2022 DCM Investor Report

What’s ahead for the debt capital markets?

Produced in association with institutionalassetmanager

Editor’s note

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We are pleased to present the *SS&C Intralinks 2022 DCM Investor Report*, produced in association with Institutional Asset Manager. Through this report, we aim to understand investors’ plans for their debt portfolios over the near and medium term.

We have collected views from a diverse group of 111 institutional investors — including pension funds, insurance firms and family offices and their investment consultants — to understand their outlook for the next 12 months, concerns and the factors affecting their investment decision-making processes.

We explore how recent factors including the pandemic, inflation and geopolitical tensions continue to inform investment practice and internal operations; key risk factors for investment firms; and the increasing move toward environmental, social and corporate governance (ESG) strategies.

For example, as the markets continue to rebalance from the pandemic and look to a new future, the U.S. is expected to see a significant increase in development and its associated debt as President Biden passes his infrastructure bill.

We also delve into portfolio-specific aspects of DCM investors’ processes to understand their asset allocations and how this is framed within the context of their macro and portfolio considerations.

Broadly speaking, we learned that while ESG factors continue to drive investment decisions, some investors are concerned that short- to medium-term energy requirements have not been taken sufficiently into account; that the appetite for private debt investments is growing apace worldwide; and that the growth of interest in debt instruments is likely to continue well beyond the next 12 months.

We hope these insights will prove useful as you navigate your business through the challenges of a fast-changing and forward-looking environment.

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Executive summary

- Debt instruments retain their status as a favored asset class of institutional investors, with portfolio allocations to DCM assets growing from an average of 16 percent in last year's survey to an average of 36 percent this year. Investors anticipate a further increase in allocations to DCM assets over the next year.

- Investors' expectations on DCM valuations over the next 12 months are split. While most survey respondents expect a change, the direction expected is divided almost equally between rising and falling.

- Private debt has stormed ahead in the last year to become the preferred subclass of choice for investors, followed by public bonds and investment-grade credit. Non-performing loans (NPLs) and distressed debt are also regaining ground, though investors still have concerns.

- The pandemic has shone a brighter light on ESG factors as they impact societies. This focus is now trickling through to the DCM markets. Investors expect a surge of sustainable debt issuance in the next 12 months and most anticipate increasing their allocations.

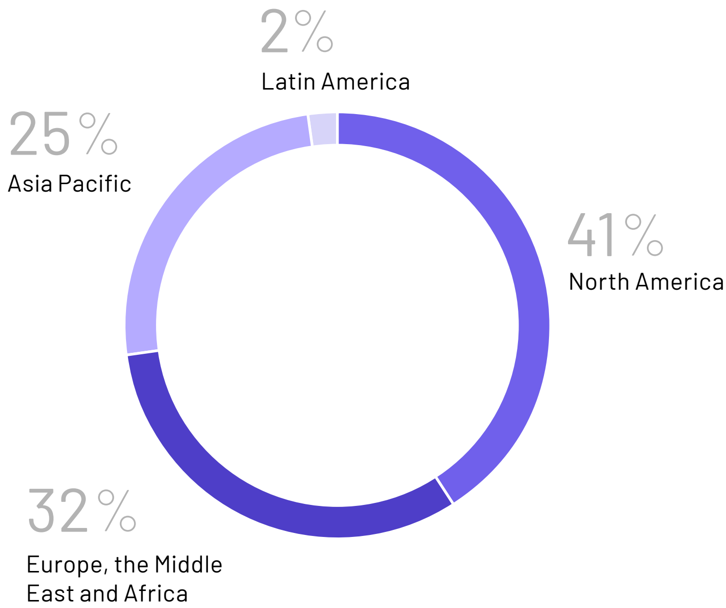
- Other macro factors are more concerning, with respondents flagging inflation, overvalued assets and excessive financial leverage among their top risk priorities. And although a resurgence of COVID-19 is at the bottom of the list, the aftereffects of the pandemic continue to impact respondents' attitudes about dealmaking, technology and working conditions.

Survey methodology

The survey canvassed the opinions of 111 investors.

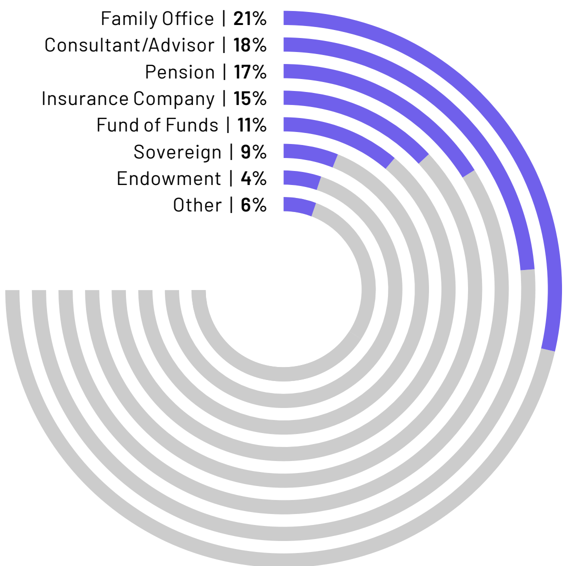
Respondents by geography

DCM investors based globally participated in the survey.



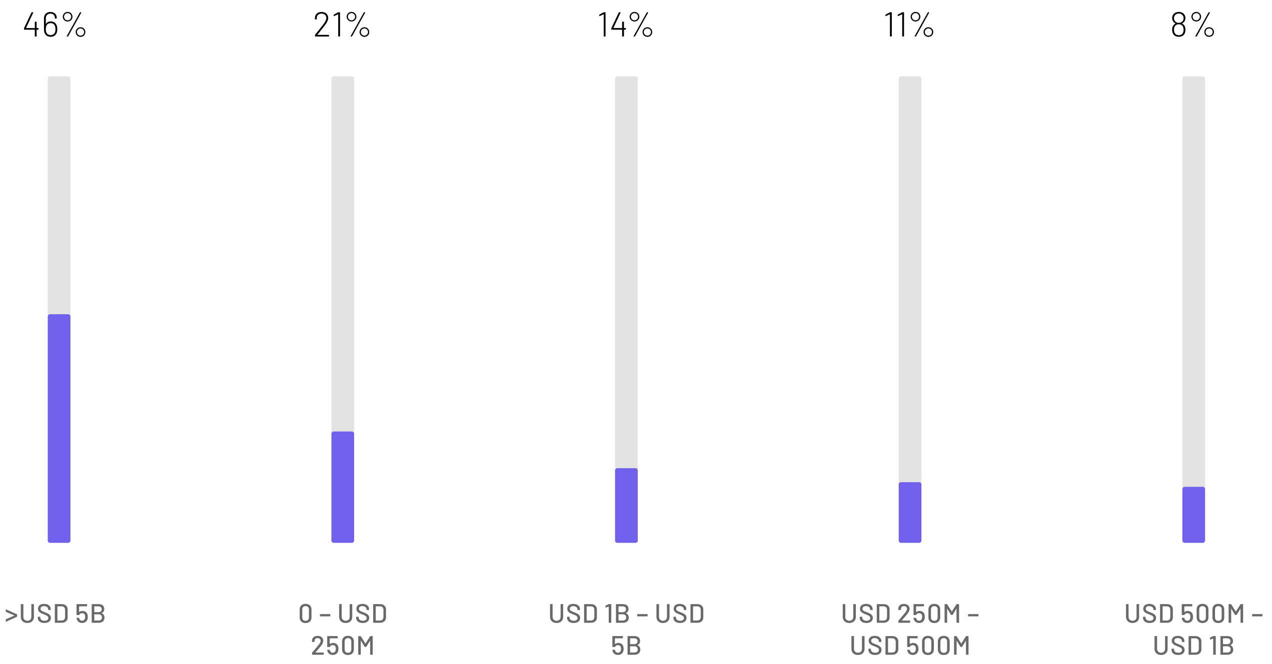
Types of investors surveyed

The survey captured the sentiment of a range of professionals engaged in the debt capital markets.



Survey methodology

Investor assets under management (AUM)



Return expectations bullish in longer term

The turbulence of the last 18 months continues to affect the DCM markets, with Q1 2021's high global deal volume of USD 2.5 trillion falling to USD 2.4 trillion in Q2, down from last year's record-breaking Q2 of USD 2.8 trillion, and falling further to USD two trillion in Q3, according to data from Dealogic.[1]

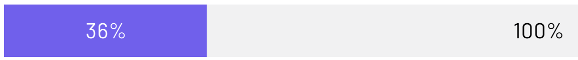
Dealogic's First 9 Months 2021 report states, "Borrowings for repayment of debt, refinancing and recapitalizations is down 99 percent to USD 891 billion, while M&A-related borrowings have reached USD 194 billion, up from USD 131 billion [during the same period in 2020], though still a far cry from the USD 200 billion+ raised in [the same period in 2018 and 2019]."[2]

According to our survey, investors remain largely bullish on their outlook on and commitment to the debt markets. John Gallagher, a partner at Element SaaS Finance, comments, "The debt market is pretty hot at the moment, with a lot of new entrants in the past 12-18 months. Mostly this has been driven by the search for returns from money managers and funds who are awash with money."

He adds, "In a pandemic, you would think investors and institutions [would] become wary and pull back from activity. This has been the opposite as they chase returns in the low-interest-rate environment."

And Casey Wilson, vice president, product development and investor relations at U.S.-based private real estate investment firm Trinity Investments, says, "The debt capital markets have been extremely constructive when it comes to new acquisitions; however, when it comes to refinancing, things have been a bit tighter. With a wave of maturities in 2022 and 2023 in the Hospitality space specifically, it will be very interesting to see how assets work through the system."

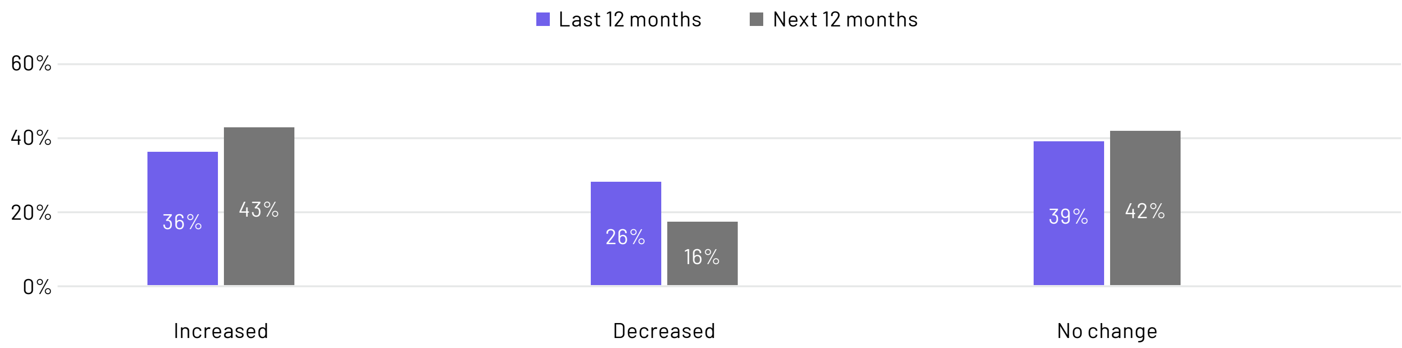
Chart 1. What percentage of your portfolio is currently allocated to DCM assets?



The percentage of investors' portfolios now allocated to debt assets has increased significantly from an average of 16 percent in last year's survey to more than double, hitting a 36 percent average across respondents (Chart 1).

[1] Dealogic
[2] DCM Highlights: First 9 Months 2021, Dealogic.

Chart 2. How has your allocation to DCM assets changed over the last 12 months and how do you expect it to change over the next 12 months?



There is a trade-off between those who have increased their allocation to the debt markets over the last 12 months and those who have decreased, according to investors. Thirty-six percent have increased their allocation, with 25 percent decreasing and 39 percent reporting no change. This compares to a more prudent market in last year's report where 57 percent of respondents reported no change.

This year's survey shows an increasingly positive outlook for the next 12 months as 43 percent of respondents expect an increase in their allocation to DCM during that period; of the rest, 42 percent of investors expect no further change and just 16 percent expect a decrease (Chart 2).

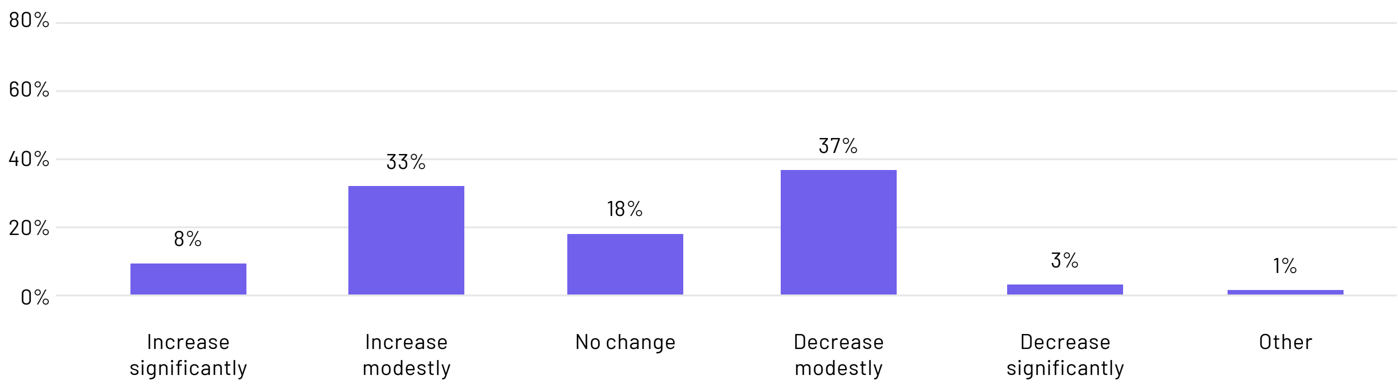
Yet investors remain cautious. Gallagher comments, "Depending on what happens in the economy, [the recent positivity for DCM] will either continue or dry up if there is a pull-back driven by an economic change or interest rates increase as governments try to manage inflation."

Investors appear to show a cautious response in their expected valuations of DCM assets over the next 12 months, with a total of 88 percent of survey respondents in the modest increase to modest decrease space; while only eight percent expect a significant increase and just three percent anticipate a significant decrease.

To put it another way, well over a third of respondents — 41 percent — expect a significant to modest increase in valuations, explaining the majority decision to increase DCM allocations over the next 12 months. Yet this is offset almost entirely by the 40 percent of respondents who expect instead a significant to modest decrease in their valuations.

Such a marked split in outlook — with only 18 percent expecting no significant change at all — reflects the ongoing turbulence in the debt markets and the unknown market and macro risk factors that could yet make a significant difference to investor and market behavior (Chart 3).

Chart 3. How do you expect DCM asset valuations to change over the next 12 months?



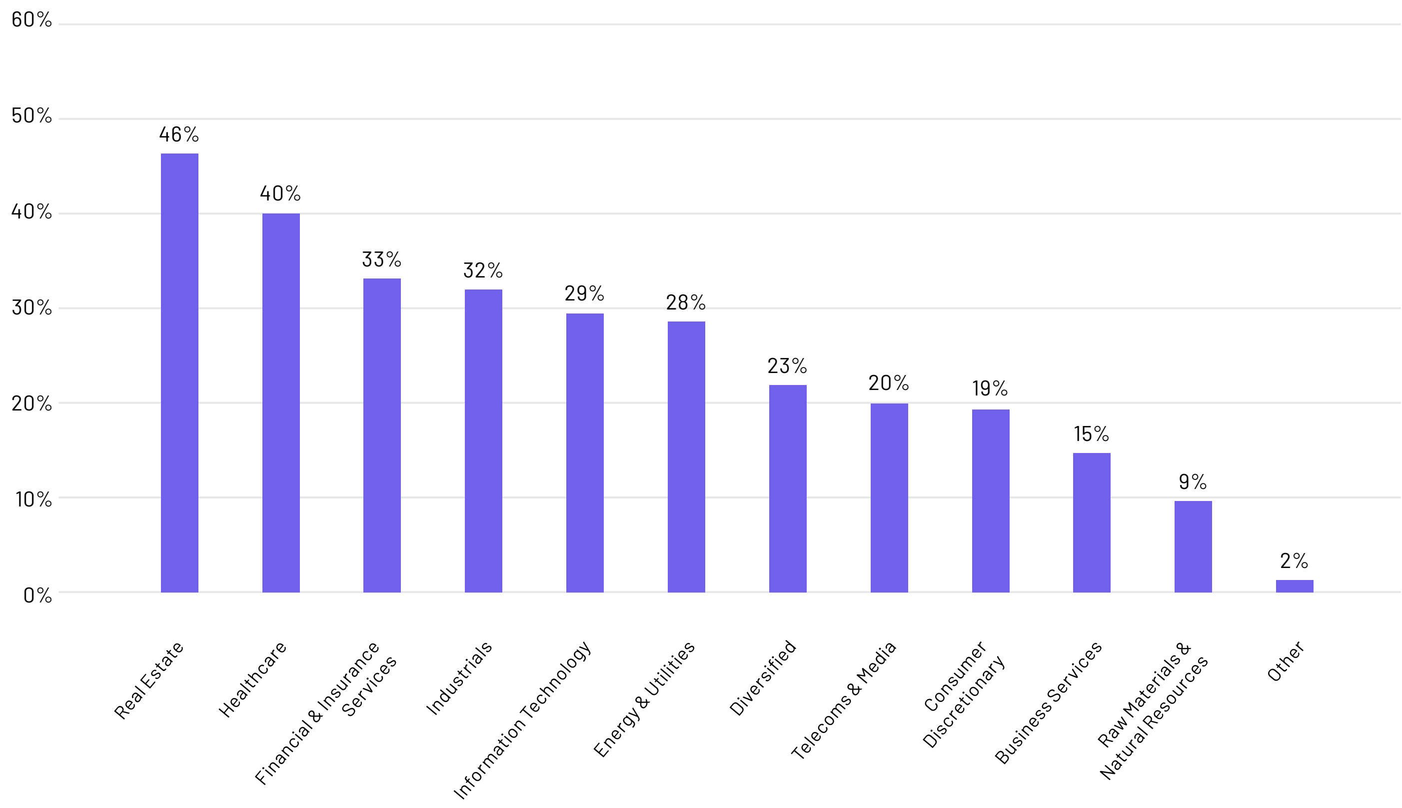
An industry/sector focus shows Real Estate (46 percent), Healthcare (40 percent) and Financial and Insurance Services (33 percent) leading the pack, while Business Services (15 percent) and Raw Materials & Natural Resources (nine percent) bring up the rear (Chart 4).

Real Estate remains a strong sector, with the top-line growth of the industry largely inflation-linked, thus providing a good hedge for rising inflation prospects.

Fred Bruning, co-founder and CEO of California-based retail developer CenterCal Properties, notes, "The continuing decline in a large number of enclosed malls will make this sector more difficult. Open-air, mixed-use and daily needs centers will thrive and attract competitive debt."

Jeff Holzmann, COO of Texas-based RREAF Holdings, a privately held commercial real estate firm, believes that Media has an interesting future as a sector.

Chart 4. In terms of industry sector/focus, which sectors are you currently allocating/shifting to?

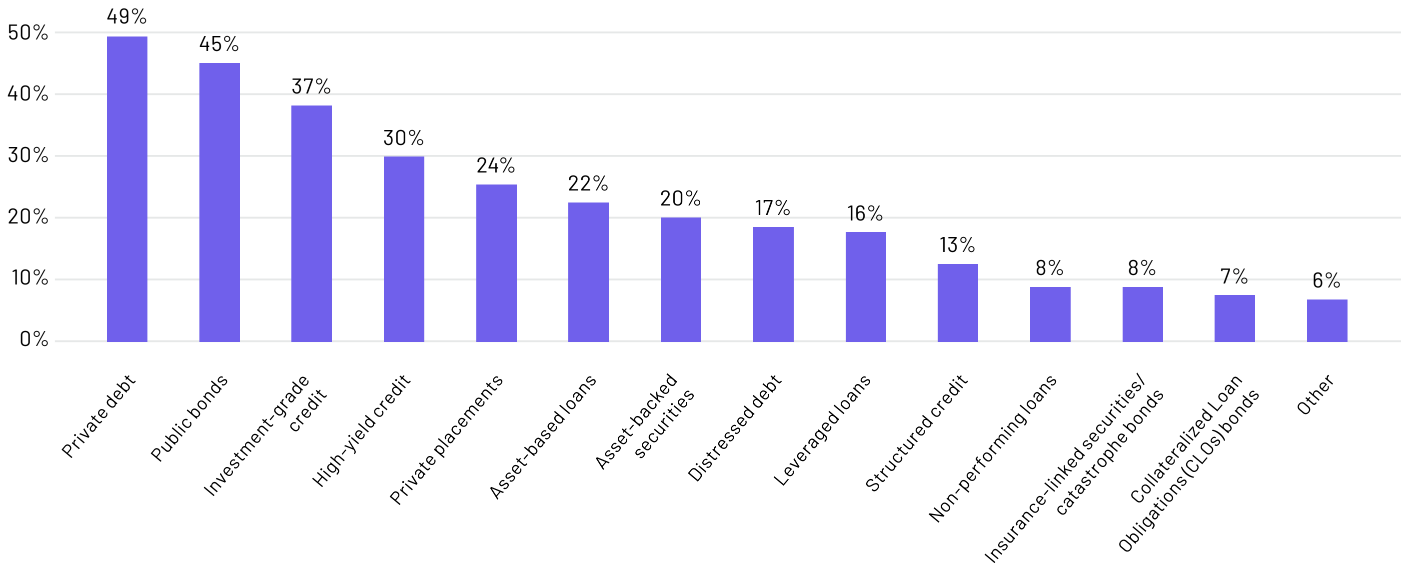


He comments, "I think the big players — Microsoft, Amazon, Google, Facebook [Meta] — are here to stay, but it's very interesting to follow what's happening in the U.S. with regulation. For those of us who are students of history and remember what happened almost 100 years ago with AT&T and how regulators decided they were too big and had to break up: That would have a gigantic impact. I think you have to be really very naive to think that that will never happen."

Other sectors highlighted by investors include Consumer Goods, where J. Niederberger, CEO at Hong Kong-based private investment specialist Quintar Capital, expects a rebound; an expectation that Biotech might fall out of favor having had a rise in public attention during the pandemic; and investment in real assets including timber and farmland. One survey respondent comments, "Any asset class that provides yield, duration and ESG is currently extremely popular, ideally with an inflation-linked element as well. For instance, Infrastructure is currently extremely popular."

And, of course, as the ramifications of Biden's infrastructure bill begin to impact U.S. markets, with

Chart 5. How concerned are you about the following in relation to DCM?



a pledged USD 550 billion in new federal expenditure over the next eight years to upgrade highways, roads and bridges, and to modernize city transit systems and passenger rail networks, there could be a marked uptick in associated debt.

In terms of regional focus, the U.S. retains its attraction to 62 percent of investors followed by EMEA at 36 percent; APAC at 25 percent and emerging markets at 22 percent, with Latin America attracting just 3 percent of survey respondents.

The top DCM asset classes for investors currently are private debt (49 percent), public bonds (45 percent) and investment-grade credit (37 percent). This compares to last year's weighting on bonds, followed by asset-backed securities and debt private placements.

Holzmann says, "We think that the market's ability to transact based on raising debt in the capital markets will decrease because the cost of capital will increase; it's going to be more expensive to get a loan. As a result of that, we expect to see fewer deals done in the markets where we participate."

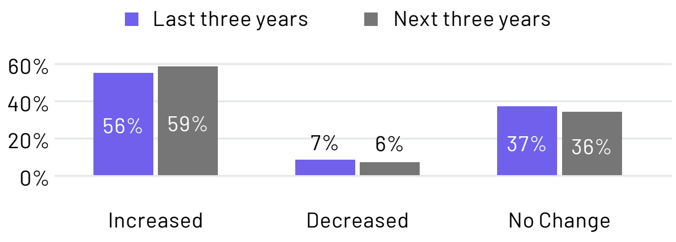
Allocations in focus: Private debt pulls ahead

The shift to private debt evidenced in this year's report continues last year's trend, where investors targeted private assets to generate more substantial returns than were available through big banks. Yet the warning remains that this is a less liquid asset class, so investors need to remain cautious.

Allocations to private debt have increased by 56 percent in the last three years. Thirty-seven percent of survey respondents registered no change and only seven percent decreased their allocations. And this trend shows no sign of bottoming out any time soon with 59 percent of investors expecting their allocations to private debt to increase further over the next three years (Chart 6).

Such a move toward private debt results from several market factors including a natural move from private equity firms toward private debt; increased regulation which negatively influences the investment decisions of banks; and an acceptance of riskier and more illiquid strategies in a low-interest-rate environment.

Chart 6. How have your allocations to private debt changed over the last three years, and how do you expect your allocations to private debt to change over the next three years?



Stephane J. Soami-Mabiala, chief investment officer at African sovereign wealth fund Gabonese Fund for Strategic Investments, says, "Private debt's popularity increase is related to a mix of high-risk demand for mega-project funding and opportunistic investment demand in various sectors."

And Guy Norman, investment director at U.K.-based residential property development and management firm RedOak Property, says, "Private debt is popular as it offers more leverage, more flexibility and is easier and quicker to source."

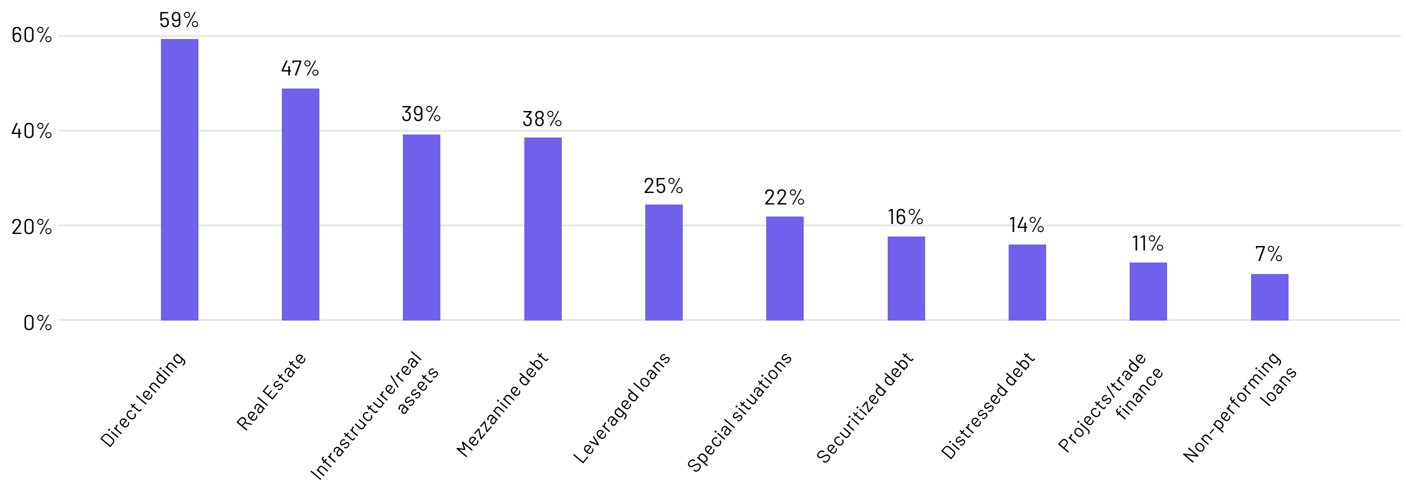
Ken Atchison, managing director of Melbourne-based asset consulting, investment management and property advice consultancy Atchison Consulting, comments on what is a global shift towards private debt due to a tightening of traditional bank financing: "There is one other very significant global theme that's only now really coming actively to Australia, and that's private lending — participation in private lending, private bonds and cost-sharing. Non-bank lending is starting to grow quite materially."

He explains that the capital restraints put on the banking system make banks less inclined to lend, creating an opportunity for the expansion of non-bank lending and for institutional investors in that space; although he adds, such activity still only accounts for 10 percent of the market in Australia compared to 50 or 60 percent in the U.S.

The types of private debt assets most allocated to among survey respondents are direct lending (59 percent), Real Estate (47 percent), Infrastructure/real assets (39 percent) and Mezzanine debt (38 percent). Project/trade finance and non-performing loans trail the pack at 11 percent and seven percent respectively (Chart 7).

The real estate markets remain influenced by the aftershocks of the pandemic, with risk factors in Commercial Real Estate putting higher stress on office loans as people in many economies continue to work partially or fully from home.

Chart 7. In terms of industry sector/focus, which sectors are you currently allocating/shifting to?



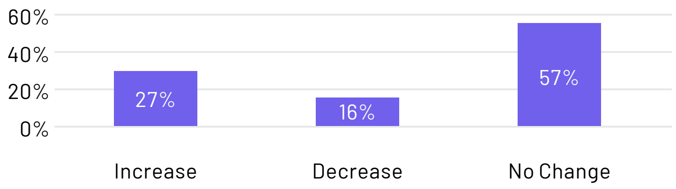
Allocations in focus: NPLs and distressed debt bouncing back

The COVID-19 pandemic led to a sharp downturn in the NPL market in 2020, with just EUR 40.4 billion of secured loan sales in Europe, a marked decrease from the record levels of 2018, according to global real estate advisor CBRE. Fitch Ratings notes additionally that debt-collection activities varied across regions in 2020, with southern European markets affected more than northern Europe, while collection rates held up markedly well in the U.S.[3]

Yet activity began to pick up somewhat in Q4 2020, extending into 2021 and offering hope to the struggling market. Indeed, the fear is not so much that the market will remain in the doldrums but that an upcoming tsunami of NPLs through 2022 into 2023 could destabilize markets and economies even further.

Real estate and investment management services firm JLL predicts that the volume of NPL disposals is set to rise, with an uneven recovery across Europe exacerbated by potential pockets of stress, although it does not believe a surge is imminent in the low-interest-rate environment.[4]

Chart 8. How do you expect your allocations to non-performing loans and/or distressed debt to change over the next three years?



According to the survey, non-performing loans and distressed debt evidence a more cautious approach from investors than private debt as the pandemic continues to impact strategies, with 57 percent of investors expecting their allocations to remain the same over the next three years, although 27 percent expect an increase compared to just 16 percent anticipating a decrease (Chart 8).

There is no doubt that investors have concerns: One investor comments that the risk of an economic downturn following the gradual end of government support stimulus is currently not sufficiently priced in, while others note

[3] Fitch Ratings, Debt Purchaser Dashboard, September 2020

[4] JLL EMEA Market Update Report, H1 2021

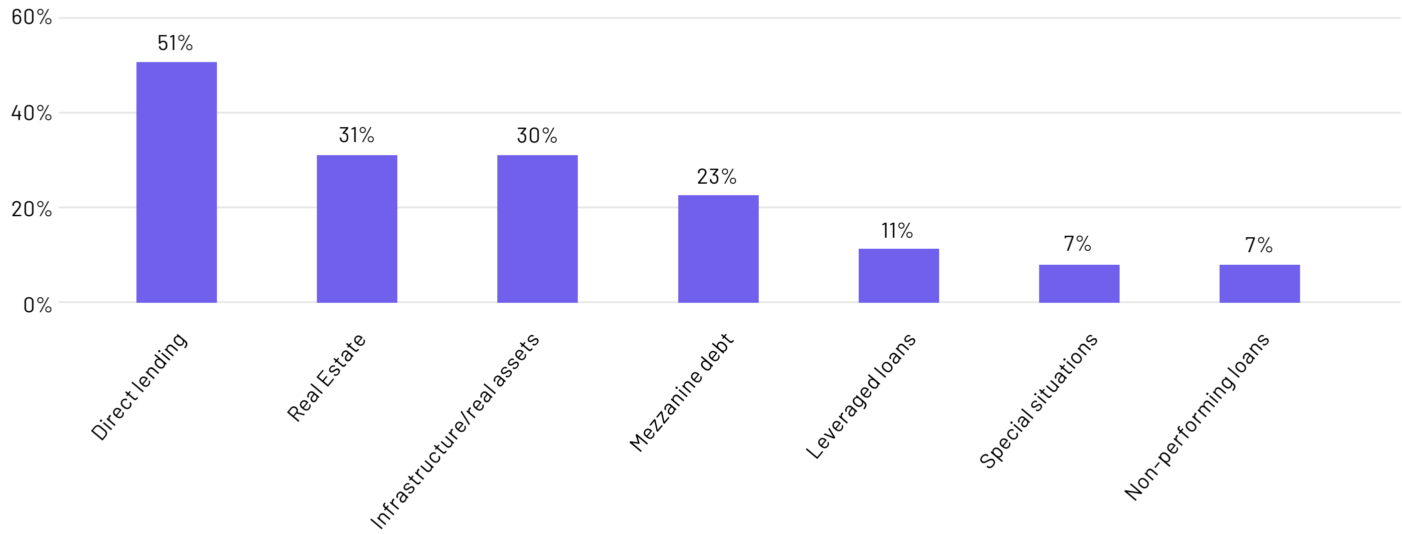
fears of interest rate increases and a general pessimism in the air regarding the global economy.

Norman says, “The commercial assets where most of the NPL loans are attached are often overvalued. The method of valuation is not always accurate, as capitalizing an income stream is tricky when the net income levels are diminishing and the lack of investment comparables recently is also a problem.”

However, other investors still believe that there are significant opportunities in the market. Niederberger, for example, comments, “It is a space that offers amazing opportunities.”

Investors show a significant preference for Commercial Real Estate (51 percent) at the top end, followed by 31 percent mixed; 30 percent SME/corporate; and 23 percent mortgages. Consumer debt and Retail lag way behind with 11 percent and seven percent respectively (Chart 9).

Chart 9. What types of non-performing loans and/or distressed debt do you currently allocate to or plan to allocate to?



Credit issues top risk poll

Both DCM and macro risk factors continue to impact investment decisions, with the aftereffects of the pandemic persisting.

The top risk factors on DCM investment according to respondents are credit issues (21 percent very concerned, 46 percent concerned); liquidity risk (16 percent very concerned, 41 percent concerned); regulatory risk (16 percent very concerned, 37 percent concerned); and business risk (only 10 percent very concerned, but a significant 41 percent concerned) (Chart 10).

These figures have shifted somewhat from last year's mid-pandemic survey, where financial risk topped the table with almost a third of investors very concerned, followed by business risk and credit issues.

Chart 10. How concerned are you about the following risk factors in relation to DCM investments?

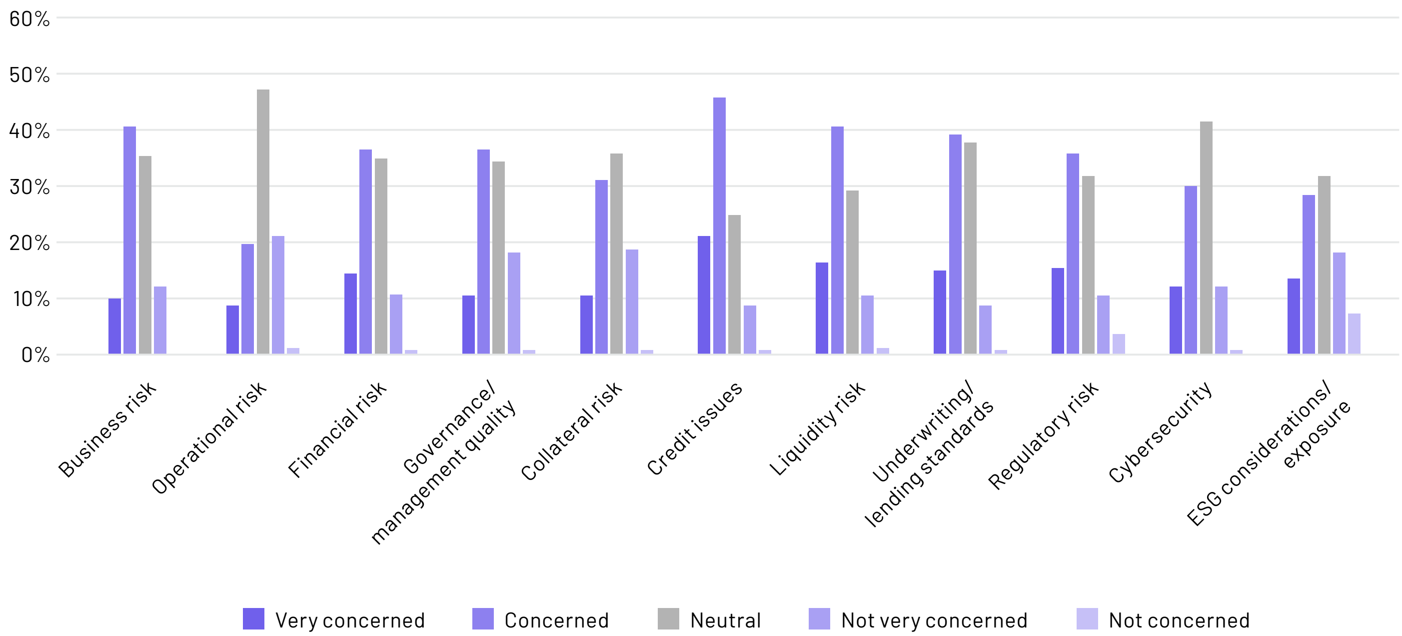
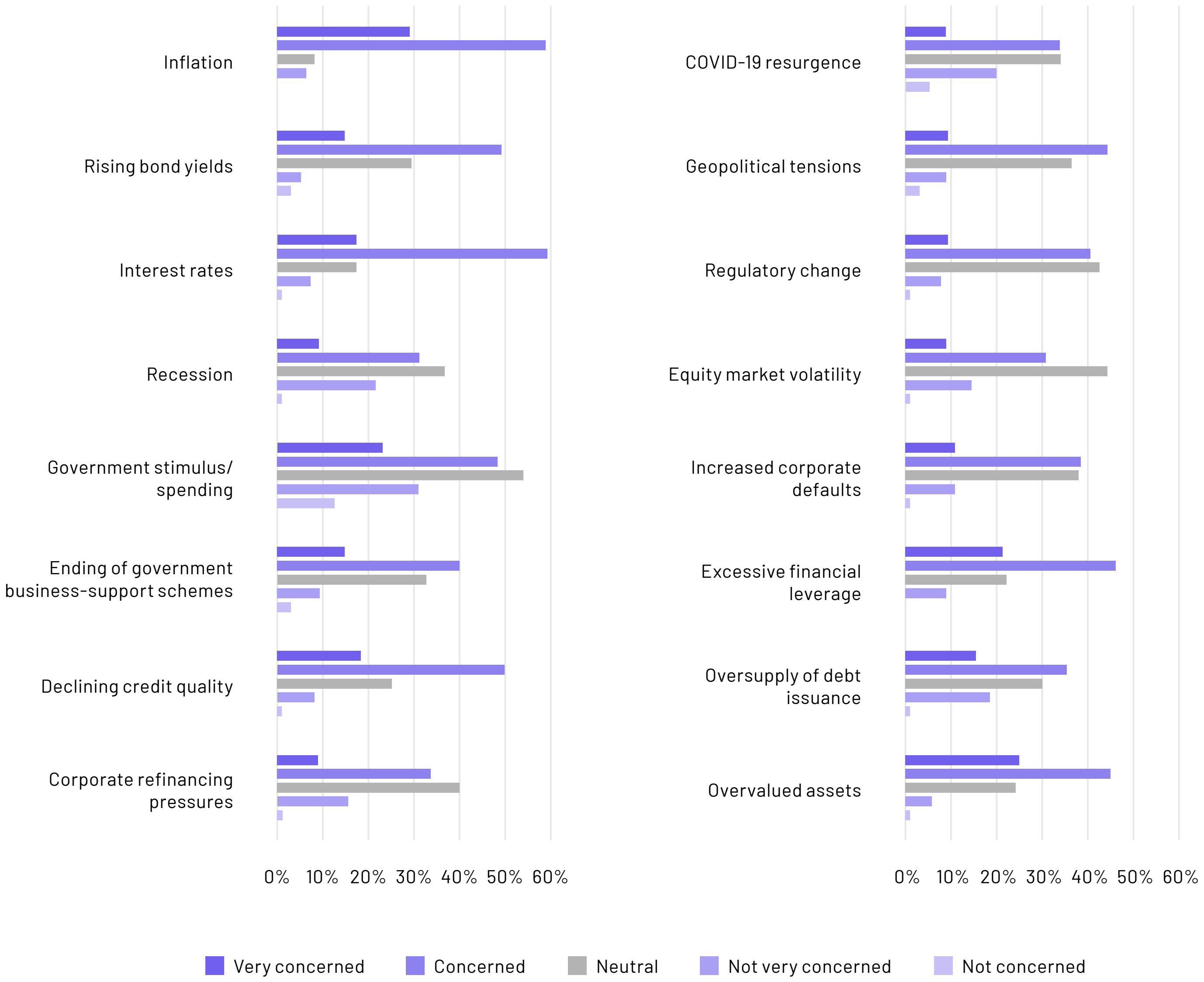


Chart 11. How concerned are you about the following risk factors in relation to DCM investments?



> From my perspective in the continental U.S., there's still a lot of hesitancy around inflation.
>
> **Jeff Holzmann**
> COO of RREAF Holdings

The principal macro issue concerns this year are inflation (28 percent very concerned, 58 percent concerned); overvalued assets (25 percent very concerned, 45 percent concerned); excessive financial leverage (22 percent very concerned, 46 percent concerned); and declining credit quality (18 percent very concerned, 50 percent concerned).

Holzmann comments, "From my perspective in the continental U.S., there's still a lot of hesitancy around inflation. Without getting political, we follow the trends of what the government is doing and we're seeing an infusion of capital and cash into the markets. And it's just science that leads us to the conclusion that there's going to be inflation."

Gallagher also cites general economic climate change, inflation and other big-picture risks as concerns for the market. He adds, "Market behavior in the credit markets has become loose and those who have not done their homework will be found out."

There are also a few "hidden" concerns evident from the survey in which only a few respondents are very concerned but many are concerned: interest rates (only

17 percent very concerned but 59 percent concerned, a total of 76 percent); ending of government business support schemes (only 10 percent very concerned but a significant 53 percent concerned); government stimulus/ spending (15 percent very concerned and 40 percent concerned); and geopolitical tensions (only nine percent very concerned but 44 percent concerned).

Regarding interest rates, Atchison says, "Interest rates will go up. The level of government debt [in Australia] is in the high 80s percent of the debt market now whereas historically it's been 65 percent, and the government debt markets are going to continue to dominate. When interest rates rise, the credit spreads will ultimately blow out, so that's a place to be cautious about."

Geopolitical tensions currently include continued aftermath from the U.S. withdrawal from Afghanistan; China's ambitious approach to advance its position in the world; and the fallout from both China's and Russia's decision not to participate in the 2021 United Nations Climate Change Conference (COP26) held in November 2021.

Investors also cite policy plans in Washington as particularly concerning. Bruning comments, "Inflation may be more beneficial to the sector than current thinking allows. Increased debt in Washington, D.C. may result in upward pressure on rates." And Stephen Mastor, managing partner at private equity real estate specialist Phoenix Capital Partners, bluntly adds "stupid policy plans by Washington" as his principal risk factor right now.

At the bottom end of the macro risk spectrum, 22 percent claim not to be very concerned and one percent not concerned about recession and — perhaps surprisingly — 20 percent are not very concerned, and five percent are not concerned about the resurgence of COVID-19 (Chart 11).

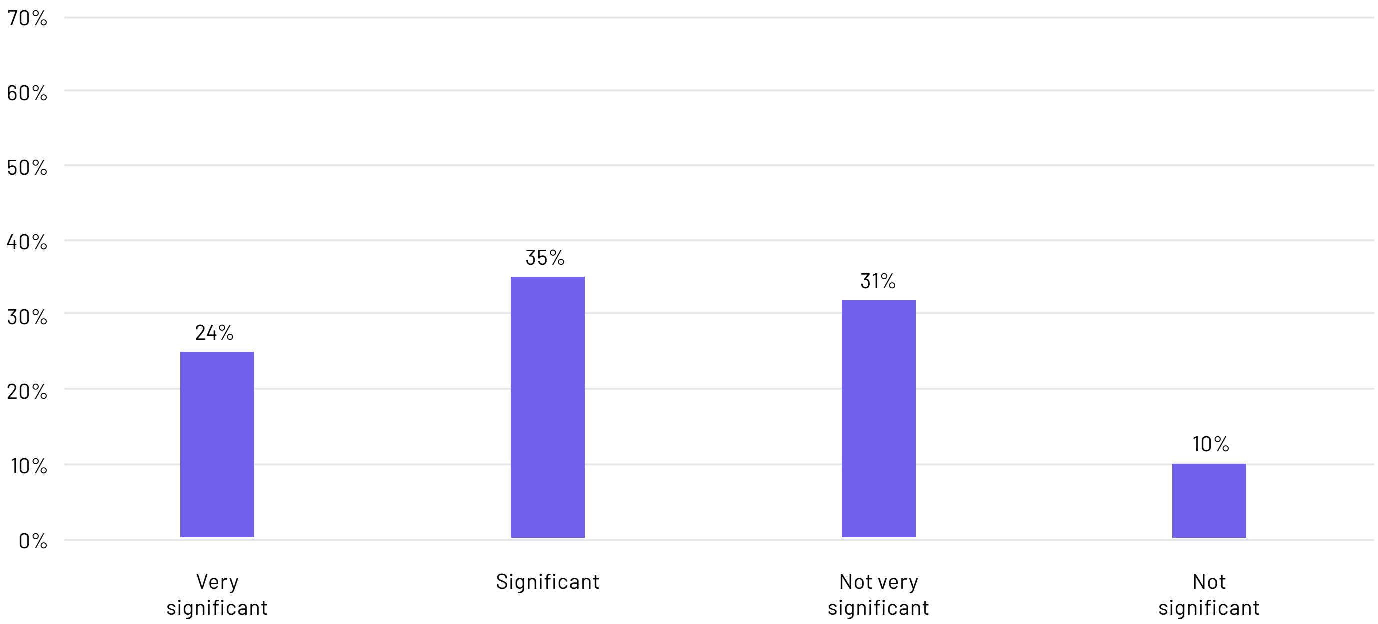
Yet, it continues to pose a risk, or at least a challenge, for some investors. Wilson comments, "The principal risks are what the long-term effects of COVID will be on the established office work environment and the long-term impact on group business travel, e.g., conferences."

ESG is front and center

Environmental, social and corporate governance (ESG) issues are naturally an increasing focus for investors, especially in light of promises made by governments from across the world at the COP26 summit along with the spotlight on the responsibilities of financial firms. And the ESG impact of the pandemic is also still being felt, particularly as governments begin to pull back on stimulus packages and business support schemes.

Yet the significance of ESG considerations was only recognized tentatively by respondents, with 35 percent rating ESG as significant and a small drop to 31 percent as not very significant, followed by 24 percent rating it very significant. Unsurprisingly, only a small minority of 10 percent felt ESG considerations were not significant within their own DCM strategies (Chart 12).

Chart 12. How significant are ESG considerations in your DCM strategy?



According to Atchison, "Institutional investors in Australia will only invest through groups who have very clear policies in place. If somebody comes forward with a proposition and does not have a clearly articulated ESG policy, they will not be listened to."

He is echoed by Holzmann, who comments, "The concept of ESG is here to stay. We accept that things we do have an impact on the planet or on social concerns. These things are important because we have a responsibility to maintain law and order. We don't want to lose everything that we've already built as a society and see the whole thing go into some kind of dystopia."

However, both Holzmann and Atchison raise valid concerns on the predominance of the ESG message as it impacts the debt markets and capital markets more widely. Holzmann continues, "But the reality is people like money, people like to have a good time, people like to succeed." After all, investments need yields and investors target returns overall; as such, non-ESG compliant investments will not disappear entirely and certainly not overnight.

Atchison also points out the need for energy in the short-to-medium term while sustainable alternatives are sourced: "I don't think the financial issue is properly resolved: It is not well researched or analyzed, because try to provide energy for Australia for the next 30 years without coal and gas," he says. "There's a lot of work to be done because what is real substance is not yet properly addressed. And that issue will be faced in the next decade, especially if the power goes off."

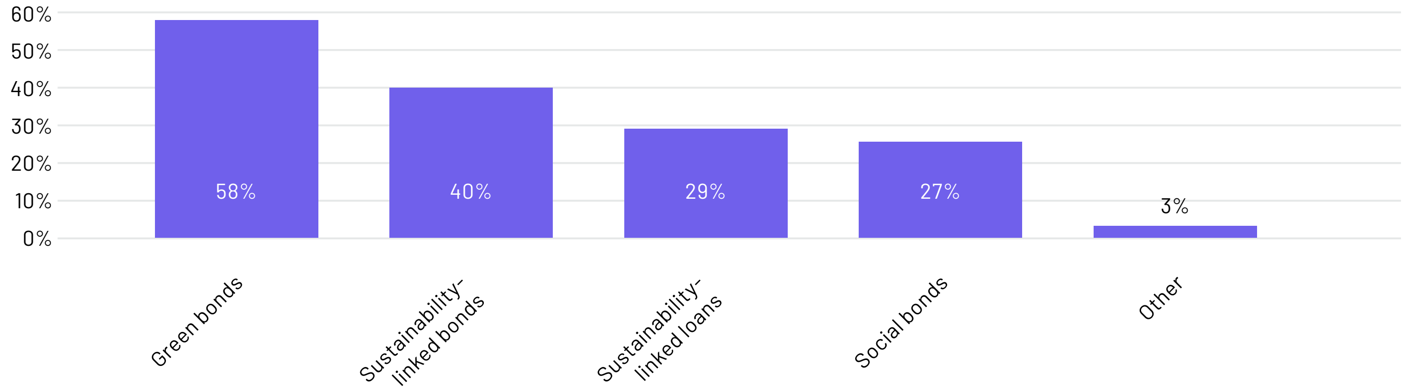
Chart 13. Responses to questions regarding sustainable/ESG debt

The split in respondents between those who did and did not invest in sustainable/ESG debt is almost equal between 53 percent and 47 percent respectively; perhaps a surprising statistic given the dominance of ESG topics across both financial and mainstream media in recent months (Chart 13). This balance shifted, however, when asked if they expected their investment to increase over the next 12 months: Sixty-one percent of respondents said yes and 39 percent responded no. And a substantial 89 percent of respondents expect more sustainable/ESG debt issuance in the next 12 months.

Over the next 12-24 months, Wilson believes that impact investing will, by its very nature, remain a niche part of the market: "As investment theses which are considered 'impact' become the most attractive options from a risk-adjusted perspective, they will no longer be considered 'impact' and instead will just be the logical decision for investors and managers."

He adds, "I believe the focus, which could technically be considered a derivative of ESG, will be diversity and inclusion."

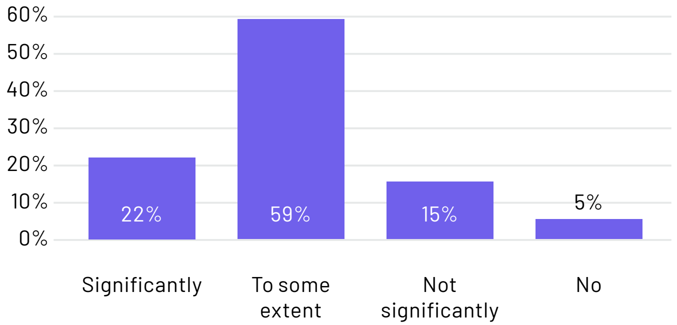
Chart 14. What types of sustainable/ESG debt asset classes or vehicles are you most interested in allocating to?



Investors push tech priorities for DCM execution

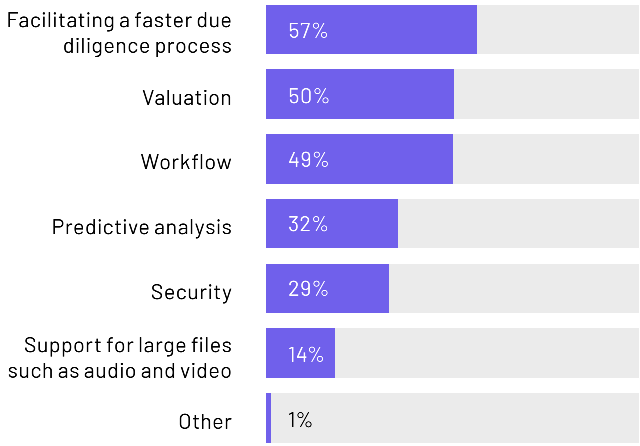
While the pandemic's role in a wider adoption of technology may be seen primarily in the vastly expanded use of videoconferencing software and cloud-based computing, the necessity of remote working and its accompanying international travel moratorium has led to tech-related challenges for the debt markets too.

Chart 15. Is technology improving the marketing and execution of DCM transactions by banks and issuers?



Yet investors are cautious of sticking their collective necks out when considering the benefits of technology for marketing and execution by banks and issuers, with 59 percent claiming that technology was improving the process but only to some extent; just 22 percent of survey

Chart 16. What areas of technology innovation in DCM execution need further improvement?



respondents voted the improvement as significant, neatly offset by 15 percent replying not significantly and a decisive five percent denying any tech-related improvement at all (Chart 15).

Soami-Mabiala comments, "To date, the level of technology and innovation disruption has been minimal in DCM execution, largely because of the high barriers to entry including capital requirements and regulatory scrutiny."

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Stephane J. Soami
Mabiala, chief investment officer at Gabonese Fund for Strategic Investments

However, there is still a sense that investors are waiting for technology to catch up with their needs. Survey respondents were decisive on areas that need further improvement, with the top two by some distance: the need to facilitate a faster due diligence process (57 percent) and valuation (50 percent), with workflow coming in at a tight third place with 49 percent (Chart 16).

Further, Niederberger thinks that supply and demand issues are not currently clear to investors, commenting, "Marketplace platforms could overcome such foggy visibility."

Stevenson adds, "The holy grail remains a tech offering that puts investors and issuers together in a seamless execution process."

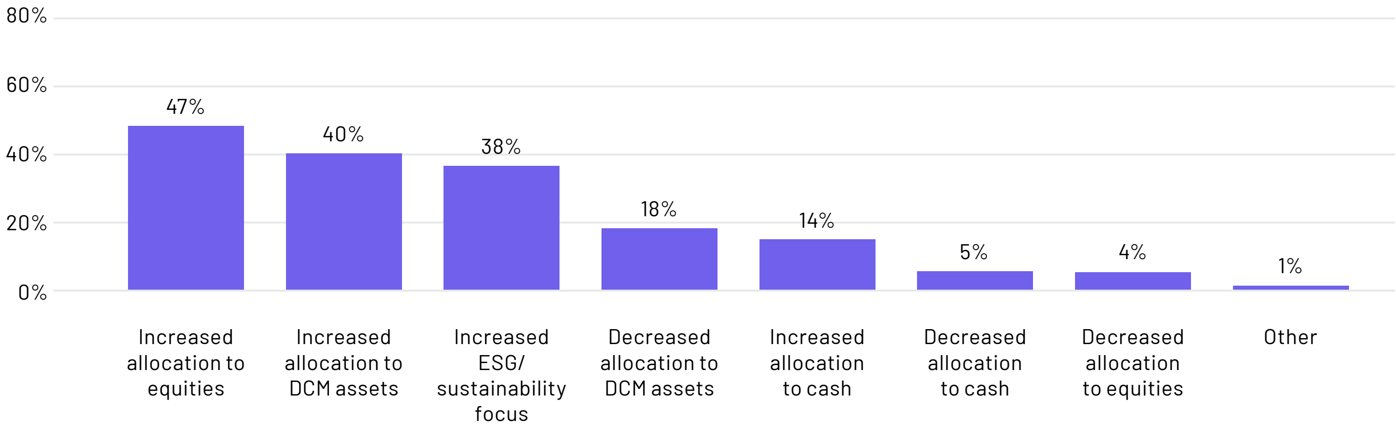
And Norman believes the issue is less the technology itself but the workforce that might need attention. He says, "We need a higher number of workers who can adapt to new technologies much better and quicker while also having sufficient experience in their role."

Pandemic continues to inform dealmaking, working conditions

The shift to private debt evidenced in this year's report continues last year's trend, where investors targeted private assets to generate more substantial returns than were available through big banks. Yet the warning remains that this is a less liquid asset class, so investors need to remain cautious.

Considering the pandemic, 47 percent of investors increased their allocation to equities, but this was followed closely by increased allocation to DCM assets at 40 percent. Increased ESG/sustainability focus was third at 38 percent; however, decreased allocation to DCM assets was fourth at 18 percent, while cash and equities saw smaller falls (Chart 17).

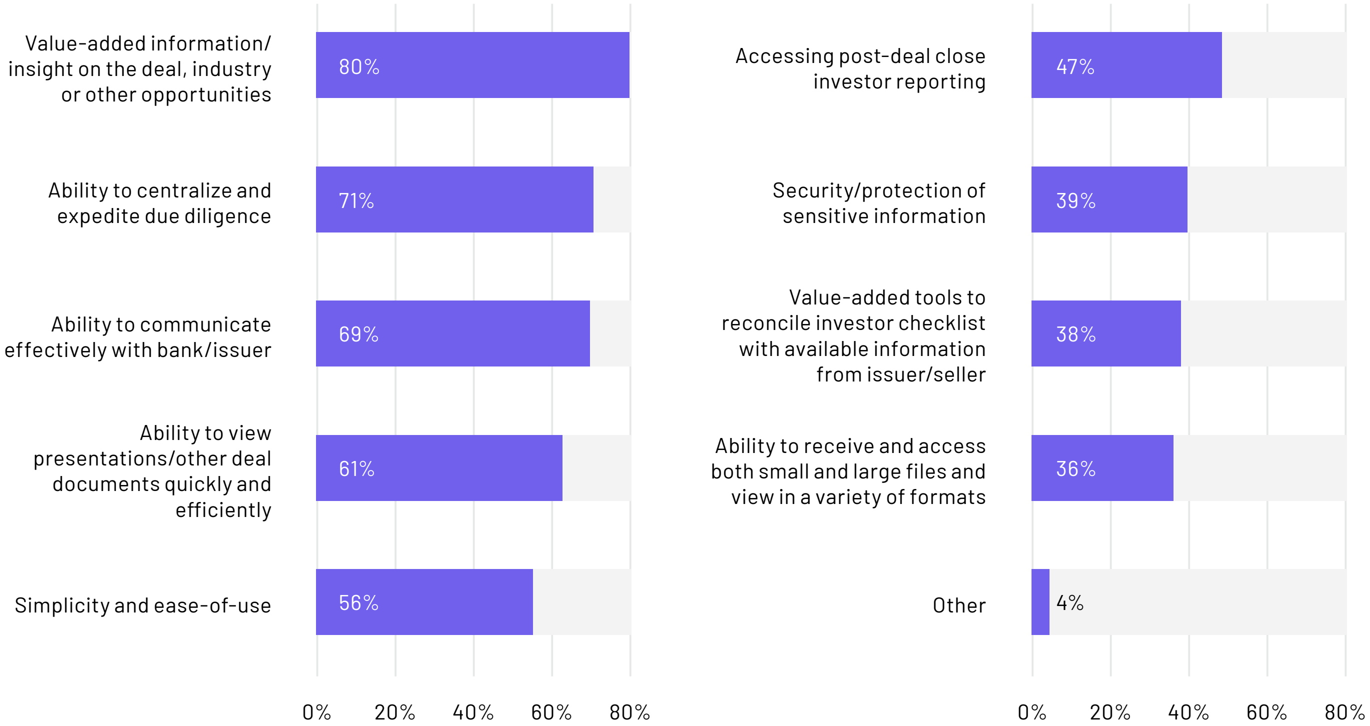
Chart 17. How have your investment allocations and/or thesis changed considering the pandemic?



This shows substantial changes from investors' expectations in the 2021 survey, in which respondents predicted that their allocations to equities would either be unaffected or fall overall, while a much greater proportion of investors would increase their allocations to fixed income.

Yet pandemic dealmaking also highlighted what investors saw as both weaknesses and opportunities to improve certain factors of the process.

Chart 18. What factors proved important to you during pandemic dealmaking and you feel will continue to be critical post-pandemic?



All suggested factors in the survey scored higher than 35 percent with respondents, showing the broad impact of pandemic-related challenges on the industry. Those areas for improvement rated by over 50 percent by investors include value-added information/insight on the deal, industry or other opportunities at 80 percent; ability to centralize and expedite due diligence at 71 percent; ability to communicate effectively with bank/issuer at 69 percent; ability to view presentations/other deal documents quickly and efficiently at 61 percent; and simplicity/ease of use at 56 percent (Chart 18).

In terms of finding out about deals, the channels rated most important have shifted somewhat since last year's survey, with virtual data rooms rated most important at 71 percent, followed by own research at 59 percent; and prospectus mailing and Bloomberg were rated as less important at 41 percent and 39 percent respectively (Chart 19). Last year, own research headed the field with VDRs coming in second, although the focus was on frequency of marketing approaches rather than what the investor found most useful.

Chart 19. What factors proved important to you during pandemic dealmaking and you feel will continue to be critical post-pandemic?

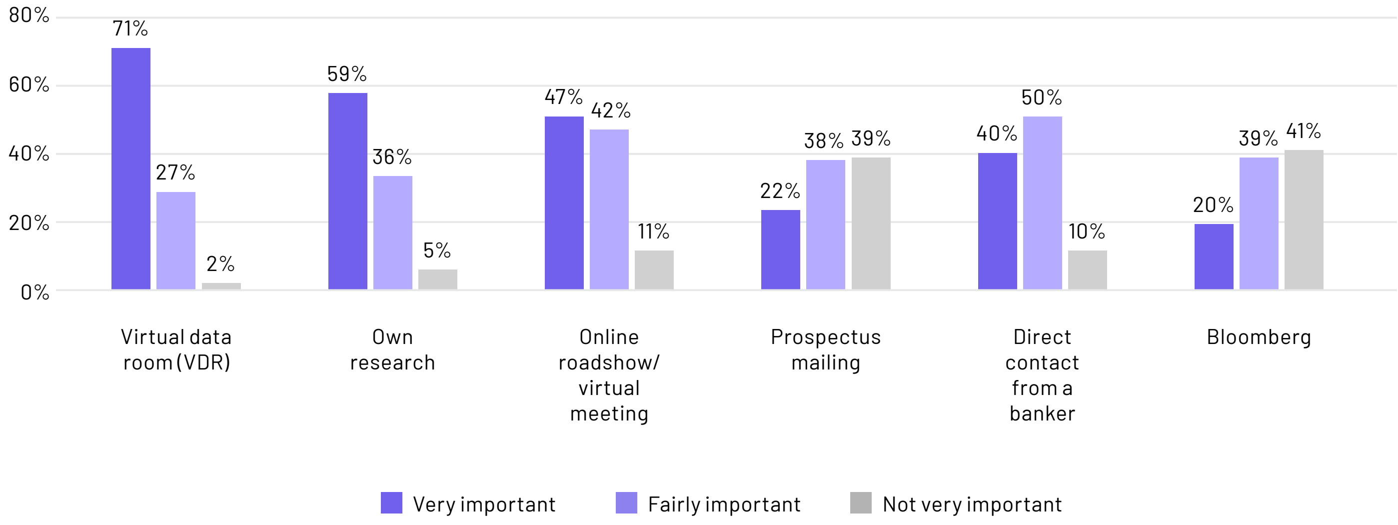
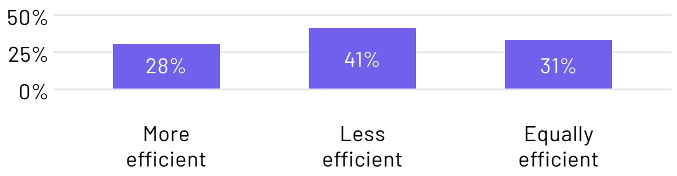


Chart 20. What effect has remote working/lack of physical meetings had on the efficiency of DCM deal marketing?



One interesting statistic was the effect of remote working/meetings on the efficiency of deal marketing, with many respondents' views claiming lack of physical meetings resulted in a less efficient process (41 percent), while the remainder evenly split between equally (31 percent) and more efficient (28 percent) than pre-pandemic circumstances (Chart 20).

Working conditions were expected to stay largely the same in the next 12 months by 77 percent of respondents, with only a step-change expected from issuers and bankers with 72 percent expecting working conditions to remain the same.

Holzmann says, "We see tech improving the lives of people across the board and not just businesses; it is obviously the wave of the future. As a global economy, we're therefore going to put more money into R&D [research and development]. We'll have problems with standards and with privacy because nothing is ever easy, but the train has left the station: People will be Zoom-ing across the world even when COVID no longer exists."

He also notes that, for Real Estate in particular, Amazon's October 2021 announcement that its staff could continue working from home indefinitely could have a real impact on the market.

"That means you can work for one of the largest tech firms in the world and be based practically anywhere. You may have to occasionally travel and participate in meetings so you can't live on the other side of the planet, but you could certainly live in Texas and work in California, and that's a 30 percent pay raise. It could change the map of where people live in the United States, especially for younger, more mobile professionals."

Conclusion

The ongoing fluctuations in the debt capital markets are continuing to provide opportunities for investors who are largely looking to increase their allocations over the next 12 months and beyond. Valuations are also expected to increase in comparison with more traditional instruments, with a significant uptick in focus on private debt and both opportunity and caution evident in the NPL/distressed debt space.

The impact of the pandemic continues to be felt in the technology requirements of investors as staff in many countries continue to work from home, highlighting areas that perhaps already needed attention, particularly in the dealmaking sphere.

And conversations around ESG look to dominate as firms scramble to put clear policies in place; yet investors are also adamant that lip service to such ideals is not enough, expecting governments and the markets to recognize both short-term energy needs and the requirement for a justified return on investment.

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