ASIC FOI 2627-087

AUSTRALIA'S PUBLIC AND PRIVATE MARKETS			
Date	Contact	Senior Executive Leader	Executive Director
11 May 2026	Vivienne Tannock	Vivienne Tannock	Calissa Aldridge

s 22

s 22

NOTES FOR TREASURY LIAISON MEETING – 19 MAY 2026

s 22

Overall

The system remains stable with a slow creep in credit stress, as seen through AUM-weighted defaults/waivers rising across the month and loan amendments increasing. s 22 There is higher concentration to construction/real estate loans.

s 22

s 22 [redacted]

9) Asset allocation trends

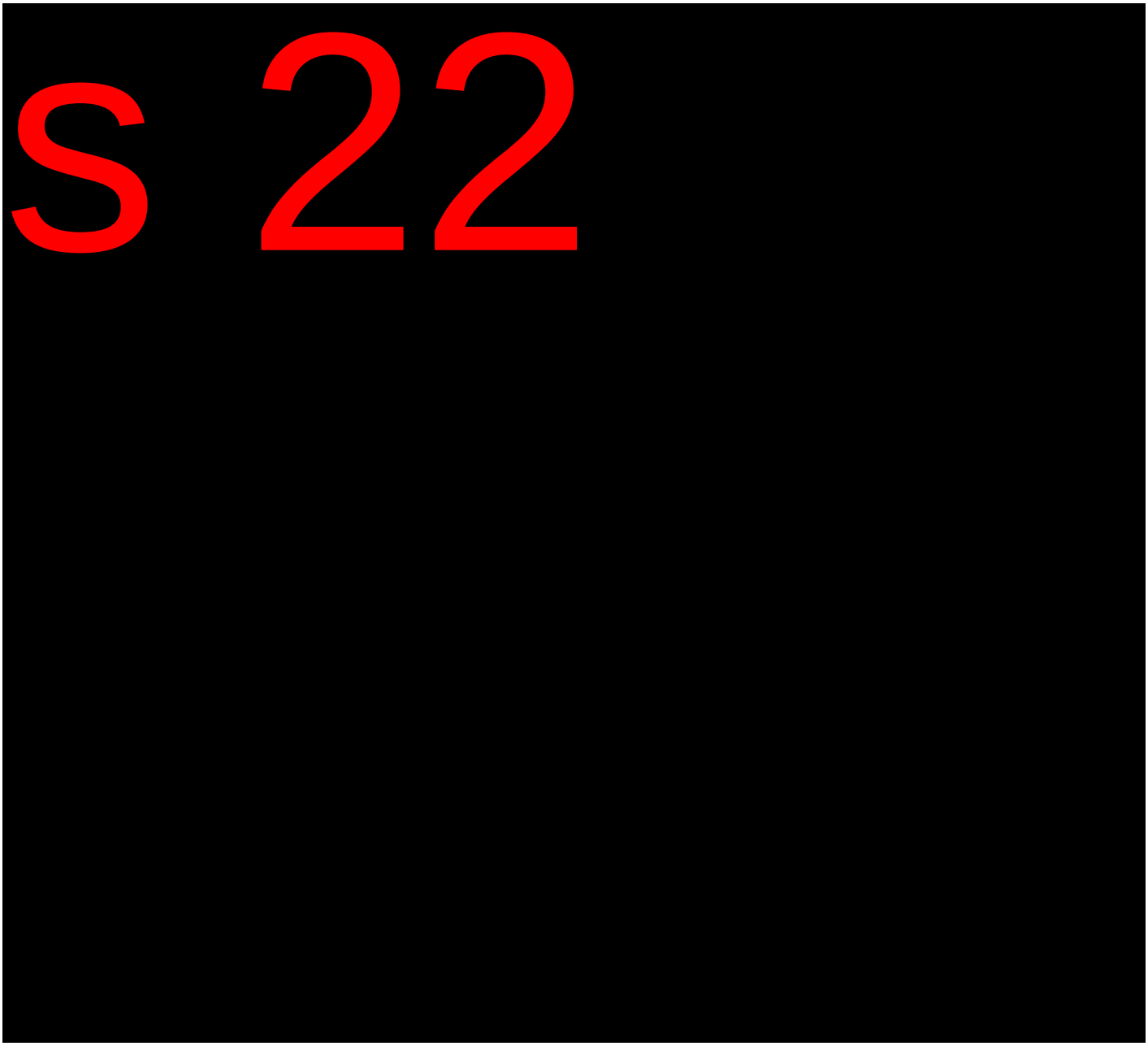
No material portfolio reallocation is evident, with exposures across key sectors stable week-to-week s 22 [redacted]

s 22 [redacted]. Portfolios stay real-estate heavy: s 22 [redacted]

Week 8 and Overall Survey Summary



Further Analysis – over 8-week survey period:



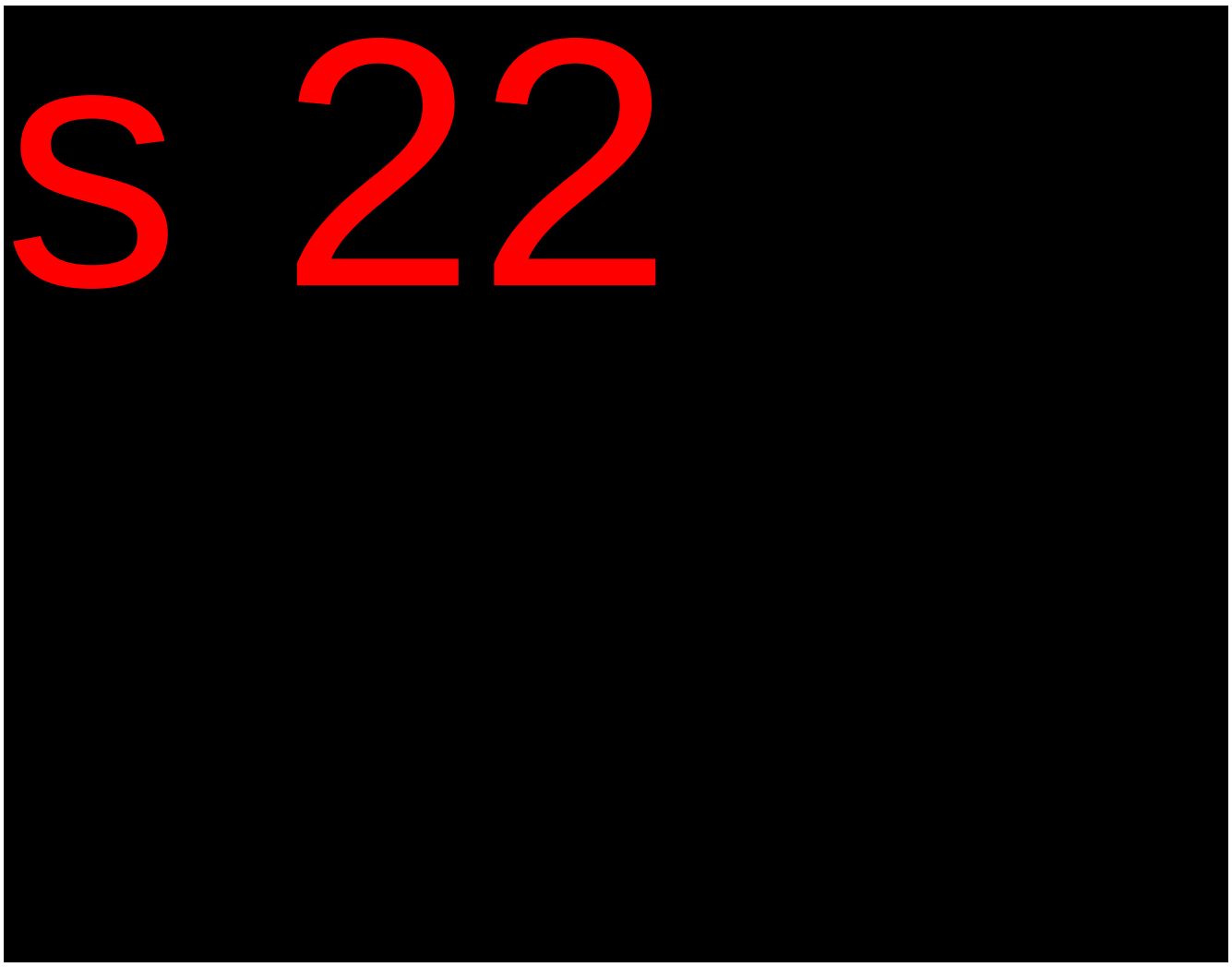
s 22

Overall takeaway

s 22

- **No evidence of system-wide stress or contagion — monitoring should focus on repeat outliers, not one-off spikes.**

s 22



Additional Week 8 comments from Managers

In Week 8 we asked managers for their comments and thoughts on how this week's **Federal Budget** may impact on the private credit sector, and also any areas they through ASIC should continue to focus our **regulatory activities** on:

- s 22 [redacted]
- For a **financial regulator**, however, the more important message is that the **effects are likely to be uneven**: several managers expect little direct impact on corporate borrowers, but greater pressure on property-related portfolios where investor presales are already weak and project activation depends on fragile feasibility.
- s 22 [redacted]

[redacted]

- Although reported redemptions and portfolio performance remain broadly stable, our surveillances should remain alert to **mismatches between product promises and underlying assets, the adequacy of disclosure on leverage and related-party arrangements**, and whether underwriting discipline weakens as competition increases in construction-focused private credit. [redacted]

[redacted]

[redacted].

Kind regards

[redacted]

ASIC Act 2001

ASIC
Australian Securities & Investments Commission

Commission Markets Committee Meeting 2

26 May 2026

Private credit: Insights from private credit survey and proposed news article

s 22

ASIC FOI 2627-087

NEWS

ASIC puts private credit on notice, ahead of 30 June valuations and reporting

Published **18 June 2026**

Add ASIC as a preferred source

Australia's private credit sector is on notice, with ASIC calling on funds to ensure their 30 June asset valuations are current, accurate and grounded in realistic assumptions.

ASIC also expects boards, auditors and all participants across the private credit eco-system, including responsible entities, trustees and chief investment officers, to assess current private credit and broader private market practices against ASIC's ten principles and lift standards where needed.

The sector is facing its first real test. Tighter liquidity, emerging borrower stress and signs of credit deterioration are testing valuations, governance and investor disclosures.

Early insights from ASIC's private credit work indicate the market is moving from a period of rapid growth into a more demanding phase, with persistent macroeconomic pressure and a slow creep in credit stress indicators.

In the United States and Europe, conditions are already driving rising defaults, valuation uncertainty and redemption pressures. Australia's market has acknowledged structural differences, including greater exposure to real asset-backed loans in construction and property. But those differences are not a defence against risk.

Retail investor and superannuation exposure is increasing, and recent isolated incidents have highlighted how Australian retail investors can be exposed to offshore redemption constraints and liquidity pressures through local feeder funds. There are inherent linkages between the international and domestic markets as with all global financial markets.

When done well, private credit provides an important source of funding and supports economic growth and innovation. But weaknesses in governance, disclosure, valuation practices and conflicts management become more pronounced as conditions tighten.

ASIC is probing these and other issues across the sector. Active surveillances across wholesale and retail funds are well progressed and multiple enforcement investigations are underway. ASIC continues to engage with industry bodies on stronger standards across retail and wholesale funds and review financial reports and audit files for private companies and superannuation funds.

ASIC FOI 2627-087

Poor practices in private credit remain a 2026 enforcement priority, and ASIC will act where conduct falls short.

These obligations cannot be outsourced. Participants must ensure that all those in their funds management value chain—from origination through to audit—are meeting their responsibilities to support participants' obligations.

ASIC's message is straightforward: participants should use this reporting cycle to challenge assumptions, refresh valuations, and lift practices in line with ASIC's ten principles.

Insights from ASIC's survey, ongoing surveillance and industry engagement

ASIC has been monitoring private credit through an eight-week voluntary survey, targeted surveillance, and engagement with expert panels and market participants.

Conducted from 26 March to 14 May 2026, the survey collected responses from 22 managers covering 52 funds and around $76 billion in assets under management. ASIC has made clear that this work provides a snapshot of local market conditions, not a complete picture of the market.

Recent reports of redemption pressures, including among entities outside the survey sample, highlight the limits of the available data.

Early insights from this work point to the following trends:

Market conditions

- Credit deterioration is emerging unevenly with pockets of higher defaults, impairments, and loan amendments.
- Redemption requests remain contained in aggregate, with higher activity observed in some feeder funds investing in global private credit managers.
- Leverage and line of credit usage remain minimal.
- Most funds continue to manage liquidity adequately, although buffers are tightening.
- Macroeconomic pressures, including inflation, rising costs and supply disruptions, are affecting borrower performance.
- Softer investor inflows are slowing growth and tightening lending conditions.
- Growth in number of funds has notably slowed.
- Management of concentration risk is variable.

ASIC's broader work also indicates

- **Valuations lagging economic reality** - weaker borrower conditions are increasing the risk that reported valuations do not fully reflect underlying economic conditions. In sectors such as property development, current conditions may expose pressure through cost escalation, project delays, soft presales, unsold stock, and weaker refinancing conditions
- **Portfolio concentration** - some portfolios have a higher exposure to a single developer group or related assets, which can increase risk where the underlying project performance changes and market conditions tighten. Management of this risk is not mature in parts of the domestic market.
- **Disclosure, reporting and product design** - inconsistent definitions for arrears, impairment, loan amendments and provisioning are reducing comparability across funds and affecting how performance is understood. Products described as stable or low risk may perform very differently in current conditions, particularly where there is higher concentration to construction lending, capitalised interest.

ASIC FOI 2627-087

- **Conflicts, governance and decision-making** - current market conditions are increasing conflict risk, particularly where valuation practices, margin allocation and impairment decisions may be affected by misaligned incentives during periods of market stress.

30 June valuations and stronger standards

For these reasons, refreshing 30 June valuations are an immediate point of action in private credit and across private markets investments generally. If valuations do not reflect current conditions and incorporate verified accurate information, there is a higher risk of misinformation and poor investor outcomes.

ASIC expects participants to challenge assumptions and refresh valuations to ensure they are based on realistic and supportable inputs. Participants should ensure financial reporting, audit and assurance practices support their 30 June valuations. Market participants should not wait for formal defaults before reassessing asset values and related risks.

Background

ASIC's private credit focus

ASIC's private credit work forms part of its multi-year capital markets roadmap, covering supervision, refreshed regulatory guidance, law reform and enforcement across Australia's public and private markets (25-264MR).

The roadmap draws on ASIC's 2025 private credit surveillance (REP 820), which identified gaps in governance, valuation, disclosure and conflicts management.

In addition to this work, ASIC has:

- released its ten private credit principles within REP 823
- issued a catalogue of key legal obligations for private credit funds (News Item), and
- updated Regulatory Guide 181 *AFS licensing: Managing conflicts of interest* (RG 181).

ASIC has observed some improvement in private credit fund practices following the release of its principles however, these improvements remain uneven across the market.

ASIC has also taken regulatory action where concerns arise. In 2025, it issued stop orders against:

- TruePillars Investment Trust (25-240MR)
- RELI Capital Mortgage (25-208MR), and
- La Trobe Australian Credit Fund (25-206MR).

Registrable superannuation entities (RSEs) were required to lodge audited financial reports with ASIC for the first time during the 2024-25 financial year. ASIC's subsequent review of RSE financial reports and audit files (REP 816) found inconsistent categorisation and disclosure of unlisted investments, and gaps in audit practices.

In particular, the review found auditors:

- did not obtain sufficient evidence to justify unlisted asset valuations,
- did not consistently challenge external fund manager valuations, and
- applied high materiality thresholds, which can reduce the extent of audit work undertaken, and variances not being investigated.

ASIC continues to focus on RSE financial reporting and audits as part of its capital markets surveillance, particularly in relation to lift standards in valuation and disclosure of unlisted investments. See 25-220MR for further information.

ASIC FOI 2627-087

More information is available on ASIC's Public and Private Markets webpage.

Topics credit financial markets financial services

Bathla Group Case Study

ASIC FOI 2627-087

s 22

Why it matters?

Bathla group provides an early test on how Australia's private credit market behaves under stress and how a single borrower concentration risk can transmit risk across multiple funds, lenders and investors.

- **Governance** – changes to investment mandates made as borrower came under financial stress. Reinforces importance of governance around loan amendments, rescue financing, covenant waivers, restructures, impairment decisions. This extends to appropriate separation and independence of decision to originate and extend credit to reduce the risk tha new lending is used to defer loss recognition.
- **Conflicts of interest** – Media reports regarding potential related party relationships highlight need for conflictsto be identified, declared, indepdenntly assessed and effectively managed to maintain investor confidence
- **Valuations** – project delays, cost overruns, weaker pre-sales, rising LVRs may not reflect current market conditions. Timely indepdennt and well governed valuations are critical
- **Risk management** – significant single borrower exposure demonstrates importance of managing concentration risk both within individual funds and across broader market
- **Disclosure to investors** – reported changes to investment guidelines, concentration limits and liquidity arrangements highlight the importance of ensuring investors receive clear, timely and transparent disclosure where a funds risk profile changes
- **Lender due diligence** – where lenders provide additional funding or restructure facilities, credit decisions need to be supported by current information, realistic assumptions and independent assessment of borrowers financial position, rather than desire to protect existing exposure
- **Liquidity management** – the reported use of borrowing and changes to redemption arrangements reinforce the need for liquidity management practices that are appropriate for semi-illiquid private credit assets
- **Importance of market gatekeepers** – research providers, valuers, auditors, responsible entities, boards

Australian private credit funds – Risk indicators Monthly assessment (September 2026)

ASIC FOI 2627-087

Overall assessment: Domestic conditions remain stable amid rising pockets of stress

Indicators shown using latest available data

Media commentary

Insights

s 22

s 22

s 22

Private credit market pulse

Domestic

Monthly REIT distributions*

0.6% in August 2026

+0.0% vs long run average
+0.0% vs previous month
+0.1% vs same month in previous year

Source - Bloomberg

* Indicator of cash flow health of the underlying property sector, noting REIT distributions are an equity (not debt) market measure

Australian Private credit spread**

5.3% in July 2026

+19bps vs long run average
+3bps vs previous month
+2bps vs same month in previous year

Source - Bloomberg

** weighted average spread above the underlying benchmark

Private credit funds net inflows

$96.7m in June 2026

-$1,011m vs long run average
+$506m vs previous month
-$1,731m vs same month in previous year

Source - Morningstar

Net inflows have been calculated as the sum of flows for private debt funds tracked by Morningstar (roughly $80 billion in assets).

Australian private debt deals

3 deals in the three months to July 2026

-4 vs long run average
-2 vs previous month
-1 vs same month in previous year

Source - Preqin

Although Preqin captures less than 10% of Australia's private debt market, it remains a useful gauge of activity in this otherwise opaque sector.

International

s 22

Key points:

- Domestic private credit conditions remain broadly stable, supported by positive fund inflows and borrower cash flows. Recent market stresses, including those associated with the Bathla Group collapse and related fund withdrawal restrictions, are unlikely to be fully reflected in currently available market indicators due to reporting lags.
- Australian private credit spreads remain elevated, indicating risk premia have not fully normalised.
- Private debt deal activity remains subdued across both Australian and US markets.
- US private credit stress indicators continue to worsen, with elevated defaults and redemption requests signalling growing investor and borrower pressures.

Construction sector conditions

Domestic

Input cost inflation

4.9% in June 2026

+1.3ppt vs long run average
+0.7ppt vs previous month
+2.6ppt vs same month in previous year

Source - ABS

Residential auction clearance rates

52.7% in the w/e 6 September 2026

-16ppt vs long run average
-3ppt vs previous month
-12ppt vs same month in previous year

Source - Cotality

Residential building approvals

18,449 in July 2026

+10.4% vs long run average
+1.0% vs previous month
+0.6% vs same month in previous year

Source - ABS

Relative insolvency rate^

1.43x in July 2026

+0.22 vs long run average
+0.00 vs previous month
+0.15 vs same month in previous year

Source – ASIC & ABS

^ Average insolvency rate (construction sector) DIVIDED by average insolvency rate overall

Business confidence (construction)

-1 Index points in August 2026

-2 index points vs long run average
+5 index points vs previous month
-6 index points vs same month in previous year

Source - NAB

An index level of zero indicates neutral confidence.

Key points:

- The construction industry in Australia remains challenging, with rising inflation and insolvencies.

Prepared by Strategic Intelligence | For any questions, please contact s 22 @asic.gov.au


s 22