Appetite grows

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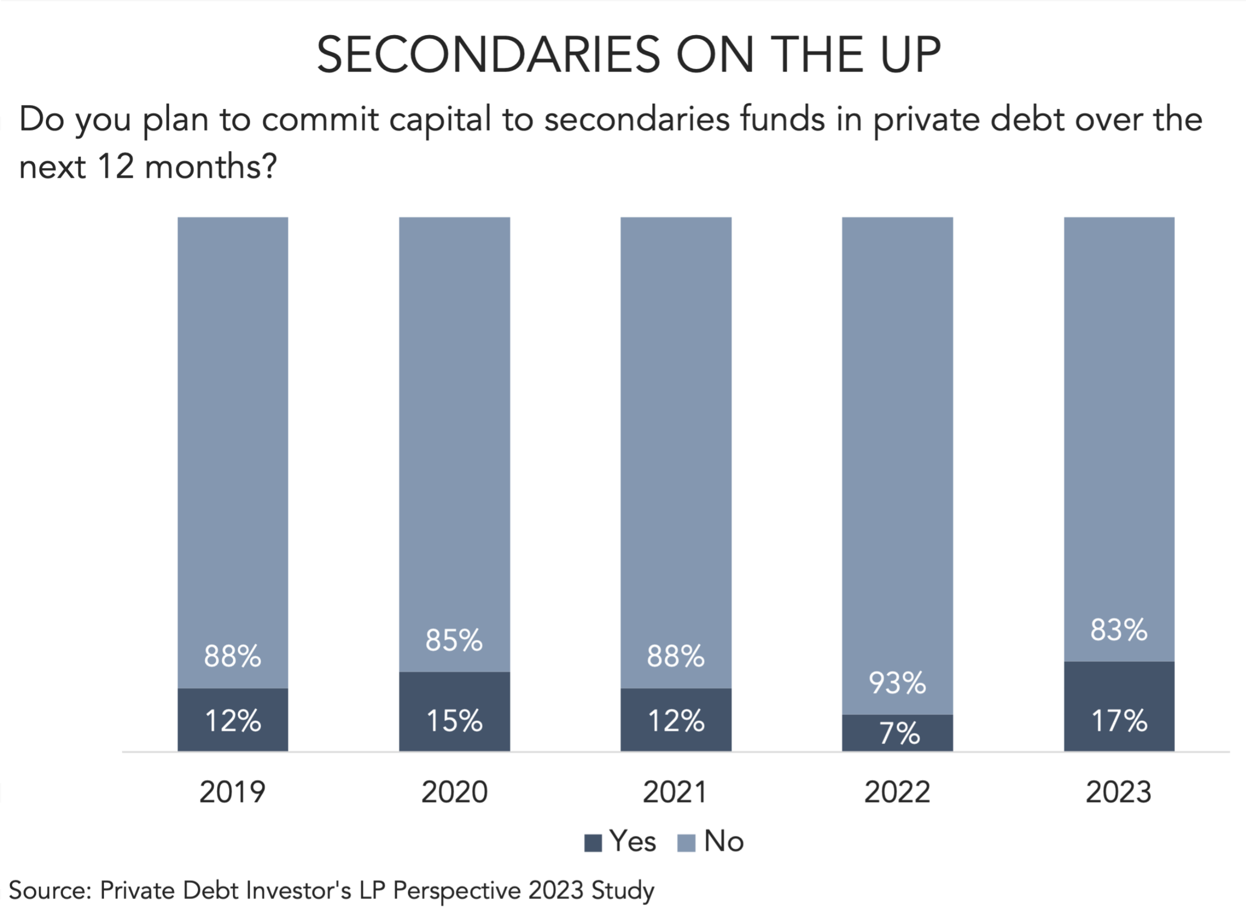

Our LP Perspectives study found record numbers of LPs are committing capital to secondaries funds in private debt.

Private credit secondaries are coming of age in 2023, with more limited partners planning to commit capital to secondaries funds in private debt than ever before, and more planning to buy and sell stakes in the secondaries market.

According to PDI's *LP Perspectives 2023 Study*, 17 percent of LPs will commit capital to secondaries funds over the next 12 months – a significant jump on the 7 percent that said the same this time a year ago, and the highest level we have seen over the history of the survey (see chart).

Rakesh Jain, a partner and global head of private debt at Pantheon, told us: "Investor interest comes down to two things, the market opportunity and the risk-reward attributes of the strategy or asset. Investors are increasingly recognising that the credit secondaries market opportunity is a large one, it is growing quickly with a lot of favourable tailwinds, and there are limited players of sufficient size, scale and expertise to take advantage of it."

LPs are showing growing appetite for engaging with the secondaries market as both buyers and sellers of fund stakes. Today, 27 percent of investors tell us they will buy or sell in the credit secondaries market over the next 12 months, significantly higher than the 19 percent that said the same for the past three years.

In addition to LP portfolio sales, a growing number of general partners are recognising the value to be achieved through GP-led secondaries. Daniel Roddick, founder of secondaries advisory firm Ely Place, said GP-led deals accounted for roughly half of overall private markets secondaries in 2021 and remain popular:

“Many private debt managers have come to learn the usefulness of some of that GP-led technology, and they know they need to be increasingly creative in offering liquidity solutions for their LPs. It is also a means for GPs to bring new LPs into their investor base. That appetite for continuation vehicles has grown and will carry on growing in private debt.”

(Past performance is no guarantee of future results.)