Strategic pioneers give fundraising a helping hand

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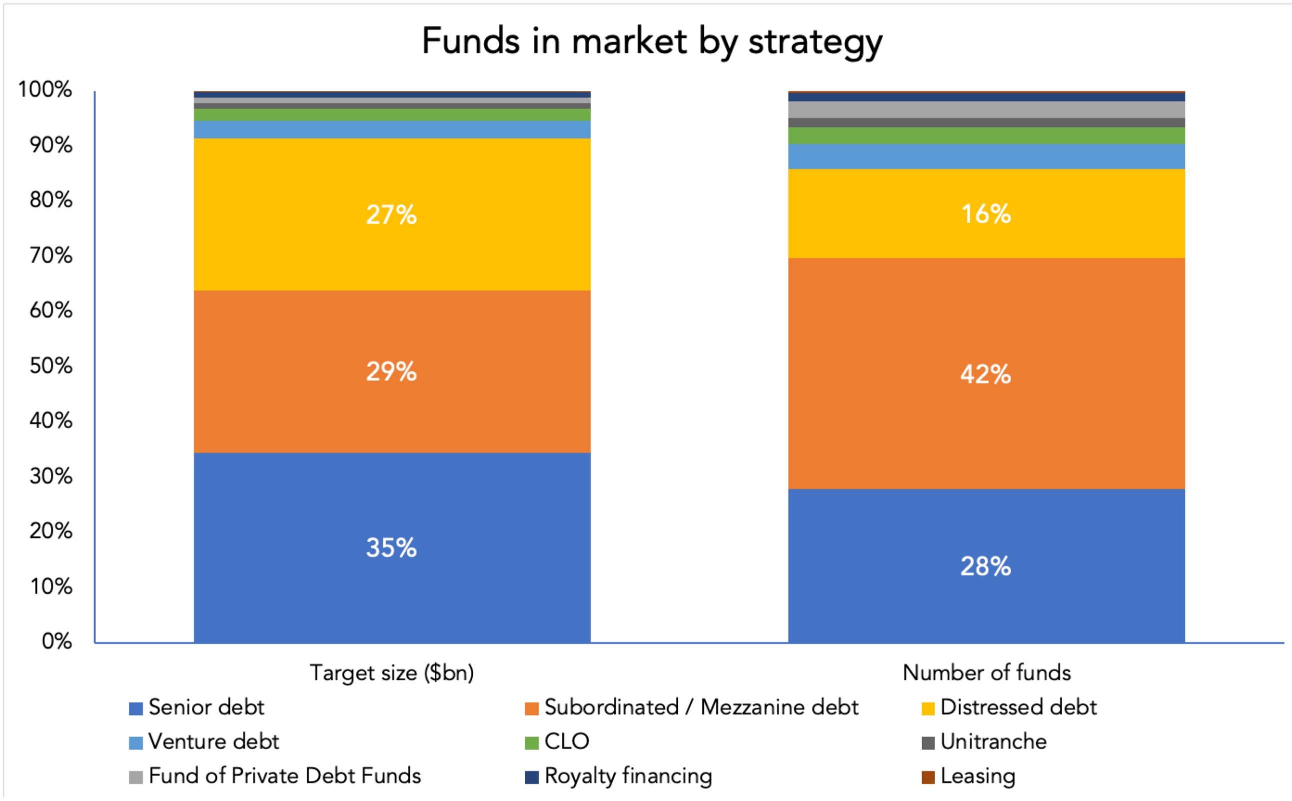

Outside of the mainstream, fund managers are seeking to take advantage of the dislocations produced by the global pandemic.

In a way, all seems normal. Our latest data on private debt fundraising by strategy (see charts above) are not especially out of kilter with the norm. A slight shift from senior to subordinated strategies perhaps, but otherwise nothing hugely different from what you might expect.

Looks can be deceptive, however, as within the conventional definitions of private debt strategies you may just find growing evidence of unorthodoxy. That at least is what consultancy bfinance discovered when it produced a report into private debt fundraising that revealed seven unusual approaches (and 130 funds in total) seeking to take advantage of dislocations in the market arising from the global pandemic. They included the likes of evergreen funds investing across a range of stressed and distressed opportunities and bespoke financing for "struggling yet viable" companies.

Some of the managers raising these funds are established managers taking the opportunity to launch new products, while other managers are moving into the space for the first time. Moreover, there has always been some crossover between hedge fund investing and private debt and there appears to be more of this now than usual – unsurprising perhaps, given that much of the dislocation is of a more near-term and public marketoriented nature.

The extent to which LPs will get behind this kind of fundraising at present in unclear. On the one hand, they are somewhat stymied by a necessary focus on existing portfolios as they seek to establish what actions may need to be taken. Do they really have the time and resource to spare to take steps into the relatively unknown? On the other hand, some LPs were handsomely rewarded for making bold choices during the global financial crisis – so it’s undoubtedly tempting to do the same again.

What we hear from the fundraising advisory community is that few are expecting a good year for capital gathering overall. However, helped by the innovation of the market in coming up with new solutions, there is hope that the second half of the year will see greater momentum as the focus on immediate problems begins to ease.