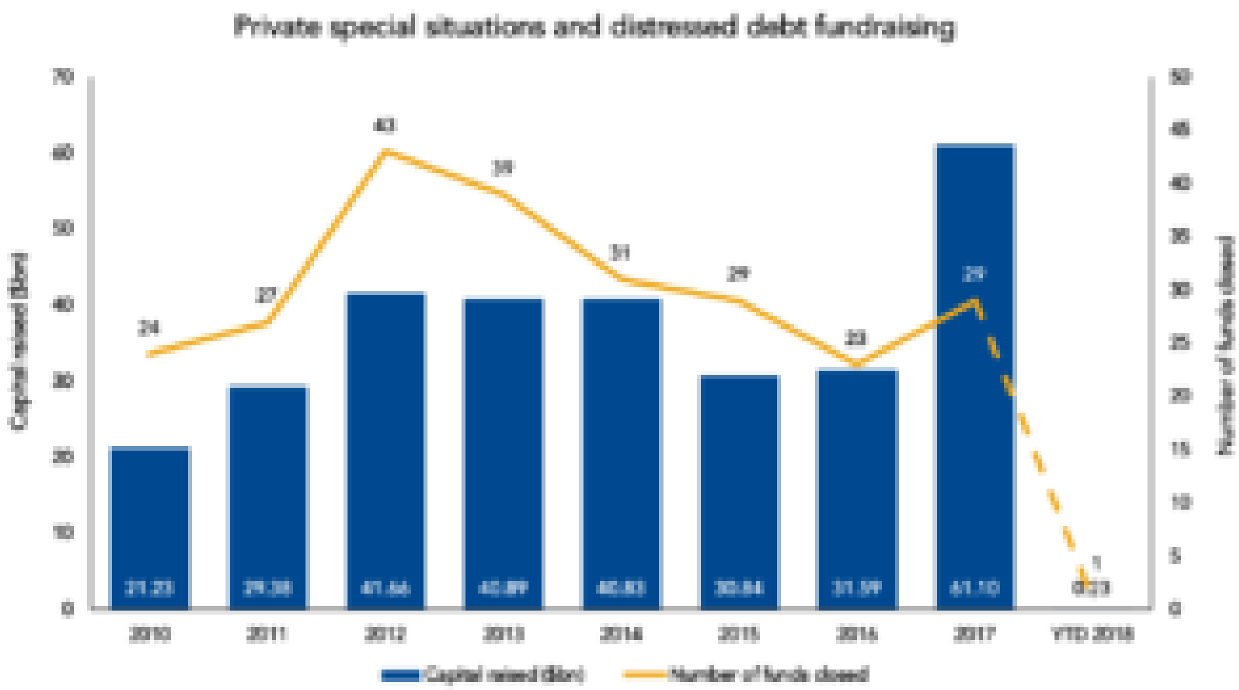
Distressed fundraising a sign of things to come?

Private Debt Investor | March 5, 2018

Distressed fundraising a sign of things to come?



PDI in-house data show plenty of distressed and special situations capital to plow into any potential crunch in the credit markets.

If recent volatility in stock markets is a harbinger for the credit markets, then alternative asset managers may be in a very good place following a year that saw a record amount of cash raised for distressed debt and special situations.

In 2017, credit funds raised some $61.1 billion for the strategies, almost double the $31.59 billion raised in 2016, according to *PDI* fundraising data, the largest amount since 2008 when general partners collected $57.72 billion. Last year's aggregate amount was raised across 29 different vehicles, about even with the 28 funds that held final closes in 2008.

The large total raised could be due to the limited partner market outlook turning bearish, as one recent survey of investors by Coller Capital showed 85 percent of LPs saying they expected attractive investment opportunities in special situations and turnaround funds. LPs seeming desire for everything credit and willingness to toss money at the asset class may also play a role.

It is worth noting that Apollo Global Management's record-breaking $24.7 billion Apollo Investment Fund IX accounted for a large portion of the 2017 total. Investor documents circulated while the fund was in market showed Apollo planned to allocate up to one-quarter of it for distressed debt, but investment mandates can be tweaked, so *PDI* included the entire fund in the distressed debt and special situations total.

Apollo's massive fundraise aside, other credit managers continued to surpass the goals they set for their distressed and special situations vehicles, and it was not just the mega-funds that had success. Other smaller funds also did well; Benefit Street Partner's Benefit Street Special Situations Fund raised $750 million against its $500 million goal.

Managers with the foresight to raise special situations and distressed debt vehicles before credit markets sour will be primed to put capital to work; managers lacking such a vehicle may miss a large opportunity.

Contact: Andrew Hedlund
andrew.h@peimedia.com