Preqin Private Debt Intelligence – 9/5/2016

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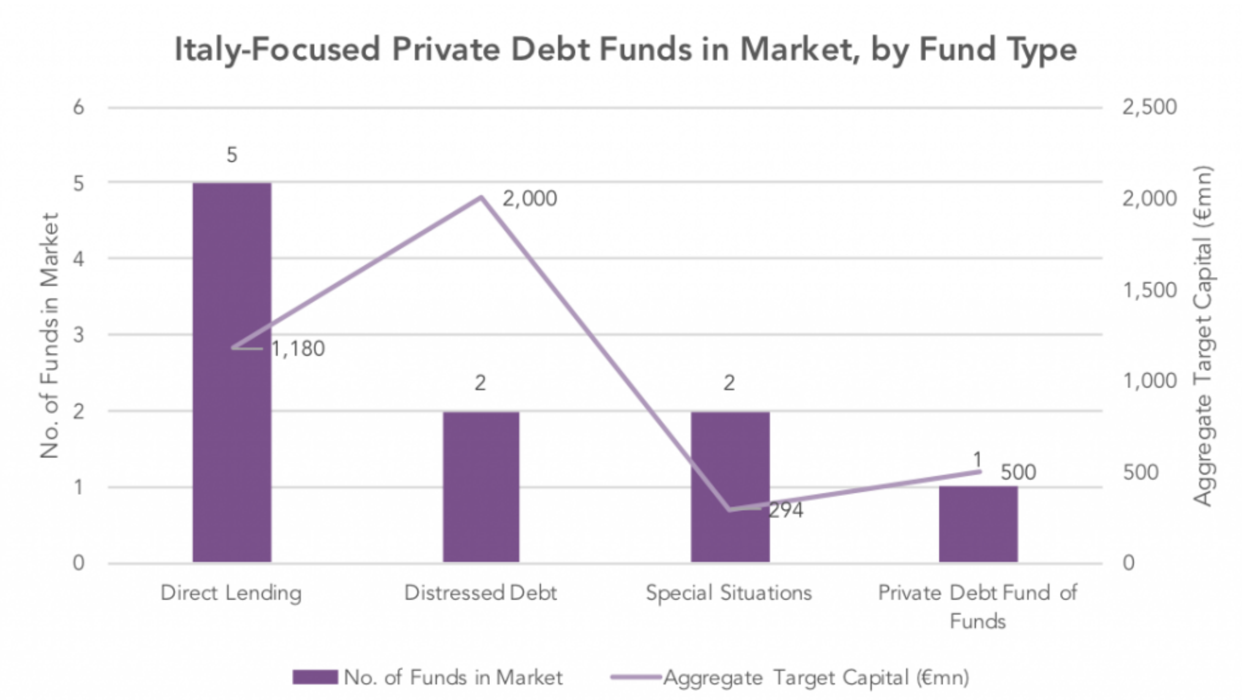
Is the Italy-Focused Private Debt Industry Set for Growth?

The Italy-focused private debt market remains in its infancy – only 13 funds focused on the country have closed since 2004 raising a total €2.6bn – however recent legislative changes announced by Italian Prime Minister, Matteo Renzi, may be about to accelerate growth in the country. Prior to Law Decree No. 18/2016, only Italian Alternative Investments Funds (AIFs) were expressly permitted to lend directly to Italian borrowers, but now international private debt fund managers will be looking to Italy with renewed interest.



Preqin's funds in market data shows that there are currently 10 Italy-focused private debt vehicles on the road with a combined target capital of nearly €4bn. Direct lending funds account for 50% of the vehicles in market seeking €1.2bn of investor capital, while the two distressed debt funds are targeting $2bn in commitments. Special situations and private debt fund of funds occupy a smaller segment (20%) of the total target capital, with €0.3bn and €0.5bn sought by each fund type respectively.

The majority of the funds on the road are run by Italy-based fund managers, yet there are signs that international managers are beginning to move into the market. Muzinich & Co., a New York-based private debt firm, is currently raising capital for a direct lending fund focusing on small and mid-sized Italian enterprises. UC Capital, a Spain-based managers is also out on the road targeting €150mn for its Lion growth fund, which is utilising a special situations strategy and will invest 33% of its capital in small businesses located in Northern Italy.

Despite certain restrictions in the legal framework imposed by the February decree, the entrance of international managers into the non-bank lending sector in Italy looks set to spark growth in the country. Moreover, as Europe continues to chip away at the global share of private debt investor capital previously established by the North American market, Europe should further develop as an established and rapidly-growing region in the private debt industry.

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