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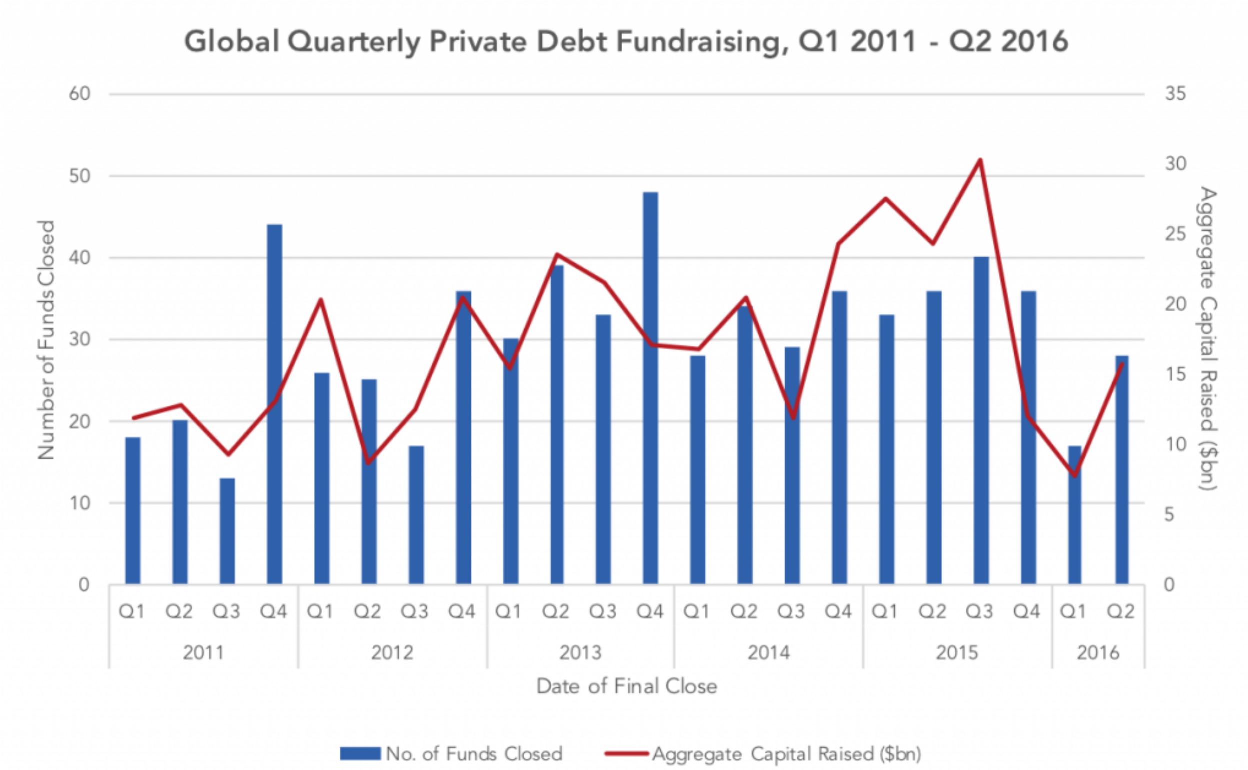
Private Debt Fundraising Shows Signs of Acceleration in Q2

Preqin's quarterly fundraising update on the private debt industry finds that Q2 showed healthy signs of acceleration, boosting hopes the industry will return to the record fundraising levels seen over the twelve month period between Q4 2014 and Q3 2015.

Over the quarter, 28 vehicles reached a final close securing an aggregate $16bn of investor capital, more than double the total just shy of $8bn achieved through Q1, and also marking an increase on the total of $12bn raised in Q4 2015. Nonetheless, fundraising remains down on the record levels seen from the end of 2014 and through the majority of 2015; in each quarter from Q4 2014 to Q3 2015 private debt fund managers accrued in access of $24bn. The all-time quarterly peak in fundraising also occurred in this period when $30bn was raised in Q3 2015.



Direct lending funds dominated fundraising through Q2 with 11 funds raising a total of $9bn, 57% of combined investor commitments over the quarter. This total was achieved with the help of all three of the largest private debt funds that reached a final close over the quarter, each raising over $1.5bn of investor capital. Private debt fund of funds also saw a significant uptick in activity over the quarter with three funds securing a record $1.1bn of commitments, more than double the previous all-time high of $0.5bn in Q4 2015.

The competitive fundraising market indicates that private debt firms remain confident of securing investor commitments, with 276 vehicles currently on the road, targeting an aggregate $140bn. Direct lending funds dominate the number of vehicles in market, accounting for 41% of all funds, with 114 vehicles on the road seeking a combined $45bn. However, distressed debt vehicles are targeting the most investor capital of any debt type; the strategy is seeking a combined $46bn, despite marketing only 38 funds to investors.

The second quarter of 2016 saw the reversal of two consecutive quarters of private debt fundraising decline, allowing fund managers to deploy the record capital that they had raised through most of 2015. However, with a high number of vehicles on the road targeting substantial quantities of investor capital, there is hope that the private debt fundraising industry will return to these levels through the remainder of 2016.

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