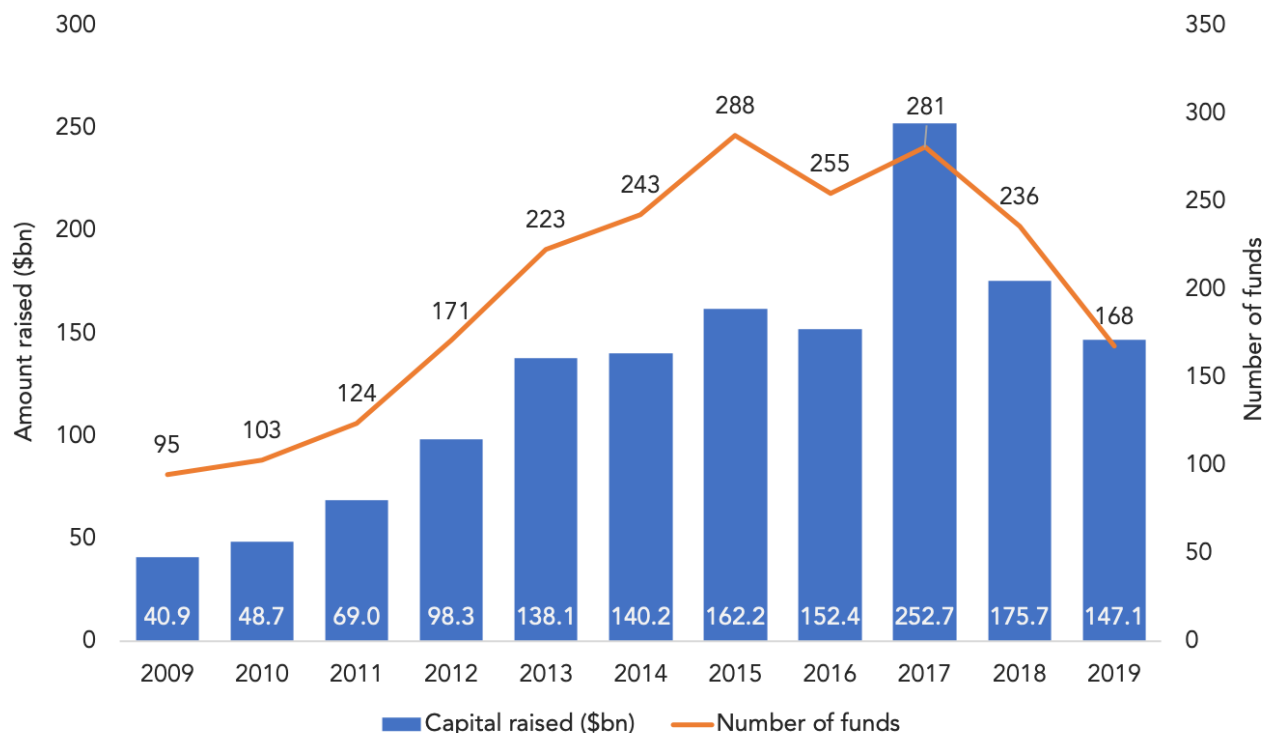


How does the dry power get invested now?

PEI Private Credit | March 17, 2020

Private debt fundraising, 2009-19



The market is pausing for thought at a time when there's plenty of capital waiting to find a home.

One constant topic of PDI's conversations with the market over the last few years has been the inevitability that at some point something would trigger a downturn. Fair to say I think that few of us had any notion that the trigger would take the form of a global pandemic and be quite so grave in its consequences.

Nonetheless, this is the new landscape that private debt professionals have to try and navigate their way through. Few firms will yet have reached definitive conclusions about the way forward and we have not yet heard of any kneejerk reactions. Last week, our colleagues on PERE reported that Madison International Realty has officially paused capital deployment from its latest real estate direct secondaries fund. So far, we have not heard of any similar pre-emptive action taking place in private debt.

One thing is for sure – there is plenty of capital waiting in the wings. Our fundraising chart shows that \$685 billion has been raised for private debt funds globally over the last three years, which is more than double the \$322 billion raised from 2009 to 2011. Because of this recent success, there is plenty of dry powder building – the “Financing the Economy” report from law firm Dechert towards the end of last year measured almost \$297 billion of it in 2018.

It will be interesting to see what this means for funds nearing the end of their investment windows, especially if the private equity market dries up for a while, as many observers are expecting. While distressed investors may be more inclined to invest than most, it's not easy for them either – potentially distressed assets will fight desperately to ride out the storm as long as it's reasonably short-lived, while there is also the eternal danger of catching a falling knife when timelines for recovery are not at all clear.