

# Session A1 – Private credit: Unpacking and navigating the risks

2025 Frontier Advisors Annual Conference

## Chair



**Nam Tran**

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## Presenters



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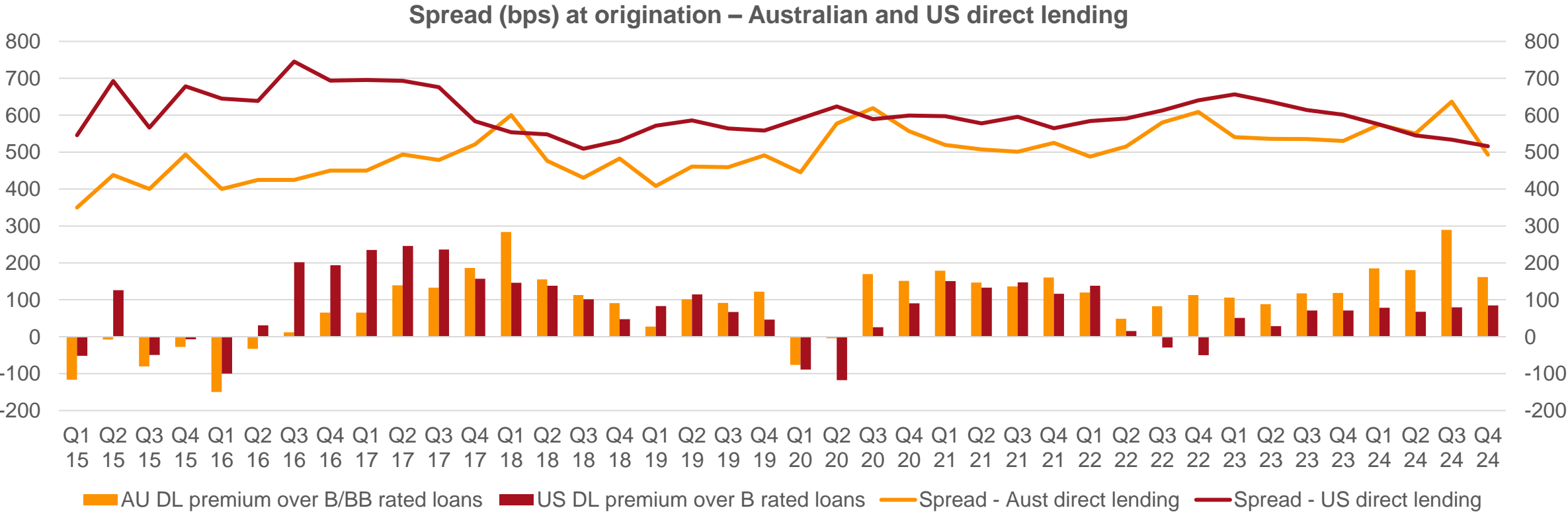


**Peter Williams**

Senior Portfolio Manager,  
Credit Fixed Income,  
VFMC

# Direct lending – credit spreads

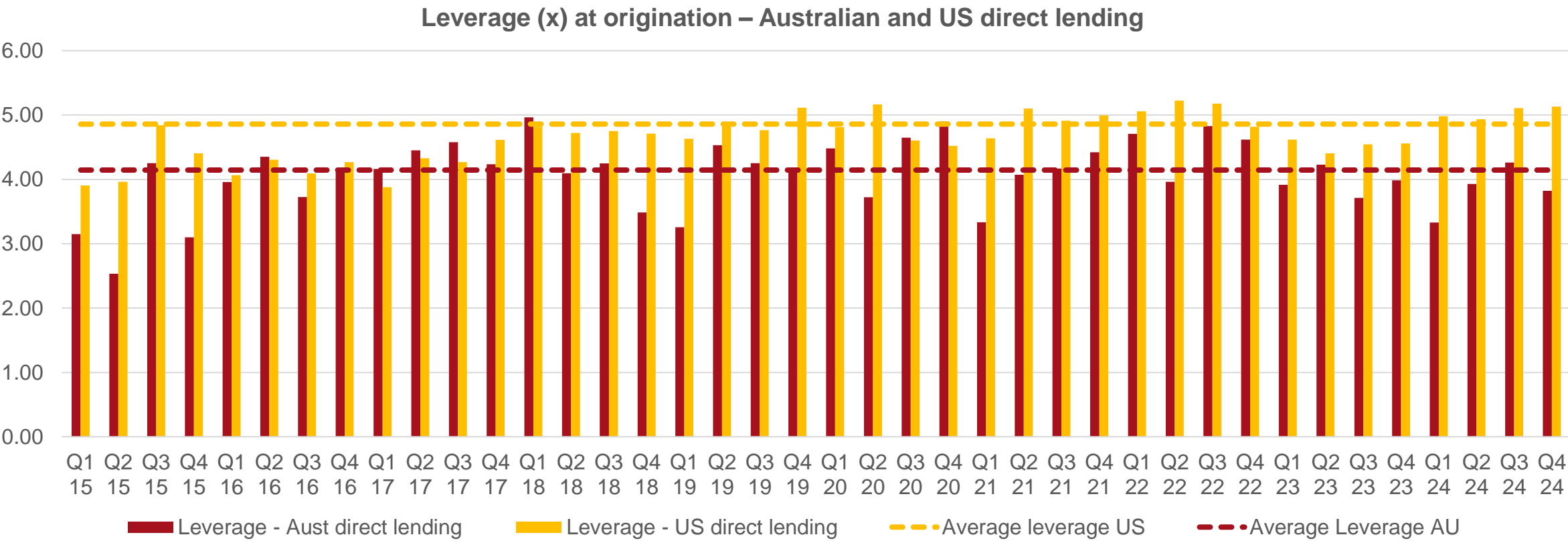
Spreads contracted but less than liquid credit. More pronounced in the US.  
Australian direct lending currently offers better premium over equivalent liquid credit.



Source: Frontier Advisors' direct lending manager survey, S&P UBS Leveraged loans index. S&P UBS leveraged loans data is average quarterly figure.

# Direct lending – leverage

Australian leverage remains controlled, marginally below long-term average  
US leverage up, slightly above long-term average



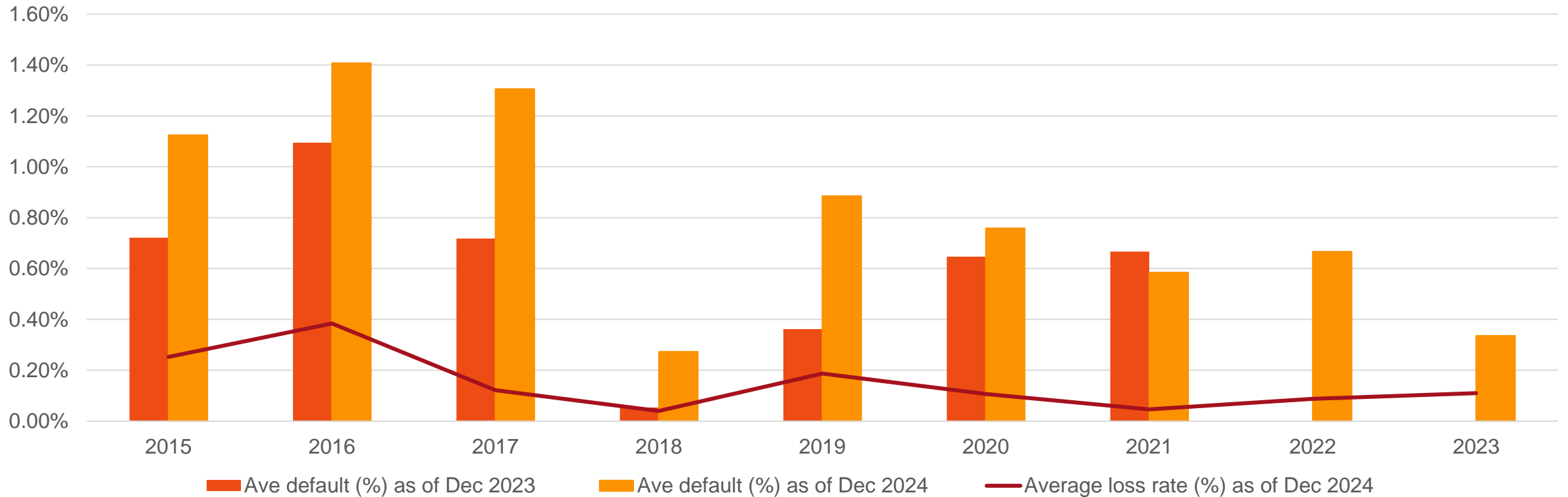
Source: Frontier Advisors' direct lending manager survey

# Higher default, loss remains low

Default ticking up, more evident in vintages prior to 2020.

Loss rate has been low, evidence of appropriate and effective default management.

Average default rate and loss rate (%) by vintage year

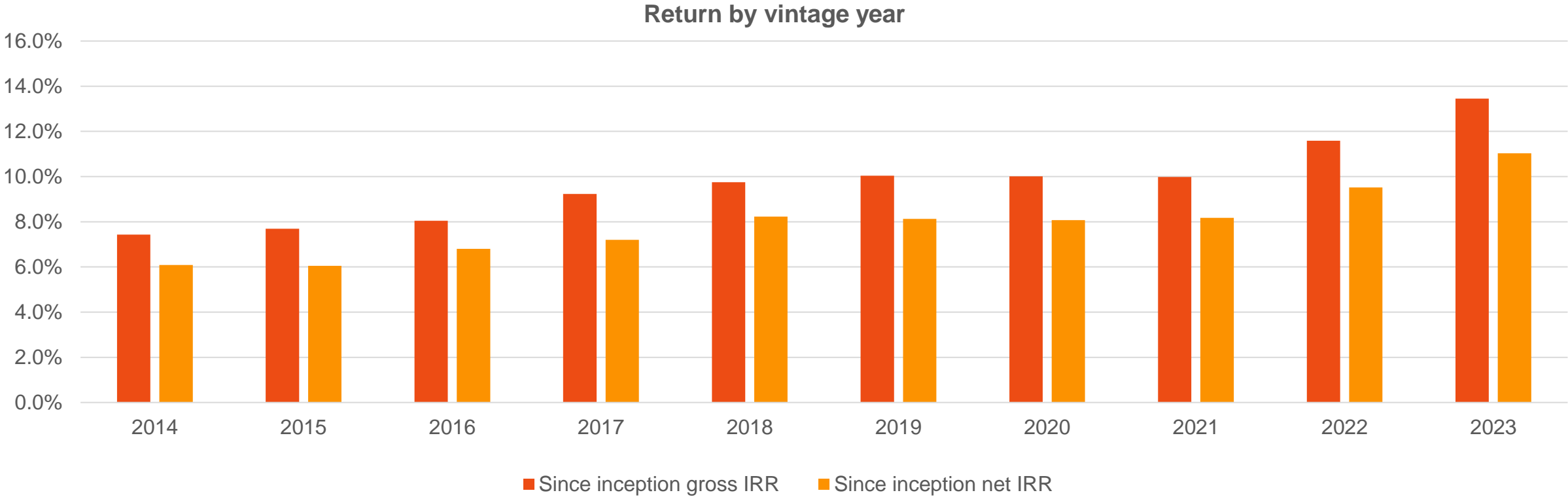


Source: Frontier Advisors' direct lending manager survey



# Return remains solid

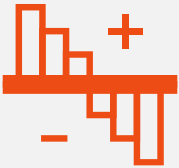
Return supported by healthy credit spread and low loss rate.  
2022 and 2023 vintages have so far benefited from higher base rate.



Source: Frontier Advisors' direct lending manager survey

# Summary

Direct lending continues to offer attractive return. We expect future return to moderate but remain solid.



Some recent spread compression is notable, but premium maintained over liquid credit.



Modest increases in default rates although still modest and loss remains low.



Returns from the asset class have been in line with expectations.



Frontier will publish our direct lending insights paper soon.



Contact Frontier if you would like to discuss this in more detail.

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