Private Debt Intelligence – 1/9/2017

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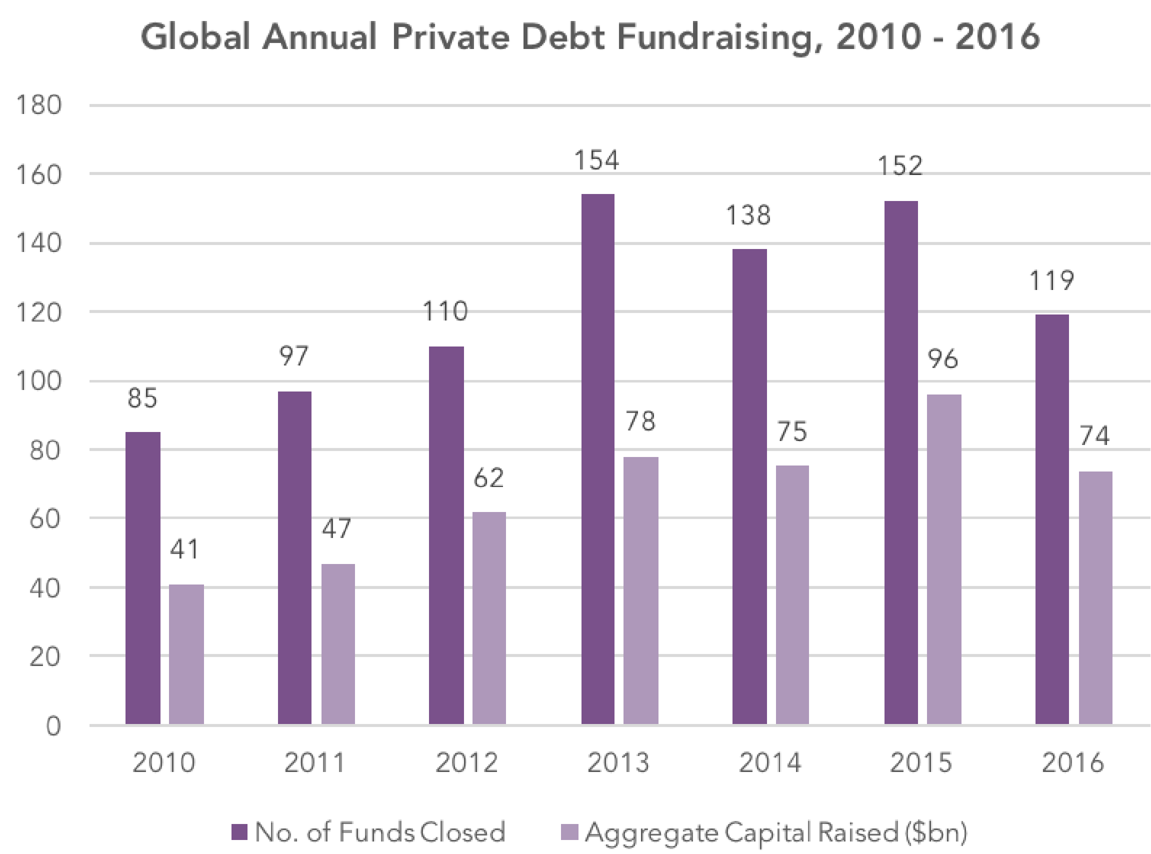
Private Debt: 2016 Fundraising Update

In 2016, the private debt industry saw a cool-off in fundraising following the banner year in 2015 when almost $100bn was raised. The year was also characterised by a concentration of capital among the larger, more experienced managers while the fundraising marketplace grew increasingly congested as investor appetite for private debt increases.

Overall, 119 funds closed globally raising a combined $74bn, with Preqin expecting these figures to rise by up to a further 10% as more information becomes available. Although this level of fundraising does not seem likely to approach the $96bn raised by private debt vehicles closed in 2015, it is on par with the $78bn and $75bn raised in 2013 and 2014 respectively.



However, this level of capital has been accrued by a lower number of funds than seen in recent years. 2016 is set to record the lowest number of fund closures since 2012, and capital is increasingly being concentrated among a small coterie of experienced fund managers.

The top 10 largest private debt funds closed in the year are all multi-billion dollar vehicles, and collectively they account for $35bn, 47% of the total capital raised by the asset class. Of these funds, five are distressed debt funds, while two take a direct lending approach and the three largest are mezzanine vehicles. All are based in the US, and all of them concentrate on the more mature private debt markets of Europe and the US.

While many expected 2016 to be an historic year for the private debt industry, the market has slowed through the year; fewer funds have reached a final close, raising less capital and at a slower pace. While this is by no means an immediate cause for concern, it will be interesting to see the market rebounds in 2017, or if this is a more long term trend.

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