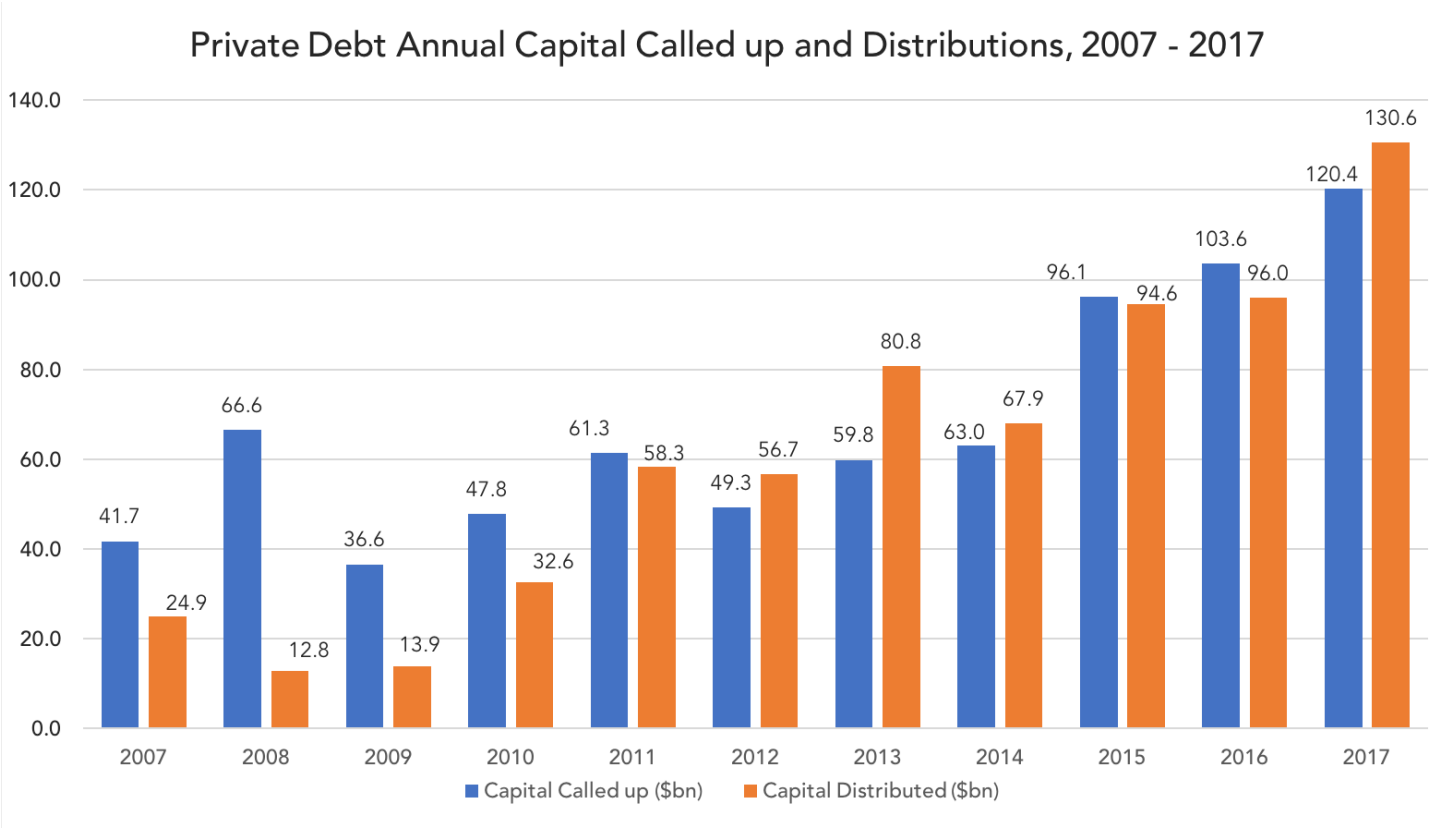
Private Debt Intelligence – 9/24/2018

THE LEAD | September 26, 2018

Private Debt Capital Distributions Reach Record Highs

Chart



Download Data

[wpdm_package id=’20360?]

Private debt has a history of strong returns, and the asset class has consistently met, and often exceeded, investors’ performance expectations. In fact, according to Preqin’s latest survey of institutional investors, 91% of investors said that private debt has met their performance expectations over the past 12 months, including 13%

which say that the asset class has exceeded performance expectations. Due to past years' strong performance, investors are seeking 9.8% in returns from the asset class.

This is in line with past returns seen by the asset class. Funds of vintage years 2014 and 2015 have returned 10% respectively. Distressed debt vehicles saw the highest returns for these vintages, with 2014 vehicles returning 11% and 2015 vehicles returning an average of 15%. 2014 direct lending funds saw returns of 9.6% and saw returns of 9.3% for funds of 2015 vintages. Mezzanine funds produced similar returns to direct lending, seeing returns of 9.2% and 9.8% for funds of vintage 2014 and vintage 2015 respectively.

This strong performance has pushed private debt to see record capital distributions of $131bn at the end of 2017 – the latest available data. This broke the previous record set in 2016, when capital distributions reached $96bn. Capital called up by fund managers also reached a new record of $120bn in 2017, surpassing the previous record of $104bn in capital calls set in 2016.

Therefore, it is unsurprising that almost a third (31%) of institutional investors plan to invest more capital in private debt in the next 12 months than they did in the past year, while just 14% plan to invest less capital. With private debt showing strong performance, and investors seeking to pour more capital into the asset class, it looks likely that 2018 could see capital distributions and capital calls match the levels seen in 2017.

Contact: Naomi Feliz
Naomi.Feliz@preqin.com