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Remote due diligence is here to stay

Private Debt Investor | May 13, 2021

The challenges of life away from people and offices may have hindered private debt fundraising to an extent, but video meetings also have their supporters.

Fundraising these days is a tough slog, right? Well certainly for private debt anyway, even if the still-surging private equity asset class managed to rack up a new record high total funds raised during the first quarter. In the last couple of editions of *PDI Picks*, we have been reflecting on our latest fundraising data which showed the overall total declining, the number of funds in market falling sharply and the length of time needed to reach a fund close increasing.

Video calls have been cited as providing at least part of the explanation. Without the ability to converse with managers in person and make on-site visits, the theory is that committing capital becomes a riskier enterprise for investors. Taking this into account, it does not seem especially surprising that only 34 funds posted a closing in the first three months of the year.

For emerging managers, first impressions are everything and simply relying on the same video call template as everyone else is hardly eye-catching. That's why some firms – such as Emerging Markets Alternatives, with its Virtual Intelligence product – have been trying to fill a gap for more sophisticated due diligence aimed specifically at those managers which have viable niche offerings but may struggle to receive sufficient attention.

However, the ‘new normal’ of remote working is not universally seen by fund managers as a challenge that needs to be overcome. When Ares Management recently announced the €11 billion closing of its latest European direct lending fund, the firm’s co-head of European credit, Blair Jacobson, said: “Zoom fundraising ended up being incredibly efficient, with meeting after meeting stacked up. You could get exposure to more people in more locations more quickly and plug in more members of the team.”

As our chart above appears to indicate, remote due diligence has a considerable degree of acceptance. As we advance through 2021, vaccination is helping the fightback against covid in many parts of the world and in-person meetings may once again start to become a regular occurrence. But video calls have proved their merits and are unlikely to relinquish their status as part of the due diligence mix.