Private Debt Intelligence – 10/29/2018

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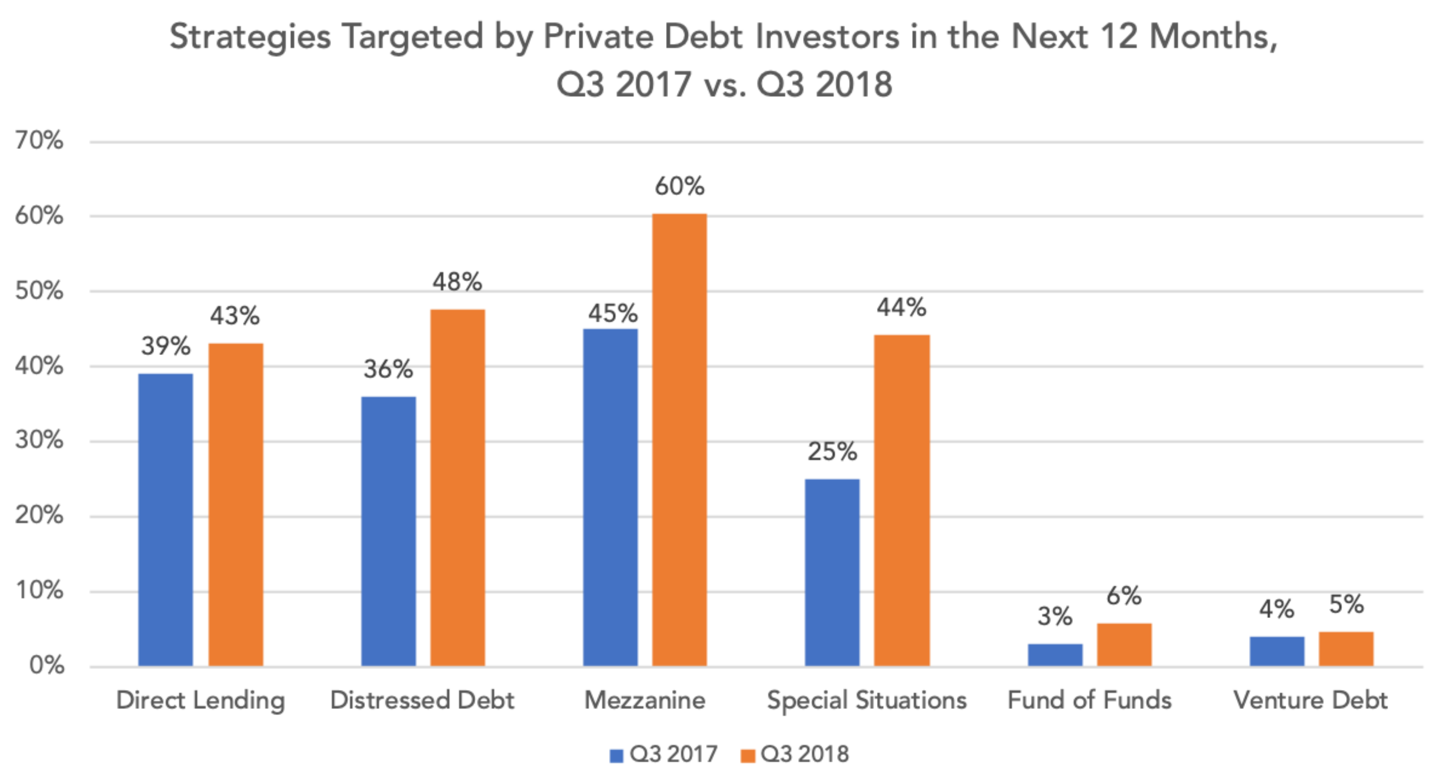
What Are Private Debt Investors Up to?

Chart



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A significant majority (60%) of investor searches issued in Q3 2018 for new private debt fund commitments in the next 12 months were for mezzanine funds, up from 45% of searches in Q3 2017. In fact, there has been an uptick in interest across all strategies, an indication of investors looking to increasingly diversify their portfolio mandates across a wide range of strategies. The largest uptick in interest has been for special situations funds: in Q3 2017, 25% of investor searches issued for new fund commitments were for special situations, in Q3 2018, this proportion rose to 44% of investor searches.

Europe remains the most targeted region among private debt investors in the next 12 months: 60% of investors are seeking exposure to the region, up from 52% in Q3 2017. In fact, North America, Rest of World and emerging markets have all seen similar upticks in investor appetite in Q2 2018 compared to this time last year. Asia-Pacific was the only region to not see an uptick, and about a quarter (26%) of investor searches issued in both Q3 2018 and Q3 2017 were for the region.

According to a Preqin survey conducted in June, over three-quarters (78%) of investors reported that private debt had met expectations over the past 12 months Another 9% reported that performance had fallen short of expectations and 13% found that performance had exceeded expectations. It’s therefore unsurprising then that private debt investors are largely looking to commit the same amount of capital to the asset class in the year ahead as they were a year ago. Over half (52%) plan to commit under $50mn, while 19% plan to commit $50-99mn. A further 30% are planning to commit $100m or more.

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