Private Debt Intelligence – 4/10/2017

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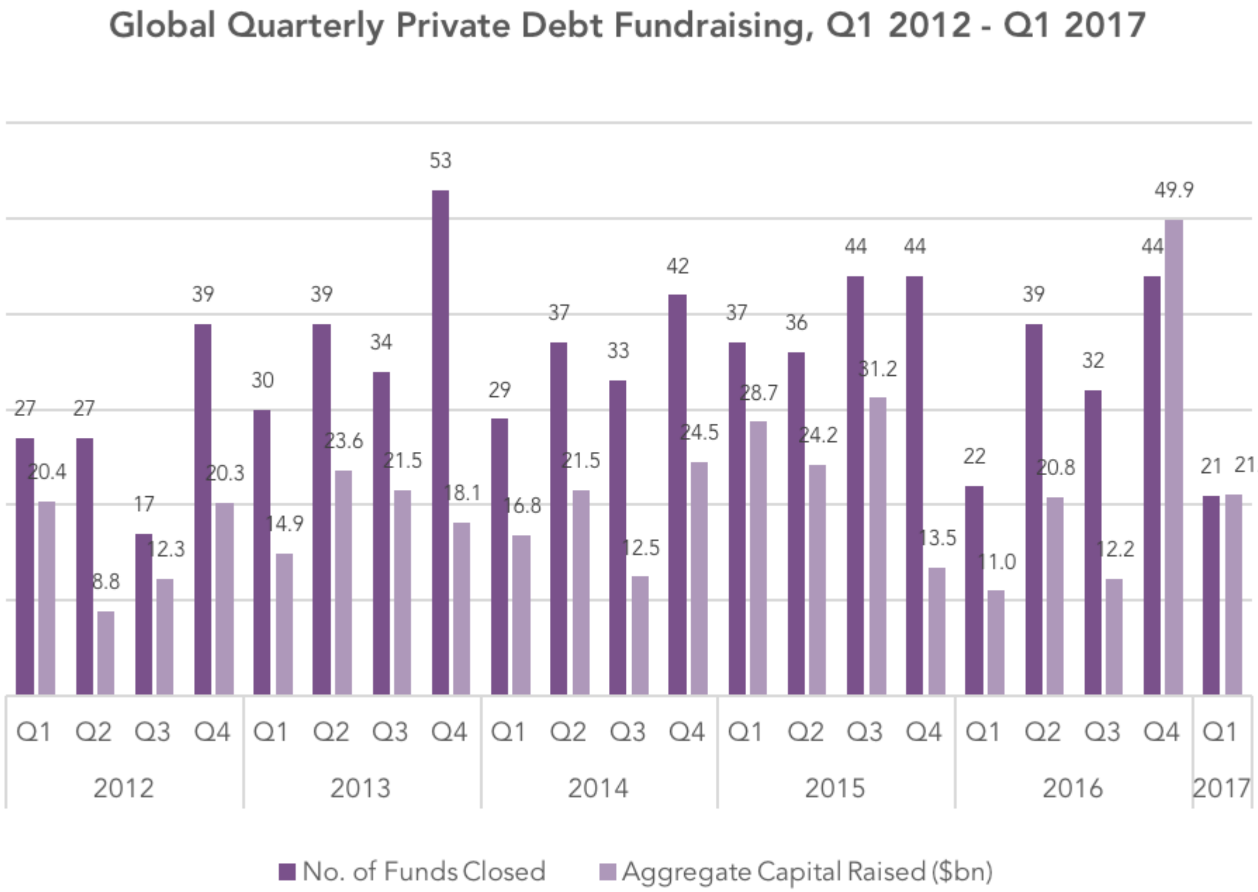
Q1 2017 Private Debt Fundraising



After a sluggish start to 2016, private debt fundraising saw a huge acceleration in pace over the year, and secured a record $50bn of investor capital in the final quarter of the year. While the opening quarter of 2017 failed to match this activity, momentum has nonetheless continued into the year with fundraising expected to maintain or increase this pace in the coming months.

In total, 21 vehicles reached a final close attracting $21bn of investor capital in Q1 2017 with Preqin expecting these figures to rise by around 10% as more information becomes available. This level of capital is already in excess of three of the previous five quarters, and it is comfortably higher than Q1 2016 ($11bn), marking a positive start to the year. Hayfin Capital Management's Direct Lending Fund II was the largest fund to reach a final close in the quarter ($3.8bn), while Alcentra's European Direct Lending Fund II secured $3bn as managers were able to reach final close closes quickly and successfully, often in excess of their stated target size.

Looking ahead to the rest of the year, the private debt fundraising pipeline remains extremely strong in a promising sign for the industry; 283 vehicles are marketing themselves to investors targeting a combined $112bn in investor capital. The five largest funds in market by target size account for nearly a fifth (18%) of the total capital sought by firms within the asset class. Investor appetite remains robust and fund managers are hoping to build on recent positive performance to deploy even more capital over 2017, putting investor commitments to work.

The private debt industry is certainly off to a strong start in 2017, with fund managers across strategies seeing increased and sustained investor appetite for access to all parts of the market at this point in the credit cycle, where a hybrid of private debt strategies are set poised to return strong results.

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