EXPERT COMMENTARY

The next evolution of private credit is going global, becoming a source of capital that builds long-term strategic value and resilience in the real economy, writes SAIL Investments' Johnny Brom

The future of private credit is strategic

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What do we want private credit to be capable of?

What do investors truly want, or perhaps need, private credit to be capable of in the decades ahead? Ten years ago, private debt was the new diversifier on the block. Today, it is a mainstay of many institutional portfolios, representing a $3 trillion-dollar opportunity, according to a recent report by EY and the Alternative Credit Council. It is a machine that provides leverage to private equity and a home for growing, harder-to-scale niche strategies.

This has already been a record year for private credit. That level of market confidence sharpens concentration risk within the asset class: sponsor-backed mid-market lending has become an increasingly competitive space. Insurers and pension funds are seeking lower volatility, stronger downside protection and longer duration while increasingly needing to manage physical risks on their balance sheets.

So the question returns: what do we want private credit to be capable of – a follower of financial engineering, or a partner in strategic value creation.

From direct lending to strategic credit

Direct lending has long been a reliable source of income and diversification for institutional investors, but sponsor-backed mid-market strategies in the US and Europe have become crowded. This has resulted in compressed spreads, weakened covenants and narrower dispersions, all of which run counter to the desires of private credit allocators.

Private credit's strength lies in its flexibility, including its ability to go where banks cannot and price risk in an intelligent way. The first generation of credit managers filled a banking gap and the next must fill a strategic one:

financing real companies to strengthen the fundamentals that underpin long-term business performance.

At SAIL, we describe this approach as 'strategic credit', and it is a global opportunity largely focused on sponsorless, senior-secured transactions. It is designed not just to lend against assets, but to enable companies to meet the environmental, regulatory, operational and resilience thresholds that now define solvency and long-term value.

The reason this approach has not been tried at any scale is because private equity sponsors are less active outside the US and parts of Europe. Sponsorless credit is an inherently complex space and global markets are opaque. It demands trusted origination networks, on-the-ground diligence and patience – but that same complexity acts as a valuable moat that protects returns.

The 'strategic' mindset isn't new. I admire some of the top-tier private market firms structuring partnership capital arrangements with blue-chip companies, like Real Madrid Football Club's strategic arrangement with Sixth Street.

SAIL aims to bring that partnership logic to places the market barely touches. Combining that partnership mindset with system-level needs across nature, climate and healthcare verticals means that strategic credit would be a natural fit for institutional portfolios.

When I founded SAIL in 2017, I was inspired by the merchant bankers of a previous era – the Mellons, Rothschilds and Barings – who sat down with companies to understand their challenges and help shape their future. Our modern take is simple: lasting value is created by companies that manage the environmental and social context around them as proactively as they manage their balance sheets. That requires longer-term capital and the willingness to be more than a lender – a strategic partner. That same principle underpins how we invest today.

The goal is to deliver real embedded value directly to the borrower. Otherwise, the banks will undercut you, and you'll end up retreating back into the arms of familial sponsors with a much narrower scope. Strategic credit combines the creativity of capital solutions with the senior secured discipline of direct lending to provide long-term credit that helps corporates grow intelligently.

"That's where strategic credit becomes an untapped alpha opportunity – providing senior secured loans to strong borrowers in global industries whose transitions toward sustainability are business necessities"

That, to me, is the natural evolution of what private credit was designed to do in the first place: fill market gaps and finance what matters. At SAIL, we chose to go where that strategic value is most pronounced – in essential industries that the world needs, that are often overlooked.

What this looks like in practice

Consider Brazil-based company Marfrig Global Foods, which is one of the world's largest beef processors and McDonald's primary patty supplier. It sits at the heart of a sector under intense scrutiny. Beef supply chains are a leading driver of deforestation in the Amazon, and from 2026 the EU Deforestation Regulation will require full traceability for all imported commodities.

SAIL's financing of Marfrig was designed to address that reality. The facility required verified deforestation-free sourcing across its entire Amazon and Cerrado supply chains and the integration of all producers via traceable, monitored sourcing systems. These were not gestures to address questions around environmental, social and governance (ESG) but conditions for market access, which were formalised in a Sustainable Value Creation Plan embedded in the loan covenants. This included full monitoring of all direct suppliers, expanding indirect supplier traceability to 100 percent, and implementing a supplier-engagement program covering more than 14,000 farms. Each milestone is verified independently and reported annually by Marfrig.

The result of these efforts is tangible risk mitigation. Marfrig's traceable cattle purchases in the Amazon has now reached 100 percent, with no deforestation detected among direct suppliers, and 95 percent traceability in the Cerrado region. By protecting access to the higher-margin EU and UK markets, the covenants enhanced both resilience and downside protection.

On the other side of the world, Dharma Satya Nusantara Tbk (DSNG), an Indonesian agribusiness producing palm oil and timber, faced a different challenge. Palm oil – the world's most efficient vegetable oil – underpins half of UK and European supermarket products, but it brings significant environmental and market risks. DSNG's operations faced both physical risks, such as peat degradation and fires, and market risks, including compliance with No Deforestation, No Peat, No Exploitation regulations required by global buyers. Our credit required DSNG to expand traceability across its 109,000-hectare concession and map suppliers, and to restore over 3,000 hectares of degraded peatland while protecting 10,000 hectares of high-conservation-value forest.

As a result of our financing, DSNG implemented digital traceability platforms and supplier-compliance systems that now cover 100 percent of its own operations and over 80 percent of third-party suppliers. Independent verification confirmed zero deforestation among monitored suppliers for the second consecutive year. Operationally, yields improved, feedstock quality stabilised and margins strengthened with reduced counterparty risk.

In both cases, sustainability targets were structurally embedded in the credit, turning transition risk into measurable performance improvement. This resulted in stronger, more resilient companies and the kind of risk-adjusted return profile sought by long-term allocators.

The big opportunity for asset owners

For asset owners, the message is clear: step beyond crowded sponsor-backed markets and private credit's real differentiation emerges – in essential, global, cash-generative, defensive industries the world will continue to rely upon for decades.

Take the $13 trillion food and agriculture sector, which represents a vast, real-economy ecosystem of companies that have operated for generations. Banks dominate liquidity, but not strategic credit: they don't write bespoke term sheets, structure for long-term growth or embed measurable outcomes.

That's where strategic credit becomes an untapped alpha opportunity – providing senior-secured loans to strong borrowers in globally-relevant industries whose transitions toward sustainability are not moral imperatives but business necessities. Building resilience in these supply chains – and the natural systems they depend on – is becoming a pre-condition for solvency.

To put this into context, a 2024 report by the ClimateShot Investor Coalition and the UN's Food and Agriculture Organization found that global food and agriculture supply chains need approximately $1.1 trillion per year to be on an effective trajectory towards low-emissions and climate-resilient development processes. That addressable market offers extraordinary potential for value creation through strategic credit.

SAIL has tapped into that market by developing our origination capabilities and a trusted global network to start the right conversations. We then build value by working directly with borrowers on the specific terms that drive their growth. Our front-office sustainability team is embedded within the deal process, working alongside investment professionals to design credit structures where sustainability sits alongside the credit stipulations within the term sheet.

This integration doesn't just strengthen fundamentals; it creates measurable upside. Our strategy consistently delivers tangible outperformance on climate and nature metrics because they are the very risks that determine credit quality. If you go to where the risk is highest and work with the best operators – not always the biggest – to embed sustainability in their growth play, the value creation and impact multiples become significant. This is a clear example of how financial performance and natural resilience can reinforce each other when private credit is deployed strategically.

The future of private credit will be defined by what we ask it to do, and its greatest capabilities lie in its ability to be a strategic partner in building resilience and create long-term value across the real economy. ■

Johnny Brom is founder and chief investment officer at SAIL Investments