Private Debt Intelligence – 8/5/2019

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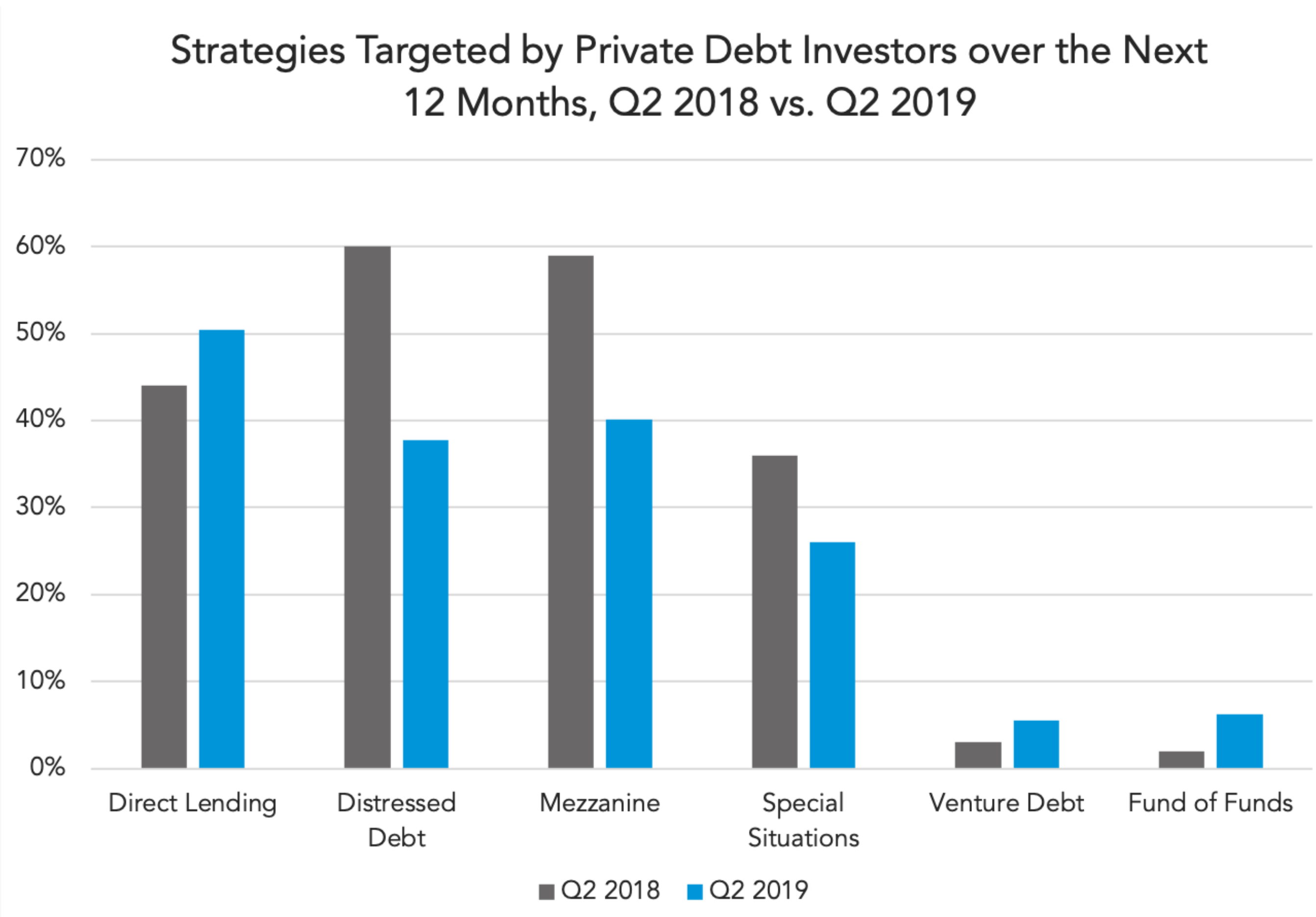
Investors in Private Debt More Cautious in Q2 2019

Chart



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Analysing the fund searches that private debt investors make, we can gain some idea of what demand for various fund types and regions will look like in the coming months. Comparing what investors were looking for in Q2 2019 to a year ago, the scenario has slightly changed and in the year ahead they might be taking a more cautious approach to private debt investments.

Almost two-thirds (64%) of the fund searches issued by private debt investors in Q2 2019 were for a single fund, a notably larger proportion than the 36% of searches conducted in Q2 2018 that sought only a single mandate. At the same time, the percentage of investors looking to invest in between 4 and 9 funds has sharply deceased from 30% in 2018 to just 8% in 2019. The amount of fresh capital investors plan to commit to the asset class will likely be less – 67% are looking to commit less than $50mn, up from 55% that said the same in Q2 2018. This suggests that investors might be looking to take a more conservative approach to private debt over the next 12 months.

Appetite for direct lending vehicles appears to have grown over the past 12 months, as half of investors are looking to commit to the strategy in the coming year. At the same time, the attitude towards distressed debt has deteriorated with just 38% of investors planning to commit in the year ahead, down from 45% in Q1 2019 and 60% in Q2 2018. Venture debt and fund of funds strategies have also become more sought-after, with the proportion of investors targeting each of them doubling from 6% one year ago, but they remain the least preferred for investors.

Within regions targeted by private debt investors, Europe and North America remain the preferred options. Although the data shows that appetite for Europe has declined over the last 12 months, the region is still the most desirable destination for private debt investments, with half of investors targeting it. In Q2 2019, North America was targeted by 47% of investors, which could surpass Europe if the interest in this region keeps decreasing at the same speed.

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