Private Debt Intelligence – 7/24/2017

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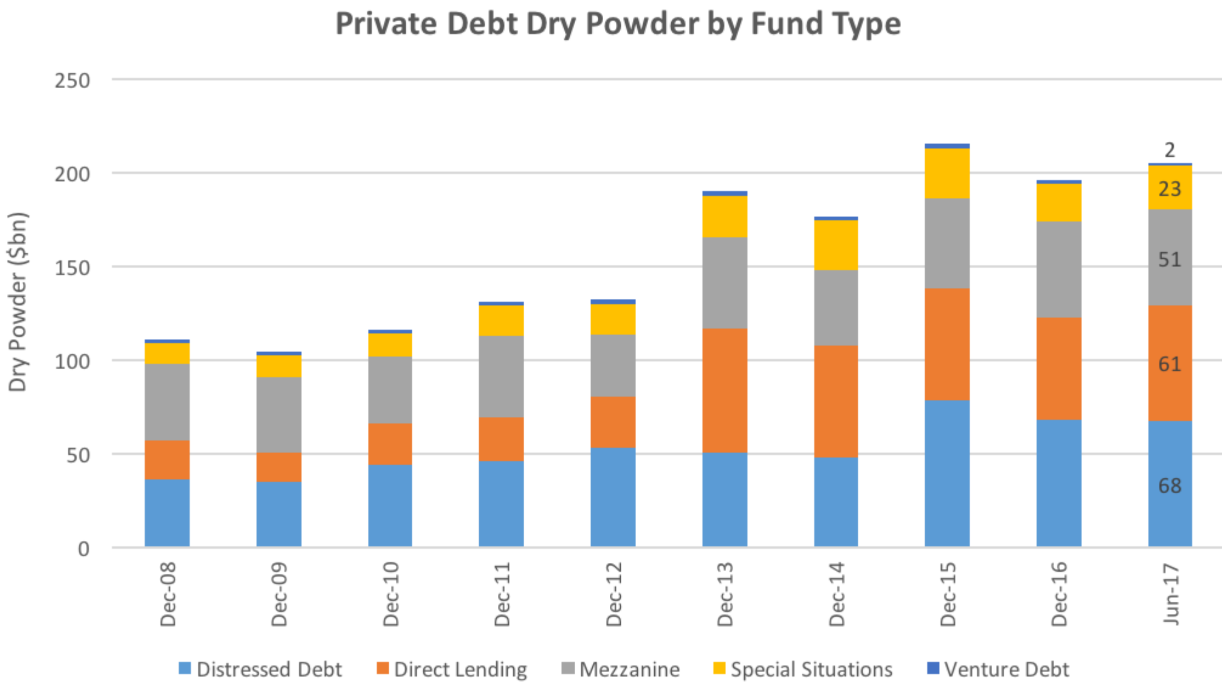
Private Debt Dry Powder Holds Steady

Chart



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As at the end of June 2017, private debt managers held more than $205bn in dry powder, up slightly from the $196bn recorded at the end of 2016. This relatively small increase demonstrates another way in which the private debt market is becoming increasingly distinct from the private equity industry as a whole – across the same period, for instance, buyout fund dry powder alone increased by more than $40bn. In fact, private equity funds have set successive dry powder records for several years, while private debt dry powder peaked at $216bn in 2015, a level it has yet to surpass.

Distressed debt funds continue to hold the most dry powder ($68bn) of any private debt strategy. This is partly due to the relatively large size of distressed debt funds compared to most other fund types. Direct lending funds hold a comparable level of capital available to be deployed ($61bn), a reflection of the growth in activity for this fund type in recent years. Mezzanine funds hold $51bn in dry powder, a level which has remained relatively constant in recent years.

By region, North America-focused funds account for two-thirds ($138bn) of available private debt capital, an increase of $5bn since December 2016. This is to be expected – the majority of private debt activity is still focused on the mature markets of North America. Dry powder held by Europe-focused funds increased by 11% to $57bn, the largest growth of any region, and is driven by increased direct lending fundraising focused on the region. Dry powder levels in Asia-focused funds declined slightly to $9bn, down from $10bn at the end of 2016, while Rest of World-focused dry powder remained the same at $1.6bn.

Contact: William Clarke
william.clarke@preqin.com