Sanlam Investments

Owning the credit, not the chaos

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ACTUARIAL SOCIETY OF SOUTH AFRICA
Advancing Actuarial Excellence

Owning the credit, not the chaos

In a fragmented global system, market prices increasingly reflect sentiment and liquidity — not underlying credit risk

Private credit strains ripple through Wall Street as investors grow wary

Private Credit Funds Have Started Throttling Redemptions.

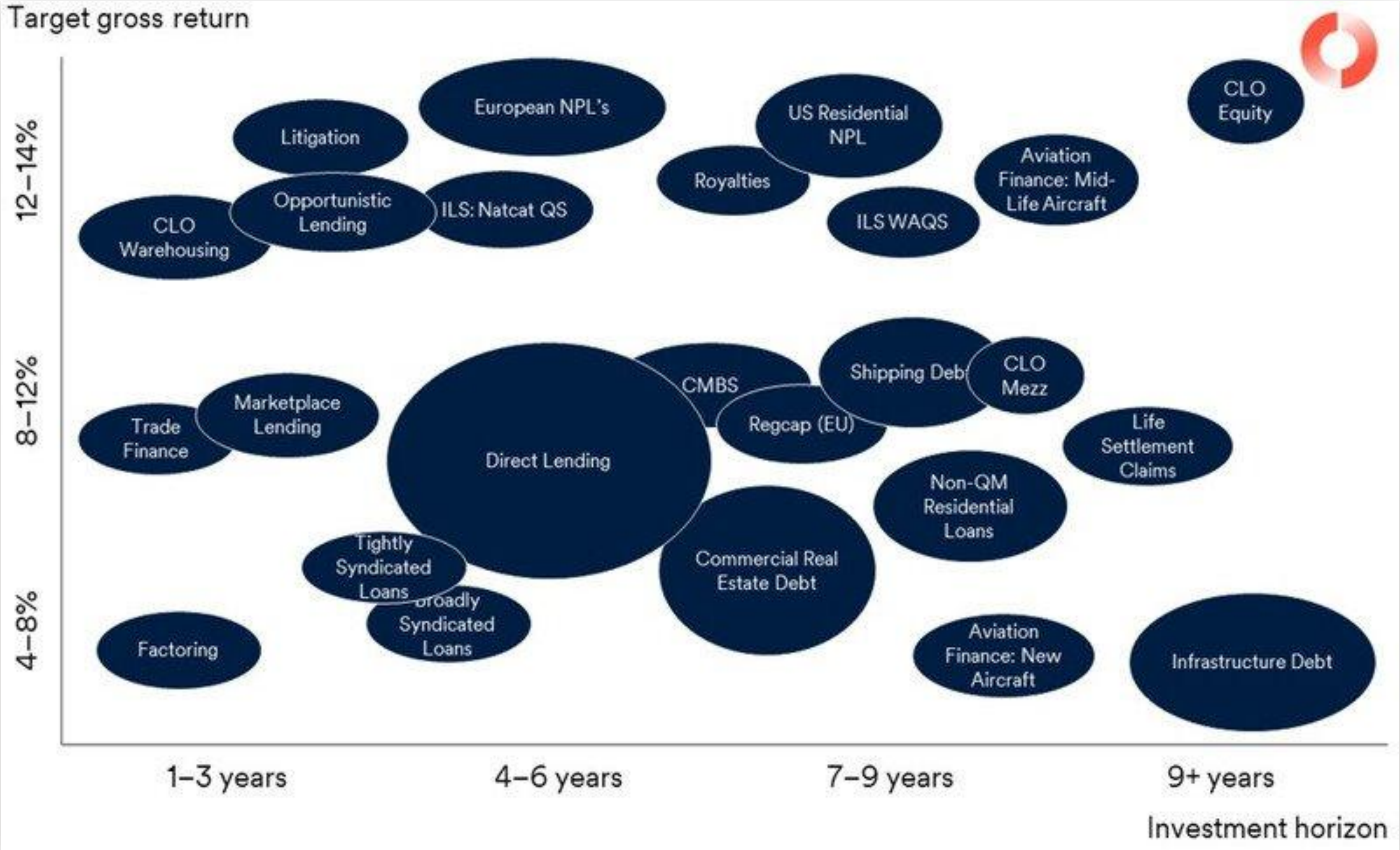
Investors ditch private credit funds on rising worries over bad loans

More pain in private credit with JPMorgan reportedly tightening lending while a $33 billion fund sees heavy redemptions

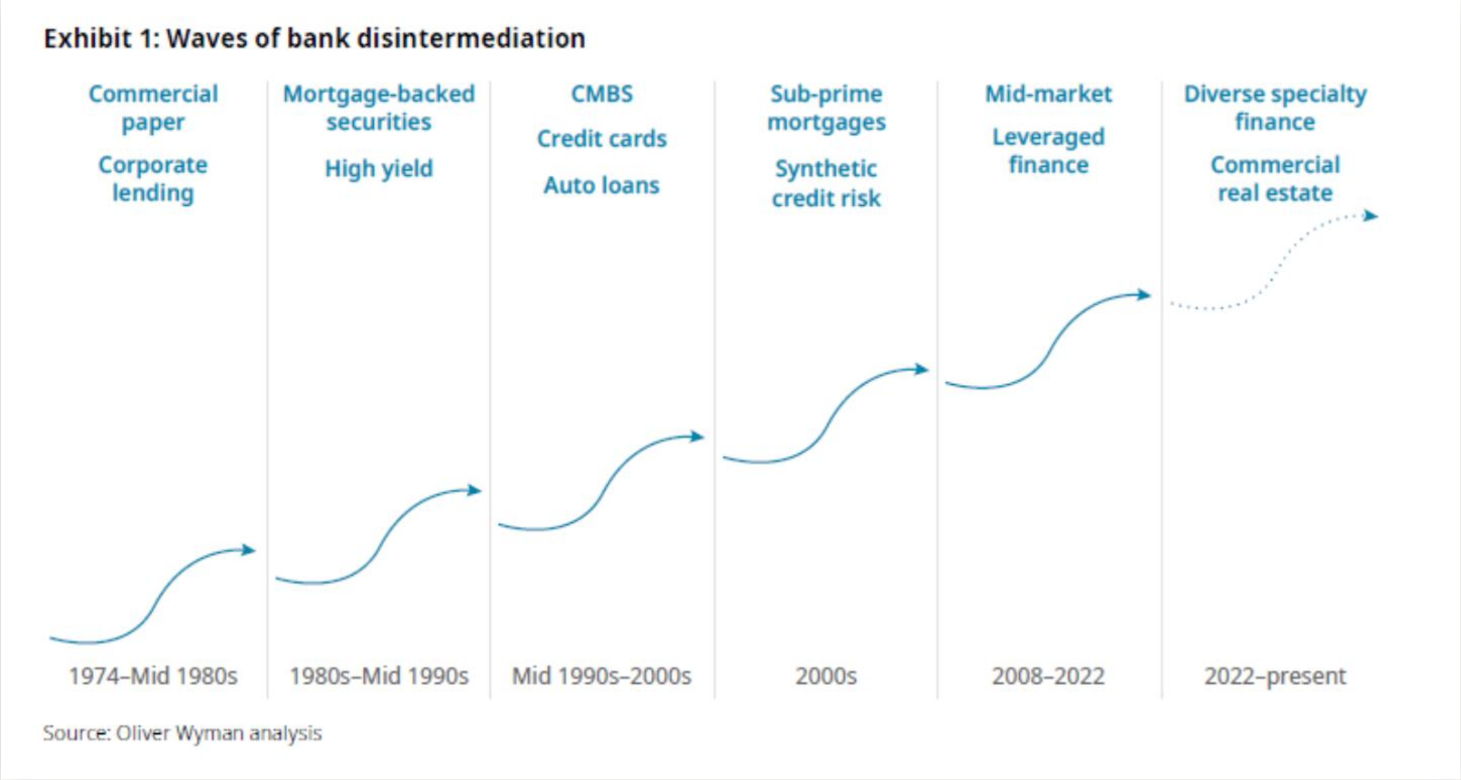
An Exodus of Money Endangers Wall Street's Private-Credit Craze

Private credit's Breit moment

What is Private Credit



The rise of Private Credit



- Regulation changed supply.
- Yield needs changed demand.
- The middle market filled the gap.

S&P; Oliver Wyman

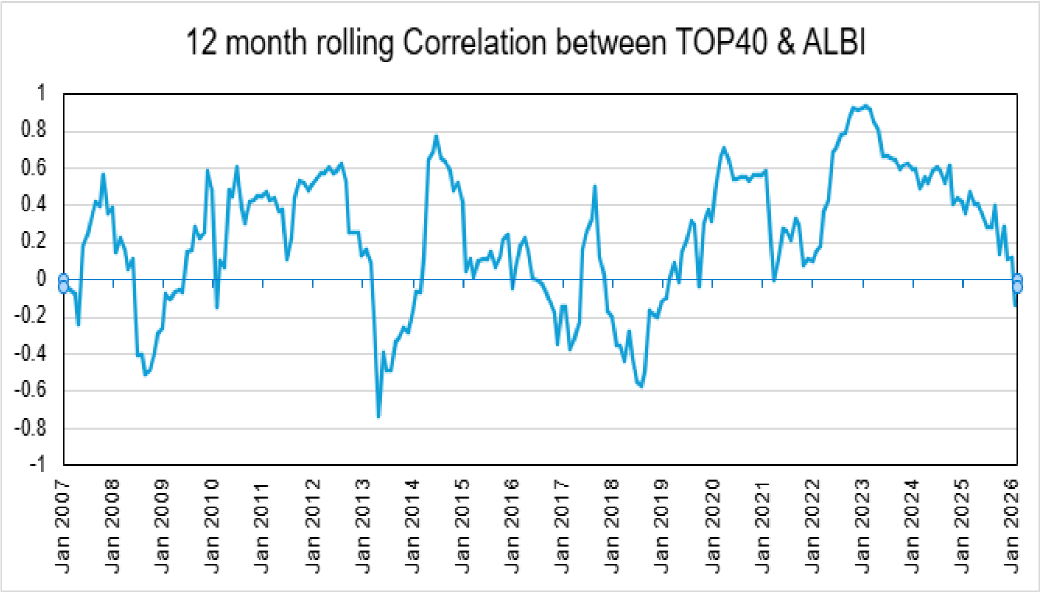
Geopolitical fragmentation

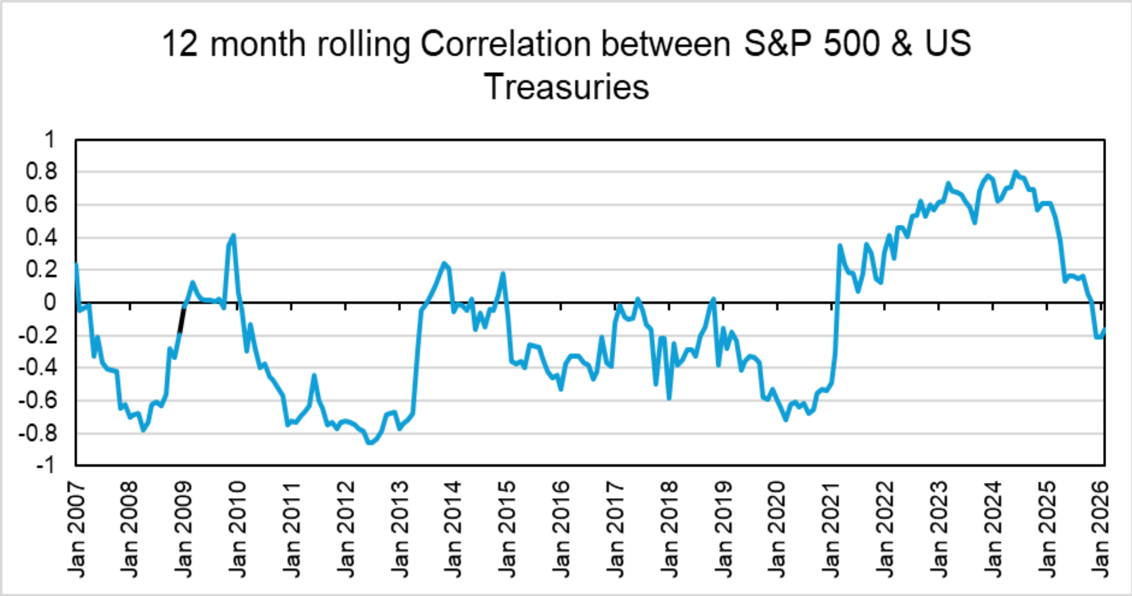
- The world is becoming more unstable
- These shocks are frequent
- Public markets reprice risk quickly

Macromicro.me

Geopolitical fragmentation

Bond and equity correlation has become positive





In a fragmented global system, market prices become unreliable signals of underlying credit risk.

Sanlam Investments; Bloomberg

Markets Are No Longer a Reliable Thermometer

This creates demand for risk that can be priced, structured, and managed locally.

- Volatility driven by macro shocks and flows
- Repricing is rapid and indiscriminate
- Market price no longer reflects true credit risk

If the thermometer is broken, you need to measure the temperature yourself.

Private Credit: Measuring the Temperature Properly

Two fundamentally different ways of owning credit risk in volatile markets

Public Credit Market Dynamics

Capital deployed to meaningfully advance employment equity, economic diversity, and inclusion at scale.

Private Credit Contractual Framework

Private credit relies on negotiated interest payments and legal contracts, providing stable valuations and downside protection.

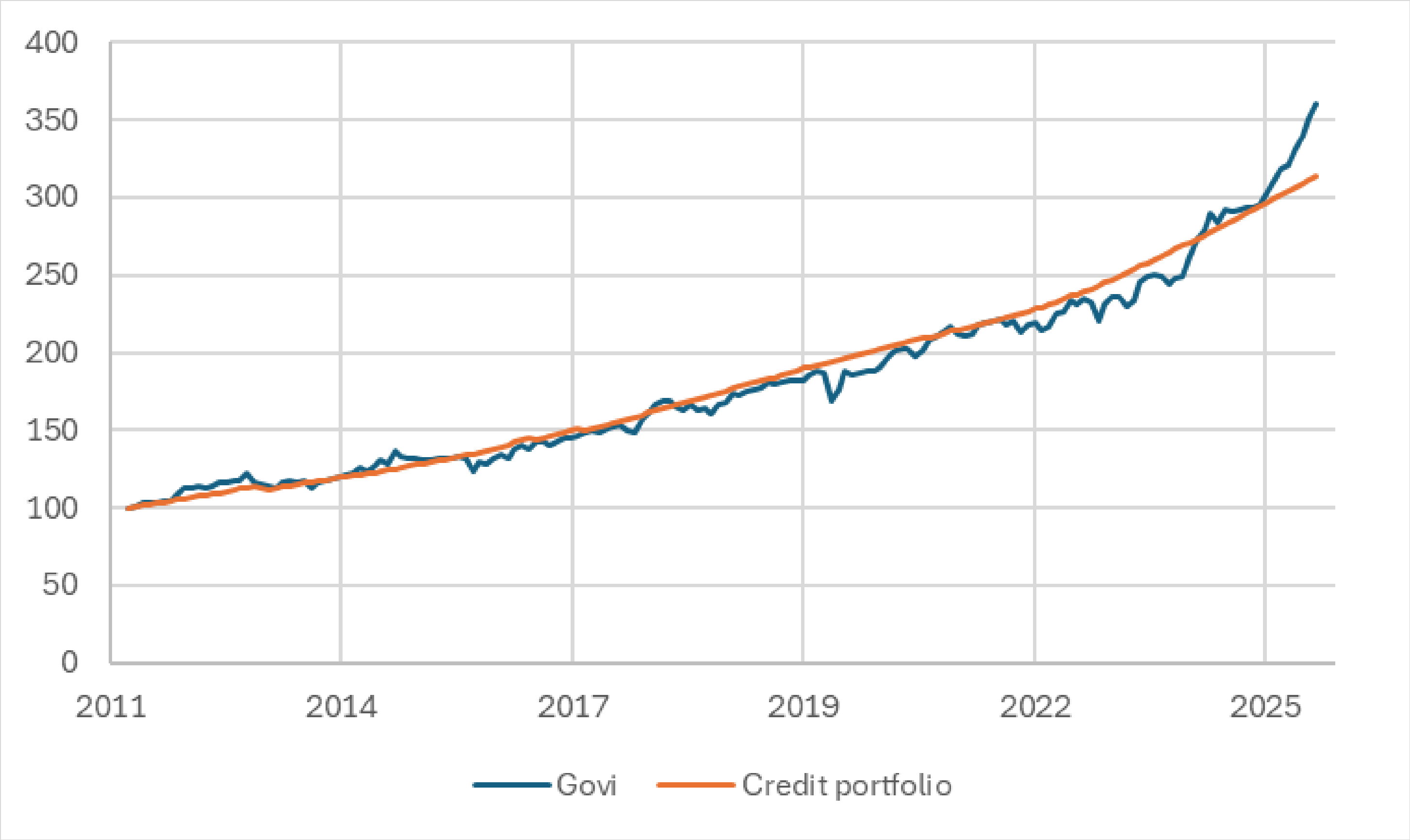
Investor Control and Engagement

Private credit investors actively manage risk via monitoring and direct engagement, unlike public market investors.

Risk Transformation

Private credit shifts risk from market-driven volatility to contractually managed credit performance risk.

Returns vs other credit assets



Public markets: volatile readings
Private credit: steady temperature

What This Means for Portfolios

- Enhance Yield and Risk-Adjusted Returns
- Portfolio Diversification
- Structural Protections and Covenants
- More liquid than other private markets

Risks & Critiques

Lessons from recent market stress

- Liquidity mismatch in semi-liquid funds
- Rising defaults in high-rate environments
- Valuation opacity
- Redemption pressure
- Governance and transparency: complex structures; limited disclosure

Private credit is not risk-free – it is risk-transformed

Owning the credit, not the chaos

Source: Text added here

- Fragmentation amplifies market noise
- Public prices increasingly reflect **sentiment, not solvency**
- **Private credit localises risk and anchors outcomes in contracts**

In a fractured world, the challenge is not just generating yield — but owning the credit without owning the chaos.

Thank you