ASIC
Australian Securities & Investments Commission

Australia's public and private **markets**

Private credit funds: Do investors know what they're getting?

Private credit fund surveillance including a review of financial advice

Report 846 | November 2026

About this report

This report summarises ASIC's findings from our review of private credit funds offered to retail and wholesale investors, focused on private credit fund distribution, fee transparency, fund structures and conflicts. It builds on Report 814 *Private credit in Australia* and Report 820 *Private credit surveillance: retail and wholesale funds* by examining how private credit funds are distributed to retail investors (including a review of financial advice) and how fund structures, fee arrangements and related-party relationships affect transparency, governance and investor outcomes for both retail and wholesale investors.

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About ASIC regulatory documents

In administering legislation, ASIC issues the following types of regulatory documents: consultation papers, regulatory guides, information sheets and reports.

Disclaimer

This report does not constitute legal advice. We encourage you to seek your own professional advice to find out how the *Corporations Act 2001* (Cth) and other applicable laws apply to you, as it is your responsibility to determine your obligations. Examples in this report are purely for illustration; they are not exhaustive and are not intended to impose or imply particular rules or requirements.

Executive summary

Australia needs private credit, but persistent weaknesses are risking its benefits

Australia's private credit sector has expanded significantly since ASIC released Report 820 *Private credit surveillance: retail and wholesale funds* (REP 820) in November 2025. By some estimates, loans issued by private credit lenders have swelled to more than $250 billion in 2026, while retail exposure continues to grow through direct investment and superannuation.[1]

ASIC recognises private credit is an important source of capital, supporting growth and productivity, whilst offering diversification benefits and attractive risk-adjusted returns. However, the sector must be underpinned by strong governance, transparent disclosure and sound valuation, reporting and distribution practices.

REP 820 exposed poor private credit fund practices, including opaque fee structures, inconsistent reporting, weak governance and poor valuation practices. It called on industry to uplift standards and adopt the better practices set out in Table 1 .

Table 1: Ten principles of private credit done well

Principles	Why it matters	Considerations for private credit participants
1. Stewards of other people's money Fund operators act as stewards of investor capital, ensuring that their decisions are fair and in investors' best interests.	Safeguards assets, promotes fairness and maintains trust in the system.	Boards of fund operators should actively oversee fund operations, including valuations, conflicts, liquidity and impaired assets, to ensure fair and proper conduct.
2. Organisational capability Human, financial and technological resources are adequate. Fund operators operate efficiently, honestly and fairly.	Supports operational resilience, investor protection and regulatory compliance.	Maintain adequate staffing, systems, and capital, with regular reviews as funds grow in size and complexity. Ensure appropriate expertise and experience in leadership and staff, including in credit, risk, compliance, systems support, valuation, reporting, liquidity, and conflict management. Undertake appropriate monitoring and supervision, including of corporate authorised representatives.
3. Transparency Investors have access to timely, transparent information on investment strategy, exposures, valuations, risks and fees.	Supports comparability and informed decision-making by investors.	Adopt consistent reporting practices and terminology, including timing, form and substance.
4. Design and distribution Design and distribution practices are fair, transparent and appropriately targeted for investors.	Ensures investors receive clear, accurate information to make informed decisions, and mitigates against mis-selling of unsuitable products.	Determine an appropriate target market, taking care that it reflects any high risk or complex fund structures or features. Strengthen distribution oversight to ensure product suitability (including via platforms). Platforms provide clear and accessible information.

[1] L Kinsella, 'Private credit, its role in Australian financial markets and whether it will bring about the next global financial crisis', The Australian Financial Review, 16 September 2026, referencing Alvarez and Marsal statistics.

Principles	Why it matters	Considerations for private credit participants
5. Fees and costs Fees and costs are fair and transparent, giving investors and borrowers a clear view of total costs.	Enables informed decision-making and promotes trust.	Disclose all fees and income streams (e.g. management and performance fees, borrower-paid fees, origination margins, default interest). Be clear about the manager's total remuneration. Avoid complex fee and margin structures that obscure the true cost to investors.
6. Conflicts of interest Conflicts of interest are identified, disclosed and effectively managed or avoided.	Promotes trust and fair treatment of investors, borrowers and other parties.	Avoid arrangements (i.e. fees, interest, co-investment, loan structuring) that unduly favour one party. Ensure clear and fair allocation across funds. Disclose related party transactions and multiple exposures to the same borrower with independent oversight.
7. Governance Structures, processes and people promote sound decision-making, compliance and accountability.	Drives responsible decisions, supports ethical conduct, and fosters a risk-aware and compliant culture.	Establish well-defined, documented roles, decision-making and escalation processes, with clear accountability. Embed a culture of risk awareness, compliance and transparency. Empower staff to challenge poor practices. Ensure independent oversight, with boards of fund operators independent of the business. Avoid overly complex structures that heighten the risks of conflicts and unfair treatment of investors and borrowers.
8. Valuations Valuations are fair, timely and transparent, with robust governance.	Determines transaction, entry, and exit prices, and can influence management and performance fees.	Implement clear and consistent valuation methodologies, policies and processes that produce fair valuations. Undertake valuations regularly (monthly or quarterly), with appropriate independence. Include periodic external audits.
9. Liquidity Liquidity risk is effectively disclosed and managed, avoiding structural mismatches, with fair redemption terms aligned to portfolio liquidity.	Minimises disruption during stress and ensures fair treatment of exiting and remaining investors.	Disclose redemption terms, liquidity gates and stress testing practices to investors. Ensure the source of funds for distributions is sustainable and stems predominantly from cashflows generated by underlying assets. Avoid paying distributions from investor capital or that of new investors.
10. Credit risk Credit risk is effectively managed across loan origination, portfolio construction, monitoring, impairment, default and repayment.	Ensures disciplined lending. Aims to preserve investor capital, supports long-term portfolio performance, and enables effective impairment and default management.	Apply standardised credit assessment and monitoring frameworks as part of a well governed and documented risk management framework. Document credit decisions and risk ratings, and regularly review borrower performance. Establish escalation protocols for early signs of distress. Use portfolio stress tests. Apply a consistent approach to impairments, and ensure independent oversight of credit, default and impairment processes.

This report outlines the findings of ASIC's second private credit surveillance. It examines the impact of these practices on retail and wholesale investors and how private credit is distributed to retail investors, including through financial advice channels. It is highly concerning that many of the shortcomings identified in REP 820 persist; practices must improve.

While some funds have made progress, practices have not kept pace with the sector's growth and reach, and significant deficiencies remain.

In this surveillance, we found that:

- Complex and multi-layered structures and arrangements had obscured exposures, fees and competing interests.
- The economic benefits generated by investor capital but retained by fund operators or related parties, were not always clearly disclosed to investors.
- Some retail distribution practices did not adequately communicate product risks or support informed decision-making.
- Higher portfolio concentrations in private credit funds were associated with an increased likelihood that advisers did not demonstrate compliance with the best interests duty.

These shortcomings matter because the risks of private credit done poorly are no longer confined to institutional or very high-net-worth, sophisticated investors. Poor practices can misdirect capital, undermine market stability and harm investors, including millions of Australians exposed through superannuation. Given the scale of private credit, its concentration in certain sectors and the potential prevalence of the issues, these practices can also damage general market confidence and cause harm to sectors of firms and consumers within the broader real economy.

Our message is clear: as private credit grows in scale, complexity and reach, governance, controls and distribution practices must be commensurate with rising risk, particularly as tighter liquidity, emerging borrower stress and signs of credit deterioration create more challenging operating conditions.

ASIC will continue to scrutinize conduct of participants across the value chain of private credit from underwriters and originators through trustees and responsible entities to valuers and auditors. Multiple matters from this surveillance have already been referred for further investigation. Fund operators, distributors, intermediaries and financial advisers should carefully consider the findings of this report and act now to ensure ASIC's ten principles of private credit done well are embedded in practice – not merely acknowledged on paper – before further regulatory action becomes necessary.

What we did

This report presents findings from ASIC's surveillance conducted between November 2025 and August 2026. It builds on Report 814 *Private credit in Australia* (REP 814) and REP 820 by examining fee transparency, fund structures and conflicts for both retail and wholesale funds, as well as considering retail distribution practices including financial advice.

From November 2025 to August 2026, ASIC reviewed **24** funds with a credit strategy, primarily **private credit funds,** including retail and wholesale funds. The purpose of our surveillance was to assess how these funds manage key risks that are critical to investor confidence and market operation. We focused on:

- marketing and disclosure documents,
- incentive structures, including fee and interest margin arrangements and associated conflicts of interest,
- related party governance and disclosure practices, and
- risk and economic benefit transparency.

Given the increased retail participation in private credit, ASIC also reviewed a sample of **financial advice** that included a private credit investment recommendation.

See Appendix C for further information on our surveillance methodology.

Our key findings

1. **Complex, multi-layered structures and related-party arrangements create heightened risks, requiring robust governance arrangements to safeguard investor interests**
   Private credit funds commonly operate through complex structures, involving multiple layers, related parties and other funds within the same corporate group. In our surveillance, ASIC identified related-party arrangements, such as shared exposure positions and inter-fund transfers, often with limited disclosure to investors. Arrangements and transactions of this nature heighten the need for active and robust conflict management, to ensure that investor interests are prioritised. We identified some cases where arrangements were not clearly documented, disclosed, managed or were undertaken in ways that potentially did not support fair and appropriate investor outcomes. In some cases, the existence of multiple layers and shared exposures significantly reduced visibility over underlying assets.

   Investor impact: Some investors may be unknowingly exposed to heightened risks due to poorly disclosed and managed structures and related-party arrangements.

2. **Investors do not always have sufficient visibility over fees, economic benefits and incentives to understand the risk/return trade off**
   While investors provided the capital to generate returns, ASIC was concerned to see that fund operators frequently did not give investors a complete picture of the full economic benefits generated, including the specifics of portions retained by the fund managers themselves and/or related entities. We identified significant inconsistency across the funds reviewed in terms of the treatment and disclosure of borrower fees, interest margins, related-party remuneration and other economic benefits. In some cases, material remuneration was not disclosed clearly or consistently, reducing investors' ability to compare funds and evaluate investments where they assume substantial downside risk, while receiving only a limited share of the upside.

   Investor impact: Investors provide the capital and bear the risks, but may receive less of the total generated return than they expect.

3. **Marketing, disclosure and distribution practices for retail funds do not always support informed investor decision-making**
   Many of the issues identified in REP 820 remain prevalent – we observed material shortcomings in marketing, disclosure documents and target market determinations. We observed there was often an inadequate explanation of product features, liquidity constraints, underlying assets, fund structures, fees and conflicts.

   Investor impact: Investors are distributed products without the benefit of disclosures to help them clearly understand what they are investing in and what risk they are taking.

4. **Financial advisers generally help investors appropriately diversify their portfolio to include private credit exposure, although some advisers may have provided inappropriate advice**
   We observed that most advisers demonstrated that they acted in the best interests of their clients when recommending private credit funds to their clients. We were more likely to assess the financial advice as being compliant with the applicable law when private credit exposure was a modest part of the investor's portfolio and formed part of a diversified fixed-income allocation.

   However, in some instances of advice, we were concerned that advisers had prioritised their own interests ahead of their client's, increasing the likelihood of poor client outcomes through recommendations that were not adequately aligned with the client's objectives, financial situation and needs. These advisers recommended high allocations of a client's investable assets to single private credit funds. We observed that some fund operators had financial incentive arrangements with the financial advice licensee, that may have incentivised advisers to make certain recommendations.

   Investor impact: Some investors may end up over-exposed to private credit through poorer advice practices

Private credit done well

Taken together, these findings highlight the importance of strong governance, transparency and effective conflict management across the private credit sector.

ASIC identified that conflicts may arise at multiple points in the investment chain, including within fund management groups and, in some cases, through distribution and advice practices.

As operators of private credit funds expand their range of fund offerings, unmanaged conflicts of interest remain a central risk. This risk is especially acute where the same manager controls or influences multiple funds, related entities or positions in the same borrower or capital structure.

Our ten principles of private credit done well (see Table 1) set out our expectations for private capital funds, including private credit. The findings in this report show that further work is required, particularly in governance and management of conflicts, transparency of structures, fees and economic benefits, distribution to appropriate investors and clear communication of risks and liquidity constraints.

Examples of poorer practices

Complex structures and related-party arrangements

- In one case, **around 17% of a fund's assets** were transferred to related funds managed by the same funds management group in a single year. In another case, **15% of a fund's assets** were transferred between related funds within the same fund management group in a single year. These transactions were not fully disclosed to investors.
- **18 out of 24 funds** used multiple layers of intermediary entities in their structures, including special purpose vehicles (SPVs), fund-of-funds structures and warehouse vehicles. Some funds did not disclose these clearly to investors and explain the implications of these structures.
- **Ten out of 12 wholesale funds** used SPVs as a material part of their investment structures, compared with 3 out of 12 retail funds. Funds used anywhere **from 0 to more than 500 SPVs** (cumulatively since inception) depending on the size and nature of the portfolio.

Fees, incentives and economic benefits

- **Only two funds** passed the full economic benefits of interest and borrower fees to investors across the wholesale and retail funds reviewed.
- The undisclosed borrower fees, interest margin, and default interest retained by a related-party lender **exceeded four times the disclosed management costs** for one fund (based on approximate figures). For every $1 distributed to investors, the related party of the fund operator received 38 cents during the relevant calendar year.
- It was common for funds to retain fees paid by borrowers, but fee disclosure was not always complete or consistent. **Seven out of 10 retail funds** and **nine out of 12 wholesale funds** reviewed retained establishment or origination fees, with two funds not disclosing this practice to investors.

Deficient disclosures and retail distribution practices

- **Nine of 12 retail funds** did not clearly disclose key information important to an investor's decision, including information about underlying assets, structures or risks.
- **Ten of 12 retail funds** had target market determination (TMD) settings that ASIC considered poorly designed, including broad or unclear risk ratings and inappropriate allocation recommendations.
- The marketing material of **three retail funds overemphasised returns**, stability, liquidity or capital preservation.

Excessive concentrations in private credit recommended by some financial advisers

- **88% of advice files** that recommended portfolio allocations of more than 20% to private credit funds failed to demonstrate compliance with the best interests duty.
- **87% portfolio allocation** was the highest allocation observed that a financial adviser recommended for investment to a single private credit fund.

Our surveillance focus

ASIC reviewed fund operators, investment managers, and financial advisers that offered or recommended private credit funds to retail or wholesale investors (see Note 1 below). We reviewed:

- 12 retail private credit funds, with assets under management (AUM) totalling approximately $8 billion.
- 12 wholesale private credit funds, with AUM totalling approximately $10 billion.
- The advice provided to 46 retail clients by 19 financial advisers in connection with six private credit funds.

Note 1: Throughout this report, 'fund operator' means the entity responsible for operating a fund: the responsible entity for a retail fund or the trustee of a wholesale fund.
Note 2: 'Fund manager' refers to the fund operator, investment manager and/or related entity of either, as applicable.
Note 3: Retail investors can only invest in registered managed investment schemes (i.e. schemes registered under s601EB of the *Corporations Act 2001* (Corporations Act), although these schemes can be made available to both retail and wholesale investors.

Appendix A sets out the target private credit funds and their responsible entities or trustees.

Table 2: Characteristics of the funds we reviewed[2]

Figures (approx.)	Retail funds	Wholesale funds
AUM range	$33 million – $2.7 billion	$21 million – $5.1 billion
Total AUM	$8 billion	$9.8 billion
Average number of underlying loans per fund	225[3]	54[4]
Total principal amount of all outstanding loans (range)[5]	$33 million – $2.8 billion	$20 million – $5.1 billion

[2] For retail funds as at approximately October 2025. For wholesale funds, as at approximately December 2025.
[3] Excludes one retail fund that reported over 4000 loans.
[4] Excludes one wholesale fund that reported over 13,000 loans.
[5] The total principal amount of outstanding loans reflects borrower exposures and may differ from the fund's AUM, depending on the fund structure, use of leverage, asset valuations.

Roadmap of ASIC actions: supporting private credit done well

This report forms part of ASIC's ongoing work on private credit and across public and private markets. It should be read in the context of ASIC's statement on 18 June 2026[6] which also called on private credit participants to maintain robust valuation practices in a market experiencing tighter liquidity, emerging borrower stress and signs of credit deterioration. From 26 March 2026 to 14 May 2026, ASIC also conducted an eight-week voluntary survey and engagement with expert panels and market participants, to monitor market conditions and the sector. ASIC intends to conduct further surveys as part of its monitoring activities.

Regulatory and enforcement action

Some of the practices identified in our review appear inconsistent with ASIC guidance and may contravene financial services laws, including the Australian financial services (AFS) licensee obligation to provide financial services efficiently, honestly and fairly.

ASIC will use its regulatory and enforcement tools when we identify material deficiencies in product disclosure statements (PDSs) or target market determinations (TMDs). From this surveillance, to address disclosure concerns, ASIC issued:

- two interim PDS stop orders;[7] and
- four interim TMD stop orders.[8]

Poor practices in private credit are a 2026–27 enforcement priority. See: ASIC enforcement priorities. ASIC has several well-progressed enforcement investigations underway.

Industry standards

We acknowledge the work of industry bodies in their development, review and eventual adoption of enhanced industry standards.[9] These will build upon the foundations of ASIC's ten principles for private credit done well.

Industry standards mark an important step towards lifting practices across a sector that has grown dramatically in size and breadth. Recent developments in private credit reinforce why strong governance, effective oversight, clear disclosure and accurate valuations are critical.

Regulatory guidance

As foreshadowed in REP 820, ASIC is continuing to refresh its suite of fund-related regulatory guides, responding to industry calls for more guidance in this space, and to ensure the regulatory guides reflect the additional challenges of managing a private credit investment strategy. In December 2025 ASIC updated RG 181 *AFS licensing: managing conflicts of interest* (RG 181) to align with developments in law

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[6] *ASIC puts private credit on notice, ahead of 30 June valuations and reporting* (18 June 2026).

[7] Media Release (26-234MR) *ASIC halts offers in mortgage schemes managed by Australian Secure Capital Fund (8 October 2026)* and *Media Release* (26-257MR) *ASIC halts offers in mortgage scheme managed by Murdoch Clarke Mortgage Management Ltd* (26 October 2026). The interim stop orders have since been revoked after the responsible entities took immediate steps and made amendments to the PDSs, addressing ASIC's concerns.

[8] See Media Release (26-225MR) *ASIC halts offers of private credit products offered under Remara Cash Management Fund* (22 September 2026) and Media Release (26-241MR) *ASIC issues DDO stop order against Fidante Partners Limited for TMD deficiencies* (13 October 2026). The interim stop orders have since been revoked after the responsible entities took immediate steps and made amendments to the TMDs, addressing ASIC's concerns.

[9] For example, the Financial Services Council released its private markets best practice standards and accompanying guidance note in August 2026. ASIC understands that other industry bodies are undertaking similar work in relation to private market standards.

and policy and draw on ASIC's regulatory experience and insights from its surveillance of private markets, including private credit.[10]

We expect to consult on the proposed changes to a range of regulatory guidance in early 2027. The proposed changes reflect surveillance findings and risks, and respond to sector feedback on the benefits of clarity around particular terms and definitions. For example, we propose expanding the scope of Regulatory Guide 45 *Mortgage schemes: Improving disclosure for retail investors* (RG 45) from mortgage schemes to all types of private credit funds. In this expansion, we will propose a definition of 'private credit fund' for which the disclosure benchmarks and disclosure principles will be relevant.

Data collection

ASIC also continues to strongly advocate for an increase in ASIC's data collection powers for the managed investment scheme sector. The absence of recurring and comprehensive data currently limits ASIC's ability to monitor risks and emerging trends across the managed investment scheme sector, including the private credit sector. This challenge is particularly acute in parts of the wholesale market where transparency is more limited. A recurrent data collection power would allow ASIC to collect comprehensive and detailed sector-wide data, to support our supervisory activities. On 23 September 2026, Treasury released its consultation paper regarding a proposal to collect data from the managed fund industry. See: Enhanced data collection for managed investment schemes.

Valuation governance and audit quality

ASIC's work on private credit is also complemented by our broader work on financial reporting and audit quality, including surveillance of registrable superannuation entity financial reports and audits. [11] ASIC continues to call on superannuation trustees and auditors to strengthen their financial reporting and audit practices, including maintaining robust valuation governance and controls, obtaining persuasive audit evidence, and working together to address challenges in accessing underlying asset information: see Report 841 *Accounting for your super: Super fund financial reporting and audit 2025–26* (REP 841).

[10] Media Release (25-304MR) *ASIC renews guidance on managing conflicts of interest in financial services* (16 December 2025).

[11] Report 816 *Accounting for your super: ASIC's review into the financial reporting and audit of super funds* (REP 816); Report 841: *Accounting for your super: Super fund financial reporting and audit 2025-26* (REP 841).

Progress since the release of Report 814 and Report 820

Since the publication of REP 814, REP 820 and other associated reports last year,[12] a number of private credit fund managers have taken steps to strengthen their compliance and governance practices. The examples below illustrate the enhancements to disclosure, governance, valuation, fee transparency, distribution practices and conflicts management made by some fund managers among the 2025 cohort reviewed by ASIC in REP 820.

Table 3: Progress since November 2025

Practice areas	Positive developments observed since REP 820
Disclosure of investment strategy and marketing practices	Updates to PDSs, websites, marketing materials or product labels.
Distribution	Updates to TMDs, including clearer risk ratings and recommended allocation determinations. Enhancement to distribution settings, including design of investor questionnaires.
Conflicts management	More granular disclosure of related party transactions and enhancements to governance and conflicts-management arrangements, including more centralised oversight, appointment of external experts, procedure uplifts, in-depth arm's length determinations and control uplifts.
Valuation, liquidity and credit risk governance	Enhanced oversight, including the appointment of independent experts to verify valuations and methodologies, creation of independent valuation committees, external expert reviews and more granular investor reporting.
Fee transparency	Greater transparency on funds' fee structures, including the extent of net interest margins retained by fund managers, and whether certain economic benefits are retained or passed on to investors.

ASIC acknowledges the improvements made by these fund managers to address shortcomings identified in REP 820. However, our 2026 surveillance indicates that many of the issues identified in REP 820 remain prevalent in the sector.

It is not acceptable for funds to wait until there is regulator engagement to improve practices. Poor private credit practices is an enforcement priority for ASIC[13] and we will take action where required to support fair and efficient markets and protect consumers.

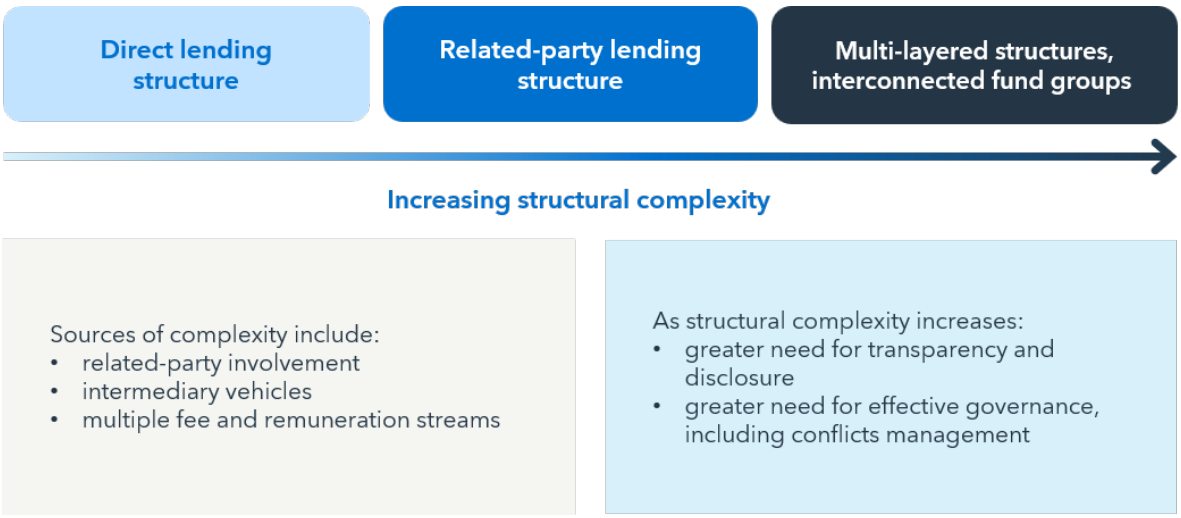
[12] ASIC reports and publications on private markets, including REP 820 and REP814, are located on our Public and Private Markets webpage.
[13] Media Release (25-273MR) *ASIC announces 2026 enforcement priorities* (13 November 2025).

1. Private credit fund structures, conflicts and fee transparency

This surveillance examined the structures, arrangements and relationships of private credit funds. We also examined sources of revenue earned in connection with private credit funds. We considered how opportunities, exposures, fees and other economic benefits were generated, allocated and managed (including through multi-layered fund structures and related party arrangements). We also examined the extent to which those arrangements and fees were disclosed transparently and consistently to investors. Many observations in this chapter were common across both the retail and wholesale funds reviewed by ASIC.

Private credit funds can operate through structures with many layers and/or related party arrangements. Where there are complex structures and arrangements, transparency, governance and effective management of conflicts of interest become increasingly important (see Figure 1).

Figure 1: Implications of increasing complexity



Note: See paragraph below for an explanation of the data shown in Figure 1 (accessible version).

Figure 1 illustrates increasing complexity observed across private credit funds. While related-party lenders and multi-layered structures may serve legitimate commercial purposes, each additional layer can reduce transparency and make it more difficult for investors to understand the underlying risks, exposures, the role of each entity, and how economic returns are generated and allocated throughout the structure. In particular, investors may have reduced visibility over the extent to which loan security, borrower fees, interest margins, and other forms of remuneration are retained by related entities, rather than distributed to investors. These risks can be mitigated, in part, by managers introducing clear disclosures and transparency with investors, backed by strong governance policies and procedures.

Why it matters

REP 820 identified concerns about the complexity of fund structures, arrangements, and fee incentives across the private credit sector. Private credit funds can involve multiple entities, including responsible entities, trustees, investment managers, loan originators, lender vehicles, SPVs, sub-trusts, warehouse vehicles and related-party service providers. These structures and arrangements can influence the exposures, risks, incentives and economics of a fund.

Complex structures and arrangements may serve commercial and operational purposes, such as:

› Using special purpose vehicles (SPV) to hold assets and isolate financial risks

- Using warehouse structures to attract and accommodate investors with different risk appetites, and increase the pool of money (capital) available to finance the loans
- Using related party arrangements (including vertical integration) to improve efficiency, reduce costs and provide fund managers with greater operational oversight, or
- Arrangements involving inter-fund transfer of assets within the same funds group to support portfolio rebalancing and liquidity management.

However, complex structures and arrangements can make it difficult for investors to understand how economic returns generated from fund assets and lending activities are allocated between investors, fund operators, investment managers and their related parties. Some structures and arrangements also give fund managers greater discretion over:

- the allocation of opportunities, assets, fees and risks between funds, investors and related parties and increase governance risks, and
- the provision of different information to different investors,

resulting in risk of unfair treatment of investors and prospective investors.

In scenarios where borrowers encounter stress, complex structures and arrangements can make recovery processes and loan restructures more difficult. Where multiple lenders, vehicles or creditor interests are involved, it may be more difficult to coordinate decision-making and achieve outcomes that are consistent with the interests of affected investors

ASIC is concerned where complexity may obscure investors' risks, rights, costs or economic interests, or where such complexity makes it difficult for fund managers to effectively manage competing interests to ensure that investor interests are prioritised. These challenges can become more acute during periods of borrower stress or when there are material adverse changes in asset performance or market conditions. Complex structures and arrangements may also exacerbate stressed scenarios. For example, recovery and restructures may become more difficult where multiple lenders, vehicles or creditor interests are involved, requiring coordination and decision-making across a larger number of stakeholders. This can make it more difficult to achieve outcomes that are fair and consistent with the interests of all affected investors.

Limited transparency (including general fund and fee transparency), can compromise investors' ability to compare funds, assess risk and determine whether they are being appropriately compensated for the level of risk incurred. This ability to compare is further compromised when different investors are provided with different information by the fund manager.

Key findings

Finding 1 Complex fund structures and arrangements can obscure investor exposures, rights and risks

ASIC observed a range of private credit fund structures, from simple direct lending arrangements to more complex structures involving related-party lenders, SPVs, warehouse vehicles, sub-trusts. We also observed related-party lenders and vertically integrated fund management groups. See Appendix G, which illustrates some different fund structures observed by ASIC.

While these structures and arrangements may serve commercial and operational purposes, they can create multiple layers between investors and the underlying loans. In some cases, funds obtained exposure to private credit through intermediary vehicles, lending structures or contractual arrangements rather than through direct ownership of the underlying loans and security. Fund managers did not always describe these structures in detail to investors, even though they could affect who legally owned the underlying assets, who controlled key decisions, and impact the rights available

to the fund if a borrower defaulted or a dispute arose. These features may become particularly relevant when funds are required to respond to borrower stress and other material adverse events.

Use of intermediary vehicles by retail and wholesale funds

ASIC observed structures involving intermediary vehicles across retail and wholesale private credit funds:

- 10 out of 12 wholesale funds and 8 out of 12 retail funds involved multiple layers of intermediary entities, including SPVs, fund-of-funds structures and warehouse vehicles. Some examples are in Table 4.
- The majority of wholesale funds reviewed used SPVs as a material part of their investment structures (10 out of 12), compared with 3 out of 12 retail funds. Funds used anywhere from 0 to more than 500 SPVs, depending on the size and nature of the portfolio.[14]
- Some of these funds did not explain their structures to investors clearly. For example, one fund gained its exposure through a series of SPVs, related-party funds and warehouse arrangements. While the disclosure document[15] stated that the fund invested in securitised assets through notes issued by SPVs established and managed by the fund manager, in ASIC's view it did not adequately explain the broader structure and the full extent of the related parties and intermediary entities involved (see this section's **Finding 3** on page 23 for more information on related-party arrangements).

Table 4: Examples of intermediary entities used by funds

Fund	Key structural feature	Example of structures used
Fund A	Fund-of-funds structure	Retail fund invests in 30+ underlying funds with different asset mixes, and each underlying fund is managed by different underlying investment managers.
Fund B	Fund-of-funds structure + warehousing vehicles	Retail fund gains indirect exposure to private credit through securitised and direct lending vehicles. The main fund invests in loan notes issued by sub-trusts, that in turn invest in notes issued by other trusts, that invest in other vehicles to ultimately gain exposure to the assets.
Fund C	SPVs and co-investing features	Wholesale fund obtains its private credit exposure both directly (direct lending to the borrower) and indirectly via investment in sub-trusts and project-specific SPVs.
Fund D	Feeder fund into offshore master fund	The wholesale fund invests a substantial part of its assets into the shares of a US company. The US company invests in asset-backed finance opportunities, including warehouse facilities.

[14] The upper figure represents an approximate cumulative count since the fund's inception, rather than SPVs active at any one single point-in-time for that fund.

[15] Disclosure Document refers to the PDS or investment memorandum as relevant.

Case study 1: Transfer of ownership of SPVs holding underlying borrower loan assets and security

ASIC observed a wholesale fund manager transfer the ownership of certain lender SPVs from within the manager's corporate group to an externally owned structure. The transfer occurred as part of a broader corporate restructuring for group accounting purposes. The SPVs had made certain loans and held the associated security supporting those loans. The restructure impacted one type of the fund's loan facilities.[16]

Investors retained substantially the same economic exposure to the underlying loans but the legal ownership of the SPVs moved outside the manager's corporate group (see Figure 2 below). The restructure introduced new ownership arrangements for the SPVs, management, performance fee and fee arrangements. The general use of SPVs and other intermediaries was contemplated in the fund's disclosure documents. The fund manager did provide stand-alone disclosure about the revised fee arrangements.

However, the fund manager did not provide investors with:

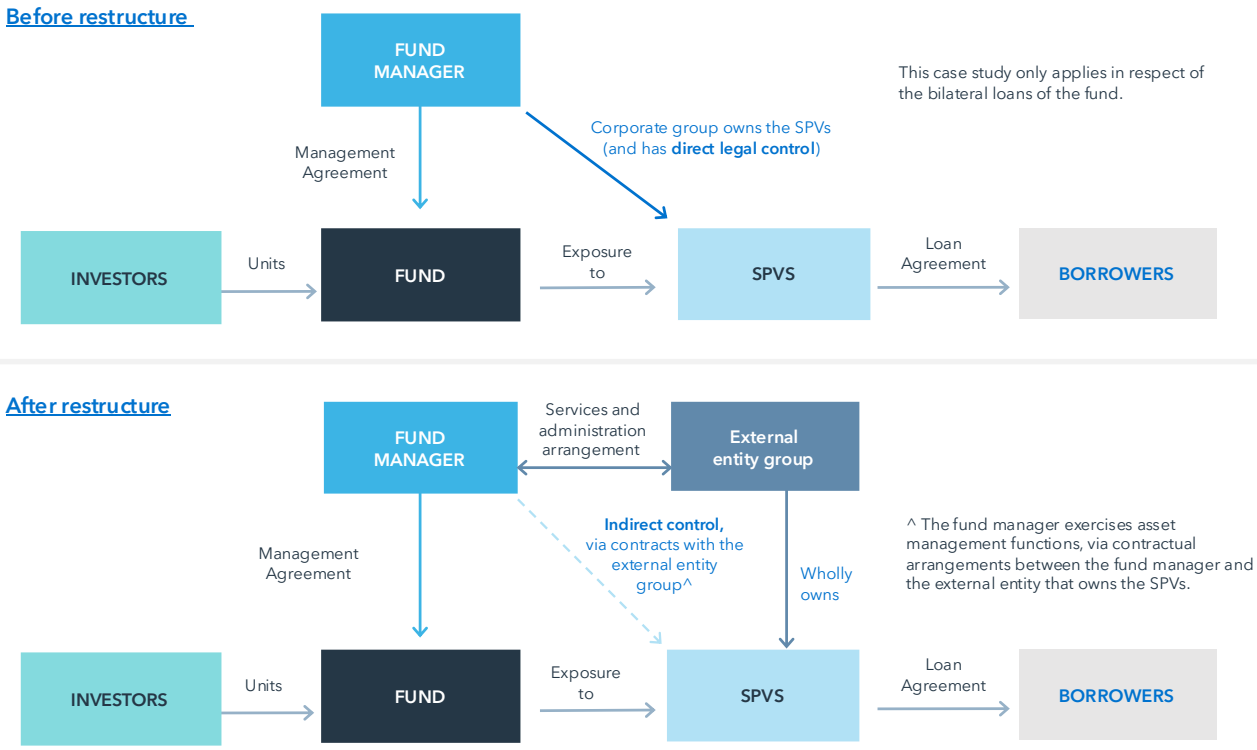
- specific disclosure explaining the transfer of the SPVs outside the manager's corporate group or the rationale for the transaction.
- explanation of the broader ownership, governance, control and counterparty risk implications of the restructure.

In acting efficiently, honestly and fairly and managing conflicts of interest,[17] fund managers need to clearly disclose to investors material changes to intermediary structures and explain any implications for investors' legal rights, governance arrangements and economic interests.

[16] This fund had other loan arrangements, outside of bilateral loans, that were not impacted following the SPV transfers.

[17] 912A(1)(a) and (aa) of the Corporations Act.

Figure 2: Transfer of legal ownership of SPVs that hold underlying borrower loan assets and security



Note: See paragraph below for an explanation of the data shown in Figure 2 (accessible version).

Figure 2 shows how ownership of SPVs holding the bilateral loan assets and security that the wholesale fund gains exposure to were transferred from manager owned and controlled SPVs to an external, non-custodial entity group outside the manager's corporate group. The diagram provides a simplified, high-level representation of the relevant structures and is not intended to depict all entities, relationships or arrangements in detail.

Finding 2: Fee arrangements and remuneration are not always transparent to investors – undisclosed retention of borrower fees and interest margins

Private credit fund managers, like other investment fund managers, charge management and performance fees.

Private credit investments can generate other fees and remuneration, such as borrower fees (including servicing arrangements and remuneration earned through related parties), default fees and interest margins. See Appendix E for further information.

The surveillance highlighted that the way revenues are generated, retained and distributed varies significantly between funds depending on the fund structure and arrangements. The disclosure to investors, and therefore transparency of fees and other sources of remuneration, also varies considerably.

Specific issues include:

- Significant differences between funds as to whether borrower fees and interest margins are retained by fund managers or passed through to investors (see Table 3 below).
  - The majority of the funds reviewed did not pass the default fees or origination/establishment fees received from borrowers through to investors.

- Retained interest margins for retail funds and wholesale funds ranged from 0.00% (where all interest income was passed through to investors) to a maximum of 5.6 % (for retail) and 5.9% for wholesale across the total loan book. Only two of the 22 retail and wholesale funds reviewed passed the full economic benefits of interest and borrower fees earned to investors.[18]

› Significant variance in disclosure of borrower fees and interest margins by fund managers (see Table 6 below).

- Some fund managers did not disclose that they retained certain borrower fees. For instance, two retail funds did **not** disclose the retention of establishment or origination fees to investors.
- Although some funds did generally disclose the retention of certain borrower fees in their disclosure documents,[19] this was presented differently across funds (see Table 7 for some examples). Some funds quantified borrower fees and incorporated it as part of management fees, some other funds only disclosed the existence of borrower fees but may not have framed it as a 'fee'.
- Only a small number of funds reviewed overall quantified the borrower fee and presented it as part of the management costs in the relevant PDS or investment memorandum.[20]

As a result of these practices, investors did not always receive a complete picture of the remuneration generated using their capital or the allocation of economic benefits derived from their investment. This may impact the investors' ability to assess the risk-return profile of the fund and determine whether they were being appropriately compensated for the level of risk incurred. Without adequate transparency, investors may misinterpret lower return as a result of a lower-risk investment strategy, when those returns may instead be reduced by undisclosed retention of fees, interest margins or other economic benefits (see Case study 3).

It is not a breach of the law for fund managers to generate fees or elect to retain fees or other sources of remuneration generated from private credit fund activities, including lending activities. Some fund managers have indicated that such fees cover the transaction costs associated with establishing and managing loans, and if not retained, management fees would otherwise need to increase.

However, ASIC observed that these arrangements can result in a fund manager's total remuneration being materially higher than the disclosed management fees alone (see Case study 2).[21] These additional revenue streams can represent a significant component of overall remuneration generated from fund activities and are not always reflected in disclosed fees.

ASIC recognises that the applicable disclosure requirements do not necessarily require borrower fees retained by a fund manager to be disclosed or presented as management costs in a PDS.[22] However,

[18] ASIC reviewed 24 funds in total, but excluded two funds (both retail) from aspects of the fee review because the relevant fee information could not be assessed on a comparable basis. Accordingly, the observations in Section 1, **Finding 2** (including this sentence) refer to only 22 funds.

[19] Disclosure document in this case refers to the PDS or investment memorandum.

[20] For instance: Out of the five retail funds that retained default fees, only one quantified the default fees and included this as part of the management costs in the PDS. Out of the seven wholesale funds that retained default fees, only three quantified and included it as part of the management fees in the investment memorandum.

[21] Refer to Section 1, **Finding 3** on page 23 . In some structures, especially where there are vertical integration and related parties, benefits may be received indirectly through project management fees origination fees, loan management services, interest margins and other arrangements.

[22] ASIC's observations in Section 1, **Finding 2** on page 17 focus on the transparency and comparability of fee and remuneration arrangements, and should not be taken as findings that particular disclosures did not comply with the applicable disclosure requirements under s1013D(1)(d) of the Corporations Act, schedule 10 of the Corporations Regulations and ASIC legislative Instrument 2019/1070.

ASIC considers that borrower fees retained by fund managers represent an economic benefit derived from investor-funded lending activities. Although borrower fees are legally payable by borrowers to the lenders per the facility agreements, they arise from lending activities funded by investor capital and are supported by investors bearing the underlying credit risk. Where those fees are retained by a fund manager, this may have a similar economic effect to reducing returns otherwise available to investors.

ASIC considers it better practice for fund managers to clearly disclose borrower fees and other economic benefits retained from lending activities, including their nature and quantum, to support investor understanding and comparison. Without this transparency, investors may not understand the full remuneration generated from their capital or be able to meaningfully compare private credit funds on a like-for-like basis. As highlighted in REP 814 and REP 820, good practice involves fund managers considering why fee and other income is not being disclosed: is disclosure justified and if not, why not?

Table 5: Retention of borrower fees and interest margins

Observation	Retail funds	Wholesale Funds
Funds that did not fully pass default fees to investors	5 out of 10	7 out of 12
Funds that did not fully pass establishment/origination fees to investors	7 out of 10	9 out of 12
Range of retained interest margins[23]	0.00% to 5.6%	0.00% to 5.9%

Table 6: Disclosure of retained borrower fees (default, origination fees)

Observation	Retail funds	Wholesale funds
Funds retaining default fees without disclosure	0 of 5 (but all disclosed differently)	2 of 7
Funds retaining establishment/origination fees without disclosure	2 of 7	0 of 9

[23] During the relevant period of 1 January 2025 to 31 December 2025. Net interest margin here is the difference between the weighted average rate of interest charged to borrowers less the weighted average rate of interest paid to investors across all the loans in the loan book for the fund: refer Appendix E for more information.

Table 7: Examples of different approaches to disclosing retained borrower fees

Fund	ASIC observation	Excerpts of how certain types of retained borrower fees were disclosed in the Disclosure Documents[24]
TPT Select Mortgage Fund	Did not disclose the retention of certain borrower fees (establishment fees) to investors	n/a for establishment fees
Murdoch Clarke Mortgage Fund	Did not disclose the retention of certain borrower fees (establishment fees) to investors	n/a for establishment fees
Trilogy Monthly Income Trust	Borrower fees were quantified and disclosed as part of the overall management fees and cost for the fund (as indirect costs).	*'Management fees and costs include the Responsible Entity management fees, borrower fees and costs and the indirect costs referred to in the "Additional explanation of fees and costs… Indirect costs are X%" … The Responsible Entity is entitled to be paid fees by the Borrower in respect of each Mortgage Investment made by the Trust in relation to the work it carries out in the management and administration of the Loans. These are referred to as "Borrower's Fees" '*
Merricks Capital Partners Fund	Borrower fees were quantified and disclosed, though the fees were presented separately from management fees (as due diligence, establishment and loan management fees).	*'Borrower paid fees represent the primary mechanism by which the Manager is compensated for [the] specialist effort and the resources deployed in each transaction.* *'Upfront fees (including origination, arrangement and establishment fees) are charged to the underlying borrower upon establishment of a loan and typically range between X% and X% of the facility limit depending on the loan structure and work involved.'*
Mosaic Capital Fund	Borrower fees were disclosed but not quantified. Establishment, loan administration and/or line fees were framed as borrower fees, separate from management fees. The default administration fee was disclosed outside of the fees section of the investment memorandum, instead it was disclosed as part of arrears and default management.	*'The Investment Manager may charge the Borrower a default administration fee to compensate for its effort in managing the default. This fee will be negotiated and paid by the Borrower directly to the Investment Manager…'* *'In addition to [the interest payable by borrowers collected by the trustee], the Borrower may also pay an establishment fee, loan administration fees and/or line fees or other fees to the Investment Manager or the Fund. The Investment Manager is entitled to any establishment fees, line fees, administration fees or other fees paid by the Borrower (if any).'*

[24] Disclosure Document in this table refers to available disclosure in the PDS or investment memorandum that ASIC reviewed during the period of October 2025 to August 2026. ASIC acknowledges that the fund manager may have updated the PDS or investment memorandum following ASIC's review.

Fund	ASIC observation	Excerpts of how certain types of retained borrower fees were disclosed in the Disclosure Documents[24]
ASCF High Yield Fund	Borrower fees (including origination and establishment fees) were disclosed and quantified as a percentage range (between 0.5% and 2%) of the total loan value of each loan. The disclosure was framed as part of related party transactions rather than belonging as part of fee disclosure.	*'[The related party mortgage originator] is a related party of the Responsible Entity and provides mortgage origination and administration services to the Responsible Entity in respect of the Funds.'* *'[The related party mortgage originator] receives a loan application (origination) fee of between 0.5% and 2% of the total loan value for each loan it introduces to the Funds and which are subsequently approved and funded. These fees are collected from the borrower, not from the Funds. All fees and interest received from borrowers once the loan has been originated are paid to the respective fund including all interest collected (and default interest if any) all extension and rollover fees and all loan management fees.*

Case study 2: Undisclosed fee streams of a private credit fund manager materially exceeded disclosed management fees

One fund manager did not disclose the types of borrower fees and the nature and extent of the fees that its related parties earned in connection with the fund. The related-party lender received:

- An interest margin on the loan.
- 100% of borrower fees, including establishment fees and line fees.
- 100% of default interest.

(collectively, the **related-party remuneration**).

These were significant streams of income.

Collectively, the non-disclosed remuneration from related-party remuneration retained by the related party of the manager amounted to over **four times the disclosed headline management** cost reported by the fund (based on approximate figures),with the lender's interest margin comprising approximately 18% of the related party remuneration.[25] This remuneration also amounted to **over 38%** of the fund distributions in the 2025 calendar year.[26] However, the quantum of these figures was not disclosed and was not presented as a cost to the fund.

None of the remuneration retained by the related party appeared to be fully disclosed to investors in the fund.[27] The fund disclosed the interest margin retained by the responsible entity as part of the management costs, but not the related party lender's margins and revenues derived in connection with the fund and its lending activities.

[25] As part of the related-party remuneration, the lender retained approximately 2.9% of interest margin in addition to the borrower fees and this was not disclosed to investors.

[26] For the relevant period from 1 January 2025 to 31 December 2025.

[27] The case study should not be taken as a finding of non-compliance with applicable disclosure requirements; see footnote 22.

Case study 3: Disclosure of borrower fee income

We observed significant variation in how private credit funds disclose borrower fee income retained by fund managers.

Some funds aggregated all the revenue generated from the fund and lending activities (including borrower fees) and used this to calculate a single management expense figure. This approach provides investors with greater visibility over a fund manager's total remuneration.

Take two funds, each advertising the same target rate of return and same apparent management fee. However, one fund passes all the borrower fees directly to investors, as part of their investment return. For the other fund, the fund manager retains all the borrower fees. The second fund does not disclose the existence or quantum of borrower fees to investors.

Because the second fund retains the borrower fees, in order to generate the same returns for investors as the first fund it may need to achieve higher interest rates on its underlying loans. This could mean investing in loans with higher credit risk, to achieve a higher return. However, this is not made clear to investors. This makes it difficult for investors to meaningfully compare funds and make an informed decision about the risk/return trade-off of prospective investments.

Finding 3: Related-party interests can influence decisions in ways that fund investors may not understand or anticipate

In some cases, entities related to the fund manager received remuneration or held economic interests generated from lending and fund activities. These related-party arrangements add to complexity and can create incentives and competing interests between fund investors and fund managers that may not be readily apparent to investors.

Related entities' incentives included payment of fees and other economic benefits generated through investor-funded lending activities. These arrangements can create conflicts of interest because the decisions of fund managers can affect both investor outcomes and the profitability of other related entities in their corporate group. Examples identified in the surveillance included:

- fund structures featuring a related party lender, including one fund that invested in a loan note issued by the related party lender. This gives rise to potential conflicts where the fund operator representing the fund should seek the best coupon pricing and highest coupon rate for investors, but the related party lender benefits if the coupon rate is lower
- vertically integrated structures, where the warehousing entities and loan originators are related parties of the investment manager; and who may issue loans on terms that benefit the corporate parent entity more than the fund
- funds that lend to related borrowers of the fund manager. In these cases, the fund manager may be incentivised to lend on preferential terms and may also be incentivised to make enforcement or recovery decisions (e.g. approve, maintain, extend or restructure loans) in ways that may favour the related borrower over the fund
- funds where the fund manager's remuneration largely stems from borrower fees generated from loan origination. The fund managers may be incentivised to maximise loan volume over loan quality, negatively impacting investor outcomes, and
- structures where related entities held ownership, subordinated or residual interests alongside fund investors. Decisions may favour the related party's economic exposure over fund investors (see also this section's **Finding 5** on page 25 for more information).

While related-party arrangements may be appropriately managed through a fund's conflict management arrangements, structures involving related-party remuneration warrant particular scrutiny and transparency because of the heightened conflict risks they can present. ASIC has observed that these arrangements are often not clearly disclosed and, where disclosed, the remuneration received by these related parties is not always quantified.

Approximately half of the retail funds we reviewed did not adequately disclose the identity, role or extent of involvement in related parties – despite those arrangements being material to understanding the fund and potential conflicts. In one instance, related parties (including directors' relatives, related entities and a sub-fund) collectively held up to 18% of the fund's AUM. The size and nature of these investments were not disclosed in the PDS and the fund's annual financial report only provided high level information. In another fund, all underlying assets of the fund were originated, securitised and managed by related entities. However, the PDS did not identify or explain the full extent of the related-party involvement in the operations of the fund.

Finding 4: Managers deciding the allocation of opportunities, exposures and liquidity across related funds and vehicles

Some fund managers operate multiple funds and related entities across the same funds management business. As a result, they can make decisions about opportunities, assets, liquidity, fees and risks that could affect several funds and investor groups at the same time.

Within the wholesale funds, ASIC observed some managers moving exposures between funds and vehicles under common management. These transactions included transfers of interest in lending vehicles, sub-participation agreements and other transactions that reallocated economic exposures between related funds or vehicles. This observation excludes ordinary warehouse and asset-backed financing arrangements, where originated loans are transferred into a warehouse vehicle as part of the structure's normal funding model.

The transactions took on a variety of forms and, in some cases, occurred at considerable scale. For example in the 2025 calendar year:

- for one fund, approximately 15% of fund assets were transferred out of one fund into a related fund within one group
- for another fund, the fund manager transferred around 17% of fund assets to a related fund within the same funds management group, and
- another fund manager engaged in intra-fund transfers at scale during the year for that fund, which exceeded the fund's total AUM.

Fund managers generally described these arrangements as supporting liquidity management. Other reasons provided by fund managers included capital deployment, warehousing investments to seed capital for a related fund, and portfolio management.

However, where the same manager influences both sides of the transaction, robust governance is needed to demonstrate that the transaction was appropriately priced, served the interests of each participating fund and did not unfairly favour one investor group over another. For some transactions, ASIC was concerned that, based on records analysed, the fund managers did not appropriately consider: how transactions benefited participating vehicles, how pricing was determined, how competing investor interests were assessed and obligations to investors managed, and how the arrangements were disclosed to investors.

Without appropriate safeguards:

- some participants may obtain liquidity or exit an exposure while others increase their exposure without full transparency
- risks and returns may be redistributed between investor groups advantaging some and disadvantaging others
- transactions may alter a fund's risk and liquidity profiles through decisions made elsewhere in the fund management group
- intermediary structures may be used to obscure cross-fund transactions, and
- ultimately, some investors may be advantaged to the detriment of other investors.

The potential for adverse and unfair outcomes is heightened during periods of borrower stress, that could impact liquidity at an asset, fund, or even fund-group level. In these circumstances, decisions about whether to transfer, retain, restructure or realise an exposure may determine which investor groups obtain liquidity, assume additional risk or bear losses, at a time when the consequences of those

decisions may be more significant. Where these arrangements are not adequately disclosed, investors may be unable to understand their impact, assess whether their interests have been appropriately protected, or exercise rights available to them where they have concerns. ASIC observed some examples of potentially unfair behaviour within the 12 wholesale funds reviewed.[28] These findings highlight that intra-group re-allocation activities can elevate risks of unequal treatment to certain investor groups, unless they are supported by robust governance, contemporaneous documentation and clear disclosure. We observed stronger practices in some cases, where fund managers provided ASIC with contemporaneous documentation showing that potentially conflicted transactions or arrangements had been considered separately from the perspective of each participating fund. This included written records explaining the transaction's purpose, the pricing basis, and the treatment of competing interests, and evidence of disclosure to investors of the transaction or arrangement.

Finding 5: Shared asset exposures, co-investment arrangements and differing economic interests can create competing investor interests

Individual loans were not always held within a single fund or vehicle. Some fund managers shared the loan exposures between affiliated funds, co-investment vehicles, syndicate participants and external investors – all participating in the same loans, borrowers and transactions. Although participants invested through separate vehicles, they were exposed to the same underlying credit opportunity.

Some participants invested on the same terms, while others held senior, mezzanine, junior or equity interests. Different investor groups could therefore have competing objectives, rights and preferred outcomes when decisions were required about further funding, restructures, enforcement, recoveries or exits.

Specifically, concerns identified included:

- uneven allocation of opportunities between participants
- affiliated vehicles receiving preferential access to manager-originated opportunities, over fund investors
- participants receiving different information, consent, control or transfer rights
- investors with limited visibility over how the manager identifies, manages and discloses related-party participation, and
- different investors experiencing different outcomes when a borrower experiences financial difficulty.

Case study 4 and Case study 5 illustrate how a fund manager's decisions can produce different outcomes for different investor groups in the case of two wholesale funds.

[28] The observed instances of potentially unfair behaviour relates to the entire population of wholesale funds reviewed by ASIC during the review period, and should not be interpreted as referring to the specific funds provided above as examples of scale in transactions.

Case study 4: Liquidity and exit opportunities can differ between investor groups – one group of investors received an early exit, while another group took on more exposure

Through an SPV structure set up by the wholesale fund manager, external investors were invited to invest along with the fund in the same loan opportunity. When some external investors sought to exit early, the fund manager arranged for the fund to purchase the interests of the external investors and in doing so, increased the fund's exposure to the loan investment.

The fund manager considered the acquisition of the external investor's interest attractive for the fund. However, the transaction provided liquidity and exit opportunities to only one group of investors that were not available to other investors.

The fund manager was unable to provide ASIC with documentation recording its consideration of how the interests of the ongoing investors were separately identified, assessed and balanced. It also appeared existing investors in the fund were not informed of the transaction details.

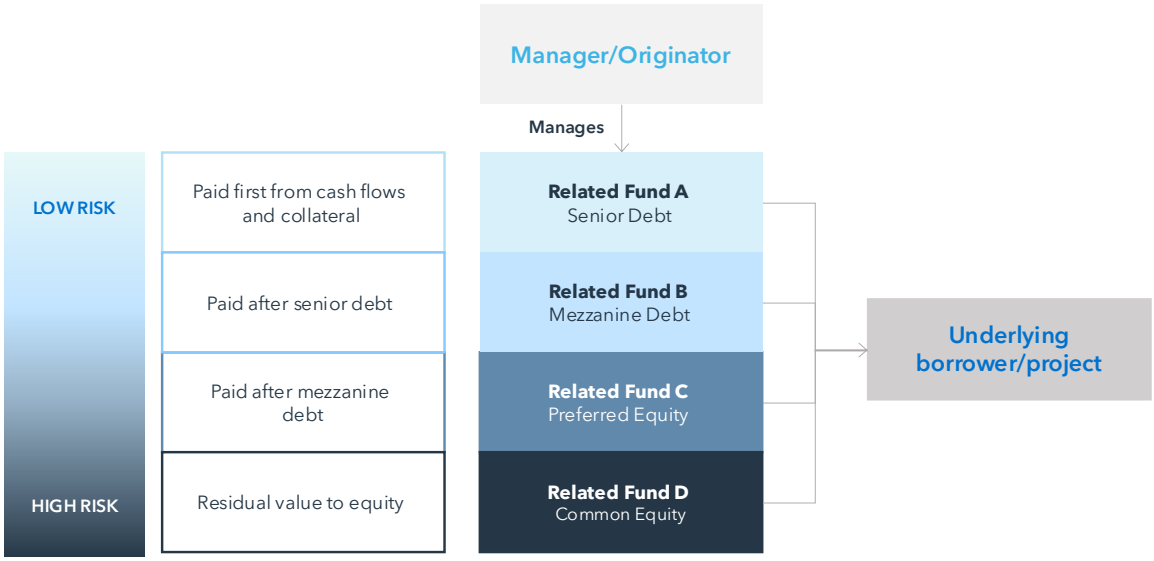
Case study 5: Stacked participation across a common credit exposure

A number of affiliated funds within the same fund group held different-ranking interests linked to the same borrower, project or pool of assets. These included senior debt, mezzanine debt and equity interests in the same borrower or project vehicle (see Figure 3).

The fund manager and the fund's independent trustee considered that conflicts involving different-ranking interests were managed through a framework that included transaction-specific documentation, information barriers, separation of personnel, independent approvals and oversight by investment and compliance committees.

While disclosures identified that affiliated funds could hold different forms of debt and differently ranked interests in the same borrower or project, and described how applicable conflicts of interest that arose would be generally addressed, ASIC considers that disclosures did not clearly explain how competing interests between those funds would be managed in practice during periods of borrower distress, restructures, enforcement actions or recoveries.

Figure 3: Stacked participation across a common credit exposure



Note: See paragraph below for an explanation of the data shown Figure 3 (accessible version).

Figure 3 illustrates how different funds or investors may participate in the same underlying borrower or project through different positions in the capital structure. Senior debt is generally paid first and bears lower risk, while subordinated debt and equity interests are paid later and bear greater risk. Where different investor groups hold differently ranked positions in the same exposure, their interests may diverge, particularly during periods of borrower distress involving enforcement, restructure, or recovery action.

Overall findings and implications for the sector: private credit fund structures, conflicts and fee transparency

The poorer fee, disclosure and conflict-management practices observed in REP 814 and REP 820 remain. Fund managers should ensure that fee and income arrangements are transparent, comparable and supported by governance arrangements that prioritise investor interests.

Taken together, these findings demonstrate why governance, transparency and conflict management become increasingly important as structures and arrangements become more complex.

Private credit funds use investor capital to acquire investments that provide credit to borrowers, generating returns primarily through interest and fee income. As investors provide the capital and bear the underlying credit risk of borrower default, investors should be able to understand how the economic returns generated by lending activity are allocated. There may be valid commercial reasons why certain borrower fees are retained by fund managers or related parties. However, investors should be given clear and meaningful information about these arrangements.

Multi-layered structures and related party arrangements can increase the risk of conflicts, reduce transparency and make it difficult for investors to understand how risks, returns and economic benefits are allocated. Where there are multiple funds with similar strategies within the same funds management group, investor outcomes may increasingly depend on how managers exercise discretion, for example in allocating assets across multiple funds and vehicles.

The potential for unfair outcomes associated with complex structures and related-party arrangements can become more acute during periods of distress. Distress may arise at the level of an individual asset, asset class, fund, fund management group or within the broader private credit sector. In stressed circumstances, decisions about the allocation of liquidity, funding, restructures, recoveries and exits may have a more significant impact on investor outcomes. Complex structures and arrangements may amplify the risk of unfair outcomes or investor harm, as the effect of those decisions may extend across multiple funds, vehicles or investor groups. At a time of constrained liquidity or deteriorating asset performance, competing interests may become more difficult to manage. Effective governance, transparency and management of conflicts is therefore critical to support investor understanding and fair investor outcomes.

Investors and, where applicable, financial advisers and other distribution intermediaries such as platform operators, need sufficient information to understand how the structure operates, its impact on investment returns, and the risks to which investors are exposed. Without this transparency, investors may find it difficult to compare products and assess whether funds with similar advertised returns achieve those returns through comparable risk profiles.

To demonstrate compliance with their obligations, fund managers should:

- regularly assess if fund structures and arrangements (including related party arrangements) remain appropriate, fit for purpose, and aligned with the best interests of investors of each fund

- ensure related party transactions support arrangements and shared-exposure structures are governed by documented conflicts-management frameworks and subject to appropriate oversight
- avoid complex fee structures that obscure the true cost to investors
- ensure fund structures, SPVs, warehouse structures, intermediary vehicles and related-party arrangements (including related party transactions) are not used to obscure material fees, costs, risks, conflicts and economic benefits, or used to mask valuation changes, loan performance, borrower defaults, losses and other material adverse developments
- review fee and cost structures for misaligned incentives that may favour fund managers, or related parties, including related funds, over investors in the fund
- disclose all material fee and income streams, including indirect benefits, retained margins and remuneration received by related entities
- disclose whether fees are calculated on gross assets, net assets or other, particularly where leverage is used
- maintain frameworks for identifying, calculating, allocating and disclosing fees, income streams and economic benefits, and
- where transactions may give rise to competing interests:
  - carefully consider the transaction and exercise discretion carefully
  - ensure records demonstrate how any competing interests were managed and why outcomes are fair and consistent with the interests of all affected investors, and
  - make adequate disclosures to investors.

2. Direct distribution of private credit funds to retail investors

As identified in REP 820, private credit funds should be distributed to investors for whom the product is likely to be suitable. Investor disclosure should be clear, concise and effective, with risks, liquidity constraints, fees and fund structures explained in a way that supports informed decision making.

Our review identified two broad approaches to direct distribution adopted by private credit fund issuers:

1. **Website-only promotion**: The majority of issuers relied exclusively on their fund's website to market and distribute their products.
2. **Multi-channel marketing**: A small subset of issuers employed a more expansive marketing strategy, leveraging multiple channels such as social media, search engine advertising, online reviews, media engagements, and third-party promotional arrangements.

Why it matters

Retail investors and financial advisers often rely on issuer-prepared disclosure and marketing materials to understand the nature and features of private credit investments and decide whether to invest or recommend investment to clients. When information is incomplete, unbalanced or difficult to understand, investors may be unable to properly assess a fund's risks, features and suitability. Effective disclosure and distribution practices are therefore important to support informed investment decisions and appropriate investor outcomes.

Key findings

Finding 1: Product disclosures and marketing materials do not always enable investors to understand private credit funds and associated risks

We observed significant variation in the quality, consistency and level of detail provided in disclosure documents across private credit funds. In some instances, disclosures did not adequately explain a fund's investment strategy, underlying assets, related-party relationships or investment structure, making it difficult for investors to understand and compare products.

Additionally, the marketing materials of some fund operators placed disproportionate emphasis on attractive returns, stability, capital preservation or accessibility, without giving equivalent prominence to investment risks or the key characteristics of the product.

Given the complexity of some private credit fund structures and arrangements, investors need clear and meaningful information about underlying assets and key investment risks to make informed investment decisions. Where marketing materials provide an unbalanced picture of a private credit fund, there is a broader risk that both retail investors and financial advisers develop an incomplete understanding of the product and its suitability.

Better practices

- **Comprehensive and meaningful portfolio disclosure:** two funds provided investors with additional portfolio-level information (e.g. via supplementary investment memorandum or investment reports), including borrower interest rates and fees (e.g. default fees, default interest, and extension fees), key loan characteristics (including loan-to-valuation ratio (LVR), loan term, underlying securities, loan purposes, impaired loans), related-party arrangements and broader investment exposure.

- **Tailored risk disclosure:** the PDS of two funds included comprehensive risk disclosures that were tailored to the complexity of the fund's structure and the fund's investment strategy, in addition to setting out general risks commonly associated with private credit funds.
- **Clear explanation of governance and related-party arrangements:** One fund demonstrated more robust governance arrangements around conflicts management by disclosing its related party transactions, governance committees and the respective roles of these committees, including separate oversight of loan approvals and enforcement decisions. This promoted greater transparency around decision-making and conflicts management.
- **Disclosure of internal credit rating methodology:** One fund disclosed in its PDS how it relied on and applied internal credit ratings to determine the credit quality of its loans, and disclosed details of its methodology in the PDS.

Poorer practices

- **Inadequate disclosure of underlying asset features**: Many funds did not provide sufficient information about the underlying loan investments. For one fund, the PDS did not identify the loan originators and relevant exposures (despite the originators being related parties) or describe the nature of the loans (e.g. real estate loans, business loans). For another fund, the PDS lacked meaningful information about borrowers (e.g. the type of borrowers and their industry sectors) and key features of the loans (e.g. whether the loans were secured and the type of security). One fund did not provide sufficient information about the loan rollover process. Its PDS noted that the fund may roll over loans for a further period of 24 months but failed to specify that loans were subject to an unlimited number of rollovers and that loans subject to rollover were essentially bad loans. The fund also did not disclose its predominant exposure in bridging loans in its PDS or websites. The loan default rate reported by the retail funds we reviewed generally ranged between 0% and 5%. Two funds however were outliers, each recording a comparatively high loan default rate of 18% and 25% respectively, with no or limited information about such high rates being reported in their PDS or website.
- **Performance-focused marketing material without sufficient balance:** Marketing material that emphasised returns, track records and performance without giving equivalent prominence to product risks. For one fund, the promotional videos failed to identify the product as a private credit fund or explain its underlying exposure to private loans, instead directing investors to the fund's website, PDS and TMD as its sole disclaimer.
- **Inconsistent promotional content:** Inconsistencies between marketing materials, fund disclosures, and underlying portfolio characteristics. For example, we observed advertised lending metrics that did not appear to align with all loans held within the portfolio and portfolio attributes being described differently across the fund's website and a fund flyer, creating potential investor confusion regarding investment characteristics.
- **Overstated liquidity:** Marketing that emphasised immediate or unrestricted access to amounts invested in circumstances where withdrawals were subject to notice periods, processing delays and available liquidity. One fund made references to '24/7 access to your money', and 'access your money whenever you want', when this was not the case.
- **Capital access timeframes:** ASIC was further concerned that two funds suggested in their TMDs, an inappropriate timeframe for retail investors to access their capital. For example, the TMD of one fund indicated that investors could access capital within one week of the request, 'permitted daily redemptions', and the fund operator was 'typically able to meet redemption requests within five business days under normal circumstances'. However, the TMD failed to disclose the constitutional powers to delay or suspend redemptions in exceptional circumstances, including the maximum

timeframe within which a redemption request could be satisfied under those powers. Ultimately the appropriateness and clarity of withdrawal timeframes formed part of ASIC's key concerns when issuing interim TMD stop orders on 22 September 2026[29] (see Case study 8 below) and 12 October 2026.[30]

- **Terminology that understated risk or created associations with cash and deposit products:** Some funds used terminology such as 'savings account,' at call', 'term account', and similar banking terminology in marketing materials or search engine keywords. We are concerned that the use of these descriptions and key words may be intended to funnel investors towards the products under the misapprehension that private credit funds are comparable to bank deposits – notwithstanding significant differences in liquidity, capital security and Financial Claims Scheme protection. Some products may have understated the credit, liquidity and investment risks associated with the product by emphasising 'low risk', 'reliable' or using similar language.
- **Inadequate description of fund structures:** See Section 1 **Finding 1** on page 14.
- **Fee transparency**: See **Finding 2** on page 17.
- **Incomplete disclosure of related party arrangements:** See **Finding 3** on page 23 for further discussion.

Case study 6: Inadequate PDS disclosure (Australian Secure Capital Fund interim stop order[31]) (poorer practice)

On 7 October 2026, ASIC issued an interim stop order to Australian Secure Capital Fund Ltd , due to concerns we held about potential deficiencies in the PDS for ASCF High Yield Fund, ASCF Premium Capital Fund and ASCF Select Income Fund. ASIC made the interim order to protect retail investors from acquiring products under a PDS that may be defective and not worded and presented in a clear, concise, and effective manner. ASIC was concerned that the PDS:

- failed to disclose information about the funds' loan portfolio and diversification metrics and the information that was disclosed about these was not disclosed in a clear, concise and effective manner;
- may contain a misleading and deceptive statement and omit information about the cost of disposing an interest in the funds; and
- failed to adequately disclose details of an investor reserve account established to cover impairments and capital losses.

Australian Secure Capital Fund Ltd took immediate steps to revise the PDS to address ASIC's concerns and the interim stop order was revoked.

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[29] Media Release (26-225MR) *ASIC halts offers of private credit products offered under Remara Cash Management Fund* (22 September 2026).

[30] Media Release (26-241MR) *ASIC issues DDO stop order against Fidante Partners Limited for TMD deficiencies* (13 October 2026).

[31] Media Release (26-234MR) *ASIC halts offers in mortgage schemes managed by Australian Secure Capital Fund* (8 October 2026).

Finding 2: Marketing practices may lead to the distribution of private credit funds in a manner inconsistent with their target market

Expansive marketing practices adopted by some fund managers, may have the effect of targeting broad categories of investors, for whom investing in private credit funds may not be suitable. In some instances, through their marketing practices, fund operators appeared to be incentivising investment levels beyond the recommended allocations set out in their own TMDs. This potentially results in investors investing most or all of their investable assets in one private credit fund.

REP 820 identified deficiencies in private credit fund TMDs, including inappropriate allocation recommendations, risk ratings and distribution conditions. We identified similar concerns in this review. Many TMDs did not adequately reflect the risks, features and intended investor outcomes of the relevant private credit fund. In some cases, TMDs appeared to include inappropriate or inconsistent risk and return ratings, investment allocation recommendations and distribution conditions. The deficiencies in these settings may increase the risk of distribution to investors for whom the product may be unsuitable.

Private credit issuers should be able to demonstrate that TMD settings are reasonable, proportionate and defensible having regard to the specific risks, features and investment strategy of the fund. Fund operators should also ensure that any marketing strategies enabling the distribution of a private credit fund are consistent with their target market. Refer to Appendix F for further details of the obligations that apply in relation to TMDs in the private credit sector.

Case study 7: Poorer practices: active mass marketing

One private credit fund adopted a highly expansive marketing strategy to attract investors.

Marketing practices that were not traditionally associated with the distribution of private credit funds or higher-risk financial products, included:

- Actively displaying and using online reviews and other testimonials, that conveyed high levels of investor satisfaction and ease of investing. However, some of the reviews displayed on the website and other marketing materials contained comparisons with bank deposit products and other potentially inaccurate statements that did not appear to be moderated by the fund operator. ASIC was also concerned that several of the reviews could not be directly attributed to actual investors in the fund;
- sponsored promotional videos, including financial journalists interviewing senior executives of the fund operator and investors, presented in a format that may have appeared independent or informational despite being sponsored; and
- social media surveys linked to travel reward vouchers and regular cash incentives offered to investors by way of "bonus" when investing set minimum amounts into the fund.

Active mass-market promotion, endorsements and review-based marketing may increase the risk that private credit funds may be distributed in a manner that is inconsistent with their intended target market.

Better practices

- **Targeted marketing strategies:** Some funds adopted a marketing strategy that was targeted to a suitable class of retail investors, based on the product design and were deliberately transparent about the type of investors it was seeking. These more targeted approaches were less likely to result in inconsistent or potentially misleading content, or result in distribution to investors for whom the product was not suitable and not designed for.

- **Recommended investment allocations**: Three quarters of the funds reviewed recommended conservative allocations (satellite or minor allocations up to 25% of investable assets).
- **More conservative and specific risk ratings:** Three funds adopted a single measure of risk rating of either 'medium' or 'high' (rather than a range of ratings e.g. from 'medium' to 'very high'). This practice is more likely to better represent the true risk profile of a fund and makes it easier for investor to ascertain the real risks of investing in a private credit fund.
- **Capital preservation settings:** Some funds identified capital preservation as being outside the target market or only suitable subject to restrictions, which was consistent with their risk and return profile of at least 'medium' risk.

Poorer practices

- **Inadequate investment allocations**: One fund did not include any recommended investment allocation in its TMD as the issuer of that fund incorrectly confused including a recommended investment allocation in the TMD with providing personal advice to a consumer about the percentage of investable assets considered appropriate to invest in the fund. Another fund in its determination of the recommended investment allocation for the fund and its TMD indicated the fund was likely suitable for both a 'large percentage of overall investment' and a 'small percentage of overall investment allocation'. These classifications were too broad, too vague and not representative of the fund's investment strategy, risks and features. Three issuers described their fund in its TMD as suitable for 'core' allocation (up to 50%) and/or 'major' allocation (up to 75%) recommended investment allocations. Lastly, in one case, 'satellite', 'small', 'core' and 'major' allocations were all in target for that fund. Broad or multiple classifications undermine a key appropriateness requirement of a TMD.
- **Inadequate risk ratings:** Two funds adopted a 'low' or 'low to medium' risk rating but, in each instance, we were concerned that these ratings were not representative of the funds' underlying risk profile due to their exposure to higher risk assets or their complex structure embedding related parties. Another three funds had adopted risk ratings which were too broad, ranging from 'medium' to 'very high' risk, effectively diluting the risk characterisation of the funds, and making it difficult for investors to understand the real nature of the funds' risk profiles.
- **Inappropriate and inconsistent 'capital preservation' determinations:** Four funds determined that investors seeking capital preservation were within the target market, but ASIC considered these determinations potentially inconsistent with the investment types, risks, and strategies of the funds. Further, in some instances, these determinations appeared inconsistent with disclosures elsewhere in the fund's product materials.
- **Inadequate distribution conditions:** Two funds utilised 'investor referrer' channels to distribute the fund to retail investors, via referral from related party entities. In some instances, the TMD and associated distribution arrangements did not clearly address how any controls would apply these referral arrangements to ensure suitable distribution. For example, there were no specific controls relating to investor referrals in the TMD of one fund and the investor referral agreements for one fund failed to acknowledge the distributors' design and distribution obligations (DDOs).

Case study 8: Characterisation of the target market in the TMD (Remara interim stop orders[32]) (poorer practices)

On 22 September 2026, ASIC issued **three interim stop orders** to **Melbourne Securities Corporation Limited** (MSC), due to concerns ASIC held about potential deficiencies in the TMDs for three products (the Six-Month (Fixed and Variable) Account, the 12-Month (Fixed and Variable) Account and the At Call Account) being offered under the **Remara Cash Management Fund**. The orders were made because, in ASIC's view, the TMDs may have exposed the fund to retail investors for whom it was not suitable. Among other things, ASIC was concerned that the target market in the TMDs for the fund suggested:

- inappropriate levels of portfolio allocation as a 'major component' (up to 75%) and 'core component' (up to 50%);
- the Fund was suitable for retail investors seeking capital preservation;
- inappropriate timeframes for retail investors to access capital; and
- an inappropriate rating of low risk for the Consumer's Risk and Return Profile.

MSC took immediate steps to revise the TMDs to address ASIC's concerns and the interim stop orders were revoked.

Distribution obligations

The marketing and disclosure obligations (including DDOs) relevant to fund managers and relevant distributors are set out in Appendix D.

Product issuers and fund managers need to ensure that retail funds are marketed and distributed in a way that reflects their actual risks, features and their target investors. Marketing material needs to be balanced, disclosure clear and meaningful, and TMD settings tailored to support distribution to suitable investors. Private credit marketing practices should be targeted to reflect the nature and risks of the fund being promoted to retail investors.

[32] Media Release (26-225MR) *ASIC halts offers of private credit products offered under Remara Cash Management Fund* (22 September 2026).

3. Distribution: Financial advice

A number of private credit fund issuers rely on financial advisers as a key distribution channel, either through referrals, approved product lists, strategic partnerships or remuneration arrangements. Financial advisers can influence investor demand by recommending private credit products as part of broader portfolio construction advice, often positioning these products as income-generating or diversification opportunities. As a result, financial advisers act as an important gatekeeper between issuers and investors, making the quality of advice critical to ensuring investors understand the risks, liquidity constraints and return characteristics associated with private credit investments.

We reviewed a small sample of personal advice provided to retail clients by financial advisers across six private credit funds that were recommended to retail investors. The advice in these files included recommendations to invest using superannuation, including via self-managed super funds **(SMSFs**), as well as non-superannuation savings.

The funds and advisers selected for review were identified using a combination of random selection and specific risk-indicators. Accordingly, the findings in this report are not representative of the broader financial advice sector.

Overall, ASIC found most financial advisers reviewed demonstrated compliance with their obligations. In these instances, advisers provided recommendations to invest in private credit funds as part of a diversified portfolio, recommending private credit funds to enhance their client's fixed interest exposure.

However, in 15 instances of advice (provided by five advisers associated with two licensees), we were specifically concerned about the quality of advice provided to clients. There were other instances of advice that, on ASIC's review, did not demonstrate compliance with the best interests duty and related obligations for what appeared to be procedural, disclosure or record keeping deficiencies.

Why it matters

Financial advisers are a gatekeeper for retail investor exposure to financial products.[33] Financial advisers need to provide financial advice that complies with the relevant provisions of the Corporations Act (see, Appendix D, Table 14). Critically, this means that the adviser must act in the best interests of the client in providing financial advice and ensure the advice is appropriate to the client and, where there is a conflict, prioritise the clients' interests ahead of their own.

Traditional, diversified fixed income funds typically invest across a wide range of publicly traded debt securities issued by governments and corporations, and generally offer a degree of diversification, transparency and liquidity. In contrast, private credit funds can involve investments concentrated in a smaller number of privately negotiated loans or credit exposures. Unlike traditional fixed interest funds, private credit funds typically invest in illiquid assets, such as loans to longer term property developments where the assets are not regularly traded or subject to continuous market pricing, resulting in reduced liquidity, transparency and price discovery for investors. This makes the role of the adviser critical when considering and recommending these products. To comply with their obligations financial advisers need to carefully investigate these products and in recommending them to clients

[33] See Appendix D, Table 14 for a summary of the key obligations applying to financial advice licensees and their authorised representatives in relation to personal advice.

explain the specific features of recommended private credit funds and differentiate them from investments, including other fixed income investments.

Table 8: Snapshot of our financial advice file review

46 **instances of advice**	**6** **private credit funds**
9 **advice AFS licensees**	**19** **financial advisers**

Note: Three private credit funds were available through platforms and three private credit funds were only available through direct investment.

Table 9: Overview of financial advice we reviewed

Our review of advice provided by financial advisers to 46 retail clients identified that:

$100,000 **was the median value recommended to invest in private credit funds.**	**12.4%** **was the median allocation of investable funds into private credit.**	**87%** **was the highest allocation we observed.**	**57%** **of the files we reviewed demonstrated compliance.**

Key findings

Finding 1: Substantial allocations to private credit funds correlated with concerns about poor quality of advice

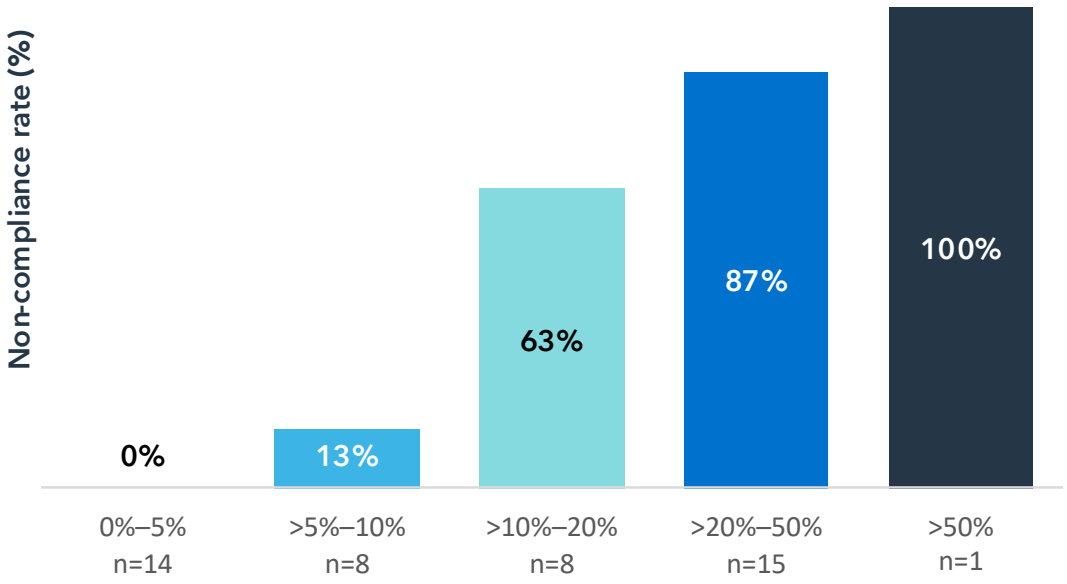
Advice was more likely to be assessed as compliant where private credit funds formed a modest component of a diversified investment strategy. In contrast, some advisers recommended that a substantial portion of their client's investable assets be allocated to a single private credit fund. These advice files often lacked evidence that the advisers had appropriately considered diversification, other investments, and the client's objectives, financial situation and needs.

When financial advisers recommend such high allocations to a single product, the lack of diversification may significantly increase the overall risk profile of the client's investment portfolio.

Of the 46 advice files reviewed:

- Amounts recommended to be invested in the private credit fund ranged from **$5,850 to $700,000.**
- The median amount recommended to be invested in the relevant private credit fund was **$100,000.**
- Amounts recommended in a private credit fund represented between **0.6% and 87%** of the client's investable funds.
- The median allocation recommended to be invested in the relevant private credit fund was approximately **12.4%** of the client's total investable funds.
- In 28 instances, the financial adviser recommended a portfolio that included private credit funds as part of the fixed interest allocation.

Figure 4: Advice non-compliance rates by recommended private credit allocation



Note: See paragraph below for an explanation of the data shown in this figure (accessible version).

Figure 4 shows that advice involving higher allocations to private credit funds was correlated with ASIC concerns that the financial advice did not demonstrate compliance with best interests obligations. For example, based on our sampled advice, a 5 – 10% allocation to private credit resulted in a compliance fail rate of 13%. A 20 – 50% allocation to private credit resulted in a non-compliance rate of 87%.

Recommendations exposing clients to significant concentration risk: ASIC identified examples of financial advisers recommending substantial allocations to a single private credit fund that exposed clients to significant concentration risk without adequate justification. These recommendations were of particular concern where clients, for example, had conservative risk profiles or had an objective of requiring access to capital. In these instances, the financial advisers did not explain why the concentration risk was appropriate, why alternative investments which may have supported diversification, were unsuitable, or why the client's objectives could not have been achieved through alternative, lower-risk investments. In one case, a 30% allocation to a single private credit fund was recommended primarily to obtain a higher return, despite the client's financial situation and objectives not requiring the additional income.

Although most financial advisers in our review recommended appropriate allocations, five financial advisers representing two advice licensees consistently recommended high allocations to a single private credit fund. In reviewing this advice ASIC identified a number of concerns:

- **Insufficient justification for concentrated exposure and limited consideration of other investments:** Despite private credit funds being classified by the financial adviser as fixed-income investments and forming part of clients' defensive portfolio allocations, in these cases there was a failure to explain why a significant allocation to a single, higher-risk fixed-income investment was appropriate. There was also little evidence that financial advisers considered other types of investments or otherwise justified why the recommended private credit fund was more suitable to meet the client's objectives, particularly where the client had a conservative risk profile or required access to capital.

- **Higher returns prioritised without sufficient reference to client needs:** These financial advisers did not reasonably demonstrate that clients were sufficiently aware that, despite being characterised as fixed interest investments, private credit funds may expose investors to materially different risk characteristics than traditional diversified fixed interest products, including greater credit, liquidity and concentration risk. In these circumstances, the potential for a higher return was not, by itself, a sufficient basis for concluding that in recommending the fund, the adviser was acting in the client's best interests or that it was appropriate compared to alternative fixed interest investments.
- **Higher allocations may be influenced by financial incentives:** ASIC identified two arrangements where it appeared some financial advice licensees and associates may have received payments from a private credit fund manager. The existence of such payments raises concerns that commercial incentives may influence product recommendations and affect the objectivity of advice provided to clients. It is against the law for AFSLs or their representatives to give or receive any benefit that could reasonably be expected to influence the product recommended or the advice given.[34] ASIC will closely scrutinise circumstances where financial incentive arrangements may be influencing the advice provided.

Case study 9: Overexposure to a private credit fund

- A client was aged in her late 50s. Having received a settlement lump sum, the client was looking to invest her money in a secure investment with the intention of using the money to purchase a home. She had a conservative risk profile and did not want any of her funds exposed to growth investments due to the potential risk. She was not seeking high returns. Her objective was for the funds to earn more than the interest she would otherwise receive from a term deposit.
- The advice involved a recommendation for half of her available funds to be invested into a single private credit fund. This recommendation was made despite the client's conservative risk profile. Although the client sought a return above that available on a term deposit, the advice did not adequately demonstrate why the additional liquidity, credit and capital risks associated with the private credit fund were necessary to achieve the client's objectives, or whether more conservative alternatives could have delivered a suitable outcome with lower risk.

[34] Refer to the conflicted and other banned remuneration provisions in Divs 4 and 5 of Pt 7.7A of the Corporations Act.

Case study 10: Better practice – limited exposure to private credit funds within diversified portfolios

- The financial advisers of three separate licensees recommended a modest exposure to private credit funds to their clients. The private credit fund was part of a diversified fixed interest strategy. In these instances of advice, the highest recommended allocation to any one private credit fund was 7%, and the average recommended allocation to any one private credit fund was 4% of the client's portfolio. In 16 out of 17 of these files, ASIC considered that the advice in relation to the private credit fund appeared suitable considering the client's risk profile and objectives.
- One licensee approved 15 distinct managed accounts, each with a slightly different asset mix based on the client's risk profile and goals, for financial advisers to recommend to clients. In instances of advice that recommended private credit exposure via a managed account, the private credit fund was one of several funds comprising the fixed-income allocation. The mix of fixed interest investments including bond ETFs and diversified bond funds, provided diversification benefits. This strategy mitigated the risk that underperformance of one product would materially affect the client's overall portfolio performance or achievement of their financial objectives, including access to funds for income or short-term needs.

Finding 2: Inadequate evidence of financial adviser research about private credit investments

Our review identified that some financial advisers undertook limited investigation into the recommended product, or failed to keep records of their investigative steps. Specifically, there was minimal evidence of investigation into specific features, underlying investments, risks, liquidity constraints and alternative options. Some financial advisers appeared to overly rely on issuer-prepared materials with limited evidence of independent assessment of the fund's structure, risks or suitability for the client and their financial circumstances and objectives (see **ASIC comment** below).

Before recommending a financial product, financial advisers must undertake a reasonable investigation into the product and consider whether it is appropriate for the client. In line with paragraph 175.247 of Regulatory Guide 175 *AFS licensing: Financial product advisers – Conduct and disclosure* (RG 175), the obligation to undertake a reasonable investigation is scalable. Where advice involves more complex financial products, more extensive enquiries are required to demonstrate that a reasonable investigation has been undertaken. Accordingly, where a client's portfolio has a significant allocation to a private credit fund – being products that can be more complex than other fixed-income options – financial advisers should undertake more detailed investigations. The extent of the investigation required is scalable and should reflect the complexity of the product and the significance of the recommendation within the client's portfolio.

ASIC comment: Investigation and research by financial advisers for private credit funds

In **80%** of the instances of advice reviewed, the financial adviser relied on the research undertaken or provided by their licensee to support their recommendation of a private credit fund. In these instances, the licensees provided evidence of investment committee consideration of:

- the materials provided directly by the issuer, and
- supporting research reports, prepared by third party investment research and ratings businesses.

However, for the remaining advice, the licensees and financial advisers relied only on the documents provided by the issuer. There was no evidence to indicate that:

- independent research or assurance had been undertaken by the licensee or the financial adviser, to assess the reasonableness and validity of representations made by the issuer, and
- the investment strategy of the private credit fund was understood by the financial adviser and considered appropriate for the clients.

Poorer practices:

- **Excessive reliance on licensee research or issuer-prepared materials:** Financial advisers commonly relied on research undertaken or provided by their licensee to support recommendations of private credit funds. Where a private credit fund presented potential conflicts, was complex, or formed a substantial part of the client's portfolio, financial advisers continued to rely on licensee research rather than undertaking the additional research warranted by the heightened risks. In these circumstances, the financial advisers should have independently assessed the conflicts and complexities and undertaken additional enquiries, rather than continuing to rely solely on licensee research.
- **Alternative investment options were not adequately considered:** Financial advisers did not always demonstrate why a private credit fund was recommended ahead of other investment options which were capable of meeting the client's objectives. ASIC observed limited evidence that financial advisers had considered whether traditional fixed income investments could have provided a comparable income or return outcome while exposing the client to lower liquidity, credit and concentration risks. Financial advisers should be able to demonstrate that they have considered alternatives and explain why the recommended private credit fund is appropriate in the client's circumstances.
- **Financial advisers did not adequately justify concentrated allocations to private credit funds:** In a limited number of cases, financial advisers recommended allocations to private credit funds that exceeded the indicative asset allocation guidance in the relevant TMD, without adequately demonstrating why the higher exposure was suitable for the client. In these cases, there was limited evidence that the financial advisers had considered the additional concentration risk associated with the recommendation. Although DDO does not apply to the distribution of financial products where personal advice is provided, a failure by the financial adviser to consider the recommended allocation in a TMD may indicate a lack of judgement or failure to conduct a reasonable investigation into the funds and its suitability for a client. Where financial advisers recommend allocations outside the TMD guidance, they should clearly document the basis on which the recommendation remains appropriate.

Finding 3: Some financial advisers did not explain the fund's key features and risks to clients

In our view, there was insufficient evidence in advice records that clients had been informed of the particular characteristics of the investment and why it was appropriate for their circumstances.

Table 10: Financial advisers did not clearly explain key features and product specific risks of recommended private credit funds

Topic	Advice files where ASIC was concerned there was inadequate explanation[35]
Specific features of recommended private credit fund	41/46 (89%)
Private credit risks[36]	36/46 (78%)
Investor's liquidity needs[37]	36/46 (78%)
Alternative options to the private credit fund[38]	32/46 (70%)

Better practices

- **Clear description of underlying assets:** Some financial advisers clearly explained the nature of the underlying assets held by the recommended private credit fund. They described the investments as loans secured by property assets and outlined how lending opportunities were assessed, including consideration of factors such as borrower history, geographic location and broader economic conditions. These financial advisers also clearly distinguished the recommended private credit fund from traditional diversified fixed income investments and explained that the fund's exposure was limited to property-related lending.
- **Consideration of liquidity needs and disclosure of liquidity risks:** Some financial advisers clearly explained that the recommended private credit fund did not offer daily liquidity, that withdrawals could only be made during specified withdrawal windows, and that repayment of capital was dependent on the repayment of underlying loans. These financial advisers discussed these liquidity constraints in the context of the client's circumstances and investment objectives, helping clients understand the implications of access limitations.

Areas for improvement

- **Limited discussion of underlying assets:** Only a small number of advice records reviewed contained indications of explanation by the financial adviser about the specific underlying assets held by the recommended private credit fund. From our review, discussions of this nature were limited to recommendations involving contributory mortgage schemes. Product-specific explanations about underlying investments and risks should not be confined to these circumstances. Financial advisers should be able to explain the key features, underlying assets and risks of any recommended private credit fund to support informed client decision making.
- **Insufficient consideration of liquidity needs:** While liquidity risk was mentioned in a general sense across instances of advice reviewed, financial advisers explicitly considered and discussed the client's liquidity needs in only 10 of the 46 files. Although immediate access to funds may be a less significant consideration where investments are intended to be held within superannuation for accumulation purposes, financial advisers should consider whether clients may require access to

[35] Out of 46 files reviewed, 28 did not contain evidence that the financial adviser explained all four topics. ASIC notes that some instances of advice involved only a small allocation of the client's portfolio to private credit.

[36] These risks include: credit risk due to nature of private credit fund lending; concentration risk due to small pool of borrowers or limited lending projects; liquidity mismatch where withdrawal windows may not be consistent with loan terms.

[37] This refers to the investor's ability to access funds when needed due to restricted or delayed withdrawals.

[38] This includes consideration of both alternative private credit fund options, as well as alternative fixed interest fund options.

capital or income and ensure any liquidity constraints are appropriately balanced against the client's goals and circumstances.

Background: Why liquidity considerations are important for private credit fund financial advisers

As part of a private credit fund's constitution, typically funds can restrict redemptions to enable the scheme to manage the liquidity challenges associated with a private credit strategy. Financial advisers should not recommend private credit funds where the client requires daily liquidity or on the basis that redemption rights are immediate or unconditional when this is not the case.

Unlike many other fixed income investments, redemption rights in private credit funds can be subject to minimum holding periods, withdrawal windows, redemption limits, processing delays, available liquidity and the discretion of the fund operator. In some cases, fund constitutions permit fund operators to take more than 12 months to process withdrawal requests.

These are additional areas that financial advisers need to consider, and disclose to their clients when providing advice for clients to invest into private credit funds. It is generally insufficient to rely on product issuer marketing material that suggests investor funds will be readily accessible (i.e. investors can readily withdraw from their investments), when often the PDS and other fund documents identify these restrictions.

Background: How do financial advisers commonly discuss benefits and risks of private credit funds?

In recommending a private credit fund, the two key consistent benefits identified by financial advisers for their clients were:

- to access higher returns or income, and
- the ability to gain exposure to loans or mortgage opportunities.

The key risks identified by financial advisers included:

- general underperformance or performance uncertainty
- general liquidity restrictions, withdrawal limits and redemption timing
- capital and/or income returns not guaranteed, and
- in a limited number of cases, specific risk of exposure to construction or development lending.

Poorer practices

- **Failure to explain investment strategy:** Financial advisers generally did not demonstrate that they had explained the investment strategy, lending strategy or material product features of the recommended private credit fund. Instead, the documented advice often relied on high-level, generic statements about potential returns or first-mortgage security, without identifying the nature of the underlying loans or exposures held by the fund or explaining how these affected the product's risks.
- **Product-specific analysis was absent:** For contributory mortgage schemes, some financial advisers identified individual loan opportunities only in later recommendations, rather than explaining the fund's specific features and strategy when the initial recommendation was made. For funds used within diversified fixed-income strategies, financial advisers often treated the private credit fund as interchangeable with traditional fixed-income funds and did not explain its distinct underlying exposures, liquidity constraints and credit risks.

Case study 11: Poor practices example – poor private credit advice

Clients were aged in their early 80s and retired. Following the sale of their house, they had $400,000 in surplus savings. The financial adviser did not adequately identify the clients' income needs, and scoped the advice to only include a recommendation regarding investing $200,000 into a 'defensive' investment. The clients were seeking a low to moderate return. As balanced investors, they did not want to take risks with their limited investments.

The recommendation was to invest $200,000 in a private credit fund.

The reason for providing the recommendation was that the proposed private credit fund would provide a higher return than the clients were initially seeking.

The concerns identified with the advice included:

- The financial adviser failed to identify why the additional return and risk was needed, considering the clients had moderate investment return goals and it was unknown whether additional income was required.
- Despite the client's defensive investment preference and moderate return goals, the financial adviser only considered other private credit fund investments. More conservative, or traditional, fixed interest products such as a multi sector, diversified, income-oriented fund were not considered.
- The amount invested into the private credit fund was 50% of the clients' total investable funds (outside the private credit fund's TMD recommended allocation). The financial adviser noted that, because the client wished to invest $200,000, such high allocation was acceptable, however no professional judgement was exercised to determine whether this was suitable.

Based on the records retained on the client file:

- the only research undertaken by the financial adviser into the fund was limited to the fund's PDS and TMD;
- only a high-level justification was provided in the Statement of Advice document. It did not include detail about specific loan assets held by the private credit fund or why the returns were anticipated to be higher than other fixed interest investments.

Obligations of financial advisers and financial advice licensees

As a key distribution channel for private credit funds, financial advisers have a critical role in ensuring that financial advice is provided in accordance with the *Corporations Act*. In particular, where personal advice is provided, financial advisers must act in the best interests of their clients and ensure that any recommendation is appropriate having regard to the client's objectives, financial situation and needs. Financial advice licensees also have an important role in conducting due diligence on private credit funds that they approve for their financial advisers to recommend, and maintaining oversight arrangements to ensure financial advisers comply with their obligations to provide appropriate advice. The quality of financial advice is therefore a key safeguard in promoting suitable investor outcomes and mitigating the risk of retail investors acquiring products that may not be appropriate for their circumstances.

See Appendix D, Table 14 for a summary of the key obligations that apply to financial advisers and financial advice licensees.

Appendices

Appendices to this report provide supporting material to assist interpretation of the findings and to promote transparency around the surveillance process. They include details of the surveillance scope and entity selection and a summary of the relevant regulatory obligations.

Appendix A: Surveilled entities[39]

Table 11: Retail funds with credit strategies, including private credit funds

#	Fund name	Responsible entity name
1	**Ares Global Credit Income Fund (ARSN: 639 123 112)**	Fidante Partners Limited (ACN 002 835 592)
2	**ASCF High Yield Fund (ARSN: 616 367 330)**	Australian Secure Capital Fund Ltd (ACN 613 497 635)
3	**Bentham Syndicated Loan Fund (ARSN: 110 077 159)**	Fidante Partners Services Limited (ACN 119 605 373)
4	**CFMG Monthly Income Fund (ARSN: 602 609 638)**	CFMG Equity and Income Funds Limited (ACN 112 753 876)
5	**Murdoch Clarke Mortgage Fund (ARSN: 093 255 559)**	Murdoch Clarke Mortgage Management Limited (ACN 115 958 560)
6	**Remara Cash Management Fund (ARSN: 675 175 425)**	Melbourne Securities Corporation Limited (ACN 160 326 545)
7	**RMBL Mortgage Income Investments (ARSN: 091 248 289)**	RMBL Investments Limited (ACN 004 493 789)
8	**Skyring Fixed Income Fund (ARSN: 622 775 464)**	Skyring Asset Management Limited (ACN 156 533 041)
9	**Solas Alternative Investment Fund (ARSN: 681 250 582)**	Solas Asset Management Limited (ACN 668 897 309)
10	**TermPlus (ARSN: 668 902 323)**	Pengana Capital Ltd (ACN 103 800 568)
11	**TPT Select Mortgage Fund (ARSN: 089 139 382)**	TPT Wealth Ltd (ACN 009 475 629)
12	**Trilogy Monthly Income Trust (ARSN: 121 846 722)**	Trilogy Funds Management Limited (ACN 080 383 679)

[39] Appendix A reflects the responsible entities, trustees, and investment managers identified at the time of ASIC's review period from 1 Jan 2025 to August 2026 at a given point-in time. These entities and arrangements may change over time.

Table 12: Wholesale private credit funds[40]

#	Fund Name	Trustee and investment manager (IM) name
1	**Apollo Asset Backed Credit Trust (AUD) (ARSN 684 032 291)**	Trustee and IM: Channel Investment Management Limited (ACN 163 234 240)
2	**Aura Private Credit Income Fund**	Trustee: Aura Funds Management Pty Ltd (ACN 607 158 814) IM: Aura Credit Holdings Pty Ltd (ACN 656 261 200)
3	**Australia Pacific Income Fund (ARSN 159 529 530)**	Trustee and IM: Australia Pacific Mortgage Fund Ltd (ACN 140 213 690)
4	**Avari 1st Mortgage Real Estate Fund**	Trustee: Melbourne Securities Corporation Limited (ACN 160 326 545)[41] IM: Avari Capital Partners Pty Ltd (ACN 626 245 172)
5	**Finexia Childcare Income Fund (ARSN 658 543 625)**	Trustee: Finexia Securities Ltd (ACN 608 667 778) IM: Finexia Funds Management Pty Ltd (ACN 618 503 236)
6	**GCI Real Estate Credit Fund**	Trustee and IM: GCI Funds Pty Ltd (ACN 604 417 647)
7	**iPartners Property Credit Fund**	Trustee: iPartners Nominees Pty Ltd (ACN 619 036 663) IM: iPartners Funds Management Pty Ltd (ACN 635 798 846)
8	**MCP Real Estate Debt Fund**	Trustee: Perpetual Trust Services Limited (ACN 000 142 049) IM: Metrics Credit Partners Pty Ltd (ACN 150 646 996)
9	**Merricks Capital Partners Fund**	Trustee: Regal Partners Holdings Pty Limited (ACN 107 576 821)[42] IM: Merricks Capital Funds Management Pty Limited (ACN 126 826 293)
10	**Mosaic Capital Fund**	Trustee: Specialised Investment and Lending Corporation Ltd (ACN 149 520 918) IM: Mosaic Private Pty Ltd (ACN 637 198 586)
11	**Rixon Income Fund**	Trustee: AMAL Trustees Limited (ACN 609 737 064) IM: Rixon Capital Pty Ltd (ACN 655 776 533)
12	**Wingate Investment Partners Trust No. 3**	Trustee: Wingate Investment Partners 3 Pty Ltd (ACN 606 185 791) IM: Wingate Financial Services Pty Ltd (ACN 106 480 602)

[40]Three funds in this list of wholesale private credit funds are registered managed investment schemes – Finexia Childcare Income Fund, Apollo Asset Backed Credit Trust, Australia Pacific Income Fund. However, these funds were mostly targeting wholesale investors throughout the course of ASIC's review. For the purposes of this report, we refer to the 12 funds in this list as 'wholesale funds'.

[41]The trustee for this fund changed during the course of ASIC's review period. For this fund, Avari Holdings Pty Ltd (ACN 603 200 648) acted as its trustee until approximately May/June 2026. Subsequently, Melbourne Securities Corporation Limited (ACN 160 326 545) became the trustee.

[42]The trustee for this fund changed during the course of ASIC's review period. For this fund, Merricks Capital Pty Limited (ACN 126 528 005) acted as the trustee until approximately July 2026. Subsequently, Regal Partners Holdings Pty Ltd (ACN 107 576 821) became the trustee of this fund.

Appendix B: Glossary

Term	Meaning
Act	*Corporations Act 2001* (Cth), including regulations made for the purposes of that Act
AFS licence	An Australian financial services licence under s913B of the Corporations Act that authorises a person who carries on a financial services business to provide financial services Note: This is a definition in s9.
ASIC Act	*Australian Securities and Investments Commission Act 2001*
AUM	Assets under management
Borrower fees	Fees paid by borrowers in relation to a loan under management of a fund, including origination fees, loan establishment fees, early repayment fees and default fees; does not include the ordinary interest charged to borrowers as part of the loan arrangement
Contributory mortgage scheme	A fund where an investor invests in a single mortgage loan through: a general authority, where the investor receives a summary after the application is approved followed by a cooling-off period; or a specific authority, where the investor receives a supplementary PDS before investing
DDO	Design and distribution obligations, referring to the product design and distribution obligations in Part 7.8A of the Corporations Act
Financial adviser	A person who is authorised (e.g. by holding their own AFS licence or acting as an authorised representative of the Financial advice licensee) to provide personal advice on relevant financial products to retail clients
Financial advice licensee	A person that holds an AFS licence to provide personal advice on relevant financial products to retail clients.
Feeder fund	A fund that invests all or most of its assets in other underlying funds
Fund	Has the same meaning as 'managed investment scheme' in s9 of the *Corporations Act*
Fund manager	The fund operator, investment manager, and/or related party of either, as applicable.
Fund operator	The entity responsible for operating a fund, being either: the responsible entity for a retail fund, or the trustee of a wholesale fund
Intermediated structure	A fund structure that uses one or more intermediary vehicles between the fund and its underlying investments
Intermediary vehicles	A legal entity or arrangement used by a fund manager to indirectly hold, structure, or acquire underlying assets. Examples include SPVs, sub-trusts, holding companies, feeder funds
Investment manager	A person or entity which is responsible for buying and selling assets of the fund, subject to an investment management agreement with the fund operator
Loan origination	The process of creating and initiating a loan to a borrower, including assessing and approving a borrower's application for credit
LVR	Loan-to-valuation ratio
Managed investment scheme	Has the meaning given in s9 of the Act
MDA	Managed discretionary account. A facility, other than a registered managed investment scheme or an interest in a registered scheme where a person (the MDA provider) manages assets on behalf of a client with the intention to generate a financial return

Term	Meaning
Net interest margin	The difference between the rate of interest charged to borrowers and the rate of interest paid to investors as a distribution; excludes 'borrower fees' (i.e. the additional income a fund manager may receive from borrowers)
Personal advice	Has the meaning given by s766B(3) of the Corporations Act.
Private credit	Non-bank lending where the debt is not publicly traded or widely issued publicly
Private credit fund	For the purpose of this report, we have labelled a fund a 'private credit fund' if it has or is likely to have a majority of its non-cash assets invested in a credit strategy or private credit strategy.
Product disclosure statement (PDS)	A document that must be given to a retail client in relation to the offer or issue of a financial product in accordance with Div 2 of Pt 7.9 of the Corporations Act. See s9 of the Act for the exact definition
Regulatory Guide (RG)	An ASIC regulatory guide
REP 814	ASIC Report 814 *Private Credit Australia* (REP 814)
REP 820	ASIC Report 820 *Private Credit Surveillance: Retail and Wholesale Funds* (REP 820)
Responsible entity (RE)	Has the meaning given in s9 of the *Corporations Act*
Retail client	A client defined in s761G and s761GA of the Act and Div 2 of Pt 7.1 of the *Corporations Regulations 2001*
Retail fund	A fund that is registered; that is, a registered managed investment scheme
Self-managed super fund (SMSF)	A superannuation fund that is privately operated by its members, as defined under s17A of the *Superannuation Industry (Supervision) Act 1993*
Senior debt	Senior debt is borrowed money that has repayment priority over other debt if the borrower defaults or declares insolvency.
SMA	A retail fund where investors have segregated accounts and beneficial ownership of the underlying assets in those accounts. The RE of an SMA appoints portfolio managers to decide what investments to include in the model portfolios
SPV	Special purpose vehicle
Subordinated debt	Subordinated debt is borrowed money that ranks below senior debt if the borrower defaults or declares insolvency.
Sub-trusts	A fund established within a broader fund structure.
Sub-participation	A contractual arrangement under which an existing lender transfers to another party all or part of the economic risk and return associated with a loan, while remaining the lender on record and retaining its direct legal relationship with the borrower
Superannuation fund	Has the same meaning as 'regulated superannuation fund' in s9 of the Act
TMD	Target market determination
Underlying fund	The fund/s that a feeder fund or other intermediary structure invests in
Warehouse structure	A private credit warehouse structure in Australia is an insolvency-remote, SPV used to accumulate and fund a pool of private loans before they are potentially refinanced or term-securitised.

Term	Meaning
Warehousing investments	Assets, loan exposures or investments acquired and temporarily held by a related party, fund or vehicle before being transferred to a fund, typically to establish or expand the fund's portfolio. These arrangements may involve the use of investor capital from one fund to acquire assets that are subsequently transferred to another related fund, often at cost.
Wholesale client	A client who is not a retail client
Wholesale fund	A fund that is not a retail fund (i.e. an unregistered managed investment scheme), that is not required to be registered because of s601ED(2) of the Act

Appendix C: Surveillance focus and methodology

Surveillance focus

ASIC reviewed fund operators, investment managers, and financial advisers that offered or recommended credit strategies, including private credit funds, to retail or wholesale investors. We reviewed:

- 12 retail private credit funds, with AUM totalling approximately $8 billion
- 12 wholesale private credit funds, with AUM totalling approximately $10 billion, and
- The advice provided to 46 retail clients by 19 financial advisers in connection with 6 private credit funds.

The funds ranged in size, scale and complexity, and had varying:[43]

- product distribution methods – including distribution via advice licensees and platforms
- number of direct investors – from fewer than 80 to more than 4000
- investment strategies – including direct lending to businesses and property developments, global credit strategies and indirect lending through warehouse-type structures that provide an indirect or synthetic exposure to the warehouse's pool of underlying loans, and
- structures – including either direct or indirect investment exposure via intermediary vehicles, such as feeder funds, underlying funds, sub-trusts or SPVs.

Our review also identified three main holding arrangements for the recommended private credit fund investments. Of the 46 advice files reviewed, investments were most commonly held:

- in the client's personal name or through a trust (18 files) [44,]
- followed by SMSFs (14 files), and
- retail superannuation funds (14 files). [45]

In 18 instances, the private credit fund was included as part of a broader separately managed account (SMA) or managed discretionary account (MDA) investment strategy.

Methodology

Our surveillance included review of: [46]

- 12 retail private credit funds
- 12 wholesale private credit funds

[43] Figures are point-in-time estimates, as at around October 2025 for retail funds and around December 2025 for wholesale funds.
[44] This means the client holds the private credit fund in their own name or through a trust (as a beneficiary of the trust). The client's holding may be facilitated through an investor directed portfolio service (i.e. an investment platform) or directly by the issuer of the private credit fund.
[45] This means the client holds the private credit funds through their superannuation platform.
[46] A list of the retail private credit funds and their respective responsible entities is set out in Appendix A, Table 11. A list of the wholesale private credit funds and their respective trustees and investment managers is set out in Appendix A, Table 12.

- 46 statements of advice (SOAs) provided by 19 different financial advisers, in connection with six retail private credit funds.[47]

From November 2025 to August 2026, ASIC used its compulsory information-gathering powers to obtain information and documents from selected entities to assess fund structures and strategies, fund operations, compliance with relevant regulatory obligations, and identify financial advice licensees and financial advisers who recommended the selected private credit funds to retail clients.

Wholesale Funds

ASIC reviewed the conduct of fund managers against their key legal obligations (see Appendix D). Consistent with the themes identified in REP 820, ASIC also considered whether:

- the governance and disclosure of transfers, shared exposures and related-party interests;
- how opportunities, exposures and liquidity were allocated between funds, vehicles and investor groups;
- fee transparency, including the treatment and disclosure of borrower fees, interest margins and other economic benefits generated through lending or intra-group activities; and
- whether governance, conflicts-management and disclosure arrangements were appropriate having regard to the structure and operation of the fund.

Retail Funds – Direct Distribution

ASIC reviewed the conduct of fund managers against their key legal obligations (see Appendix D). Consistent with the themes identified in REP 820, ASIC also considered whether:

- disclosure and marketing practices conveyed the risks associated with private credit strategies, including the transparency of margins and borrower costs
- incentive and structural features that may influence distribution outcomes and create conflicts that are not fully mitigated in practice
- instances where the presentation of private credit funds may not adequately reflect their illiquidity, credit risk and potential downside, increasing the risk of retail investors misunderstanding product characteristics, and
- TMDs, including whether the identified target market was appropriately aligned with the features, risks and objectives of the fund.

The surveillance also considered whether the fee and distribution practices of private credit funds are appropriate for retail investors. It also examined the economics of fee arrangements, interposed structures and incentives that operate throughout the investment lifecycle.

Retail Funds – Distribution by financial advisers

ASIC reviewed the conduct of financial advisers to assess their role in influencing retail investor exposure to private credit funds, ensuring that products are recommended in a manner consistent with the law.[48] We focused on the quality of personal advice provided to retail clients in relation to private

[47] Five of these six retail private credit funds were part of the retail private credit funds named at Appendix A.
[48] See Appendix D, Table 14 for a summary of the key obligations applying to financial advice licensees and their authorised representatives in relation to personal advice.

credit funds. The review assessed the quality of advice as presented in SOAs and other documents forming the client file, which showed:

- how financial advisers understood the risks of private credit funds
- assessed suitability and allocations
- balanced risk and return considerations, and
- explained the role of private credit within broader investment strategies.

In particular, we considered whether advice processes adequately addressed the complexity and risk profile of private credit funds, including their illiquidity, valuation uncertainty and credit risk characteristics. We also examined key aspects of financial adviser conduct, such as the depth of product research undertaken, the identification and management of conflicts of interest, and the clarity of disclosures provided to clients.

Appendix D: Regulatory obligations relevant to distribution

Table 13: Summary of key obligations applying to responsible entities and investment managers of retail private credit funds

Legislative obligations[49]	Responsible entity, registered scheme (retail fund)[50]	Licensed investment manager
General licensee obligations in s912A: › Act efficiently, honestly and fairly. › Adequate arrangements to manage conflicts of interest. › Comply with conditions on the AFS licence and financial services laws. › Have adequate risk management systems.	Yes	Yes
Prohibitions against misleading or deceptive conduct and false or misleading statements in s1041E/H and s12DA/DB/DF of the ASIC Act: › Do not engage in misleading or deceptive conduct. › Do not make false or misleading statements or representations.	Yes	Yes
Product design and distribution obligations in Part 7.8A: › The TMD defines target market and product features, and the product is distributed accordingly. › Reasonable steps are taken to distribute the product in accordance with the TMD.	Yes	No[51]
Statutory duties in Chapter 5C, including s601FC: › Act in the best interests of fund members. › In the event of a conflict of interest, prioritise members. › Exercise the requisite degree of care and diligence. › Value scheme property at regular intervals. › Manage related party transactions. › Have liquidity provisions in place.	Yes	No
Disclosure on fees, costs, other key information in the PDS and periodic statements, in Part 7.9: › Make requisite disclosures in the PDS and periodic statements. › Ensure promotional material refers to the PDS.	Yes	No

[49] Unless otherwise stated, sections, chapters, and parts in this table and the table below refer to sections of the Corporations Act.
[50] Certain obligations only apply to responsible entities of managed investment schemes that are registered under s601EB of the Corporations Act (i.e. retail funds).
[51] The investment manager must comply with Part 7.8A only to the extent that it is involved in the distribution of a retail fund (i.e. a registered scheme) to retail investors.

Table 14: Summary of key obligations applying to financial advice licensees and their authorised representatives in relation to personal advice and general advice

Legislative obligations	Personal advice	General advice
Requirement of holding an AFS Licence in s911A › The provision of personal and general financial advice generally requires an AFS licence or the financial adviser must be an authorised representative of an AFS licensee.	**Yes**	**Yes**
General licensee obligations in s912A › AFS licensees are subject to the general AFS licence obligations under s912A, including: › Act efficiently, honestly and fairly. › Adequate arrangements to manage conflicts of interest. › Have adequate risk management systems.	**Yes**	**Yes**
Prohibitions against misleading or deceptive conduct and false or misleading statements in s1041E/H and s12DA/DB/DF of the ASIC Act: › Do not engage in misleading or deceptive conduct. › Do not make false or misleading statements or representations.	**Yes**	**Yes**
Definition of personal advice in s766B(3) › Personal advice is financial product advice given or directed to a person, including electronically, where either: › (a) the provider has considered one or more of the person's objectives, financial situation and need; or › (b) a reasonable person might expect the provider to have considered one or more of those matters. › Section 766B(1) defines financial product advice as a recommendation, statement of opinion, or a report of either of those: › (a) intended to influence a decision about a particular financial product, class of product, or interests in them; or › (b) reasonably regarded as being intended to have such an influence.	**Yes**	**No**
Best interest obligations in s961B › The provision of personal advice must be in the best interests of the client.	**Yes**	**No**
Appropriate advice obligation in s961G › The financial adviser can only provide personal advice if it would be reasonable to conclude that it is appropriate to the client.	**Yes**	**No**

Legislative obligations	Personal advice	General advice
Warning where advice is based on incomplete information in s961H › The client must be warned where it is reasonably apparent that information relating to the objectives, financial situation and needs of the client is incomplete or inaccurate.	**Yes**	**No**
Conflict priority in s961J › Where there is a conflict between the interests of the client and those of the financial adviser, AFS licensee or related parties, the client's interests must be given priority.	**Yes**	**No**
AFS licensee obligation in s961L › AFS licensees must take reasonable steps to ensure that their authorised representatives comply with ss961B, 961G, 961H and 961J.	**Yes**	**No**

Appendix E: Private credit fund manager revenue

Background: Sources of revenue for private credit fund managers

Private credit fund managers may receive remuneration from a range of sources, including management and performance fees, interest margins, borrower fees and remuneration earned through related-party or intermediary entities.

Management and performance fees

Management and performance fees are charged out of fund assets by a responsible entity or investment manager for operating and for managing the fund assets, including making investment decisions. These are generally disclosed to investors in a fund's PDS or Information Memorandum and are often calculated by reference to the fund's net assets, gross assets, performance or a combination of these measures.

Interest margin

The difference between the interest paid by the borrowers in respect of the relevant loan assets, less distributions payable to fund investors.[52] For example, a borrower may pay interest of 15% per annum while investors receive a distribution of 10% per annum. The difference may be retained by the fund manager depending on the arrangement. The extent to which interest margins are disclosed to investors varies between funds.

Borrower fees

These are fees paid by borrowers directly to the lender (or its agent) in connection with a loan. Depending on the loan facility terms, these may include, but are not limited to:

Establishment fees, line fees, waiver fees, default fees, extension fees, margin fees, loan extension fees, loan discharge fees, lender attendance fees, loan administration fees, security release fee, site inspection fees, early repayment fees, loan draw down fees, and loan variation fees.

The disclosure of borrower fees (arrangements and quantum) varies between funds.

[52]Interest margin includes default interest but not the default fees. For the purposes of this report, interest margin does not include additional income that the investment manager and/or fund operator (or related party) may receive from borrowers, including via indirect means, such as origination fees, loan establishment fees or default fees.

Appendix F: TMD considerations in the Private Credit Sector

In REP 820, ASIC highlighted that TMDs are an important mechanism for helping to ensure private credit funds are distributed to investors for whom they are likely to be suitable. ASIC also identified multiple shortcomings in relation to TMD settings and took regulatory action in relation to several deficient TMDs.

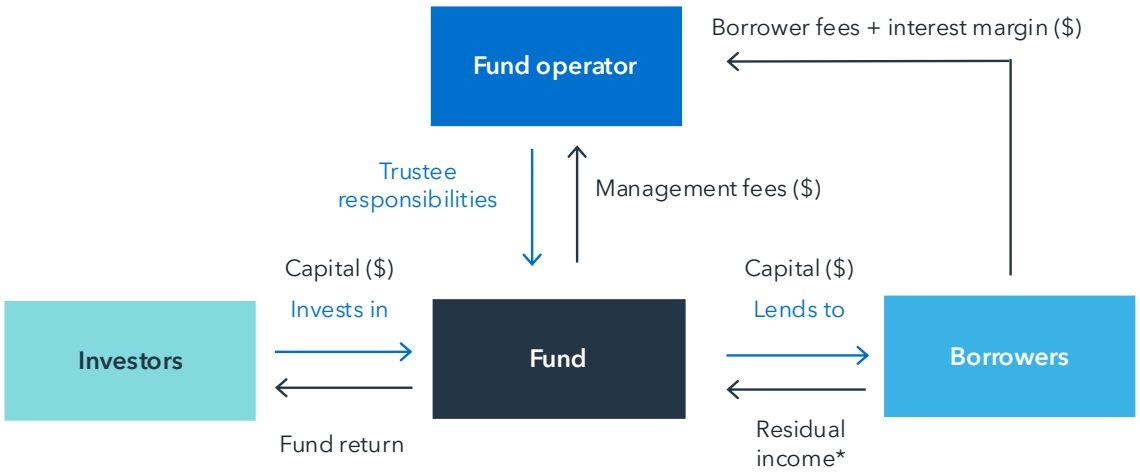
Private credit issuers must demonstrate that TMD settings (including risk ratings, investment allocation recommendations, and distribution conditions) are reasonable, appropriate and defensible having regard to the specific risks, features and investment strategy of the fund. In ASIC's view:

- The **recommended investment allocations** should be carefully calibrated to the risks and characteristics of a fund and support appropriate diversification. Excessive recommended allocations may increase the risk of retail investors being overexposed to a single private credit product that may not protect or guarantee capital and may involve elevated credit and liquidity risks.
- Funds should also ensure appropriate and consistent **capital preservation determinations**, made with consideration to the specific risks associated with the fund and the private credit sector (such as liquidity) more broadly. We consider that the liquidity and credit risks of certain funds can impact the economic reality of the fund and create mismatches with the consumer investment objective of capital preservation.
- **Risk ratings** should not be too low and should remain consistent with the fund's portfolio and underlying risks, including relevant liquidity and credit risks and default and loss statistics.
- **Distribution conditions**: issuers should consider all distribution channels used and whether additional distribution controls and oversight measures are needed to support distribution to suitable investors.

Appendix G: Illustrative examples of different private credit fund structures

Figure 5, Figure 6 and Figure 7 outline different private credit fund structures observed by ASIC. The structures range in complexity. In addition to these examples, ASIC also observed structures involving asset-based finance warehousing arrangements.

Figure 5: Direct lending structure



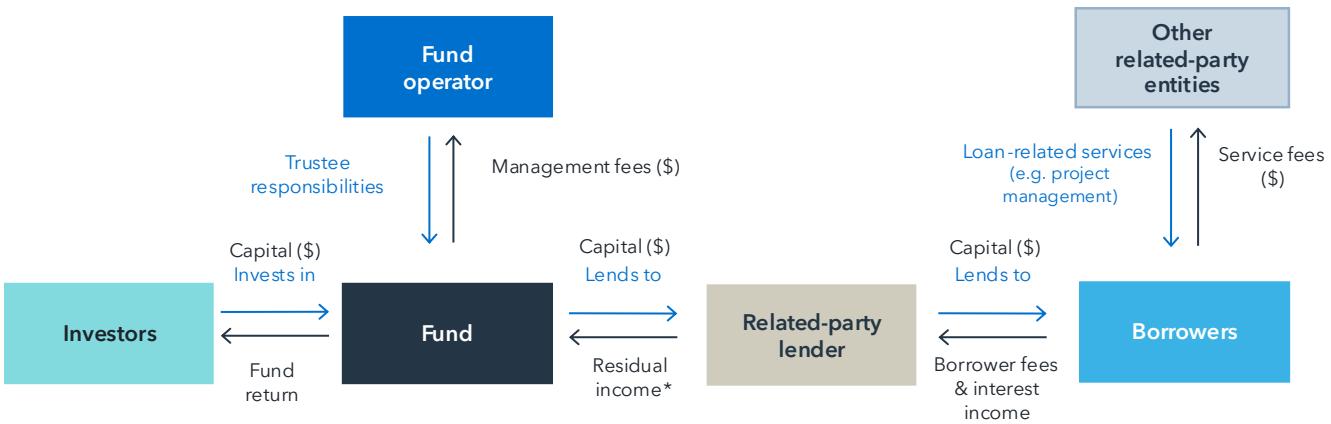
*Residual income refers to the portion of borrower fees and interest that is not retained by the responsible entity.

Note: See paragraphs below for an explanation of the key points in this figure (accessible version).

Figure 5 shows that in a direct lending structure, the fund operator lends directly to the borrowers on behalf of the fund. The fund operator oversees the fund and performs the trustee and management functions. In return, the responsible entity receives management fees from the fund.

Borrowers pay interest and may also pay borrower fees in connection with their loan facilities. Depending on the fund's arrangements, some of these amounts may be retained by the responsible entity. The fund distributes the residual income directly to investors. In this illustration, residual income refers to the portion of borrower fees and interest that is not retained by the responsible entity.

Figure 6: Related-party lender structure



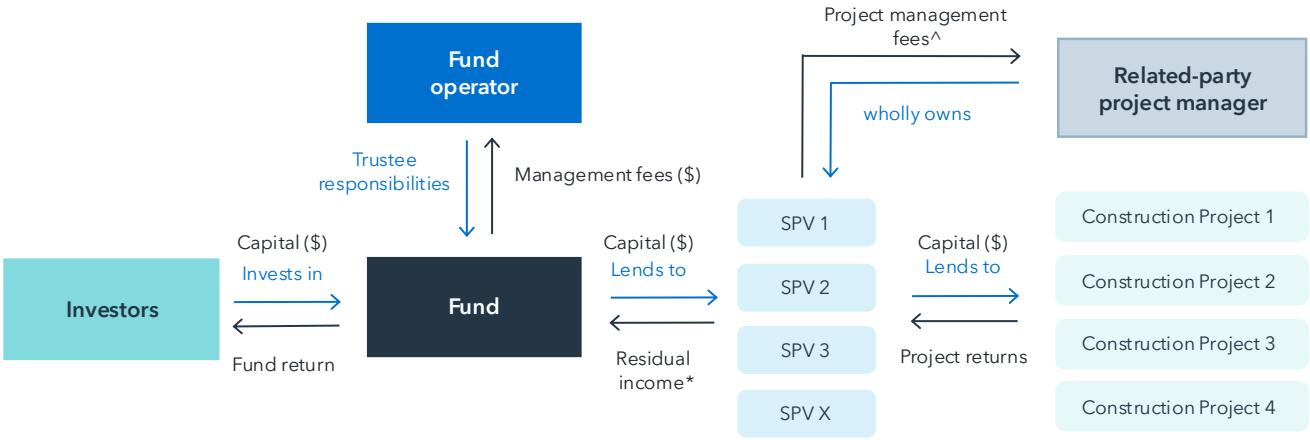
*Residual income refers to the portion of borrower fees and interest that is not retained by the related-party lender.

Note: See paragraphs below for an explanation of the key points in this figure (accessible version).

Figure 6 shows that under a related-party lender structure, the fund provides capital to a related-party lender, and the lender may originate and administer loans to underlying borrowers. Borrowers pay interest and may also pay borrower fees to the related party lender, who then distributes the residual returns to the fund and investors.

The structure may also involve other related-party service providers, such as project managers, valuers, legal services providers or quantity surveyors that receive remuneration in connection with the underlying lending activities. As a result, the economic returns generated by the underlying loans may be distributed across multiple related entities before ultimately reaching investors.

Figure 7: Intermediated structures (SPVs, multi-layered)



*Residual income refers to the portion of borrower fees and interest that is not retained by the SPV and related-party project manager.

^Project management fees refer to the individual fee agreements between each SPV and project manager.

Note: See paragraphs below for an explanation of the key points in this figure (accessible version).

Figure 7 shows a multi-layered structure involving SPVs. Investors provide capital to the fund, which in turn allocates capital across multiple SPVs. Each SPV is used to hold, invest in, or lend to a particular development or construction project. Returns generated by the underlying projects flow back through the SPVs and ultimately back to the fund and its investors (with fee extractions at certain points). In the structure above, the SPVs are wholly owned and managed by a related-party project manager that may receive project management fees depending on the relevant agreements.

SPVs, and other intermediary vehicles,[53] may be used for a range of commercial, legal and operational reasons (including asset segregation, tax efficiency, financing arrangements, project-specific governance). SPVs can allow individual projects or group of assets to be isolated from one another.

[53] Some funds may also adopt fund-of-funds structures, including feeder fund structures.