Private Debt Intelligence – 6/19/2017

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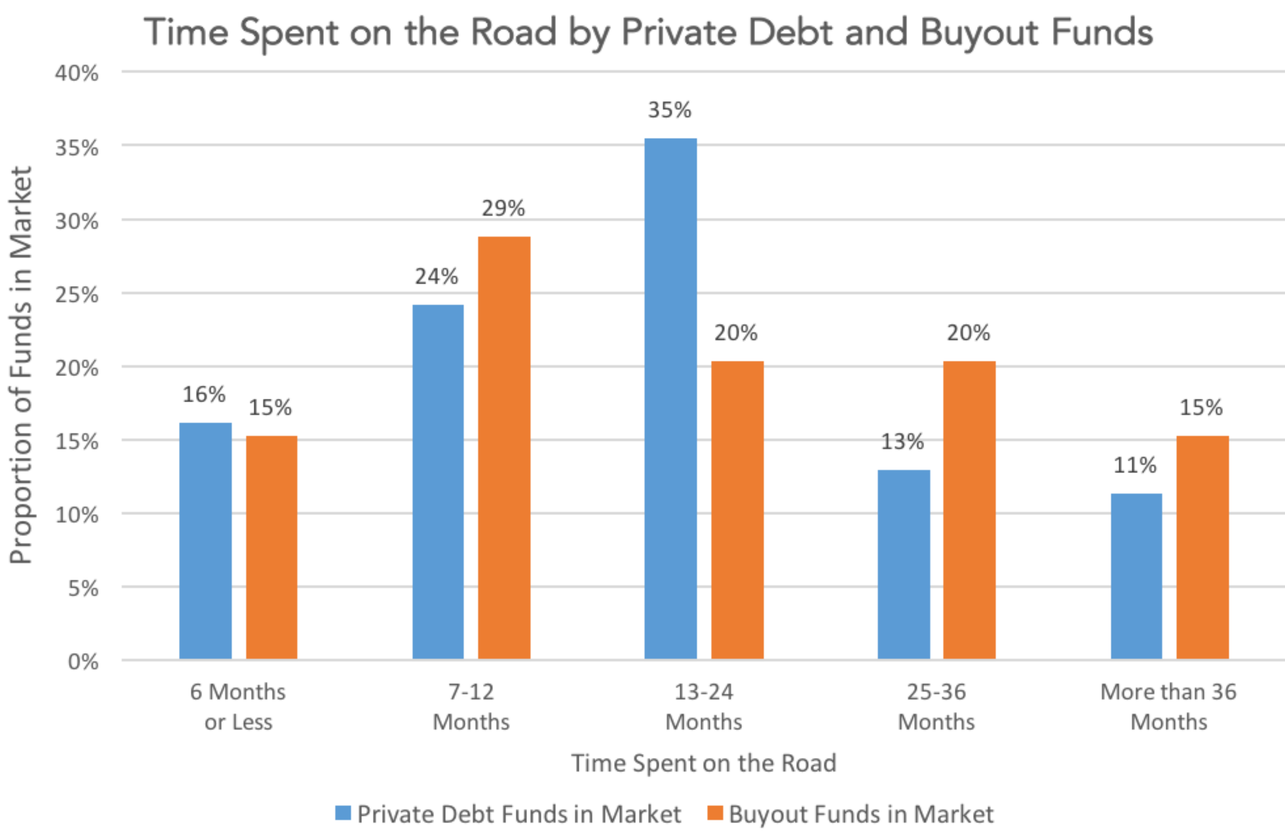
Private Debt Funds' Time on the Road

Chart



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Preqin here compares the time spent on the road by private debt and buyout funds currently in market. This demonstrates that although buyout funds are more likely to experience a quick fundraising process, they are also more likely to remain in market for several years.

Preqin currently tracks 312 private debt funds seeking commitments from investors, compared with 280 buyout funds. Similar proportions of both fund types, around 15%, have been in market for 6 months or less. This reflects the fact that in both asset classes, experienced fund managers with good track records are able to raise significant amounts of capital quickly and successfully.

Notably, a many more private debt funds have been in market for between one and two years. Over a third (35%) of private debt vehicles launched 13-24 months ago, compared to just a fifth of buyout funds. Conversely, only 13% of private debt funds have been in market for 25-36 months, compared to 20% of buyout funds. This suggests that while a slightly greater proportion of buyout funds are able to close within a year of launching, a much higher proportion require several years to raise capital. Overall, 36% of buyout funds currently in market launched more than two years ago, while only a quarter (24%) of private debt funds have been on the road for that long.

This is indicative of the differing natures of the two fundraising markets. Although both private debt and private equity are seeing the emergence of a ‘two-tiered’ environment, in which successful managers can raise large funds very quickly, and emerging managers compete fiercely for investor capital, this trend is much more pronounced in the buyout asset class. Private debt fundraising may be competitive, but the largest proportion of private debt fund managers are able to close within two years of launching.

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