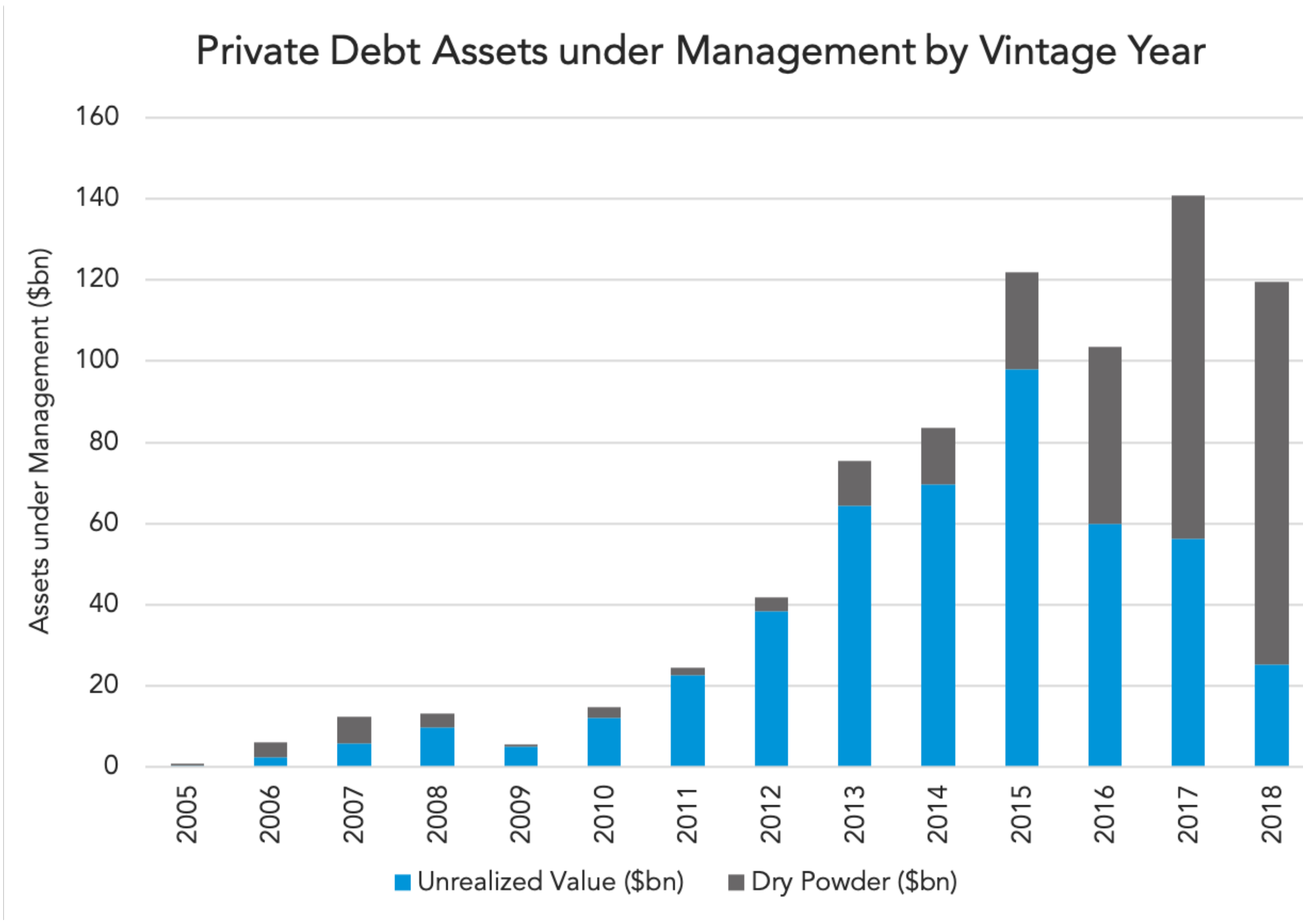
Private Debt Intelligence – 8/12/2019

THE LEAD | August 14, 2019

Private Debt Industry Puts Capital to Work

Chart



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The private debt industry has seen the growth in its AUM accelerate in recent years, and by December 2018 (our latest data available) funds held a total of $768bn in assets under management (AUM). The market is now more than three times bigger than it was ten years ago, when managers held just $238bn in assets.

It is a positive sign for the asset class that so little capital remains in tail-end funds. Vehicles that are more than 10 vintage years old hold just $33bn in assets, indicating that the vast majority of funds have successfully wound up their investments and returned capital to investors. Even among maturing funds of vintage years 2009-2015, less than a quarter of the assets for each vintage year are held in dry powder, showing that fund managers are putting capital to work.

Even among the greenest vintages, fund managers are quickly deploying their available capital. 2016 vintage funds hold more in unrealized assets than in dry powder, while 2017 and 2018 vintage funds have already deployed $56bn and $25bn respectively as of the end of the year.

Given the rapid growth of the industry, and the growing pile of dry powder available across the industry, there have been some suggestions that investors might be unwilling to commit more capital until fund managers put previous investments to work. But given the pace of deployment, it seems that private debt funds have the capacity to handle significant future inflows.

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