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Investors bullish on returns

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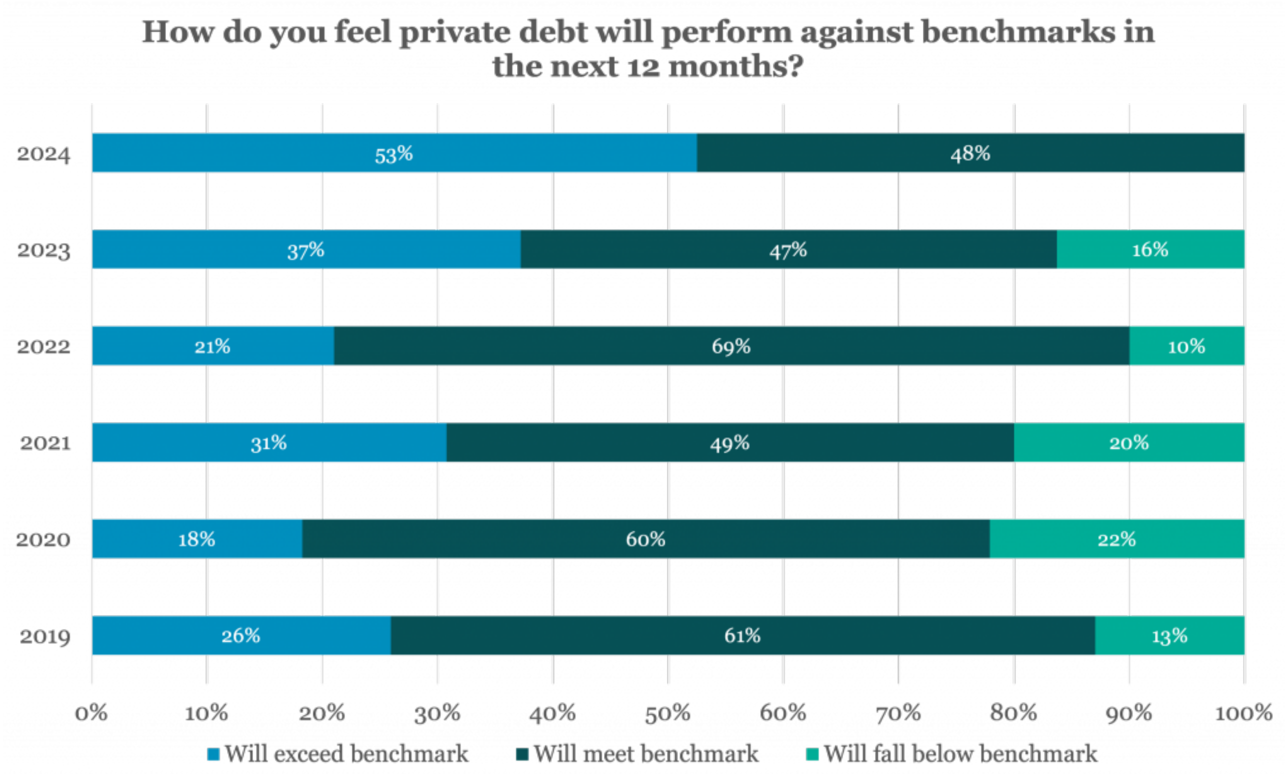

Private debt's recent outperformance of private equity has bolstered faith in its ability to beat performance benchmarks.

Another boost was given to believers in a private debt 'golden age' last week, with a report from Bloomberg suggesting private debt fund returns beat those for private equity for two quarters in a row in the second and third quarters of last year.

Jeff Boswell, head of alternative credit at asset manager Ninety One, told Bloomberg this "makes sense" given the constant coupon being delivered by private debt at a time when the drying up of the M&A market slowed private equity distributions.

It's not a situation that will pertain for ever of course: there are signs of the M&A coming back to life and private equity has seen these kinds of cycles before and emerged with its reputation intact as a solid long-term bet. But it does provide further evidence of the resilience of private debt through testing periods.

Investors are increasingly getting that message as well, it seems. In our *LP Perspectives 2024* study, not a single investor canvassed expected private debt to fall below its performance benchmarks over the next 12 months (see chart).

Reflecting on this finding in conversation for the *Private Debt Investor Podcast*, Reji Vettasseri, lead portfolio manager for private markets investments at European wealth management specialist Decalia, quipped: “I never know when I see statistics like that whether I should be excited or afraid.” He added though that private debt was very unlikely to be seeing something akin to a tech bubble, with the sentiment driven by evidence that new deals are being done on a relatively low-risk, high-return basis.

Indeed, Vettasseri himself posited the idea that – having doubled as a proportion of the private markets from around 8 percent to 16 percent over the last five years – private debt might double again in the course of time. Little in that view that contradicts talk of a golden age.