

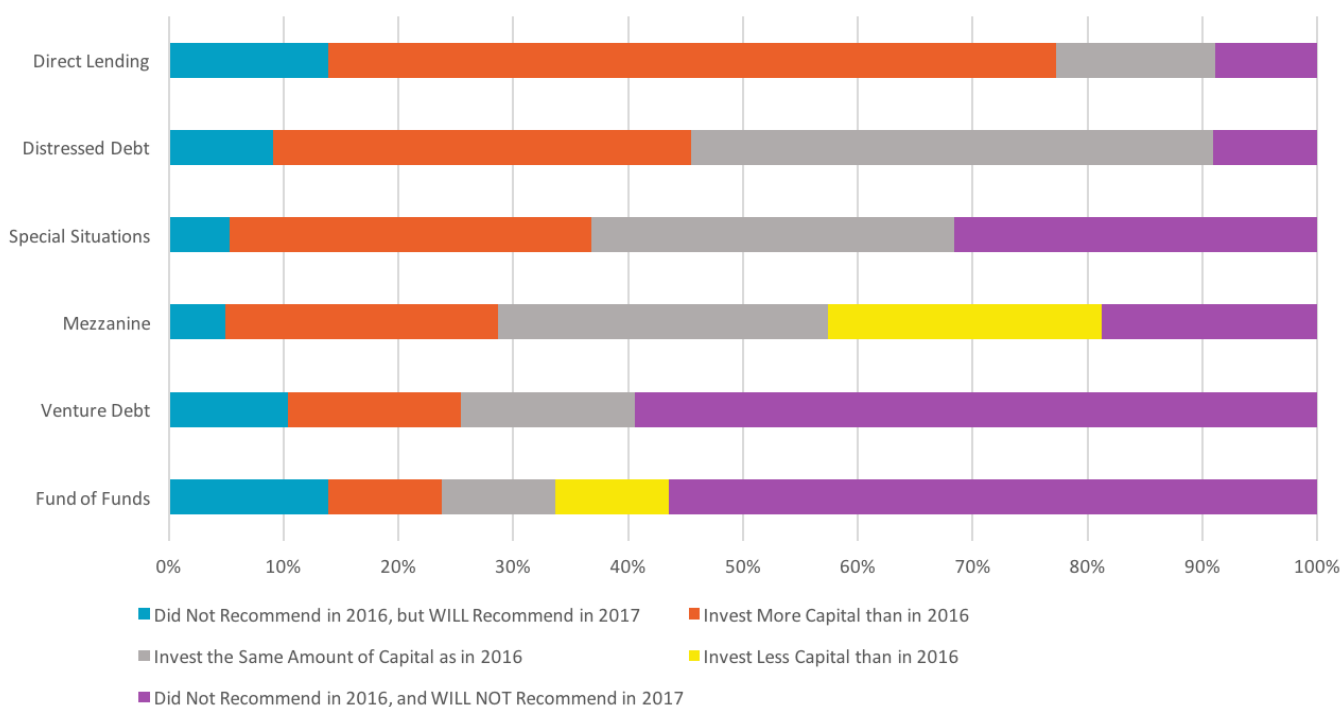
Private Debt Intelligence – 5/15/2017

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Private Debt Investment Consultant Outlook

Chart

Investment Consultants' Private Debt Recommendations for 2017 by Fund Type



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In November 2016, Preqin conducted a survey of 49 alternative investment consultants in order to determine their sentiment on the private debt asset class, and their regional, structural and strategic preferences for the coming year.

Investment consultants identified direct lending as the most promising private debt fund type heading into 2017, with 64% of consultants recommending that their clients invest more in these funds in the coming year than in 2016. Thirty-six percent of investment consultants are also recommending that their clients increase their allocations to distressed debt funds, while an additional 9% plan to recommend allocating to distressed debt vehicles that did not recommend investment in 2016.

It seems consultants are remaining split despite the fundraising success of mezzanine vehicles in 2016, as 24% of investment consultants will advise their clients invest more in the strategy, the same proportion that will suggest they invest less; 29% percent believe investors should invest the same amount in the strategy. Nearly two-thirds (60%) of investment consultants surveyed by Preqin believe that their clients should invest in maintain or increase their level of commitments to special situations funds in 2017. Moreover, a further 5% will recommend the strategy to their clients despite not advising it the previous year.

Venture debt and private debt fund of funds managed to attract robust levels of investor capital in 2016, however it seems investment consultants are yet to be convinced of their potential. Of those that did not recommend either strategy to their clients in 2015, 14% will now recommend fund of funds compared to 57% who still will not, while 11% will now advise their clients to allocate venture debt with 63% still not recommending the strategy.

Overall, the outlook for private debt funds in 2017 remains largely positive. After another strong year of returns and capital distributions, overall, investment consultants continue to advise their institutional clients to maintain or increase private debt allocations.

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