Preqin Private Debt Intelligence – 8/15/2016

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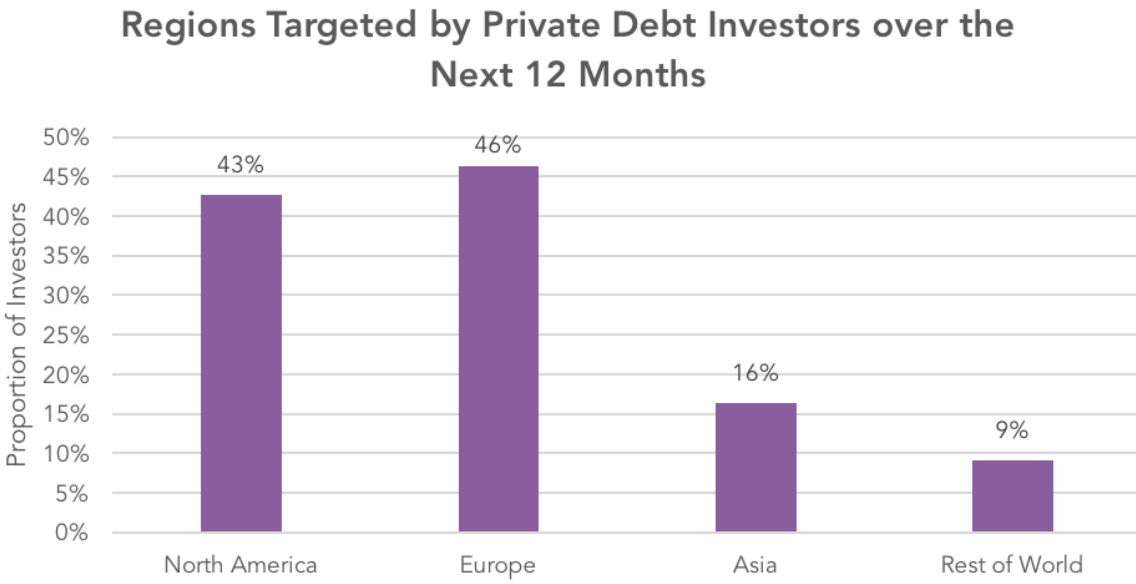
Private Debt Investors Target Europe

Despite recent lacklustre fundraising activity, the private debt industry continues to attract investors, due to the uncorrelated returns and regular income stream offered by the asset class. Ninety-four percent of private debt investors expect the size of the industry to increase over the next five years, with over a quarter (27%) predicting substantial progress.



In the midst of such expectations, Europe is emerging as the primary region for growth in the fundraising market, and the latest Preqin research finds that a greater proportion of private debt investors are now targeting Europe than North America. Forty-three percent of investors tracked by Preqin plan to target North America-focused funds over the next 12 months, in what has traditionally been the largest alternative lending market. However, Europe-focused funds are being targeted by 46% of investors over the next 12 months, as more LPs view the region as offering the best opportunities for return on their investment.

These latest figures reinforce Preqin's findings from a survey held December 2015, when investors stated that they were planning on committing more capital to Europe-focused than North America-focused funds for the first time in the history of the asset class. At the same time, there is mounting evidence that investors are starting to look even further afield to less congested markets. Asia in particular is beginning to attract the attention of investors, with 16% of investors looking to invest in the region. A further 9% of investors are intending to invest outside of the three regions and are targeting the as-yet fledgling private debt markets in other parts of the world.

This diversification of appetite among private debt investors bodes well for the long-term growth of the asset class. While North America-focused managers may no longer have the same primacy that they have previously enjoyed, there is no lack of appetite for the region; but as the private debt market continues to grow, we can expect regions like Europe and Asia to become an ever-more common part of investors' allocation plans.