

Letter from Kuala Lumpur (First of Two Parts)

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Last month our travels took us to Malaysia's capital, Kuala Lumpur, a city of about 2 million. There we met with clients and friends who are participating in the country's move towards private credit. One indicator is the recent decision by Malaysia's sovereign wealth fund, Khazanah Nasional (KN), to dedicate investment ringgits to medium-term enterprises (MTE). These middle market businesses are the engine for economic growth and productivity.

As with Singapore and its comparable fund, Temasek Holdings, KN looks to encourage these businesses to use alternative financing options beyond bank loans. Direct lending has also seen tailwinds from the development of peer-to-peer and digital financial platforms, leveraging technological improvements in data management...

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