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Investors stick with tried and trusted

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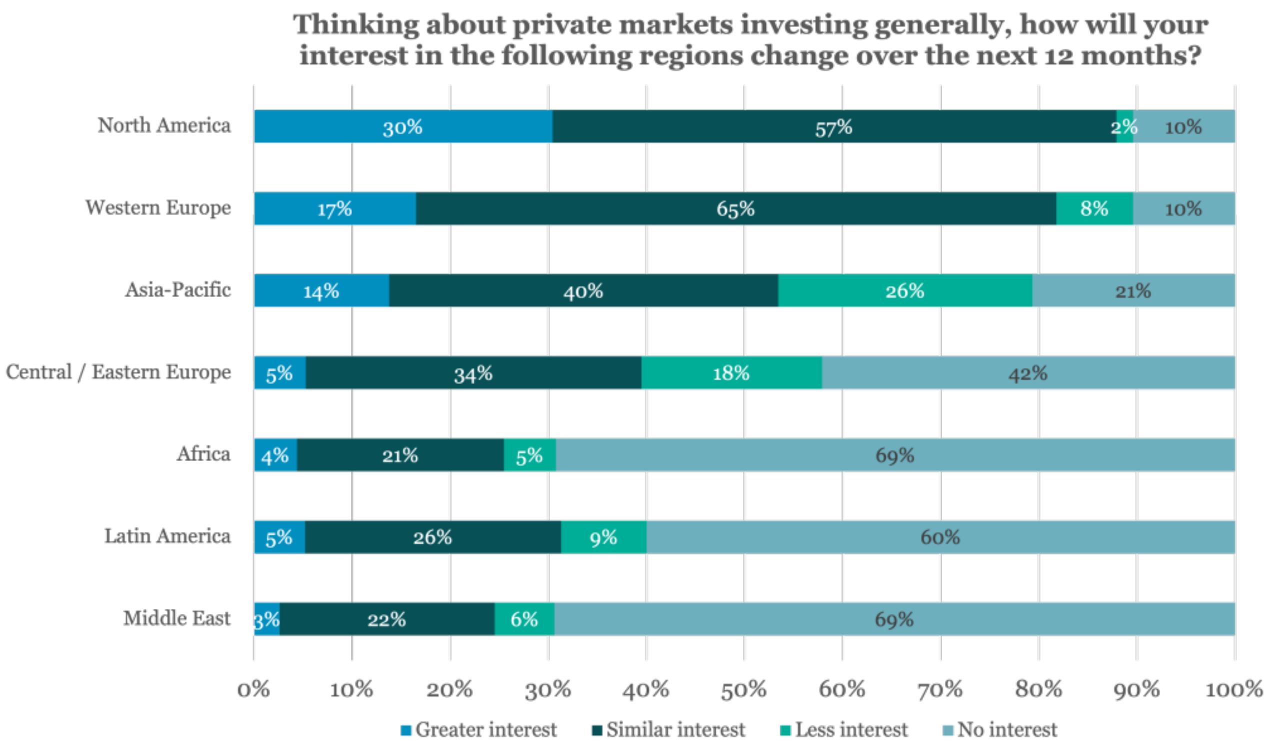

North America and direct lending are more in favour than ever, PDI's LP Perspectives survey discovered.

In this column last week, we reflected on some of the headline findings from our *LP Perspectives* survey, which obtained the views of 117 institutional investors on the current state of private markets. We commented on how investors were looking to commit more to the asset class over the next 12 months – buoyed by the easing of over-allocation concerns and by expectations of strong performance.

But there were other observations to be made that we didn't have room for last week. One is the strong attachment that investors have to the longest-established regions and strategies. Almost a third (30 percent) of LPs said they would have a greater interest in North America over the next year – and that's on the back of North America already being comfortably the most popular region (see chart). By comparison, the figures for Europe and Asia-Pacific were 17 percent and 14 percent respectively and no other region scored higher than 5 percent.

When it came to strategies, it was also the case that investors were keen on more of the same – with 45 percent planning to invest more in direct lending, private debt's biggest area of investment, over the next 12 months. No other area of investment saw more than 18 percent of investors saying a greater amount would be committed to it over the next year.

While some might see this as a lack of adventurousness, the truth is many investors are still coming to private debt for the first time – either completely new to the asset class, or at least carving out new private debt-specific allocations. These newcomers are highly likely to turn to mainstream regions and strategies as the building blocks of their exposures. As time passes, and commitments stretch over the long term, so private debt's more esoteric strategies will come under consideration.