Private credit: Where it fits – and what to watch

By Perpetual Asset Management

11 June 2026



The reasons to own private credit have not changed despite negative headlines. GREG STOCK and MICHAEL MURPHY explain what to watch and where to invest

- Private credit offers capital preservation and income
- Careful management needed
- Find out about Perpetual Pure Credit Alpha Fund and Perpetual Credit Income Trust (ASX:PCI)

PRIVATE credit plays an important role adding income and capital preservation to a portfolio, but investors need to spend time to understand the underlying investments they own.

That's the message from Perpetual's Greg Stock and Michael Murphy in their latest on-demand webinar Private Credit: What to watch, where to invest.

Private credit covers a wide spread of borrowers and risk – and credit investors need to think differently to equity investors because the payoff is different.

That means carefully assessing each borrower's business profile, industry structure, revenues, costs, margins and funding costs across the life of the loan.

"The main focus is to manage risk – and manage risk well," says Stock, who manages Perpetual's unconstrained credit and long duration strategies.

"Return of capital is more important than return on capital."

Recent headlines are testing the reputation of private credit.

Overseas lender failures, freezes on redemptions and valuation concerns are raising real questions about whether investors know the risks they are taking.

But Perpetual's Greg Stock says the underlying reasons to own credit have not changed.

"With a high cash rate of 4.35 per cent and the outlook for possibly a further increase ... the returns and the outlook for investors [from credit] looks really strong."

Stock, alongside portfolio manager and senior high-yield analyst Michael Murphy, was speaking at the on-demand webinar Private Credit: What to watch, where to invest.

Borrower quality

Private credit covers a wide spread of borrowers and risk.

"It can range from Woolworths or Qantas – a large corporate can issue a private credit loan – through to your local coffee shop," says Murphy.

"So, there's a really broad spread of risk in that market.

"We're focused on the high-quality end of the market. That's where we think the best risk reward is – quality large corporates that have strong economic moats and that are in

industries that are resilient."

Start with the downside

Murphy says credit investors need to think differently to equity investors because the payoff is different.

"It's the opposite of equities," he says. "Your upside's capped and your downside's uncapped, so it's really about avoiding losers more than it is picking winners."

Stock says Perpetual looks at each borrower's business profile, industry structure, revenues, costs, margins and funding costs across the life of the loan.

Murphy says this work matters because private credit investments are usually less liquid.

"We're always thinking, are we comfortable being in this deal until maturity?" he says.

"What happens if rates go higher? What happens if input costs, like energy, go up – and are we comfortable given the structure of the industry, the borrowers in that they're going to be able to pass through those costs?"

Avoid weak spots

"We don't do any property developer lending," Murphy says.

"It makes up about half the private credit market in Australia, a big part of the market, and during downturns it tends to lead the losses as well."

There are also risks in areas like software as the industry faces AI disruption.

"We think AI disruption is a real risk and something that requires a lot of deep diligence on before getting comfortable on software names," he says.

Stay diversified

Stock says Perpetual's unconstrained approach gives the team room to step away from private loans when they are not paying enough for the risk.

Last year, when prices were tight, Perpetual moved allocations to other parts of the credit market instead.

"We were probably saying yes to maybe one or two out of five," Stock says.

"Whereas now we're saying yes to more deals than we were last year.

"There's always someone willing to sell you overpriced risk," Stock says.

Check fees and valuations

Murphy says investors should pay close attention to the structure of fees and how managers value the assets they hold.

Some managers charge performance fees or keep a share of fees charged on loans.

“We think that’s not the best structure to have,” he says. “That can create conflicts.”

Perpetual charges a single, flat management fee.

Ratings are another concern, he says.

“For us, all of our ratings are from S&P and Moody’s,” Murphy says. “If they’re not rated, we put them in the not-rated bucket.

“Some managers have their own internal ratings, which we think is a bit like marking your own homework.”



About Greg Stock and Michael Murphy

Greg Stock is a senior portfolio manager and head of credit research with Perpetual’s credit and fixed income team.

Greg has more than 30 years of investing experience, including over 20 at Perpetual. He has researched and analysed credit markets on the buy side and sell side for more than a decade, through multiple cycles.

Greg is portfolio manager for several of Perpetual's credit and fixed income funds, including Perpetual Credit Income Trust (ASX:PCI).

Michael Murphy is a portfolio manager and senior high-yield analyst with Perpetual's credit and fixed income team.

Michael manages Perpetual Loan Fund – a portfolio of private and syndicated loans that forms a crucial component of the ASX-listed Perpetual Credit Income Trust (ASX: PCI) and Perpetual Pure Credit Alpha Fund.

Want to know more? Contact a Perpetual account manager

This article has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426. PIML is the responsible entity (RE) and issuer of the Perpetual Pure Credit Alpha Fund ARSN 121 609 747 (PCA). Perpetual Trust Services Limited ABN 48 000 142 049, AFSL 236648 (PTSL) is the RE and issuer of the Perpetual Credit Income Trust ARSN 626 053 496 (PCI). PTSL has appointed PIML to act as the manager of PCI.

This article is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider whether the information is suitable for your circumstances and we recommend that you seek professional advice. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. All investing involves risk including the possible loss of principal.

This article may contain forward looking statements or projections. Any such statements are based on current expectations and assumptions about future events. They may be based on incorrect assumptions or may not take into account known or unknown risks and uncertainties. Actual results may differ materially from these projections. Forward looking statements are not representations about future performance and should not be relied upon as such.

The article may contain information contributed or prepared by third parties. Any information contributed or prepared by third parties is believed to be accurate as at the time of compilation and is being provided in good faith without verification. PIML does not warrant the accuracy or completeness of any information provided by a third party. Any views expressed in this article are opinions of the author at the time of writing and do not constitute a recommendation to act.

The product disclosure statement (PDS) for PCA, issued by PIML , should be considered before deciding whether to acquire or hold units in PCA. The PDS and Target Market Determination for PCA can be obtained by calling 1800 022 033 or visiting our website www.perpetual.com.au.

Before making any investment decisions you should consider the PDS for PCI issued by PTSL and PCI's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), which are available at www.perpetualincome.com.au or can be obtained by calling 1800 022 033.

To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor's capital.

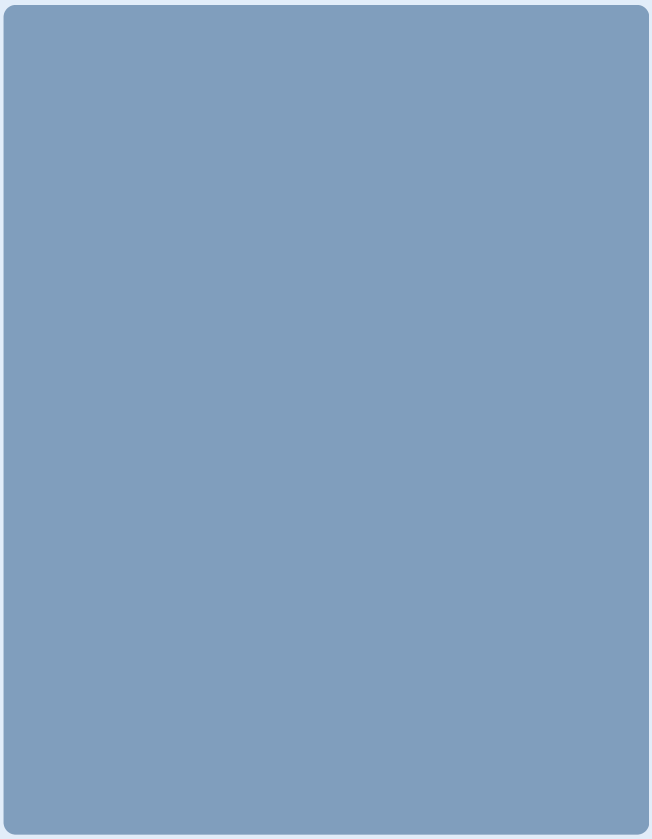
All investing involves risk including the possible loss of principal.

Portfolio Managers



Greg Stock

Head of Credit Research, Senior Portfolio Manager
BCom (Acc & Fin), ICAA, SIA, AFMA



Michael Murphy

Senior High Yield Analyst/Portfolio Manager
BEng, BEc, MPhil (Econ)