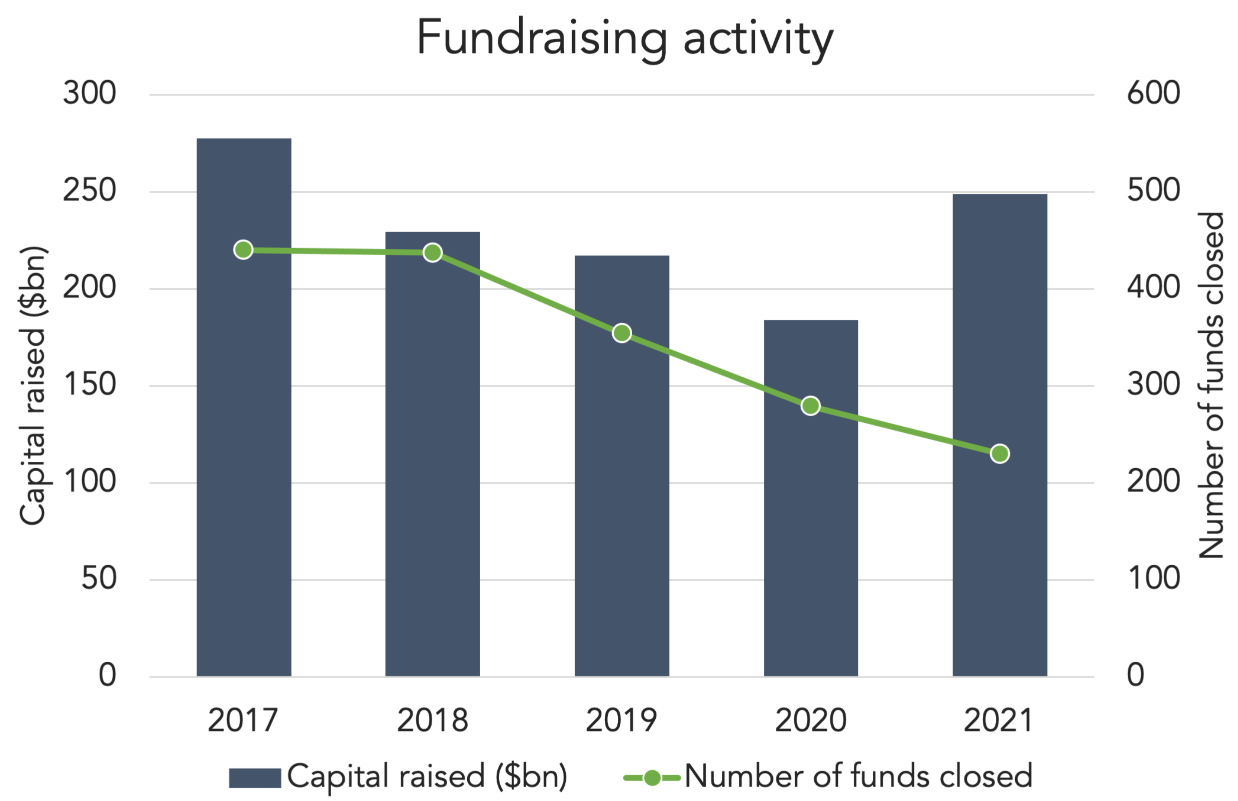
The fundraising fightback

PEI Private Credit | January 26, 2022



Source: PDI

Following the peak of 2017, private debt capital raising had suffered something of a lean time. Last year changed all that.

Last year was the year private debt fundraising came back with a bang. After capital raising hit a low of $183.9 billion in 2020 amid the initial outbreak of the covid-19 pandemic, 2021 saw almost $250 billion raised according to *Private Debt Investor's* latest data (see chart above).

This means last year was the second-best year ever for fundraising, beaten only by the $277.5 billion gathered in 2017, as investors flocked to the asset class following its strong performance through the pandemic. The lack of evidence of how private debt would perform during a downturn had long been a point of concern for LPs, but the pandemic proved the fundamentals of the asset class are strong.

The fundraising surge was strongly focused on senior debt strategies, which accounted for 45 percent of all capital raised in 2021. This is thought to be driven by investor demand for relatively safer assets due to ongoing uncertainty surrounding the global economy, including covid-related restrictions on business, inflation and fears that some assets are overvalued. Conversely, riskier subordinated strategies were less popular in 2021, while distressed debt also took a back seat as investment opportunities dried up.

The increase in fundraising was not mirrored by growth in the number of vehicles raised, which fell for a fourth consecutive year. The combination of falling fund numbers and rapidly increasing capital raised meant average fund size moved above $1 billion for the first time. Larger fund managers with established track records are launching larger funds as fewer new fund managers enter the asset class.

Our data also shows North American funds continuing to lead the way, with such funds currently aiming to raise a combined $138.5 billion. European funds are targeting $87.5 billion, while multi-regional funds are seeking $47.7 billion and Asia-Pacific funds $18.3 billion.

(Past performance is no guarantee of future results.)