Private Debt Intelligence – 1/28/2019

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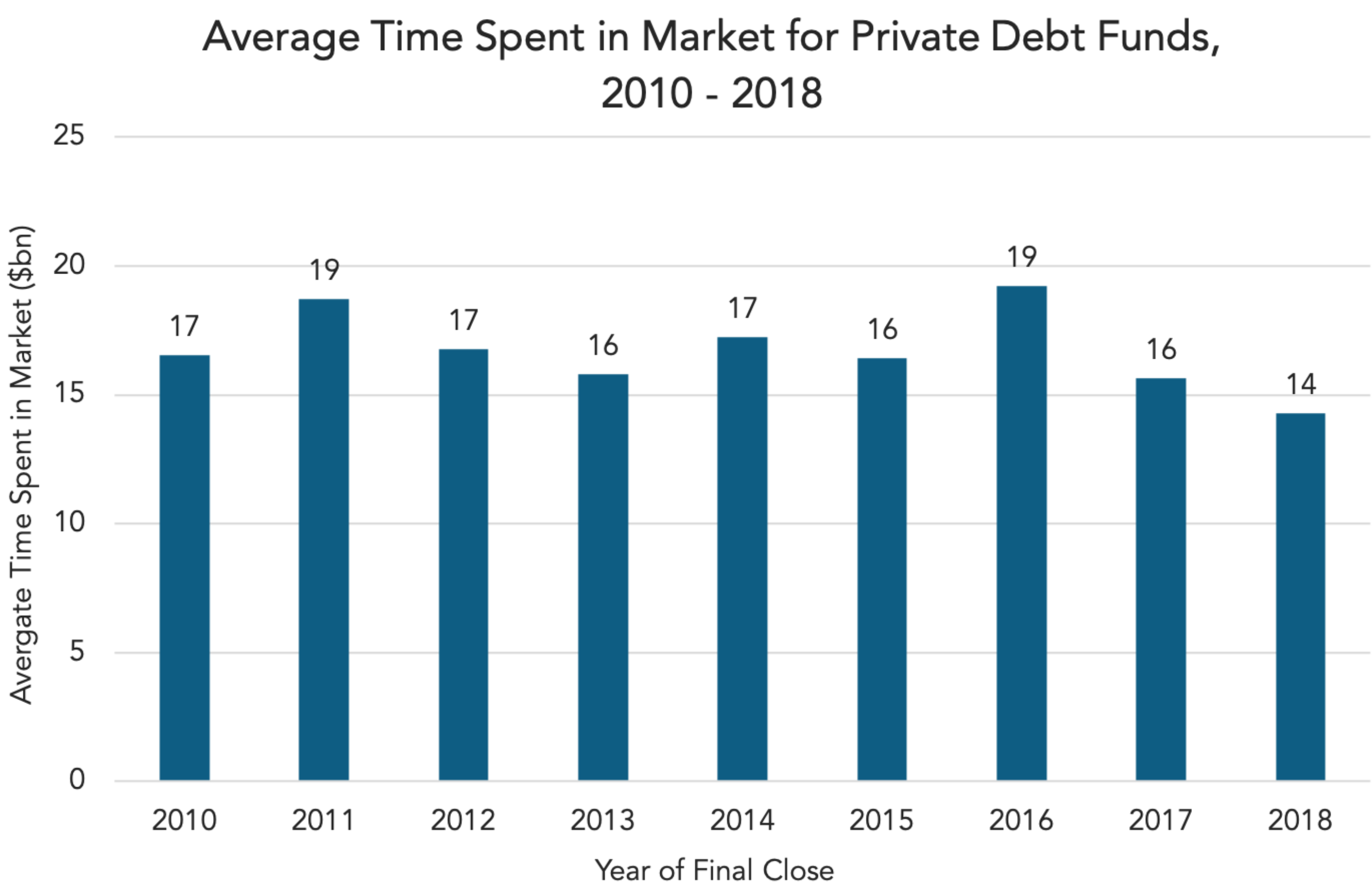
Will We Continue to See Fundraising Success in the Private Debt Market?

Chart



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Private debt funds that held a final close in 2018 took just 14 months to close. This represents the third consecutive year in which fundraising has sped up: private debt funds closed in 2016 spent 19 months in market; in 2017, vehicles took 16 months to reach a final close. In fact, 2018 marks the speediest fundraising year seen over the past nine years.

Furthermore, the asset class continues to experience fundraising success. Over a quarter (26%) of funds closed in 2018 raised 125% or more of their initial target size. A further 45% raised between 100% and 124% of their target size. By contrast, just 3% of funds failed to raise at least half of their set initial target size – an impressively small proportion.

As private debt has become an established asset class, investor appetite for private debt funds has quickly grown. In recent years, the majority of private debt fund managers have not struggled to fundraising, and many likely remained unsurprised by the successful fundraising levels seen in 2018. Of those surveyed by Preqin at the beginning of 2018, just 27% reported that they thought fundraising was a key challenge facing private debt fund managers in 2018.

However, this could change. The private debt market has become increasingly competitive as more fund managers have entered the asset class. In the same 2018 survey, a significant 70% of fund managers believed that there is greater competition for transactions than there had been the year prior. With greater competition within the deal making space, fund managers may find that their fundraising success experiences a knock-on effect. As fund managers grow more wary of the difficulty in spending their capital from their fundraising efforts, they may take longer to hold a final close, while others may find it difficult to even hit their set target. It’ll be interesting to see what the private debt market does this year.

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