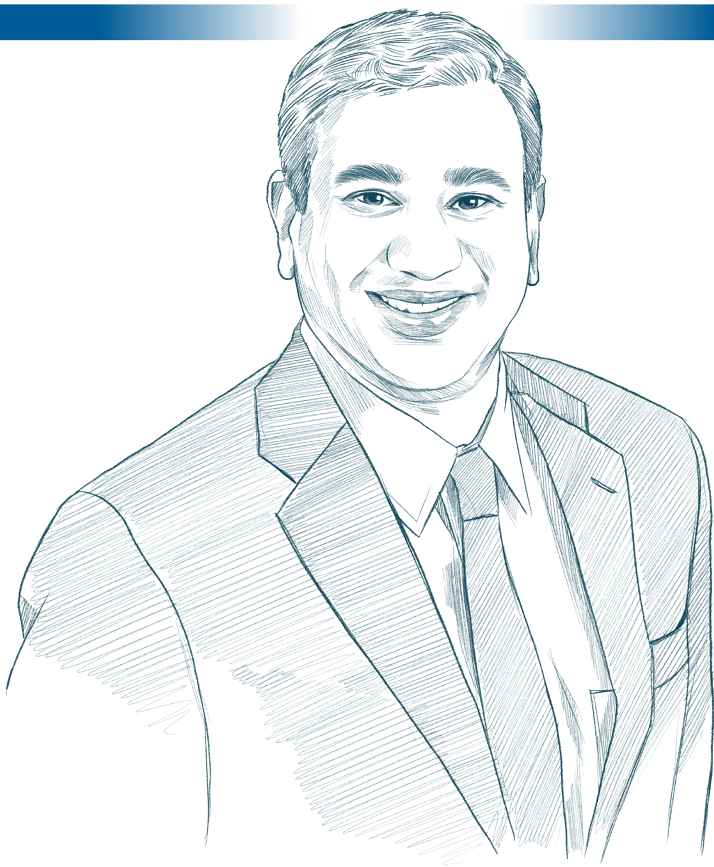
Private Debt Investor



Strategy **Why Antares is excited by Asia and the Middle East**

It's not very controversial to posit that private debt managers faced a double-pronged challenge in 2023: raising capital from investors hampered by the denominator effect, and deploying capital given the market slowdown in the M&A market, ***writes Andy Thomson***. But, at the dawn of 2024, Vivek Mathew, head of asset management at fund manager Antares Capital, was feeling more optimistic on both fronts.

Buoyed by an apparently improving macroeconomic backdrop, with talk of hard landings less in vogue and inflation having fallen faster than anticipated, New York-based Mathew thinks more confidence is filtering into the deals market. There is also, he believes, more pragmatism as differences over valuation expectations begin to be eroded – meaning that processes are more likely to reach completion rather than be pulled.

"Of course, there are many factors to consider and markets are picking up, but we're hearing that GPs recognise they need to return capital to their LPs to raise their next funds, and that inches them closer to selling as they come to appreciate that they may not necessarily get the multiple they thought they would prior to the middle of 2022 – but a return that is still good on a historical basis," says Mathew. "You're seeing the investment banks' pipelines starting to pick up."

On the fundraising front, Mathew sees things in private debt taking a turn for the better. Reflecting on "excellent conversations" the firm had at its Investor Day in Zurich in October and at a seminar in Asia attended by more than 100 Korean LPs, Mathew concluded that investors were keen not to miss the boat.

"The opportunity in private credit continues to look very attractive," he says. "What's interesting is that, despite being a competitive market and off the all-time yields we may have seen recently, from a historical perspective, the yields are still quite good."

Mathew points out that, despite 2023 being a tough fundraising year, private debt still managed to fare better than other asset classes. Reflecting on Antares' experiences, he says: "We were quite happy we achieved our goals. Heading into the year, we wanted to raise a certain amount of money and we did that. We didn't overachieve but it was almost certainly a year when you

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Antares' priorities for 2024

'Wealth' and 'insurance' are two words featuring prominently in Antares Capital's priorities for the year ahead

"So far, we have yet to really focus on wealth capital," says Mathew. "All of our incoming capital, which continues to grow fairly consistently, has been on the institutional side. You'll see us having more specific products designed to capture wealth capital in 2024."

On insurance, he adds: "We do have insurance company investors but we'll have a much more focused, deliberate approach to products that are insurance-friendly. We've made some hires with insurance expertise, so we'll be leaning into it more. Strategically, we feel there are a lot of potential synergies and mutually beneficial opportunities between managers and insurers."

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were likely to raise less than you thought – so meeting expectations felt like an overachievement."

In July last year, the firm closed its second senior loan fund on $6 billion of investable capital – double the $3 billion raised by the first fund in September 2020.

For the year ahead, Mathew says: "I don't think there'll be a surge upwards with demand totally outstripping supply, but I think people will raise more money than they did in 2023." Of course, ongoing macroeconomic and geopolitical uncertainties are still acting as a drag on market activity of all sorts. In a hypothetical scenario of US Federal Reserve policy becoming clear and a resolution to the war in Ukraine, capital might once again flow freely into the asset class. For now, however, such an outcome remains firmly in the theoretical realm.

Beyond private equity

One region where Antares is optimistic that the supply of capital for private debt will increase is the Middle East. "Historically, alternatives in the Middle East simply meant private equity – specifically buyouts – and real estate," says Mathew. "For something like private credit, there was limited education of its benefits and it didn't really have a home in portfolios."

In Mathew's view, two main factors have slowed adoption of private debt by investors in the Middle East: one, low returns relative to private equity; and two, a lack of comfort with debt that was not easily tradable. But he says that with large asset managers such as Pimco and Blackstone, as well as Antares itself, spending a lot of time on education over the past three or four years, the tide is starting to turn.

"Obviously, the region has a lot of capital reserves arising from energy and they need to put that money to work in a more diversified manner than they have up to now," says Mathew. "Therefore, the alternatives allocation is increasingly not just private equity and real estate but also infrastructure, direct lending and other areas of private credit."

Mathew sees appetite coming both from sophisticated sovereign wealth funds as well as "family office-type capital that is basically institutional but with a family behind it". These investors are increasingly persuaded by the argument that even relatively safe senior debt can deliver private equity-like double-figure returns while avoiding the volatility often experienced by buyouts. Mathew says around 10 percent of the firm's capital is currently accounted for by the Middle East but adds that he sees "a lot of potential".

In Asia-Pacific, too, he thinks education around the asset class may finally be starting to bear fruit.

"Investors there are very meticulous about data and historical track records and really want to understand who the leaders are in a given space." Mathew hints that an increasing presence in Asia-Pacific is likely for Antares, given that the last two funds raised by the firm have seen it growing its investor base in the region. ■