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Cutting through the noise – Why Australian Private Credit stands apart

Global private credit concerns, driven by liquidity mismatches, valuation lags and tech sector exposure in the U.S., have unsettled investors. However, the Australian market differs structurally, with stronger legal protections, shorter-duration loans and disciplined underwriting. This focus on asset-backed lending, diversification and liquidity alignment supports more resilient income and capital preservation.

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Recent private credit headlines out of the United States, specifically those surrounding liquidity constraints and valuation markdowns at major investment firms like Blue Owl, have understandably sent a ripple of unease through Australian investors considering a local private credit investment.

It's entirely understandable. When any asset starts displaying cracks, especially in an established market like the U.S., the natural reaction is to check the foundations closer to home.

But any examination under the bonnet of the global private credit story reveals private credit is not a single monolith, and what's happening in the U.S. and Europe is symptomatic of excessive leverage and structural mismatches that, frankly, do not define the Australian private credit landscape.

Discipline always matters, but the Australian market landscape remains fundamentally different and more resilient.

Why the U.S. is stressed

The concerns surrounding global giants like Blue Owl often stem from two structural flaws that have been brewing for a decade: Liquidity mismatch and valuation lag.

Many large global private credit funds offered investors the ability to redeem their money periodically, while simultaneously investing in inherently illiquid, long-term corporate loans.

As at 28 February 2026, the weighted average term of the loans in the Aura Private Credit Funds – the private credit funds we provide investors access to – is five months, mitigating concerns about mismatched liquidity. In the U.S., when interest rates rose, and investors hit the “exit” button, the funds were forced to either restrict withdrawals or sell assets at a discount.

Moreover, in the U.S., many loans are valued using internal models rather than market prices. This creates a “smooth” return profile that looks great on paper until the secondary market offers a reality check, often at a material discount to the stated Net Asset Value (NAV).

In short, some global managers were promising ‘daily-style’ liquidity on long-term assets. That math stops working if many investors want to exit simultaneously.

The SaaS and the AI trap

A significant portion of U.S. and European private credit is concentrated in loans to software-as-a-service (SaaS) and technology businesses. For years, these were the darlings of the credit world because of their recurring revenue. However, the rapid ascent of Artificial Intelligence (AI) has turned this thesis on its head. SaaS relies on growing ‘bums on seats’ increasing the number of corporate subscribers, but AI is lowering the barriers to entry for software development, meaning yesterday’s ‘moat’ has become today’s ‘puddle’.

Software products are now being disrupted faster than the U.S. loan terms expire, and as competition heats up, those previously predictable cash flows are becoming volatile. It hasn't resulted in loan defaults, but it has impacted investor sentiment, prompting a ‘run’ on some funds.

Meanwhile, U.S. lenders who underwrote deals based on high enterprise-value multiples (often 6x EBITDA* or higher) are now finding themselves overexposed to a sector which is vulnerable to a significant structural ‘identity crisis’.

**Earnings before interest, tax, depreciation and amortisation (EBITDA) is used to measure a company’s operating profitability and is often used by lenders to assess how much debt a business can support.*

Why Australia is different

The Australian private credit market (currently estimated at A\$40 billion) is not just a smaller version of the U.S. market; it’s built on different architecture.

Australia’s structural advantage is the Personal Property Securities Register (PPSR), which is one of the most underrated protections for Australian investors.

In Australia, lenders enjoy the benefits of a single, centralised, and transparent national register. If a lender has a security interest, it is transparently published and prioritised. This gives lenders clear legal priority over the borrower’s assets in the event of default.

By contrast, the U.S. uses the Uniform Commercial Code (UCC), which is fragmented across state jurisdictions, while in Europe there’s a patchwork of different national registries.

In a default scenario, an Australian lender knows exactly where they stand in the queue. In the U.S., arguments about where a lender is in the queue often end up in protracted legal battles.

Table 1. Comparing global private credit differences

Feature	U.S./ European Market	Australian Market (Aura Focus)
Primary Collateral	Enterprise Value (Cash flow/Brand)	Tangible Assets (Receivables, real Estate, Equipment)
Leverage Multiples	Often 6x EBITDA or higher	Significantly lower; often Asset-Backed
Tech Exposure	Heavy concentration in SaaS/AI-vulnerable tech	Diversified; SME, Mid-market, & Speciality Finance
Legal Framework	Complex, multi-jurisdictional (UCC)	Centralized & Transparent (PPSR)
Covenants	‘Covenant-lite’ (Few protections)	Robust maintenance covenants

Our approach: capital preservation first

At Montgomery, our private credit investment partner, Aura Credit Holdings (ACH), is positioned for “turns” in the cycle, not just booms. Their strategy is designed to avoid the pitfalls currently plaguing global managers through three distinct pillars:

1. Lending against real assets, not dreams

Avoid leveraged SaaS lending and aggressive enterprise-value underwriting. Instead, focus on asset-backed warehouse structures. This means loans are secured by diversified pools of underlying assets – such as business receivables or equipment – rather than by the hope that a company remains ‘valuable’ in five years.

2. No investment in distressed businesses or property construction: ACH does not lend to distressed businesses or industries deemed high risk at the time of investment. They do not provide construction finance to property development projects.

3. Granular diversification

While global funds often have massive exposures to a small number of private-equity-backed mega-deals, ACH’s portfolios are granular. The Aura Core Income Fund, by way of example, holds 11,061 loans with an average loan size of just \$159,350 as of 28 February 2026. By spreading risk across multiple borrowers and sectors, the impact of a single default is mathematically minimised.

4. Liquidity alignment

ACH does not promise what it cannot deliver. By aligning investor liquidity terms with the actual duration of the underlying loans, they mitigate, if not avoid, the ‘forced sale’ scenarios that lead to the withdrawal gates and discounts seen in the U.S.

Quality over access

Private credit is entering a new phase. In the stock market, the easy money era since COVID appears to be ending, and volatility is increasing. Investors, especially those nearing and in retirement, are rightfully shifting their focus from returns at any cost to quality of income. The noise coming from the U.S. is a cautionary tale about what happens when discipline is sacrificed for scale. In Australia – and specifically within the Aura Private Credit Funds – the focus remains on secured positions, tangible collateral, and the structural protections of the PPSR. Income is the goal, but capital preservation is the prerequisite.

Table 2. Aura Private Credit Income Fund Monthly Income since inception to 28 February 2026 – 8 years

	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2017/18		0.84%	0.87%	0.91%	0.89%	0.93%	0.93%	0.84%	0.93%	0.86%	0.92%	0.88%
2018/19	0.91%	0.90%	0.87%	0.90%	0.86%	0.90%	0.82%	0.79%	0.85%	0.79%	0.84%	0.83%
2019/20	0.75%	0.74%	0.75%	0.78%	0.72%	0.72%	0.73%	0.73%	0.75%	0.72%	0.73%	0.72%
2020/21	0.74%	0.76%	0.74%	0.73%	0.72%	0.74%	0.75%	0.67%	0.74%	0.73%	0.74%	0.65%
2021/22	0.75%	0.72%	0.71%	0.71%	0.71%	0.66%	0.73%	0.63%	0.62%	0.64%	0.60%	0.61%
2022/23	0.67%	0.67%	0.68%	0.70%	0.68%	0.73%	0.79%	0.68%	0.79%	0.74%	0.75%	0.78%
2023/24	0.81%	0.80%	0.79%	0.77%	0.77%	0.81%	0.78%	0.77%	0.81%	0.78%	0.81%	0.75%
2024/25	0.79%	0.76%	0.78%	0.76%	0.74%	0.77%	0.73%	0.65%	0.75%	0.62%	0.68%	0.67%
2025/26	0.67%	0.67%	0.62%	0.65%	0.66%	0.66%	0.66%	0.61%				

*Aura Funds Management may also notify investors from time to time that investors may participate in an arrangement to re-invest their distributions into new Units of the Fund. There may be periods when net income could be negative, and no distribution is made.

Take the next step

If you would like to learn more about the Aura Private Credit Income Fund (wholesale clients only), and the Aura Core Income Fund (retail clients) please visit the web page: [Private Credit – Aura Private Credit Income Fund and Aura Core Income Fund](#).

Did you want to get in contact with the team at Montgomery?

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