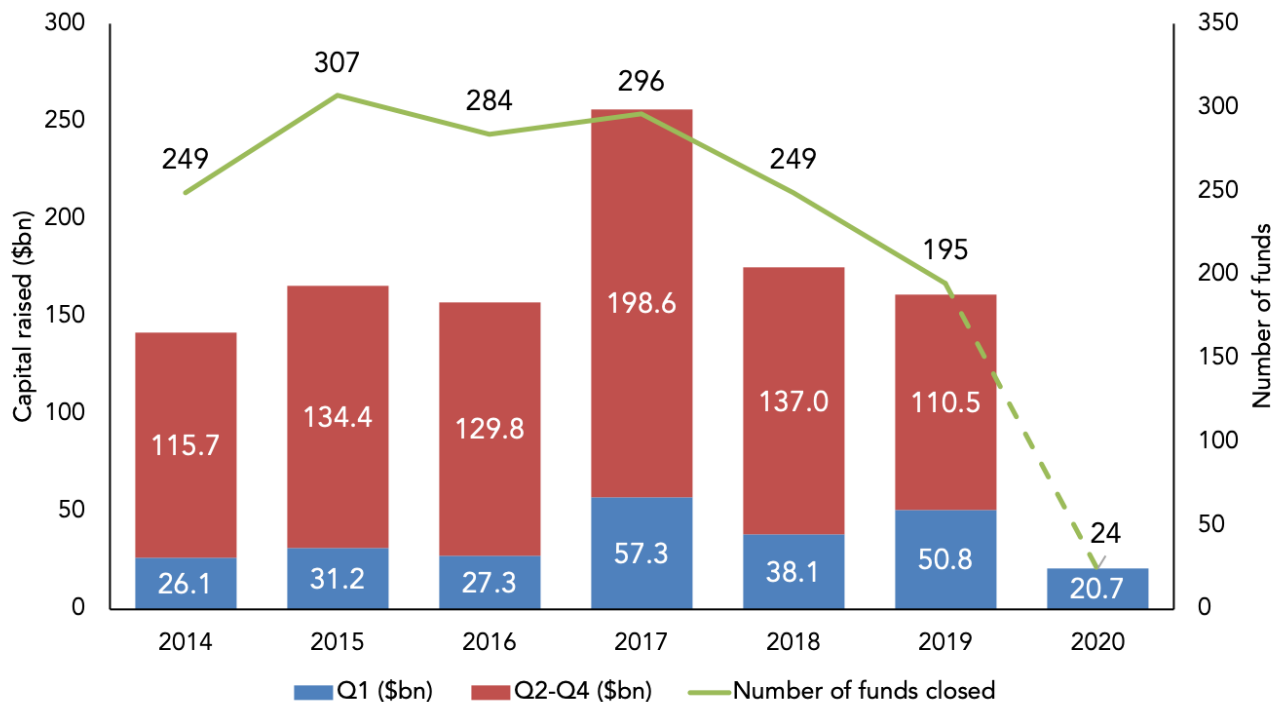


Fundraising in the time of coronavirus

PEI Private Credit | April 8, 2020

Private debt fundraising, 2014 - Q1 2020



Private debt funds are finding it tough to raise capital, but this was true before the virus struck.

In the face of the coronavirus pandemic and the enormous disruption it has produced in its wake, little surprise that private debt fundraising appears to be in decline. Private Debt Investor's preliminary first-quarter 2020 figures show less than \$21 billion raised globally by 24 funds in the three-month period.

The extent of the decline does rather depend on how it's measured, however. The drop looks stark set against the near-\$51 billion raised in the first quarter of last year. However, while 2019 started strongly, it finished weakly as only just over \$150 billion was collected in the whole year.

Therefore, fundraising had little momentum coming into 2020 – the peaks reached in the record year of 2017, when almost 300 funds raised more than \$250 billion, seeming far in the past. Moreover, it is likely that the pandemic only began to have an effect some way into the three-month period. In January the virus was confined to China and only started to spread to other parts of Asia Pacific and Europe in early February.

There is, however, little doubt about its impact right now. The focus of fund managers and their investors is on existing portfolios and preserving the value of what they have rather than seeking to build assets under management. In any case, the practicalities of fundraising are difficult, with limited partners unable to meet face

to face with managers and conduct the type of due diligence they have become accustomed to.

Fundraising by strategy, albeit harder to assess based on the limited sample size, appears little changed from the trend seen in recent years. Senior debt funds remained dominant in Q1 with 40 percent of the capital raised. While conditions are expected to suit distress and special situations funds in the period ahead, they were almost completely absent from fundraising in Q1 – many having already raised capital in anticipation of a downturn over the last couple of years.