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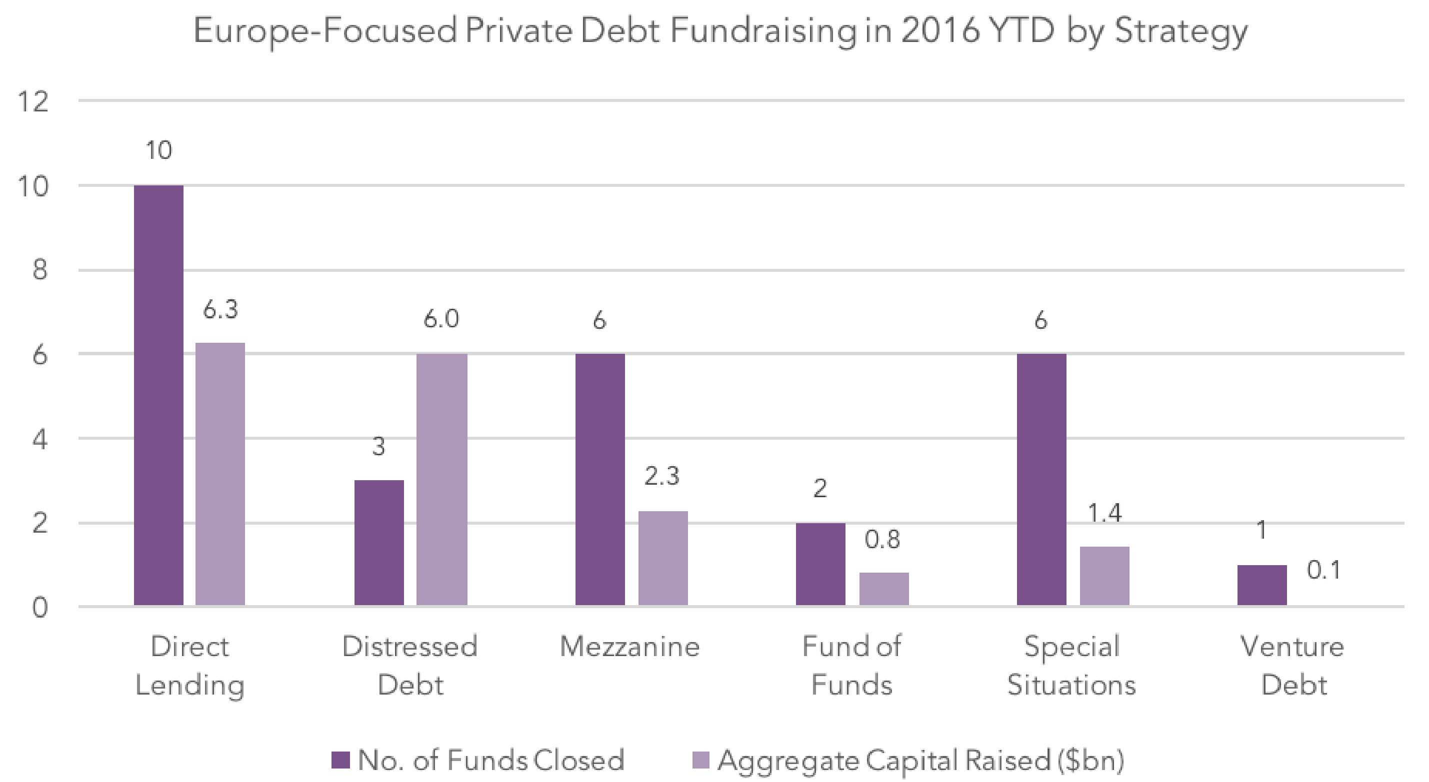
Europe-Focused Private Debt Fundraising

The Europe-focused private debt industry has enjoyed substantial fundraising success in recent years and many countries within the region have seen heightened alternative lending activity in the last decade. However, a notable decline in direct lending in 2016 YTD has contributed to a wider slowdown in fundraising activity focused on Europe throughout the year.



Since 2010, when Europe-focused private debt vehicles raised $6bn of investor capital, the industry has seen five consecutive years of increased fundraising. However, this pattern looks set to be broken in 2016, with the total capital raised so far reaching only half the total seen last year. While the number of funds closed so far this year (28) is not far off the 2015 total (37), the aggregate capital raised is well off the pace, with just $17bn secured in 2016 YTD compared to $33bn the previous year. Over recent years, Europe-focused fundraising had been trending towards matching North America; 2016, however, marks a move away from this, as 55 North America-focused funds have reached a final close raising $27bn.

Direct lending represents the largest sector of the Europe-focused private debt market; however, the strategy has seen a notable downtick in 2016 so far, with 11 funds raising $6.3bn, compared to 17 funds that raised $20bn in 2015. Conversely, although only three distressed debt funds have closed so far this year, they have raised a combined $6bn, approaching the $6.4bn secured the previous year. Some strategies, though, have surpassed the levels seen in 2015: special situations funds have secured $1.4bn, up from $0.6bn, while private debt funds of funds have raised $0.8bn in 2016 YTD, up from $0.7bn.

Given the intensely competitive fundraising landscape, with 74 Europe-focused funds targeting $36bn of investor capital, it is perhaps unsurprising that fund managers are having to work harder – and spend longer on the road – marketing their funds in order to reach a successful final close. It remains to be seen whether fundraising will accelerate in the coming months but it would appear likely given the number of vehicles on the road optimistic of raising investor capital.

Contact: Sam Livingstone
sam.livingstone@preqin.com