



PRIVATE DEBT INVESTOR

FUNDRAISING REPORT 2018

Private Debt Investor's interactive and downloadable review
of the 2018 fundraising environment

Andy Thomson
Private Debt Investor
andy.t@peimedia.com

Daniel Humphrey Rodriguez
Head of Fund Manager Research
daniel.r@peimedia.com

Andrew Woodman
Special Projects Editor
andrew.woodman@peimedia.com

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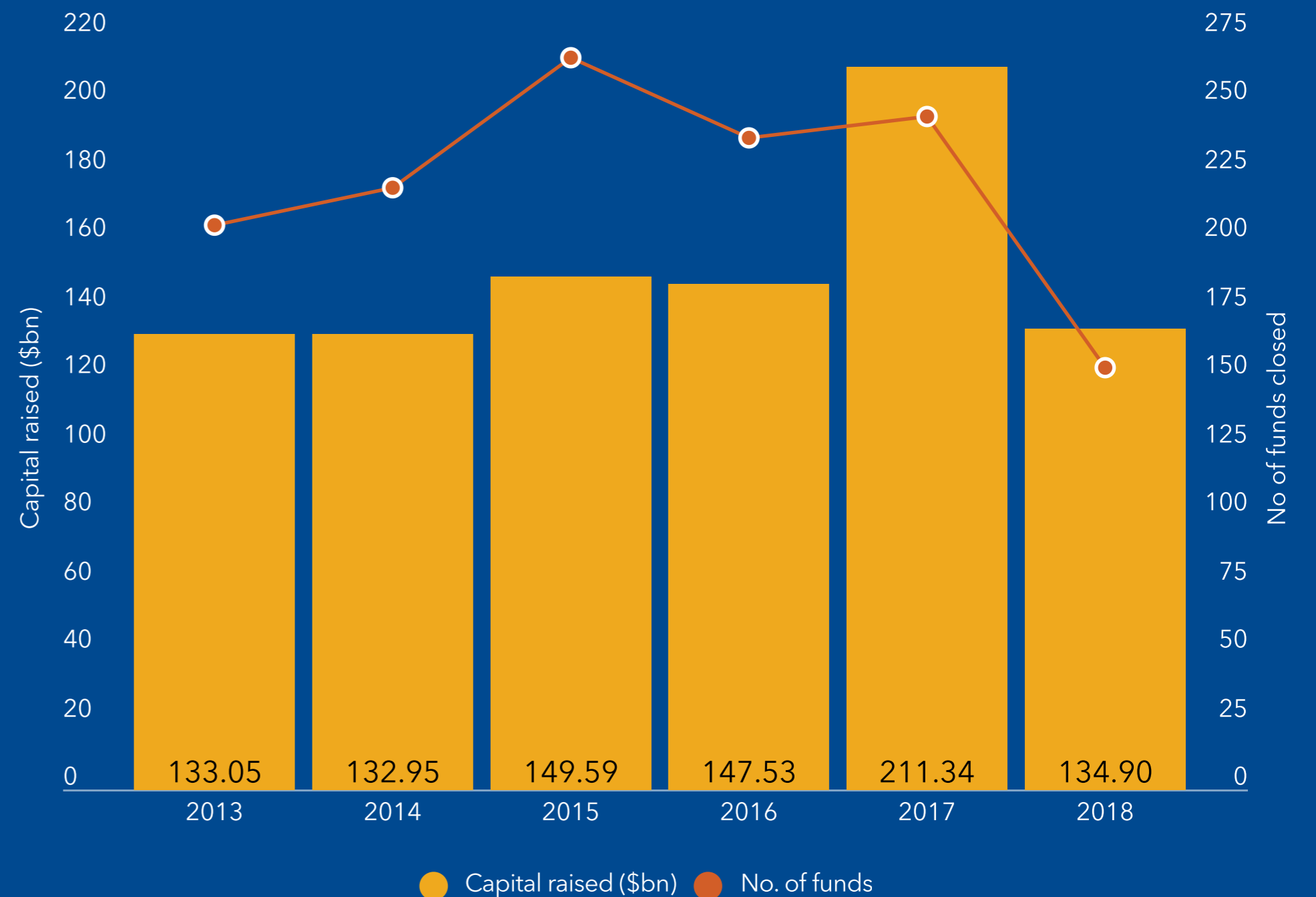
Fundraising overview

Private debt fundraising continues to be dominated by fewer, larger funds. This trend, a long-standing feature of traditional private equity, is a possible sign of maturity in the asset class. The numbers this year are stark: just 154 funds reached a final close, the lowest we have seen on record. However, this may increase over the coming months as more information on funds closing towards the end of 2018 comes to light.

The fall in capital raised is large when compared with the blockbuster year that was 2017. On the other hand, that year's total was somewhat distorted by the \$25 billion raised by Apollo Investment Fund IX. Putting aside 2017, fundraising for the market has maintained some stability. The drop in activity is also a likely sign that the market is self-regulating. With so much capital going in to the private debt space, investors could be pre-empting a potential downturn.

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Year-on-year fundraising



> Fundraising overview

Distressed debt fundraising saw the sharpest drop when compared with last year. A lot of capital has been focused on this strategy as investors have sought to capitalise on upcoming distressed opportunities. With many of those opportunities failing to materialise throughout 2018, however, the market has become saturated. It could be that investors are waiting for the already large amount of dry powder to be deployed before putting more capital to work.

\$134.9bn

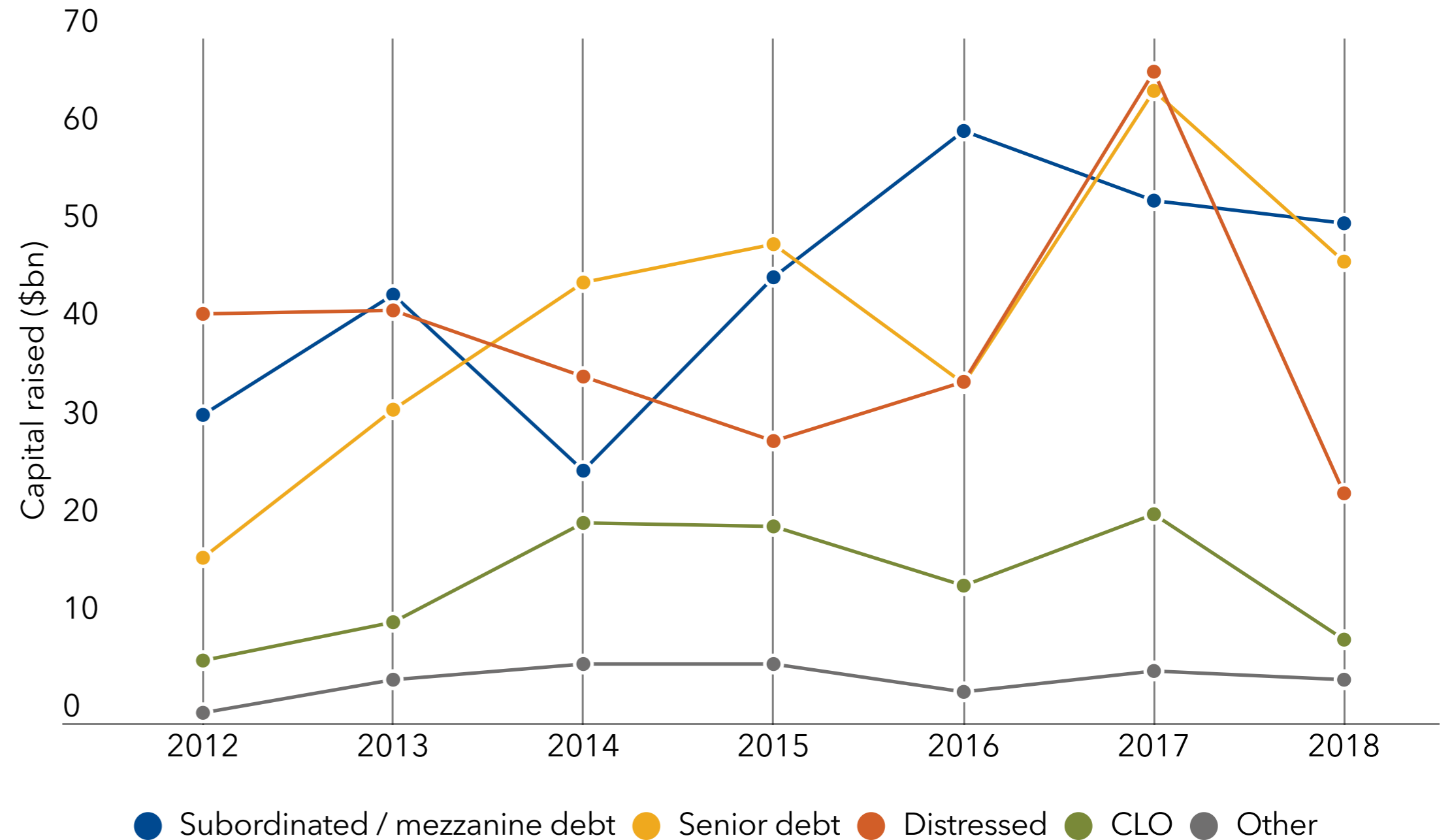
Raised by private debt funds in 2018

153

Final closes of private debt funds in 2018

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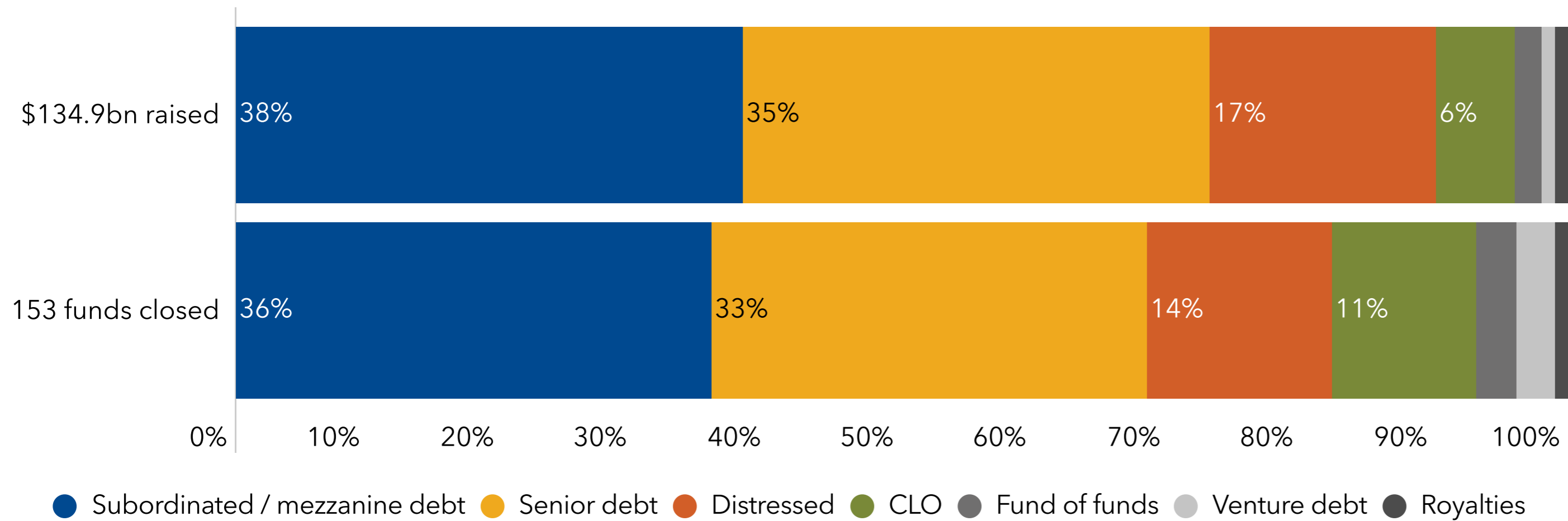
Year-on-year fundraising by strategy





Fundraising overview

2018 fundraising strategy breakdown



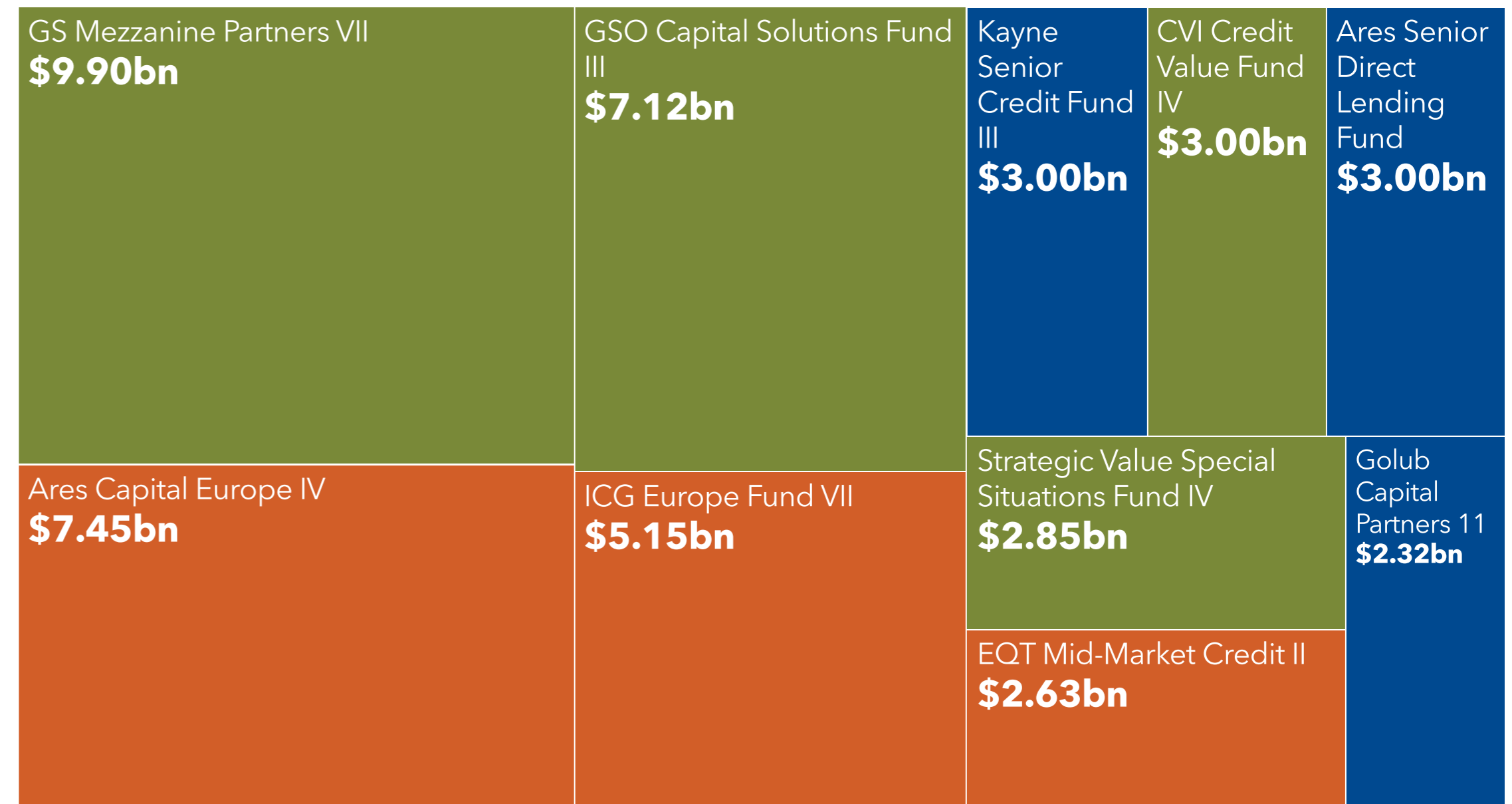
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Fundraising overview

More than a third of the \$134.9 billion total (\$46.4 billion) was raised by the 10 largest private debt funds closing in 2018. Four of these, including the largest (Goldman Sachs' Mezzanine Partners VII), have a multi-regional strategy. Europe-focused funds in the top 10 raised a collective \$15.24 billion. Somewhat surprisingly, North America-focused funds comprised the smallest contingent within the top 10, raising a combined \$8.32 billion.

Largest fund closes, 2018



● Multi-regional ● North America ● Europe

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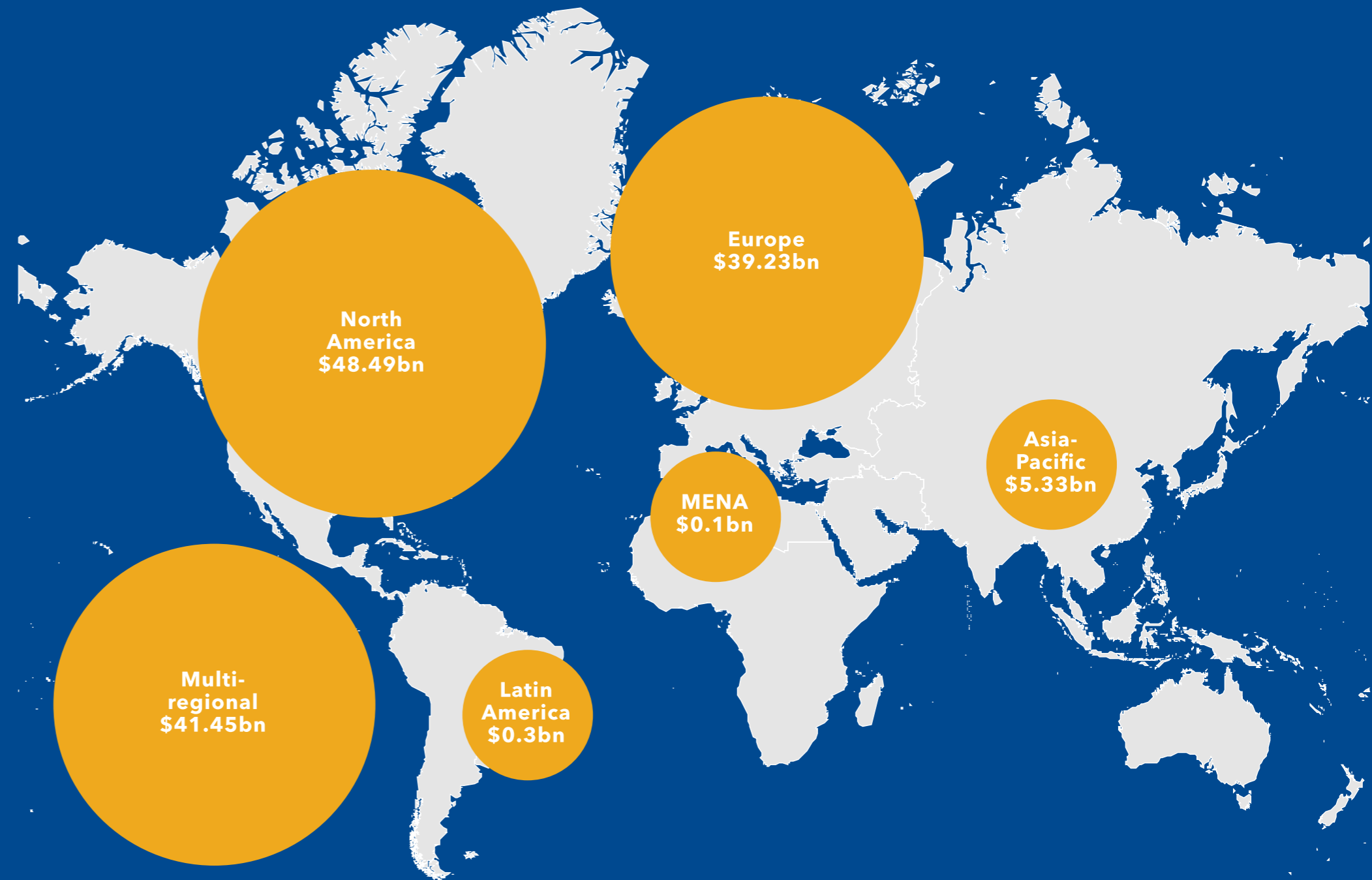
Geography

Proportions of capital earmarked for each region have remained at similar levels throughout 2018, highlighting the maturity of the market even further. Emerging economies remain a small portion of the global private debt landscape. While there has been much talk of untapped opportunities and future growth in these markets, especially in Asia, it is yet to become reality. The lack of growth is likely down to funds focused on emerging markets not generating the risk-adjusted returns investors have come to expect, prompting them to move to safer havens in developed economies

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Regional focus of capital raised in 2018

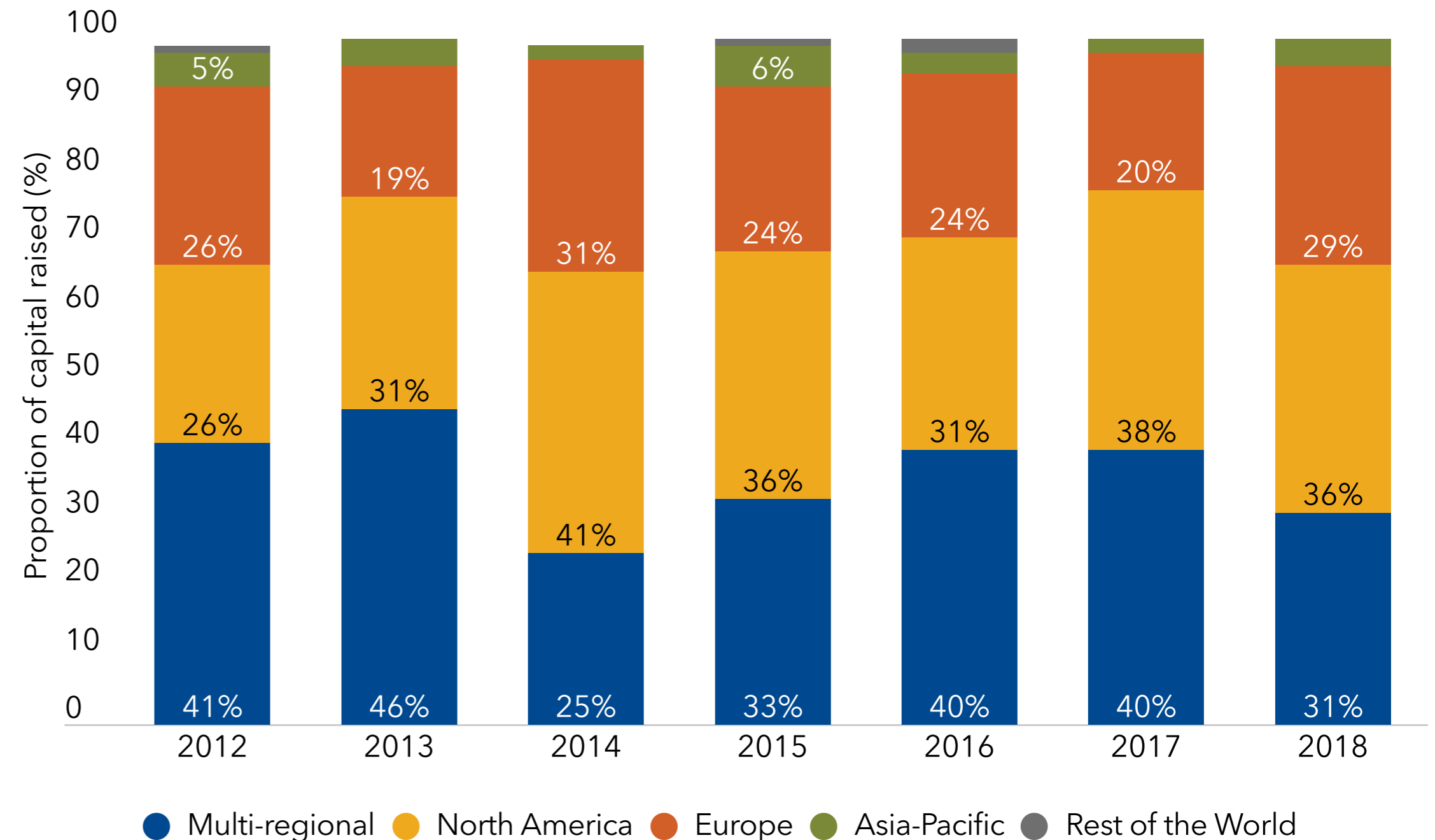
2018



> Geography

Almost 30 percent of private debt capital raised in 2018 had a sole focus on the European market. This is the first proportionate increase in fundraising for the region since the 2014 peak - when Europe took a 31 percent share of the amount raised. This contrasts with the amount of capital raised for multi-regional funds, which proportionately dropped from 40 percent of the 2017 total to 31 percent of the 2018 total. Funds targeting multiple regions tend to be larger and more cyclical, affecting a trend filled with peaks and troughs.

Regional focus of capital raised



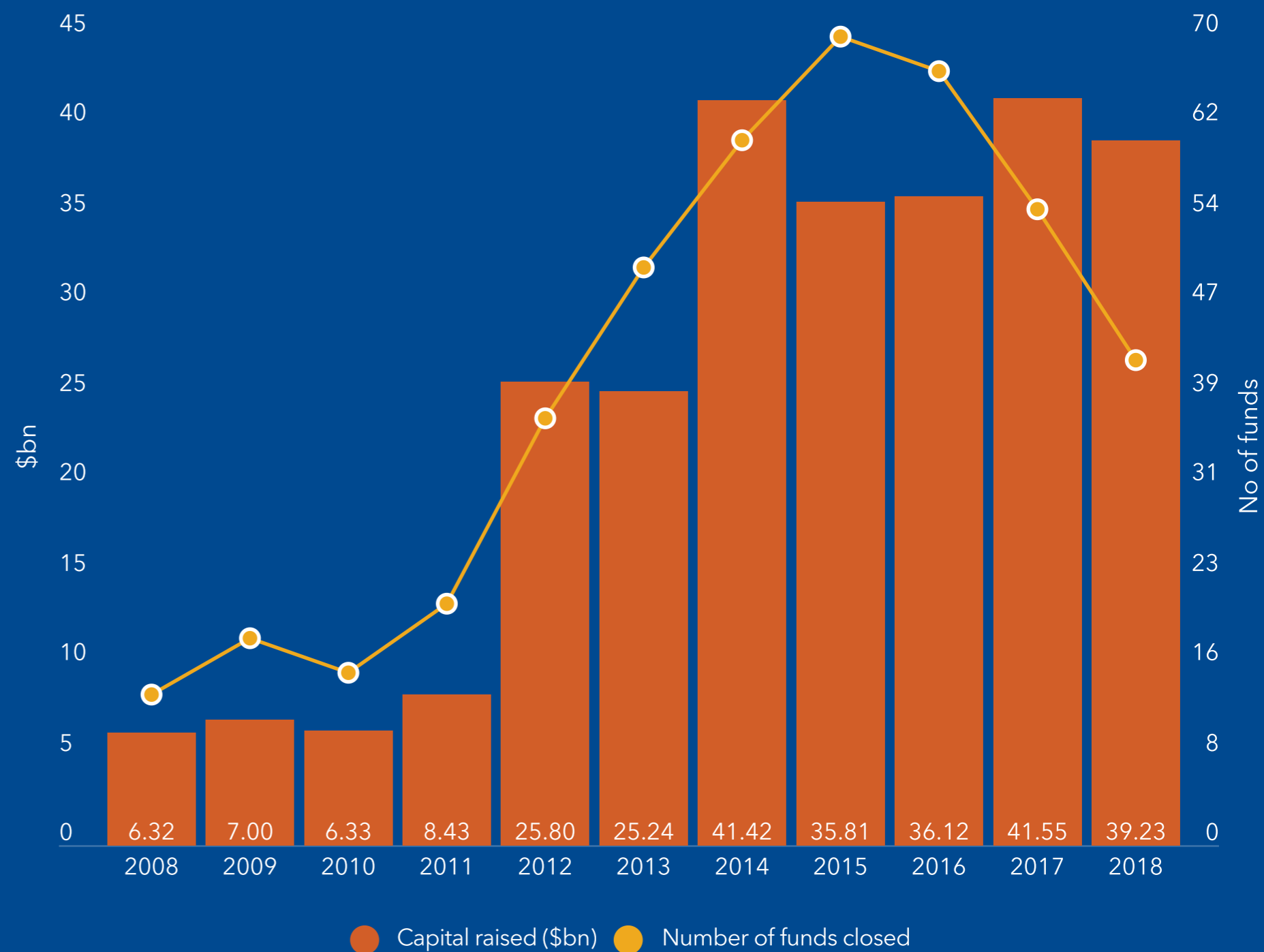
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Region review: Europe

Despite the large 2018 drop in private debt fundraising globally as compared with 2017, capital raised for Europe has remained at similar levels to last year (around \$40 billion). Again, the number of funds closed highlights the consolidation trend, with more and more funds closing up to the 2015 peak (70) and decreasing since then.

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Europe-focused fundraising

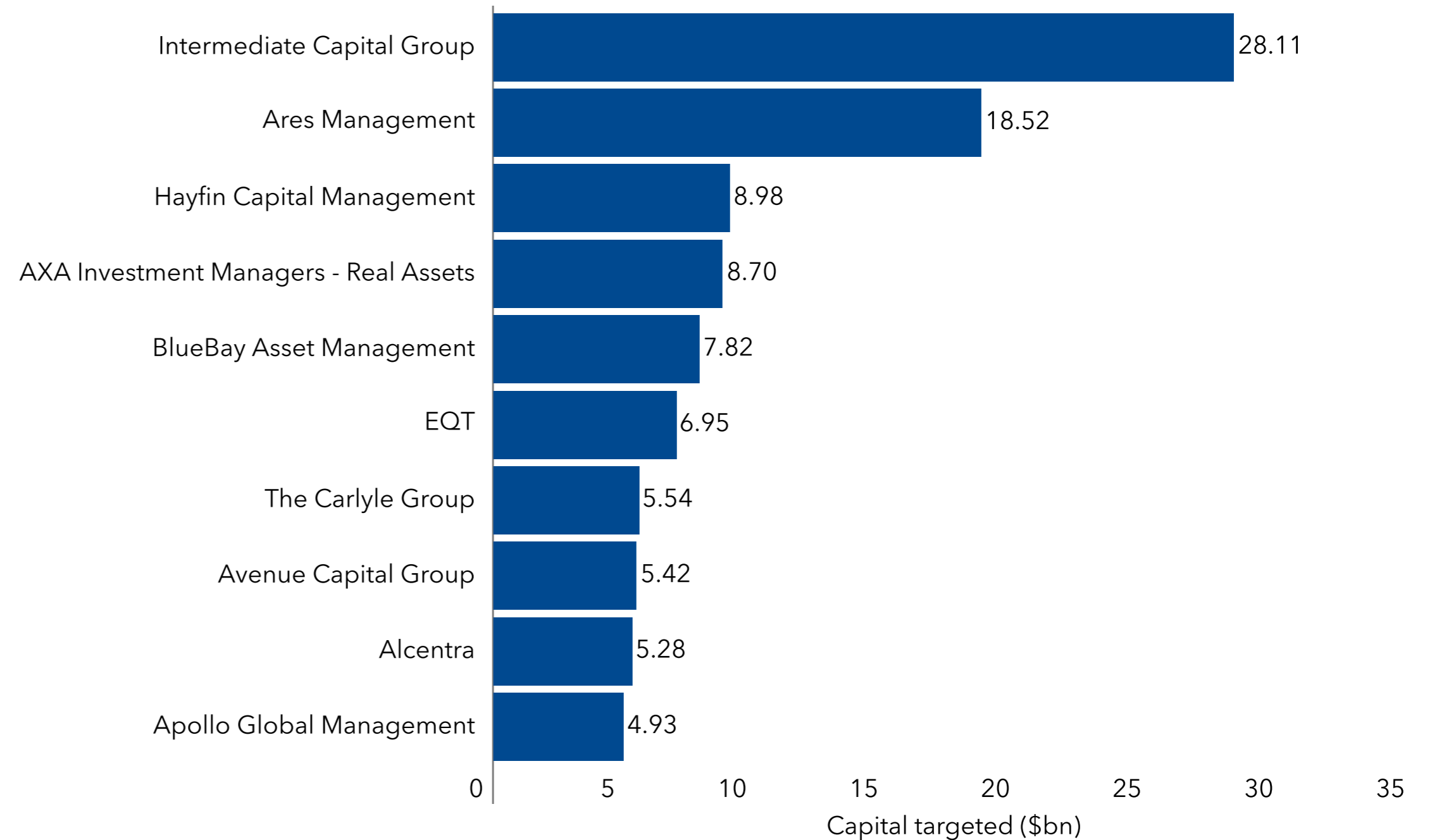


> Region review: Europe

In total, \$245.2 billion was raised by funds with a sole focus on European private debt between 2012 and 2018. Just 10 firms have collected 41 percent of this total. Ares management was the largest non-European firm in this context, raising \$18.5 billion for European private debt – a large tranche of this collected during the raising of the largest Europe-focused fund closed during that time: Ares Capital Europe IV, which closed at \$7.45 billion in July 2018.

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Top 10 Europe-focused funds, 2012-18



Funds in market, 1 Jan 2019

Largest funds in market as of 1 Jan 2019

Fund Name	Fund Manager	Target Size (\$bn)	Region Focus
3G Special Situations Fund V	3G Capital	10.00	North America
Lone Star Fund XI	Lone Star Funds	7.50	Multi-regional
TPG Sixth Street Adjacent Opportunities Partners	TPG	5.50	North America
EIG Energy Fund XVII	EIG Global Energy Partners	5.00	Multi-regional
GSO Energy Select Opportunities Fund II	Blackstone	5.00	Multi-regional

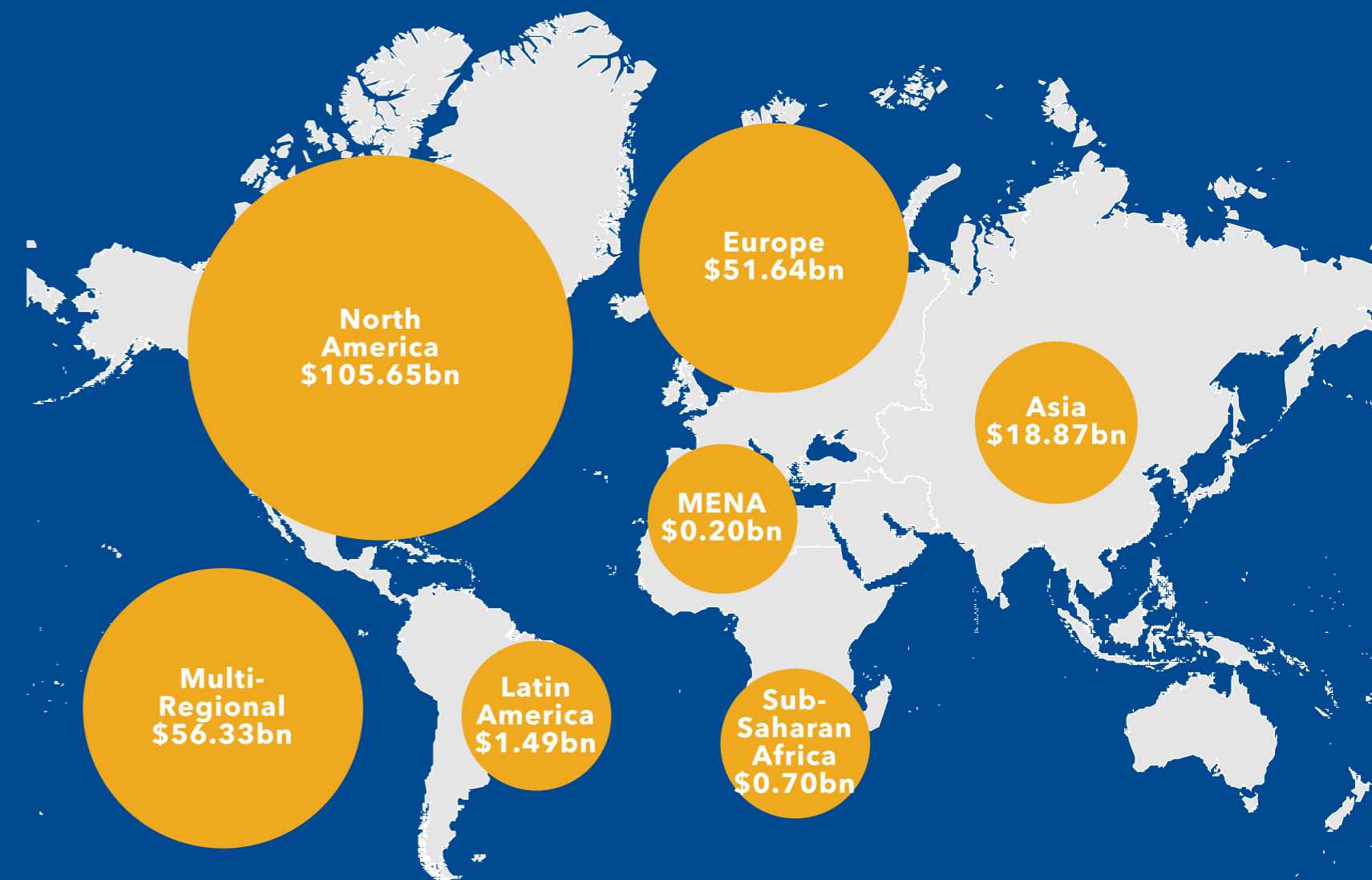
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\$234bn

Sought for
funds in market

549

Total number of
funds in market



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How can we help?

How can PDI's Research and Analytics team help you?

Sample client case study

We compiled data on real assets debt fundraising over the past 10 years for a manager looking to raise a fund. With fundraising for this segment of the market dwindling, we also compiled a list of LPs active in the real assets debt space for the management firm in question.

Please get in touch with us if you would like to see a sample of this data.

PDI's Research and Analytics team is made up of researchers and analysts in London, New York and Hong Kong, working on a 24/5 cycle to perform bespoke research requests for you. We track the investment appetite and contact details of LPs and GPs within our fundraising data platform, to help bring together fund investors and managers with matching interests.

Platinum subscribers should email daniel.r@peimedia.com for more information on the research services available.

For more information on becoming a Platinum level subscriber please contact:

Daniele Lorusso in London
on +44 (0) 207 566 5432
or daniele.l@peimedia.com

Other questions to which we also provided solutions:

"Can you give me a list of LPs that have committed to European funds in the past five years?"

"How has the real estate debt market developed over the past 10 years? Are you able to pinpoint the key players?"

"How many Europe-focused funds are in market at the moment? Please share a list of key contacts at these firms."

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