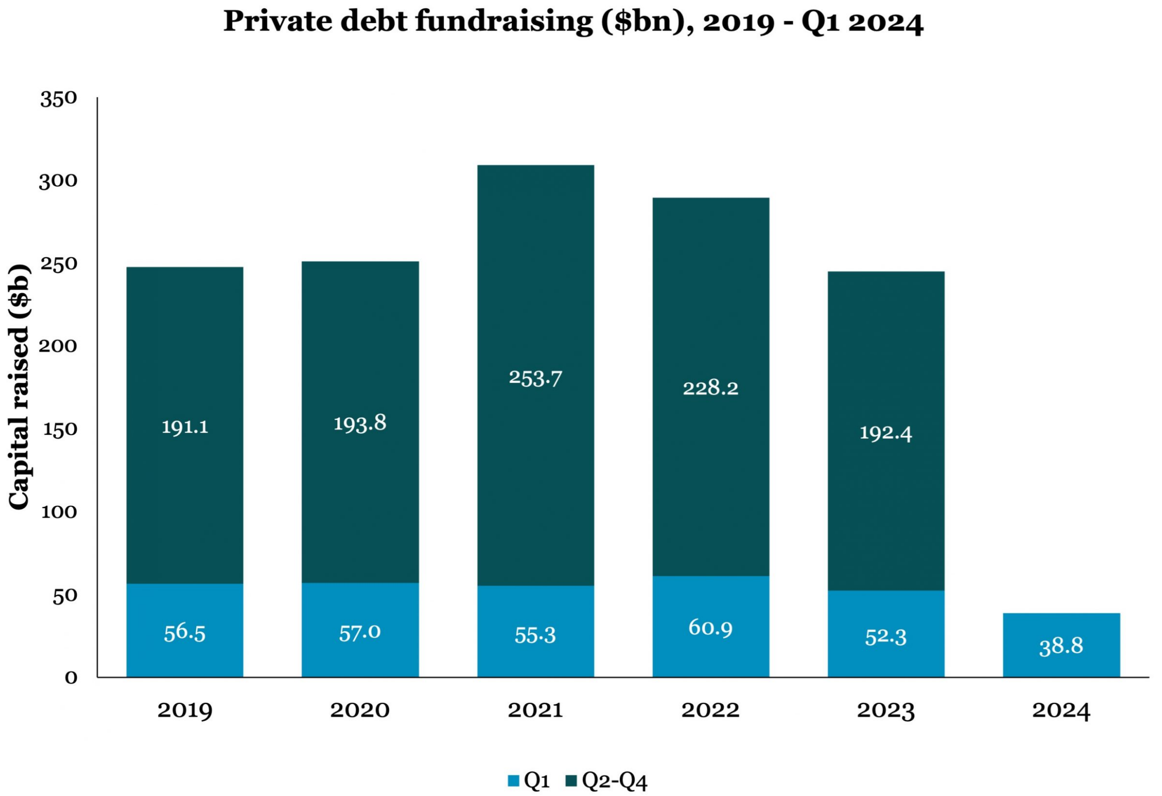
Fundraising falls flat

PEI Private Credit | May 1, 2024



There's been talk of a modest revival in capital raising this year, but the first quarter may have lowered expectations.

After a difficult time on the fundraising trail in 2023 as limited partners suffered from the denominator effect and lack of distributions, private debt managers were looking forward to a more benign climate in 2024. While this brighter outlook may yet materialise, there were few signs of it in the first quarter.

Indeed, with $38.8 billion raised globally in the first three months according to *Private Debt Investor* data, the first-quarter figure tumbled to an eight-year low. That takes you back to 2016, and a first quarter total of $30.5 billion. In what was viewed as a fundraising slump last year, the first quarter delivered a comparatively healthy total of $52.3 billion.

Continuing a trend observed in recent years, the number of private debt funds raised continued to fall in the first quarter. From a peak of 486 funds in 2019, the annual total fell each subsequent year to 468 in 2020, 448 in 2021, 417 in 2022 and 337 in 2023. In the first three months of this year, just 60 funds were closed. If this turns out to be representative of 2024 as a whole, a further big annual decline will be seen.

When it comes to strategy, the first quarter saw almost half of investors (49 percent) targeting their capital at senior debt strategies. This was the biggest strategic dominance claimed by senior debt in the last six years. The first quarter also saw a big rise in CLO fundraising – accounting for 12 percent of the total – but this may turn out to be an anomaly given the low amount raised overall.

The dominance of North America was even more pronounced than usual in the first quarter, targeted by $24.8 billion of the $38.8 billion raised. Average fund size, meanwhile, continued to remain high. Last year set a record at $983 million, while the first quarter saw that figure inch up even higher to $986 million.