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Private Debt Intelligence – 5/14/2018

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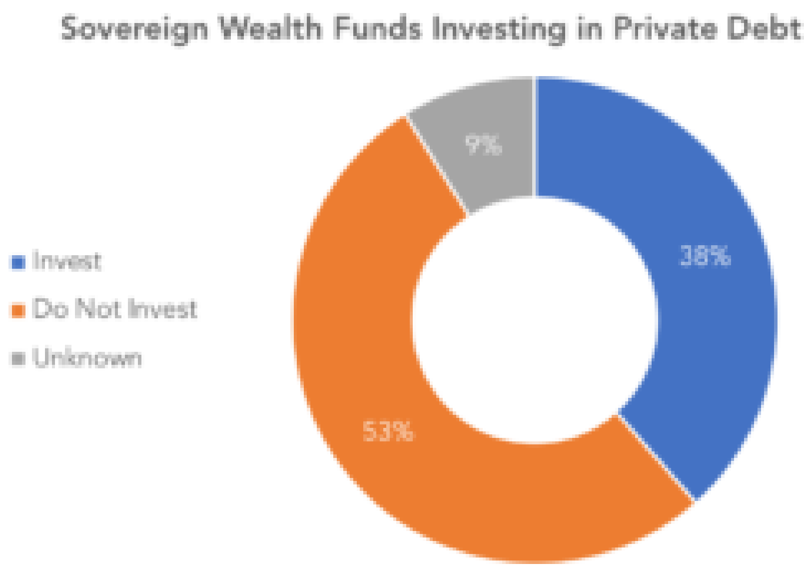
Sovereign Wealth Funds Invest in Private Debt

Chart



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Many institutional investors regard private debt as an asset class that presents attractive opportunities amid low interest rates and stringent regulatory requirements imposed on banks post-Global Financial Crisis. Sovereign wealth funds also have gravitated to the asset class, and 38% of this group of investors are known to invest in private debt.

Similar to previous years, larger sovereign wealth funds are more active in private debt investments than their smaller counterparts, and notably, no sovereign wealth funds with less than $1bn in assets under management invest in private debt. Eighty-three percent of such investors with $100-249.9bn in assets make investments in private debt and 67% of sovereign wealth funds with $250bn or more in assets do as well.

Of all sovereign wealth funds that invest in private debt, the largest proportion (73%) target mezzanine vehicles. A further 67% of sovereign wealth funds invest in distressed debt and 57% invest in direct lending. Just 10% of sovereign wealth funds investing in private debt seek out fund of funds, while 17% of sovereign wealth funds target venture debt.

Europe remains the most favoured region for private debt exposure, as targeted by 67% of sovereign wealth funds investing in the asset class. North America is also targeted by a majority (63%) of sovereign wealth funds, with institutions attracted by the established legal and regulatory framework within these regions which offers a relatively stable investment environment. A significant proportion (57%) of sovereign wealth funds seek a more diversified portfolio by operating a global mandate. Private debt investments in emerging markets continues to gain traction as viable recipients of capital, with 53% of sovereign wealth funds targeting emerging economies in search of attractive opportunities and relative value.

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