

April 2022

# RedeConnect: Key Trends in Private Credit Markets



## Meet the panelists



**GOLDING**

### ABHIK DAS

Head of Private Debt, Golding

Abhik is a Managing Director, joined Golding Capital Partners in 2018. He is responsible for the selection, execution and monitoring of private debt fund investments and co-investments, as well as the portfolio management thereafter.



**PANTHEON**

### RICK JAIN

Global Head of Private Credit, Pantheon

Rick is a Partner and Global Head of Private Debt. Prior to joining Pantheon, Rick was a Managing Director and an Investment Committee Member at Star Mountain Capital, a middle-market private credit manager, where he led the direct investment business.



**Aksia**

### LEO FLETCHER-SMITH

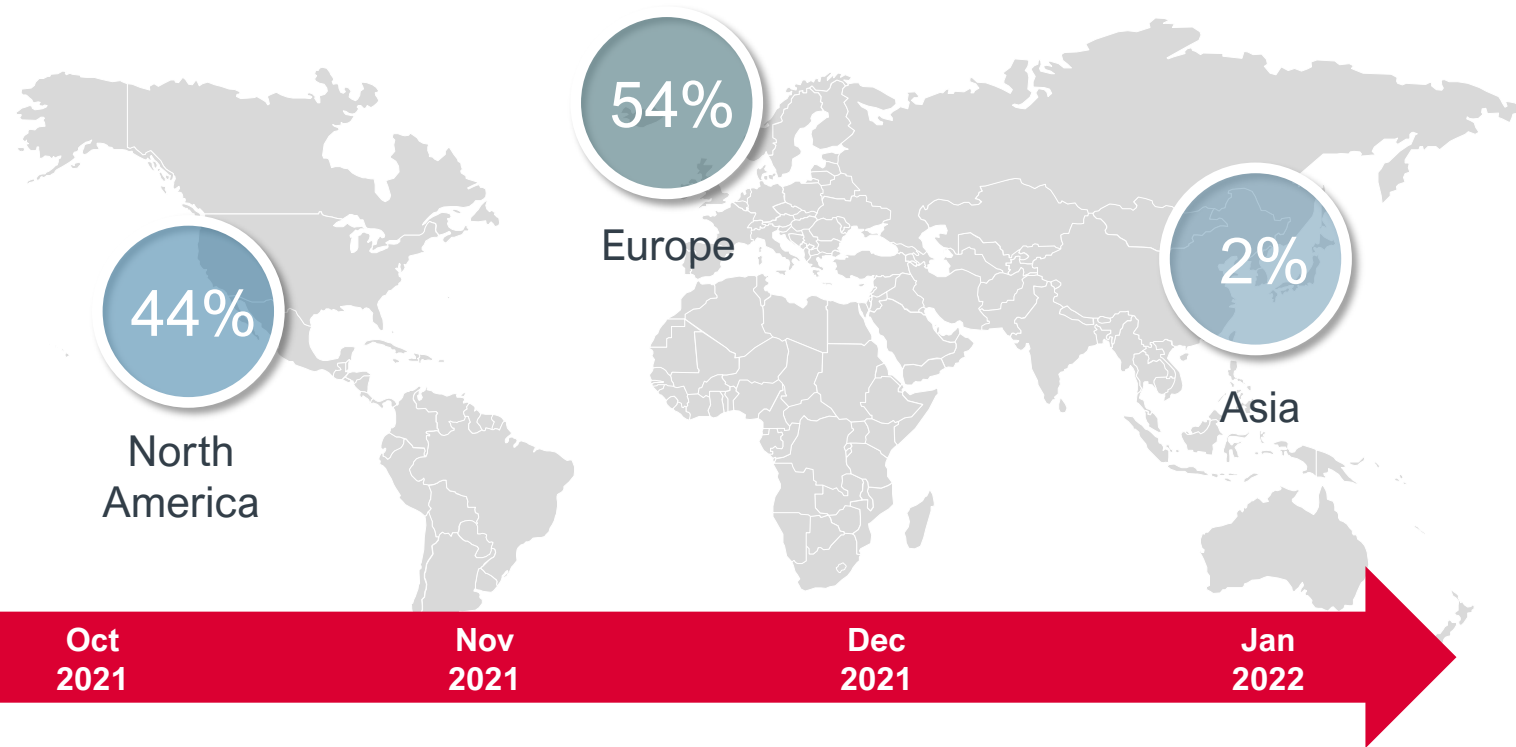
Managing Director, Aksia

Leo is a Managing Director on the Investment Research team and has over 14 years of industry experience. He focuses on providing research services to the firm's institutional clients across the European private credit space encompassing corporate lending, distressed and opportunistic strategies.

# Survey overview

50

LPs completed 45 min interviews



## Survey participant overview



Aggregate assets under management  
or advisement totaled:

**\$24.3trn**

Allocations to private credit  
amounting to:

**\$336bn**



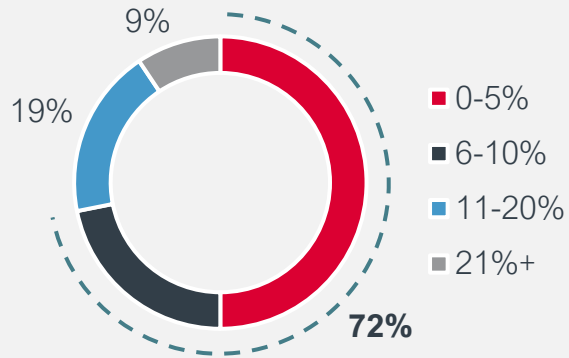


# Appetite and allocation trends

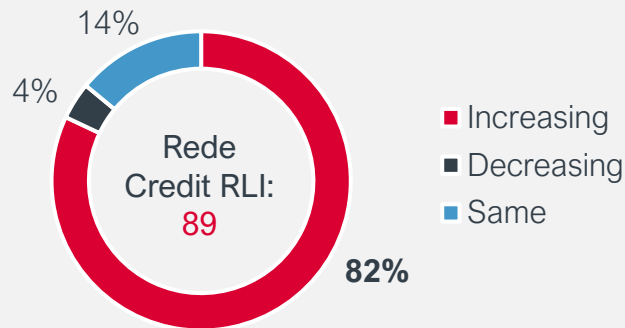
# Grey Zone is getting colour: how is LP credit return appetite evolving?

## ALLOCATION

Private credit is still a relatively new asset class and accounts for a small percentage of LP AUM

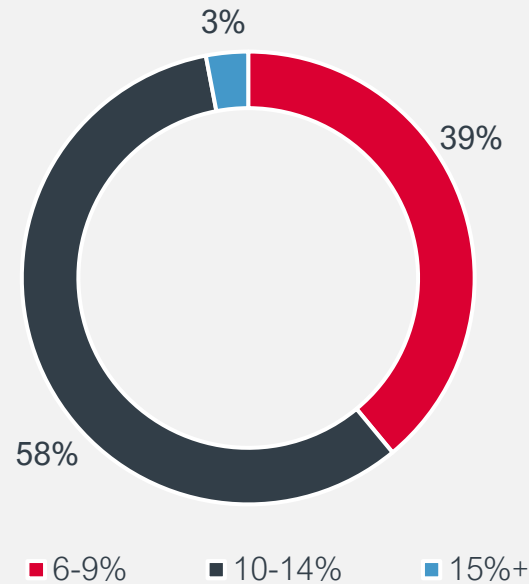


82% of investors are increasing their exposure

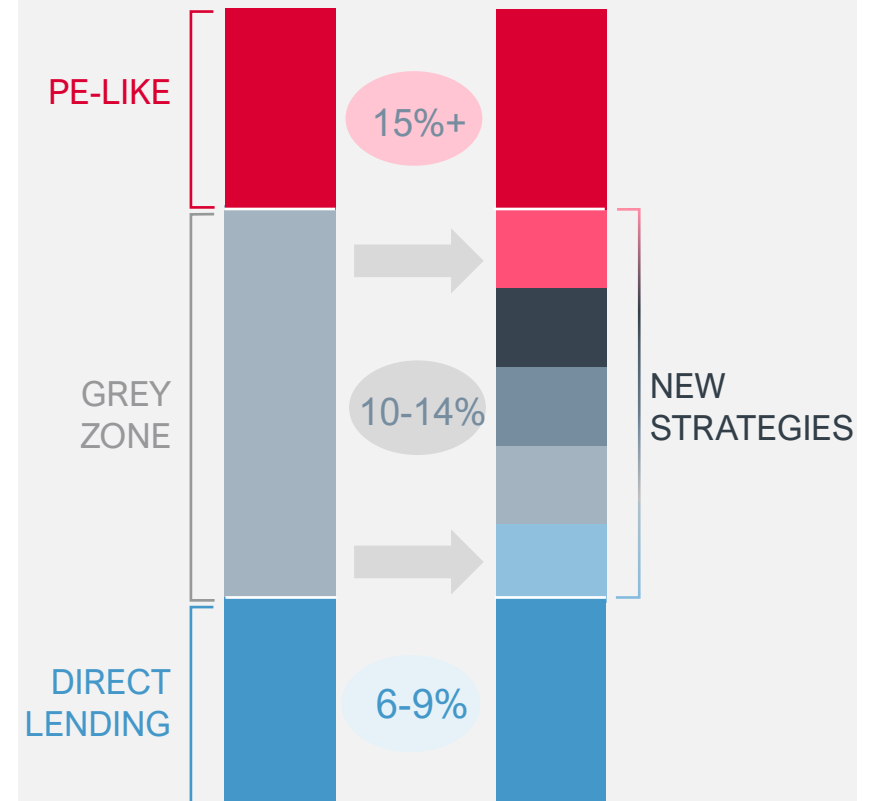


## TARGET RETURNS

Majority of return appetite is now focused on low double-digit IRRs



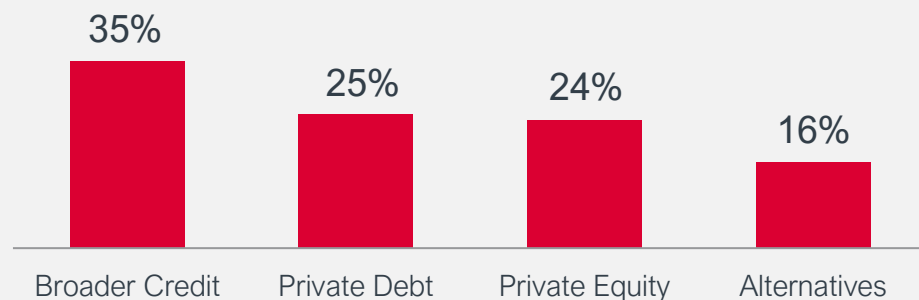
## GREY ZONE IS GETTING COLOUR



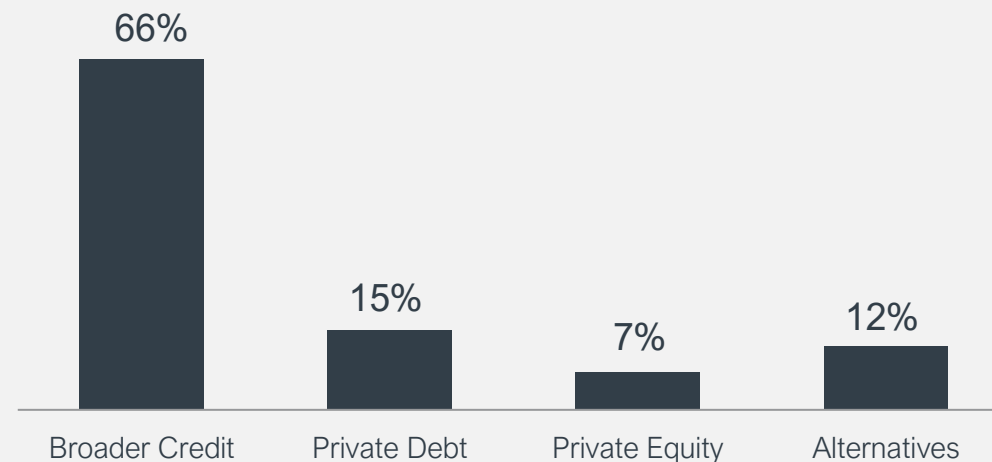
## Have LP buckets changed to accommodate this shift?

- ▶ The balance has shifted dramatically in the past three years as LPs become more **specialised**
- ▶ This reflects **increased sophistication** and broader strategy interest within private credit
- ▶ **Broader credit** allocations now dominate with **private equity** teams relinquishing responsibility for credit-like strategies

### PRIVATE CREDIT BUCKETS (2018)



### PRIVATE CREDIT BUCKETS (2021)



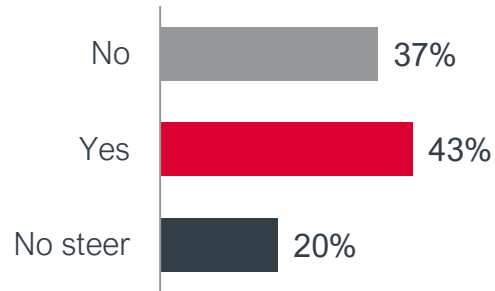


# Macro economic impact on private credit



# What are the implications of the current macro environment?

## DO YOU EXPECT A CYCLE CORRECTION? (OCT '21 – JAN '22)<sup>1</sup>



## INFLATION (JAN 2022)<sup>3</sup>

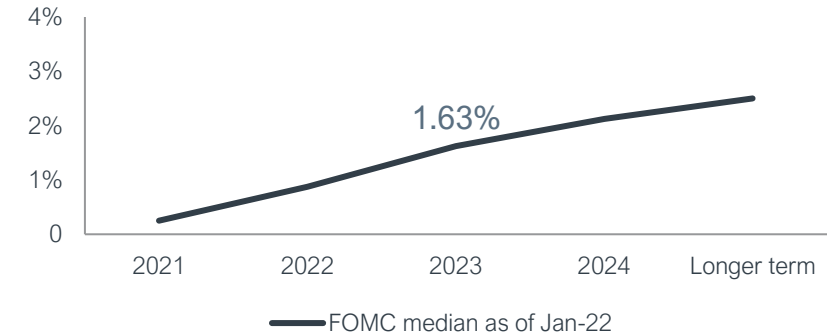


7.5%

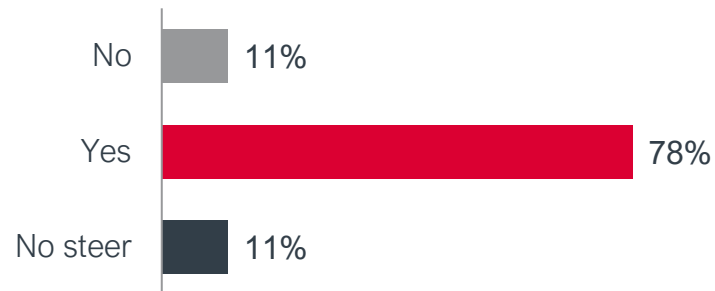


5.1%

## IMPLIED FED TARGET RATE (JAN 2022)<sup>4</sup>



## DO YOU EXPECT A CYCLE CORRECTION? (MAR 2022)<sup>2</sup>



## INFLATION (MAR 2022)<sup>3</sup>

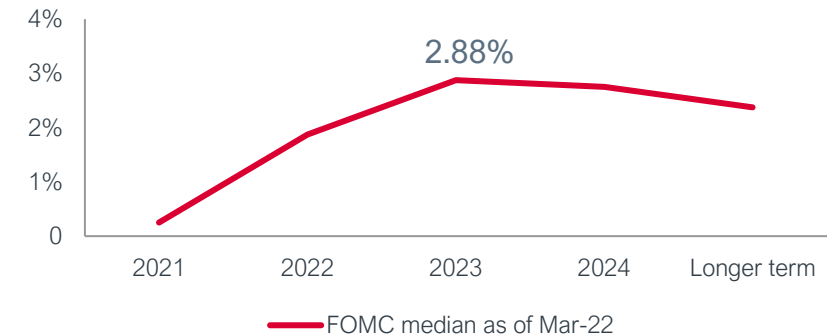


8.5%



7.5%

## IMPLIED FED TARGET RATE (MAR 2022)<sup>4</sup>



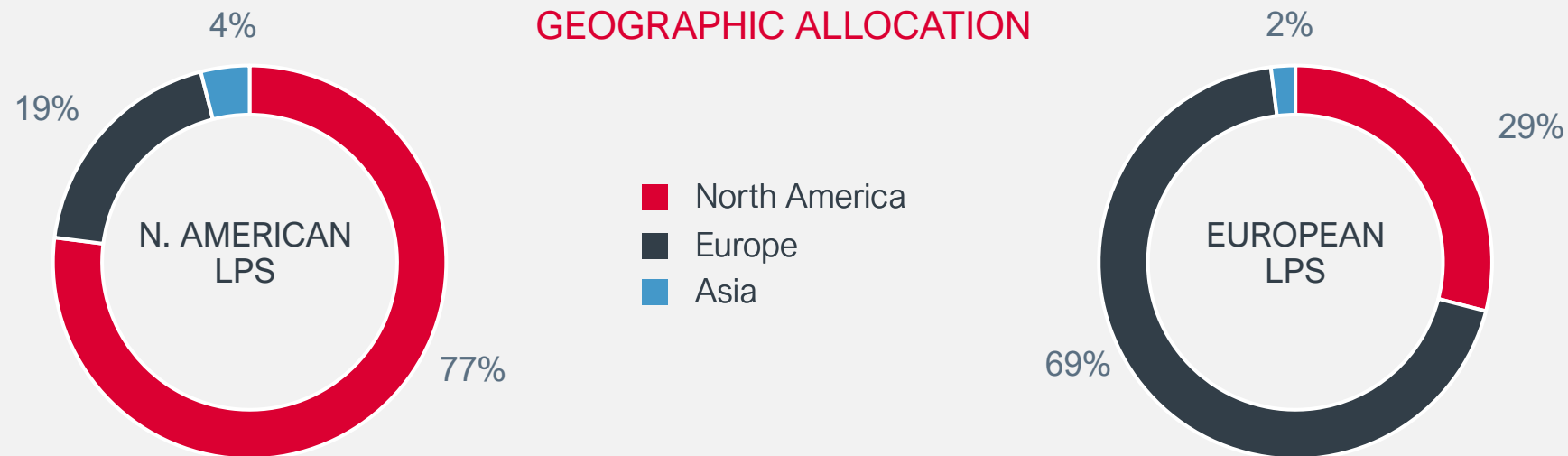
1. Source: Rede Private Credit Survey  
 2. Source: Super Return Credit London  
 3. Source: Trading economics (CPI)  
 4. Source: FOMC dot plot (median)

# What are the implications of a cycle correction on different credit strategies?

	INFLATION PROTECTION	DOWNSIDE PROTECTION	INVESTMENT OPPORTUNITY
Direct lending	●	●	●
Subordinated / Pref	●	●	●
Specialty finance	●	●	●
Asset-backed	●	●	●
Opportunistic credit	●	●	●
Special sits / Distressed	●	●	●
Venture debt	●	●	●
High yield bonds	●	●	●

## Has the current market outlook changed LP geographic focus?

- ▶ There is a **clear regional bias** when it comes to LP geographical preferences, regardless of geopolitical risks
- ▶ **Ukraine/Russia** is predominantly **impacting Europe**, creating risk and opportunity
- ▶ **Asia** has **relatively low market share** despite notable LP intrigue



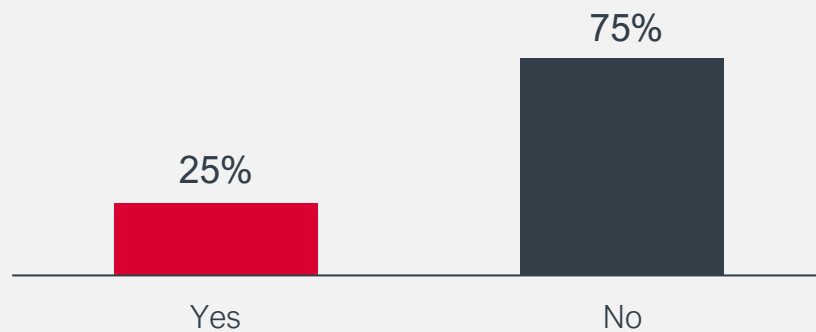


Other notable trends in private credit

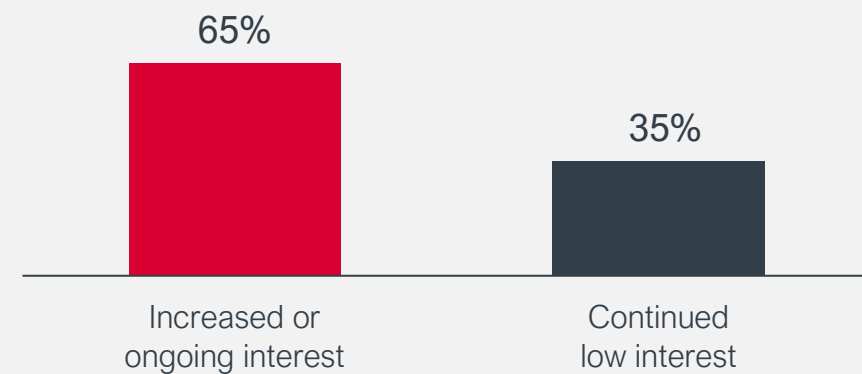
# Are credit secondaries of interest and what is the opportunity set?

- ▶ Our survey showed a clear growing interest and activity in credit secondaries
- ▶ LPs considered a range of areas including LP fund and SMA stakes, NAV financing, continuation funds and late primaries

## DO YOU INVEST IN CREDIT SECONDARIES?

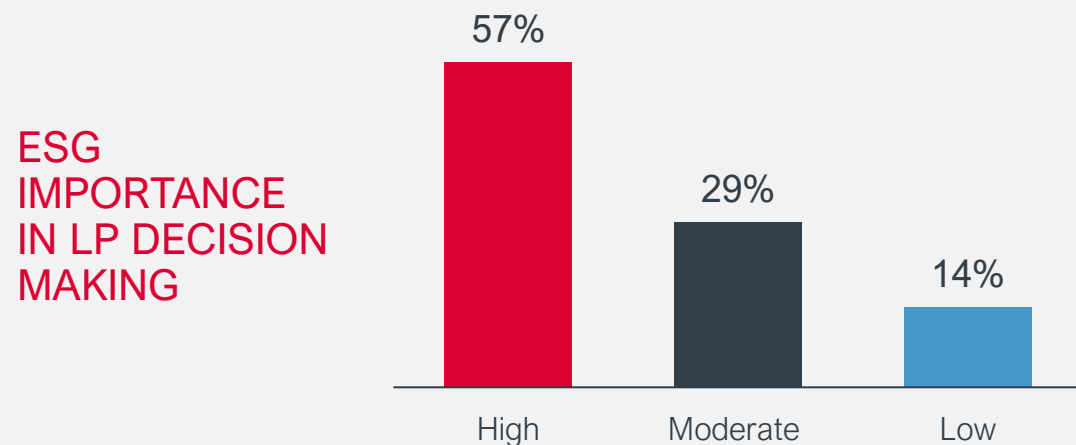


## FUTURE VIEWS ON CREDIT SECONDARIES

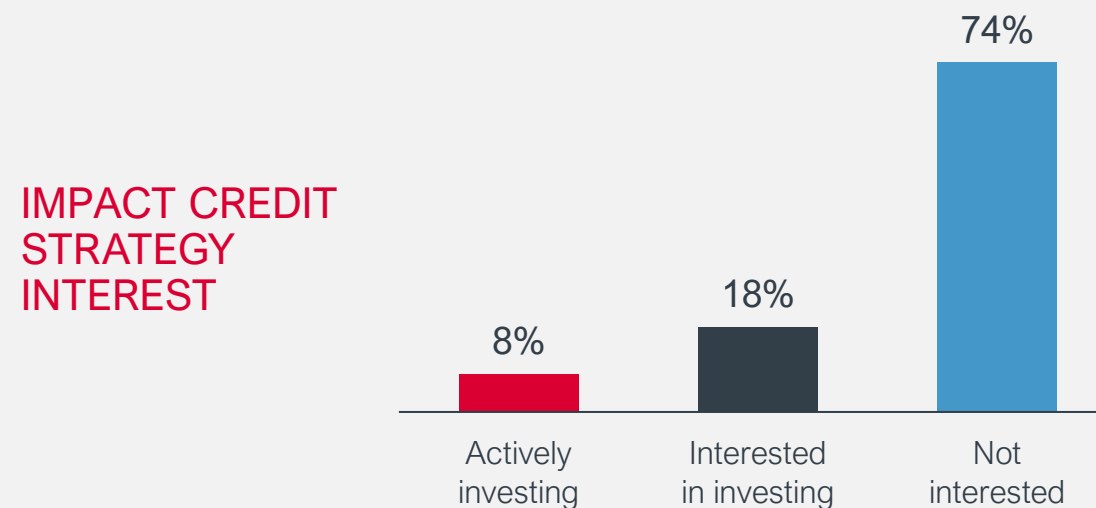


## What role does private credit play in a world with greater ESG and Impact focus?

- ▶ ESG is an important aspect of manager selection and due diligence for the **majority of LPs**



- ▶ Questions around **lender influence** are making credit LPs hesitant around Impact Credit strategy interest



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rede /rēd/

Chiefly British dialect, old English

**-verb** (used with object)

1. to counsel; advise
2. to explain; interpret

**-noun**

3. counsel; advice
4. a plan
5. a story