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SEI Report Reveals Myriad Private Debt Opportunities for Managers and Investors

Asset Class Goes From Periphery to Prominence

OAKS, Pa., March 14, 2019 /PRNewswire/ -- The private debt market has experienced significant growth since 2008's global financial crisis, moving from a niche investment to an integral part of institutional portfolios, but it is unclear how competitive pressures and macro-economic changes will affect the asset class's growth and maturation in the coming years. [SEI](#) (NASDAQ: SEIC) collaborated with Preqin, a leading source of data and intelligence in the alternative assets industry, surveying more than 200 private debt managers and investors to explore this market's evolution and potential opportunities.

"[Private Debt: Preparing for the Unknown](#)" illustrates trends in the private debt industry, and highlights the different perspectives shared by managers (General Partners or GPs) and investors (Limited Partners or LPs). Highlights from the report include:

- **Private debt appeals to a wide variety of investors.** In addition to foundations and endowments, public- and private-sector pension funds lead this segment, accounting for 51 percent of the investor pool. However, data surrounding the role of family offices signals a shift toward the individual investor segment, with 10 percent in average allocations and 59 percent of GPs indicating it is becoming an even more important source of capital going forward.
- **GPs and LPs have differing opinions on the role of advanced analytics and technology.** When asked specifically about data analytics, investors were more likely than managers to say that it would make a noticeable impact more quickly. Half of all investors surveyed believe advancements in analytics will spur the development of new, customized investment vehicles, and even more think data analytics will enable more types of investors to participate in the private debt market in the near future. Fund managers, on the other hand, shared their skepticism on advanced analytics as a driving factor in shaping the industry – although more firms are expected to rely on technology to help find, vet, negotiate and value opportunities.
- **While the asset class is expected to experience continued growth and maturity, challenges remain.** Although assets under management are projected to double in the next five years to \$1.4 trillion, according to Preqin, private debt is not immune to macro changes and evolving market dynamics. Survey participants cited differing

views on the threat of increased competition from banks as they re-enter the market. Investors believed this will increase competition, potentially driving down returns, yet managers believed the re-entry rate will not be great enough to significantly move the needle.

"Private debt is no longer a niche player in the private capital ecosystem, and has moved to a position that has created both opportunities and challenges for investors and managers," said Jim Cass, Senior Vice President of SEI's Investment Manager Services division. "As investor interest in this asset class continues to grow, managers who are able to consistently demonstrate specialist knowledge and expertise, while leveraging new technologies and offering operational excellence, will succeed and thrive in this space."

Notwithstanding the attraction of the asset class to institutional investors, private debt is subject to the same market vulnerabilities affecting other investment options and asset classes. In order for GPs to protect themselves from adverse market conditions and a possible slowdown, the report recommends enhancing competitive positioning, focusing on expense management, addressing fee concerns, and improving productivity.

To read more about the future of private debt and how managers can position themselves for success, visit www.seic.com/privatedebt.

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After 50 years in business, SEI (NASDAQ:SEIC) remains a leading global provider of investment processing, investment management, and investment operations solutions that help corporations, financial institutions, financial advisors, and ultra-high-net-worth families create and manage wealth. As of Dec. 31, 2018, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages, advises or administers \$884 billion in hedge, private equity, mutual fund and pooled or separately managed assets, including \$307 billion in assets under management and \$573 billion in client assets under administration. For more information, visit seic.com.

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