Private Debt Intelligence – 6/17/2019

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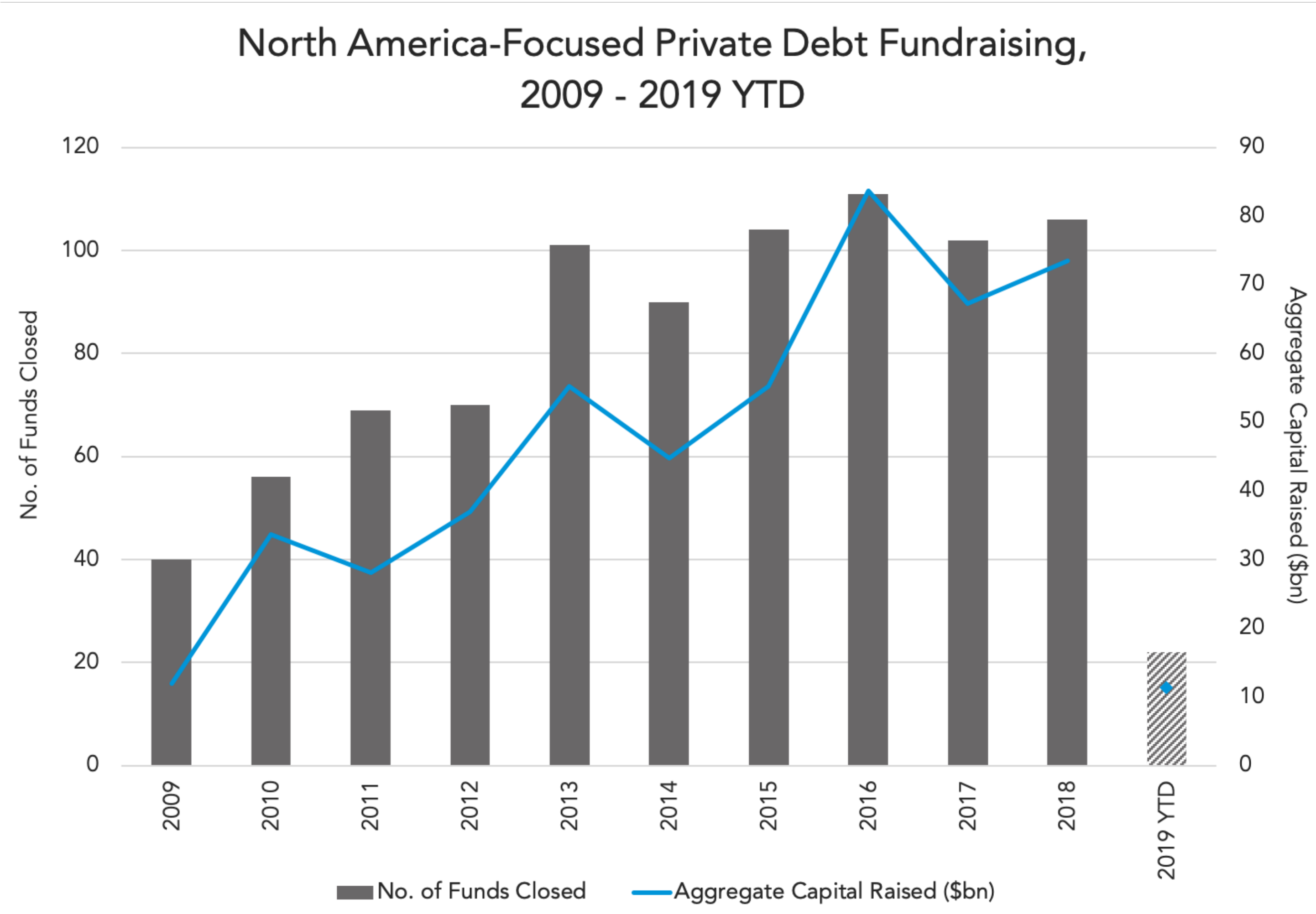
North America-Focused Private Debt

Chart



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The private debt market has grown rapidly in recent years, and North America and Europe account for the majority of that expansion. Based on the latest Preqin Investor Outlook report, 68% of investors believe the US presents the most favourable opportunities in private debt in 2019. Moreover, 95% of private debt investors said they will be looking to increase or maintain their allocation to the asset class over the longer term.

North America-focused fund managers have been able to raise substantial amounts of capital, and activity has been very stable in the past six years. Since 2015 private debt has been raising over $55bn every year with more than a hundred funds closed. 2016 saw fundraising peak, raising $84bn with 111 funds closed and similar figures were reached in the last couple of years. But 2019 seems to be a bit more difficult for fund managers; as at June, only 22 funds have been closed securing an aggregate $11bn for investment.

Fundraising seems to be decreasing in 2019, but North America-focused private debt market has been growing for the last 10 years. By September 2018 (the most recent available data), fund managers held $490bn in assets – two and a half times more than ten years ago. This includes $201bn in dry powder waiting to be deployed.

Focusing on the different private debt strategies, North America-focused fund managers appear to make more use of distressed debt and direct lending strategies, with assets in these funds types totaling $152bn and $118bn respectively. These coincide with the strategies' trends globally.

Although North America-focused private debt market is growing, 2019 nonetheless represents a significant slowdown in fundraising for the region from prior years. Will this drop impact in the global private debt market?

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