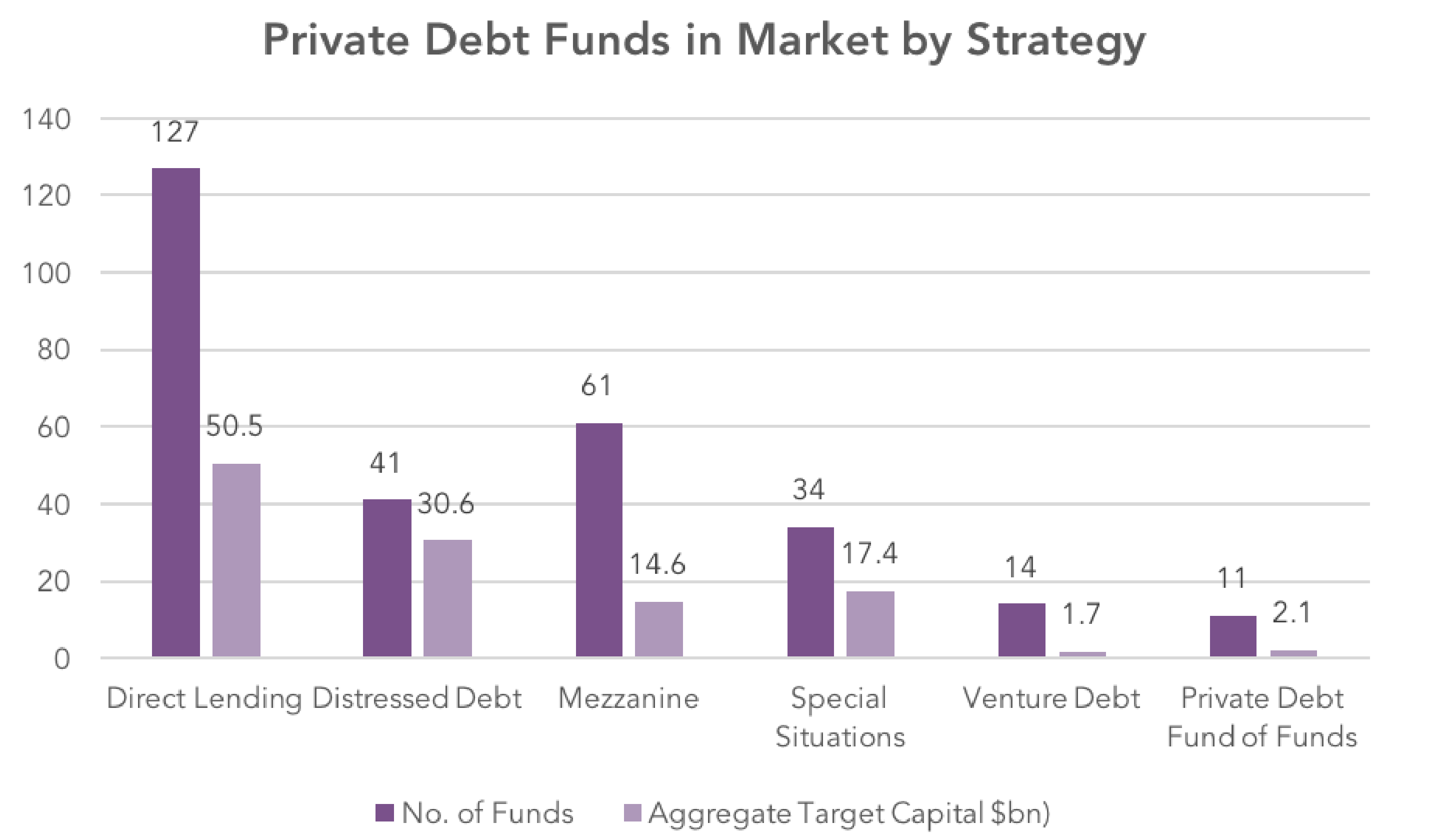
Private Debt Intelligence – 2/6/2017

THE LEAD | February 6, 2017

Private Debt Funds in Market by Strategy



After two consecutive years of private debt fundraising exceeding $90bn, the pipeline remains strong with investor appetite for the asset class as strong as ever. In total, there are 288 private debt vehicles marketing themselves to investors, targeting a combined $117bn of capital commitments.

Direct lending funds represent the highest proportion of both total funds on the road and aggregate target capital; 127 funds (44%) are seeking $51bn (43%). The strategy has seen rapid growth in the past few years to establish itself as the prominent fund type within the private debt market, and with ten vehicles targeting at least $1bn, 2017 could be another strong year for the direct lending segment.

The three largest private debt funds on the road are all distressed debt-focused funds, each with a target size of $3.5bn. The strategy has 41 funds on the road targeting a combined $31bn, indicative of the larger pools of capital these vehicles tend to target to cope with the resource-intensive nature of distressed debt investment.

Mezzanine funds account for over a fifth (21%) of all vehicles on the road but are seeking just 12% of the total target capital; 61 funds are marketing themselves to investors targeting $15bn. Despite a smaller number of funds on the road (34), special situations strategies are seeking $17bn, including two funds with a target size of $2bn.

Of the more niche strategies, 14 special situations vehicles are seeking $1.7bn, and 11 private debt funds of funds are targeting $2.1bn, as both debt types seek to establish themselves within the mainstream of the private debt industry.

Overall, private debt fundraising looks set for another strong year in 2017, particularly given 116 funds have already held an interim close. Direct lending looks set to drive the market however the large distressed debt vehicles could well attract a higher proportion of investor capital. Elsewhere, private debt fund of funds will look to build on a record-breaking year in 2016 with another robust fundraising total.

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