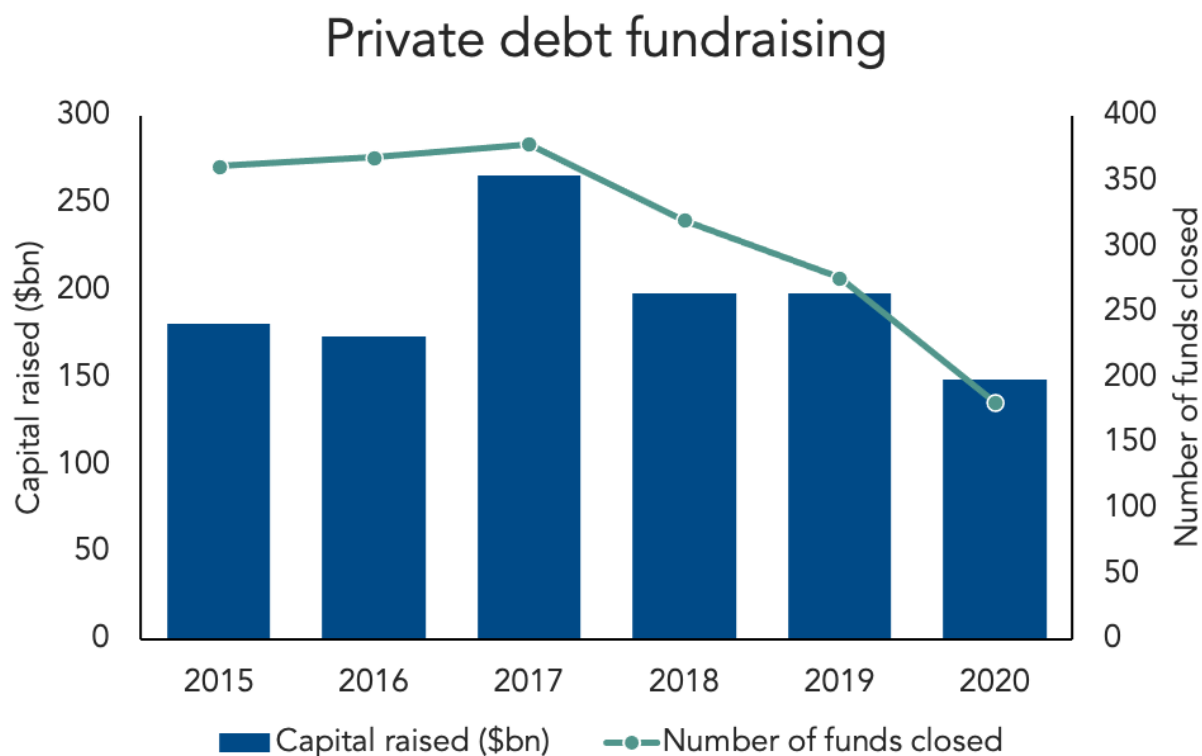


Fundraising takes a dip

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The pandemic has taken its toll on fundraising, but the largest managers appear to be benefitting.

Unsurprisingly perhaps, private debt fundraising dropped to its lowest level in more than six years during 2020 as the effects of the coronavirus pandemic hit world markets. Preliminary data from *PDI's* upcoming *Fundraising Report 2020* show a total of \$148.7 billion was raised during the year, down from \$198.4 billion in 2019.

The number of funds raised took an even bigger hit, with just 181 vehicles raising capital during the year, down from 276 in 2019 and less than half the record 378 funds raised in 2017. This indicates that, once again, funds are getting bigger and LPs are concentrating their capital on a smaller number of larger and established fund managers.

Restrictions imposed to limit the spread of covid-19 are largely responsible for the decline in fundraising activity. Both LPs and GPs have been forced to focus on managing their existing portfolios through the crisis, limiting capacity to make new commitments to funds or raise new vehicles. Firms have also had to adapt to remote working and conducting due diligence from afar.

Notably, the proportion of distressed debt funds fell from 28 percent in 2019 to 16 percent in 2020. While the crisis does present a significant opportunity to capitalise on market dislocation, significant distressed funds were raised pre-crisis, reducing the scope for additional distressed fundraising last year.

Meanwhile, in an apparent flight to safety, investors embraced senior debt strategies last year. They saw their proportion of the overall fundraising total rise to 40 percent, compared with 31 percent in 2019.

What of the outlook for this year? Our conversations with the market have repeatedly indicated a strong and continuing appetite for private debt. Indeed, our soon-to-be-published *LP Perspectives study* revealed that 88 percent of investors we canvassed were planning to make a private debt commitment this year. As vaccination programmes expand and confidence of a return to normal slowly builds, 2021 might just be a year of recovery in private debt fundraising – as in many things.