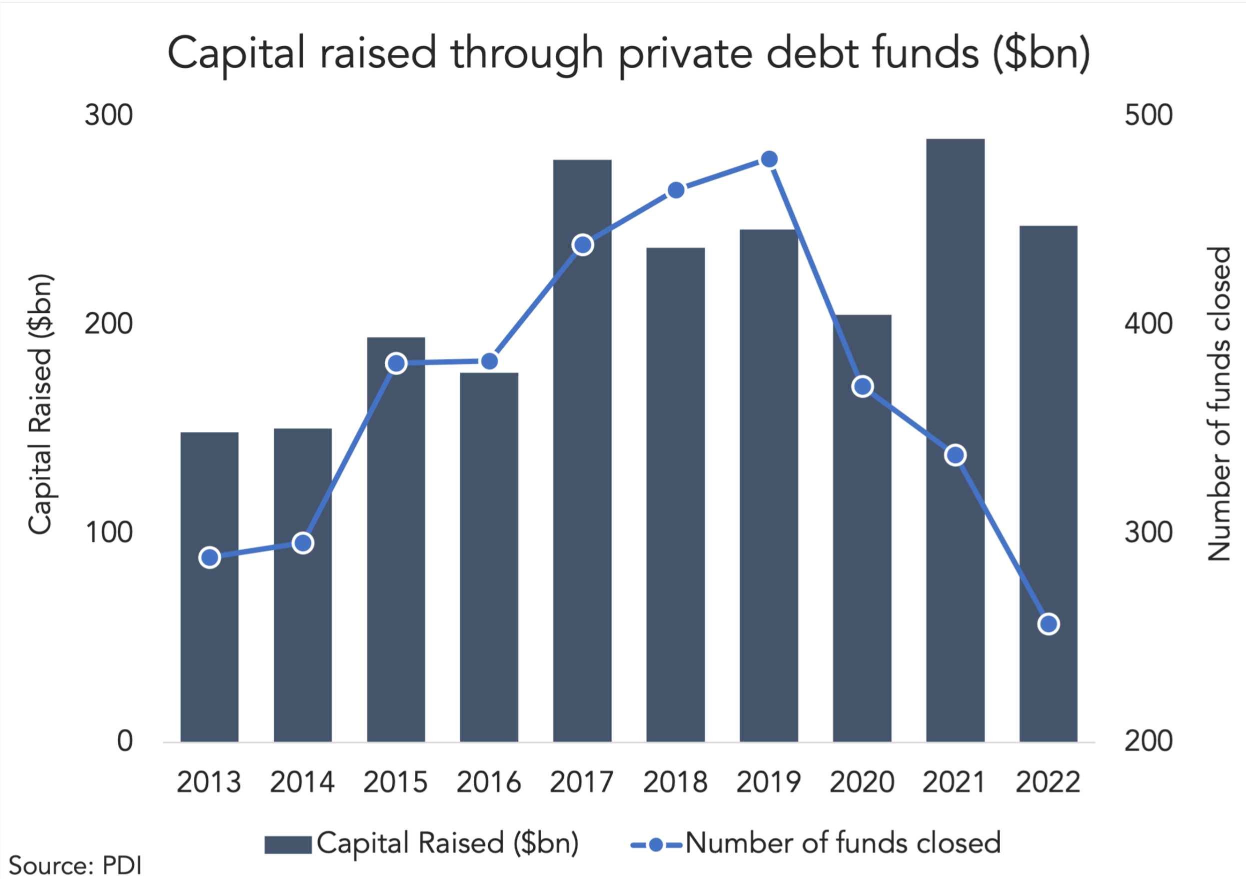
Changes from a decade of fundraising

PEI Private Credit | June 21, 2023



In the June issue of Private Debt Investor, in which we celebrated its tenth anniversary, we reflected on key trends in fundraising over that period by an examination of our PDI 100 ranking of top fundraisers. Below are four of our observations.

Size matters: The giant managers who are out raising $20 billion-plus size funds are likely to keep growing, as they push further into the lucrative market for retail investors. Moreover, in any sort of market shakeout, the bigger managers may be apt to buy some of their smaller peers, particularly those who can add niche practices.

Look out, private equity: Macroeconomic changes and market saturation have necessarily sped up the expansion of traditional private equity managers into private debt, with the asset class now accounting for a majority of AUM in managers such as Apollo, which started out as a private equity manager. As if to illustrate the point, TPG, which was number 17 on our original list before its Sixth Street credit business split from the firm in 2020, in May agreed to pay $2.7 billion to buy Angelo Gordon, which placed 16th and 23rd in our inaugural and 2022 lists, respectively.

Eastward, ho! Europe now represents almost one-third of our most recent list, rising from less than 10 percent of our debut ranking. In addition to the hubs of London and Paris, we expect to see more growth in Asia, including India and Australia, each of which is represented in our latest list. According to Alta, a blockchain-based digital exchange for alternative assets based in Singapore, and Aletheia Capital, the Asian private credit market has grown nearly 30 times in the past two decades.

Follow the money: Whereas our original list included just Goldman Sachs, AXA International and Pacific Investment Management Co, the ranks of the long-only fixed income managers have swelled (albeit along with the size of our original list) with the likes of BlackRock, JPMorgan and Allianz Global Investors, among others, becoming some of the largest fundraisers in 2022. That is likely to continue, as interest in private debt among institutional and retail investors continues to grow. A recent report by Briarcliffe predicted that allocations to private debt will increase to nearly 6 percent in the next decade, from the current 3.8 percent. Expect the investment banks et al to follow that money trail.

(Past performance is no guarantee of future results.)