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# LPs set to continue strong backing of private debt in 2020

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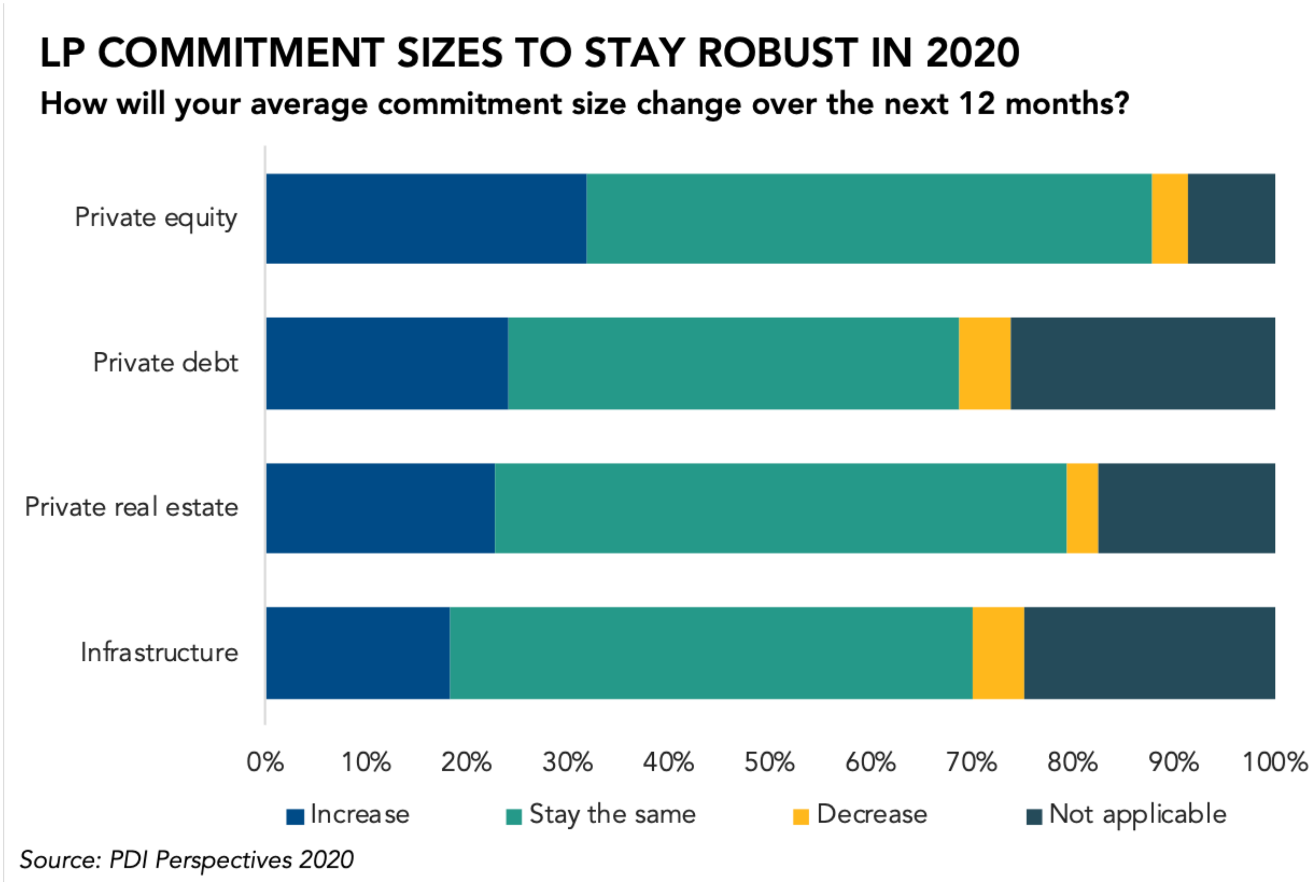


*Private equity will also maintain healthy investor support, which is likely welcome news to many direct lenders that focus on sponsor-backed transactions.*

Private debt managers will likely enjoy continued investor support in 2020, according to PDI Perspectives 2020, the latest installment of our annual investor survey.

Among the core alternative asset classes, private debt is the second-most likely to see an increase in allocation size. Some 24 percent of investors said they anticipate a hike in their ticket sizes in the next 12 months. Forty-five percent say their ticket size will remain the same.

The storyline for the asset class heading into 2020 doesn’t seem set to change too much, which will be to managers’ liking. The scene that set the table for private credit’s rise years ago still remains in place; even lower interest rates make for yield-starved investors, and the thought of trading illiquidity for an extra return entices some investors.

Another welcome piece of news for alternative lenders: 88 percent of LPs plan to maintain their private equity commitment size. Since much of the industry is focused on sponsor-backed deals, that the private equity tap is still on amplifies the credit managers' case for raising larger funds. Though for many, the question may be whether asset prices become heated – if they haven't already.

The question going forward may not be whether investors will keep supporting private credit. Rather, what the industry must ask is what it would take for LPs to dial back private debt demand.