The decline of global distress?

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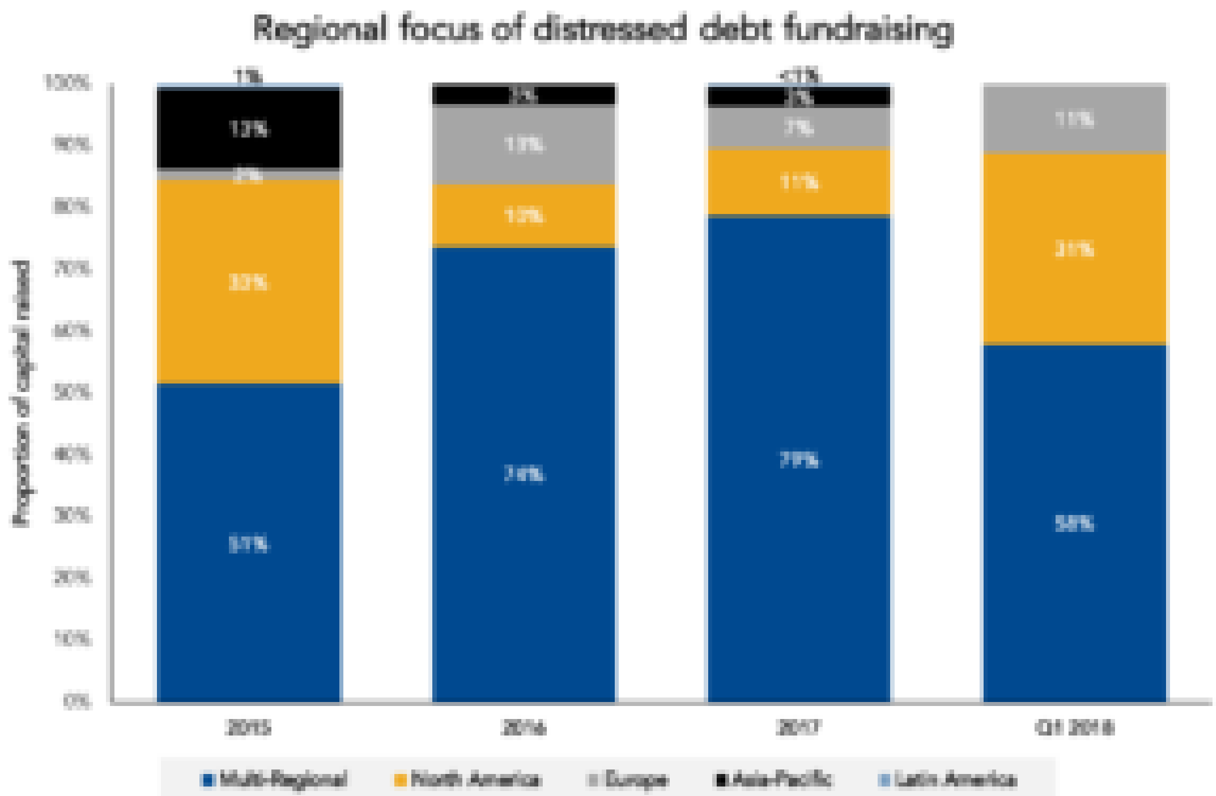

Investors are flocking to North America, particularly for distressed debt; the geography made up an outsized portion of the total capital raised for the strategy in the first quarter.

The fundraising pendulum may be swinging back to North America, as we wrote several weeks ago, and that shift is particularly noticeable in distressed debt.

North American funds targeting troubled companies closed on 31.37 percent of the distressed debt capital in the first quarter, almost three times more than the 10.88 percent raised for the continent in 2017.

Vehicles with a global investment mandate made up an increasingly larger share in the past few years.

In 2015, 51.08 percent of the total distressed debt capital collected could be deployed around the world. For 2016 and 2017, that figure increased to 74.16 percent and 78.80 percent, respectively. In the first quarter it dropped to 58.31 percent, largely consisting of GSO Capital Partners' $7.12 billion GSO Capital Solutions Fund III.

Global capital may still stage a strong showing this year. Strategic Value Partners' Strategic Value Special Situations Fund IV in early May closed on its hard-cap of $2.85 billion, comprising a commingled fund and a $350 million fund-of-one. In addition, TSSP, the credit arm of TPG, is seeking $8.5 billion across three vehicles, a significant portion of which will target stressed or distressed corporate credits.

Should the first-quarter figures be a harbinger for the year, it would represent a significant change from the past couple years when global funds garnered significant amounts as countries around the world changed their insolvency laws to allow for more reorganizations than liquidations, with some of them mirroring the US Chapter 11 bankruptcy procedure.