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Private Debt Intelligence – 4/22/2019

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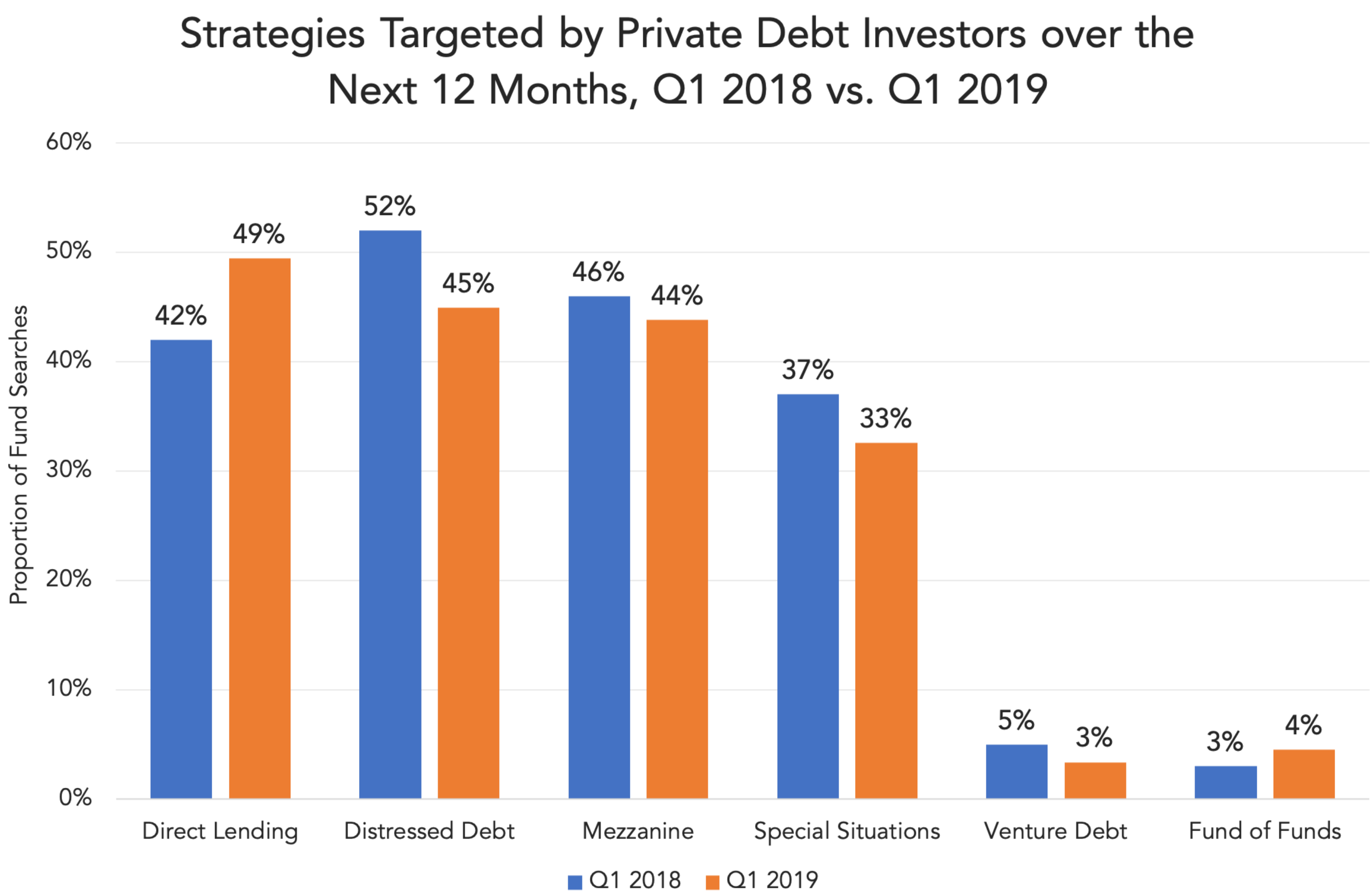
Private Debt Investors Remain Cautious

Chart



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During Q1 2019, private debt investors issued 249 fund searches and mandates for investments they are targeting in the coming 12 months. Perhaps due to their concern about the prospect of an equity market downturn, it seems that institutions are taking a generally cautious attitude to the asset class.

Overall, investors intend to commit small amounts of capital to a small number of funds. The majority (62%) of fund searches put out in Q1 are for a single fund commitment, with a further 13% of investors planning to commit to two or three funds. Similarly, it appears investors are planning to commit less capital than they were at the start of 2018: almost three-quarters (76%) are intending to commit less than $100mn to private debt funds in the next 12 months, compared to 54% that said the same in Q1 2018. Some investors will be committing heavily throughout 2019, though – 10% of fund searches look to commit $500mn or more in the next 12 months.

After a dip in investor appetite for direct lending over 2018, the strategy is likely to receive the most capital from investors in 2019, as 49% of investors are planning commitments to the strategy in the year ahead. At the same time, while over half (52%) of investors targeted distressed debt fund commitments in 2018, this proportion has fallen to 45% for 2019. This is in line with falling fundraising activity for the fund type, suggesting it is currently out of favor with investors.

The majority (60%) of private debt mandates issued for 2019 are for Europe-focused funds, the same proportion as in 2018. Smaller proportions of investors are targeting North America- (46%) and Asia-Pacific-focused funds (18%), whereas 12% of investors will look to commit to Rest of World-focused funds, up from 8% at the start of 2018. It seems that while activity will remain primarily focused on mature markets, there is an uptick in interest in other regions – perhaps an indication that investors are starting to look further afield as the private debt industry in North America and Europe becomes ever more crowded and competitive.

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