Private Credit in Africa: Insight from fund managers and investors
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Are there sectors or regions where you see mispriced risk or unusual opportunities?
In South Africa, SME lending may be emerging as an interesting opportunity. Historically, SMEs have faced tougher operating conditions than their peers in other emerging markets. The recent sovereign upgrade, which is partially a result of improving operating conditions throughout the economy and the prospect of a lower cost of capital, may shift that landscape.

As fundamentals improve, a segment that has long been difficult to price may begin to offer attractive, and currently mispriced, opportunities for lenders able to conduct rigorous on-the-ground work. For impact-focused credit, the potential for catalytic capital in this space is substantial, and we are closely monitoring it through our impact debt strategies.

What's your approach to credit risk assessment in private vs public credit?
The fundamentals overlap, but private credit requires a broader skill set. In public markets, you are typically a price-taker; in private markets, you often set terms, negotiate documentation, and manage bespoke covenants and workout processes. You also deal more frequently with smaller firms and varied operational risks, making origination strength, monitoring discipline and restructuring capability critical.

As a multi-manager, we seek specialists with proven private-market expertise and monitoring systems that can withstand external scrutiny. At the portfolio level, sound risk management starts with disciplined position sizing and diversification across sectors and counterparties. Effective private credit investing combines specialist managers, rigorous monitoring, and portfolio construction that avoids concentration risk.

How should managers communicate liquidity risk and redemption terms to investors?
Liquidity needs to be built into the structure upfront and communicated clearly. One of the biggest frustrations for investors in private markets is uncertainty around exit pathways. Credit offers an inherent advantage: instruments amortise and generate scheduled liquidity. When managers build portfolios with varied tenor and instrument types, liquidity can be modelled and used to support predictable redemptions.

In our impact debt fund, we combine short-term exposures with longer-dated positions, allowing us to meet smaller liquidity events without destabilising the fund. We also provide structural options to liquidate larger investors over a reasonable period. The key is clarity – investors should know exactly what liquidity is available, how it works, and over what timeframe.

What should managers consider measuring, beyond yield or spread performance?
Private credit managers need to measure three things: evolving credit risk, financial performance, and real-world impact. For risk, a documented internal credit rating or monitoring system is essential, providing a clear, consistent view of how risk changes over time, not just at origination.

On impact, particularly in African markets, measurement is often underdeveloped. Understanding and evidencing outcomes, whether in renewable energy, education, financial inclusion, or job creation, is critical. Through our impact debt fund, we work with underlying managers to agree on a unified set of indicators before investing, allowing us to aggregate and report impact consistently. This strengthens reporting quality at the manager level and makes insights far more decision-useful for institutional investors.