Private debt is becoming top-heavy

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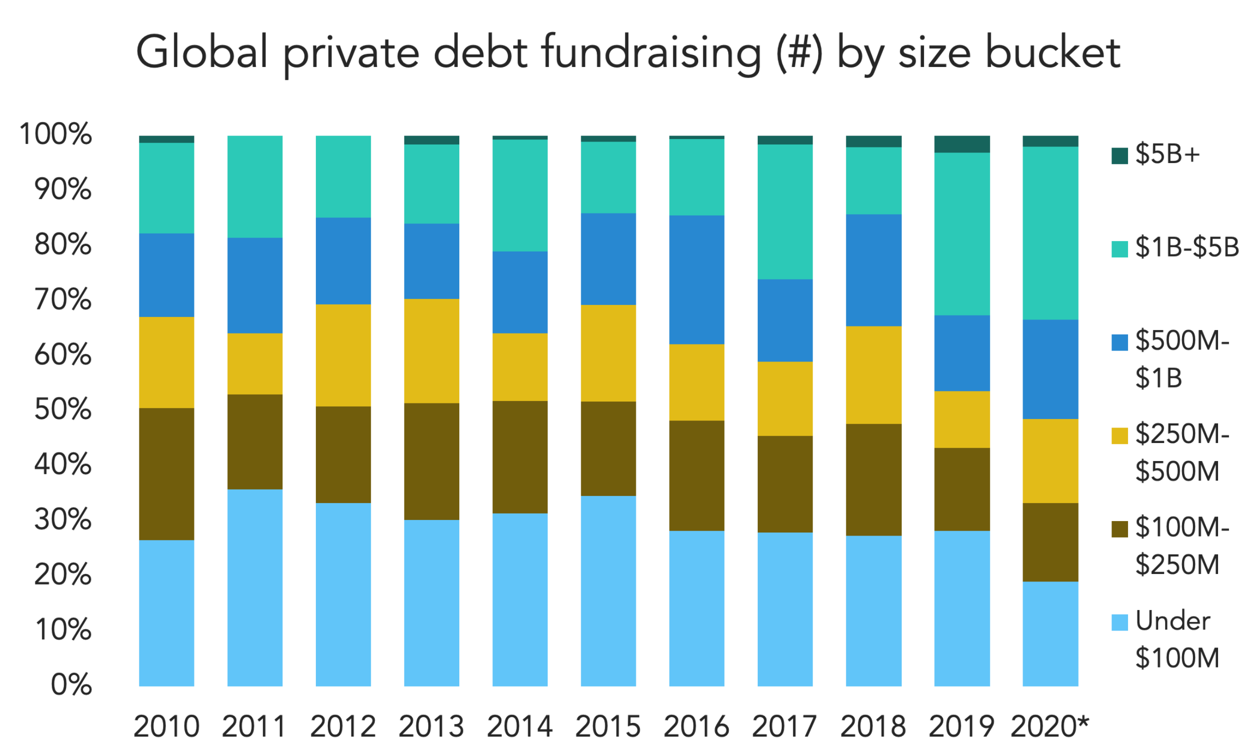

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Private debt funds have grown much larger over the past two years, according to PitchBook's latest Global Private Debt Report. Larger funds naturally dominate the charts – by dollars raised, $1B+ funds accounted for almost 80% of all debt fundraising in 2020. It was the same story in 2019 (82%), but the past two years departed from historical norms. Between 2010 and 2016, $1B+ funds accounted for around 60% to 70% of all private debt raises in any given year.

When we look at the number of $1B+ funds raised, that ratio jumped in a big way over the past two years. In both 2019 and 2020, a third (33%) of all private debt fund closings were above the billion-dollar mark, compared to 14% in 2018. In that two-year span, 89 new $1B+ funds came to market, including 7 worth north of $5B. In fact, for the first time since 2008, fundraises over $1B outnumbered any other size bucket. Predictably, that's led to higher median fund sizes. Last year's median was $519 million, which more than doubled the 2018 median of $231 million.

This is all a natural progression for a private asset class, and private debt is following the same trajectory as private equity did over the past two decades. Unless the past two years are outliers or coincidences, though, it looks like private debt is getting top-heavy much more quickly than the PE market did.