

Private Debt

AND SECURED FINANCE THE “WAY TO GO” LATE IN THE CYCLE

An interview with Sue Wang, Senior Fixed Income Specialist

As we near the end of a 30-year bond bull market and central banks poise to withdraw liquidity, Secured Finance and Private Debt are clear investment choices, says Mercer’s Senior Fixed Income Specialist, Sue Wang.

“Net purchases by central banks will soon go negative for the first time in an entire generation. These dynamics have increased the opportunities for sophisticated investors to lend directly to businesses and Private Debt continues to offer attractive growth opportunities,” Ms Wang says.

Companies including Boost Juice, LJ Hooker and Amart Furniture are among many local firms who have turned to non-bank lending partners in the past few years as the “Big Four” Australian banks have been forced to curtail their lending in response to stricter regulation.

Tighter regulation has also led to the birth of Secured Finance strategies as banks have been less willing to lend to certain areas. These strategies aim to deliver a higher level of secured cash flow that are relatively senior in the capital structure.

“The secured and senior nature of these assets make them particularly appealing in the late cycle as investors should seek to protect themselves from the overextension in credit, which we are already seeing, by being higher in the capital structure,” she says.

Perversely these secured and senior assets have been able to achieve a higher yield than unsecured investment grade equivalents.

“We believe this is largely the result of a combination of illiquidity, complexity and scarcity risk premia,” she says.

Ms Wang’s approach triumphed against private equity, real assets and liquid alternatives as the preferred late cycle investment approach in a “showdown” of ideas at Mercer’s recent Global Investment Forum held in Sydney.

“Why is alternative fixed income the ultimate late cycle investment? Well, investors will need to prepare for higher volatility as growth decelerates and monetary support is withdrawn from major economies around the world,” Ms Wang says..

“This requires a shift to harvesting non-traditional risk premia and building downside protections. Alternative Fixed Income delivers all of this in spades.”



Sue Wang

Sue is a principal and a senior fixed income specialist in Mercer’s Institutional Wealth business. Based in Sydney, Sue is a member of Mercer’s Global Bond Boutique and is also the Chair of the Australian Ratings Review Committee. Sue also serves as an investment consultant, providing specialist fixed income advice.

To contact Sue
[click here](#)

About us

Mercer’s Institutional Wealth business ranks among the world’s largest investment consultants and delegated solution providers. Our insights and capability are supported by a deep global knowledge base, sophisticated financial modelling, and advanced investment tools, so we understand the scope of your investment needs.

Mercer Global Investment Forums

Mercer’s Global Investment Forums bring together institutional investors, investment managers and senior Mercer investment specialists from around the world. The forums have become one of the most anticipated events in the industry.