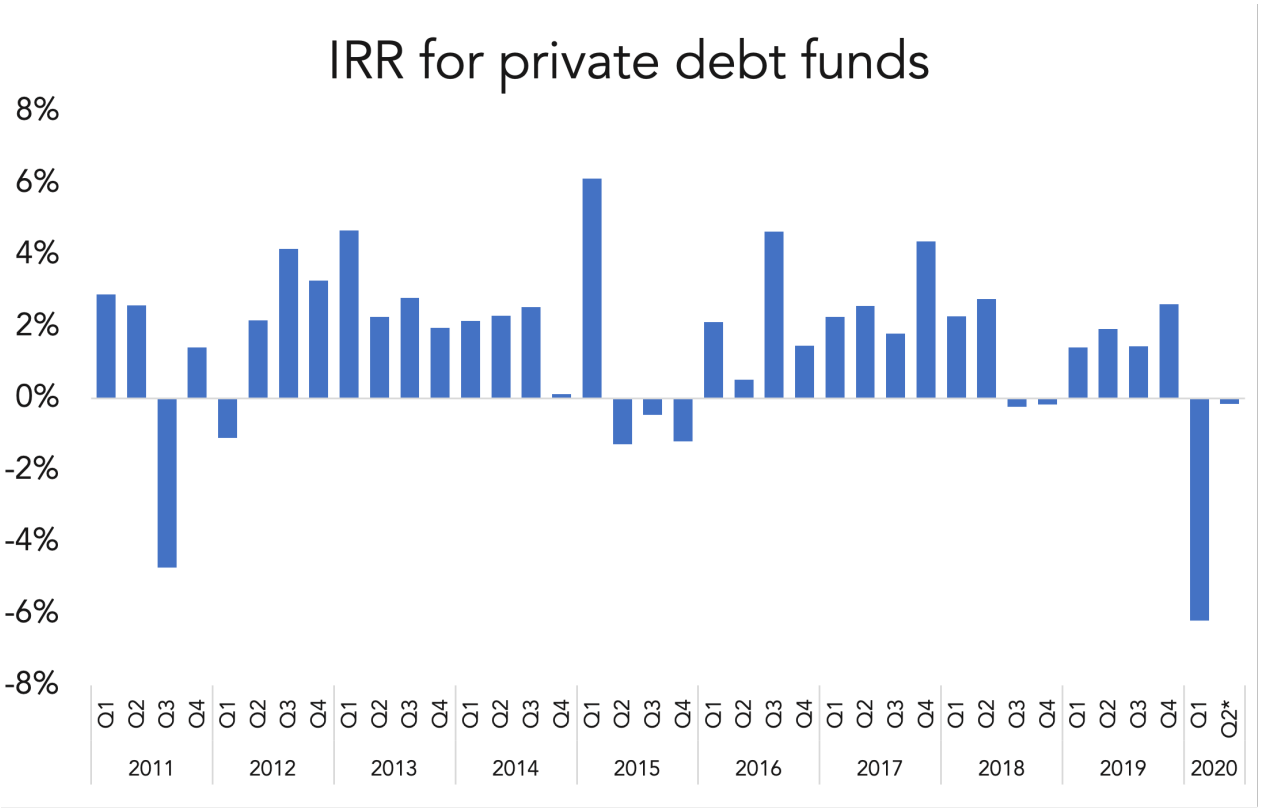
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-6.2% Q1 performance for private debt

PitchBook | January 28, 2021



Download PitchBook's Report here.

Private debt performance struggled in Q1, according to PitchBook's just released Global Private Debt Report. Globally, private debt funds recorded a 6.2% drop in IRR in the first quarter. While not surprising, it was the worst quarterly performance since the financial crisis, when reliable performance data for the strategy didn't exist yet. Payment defaults weren't as widespread as many feared, but mark-to-market adjustments were heavy enough to drag Q1 down as far as it did. It's very difficult to model downside scenarios that involve revenue dropping to zero for an extended period of time.

Fortunes improved in Q2. Preliminary returns data is reflecting flat performance (-0.1%), and we're expecting H2 data to improve along the same lines as liquid credit indexes did in the same timeframe. The one-year IRR in Q1 2020 fell to 1.0%, indicating that the gains from the runup to the pandemic still outweighed the losses, both realized and unrealized, that were felt in March 2020.

On the fundraising trail, private debt fundraising fell to $109.7 billion across 111 funds, annual declines of 27.8% and 41.3%, respectively. Direct lending strategies were especially hurt, falling from $88.0 billion across 70 funds in 2019 to only $40.2 billion across 33 funds last year. LPs often shifted to bear market strategies like distressed debt and special situations funds, both of which posted YoY increases in capital commitments.