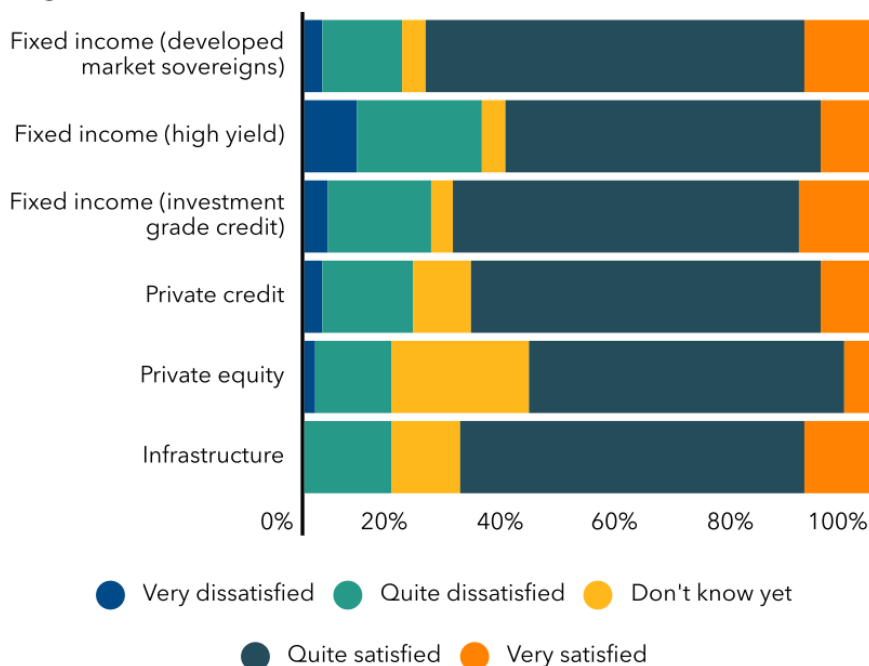


Debt takes a larger slice of the pie

PEI Private Credit | August 4, 2020

How satisfied are you with the performance of actively managed strategies in your portfolio in 2020 thus far relative to their benchmarks or targets?



Source: bfinance

A new survey shows private credit's solid performance makes it an investor favourite.

Private credit is expected to be the fastest-growing part of institutional investor portfolios, according to research from consultancy bfinance.

The firm's latest asset owner survey spoke to 368 investors managing approximately \$11 trillion in assets and found that private markets are set to see major growth within portfolios during 2020.

When asked how the percentage of portfolio invested in various asset classes was likely to change from January 2020 to January 2021, an increase of 61 percent was foreseen for private markets as a whole with 79 percent of investors active in the asset class.

But expected growth for private credit was higher than average with investors expecting the private credit portfolio to increase by 64 percent while only 6 percent expect a decrease. This compared to a 54 percent expected increase in private equity investment and 53 percent in infrastructure.

Fixed income is expected to decline, with investors expecting their fixed income portfolios to shrink 24 percent on average, driven largely by an aversion to sovereign debt, which will see an average decline of 30 percent.

One investor said: “We are planning on the introduction of private credit, with some reductions in investment-grade credit and equities to fund the new allocation.”

Another commented that their shift into private markets funds has not changed as a result of the coronavirus crisis, and said an increase in private markets allocation “is in line with our target allocation, this has not changed due to covid”.

In terms of investor satisfaction, private credit fared well with 61 percent of firms saying they were quite satisfied with performance, while 10 percent said they were very satisfied. Only 16 percent were quite dissatisfied and 3 percent very dissatisfied.