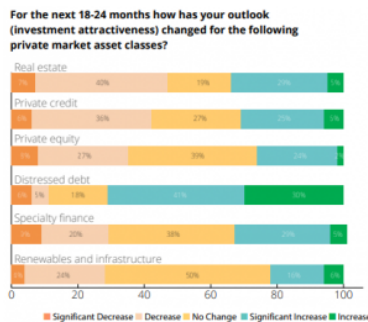


Coronavirus: which asset classes are private markets investors turning to amid the crisis?

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Private markets investors are preparing themselves for a shift into distressed debt as disruption from the coronavirus pandemic causes investors to change tack to weather the storm, new research shows.

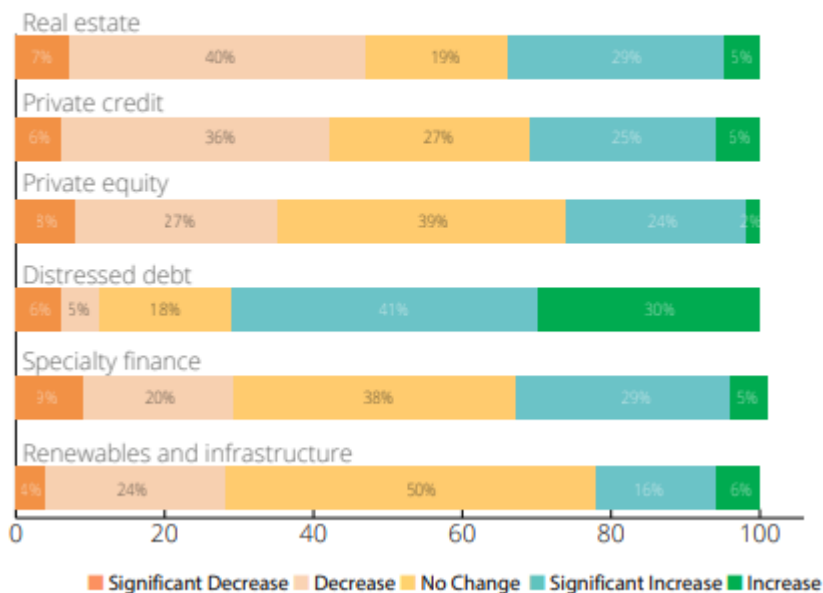
More than 70% of investors have a favourable investment outlook towards the asset class according to a survey of more than 120 investment professionals by Oxane Partners.

The report – Covid-19 and the Private Markets – also revealed a huge drop in sentiment for real estate, with more than half of respondents saying the attractiveness of the sector had taken a big hit for them.

About 42% of respondents highlighted a drop in investment attractiveness of private credit investments – a striking result given the need for businesses to extend credit in the current business climate.

A recent survey on private credit by international law firm Proskauer revealed that over 97% of investment professionals were willing to provide additional capital to their existing borrowers.

For the next 18-24 months how has your outlook (investment attractiveness) changed for the following private market asset classes?



Oxane’s survey revealed that just 3% of respondents had suffered no disruption from the Covid-19 pandemic, while more than two-thirds of respondents rated the disruption to their investment operations at 3 or higher on a scale of 5.

Deferring or cancelling planned investments, adjusting returns guidance and being more cost conscious were cited as the top three immediate fallouts of the impact of the coronavirus on private markets.

Oxane’s report said the focus for many firms has shifted to portfolio operations and rethinking new ways of value creation and weathering the storm.

It said, “Some of the GPs are considering a move to investing in distressed strategies, considering the attractive relative valuations.

“Exiting current investments will be slow, and holding periods long, as sellers sit tight and wait for the markets to recover.

“Certain industries, where the deeply discounted prices are not reflective of the true health of the company or the portfolio, would present interesting opportunities.

“Private equity funds have been sitting on roughly \$2tn of dry powder, according to data from Preqin, waiting for a price correction.

“Funds that have the cash to call have a competitive advantage and can benefit from several strategic opportunities as valuations are at a discount.

“However, it will be more crucial than ever to properly assess risk, as the crisis evolved from a supplychain shock to a demand shock and is now affecting the global economy.

“The speed of investments is expected to be slow due to time taken to evaluate deals, difficulty in conducting due diligence, reduced debt funding opportunities and delays in investment committee approvals in this overall uncertain environment.”

Oxane said cash-injections and PIPE deals are expected to form the bulk of the deal flow, rather than takeovers and leveraged buyouts, while liquidity concerns are also on the rise.