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Private markets get the nod over the long term

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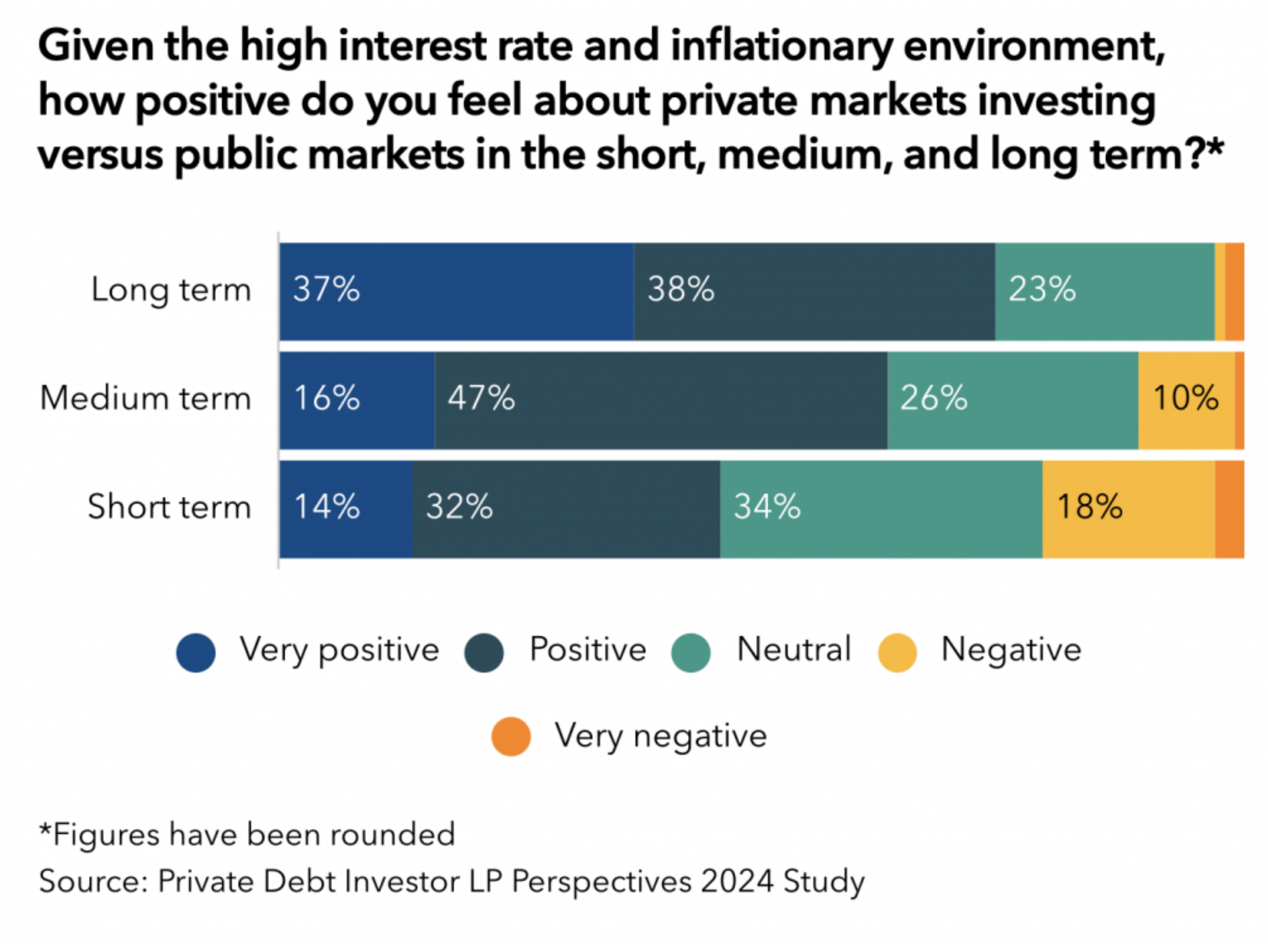

Investors are confident in the future of private markets, but fund managers have shown combining public and private market investment through flexible mandates can work well.

Our recently published *LP Perspectives 2024* study asked investors to compare prospects for public and private markets over the short, medium and long term. What it found was that respondents favoured public markets over the short term and private markets over the longer term.

The poll recognises the lack of correlation between the two. In times of crisis, public markets will tend to be quicker to take the hit – through marking to market, problems will become visible more quickly and buyers able to take advantage of discounts. This process tends to be slower in private markets, and there is more time to address issues outside the public gaze – they may indeed be dealt with successfully and therefore never surface at all.

During periods of volatility, fleet-footed fund managers will take advantage of relative value plays – switching between public and private markets according to where the best value resides at any given point in time. A recent example where that became evident was during the covid period where dislocation funds were raised quickly and with great success by some fund managers on the back of flexible investment mandates. Some of these strategies reportedly delivered strong returns and therefore seem likely to draw even stronger investor appetite in future.

The good news for private markets is that, over the long term, three out of four of our investor respondents were more positive about the private markets outlook than the public markets outlook. In the private debt market specifically, the advances made by private providers of finance at the expense of public sources have been well documented. The march of the private markets is unlikely to slow – regardless of short-term bumps in the road.