

Michael Murphy: How AI risk is reshaping credit markets

By Perpetual Asset Management

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With credit spreads widening due to rising concerns around AI disruption, it is more important than ever to ensure software companies have sound economic moats, says Perpetual's Michael

Murphy.

- Strong US market growth in software loans at risk from AI disruption
- Widening spreads with concerns around credit quality
- Find out about [Perpetual Pure Credit Alpha Fund](#), [Perpetual Diversified Private Debt Fund](#) and [Perpetual Credit Income Trust \(ASX:PCI\)](#).

The US market is witnessing strong growth in loans to software companies, which now make up significant share of overall market. There are, however, mounting concerns over how the disruption from artificial intelligence will impact this increased lending to software companies.

According to PitchBook, the volume of US distressed loans backing software firms more than doubled in January to a record US\$25 billion.

Michael Murphy, deputy portfolio manager for the [Perpetual Pure Credit Alpha Fund](#), says credit spreads are widening in the US driven by the software sector and concerns around the AI impact on disruption of software companies.

While in the US there is a high concentration of software loans – about 20 per cent of the market, the Australian market has a much lower concentration.

“With the risk of AI disruption, it is more important than ever to ensure software companies have sound economic moats – i.e. network effects, data integration etc – and strong management that continue to innovate before investing,” notes Murphy

In software, Murphy sees potential in names like ATI Global, which offers both AI-embedded legal productivity software and integrated services across due diligence searching, e-conveyancing and litigation in Australia, North America and the UK.

The key factors making ATI Global a good opportunity, according to Murphy, include its market leading position in Australia and the UK with functionality not replicated by competitors. They also have industry leading AI capabilities delivering enhanced productivity and time efficiency for users, which are expected to deliver earnings growth over time.

“Outputs are vetted by qualified lawyers to ensure accuracy. AI companies like Anthropic focused on other areas, whereas ATI focused on transactional matters,” notes Murphy.

“The company also has a sticky customer base with high switching costs. Products are highly embedded into client workflows with the risk of data loss by transferring to a new system.”



Michael Murphy, Perpetual Asset Management deputy portfolio manager and senior high-yield analyst

ATI Global has predictable continuous earnings with most of the productivity software revenues coming from recurring subscriptions with very low customer churn.

“The company has high quality management with a clear strategy and strong track record of earnings growth over the many years we have been involved with the company,” says Murphy.

“This sets ATI Global up to achieve consistently strong debt serviceability.”

The Perpetual Pure Credit Alpha (PCA) Fund has built up its loan exposure over the past year and is continuing to do so.

A number of Perpetual’s credit funds are invested in loans from ATI Global.

PCA blends liquid public credit ‘ballast’ with selective private/high-yield opportunities to earn enhanced yield.

“We have some exposure to software – but very high-quality credits where we are comfortable with competitive/AI disruption risks,” says Murphy.

“Australian credit market conditions are stable, supported by the sound macroeconomic backdrop.

“The market continues to deepen as it grows, meaning there is a greater depth of quality opportunities to invest in.

“We are seeing opportunities in both primary (syndicated deals and sub participations in private credit deals) and secondary – deals that have performed well, de-risked and now provide very

attractive risk reward.”

Murphy says the portfolio remains well diversified across segments.

PCA, however, does not have exposure to property development loans, which is an area of concentration in Australia.

A September 2025 report on the private credit market in Australia estimates around half of the \$200 billion Australian private credit market is tied to real estate, much of it in construction and development.

This segment has historically accounted for the bulk of credit losses in downturns.

About Michael Murphy and Perpetual's Credit and Fixed Income team

Michael is a deputy portfolio manager and senior high-yield analyst with Perpetual Asset Management's credit and fixed income team.

Michael manages Perpetual Loan Fund – a portfolio of private and syndicated loans that forms a crucial component of the ASX-listed [Perpetual Credit Income Trust \(ASX: PCI\)](#) and [Perpetual Pure Credit Alpha Fund](#).

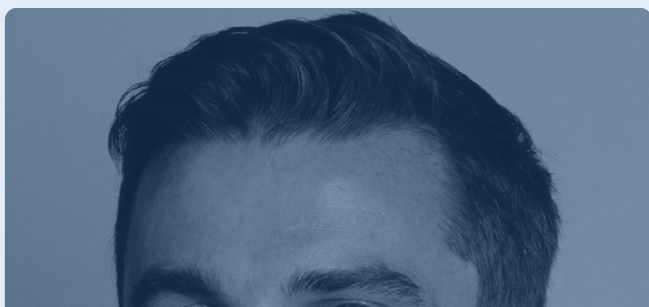
Perpetual offers a range of cash, credit and fixed-income solutions.

Our credit and fixed income team are specialists in investing in quality debt.

They take a highly active approach to buying and selling credit and fixed income securities and invest extensively across industries, maturities and the capital structure.

Learn more about [Perpetual's Credit and Fixed Income capabilities](#)

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