Private Debt Intelligence – 4/23/2018

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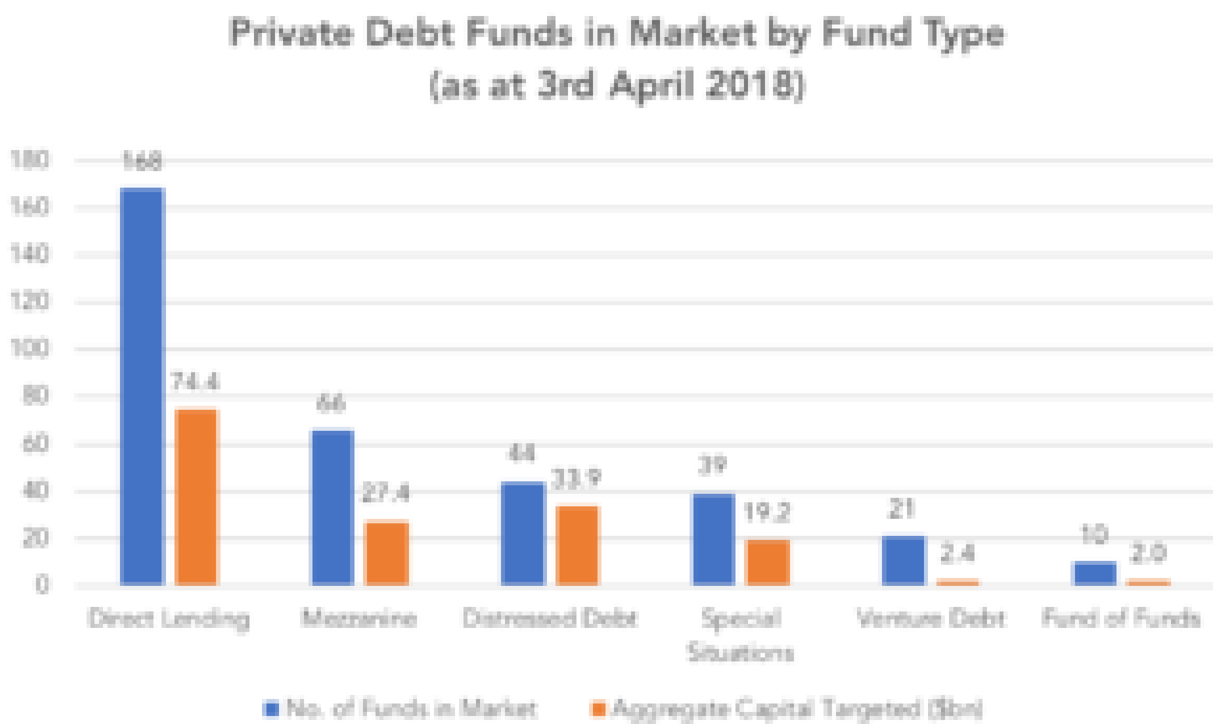
Private Debt Funds in Market: An Overview

Chart



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In Q1 2018, direct lending vehicles – a strategy that typically dominates private debt fundraising – accounted for roughly just 36% of funds closed and a similar proportion of aggregate capital raised. This proved to be a decline in proportions from 2017, when the strategy made up 47% of funds closed and 50% of capital raised throughout the year. Despite the weaker-than-usual start to the year, direct lending vehicles fundraising activity could very well see a comeback: of the 348 private debt funds in market targeting a total of $159bn as at the beginning of Q2 2018, direct lending vehicles makes up close to half of the funds in market as well as close to half of the total capital targeted, with 168 funds targeting $74bn.

Mezzanine funds make up the second largest portion of funds in market, with 66 funds targeting $27bn, thus accounting for 19% of funds in market and 17% of capital targeted. Over a third of the total capital targeted by the strategy is from a single Goldman Sachs Merchant Banking Division Fund: GS Mezzanine Partners VII. With a target size of $10bn, the vehicle is the largest private debt fund currently raising, and if it achieves its target, it will go on to become the second largest mezzanine fund ever to close, following GS Mezzanine Partners V which closed on $13bn in February 2008.

Furthermore, there are 44 distressed debt funds in market, targeting just under $34bn in capital, as well as 39 special situations funds seeking an aggregate target of $19bn. There are an additional 21 venture debt funds targeting $2.4bn and 10 private debt funds of funds seeking $2.0bn. Overall, of the 12 largest funds in market, two are mezzanine funds, three are distressed debt vehicles, and seven follow a direct lending strategy.

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