Private Debt Intelligence – 5/27/2019

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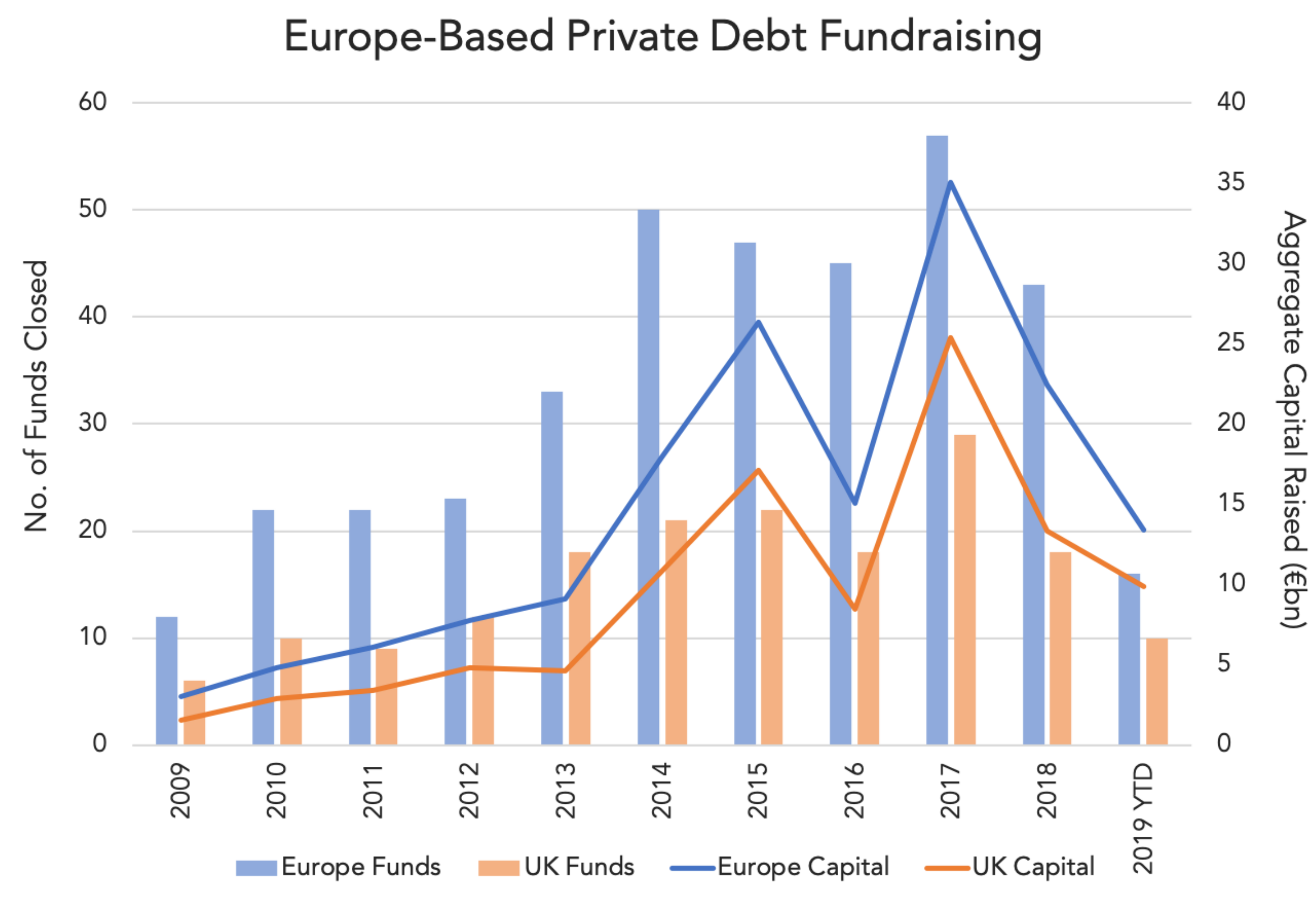
UK Dominates European Private Debt

Chart



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Europe is the second most active region for private debt after North America, but the scale and nature of activity varies widely throughout the region. While the potential investment opportunities and industries are more diverse, the fund management industry is very homogenous, and is dominated by firms based in the UK.

Over the past 10 years, Europe-based private debt fundraising has been driven by activity in the UK. UK-based funds have accounted for no less than 40% of the total number of Europe-based funds closed in any year since 2009, and no less than 50% of the total capital raised. In 2017 and 2019 YTD, in fact, UK-based funds have accounted for more than 70% of all the capital raised in Europe, demonstrating the country's dominance in the region.

When looking across the period as a whole, this becomes even more clear. UK-based firms have closed 173 funds since the start of 2009, almost three times as many as those based in France (65), the next most active market. In terms of capital, UK-based funds have raised four times as much as France-based funds – €102bn compared to €26bn. And France itself is considerably more active than Switzerland or Germany, which are the third and fourth most active manager locations.

This may be simply because London is the largest financial centre in the region. As such, it has the longest-standing and largest fund managers. But France, Sweden, Switzerland and other countries in Europe also have large fund managers which are extremely active in other alternative asset classes like private equity. It seems more likely, then, that the UK has other advantages, for instance hosting the largest nexus for currency trading in the region or the most relaxed legislation on non-bank lending. Many of these advantages rely on the UK remaining part of the EU, however, so it remains to be seen if it will remain the locus of European private debt following the country's exit from the bloc.

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