Private Debt Intelligence – 4/15/2019

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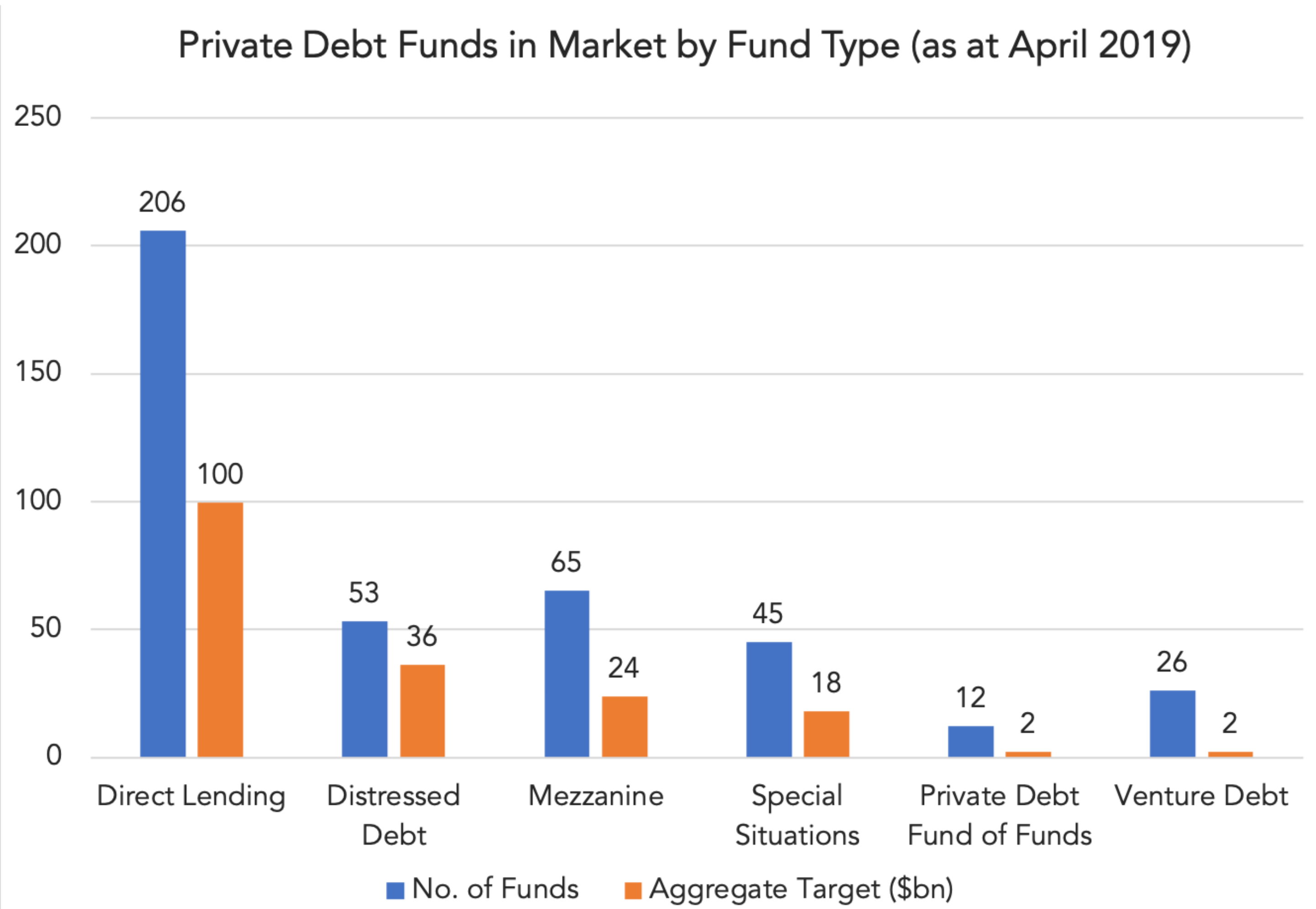
Private Debt Funds in Market

Chart



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The private debt fundraising marketplace is becoming increasingly crowded: as of the start of April 2019, there are 407 vehicles seeking a total of $182bn from investors. These figures have continued to increase from the 395 funds seeking $168bn at the start of the year to reach a new record high. Activity is concentrated on the developed markets of North America and Europe, with funds focused on these regions accounting for over three-quarters of funds in market and 87% of the capital targeted.

This demonstrates both the previous successes of private debt, and its future challenges. High historic returns and increased investor appetite have drawn more fund managers into the market seeking to raise vehicles. However, with so much competition for capital, completing a successful fundraising process has become increasingly challenging, with many smaller fund managers struggling to stand out from the crowd. In fact, almost one in four funds have been in market for a significant two years or more.

Fund managers are attracting capital, though. Almost half (190) of the funds currently in market have held at least one interim close, securing a combined $92bn so far. So while the slowing pace of fund closures and rising length of the average fundraising process suggest it is becoming more challenging, significant amounts of capital are flowing into the asset class, and fund managers are being able to secure and start using investor commitments.

Direct lending vehicles still account for around half of both funds in market and targeted capital. Of note, though, is the diminishing prominence of distressed debt. Collectively, these funds are still targeting the second-highest level of capital, but the number of funds in market (53) is fewer than for mezzanine vehicles (65). Even as the industry awaits an expected market downturn, there are fewer distressed debt funds raising capital to take advantage of potential opportunities.

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