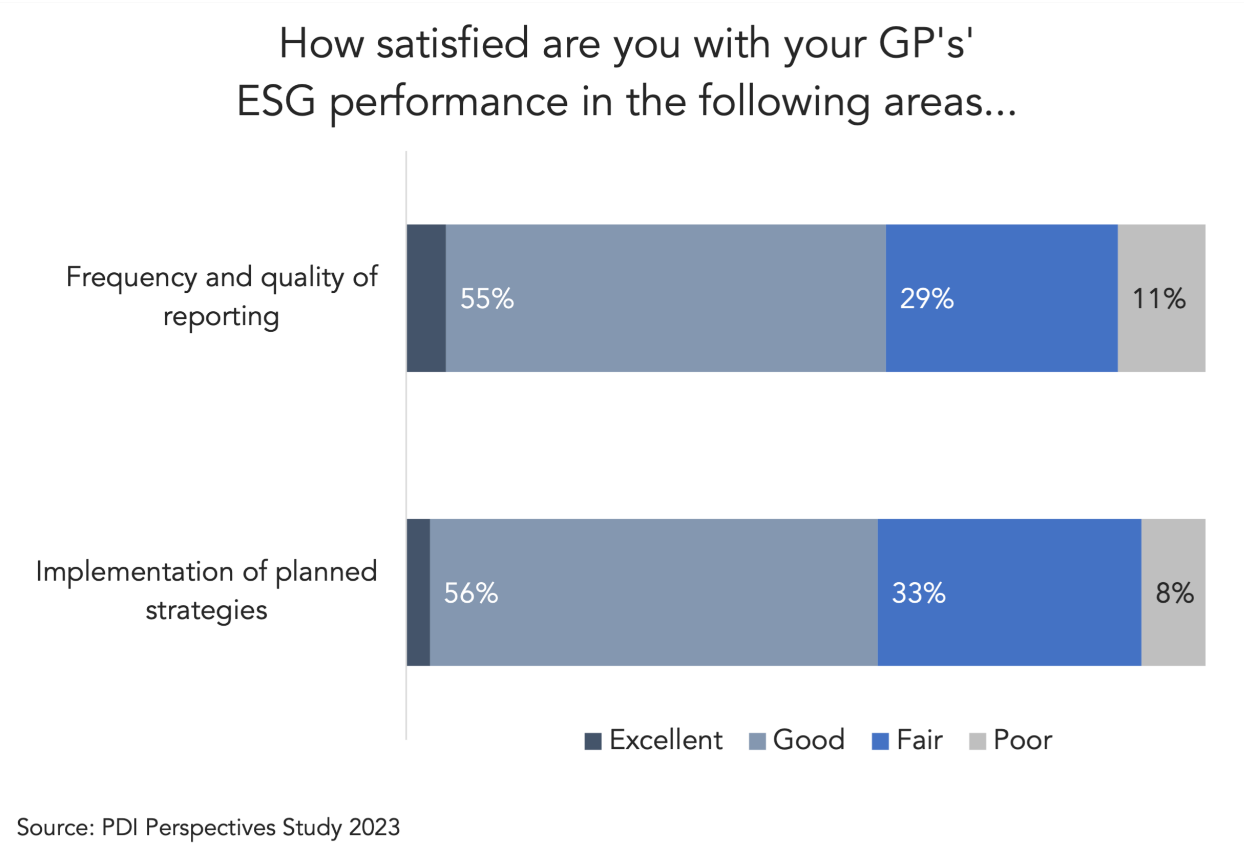
THE LEAD
https://theleadpc.com/pdi-picks-1-17-2023/

On the minds of LPs

PEI Private Credit | January 18, 2023



Over-allocation, rising interest rates and ESG are some of the key investor priorities in 2023.

Below we provide a sneaky peek at a few of the key findings from our latest Perspectives study into limited partner attitudes. *Perspectives* accompanies the February 2023 issue of *Private Debt Investor*.

Too much of a good thing: As we go into 2023, some 18 percent of limited partners currently describe themselves as over-allocated to private debt. That is the highest proportion we have seen since our survey began in 2018, double the previous high of 9 percent in 2021 and up significantly on the 3 percent that were overallocated a year ago. Likewise, fewer LPs than ever before describe themselves as under-allocated – with just 34 percent feeling light on the asset class versus more than half a year ago.

Rates/recession top of mind: Going into 2023, private markets investors are anxious about the uncertain macroeconomic outlook and unstable geopolitical climate. When asked about the three factors that will likely have the greatest impact on their private markets portfolios this year, LPs point resoundingly to rising interest rates, the threat of higher inflation and worries about recession in core markets. Last year's top concern – extreme market valuations – now ranks in fourth place among the issues on LP minds.

Room for improvement on ESG: LPs continue to see room for improvement in the efforts by managers in relation to ESG. Of particular focus is diversity, equity and inclusion, where only 44 percent of LPs rate their GPs' efforts as either good or excellent in relation to portfolio companies, and just 47 percent consider DE&I to be good or excellent at GP level. Six in 10 LPs think their GPs are doing well at implementing their planned strategies, while the same number are satisfied that the frequency and quality of reporting coming from GPs is either good or excellent (see chart).

(Past performance is no guarantee of future results.)