

# Betashares Private Capital Cliffwater Private Credit Fund

Unlock the opportunities  
of private credit

## Introduction

Private credit is an asset class utilised by some of the world's most sophisticated institutional investors.

While it offers compelling opportunities, it can also be complex and opaque, and presents a diverse, if not daunting array of options to investors, which has hampered its adoption.

We believe private credit can be a powerful tool in portfolio construction, and that its use can result in better risk-adjusted returns for many client portfolios.

# What is private credit?

Private credit (also known as private debt, or non-bank lending) refers to loans and debt financing provided privately (i.e. not through public markets) by non-bank lenders.

In practice, this means investment funds or other institutions lend money directly to companies, infrastructure projects, real estate ventures or other borrowers, without issuing a public security. These loans are not traded on public exchanges and are typically held to maturity by the lender.

Borrowers often are middle-market companies that may be too small or not ideally suited to tap the public bond or syndicated loan markets. Instead of borrowing from a bank (which might syndicate the loan to many investors), the company negotiates directly with one lending fund or a small club of lenders to craft a customised loan. The direct nature of private credit lending is why the term 'direct lending' is often used synonymously with private credit.

That said, private credit is broader than middle-market corporate lending. It encompasses a broad range of debt strategies across the risk/return spectrum and typically is evaluated against two criteria, being the seniority of the debt security itself, and the type of borrower you are lending to.

# Debt seniority - where do I sit in the capital structure?

There is an inherent link between the risk of the debt instrument and the return investors require to fund the loan. When lending to a borrower, it is imperative to understand their capital structure, and who else might be lending to them. Typically a capital structure can be broken into three groups:

## Senior Debt

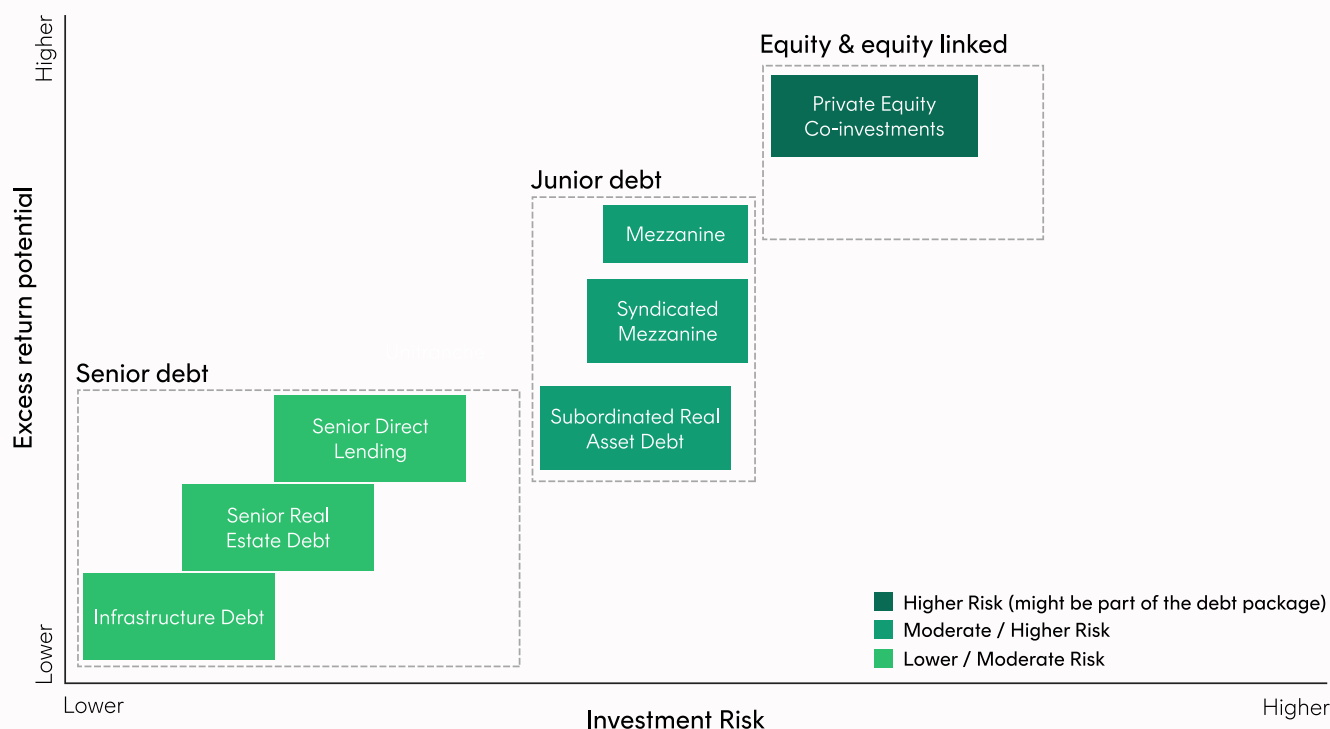
This debt sits at the top of the capital structure, and in the event of the borrower's default, has priority claim on collateral and so is considered to be lower risk than other forms of debt.

## Junior Debt

This debt sits below senior debt, but above equity. In the event of the borrower's default, junior debt must wait until senior debtholders' claims have been satisfied before they can be repaid, hence it is viewed as riskier than senior debt. As a result, junior debt, also known as 'subordinated debt', typically offers the potential for higher returns.

## Equity

Equity sits beneath both senior and junior debt in the capital structure.



Source: BNP Paribas Asset Management, Private debt stands out amid the uncertainty, June 2021.

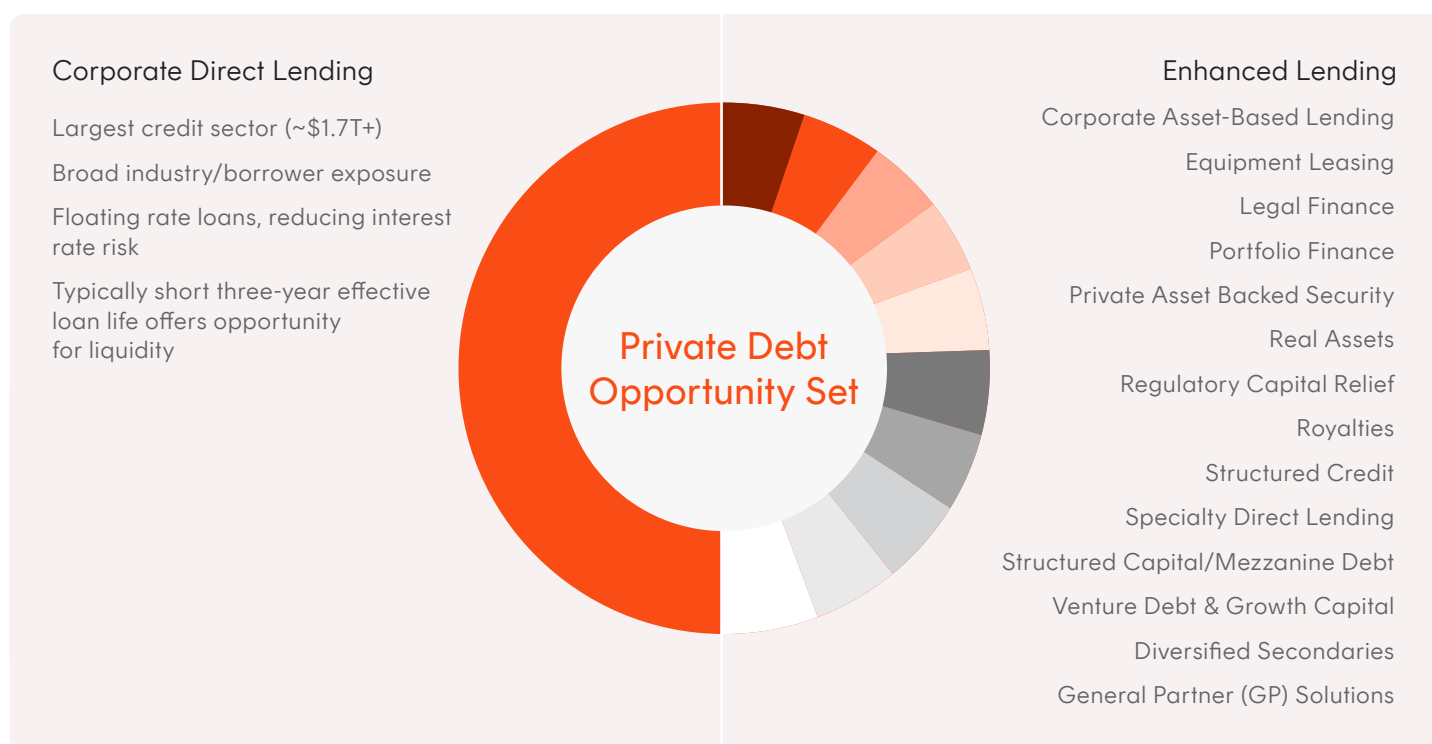


# To whom am I lending?

Another way to look at the market is to consider the characteristics of the borrower, the types of activities they are undertaking, and the intended purpose of the money being borrowed.

As is the case in the banking industry, which was the pre-cursor to non-bank lending, in private credit there is a wide range of borrowers and types of loans.

Investors typically broadly split the market between corporate direct lending and the remaining strategies such as asset-based lending, royalties and legal or litigation finance. These strategies are labelled 'enhanced lending', due to their complexity and generally higher-returning nature.



The key point is that private credit is not a homogenous asset class. It is important to consider not just potential return, but also the risk involved. The risks of investing in a senior secured loan to a healthy business that is an industry leader are very different to those of investing in a property loan where the property developer has not yet started building.

The variety of private debt instruments available means investors can tailor a private credit portfolio to different objectives and risk profiles.

# Comparing public and private markets

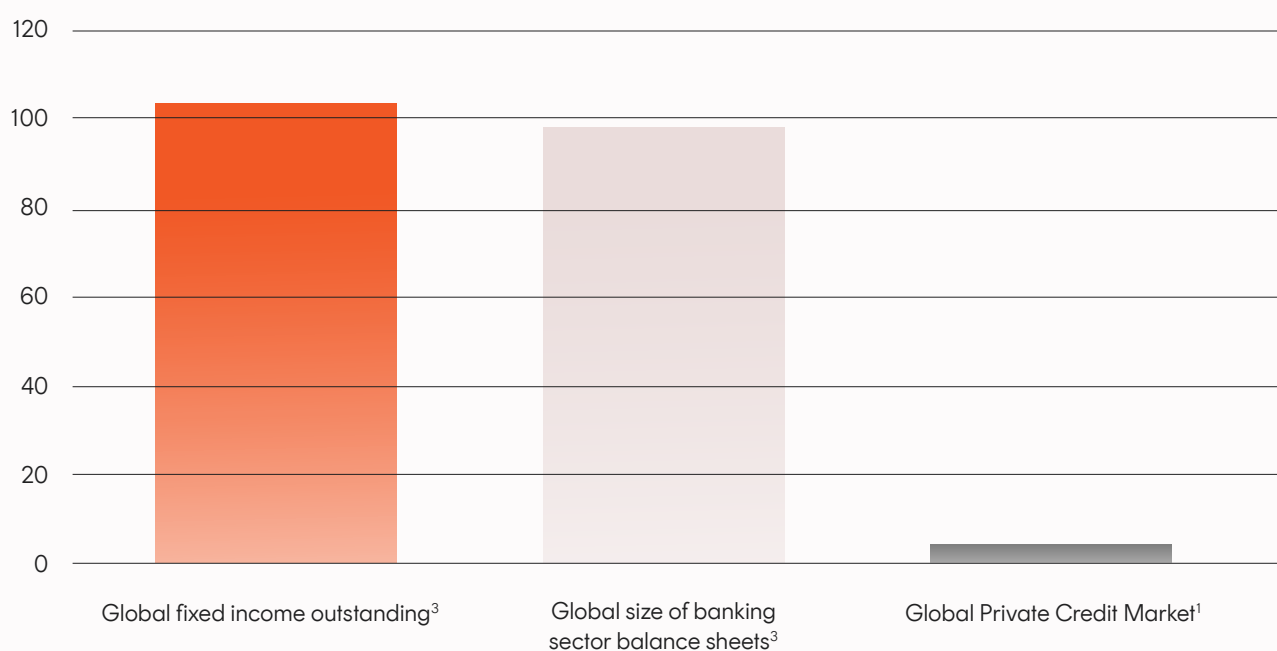
The universe of global private credit opportunities is vast.

It is challenging to gauge the true size of the private credit market although several organisations and studies have attempted to do so. The tenth edition of the Financing the Economy report, a collaboration between the Alternative Credit Council (ACC), the private credit affiliate of the Alternative Investment Management Association, and EY Luxembourg, estimated the size of the global private credit market at over US\$3 trillion (as at May 2024).<sup>1</sup>

This contrasts to Australia's private credit market, which is still in its infancy relative to the global private credit market, and sat at approximately A\$188 billion as at the end of 2023.<sup>2</sup>

While a significant number, for perspective this compares to the estimated balances of global fixed income outstanding and global banking balance sheets of US\$103 trillion and US\$98 trillion.<sup>3</sup> This is important to note, as there is a misconception that private credit has become too large, when in reality, growth has been off a low base. The addressable market for private credit remains very large.

## Size of public and private markets



Within the broader private credit universe, corporate direct lending is by far the deepest and most mature market, accounting for ~60% of private credit assets under management, and estimated at \$1.7 trillion in the US.

As global banking regulation continues to grow, and banks continue to refine their business models, global private credit is expected to become a greater proportion of the global financial system.

<sup>1</sup> Financing the Economy Report 10th Edition

<sup>2</sup> EY, Annual Australian private debt market update for 2024, February 2024

<sup>3</sup> SIFMA, BIS, Pitchbook, Apollo Chief Economist. Note: Data as of 2022 and 2023Q2 (BIS data)

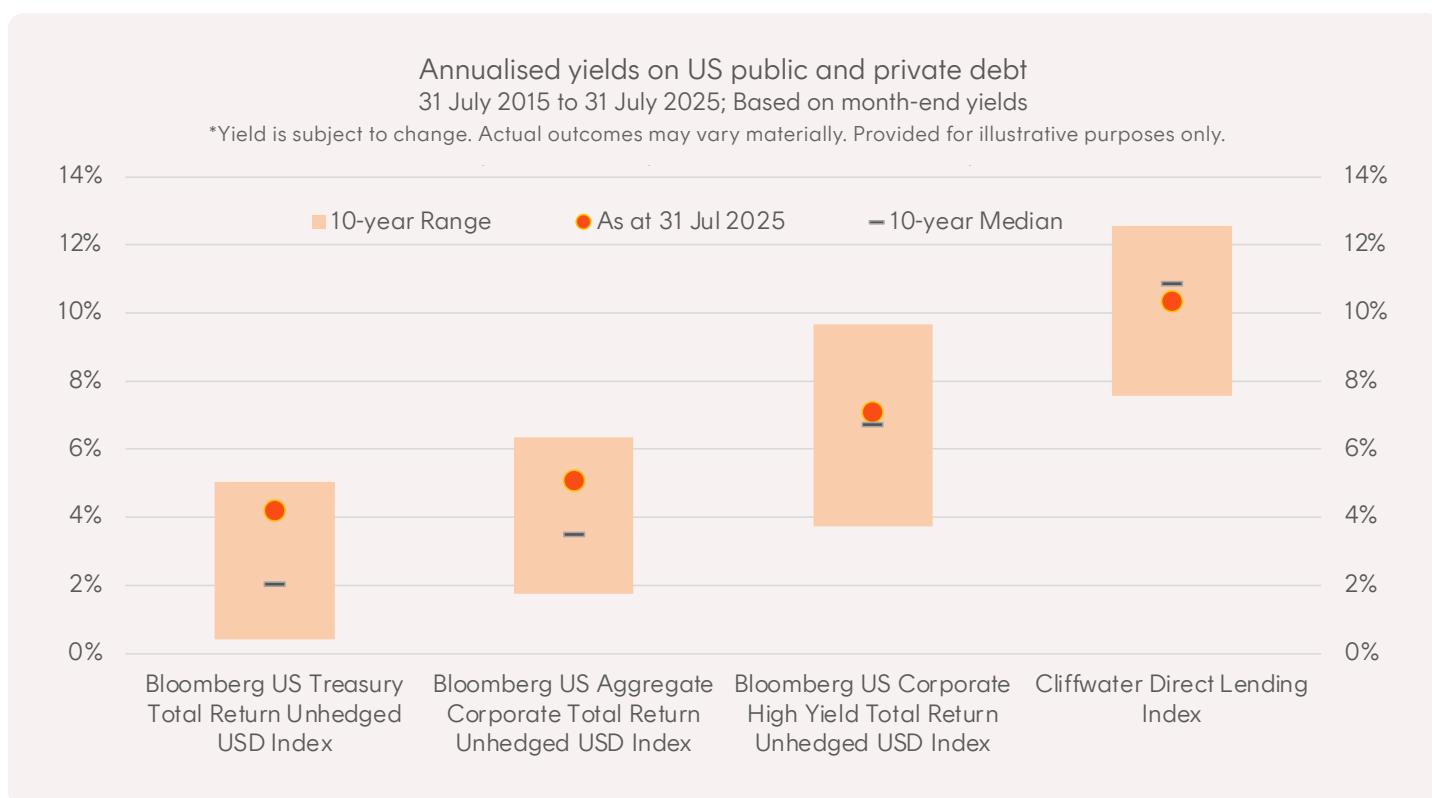
# What is corporate direct lending?

Corporate direct lending (or simply 'direct lending') is the predominant category within private credit. It refers specifically to private loans made directly to corporate borrowers, usually by funds or other non-bank lenders.

In direct lending, an asset manager originates loans to companies without an intermediary bank syndicating the deal. These loans are typically senior secured debt – senior loans secured by the company's assets – made to middle-market companies (commonly businesses with EBITDA in the ~US\$10 million to \$100+ million range).

Many such corporate borrowers are owned by private equity and are seeking debt financing to fund acquisitions or growth. Middle-market companies backed by private equity sponsors have been a core focus of direct lending, as sponsors often prefer the speed, certainty and flexibility offered by non-bank direct lenders to the slower, more commoditised bank loan process.

Direct loans are typically floating rate and are structured as a reference or base rate (such as the RBA cash rate) plus a margin (or spread) that can range from as low as 400 basis points for low-risk borrowers through to 800+ basis points for riskier borrowers. The combination of the base rate plus spread is the yield of the security. The chart below compares direct lending yields to other types of debt.



Many funds utilise leverage to boost returns for their investors, which involves borrowing money from a financier at a lower rate than the rate being lent at in order to achieve a higher total net return. The use, and level of leverage is an indicator of the level of risk within the strategy.

# How has corporate direct lending performed historically?

Corporate direct lending has delivered compelling risk-adjusted returns as an asset class over the last 20 years (noting past performance is not indicative of future performance).

The Cliffwater Corporate Direct Lending Index (CDLI) is the most widely used benchmark within private credit. As shown in the table below, CDLI, which does not incorporate leverage, has achieved strong returns

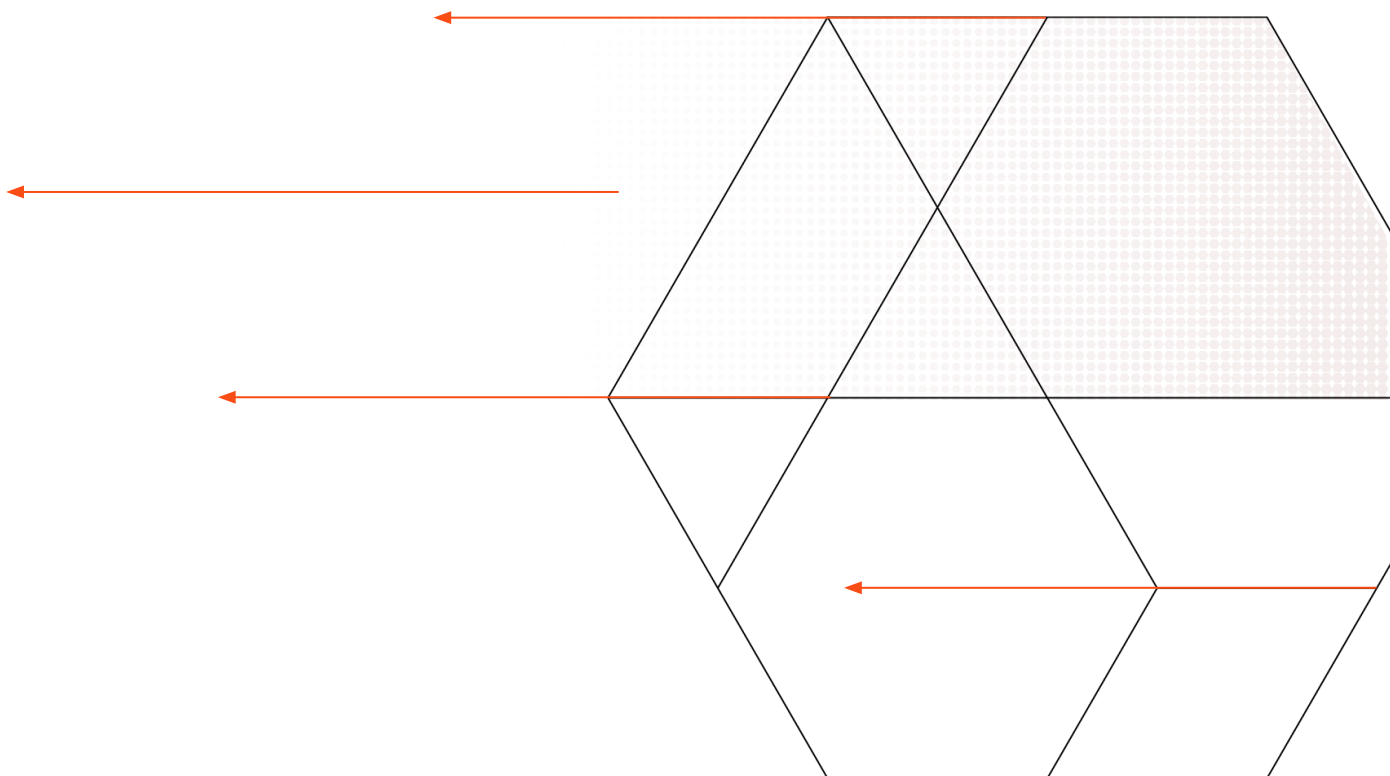
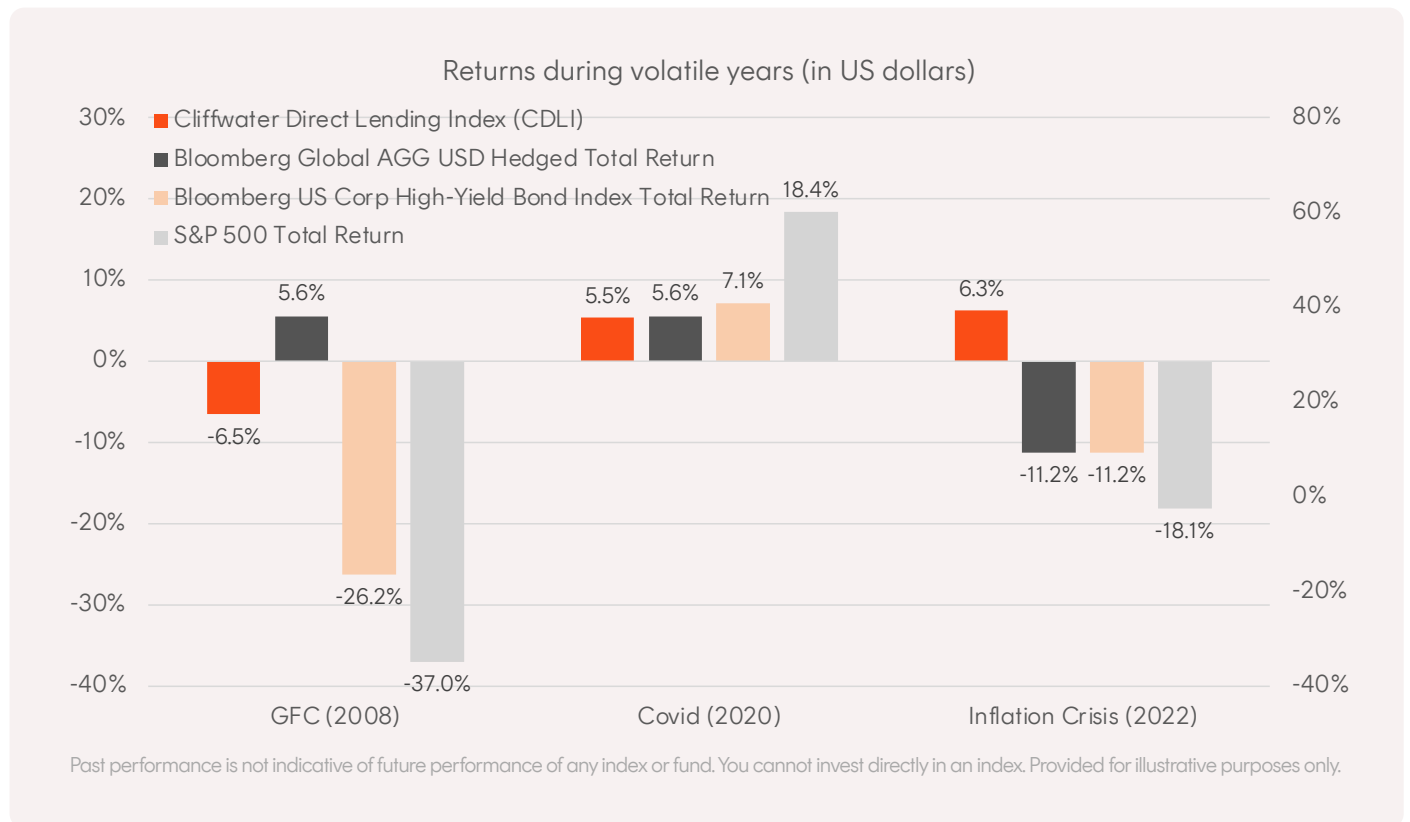
with 'investment grade bond-like' volatility over the past 20 years, and has outperformed lower-rated public fixed income sectors like high yield bonds and leveraged loans over the long term.

Calendar Year	Cliffwater Direct Lending Index (CLDI)	Bloomberg Global Agg USD Hdq TR	Morningstar LSTA US Lev Loan USD TR	BBG US Corp HY Bond Index TR	S&P 500 TR
2005	● 101%	4.3%	5.1%	2.7%	4.9%
2006	13.7%	3.6%	6.7%	11.8%	● 15.8%
2007	● 10.2%	5.3%	2.1%	1.9%	5.5%
2008	● -6.5%	● 3.6%	● -29.1%	● -26.2%	● -37%
2009	13.2%	5.1%	51.6%	● 58.2%	26.5%
2010	● 15.8%	4.6%	10.1%	15.1%	15.1%
2011	● 9.8%	5.4%	1.5%	5%	2.1%
2012	14%	5.7%	9.7%	15.8%	● 16%
2013	12.7%	● -0.1%	5.3%	7.4%	● 32.4%
2014	9.6%	7.6%	1.6%	2.5%	● 13.7%
2015	● 5.5%	1%	● -0.7%	● -4.5%	1.4%
2016	11.2%	3.9%	10.2%	● 17.1%	12%
2017	8.6%	3%	4.1%	7.5%	● 21.8%
2018	● 8.1%	1.8%	0.4%	● -2.1%	● -4.4%
2019	9%	8.2%	8.6%	14.3%	● 31.5%
2020	5.5%	5.6%	3.1%	7.1%	● 18.4%
2021	12.8%	● -1.4%	5.2%	5.3%	● 28.7%
2022	● 6.3%	● -11.2%	● -0.8%	● -11.2%	● -18.1%
2023	12.1%	7.1%	11.3%	3.4%	● 26.3%
2024	11.3%	3.4%	9%	8.2%	● 25%
Since 2004 Return Annualised	9.55%	3.34%	5.03%	6.45%	10.35%
Since 2004 Standard Deviation Annualised	3.42%	3.75%	9.38%	10.38%	15.91%
Sharpe Ratio	2.13	0.49	0.43	0.53	0.63

You cannot invest directly in an index. Past performance is not indicative of future performance of any index or fund.



Even in periods of market distress, direct lending has shown less volatility than major asset classes.



Introducing

 CLIFFWATER

# Cliffwater is a pioneer in the alternatives industry, and one of the most well-known institutional brands in private markets investing and academia.

Founded 20 years ago, Cliffwater has overseen ~US\$122 billion in total asset commitments within private assets (as at August 2025), mostly in private debt and equity, invested across its advisory business and asset management platform. It has expertise across private credit, private equity, and real estate investing.

Cliffwater advises some of the world's largest investors on their private markets portfolios, notably US pension funds, sovereign wealth funds and endowments. The Cliffwater Direct Lending Index is the most widely used benchmark within private credit, tracking over 20,000 directly originated loans totalling US\$485 billion in outstanding value (as at 30 June 2025).

Cliffwater is also one of the largest managers of semi-liquid interval funds<sup>4</sup> in the US, with assets now exceeding US\$40 billion, and products available in corporate direct lending, enhanced lending and private equity. It is the main provider of private markets solutions to the US Registered Financial Adviser marketplace.

Betashares Private Capital is proud to partner with Cliffwater.

## A Pioneer in Private Markets

Cliffwater has been a leader in alternatives for 20 years through its proprietary research, indexes, and investment solutions. After working with some of the largest institutions to inform their alternatives allocations, Cliffwater realised the value it could bring to individual investors with its institutional expertise and innovative funds.

# 20+

Years of Private Markets  
Investment Experience

# \$62B

US dollars

Private Debt Assets  
Committed

# \$41B

US dollars

Private Equity Assets  
Committed

<sup>4</sup> Semi-liquid funds, like the interval fund, are private markets vehicles that allow for more frequent liquidity than traditional private markets structures, but which are still less liquid than public markets vehicles.



## Introducing Betashares Private Capital Cliffwater Private Credit Fund

The Betashares Private Capital Cliffwater Private Credit Fund invests in the Cliffwater Corporate Lending Fund, which provides exposure to a diversified portfolio of over 3,800 senior secured loans to predominantly US middle-market businesses.



Symbol	Chg	Vol
SPX	0.30%	15.5M
SPX	-0.1%	2.70M
VIX	4.68%	
NDX	-0.73%	
ITC	-0.87%	
INDEX WATCHING		
VII	-0.87%	3.46M
VIX	-1.53%	2.80M
VIX	-0.71%	3.62M
VIX	-0.09%	1.96M
SPX	-1.03%	67.04M
IS 1000000		
SPX	-0.85%	24.57M
SPX	-0.58%	11.73M
SPX	-0.82%	34.19M
SPX	-2.06%	15.07M
SPX	-0.99%	1.56M
IS 1000000		
SPX	0.19%	207.47M
WATCHING STOCKS		

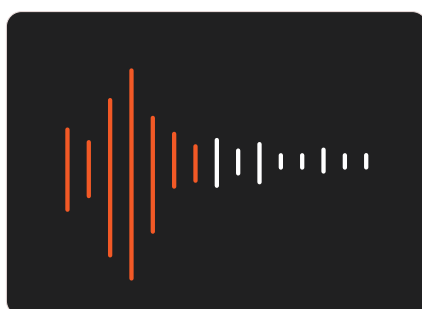


Cliffwater pioneered the 'multi-lender' model in credit investing, partnering with world-leading lenders to source direct loans. This strategy allows Cliffwater to build a highly selective and diversified portfolio of loans with attractive yields. The chart below shows the historical performance of the underlying Cliffwater portfolio, plotted against some of the market's most well-regarded lenders and benchmark indices.

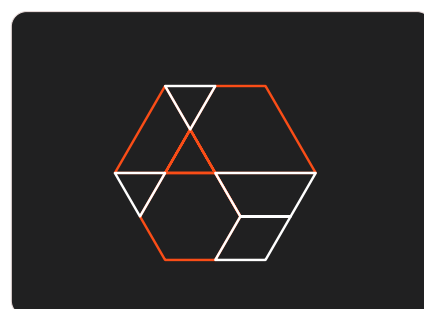
The Betashares Private Capital Cliffwater Private Credit Fund provides Australian investors with access to this investment strategy.



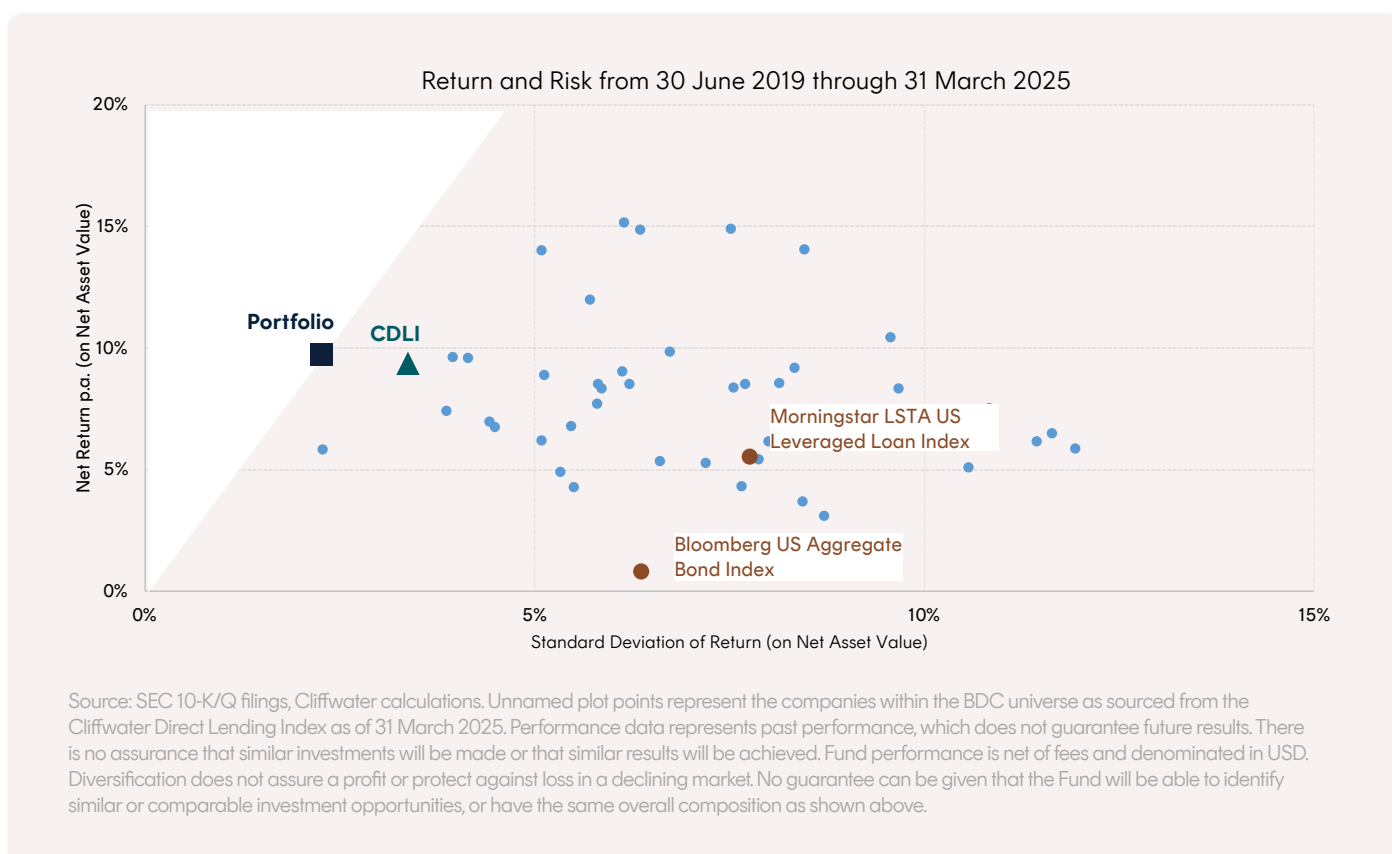
Attractive income with a high level of capital stability



The potential to lower portfolio volatility due to historically low correlation with shares and bonds



Highly diversified, cost-effective access to predominantly US private credit



# Key features of the fund



## **Transact at NAV**

Daily applications and quarterly redemptions at NAV with no bid ask spread\*



## **Quarterly Distributions**

Attractive levels of income from a diversified pool of predominantly US loans with quarterly distributions



## **Transparent**

Holdings fully disclosed on a quarterly basis



## **Hedged Back to AUD**

Foreign currency exposure hedged back to the Australian dollar



## **Tax-Efficient**

Qualified Interest Income (QII) is not currently subject to US withholding tax



## **Low Cost**

Cost-effective access to high-quality private credit



## **Diversification**

Highly diversified underlying portfolio of loans

\*Please refer to the redemption calendar at [www.betashares.com.au/fund/private-credit-fund](http://www.betashares.com.au/fund/private-credit-fund) for info on Redemption Request Cut-Off Dates and Redemption Dates. Generally, redemption requests will be processed on a quarterly basis, in line with the quarterly repurchase offer of the Underlying Fund. Note that an investor's ability to redeem will be subject to various factors including available liquidity and the Fund's ability to withdraw from the Underlying Fund. In certain circumstances, it is possible that redemptions will not be able to be paid upon request (either in full or partially).

# Conclusion

Corporate direct lending is a compelling asset class that can be considered for a client's alternatives allocation as part of their broader portfolio.

The Betashares Private Capital Cliffwater Private Credit Fund offers the opportunity to earn attractive income from high-quality private credit. It provides exposure to a diversified portfolio of over 3,800 senior secured loans to predominantly US middle-market businesses by investing in a fund managed by leading global private credit manager, Cliffwater LLC.

**For more information about the Betashares Private Capital Cliffwater Private Credit Fund, please contact your Betashares account representative.**

The Fund is available to wholesale investors, and other investors with a financial adviser using an investment platform, who are seeking income and capital preservation from an allocation to private credit, and who have a medium risk and return profile for that portion of their investment portfolio. It is suited to investors comfortable with the risks associated with private credit, including exposure to an asset class that is inherently illiquid and limited ability for investors to withdraw their investment. A minimum investment timeframe of 5 years or more is suggested.

There are risks associated with an investment in the Fund, including liquidity risk, interest rate risk, leverage risk and credit risk. Investment value can go up and down. An investment in the Fund should only be considered as a part of a broader portfolio, taking into account your particular circumstances, including your tolerance for risk. For more information on risks and other features of the Fund, please see the Product Disclosure Statement and Target Market Determination, both available at [www.betashares.com.au/fund/private-credit-fund/](http://www.betashares.com.au/fund/private-credit-fund/).

For financial advisers only. Must not be distributed or made available to retail clients.

This document has been prepared by Betashares Capital Limited (ABN 78 139 566 868 AFSL 341181) (Betashares). It contains general information only and does not take into account any person's objective's financial situation or needs. Investors should consider the appropriateness of the information taking into account such factors and seek financial advice. Past performance is not indicative of future performance. Any information provided is not a recommendation or offer to make any investment or to adopt any particular investment strategy. In preparing this information, Betashares has relied on, without verification, data sourced from external parties.

Betashares does not warrant the accuracy or completeness of this information. This document may include opinions, views, estimates, projections, assumptions and other forward-looking statements which are, by their very nature, subject to various risks and uncertainties. Actual events or results may differ materially from those reflected or contemplated in such forward-looking statements.