More debt funds in market, more questions for investors

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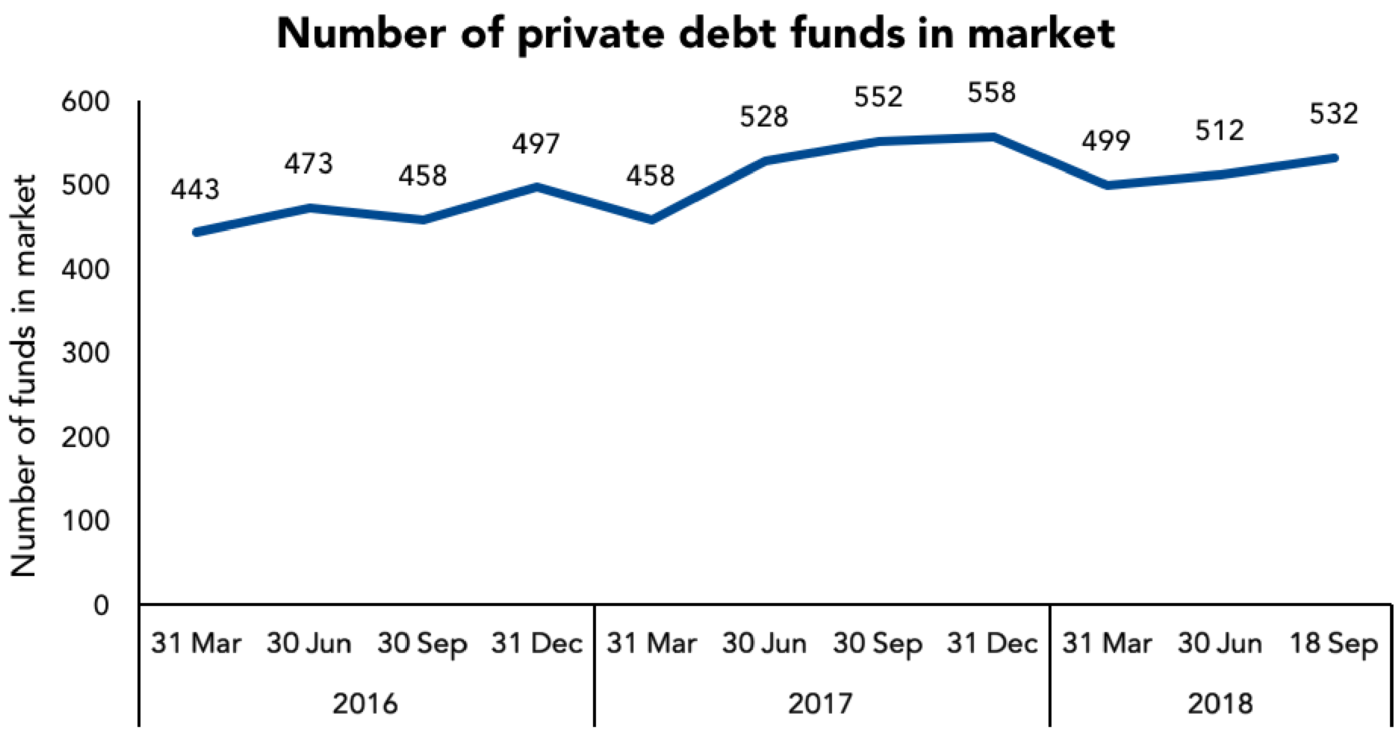

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A large number of vehicles are seeking capital, and fundraising has been strong – but that isn't a guarantee the boom times will continue.

The number of private credit funds in market has been on a steady upward trend, according to PDI data, reflecting the enduring interest from asset managers even as the credit cycle drags on and some fear it may be too late to enter.

There were 532 funds in market as of 18 September, down from the high of 558 at the end of 2017, but up from 499 at the end of the first quarter. The drop from 31 December to 31 March may in part be attributable to some firms spilling their final closes into the first months of 2018.

Of course, just because managers market a private debt fund doesn't mean they are guaranteed to attract investor interest.

Some, like the San Jose County Employees’ Retirement System, are cutting their exposure to the asset class. That pension is planning to reduce its private credit allocation from 6 percent to 4 percent, after already cutting it from 11 percent.

On the other hand, new investors keep coming into the market, like the Nebraska Investment Council, which explored establishing a dedicated private debt allocation earlier this year.

The biggest question for investors may be: what is your current view on the credit cycle? The answer and counsel provided from their various consultants could dictate whether the 500-plus private debt funds in market reach their goals.