Debt dynasty

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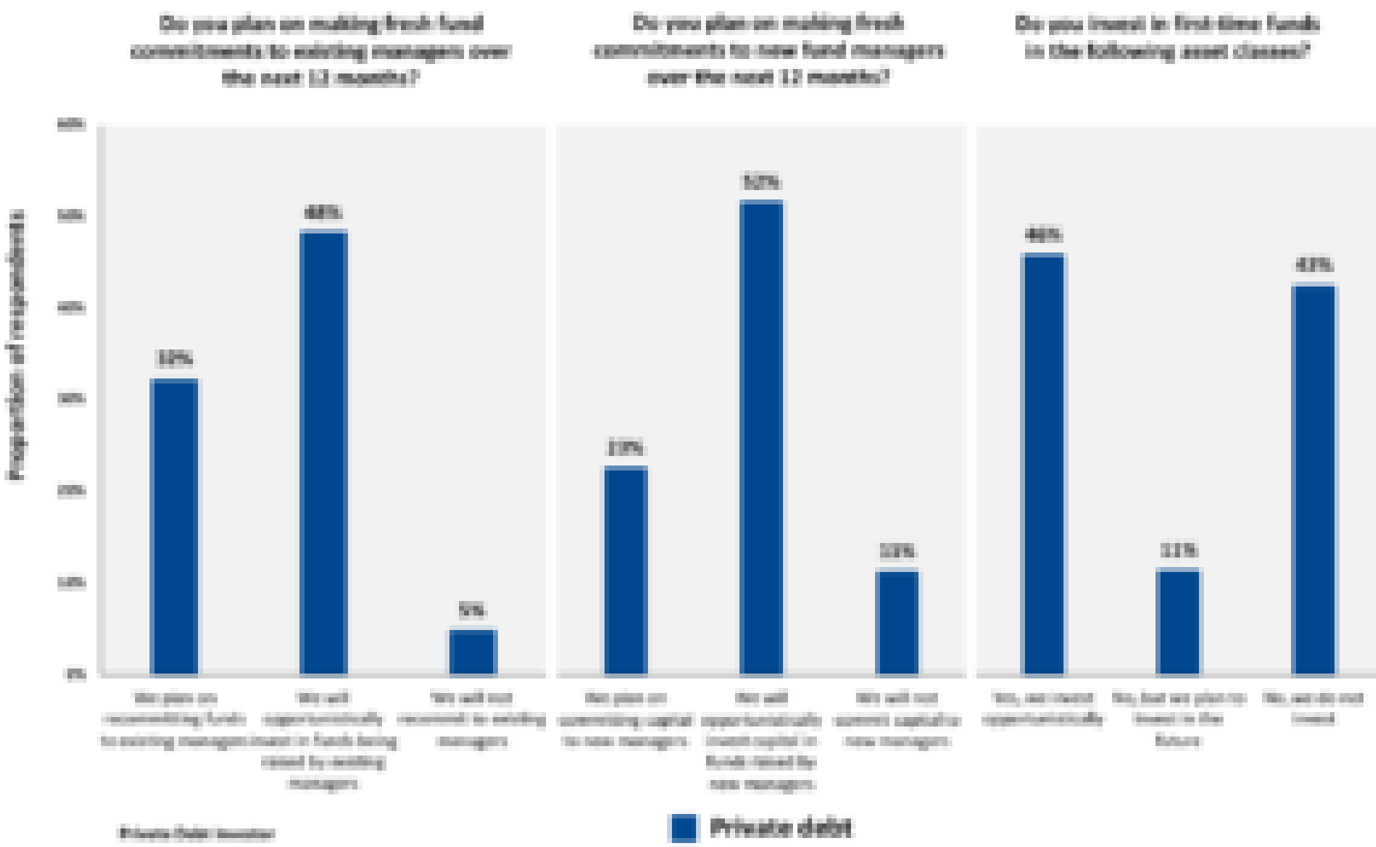

In a competitive atmosphere, LPs seem to like their GPs well enough that four-fifths would commit to a successor fund if the right chance presents itself.

Despite the plethora of upstart private credit managers that have rolled out in recent years, it is still better to be an incumbent fund manager than a first-time manager.

Some 80 percent of North American limited partners said in *Private Debt Investor*'s recent LP survey that they planned to make fresh commitments to their existing managers or would do so opportunistically. By comparison 57 percent said they would invest in debut vehicles opportunistically or planned to do so in the future.

Given that fundraising is a relatively lengthy process (and one that racks up the frequent-flier miles), many of the first-time managers that entered the private credit arena are likely on the road trying to drum up interest in their fund.

What’s more, the advantage of being an incumbent manager goes beyond first-time funds. Only 23 percent of North American LPs said they would commit to general partners not currently in their portfolio. Fifty-three percent of LPs told *PDI* they would invest with non-incumbent GPs opportunistically.

Those numbers are better than other asset classes that *PDI* sister publications follow, including infrastructure and private real estate, but it is still clearly better to be an incumbent GP.

The bottom line: when seeking new investors, whether you’re an established manager looking to expand your base or a first-time manager, LPs are looking for a compelling story and opportunity set. Like in politics, incumbency seems to provide an inherent advantage in the private credit marketplace.

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