lead and set terms – available in Asia-Pacific today.

Q How does Asia-Pacific compare with the US and European private credit markets? Are they following the same growth trajectory?

Private credit in Asia-Pacific is where the US and Europe were 15-20 years ago. Capital markets in Asia-Pacific are still equity and bank-led: traditional

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banks provide nearly 80 percent of credit, and the entire APAC high-yield market is less than \$100 billion. For context, the total global private credit market is \$3 trillion, and Asia-Pacific is just \$59 billion of that.

What we are seeing now is the rapid growth of private credit in APAC, but from a very low base. Asia-Pacific produces close to two-thirds of economic growth, but private credit penetration is a fraction of developed markets' levels. Local banks are unable to meet borrower demands in terms of size, flexibility or timelines.

Therefore, there is an exciting runway for sustained growth in private credit.

Q What is driving the accelerated adoption of private credit in APAC?

Enormous undersupply of capital in high-growth economies. APAC has a staggering need for infrastructure investment. An Asian Development Bank report estimates the region needs more than \$25 trillion in infrastructure through 2030 to sustain growth. Banks cannot provide all of that.

Regulation, which constrains bank lending to certain sectors or situations that are a remnant of past experiences, creates further gaps for private credit:

Indian banks, for example, are constrained when it comes to acquisition finance.

Q What is the benefit to being early in this market?

Getting in early means we have grown along with the market and shown ourselves to be a trusted counterparty with access to scalable opportunities. In APAC, the best opportunities generally do not get broadly shopped; they go to lenders that asset owners have worked with before and know can deliver.

The proof is in our own sourcing mix: five years ago, roughly half our deals were bilateral and half came through brokered or syndicated processes. Today, more than 80 percent are bilateral – deals where we are driving the terms, setting the pricing and anchoring the structure. That shift is a direct function of 18 years on the ground – building excellence in our underwriting process but also confidence with asset owners to deliver flexible lending solutions.

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Q For investors globally, geopolitics, AI disruption and private credit risks are top of mind. Are these headwinds or tailwinds to your strategy?

I think of them as tailwinds: using winds of change to our advantage by understanding them and evolving our idea generation accordingly. The geopolitics of today – less global coherence and changing trade relationships and alliances – we think are here for the medium term, if not the long term.

In Asia, our focus is on local consumption situations and domestic policy-supported industries (such as energy independence), as well as domestic infrastructure and in-region assets. This helps insulate us from exposure to cross-border trade frictions, so overall we see the geopolitical dynamics as a tailwind for our activity. Another way this is a tailwind for us is the increased LP interest in Asia as global capital looks to reallocate away from the US.

In terms of AI, we have obviously seen the impact this is having on software-heavy US private credit markets. In APAC, our credit focus on asset-rich sectors is consistent with the growth drivers in the region. So, for us, AI is more of a tailwind in that the energy consumption to feed AI creates further demand for capital in the power, renewables and data infrastructure segments where we are active.

We are also insulated from the private credit froth in the US markets. We don't see the same concerns about underwriting standards and spread compression. Generally, we lend against hard assets, our documentation has covenants, our leverage is conservative, all while seeking to generate excess spreads.

Q When you look across Asia-Pacific, how do you decide where to focus?

We consider three factors: scale (of economy, credit system and

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population), an improving or solid credit culture and our right to play. Over 18 years, we have built our moat in the focus markets of India, Indonesia, Australia and Singapore. We believe that our results are evidence that this depth beats breadth.

Q What about India makes it a compelling market, and what is the moat you’ve built there?

India has everything we look for. It is the fastest-growing large economy in the world, expanding at 6-8 percent annually. That growth requires financing, and private credit is the natural provider for the parts of the economy that the banking system cannot reach.

Vårde has been investing in India since 2013 – we began to focus on private credit in 2016 and opened our Mumbai office in 2018. We have built direct relationships with the

largest borrowers in the market. We are among the first calls in the market. That did not happen overnight; it's because we have proven ourselves over the past decade to be a reliable counterparty.

Q Does the same playbook for India apply to other markets, such as Australia, Singapore and Southeast Asia?

Australia is a developed market with a deep and sophisticated trillion-dollar credit system. Our edge comes from a focus on industries where we see capital gaps, such as mining, where banks are restricted from lending to creditworthy, cash-generating borrowers. In Southeast Asia, we pick our spots.

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One theme we have leaned into is outbound M&A, where you might have a large regional group acquiring assets in developed markets, but local banks in that jurisdiction won't touch it. We can step in and create real asset collateral in multiple jurisdictions, with the experience to manage any complexity.

One example to bring both of those themes to light: We recently led a financing for an Indonesian group to buy a top-quartile coal mine in Australia. This was 55 percent LTV, \$500 million in sponsor cash, with amortisation and cash sweeps, with substantial excess spread.

Q What are the biggest misconceptions LPs have about investing in Asia-Pacific?

The idea that Asia is a single region. It is not. It is a collection of very different countries, including some of the largest and highest growth markets in the world.

Also, the notion that if you are investing in seven to 10 countries then you are “diversified” is a dangerous assumption, since it's not like the US (relatively homogenous states) or EU (working to be one region). It can be a bit intimidating once you start to peel back the onion, and I think a lot of people can shy away from that. (That is also a partial driver of the opportunity, by the way).

Q For an allocator who has never invested in Asia-Pacific private credit, what is the most important thing to understand at the outset?

Pick your manager carefully. Go with a team that knows the market – and I mean the individual markets – and has built a platform around it. In APAC, depth beats breadth.

Private credit in Asia is in the early stages, but now is the time for investors – with the right managers – to look to capture the superior risk-adjusted returns on offer. ■



Q In a region where a lot of managers are relative newcomers, what does your tenure give you?

There is no substitute for experience. I've been in Singapore since 2008. We've invested nearly \$6 billion in over 80 private credit deals in the past 10 years. We've been through cycles and are battle-tested.

That longevity also drives origination. Dealflow in Asia-Pacific comes through relationships that take years to build. Our sourcing is over 80 percent bilateral, with the remainder largely deals where we are driving and helping to guide the structure and setting the terms and pricing. Being at the table early, with people we know well, means we can help drive better outcomes for our LPs.