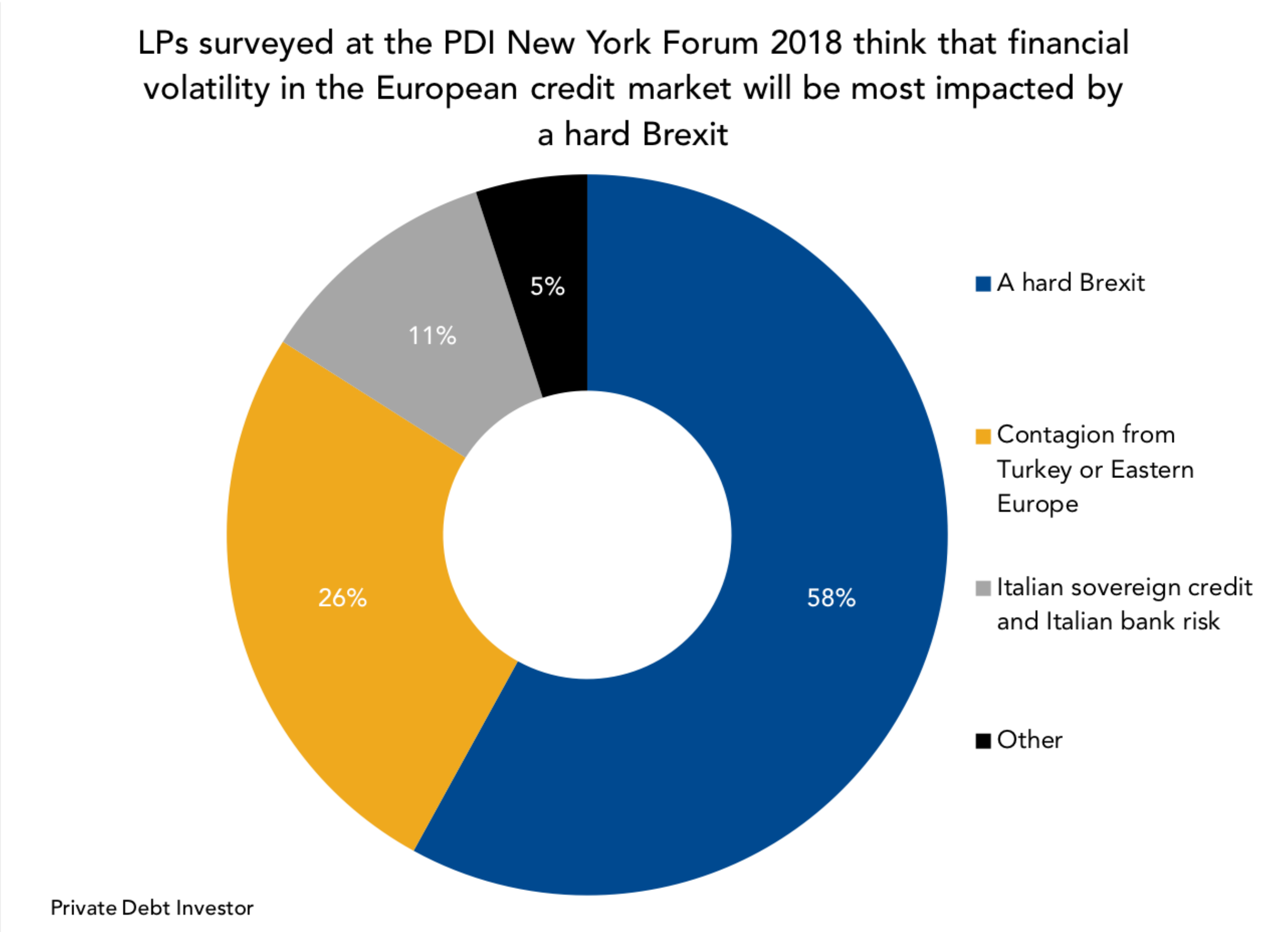
THE LEAD
https://theleadleft.com/pdi-picks-10-8-2018/

The importance of explaining Brexit

Private Debt Investor | October 10, 2018



Brexit makes a majority of LPs nervous about European credit markets, according to a PDI survey.

Investors may have had almost two-and-a-half years to process and prepare for the UK's departure from the EU, but that doesn't mean they aren't still wary of the end result, data from a PDI poll show.

At our annual PDI New York Forum, investors chose the event they most expect to cause volatility in the European credit market, and 58 percent said that a hard Brexit was the most likely catalyst.

Some 26 percent expected contagion from Turkey or Eastern Europe and another 11 percent said risks associated with Italian sovereign credit and Italian bank risk. The remaining 5 percent expect other factors.

Limited partners aren't the only ones given pause over Brexit. Indeed, credit guru and Oaktree Capital Management co-chairman Howard Marks recently told the Financial Times that Brexit made the UK too risky a place to invest in.

Europe-focused funds are seeking a fair bit of capital – some $65.48 billion – as of 1 July, according to PDI data. A separate poll at the New York Forum showed that a majority of the LPs responding were fertile ground for GPs to cultivate new investor relationships.

To do so successfully though, European LPs will need to bridge the education gap. It may seem a tall ask, given that the EU consists of sovereign nations rather than an amalgamation of states like the US, but US LPs should be up to the task.