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Asia Pacific wakes up to private debt

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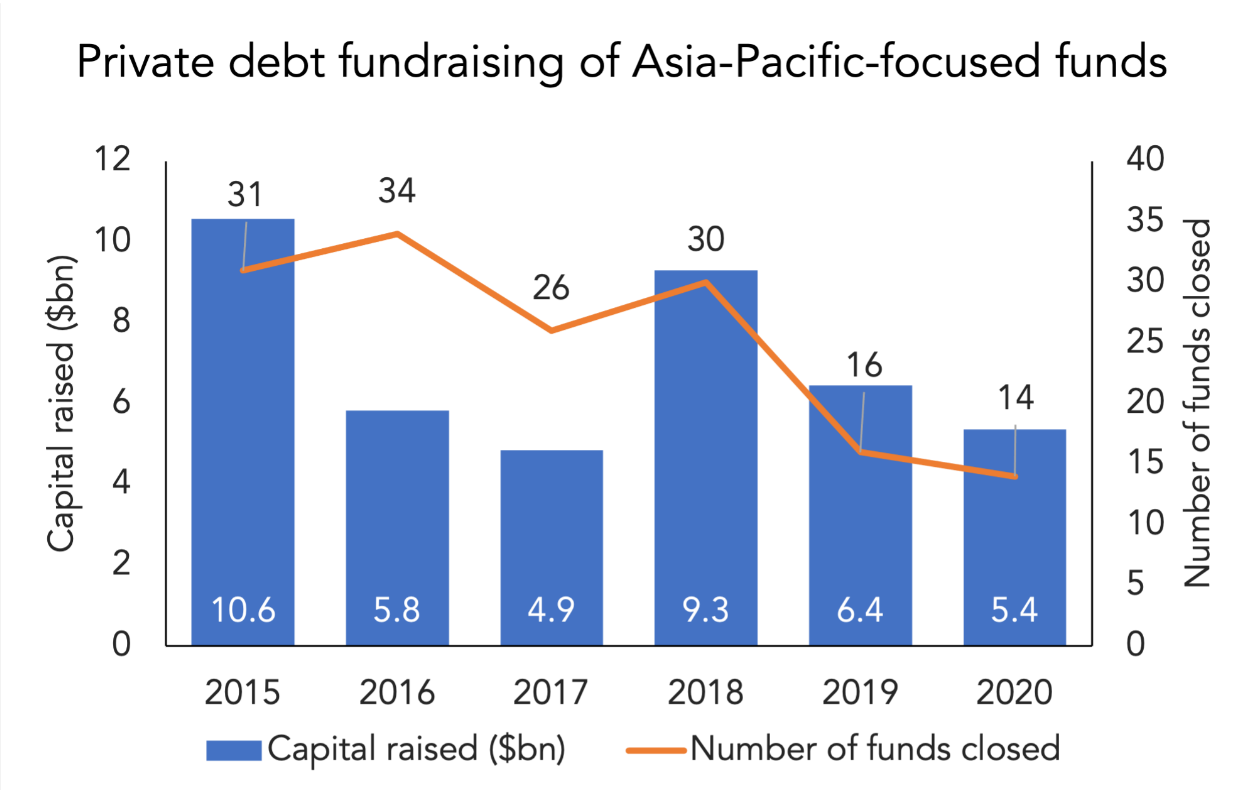

From having tentatively dipped their toes into private debt's waters, investors based in Asia Pacific have been bravely wading in over the last few years. Limited partners based in Korea in particular have found private debt much to their liking, especially funds that are positioned more towards the conservative end of the risk/return spectrum.

But while there have been numerous willing pioneers, it is likely that a lot more capital has been waiting on the sidelines to see how private debt would handle its first major crisis. In a cover story that we researched for the March issue of *Private Debt Investor*, we sought to find out how Asia Pacific-based LPs are perceiving the asset class as it fights its way through the pandemic.

One of the key findings was that, on the whole, these LPs have been impressed by the resilience they have witnessed so far. Performance seems to be in line with benchmarks and it has been noted that borrowers and lenders have worked together in a collegiate manner to support portfolio companies. If the view continues to be favourable, then it seems only a matter of time before Asia Pacific becomes a more significant source of capital than it has been so far.

Another finding was that, while initial commitments have mainly gone to North American and European managers, there is now a greater willingness to look to the region's own home-grown players.

This would be very welcome because, as can be seen from the chart above, Asia Pacific managers have not as yet raised anywhere near the level of capital accounted for by North American and European managers. Out of nearly $149 billion raised globally by private debt last year, only just over $5 billion was accounted for by Asia Pacific. If the region’s private debt market is to attain scale, it will need local champions to step forward.