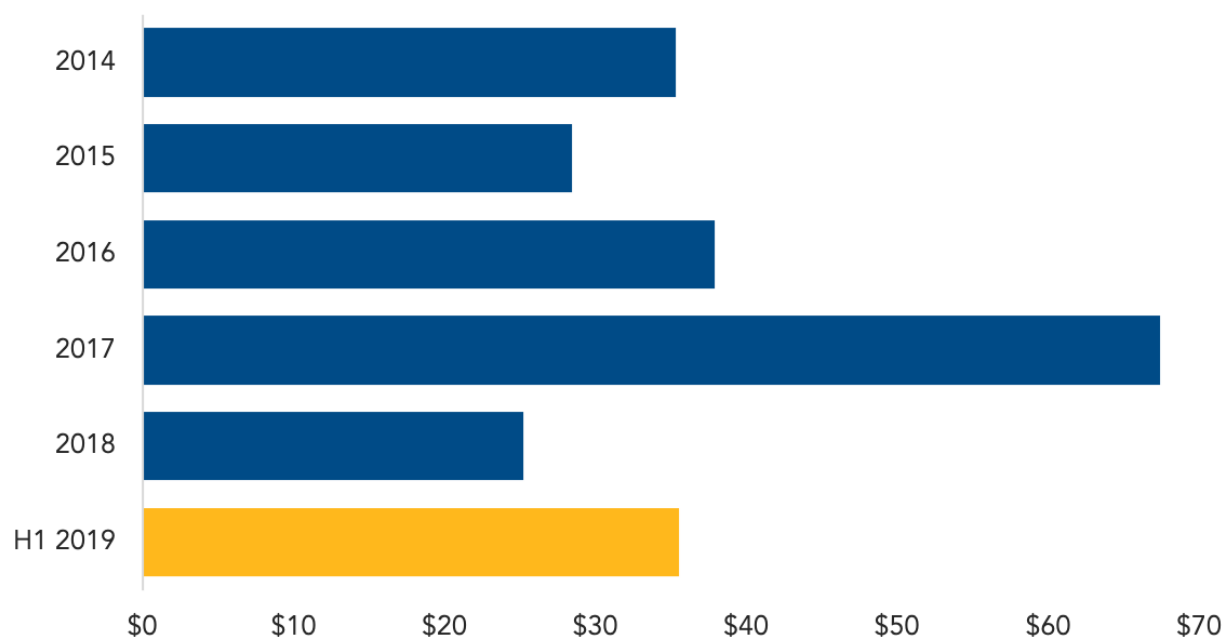


Distressed managers find favour with investors in H1 2019

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DISTRESSED DEBT RETURNS

Vehicles for the strategy raised more in the first six months of 2019 than the total locked down for all of 2018



Source: PDI data

The biggest challenge for such shops will be where to find chances to deploy capital should no extended period of topsy-turvy markets ensue.

Distressed debt fundraising has come back in a big way in the first half of the year, according to *Private Debt Investor's* fundraising data.

In that time period, distressed vehicles collected almost \$36 billion. This exceeds the more than \$25 billion such funds collected all of last year. It's a significant turnabout for a strategy that many investors have been skeptical of – or at least until lately.

In *PDI's* July magazine cover story, "Why the wheels have fallen off distressed", we talked with a multitude of people – including the godfather of distressed debt investing himself, Howard Marks – many of whom reached a similar conclusion: distressed debt has a time and place, but it's not now. And even when that time comes, the results can be very specific to manager and fund vintage year.

The biggest concern for many investors has been the lack of opportunities in the distressed market, and many expected a larger dislocation after 2018's fourth-quarter volatility. Though that has more than abated, investors have still lined up behind distressed debt; it should be noted that our definition of "distressed" also encapsulates special situations vehicles.

If the good times continue to roll, the question then arises, where do managers put all this money? The answer may lie in more idiosyncratic situations, particularly involving mid-market companies that can be more prone to financial distress outside of an economic cycle than larger companies.