

Assessing the opportunity in Australian private lending post COVID

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How has COVID impacted private lending market?

PRIVATE LENDING MARKETS HAVE PROVEN TO BE HIGHLY RESILIENT

- Rapid recovery due to Government stimulus
- Recovery has differed widely depending on the sector – retail, childcare
- Retreat of existing lenders – home market bias, increasing risk weights
- Loan structures more robust – lower leverage, limited 2nd lien debt, higher equity contributions
- Illiquidity premiums remain elevated
- Significant equity capital awaiting deployment

Private debt managers - best practice considerations

CRITICAL TOPICS FOR INVESTORS TO ASK

- Valuation approach
- Impairment of assets
- Separation of responsibilities
- Advantages and disadvantages of scale
- Investing in multiple levels of a capital structure
- ESG integration in the investment process
- Approach to portfolio construction