

Private Debt Average Fund Size More Than Doubles in Q1 2022 Year on Year – Preqin Reports

Performance data implies strong year ahead for private debt strategies

Today [Preqin](#), the global leader in alternative assets data, tools, and insights, published its [Q1 2022 Private Debt Quarterly Report](#). The report shows that private debt funds enter 2022 with a softer quarter compared to the same period in 2021.

Number of funds in market jumps by almost a third compared to last year

Global private debt funds to close in Q1 2022 secured \$33bn of capital through 22 funds, a softer quarter compared to Q1 2021, which saw \$43b raised by 59 funds. This trend is partially driven by significant macro risks as well as potential over allocation by some investors, following 2021 that was a record year for private debt fundraising.

The Preqin report also shows that, following the fundraising success of 2021, the number of funds in market jumped by almost a third (32%) compared to last year to 723 at the beginning of 2022. Q1 saw a more modest increase of 1% and a drop in capital targeted of -0.3%. Preqin analysts note this moderation of funds in market is most likely driven by the volatility in the market, and uncertainty about inflation, rate hikes, and broader macro-economic outlook. Some investors may have over-allocated to some popular strategies like direct lending. Therefore, some softening in fundraising can be expected.

Whether this subdued activity continues through the year will depend on investors' interest rate outlook. While rates have not been a top priority in recent years, the prospect of an inflationary period – whether a temporary spike or prolonged surge – could encourage some investors to dial down their private debt commitments.

Performance data implies strong year ahead for private debt strategies

Performance figures point to a strong year for private debt strategies with all private debt funds returning 18.7% IRR through 12 months ending in September 2021, mainly driven by distressed and direct lending. This compares to a one-year IRR of -2.6% over the same period a year ago for all private debt funds.

Another noteworthy trend that accelerated in Q1 2022 is capital concentration among larger funds. Average fund size for the quarter was \$1.9bn, compared to Q1 2021's average of \$0.8bn, and Q4 2021's average of \$1.1bn.

Moses Rahnema, AVP, Research Insights, comments: *“While lackluster demand for distressed debt on the back of a strong recovery post-COVID contributed to a softer quarter for global private debt funds overall, it is of note that no distressed debt funds closed in Q1 2022. This is particularly interesting because Oaktree Opportunities Fund XI, which is a distressed debt fund and closed in 2021, was the biggest private debt fund closure ever.”*

Key Q1 2022 Private Debt Facts:

- Global private debt funds to close in Q1 2022 secured \$33bn of capital through 22 funds. The number of funds raising in the asset class jumped by 32% compared to last year to 723 at the beginning of 2022. However, Q1 has seen a more modest increase in funds raising of 1% and a drop in capital targeted of -0.3%
- **Returns:** All private debt funds returned 18.7% IRR through 12 months ending in September 2021, mainly driven by distressed and direct lending. This compares to a one-year IRR of -2.6% over the same period a year ago for all private debt funds
- **Fund size:** Average fund size for the quarter was \$1.9bn, compared to Q1 2021's average of \$0.8bn, and Q4 2021's average of \$1.1bn

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Preqin is the Home of Alternatives™, the foremost provider of data, analysis, and insights to the alternatives industry. The company has pioneered rigorous methods of collecting private data for almost 20 years so that 170,000+ global professionals are streamlining how they raise capital, source deals and investments, understand performance, and stay informed. Through close partnerships with its clients, Preqin continuously builds innovative tools and mines new intelligence to enable them to make the best decisions every day.

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