Private Debt Intelligence – 7/8/2019

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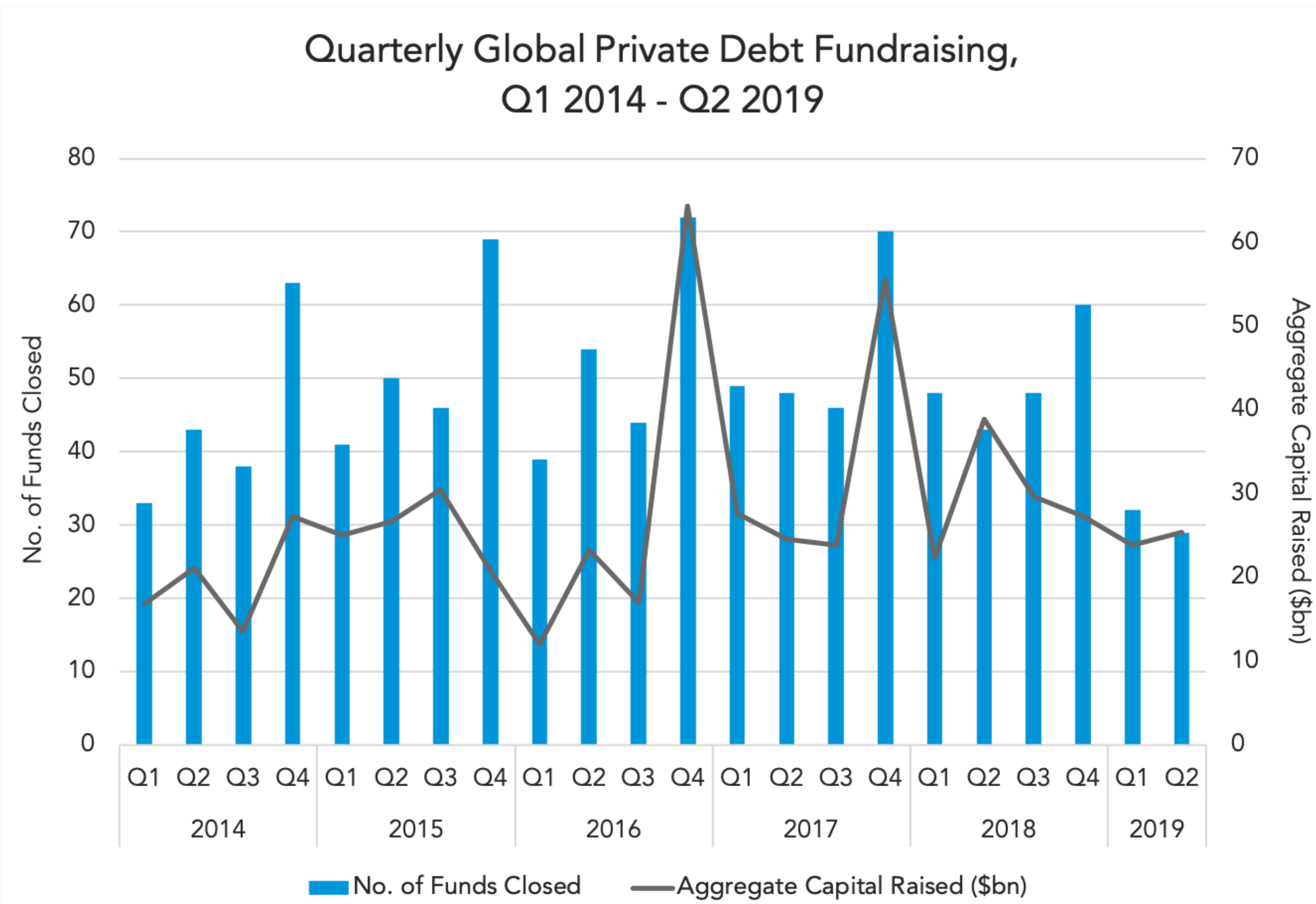
Private Debt Fundraising Slump Continues in Q2 2019

Chart



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Private debt fundraising slowed in Q1 2019, with a fall in both the number of funds closed (32) and the total capital secured ($24bn). That slowdown continued in Q2, continuing the decline seen in fundraising since the most recent peak in Q2 2018. Just 29 funds reached a final close globally in the quarter, securing a combined $25bn. This is a stark contrast from Q2 2018, which represented a peak in capital raised ($39bn), and was the third highest amount secured over the last five years.

All major private debt fund types have been affected by the slowdown. Direct lending remains the most active sector, with 17 funds closed in Q2 raising a combined $12bn. It represents 47% of the aggregate capital raised and 59% of the number of funds closed, but in absolute terms the quarter marked the lowest quarterly fundraising total for the fund type in a year.

Just three distressed debt funds closed, on par with Q1. This marks the lowest level of fund closures for the strategy since Q4 2015-Q1 2016, and although fundraising totals ticked up, it was due primarily to the closure of two large funds. Three mezzanine funds also closed, but their aggregate value didn’t even reach $1bn. With regard to other strategies, while special situations raised almost $5bn, venture debt and funds of funds didn’t see any activity during Q2.

Private debt fundraising has been cyclical in recent quarters, with significant peaks in Q4 2016, Q4 2017 and Q2 2018. This year hasn’t seen much momentum yet, but if the industry follows the trend seen in recent years, we may see activity pick up in the second half of 2019.

Contact: William Clarke
william.clarke@preqin.com