THE LEAD
https://theleadleft.com/private-debt-intelligence-1252016/

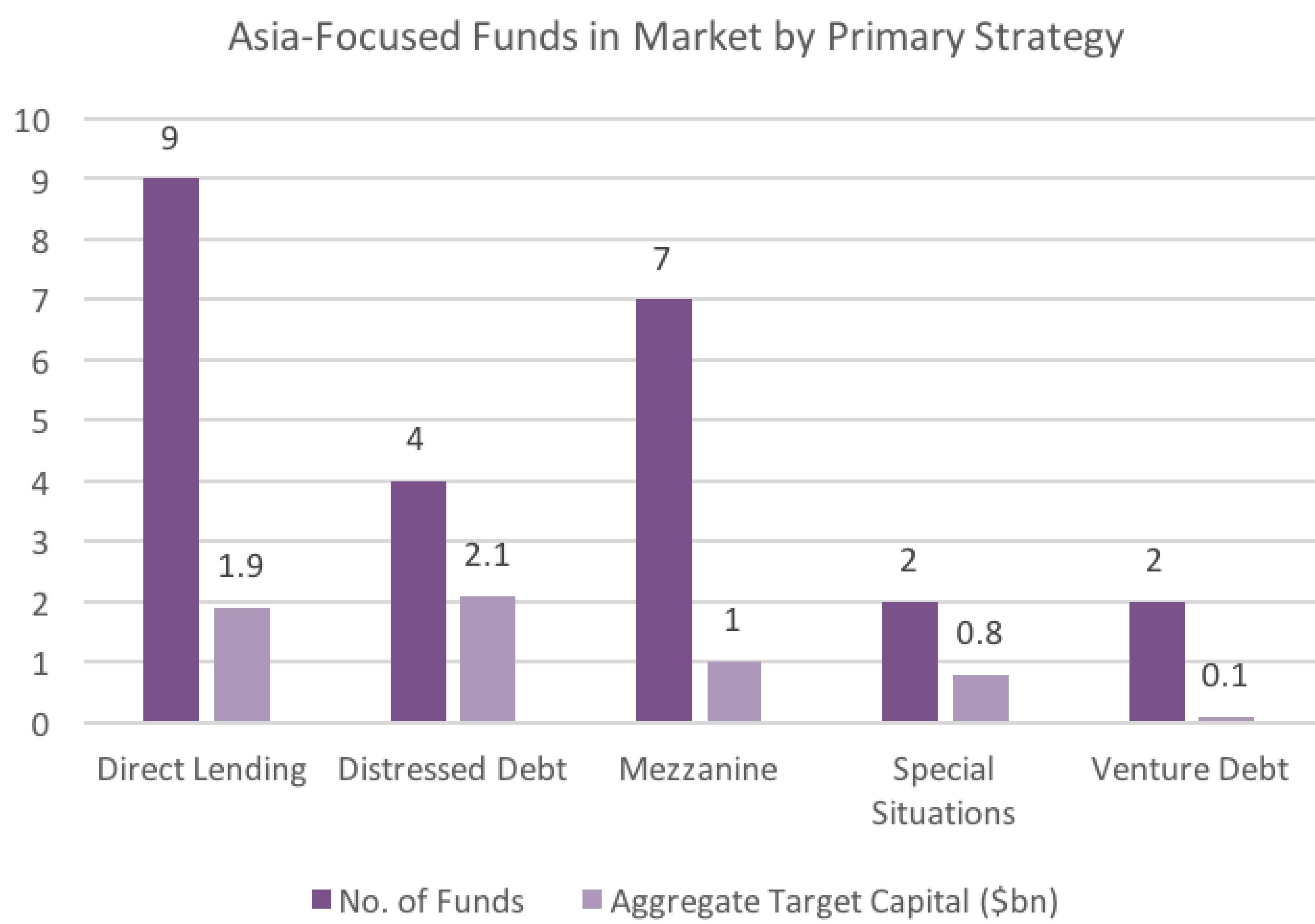
Private Debt Intelligence – 12/5/2016

THE LEAD | December 6, 2016

Asia-Focused Funds in Market

Preqin's Private Debt Online database currently tracks 24 private debt funds in market with a primary geographic focus on Asia. Collectively, they are targeting $5.9bn of investor capital with an average target size of $283mn.

Of the five largest funds in market, three are opting to make direct lending investments and the remaining two are choosing to target special situations and distressed debt opportunities. It is interesting to note that although there are only four distressed debt funds in market, these vehicles are targeting $2.1bn of investor capital. In contrast, more than double the number of direct lending funds (9) are seeking less capital ($1.9bn) than the distressed sector.



Mezzanine debt financing, historically a prominent strategy, currently accounts for less than a fifth ($1.0bn) of the aggregate target capital, despite representing nearly a third (29%) of all Asia-focused funds on the road. Although the largest fund in market is a special situations vehicle, the strategy only has one other vehicle marketing itself to investors with a combined target of $0.8bn, while there are also two venture debt funds in market – a niche strategy within the market – seeking $0.1bn.

There is also a trend emerging that the largest direct lending managers are targeting individual countries when investing in Asia; the top three funds on the road are all looking to invest in individual countries (China, Singapore and India in size order). This could well be because direct lending funds tend towards targeting a very narrow band of returns and therefore will have more specific markets in mind.

Asia looks set to continue to attract investment from a variety of private debt strategies. With regional banks adopting a more prudent approach to providing loans, there is a growing market for private debt managers to fill the void. However, the lack of very large funds in the sector shows that managers are focused when it comes to targeting opportunities in the region, and industry professionals looking to enter the sector should look to do the same.

Contact: Sam Livingstone
sam.livingstone@preqin.com