

Fund Finance Friday



The UAE: A New Private Credit Oasis?

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Private Credit is a hot – if not the hottest – asset class right now. This asset class has a nexus to a number of Cadwalader's practices from fund finance to capital markets and beyond. To that end, last week we attended the Deal Catalyst Global Private Credit conference which was held in Abu Dhabi, UAE. It was an opportunity to be in the middle of important discussions and to position Cadwalader as an integral player in deploying capital from the Middle East into the United States and the English and European markets.

The conference offered a broad spectrum of local and international markets' buy and sell sides, and Cadwalader's team was able to meet with an array of investors, managers and banks. Our presence was visible and our thesis was viable, with both opportunities and potential obstacles identified.

Our team came away with the clear signal that private credit is heating up in the Middle East, banks are willing to lend and equity is willing to invest. Daily presentations provided an opportunity to understand more features of the market and to get further color and perspectives there. Discussions with clients, potential clients, and other market constituents served to strengthen current relationships as well as to forge new ones. As is the norm for the private credit market, relationships are key and people are investing in creating, building and capitalizing thereon.

It was apparent that this region appears to be gaining traction as a hub for private credit, with some very established international managers looking to set up long-term partnerships. Private credit is definitely seen as a distinct asset class (compared to more public debt markets and private equity), with exposure taking various forms. The region's banks are eager to establish and maintain a strong role in private credit by providing financing both to funds and regional banks. They continue to look for opportunities to deploy capital in the space including alongside larger international banks that can lead on the structuring side. The energy and appetite for the product is there, and the next step will be deeper assessment of the risks and rewards of the product.

Conference panelists were focused on comparisons to private equity, and the investment thesis was the opportunity to trade higher potential returns for more security and safety. While there are hurdles, such as tax, treaties and licenses, there are also significant investments starting to be made; and we anticipate this growing significantly over the coming years. Ultimately, private credit may have found its next large source of capital.

Participants indicated a desire for direct exposure through co-investment opportunities, pooled exposure through funds, and senior exposure through financings of funds (including funds of structured investments and other structured

products such as CLOs). As in other markets in the world, private debt is emerging and competing with private equity, which will ultimately provide more marketplace consistency.

In addition, in order to experience and appreciate the context of this area while in Abu Dhabi, our team rode camels, visited the presidential palace and took in the culture. Overall the trip was quite the success!