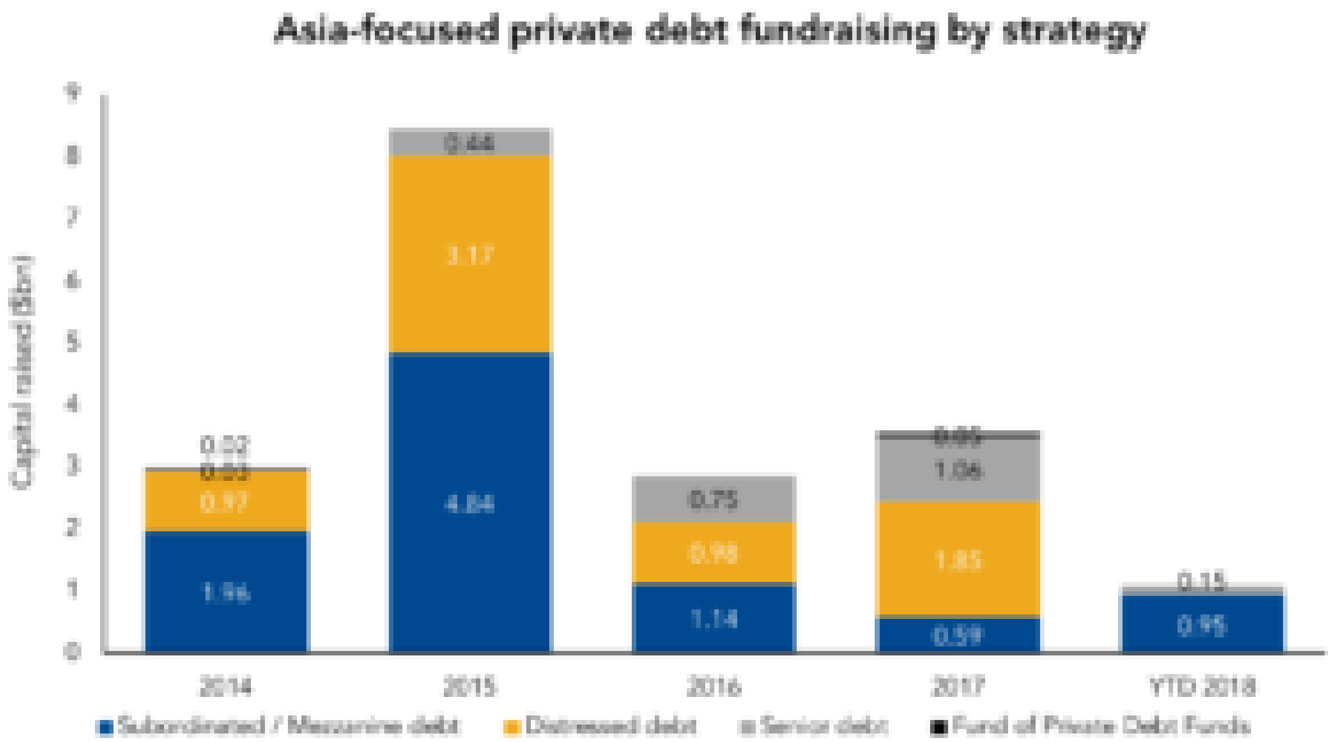
Can Asia Pacific make a breakthrough?

Private Debt Investor | June 13, 2018



The region has been characterized by modest overall fundraising totals boosted by occasional mega-funds, but there is hope that this year may be different.

Looking at fundraising data for the Asia-Pacific region over the last four-and-a-half years does not appear to provide much encouragement: 2015 saw almost $8.5 billion raised, but 2014, 2016 and 2018 (year to date) have not seen half that amount raised.

What is apparent is the data are highly sensitive to a large fund skewing the curve. A massive vehicle like China Communication Construction Company's $2.38 billion mezzanine-focused infrastructure debt fund that closed in 2015 will distort the data much more than it would in a more robust private debt market like North America or Europe.

Despite the volatility, looking at the totals on a percentage basis, we can see that mezzanine debt has consistently declined in recent years but may be set to make a comeback. It has made up the lion's share of the money raised so far in 2018, albeit we are only halfway through the year.

Distressed debt has remained a fixture of Asia-Pacific fundraising statistics. Last year's distressed total, making up over half the capital locked down in the region, was skewed by SSG Capital Management's $1.25 billion SSG

Capital Partners IV.

Distressed debt could have another strong year with several big-name managers in the market. Avenue Capital Group is seeking $500 million for its Avenue Asia Special Situations Fund V and Bain Capital is raising Bain Capital Special Situations Asia, having already locked down over $550 million toward its $1 billion target.

With Asia-Pacific-focused funds currently targeting $20.33 billion, numerous debt strategies could have banner years. The fundraising total for the geographic area rose from 2016 to 2017 and could be poised to do so again in 2018.