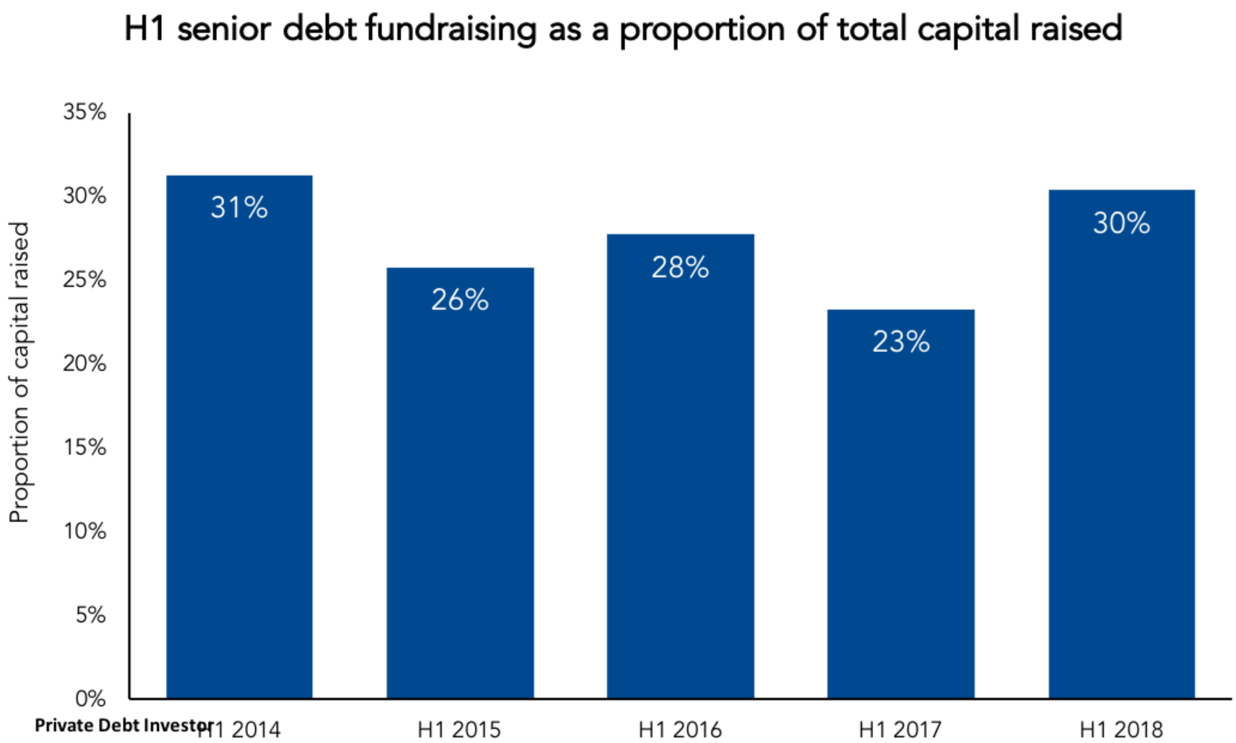
# LPs going on the defensive

Private Debt Investor | July 25, 2018




*Senior debt continues to be popular even as many investors have fleshed out their private credit exposure via their handful of favourite direct lenders.*

The proportion of senior debt capital raised in the first six months of 2018 hit a four-year high, according to *PDI* data, signifying a greater willingness from limited partners to position themselves for downturn.

Through the first half of the year, senior debt comprised 30 percent of the total capital raised, up from 23 percent at the same time last year, 28 percent in 2016 and 26 percent in 2015. That proportion may have been a lot higher had Ares Management closed its record-setting $7.6 billion, or €6.5 billion, Ares Capital Europe IV direct lending fund three weeks earlier.

Given the safety of senior loans – even in deals with questionable underwriting, those creditors are still at the top of the payment pecking order – one might surmise that the larger proportion of investors committing to the top of the capital structure is harbinger of a LPs approaching the current credit markets with an abundance of caution.

Not only are LPs being defensive with their credit investments, they are also going on the offensive. The fact that distressed debt has continued to make up a larger proportion of the capital raised, which consisted of 33 percent of the total money locked down in the first half of the year, furthers the notion that LPs are prepping themselves for any downturn the credit markets may face.

Even as credit managers insist the economic fundamentals remain strong, LPs are position their portfolio for any imminent market dislocation.

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