

Private Debt Activity Recovers in Q2 2020

Fundraising picks up and the number of funds in market grows to a new record high

After a slow start of the year, the private debt industry has seen some improvements in the second quarter of 2020. A total of \$34bn was raised in Q2 from 49 private debt funds closed, up from 36 funds securing \$22bn in the first quarter. Special situations and distressed debt accounted for the bulk of capital raised, securing \$12bn and \$9.7bn respectively. Managers are competing to raise further capital from investors in the months ahead: there are now a record-high 486 funds on the road, seeking \$239bn in aggregate capital. They may receive a warm reception from investors seeking to take advantage of counter-cyclical opportunities. Allocators are generally looking to commit to just one private debt fund in the next 12 months, but the total capital they plan to commit is higher than it was at the same time in 2019.

For more information and analysis, see the full *Private Quarterly Update: Private Debt Q2 2020* here: <https://www.preqin.com/insights/research/quarterly-updates/preqin-quarterly-update-private-debt-q2-2020>

Ashish Chauhan, Private Debt Spokesperson:

“A growing interest in distressed debt and special situations strategies has been the catalyst for private debt’s bounce-back in Q2. Ongoing market turmoil raises the prospect of counter-cyclical opportunities as it did in 2008, when distressed debt funds made outsized gains. Investors are limiting the number of funds they intend to commit to, and are likely to prioritize established firms over newcomers. Fund managers will have to compete fiercely to attract capital, with those that reach final close possibly able to generate high returns. It will be a challenge for funds to stand out from the crowd, and the pressure on investors to pick the right fund is higher than ever.”

Key Q2 2020 Private Debt Facts:

- **A total of \$34bn was raised in Q2 from 49 private debt funds closed**, which compares with 36 funds that secured \$22bn in the first quarter of 2020.
- **Five special situations funds raised \$12bn** in the quarter, while distressed debt funds secured \$9.7bn through nine fund closures.
- At the start of July, there are **486 vehicles on the road, seeking \$239bn in aggregate capital**. This is a record high for both the number of funds and their total targets.
- The proportion of investors planning to allocate to more than one private debt fund over the next 12 months is down to 33% in Q2 2020.
- That said, in Q2 2020 the proportion of **investors planning to commit \$300mn or more in the next 12 months has increased** to 10%.

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