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# An abundance of untapped opportunities

## What were the defining themes of 2025?

Since we began making alternative credit investments in Africa in 2008, we have had consistent access to a broad and attractive opportunity set across our key areas of focus: infrastructure assets, senior-secured lending to essential businesses, and high-yielding credit opportunities. Yet 2025 stood out for us, with a record number of deals coming through our pipeline signalling a shift in gear. Our deal activity throughout the year also highlighted the powerful structural themes that continue to support the asset class: infrastructure development, financing the energy transition, digitalisation, and asset-owner interest in diversifying US-heavy private credit allocations.

This backdrop translated into an exceptionally busy year for our alternative credit platform, which closed 64 deals with a combined loan value of US\$1.5 billion across structures that cater to an ever-broader range of borrower requirements<sup>1</sup>.

In line with our growth strategy, we have expanded our track record beyond Africa in recent years to include Turkey, Singapore, Pakistan and Mexico. In 2025, our footprint broadened further across emerging markets, with transactions completed in Brazil, the Philippines, India, Vietnam, Colombia, Serbia, Chile and Hong Kong. The persistent supply–demand imbalance in EM private credit has continued to support attractive average spreads and five–seven–year average tenors.

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1. US\$1.5 billion includes a variety of instruments, including private loans, privately placed as well as public bonds and other debt instruments.

## Is risk becoming a problem in private markets?

Private credit was a regular feature of news headlines in 2025, with some high-profile failures in the US sounding alarm bells, as our colleagues noted [here](#). The increasingly crowded nature of the US market makes it a ‘borrower’s market’ whereby borrowers have their pick of lenders. That’s driven significant yield compression – and in some cases a deterioration in loan-structuring standards – in a market where many borrowers are asset-light businesses with high levels of balance-sheet leverage. In recent months, the risks of ‘covenant-lite’ deals have become abundantly clear<sup>2</sup>.

Unsurprisingly, diversification within this US\$1.6 trillion asset class has become a key priority for asset allocators. We think this signals a more mature phase in the evolution of private credit, with investors moving beyond a blanket allocation and instead distinguishing between regions, structures, and underlying risk drivers. Among asset owners we have spoken to who have turned their attention to EM private credit, many have been surprised by strength of the investment case: lenders can command a pricing/return premium over developed market (DM) counterparts while also stipulating robust collateral protections and strong covenants. Coupled with the fact that typical borrowers have defensive balance sheets and durable market positions, this is very much a ‘lender’s market’.

## Can the risk/return profile remain robust?

The EM private credit market offers a very distinctive investment backdrop. Unsecured lending is rare and borrowers have much lower leverage – typically 3-4x, compared to 6-7x in DMs. Furthermore, it’s much less crowded; while competition does exist given the size and diversification of core markets across the EM universe, investors can achieve EM-level spreads on structures that look more like the US private credit market of 15 years ago. Crucially, we see no signs of this changing, given the inherent complexity of the asset class and the fact that major market participants simply don’t have the necessary local expertise or origination networks – both of which take years to establish.

The enduring nature of the compelling risk/return profile continues to be borne out in our investment experience, where very low actual loss rates are equivalent to or better than historic loss rates on investment-grade rated investments<sup>3</sup>.

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Past performance does not predict future returns; losses may be made.

2. Covenant-lite refers to structures that typically lack maintenance covenants (financial metrics tested every quarter); instead, they rely on incurrence covenants (if any), which only restrict the borrower if they choose to take a new action, e.g., make an acquisition. This lack of early warning system means – as a recent high-profile failure has shown – that a borrower’s core financial health can degrade over multiple months (layering billions of dollars of complex, opaque off-balance-sheet financing) without triggering a covenant breach, preventing lenders from intervening until it is too late.
3. Source: Ninety One, Moody’s. For illustrative purposes only.

## How is the asset class evolving?

With banks' role in providing term lending reducing, primarily due to tighter regulation around capital requirements, the demand for alternative sources of credit continues to rise. On one hand, the requirement by banks to de-risk and recycle their balance sheets is creating demand for a further scaling of syndication channels; on the other, institutional investors are looking for scale and diversification in their private-market allocations – this is driving demand for asset managers to create diversified pools of assets.

In parallel, there has been a shift in perspective on the asset class – in particular, in financing infrastructure development. While this has historically been centred around impact strategies backed by development finance institutions (DFIs) rather than return-seeking investors, large asset owners are starting to exploit the commercial investment opportunities it offers. Part of this evolution relates to the development of more sophisticated rating approaches, enabling EM infrastructure debt funds, for example, to secure investment-grade ratings for certain vehicles to meet institutional investors' rating requirements<sup>4</sup>.

## Where are the best opportunities?

Energy, electrification, telecommunications, digital assets, transport, the transition to net zero, climate-resilient infrastructure – these are all structural growth themes that are offering up an abundance of investment opportunities. Furthermore, the opportunity set appears highly diverse in terms of geography and sector; for context, the deals we signed last year spanned 22 countries and 10 sectors.

A major theme that has emerged in recent years is the increasing adoption of renewable energy in emerging markets. In contrast to DMs, where momentum has stalled, investment and development is happening at a remarkable pace across EMs, helped by falling costs across the sector. For context, Brazil already generates 88% of its electricity from renewable sources, and India has targeted 50% non-fossil capacity by 2030. This marks a structural shift in the centre of gravity for the energy transition and is translating into a broad range of potential deals for private market investors – both in the corporate and infrastructure sectors. Given that renewable energy represents the most cost-effective option in over 90% of energy generation installations since 2024, the economic rationale underpinning this trend is powerful; decarbonisation and profitability are evolving to be mutually compatible concepts.

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4. For instance, Ninety One's platform accommodates a range of investor preferences. Some funds use blended portfolio-enhancement techniques, such as first-loss protection, to achieve investment-grade ratings and appeal to investors who want to avoid high risk-weighted assets.

The other big story of 2025 is AI, which is also giving rise to a new cohort of investment opportunities. With 2% of today's electricity demand for data centres projected to reach 8% by 2040, aligning with companies that are sustainably sourcing their energy needs and consuming it efficiently is an exciting avenue for investors to explore. In 2025 we lent to two separate data centre operators that have committed to maintain or increase the share of their energy sourced from renewables to 100%. Beyond sourcing energy sustainably, these investors are also committed to using that energy efficiently, with specific investment plans to operate at the lowest power usage effectiveness (PUE) in their respective regions.

Finally, Africa - where our platform originated - continues to offer a compelling investment opportunity set, supported by the region's expanding infrastructure requirements. By directing capital towards transport, energy, water, human settlements and digital infrastructure, our investments help to address pressing needs, contributing to both social development and environmental sustainability.

**General risks.** All investments carry the risk of capital loss. The value of investments, and any income generated from them, can fall as well as rise and will be affected by changes in interest rates, currency fluctuations, general market conditions and other political, social and economic developments, as well as by specific matters relating to the assets in which the investment strategy invests. If any currency differs from the investor's home currency, returns may increase or decrease as a result of currency fluctuations. Past performance is not a reliable indicator of future results. Environmental, social or governance-related risk events or factors, if they occur, could cause a negative impact on the value of investments. No representation is being made that any investment will or is likely to achieve profits or losses similar to those achieved in the past, or that significant losses will be avoided. Individual companies or securities named in this material are included for illustrative purposes only. The views expressed are those of the contributor and do not necessarily represent Ninety One's house view. The information should not be seen as a forecast of how such securities will perform and should not be construed as investment advice or a recommendation.

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