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Allocations on the up

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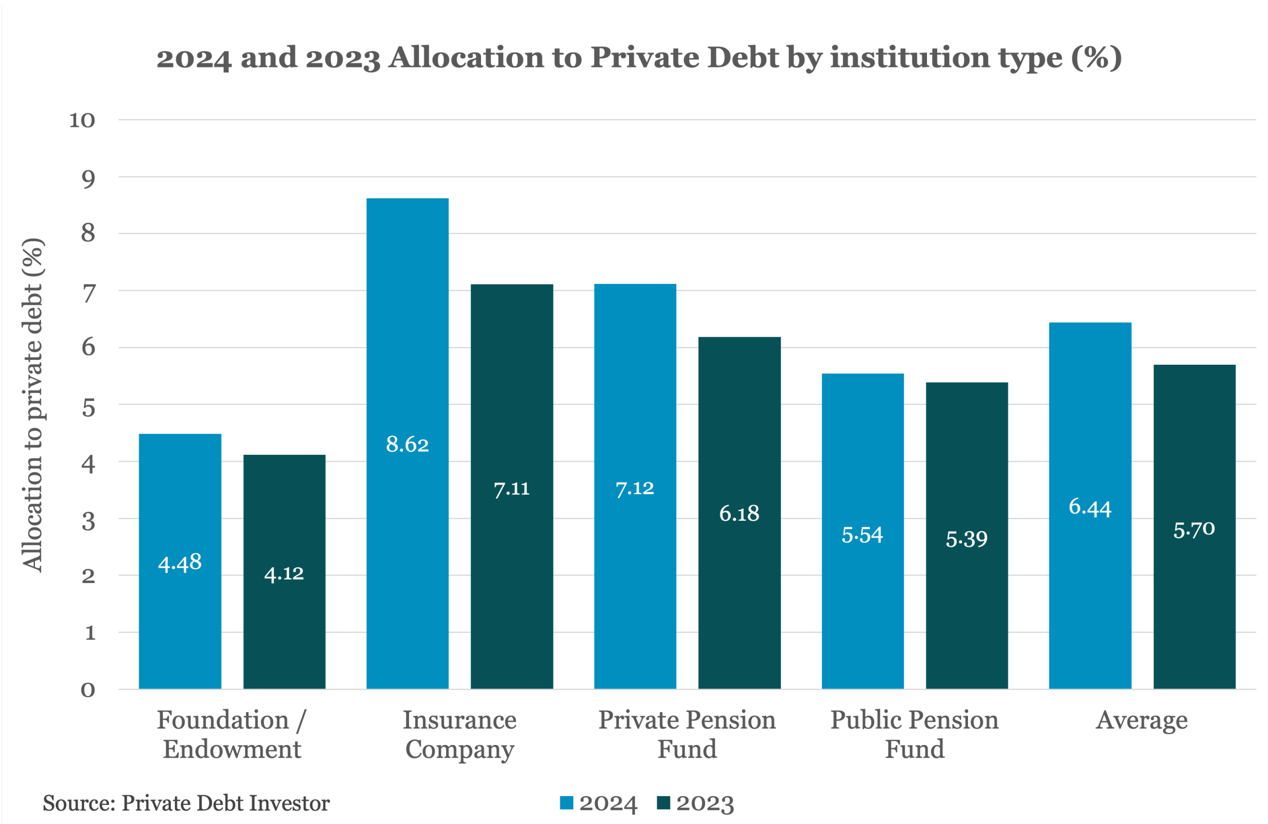

As a relatively young asset class, private debt still has plenty of room for bigger LP commitments. Insurers are leading the way.

You don't have to look too hard in the financial press to find commentary suggesting that insurance and private credit are a match made in heaven given the way that the characteristics of the two seem to be so well aligned.

Of course, even heavenly matches can take some work – and, in the case of insurance and private debt – a big part of the challenge has been finding optimal ways for insurers to access the asset class given their particular regulatory and strategic requirements.

Our latest *Investor Report* for 2024 appears to indicate that the relationship is progressing well. Between 2023 and 2024, the average allocation to private credit from insurers, foundations/endowments and pension funds rose from 5.70 percent to 6.44 percent. But insurers saw the biggest rise of all, from 7.11 percent to 8.62 percent.

However, there is still a long way to go. Our report also found that, among all types of investors, there is a high percentage of under-allocation to private credit. This is highest among foundations and endowments, 70 percent of which said they were under-allocated – but for all types of institution, the average was a lofty 63 percent.

Some LPs do appear to be fully engaged, however. We found that Florida State of Board of Administration made the most commitments to private credit last year, with 10 in total. The largest individual commitment to a private credit fund last year was made by New Jersey Division of Investment in the form of a $550 million commitment to HPS Investment Partners' HPS Garden Private Credit Fund.