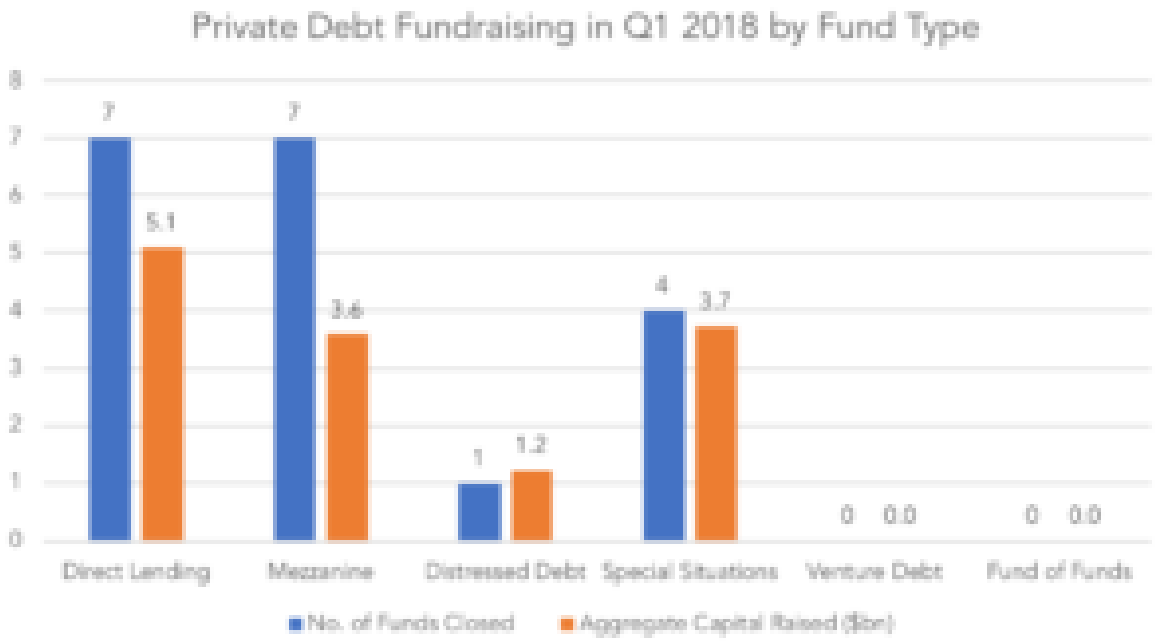
Private Debt Intelligence – 4/16/2018

THE LEAD | April 18, 2018

Direct Lending Fundraising Drops in Q1 2018

Chart



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The private debt industry saw record year in 2017 in which 156 funds raised an aggregate $115bn. Q1 2018 however, has seen a slowdown in fundraising levels – just nineteen private debt funds reached a final close, raising a combined $14bn. Direct lending in particular saw a decrease in fundraising from their record Q4 2017 levels.

In Q4 2017, 24 direct lending funds held a final close, securing over $27bn. By contrast, just seven funds closed in Q1 2018 and raised $5.1bn – the lowest quarterly fundraising total since Q3 2016 when eight funds raised

$2.9bn. Although the first quarter of the year often represents a slowdown from the last quarter of the year before, Q1 2018 also saw a drop in fundraising levels when compared to Q1 2017, which saw 18 funds hold a final close and raise $12bn.

The quarter also saw seven mezzanine funds close, securing a total of $3.6bn. This was an increase from Q4 2017 when six of these vehicles raised $2.2bn, as well as an increase from Q1 2017 when 10 funds held a final close and raised $2.3bn. Like direct lending, distressed debt also saw a drop in fundraising levels: while in Q4 2017 five vehicles held a final close and raised $9.2bn, just one fund raised $1.2bn in Q1 2018. Finally, five special situations funds closed and raised $3.7bn, roughly on par with Q4 2017 when five funds raised $2.3bn.

As at the beginning of April 2018, there are 348 private debt funds in market seeking $168bn from investors. Although direct lending has had a weak first quarter, levels could very well bounce back: direct lending funds account for almost half of the funds currently in market, with 170 funds targeting $74bn.

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