

# PRIVATE DEBT SPOTLIGHT

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## SOVEREIGN WEALTH FUNDS INVESTING IN PRIVATE DEBT



**67%**

of sovereign wealth funds with \$250bn or more in total assets are active investors in private debt.

[Find out more on page 2](#)

## PRIVATE DEBT OUTLOOK: A FUND OF FUNDS' PERSPECTIVE

**“** *We believe that short-duration strategies with loan tenors of 180 days to three years offer the best value*

This month, we feature exclusive commentary from Patrick Stutz, of Bayshore Capital, on the range of private debt opportunities available for investors at present, and which stand out.

[Find out more on page 6](#)



## RECENTLY RELEASED: 2017 PREQIN SOVEREIGN WEALTH FUND REVIEW

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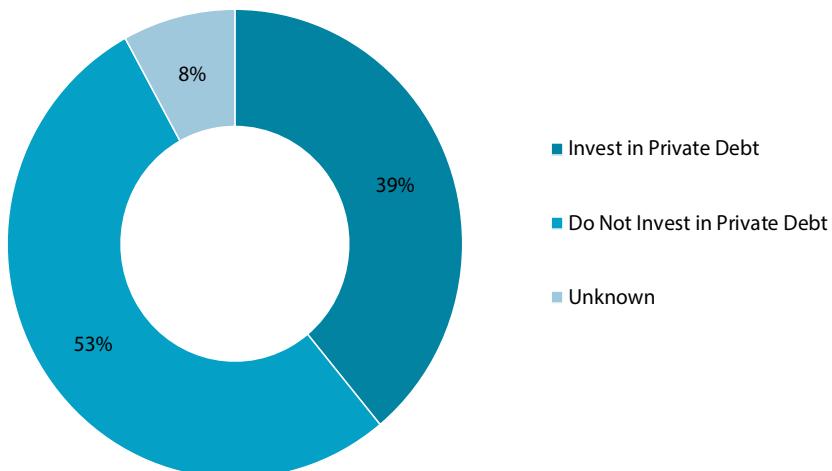
# SOVEREIGN WEALTH FUNDS INVESTING IN PRIVATE DEBT

In an exclusive extract from the recently released 2017 Preqin Sovereign Wealth Fund Review, we present an overview of sovereign wealth funds investing in private debt, including assets under management, strategy preferences and regional preferences.

The 2008 GFC triggered the rise of the private debt market. With the introduction of stricter regulations and capital requirements, both in the US and Europe, banks had to reduce lending as they were forced to repair their balance sheets. In the meantime, mid-market companies sought new sources of capital to finance their businesses. Institutional investors were able to step into the gap, attracted by various advantages of private debt investments; returns on private debt had outperformed traditional fixed income and equity investments, and the asset class provided portfolio diversification merit. Capital raised for private debt funds closed in 2016 totalled \$94bn; although slightly below the total capital raised in 2015 (\$98bn), fundraising had nearly quadrupled from \$25bn in 2009.

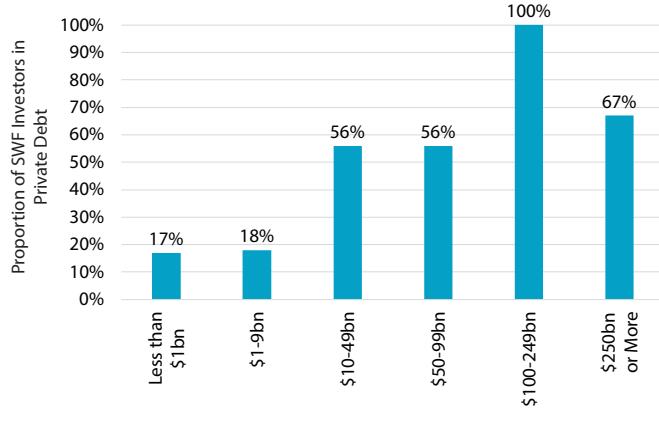
Investor sentiment continues to be the main driver of strong fundraising, demonstrated by the five-percentage-point increase in the number of sovereign wealth funds investing in private debt since the publication of the 2016 Preqin Sovereign Wealth Fund Review: 39% of sovereign wealth funds are now known to invest in the asset class (Fig. 1). Correspondingly, the proportion of

Fig. 1: Sovereign Wealth Funds Investing in Private Debt



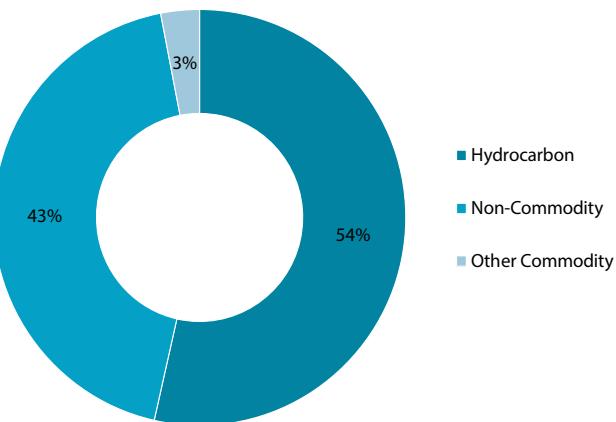
Source: 2017 Preqin Sovereign Wealth Fund Review

Fig. 2: Sovereign Wealth Funds Investing in Private Debt by Total Assets under Management



Total Assets under Management  
Source: 2017 Preqin Sovereign Wealth Fund Review

Fig. 3: Sovereign Wealth Funds Investing in Private Debt by Source of Capital



Source: 2017 Preqin Sovereign Wealth Fund Review

debt. Sixty-seven percent of sovereign wealth funds with \$250bn or more in total assets are active investors in private debt. One such example is China Investment Corporation (CIC). CIC targets various private debt strategies including, but not limited to, direct lending, mezzanine and distressed debt vehicles. The Chinese institution is active in both domestic and overseas markets.

#### SOURCE OF CAPITAL

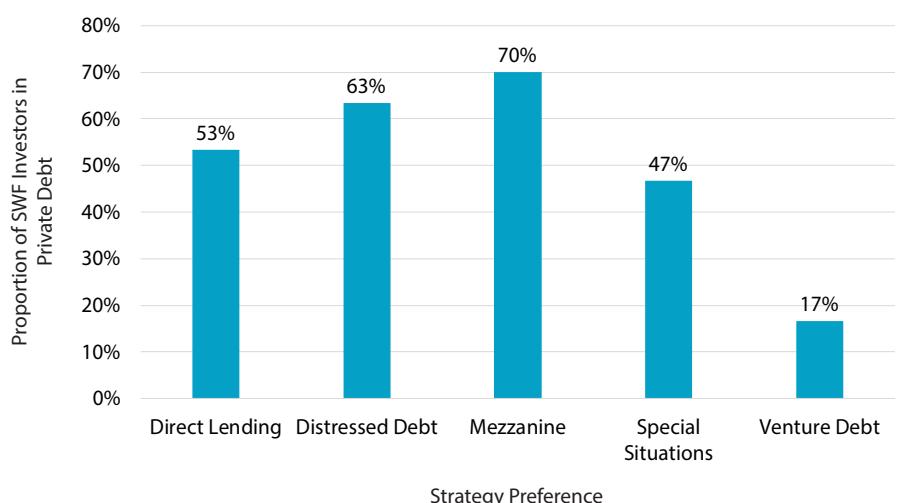
As shown in Fig. 3, 54% of sovereign wealth funds investing in private debt are funded by hydrocarbon sources, with an additional 3% of institutions funded by other commodity sources. Wyoming State Treasurer's Office is one such private debt investor that is capitalized by taxes on mineral mining and revenues from state lands. Forty-three percent of sovereign wealth funds are non-commodity funded, generating revenues from other sources, such as transfers from foreign exchange reserves or high levels of savings. China's State Administration of Foreign Exchange, for example, is tasked with managing the country's foreign exchange and gold reserves.

#### STRATEGY PREFERENCES

Mezzanine funds are a well-established part of the alternative assets sector, having been pillars of the private credit market for decades; they are currently favoured by 70% of sovereign wealth funds active in private debt (Fig. 4).

Distressed debt strategies are the second most preferred strategy among sovereign

**Fig. 4: Strategy Preferences of Sovereign Wealth Funds Investing in Private Debt**

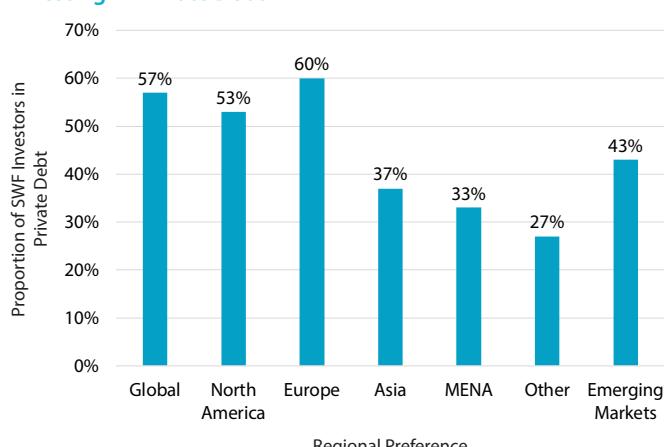


Source: 2017 Preqin Sovereign Wealth Fund Review

wealth funds, favoured by 63% of the investor pool. Direct lending strategies are preferred by 53% of sovereign wealth funds, indicative of how investors as unique as sovereign wealth funds may seek strategies with higher overall return potential, such as distressed debt and mezzanine financing in comparison with direct lending. There has been a substantial increase in appetite for special situations vehicles, with 47% of sovereign wealth funds active in private debt now targeting the strategy, compared to 35% in 2016.

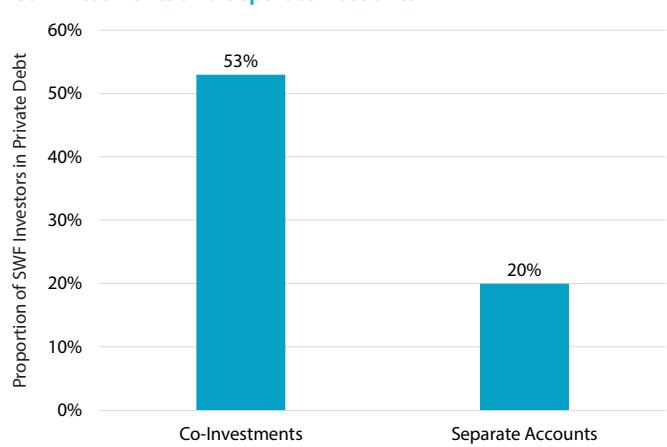
Libyan Investment Authority is one such investor in private debt that allocates to the asset class as part of its private equity portfolio. The fund targets distressed debt and mezzanine funds in Europe, North America and MENA.

**Fig. 5: Regional Preferences of Sovereign Wealth Funds Investing in Private Debt**



Source: 2017 Preqin Sovereign Wealth Fund Review

**Fig. 6: Sovereign Wealth Funds Investing in Private Debt Co-Investments and Separate Accounts**



Source: 2017 Preqin Sovereign Wealth Fund Review

recipients of capital. Of those investing in private debt, 37% have a preference for Asia, whereas 33% target the MENA region and 43% emerging markets. Regions with relatively less mature private debt regulatory and legal infrastructure may not host as many suitable private lending opportunities as the more developed North American and European markets.

#### CO-INVESTMENTS AND SEPARATE ACCOUNTS

More than half (53%) of sovereign wealth funds investing in private debt are interested in co-investing alongside fund

managers (Fig. 6), seeking opportunities to gain additional exposure to attractive assets. Among sovereign wealth funds active in private debt, 20% are interested in separate account investments. Alaska Permanent Fund Corporation is one example that is open to both co-investments and separate accounts.

#### OUTLOOK

Private debt remains an attractive asset class for sovereign wealth funds due to its potential for stable risk-adjusted returns and portfolio diversification benefit. The five-percentage-point increase in the

proportion of sovereign wealth funds investing in private debt over the past year reflects the increase in positive investor sentiment towards the asset class. Private debt, amid a low interest rate environment, has become a distinct, standalone asset class rapidly evolving into a mainstream investment option for institutional investors.

#### 2017 PREQIN SOVEREIGN WEALTH FUND REVIEW

The 2017 Prequin Sovereign Wealth Fund Review, now in its 9th year, is the indispensable and most comprehensive guide on sovereign wealth funds and their investment activity, featuring detailed profiles for 76 global sovereign wealth funds.

This year's Review contains information on the following areas:

- Equities
- Fixed Income
- Private Equity
- Private Debt
- Real Estate
- Infrastructure
- Natural Resources
- Hedge Funds



Produced in association with PwC, this year's edition has been fully updated, with more content than ever before. The Review contains exclusive information gained via direct contact with sovereign wealth funds and their advisors, plus valuable intelligence from filings, financial statements and hundreds of other data sources.

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- Where are private debt allocations being made?
- Manager selection: What makes a good fund manager?
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\*Free to attend for institutional investors and LPs

# PRIVATE DEBT OUTLOOK: A FUND OF FUNDS' PERSPECTIVE

- Patrick Stutz, Bayshore Capital



This month, we feature exclusive commentary from Patrick Stutz, of Bayshore Capital, on the private debt landscape, which strategies stand out, emerging markets and what opportunities are available for private debt investors, plus much more.

## How do you break out of the private debt landscape in terms of different strategies? It seems to be a fairly heterogeneous space.

We break up private debt into six sub-strategies:

- 1) **Direct leveraged lending:** primarily middle-market corporate lending based on a cash flow multiple, often to support private equity leveraged buyouts;
- 2) **Asset-based lending:** loans backed by hard or financial assets issued on a loan-to-value basis;
- 3) **Specialty finance:** balance sheet lending to a third-party loan originator (a specialty finance company), often structured using advance rates with subordinated equity capital;
- 4) **Trade finance:** generally short-term loans issued to facilitate global trade transactions;
- 5) **Marketplace lending:** typically consumer or small business peer-to-peer lending;
- 6) **Risk transfer:** secondary loan purchases (performing or non-performing) and other capital relief transactions. We also see hybrids of several sub-strategies, so it is not always clear cut.

## What sub-strategy do you like most at this stage?

We like specialty finance. The US consumer and small business credit market is extremely large, and competition is limited. Specialty finance is a secure way of supplying this market. We are always amazed how bifurcated US credit is – a few pristine borrowers receive funding essentially for free, but the drop-off is fast and steep. The fact that many small businesses in the US pay interest rates similar to those in emerging markets is astounding. From what we see, the loan structuring is generally conservative and should withstand stress. Specialty finance

loan books are also highly diversified with little idiosyncratic risk. Finally, there is a good list of extremely experienced and battle-tested managers in the space.

## How do you position private debt vs. other more liquid credit investments?

Generalizations are difficult to make because each investor has different liquidity needs and return targets. However, the structure of today's liquid credit market is important to understand. With so much current regulation, banks are no longer the primary dealers in these markets. They can only provide liquidity to the largest high-yield (HY) bonds and loans. ETFs and mutual funds have instead become the primary sources of liquidity. We are concerned that a sudden flood of daily redemptions could force HY ETFs and mutual funds to sell their most liquid bonds.

A systemic mark-to-market drawdown risk exists with today's liquidity mismatch. There is also a reasonable chance that the credit cycle will turn within the next two years. HY and bank loans both lost about 30% during the last crisis, and BDCs almost doubled that. I would not be surprised if we see larger drawdowns in the future. I am fairly certain private credit will come out of the next crisis as a winner, in the same way that hedge funds emerged as winners from the TMT-crash in the early 2000s. Outside of the most competitive parts of private debt like US mid-market lending, underlying loans are structured with a decent margin of safety; realized losses should be minor.

## How should investors think about the liquidity premium within the range of private debt opportunities?

We think the best value can be found in shorter-duration lending strategies,

typically specialty finance and asset-based lending, but also in direct leveraged lending outside of the core US/EU markets. If they expect loans to be outstanding for only a short period of time, borrowers are less sensitive to higher interest rates. Interestingly, we see that large institutions often allocate to private debt from their illiquid portfolios. Some have asked our managers to create long-life funds (7-10 years) so they can avoid additional investment approvals and the need to recycle capital. This approach makes no sense to us because we like to control each step of the reinvestment decision. With the exception of the very short loans in trade finance, an illiquidity premium does not substantially rise with a longer tenor/fund life. We believe that short-duration strategies with loan tenors of 180 days to three years offer the best value, and that is why we launched a fund targeting this opportunity set.

## What do you think about private debt investment opportunities in Europe?

We are invested in UK asset-based lending and global commodity trade finance through two London-based managers. We have evaluated many European private debt strategies but have yet to find a broader European opportunity that matches the risk/return profile of our other current private debt investments. At a macro level, we believe there are at least two things that make Europe less attractive. Firstly, the ability to enforce creditor rights quickly and with certainty is largely untested. Secondly, EU private debt funds have successfully raised a very large amount of capital that needs to be deployed in the next 12 to 18 months. A large part of this capital will be invested in private equity sponsored transactions – an area where valuations seem increasingly stretched. In general, we have no bias

against Europe but think it is even more crucial there to focus on specific niche opportunities like the real estate bridge strategy.

**Let's talk about emerging markets (EM). Many investors are hesitant to invest away from the core markets.**

Any investment in EM should deliver a return premium and diversification benefits. Apples-to-apples comparisons are difficult, but we believe private debt investors can get a 4-6% premium in EM vs. US/Europe for a similar risk. We made our first EM investment in 2014 and now have exposure to Asia-Pacific and Latin America. As soon as you leave the core US and European markets, the structural supply/demand balance for credit tips even more towards the lender. EM private lenders can be extremely picky and require tighter collateral packages and covenants with very little competition.

There are also idiosyncratic reasons that make EM attractive, depending on the region. In Australia and Korea, regulators are extremely cautious, keeping banks on a very tight leash and opening the door for alternative lenders. In Eastern Europe, private equity sponsors and leverage providers are supplying much-needed capital to the first generation of post-communism entrepreneurs looking to exit businesses and retire. In China, on/offshore capital controls are creating interesting bridging opportunities. In Brazil, the concentrated banking sector has not recovered from the crisis and cannot provide funding for SMEs. We also think Brazil offers one of the most attractive NPL opportunities globally. As always, manager selection with EM private debt is paramount, and investors have to decide if they can incur any headline risk. From our investment perspective, EM allocations make good sense.

**How would you suggest investors construct their global private debt exposure?**

We believe that any investor looking to build a long-term allocation to private debt should dedicate part of a portfolio to opportunities outside of the core US and EU markets. A good rule of thumb would be to allocate 60% to the US, 20% to

Europe, and 20% to the rest of the world, spread among the regions discussed above. The main benefits are a substantial yield pickup and diversification away from the key risk factor for most private debt investors – US corporate cash flows. Global exposure can also ensure that a portfolio is exposed to different parts in the credit cycle. Eastern Europe and Latin America are less likely to be in trouble again soon because they are just now exiting multi-year slumps and valuations as well as leverages are low.

**You recently launched an open-ended fund to provide investors with diversified exposure to global niche private debt strategies. How did you make this fund appealing to investors?**

Yes, we launched our Global Alternative Income Fund (GAIF) as an Irish ICAV for non-US investors which face a variety of tax issues with US-based private debt investments. As I mentioned before, we have uncovered some compelling worldwide opportunities, and we prefer shorter-duration strategies. GAIF targets a net return of 10% without the use of material leverage on any level. The key feature of the fund is its moderate illiquidity. Unlike traditional drawdown structures which require investors to lock up capital for 7+ years, GAIF investors can commit capital for only two years and receive all principal and interest by the end of the third year of investment. In the GAIF portfolio, we have included managers that typically issue loans with a maximum duration of 36 months (the average is actually closer to 18 months).

For example, all of the trade finance loans in our fund are less than 180 days. We also add real value in other ways. For two managers, we provided seed capital and secured capacity at very attractive fees and performance terms, which we pass along to investors. The fund's founders' share-class investors basically receive our research, pre- and post-investment and operational due diligence, and portfolio management for "free". Future LPs in the fund gain access to a diversified portfolio of niche strategies without incurring all the initial and ongoing costs which are critical when selecting private debt investments.

**Implementation of Dodd-Frank since the financial crisis has been recognized as a catalyst for growth of the private debt market. President Trump talks about removing bank regulation and repealing the Dodd-Frank Act. What outcome do you expect, and how will any changes impact the investment opportunity in private debt?**

Both Dodd-Frank and Basel III definitely helped create opportunities in the private debt market. While banking reform is a hot topic in Washington, most of our private debt investments should not be materially impacted in the short to medium term. Even if these regulations (or their interpretation) are somewhat relaxed, it will take years for banks to re-enter certain markets in the US. Large banks move slowly, and the talent now running these strategies (i.e. the managers we prefer) enjoys better personal economics in the private sector.

Bank consolidation, a multi-decade trend in the US already underway before Dodd-Frank, was another driver for private debt. In 1985, there were more than 14,000 banks in the US, but that number declined to roughly 7,000 by 2005. At the end of 2016, there were just over 5,000 banks in the US. Specifically, consolidation has reduced the number of large banks that used to lend to smaller and more complicated borrowers. It is simply no longer profitable for them. For example, underwriting a \$5mn loan takes as much work as a \$40mn loan, but it brings in far less revenue. Large banks will continue to provide historically cheap financing for their larger customers because they can take less perceived risk and earn higher fee revenue.

For GAIF, we are primarily focused on investments outside of the US. Basel III, which has more of an impact on our current strategies than Dodd-Frank, is far less likely to be repealed. Also, bank regulation is less a critical component of our private debt investment thesis in South America and Asia-Pacific. Borrowers there are inclined to pay higher short-term interest rates to avoid public scrutiny, and they do not want to sacrifice equity, which is more costly in the long term.

**Is private debt a short-lived phenomenon due to low interest rates, or do you think these developments are structural?**

We are naturally sceptical when a new asset class receives such an increase in attention in a short time period, but the drivers are structural and unlikely to go away. While a rise in interest rates would make liquid credit alternatives more competitive, it seems that the key drivers of private debt growth are here to stay.

On the demand side, large institutional investors are implementing long-term plans to build their private debt allocations. On the supply side, we think that the trend of bank disintermediation might slow somewhat but will not be reversed. Bank regulation, technological

progress, and big data should continue to support the growth of alternative private lenders. We are in a long-term virtuous circle for the asset class.

**What is Bayshore Capital's history in private debt, and what is your edge?**

Bayshore made its first private debt investment following the financial crisis. In April 2009, we assembled an experienced property appraisal team to purchase Florida tax liens. We liked the risk/return profile. We subsequently made a seed investment with Colchis Capital which has since become one of the largest marketplace lending funds in the world.

These early, successful investments in niche strategies outside of plain vanilla middle-market lending have shaped our

focus. In total, we have allocated to 15 funds across the universe of private debt. We generally prefer strategies with limited capacity that do not attract the largest institutional capital. Our edge is the length of time and dedicated research effort we have in the asset class. By evaluating hundreds of strategies, we are now in a good position to understand where the real value exists in such a heterogeneous, global space. And of course, there is no substitute for actually deploying capital to appreciate some of the challenges with private debt investing, something we have now done for almost a decade.

**BAYSHORE CAPITAL**

Bayshore Capital Advisors is a private, research driven investment advisory firm backed by a single family office. We invest family assets alongside client capital and emphasize capital preservation through strong downside protection. We specialize in alternatives and made our first private debt investment in 2009. To date, we have sourced and diligenced over 250 strategies across the globe, and are currently allocated to 15 funds. Bayshore's diversified approach is a good fit for high net worth individuals, tax advantaged US entities, and offshore investors.

[www.bayshorecap.com](http://www.bayshorecap.com)

# SHOWCASE: PRIVATE DEBT DEALS

*We take a closer look at how different types of alternative asset investors, managers and service providers can gain valuable insight from the private debt deals addition to **Private Debt Online**.*

## PRIVATE DEBT DEALS

New to **Private Debt Online**, subscribers can now see a high level of detail and thousands of data points on private debt transactions across the globe. Preqin's dedicated research teams communicate directly with dealmakers across the alternatives spectrum to cover the entire capital stack from senior debt through to mezzanine financing. With powerful search options, **Private Debt Online** users can now access a multitude of both sponsored and non-sponsored transactions in the ASSET CLASS, the players involved and their past activity.



## PRIVATE DEBT MANAGERS

Dealmakers across the risk spectrum can access vital historical data as well as recent transactional details in the private debt and private equity space using **Private Debt Online**. For industry benchmarking, peer analysis, new partnerships and more, private debt deals provide robust insight into both the sponsored and non-sponsored deals environments, who is participating and where. From senior lending down the capital stack, data is the most powerful tool in decision making.



## PRIVATE EQUITY MANAGERS

The addition of private debt deals to the Preqin online suite further connects the buyout deals space and the financing partners that help drive the market forward. Private equity managers now have access to a wide range of private debt firms, past deals, dry powder, fundraising data, investors and more.



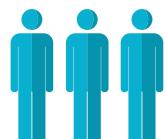
## INSTITUTIONAL INVESTORS

Investors need to be well informed on the underlying transactions their private debt funds, or the managers they are evaluating, are making or have made in the past. **Private Debt Online** can now help LPs access powerful deal searches and firm track records which can help put allocation decisions into perspective.



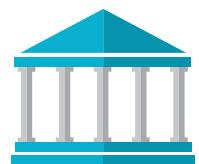
## SERVICE PROVIDERS

Consultants, law firms, administrators and other service providers in the alternatives industry now have insight into the alternative financing landscape and how both the sponsored and non-sponsored deals are being made. Seeing track records through historical deals offers an unparalleled level of insight across the industry.



## BANKS

Banks can use **Private Debt Online** to see the types of deals alternative lenders are participating in, where they are lending and the details of the transactions. The very active middle market is now the territory of alternative lenders, but it was at one point owned almost exclusively by bank lending.



ALTERNATIVES COVERAGE	FIRMS	FUNDS	FUNDS OPEN TO INVESTMENT	INVESTORS MONITORED	FUNDS WITH PERFORMANCE	DEALS & EXITS
	<b>26,814</b>	<b>48,519</b>	<b>18,793</b>	<b>14,280</b>	<b>25,057</b>	<b>275,463</b>

	PRIVATE EQUITY*	HEDGE FUNDS	REAL ESTATE	INFRASTRUCTURE	PRIVATE DEBT	NATURAL RESOURCES
INVESTOR COVERAGE	<b>6,500</b> Active Private Equity LPs	<b>5,158</b> Active Hedge Fund Investors	<b>5,668</b> Active Real Estate LPs	<b>3,017</b> Active Infrastructure LPs	<b>2,616</b> Active Private Debt Investors	<b>2,655</b> Active Natural Resources Investors
FUND COVERAGE	<b>16,923</b> Private Equity Funds	<b>23,896</b> Hedge Funds	<b>6,387</b> PE Real Estate Funds	<b>1,133</b> Infrastructure Funds	<b>2,273</b> Private Debt Funds	<b>1,634</b> Natural Resources Funds
FIRM COVERAGE	<b>11,239</b> Private Equity Firms	<b>8,894</b> Hedge Fund Firms	<b>3,786</b> PE Real Estate Firms	<b>507</b> Infrastructure Firms	<b>1,459</b> Private Debt Firms	<b>929</b> Natural Resources Firms
PERFORMANCE COVERAGE	<b>5,803</b> Private Equity Funds	<b>16,094</b> Hedge Funds	<b>1,653</b> PE Real Estate Funds	<b>228</b> Infrastructure Funds	<b>798</b> Private Debt Funds	<b>481</b> Natural Resources Funds
FUNDRAISING COVERAGE	<b>1,924</b> Private Equity Funds	<b>15,723</b> Hedge Funds	<b>1,086</b> PE Real Estate Funds	<b>290</b> Infrastructure Funds	<b>295</b> Private Debt Funds	<b>378</b> Natural Resources Funds

DEALS & EXITS COVERAGE	BUYOUT	VENTURE CAPITAL	REAL ESTATE	INFRASTRUCTURE
	<b>79,753</b> Buyout Deals** and Exits	<b>133,190</b> Venture Capital Deals*** and Exits	<b>35,474</b> Real Estate Deals	<b>27,046</b> Infrastructure Deals

Alternatives Investment Consultants Coverage:	Funds Terms Coverage: Analysis Based on Data for Around	Best Contacts: Carefully Selected from our Database of over
<b>555</b> Consultants Tracked	<b>16,050</b> Funds	<b>392,367</b> Contacts



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\*Private equity includes buyout, growth, venture capital, turnaround, private equity fund of funds, private equity secondaries, direct secondaries, balanced, hybrid, hybrid fund of funds, PIPE, co-investment and co-investment multi-manager funds.

\*\*Buyout deals: Preqin tracks private equity-backed buyout deals globally, including LBOs, growth capital, public-to-private deals, and recapitalizations. Our coverage does not include private debt and mezzanine deals.

\*\*\*Venture capital deals: Preqin tracks cash-for-equity investments by professional venture capital firms in companies globally across all venture capital stages, from seed to expansion phase. The deals figures provided by Preqin are based on announced venture capital rounds when the capital is committed to a company.

As at 3rd May 2017



# INDUSTRY NEWS

In this month's industry news, we take a look at recently closed funds, private debt deals in North America and funds in market. Plus, we examine global private debt deal activity since 2012.

## RECENTLY CLOSED FUNDS

Eleven private debt vehicles have closed since the beginning of April 2017, raising over \$8.9bn in aggregate capital. The largest of these is [Cerberus Institutional Partners VI](#), a distressed debt fund managed by [Cerberus Capital Management](#). The fund surpassed its target size of \$3.5bn, reaching a final close on \$4.0bn, which included a \$200mn COMMITMENT from [Pennsylvania Public School Employees' Retirement System](#). It invests in undervalued and distressed companies around the globe.

Of the 11 funds closed so far this quarter, five are mezzanine funds, five are direct lending funds and Cerberus Institutional Partners VI is the only distressed debt vehicle. Ten of these funds are primarily North America focused, with the remaining fund targeting European investments.

## PRIVATE DEBT DEALS IN NORTH AMERICA AND EUROPE

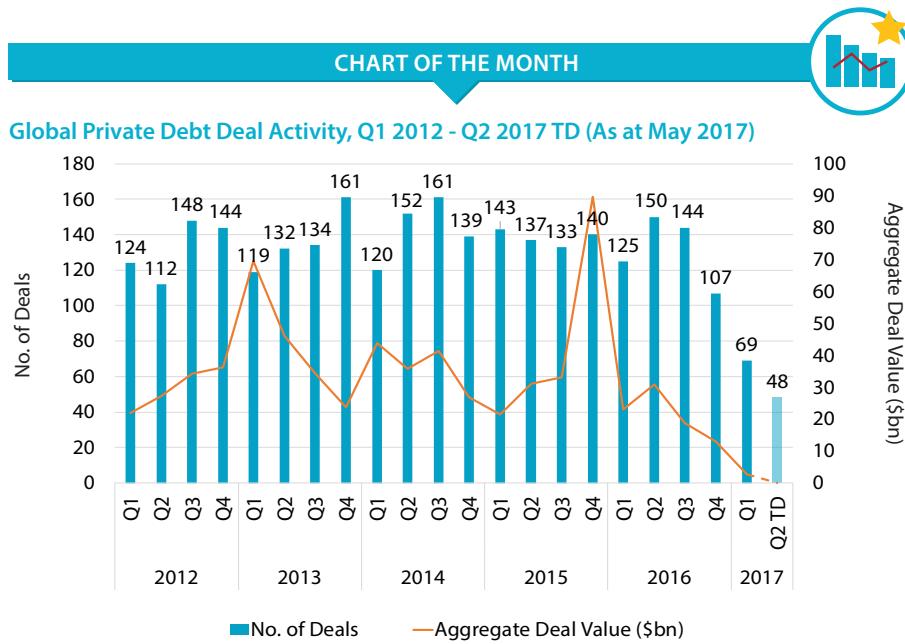
As at May 2017, 48 private debt deals have been completed in Q2 2017; these portfolio companies are all headquartered in either North America (78%) or Europe (22%). In a recent deal, [Elysian Capital](#) acquired UK-based marketing and digital media firm [Brand Additon Ltd.](#) from [HIG Whitehorse](#) for \$78mn, with debt financing provided by [Beechbrook Capital](#) and [HSBC Bank](#).

## FUNDS IN MARKET

There are currently 299 private debt funds in market targeting an aggregate \$121bn in capital. Direct lending funds represent the largest proportion of both the number of funds raising (45%) and capital targeted (43%). Of the 10 largest private debt funds on the road, five are direct lending vehicles.

The largest direct lending fund currently raising capital is [HPS Investment Partners' HPS Specialty Loan Fund IV](#), which targets

## CHART OF THE MONTH



Source: Preqin Private Debt Online

June's Chart of the Month features data from the recently launched Private Debt Deals enhancement to Preqin's [Private Debt Online](#). While 2016 saw a significant decline in deal value from the peak of \$90bn in Q4 2015, the total number of deals stayed relatively high. More deals were completed in Q2 and Q3 2016, individually, than in any quarter the previous year. Currently, aggregate deal value for 2016 is trailing 2015 by roughly 51% (\$89bn), but as deal values tend to have a reporting lag of one to two quarters, aggregate deal value for H2 2016 is likely to continue to grow.

\$3.5bn in capital and is North America focused.

However, the three largest private debt funds are distressed debt funds and together they seek an aggregate \$14bn in capital. The largest of these funds is [GSO Capital Partners' North America-focused GSO Capital Solutions Fund III](#), which is targeting \$6.5bn. The other two funds are [Apollo Global Management's Europe-focused Apollo European Principal Finance Fund III](#) and [Centerbridge Capital Partners' North America-focused Centerbridge Special Credit Partners III-Flex](#); each is seeking \$3.5bn in capital.

## ASIA & REST OF WORLD

Preqin's [Private Debt Online](#) tracks 67 investors located outside Europe and North America that also have a preference for

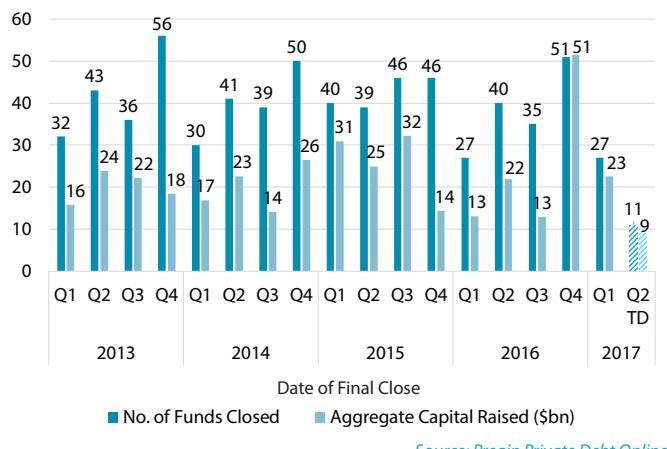
funds targeting the Asia & Rest of World region. Of these, the largest proportion (18%) are based in Japan, followed by 16% in Israel, 13% in Australia and 12% in India. The majority of these investors will likely look to invest in their domestic markets; [HDFC Life](#), an insurance company in India, is considering investing further in the private debt market over the coming year, but will only do so domestically.

With 61 funds on the road (20% of all funds in market) specifically targeting investment in Asia & Rest of World, opportunity for both investors and fund managers is certainly available. By utilizing tools such as Preqin's Fund Searches and Mandates, both parties can support the process of raising and allocating capital across diverse private debt markets.

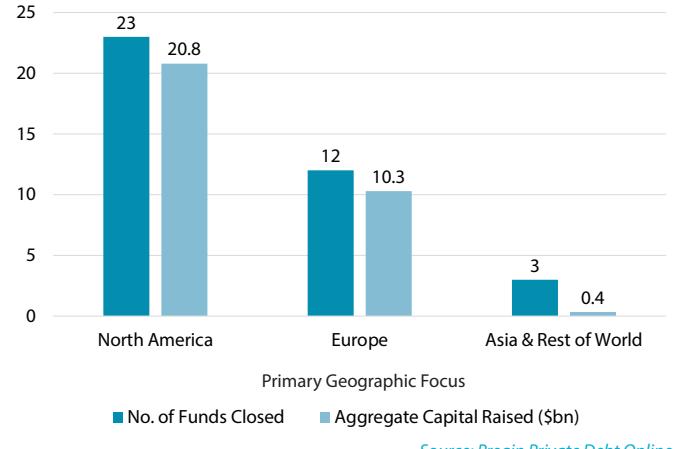
# PRIVATE DEBT FUNDRAISING

We analyze global private debt fundraising by primary geographic focus and fund type, and also look at the make-up of private debt funds currently in market.

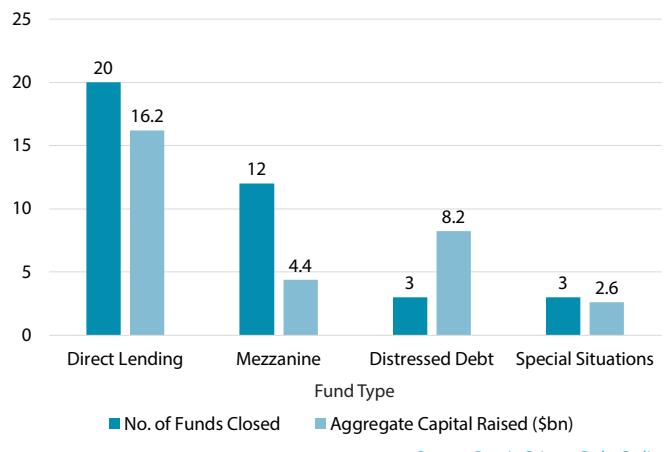
**Fig. 1: Global Quarterly Private Debt Fundraising, Q1 2013 - Q2 2017 TD (As at May 2017)**



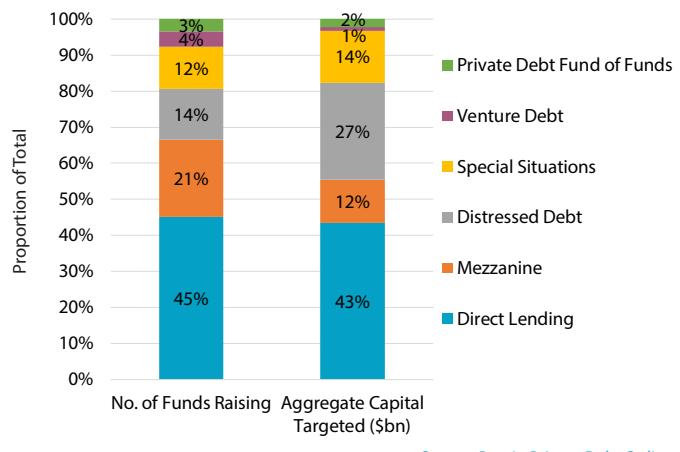
**Fig. 2: Private Debt Fundraising in 2017 YTD by Primary Geographic Focus (As at May 2017)**



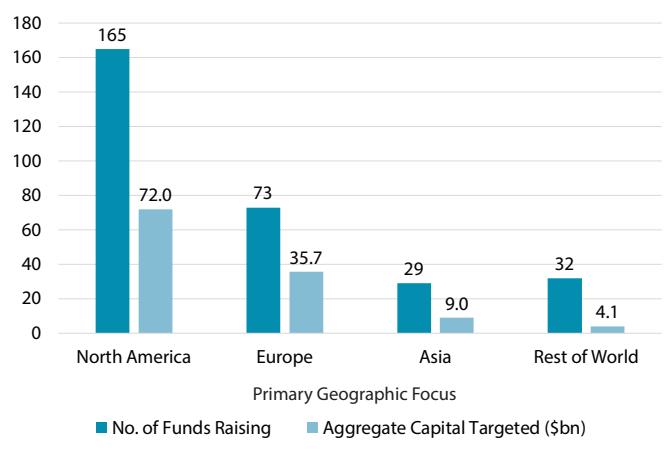
**Fig. 3: Private Debt Fundraising in 2017 YTD by Fund Type (As at May 2017)**



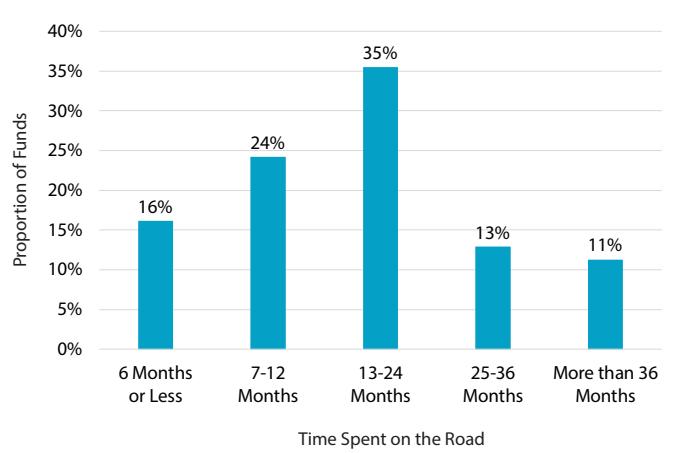
**Fig. 4: Private Debt Funds in Market by Fund Type (As at May 2017)**



**Fig. 5: Private Debt Funds in Market by Primary Geographic Focus (As at May 2017)**



**Fig. 6: Time Spent on the Road by Private Debt Funds in Market (As at May 2017)**





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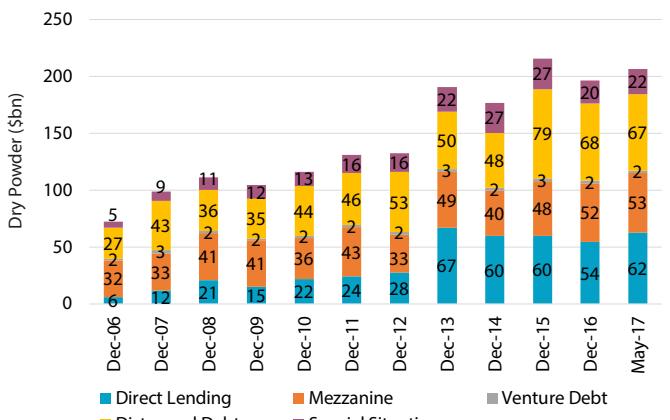
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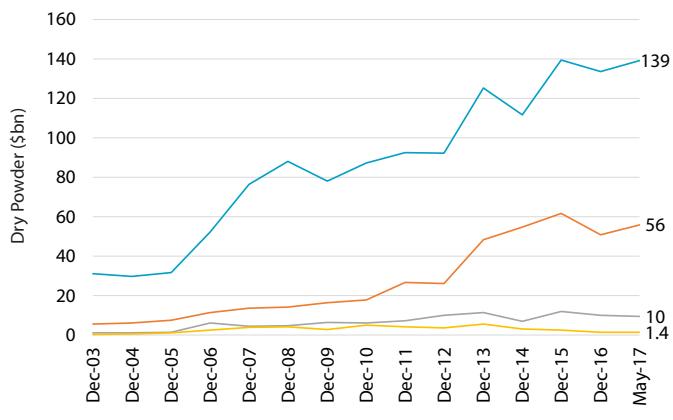
# PRIVATE DEBT DRY POWDER

We provide the latest dry powder figures for the private debt industry, including a league table of the top 10 fund managers.

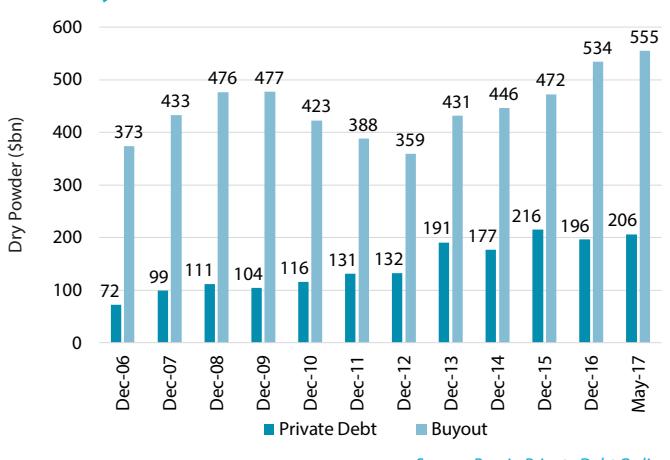
**Fig. 1: Private Debt Dry Powder by Fund Type, 2006 - 2017 (As at May 2017)**



**Fig. 2: Private Debt Dry Powder by Primary Geographic Focus, 2003 - 2017 (As at May 2017)**



**Fig. 3: Dry Powder: Private Debt vs. Buyout, 2006 - 2017 (As at May 2017)**



**Fig. 4: Top 10 Private Debt Fund Managers by Estimated Dry Powder**

Fund Manager	Estimated Dry Powder (\$mn)
Oaktree Capital Management	13,853
GSO Capital Partners	13,358
Goldman Sachs Merchant Banking Division	8,166
HPS Investment Partners	6,681
Cerberus Capital Management	6,626
Hayfin Capital Management	5,671
Intermediate Capital Group	5,556
Ares Management	5,548
Fortress Investment Group	4,908
Crescent Capital Group	3,775

Source: Preqin Private Debt Online

## PRIVATE DEBT ONLINE

Preqin's Private Debt Online is the leading source of data and intelligence on the growing private debt industry and covers all aspects of the asset class, including fund managers, fund performance, fundraising, institutional investors and more.

Contact us for more information:

✉: [info@preqin.com](mailto:info@preqin.com) | 🌐: [www.preqin.com/privatedebt](http://www.preqin.com/privatedebt)



## 3RD ANNUAL CHINA NPL INVESTMENT AND DISTRESSED CORPORATE RESTURCTURING FORUM

**DATE:** 22 - 23 June 2017

**INFORMATION:** <http://www.opplandcorp.com/CNCR2017/>

**LOCATION:** Shanghai

**ORGANIZER:** Total Finance

Total Finance Institute has successfully held two high-end forums in Beijing and Hong Kong, which has accumulated high-end circle of contacts in terms of influential NPL (altogether 150+ Banks, AMC, GPs, LPs) and distressed corporate restructuring. The Institute will host the CNCR 2017 in Shanghai on 22nd-23rd June.

## INSTITUTIONAL AND ALTERNATIVE LENDING CONFERENCE NEW YORK 2017

**DATE:** 27 - 28 June 2017

**INFORMATION:** [www.euromoneyseminars.com/ALTLENDNYC](http://www.euromoneyseminars.com/ALTLENDNYC)

**LOCATION:** New York

**ORGANIZER:** Euromoney Seminars

The conference is the leading event of its kind in the evolving private debt space. Bringing together institutional investors, fund managers, private equity sponsors, placement agents, advisors and service providers, the conference explores the increase in private debt investment and the rise of alternative lending to the mid-market.

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Preqin attends and speaks at many different alternative assets conferences throughout the year, covering topics from infrastructure fundraising trends to alternative UCITS.

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