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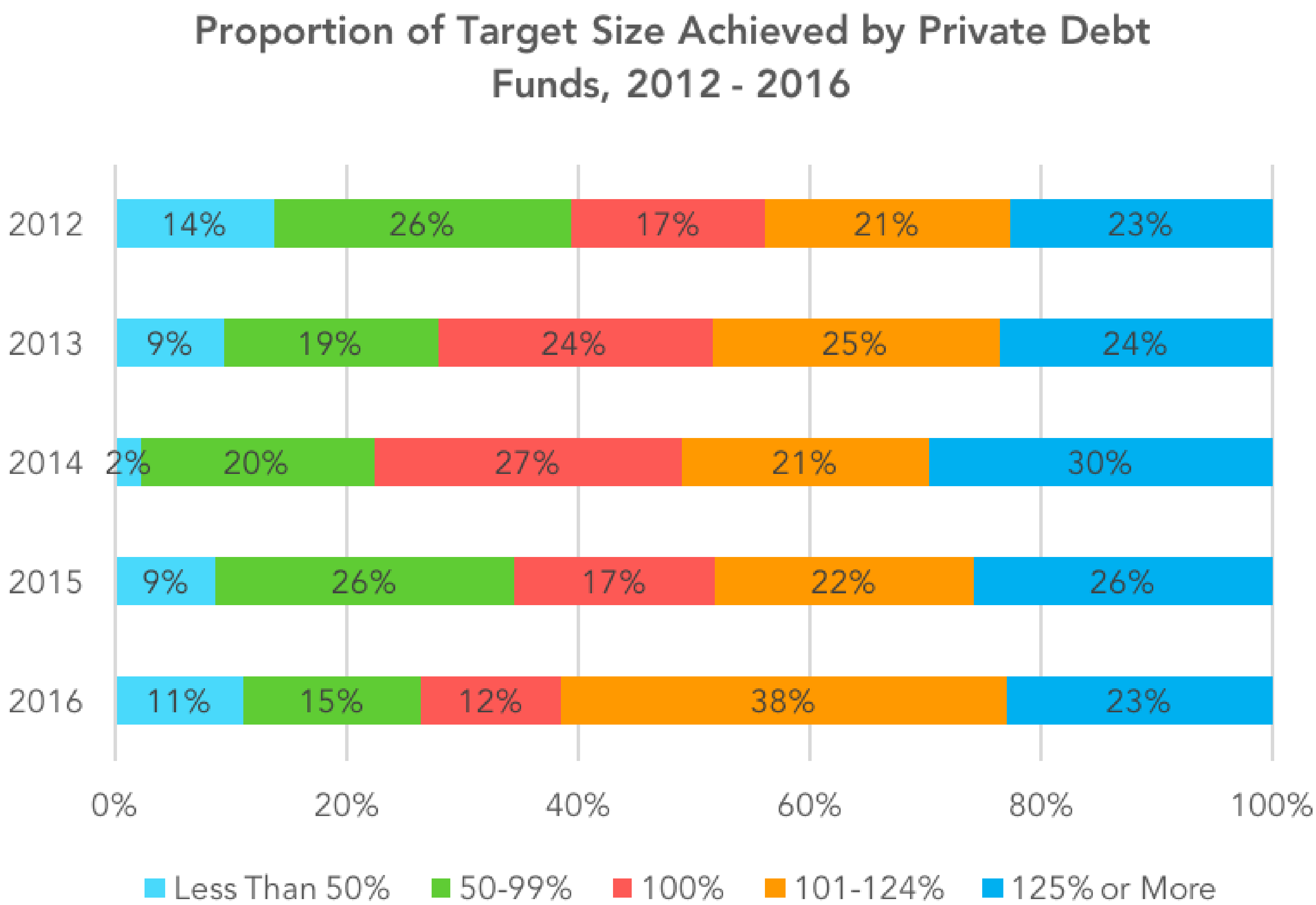
Private Debt Fundraising Success, 2012 – 2016



Although private debt fundraising in 2016 did not match the levels seen in previous years, Preqin research finds that a record proportion of funds exceeded their target size. However, the year also saw funds take longer to reach a final close, on average, than in any previous year as smaller managers struggle to attract capital at the same rate as the most experienced firms.

In 2016, nearly a quarter (23%) of private debt vehicles exceeded their target size by more than 125%, while a further 38% of funds achieved 101-124% of their target. The total proportion of funds to surpass their target size (61%) is higher than in any previous year; 48% of funds exceeded their target in 2015 while the previous highest proportion was seen in 2014 (51%).

A further 12% of funds closed on their target size – representing a markedly smaller proportion than previous years – and takes the proportion of private debt vehicles to reach or exceed their target to nearly three-quarters (74%).

The successful fundraising process managed by the majority of funds closed in 2016 is mirrored in the small proportion of funds that failed to reach their targeted capital commitments. Just 26% of vehicles did not achieve their size objective in 2016, however 11% of vehicles closed on less than half of their target size, the highest proportion since 2012 (14%).

While, many fund managers enjoyed success in the fundraising market, it must be noted that 2016 also marked a high for the time private debt funds spent on the road. Vehicles closed in 2016 were marketed to investors for 20 months, on average, an increase of four months from the previous year. This is evidence of the varied fundraising market at present; large and proven firms are able to secure substantial levels of capital at a rapid pace, yet inexperienced managers face a more challenging landscape and must be prepared for a long and difficult fundraising process.

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