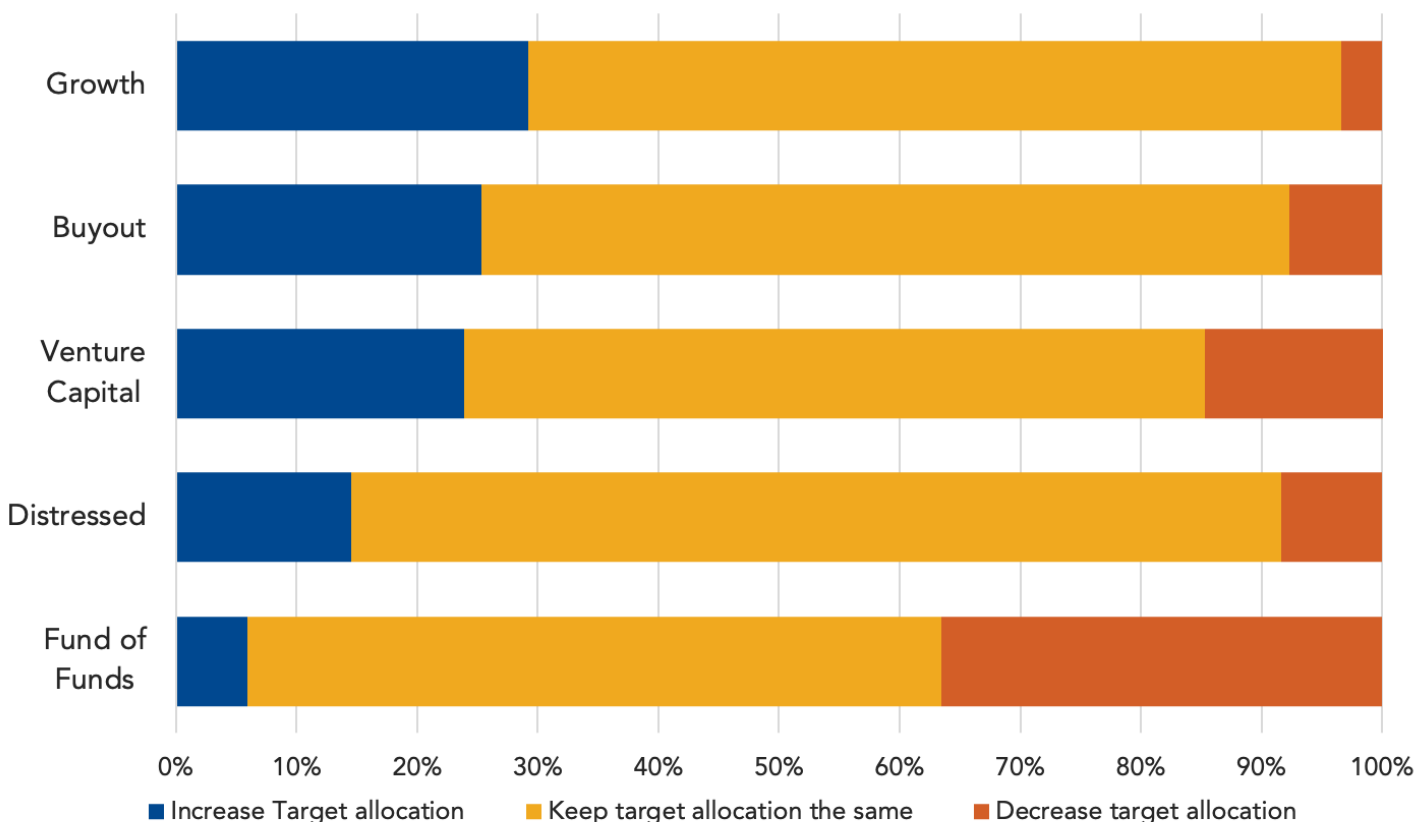


Distressed debt managers get a distressing signal

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SENDING A DISTRESSING SIGNAL

After distressed debt posted paltry fundraising figures for 2018, it doesn't seem this year is likely to be much better



Fundraising soared in 2017, but it came crashing back to earth last year, and it may not change this year.

Despite all the talk of the credit cycle turning, distressed debt fundraising dollars and investors' portfolio plans aren't jiving with the hullabaloo.

When asked about allocation plans for five specific private equity strategies, investors put distressed debt in second-to-last place for plans to increase exposure, according to PEI Perspectives 2019, a limited partner survey from Private Debt Investor sister publication Private Equity International.

Only 14.5 percent of investors planned to increase their allocation to the strategy. In contrast, investor appetite for growth equity and buyout funds remains strong, with 29.2 percent and 25.3 percent of investors, respectively, planning to up their exposure to the strategies.

Last year, distressed debt fundraising plunged to \$25.46 billion from \$67.13 billion in 2017. The 2018 total made up 17 percent of the total capital raised that year – a far cry from recent years when that figure exceeded 30 percent. One notable distressed fund close this year was Lone Star Funds' 11th flagship fund, which closed at \$8.2 billion, easily clearing its \$6 billion target.

But first-quarter fundraising figures from PDI will be available as soon as next week, and we will have a clearer shot of how fundraising is shaping up thus far. The momentary harbinger for distressed debt though seems to be a flicker of hope rather than a beacon.