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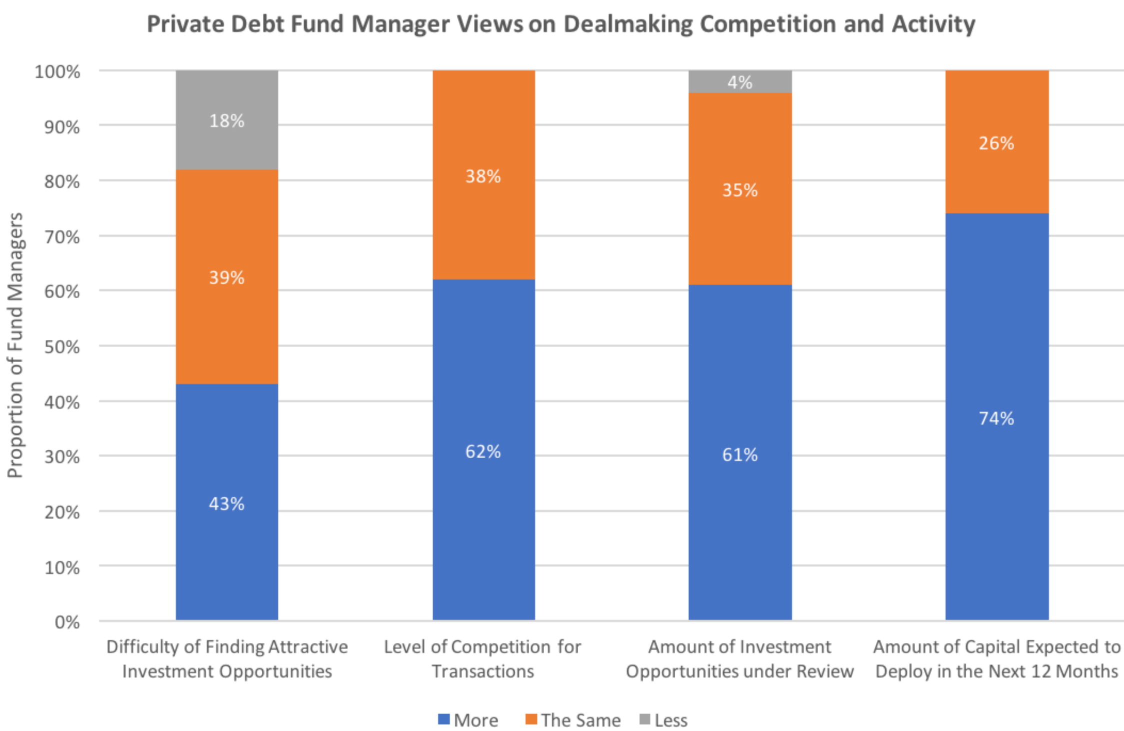
Private Debt Fund Managers Adapt to Rising Competition

Chart



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The private debt industry is seeing fundraising figures on pace with those of 2016, and optimism among private debt fund managers for the asset class remains high. However, high levels of deployable capital and an increased number of industry participants have likely contributed to increased difficulty in sourcing attractive investment opportunities.

Of the fund managers surveyed by Preqin in June 2017, the largest proportion (43%) reported that it had become more difficult to find attractive investment opportunities, and only 18% reported that it had become easier.

Additionally, as investor demand for private debt fund grows, and as more participants flock to the asset class, the level of competition among fund managers has intensified. The majority of private debt fund managers are finding that the level of competition for transactions has increased from 12 months ago. While 62% of fund managers noted an increase in the level of competition for transactions compared to last year, no surveyed fund manager reported seeing a decrease.

As a result, the majority of fund managers are reviewing a greater number of potential investments in H2 2017 than they were 12 months ago. While only 4% of fund managers are reviewing fewer investment opportunities, about a third (35%) are reviewing the same number of investment opportunities, and 61% are reviewing a greater number of opportunities compared to 12 months ago.

Given that there is more dry powder available for fund managers to deploy, and that they are seeing more intense competition for deal making opportunities, it is perhaps unsurprising that managers will look to deploy more capital in the year ahead. Almost three-quarters (74%) of fund managers expect to deploy more capital in the next 12 months than in the previous 12 months, while 26% expect to deploy the same amount. In contrast, no fund manager reported planning to deploy less capital in the coming year than they did in the past 12 months.

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