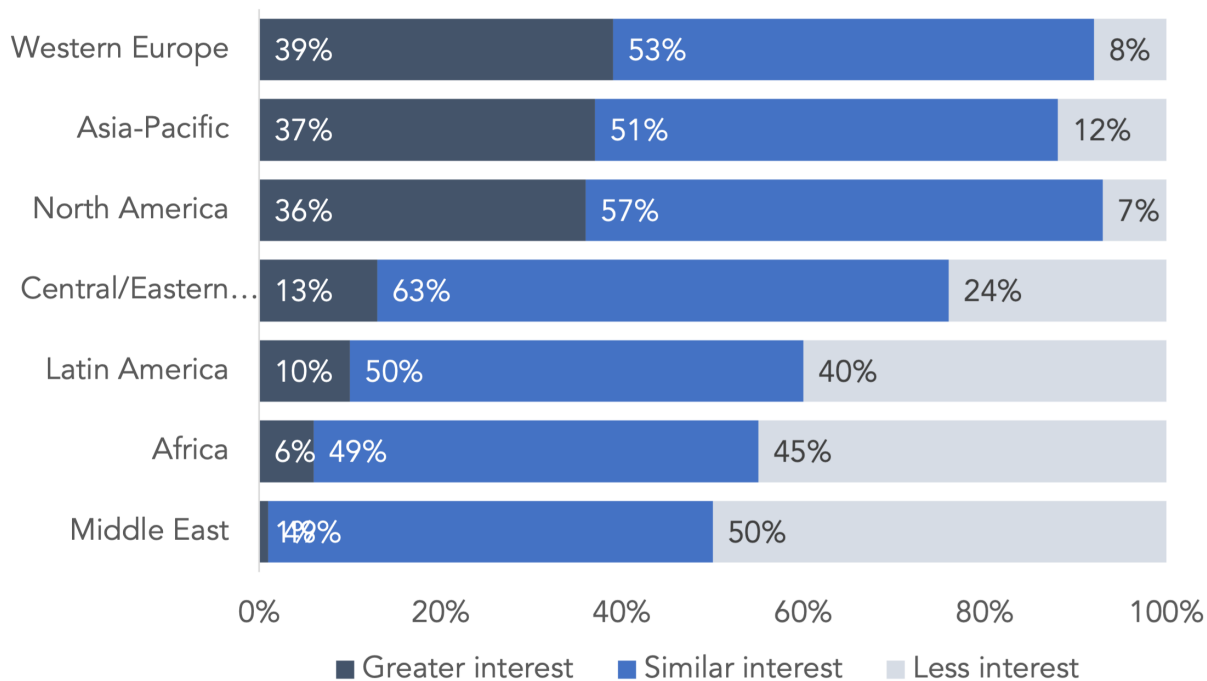


What's the real story on Asia-Pacific?

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Thinking about private markets investing generally, how will your interest in the following regions change over the next 12 months?



Source: Private Debt Investor's LP Perspectives 2022 Study

Our fundraising data for 2021 shows impressive growth on a global basis, but not so much in a region that many claim to have strong interest in.

Investor interest in Asia-Pacific is clear and undeniable. That at least seems the obvious conclusion from our LP Perspectives study, which unveiled more interest in increased investing in Asia-Pacific than in North America over the next 12 months (see chart).

But, when it comes to fundraising, investors appear to be reluctant to dig deep into their pockets. In Asia-Pacific, according to our latest figures, private debt fundraising last year reached a humble \$8.5 billion, compared with \$114 billion for North America and \$66 billion for Europe. The forward-looking picture, represented by funds currently in market, is much the same. North American managers are seeking \$138.5 billion, European managers \$87.5 billion and Asia-Pacific managers just \$18.3 billion.

While appetite in the established private debt markets was clearly increasing last year, in Asia-Pacific it remained stubbornly stable. The figures quoted above are broadly in line those seen in the region in recent years. For those hailing the potential of private debt in Asia-Pacific, the numbers are perhaps a little disappointing.

They don't suggest a substantial upturn any time soon.

Moreover, much of the allure of Asia-Pacific has been predicated on the rapid growth of many of its key markets. For all the risks and idiosyncrasies of operating in the region, the trade-off has been the opportunity to support fast-growing businesses and thus deliver potentially higher returns than are available elsewhere.

But even this supposition has been thrown into doubt. A report out this week from Hong Kong-based fund manager Zerobridge points out that while China and other Asian economies led the pandemic recovery in the early stages, "that dynamic has reversed". The firm says that while the West has begun to open its borders and wallets, the pursuit of 'zero covid' in China and elsewhere is acting as a constraint on growth. This is a frustrating development for fund managers which have, for example, spotted a gap in the Chinese SME market as demand for capital increases amid bank retrenchment.

It's certainly not all bad news. Zerobridge points out that the pandemic and ensuing policy responses "can be instruments of creative destruction and opportunistic deals". It also suggests that 2022 may be the year when the tourism sector begins to recover, providing encouragement for firms operating in that sector. But for those managers – both domestic and international – pinning their hopes on Asia-Pacific's growth, the future looks a little less straightforward than it might have done.

(Past performance is no guarantee of future results.)