

The background of the entire page is a stylized, glowing map of Asia and Southeast Asia. The map is composed of white and light purple outlines of the continents and islands, set against a dark purple and blue background. Several bright, glowing points are scattered across the map, connected by thin, white lines that suggest a network or data flow. The overall aesthetic is futuristic and high-tech.

**SEVIOORA**

A Temasek owned Asset Management Group

**Vantage Point**  
**Asian Private Credit**  
**Rebalancing the Gap**

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# Executive Summary

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As global markets grow increasingly selective, APAC private credit is fast emerging as one of the most structurally attractive opportunities for income-seeking investors.

A confluence of factors, including underallocation, bank-dominated financial systems and moderate public debt levels, are creating substantial headroom for growth in bespoke, collateralized private credit solutions across the APAC region.

In this context, SeaTown Holdings International (SeaTown) brings a practitioner's, structured approach to APAC private credit, focusing on origination, structuring and enforcement across a heterogeneous set of diverse economies.

Based in Singapore and owned by Sevia Group, SeaTown is a leading Asia-focused alternative investment manager investing across private and public markets. Within its private credit platform, the firm sources and structures bespoke private credit opportunities across APAC, leveraging on-the-ground expertise to deliver tailored financing solutions for mid-market companies. Rather than competing on leverage and spread alone, SeaTown emphasizes lender-friendly documentation, tight collateral packages, conservative leverage and active monitoring, targeting double-digit cash yields with selective use of PIK to enhance overall returns.

The region's diversity of legal regimes, credit cycles and sectoral drivers allows managers to find opportunities even when specific segments are under stress.

For investors seeking differentiated income streams, meaningful diversification away from US and European risk, and access to Asia's long-term growth themes, APAC private credit offers a compelling proposition into 2026 – particularly when accessed through experienced, structure-focused managers.

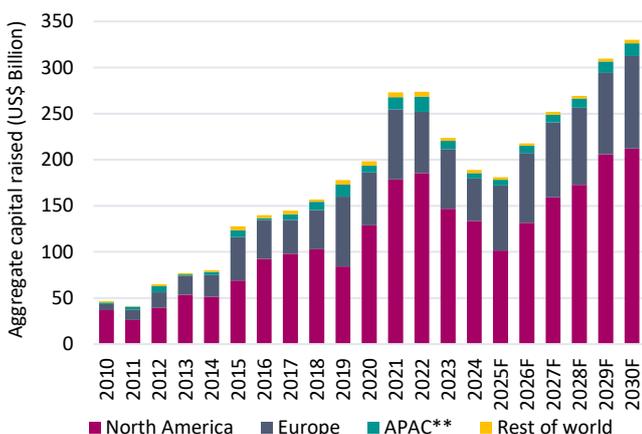


## Private Credit Outlook 2026: Where We See Opportunities in APAC

Amidst a volatile macro backdrop, private credit has emerged as one of the few asset classes where investor demand has continued to build. Over the last decade, it has delivered yields in line with or above public credit, while providing more stable, contractual income. As markets move into a more selective phase in 2026, investors are increasingly focused on regions and strategies that can still offer lender-friendly structures and differentiated returns.

Asia-Pacific (APAC) now sits at the forefront of this evolution. Assets under management (AUM) from regional private credit is projected to surge to approximately US\$92 billion by 2027, from about US\$59 billion in 2024,<sup>1</sup> as managers respond to structurally underserved borrowers and investors who are hunting beyond saturated US and European markets. The region represents an enormous, relatively untapped private credit opportunity set with significant headroom for growth, as bank-centric financial systems gradually give way to more market-based financing solutions.

**Fig. 1: Steady fundraising forecast globally, with a sharp recovery for APAC**



\*\*Capital raised figures exclude funds denominated in Yuan Renminbi

Source: Preqin Private Credit 2026

At the same time, APAC's promise comes with complexity. APAC is not a monolithic market but a collection of diverse economies—ranging from emerging markets such as India, Indonesia and China to developed markets like Japan, Korea, Taiwan and Singapore – each with its own legal, regulatory and credit-cycle dynamics. Successfully navigating this landscape requires deep experience, on-the-ground expertise and the ability to underwrite country-specific risks.

The attraction for investors is that these markets are not all in sync: credit cycles and growth drivers differ across countries, so there are almost always opportunities somewhere in the region, in contrast to the more homogeneous US market where cycles tend to be more aligned.

Against this backdrop, our colleagues at SeaTown provide their perspective on how APAC private credit is evolving, and why the region presents a compelling opportunity for income-oriented investors.

Drawing on SeaTown's track record in structuring bespoke, collateralized solutions for mid-market borrowers across infrastructure, real assets and high-growth sectors, its private credit investment approach focuses on lender-friendly documentation, strong collateral packages and active monitoring.

The successful final close of SeaTown Private Credit Fund II in August 2024, with more than US\$1.3 billion in capital commitments<sup>2</sup>, underscores both sustained investor demand for APAC private credit and the robustness of SeaTown's origination and portfolio-management capabilities across some of the region's most dynamic economies.

## The Core of APAC Private Credit

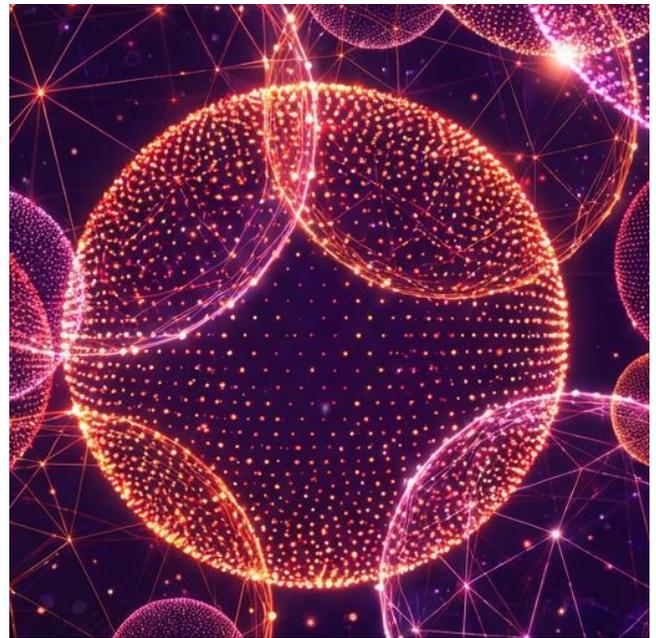
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The defining feature of APAC private credit is not a single instrument, but how each deal is structured.

The region is highly heterogeneous: economies are at different stages of development, public markets are unevenly developed, and banking systems vary widely. As a result, private credit solutions must be tailored to each borrower's business model, credit profile, industry dynamics (cyclical versus non-cyclical) and the entrepreneur's specific requirements.

Hence, at its core, APAC private credit is a structured market: transactions are customized deal by deal, rather than rolled out in a "cookie cutter" fashion. Public financing channels – bank financing, equity markets and bond markets – are generally less sophisticated and standardized than in North America or Europe. This creates both a need and an opportunity for lenders and managers to design bespoke solutions that match the realities of each jurisdiction and borrower.

Private credit as a distinct asset class is still in its relative infancy in APAC, even though it has developed rapidly elsewhere over the past 30 years. The region's fragmented markets mean growth cannot simply be achieved by scaling templated products. Instead, successful managers differentiate through origination, structuring and enforcement, with a clear focus on capital preservation.



From a risk perspective, Asian private credit transactions typically feature strong downside protections underpinned by collateral, covenants and disciplined governance; close monitoring of borrower cash flows; and exposure not only to performing credit but also to growth, restructuring and special-situation opportunities.

The China real-estate credit crisis illustrated the value of this heterogeneity: while that segment experienced distress, the broader Asian private credit market remained largely resilient, demonstrating that there is nearly always a pocket of opportunity in the region, if capital is directed toward the best risk-return trade-off.

Crucially, APAC's structural complexity can work to lenders' advantage. In the US, private credit managers are often price takers in highly sophisticated markets. In parts of Asia, by contrast, well-positioned lenders have greater ability to dictate pricing, covenants and structural protections, resulting in a more attractive risk-return spectrum for appropriately structured deals.

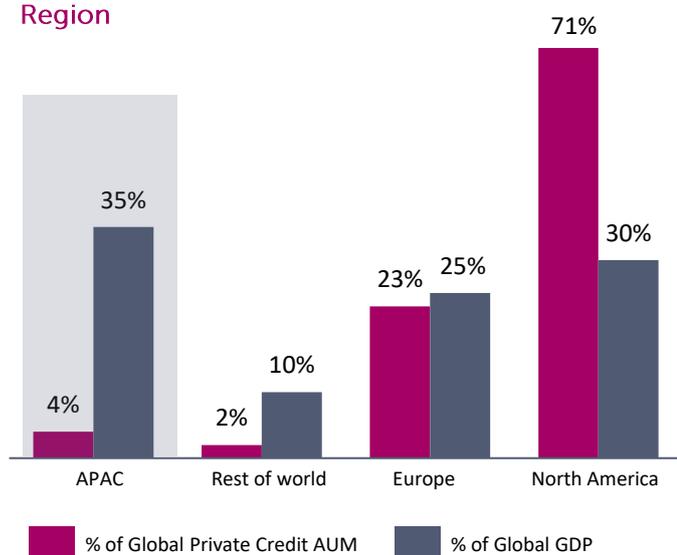


## Scaling Into the Underserved: APAC's Position in the Next Global Private Credit Wave

While private credit has become increasingly crowded in North America and Europe, APAC remains structurally underpenetrated and underallocated in global portfolios.

North America currently accounts for around 71% of global private debt AUM, despite representing only about 30% of global GDP. By contrast, Asia-Pacific generates roughly 35% of global GDP but captures only about 4% of private debt market share<sup>3,4</sup>. This imbalance highlights significant headroom for private credit growth outside North America. Ultimately, whether in private credit or private equity, GDP size and growth are key drivers of capital formation—and on both measures, APAC is already strongly positioned.

**Fig 2: % of Private Credit AUM vs Global GDP by Region**



Source: Preqin Private Debt 2026, December 2025. IMF, October 2025 World Economic Outlook

Additionally, many Asian economies have underdeveloped public bond and equity markets, leaving a financing gap that bank lending and public markets alone cannot fill. Credit provision is still overwhelmingly bank-driven and supported by sovereign balance sheets, with public debt levels moderate by global standards.

This combination—strong growth, conservative public balance sheets and bank-centric financial systems—creates fertile ground for private credit to play a larger role.

As of 2026, APAC private credit typically offers tight collateral packages, conservative leverage and active monitoring, alongside yield premia over comparable public benchmarks. Banks, though well capitalized, are less nimble and less inclined to provide complex or highly customized structures. Private credit can move faster and tailor solutions, positioning the asset class to pick up the slack as balance-sheet lending approaches its limits.

Historically, APAC private credit was viewed through a narrow lens, like Chinese real estate for instance, which further led to investors questioning whether the region could support large ticket sizes. That perception is changing as regional managers demonstrate the ability to underwrite bigger, more complex transactions across multiple jurisdictions. Increasingly, dedicated APAC private credit platforms are aggregating capital at scale and deploying it into diversified portfolios of contractual, income-generating assets across the region.



## The Anatomy of APAC Deal Terms: Market Structures, Pricing and Competition

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In US and European leveraged loan and high-yield bond markets, “covenant-lite” structures—featuring fewer maintenance covenants and weaker protections in exchange for spread—are now common.

By contrast, core Asian private credit remains structurally more conservative and bespoke, with tighter covenants, stronger collateral packages and active, deal-by-deal monitoring rather than relying on standard templates. The main regional exception has been parts of the public real-estate bond market, that have shifted toward cov-lite-style terms, which in turn amplified recent stresses. In Asia, competition is therefore less about pricing down risk through aggressive leverage and more about speed of delivery, customization and governance standards relative to banks and other capital providers.

At the same time, specific APAC segments are increasingly behaving like a borrower’s market. Many managers are still not sourcing deeply enough across the region, so deal flow clusters around a narrow set of visible opportunities. Without substantial capital being committed to on-the-ground sourcing of proprietary transactions, well-positioned mid-market borrowers can command stronger terms. The constraint, in reality, lies less in the demand for private credit and more in origination depth and capacity – the supply has yet to catch up with structurally strengthening demand.

APAC’s market structure also differs from more mature regions. Documentation and covenants are negotiated transaction by transaction, origination is deeply relationship-driven, and the opportunity set is segmented: local managers often focus on sub-US\$20 million deals, while global players target transactions above US\$500 million, leaving a sizeable underserved middle market<sup>2</sup>. This gap presents a distinctive opportunity for managers who can deploy institutional-scale capital while delivering structuring expertise and disciplined execution to bridge the underserved middle market.

On pricing, spreads in many APAC markets maintain a meaningful premium of around 400-500 points<sup>2</sup> over public credit indices, reflecting both bespoke structuring and enforcement work. Many loans are fixed-rate, reducing interest-rate duration risk and supporting more predictable returns; as monetary policy paths diverge across APAC and from the US, this structural flexibility becomes increasingly valuable.

Within this landscape, SeaTown competes on structure rather than headline spread, designing documentation, collateral packages and covenant frameworks to deliver meaningful downside protection and alignment over the life of the investment—a structure-over-volume discipline that has helped protect investor capital in recent stress periods.

## Building the Capital Stack: Instruments, PIK and Portfolio Design

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APAC private credit spans the full capital structure, including senior secured loans, mezzanine and junior instruments, hybrid capital and privately placed bonds.

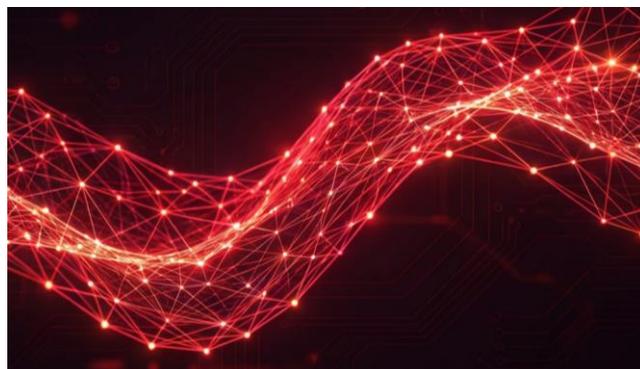
Across these, the common thread is flexibility: structures are crafted around the borrower's cash-flow profile, asset base and jurisdictional constraints, while targeting appropriate downside protection and return for investors.

Cash-pay interest remains the dominant coupon structure in APAC, reflecting a conservative risk profile. However, PIK (payment-in-kind) features are increasingly being used in situations where they can create alignment – such as short-term bridging, growth-stage companies with front-loaded capex, or transition periods where near-term cash flow is constrained.

APAC private credit borrowers broadly fall into two archetypes with distinct growth and cash-flow profiles. The first comprises growth-oriented, asset- or capex-heavy businesses that reinvest cash to scale and target higher IRRs over time; in these cases, managers may use PIK elements to support growth trajectories by easing near-term cash flow pressure.

The second comprises utility-like or contracted businesses, often backed by long-term offtake agreements with government or investment-grade counterparties, which can comfortably service regular cash coupons but offer more modest growth.

Given these circumstances, APAC private credit managers often seek to anchor portfolios in stable, cash-paying assets while selectively adding higher-growth, PIK-enabled positions to enhance overall IRR. The intent is typically to provide attractive, often double-digit cash yields to investors, with PIK contributing incremental return in a controlled and well-underwritten manner rather than becoming the dominant driver of performance.



## Cycle-Proofing Credit: Why Structure-Agnostic Deals could Win in APAC

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APAC's growth story is underpinned by structural and macro themes such as higher economic growth, rising middle class incomes, urbanization and sustained infrastructure investment. Global trends—including the expansion of artificial intelligence, the build out of data centres, aircraft MRO facilities, and the associated fabrication and hardware ecosystems—are also driving a significant increase in capital requirements.

These trends propel and sustain demand for private capital, particularly where bank lending or public markets are unable or unwilling to finance complexity, speed or transition risk.

SeaTown does not build private credit strategy around a narrow set of "hot" sectors. The firm remains intentionally sector-agnostic – a discipline rooted in experience. Every industry is cyclical. Popular sectors can change rapidly from country to country and headline sector performance is often a poor predictor of credit outcomes.

In a heterogeneous region like APAC, the priority is not diversification for its own sake, but the recovery of principal and target returns. A sector may be under pressure overall yet still offer attractive, well collateralized deals; conversely, a fast-growing sector can prove fragile if capital structures are weak.

Private Credit managers would therefore benefit from evaluating each opportunity primarily on deal structure, collateral quality, enforcement pathways and sponsor alignment, rather than on top-down sector labels.

This flexibility allows them to pivot toward the most attractive risk adjusted opportunities as cycles evolve, without being constrained by rigid sector allocations.



## Policy as Catalyst: How Regulation Can Unlock APAC Private Credit

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Regulators across APAC increasingly view private credit as a tool to diversify funding sources and reduce concentration risks in the banking system. Close-ended private credit funds can help with portfolio-level liquidity matching by paying regular income and returning capital over a defined term, compared with more back-ended cash-flow profiles in private equity or venture.

A key question for the next phase of growth is how regulators will treat capital charges for insurers and banks investing in private credit. Private credit risk differs fundamentally from private equity risk, yet in some jurisdictions, capital-charge frameworks do not fully reflect these differences. In Singapore, for example, policy has not moved as quickly as it could in distinguishing between well-collateralized private credit and higher-risk equity-like exposures.

A more “look-through” approach to capital charges—considering underlying collateral, seniority, cash-flow visibility and covenant strength—would lower the cost of allocating balance-sheet capital to high-quality private credit strategies. This, in turn, would encourage greater participation from insurers and banks with permanent capital, deepen the investor base and enable more efficient financing for both SMEs and larger corporates across the region. APAC’s diverse legal and regulatory regimes also

shape how transactions are structured and enforced. Markets such as Australia and Japan have relatively mature legal frameworks, while India, China and Indonesia feature more complex enforcement environments. Rather than being a constraint, this diversity has spurred product innovation as managers design structures suited to each jurisdiction.

For managers deploying across ten or more APAC economies, understanding the “lay of the land” in each legal system is as important as financial modelling. At SeaTown, particular emphasis is placed on assessing enforcement regimes—how security can be realized, what practical hurdles may arise and how borrower integrity and governance will influence recovery in downside scenarios.

In APAC, operational and enforcement risk is inseparable from credit risk, and successful investing depends on anticipating these frictions at the structuring stage.

## Sourcing the Edge: Talent, Origination and Bargaining Power in APAC

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Globally, banks and private credit managers are forming more partnerships and co-lending arrangements, which can deepen the pool of financing but also shift bargaining power toward borrowers in some developed markets.

In APAC, private credit remains underpenetrated, yet competition for high-quality deals is intensifying in certain segments. In these pockets, market dynamics increasingly resemble a borrower-friendly environment. This is because many managers still rely heavily on intermediated deal flow rather than deep, on-the-ground sourcing; large, visible transactions attract multiple bidders, enabling strong borrowers to negotiate better terms. The constraint for managers is often not a lack of demand for capital, but inadequate depth and breadth of origination platforms.

Addressing this requires both capital and talent. Asia has a large pool of corporate and commercial bankers with strong credit skills. The challenge is less about technical capability and more about “retooling” mindsets from traditional bank lending to private credit, where bespoke structures, active portfolio management and capital preservation are central.

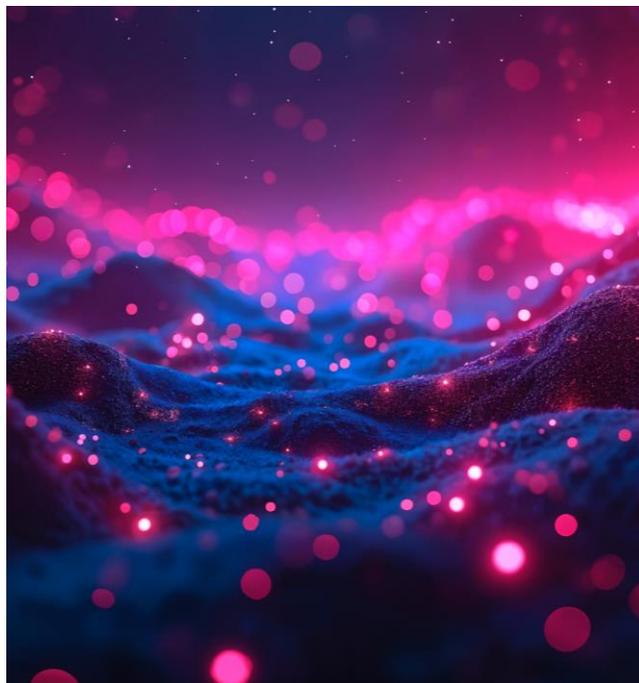
SeaTown’s experience suggests that with targeted training and exposure, seasoned bank lenders can transition effectively into private credit, helping build the capabilities needed to source proprietary, better-protected deals.

### Looking Ahead to 2026: SeaTown’s Playbook for APAC Private Credit

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APAC private credit offers a compelling proposition for investors: structurally underpenetrated markets with rising demand for bespoke financing, lender-friendly structures with strong protections and attractive yield premia that are often less correlated with US rate and credit cycles.

Simultaneously, the risk landscape is evolving as interlinkages between banks, private funds and capital-markets investors deepen. The rise of more complex fund structures and continuation vehicles introduces additional governance and liquidity considerations. In this environment, rigorous manager selection and disciplined structuring are essential to preserving downside protection and aligning interests.



Recent crises—including COVID-19 and sector-specific shocks such as the China real-estate downturn—have reinforced several core principles. Transaction structure is the first line of defense; collateral quality, covenant design, enforcement pathways and sponsor alignment matter more than chasing incremental spread.

At SeaTown, the private credit team operates on the principle of never underestimating the depth of a downturn. Diversification across borrowers, sectors and geographies is important, but in APAC’s flexible markets, diversification alone without robust structuring offers limited protection. Portfolio construction is therefore designed so that diversification supports, rather than replaces, rigorous deal underwriting.

The same factors that make APAC more complex than the US—fragmented legal regimes, less standardized markets and a heavier reliance on bilateral negotiation—also create opportunities. Unlike in highly competitive US markets, where terms are often commoditized, APAC gives qualified private credit managers a “free hand” to design bespoke structures, price risk appropriately and insist on governance standards that protect lenders while enabling entrepreneurs to grow.

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SeaTown’s APAC private credit strategy is built to harness this flexibility. By combining on-the-ground origination, disciplined structuring and an income-focused portfolio approach, it aims to deliver regular cash yields and attractive total returns for investors, while providing tailored, long-term financing solutions to businesses across the region.

For investors seeking differentiated income, diversification away from US and European risk and exposure to Asia’s long-term growth drivers, APAC private credit—accessed through experienced, structure-led managers—offers a compelling opportunity as 2026 unfolds and beyond.

## Special Thanks to



**Eddie Ong**  
Deputy CIO and  
Managing Director,  
Private Investments

SeaTown Holdings  
International



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# SEVIORA

A Temasek owned Asset Management Group

## Singapore Office

### Email

[enquiries@sevioracapital.com](mailto:enquiries@sevioracapital.com)

### Address

3 Fraser Street  
#15-23 DUO Tower  
Singapore 189352

### Telephone

+65 6991 3488

## Abu Dhabi Office

### Email

[enquiries@seviora.ae](mailto:enquiries@seviora.ae)

### Address

Unit 39, Level 25, Al Sila Tower,  
ADGM Square, Al Maryah,  
United Arab Emirates

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