Preqin Private Debt Intelligence – 5/23/2016

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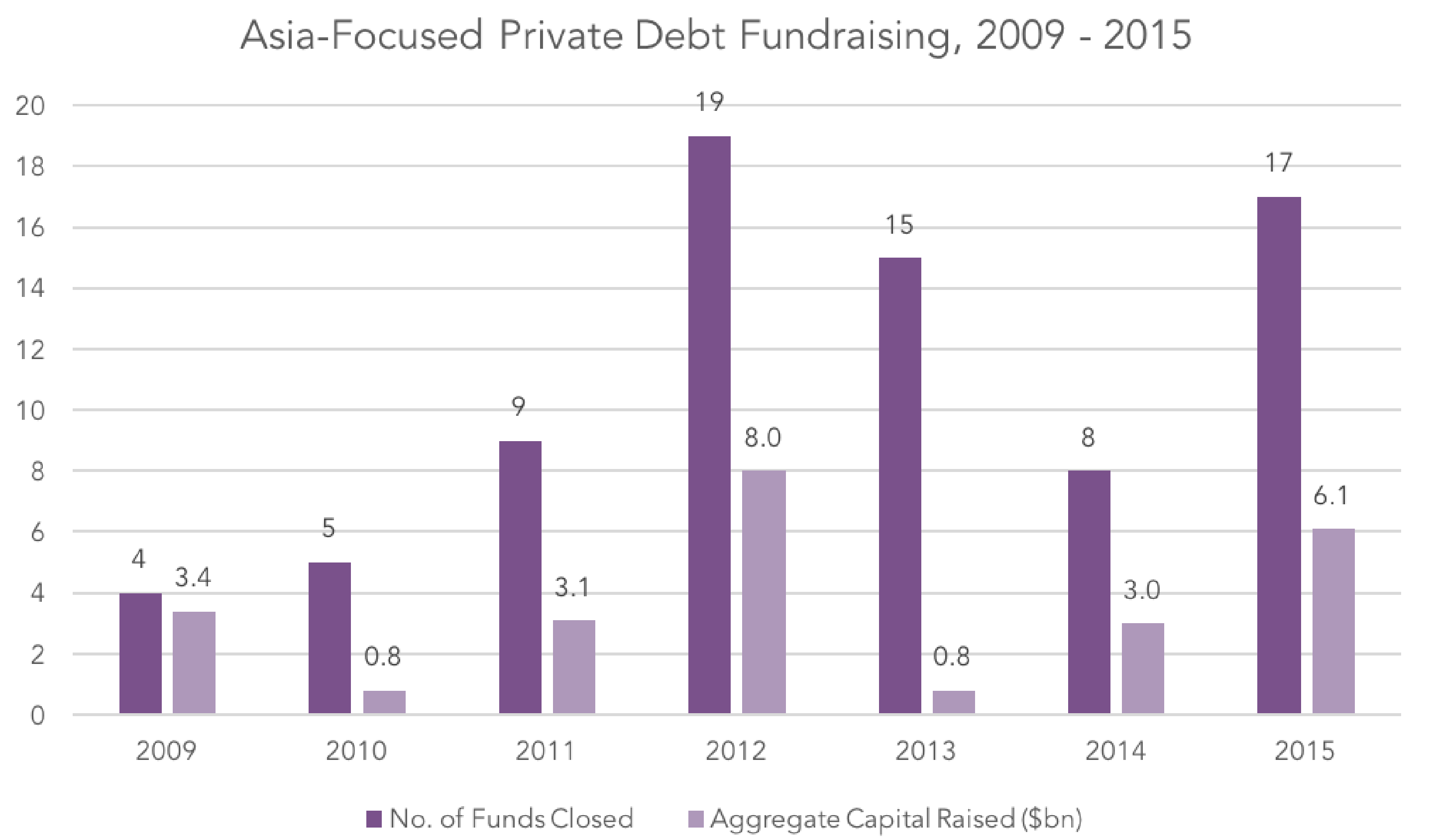
Private Debt Developing in Asia

Although the private debt market in Asia remains substantially smaller than the more developed credit markets in Europe and North America, data from Preqin points to a growth in the Asia-focused industry.

Seventeen private debt funds principally focused on Asia closed in 2015 raising $6.1bn in aggregate capital. This represented an increase from the $3bn worth of investor commitments seen in 2014 and was substantially larger than the $0.8bn total in 2013; fundraising levels, however, remain short of the peak of $8bn seen in 2012 through the closure of 19 funds. The relative size of the private debt industry in Asia is contextualised by the $54bn that vehicles targeting North America raised in 2015, while Europe-focused funds also raised $31bn.



In 2016 to-date, no Asia-focused private debt funds have reached a final close, however this must also be put into the perspective of the sluggish start to fundraising across the industry; Europe- and North America-focused funds have raised a combined $14bn, only. Moreover, there are currently 20 funds out raising in the Asia-focused space targeting in excess of $8bn, a 113% increase from 2014 indicating that Asia could be next in line to benefit from the development of private debt.

For fund managers looking to enter the Asian market, knowledge of local laws and regulations is vital and so it is likely that Asia-based fund managers will continue to raise the majority of funds (75%) in the region. India is home to 40% of firms with vehicles currently on the road, and these funds are all entirely focused on investments within India, again pointing to the importance of local knowledge.

If private debt continues to develop in the region and funds hit their targets, global managers may look to increase their coverage of the region; even now all three of the largest funds in market are run by Europe- and North-America-based firms. Fund managers from these regions also represent a quarter of all funds that are currently in the market, indicating the attention that non-traditional lending is starting to harness in Asia.

Contact: William Clarke
william.clarke@preqin.com