

## Private Debt Firms Set to Invest More in 2017

### Half of all fund managers report plans to increase private debt investment significantly

A survey\* conducted for the **2017 Preqin Global Private Debt Report** finds that private debt fund managers intend to deploy more capital in 2017 than the previous year, despite an environment of high valuations and stiff competition. Almost four out of five managers said they were planning to invest more in 2017 compared to 2016, and no firms indicated they would look to decrease investment levels. However, fund managers did note that valuations are a key challenge facing the industry, and that competition is fierce. The majority are seeing more competition for deals than a year ago, and almost a third said it was harder to source deals, leading managers to review more opportunities and deploy more capital.

**For more information and analysis on the private debt industry, see the full May Private Debt Spotlight here:**  
<https://www.preqin.com/docs/newsletters/pd/Preqin-Private-Debt-Spotlight-May-2017.pdf>

#### Key Private Debt Fund Manager Outlook Facts:

- **Seventy-nine percent of private debt fund managers plan to invest more capital in 2017** than in the previous 12 months, while no firms intend to decrease their investment levels.
- **Forty-two percent of fund managers cited valuations as the key challenge facing the private debt industry**, followed by fundraising (32%) and deal flow (31%).
- At the same time, **55% of managers state that there is now more competition** for transactions than a year ago, with just 6% witnessing a decrease in competition.
- It is becoming increasingly difficult to find attractive investment opportunities: **31% of surveyed fund managers stated that it is now harder to source deals** than a year ago.
- In response, **59% of private debt managers are reviewing more investments** than they were 12 months ago, compared with just 8% that are reviewing less.
- However, performance is not expected to suffer – **the majority (55%) of firms are not altering their targeted returns due to competition**. Just 10% of respondents cited their ability to fulfil investor demands as a major issue in 2017.
- **Nearly four-fifths (79%) of firms expect the assets under management held by private debt firms to grow in 2017**, while just 1% are predicting the industry will constrict.

#### Ryan Flanders, Head of Private Debt Products:

“Private debt fundraising has been strong in recent quarters – Q4 2016 alone saw managers secure over \$50bn of investor capital – and investor appetite for the asset class remains high. As such, it is of little surprise that fund managers intend to ramp up the level of capital they deploy in the coming months, despite deal valuations and competition levels both remaining high.

Half of all firms intend to increase their investment significantly through 2017, and the majority are maintaining their targeted returns. It is a clear indication that the private debt industry is in rude health, particularly in the more mature markets of Europe and North America, and fund managers are optimistic that the growth seen in recent years can continue with further industry expansion forecasted.”

*\*These findings are based on surveys of 73 private debt fund managers conducted by Preqin in November 2016.*

*Preqin is the leading source of information for the alternative assets industry, providing insight and analysis gathered by its global teams of dedicated researchers. Founded in 2003, the company is a frequent source of intelligence used in the global financial press, through its online databases, regular publications and bespoke data requests.*

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