

Alternative Asset Operators on the Impact of COVID-19

The industry faces short-term disruption, but the longer term outlook is positive

Preqin surveyed alternative assets fund managers and investors in April 2020, to gather their views on the impact of COVID-19 on their business operations and the industry as a whole. The survey found that economic interruption and travel restrictions have led investors to delay making fund commitments, and fund managers have faced challenges in fundraising, deal origination, and portfolio company operations. Looking ahead to the rest of 2020, further disruption could be inevitable: almost half of investors are concerned about the impact of the denominator effect on their portfolio, and a quarter are concerned about their liquidity to fund capital calls.

But in the longer term, the expected impact is more positive. Significant proportions of both fund managers and investors expect COVID-19 to have a slightly negative long-term impact on returns. But most investors say that the pandemic will have no impact on how much they invest in alternatives, and 29% plan to invest more as a result. More than 60% of fund managers, meanwhile, say that COVID-19 has not affected the targeted returns of their funds in market, and 75% say that they will not adjust their investment strategy as a result of the pandemic.

For more information and analysis, see Preqin's blog on the investor survey results here:
<https://www.preqin.com/insights/blogs/how-investors-are-responding-to-covid19/26838>

See the fund manager survey results here:
<https://www.preqin.com/insights/blogs/how-fund-managers-are-responding-to-covid19/26835>

And view the full range of Preqin's research into the impact of COVID-19 at <https://go.preqin.com/covid-19>.

Key COVID-19 Survey Results:

- Fifty-eight percent of **investors are decreasing their planned number of new commitments in 2020** as a result of COVID-19, and 59% are decreasing the planned size.
- Fund managers are feeling the impact of this: **55% of those with funds open to investment have slowed their fundraising process**, while 1% have abandoned it entirely.
- **Investors are concerned about their balance sheets**, with 46% saying that they are concerned with the impact of the denominator effect on their alternatives portfolios, and 27% concerned about their liquidity to fund capital calls in 2020.
- The greatest proportions of fund managers say that **COVID-19 has negatively impacted fundraising from potential investors** (69%), operations at portfolio companies (61%), and deal origination (59%). However, 34% believe their business operations will return to normal in 3-6 months, and a further 34% say 6-12 months.
- Fifty-nine percent of investors say that they expect the **returns of their alternatives portfolios to face a negative impact from COVID-19** in the longer term.
- But **investment approaches from both fund managers and investors are relatively unaffected**. Almost two-thirds (63%) of investors say that COVID-19 will have no impact on their future alternatives strategy. Forty-seven percent are not avoiding any sectors as a result of the pandemic, and 41% are not targeting any sectors.
- Similarly, 62% of fund managers with vehicles open to investment say they are not adjusting their targeted returns, and **75% are not planning to change their investment strategy**.

Preqin is the Home of Alternatives™, the foremost provider of data, analytics and insights to the alternative assets community. From pioneering rigorous methods of data collection to developing a revolutionary platform, we have committed ourselves to furthering the understanding of alternatives for over 16 years. Through close partnership with our clients, we continuously build innovative tools and mine new intelligence to enable them to make the best decisions every day.

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