Private Debt Intelligence – 7/17/2017

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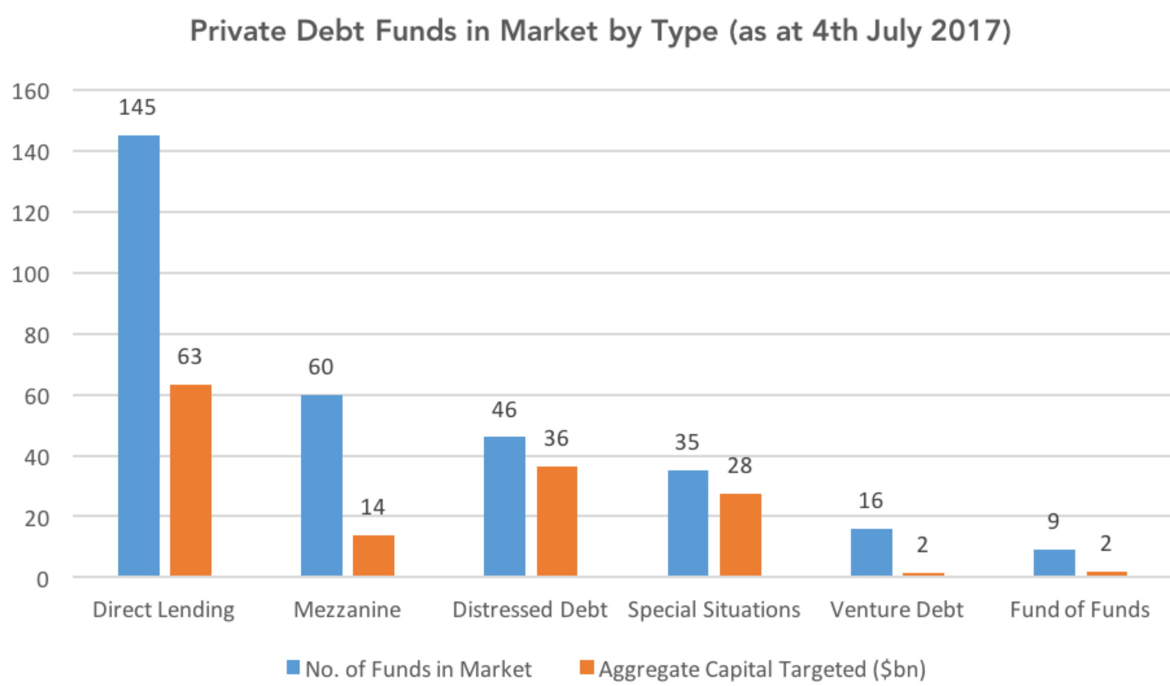
Direct Lending Drives Private Debt Fundraising Market

Chart



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Following the record private debt fundraising seen in Q4 2016, during which 51 funds reached a final close, the number of funds in market seeking investment stood at 293 at that start of 2017. Further robust fundraising in Q1 saw this number fall slightly to 283 at the start of April, as more vehicles closed compared to the number of new funds coming to market. However, a number of new funds launched in the second quarter, and at the mid-point of the year a record 311 private debt funds are seeking commitments from investors.

This trend is also apparent in the level of capital that is being sought. At the start of the year, funds in market were targeting a total of $131bn, but at the start of April this had fallen to $112bn. As at July, new funds coming to market had pushed the total level of capital being sought to $145bn, a new record. In particular, the launch of vehicles such as GSO Capital Solutions Fund III, which at $10bn seeks to become the largest special situations fund ever, have helped drive total targets to record highs.

This rebound in the fundraising market has been driven by new direct lending vehicles. At the start of April, 126 direct lending funds were seeking a total of $43bn from investors: three months later, this has risen to 145 such funds, which are targeting a combined $63bn. Distressed debt fundraising, which has accounted for a large proportion of the capital closed in recent quarters, has not seen new vehicles come to market at such a rate: 42 funds were targeting $40bn at the start of 2017, compared to 46 funds which are seeking $36bn as at July. However, some of the largest funds in market are distressed debt funds, and recent fundraising trends suggest that even if more direct lending funds close in coming quarters, it may be distressed funds which raise the greater share of capital.

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