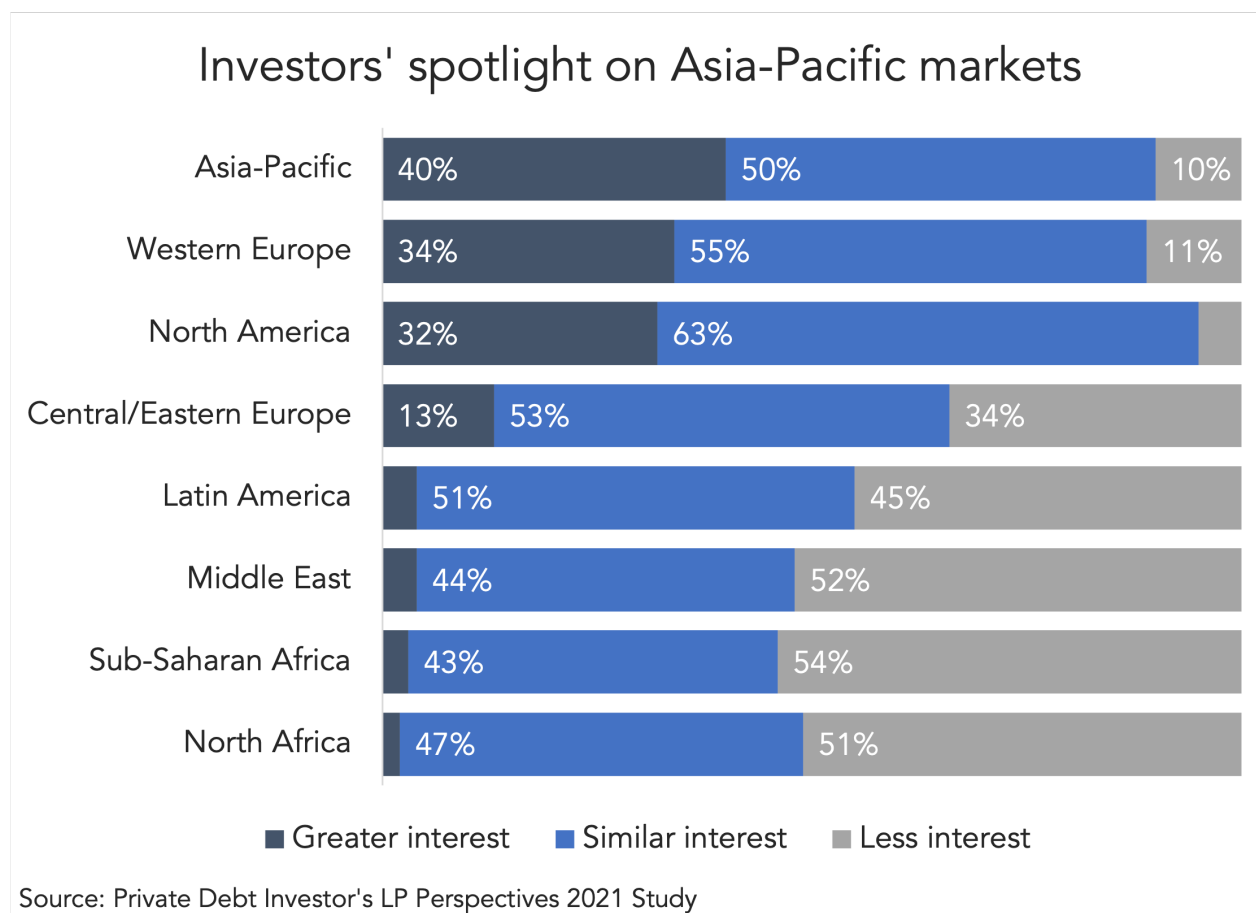


Eyes turn to Asia-Pacific

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The region is attracting increasing interest (see chart), which extends beyond mainstream strategies to more niche areas.

Europe is the place to avoid. That was the view of longstanding limited partner Tom Tull as he said that global turbulence marked a good time to carefully evaluate the weighting of geographic exposures. He was not the only person on stage at *Private Debt Investor's* APAC Forum to make the argument that Asia-Pacific looks a relatively attractive proposition for private debt.

There were plenty of arguments put forward to support the notion of Asia-Pacific as an under-exploited region. Specific to current conditions, the commodity price shocks that are rattling markets in general serve some of Asia-Pacific's markets rather well – Australia, Indonesia and Malaysia were mentioned as examples.

Moreover, Asia-Pacific's private debt market is acknowledged to offer potential for good returns (amid less competition for deals) and stronger lender documentation. The wide-ranging use of covenants is a reminder of the type of deal structuring that is less of a feature in North America and parts of Europe – at least at the larger

end of the market.

An interesting point to note was the appetite from investors at the Forum for specialist financing strategies, at least some of which came from investors based in a region associated with its conservatism. The likes of real estate credit, and even something as non-mainstream as royalties, were cited as LPs seem more inclined than previously to swap plain vanilla options for areas of the market where companies are in need of capital that the banks will no longer provide.

It's important to note, however, that not all investors are enamoured of speciality strategies. The scandal at supply chain financier Greensill, said one Forum participant, was a reminder that backing niche financing strategies may not always end well.

Beyond strategy type, there were concerns about rule of law and the varying accounting conventions in different Asia-Pacific markets. If Europe is the place to avoid, Asia-Pacific may not yet be the place for everyone to embrace. But the conversations about its potential deserve serious consideration.

(Past performance is no guarantee of future results.)