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# Pedal off the metal

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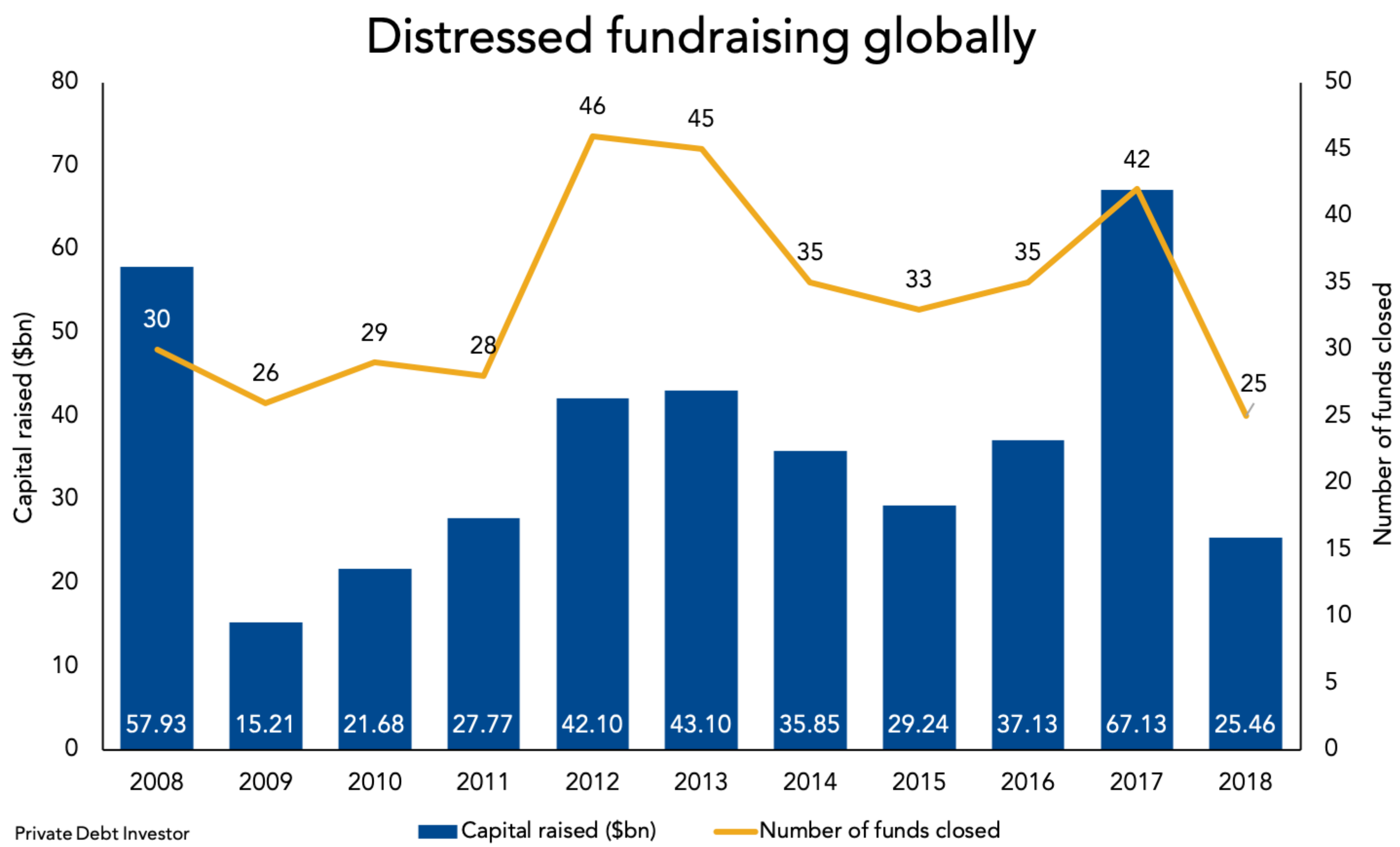


*Fundraising tumbled in 2018, in part explained by an unwillingness to add to the stockpile of capital dedicated to distress.*

Rather like Superbowl LIII, private debt fundraising in 2018 was intriguing but unspectacular. Compared with the record-breaking $211 billion collected globally in 2017, a rather more humdrum figure of $135 billion was reached last year, according to PDI figures – the lowest annual amount since 2014.

Underneath the headline figure were some interesting sub-plots. Fundraising for subordinated and mezzanine strategies held up well, while senior debt fell from the peak of the previous year but was still a healthy amount. On the other hand, fundraising for distressed fell off a cliff – tumbling to just over $25 billion raised by 25 funds last year.

In a way this seems counterintuitive. Ask private debt professionals what is likely to characterise 2019 and many will say “volatility”. With the prospect of tariffs, trade wars and political instability roiling many of private debt’s leading markets, it would be easy to assume that now must be a good time to be setting aside capital for strategies seeking to take advantage of tough times.

One answer to the riddle is that the capital has already been set aside and is waiting for action. In 2017, a record $67 billion was raised for distressed funds by 42 managers – a sum that was a long way ahead of any annual total in the preceding years. It may be that investors last year concluded that the space was already saturated with capital and that continuing to pile in could create too much pressure to invest. In other words, we are seeing an example of a self-regulating market at work.

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