

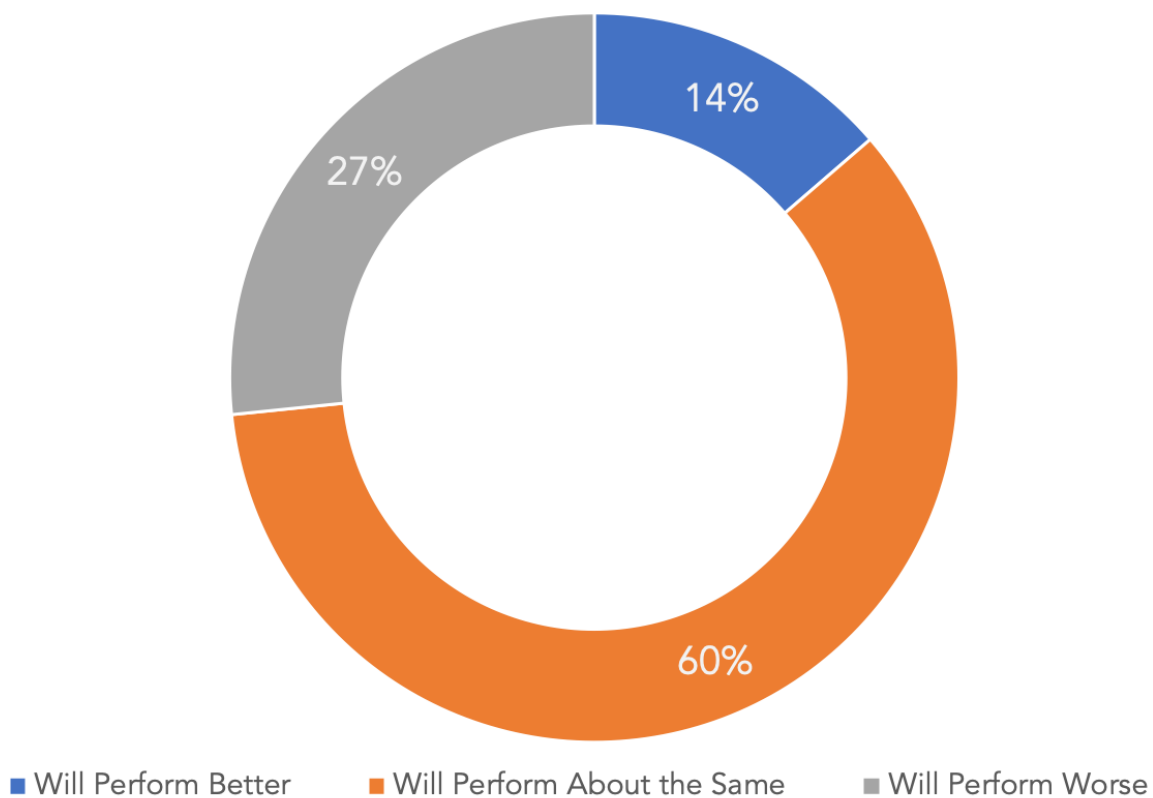
Private Debt Intelligence – 4/1/2019

THE LEAD | April 2, 2019

Investor Satisfaction Dims in 2019

Chart

Investors' Performance Expectations for Private Debt in 2019



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Private debt investors remain committed to the asset class, and their overall perception of the industry is positive. But Preqin's latest surveys find that investor satisfaction has dimmed slightly at the end of 2018, as institutions foresee challenges for the industry in the months ahead.

Investors are happy with the performance of their private debt portfolios – almost one in five (18%) said that their portfolios had exceeded expectations in 2018, twice the proportion that said their portfolios had underwhelmed. However, this is down slightly from the 25% that said their portfolios had exceeded expectations in 2017, indicating that their enthusiasm has cooled marginally.

More concerningly, some investors reported that their confidence in private debt to meet their portfolio objectives had decreased across the course of 2018. While the majority (74%) said their confidence in the asset class was unchanged, 19% said their confidence had fallen, compared to just 8% that said their confidence had increased.

This may be because investors' outlook for private debt performance in 2019 was net negative – 14% expected the industry to perform better in 2019 than in 2018, compared to 27% that said they thought it would perform worse. This outlook is likely prompted by investors' concerns about the potential for a market downturn in the coming months, which they believe will prompt headwinds for the industry.

Ultimately, private debt remains attractive to the bulk of investors, but it is clear that there are concerns about its ability to perform throughout the market cycle. In next week's piece we will look at how investors intend to respond to those concerns in 2019.

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