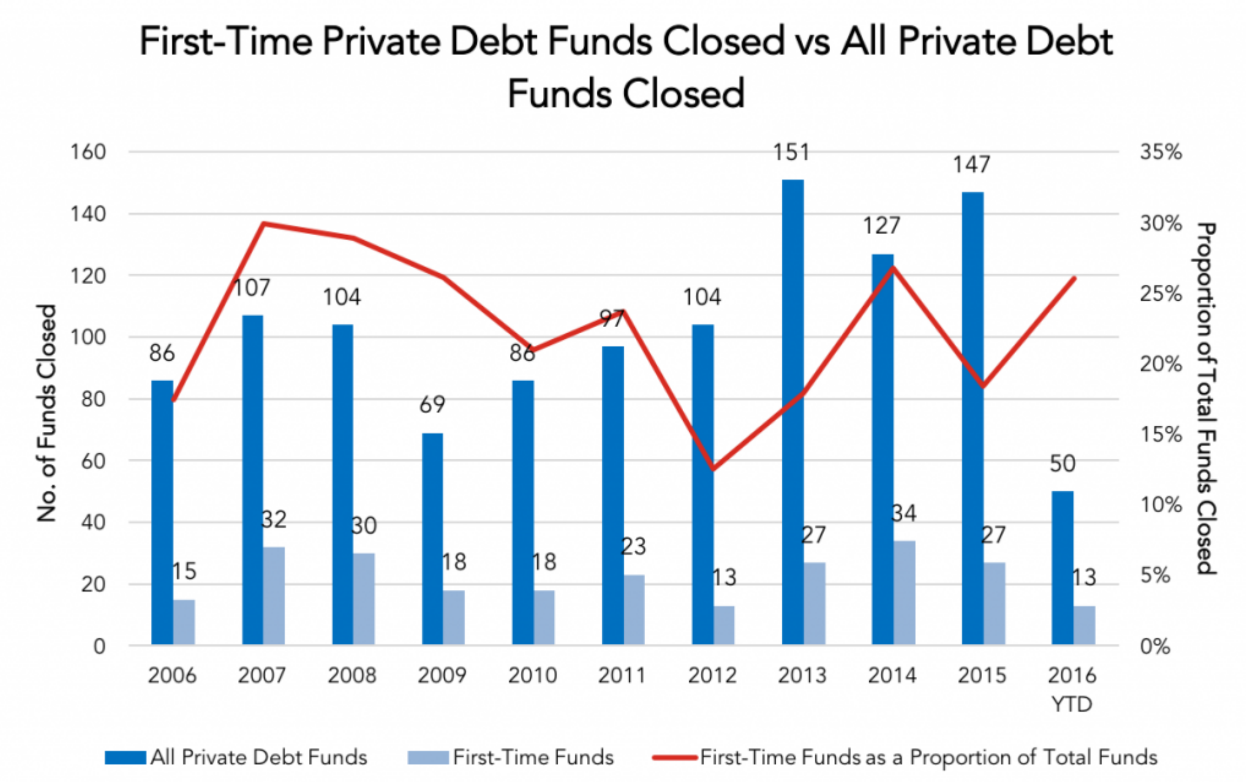
Preqin Private Debt Intelligence – 8/1/2016

THE LEAD | August 1, 2016

First-Time Private Debt Fundraising

As the closed-end private debt industry grows in size and prominence, new fund managers continue to launch new vehicles in order to take advantage of increasing investor appetite and attractive investment opportunities. However, with the private debt fundraising market increasingly dominated by a small number of experienced fund managers, there is a challenging environment for fund managers seeking to raise capital for their inaugural private debt vehicles.



First-time private debt funds reached a nadir immediately prior to and during the Global Financial Crisis (GFC). As the total number of private debt funds closed rose from 86 in 2006 to 107 in 2007, the proportion which were first-time private debt funds also rose to around 30% of all funds closed 2007-8. After that, however, both the total number of funds closed and the number of first-time funds closed fell sharply; and since 2009, the total number of private debt funds closed, and the proportion of those funds which were first-time vehicles, have seen a mildly inverse correlation.

After falling in 2009, the number of private debt funds closed globally rose each year until 2012, when it regained the levels seen in 2008. During that period, the proportion of total fund closures represented by first-time funds halved, from 26% in 2009 to 13% in 2012. From then, the total number of funds closed rose from 104 in 2012 to 151 in 2013, and the proportion of those closures which were first-time funds also rose slightly, from 13% to 18%. However in 2014, when the total number of funds closed fell slightly to 127, the proportion of first-time funds closed rose markedly, from 18% to 27%. The number of fund closures then rose again to 147 in 2015, while the proportion of funds closed that were first-time vehicles fell back to 18%.

2016 has so far not seen nearly as much fundraising activity, with only 50 vehicles globally reaching a final close in the first half of the year. However, the proportion of those vehicles which are first-time funds has again risen, although not to the levels seen in 2007-8. The proportion of private debt funds closed by first-time managers is still higher than in the more mature private equity industry, but it is possible that as the private debt market continues to grow in scope, we may see the proportion of first-time funds settle to a consistent figure.

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