Private debt is expanding despite its competitiveness

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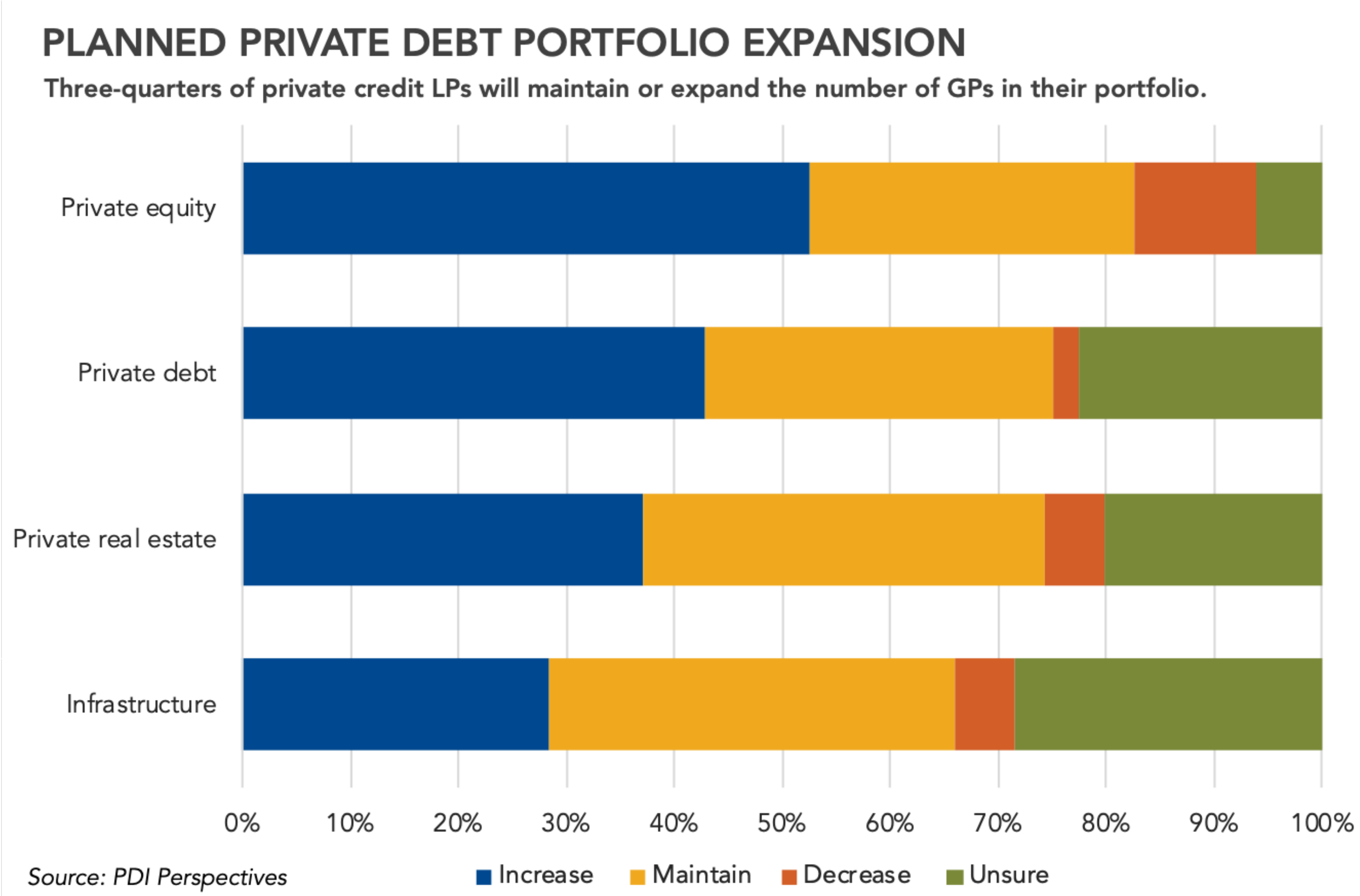

PDI data show almost twice the number of investors this year are set to expand their GP relationships than decrease them.

Many limited partners have already set their private debt investment pacing plan for the year and, pending their fiscal year, may be getting ready to decide another budget for allocations. Based on PDI survey results, private credit managers looking to expand their investor base may fare well.

Among the four asset classes – private equity, private debt, private real estate and infrastructure – included in PDI Perspectives 2019, our annual LP survey, private debt investors were the second most likely to say they planned to increase their number of GP relationships (42.9 percent).

The survey results run counter to a trend oft cited by GPs in the market: that LPs are looking to consolidate their number of relationships, often across all alternative assets. This notion gives alternative lenders hopes to win either larger commitments or, for those with more than one alternative asset product set, a multi-strategy mandate.

Private debt LPs planning to maintain relationships took second place (32.1 percent) over those planning to decrease (22.6 percent) or unsure of their plans (2.4 percent).

Together, three-quarters of private debt managers plan to at least maintain the number of GPs in their portfolio if not expand that figure. This isn’t surprising given the asset class returned 10.3 percent for the year, per the Cambridge Associates Private Credit Index, against a 1.37 percent loss for bonds, according to the Bloomberg Barclays Government/Credit Bond Index.

Post-global financial crisis, one of the biggest stories – or at least we like to think – has been the rise of alternative credit strategies, and the good times look poised to keep rolling.