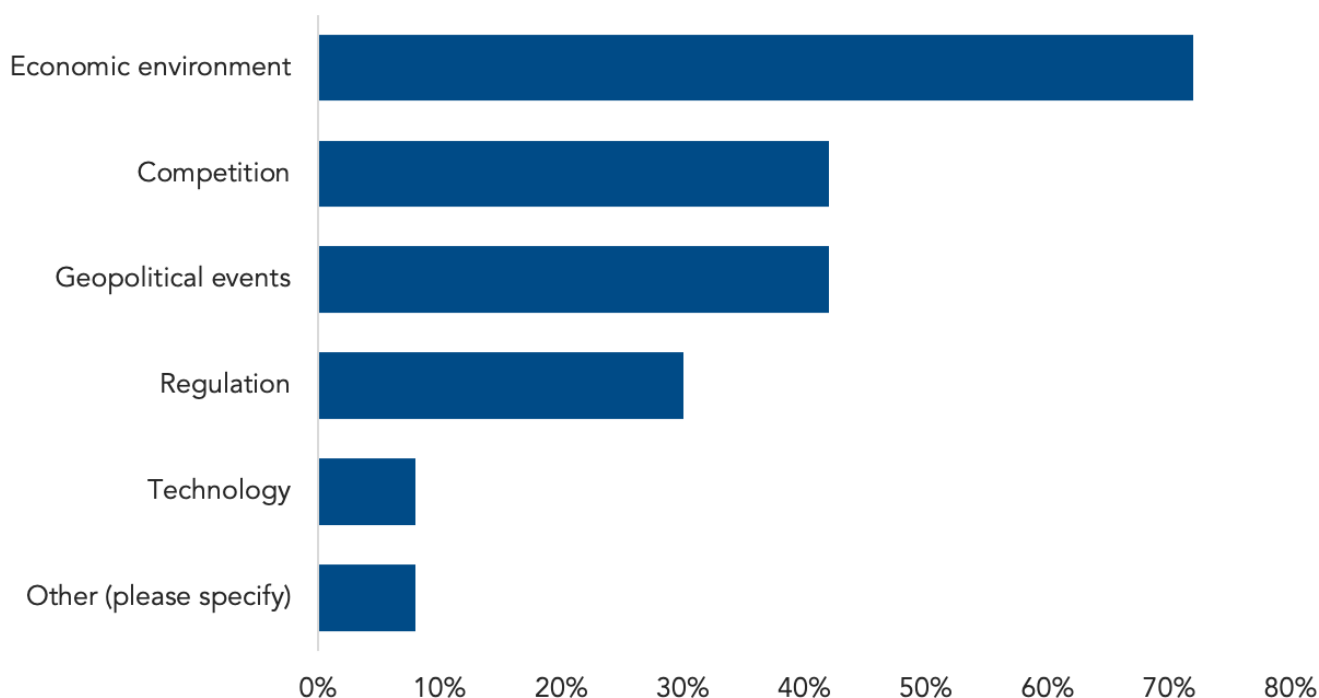


Private credit and a different view on economic conditions

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ECONOMIC BACKDROP WORRIES CFOS

What will be the main barriers from meeting your objectives in 2019?



Source: Private Funds CFO and RBC's Regulation & Fund Domiciles

Concern over the economy often relates to worries over a recession or correction. Private debt managers, however, may fear things becoming too good.

Private fund chief financial officers fear that the economic environment could be the main barrier to achieving their goals this year, according to a survey sister publication Private Funds CFO conducted with RBC.

Some 72 percent of responding CFOs at private markets firms (the plurality of which were private credit managers) believe the economic backdrop could be prohibitive.

This has been a cause of concern for private debt providers for years – or at least for the concerning deal terms that the economic boom has been partially responsible for. Certainly, lenders aren't displeased that more people have jobs and that businesses are broadly meeting their obligations.

Talk to many of them privately though – or even publicly for some – and they will admit that they would not mind some kind of correction in the economy. Such an event would shift the deal-making process back in favour of the lenders.

Many investors root for a humming economy – equities books perform better, borrowers service debt and losses do not broadly pile up. But for private credit managers, concern over the economic environment takes a different form – hoping the economy is good but not too good. It's as if Goldilocks were an alternative lender.