Private Debt Intelligence – 9/3/2018

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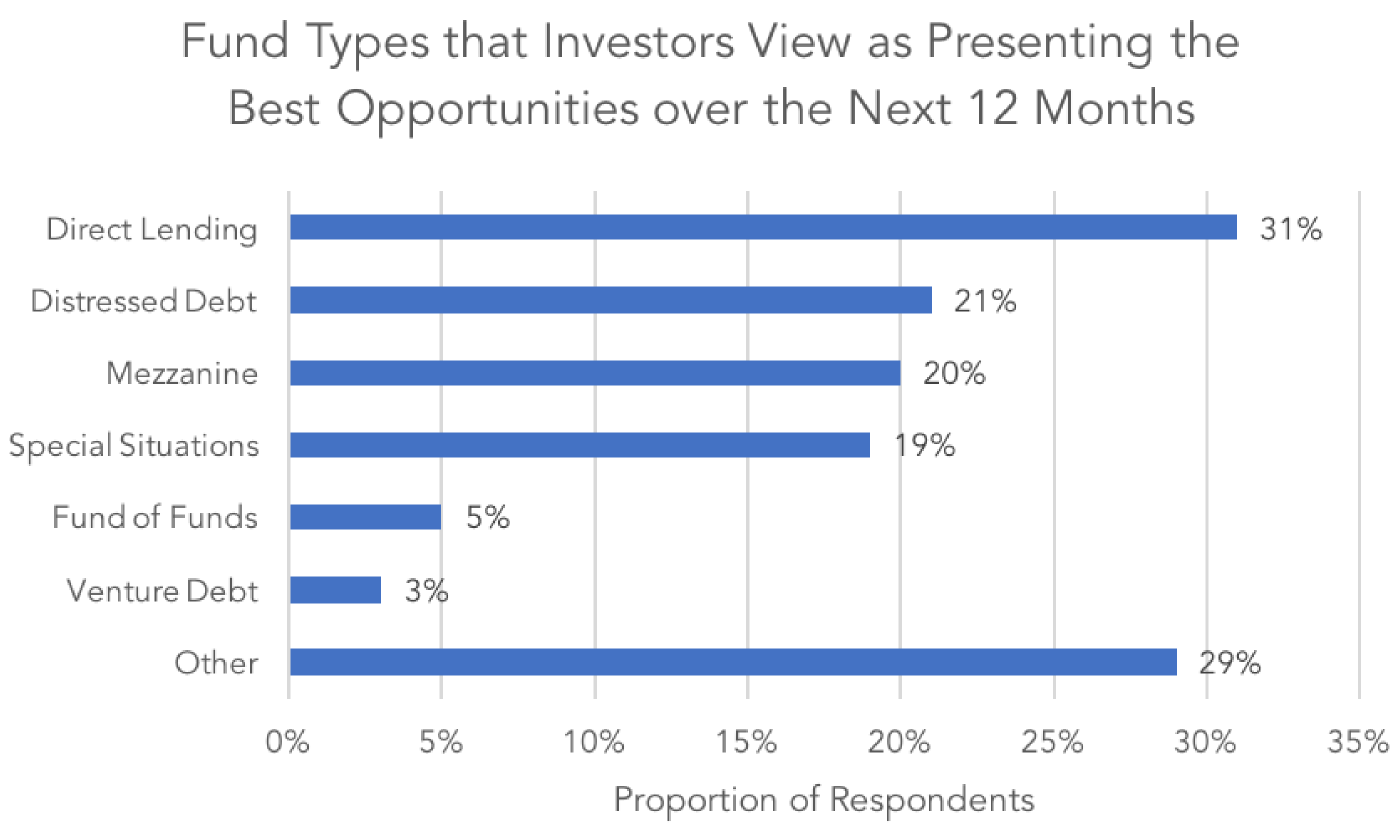
Private Debt Remains Popular for Investors

Chart



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Private debt has seen great success in attracting investors, and as at H2 2018 over a third (36%) of institutional investors allocate capital to the asset class, according to Preqin's latest survey of institutional investors. Investors cite portfolio diversification as the main reason to invest in private debt, alongside the fact that the asset class provides a reliable income stream and high-risk adjusted returns. In fact, the overwhelming majority (91%) of investors found that private debt performance had met expectations over the past 12 months, including 13% of investors that found private debt performance had exceeded expectations. In the coming year, 31% of investors plan to invest more in private debt, compared to 14% which plan to invest less.

As was the case a year ago, investors believe direct lending presents the best opportunities at the current time, with 31% of respondents citing the strategy as presenting the best opportunities over the next 12 months. At this stage last year, 40% of investors felt that mezzanine strategies presented the best opportunities. However, this proportion has halved to 20%, as many investors seemingly have looked for other private debt strategies that pose less investment risk. Twenty-one percent and 19% of investors find that distressed debt and special situations funds present the best opportunities respectively. Venture debt looks to be the lease favoured strategy, with just 3% of investors citing it as the fund type which presents the best opportunities over the next 12 months.

For the first time, Europe has overtaken North America as the region investors are viewing as presenting the best opportunities, as 47% investors look favourably to Europe and 43% favour North America. As the private debt market in Europe has matured, investors looking to diversify their private debt exposure have surveyed the region's investment opportunities. Outside the more established private debt market of North America and Europe, 16% of investors favour emerging markets and Asia respectively.

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