CADWALADER

Abraajfluenza? Not in London…

November 2, 2018 | Issue No. 2

By Michael Mascia
FFA Board Member

Optimism about future market expansion far exceeded concerns related to the Abraaj facilities at the 4th Annual European Fund Finance Symposium in London on October 24. Attendance corresponded with the tone: 515 delegates attended, up 25% from 2017. As has become customary at FFA events, Chris Elvin, Head of Private Equity at Preqin, opened the day and set the tone with an informative private equity market overview. The room nearly broke out into high fives at Elvin's five-year forecast for private equity fundraising.

Excitement at Preqin's forecast is understandable: They predict total alternative assets under management (AUM) will grow 59% from $8.8 trillion in 2017 to $14.0 trillion by 2023. Underpinning this headline growth, the firm forecasts private equity AUM will expand from $3.1 trillion to $4.9 trillion. And, perhaps most impactful, Preqin forecasts private debt AUM will double from $0.7 trillion to $1.4 trillion. (A copy of Preqin's presentation is available at the FFA website **here**.)

Not surprisingly, the Abraaj insolvency featured prominently in discussions throughout the day, but with limited new information. Those in the know, speakers included, complied with their confidentiality obligations. Most market participants appear to be taking a wait-and-see approach, acknowledging the lack of factual specifics. But it was completely clear that the market sees the Abraaj scenario as an isolated and unusual fact pattern—not as something likely to spread across the market. On the other hand, robust investor demand for alternative assets and an outlook for nearly 60% growth in the asset class over the next five years made the more lasting impressions.