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LPs follow the pack

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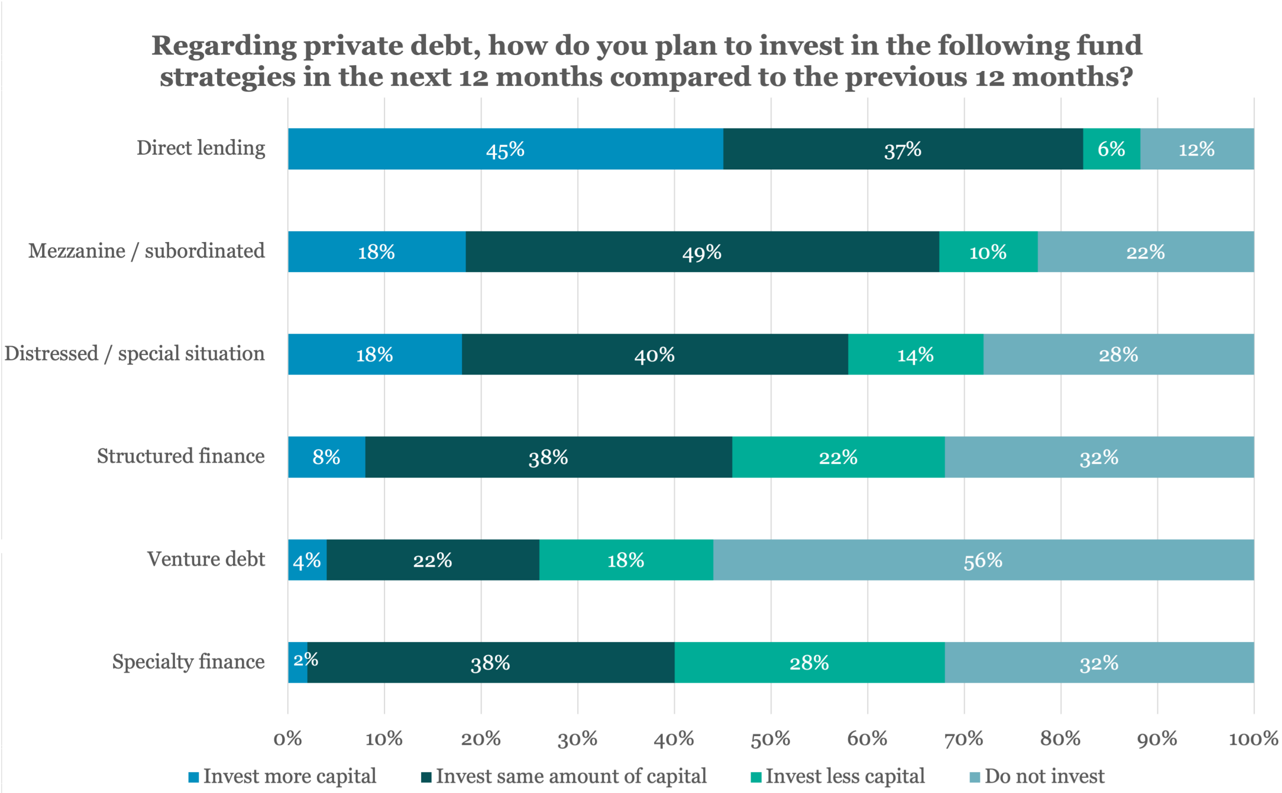

Our research indicates investors are keeping faith with mainstream strategies – at least for now.

Conservatism appears to be the driving force for many investors in private debt, our *LP Perspectives 2024 Study* suggests.

When it comes to fund strategy, direct lending has long been the most favoured option for investors – and nothing in our latest test of opinion suggests that is likely to change any time soon. Nearly half (45 percent) of investors plan to invest more in direct lending in the next 12 months than the last 12, with mezzanine and distressed debt/special situations the next most popular options at less than 20 percent.

In a podcast with *Private Debt Investor*, Reji Vettasseri, lead portfolio manager for private markets investments at Decalia, a Geneva-headquartered wealth management specialist, reflected on the findings of our study and said he wasn't too surprised by the dominance of tried and trusted firms and strategies.

He noted: "We are living in this period where the biggest firms with the most classic strategies have been seeing the biggest level of growth… the very big firms focused on direct lending are growing faster. Sometimes they call it the 'age of the dinosaur', it's a place where the bigger the better, the people who can eat everything and be more aggressive have actually done very well over the last few years."

He added that he sees this as natural in a fast-growing asset class where plenty of investors are in the early stages of building out a private debt programme. He questions whether this is the right approach over the long term, however.“

The dinosaur works when there are lots of feeding opportunities around but if you think about how markets might evolve, if you have too much capital in a certain place and when private debt starts becoming a very large proportion of the leveraged finance market in traditional LBO financing, it’s harder to generate a return premium.”