

PYA vs Credit

By SKGP, SKGP Strategic Partners Pre Yield Asset Series © 2025 SKGP Strategic Partners

Executive Summary

Why Pre Yield Assets Operate Outside the Logic of Traditional Credit Markets

Credit is one of the most established categories in global finance. It rests on predictable cashflow, predictable repayment schedules and predictable collateral. Credit markets assume that the borrower already operates a business or holds an asset capable of producing revenue to service debt.

Pre Yield Assets PYA function in an entirely different world. As outlined in public SKGP Strategic Partners material, PYA represents early stage real asset systems where value forms before revenue. These systems do not produce cashflow do not behave like consumer facing companies and do not follow the repayment logic that underpins credit.

For this reason PYA cannot be placed inside the credit category. These assets require structure not leverage. They require governance not repayment modeling. They require sequencing not amortization. This paper explains why credit cannot reach pre yield systems and why PYA forms its own category outside debt based analysis.

What Credit Requires

Credit markets are built on several core assumptions.

- Credit requires cashflow
- Debt is repaid through operational income. Without this income credit cannot function.
- Credit requires collateral
- The lender expects that if the borrower defaults a predictable asset can be seized and liquidated.
- Credit requires stability
- Interest payments must be met on a schedule therefore the underlying system must operate consistently.
- Credit requires maturity

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- Borrowers must already have an operating model.

These assumptions apply to businesses real estate infrastructure and corporations. None of them apply to early stage real assets.

Why Early Stage Real Assets Cannot Fit Inside Credit

Mining exploration, agricultural land systems, geothermal reservoirs, industrial nodes and early energy formation do not produce cashflow. Even more importantly their value does not arise from operations but from structure.

There is no revenue to service debt

The pre yield phase exists before extraction, processing, farming, energy generation or logistics throughput. No income exists to pay interest.

Collateral cannot be liquidated like traditional assets

A verified mineral system cannot be liquidated the way a building or a fleet of trucks can. Its value emerges through sequencing governance and staged validation.

- A bank cannot sell an unstructured exploration license.
- A credit market cannot seize a geothermal reservoir as if it were a finished asset.

These systems are not collateral in the credit sense.

Structural value does not map onto repayment schedules

Pre yield progression does not follow monthly cycles or quarterly performance. It moves through geological regulatory and sovereign gates that have nothing to do with amortization or coupon dates.

Traditionally structured credit cannot operate in this environment.

- There is no operating entity to underwrite
- Credit underwrites management quality revenue volatility margins and operating stability.
- **Pre yield assets have none of these.**
- They require technical verification not corporate analysis.

Credit underwriting breaks immediately when placed against physical formation.

How PYA Creates a Completely Different Classification

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Public SKGP frameworks show that PYA is built on structure not repayment. Value formation depends on.

- Legal control
- Governance
- Sequenced derisking
- Sovereign alignment
- Institutional standards
- Technical progression
- Jurisdictional clarity

None of these are credit metrics. They belong to a category defined by infrastructure logic not debt markets.

PYA values structural uplift not coupon payments

PYA generates value when uncertainty decreases not when a borrower makes interest payments.

PYA depends on national alignment not borrower profiles

PYA assets sit inside food security, energy transition, industrial corridors and mineral supply networks.

- They are not financing needs for companies.
- They are formation steps for national systems.

PYA produces value before operating income

This is incompatible with credit which only recognizes value after income appears.

PYA focuses on technical and regulatory gates

This replaces the credit model of cashflow and repayment with a different logic built on engineering and governance. Credit cannot price this. PYA can.

Why Institutions Cannot Treat PYA as Credit

Institutional investors who try to classify PYA as credit face immediate breakdowns in their models.

- Timing does not match.

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- Risk formation does not match.
- Collateral logic does not match.
- Valuation method does not match.
- Governance sequencing does not match.
- Structural uplift does not match repayment schedules.
- Credit markets work only when the system has already matured.
- PYA operates before maturity exists.

These are different worlds.

Why PYA Is Not Private Credit or Project Finance

Some analysts attempt to place PYA near private credit or project finance. This leads to category confusion. Project finance begins after technical studies are complete, after permitting is secured and after engineering designs are finalized. It relies on future cashflow from a near ready project. Private credit lends to businesses that already operate. PYA begins before any of this. It is not a financing tool. It is a structuring tool. It is the architecture that makes later financing possible. Credit enters after PYA has done its work not before.

What PYA Unlocks That Credit Cannot

Credit cannot initiate early stage systems because it depends on maturity. PYA enables institutions to participate from the beginning by providing a structure that is identifiable governable and measurable.

Through PYA institutions can gain exposure to.

- Resource formation
- Energy transition foundations
- Agricultural system development
- Industrial corridor creation
- Geothermal reservoirs
- Mineral supply chains
- Strategic national infrastructure precursors

None of this is reachable through credit markets because credit requires finished systems. PYA is the only model that brings clarity to the pre yield phase.

Conclusion

PYA and credit operate on two different foundations. Credit is built on repayment yield and operating income. PYA is built on structural certainty, governance sequencing and national alignment. Credit requires maturity. PYA operates before maturity exists. Credit lends to companies. PYA structures physical systems.

For these reasons early stage real assets can never fit inside the credit category. They require a framework like PYA that recognizes value long before revenue and supports institutional participation in the earliest stages of national infrastructure formation. This reclassification corrects decades of misunderstanding and establishes PYA as the first coherent category capable of handling the structural behavior of early stage real asset systems.