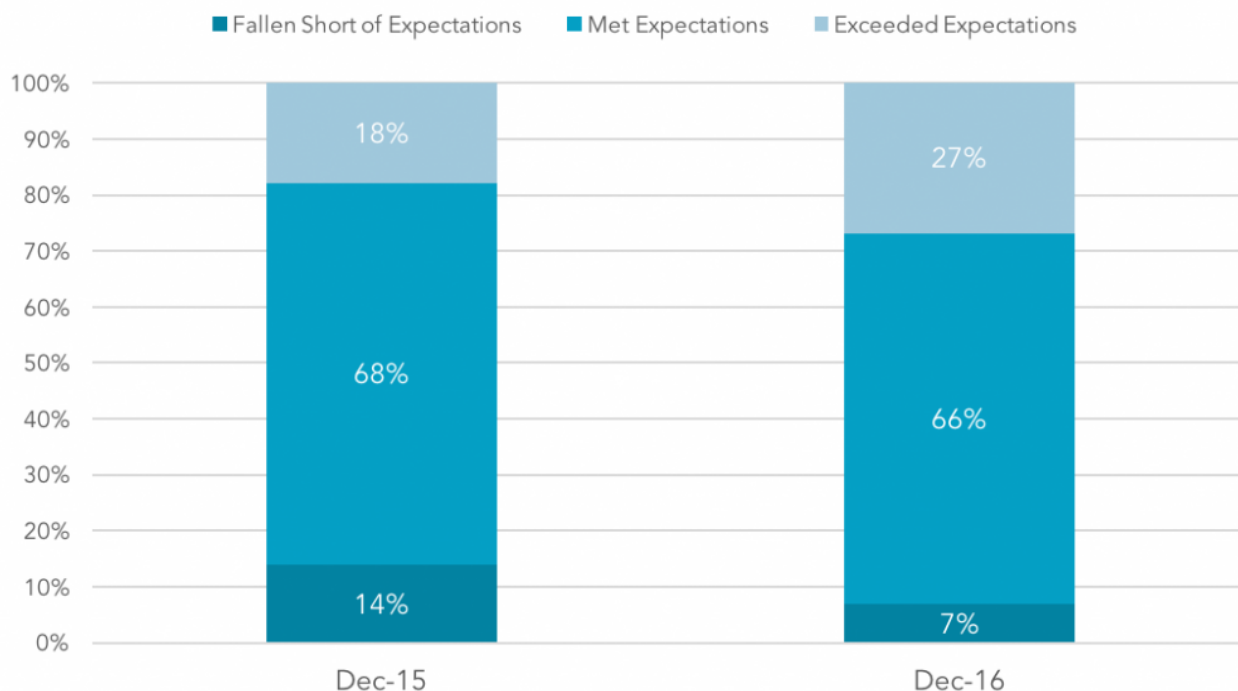


Private Debt Intelligence – 2/13/2017

THE LEAD | February 13, 2017

Private Debt Investors Delighted with Fund Performance

Proportion of Investors that Feel Their Private Debt Investments Have Lived up to Expectations over the Past 12 Months, 2015 vs. 2016



At the end of 2016, Preqin conducted surveys with over 90 private debt investors in order to gauge their satisfaction with the performance of the private debt asset class and to ascertain their investment plans for both 2017 and long-term future.

More than a quarter (27%) of private debt investors surveyed stated that the performance had exceeded their expectations, an increase of nine percentage points compared to the end of 2015. Over the same time, the proportion of respondents whose private debt investments fell short of expectations decreased to just 7% in 2016 from 14% the previous year.

Sixty-eight of institutional investors hold a positive perception of the asset class, compared with 54% at the end of 2015, while only 4% view private debt negatively. However, sentiment on the quality of opportunities within a given strategy can vary. For example, the prominence of the direct lending segment has certainly made private debt investing more accessible being at the relatively lower-risk end of the alternatives spectrum. Strategies that sit higher on the risk/return spectrum, such as distressed debt and venture debt, still offer the potential for impressive returns targeted by some investors.

On the heels of a successful 2016 for the asset class, Preqin's research suggests that another strong year lies ahead. The majority of respondents (57%) plan to invest more capital than they did in the previous 12 months while nearly two-thirds (62%) intend to increase their capital commitments over the longer term. Conversely, only 11% and 8% of investors stated that they will reduce their exposure to the asset class over the next year and the longer term respectively.

Given the results from Preqin's H1 2017 Investor Outlook survey, there is no reason to expect a change to the trend of increasing investor appetite for private debt through the coming year. Managers based in North America and Europe should continue to see successful fundraising cycles as long as regulatory environments remain conducive to non-bank lending activity.

Contact: Sam Livingstone
sam.livingstone@preqin.com