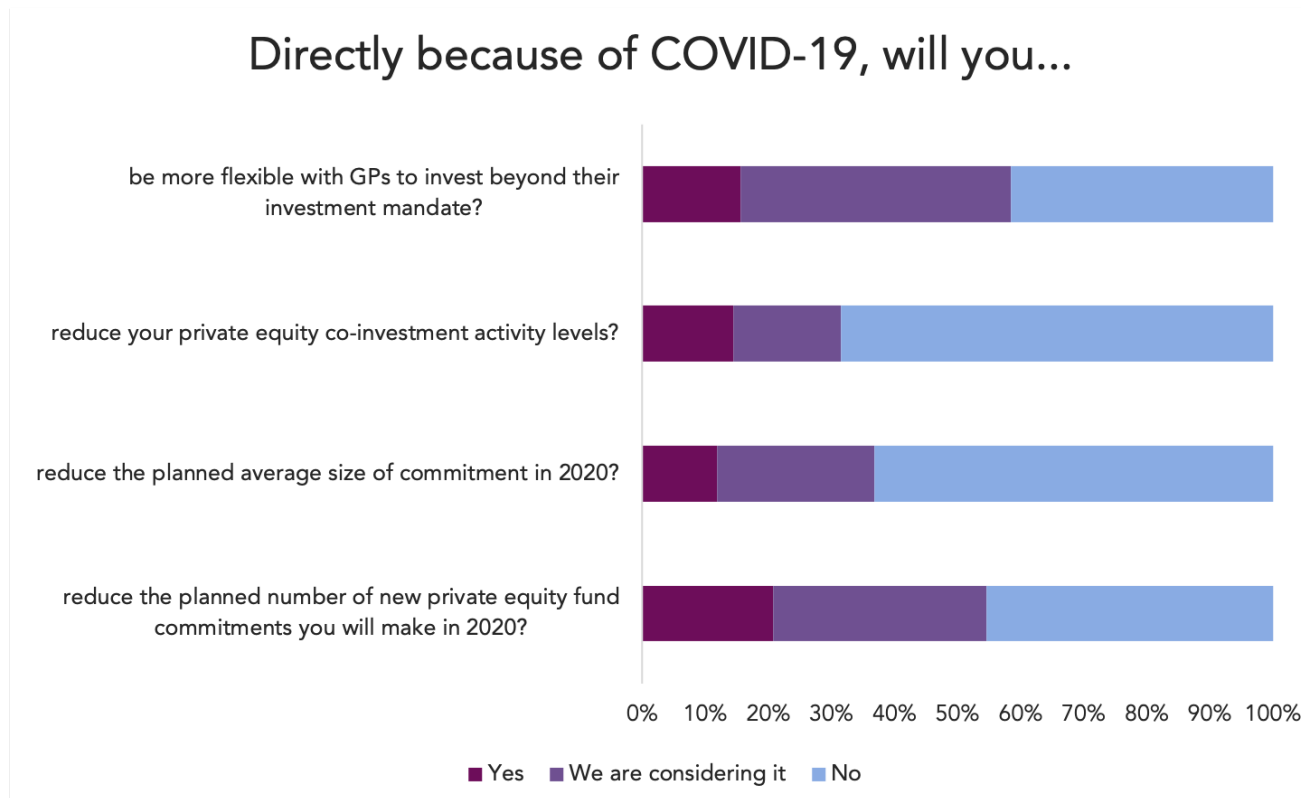


# How LP views of private equity are being shaped by covid-19

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*Fewer but more open-minded commitments may be among LPs' responses to the crisis, according to our new survey.*

The covid-19 outbreak has thrown the pieces of the puzzle in the air and, as yet, we don't know exactly how those pieces will land. But private equity investors can't afford to sit back and wait for the dust to settle before beginning to make decisions about what to do next. In a recent survey, Private Debt Investor pitched a series of questions to LPs about their plans for private equity. For private debt, which relies on private equity for much of its dealflow, the results make interesting reading.

The chart above shows that there is strong appetite to consider reducing private equity fund commitments in 2020 and also to give those managers that do get capital a flexible investment remit. In total, 55 percent said they would either reduce, or consider reducing, their commitments; while 59 percent said they would be, or would consider being, more flexible with their GPs' investment mandates.

In terms of the transparency of existing managers, it appears that most of them are just about making the grade – but there's clearly room for improvement. Asked if they have visibility on the impact of covid-19 on their

private equity portfolio, 45 percent of LPs said they had “fair” visibility, 28 percent “good” visibility, 19 percent “poor” visibility and only 8 percent “excellent” visibility.

Meanwhile, the denominator effect – whereby, when public markets fall, LPs can find themselves over-allocated to illiquid investments – does not appear to be a major consideration. Asked whether the denominator effect would make them a more active secondary market seller, 79 percent of LPs said no; and, asked whether it would make them reduce their target allocation to private markets, 75 percent replied in the negative.

The technology that has proved useful as more people work from home may just be here to stay. Well over half of LPs said they would consider attending GP AGMs and doing fund due diligence by videoconference once ‘normal’ business life resumes.