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Is stress emerging to save Asian fundraising?

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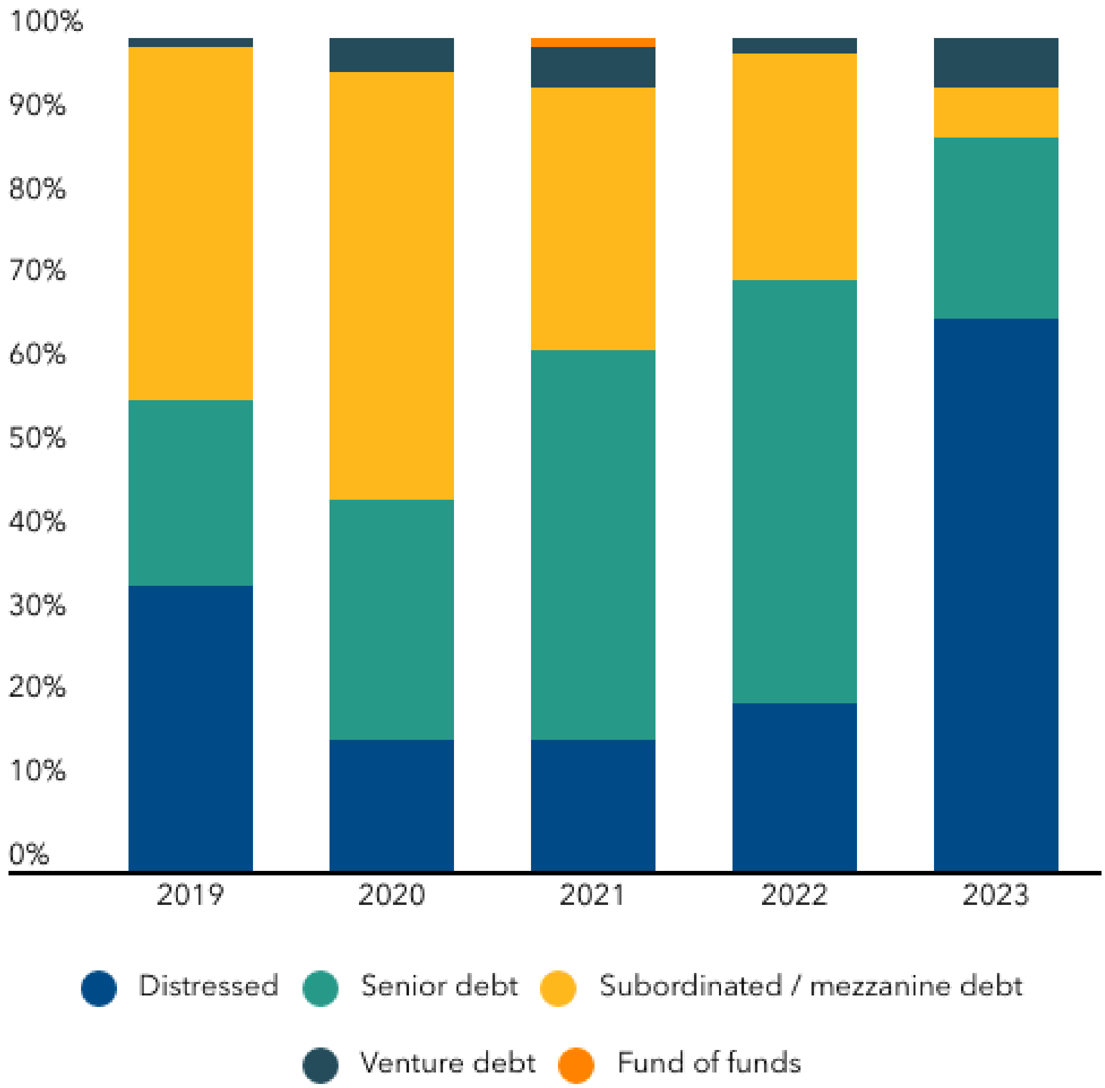
Proportion of capital raised through APAC-focused private debt funds by strategy (%)



Private Debt Investor

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Last year was tough for GPs seeking capital to invest in Asia Pacific but distressed/opportunistic strategies were bucking the trend.

Fundraising for private credit in Asia Pacific took a nasty hit in 2023, with just 11 funds reaching the finish line, compared with 33 the year before. The amount of capital raised was also down considerably, standing at a cumulative $5.9 billion – barely one-third of the $15.5 billion raised in 2022, according to *Private Debt Investor* data.

Last year was tough for fundraising globally, with private debt totals falling to their lowest levels since 2016. Still, while the 62 percent drop-off in Asia compares poorly against a 23 percent drop worldwide, those on the ground think the tide may be turning.

The biggest fundraising completed for the region last year saw Ares Management close its sixth Asia flagship fund on $2.4 billion in November, after 22 months of fundraising. Mumbai-based Edelweiss Alternative Asset Advisors also raised $1 billion for its third special situations fund focused on India.

With both targeting distressed and opportunistic strategies, it is notable that capital raised for distressed opportunities accounted for two-thirds of all Asia Pacific fundraising in 2023, versus just 20 percent in 2022.

“Real estate is certainly a distressed opportunity at the moment, and there are a lot of distressed portfolios out there,” Vince Ng, a partner at global placement firm Atlantic-Pacific Capital, told PDI. “Corporate credit is also exhibiting a fair amount of distress, but how much of that is China versus non-China or developed markets versus less-developed markets is the question.”

While the issues facing real estate in China have arguably presented an opportunity more akin to traditional ‘pure’ distress, much of the opportunity set in Asia Pacific – as elsewhere in the world – appears to be in relation to stressed rather than distressed situations. Here, private credit firms can seek to provide innovative solutions to help companies through temporary challenges – and before the company in question slides into a bankruptcy process.