The evolution of the GP-LP relationship in private credit

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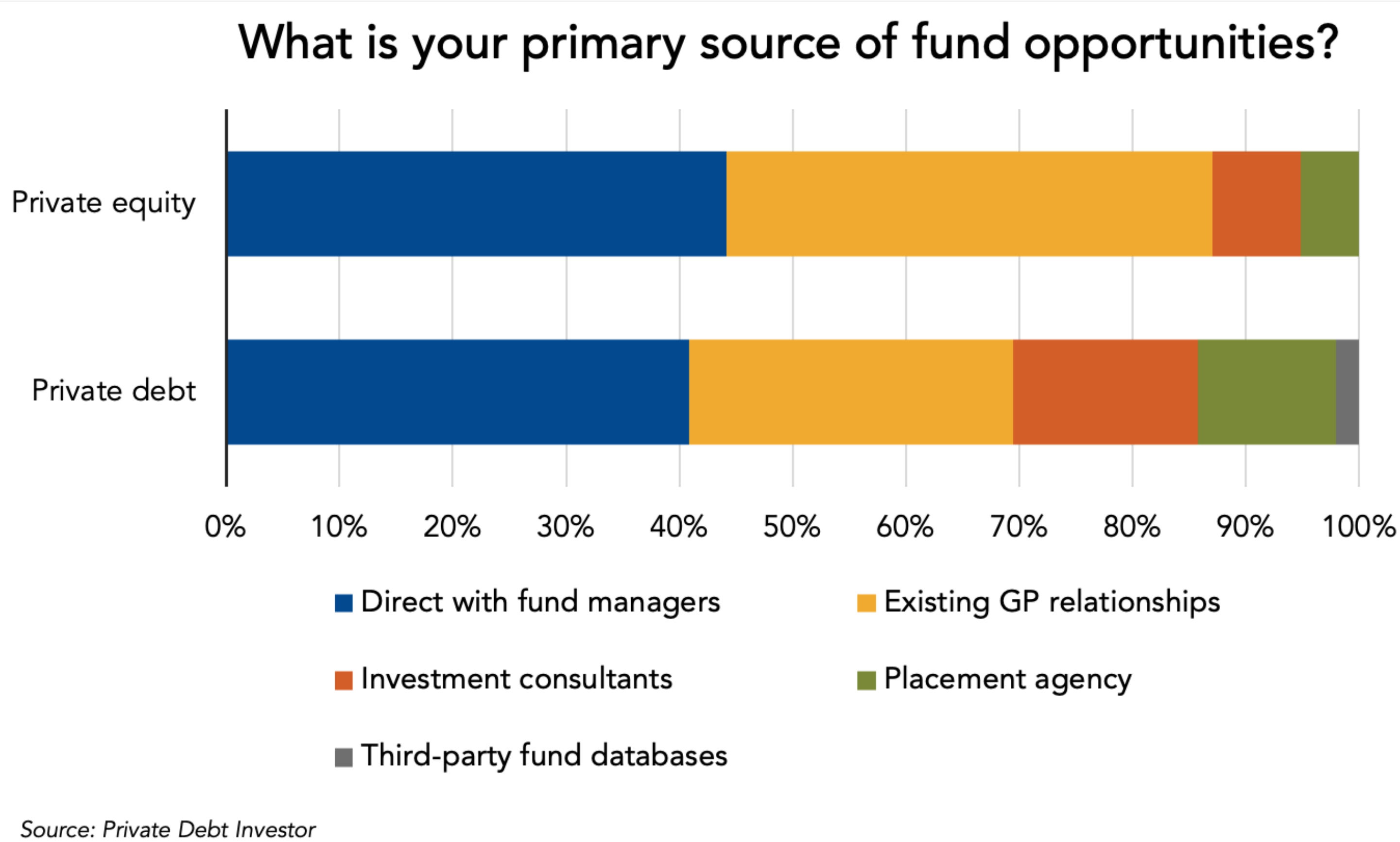

The asset class has grown a lot in some ways over this credit cycle, but still has a way to go.

Next to a general partner's boast about the width of their deal funnel and underwriting skills is the strength of their relationships with investors.

This will likely be critical in the growth of private credit as an asset class and a credit manager's own growth, according to the limited partners polled in PEI's LP Perspectives 2019 investor survey.

Asked how they garner most of their investment opportunities, 40.8 percent told us they interact directly with the fund managers themselves. Only 28.6 percent said the mandates they award come from existing GP relationships.

A whopping 42.9 percent of private equity investors said they make their fund commitments based on existing GP relationships. Given private equity is further along in its maturation as an asset class, it's very likely that private debt will evolve in a similar manner.

Private credit has a much higher proportion of its investors relying on investment consultants, placement agents and fund databases. Look for this figure to change in future editions of this survey, particularly given that many private equity firms are in the process of building out private credit arms.