A drop in fund closings portends more capital in fewer hands

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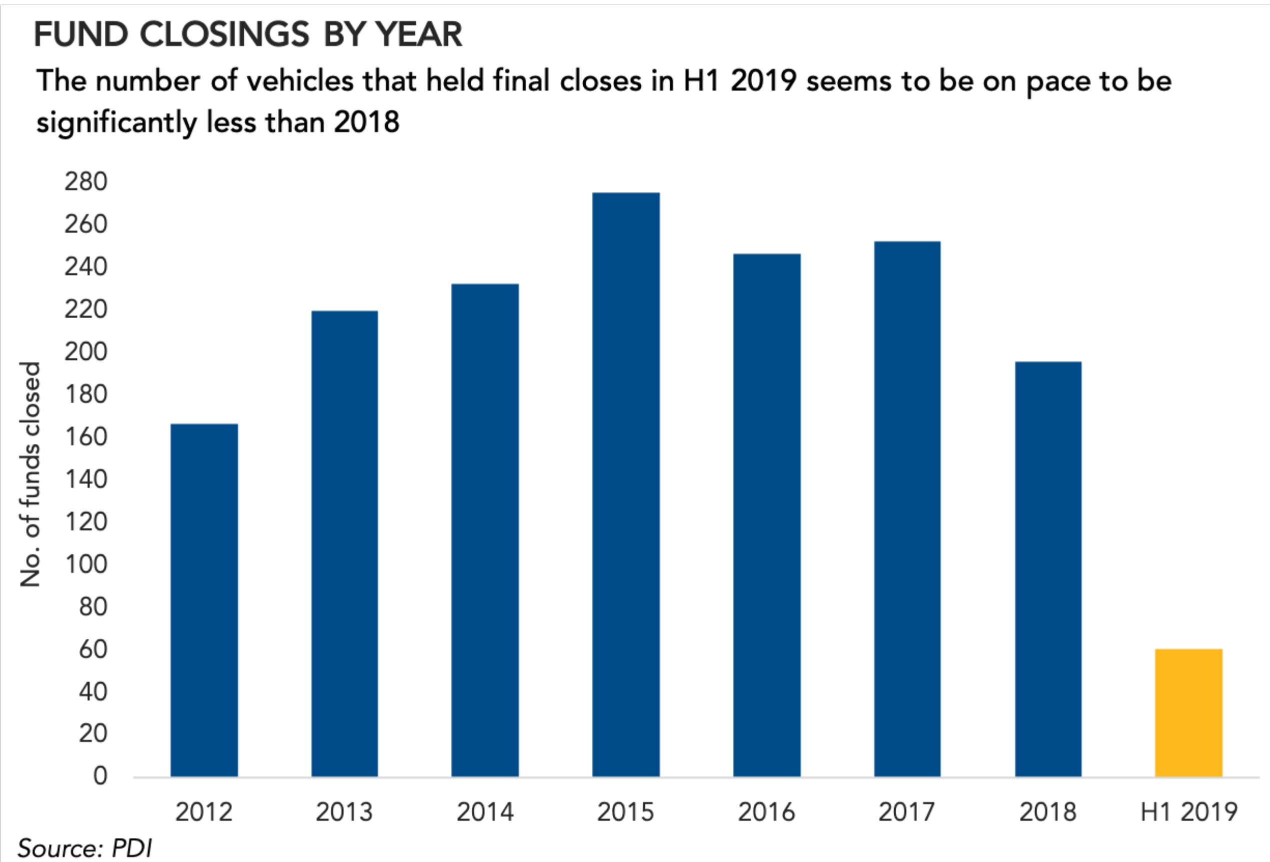

Yet another data point is emerging to showcase how fewer managers are raising an outsized amount of the capital LPs are allocating to the asset class.

One of the most prominent trends in private credit today has been that of consolidation.

It's often used to refer to managers purchasing other managers or picking up entire loan books at a deep discount. But it can also be looked at from the number of actual fund closings, and the total number of vehicles closed this year appears to be on track to be less than last year, according to PDI.

Our first-half fundraising data showed that the amount raised in the first six months of the year, $80.67 billion, surpassed the total collected at the same time last year: $74.12 billion. The roughly $6 billion difference is not significant enough to portend a much different fundraising year – at least based on current data – than last year.

However, only 69 funds closed in the first half of 2019. Last year, there were 196 funds. While more funds closed in the second half of 2018 than in the first half of that year, the 69 funds this year seem to be on track to fall short, maybe spectacularly so, of the almost 200 vehicles that closed last year.

If the current level of fund closings keeps pace, perhaps one of the most prominent data points showcasing the consolidation of the private debt asset class is the annual fundraising total versus how many vehicles actually closed. And we can likely expect to see a continued concentration of capital.

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