Private Debt Intelligence – 10/8/2018

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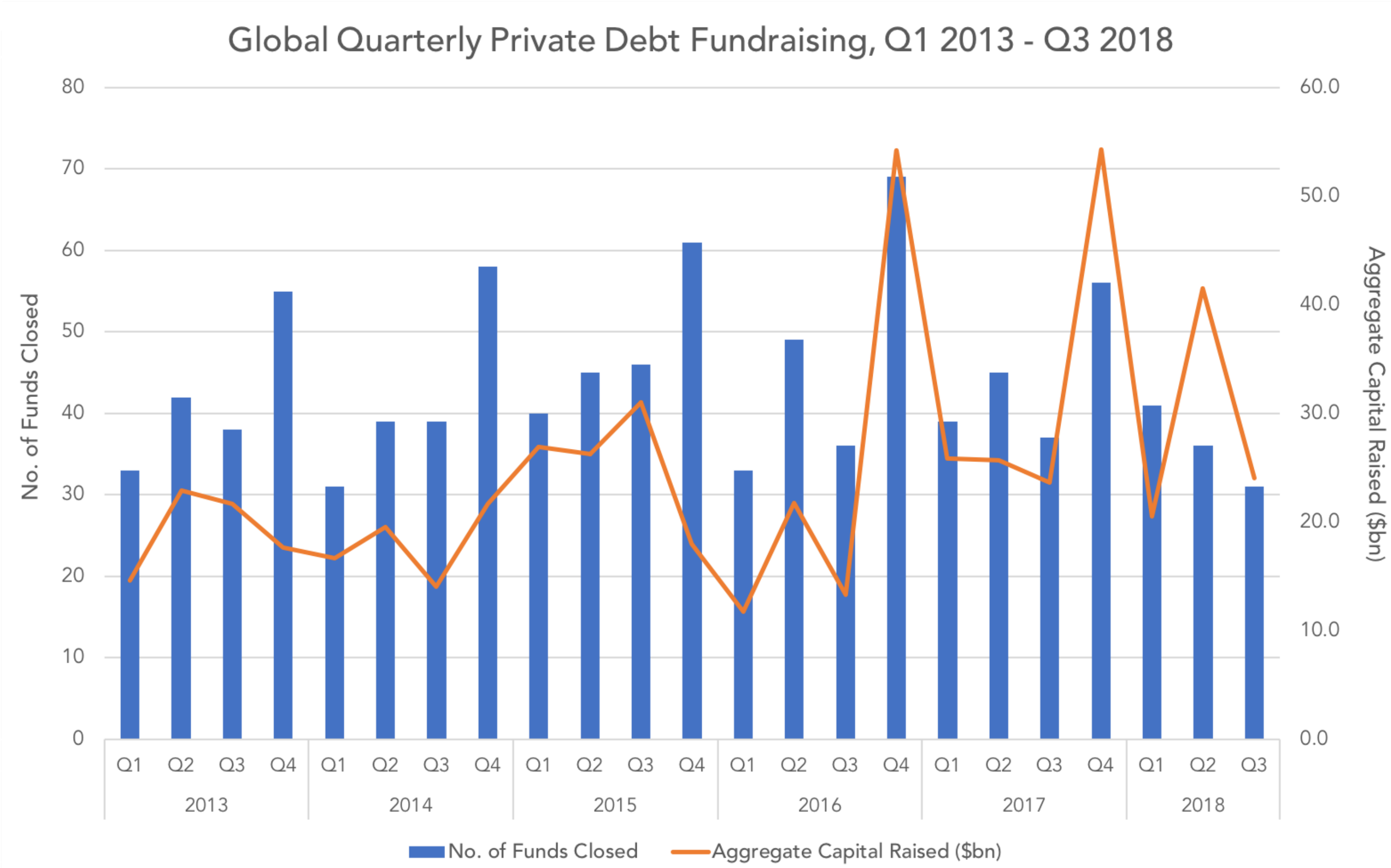
Private Debt Fundraising Slows in Q3

Chart



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Q2 2018 was the third-largest fundraising quarter ever seen for private debt, as 36 funds secured a combined $42bn. This pace of fundraising has not been maintained in Q3, with 31 funds closed in the quarter raising a total of $24bn. However, funds closed in the first three quarters of 2018 have raised a total of $86bn – more than the $75bn raised in the first three quarters of 2017, a year which turned out to see record amounts of capital raised. If 2018 has a banner Q4, as 2016 and 2017 did (both of these quarters raised over $54bn in capital), the year will go on to be a record-breaking year for private debt.

North America-focused funds saw a slowdown in fundraising activity this quarter. Whereas 19 funds focused on the region raised over $30bn in Q2, 16 North America-focused funds raised $13bn in Q3. A further eight Europe-focused funds vehicles raised $10.2bn this quarter. This is on par with Q2 which saw nine Europe-focused funds reach a final close and raise $8.2bn. The majority of the Europe-focused capital raised in Q3 came from one fund: Ares Capital Europe IV, which raised $5.2bn and was the largest fund to close in the quarter.

Private debt funds are also seeing strong fundraising success. Funds that held a final closure in Q1-Q3 2018 took an average of just 15 months to close. This is a drop from an average of 16 months for funds closed in 2017. Funds are also closing above target size more often, as almost a third (30%) of funds closed in 2018 raised 125% or more of their initial target size. This represents a steady increase over the past two years: 26% of funds in 2017 closed on 125% or more of their target size, and just 23% did the same in 2016.

Contact: Naomi Feliz
Naomi.Feliz@preqin.com