Fundraising down, but hopes are up

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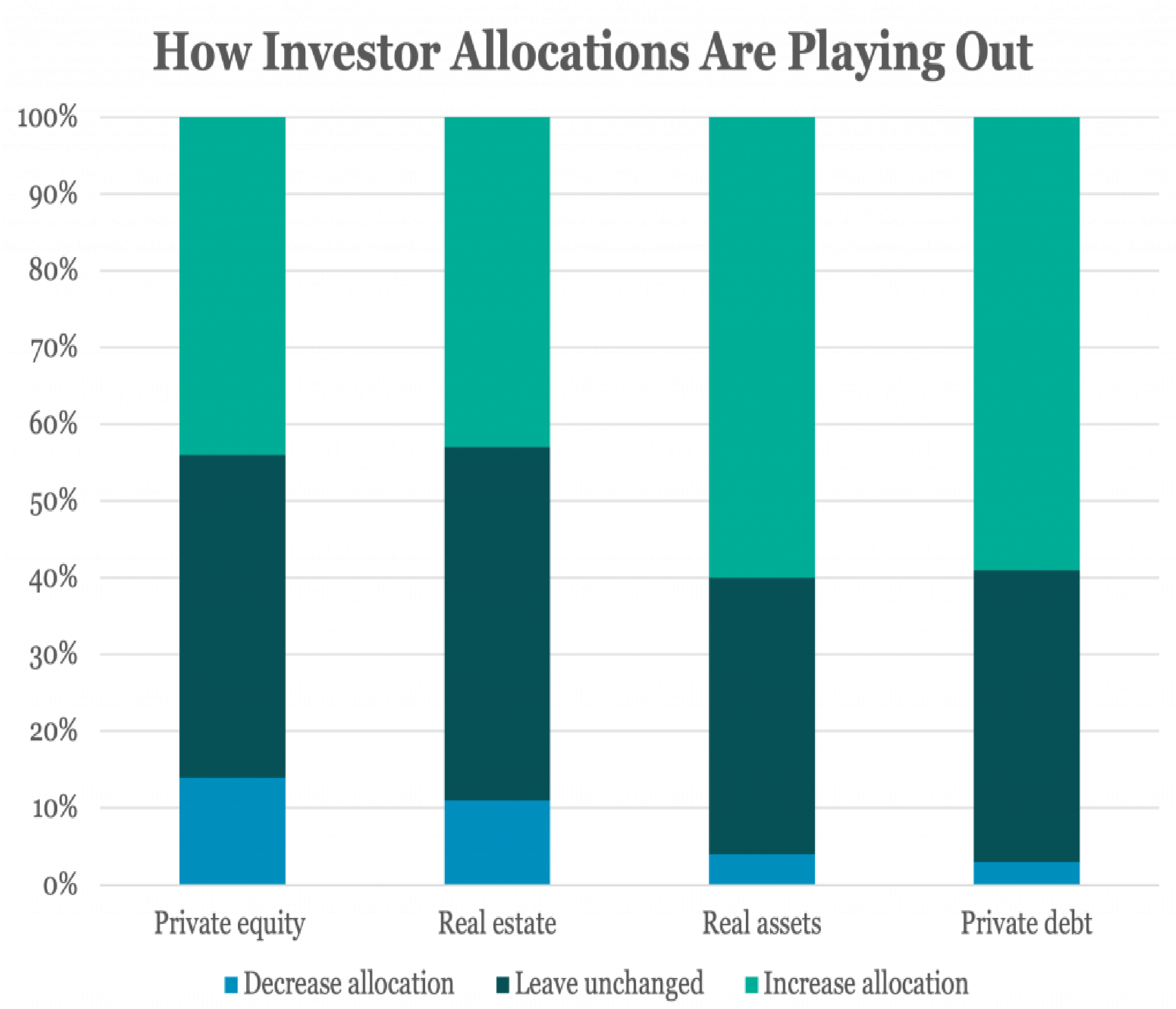

Private debt looks well placed to prosper, despite what has been a difficult period for investors.

Three years ago, *Private Debt Investor* launched a cross-asset class survey called the *Fund Leaders Survey* comprised of more than 100 senior buyout, growth, private debt, venture capital, real estate and infrastructure executives.

The difficult fundraising climate took its toll on this year's poll, which found that a smaller proportion – only 56 percent – say their current fund is larger than the predecessor, down from 75 percent in 2022 and 74 percent in

2021. Instead, 30 percent say they are targeting the same amount for their next fund as their last, which was the case for just 1 percent of fundraises last year.

But market participants say the landscape may be more positive for private debt than other asset classes. “Unlike in private equity where there has definitely been a pronounced slowdown in the need to raise capital and the size of funds, in credit the fundraising numbers are a bit higher,” says Jeffrey Griffiths, co-head of global private credit at placement agent Campbell Lutyens.

“We see more like two-thirds of managers fundraising right now and most groups are looking for larger fund sizes.”

And returns are strong: “This is the best environment we have seen since 2009-10,” says Gregory Racz, president and co-founder, and Daniel Leger, managing director of MGG Investment Group.

“With interest rates much higher and capital scarce because of the pressure on banks, we can get paid more, and it is easier to negotiate the tight covenants and other investor protections that are standard in our loan agreements. We are finding we can get better origination fees and higher floors, so the packaging overall is more favourable to the lenders.”

That point is backed up by Mark Posniak, European lending development director at Arrow Global Group. “Specialist lenders have historically done well in recessionary periods, filling the gap left by the banks as they get to grips with their legacy positions,” he says. “The non-bank lenders can really come into their own if they have efficient capital to deploy, as they can create products to deliver solutions without having to push the boundaries in terms of leverage, borrower solvency and asset quality.”

(Past performance is no guarantee of future results.)