

# ASIAN INVESTORS ARE FLOCKING TO PRIVATE DEBT

GROWING DEMAND FOR PRIVATE DEBT STRATEGIES FROM ASIAN INVESTORS IS ESTABLISHING CREATIVE HIRING TRENDS IN THE MARKET  
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**A**s an executive recruiter for marketing professionals, I always like to keep an ear to the ground by asking questions and learning about recent trends in private markets fundraising. On a recent trip to Asia, I met with several institutional investors and fund managers to hear about where capital was flowing, and the overwhelming theme from those conversations was just how many Asian allocators are now flocking to private debt.

This should come as no surprise; investors from all over the world are on the hunt for sophisticated private debt strategies that can offer attractive risk-adjusted returns. But there are some important differences about the Asian market that fund managers should be aware of, including the importance of establishing local relationships and taking a long-term approach.

## Debt demand

Already this year there have been several multi-billion dollar closings from firms including Hayfin Capital Management, Alcentra Group, Carlyle Group, Marlin Equity Partners and Cerberus Capital Management. In total, there are more than 300 private debt funds currently in fundraising mode, seeking a combined \$150bn, mainly concentrated in North America and Western Europe.

Many investors, concerned about the high levels of correlation in the public markets, are increasingly turning to the private markets as a potential source for differentiated returns. Private debt has helped fill that void in recent years, with AuM more than doubling since the financial crisis.

But while the bulk of the allocations to

private debt still come from US and European investors, it is Asian investors that are increasing their allocations at the fastest rate – and they are hungry for more. Asian investors increased their exposure by 50% in 2016 and now account for 9% of all institutional private debt investors, according to Preqin figures. In fact, one of the largest allocators to private debt is South Korea’s KB Insurance, which invests nearly a quarter (24%) of its \$23bn of AuM in the asset class.



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This is just a small fraction of the total assets available. The 300 biggest institutional investors in the Asia-Pacific region, as ranked by AsianInvestor, control more than \$35trn in assets. If just a few more of these investors carve out a portion of their portfolios for private debt, the asset class will skyrocket.

## Attracting Asian investors

For private debt managers – and their marketing teams – attracting Asian investors

presents a number of challenges. Many institutional investors lack the private credit expertise to properly vet potential investments. Instead, investors rely on placement agents to do the heavy lifting and make introductions to high-quality managers. As a result, the majority of the capital currently invested in private debt strategies is flowing to large, established firms.

Private debt managers looking to attract assets from Asian investors should also keep in mind the importance of local culture. Since private debt is relatively new for Asian investors, they want to know managers have boots on the ground, typically via a locally based salesperson. While it may be tempting for a private debt manager to send their marketing head on a road show through Hong Kong, Tokyo and Seoul, Asian investors are likely to respond better to someone they know and have an existing relationship with.

There is growing demand throughout the Asia-Pacific region for marketing or fundraising professionals that specialize in private debt. While on the ground in Hong Kong last month, I learned of about 15 new live searches for Hong Kong-based distribution hires, in addition to the five mandates my team was already working on.

For example, General Atlantic, a private equity and debt firm, recently made two Asia-based hires – John A Prasetio and Yong Hak Hah – to help develop business opportunities in Southeast Asia, with a focus on Indonesia. General Atlantic’s marketing strategy is to hire ambassadors to the Asian region whose role it is to make key LP introductions to major institutional investors. Many other firms with an eye on the region are following suit by aggressively recruiting marketers who have experience working with Asian investors.

This trend is unlikely to abate anytime soon. For now, most private debt strategies are still focused on the US and European markets, and are managed by US and Europe-based firms. But as Asian investors become more familiar with the asset class it’s only a matter of time before managers – and their marketers – set their sights on the many potential investment opportunities that will soon be available in some of the fastest growing economies in the world. 📌



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