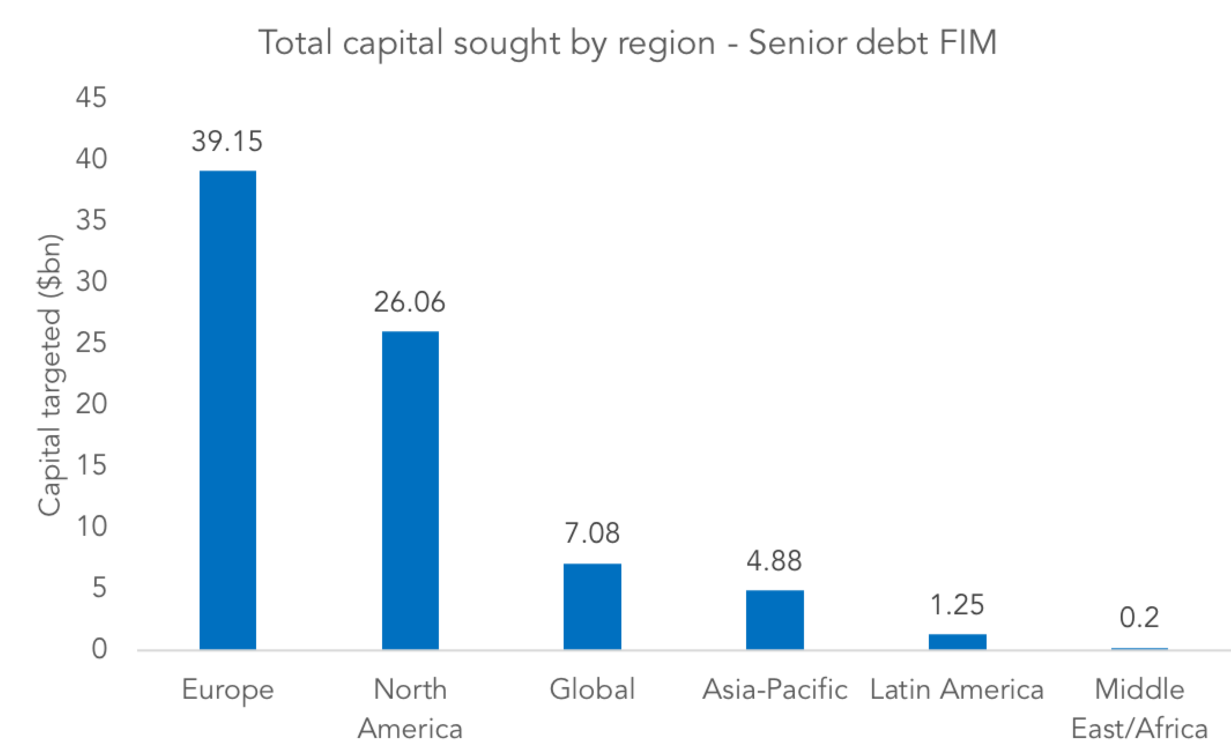
Trending European

PEI Private Credit | June 20, 2018



Senior debt is finding a home in a rapidly maturing private credit market.

All eyes have turned to Europe for senior debt fundraising with the bulk of funds investing at the top of the capital structure targeting the continent.

Of the $78.63 billion credit managers are seeking for senior funds, some $39.15 billion will invest in the region. This surpasses the $33.14 billion of North America-centric and global vehicles combined. While North America remains the world's most mature private credit market, investors clearly have an appetite for Europe.

The ability to raise massive sums for the strategy has been shown by the likes of Intermediate Capital Group, which held a final close in November for its €5.2 billion ICG Senior Debt Partners III. The fund is 16 percent invested across four deals as of 31 March, according to the firm's annual report published this month.

The single largest portion of Europe's $39.15 billion is Ares Management's Ares Capital Europe IV, which is seeking €4.5 billion, or $5.5 billion. It also happens to be the largest senior debt fund in market, regardless of geography.

The firm held an initial close on more than €5 billion, Ares chief executive Michael Arougheti said on the firm's Q1 earnings call, setting the credit manager up for a massive fundraise likely to surpass ICG. The fund has more than €8 billion, or $10 billion, in deployable capital if you include anticipated leverage on already closed ACE

IV equity commitments.

Private debt funds continue to get larger and the investor base keeps growing. UK-based consultant bfinance said last month that corporate private debt made up a plurality, 34 percent, of its new private market mandate searches in the first quarter. While no specific client geography was offered, we know at least one was from a consortium of UK pension funds, which planned to commit £250 million ($329 million). All signs point to a good year to be European.