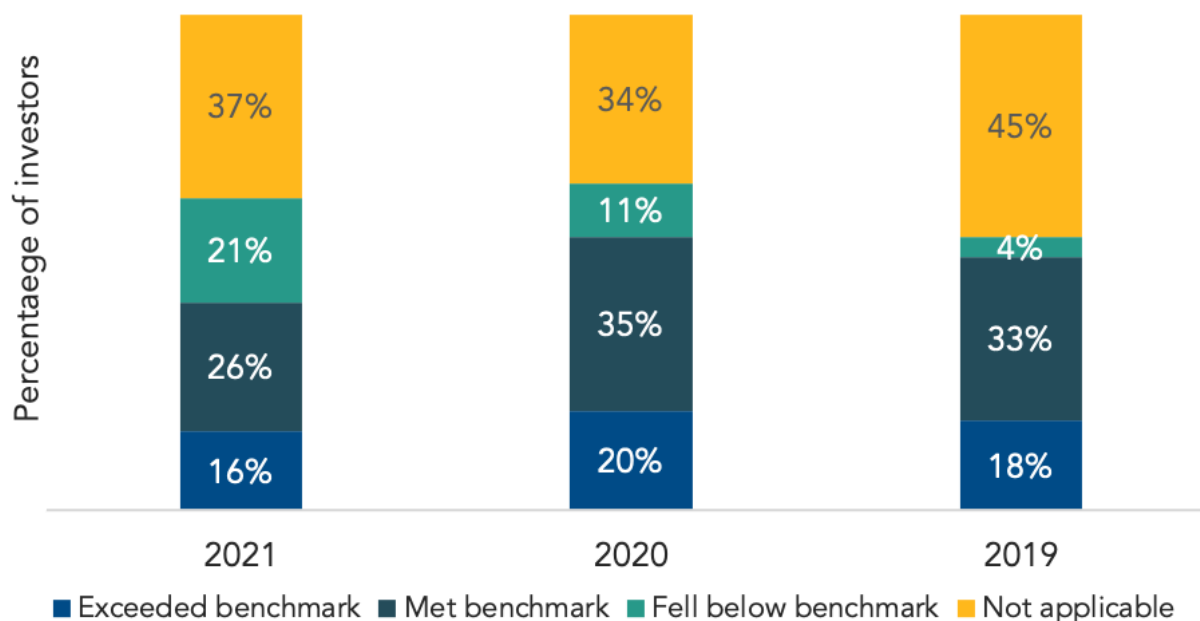


The LP view of 2021

PEI Private Credit | January 5, 2021

How has private debt performed against its benchmarks over the past 12 months? (%)



Source: Private Debt Investor's LP Perspectives 2021 study

Our annual study of investor sentiment finds optimism over future performance and an enthusiasm for distressed debt.

Amid all the worry and confusion that has accompanied the global health crisis, it can be difficult to focus on the fundamentals of business – understandably so. But investors in private debt know the importance of keeping a clear head in order to objectively assess prospects for the asset class.

In the February issue of *Private Debt Investor*, we will be publishing the full results of our annual *LP Perspectives 2021* study. This study reached out to LPs to discover their thoughts on a range of private debt-related issues. On the whole, and in the face of the covid-19 whirlwind, these investors appear to remain reasonably optimistic.

On the key issue of performance, there are some concerns about the year gone by. Some 21 percent of LPs felt private debt performance fell below its benchmark in the last 12 months, almost double the 11 percent figure recorded a year ago and more than five times the 4 percent figure from two years ago (see chart above).

However, when it comes to the next 12 months, the picture looks rosier. The number expecting the benchmark to be missed drops to 14 percent (lower than the 16 percent recorded a year ago), while 21 percent think the

benchmark will be exceeded (higher than 13 percent a year ago and 15 percent two years ago).

In terms of future allocations, the study finds appetite continues to be strong for a variety of private debt strategies. Most favoured is distressed debt, with 38 percent of LPs keen to invest more in that area, while direct lending is only just behind on 35 percent. Least attractive appears to be mezzanine and subordinated debt, the only strategy where LPs keen to invest less (24 percent) outnumber those wanting to invest more (22 percent).

In future editions of *Lead Left*, we will bring you more findings from our study, including views on how effectively private debt deals are likely to withstand the downturn.