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Private Credit Funds vs. IAM Syndicated Loans

By Adam Juillerat

Unlock Institutional-Grade Fixed Income Opportunities with IAM

As a leading name in the fixed income sector in Australia, IAM offers a unique gateway into institutional-grade corporate loans and bonds. Unlike traditional private credit funds, which are often the domain of banks and large financial institutions, IAM provides direct ownership of institutional syndicated loans. This allows investors to access high-quality, senior-secured bank loans, all without the typical liquidity constraints associated with such investments.

Liquidity and Transparency

One of IAM's standout features is our ability to provide liquidity to investors. We strive to find alternative investors willing to take over loan positions, ensuring you can maintain liquidity in your portfolio.

Recently, Count Financial issued sell recommendations on four major private credit funds, highlighting growing risks within the asset class. These funds, primarily operating in the real estate lending market, face increased construction and financing costs. A significant concern with private credit funds is the lack of transparency in their underlying holdings and inadequate risk disclosure.

Direct Lending vs. Fund Structure: Know the Difference

Choosing between investing in a fund structure and direct, secured lending across various sectors can significantly impact your investment outcomes. Here are the key differences:

- **Liquidity can be a friend or a foe.** The co-mingled structure of a fund, with long-dated illiquid assets and a short-term liquidity liability, exposes investors to the risk of being the "last man standing" if the fund has a liquidity run. A direct investment puts control with the investor.
- **Individual Investment Assessment:** Investors can independently evaluate the merits of each investment, considering the security provided, the maturity profile and the potential yield.
- **Continuous Monitoring:** Unlike private credit funds that rely on less frequent and often voluntary disclosures, institutions that structure syndicated loans also offer other services to issuers. This provides them with in-depth oversight of the company's accounts and cash flows. Loans are also provided with a daily mark-to-market.
- **Institutional Participation Benefits:** IAM clients gain from the rigorous due diligence conducted by large organisations, often through sub-participation structures. The loans are originated from the lender's perspective, primarily from large local or global banks. The loans we prefer are heavily covenanted, offering higher yields compared to corporate bonds of

similar creditworthiness. They are usually lender-friendly and come with robust security packages.

For sophisticated investors, including financial advisers, investment brokers, family offices, and private wealth managers, understanding these distinctions is crucial for strategic portfolio planning.

Contact IAM experienced relationship managers to find out more

Explore the potential of our syndicated loan products, available in \$50k parcel sizes. Contact us to discuss how IAM can help you leverage institutional-grade opportunities for optimal financial growth.

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