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European senior debt is a big winner – for only a few managers

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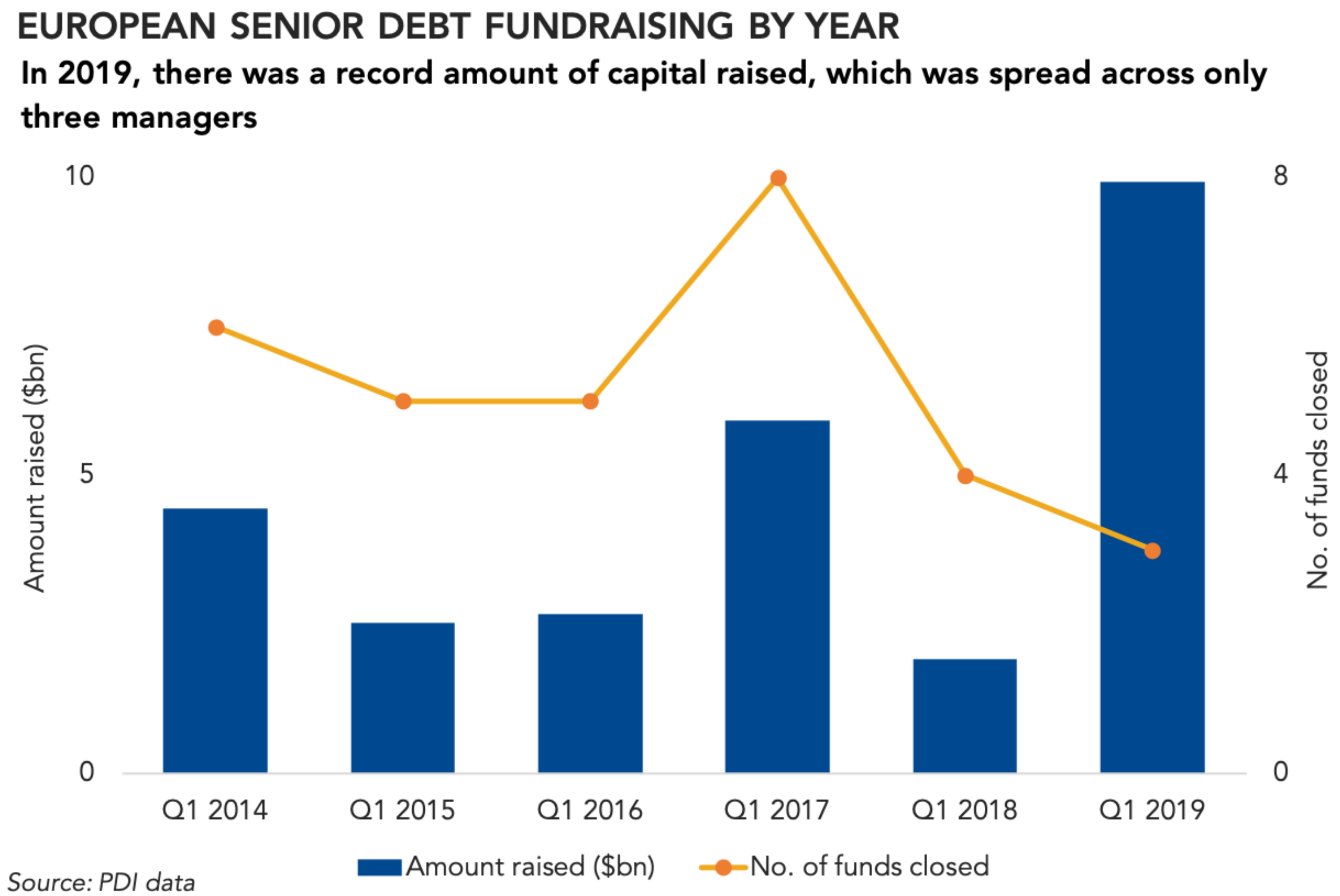

What's better than being on top, both in the capital structure and fundraising totals?

European senior debt funds collected a record amount of cash in the first quarter, but notably, the period had the fewest number of fund closes. We conclude that senior debt remains popular among LPs, but the investors like to commit capital to a select few managers.

Three funds targeting European senior debt closed on a total of $9.92 billion in the first three months of the year: BlueBay Asset Management's $6.73 billion BlueBay Direct Lending Fund III, Tikehau Capital's $2.35 billion Tikehau Direct Lending IV and Apera Asset Management's $840 million Apera Capital Private Debt Fund I.

There are likely to be more massive closes for European senior debt vehicles this year. Alcentra is raising capital for its Alcentra European Direct Lending Fund III, for which it has already locked down $3.2 billion. In addition, Blackstone’s GSO Capital Partners is seeking money for its second European senior debt fund after its first such vehicle closed on $2.19 billion. Pemberton Asset Management is likewise seeking $2.79 billion and has already raised $1.12 billion.

The success of European senior debt funds – at least for some managers – is not surprising, as investors still like the inherent downside protection (or with today’s underwriting, at least theoretically) of senior debt. In addition, foreign investors are able to get a better deal when committing to funds denominated in euro rather than US dollars, as currency conversions for the latter will eat significantly into LPs’ returns.

Respect your elders: the future is bright for European senior debt lenders, or at least a handful.