Private Debt Intelligence – 2/26/2018

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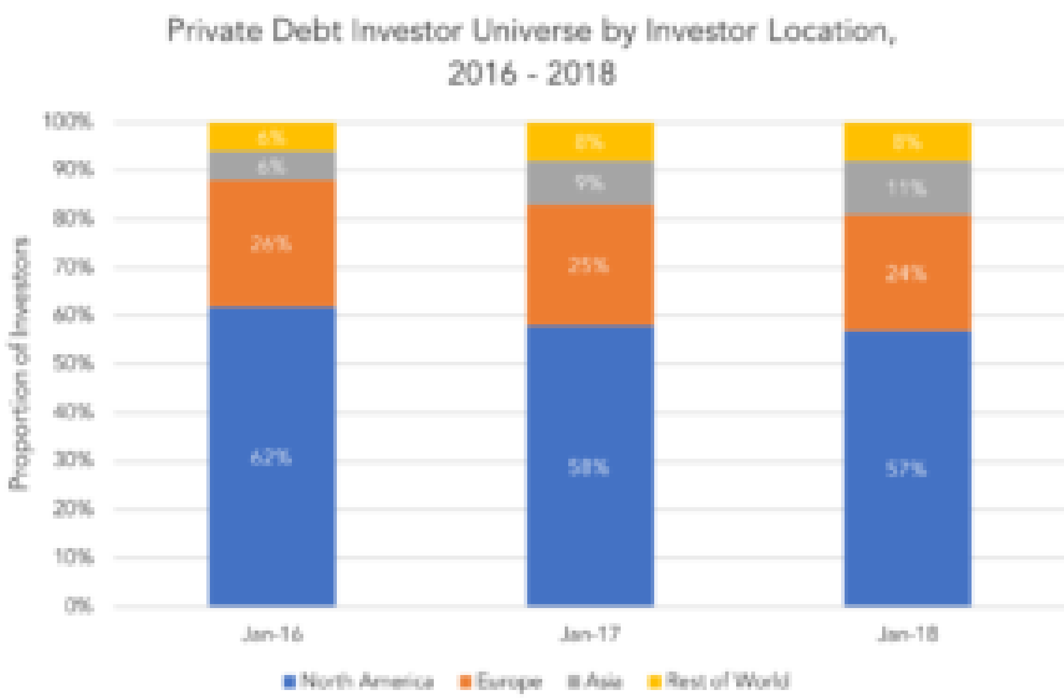
Asia-Based Investors Surge into Private Debt

Chart



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The private debt industry has seen a steady increase in the number of investors active in the asset class in recent years. As the asset class has become more prominent and more distinct from the wider private capital market, institutions have begun to take more active involvement and allocate towards private debt investments.

At the start of 2018 there are 3,100 institutions investing in private debt, up from 2,400 at the start of the previous year and an increase of 1,200 from the start of 2016. It is encouraging that many of these investors have moved their allocations to private debt from their fixed income portfolio and into either a private equity or a standalone allocation.

As might be expected, most of these investors are based in North America and Europe. These developed markets comprise 57% and 24% of active investors respectively. However, these proportions have been declining slightly in recent years, as the investor universe for private debt becomes more diverse and less tightly focused on the most mature global economies.

In particular, Asia-based investors have become an increasingly prominent part of the investor universe: representing just 6% of active investors at the start of 2016, the proportion of investors based in the region has grown to 9% in January 2017 and 11% at the beginning of 2018. Although the overall proportion remains small, the rate of growth in major Asian economies is sharp. Over the past 12 months, the number of active investors has increased by 36% in South Korea, 52% in China and 110% in India. This last increase is striking, and is likely due in large part to the newly passed Insolvency and Bankruptcy Code legislation, which has opened up opportunities for domestic non-bank lenders and given the private debt industry more prominence in the country.

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