Private Debt Intelligence – 1/23/2017

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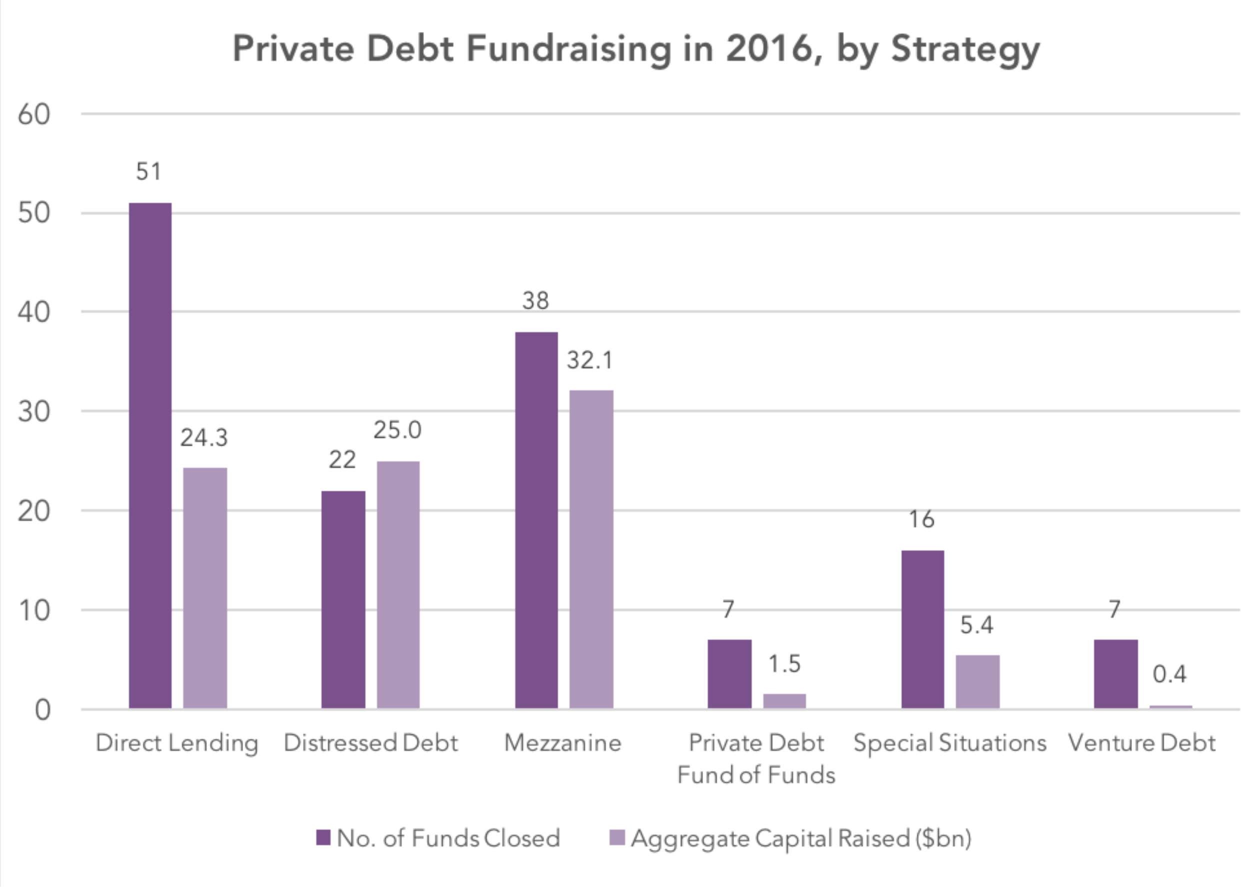
Mezzanine Vehicles Drive Private Debt Fundraising in 2016



2016 saw 141 private debt vehicles reach a final close raising a combined $89bn, a slight slowdown from the 156 funds that secured a record $97bn of investor capital in 2015. However, 2016 still marked another year of extremely robust fundraising with investor appetite for the asset class showing no signs of diminishing.

Direct lending funds accounted for the highest number of vehicles closed through the year with 51 vehicles raising a combined $24bn. However, this represented a downtick from recent years, especially 2015 when 64 direct lending funds secured $41bn, and it also marked the lowest number of funds to close since 2012.

Conversely, the three largest private debt funds closed in 2016 – all in Q4 – were mezzanine vehicles, and drove a record fundraising year for the strategy. In total, 28 funds secured $32bn of investor commitments, surpassing the previous all-time high of $29bn raised in 2008. The three largest funds that closed secured an aggregate of $18bn, accounting for the majority (55%) of the strategy’s fundraising total.

Distressed debt vehicles also secured more capital than direct lending funds, despite less than half the number of funds closing. Twenty-two funds raised a combined $25bn, including six of the 10 largest vehicles to reach a final close through the year with an average fund size in excess of $1bn. Special situations vehicles, however, suffered their lowest fundraising year since 2010 with 16 funds securing $5.4bn.

Among the more niche strategies, private debt fund of funds and venture debt both saw strong fundraising through 2016; seven funds focused on each strategy closed, raising a total of $1.5bn and $0.4bn respectively. It marked the highest number of funds and largest total ever secured by private debt fund of funds as the strategy looks to develop in an increasingly mature market.

The private debt industry continues to grow in size and remains very attractive to fund managers and institutional investors alike. With 288 vehicles on the road targeting a combined $116bn, and with many firms looking to launch successor funds after positive fundraisings, 2017 looks likely to be another banner year for the industry.

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