ShoreVest

新 岸 資 本

Is there a bubble in private credit? Here in China it's a $5 trillion credit vacuum.

In this clip from FII's conference in Riyadh, ShoreVest founder, Benjamin Fanger, discussed the topic of private credit bubbles with leading fund managers. Most people approach this question from a top-down perspective, analyzing macro credit numbers. But we think the canary in the coal mine is at the deal level. Are you being given the protections needed for capital preservation? Or is the market so competitive that everything on offer is unsecured, covenant lite, with compressed returns (even if someone's marketing it as "senior")?

Here in China, ShoreVest requires first-liens on hard assets that are usually cash-flowing. At low LTVs, yielding significant margin of safety. Why? Because there is almost nobody else a Chinese corporate (or selling bank) can go to who has deep institutional experience providing credit solutions locally. And on top of this, Beijing essentially shut down most of the shadow banking system, leaving a $5 trillion vacuum of capital. So regardless of whether there is bubble in Western private credit, in China it feels like we're swimming in the biggest credit gap on earth.