

## The Growing Opportunity in Private Credit

### KEY HIGHLIGHTS

Private Credit is a growing asset class in Asia-Pacific. Successfully accessing this opportunity requires an Investment Manager with:

- Deep market relationships and access to deal-flow
- Extensive through-the-cycle credit experience and understanding of the markets in which they operate
- Proven ability to deliver appropriate risk adjusted returns, whilst maintaining investor protections

### PRIVATE CREDIT – MARKET OPPORTUNITY

- Private Credit as an asset class has enjoyed explosive growth in recent years, with total assets under management (AUM) globally set to surpass US\$1 trillion. While Private Credit in Asia-Pacific has also enjoyed strong growth, it remains under-represented, comprising only 7% of the global market.
- The outlook for the segment remains strong. Increasing regulatory pressures have reduced lending appetite of domestic banks, particularly in the mid-market (small and mid-sized corporates), creating a meaningful opportunity for Private Credit investors.
- However, operating in Private Credit markets is not without risks and challenges. Successfully accessing this opportunity requires strong deal origination and structuring capabilities, and a deep understanding of credit markets.

### ACCESSING THE MARKET OPPORTUNITY

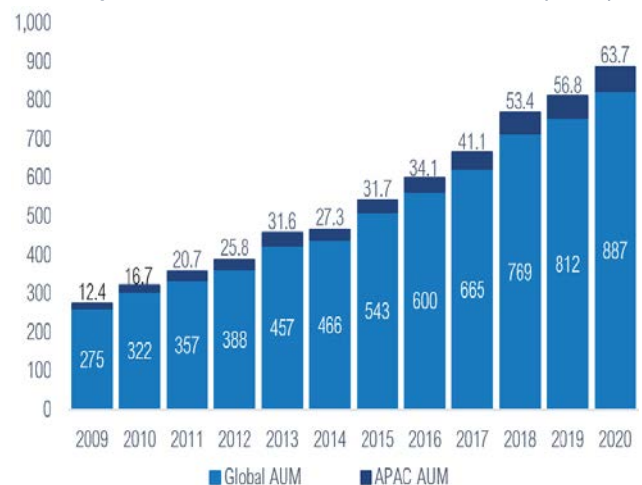
- Private Credit markets are not directly accessible to individual investors. Sourcing and origination is complex, and sufficient investment scale is required in order to develop a diversified portfolio of loans. Effective market coverage requires long-standing relationships, a deep understanding of various key markets, and access to local networks.
- It is these challenges that create the opportunity for specialised and experienced operators like TCP to capture attractive risk adjusted returns, while presenting high barriers to entry for those unable to access deal flow and for those who are less prepared to deal with the nuances of the market.
- TCP's origination and structuring capabilities extend across the Asia-Pacific region allowing TCP to carefully and selectively deploy funds, ensuring credit standards are maintained and appropriate risk adjusted returns are generated for investors.

- TCP's focus on the mid-market provides access to bilateral and club transactions offering better lender protections and enhanced risk adjusted returns relative to large-scale loans syndicated on a "take it or leave it basis", where individual investors have no control over terms and conditions, or pricing.
- This has enabled TCP to construct a diversified portfolio of high-quality corporate loans representing a truly differentiated set of cash flows for investors.

### INVESTMENT SELECTION & PORTFOLIO CONSTRUCTION

- Having access to regional networks is only the first step in constructing a high-quality loan portfolio and delivering attractive risk adjusted returns to our investors.
- TCP's origination and sourcing capabilities are complimented by rigorous credit analysis, developed over years of experience in global credit markets through numerous economic cycles.
- TCP focuses on loans with maintenance financial covenants, which provide early warning signals should financial performance of borrowers deteriorate. This is in contrast to a number of global and Australian Private Credit funds which largely invest into covenant-lite structures that do not possess this downside protection.
- The performance of TCP's portfolio through COVID-19 is testament to the high-quality deal origination, structuring and management capabilities of the investment team.

Fig.1: Global Private Credit AUM Growth 2009-2020 (US\$bn)



Source: Preqin Pro.

## TANARRA CREDIT PARTNERS

Tanarra Credit Partners (“TCP”) is an Asia-Pacific Private Credit manager with offices in Melbourne, Sydney, Hong Kong and Wellington. TCP’s senior investment team has 100 years of combined global credit markets experience.

Since inception in 2017, TCP has grown to manage A\$550 million of investor capital and has successfully demonstrated an ability to originate a diversified portfolio of high-quality loans across its broad professional network, with net returns in excess of 6.00% p.a. over the last 12 months.

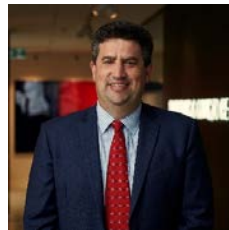
TCP is the credit vertical of Tanarra Group, an alternative investment platform managing in excess of A\$2 billion.

TCP AP Fund II is available for commitments, underpinned by cornerstone investments of A\$250 million from existing investors. For more information, please contact TCP as provided below.

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