LPs fear hard Brexit in sentiment survey
There's a cloud on the horizon...

Delegates at PDI’s New York Forum were polled on the key questions in private debt. Their European concerns centred on a hard Brexit, but return expectations for the region remain high.

Over the next year, financial volatility in Europe will be most affected by:

Compared with US returns, do you expect European returns to be:

Source: PDI
Many respondents expect private markets to stay hot, while the bargaining strength of borrowers is GPs' biggest gripe.

**Will the private equity and private debt markets still be hot 12-18 months from now?**

- Yes, just like now: 36%
- Yes, but cooler: 60%
- No, we will be in a recession: 4%
- If I could predict that I wouldn’t be sitting here: 18%

**Fund managers, what are you most worried about in 2019?**

- Borrower-friendly deal terms: 61%
- Competition for deal flow: 33%
- Market volatility: 10%
- Competition for fundraising: 6%
- Pressure on fund economics: 6%
- Other: 2%

Source: PDI
Institutional investors favour special situations. They also have a strong appetite for Europe.

**LPs, which strategies will deliver the best returns over the next 12 months?**

- Special situations: 63%
- Direct lending: 36%
- Mezzanine: 12%
- Distressed debt: 4%
- Real estate or infrastructure debt: 4%

**LPs, are your allocations to Europe over the next 12-24 months likely to:**

- Increase more than 5%: 25%
- Decrease more than 5%: 0%
- Stay approximately the same: 44%
- Don't invest in Europe: 31%

Source: PDI
Investors often say they want funds to offer co-investment opportunities – but they don’t always take GPs up on it.

**LPs, which of the following do you allocate to?**

- Commingled fund: 89%
- Managed accounts or funds of one: 78%
- Co-investments: 56%

**GPs, which of the following do you offer LPs?**

- Commingled fund: 88%
- Managed accounts or funds of one: 74%
- Co-investments: 71%

Respondents could choose more than one answer.

Source: PDI
The march of unitranche

Preference for the strategy over a senior/mezzanine combination is clear

What structure have your customers asked for most in the past 6 months?

Source: PDI

Click here to read more on the rise of unitranche
This report was compiled from data collected at PDI’s New York Forum in September 2018.

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