Preqin Private Debt Intelligence – 9/12/2016

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Private Debt Performance Spurs Potential Inflows

The private debt industry has only become a mainstay of many investors' portfolios relatively recently, but there is mounting evidence that the returns the asset class is providing for them are spurring investors to allocate ever-increasing levels of capital to the debt market. Preqin's H2 2016 Investor Outlook survey of over 161 institutional investors in private debt revealed that they view recent performance of their investments very positively: almost a fifth (18%) of investors stated that their private debt commitments had exceeded their expectations in the past 12 months, and a further two-thirds (66%) said that their expectations had been met.

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Overall, investors regard the industry well; 59% stated they held a positive perception of private debt, compared with just 9% which have a negative opinion. Moreover, over a quarter of investors (27%) stated that their confidence in the ability of private debt to achieve portfolio objectives has increased in the past 12 months, suggesting that they may seek to increase their holdings in the market.

As a result of this investor confidence, the private debt industry could be set for increased inflows. The majority of surveyed investors plan to make their next private debt investment either in H2 2016 or H1 2017, keeping up a fast pace of commitments. Additionally, 46% of investors anticipate committing more capital to the asset class in the next 12 months than in the previous year, with a further 41% planning to maintain their current level of investment.

In the longer term, this level of confidence becomes even more pronounced: two-thirds of investors plan to increase their allocation to private debt, compared to just 17% which aim to decrease their participation in the industry. Given that over a third (38%) of investors remain under their current target allocation to private debt, the next 12 months might presage a return to the peak levels of fundraising seen in 2015.

Contact: William Clarke
william.clarke@preqin.com