GSFM FUNDS MANAGEMENT

# Media Release

9 February 2026

## Private credit market to grow in 2026 but with greater regulation

The Australian private credit market could grow robustly in 2026, with the Reserve Bank of Australia (RBA) potentially embracing further interest rates rises this year, which would support returns on floating-rate private credit investments, according to Peter Szekely, managing director at Tanarra Credit Partners.

The size of the Australian private credit market rose by 9 per cent in 2025 to $225 billion, driven by increased appetite for the asset class from family offices, high-net worth individuals, retail investors and superannuation funds, Szekely said. Increased demand too from commercial real estate borrowers and small to medium corporate borrowers also contributed to the growth of the market.

"Looking forward, sentiment towards private credit remains positive, with structural tailwinds continuing to support growth. However, increased allocation to the asset class is driving heightened competition, which has led to margin compression and more flexible terms for borrowers, which capped yields in 2025," he said.

"Over the course of the past 12 to 18 months, we have seen a tightening of spreads by 50 to 75 basis points for the same credit quality, predominantly in larger syndicated transactions. Mid-market and lower midmarket deals have not experienced the same level of contraction," he said.

Still higher interest rates for longer will support returns from private credit investments, with the asset class providing a reliable source of income, according to Szekely. The RBA in February raised official interest rates to 3.85% per cent from 3.60 per cent.

"Interest rates are likely to remain elevated for the remainder of 2026 given sticky inflation. With inflation remaining above the RBA's 2 to 3 per cent target, coupled with a still tight Australian labour market, we could further see another potential interest rate rises from the RBA to bring inflation back below 3 per cent," he said.

"This positions the Australian private credit market well to offer attractive returns versus overseas markets such as the US, where the US Federal Reserve cut interest rates in 2025 by 75 basis points and further cuts are possible in 2026," he said.

"This highlights an important point; while rising interest rates and persistent inflation can negatively impact equity markets and erode the return on fixed-rate bonds, private credit investments typically benefit from rate rises as they feature floating-rate structures, with total returns rising on increases in the RBA cash rate.

“This floating-rate profile provides natural inflation protection, allowing investors to maintain benefit from higher yields as rates adjust upward in response to inflationary pressures,” he said.

According to Szekely, demand for private credit is expected to remain strong this year, most notably from Australia’s $4.3 trillion superannuation funds.

“Superannuation continues to attract capital due to the strong labour market, and leading funds achieved double digit growth in assets under management in financial year 2025. The percentage of total investments allocated to private credit has grown to 1.1 per cent in the 2024-25 financial year from 0.8 per cent in 2021-22 If this trend continues, an additional $5.5 billion could be allocated to private credit in financial year 2026, taking the total private credit allocation by superannuation funds to around $35.5 billion from $30.0 billion over that period.”

Importantly for the sector, there is an expectation that the increased regulatory focus could continue into 2026, according to Szekely.

“Poor private credit practices are one of ASIC’s stated enforcement priorities this year. Increased regulatory oversight is a positive step toward safeguarding investor confidence as the industry continues to mature and attract capital from new channels, including retail investors,” he said.

“In 2025, ASIC commissioned and released a report which identified material concerns around opaque fees and remuneration structures, weak valuation processes, concentrated allocation to real estate development, inconsistent reporting and related party transactions.

“We consider our processes and procedures to be in line with best practice as outlined by ASIC and have an independent top-tier Australian law firm to complete a review of policies, procedures and governance practices as we seek to continually uplift our standards,” he said.

-oOo-