

# Media Release

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## Private credit market to grow in 2025 as investors seek yield and shelter from equity risk

The Australian private credit market is poised to reach new heights in 2025, offering investors attractive yields and resilience amidst a backdrop of global economic uncertainty and more volatile share markets, according to Peter Szekely, managing director of Tanarra Credit Partners.

"As interest rates have risen in recent years, so too have the yields on floating-rate loans, which has made private credit an attractive investment proposition compared to other asset classes," said Mr Szekely.

"While the Australian private credit market is not entirely immune to global economic forces, it exhibits a degree of insulation from the volatility experienced in larger markets like the US. This stability, coupled with the attractive yields offered by private credit, makes it a compelling investment proposition in the current environment," he said.

This positive outlook is reinforced by recent reports from the International Monetary Fund (IMF) and the US Federal Reserve, both of which have highlighted the strong historical returns and low volatility of private credit. "Indeed, the IMF has reported\* that private credit funds have delivered comparatively higher gross returns than other asset classes historically have delivered," Mr Szekely said.

Private credit offers a compelling alternative to traditional investments, particularly in times of economic uncertainty. Private credit investments typically involve loans secured by tangible assets, offering a degree of downside protection compared to more volatile equity investments.

Furthermore, private credit can enhance portfolio diversification by providing exposure to a different risk and return profile than traditional asset classes. Direct lending, a key segment within private credit, allows investors to participate in financing businesses directly, often with greater protections and transparency.

While the outlook for private credit is positive, Mr Szekely acknowledged potential challenges. The recent US presidential election outcome and the anticipated policies of the incoming Trump administration could create global economic volatility and encourage some investors to move into private credit to avoid volatility in share markets.

"In this environment, it will be important for investors to focus on industries with inherent resilience and domestic support within the private credit market."



Mr Szekely identified several sectors within the Australian economy that are likely to remain resilient despite potential economic headwinds.

"Despite potential headwinds from rising interest rates, the financial services sector remains a cornerstone of the Australian economy, offering opportunities for private credit investments in areas like non-bank lending and specialised financial services," said Mr Szekely.

"Education and childcare also enjoy significant government support, providing a stable demand base. Healthcare, as Australia's largest and continually growing industry, offers long-term growth potential and relatively stable cash flows. Infrastructure benefits from government investment and long-term contracts, providing stability and reducing exposure to economic fluctuations," he said.

The Australian private credit market is predicted to see continued deal activity in 2025, building on the momentum from late 2024.

"I expect this momentum to continue into 2025, with a robust pipeline of deals in the sponsor-backed market, where Tanarra Credit Partners primarily focuses," he said.

According to the Reserve Bank of Australia, the size of the local private credit market is around \$40 billion, or about 2.5% of all business lending, based on data collected by the APRA and London Stock Exchange Group. He also noted that work by the regulator ASIC to improve transparency will assist in monitoring growth in private credit.

While acknowledging the small size of the Australian private credit market relative to global markets, Mr Szekely said its stability and insulation from international volatility. He sees particular opportunities in the middle market, where Tanarra Credit Partners operates, due to its reliance on domestic capital and potential for attractive yields.

\*<https://www.elibrary.imf.org/display/book/9798400257704/CH002.xml>



## About GSFM

GSFM was established in 2007 as a subsidiary of the Grant Samuel Group. In 2016 Canadian wealth manager CI Financial Corp, which oversees more than C\$518.1 bn in funds under management (at 30 September 2024), acquired a majority stake in the business, previously held by Grant Samuel.

GSFM delivers comprehensive responsible entity services, operational support, commercialisation assistance, and expert distribution and marketing for funds managed by leading local and international investment managers, serving both Australian and New Zealand institutional investors as well as Australian retail investors. It has partnered with nine specialist investment managers, who collectively manage more than A\$1.035 trillion.

- Epoch Investment Partners: Based in the financial heart of New York, Epoch Investment Partners specializes in global equity investing focused on free cash flow as the primary driver of returns.
- Payden & Rygel: This independent investment management firm, headquartered in Los Angeles, is renowned for its fixed-income expertise and a commitment to delivering client-focused investment strategies for over three decades.
- Munro Partners: An independent global equity manager from Melbourne, Munro Partners is recognised for its forward-thinking approach, actively investing in innovative and growth-oriented businesses worldwide.
- Man Group: A London-based leader in alternative investments, Man Group brings together cutting-edge technology and deep market insights to deliver diverse strategies across global markets.
- Tanarra Credit Partners: Specialising in private credit instruments, Australian-based Tanarra Credit Partners is dedicated to creating tailored credit solutions, offering unique investment opportunities in niche credit markets.
- Access Capital Partners: This European independent private asset manager is focused on private equity, private debt, and infrastructure, providing investors with access to diversified private markets.
- Eastspring Investments: As a global asset manager based in Singapore, Eastspring brings deep insights and a disciplined approach to investments across Asia, catering to a wide array of asset classes.
- Alantra: With a strong presence in Europe, Alantra specializes in small and mid-cap investments, leveraging local knowledge to drive growth in niche markets.
- Australian Entertainment Partners (AEP): Creators of the AEP Screen Fund, this investment vehicle is dedicated to supporting Australian film and television projects, backing local talent and boosting the creative industry.

GSFM currently manages approx. \$9.83 billion funds under management (at 31 October 2024). For more information about GSFM please visit: [www.gsfm.com.au](http://www.gsfm.com.au)

### About Tanarra Capital Partners

Tanarra Credit Partners is a private credit specialist with a demonstrated ability to originate a diverse pool of unique, high quality investments across its broad professional network. The TCP Private Debt Income Fund is distributed by GSFM in the Australian market. It aims to provide investors with attractive risk-adjusted returns with a focus on capital preservation. TCP seeks to deliver a differentiated asset class exposure compared to other offerings in the private credit market.