Private Debt Investor

Capital Structure Forum
London 2019

Where the private debt market meets

20-21 November | Glaziers Hall - London

www.privatedebtinvestor.com/capitalstructure

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7th Annual PDI Capital Structure Forum

The Private Debt Investor (PDI) Capital Structure Forum will bring together investors from across the globe who are actively or looking to invest in private debt strategies.

Pension funds, insurance firms, endowments and other types of investors will join 250 market participants for two days of networking, strategising andlearning. Our most comprehensive agenda to date, along with unparalleled networking opportunities, provides you with the perfect platform to broaden your horizons in private debt.

A key theme that permeates throughout our agenda, and indeed a significant driver in the private debt world right now, is the preparation for an expected economic downturn. The article below details how distressed strategies have, unsurprisingly, surged in popularity in response to this.

Confidence in distressed is growing again

By John Bakie - 3 September 2019

Unsurprisingly, distressed debt funds tend to be most popular late in the credit cycle and do less well in more benign market conditions, which leads to major swings in fundraising activity. With most industry experts expecting a change in economic fortunes in the near future, it is no surprise to see that distressed debt fundraising was booming in H1.

PDI's statistics show that more than $35 billion was raised for distressed funds during this period. This was more than for any other strategy, including senior and subordinated debt. By comparison, in the second half of 2018 just over $4 billion was raised for distressed debt strategies globally.

However, this is not the first time during the current credit cycle that there has been a boom in demand for distressed debt. Back in the first half of 2017, when private credit generally was seeing unprecedented levels of fundraising, distressed vehicles raised $51 billion from institutional investors.

That now appears to have been a false dawn. Although there was much talk about the severe economic consequences of international events, including aggressive trade rhetoric from the newly elected US President Donald Trump and the UK's recent decision to leave the EU, a recession did not materialise. On the contrary, the global economy entered a new phase of growth that limited the scale of distressed opportunities available for fund managers.

OPPORTUNITIES AHEAD

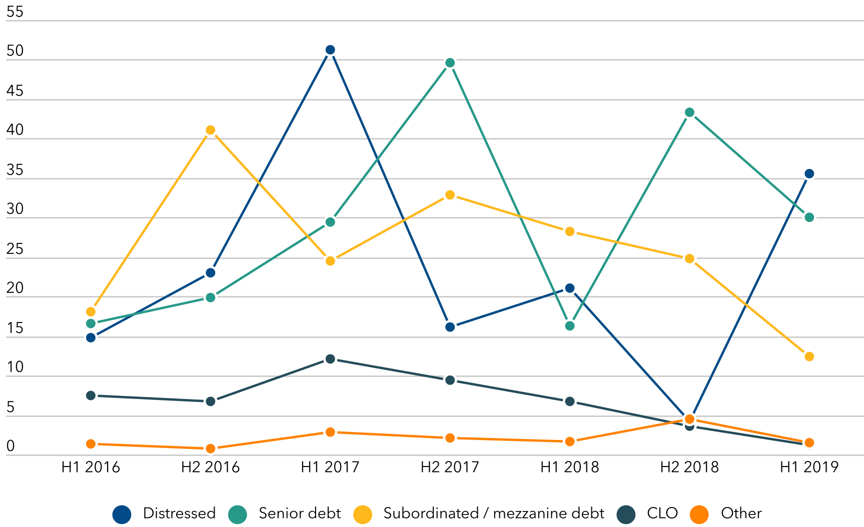
However, if you wait long enough then a recession becomes a certainty, and more recent developments may be once again presenting fertile ground for investors in distressed debt. Although the global economy is still growing, there are signs of weakness. Germany's GDP has stumbled in recent quarters, and the UK is starting to feel the impact of uncertainty owing to its failure to ratify an agreement over its planned exit from the EU.

While a turn in the credit cycle may not yet be imminent, the signs of more difficult market conditions are beginning to appear. Some sectors are already running into difficulty.

Retail in particular has been hit by reduced confidence in the short term and by more long-term shifts in shopping habits. The latter may offer distressed players opportunities to restructure the businesses affected.

DOUBLING UP ON DISTRESSED

Capital raised by strategy ($bn)



Top 10 largest funds raised in H1 2019

Strategy	Fund Name	Current Size ($bn)
Distressed	Lone Star Fund XI	8.2
Senior debt	BlueBay Direct Lending Fund III	6.8
Distressed	Lone Star Real Estate Fund VI	4.7
Distressed	GSO Energy Select Opportunities Fund II	4.5
Senior debt	Broad Street Senior Credit Partners II	4.4
Distressed	Cerberus Global NPL Fund	4.1
Distressed	American Industrial Partners Capital Fund VII	3.0
Senior debt	AG Direct Lending Fund III	2.8
Subordinated / mezzanine debt	Levine Leichtman Capital Partners VI	2.5
Subordinated / mezzanine debt	Taiga Special Opportunities Fund	2.5

Source: PDI

Many of the top 10 funds raised during the first half of 2019 were distressed-debt vehicles, with two from Lone Star leading the pack. Lone Star Fund XI raised $8.2 billion while the firm's Real Estate Fund VI raised $4.7 billion. Three other distressed funds make the top 10: GSO Energy Select Opportunities Fund II with $4.5 billion; Cerberus Global NPL Fund with $4.1 billion; and American Industrial Partners Capital Fund VII with $3 billion.

Panel Discussion: distressed investments in an uncertain future

Be sure not to miss our expert panel discussion on the recent increase in popularity in distressed vehicles, learn the steps that need to be taken to ensure that these strategies are indeed downturn proof, and the potential opportunities that lie ahead for investors.

This is just one of numerous sessions across the programme with a focus on downturn preparation, with perspectives from investors, managers and consultants alike – why not attend the forum to make sure you're not missing a trick?

Hans-Jörg Baumann
Chairman, StepStone Private Debt & Liquid Alternatives; Co-Founding Partner SwissCapital, Stepstone Global

Julia Demidova
Commercial Partnership Manager, Official Monetary and Financial Institutions Forum

John McGrath
Partner, Structured Finance and Financial Restructuring, Dechert

Stefan Mosberger
Senior Analyst, SIGLO Capital Advisors

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