The Antipodes Global Credit Opportunities Fund (GCOF) returned 1.14% for the 3 months ending 30 September 2025 (the Quarter), and 8.3% over 12 months. GCOF paid a 1.5 cents per unit distribution in the Quarter and is targeting a 6.0 cents per unit distribution for the 2025/2026 financial year.

Performance in the Quarter was driven by coupons and interest payments, which were slightly offset by mark-to-market and cash drag. We remain conservatively positioned with a 20% cash position. We have also been increasing the resilience of the portfolio by deploying recent exits into the higher-quality segments of the credit markets and increasing the interest rate duration of the portfolio to capture potential upside from a gradual normalisation in long rates. We see the best value in higher-quality credit and are saving dry powder for truly opportunistic investments as they arise.

The global economy remains remarkably resilient, and recession risks have reduced amid the de-escalation of trade and geopolitical tensions. That said, inflation remains higher than target, and growth in developed economies is slowing and increasingly “two-speed”. Technology, and particularly Artificial Intelligence (“AI”), is a key bright spot in an otherwise benign investment environment where government spending is driving most of the growth in Western economies.

Markets (equity and credit) continue to price in a “goldilocks” scenario. The prevailing current narrative is that:

1. AI investment will result in a productivity and profitability boom; and
2. Interest rate cuts will ease the pressure on consumers and allow for increased household formation and broad-based private investment.

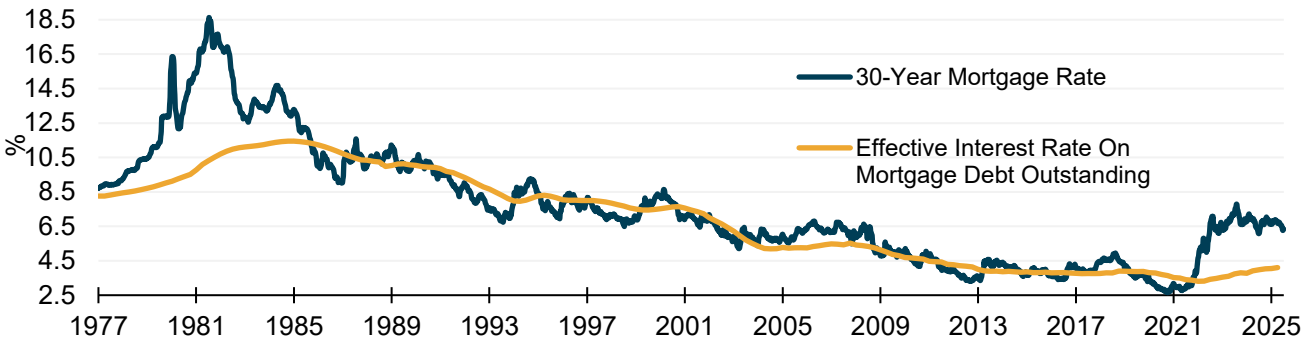
Whilst both assertions are plausible, the range of outcomes is wide, and asset prices will be vulnerable to repricing if data deviates from this narrow “goldilocks” narrative. We have little doubt that the AI revolution will be transformative, but we do not know exactly how. The technology will evolve rapidly, winners will be hard to pick, and the longer-term impact on productivity and profitability is difficult to gauge.

The US consumer has also been much less sensitive to monetary policy than in previous cycles. The unprecedented zero-interest rate environment for the 12 years pre-2022 means that the 30-year mortgage rate in the US needs to fall considerably to be stimulative. The consumer is also increasingly split along generational lines, with a marked contrast between an asset-rich older generation and an asset-poor younger generation. Older generations have benefited from an unprecedented rise in global asset prices, driven by ultra-low interest rates, and are now far less sensitive to interest rates. Younger generations face the daunting challenge of accumulating assets and forming households when asset prices and financing costs are both high. Falling rates help financing costs but make asset price inflation worse. As Antipodes’ Quant and Macro team note “Higher rates didn’t break the consumer, and lower rates won’t rescue them”.

The macroeconomic environment is creating real sectoral divergence and dispersion in credit markets. Early beneficiaries have been the telecom infrastructure and energy sectors, which are likely to enter a multi-year period of excess profits and cash flows. On the other hand, software-related sectors appear to be under direct threat from AI. The uncertain consumer backdrop has also led to prolonged weakness in cyclical sectors of the economy such as chemicals, packaging, and building materials. We are closely watching valuations and opportunities in these sectors to identify mispricing. Our emphasis on rigorous credit work and disciplined risk management remains our edge, and we are maintaining dry powder to allow us to be opportunistic.

Stubbornly high US mortgage rates limit household formation

US 30 Year Mortgage Rates

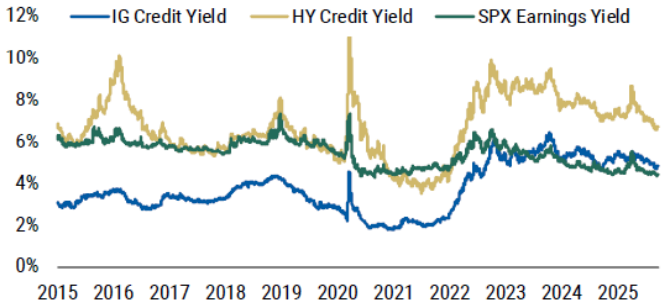


Source: Antipodes, Freddie Mac, US Bureau of Economic Analysis (BEA)

As we have previously mentioned, we are in an unusual environment where credit market yields are materially higher than equity earnings yields. We attribute this to equity markets pricing the goldilocks scenario much more aggressively than credit markets. This rare divergence continues to underpin our constructive stance on credit markets, particularly in higher-quality segments where yields adequately compensate for default risk. Balance sheets, margins, and cash flow coverage in liquid credit markets remain healthy. With average gross leverage of 3.7x, the high yield market effectively allows investors to lend to S&P 500 companies at a roughly 40% Loan-to-value ratio, earning yields of ~7% p.a. over three to five years.

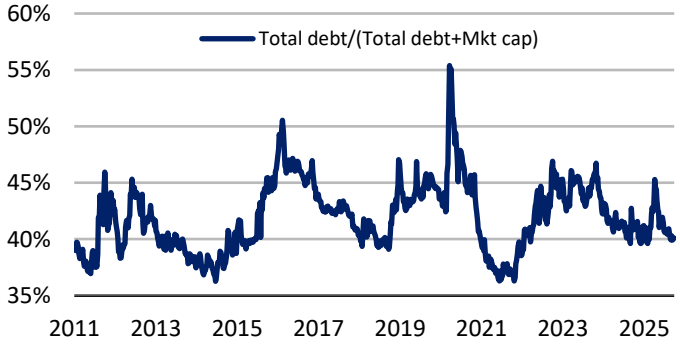
Credit yields are higher than equity yields…at a lower attachment point

Credit vs. Equity Yields



Source: Morgan Stanley Credit Strategy

High Yield - Debt to Enterprise Value



Source: Morgan Stanley Credit Strategy

The last quarter has seen rising scrutiny about the risks in private credit markets, exemplified by the high-profile bankruptcy of First Brands in the US and the release of the ASIC Private Credit report locally. Years of excess capital relative to deal flow in private credit markets have eroded underwriting and pricing discipline. The average US private credit borrower is smaller, more levered, and has lower interest coverage than comparable High Yield market issuers (see table below). In Australia, private credit is highly concentrated in the property sector, and many small managers are highly concentrated in single loan exposures. If the global economy slows, we expect losses in private credit to exceed the riskiest segments of the high yield market. These loss outcomes will be felt most acutely in the many private funds that are concentrated, levered, and have liquidity terms that create asset-liability mismatches. We believe caution is warranted.

Balance sheets and credit metrics are strong in public credit, and weak in private credit

Q2 2025 Credit Statistics

	US Private Credit	High Yield	Leveraged Loans
Median EBITDA	<US$50m	US$568m	US$522m
Debt/ EBITDA	5.9x	3.7x	4.1x
EBITDA/ Interest	1.9x	4.7x	4.1x

Source: Fitch, S&P LCD, Morgan Stanley Credit Strategy

In the liquid credit markets where we invest, yields are attractive, but credit spreads are narrower than we'd like. We always prefer credit investments where there are multiple levers to preserve capital, and we are being especially cautious in both credit selection and portfolio construction. Consistent with last quarter we remain focused on dislocated opportunities with higher quality credit and continue to avoid chasing yield in the riskier segments of the credit markets.

As always, we are grateful for your support and welcome any questions.

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