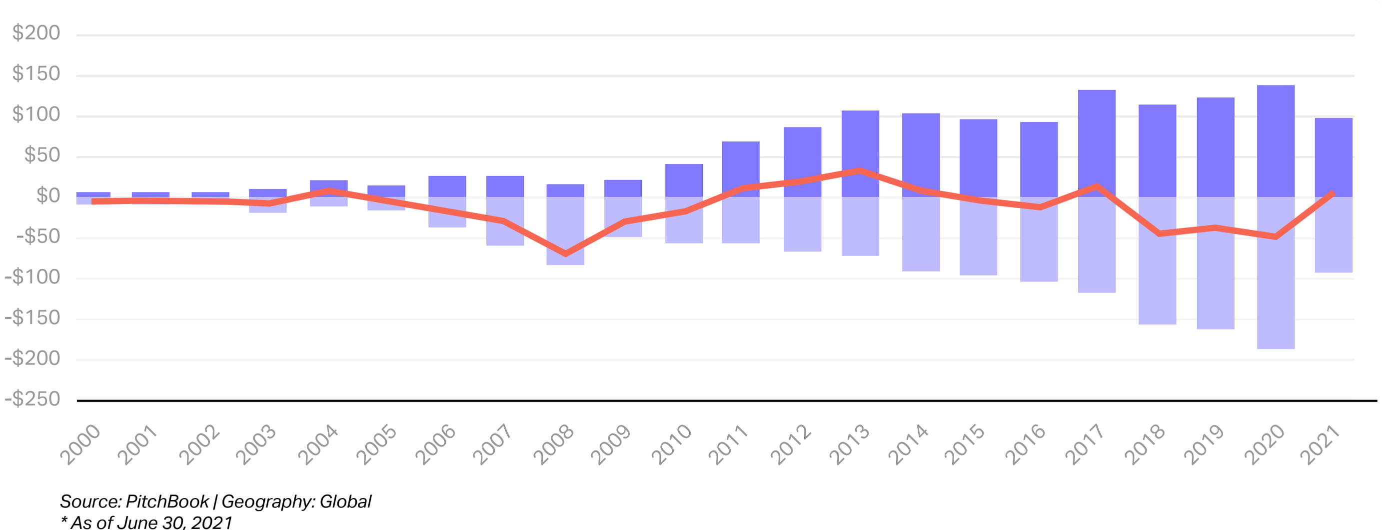
ALLVUE

What's Driving Private Debt Funds' **Continued Growth?**

Private debt as an asset class has exploded since 2000.



Source: PitchBook | Geography: Global
* As of June 30, 2021

Even as market factors have shifted and the sector has faced new headwinds...

- Covid-fueled economic instability
- Global conflicts
- Supply chain distributions
- Climbing interest rates

By 2026, global debt funds will manage a total of **$2.7 trillion** in assets

Source: Preqin

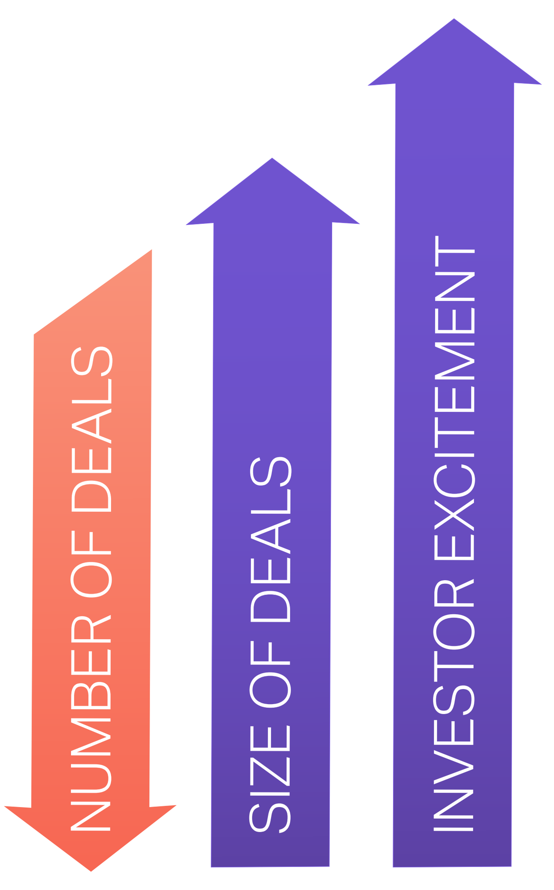
57% of institutional investors plan to increase allocations to private debt in the next three years

Source: SS&C Intralinks

...private debt has continued to surge

Here are 4 trends driving that growth

#1 Deal sizes are ballooning



Deals are becoming fewer in number, considerably larger, and carried out by some of the biggest names in the industry. While this presents a challenge for newer or smaller private debt managers, the larger deal sizes fuel excitement in investors hoping to have a piece of the pie in the next big leveraged buyout.

The US has seen over **$50 billion in unitranche loans sized at $1 billion or larger** since September 2019

Source: Institutional Investor

#2 The asset class is both dependable and customizable

Private debt hit its stride as we entered a nearly 15-year period of extremely low interest rates and investors sought investments that would provide the returns they needed at an acceptable risk level. Even now that interest rates are climbing again, private debt's flexibility and differing levels of risk and return by class of debt means it won't be left behind as a strategy. There's always a debt strategy that fits the current conditions, whatever they may be.

"Easier process when portfolio companies are not meeting performance expectations"

was the second-most cited advantage of the asset class

Source: Dechert

"Greater predictability"

was most frequently cited as the greatest advantage of private debt

Source: Dechert

#3 Floating rates let private debt investors profit in a rising interest rate environment

As rates rise, interest in private debt remains buoyant due to the floating rate nature of the loans. While this increases costs for borrowers, it also protects returns for investors.

"Private credit loans are predominantly floating rate, which makes them less susceptible to interest rate risk. When interest rates rise, those increases are picked up automatically in the private credit coupon. Undoubtedly, an inflationary cycle will pose many challenges but private credit, due to its floating rate nature, is well suited for a rising rate environment."

-- Bill Sacher, Adams Street Partners

#4 Private debt is continuing to expand in Europe and APAC

Private debt first took hold in the U.S...

but Europe's scene is steadily catching up...

One-fifth of all private debt deal activity since 2019 has occurred in Europe

Source: Preqin

and APAC is seeing its own impressive growth.

195% Asia Pacific private debt AUM growth over the last five years

Source: Preqin

Bolstered by impressive growth, private debt has established itself as a reliable sector of the private capital asset class family. But even as a private market staple, the space will continue to evolve with other market forces.

Allvue's Private Debt suite is a leader in private debt solutions. Built to empower both new and established managers with their private debt strategy, our workflow and data management capabilities can power the entire credit investment lifecycle.

Reach out today and learn more.

ALLVUE