

Asia-Based Investors Surge into Private Debt

Asset class sees sharp uptick in involvement from Asia, although the region remains home to a small proportion of global investors

The private debt industry has seen a steady increase in the number of investors active in the asset class in recent years. At the start of 2018 there are 3,100 institutions investing in private debt, up from 2,400 at the start of the previous year and an increase of 1,200 from the start of 2016. Most of these investors are based in North America and Europe, which comprise 57% and 24% of active investors respectively. However, Asia-based investors have become an increasingly prominent part of the investor universe: representing just 6% of active investors at the start of 2016, the proportion of investors based in the region has grown to 9% in January 2017 and 11% at the beginning of 2018. Although the overall proportion remains small, the rate of growth within major Asian economies is sharp. Over the past 12 months, the number of active private debt investors has increased by 36% in South Korea, 52% in China and 110% in India.

For more information and analysis, see the full *March Private Debt Spotlight* here:
<http://docs.preqin.com/newsletters/pd/Preqin-Private-Debt-Spotlight-March-2018.pdf>

Key Private Debt Investor Facts:

- **There are currently 3,100 institutions actively investing in private debt.** This is an increase of 29% from the start of 2017, and 63% over the past two years.
- **More than half (57%) of those investors are based in North America,** while 24% are Europe based as of January 2018. These proportions have fallen by five and two percentage points respectively since the start of 2016.
- Asia-based investors represented 6% of the total universe in January 2016. **As of January 2018, this has almost doubled to 11%.** The share of investors based in the rest of the world rose from 6% to 8% in the same period.
- Although this proportion remains small, the rate of growth within individual countries is marked. In the past 12 months, **the number of private debt investors based in South Korea and China has risen by 36% and 52% respectively.**
- In the same timeframe, **the number of India-based investors in private debt has risen by 110%.** This may be due to the Insolvency and Bankruptcy Code, which has opened up opportunities for domestic non-bank lenders.

Tom Carr, Head of Private Debt Products:

“There has been sustained growth in the prominence of the private debt industry in recent years, and investors have increasingly looked to the asset class to provide an income stream and diversification option with strong risk-adjusted returns. It is encouraging that there are now more than 3,100 institutions globally active in the industry, many of which approach the asset class not solely as an alternative to fixed income investments in a low interest rate environment, but as a part of either a private equity or even a standalone allocation.

The industry remains anchored on the developed markets of North America and Europe, as might be expected, but the rate of involvement from investors based in Asia is remarkable. The growth in the proportion of global investors that are based in the region – five percentage points – may seem small *prima facie*, but that belies growth of at least a third over the past 12 months among some of the major economies of the region. The number of private debt investors in India alone has doubled in the past 12 months, suggesting that Asia-based investors may eventually emerge as a more active constituent of the private debt investor universe.”

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