Gemcorp Emerging Market Private Credit Study 2026: From conviction to capital

GEMCORPCAPITAL.COM

June 2026


The Laúca Hydroelectric Power Station, Angola

Front cover: Cunene Drought Combat Project, Angola

GEMCORP CAPITAL

Contents

Foreword	3
Executive summary	4
Regional and investor type highlights	7
The state of play: Private credit in 2026	11
The EM opportunity: Why investors are looking further afield	15
Rethinking EM risk	18
Building EM exposure	22
The road ahead	27

Felipe Berliner
Co-founder &
Head of Structuring

"This is our second investor study, drawing on the views of 250 investment decision-makers across 22 countries.

The majority of respondents expect emerging market private credit to outperform its developed market equivalent over the next five years. More are planning to increase allocations to EM than to any other region. Many expect the asset class to deliver stronger diversification benefits and superior risk-adjusted returns.

These views reflect what we believe is a shift in how sophisticated allocators are thinking about geography, diversification and risk."

Foreword

When we commissioned our first investor study in 2025, we had a simple objective: to understand what institutional investors actually thought about emerging market private credit. Not what we hoped they thought. Not what a decade of advocacy told us they should think. What they actually thought.[1]

That study, which took the pulse of 75 institutional investors, confirmed what we had long observed in conversations with allocators. Conviction in the opportunity was real. Understanding of the asset class was uneven. And the gap between those two things was doing a great deal of work in suppressing allocations.

This report is the second in that series. It is also considerably more extensive, drawing on the views of 250 investment decision-makers across 22 countries, working for institutions collectively responsible for around US$21 trillion of assets[2]. Where the 2025 study offered an early indication of investor sentiment, this year's study offers something closer to a full picture, structured across institution type, geography and allocation experience.

The headline findings are encouraging. The majority of respondents expect emerging market private credit to outperform its developed market equivalent over the next five years. More are planning to increase allocations to EM than to any other region. Many expect the asset class to deliver stronger diversification benefits and superior risk-adjusted returns.

These views reflect what we believe is a shift in how sophisticated allocators are thinking about geography, diversification and risk. Developed market private credit has grown rapidly, attracting capital from a broad range of investors. But rapid growth changes markets. As competition has intensified, spreads have compressed and underwriting standards have weakened in parts of the DM market, investors are starting to reassess where true diversification and value can be found. Emerging markets are a major part of that conversation.

And yet this study also exposes a perception gap, one that is worth being upfront about.

The majority of respondents still believe the risks in EM private credit are higher than those in developed markets. That perception remains the single biggest barrier to growing allocations. It is a view we have encountered regularly in conversations with investors for over a decade, but one we believe is misunderstood and changes significantly when investors become more familiar with the asset class.

Risk exists in every market. But risk that is poorly understood is often mispriced – in both directions.

Emerging markets are not homogeneous, and neither is private credit. A senior-secured infrastructure loan in Africa, a trade finance arrangement in Latin America or a sovereign-backed facility in the Middle East cannot be reduced to a single risk label. Structure matters. Collateral matters. Local presence matters.

What this study also reveals is that only a minority of investors believe they have a full understanding of the structural protections available in emerging market private credit. This is important. When investors understand those protections, perceptions shift. The data in this report shows that investors with meaningful EM private credit experience assess risk-adjusted returns almost twice as favourably as those who have not yet allocated. Experience is an effective corrective to misperception.

Clearly, the education challenge is real, and we do not underestimate it. It is one of the reasons we commissioned this research, and why we are committed to improving investors' understanding of the risks and opportunities in emerging markets.

We hope this study contributes to a more rigorous, more informed and ultimately more constructive debate about the role of emerging market private credit in investor portfolios. The opportunity is huge. The data in this study makes that case clearly. The question is how quickly the institutions that have not yet moved will close the gap with those that have.

Felipe Berliner
Co-founder & Head of Structuring

1) The 2025 survey report is available upon request and at www.gemcorpcapital.com.
2) Please see important information at the end of this document.

SECTION 1

Executive summary

Private credit has established itself as a core allocation for institutional and, increasingly, wealth investors. The initial investment case was obvious: as banks retreated from non-investment-grade lending, non-bank lenders stepped in, and investors were rewarded with attractive floating-rate income and structural protections unavailable in public markets. But the market has matured and that has, in some segments, eroded some of those initial attractions.

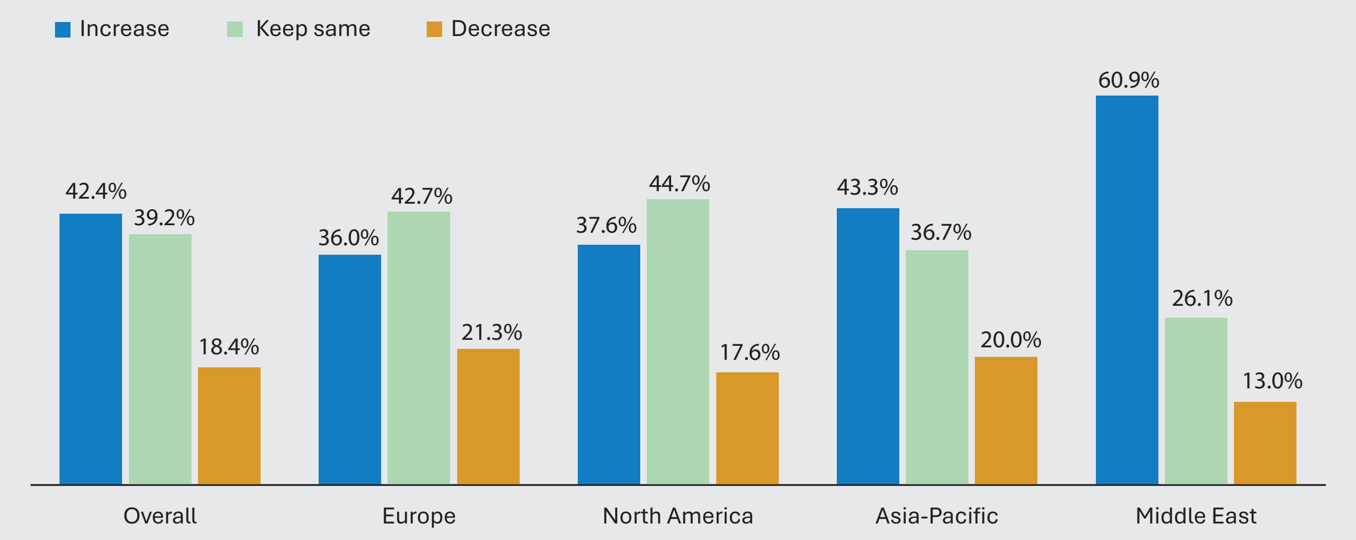
Against that backdrop, this study of 250 institutional investors, collectively representing US$20.9 trillion of AUM across every major geography and institution type, finds an asset class at an inflection point. Confidence in private credit is becoming more qualified, with concerns about structural protection, leverage and defaults in developed markets, and by a growing desire to diversify.

Emerging markets private credit is the clearest expression of that intent. More investors plan to increase their EM allocation over the next two years than any other region. The expected return premium over developed markets is material. And while current EM allocations remain small – less than 6% of respondents' private credit portfolios on average – the barriers to that increasing are largely down to perception. But perceptions can change as more investors understand both the opportunities and risks associated with investing in emerging markets.

Key numbers at a glance

5.8% Average EM share of private credit portfolios	**42%** Plan to increase EM allocations over next two years	**300bps** Expected EM outperformance vs DM over five years
62% Expect EM to deliver better diversification than DM	**54%** See rising default rates as a significant DM challenge	**47%** Fully understand EM investor protection measures

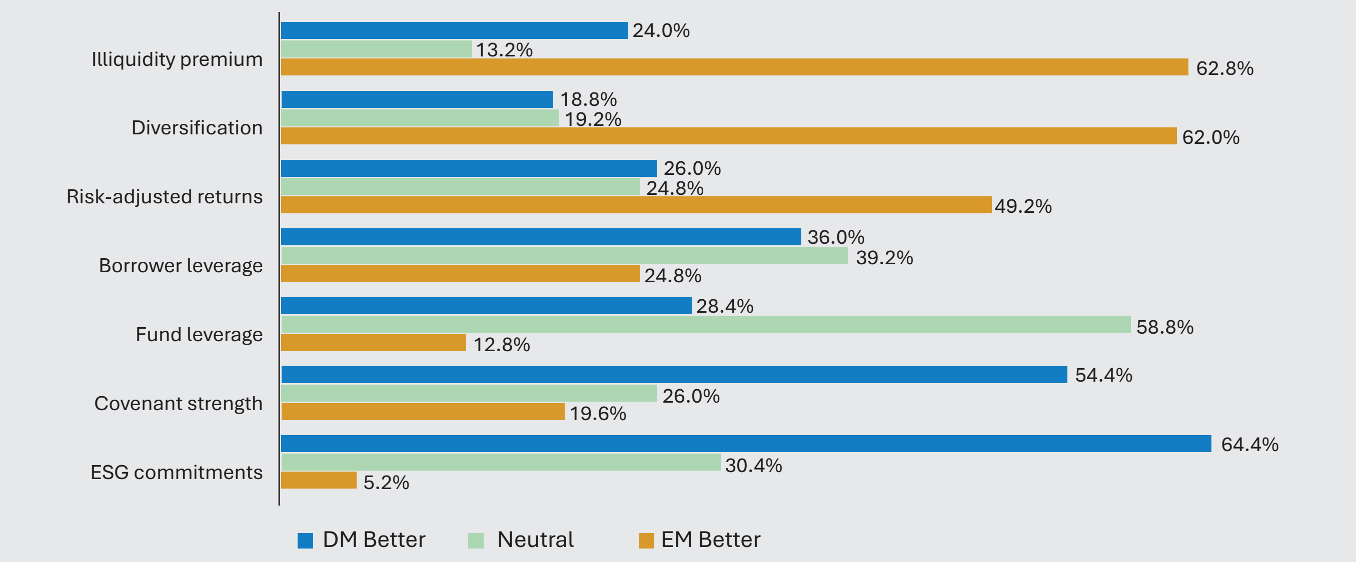
Figure 1: Intention to allocate to EM private credit by investor region over next two years



Key themes

1	**EM is attracting interest but remains a significant underweight** Emerging markets account for just 5.8% of private credit portfolios on average, despite representing the strongest allocation growth intentions. Sixty per cent of respondents already allocate to EM private credit. The conviction is broad. Capital commitments are playing catch up.
2	**Investor appetite for EM outpaces every other region** More investors plan to increase their EM private credit allocation (42%) than their North America (25%), developed market Europe (31%) or Asia-Pacific DM (32%) allocations.
3	**The expected return premium over DM is material** The weighted average return expectation for EM private credit over the next five years is 11% annualised, against 8% for developed markets. More than half of respondents (52%) expect EM returns of 11-15% per year; a further 6% expect above 15%. EM is also expected to outperform DM in terms of diversification benefits, illiquidity premia and overall risk-adjusted returns.
4	**Risk perception is still a bottleneck** Over 70% expect higher risk in EM private credit relative to DM. Yet only 47% say they fully understand the investor protection measures available in EM private credit strategies. Among non-allocators, the knowledge gap and risk perception compound each other: 69% of those not yet invested cite perceived higher risk as their primary barrier, while also being the cohort least familiar with the structural protections that can address it.
5	**Concerns rising over DM private credit** Rising default risk is rated a challenge by 93% of respondents. Investor crowding into core segments concern 85%. Increasing manager leverage concern 86%. In response, investors are looking to make changes to their portfolios: 56% rank mitigating default risk as a high priority action; 64% prioritise specialist managers with long track records.

Figure 2: EM vs DM private credit – expected outcomes across factors



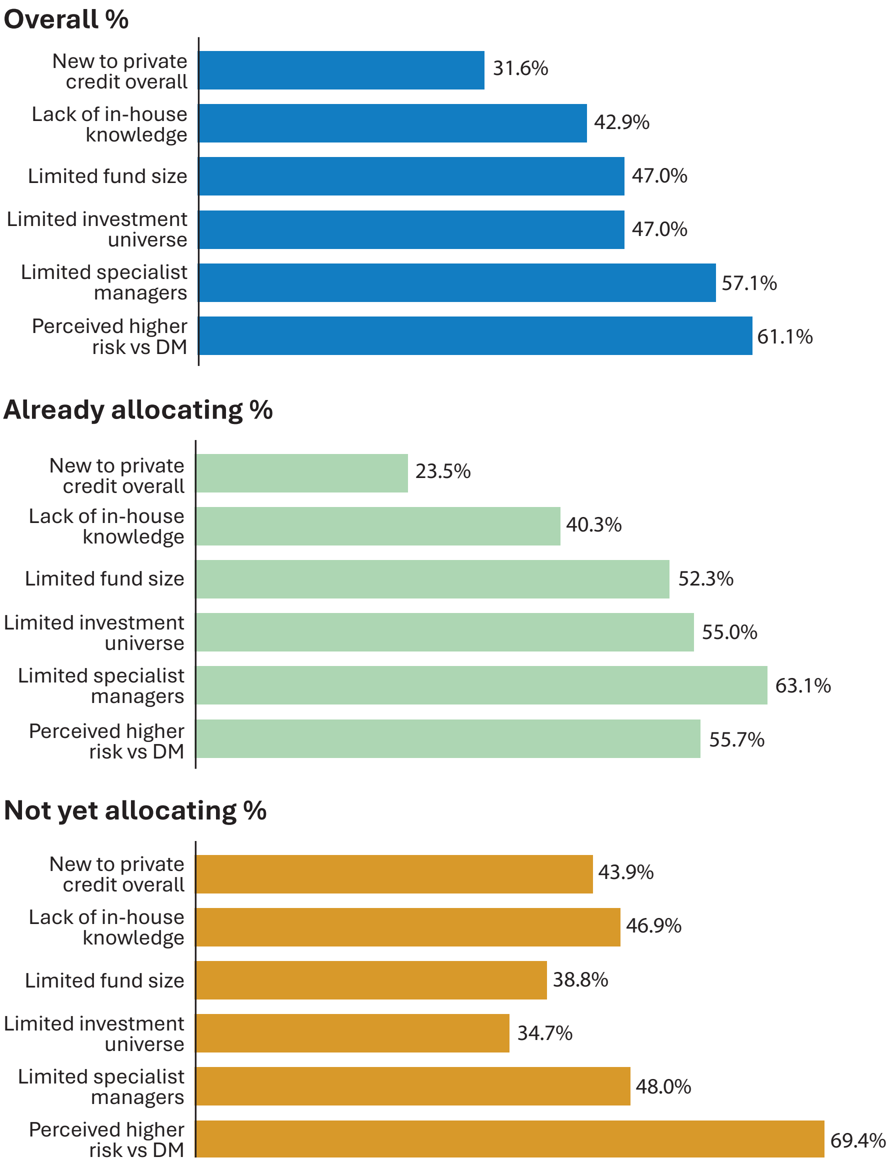
Two populations, two different journeys

One of the key revelations of this study is the split between those who already allocate to EM private credit (60% of respondents) and those who don't. These are not two groups at different stages of the same journey: they have different challenges, have different views on risk and are pursuing different strategies. Among existing allocators, the primary barriers are deployment constraints – not enough specialist managers, not enough fund scale. Among non-allocators, the barriers are perceived risk and a lack of in-house expertise.

The allocation gap in numbers

Among non-allocators, 69% cite perceived higher risk as a top barrier – yet only 34% of this group have a strong understanding of EM investor protection measures. Among existing allocators, the top three barriers are limited specialist managers (63%), limited fund size (52%), and a limited investment universe (55%), highlighting challenges are more related to deployment than conviction.

Figure 3: Biggest barriers to increasing EM allocations (rank 1-3)



Conviction is growing, but so is the gap between belief and allocation

In our 2025 study, 90% of investors expected EM private credit growth to accelerate or remain stable over the following five years. A year on, that underlying optimism has held: 42% of the 250 institutional investors surveyed for this study plan to increase their EM allocations over the next two years, and 79% agree that EM offers a return premium over developed markets.

Despite that consensus, the average EM private credit portfolio share is less than 6% and 40% of respondents have no current EM allocation at all. There is still distance between conviction and committed capital.

Note: Our 2025 study surveyed 75 institutional investors via a proprietary questionnaire. The figures are not always directly comparable but do reflect consistent directional trends.

SECTION 2

Regional and investor type highlights

The 250 investors in this survey operate across five continents and five institution types. Although there is broad consensus on key areas – private credit is an important allocation, they are underweight EM, DM is showing stress – there are nuances. EM private credit adoption will not happen at the same pace or for the same reasons across geographies and institution types. This section maps the key divergences.

At a glance: How the cohorts compare

	Asia-Pacific	North America	Europe	Middle East
Already allocating to EM	73%	42%	56%	91%
Plan to increase EM allocation	33%	40%	45%	65%
No plans for EM allocation	17%	34%	28%	4%
Expect EM returns 11–15%	60%	48%	40%	78%
EM offers better illiquidity premium	65%	44%	71%	91%
EM offers better risk-adj. returns	42%	36%	61%	74%
Rising defaults: high DM challenge	58%	49%	51%	65%
Risk perception top EM barrier	67%	71%	47%	57%
Limited managers top EM barrier	48%	49%	65%	78%

Regional perspectives

The three main regional cohorts in this survey hold broadly similar views on EM private credit's return potential, but diverge on allocation intentions, risk perception and barriers.

Europe: Active adopters, with clear conviction

Over half of European institutions already allocate to EM private credit and 45% plan to increase their allocation over the next two years, compared to 40% of North American and 33% of Asia-Pacific respondents.

Their conviction is evident in comparative return and risk data. European investors are the most likely to believe EM offers better risk-adjusted returns than DM: 61% favour EM, versus 42% in Asia-Pacific and 36% in North America. On the illiquidity premium, 71% of European investors favour EM. This cohort has looked at the EM opportunity seriously and decided the case is compelling.

European investors are also pessimistic about DM. Just over half expect DM returns of only 5-7% annualised over the next five years. Risk perception towards EM remains a barrier (47% cite it), but it is lower than North America (71%) and Asia-Pacific (67%).

71% of European investors believe EM offers a better illiquidity premium than DM private credit.

Within Europe, UK investors show a slightly stronger appetite for increasing EM exposure (52%) but also higher rates of DM concern – 60% rate rising defaults as a high challenge, against 51% for Europe overall. This may reflect the UK's mature private credit market and sensitivity to structural challenges.

The Middle East: Highest current allocations, highest conviction

Over 90% of Middle Eastern investors already allocate to EM private credit – the highest rate of any geographic sub-group in the survey – and their average EM portfolio allocation of over 11% is well above the overall average of 6%. Return expectations are also bullish: 96% expect EM annualised returns of at least 11% over five years, with none expecting returns below 8%.

Africa rates as attractive for 57% of Middle East respondents – well above the 28% overall. This possibly reflects the long-standing Gulf-Africa investment corridor and the infrastructure and commodity financing relationships that Gulf sovereign and institutional capital have developed over decades. The Middle East's main concern is not risk, but a lack of specialist managers (cited by 78%).

North America: Concerned on DM, still cautious on EM

North American investors are simultaneously the most critical of developed market private credit conditions and the most reluctant to increase EM exposure.

On DM challenges, North American investors are consistently at or above the overall average: 49% rate rising defaults as a high challenge; 46% flag crowding in core segments. Yet only 40% plan to increase their EM allocation – the same as the overall average, but below Europe – and 34% say they have no plans to allocate to EM at all, the highest level of any region.

Seventy-one per cent of North American investors cite higher risk as a barrier to EM allocation. North American investors are also the most concerned about the lack of legal protection in EM (87% see this as a higher risk than DM) and default risk (78%). These concerns are higher than regions with more active EM allocation programmes, suggesting a gap between perception and informed risk assessment.

Only 42% of North American investors already allocate to EM private credit – below Europe, Asia-Pacific and the Middle East.

The North American instrument preference also reflects their cautious approach: 54% favour strategies overweighted to senior-secured debt, the highest of any region, against only 31% who prefer a balanced senior/junior mix. And North American investors are notably less likely to use dedicated regional mandates (21%) compared to Europe (36%) and Asia-Pacific (45%).

The North American home bias

North American investors have greater concerns over risks in EM (71% cite it as a primary barrier) yet simultaneously hold the most concentrated DM portfolios: the average North American respondent allocates 73% of their private credit portfolio to North American assets, against an overall average of 56%. The concern about EM risk coexists with a very large home-bias bet.

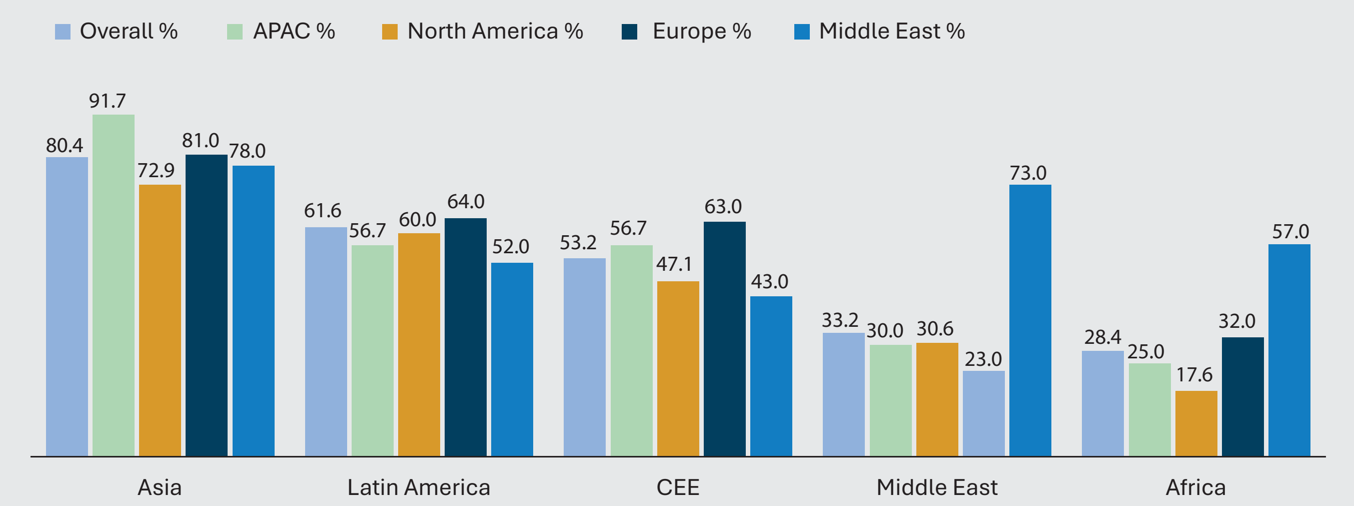
Asia-Pacific: Higher existing exposure, lower incremental appetite

At 73%, APAC investors have a high current EM allocation rate, reflecting geographic proximity and a longer history of cross-border Asian investing. But incremental appetite is comparatively modest: only 33% plan to increase their EM allocation over the next two years.

APAC investors allocate 7.3% of their private credit portfolios to EM on average, considerably higher than North America (3.8%). Asia is the overwhelming regional preference for EM private credit investment among APAC investors: 92% rate Asia as attractive for private credit over the next two years – the highest reading for any EM region. Latin America (57%) and CEE (57%) follow, while Africa (25%) and the Middle East (30%) lag.

On the comparative EM vs DM questions, APAC investors are more measured. Just over 40% favour EM on risk-adjusted returns (versus 61% in Europe), and 65% favour EM on the illiquidity premium (versus Europe's 71%).

Figure 4: EM regional attractiveness for private credit (next two years)



Investor type perspectives

The survey covers five institution types: pension funds (private and public), insurers, endowments and foundations, family offices and sovereign wealth funds. The SWF and family office cohorts are too small for reliable statistical inference and are noted where directionally interesting.

At a glance: How the cohorts compare

	Pension funds	Insurers	Endowments
Mean PC allocation	7.4%	9.7%	8.8%
Already allocating to EM	55%	71%	37%
Plan to increase EM allocation	45%	41%	37%
No plans for EM allocation	26%	17%	40%
Expect EM returns 11%+	60%	47%	40%
EM: better risk-adj. returns	50%	45%	40%
EM: better illiquidity premium	66%	63%	37%
Risk perception top EM barrier	58%	68%	59%
Manager selection: high priority	72%	53%	63%

Insurers: Committed and selective

Insurers have the highest existing EM private credit penetration: 71% already allocate, compared to 55% of pension funds and 37% of endowments. Their average private credit allocation overall is also highest at 9.7%.

Insurers' conviction on EM returns is notable: 86% agree EM offers a return premium over DM and almost half expect EM annualised returns of 11-15% over the next five years. Almost two thirds believe EM offers better diversification benefits than DM. On the illiquidity premium, 63% favour EM, consistent with the overall average.

Insurers' top barrier to increasing EM allocations is risk (68%), above the average of 61%. This may appear counterintuitive for the institution type with the highest existing EM allocation, but reflects that even among the most committed allocators, the perception gap has not fully closed. Insurers also showed concerns about the limited investment universe (52%) and lack of specialist managers (56%).

86% of insurers believe EM private credit offers a return premium over DM, 7 percentage points above the average.

Pension funds: Sophisticated and focused on manager selection

Pension funds are the largest cohort, including public and private sector schemes, whose investment objectives and liability profiles differ materially. At an aggregate level, 55% already allocate to EM private credit and 45% plan to increase, the highest growth intention of any institution type.

Pension funds are also optimistic on EM returns: 69% of public sector pension funds expect EM returns of 11-15% over five years, whereas 60% of all pension respondents expect returns in that band. A further 4% expect returns above 15%.

Confidence on returns may explain why pension funds show the strongest prioritisation towards manager selection: 72% rate it a high priority, well above insurers (53%) and the overall average (64%).

Nevertheless, pension funds are most likely to believe DM offers stronger covenant protection than EM (62% favour DM), against 45% of insurers and 47% of endowments. This suggests some schemes are unfamiliar with the bespoke structuring approaches that characterise EM lending.

While public sector pension funds have the most bullish return expectations, they also have the lowest rate of current EM allocations (46%). Private sector schemes have a higher existing allocation rate (64%) and stronger preference for balanced senior/junior mandates.

Endowments and foundations: Opportunistic and selective

Only 37% of endowments and foundations already allocate to EM private credit – the lowest of any institution type – and 40% say they have no plans to allocate. Yet their motivations for considering EM differ from other institution types: 65% cite attractive opportunistic investments as a key motivation (versus 48% overall).

Endowments' lower EM exposure is partly a function of size: this cohort includes many mid-sized investors whose in-house capabilities are less developed than large pension funds or insurers. Endowments show strong agreement (73%) that EM offers a return premium, and 40% expect EM returns of 11-15% over five years, with 13% expecting above 15% – the highest level of any institution type.

This cohort differs most on the illiquidity premium: only 37% believe EM offers a better illiquidity premium than DM, against 66% of pension funds and 63% of insurers.

Endowments: Opportunistic approach

65% of endowments cite 'attractive opportunistic investments' as a key motivation for EM private credit, 17 percentage points above the average.

Scale matters: How institution size shapes EM engagement

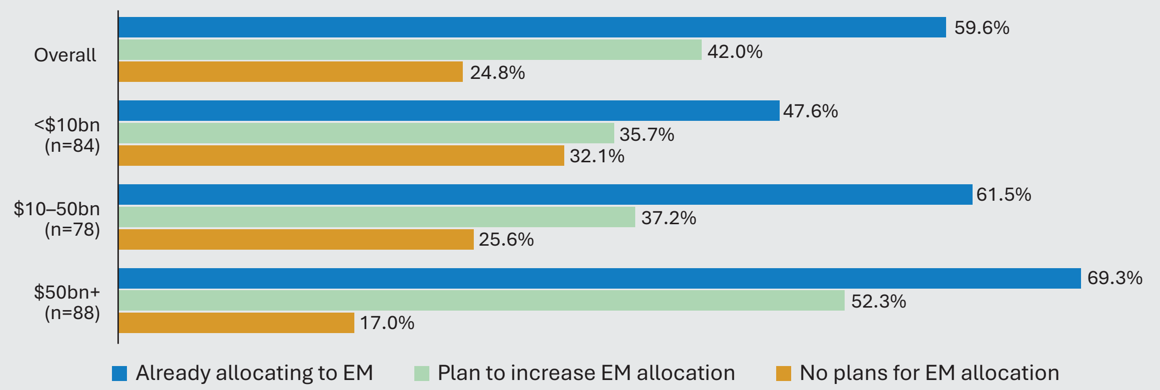
Institution size is one of the clearest predictors of EM private credit adoption in our dataset. Among the largest institutions (US$50 billion AUM or above), 69% already allocate to EM, against 48% of those below US$10 billion. Larger institutions also carry more EM exposure within their private credit portfolios: an average of 7.6% versus 4.1% for smaller investors.

The incremental picture reinforces this: 52% of large institutions plan to increase EM allocations over the next two years, well above the 36% of sub-US$10 billion institutions.

The knowledge and understanding gap also narrows with scale. Only 37% of sub-US$10 billion institutions report a strong understanding of EM investor protections, against 48% of large institutions.

Access routes are also influenced by size. Among larger institutions, the most commonly used approaches alongside closed-end funds are segregated mandates, co-investment and direct investment. Among sub-US$10 billion institutions, closed-end funds dominate.

Figure 5: EM private credit engagement by institution size (AUM)



The allocator/non-allocator divide remains wide, but is closing

One of the clearest findings in our first study was the gap between investors who had experience of EM private credit and those who did not. Among non-allocators, 88% rated contract unenforceability as a significant deterrent. Among existing allocators, only 29% felt the same, a reflection of how direct experience challenges perceptions about EM legal risk.

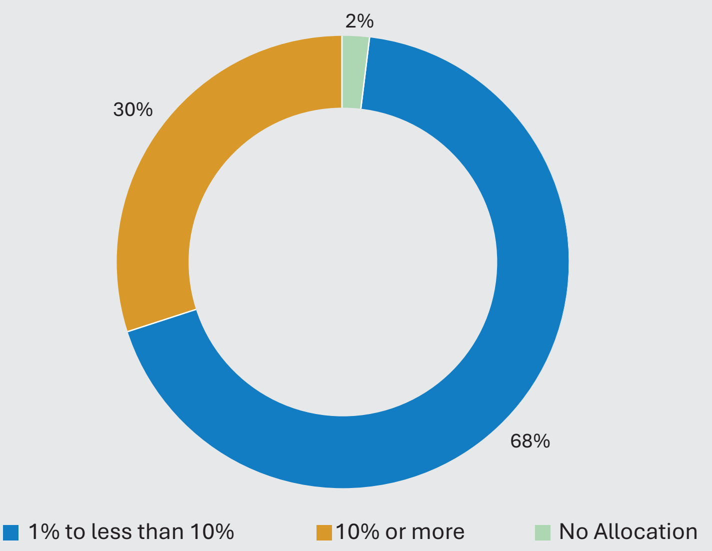
This study finds a similar pattern on legal protection risk more broadly: 87% of non-allocators see it as a higher risk than DM, compared with 78% of experienced allocators.

The state of play: Private credit in 2026

A decade ago, private credit was a specialist allocation, concentrated among large pension funds and insurers with the ability to navigate illiquid, relationship-driven markets. Today, it is a mainstream institutional asset class, held across every institution type, geography and size in this survey.

But in developed markets, the same capital inflows that validated the private credit investment case have also led to tighter spreads, weaker protections and overcrowding in some segments. The question is whether DM private credit in its present form is still delivering what investors need.

Figure 6: Percentage of overall portfolio allocated to private credit



The average private credit allocation across the 250 respondents is 8.4% of total AUM. Around 30% of respondents allocate 10% or more, with only 2% having no current allocation.

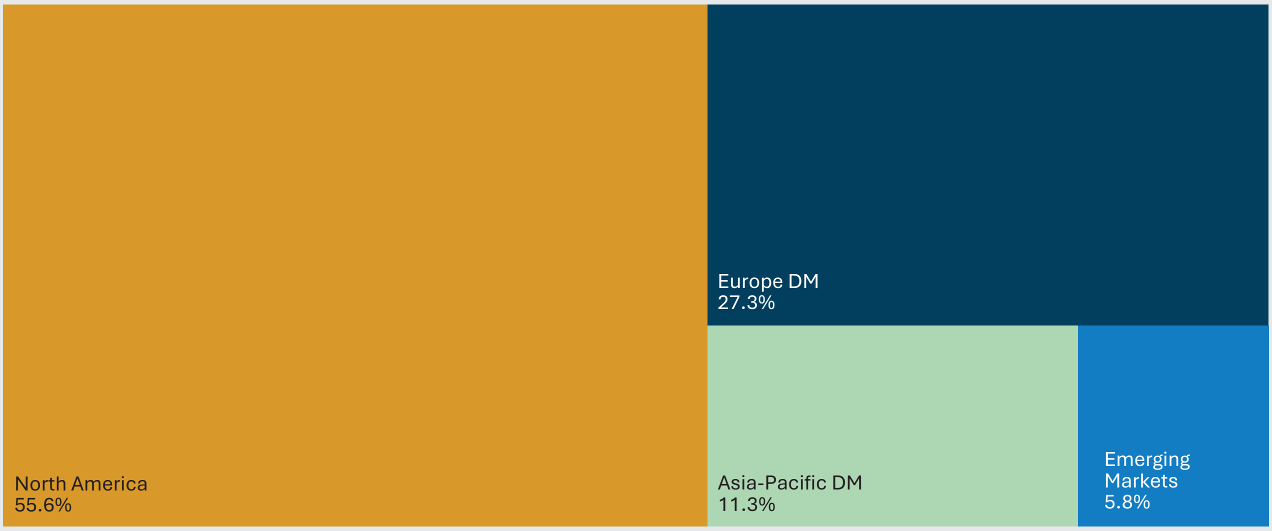
The allocation range by institution type is instructive. Insurers lead at 9.7%, reflecting the natural fit between private credit income streams and insurance liabilities. Family offices follow at 9.4%, consistent with their longer investment horizons and lower liquidity constraints. Pension funds sit at 7.4%, although this conceals meaningful variation: public sector pension funds tend toward the lower end, while private sector schemes with more aggressive return targets cluster higher.

Perhaps the most revealing figure is geographic composition. On average, investors allocate 55.6% to North American private credit, 27.3% to developed market Europe, 11.3% to developed market Asia-Pacific and just 5.8% to emerging markets. This is despite the fact that EM economies collectively account for the majority of global GDP growth and a larger financing gap than any developed market.

55.6% Average share of private credit portfolios allocated to North America, nearly ten times the 5.8% allocated to emerging markets.

Looking ahead, more investors plan to increase their overall private credit allocation (42%) than to keep at the same level or reduce it. But the growth pattern is shifting. The proportion planning to increase their North America allocation (25%) is below the equivalent figure for EM (42%). The direction of travel is toward diversification, even if intention is still running ahead of action.

Figure 7: Current private credit allocations by geography (%)



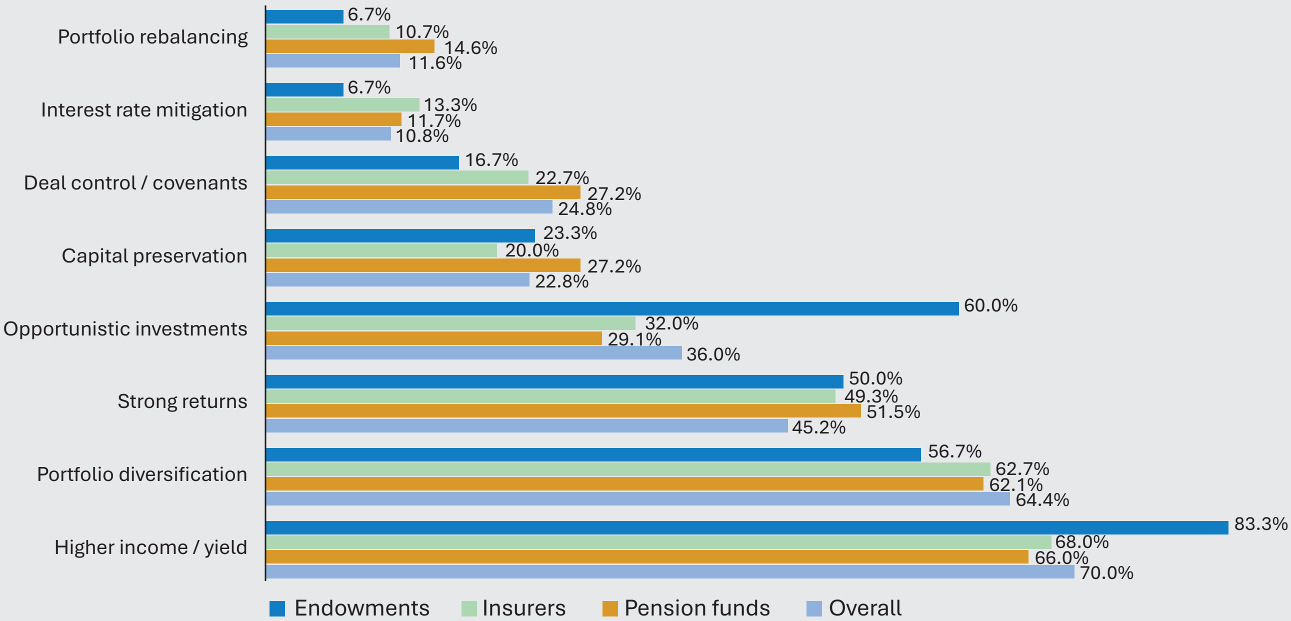
What investors want from private credit

The motivations driving private credit allocations have remained consistent, but their hierarchy reflects the current environment. Higher income than public fixed income is the dominant driver: 70% of respondents rank it among their top three reasons for allocating. Portfolio diversification follows at 64%, and the potential for strong returns at 45%.

The ability to exert control over deal terms and covenants – the structural advantage that distinguishes private credit from public market equivalents – is cited by just 25% as a key motivation. This figure is noteworthy, because this advantage is eroding in DM markets.

Institution type shapes motivations in revealing ways. Endowments and foundations stand out: 83% cite higher income as a motivation (well above the 70% overall) and 60% cite opportunistic investments (versus 36% overall). Insurers, by contrast, are more driven by diversification (63%) and less by strong returns (49%), consistent with balance sheet constraints that prioritise income quality and capital treatment over absolute returns.

Figure 8: Main motivations for allocating to private credit (%, ranking in top 3)



The developed markets stress test

Across nine potential challenges facing developed market private credit, the level of concern is striking. Over 90% of respondents see rising defaults as a challenge, with 54% rating it a high challenge. On manager leverage, 86% view it as a challenge and 44% rate it high. On overcrowding into core segments, 85% see it as challenging and 51% rate it high.

These point to a consensus on deterioration in the asset class from the same investors simultaneously planning to increase overall allocations.

Rising defaults and manager leverage – two issues usually linked to late credit cycle dynamics – sit in the high-challenge, high-priority quadrant alongside specialist manager selection. Covenant-lite proliferation and crowding in core segments are rated similarly challenging but slightly lower in terms of perceived priority, possibly because they are seen as issues that cannot be quickly addressed rather than risks that active portfolio management can mitigate.

Issue / action	High challenge		High priority	Portfolio response
Rising default rates	54%	>	56%	Reduce junior debt exposure, focus on assets with stronger recovery
Specialist manager selection	42%	>	64%	Tighten manager due diligence; prioritise track record and workout history
Manager leverage	44%	>	49%	Avoid strategies using high fund-level leverage
Crowding into core segments	51%	>	42%	Increase geographic and segment diversification
Covenant-lite proliferation	42%	>	41%	Minimise exposure to cov-lite strategies
PIK interest	32%	>	37%	Reduce PIK exposure within portfolios
Geographic concentration	14%	>	42%	Deliberate reallocation toward under-represented geographies

Challenge = % rating 'high challenge'. Priority = % rating 'high priority'

Geographic concentration is rated a low challenge but a high priority action. This perhaps reflects that concentration to certain geographies has historically been a choice. The priority signal says that, even if geographic concentration is not causing problems today, reducing it is imperative.

93% see rising defaults as a challenge, yet 42% plan to increase allocations

The response to DM stress is not retrenchment. It is deliberate reallocation within it, toward less-crowded geographies, more experienced managers and better-structured exposures. EM private credit could be a beneficiary of that thinking.

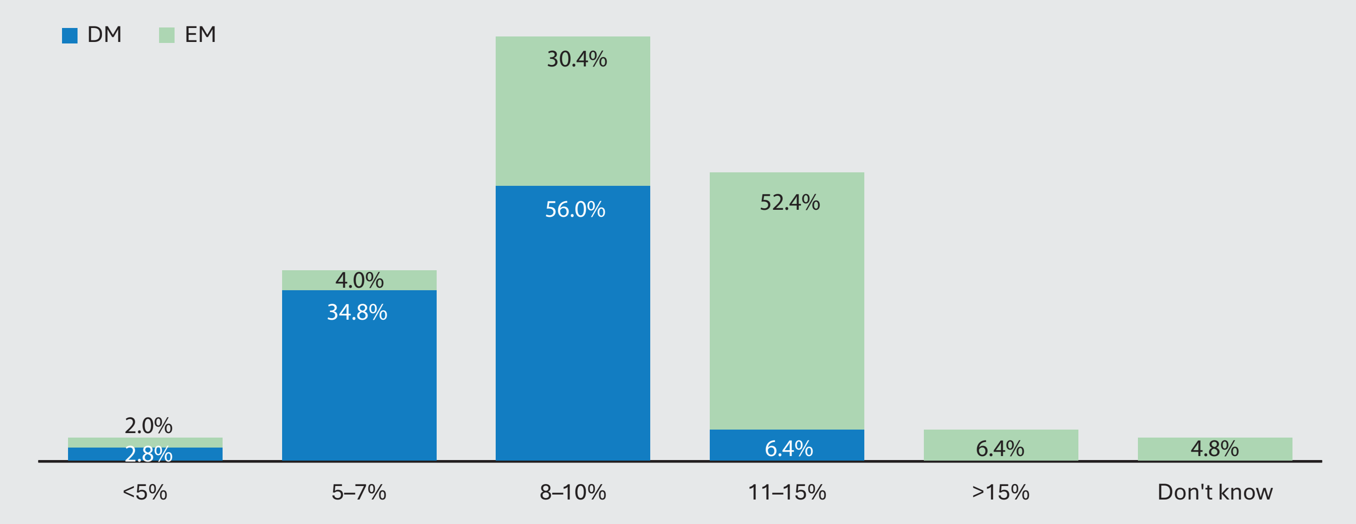
Return expectations: Compressing but not collapsing

Over the next five years, the majority expectation for DM returns is 8-10% annualised (56% of respondents), with 35% expecting 5-7% and just 6% expecting returns above 11%.

The outlook reinforces this. Twenty-nine per cent of respondents expect DM private credit returns to decrease over the next five years; only 16% expect them to increase. The majority (56%) expect them to remain at similar levels. The implicit message is that DM private credit can still deliver decent returns, but the era of outsized performance may be in the rear-view mirror.

European investors are more pessimistic: over half expect DM returns of only 5-7%. This may partly reflect their greater exposure to European private credit, where greater bank competition has historically kept yields below its North American counterpart. It also helps explain the higher EM appetite among European institutions, as documented in the previous section.

Figure 9: DM vs EM return expectations over the next five years (% return band)



What investors hold by segment

In developed markets, corporate direct lending is the dominant segment at 69% of respondents, followed closely by infrastructure debt (65%), commercial real estate debt (50%) and asset-based finance (41%).

The EM picture is different. Infrastructure debt leads (61%), followed by corporate direct lending (50%) and trade and commodity finance (31%) – a segment held by only 12% of respondents in DM portfolios. Sovereign and quasi-sovereign lending appears in 19% of EM portfolios with no DM equivalent.

This breadth of exposures and economic drivers is one of EM private credit's key advantages, reducing concentration risk and allowing greater access to uncorrelated return streams.

Private credit segment exposure: DM vs EM portfolios	DM portfolios	EM portfolios
Corporate direct lending	69%	50%
Infrastructure debt	65%	61%
Commercial real estate debt	50%	31%
Asset-based finance	41%	23%
Trade and commodity finance	12%	31%
Special situations / distressed	35%	21%
Mezzanine debt	25%	13%
Sovereign / quasi-sovereign	—	19%

The presence of trade and commodity finance in EM portfolios at more than twice its DM rate reflects the structural importance of trade finance in EM economies. We see this as a genuinely differentiated return source, not a new flavour of sponsor-backed lending dressed up in a different outfit.

Second, the sovereign and quasi-sovereign category in EM has no direct DM equivalent. Bespoke private lending to sovereign-linked entities – structured, collateralised financing that underpins major infrastructure, commodity or energy transactions – represents a distinct risk and return profile that is unavailable to investors whose portfolios are confined to developed markets.

SECTION 4

The EM opportunity: Why investors are looking further afield

The previous section documented the pressures building in developed market private credit: rising defaults, eroding documentation, crowded trades, compressed spreads. Here, we examine where investors could turn to as a result. EM private credit shows the strongest allocation growth intentions among our investor cohort, and the only region where planned increases materially outpace planned decreases.

But the case for EM is not simply a reflection of DM concern. It has its own positives: in return expectations, diversification logic, structural financing gaps and the macroeconomic shifts reshaping global capital flows.

Why investors allocate to EM private credit

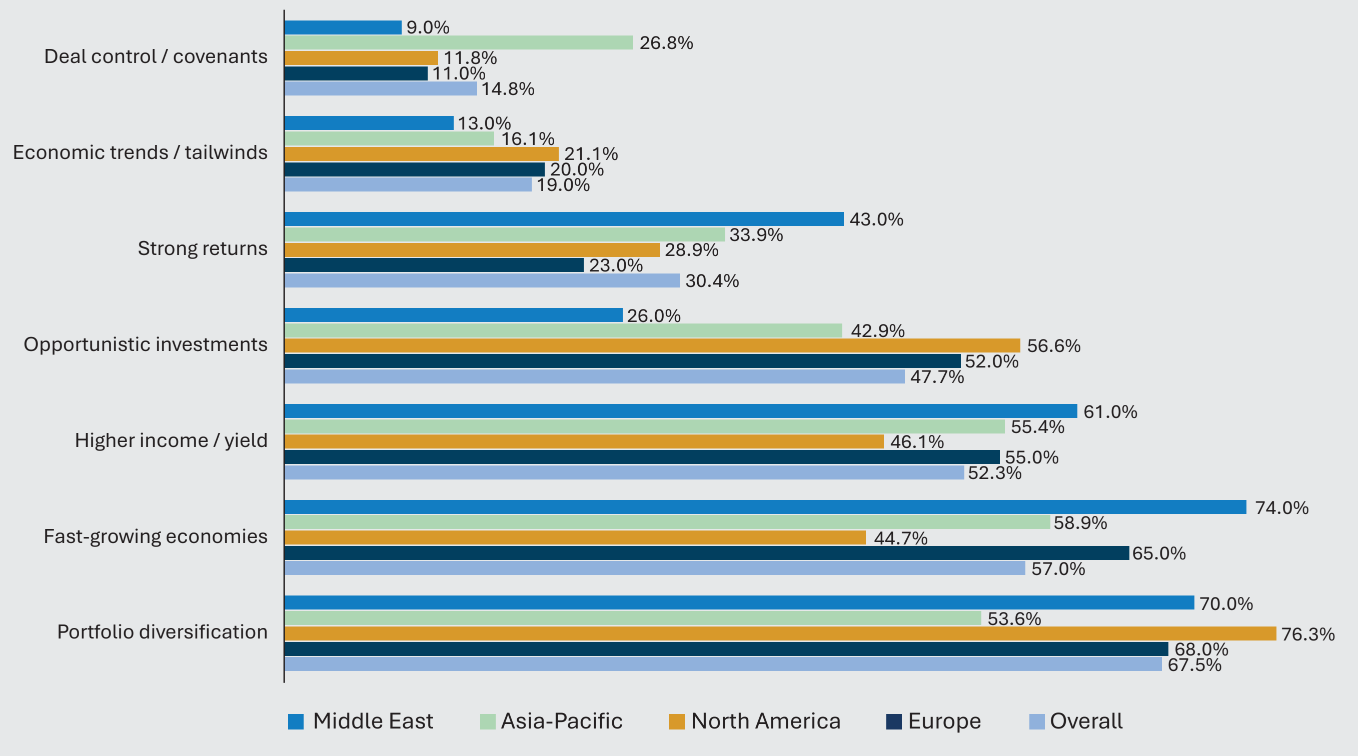
For investors who either have or are considering an allocation to EM private credit, three motivations dominate. Portfolio diversification tops the list at 68%. Income generation stands at 52%, consistent with the floating-rate, yield-oriented nature of most EM private credit instruments. Exposure to fast-growing economies is cited by 57%, reflecting a high level of confidence that economic growth differentials between EM and DM can translate into deal opportunities.

Opportunistic investments are cited by almost half of our respondents. In EM private credit, ‘opportunistic’ is not a euphemism for distressed or high-risk. It reflects the reality that deal flow in capital-scarce markets is generated differently: relationships matter more than auctions, local origination networks create information advantages that do not exist for generalist investors, and the absence of competing capital means structures are negotiated rather than accepted.

The motivation picture also varies meaningfully by investor type and geography. Endowments and foundations are the most opportunistically oriented (65%), consistent with their historically flexible, return-seeking mandates. North American investors are most likely to cite diversification as a motivation (76%), which is at odds with their low current rate of EM allocation. European and Asia-Pacific investors weight growth exposure more heavily (61% and 59% respectively).

For our Middle East cohort, 39% cite bank retrenchment as a key opportunity, higher than the overall average of 27%. Meanwhile, 78% of Middle Eastern investors cite economic growth as a driver, the highest of any sub-group, while 83% see policy tailwinds as a key driver.

Figure 10: Primary motivations for allocating to EM private credit



SECTION 4: The EM opportunity: Why investors are looking further afield (continued)

The return premium: Quantifiable and broadly accepted

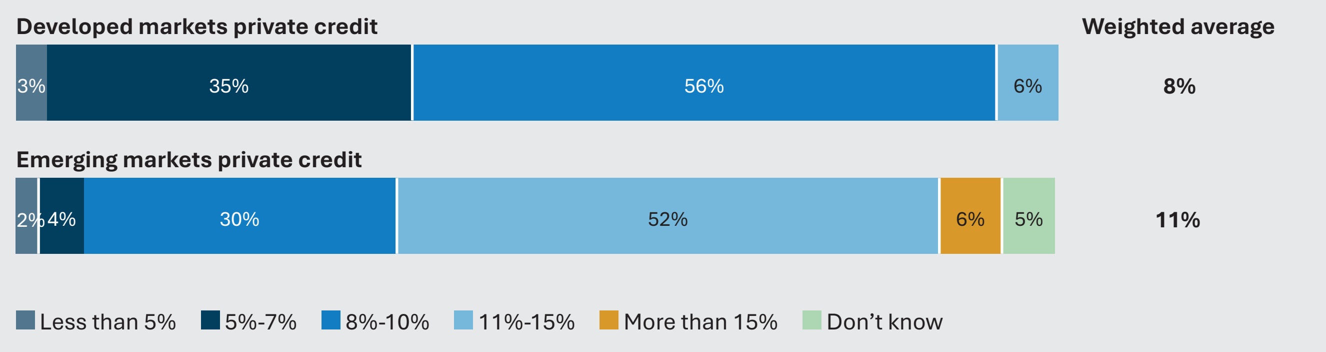
The key finding on EM return expectations is the breadth of agreement on the premium over DM. Seventy-nine per cent of respondents agree that EM private credit offers a return uplift versus DM equivalents – only 6% disagree.

For DM private credit, the average return expectation is 8-10% annualised over five years (56% of respondents). For EM, 52% expect 11-15%, with a further 6% expecting returns above 15%. The weighted midpoints of these distributions imply an EM premium of approximately 300 basis points, a meaningful spread that reflects the need for dedicated EM expertise and limited competition for deals.

For DM private credit, 29% of respondents expect returns to decrease over the next five years; only 16% expect an increase. For EM, these numbers reverse: 36% expect EM returns to increase and only 14% expect a decrease.

Pension funds are the most bullish: 60% expect EM returns of 11-15% and a further 4% expect above 15%. Insurers are more conservative: 47% expect 11-15%. But they also show the most directionally optimistic view on EM returns: 45% expect EM returns to increase over the next five years, versus 36% overall and 34% of pension funds.

Figure 11: Expectations for annualised returns in private credit markets over the next 5 years



Where EM wins: The comparative advantage story

The study asks investors to compare EM and DM portfolios directly across seven dimensions.

EM wins most decisively on the illiquidity premium (63% favour EM, 24% DM) and diversification (62% favour EM, 19% DM). These are areas where the structural case for EM private credit is clearest: less competition for deals, better terms and return streams that are uncorrelated with DM private credit and public markets. On overall risk-adjusted returns, 49% favour EM against 26% for DM.

Two areas where EM's advantages are contested – covenant strength (DM preferred by 54%, EM by 20%) and borrower leverage (DM preferred by 36%, EM by 25%) – run counter to what specialist EM managers would argue. It is also important to note that investors who are already in EM are significantly more likely than non-allocators to rate EM positively on these dimensions, suggesting direct experience corrects the perception gap.

The one area where DM wins comprehensively is ESG: 64% favour DM for sustainable investment commitments, and only 5% favour EM. This has implications for EM private credit's ability to attract capital from the most sustainability-conscious institutional investors.

Structural drivers: Why the opportunity looks durable

Return expectations and comparative advantage assessments reflect a point-in-time view. What makes EM private credit likely to become a strategic allocation rather than a tactical trade is the structural backdrop investors believe will sustain its advantages over time. When asked to identify the most important factors driving the expansion of EM private credit, respondents paint a consistent picture of multiple reinforcing trends.

	Driver of EM private credit opportunity	Cited (top 3)	Strongest among
1	Strong economic growth within emerging markets will create demand for financing that local banks cannot meet	62%	Consistent across all regions
2	Macroeconomic stability: improving fiscal positions, more credible central bank frameworks and declining vulnerability to external shocks, raising investor confidence	49%	Strongest among insurers (53%) and endowments (60%)
3	Policy tailwinds and regulatory reforms: deliberate efforts by EM governments and regulators to facilitate non-bank lending and develop domestic capital markets	46%	Strongest in Middle East (83%)
4	Deglobalisation and supply chain realignment: trade fragmentation creating financing needs in new manufacturing and logistics corridors beyond legacy hubs	40%	Strongest in APAC (50%), reflecting the China-plus-one dynamic.
5	Asset manager innovation: Product development making EM private credit more accessible to institutional investors without specialist capabilities	29%	Cited more by North American (35%) and endowment (43%) respondents.
6	Retrenchment of bank lending: Regulatory capital constraints forcing banks out of higher-risk, longer-duration EM lending, creating space for non-bank capital	27%	Middle East highest of any sub-group at 39%

The consistency of strong economic growth as a primary driver across every regional and institution cohort grounds the case for EM private credit in something tangible.

The deglobalisation driver (40%) reflects that supply chain realignment away from China is creating new financing needs in Vietnam, India, Mexico, Indonesia and other economies that are building out manufacturing, logistics and infrastructure capacity at scale. These are exactly the kinds of assets – productive, export-linked, collateral-backed – that EM private credit managers with local origination networks are well positioned to finance.

Asset manager innovation is ranked fifth overall but is more prominent among North American respondents (35%) and endowments (43%). This reflects a specific dynamic: investors who are not currently active in EM private credit see the development of accessible product structures as a precondition for entry.

The return premium is becoming harder to ignore

In 2025, investors generally expected annualised EM private credit returns of 11-15%, compared with 5–8% for DM, reflecting structural advantages rather than incremental risk.

A year on, those expectations have held firm. In this study, 52% of respondents expect EM annualised returns of 11-15%, with a further 6% expecting above 15%. For DM, 56% expect 8-10% and 29% expect returns to decrease over the next five years. Meanwhile, 62% of respondents believe EM offers better diversification benefits than DM, and 63% believe EM delivers a superior illiquidity premium.

SECTION 5

Rethinking EM risk

Risk perception is the major friction in EM private credit. It explains why 42% plan to increase EM allocations and 25% have no plans at all; why 79% acknowledge an EM return premium but only 5.8% of portfolios are invested there. The gap between conviction and capital is, at its core, a risk story.

This chapter examines what investors think about EM private credit risk – how it compares to DM, their confidence in managers to mitigate it, how views differ by experience and where the data suggests the risk assessment is well-calibrated versus where it appears to be influenced by unfamiliarity rather than evidence.

The risk consensus: Real but nuanced

The headline finding is unambiguous: 72% of respondents believe EM private credit is riskier than its DM equivalent. This spans every region, institution type and experience level with only marginal variations.

The nuance lies in two observations. First, the risk view coexists with the return view: 79% simultaneously agree that EM offers a return uplift over DM. The question investors are implicitly answering is whether the compensation is sufficient, not whether the risk exists.

Second, the widespread perception that EM is riskier reflects a significant knowledge gap. Only 47% of respondents report that their investment team has a strong understanding of the investor protection measures available in EM private credit. The remainder acknowledge that they are not aware of the structural tools available to specialist managers to manage risks.

53% do not fully understand the investor protection measures available in EM private credit, yet 72% believe EM is riskier than DM.

What experience changes and what it does not

When comparing the views of investors with no EM allocation against those with meaningful exposure (10% or more of private credit in EM), a consistent pattern emerges: experience reduces risk perception on some dimensions significantly, improves confidence in manager mitigation and sharpens the return outlook.

Perception	No EM allocation	10%+ EM allocation	Direction of shift with experience
EM offers a return uplift vs DM (% agree)	71%	80%	Experience strengthens return conviction.
Team understands EM investor protections (% agree)	33%	56%	Knowledge gap narrows materially with exposure.
Corruption: see as higher risk than DM (% agree)	90%	78%	Risk perception softens with experience but remains elevated.
Legal protection: see as higher risk (% agree)	86%	78%	Similar pattern to corruption. Experience reduces but does not eliminate perception gap.
Default risk: see as higher risk (% agree)	72%	64%	Modest reduction with experience.
EM offers better risk-adjusted returns (% agree)	33%	61%	Experience nearly doubles positive risk-adjusted return assessment.
High confidence in manager to mitigate legal risk	19%	34%	Manager confidence grows with experience, but from a low base.

Among investors with no EM allocation, only 33% believe EM offers better risk-adjusted returns than DM. Among those with meaningful EM exposure, 61% hold that view.

This suggests non-allocators are assessing EM risk-adjusted returns with incomplete information or experience of the structural safeguards – collateral quality, covenant design, local origination, early intervention capability – that make EM private credit's risk-return profile materially more favourable than headline risk perceptions suggest. Getting more institutional capital into EM private credit is, in part, an education and experience problem.

The experience premium

Investors with 10%+ of private credit in EM are 28 percentage points more likely to believe EM offers better risk-adjusted returns than those with no EM allocation.

Five key risks examined: What the data shows

The survey asks investors to assess five specific risks associated with EM private credit on two criteria: how much higher they perceive the risk versus DM, and how confident they are that a specialist manager can mitigate it.

Risk type	See as higher risk vs DM	High manager confidence to mitigate	Higher risk: non-allocators vs allocators	Implication
Fraud and corruption	83%	25%	90% vs 78% (non vs experienced)	Highest perceived risk, lowest mitigation confidence. Addressable through structuring, on-the-ground oversight and legal documentation but requires track record.
Lack of legal protection	81%	25%	86% vs 78%	High risk perception, low confidence in mitigation. Jurisdictional legal expertise, collateral enforceability and deal structuring are key tools.
Currency risk	71%	32%	74% vs 71%	High perception, moderate confidence. Hard-currency assets and natural hedging structures are understood as mitigants.
Default risk	66%	38%	72% vs 64%	Highest mitigation confidence of all five risks, reflecting that covenant design, collateral and active monitoring are well-understood risk management tools.
Reputational risk	63%	28%	70% vs 58%	Lowest risk perception. Mitigation confidence modest: reputation management in EM involves manager governance, co-investor quality and transparency standards.

Corruption and legal protection: The hardest risks to close

Fraud and corruption (83%) and lack of legal protection (81%) are two risks where investor concern is most acute and confidence in managers' ability to mitigate them most limited. They are also, not coincidentally, risks that are least addressable through structuring. Currency risk can be hedged. Default risk can be mitigated through covenant design, collateral and active monitoring. Corruption and legal risk require something different: local knowledge, long-term relationships, jurisdictional expertise, operational oversight and experience across market cycles.

Only 25% of investors express high confidence that a specialist manager can mitigate corruption risk. The question for investors is whether managed but not eliminated is acceptable when the return premium is 300 basis points and structural protections are well-designed.

The experience gradient on corruption risk is more modest than for other risk types: non-allocators see it as higher risk at 90%, experienced allocators at 78%.

North American investors show the highest concern over corruption (86% versus 77% for APAC), consistent with the broader pattern of North American investor caution. European investors, despite rating corruption risk almost as high (85%), show more confidence in manager mitigation (35% high confidence versus 24% for North America). European investors who have been engaged in EM private credit longer are more familiar with what specialist managers actually do to manage these risks, while continuing to acknowledge their existence.

Default risk: A concern, but more manageable

Around two thirds of our cohort view EM default risk as higher than DM. More significantly, 38% express high confidence that a specialist manager can mitigate default risk to an acceptable level, the highest mitigation confidence of any risk.

Default risk in EM private credit is primarily addressed through the same set of tools used in developed markets: covenants, collateral and enforceability, seniority in the capital structure, amortising payment schedules, and active early monitoring with intervention rights. These are well-established disciplines that investors are accustomed to evaluating and which specialist managers with long track records can demonstrate in documented deal histories.

Currency risk: Only partially understood

Currency risk is rated the third highest risk, but almost a third of respondents express high confidence in manager mitigation, meaningfully above the corruption and legal figures.

Hard-currency denomination is the primary structural tool for managing currency risk in EM private credit. The 17% of respondents with hard-currency-only mandates are explicitly making this choice. The point is that currency risk in EM private credit can be mitigated through instrument and mandate choices that knowledgeable investors can evaluate and control.

Covenants and leverage: Where perception diverges from reality

Two findings in the survey stand in contrast to the investment case most EM private credit specialists would make. On covenant strength, 47% of respondents disagree that direct loans to EM corporates have stronger covenant protection than their DM equivalents, against only 19% who agree. On borrower leverage, 38% disagree that EM borrowers operate with lower leverage and better interest coverage than DM counterparts against 27% who agree.

We see these figures as anomalies, which run contrary to our experience and empirical evidence. In markets where competition for deal flow is limited and lenders retain pricing power, covenants are negotiated from a position of strength. In markets where companies have limited access to public credit markets and domestic bank capital, leverage ratios should be materially lower.

On covenant strength, 34% are neutral, an appropriate response for investors who have not negotiated EM private credit documentation first-hand. On leverage, 34% are also neutral.

Among investors with 10% or more of their private credit portfolio in EM, the covenant agreement rate remains 19%. This may reflect that covenant quality in EM private credit is variable: some EM transactions feature robust documentation discipline, others do not, and the range of outcomes within EM private credit is wide enough that experience alone does not produce a clear verdict.

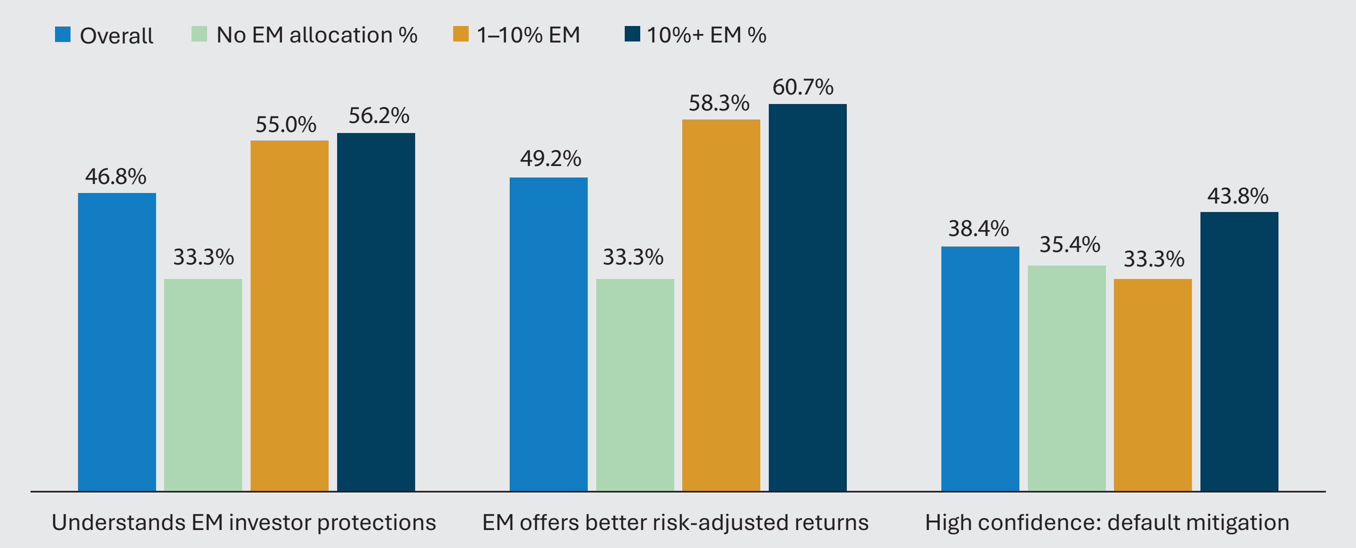
What experienced allocators know

The most experienced cohort (10%+ of private credit in EM) differs from the non-allocator cohort in four measurable ways. Their risk-adjusted return assessment is dramatically more positive (61% vs 33% favouring EM). Their understanding of investor protection measures is materially stronger; their corruption and legal risk perceptions are lower and their confidence in manager mitigation is higher across every risk type.

Experienced allocators are not arguing that EM is risk-free. But they do recognise that risk and compensation go hand in hand, and that skilled managers have the tools to, in part, mitigate risk.

The debate about EM private credit is not between those who think it is safe and those who think it is risky. It is between those who have encountered the risk management toolkit directly and believe it is adequate, and those who acknowledge the risks but have not got the experience to know whether mitigation is sufficient. Moving investors from the second category to the first is another key task for advocates of EM private credit.

Figure 12: How perception changes with experience



Risk perception is still high, but mitigants becoming better understood

Our 2025 study found that FX risk and contract enforcement were the most frequently cited concerns among non-allocators, rated at 4.1 out of 5. Existing allocators gave contract enforcement a score of 3.5.

This year's study points to a similar dynamic across a broader set of risks. On fraud and corruption, 90% of non-allocators see it as higher risk than DM, against 78% of experienced allocators. On default risk, the gap is 72% versus 64%. Experience does not eliminate risk perception, but it does reduce it.

Note: Our 2025 deterrent scores used a 1–5 scale among non-allocators only; the 2026 figures use a higher/same/lower risk scale applied to all respondents, segmented by EM allocation experience.

SECTION 6

Building EM exposure

The previous three sections examined the investment case for EM private credit, the opportunity set and risks. This section turns to implementation: how investors are building exposure, which segments and geographies they are prioritising, access routes, how portfolio sophistication evolves with experience and where sustainability sits within the EM allocation framework.

What investors hold and where new capital is heading

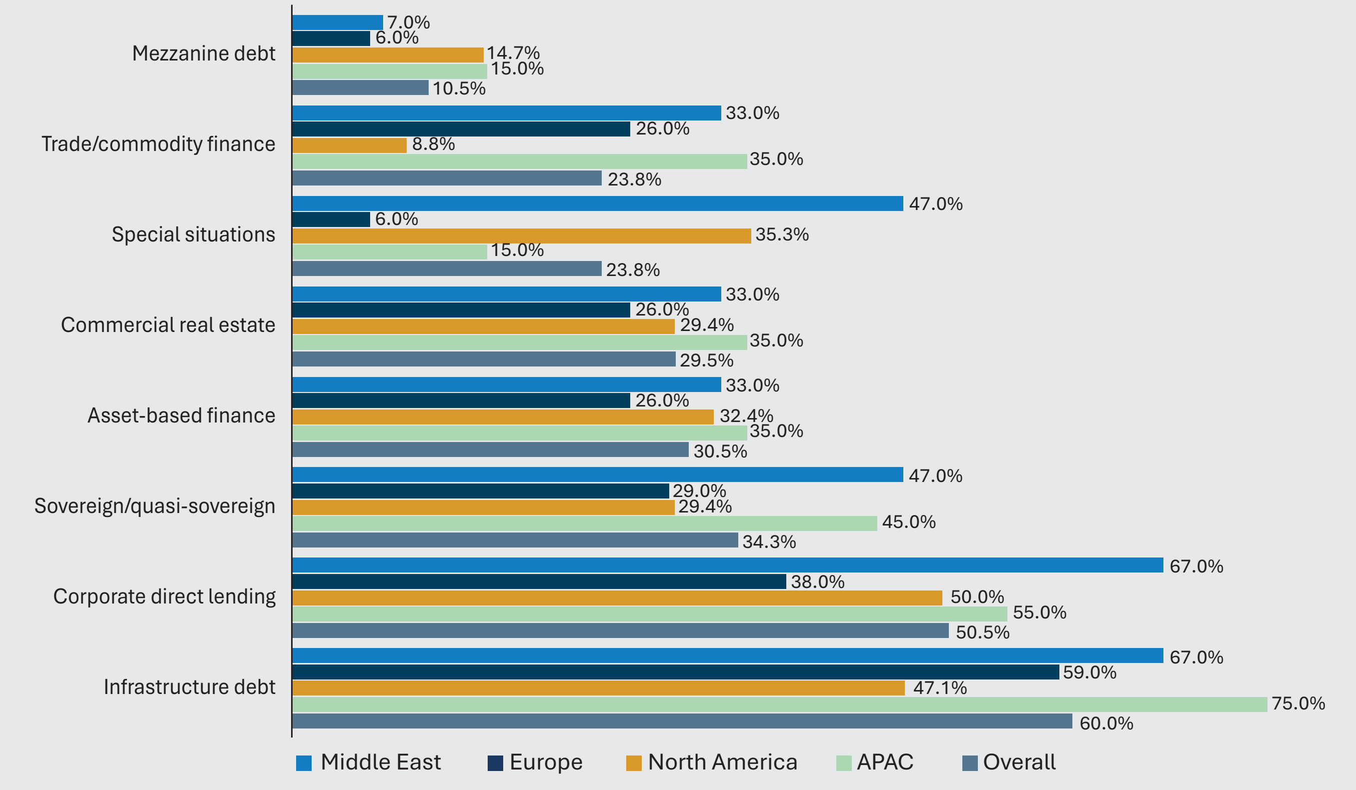
The current EM private credit segment mix reflects natural entry points. Infrastructure debt leads at 61% of respondents, followed by corporate direct lending (50%), commercial real estate debt (31%) and trade and commodity finance (31%). Sovereign and quasi-sovereign lending, with no direct DM equivalent, appears in 19% of EM private credit allocations.

The intended mix for new capital tells a similar story but with key differences. Infrastructure debt retains its lead position (cited by 60% of those planning to increase EM allocations), although sovereign and quasi-sovereign lending rises sharply to 34%. This suggests increasing sophistication among those moving into EM.

Segment	Current exposure (% holding)	Target for new allocation (% planning increase)	Regional/institution-type notes
Infrastructure debt	61%	60%	Leads in both current and targeted. APAC investors most aggressive on new allocation (75%). Insurers highest current holders (67%).
Corporate direct lending	50%	50%	Consistent across current and new.
Sovereign and quasi-sovereign	19%	34%	Largest relative increase. Purely EM segment. APAC leads new allocation intentions (45%). North America notably low (6% current, 29% target).
Commercial real estate debt	31%	30%	Broadly distributed across regions.
Trade and commodity finance	31%	24%	APAC strong on new allocation (35%). North America weakest at 9%.
Asset-based finance	23%	30%	Endowments most active (36% current). Reflects search for collateral-backed, structurally differentiated exposure.
Special situations	21%	24%	North America leads new allocation (35%) – highlighting familiarity with the segment.
Mezzanine debt	13%	10%	Small and shrinking in intentions. Complex and capital-intensive; limited to institutions with specific mandate flexibility.

The trade and commodity finance finding is noteworthy. Among investors currently active in EM, 31% hold trade finance exposure. Yet among those planning to increase EM allocations, trade finance accounts for 24%. This perhaps reflects that for new investors to EM, their familiarity with infrastructure debt and corporate lending make them logical starting points, while trade finance is a more specialist segment that comes later in the portfolio-building journey.

Figure 13: Target segments for increased EM private credit allocations



Geography: Where the opportunity is seen

Within the EM universe, there is a clear geographic hierarchy. Asia is the consensus destination: 80% of all respondents rate it as attractive or very attractive for private credit over the next two years, the highest score for any EM region by a substantial margin. Latin America ranks second at 62%, followed by Central and Eastern Europe at 53%. The Middle East (33%) and Africa (28%) lag, albeit with nuances in both cases.

Asia's dominance reflects several factors. Economic growth momentum across the region is compelling and well understood. Institutional market development is more advanced than in many other EM regions, with sophisticated legal and regulatory frameworks in key centres. And the manager ecosystem, while still developing, is more established than elsewhere in EM, giving investors more fund options and track records to evaluate. APAC investors are the most enthusiastic about Asia (with near-universal enthusiasm at 92% attractive), but even North American respondents, our most cautious EM cohort overall, rate Asia as attractive at 73%.

Latin America's second-place position reflects improving macro stability, demographic growth and natural resource abundance that supports many Latin American economies. CEE's 53% attractive rating is partly driven by European investors (EMEA respondents rate it at 63%) who see geographic proximity, EU membership, improving governance and the potential for a post-conflict recovery in Eastern Europe as drivers of opportunity.

Africa is the only EM region that is rated unattractive by more respondents than rate it attractive. This reflects perceived risk: political uncertainty, legal frameworks and liquidity concerns are most acute for African investments in the minds of institutional investors. Yet Africa also represents the biggest structural financing gap of any emerging region, the most compelling demographic growth story and, for managers with an established local presence, some of the most differentiated deal flow anywhere in the private credit universe.

Access routes: From pooled to bespoke

The choice of access route is a clear marker of where an investor sits on the EM private credit adoption journey. Mapped across institution type, size and EM experience, the access route data tells a consistent story: the more sophisticated and committed the investor, the further they have moved from pooled structures toward direct and bespoke approaches.

What institution type reveals

Closed-end funds are the dominant entry point across every institution type. Pension funds are the biggest users at 59%. Within pension funds, private sector schemes (62%) show higher closed-end reliance than public sector funds (56%). The latter, with longer time horizons and typically larger internal teams, are more active in segregated mandates (44%) and co-investment (46%).

Insurers sit at 50% closed-end fund usage, close to the average, but show a distinctive pattern on evergreen structures: 26% use them, the second highest of any institution type. The absence of drawdown periods and the ability to maintain deployment reduces the capital drag associated with unfunded commitments in traditional closed-end funds.

Endowments are the lowest users of segregated mandates at just 20% and co-investment at 20%, well below the overall averages of 36% and 32% respectively. This possibly reflects smaller investment teams than large pension funds or insurance companies, which limits their capacity to manage the governance requirements of bespoke mandates. Closed-end funds (53%) and evergreen structures (27%, the highest of any institution type) are the natural formats for investors who want exposure but lack the infrastructure for direct engagement.

Sovereign wealth funds, despite representing a small cohort, arguably show the most sophisticated profile of any institution type: 88% use segregated mandates and 50% use co-investment.

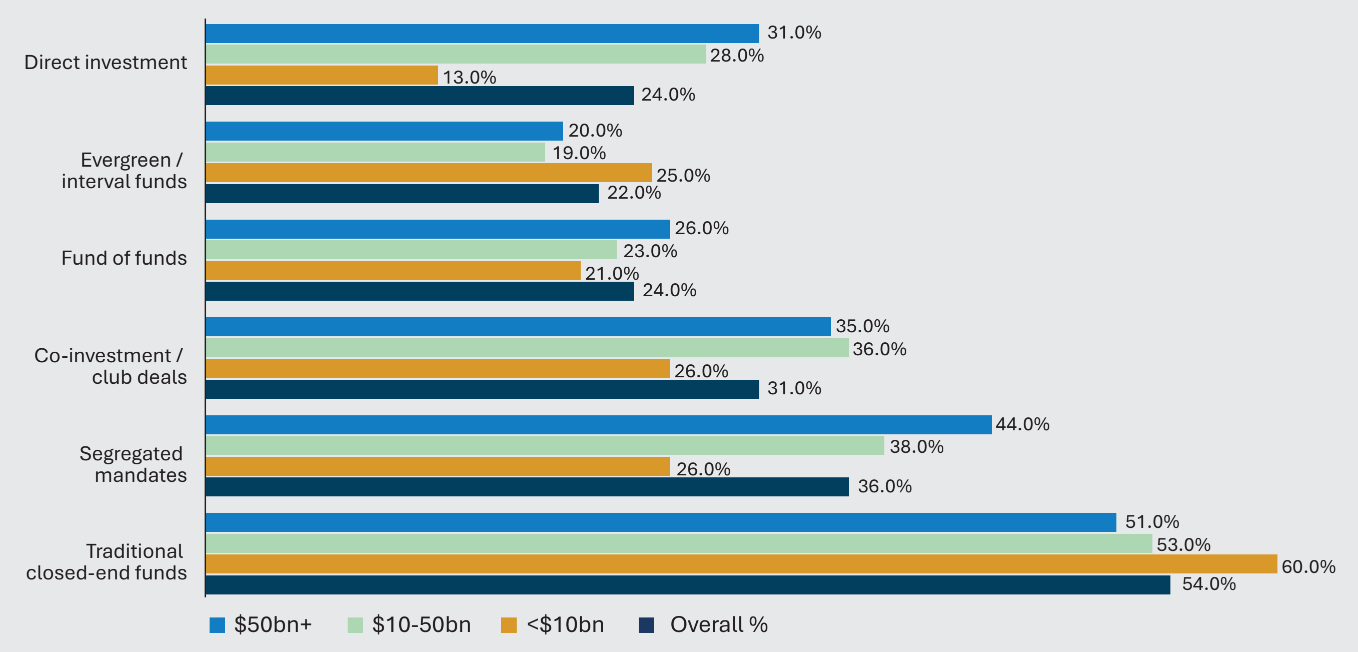
What institution size reveals

Across AUM bands, the access route direction of travel is clear. Smaller institutions are the most reliant on closed-end funds at 60%, the least active on segregated mandates (26%) and notably low on direct investment (13%).

As AUM increases, each of these metrics moves in the expected direction: closed-end fund reliance falls to around half for institutions with AUM above US$50 billion; segregated mandate usage rises to 44% and direct investment at 31%.

Co-investment and direct investment also increase with size.

Figure 14: EM private credit access routes by institution AUM (%)



Mandate type data reinforces the scale gradient. Smaller institutions favour global mandates with an EM sleeve (55%) over dedicated regional or standalone EM mandates (26%). Among the largest institutions, the picture reverses: dedicated regional mandates rise to 47% and global mandates with EM sleeves fall to 36%, with standalone global EM mandates at 50%.

What EM experience reveals

Direct EM private credit experience is the strongest predictor of access route decisions. Among investors with no current EM allocation, closed-end funds dominate at 44% and direct investment is cited by only 14%. Among those with 10% or more of their private credit portfolio in EM, the picture shifts: direct investment rises to 38%, segregated mandates reach 43%, and co-investment sits at 37%.

The co-investment trajectory across experience bands is also revealing. It rises sharply from 22% among non-allocators to 43% among those with 1-10% EM exposure, then pulls back slightly to 37% among the most experienced cohort. This pattern suggests that co-investment is characteristic of the active early-adoption stage: investors who are building their first meaningful EM exposure tend to pursue co-investment aggressively as a way of accessing specific deal flow alongside a GP relationship. As portfolios mature and internal capabilities develop, some of that co-investment activity transitions into direct investment.

Instrument preference follows the same trend. Among investors with no EM allocation, 57% favour senior-secured-only strategies. Among those with 10% or more in EM, senior-only drops to 43% and balanced senior/junior mandates rises to 57%.

Stage	Typical mandate type	Instrument preference	Primary access route
Pre-allocation (exploring)	Global PC mandate with small EM sleeve	Senior-secured only (57% of non-allocators)	Traditional closed-end fund as primary vehicle (44%)
Early-stage (1–10% EM)	Broad multi-region EM mandate (50%) or global sleeve (57%)	Moving toward balanced mix – 50% senior, 50% balanced	Closed-end funds dominant (63%); co-investment rising sharply (43%)
Established (10%+ EM)	Broad EM (51%) plus dedicated regional (46%)	Balanced senior/junior majority (57%)	Closed end (61%) + SMAs (43%) + direct investment (38%)

Sustainability in EM private credit: A framework in formation

Two thirds of investors believe DM portfolios deliver better ESG outcomes than EM equivalents. Here, we examine the sustainability picture in more detail: how investors actually approach ESG in their EM private credit decisions, which themes attract the most interest, and where risks are perceived to concentrate.

Views on sustainability in EM private credit span a wide range. Eighteen per cent say they would not consider sustainability in their EM investment decisions, although such views are concentrated heavily in North America (32%, versus only 5% of APAC institutions). At the other end of the spectrum, 9% treat sustainability as a primary driver of every investment decision. The largest group (42%) considers ESG in decisions where it is financially relevant and a further 25% consider it in every decision but not as a primary driver.

The practical implication for EM private credit managers is clear: the sustainability requirements to win capital from European and Asian institutional investors are significant. This can impact which deals are financeable, how impact is measured and the extent to which sustainability is embedded in the investment process. Managers who have invested in sustainability capabilities will have an advantage in accessing the most rapidly growing pools of institutional capital targeting EM private credit.

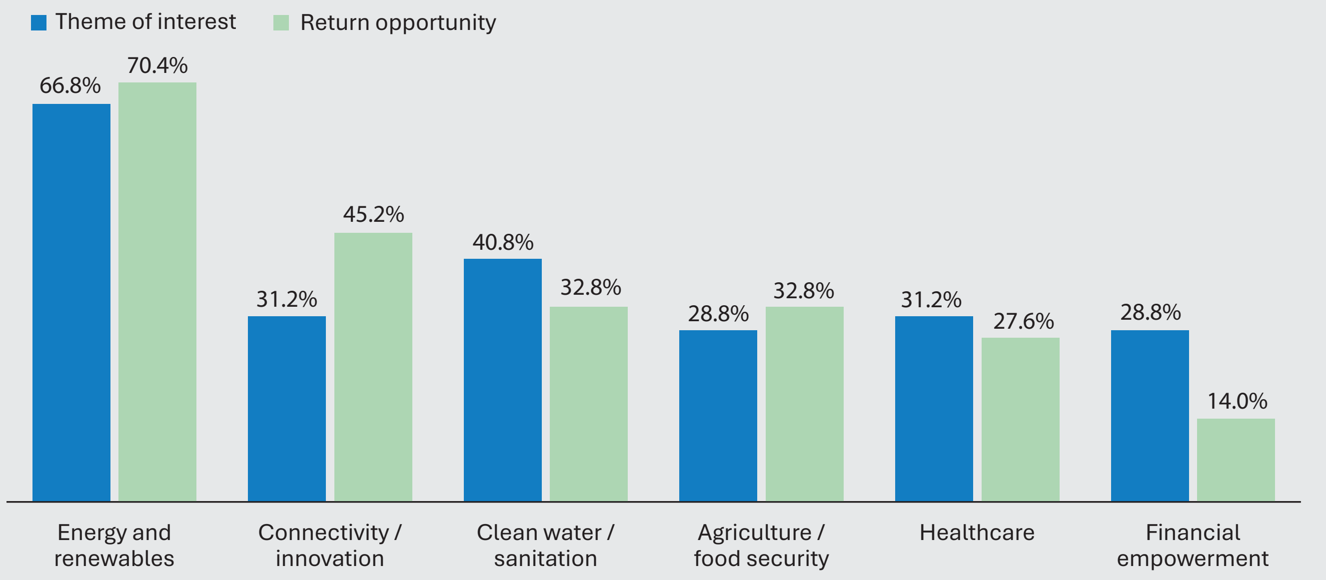
32% of North American investors do not consider sustainability in EM investment decisions at all.

The themes that matter

On the most compelling sustainable investment themes in EM private credit, energy and renewables is the clear leader: 67% cite it as a theme of interest and 70% believe it represents the most attractive return opportunity among sustainability themes. The energy transition financing gap in emerging markets is among the largest in the world, and private credit is an important option through which it can be addressed at scale.

Connectivity and innovation is the second-highest return opportunity theme at 45%. Clean water and sanitation (33%), agriculture and food security (33%) and healthcare (28%) complete the top five return opportunity themes, a mix of essential services that reflect both the development financing character of EM private credit and commercial opportunity in economies where these services are structurally undersupplied.

Figure 15: Sustainable investment themes in EM private credit – interest vs best return opportunities



Sustainability risks: Governance dominates, greenwashing concerns rising

In terms of sustainability risks, corruption and governance is the key concern: 74% rank it among their top three sustainability risks in EM private credit, and 61% put it in their top two. This finding connects directly to the risk perception data in section 5. For managers, this creates a requirement to demonstrate sustainability credentials in deal selection, investment processes and ongoing monitoring and reporting.

Human rights and labour is the second-ranked sustainability risk at 50%, followed by greenwashing at 46% and sanctions exposure at 41%. The greenwashing figure reflects growing scepticism among institutional investors about whether sustainability claims are actually embedded in investment processes or primarily marketing narratives.

APAC investors rate sanctions particularly highly (50%), consistent with their exposure to markets where the US-China geopolitical dynamic creates elevated uncertainty.

Sophistication is rising in access routes

Our 2025 study found that closed-end funds dominated access routes in both EM and DM, with direct investment equally popular among active allocators at 65%. It also noted that hard currency was underused as an FX mitigant, with only 37% of respondents using it in EM.

This year's study shows the market maturing along predictable lines. Among investors with 10% or more of their private credit portfolio in EM, direct investment has risen to 38%, segregated mandates reach 43% and co-investment sits at 37% – a meaningfully more sophisticated profile than non-allocators, 44% of whom rely primarily on closed-end funds.

SECTION 7

The road ahead

There is a useful precedent for where EM private credit stands today. For much of the 1990s and 2000s, public emerging market debt occupied a similar position in institutional portfolios: intellectually understood, return potential acknowledged, but underweight relative to what the opportunity warranted. The turning point came not from a single event but from an accumulation of credibility: longer track records, more managers, improved market infrastructure and the experience of early adopters that corrected the narrative for those who came after.

Public EM debt is now a standard allocation. Risk is understood, the market infrastructure is mature and the return case is established. In many ways, its journey into the mainstream is comparable to what we have seen in DM private credit in the past decade.

EM private credit can follow the same path. Conviction is building, allocation intentions are positive, the return premium is broadly accepted, but actual portfolio weights remain low. The key questions are: what needs to happen to close the gap, and how quickly will it happen?

Six things that need to happen

We have identified six conditions that will determine whether EM private credit's path to mainstream acceptance accelerates over the next five to ten years or continues at its current pace. The degree to which each materialises will shape how quickly the 5.8% average allocation becomes 10%, 15% or more.

1

Track records need to extend across a full market cycle
The single most powerful accelerant for institutional adoption is time. Among the investors who have accumulated meaningful EM private credit exposure, 61% believe EM offers better risk-adjusted returns than DM. Among those with no exposure, only 33% hold that view. Every year that passes without a systemic EM private credit loss event and returns comfortably exceeding those in DM private credit strengthens the investment case.

2

The manager ecosystem needs to deepen
The lack of specialist managers is cited by 57% of all respondents as a barrier to increasing allocations. In short, there are not enough managers with local origination networks, track records and infrastructure to absorb the capital that wants to move.

3

Further education is needed to close the knowledge gap
Over half of survey respondents do not fully understand the investor protection measures available in EM private credit. Only 19% agree EM direct loans have stronger covenant protection than DM equivalents, despite this being one of the advantages specialist managers consistently argue for. The knowledge gap inflates risk perception and suppresses allocation among institutional investors that have not invested in EM private credit.

4

Fund structures need to meet investors where they are
Almost half of respondents cite limited fund sizes as a barrier, meaning that even when investors have conviction, vehicles are often too small to meet minimum commitment thresholds or too large relative to the slice of their portfolio they want to allocate. Twenty-nine per cent of respondents specifically identify asset manager innovation as a driver of opportunity. The market needs a broader product range: not just closed-end funds, but vehicles that work for mid-sized institutions, DC schemes, family offices and wealth channels.

5

The ESG gap needs to be addressed
Almost two thirds of investors believe DM private credit offers better ESG outcomes than EM. For European investors subject to SFDR and other sustainability disclosure frameworks, this is not merely a preference but a regulatory requirement. The ESG gap will not close on its own as EM economies grow; it requires deliberate investment by EM managers in sustainability capabilities, impact measurement and reporting.

6

North American capital needs a different entry point
The North American institutional cohort is the most consequential underweight pool in the survey. North American investors are simultaneously the most critical of DM private credit conditions and the least engaged with EM alternatives: 71% cite risk as a barrier, 34% have no plans to allocate at all. Unlocking North American capital is the single largest lever for EM private credit's next growth phase, and it requires a specific approach rather than a scaled-up version of what has worked with investors elsewhere.

A turning point, but not the destination

The data in this report describes a market at an inflection point – where conviction has outrun allocation, where risk concerns persist and where the structural conditions for acceleration are in place, even if the pace remains uncertain.

The experience of public EM debt offers a realistic parallel. EM private credit began its institutional journey in earnest at the start of the last decade. If that pace holds, the next decade could see the 5.8% average allocation in this survey become materially larger as the 40% of non-allocating investors begin to move.

Early adopters are shaping both their own portfolios and the broader market, as the early adopters of public EM debt did. Their track records will reduce the knowledge gap for those who follow. They will provide the template for how the asset class is accessed. And their returns, if the investment case holds, will make the argument for EM private credit more compellingly than any study can.

GEMCORP CAPITAL

Important Information

This document is not intended for public use or onward distribution. This content has been prepared solely for informational purposes by Gemcorp (as defined below), which contains Gemcorp views and opinions based on the commissioned survey conducted by CoreData Research Limited. This document is confidential and may not be reproduced.

This content does not constitute an offer or solicitation of an offer with respect to the purchase or sale of any security and should not be relied upon when evaluating the merits of investing in any securities or form the basis of an investment decision. The information in this content has been obtained from various third-party sources, some of them forward-looking statements and/or projections. Any forward-looking statements and/or projections are inherently subject to material business, economic and competitive risks and uncertainties, many of which are beyond Gemcorp's control. In addition, these forward-looking statements and/or projections are subject to assumptions with respect to future business strategies and decisions that are subject to change. No representation is made or assurance given that such statements, opinions, estimates, projections and/or forecasts in this content are complete or correct or that any objectives set out in this content will be achieved. Gemcorp does not undertake to update this information, nor does it accept any liability for any such third-party information or any conclusions set out herein.

No statement in this content, including any references to specific securities, asset classes and/or financial markets is intended to or should be construed as investment, legal, accounting, business or tax advice. The contents of this content do not constitute an investment recommendation. This content expresses no views as to the suitability of any investments described herein to the individual circumstances of any recipient. If an offer to sell investments is made in the future, it will be made by a formal prospectus, instrument of incorporation and subscription document, or similar documents and not on the basis of the information contained in this content, and any such offer will only be made to the extent it is in accordance with the laws and regulations applicable in the jurisdiction in which such offer is being made.

This content is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

In the United Kingdom, this content is communicated to Professional Clients only by Gemcorp Capital Management Limited which is authorised and regulated by the Financial Conduct Authority (the "FCA") (Reference number: 952794) and has its registered address at 1 New Burlington Place, London, W1S 2HR, United Kingdom.

In the United States, Gemcorp Capital Advisors, LLC, is registered as an investment adviser with the U.S. Securities and Exchange Commission (the "SEC") under the Investment Advisers Act of 1940, as amended (CRD # 329386/SEC#:801-130200).

In the Abu Dhabi Global Market ("ADGM"), this content is communicated to Professional Clients only by Gemcorp Capital Management (Middle East) Limited with registered office address Unit 20, Level 7, Al Maryah Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, United Arab Emirates and which is regulated by the ADGM Financial Services Regulatory Authority (Financial Services Permission Number: 220156). Professional Clients has the meaning prescribed to it in the FSRA's Handbook.

Gemcorp Capital Management Limited, Gemcorp Capital Advisors LLC and Gemcorp Capital Management (Middle East) Limited and other affiliated entities, together "Gemcorp".

CoreData Research Limited (CoreData) has collaborated with Gemcorp in the preparation of this report. CoreData is a global market research consultancy to the financial services industry and is not a registered investment adviser with the SEC, nor is it regulated by the FCA in the United Kingdom, or by a financial regulator in any other jurisdictions. The survey was conducted in March and April 2026 with 250 investment professionals across 22 countries, who had influence over private credit allocation decisions, at institutional asset owners globally. The survey questions can be obtained on request.

We have a presence across emerging and developed markets with offices in eight locations. We use our global footprint to provide local knowledge to originate and manage investments as well as service our clients.

Contact:

T +44 (0) 203 8371120
E info@gemcorp.net
W GemcorpCapital.com

GEMCORP CAPITAL