# The Goldilocks of capital deployment

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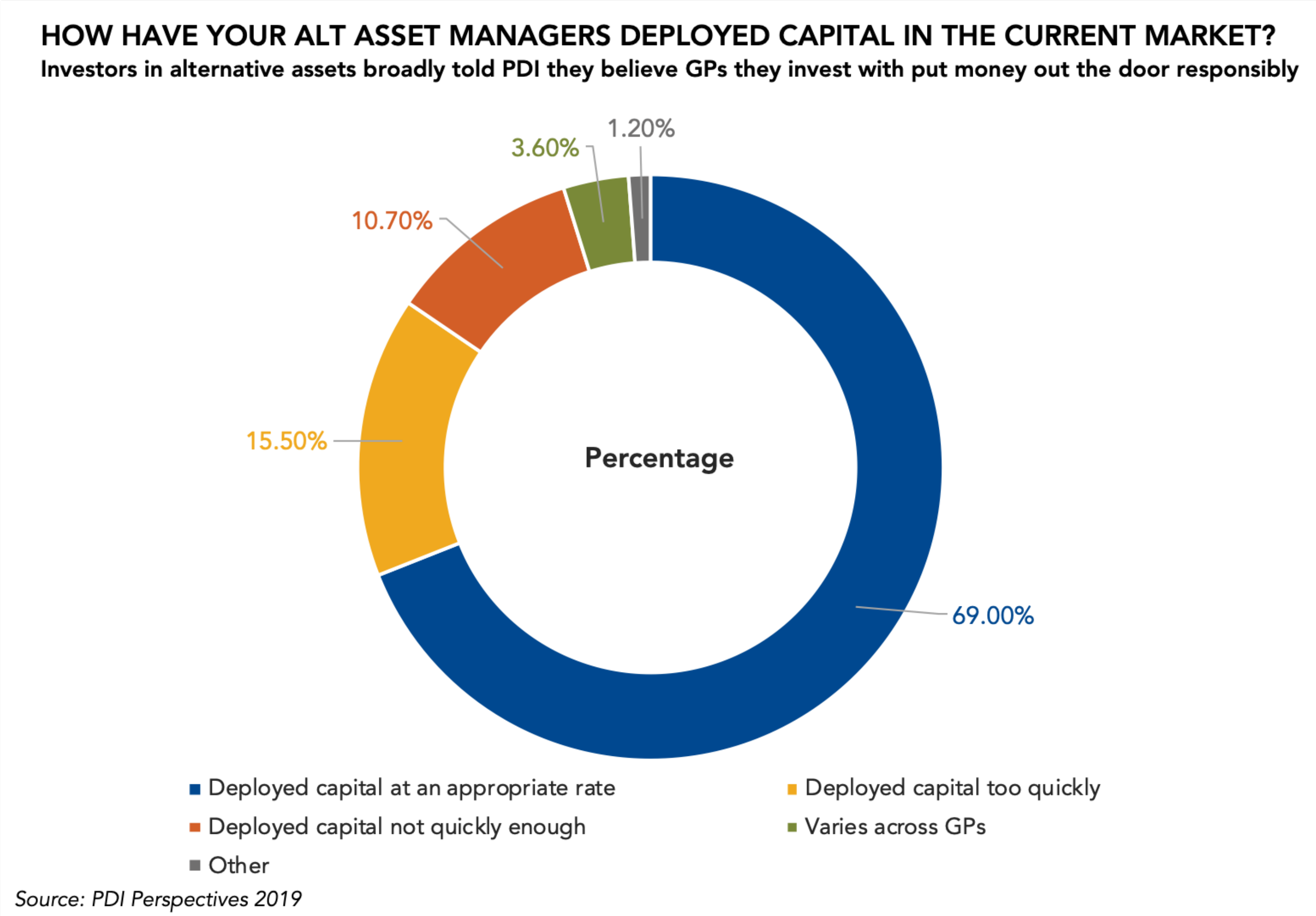


*Despite heated discussion around perceived recklessness, most LPs are satisfied with how GPs have managed their capital.*

Much has been made of the large number of covenant-lite loans, cases of egregious EBITDA addbacks and other such exuberant late-cycle activity.

But at least by one metric, limited partners are largely happy with how the alternative asset firms they invest with have deployed capital. In our year-end survey of investors, PDI Perspectives 2019, 69 percent of LPs said the managers they have committed money to have put it out the door at a reasonable pace given the current market conditions.

The datapoint is a vote of confidence that LPs believe they have chosen the right managers. Of course, the ultimate test will come once the cycle turns – how many loans will go into default, and what will recoveries be on rather permissive credit agreements? How many buyouts will go kaput, and will private equity funds put more money into portfolio companies?

But the seeds are sown now for what managers will reap in the next downturn, and the fact that LPs are largely happy with their GPs capital deployment pace now is a vote of confidence for how managers' funds might do once choppier waters arrive.