Decomposing Private Debt Performance – New Research Insights (April 2018)

In cooperation with EBS Universität für Wirtschaft und Recht, Prime Capital AG published a new article in the Journal of Alternative Investments, on decomposing the components of private debt performance.

In an environment of near-zero yields for traditional asset classes and tightening bank regulation, debt in privately arranged loans has become an interesting alternative to publicly-distributed bonds for borrowers and professional investors. Due to the private nature of these markets, however, historical data are not available at a micro level. For most segments of the market, representative current yield figures for Europe can only be inferred from anecdotal evidence around current transactions or be derived from central banks’ aggregate series.

In this article, Dr Margherita Giuzio, Dr. Andreas Gintschel and Prof. Sandra Paterlini analyse private debt interest rates and the features that are relevant for asset allocation decisions, using a mix of snapshot data, and publicly available, highly aggregated historical data on bank loans.

By using multivariate regression, the authors find that they can disentangle the main components of private debt rates over time, and assess the existence of a premium related to the illiquidity and complexity of private debt markets.