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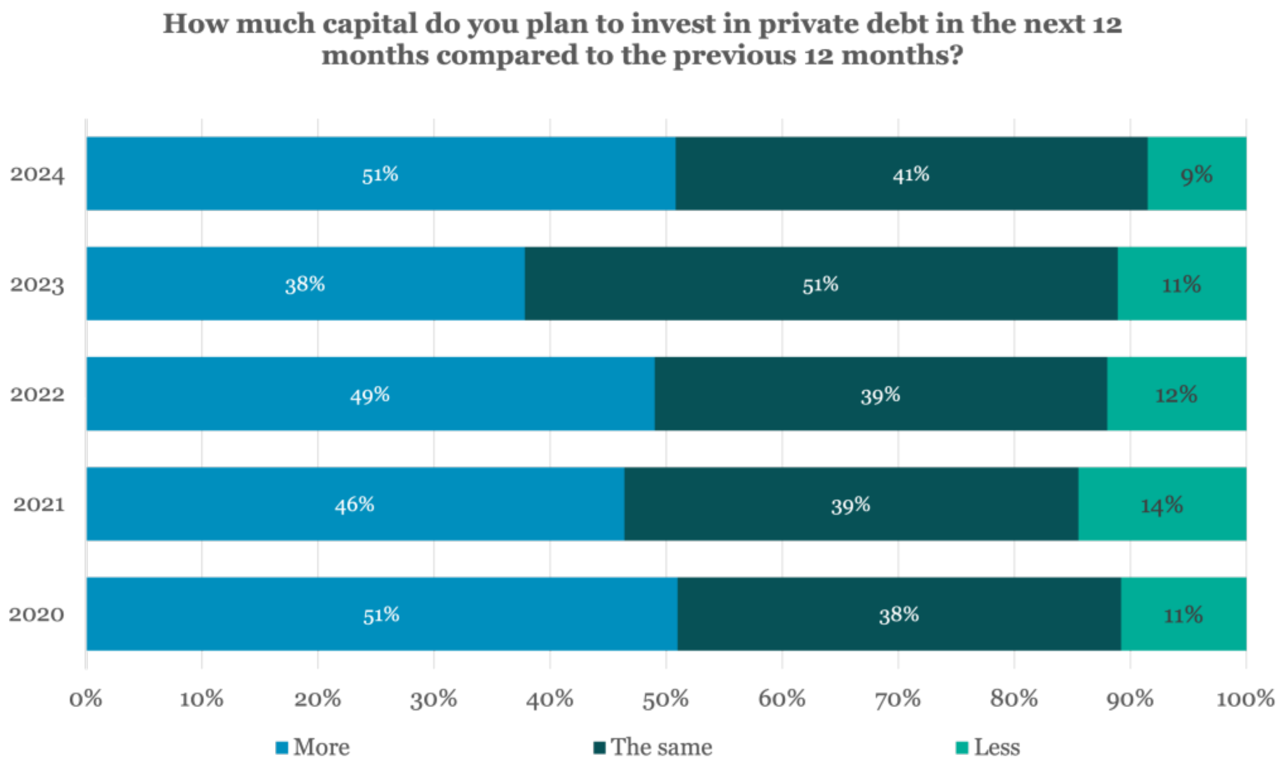
LPs want more private debt

PEI Private Credit | January 16, 2024



That's the positive conclusion arising from our latest survey of investor attitudes toward the asset class.

Every year, *Private Debt Investor* conducts its *LP Perspectives* survey, in which we canvass limited partners around the world for their views on the asset class. What this year's version tells us is that investors have private debt at the top of their priority lists for 2024.

Asked how much they were planning to invest in private debt over the coming 12 months compared with the previous 12, more than half (51 percent) said they were planning to commit more, with 41 percent planning to keep their commitment level the same and only 9 percent aiming for a decrease. This is the highest percentage looking to increase their allocations to private debt since 2020.

In the equivalent survey last year, only 38 percent of investors were looking to up their commitments – reflecting both the denominator effect and a lack of distributions. The latter of these two factors is cited as the equal-most important factor by those considering reducing commitments in 2024, with the other being market conditions.

Although over-allocation became a big talking point in private markets following the decline in public markets, 58 percent of respondents to *LP Perspectives* said their investment policy in the event of being over-allocated was simply to remain over-allocated. Thirty-eight percent said they would wait for a market correction to address the issue, while 35 percent would adjust their allocation targets and 22 percent reduce their exposure through the secondaries market.

A big clue to the current popularity of private debt resides in performance, with 39 percent of investors last year saying the asset class had exceeded benchmarks. This figure has fallen a little this time round to 33 percent but, when you add the 56 percent saying performance met benchmarks, that leaves only 11 percent disappointed by the returns achieved. Moreover, an impressive 53 percent tipped private debt to beat its benchmarks in the next 12 months.