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Strong performance in a dislocated world

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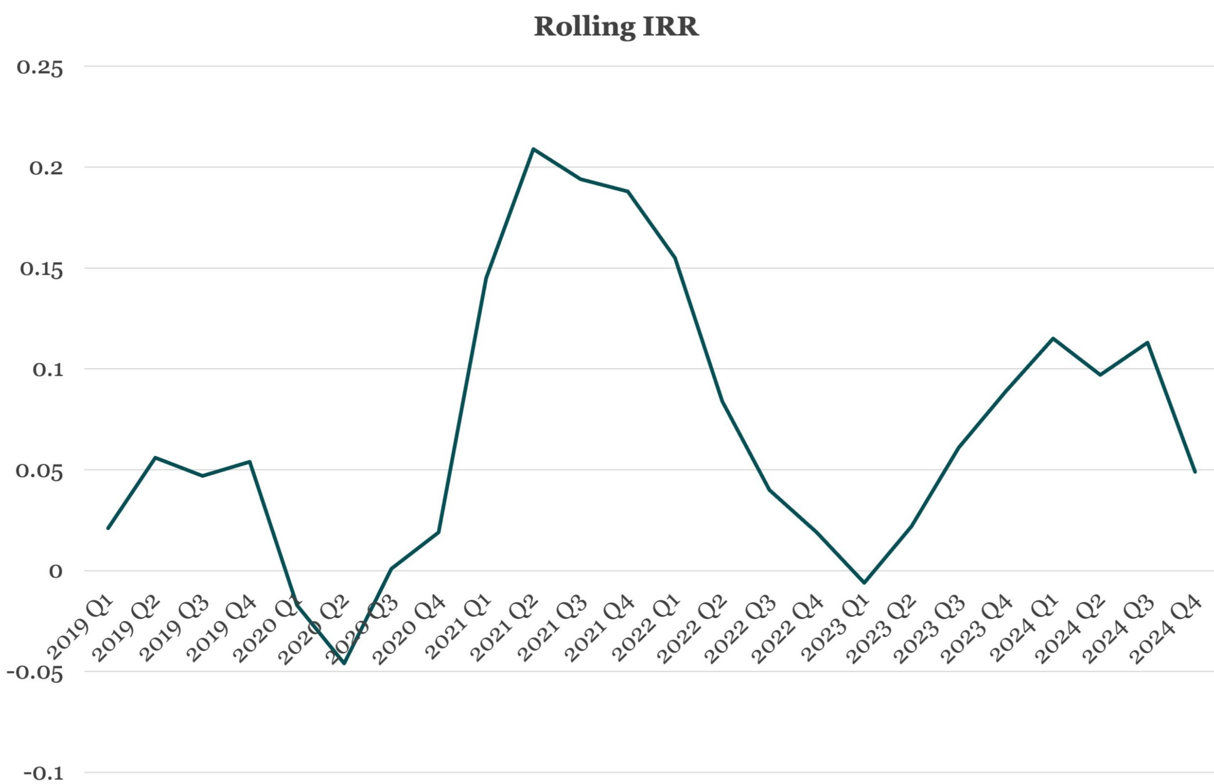

The covid pandemic saw high-quality assets with temporary difficulties being snapped up at discounted valuations.

In this, the final reflection on our inaugural private markets performance quarterly report, we cast our minds back to a classic period of dislocation – the covid pandemic – and the impact it had on returns.

In February 2021, Apollo closed a dislocation fund on $2.3 billion which brought the total raised for its dislocation strategy to $4.1 billion over a ten-month period. Towards the end of 2020 and into the early months of 2021, dislocation funds were all the rage. KKR famously raised $4 billion for such a strategy in eight weeks.

In an article for *PDI*, AlbaCore Capital founder and chief investment officer, David Allen, said that the covid-related dislocation opportunity – which saw GPs able to snap up quality assets facing temporary struggles – was over almost before it had begun. But he also said that the period had been capable of delivering internal rates of return of 50 percent or more.

The impact of covid dislocation can be seen in our accompanying chart, with the rolling one-year IRR as measured at Q1 2021 being far higher than for any other quarter represented in the chart between Q1 2019 and Q4 2024. This may be seen as a “covid spike” where some managers – in an asset class where mid-teen returns may be considered racy – were reaching the kind of performance heights alluded to by Allen.

With the 2020s having been characterised thus far by economic and geopolitical volatility – with the health of private credit portfolios coming under close scrutiny – it’s worth remembering that for at least some types of fund manager, stresses and strains can equate to outsized profits.