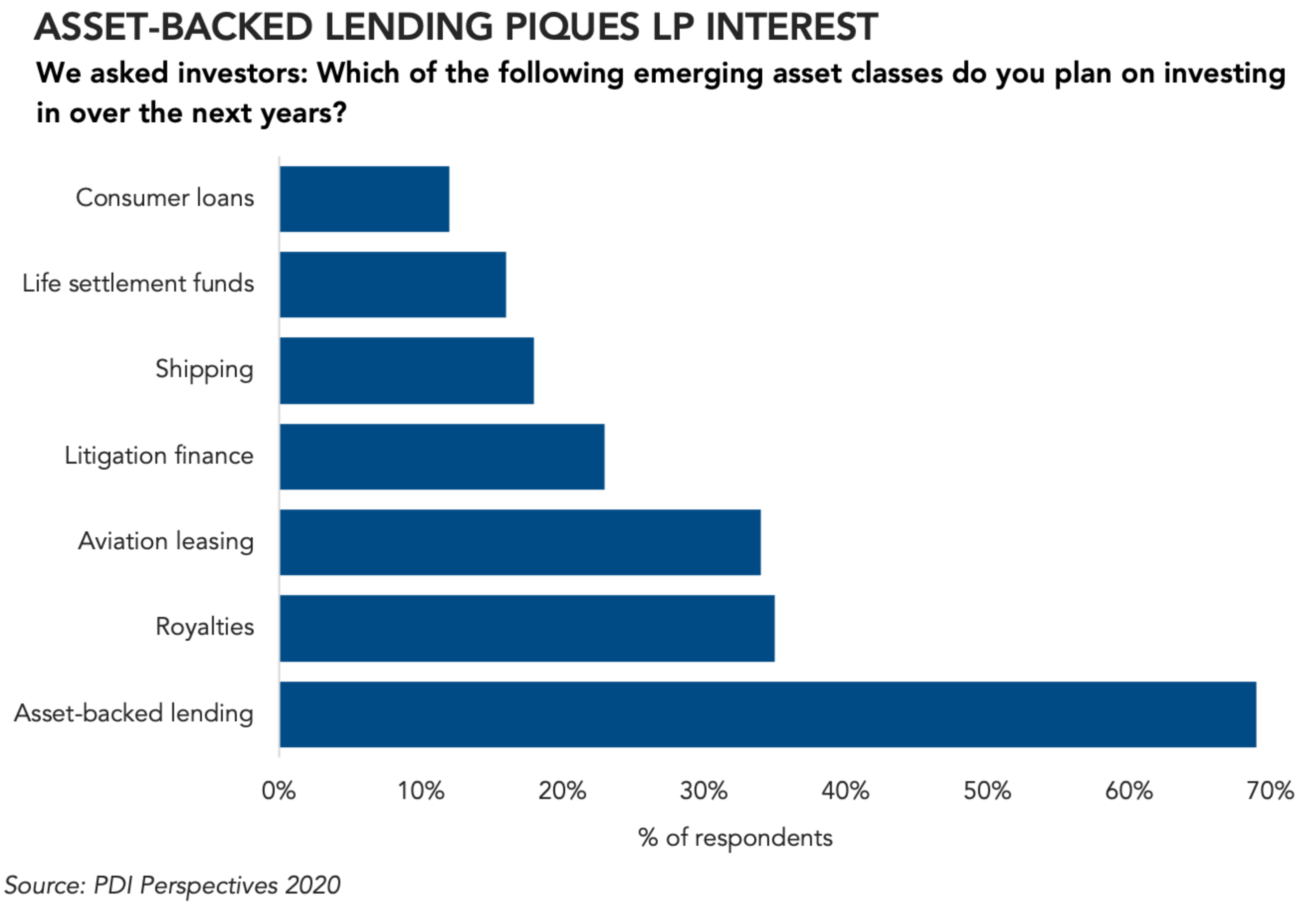
ABL draws significant LP interest

Private Debt Investor | January 29, 2020



Asset-backed lending is one of the credit strategies more investors are becoming attuned to.

There could be another credit strategy set to pick up traction, according to PDI Perspectives 2020, our annual LP survey.

We asked which emerging asset classes investors plan on committing to over the next 12 months, and 69 percent of investors said they expect to put money with asset-backed lending vehicles. That is almost double the second-place answer of royalties financing, where 35 percent of respondents plan to allocate capital.

Surely, the strategy or an iteration of it has been around for a long time, though it’s not necessarily synonymous with private credit. But that could change.

Fund managers, LP consultants and other industry observers have noted that other investment strategies are starting to see more specialist and specialty finance funds, with one LP gatekeeper noting that those vehicles accounted for most of the first-time funds he has been seeing recently.

Many private equity managers have expanded into private credit, seeing it as a way to manage more assets and another product option for existing or potential LPs. Undoubtedly, alternative asset managers are like any other business – they are looking to continually grow their product set; asset-backed lending and other special finance might be the new frontier of credit strategies.