Distressed Europe

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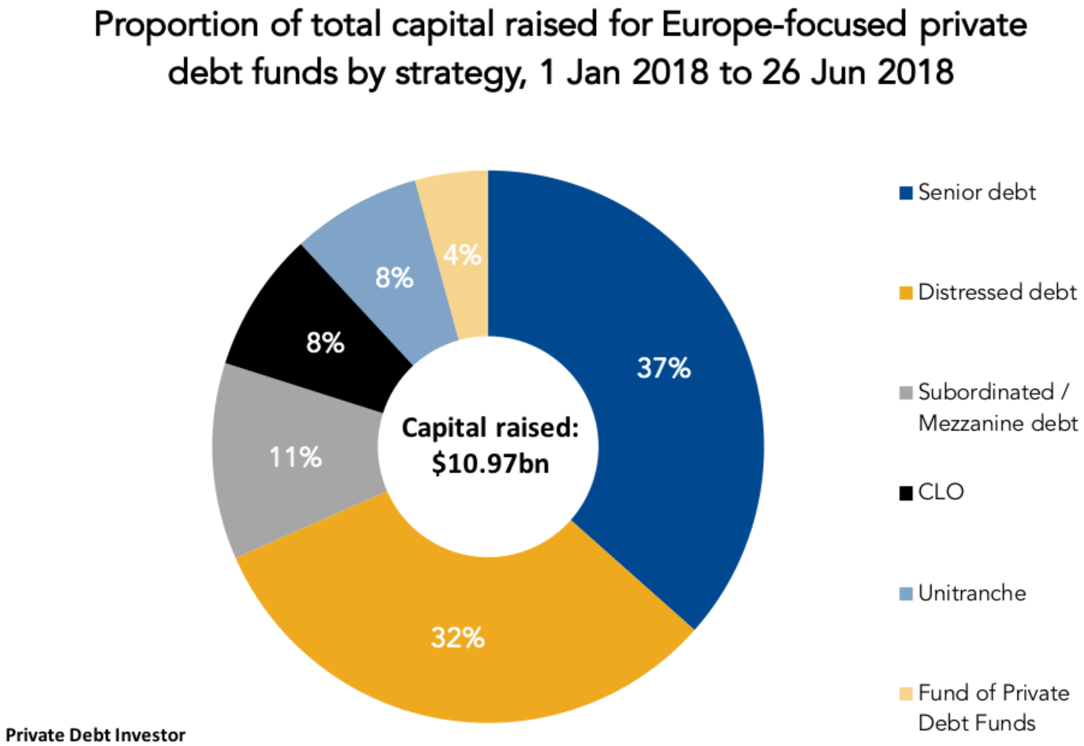

Overall fundraising for private debt in Europe has taken a plunge in 2018, but distressed strategies are bucking the trend.

With only just less than $11 billion raised for private debt investment in Europe so far this year (at the time of publication), fundraising activity in the region is a far cry from 2017 – a record-breaking year that saw almost $47 billion gathered by GPs.

But if distress is felt by those surveying the European fundraising scene, that sentiment is entirely appropriate – since distress is the one strategy that appears still capable of luring significant investor commitments.

PDI data show that Europe-focused distressed funds raised around $3.5 billion in the first half of this year, accounting for 32 percent of the total – not far short of the 37 percent represented by senior debt strategies. This is a remarkable closing of the gap compared with last year, when senior dominated all other strategies with a 66 percent share while distressed logged a mere 9 percent.

Caution needs to be exercised before jumping to the conclusion that investors see a distressed opportunity just around the corner. For one thing, it’s important to remember that while the quantum of distressed commitments is climbing, it is not skyrocketing. One-third of a small total turns out to be more – but not hugely more – than one-tenth of a very big total.

Furthermore, the distressed total is comprised of just a handful of fundraisings – with the $1.7 billion AlbaCore Partners I fund and the $1.2 billion Alchemy Special Opportunities Fund IV being the two largest fundraisings in Europe in H1 2018. Senior debt fundraisings may be posting more modest numbers, but they are still a more frequent phenomenon.

Nonetheless, whatever the futility of trying to second-guess the cycle, there is undeniably a sense among investors that the good times can't roll forever. That mood is perhaps being reflected in the first half numbers.