

May 2026

Private Credit Poise vs Panic

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Centuria | BASS


Private Credit: Investor Exodus | Banks Shake Off Worries | Shorting Private Credit | The HALO Trade | Blankfein's 'Fire' Risk Warning | Goldman Sachs

Is It Time to Worry About Private Credit?

Private credit's risks are real but not systemic, the Pentagon is preparing for climate change it doesn't believe in, and Riz Ahmed remakes *Hamlet*.

Private credit sector stresses could be catastrophic, but not just yet

By Vidya Ranganathan
April 4, 2026 7:42 AM GMT+11 · Updated April 6, 2026



Markets

Small Private Credit Loans Weakening Fastest, Moody's Says

May 12, 2025 at 2:01 PM UTC

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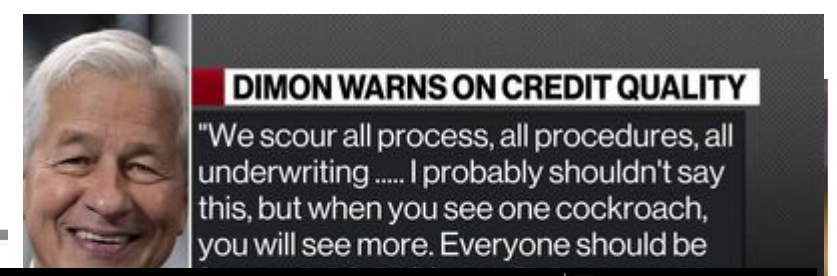
Loans taken out by smaller companies weakened at a faster rate between 2023 and 2024 than those by bigger companies, yet credit quality remains stronger than before the pandemic, according to Moody's Ratings.

The share of small middle-market companies with weak liquidity climbed about ten percentage points to over 30% during the

JP Morgan

This article is more than 6 months old

JP Morgan boss says more 'cockroaches' will emerge after private credit sector failures



BlackRock Faces 100% Loss on Private Loan, Adding to Credit Market Pain

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Private credit funds slide as investors sell out

By Isla Binnie, Tommy Reggiori Wilkes and Iain Withers
March 13, 2026 12:44 AM GMT+11 · Updated March 13, 2026



Default Warnings Start to Pile Up in the Private Credit Market

By Kat Hidalgo
August 21, 2025 at 4:25 PM UTC

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Warnings on defaults are starting to pile up in the \$1.7 trillion private credit market, prompting at least some analysts to raise concern about [underappreciated risks](#) in one of Wall Street's favorite money spinners.

For years, losses have been contained by the fact that private credit firms have more room than many other investors [to be patient with](#)

What is private credit?

DEFINITION

Private credit refers to loans or debt financing provided by non-bank entities, such as private funds, asset managers, and institutional investors to businesses that prefer not to access traditional banking or public bond markets.

Unlike public debt, these deals are negotiated directly between lenders and borrowers

KEY CHARACTERISTICS

Predictable returns

Interest rates quoted as a spread above a reference rate (e.g., BBSY), moving in lockstep with rates or can be fixed

Shorter Maturity

Average term of 0-3 years, compared to 7+ years for high-yield bonds, reducing duration risk

Strong Covenants

Negotiated protections restrict borrower actions such as taking on additional debt, providing greater lender control

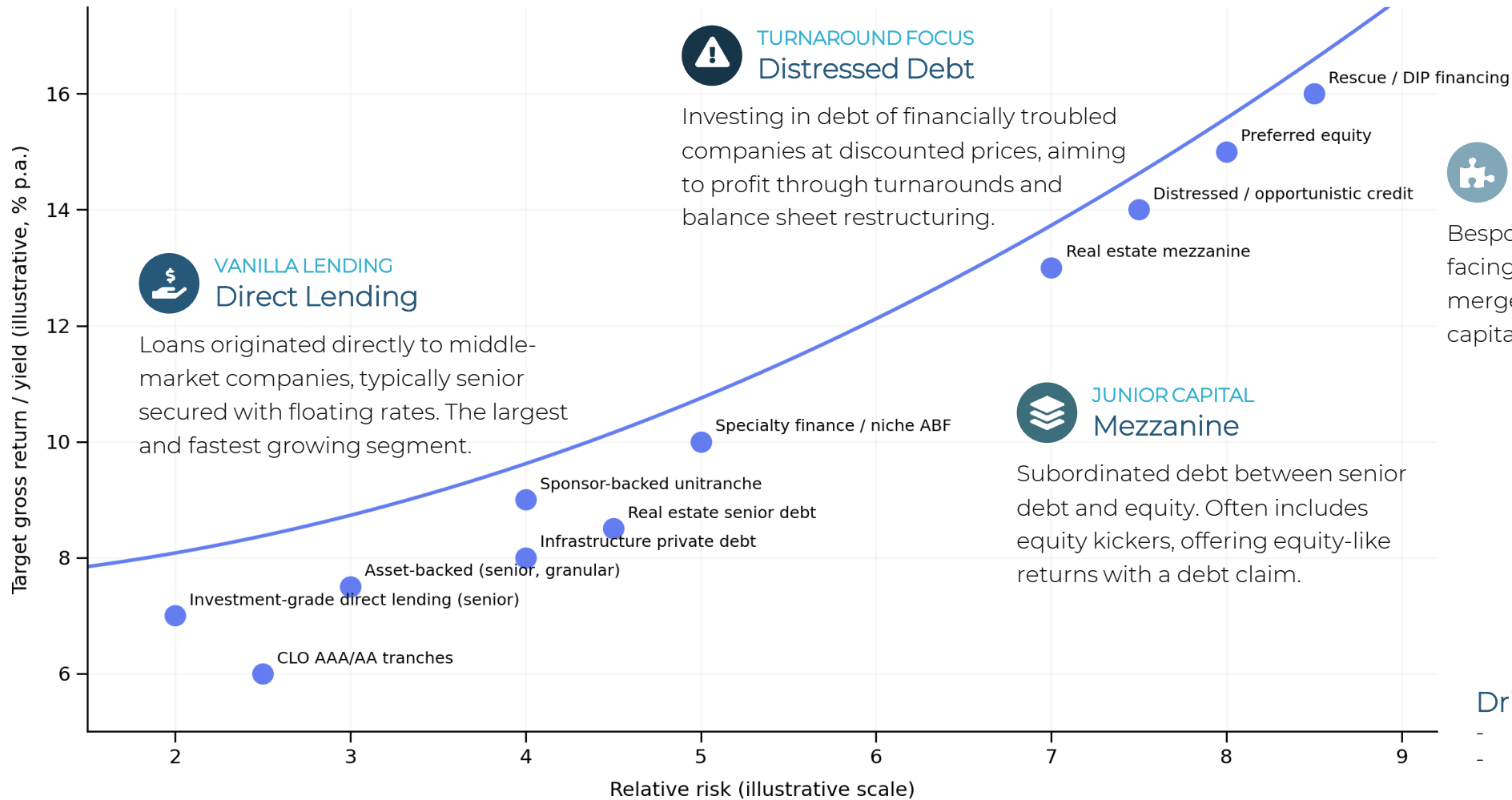
Illiquidity Premium

Investors earn higher yields vs. public markets in exchange for holding non-traded, less liquid instruments

TYPES OF LENDING



Private credit risk curve



*Illustrative example

- Drivers of relative risk**
- Structure and seniority
 - Asset class and type

The Poise

Comparing key lending structures in private credit



REAL ESTATE CREDIT



COLLATERAL

Secured by physical property — land, buildings, and real assets provide tangible backing



RISK PROFILE

Lower risk — hard asset backing provides strong downside protection and recovery rates



TYPICAL RETURNS

Senior: 6–9% | Mezzanine: 10–14% | Preferred equity: 12–18%



LEVERAGE

50–75% loan-to-value (LTV) based on appraised property value



USE CASES

CRE acquisition, development financing, bridge loans, construction



CORPORATE CREDIT

Secured by enterprise value and cash flows — often unsecured or with a lien on all business assets

Higher risk — dependent on borrower's ongoing business performance and cash generation

Senior direct: 8–12% | Blended: 10–15% | Mezzanine: 14–20%

4–6x EBITDA leverage multiples based on operating cash flow

Leveraged buyouts, M&A financing, growth capital, recapitalisations

Cockroaches and Butterflies

Identifying the bugs



Lazy allocation



Weak protections



Poor Sponsor performance



Aggressive underwriting



Disrupted industries



Experienced managers



Asset backed facilities



Experienced Sponsors and team



Conservative lending



Sustaining industries



ASIC Review¹

ASIC published a report in November 2025, based on their review of private credit funds that were offered to retail and wholesale investors.

Due to the significant growth and new entrants in the private credit market, ASIC's review identified inconsistencies within private credit fund practices.

The report highlights the importance of risk management, transparency, governance and investor alignment.

Key findings from the report have been outlined.



Inconsistent reporting

- Definitions of default and loan security varied widely obscuring portfolio risk.



Opaque fee structure

- Few funds disclosed interest margins or borrower fees while some managers retained significant margins.



Weak governance

- Many lacked formal credit risk policies or fair allocation frameworks



Poor valuation governance

- Limited independence in valuation processes impacting entry and exit prices, performance and fees.



Liquidity risk

- Minimal stress testing was conducted with some funds having paid distributions from investors capital.



Credit risk management gaps

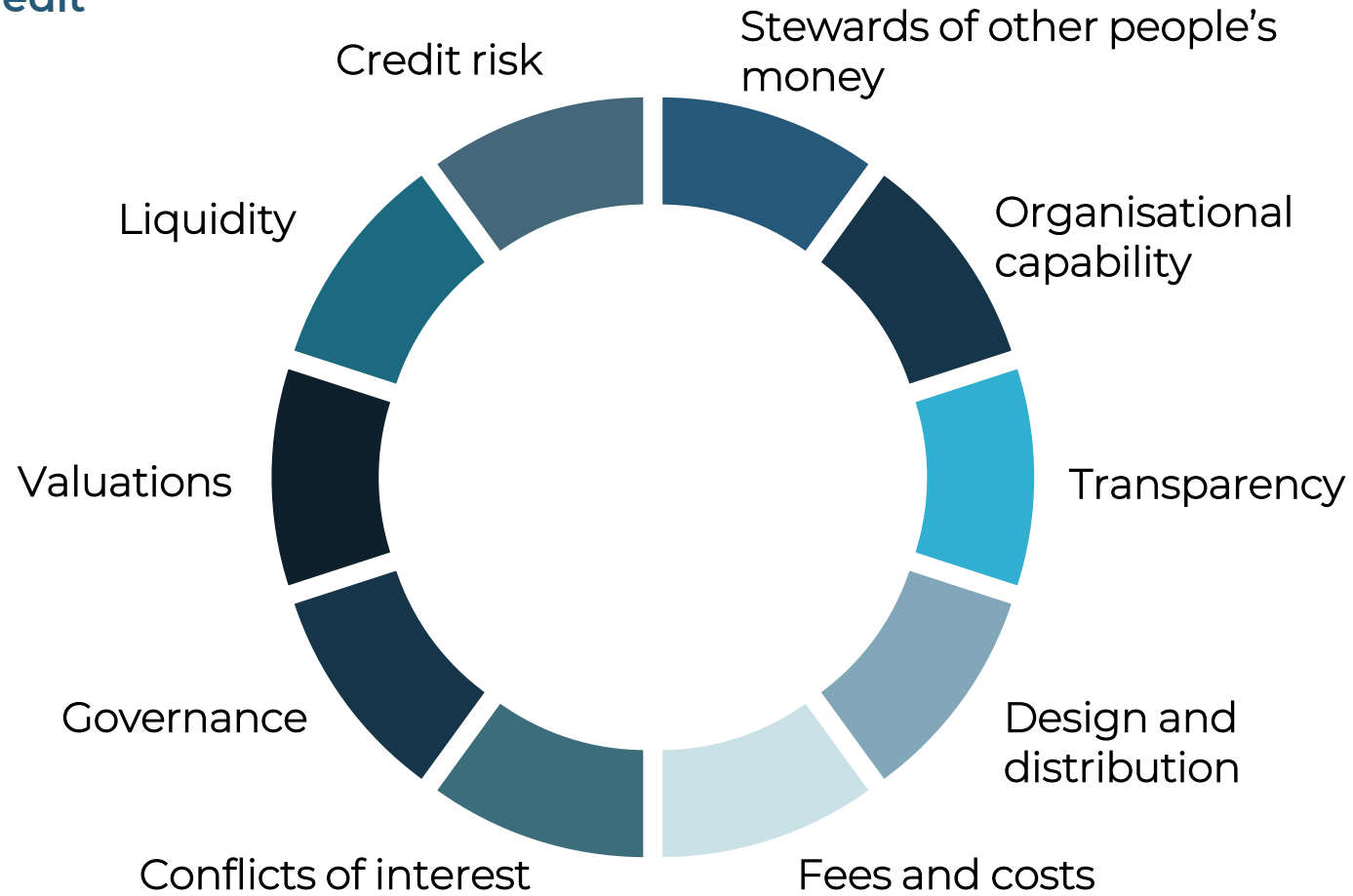
- Inadequate documentation and oversight of impairments and default..

References:

1. Private credit surveillance: retails and wholesale funds. ASIC Report 820, November 2025

ASIC Report – Private credit surveillance¹

Principles of private credit



References:

1. Private credit surveillance: retails and wholesale funds. ASIC Report 820, November 2025

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How it works

TRADITIONAL BANK LENDING



← Interest paid to depositors via bank ←

PRIVATE CREDIT



VS

← Interest + principal returns flow directly to investors ←

Feature	Traditional Bank	Private Credit
Loan Terms	Standardised, rigid structures	Bespoke, negotiated directly
Speed	Slower; lengthy approval & committee process	Faster; streamlined decision-making
Borrower Profile	Large corporates; investment-grade focus	Mid-market & niche businesses
Regulation	Heavily regulated (Basel III/IV capital rules)	Lighter regulation; greater flexibility
Investor Returns	Lower yields; depositors earn modest interest	Higher yields; illiquidity premium to investors

Appeal of Private Credit

For Investors



Attractive Risk-Adjusted Yields

Strong yields compared with traditional fixed income



Diversification Benefits

Access to assets less correlated with public markets, helping reduce overall portfolio volatility and smooth returns across market cycles



Consistent Income & Stable Cash Flows

Secured loans with regular and predictable income streams¹



Expanding Accessibility

Providing investors with access to income products that historically have not been widely available outside institutional portfolios

For Borrowers



Flexible, Bespoke Terms

Customised loan structures, covenants, and repayment schedules tailored to specific needs



Speed of Execution

Streamlined decision-making with a single lender or small group, enabling faster funding timelines compared to lengthy bank committee processes



Greater Leverage & Flexibility

Access to capital structures that banks may not offer due to regulatory constraints, including higher leverage ratios and more accommodative covenant packages



Certainty of Funding

Direct lender relationships reduce syndication risk and provide borrowers with greater confidence in deal completion, particularly for time-sensitive transactions

¹. Past performance is not a reliable indicator of future performance.

Long Term and Durable Tailwinds For Private Credit

The Australian private credit market is growing faster than the global trend as investors of all sizes become increasingly well informed of private credit products¹

The growth of Private Credit

1

SUPPLY GAP IN THE TRADITIONAL LOAN MARKET

Basel III/IV regulations have compelled banks to retreat from higher-risk lending,

2

LOAN TERM FLEXIBILITY

Bespoke financing solutions with customised structures, higher leverage, and faster execution

3

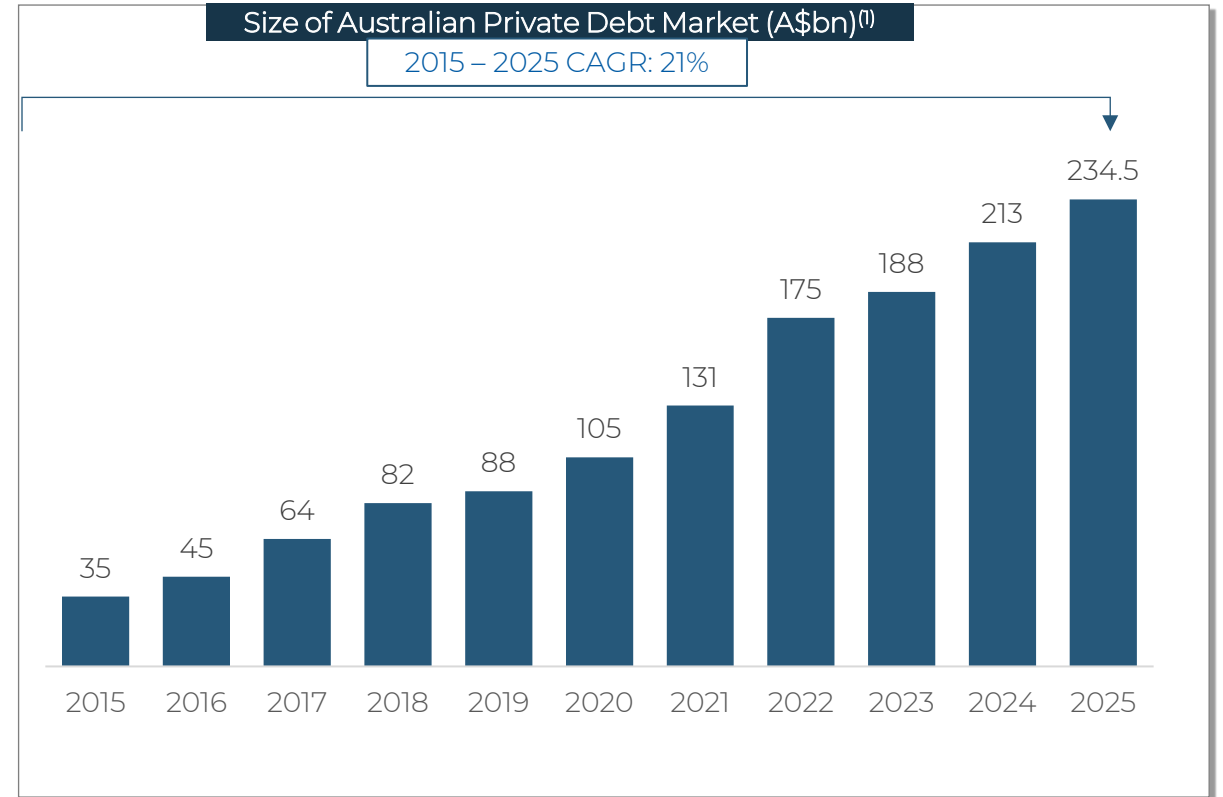
BROADENING LENDING CAPABILITIES

Sector specialisation and bespoke underwriting capabilities differentiate private lenders from traditional bank providers.

4

SCALING ORIGATION CAPABILITIES

Australian private credit has grown with over 100 managers. Global capital partnerships with domestic specialists are scaling deal flow across the addressable market



References:

1. EY Australian Private Debt Market Update 2026

The Panic

Allocation matters!

AI Driven Disruption

AI has reduced the cost of producing software to near zero, significantly affecting the value proposition and sentiment around software companies.. This has caused a wave of redemptions with Private Credit funds with large exposures.



40%

Software Lending Concentration

of all private credit issuances since 2021 have been directed to software companies¹



1 in 3

Fund Exposure to Software

private credit funds extend loans to software companies, creating widespread sector exposure¹



50% vs
30%

Global vs Australian Corporate Lending

Corporate lending is 50%² of global private credit but only 30% in Australia³, making the local market less exposed to AI disruptions

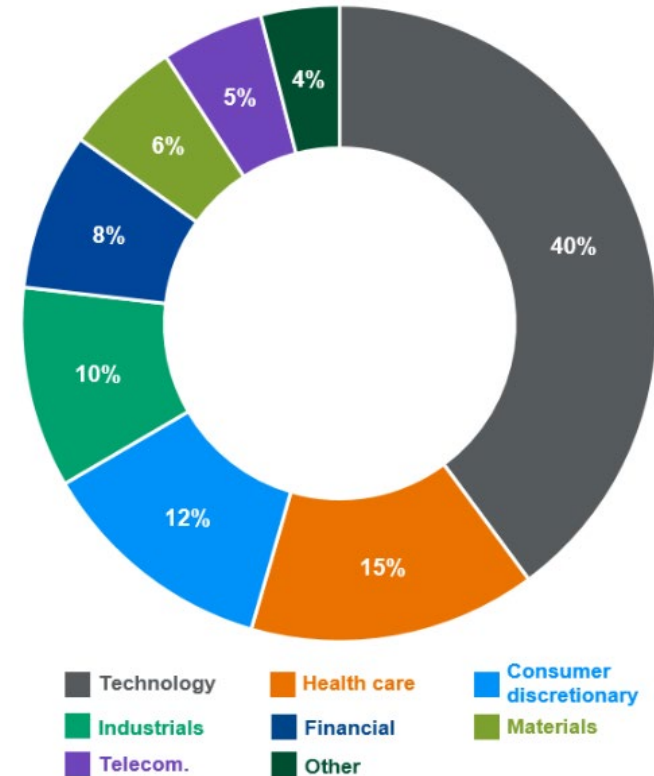


Secured

Asset-Backed Resilience

Private credit funds with secured, tangible assets have been less affected by AI-driven sentiment shifts to date

Private credit deal value by industry¹



References

1. [What does the software sell-off mean for private markets?](#) | J.P. Morgan Asset Management
2. [The global drivers of private credit](#)
3. [REP 814 Private credit in Australia](#)

CBC competitive advantage



200+ TOTAL LOANS ORIGINATED

Combines Centuria's institutional scale and deep expertise with Bass Capital's debt and funds management experience bringing a specialised offering to investors.



TARGETING STRONG INVESTOR RETURNS

Track record generating a historical consolidated IRR to investors in excess of the target return for each product¹



ACCESS TO DISLOCATED MARKET

Capitalise on property debt market dislocation due to funding gaps from major banks



MID-MARKET AND TACTICAL

Opportunity to capitalise on the mid-market sector which has been traditionally underserved.



MANAGEMENT AND DUE DILIGENCE

Experienced management team, proactively managing throughout the life of the loan



CAPITAL PRESERVATION

Focus on opportunities secured with first mortgage giving maximum downside protection

References:

1. Past performance is not indicative of future performance..

Superior outcomes



Rigorous credit selection and structuring

- Unanimous approval by Investment Committee required ensuring only high-conviction transactions are executed. With a majority of decision makers having over 20 years experience in real estate property, high quality decisions are made



Unique solutions to solve problems

- Bespoke funding solutions to achieve optimal outcomes for Borrowers. Committee members experience in global banks with leveraged credit experience is



Active management throughout the life cycle and downside protection

- Expertise
- Loans structured to protect against downside



Governance

- Multiple layers of oversight
- Teams own capital is invested so there are incentives to perform well

Track record



- Bridge
- Subdivision & Civil
- Construction
- Residual Stock
- Specialty



- NSW
- VIC
- QLD
- ACT
- WA
- NZ



- 1st Lien
- 2nd Lien

\$2.4bn

Total assets under management

67.3%

Gross average LVR¹

93.4%

Loan includes first mortgage security

201

Total number of syndicates since inception³

References

1. Loan LVRs based on the latest valuation report as at the date of the loan approval by the Investment Committee (IC)
 2. Calculated based on the weighted average Internal Rate of Return (IRR) on all CBC cash flows since inception in 2016. Past performance is not indicative of future performance.
 3. Since inception in 2016.
 4. As at 31 March 2026.

Centuria Bass managed funds

CENTURIA BASS CREDIT FUND

Fund Launch	October 2021
Target Return¹	RBA cash rate + 4.0% p.a.
Term	Open-ended
Distributions	Monthly
Administration Fee	0.50%
Performance Fee	Nil
Investment Type	First Mortgage only
Objective & Strategy	<p>To provide Investors with strong risk adjusted returns by investing in a diversified pool of mid-market property credit transactions including (but not limited to):</p> <ul style="list-style-type: none"> • First mortgage debt • Investments in first mortgage loan warehouse facilities providing indirect exposure through subordinated and unsubordinated loans or loan notes • Transactions of a similar or related nature secured by property
Portfolio Guidelines²	<ul style="list-style-type: none"> • Max 15% of NAV in any one investment • 100% allocated to first mortgage • Max 20% of NAV allocation to construction loans to one borrower group • Maximum of 100% of the Net Asset Value of the Fund allocated to loans secured by assets in New South Wales and Victoria • Maximum of approximately 50% of Net Asset Value of the Fund allocated to loans secured by assets in all other geographies, with no more than 30% in any other individual region • Max 15% of NAV allocated to loans secured by assets in New Zealand.

BASS PROPERTY CREDIT FUND

Fund Launch	December 2020
Target Return¹	RBA cash rate + 4.75% p.a.
Term	Open-ended
Distributions	Monthly
Administration Fee	0.50%
Performance Fee	Nil
Investment Type	First & Second Mortgage
Objective & Strategy	<p>To provide Investors with strong risk adjusted returns by investing in a diversified pool of mid-market property credit transactions including (but not limited to):</p> <ul style="list-style-type: none"> • First mortgage debt • Second mortgage debt • Investments in first mortgage loan warehouse facilities providing indirect exposure through subordinated and unsubordinated loans or loan notes • Transactions of a similar or related nature secured by property
Portfolio Guidelines²	<ul style="list-style-type: none"> • Max 15% of NAV in any one investment • Min 75% of NAV allocated to first mortgage • Max 20% of NAV allocation to construction loans to one borrower group • Maximum of 100% of the Net Asset Value of the Fund allocated to loans secured by assets in New South Wales and Victoria • Maximum of approximately 50% of Net Asset Value of the Fund allocated to loans secured by assets in all other geographies, with no more than 30% in any other individual region

References:

1. Over a rolling 12-month period (net of fees and costs before tax).
2. Subject to Board approval

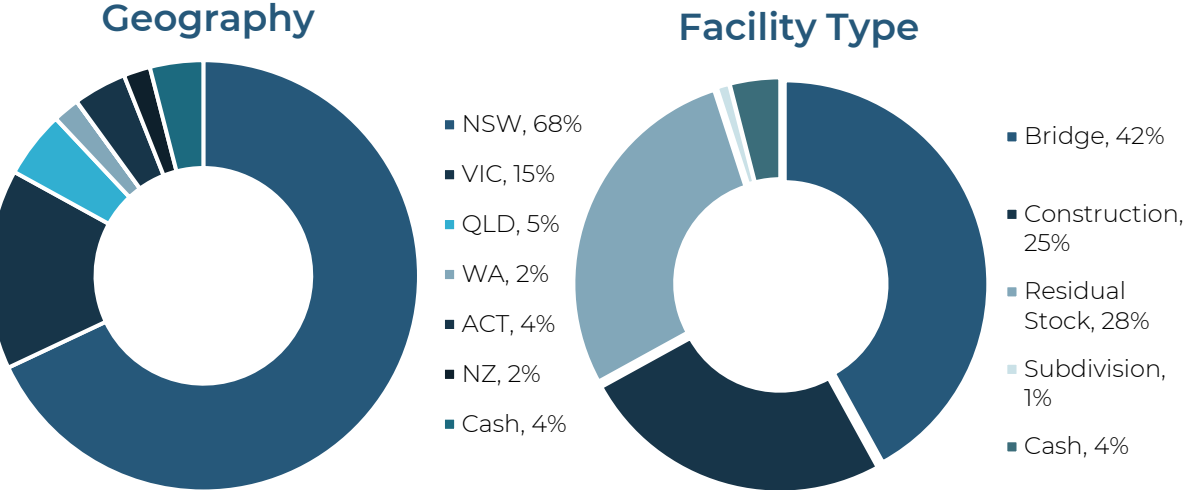
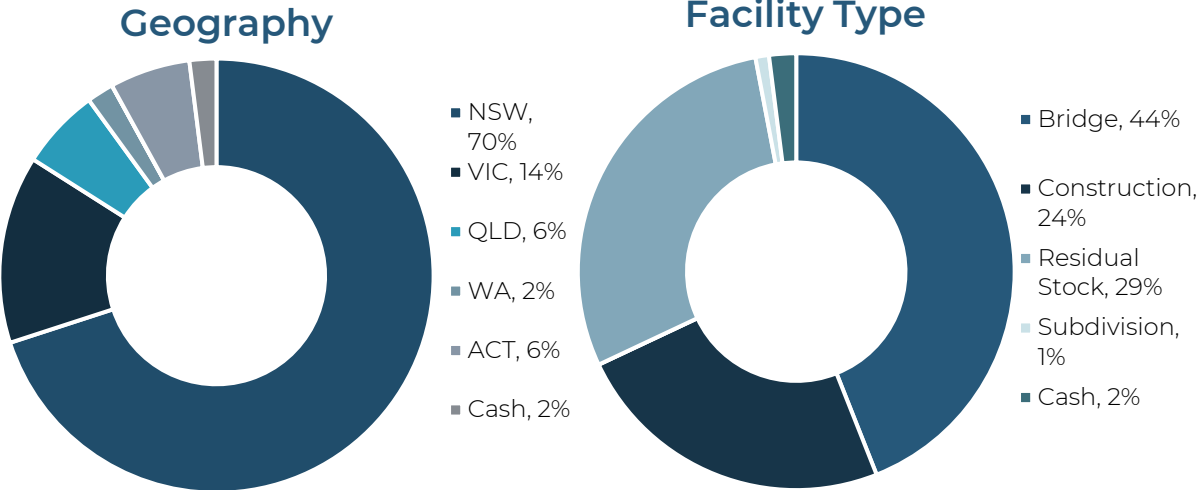
Centuria Bass managed funds – March 2026

BASS PROPERTY CREDIT FUND (M-CLASS)

Annualised Net Return (IRR) ¹	9.5%
Weighted LVR (inc cash) ²	65.9%
Weighted Tenor Remaining	6.5 months
Allocation to Senior Loans ³	85.7%
Number of Investments	72

CENTURIA BASS CREDIT FUND

Annualised Net Return (IRR) ¹	8.8%
Weighted LVR (inc cash) ²	63.2%
Weighted Tenor Remaining	7.2 months
Allocation to Senior Loans ³	100.0%
Number of Investments	52



References:
 As at 31 March 2026
 1. Calculated as the average monthly annualised IRR over the past 12 months. Past performance is not necessarily indicative of future performance.
 2. Loan LVRs are based on the latest valuation report as at the date of the loan approval by the Investment Committee
 3. Includes cash in the portfolio at the reporting date.

Case studies



Centuria | BASS

CBC case studies: high quality, institutional grade investments

A selection of CBC transactions are presented below

BONDI JUNCTION

Loan	Senior/ Mezz
Type	Bridge
Location	NSW
Facility amount	\$32.3m (\$30.0m senior / \$2.3m mezz)
IRR	9.0% (Senior) 13.0% (Mezz)
LVR	67.5% (Senior) 72.5% (Mezz)

Investment Highlights

- Premium location within walking distance to retail amenities, transport and infrastructure
- Strong development potential in a superior location with potential for value uplift
- Experienced team behind the development site to obtain appropriate plans for site amalgamation

Credit enhancements

- Registered 1st mortgage security over seven houses located in Bondi Junction.
- Registered 1st ranking general security agreement (GSA) over the borrowers.
- Personal Guarantee from the Sponsor and corporate guarantees for related party corporate entities
- Significant equity contribution required from the Borrower prior to funding of the acquisition of two of the seven houses which have delayed settlement



CBC case studies: high quality, institutional grade investments

A selection of CBC transactions are presented below

GLEDSWOOD

Loan	Senior/ Mezz
Type	Bridge Facility
Location	NSW
Facility amount	\$56.2m
IRR	8.5% (Senior)/14.0% (Mezz)
LVR	70% (Senior)/ 77.5% (Mezz)

INVESTMENT HIGHLIGHTS

- State significant development with the potential for 1,700 units with existing approval for 331 apartments.
- Strong Sponsor group with experience delivering similar projects in the past.
- 43% population growth in Gledswood Hills in the past 5 years, indicating strong demand for dwellings¹
- Fully capitalizing loan
- Approval of the updated DA will delever the facility to 67.5% by month 8.

Credit enhancements

- Registered 1st mortgage security over the Subject Property in Gledswood Hills NSW, being 3 separate lots
- Registered 1st ranking general security agreement (GSA) over the Borrower.
- Unlimited personal guarantee from the Directors/Sponsors who have significant SOP's.
- Experienced sponsor group who have multiple projects over the past decade.



Site view



Proposed development – artistic render

References:
 1. Population, households and dwellings | Camden Council | Population forecast

CBC case studies: high quality, institutional grade investments

A selection of CBC transactions are presented below

ELSTERNWICK

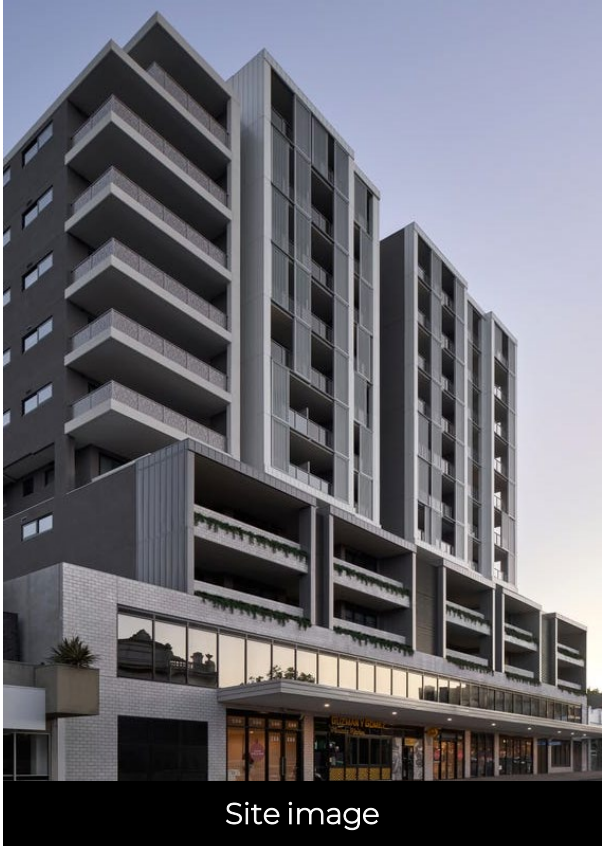
Loan	Senior/ Mezz
Type	Residual Stock Facility
Location	VIC
Facility amount	\$40.9m
IRR	9.50% (Senior)/ 13.5% (Mezz)
LVR	60.0% (Senior)/ 75.0% (Mezz)

INVESTMENT HIGHLIGHTS

- Premium location within walking distance to retail amenities, transport and infrastructure
- An ideal location for downsizers and young families who wish to live close to the city with premium views
- Strong sales history for the product, establishing demand with presales to delever the facility
- Fully servicing loan facility to provide income to investors
- Structured amortization requirements over the term of the facility reducing the risk.

Credit enhancements

- Registered 1st mortgage security over the 39 residential and 2 retail units in Elsternwick.
- Registered 1st ranking general security agreement (GSA) over the borrower.
- Guarantee from unitholders of the borrowing entity supported by a joint and several corporate guarantee from the guarantor
- Experienced sponsor who has an existing relationship with CBC
- Mezzanine facility utilized for other CBC projects with the same Borrowing group.



Site image