

# High Valuations Are Top Concern for Private Debt Managers

However, over three-quarters feel that institutional investor appetite has increased in 2017

As the private debt industry has matured, issues that have historically affected other alternative asset classes – high valuations and increased competition for transactions – have become increasingly prominent concerns. Almost half (49%) of private debt managers\* cite valuations as a key challenge facing the industry in 2018, as the issue remains at the top of the list of challenges facing the broader private capital industry. Fund managers also report increased competition for transactions: 70% believe there is more competition for deal-making opportunities, while none report that there is less competition. As a result, a significant proportion (45%) of fund managers report increased difficulty in finding attractive investment opportunities compared to 12 months ago. However, the majority (76%) of fund managers find that investor appetite for private debt has increased over the past year, while just 5% report a decrease.

**For more information and analysis, see the full *H1 2018 Private Debt Fund Manager Outlook* here:**

<http://docs.preqin.com/reports/Preqin-Special-Report-Private-Debt-Fund-Manager-Outlook-H1-2018.pdf>

## Key Private Debt Fund Manager Outlook Facts:

- **Almost half (49%) of private debt fund managers cite valuations as the key challenge facing the industry in 2018**, with a further 37% citing deal flow as a major concern.
- **Forty-five percent of fund managers feel that finding attractive investment opportunities has become more difficult** compared to 12 months ago, while just 3% feel that it has become easier.
- **Competition for private debt transactions has also accelerated:** 70% of managers report increased competition for transactions over the past year, an increase from 55% that said the same in November 2016.
- **Half of survey respondents are reviewing more opportunities now than 12 months ago**, and 37% are reviewing the same number.
- As a result, **77% of private debt managers plan to deploy more capital in 2018** than they did in 2017.
- **The vast majority (83%) of private debt fund managers also feel that competition for investor capital has increased** compared to 12 months ago, while none report a decrease in competition.
- However, **over three-quarters (76%) of fund managers have seen an increase in investor appetite for private debt** in the past 12 months, while only 5% have seen a decrease.

## Tom Carr, Head of Private Debt Products:

“The private debt industry experienced tremendous growth in 2017, with the year marking new records for both fundraising and capital distributions to investors. The maturing of the private debt landscape however, has offered a host of challenges for fund managers that other, more established asset classes have suffered from, including higher valuations and increased competition for transactions.

Despite the increasingly challenging private debt environment, though, fund managers are optimistic for the future of the industry. The vast majority of private debt fund managers have seen an increase in investor appetite over the past year, and most are looking to deploy more capital in 2018 than they did in 2017. In fact, almost all fund managers expect industry assets under management to increase in 2018 again, signalling that fundraising confidence is far from waning.”

*\*Results based on a survey of 94 private debt fund managers conducted in November 2017.*

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