Private Debt Intelligence – 9/23/2019

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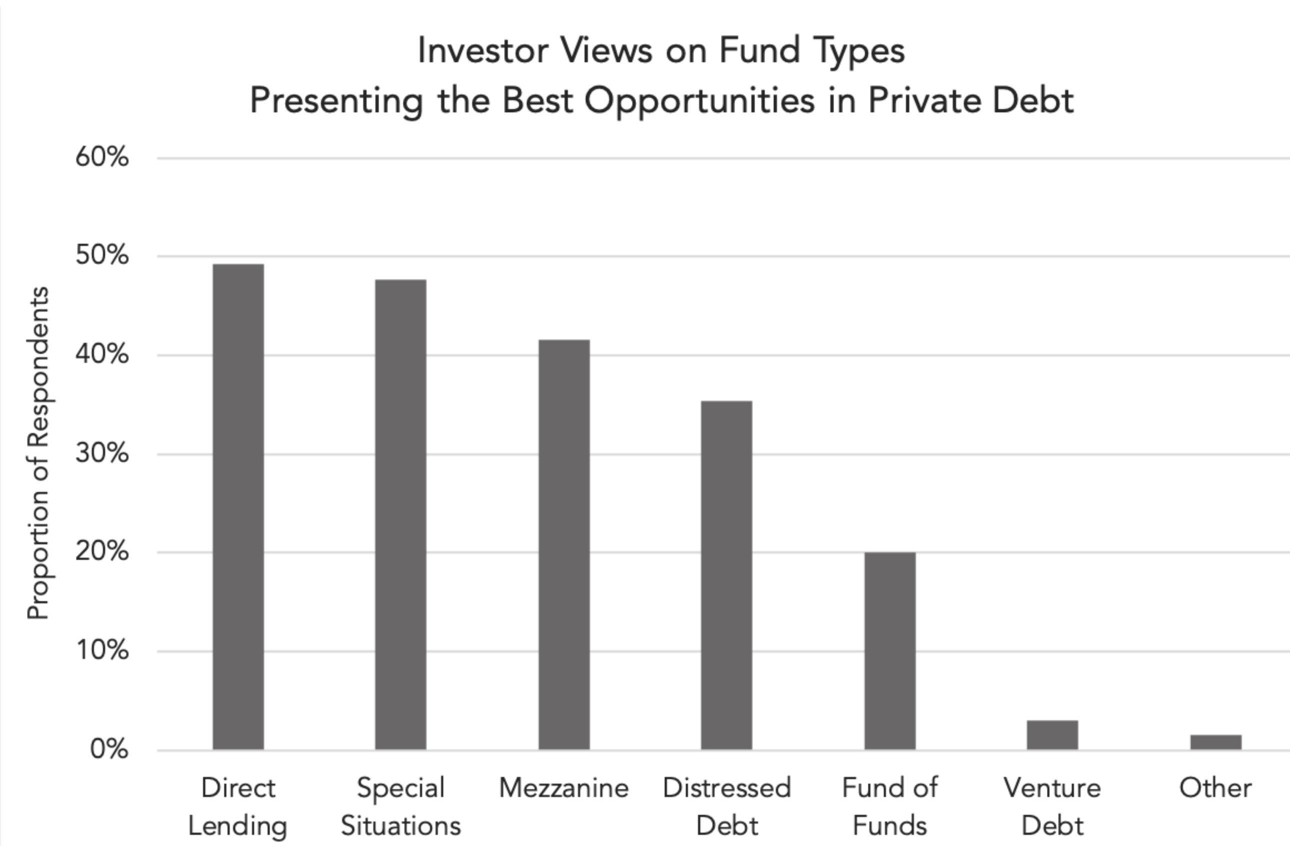
Private Debt Investors' Preferences

Chart



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Based on the Preqin's Investor Update report, private debt investors would have changed their preferences on how and where the best opportunities are presented in the asset class in the next 12 months. Direct lending remains the most sought-after strategy among private debt investors, with almost half (49%) believing the strategy presents the best opportunities for the coming year. Appetite for special situations and mezzanine funds is on the up, though: at the start of H2 2018, just 19% and 20% of investors intended to target these strategies respectively in the next 12 months, whereas this has now increased to 48% and 42%. Investors are evidently looking to move towards a more favourable risk/return profile in the current market environment.

Investors' views on developed markets presenting the best opportunities in the asset class have not changed much. Most private debt investors will look to target the established markets of the US and Western Europe (excluding the UK) in the year ahead. Investors will also be looking at opportunities in the UK, with almost a quarter (23%) believing it presents the best opportunities in private debt right now. But the region has experienced a decrease in interest from investors compared to the beginning of the year; 34% of surveyed investors were targeting the UK in H1 2019.

Regarding emerging markets, the views on where the best opportunities are in private debt have changed. At the beginning of the year investors were looking towards China, Brazil and Emerging Asia. In H2 2019, Emerging Asia is likely to receive most attention from private debt investors in the near future. Brazil and China have moved to fourth and fifth position respectively, and Central & Eastern Europe and India have attracted more attention; 31% and 21% of investors are showing interest in those regions.

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