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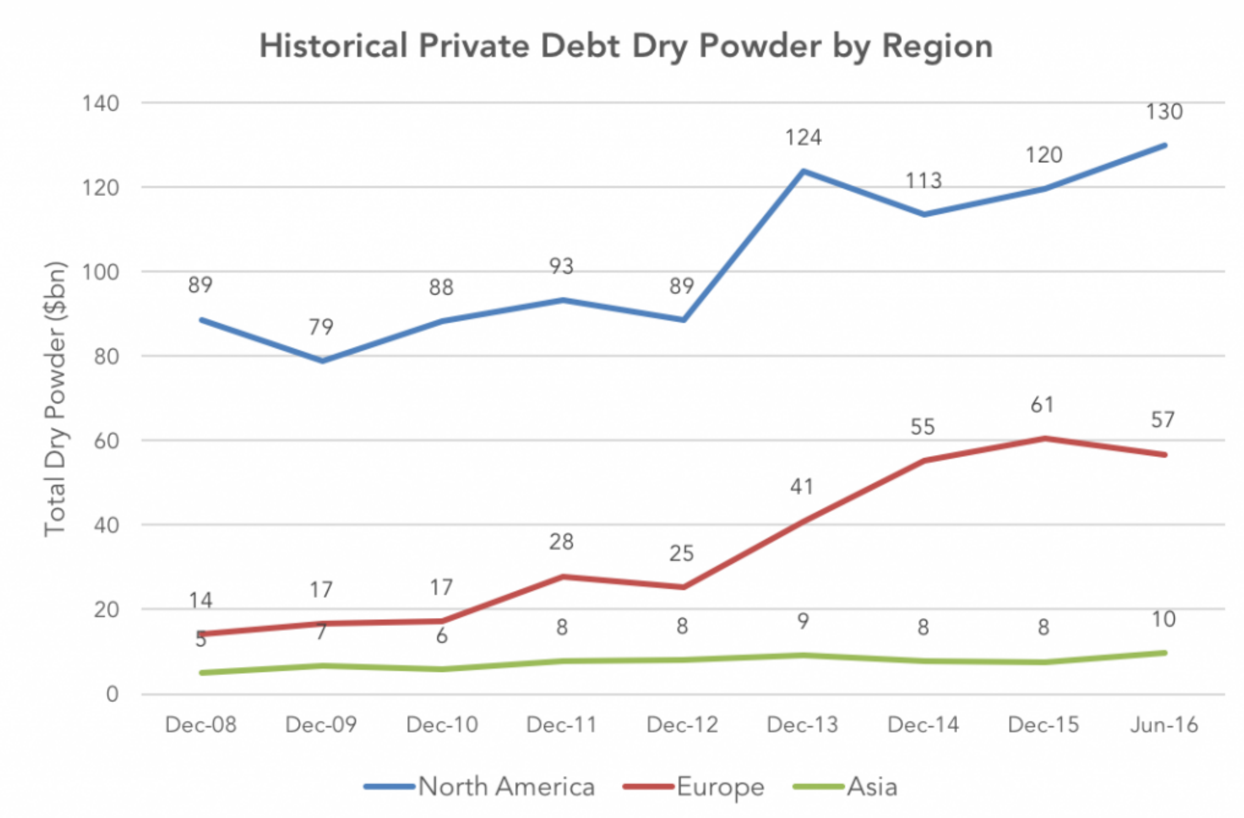
Private Debt Dry Powder: Regional Contrasts

The amount of capital available to private debt fund managers varies hugely in different parts of the world. In H1 2016, managers focusing on North America and Asia have both seen dry powder reach record levels, while Europe-focused managers have seen the level of capital available for investment decline from the start of the year.



With Asia-focused private debt fundraising levels increasing from $0.9bn in 2013 to $6.1bn in 2015, it is perhaps unsurprising that the amount of uncalled capital available to fund managers has grown significantly over the past six months. As of June 2016 the total dry powder available for investment in the region stands at a record $9.6bn, an increase of 26% ($2bn) since December 2015, and surpasses the previous peak of $9.1bn in 2013.

Dry powder held by North America-focused fund managers, meanwhile, has also broken the previous record of $124bn seen at the end of 2013. The total level of uncalled capital focused on the region rose from $120bn at the end of 2015 to $130bn as of June, a proportional increase of 9% albeit slightly down on that seen for Asia-focused dry powder.

Conversely, Europe-focused private debt fund managers have seen a decline in dry powder over the past six months. While other regions saw dry powder peak at the end of 2013, and then decline in 2014 before rising again, funds focused on Europe saw their capital available for investment rise significantly from $25bn at the end of 2012 to $41bn a year later, and keep on rising to reach a record $61bn in December 2015. Since then, dry powder has fallen slightly to $57bn, although it remains high.

With both Asia- and North America-focused fund managers surpassing their record dry powder levels of 2013, it is clear that the private debt industry is continuing to grow and fill the gap between the risk-free returns of bonds and the higher returns that private equity funds have to offer. Furthermore, with Asia-focused private debt fund managers holding more capital than ever before, this particular market will certainly be one to watch throughout the remainder of 2016.

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