

# Private Debt Investor

## FUNDRAISING REPORT 2019

*Private Equity International's* interactive and downloadable review of the full-year 2019 fundraising environment

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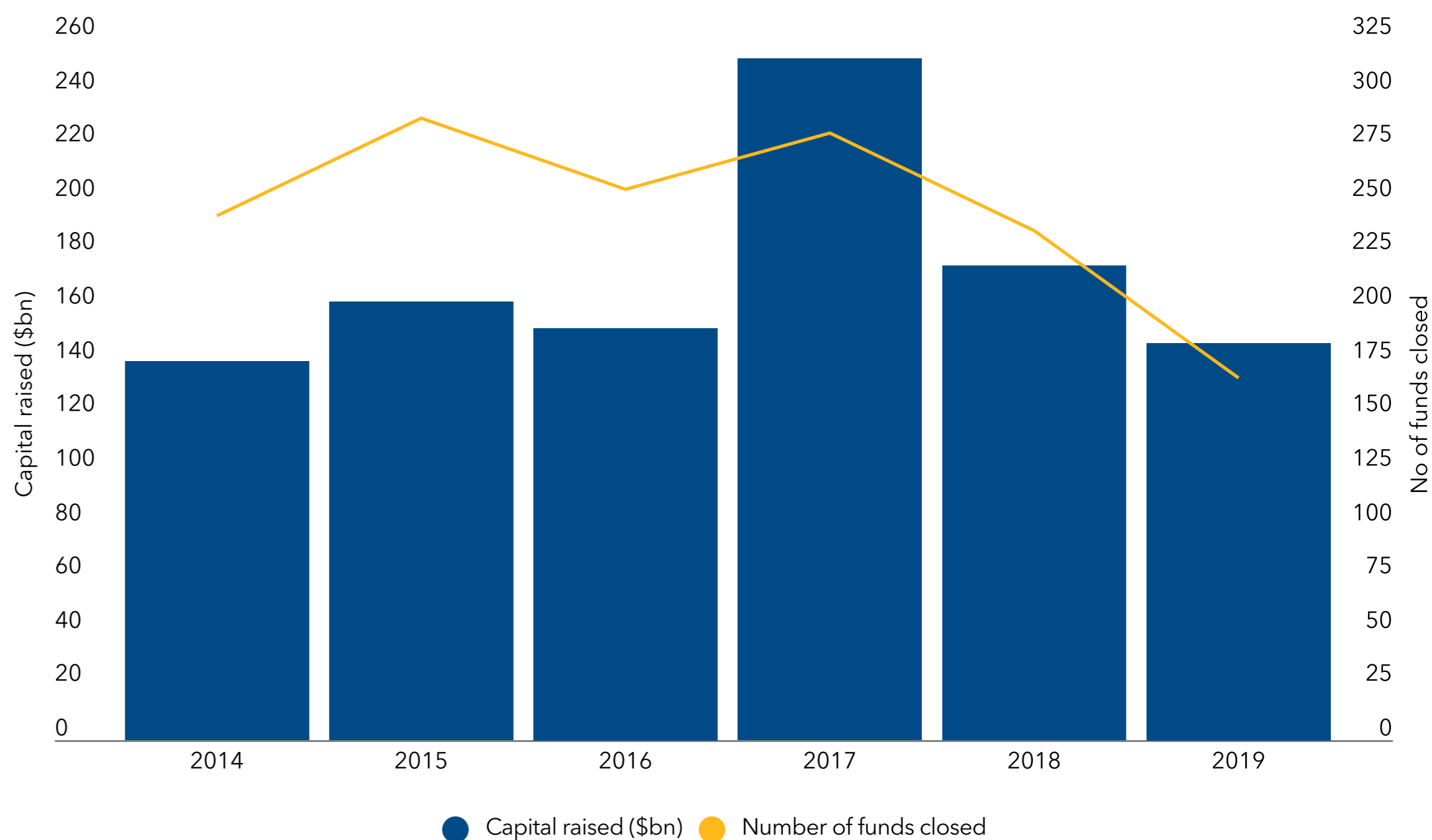
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# Fundraising overview

Fundraising activity across all private debt strategies has hit its lowest annual total since 2014 at just \$147.1 billion. The drop in capital raised by private debt funds that closed in 2019 compared with previous years was deeper than anticipated. The figures follow an exceptionally slow Q4, which saw only \$28.3 billion raised. However, barring the 2017 peak, fundraising is more or less comparable with previous years and there is no sign of a significant slowdown in capital being committed to the asset class. However, the number of funds raised has decreased substantially as smaller numbers of managers raise larger vehicles.

## Year-on-year fundraising

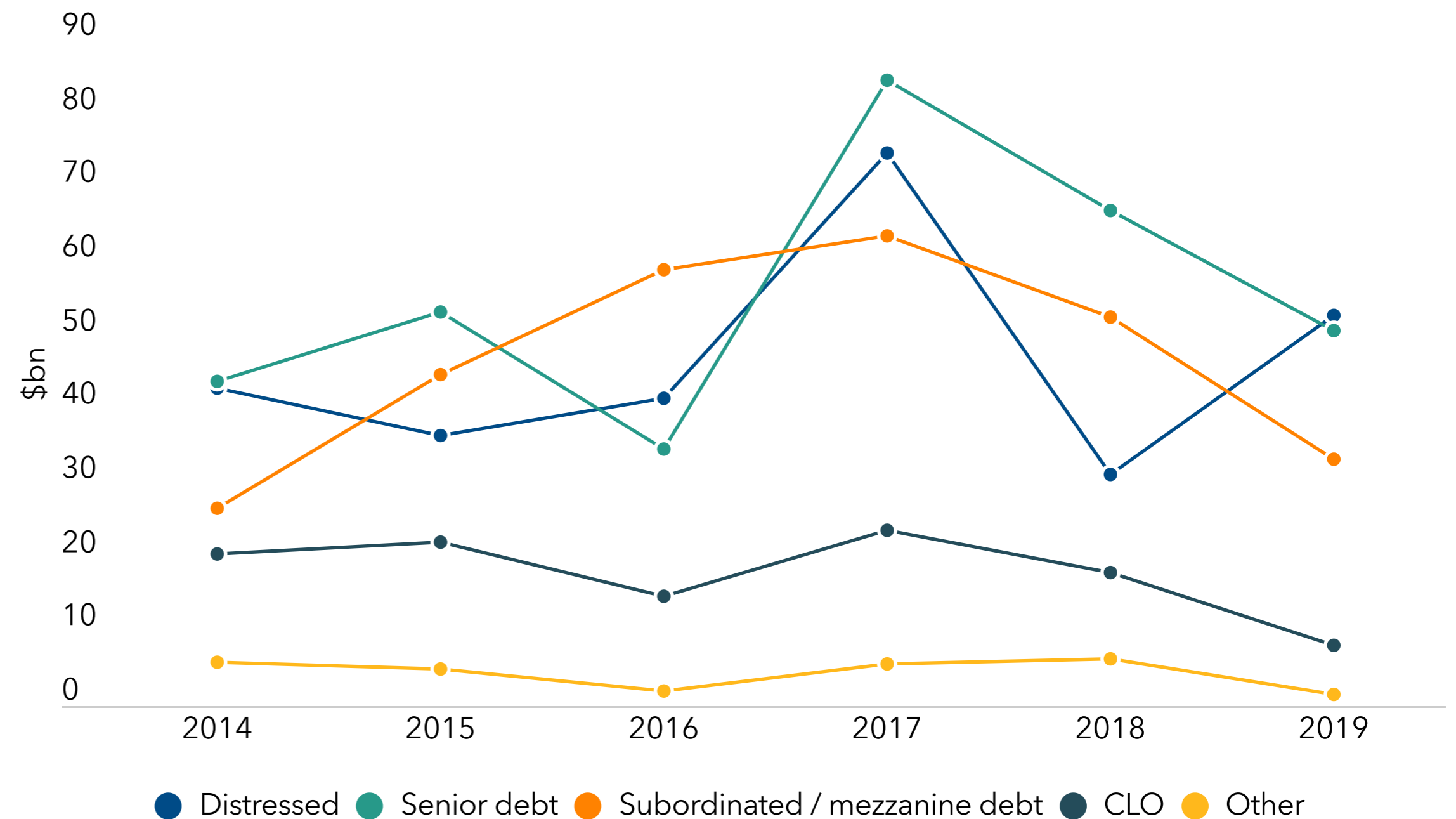


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## > Fundraising by strategy

Distressed debt makes up 36 percent of the total raised in 2019 with almost \$53 billion, making it the largest strategy in terms of fundraising for the first time. Ratings agencies have kept default rates at very low levels for the past few years and, with evidence of these starting to tick up, potential signs of market distress are becoming more apparent. This could explain why interest in the market has shot back up following a fall in 2018. Interest in CLOs has dropped with just \$8.3 billion raised in 2019, down significantly from a high of \$23.8 billion recorded in 2017 and the lowest figure seen since at least 2014. Subordinated debt also saw its lowest figure since 2014 with only \$33.4 billion raised.

### Year-on-year fundraising by strategy



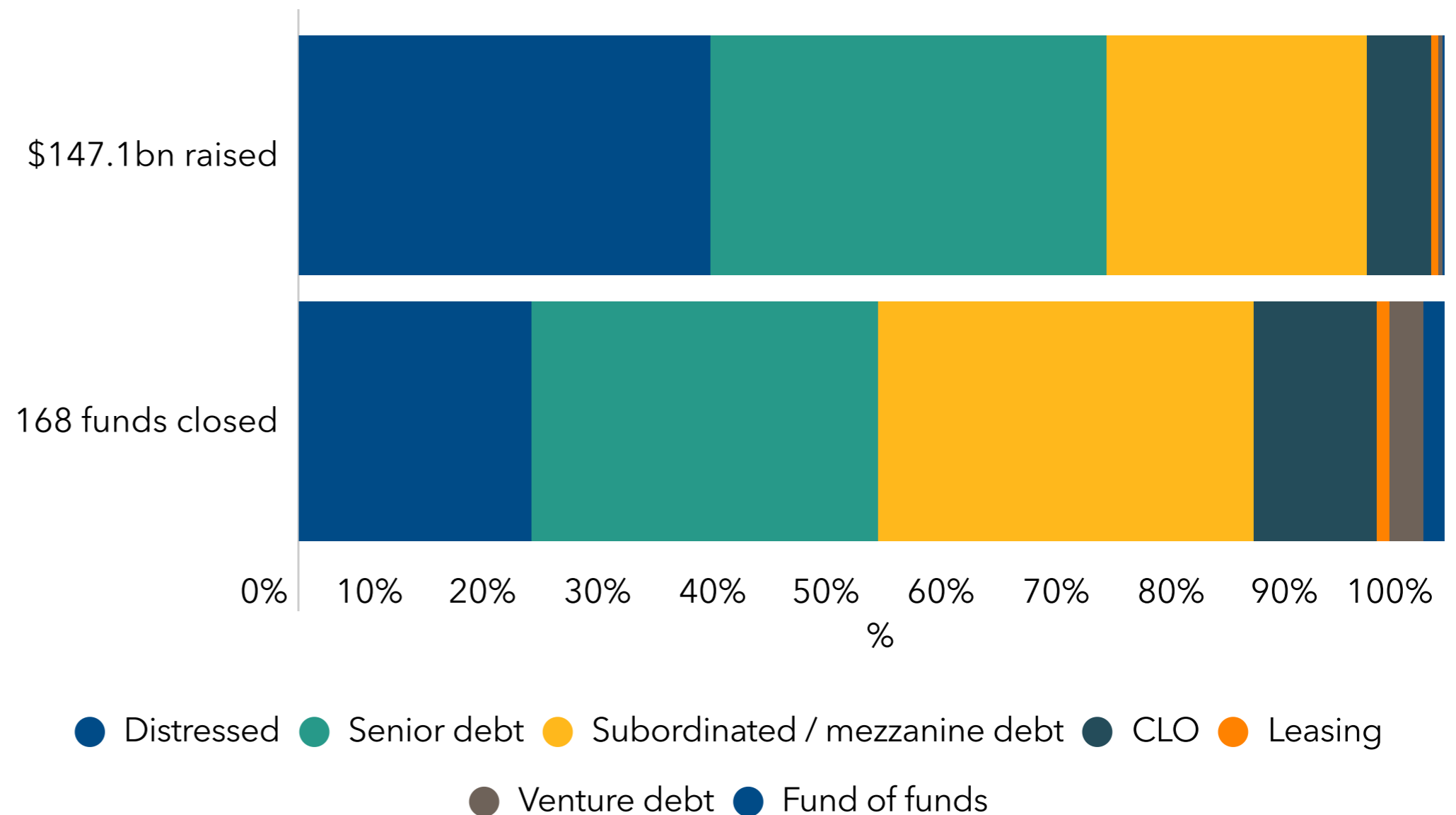
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# Fundraising overview

While distressed debt raised 36 percent of all capital in 2019 it only accounted for just over 20 percent of the funds closed. Distressed vehicles tend to be particularly large and often among the largest funds seen in the market. Despite the relatively low amount of capital raised, there were still a large number of subordinated debt and mezzanine vehicles, accounting for 32.7 percent of funds closed. This indicates there is still a healthy number of managers operating in this space, although their vehicles are typically much smaller than the multi-billion dollar funds that are now common in distressed and senior debt.

## 2019 fundraising strategy breakdown



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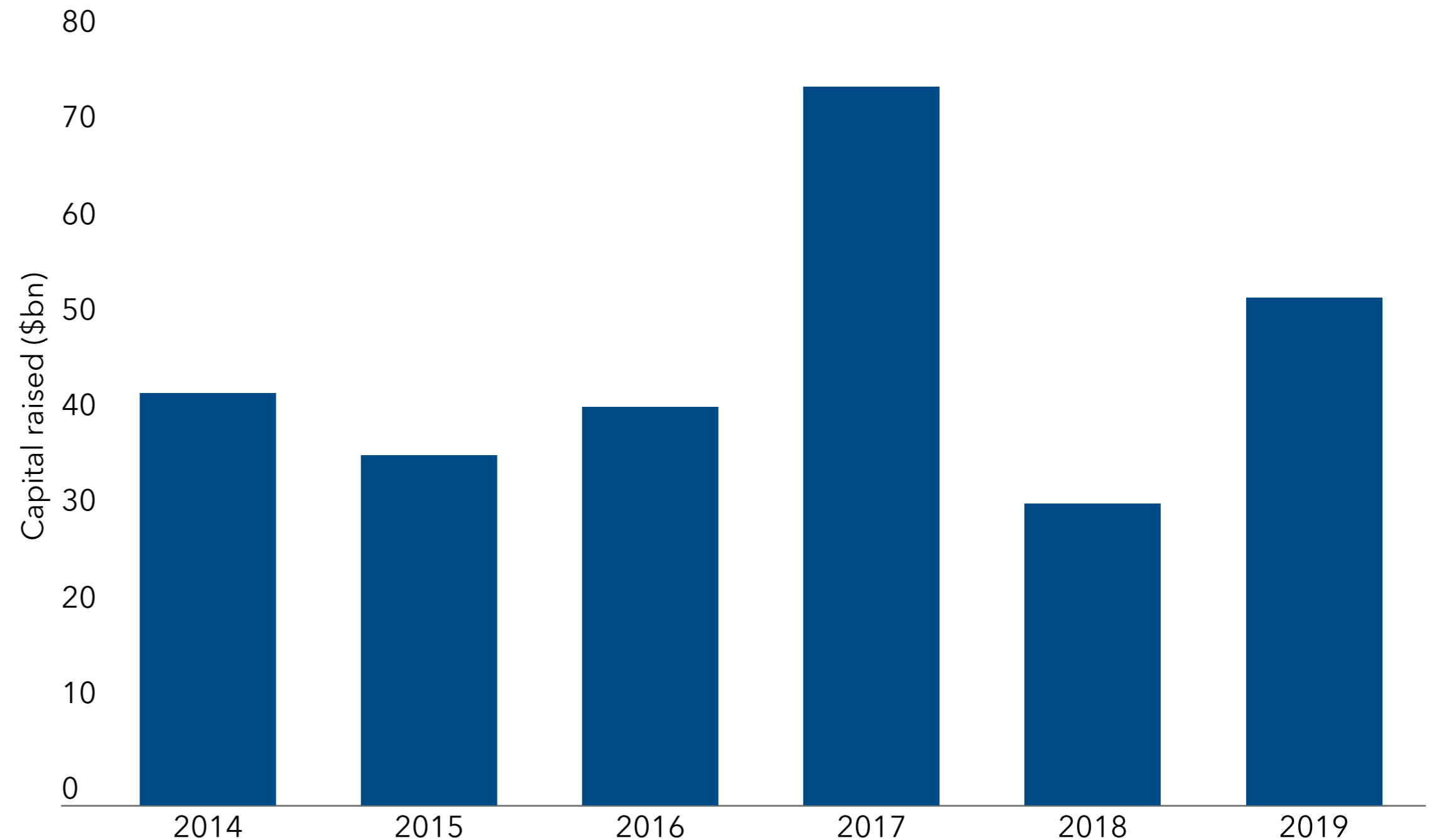
# Strategy review: Distressed debt

Fundraising for distressed debt made a major recovery in 2019 after a weak 2018. While it didn't reach the record level of almost \$75 billion seen in 2017, total fundraising for distressed was just shy of \$53 billion, a significant improvement on the \$31.4 billion seen in 2018.

It seems investor anticipation of an upcoming economic downturn may have been premature, resulting in the huge amount of distressed fundraising in 2017, but fears over the global economy have now resurfaced as numerous major countries including Germany and the UK see growth slow.

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## Distressed debt fundraising



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## Strategy review: Distressed debt

The huge amount of distressed capital raised means distressed funds account for half of the top 10 vehicles that have been closed since 2014. However, only one vehicle from 2019, Lone Star Fund XI, makes it onto the list, as the fifth largest fund raised, but Apollo's enormous 2017 hybrid vehicle, Apollo Investment Fund IX, retains the top spot and, with \$24.7 billion raised, is likely to remain there for the foreseeable future.

### Five of the largest funds raised since 2014 are targeting distressed

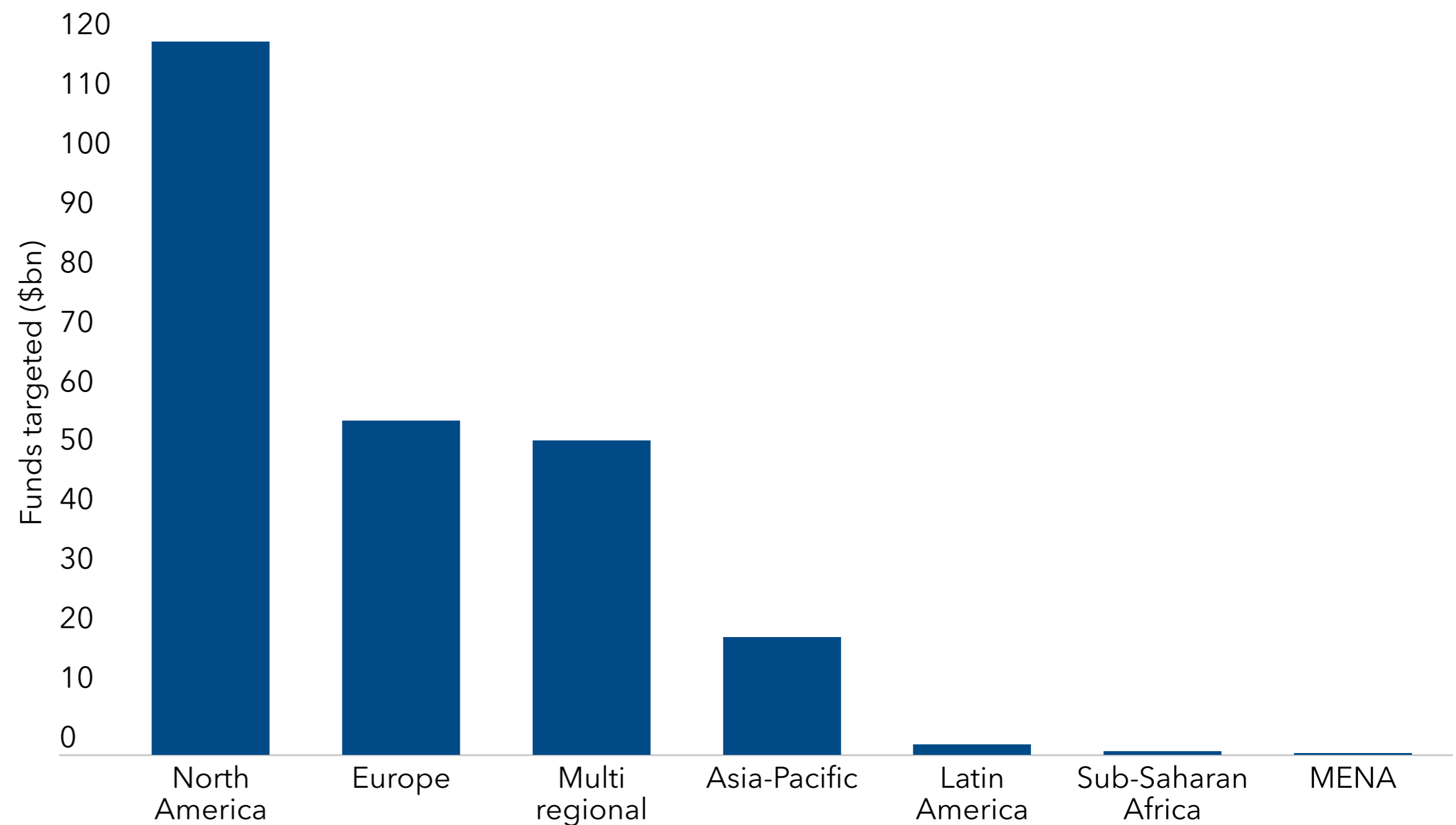
	Current Size (\$bn)	Year Close	New fund strategy
Apollo Investment Fund IX	24.7	2017	Distressed
GS Mezzanine Partners VII	9.9	2018	Subordinated / mezzanine debt
Broad Street Loan Partners III	9.8	2017	Senior debt
Oaktree Opportunities Fund Xb	8.87	2017	Distressed
Lone Star Fund XI	8.2	2019	Distressed
GS Mezzanine Partners VI	8	2015	Subordinated / mezzanine debt
Ares Capital Europe IV	7.28	2018	Senior debt
Lone Star Fund IX	7.2	2014	Distressed
GSO Capital Solutions Fund III	7.12	2018	Distressed
BlueBay Direct Lending Fund III	6.72	2019	Senior debt

# Funds in market

Despite slowing activity in 2019 there are still a large number of funds in market seeking huge quantities of capital. By far the majority is focused on the North American region where the economy remains buoyant heading into an election year for the US.

Europe lags well behind, with less than half of amount of capital being sought compared with the US, perhaps little surprise given the economic problems evident in Germany and likely political fallout of the UK leaving the EU.

## Regional focus of funds in market



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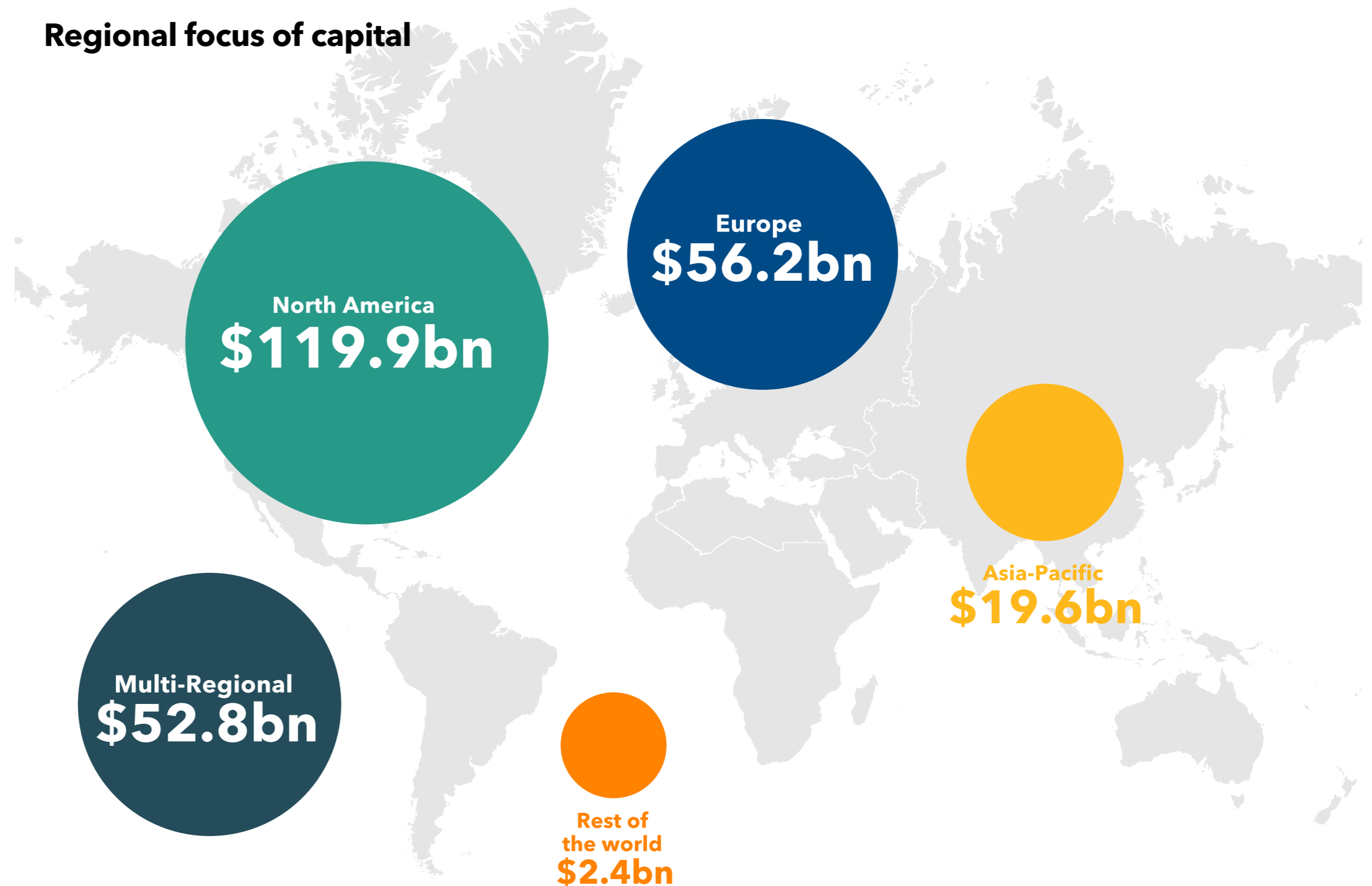
## Geography

Asia-Pacific has not been a major destination for private debt capital in the past but today has almost \$20 billion of funds in market.

Multi-regional fundraising is also relatively healthy, but again appears dwarfed by the huge sums targeting North America.

The rest of the world remains largely a niche proposition for private debt with just \$2.4 billion of funds in market but is growing modestly as more firms look at the potential for debt finance in emerging markets.

### Regional focus of capital



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# Funds in market, 31 Dec 2019

## Largest funds in market as of 31 Dec 2019

Fund Name	Fund Manager	Target Size (\$bn)	Region
3G Special Situations Fund V	3G Capital	10.0	North America
EIG Energy Fund XVII	EIG Global Energy Partners	5.0	Multi regional
Generali Real Estate Debt Investment Fund (GREDIF)	Generali Real Estate	3.4	Europe
Bain Capital Distressed & Special Situations 2019	Bain Capital	3.0	North America
Energy Investment Opportunities Fund	Goldman Sachs Asset Management	3.0	North America
Steadfast Alcentra Global Credit Fund	Steadfast Companies	3.0	Multi regional
TSSP Opportunities Partners IV	TPG Sixth Street Partners	3.0	Multi regional
Westbourne Infrastructure Debt Program 3	Westbourne Capital	3.0	Multi regional
Permira Credit Solutions IV	Permira Debt Managers	2.8	Europe
FS Credit Real Estate Income Trust	FS Investments	2.8	North America

# How can we help you?

## How can PEI's Research and Analytics team help you?

### Sample client case study

This quarter, we helped a capital advisory firm looking to increase its client base by providing a list of funds in the early stages of fundraising. Alongside this, we also included a list of investors interested in the placement agent's markets of focus.

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

PEI'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](mailto:daniel.r@peimedia.com) for more information on the research services available.

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

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Other questions to which we also provided solutions:

**"I would like a list of all LPs in New York that would be interested in committing to Europe-focused funds"**

**"What fund management firms are the most active in the African investment space?"**

**"Could you please send me a list of all North American buyout funds that have launched in the past year?"**