

Investors Seeing New Opportunities in Private Debt as Economies Return to Normal

Direct Lending Remains the Preferred Strategy with 70% of Funds Focusing on it

Investors are seeing new opportunities in private debt as economies start to return to normal, according to the [Q3 2021 Private Debt Quarterly Report](#) published by [Preqin](#), the global leader in alternative assets data, tools, and insights. However, fundraising has yet to recover to anywhere near previous highs, as the number of funds closed during Q3 2021 was the weakest quarter since Q1 2016.

Weak fundraising during Q3 has also affected funds in market, which are at record highs. Despite a large increase in the number of funds in market (691 in October, compared to 547 in January 2021), the amount of capital they are seeking has remained relatively static. North America pulls ahead taking two thirds of the capital raised in Q3 2021, with 22 North American private debt funds securing \$27bn in Q3.

The bulk of these funds are targeting the dominant direct lending strategy (more than 50% by both number and aggregate capital targeted), which shows no signs of losing its place as investors' favourite. Direct lending remains the preferred strategy with 70% of funds focusing on this strategy. Distressed debt raised just 12% of the total at £5bn, but this strategy may grow as state lending recedes.

Dave Lowery, Head of Research Insights, at Preqin, said: *“With inflation still in the headlines, and many investors and managers looking for ways to mitigate its potential impact upon returns, the floating rates available within private debt should be attractive.”*

For more information and analysis, see the [Q3 2021 Private Debt Quarterly Report Tearsheet](#)

Key Q3 2021 Private Debt Facts:

- The vast majority of investors plan to commit to one private debt fund in the next 12 months, at 73%, down 3 percentage points over the last 12 months.
- Some investors are looking to increasingly spread their bets, with an uptick(?) the proportion looking to commit to between 4-9 funds, up to 12% in Q3 2021. from 9% a year ago.
- 22 North American private debt funds secured \$27bn in Q3, entrenching its dominance of the asset class.
- Direct lending remains the preferred strategy with 70% of funds focusing on this strategy. Distressed debt raised just 12% of the total at £5bn.

About Preqin

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