Private Credit
Unlocking Growth in a Shifting Financial Landscape

Must-Know Insights

Private & Confidential

Private credit refers to non-bank lending, typically to mid-market and large-cap businesses, often used for leveraged buyouts (LBOs), infrastructure, and real estate projects.

Private credit has emerged as a vital component of global credit markets, offering non-bank financing solutions to businesses. With global assets under management reaching USD 2.02 trillion by mid-2024, 62% of which is concentrated in the US, the investment class is increasingly favored for its flexibility and yield advantages. It plays a crucial role in financing leveraged buyouts, supporting mid to large cap enterprises, and financing real estate and infrastructure projects.

Global Market Size

As of June 2024
USD 2.02 trillion

US share
62%
(USD 1.25 trillion)

Projected by 2028
USD 3.5 trillion
(Moody's)

KEY DRIVERS OF GROWTH

The sector's growth is fueled by strong investor appetite for higher returns, borrower demand for flexible capital, and favorable macroeconomic conditions. Declining default risks and resilient economies — especially in the US, Europe, and GCC — are reinforcing private credit's appeal as a reliable alternative to traditional lending.

Institutional Demand for Portfolio Diversification

- Yield premium relative to traditional fixed income
- Low correlation to public markets
- Income stability through floating-rate structures

Borrower Preference

- Preference for flexible structures
- Greater certainty of funding
- Quicker execution timelines

Market Conditions

- Declining default risks
- Resilient economic outlook in the US, EU, and GCC

REGIONAL HIGHLIGHTS

In the US, the private credit market is poised to exceed USD 30 trillion, driven by institutional demand and diversification into infrastructure and real estate. The GCC has seen a fivefold increase in private capital raised since 2015, supported by economic reforms and regulatory evolution. Europe, meanwhile, has witnessed a shift from syndicated loans to private credit, particularly in leveraged buyouts, with 81% of such deals financed through private credit in 2023.

United States

- **Addressable Market:** Estimated to exceed USD 30 trillion (McKinsey)
- **Use Cases:** LBOs, asset-backed finance, infrastructure, and real estate
- **Institutional Participation:** Growing interest from asset managers and insurers

GCC

- **Historical Funding:** Traditionally reliant on banks, bonds, and sukuk
- **Private Capital Raised:**
  - 2015–2019: **USD 10.4 billion**
  - 2020–2024: **USD 54.8 billion**
- **Growth Forecast:** CAGR of 15–30% over the next 5–6 years (PwC)
- **Key Sectors:** Infrastructure, energy, mid-market corporates
- **Opportunity:** High loan-to-deposit ratios in banks limit traditional lending

Europe

- **LBO Financing:**
  - 2021: 56% via private credit
  - 2023: 81% via private credit (ECB)
- **Market Shift:** Tightened syndicated loan markets post-2008 regulations

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STRATEGIC TRENDS

Institutional preferences and market dynamics are driving structural changes in how capital is raised, deployed, and localized. The following trends highlight where momentum is building and how strategies are evolving.

1. Shift Toward Evergreen and Open-Ended Fund Structures

Institutional allocators are increasingly favoring permanent capital vehicles designed to provide greater flexibility and stability.

Key Drivers:
- Reduced reinvestment risk
- Access to ongoing liquidity windows
- Alignment with long-dated asset matching

2. Rise of Thematic and Sector-Specific Credit Strategies

Capital deployment is moving away from broad-based approaches toward more specialized strategies.

Emerging Focus Areas:
- **Thematic Verticals:** climate infrastructure, digital assets, healthcare real estate
- **Specialized Teams:** sector experts applying domain-driven underwriting
- **Hybrid Capital Solutions:** mezzanine + revenue-based finance tailored to sector-specific needs

3. Localization and Islamic Structuring in Emerging Credit Markets

Demand is growing for localized and Shariah-compliant structures, especially across the GCC.

Key Developments:
- Sukuk-alternative private credit structures (Murabaha-based lending)
- Government-backed SME credit guarantees
- Sovereign-linked counterparties seeking non-bank financing

GFH FINANCIAL GROUP'S ROLE

GFH has positioned private credit as a **strategic revenue pillar**, capitalizing on the sector's growth and its alignment with mid-market borrower needs. The Group operates across the US, Europe, and the GCC, leveraging its investment expertise to deliver tailored financing solutions and capture emerging opportunities.

Emerging Markets Access
GFH applies institutional underwriting standards to underserved and fast-growing credit markets, particularly in the Middle East, where local banks face high loan-to-deposit ratios and limited risk appetite for bespoke transactions.

Flexible Capital Platform
GFH structures customized capital stacks — from senior secured loans to mezzanine and preferred equity — with capabilities across both conventional and Islamic finance (e.g., Murabaha, Ijara).

Proprietary Deal Flow
The Group sources a significant share of its pipeline through strategic partnerships, regional sponsors, and private equity relationships, securing access to off-market transactions not widely syndicated.

INVESTMENT APPEAL

Private credit offers investors attractive yield premiums over public markets, making it a compelling choice in a low-yield environment. Its resilience during market volatility and ability to deliver consistent returns have made it a preferred asset class for institutional investors seeking diversification and income stability.

- **Yield Premiums:** Higher returns than public debt instruments
- **Resilience:** Performs well in volatile or tightening credit environments
- **Liquidity:** Increasing institutional participation enhances market depth

OUTLOOK

The outlook for private credit remains robust, with sustained growth expected across all major regions. As the sector matures, it is transitioning from a niche alternative to a mainstream financing tool, offering significant opportunities in corporate, infrastructure, and ESG-aligned investments.

- **Sustained Growth:** Expected across all major regions through 2025 and beyond
- **Market Evolution:** From niche alternative to mainstream financing tool
- **Opportunities:** Especially strong in mid-market lending, infrastructure, and ESG-aligned investments

GFH Financial Group B.S.C.
Bahrain Financial Harbour
PO Box 10006
Manama, Kingdom of Bahrain

Tel: +973 17 538 538
Fax: +973 17 540 006
www.gfh.com