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Private Debt Intelligence – 7/9/2018

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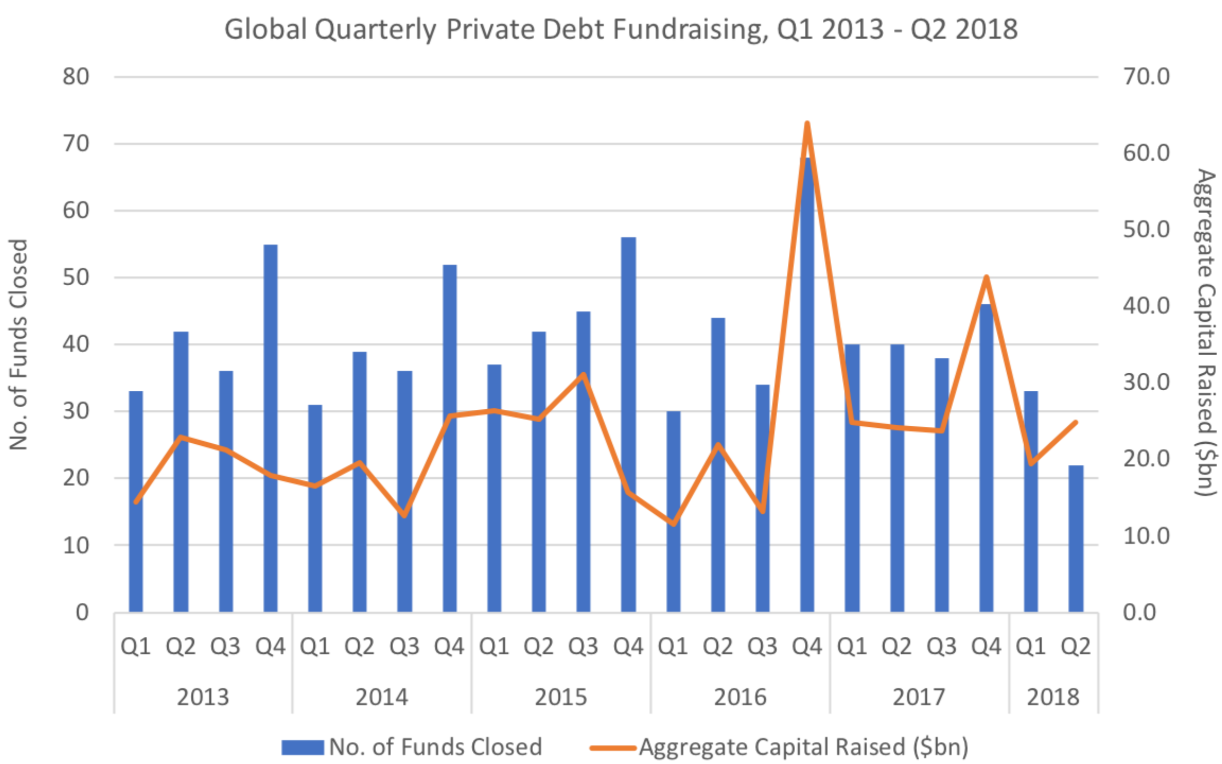
Private Debt: Distressed Debt Dominates Q2 2018

Chart



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In Q2 2018, 22 private debt funds held a final close, securing a total of $25bn in capital. Although this marks a significant decrease from the 33 private debt vehicles which held a final closure in Q1 2018, Q2 saw an increase of over $5.0bn in capital raised. The capital raised in Q2 2018 is level with capital raised in Q2 2017, which saw funds secure a total of $24bn. However, 22 funds closed is the lowest number of fund closures the asset class has seen in any quarter over the past five years.

Private debt fundraising centred around distressed debt this quarter, with five funds focused on the strategy securing just over $14bn. This is a significant increase from three distressed debt funds which raised $3.2bn in Q1. In fact, the capital raised in Q2 2018 was the second largest sum of any quarter since the Global Financial Crisis, following Q4 2016 when eight funds secured $17bn. However, it was the size of these funds that pushed distressed debt to dominate the quarterly fundraising activity in Q2; Q2 2017 saw four distressed debt funds close, while all three other quarters during that year saw five vehicles following that strategy close. In Q2 2018, a further 10 direct lending funds secured $7.8bn, two special situations funds closed on $2.2bn, two mezzanine funds raised $0.3bn and one venture debt fund secured $0.1bn in capital.

Direct lending, however, accounts for the largest proportion of funds in market: as at 3rd July 2018, there are 183 direct lending funds seeking $86bn. There are another 76 mezzanine funds seeking $31bn, 52 special situations funds targeting an aggregate $21bn in capital, 22 venture debt vehicles seeking $2.3bn and seven funds of funds looking to raise $1.5bn. Distressed debt vehicles still account for a large portion of funds in market: there are 49 vehicles targeting $31bn.

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