PRIVATE CREDIT

Credit in good company: The complementary role of Senior Secured Loans



Two credit markets, one complementary allocation

Private credit has become an increasingly important part of Australian investor portfolios, providing access to lending opportunities outside traditional public bond markets, many of which offer floating-rate income.

It encompasses a range of strategies, from corporate and asset-backed lending to commercial real estate and construction finance.

But private credit is not a homogeneous asset class. Different lending markets expose investors to different borrowers, industries, geographies, valuation methodologies, and liquidity structures. This raises an important portfolio-construction question: are investors sufficiently diversified within credit, or do their allocations remain exposed to similar underlying risks?

This question is particularly relevant in Australia, where the domestic private credit market has grown rapidly and become more accessible to investors. ASIC's 2025 surveillance report of the asset class has highlighted concerns across the sector relating to disclosure and transparency, governance and conflicts, valuations, liquidity and credit-risk management.

Against this backdrop, global Senior Secured Loans may provide a complementary source of credit exposure for investors already allocated to Australian private credit.

While many Australian private credit strategies share the floating-rate characteristics of Senior Secured Loans, they can differ significantly in three areas:

01 Valuation transparency

Manager-led valuations and less frequent pricing versus predominantly externally rated loans with daily mark-to-market pricing.

02 Liquidity

Directly originated loans that may be difficult to trade versus broadly syndicated loans supported by a deeper secondary market.

03 Portfolio diversification

Primarily domestic property exposures versus a broad universe of US and European corporate borrowers.

What are Senior Secured Loans?

Senior Secured Loans are loans primarily made to below-investment-grade corporate borrowers and typically sit toward the senior end of a borrower's capital structure and are secured against borrower assets. This can offer greater protection in the event of financial stress than more subordinated or unsecured obligations.

Borrowers use Senior Secured Loans for a variety of corporate purposes, including capital expenditure, acquisitions and refinancing existing debt.

Like many Australian private credit investments, Senior Secured Loans are generally floating rate. This means their income adjusts as prevailing short-term interest rates change, resulting in relatively low interest-rate duration compared with traditional fixed-rate bonds. But an important distinction lies not simply in the underlying loan structure, but in where and how the loans are originated, held, valued and traded.

01

Valuation transparency:

less frequent pricing versus daily mark-to-market

Australian private debt provides access to privately negotiated lending opportunities, with valuation approaches and frequency varying by manager, fund and underlying loan. While less frequent valuations can produce a smoother reported return profile than daily market pricing, that smoother profile does not necessarily mean lower underlying risk. Making it important to understand how valuations reflect changes in borrower credit quality and market conditions, particularly during periods of stress.

Valuation governance and independence are particularly relevant for open-ended funds offering periodic redemptions, because the price at which investors enter or exit should fairly reflect the value of the underlying assets. Internal credit assessments can provide valuable insight, but investors should also consider how valuation processes incorporate credit deterioration and manage potential conflicts, including those associated with related-party transactions or refinancing arrangements. These considerations reinforce the need to assess each manager's practices rather than treating all Australian private debt strategies as alike.

Global Senior Secured Loans can bring a complementary valuation approach through daily mark-to-market pricing, portfolio transparency. and predominantly external credit ratings alongside managers' own assessments. These characteristics can provide additional visibility into changing credit and market conditions, and while daily pricing makes volatility more visible, it does not necessarily indicate greater underlying credit risk.

02

Liquidity:

look through the fund structure

Australian private debt can provide access to lending opportunities suited to investors willing to commit capital for longer periods. Fund redemption arrangements vary, but periodic access to capital should be considered alongside the liquidity of the underlying loans.

Global Senior Secured Loans offer a complementary structure through a more established secondary market. The US and European syndicated loan markets bring together a broad institutional investor base, creating opportunities to buy and sell existing loans. This can give managers greater flexibility to adjust portfolios or raise cash than is typically available for directly originated loans.

For investors, the key consideration is how each fund would meet redemption requests during more challenging conditions. Relevant questions include the expected cash flows from loan repayments, access to refinancing or asset sales, potential selling discounts and the circumstances in which redemption restrictions might apply. These considerations are relevant to both private debt and Senior Secured Loan funds and help establish whether an allocation's liquidity arrangements match the investor's time horizon.

For many asset classes, liquidity can become less available or more expensive during periods of stress, and funds may use redemption limits or other liquidity-management tools under their governing terms. Nevertheless, a complementary allocation may reduce reliance on a single liquidity structure by combining Australian private lending with access to a broader traded loan market.

03

Portfolio diversification:

beyond the domestic lending market

For Australian investors who may already have significant domestic exposure, global Senior Secured Loans can broaden the portfolio through access to a different universe of US and European corporate borrowers across a wider range of industries. The asset class is large and highly diverse with approximately 2000 issuers across more than twenty industries and a market valued at approximately US$2 trillion.

This breadth provides scope to diversify across corporate borrowers, industries and economic exposures beyond the domestic market. Australian private credit offers access to bespoke local lending opportunities, with portfolio composition varying by manager and strategy. Where an existing allocation has significant exposure to Australian borrowers, property or construction, global Senior Secured Loans may add a different mix of companies, sectors and geographic exposures rather than simply replicate the domestic allocation.

Diversification can be particularly relevant in credit because the contractual nature of loan returns generally limits upside, while a default can result in a substantial loss. Combining domestic private lending with global syndicated corporate loans may reduce concentration in particular borrowers, sectors or economic drivers, although both remain exposed to credit-cycle risks. The complementary opportunity therefore lies in broadening the underlying exposures.

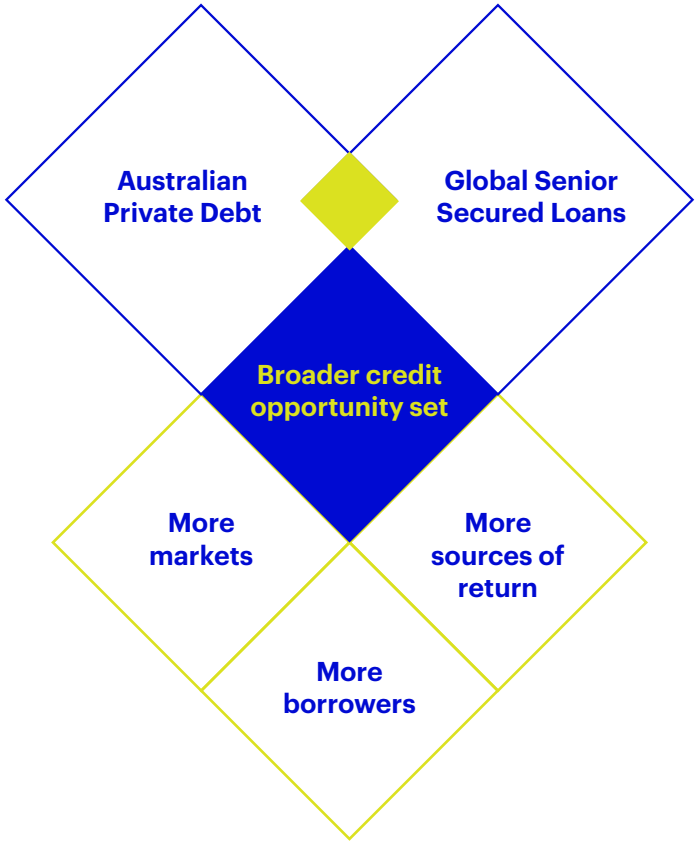
Credit in good company: side by side

Dimension	Australian Private Credit	Global Senior Secured Loans
Potential role	Domestic income and privately negotiated lending exposure	Global floating-rate income and corporate credit exposure
Interest-rate profile	Often floating rate, but can vary by strategy and loan	Typically floating rate
Valuation	Periodic valuations, methodology and independence vary by manager	Daily mark-to-market pricing using secondary-market inputs
Liquidity	Underlying loans generally less tradeable, fund redemption terms can vary	Supported by a deep secondary syndicated loan market, fund redemption terms as frequent as daily
Geography	Predominantly Australia and New Zealand	Primarily US and Europe
Sector exposure	Strategy dependent; property and construction exposures significant in parts of the market	Broad corporate and industry universe
Potential advantage	Bespoke domestic lending opportunities and negotiated loan terms	Broader borrower universe, market-price visibility and greater trading flexibility
Key consideration	Borrower credit quality, concentration, valuation governance and alignment of redemptions with asset liquidity	Below-investment-grade credit and mark-to-market volatility

Why are Senior Secured Loans good company for private credit?

The real opportunity lies in what the two can do together. Australian private debt and global Senior Secured Loans bring different strengths to a portfolio, creating more ways to participate in credit as market conditions evolve.

Combining private and traded credit can help investors build a more rounded allocation, with different return drivers and market dynamics working alongside one another. In that sense, Senior Secured Loans are not competing for the same role. They can make an existing credit allocation work harder by adding something genuinely different to the mix.



Australian private debt has broadened the opportunity set available to investors, offering access to privately originated lending opportunities. An allocation to global Senior Secured Loans can complement this exposure by broadening the portfolio across:

Geographies	through access to US and European borrowers
Industries and issuers	through a broad global corporate lending universe
Valuation approaches	through observable secondary-market pricing
Liquidity structures	through access to a deeper traded loan market
Sources of return	by combining syndicated corporate credit with privately originated domestic property dominated lending

For investors already allocating to Australian private debt, Senior Secured Loans offer a complementary source of global diversification, valuation transparency and liquidity along with the floating-rate characteristics that attracted many investors to the asset class in the first place.

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