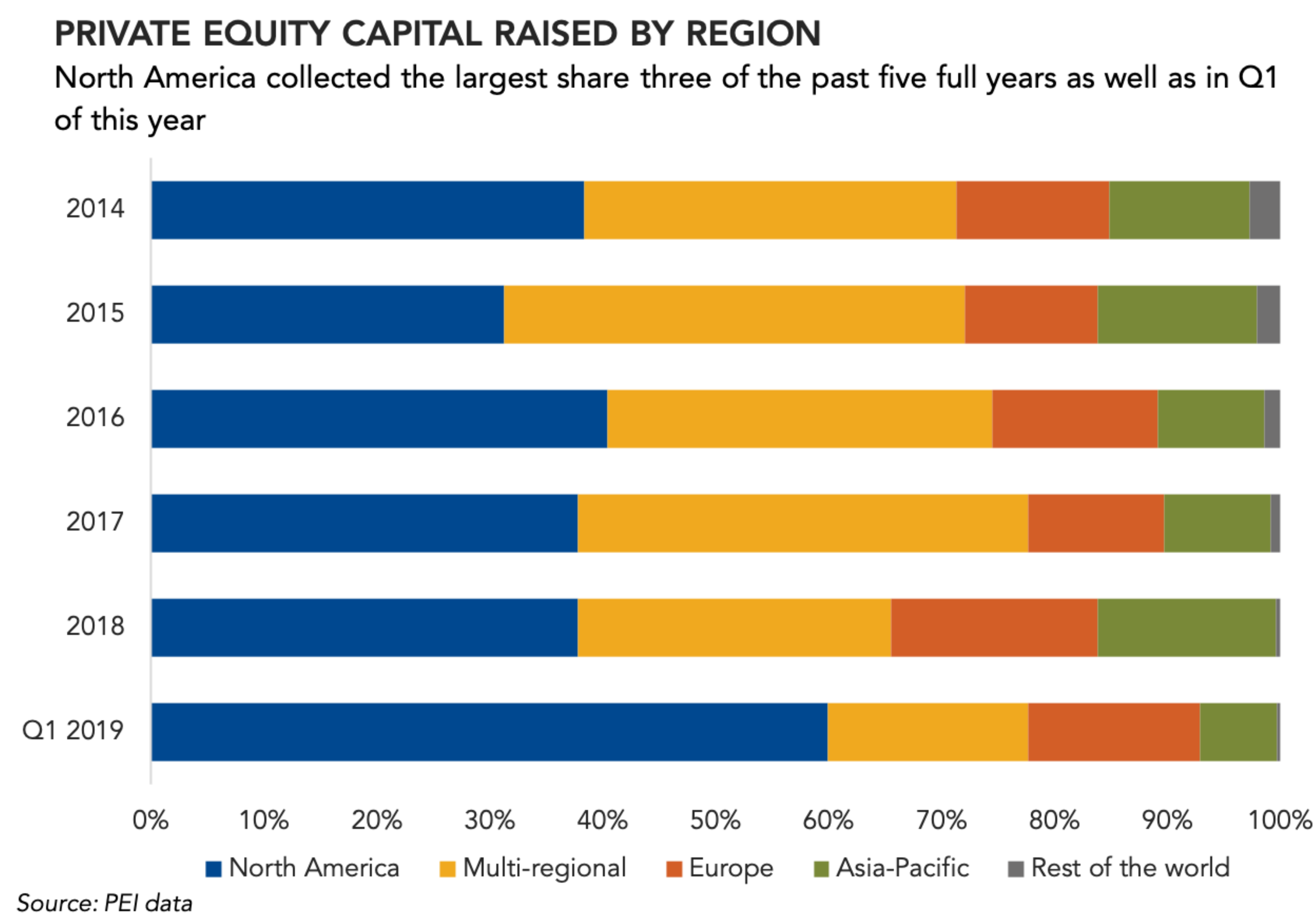
North American private credit market: sponsored by private equity

Private Debt Investor | May 22, 2019



The fates of the two asset classes are largely intertwined and the deluge of private equity capital bodes well for debt managers' dealflow.

In case it wasn't clear that the North American sponsored finance market is booming, here's a set of figures for you. Private equity funds targeting the region locked down to close to 60 percent of the capital raised in the first quarter, according to data from Private Debt Investor sister publication Private Equity International.

And in calendar years 2014-18, vehicle vintage years that are most likely still in their investment periods, North America-centric funds raised the most capital three of those five years (2014, 2016 and 2018).

Multi-regional funds, those targeting two or more geographic areas, collected the most during the other two years (2015 and 2017). Of course, money from those funds is likely be deployed in North America as well.

Private debt managers don't mind the strong fundraising atmosphere for private equity, on one hand – after all, it provides much of credit firms' dealflow, and who doesn't like seeing more transactions rather than fewer?
The downside is that the borrower-friendly atmosphere could continue, particularly if the US economy keeps humming along for some time even after fundraising slows down; the market won't absorb all that private equity capital in a matter of months.

Life is good for private credit managers now. Private equity is more than enjoying its moment in the sun, and that means deal pipelines are likely to be robust right now.