

Insights

Beyond Real Estate: The Benefit of diversification in Private Credit

July 2025

Diversification and a focus on defensive industries are key success factors in uncertain markets.

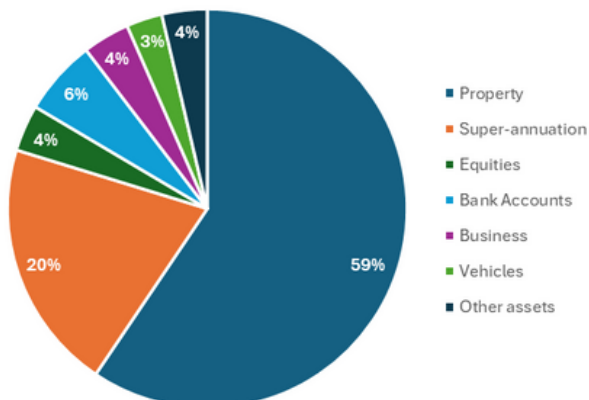
- The household wealth of Australians has historically been concentrated in Real Estate.
- The recent macro-economic environment has negatively impacted the construction industry demonstrated by an increase in the number of insolvencies.
- Tanarra Credit Partners focuses on defensive corporate sectors and offers an opportunity to diversify your portfolio.

Diversification in private credit is a critical consideration for successful portfolio construction. Spreading exposure across industries, borrower types, geographies, and assets can mitigate concentration risk and ensure a more stable return. During periods of economic volatility, different sectors and borrowers respond in varied ways. A well-diversified portfolio is better positioned to preserve capital and deliver more resilient, consistent returns throughout the economic cycle.

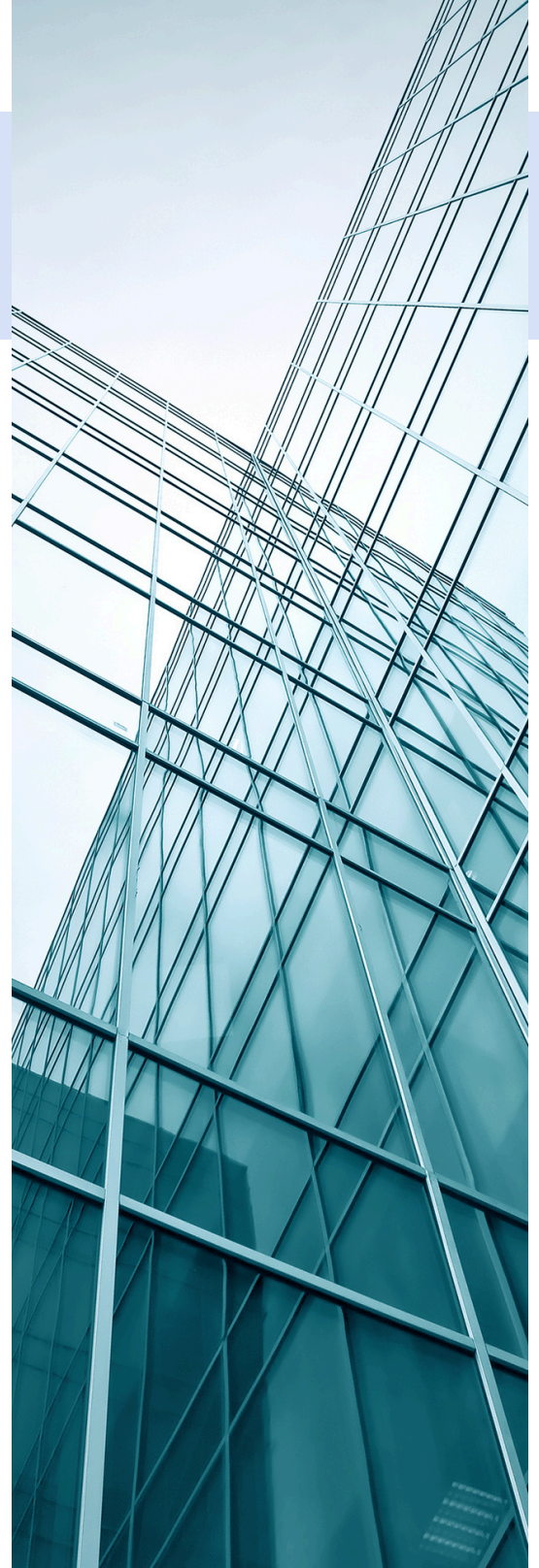
Australia's wealth concentrated in real estate

Historically, a substantial portion of Australian household wealth has been concentrated in real estate. According to the 2022 Household, Income and Labour Dynamics in Australia (HILDA) Survey, property assets, including primary residences and additional real estate, represent 59.3% of total household wealth¹.

Breakdown of Household Wealth, 2022 HILDA Survey



¹ Melbourne Institute of Applied Economic and Social Research HILDA survey 2022



Smarter diversification. No real estate.

There is also significant exposure to direct property, both commercial and residential, in Australia's retirement savings. Of the \$4.2 trillion in superannuation at end 2024, nearly one-third is held in SMSFs. Asset allocation data for the same time period shows property to represent 17% of SMSF portfolios on average, only second to Australian shares (27%)².

Given this significant exposure to the property market, it is prudent for Australians to consider diversifying their portfolios through private credit managers which specialize in corporate investments rather than adding additional real estate exposure.

Tanarra Credit Partners Investment Strategy

The TCP Private Debt Income Fund (PDIF) offers a differentiated investment focus on corporate lending in defensive sectors and excludes real estate loans. As at May 2025, the PDIF portfolio was primarily concentrated in Information Technology (21%), Health Care (12%), and Childcare (12%) industries, each of which exhibits stability across economic cycles³.

This strategy provides investors with a meaningful opportunity to diversify their exposure with an asset manager that will complement a real estate focused private credit fund or other real estate investments.

The majority of TCP's transactions are executed in partnership with Private Equity sponsors that incorporate a minimum 50% equity buffer⁴ at origination.

Private Equity sponsors typically maintain significant equity ownership in the underlying businesses, which provide several advantages to such partnership, including:

- access to additional financial support during periods of stress
- enhanced credit quality through rigorous sponsor-led due diligence
- aligned incentives

By excluding real estate transactions, TCP can avoid exposure to the property market cycle, valuation volatility and development risks that can be outside the control of both the borrower and asset manager. The construction industry is presently dealing with rising material costs and skilled labour shortages, which combined with fixed price contracts, puts pressure on cashflow.

In 2023-24 the Australian construction industry was responsible for the largest number of insolvencies (27%). This is in contrast to the Health Care and Social Assistance industry (which includes childcare services), which accounted for 3% of total insolvencies. This highlights the benefit of diversification and investing in defensive industries that have pricing power to deal with economic challenges.

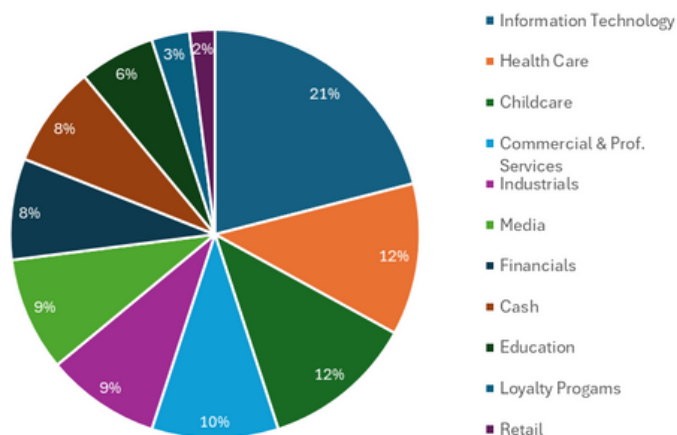
² ATO, SMSF Quarterly Statistical Report, December 2024

³ TCP Private Debt Income Fund, May 2025 Report

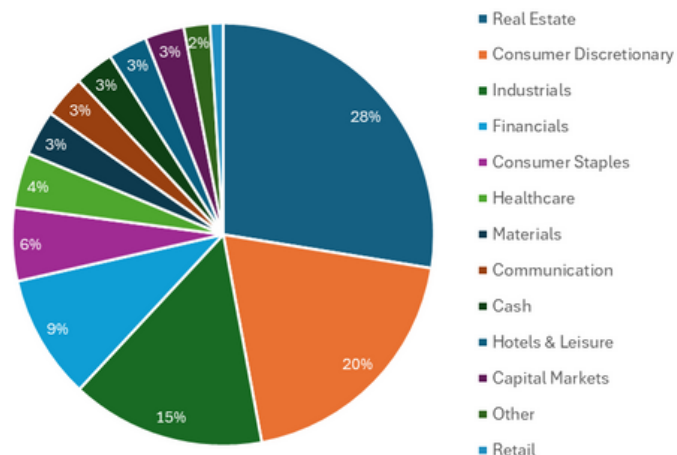
⁴ Equity buffer supports capital preservation as equity must be eroded before TCP capital is at risk.

The bottom line

Private Debt Income Fund



Peer Average*



At a time when geopolitical and economic uncertainties abound and market volatility is high, it's particularly important to ensure client portfolios are well diversified and positioned away from those industries most likely to come under pressure.

While the Australian corporate private credit market is not entirely immune to global economic forces, it exhibits a degree of insulation from the volatility experienced in larger markets such as the US. This stability, coupled with the attractive yields offered by private credit, makes it an attractive investment proposition irrespective of the prevailing economic conditions.

*Average of two of the largest domestic Private Credit Funds.

About Tanarra Credit Partners

Tanarra Credit Partners (“TCP”) is an Asia-Pacific private credit specialist with offices in Sydney and Melbourne. TCP’s senior investment team has 50+ years of combined global credit markets experience.

Since inception in 2017, TCP has invested over \$900 million of investor capital and has an excellent record of originating and structuring leveraged finance transactions across the Asia-Pacific region.

TCP is the credit team of Tanarra Group, diversified alternative asset investment firm, headquartered in Australia, with over A\$3 billion in assets under management.

Investment Team



Peter Szekely
Managing Director



Alain Lidbury
Investment Associate



Daniel Wang
Investment Associate

**For more information about the
TCP Private Debt Income Fund,
speak to a GSFM Account Manager**



gsfm.com.au

Note

1. While TCP Private Debt Income Fund will generally distribute its available income quarterly, there is no guarantee that any income will be generated.

Disclaimer

Equity Trustees Limited (“Equity Trustees”) (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the TCP Private Debt Income Fund (“the Fund”). Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT).

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In making any investment decision in relation to the Fund, each prospective investor should consider whether the investment is suitable to its own individual circumstances, and is urged to consult with its own qualified advisors with respect to the legal, tax, regulatory, financial and accounting consequences of investing in the Fund.

No person guarantees the performance of the Fund, a rate of return from the Fund, or the repayment of capital from the Fund. A purchase of interests in the Fund will involve a high degree of risk due, among other things, to the nature of the Fund’s investments. Any forward-looking statements included in this document may prove to be inaccurate and should not be relied upon as indicative of future matters. There can be no guarantee that targets or objectives set out in this document will be met.

TCP Private Debt Income Fund’s Target Market Determination is available on the GSFM website https://www.gsfm.com.au/ETL4900AU_TCP_Private_Debt_Income.pdf. A Target Market Determination describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.