

Europe-Focused Direct Lending Fundraising Exceeds North America in 2015

Vehicles targeting Europe raise \$19bn, while North America-focused funds raise \$17bn

In its first monthly update on the private debt industry, Preqin finds that fundraising for Europe-focused direct lending funds surpassed that of North America-focused funds for the first time in 2015. Europe-focused vehicles secured a total of \$19bn in investor commitments through the year, while funds targeting North America raised a combined \$17bn. This marks the fourth consecutive annual increase in aggregate capital raised for direct lending investments in Europe, and fundraising focused on the region has risen by 437% compared to the \$3.5bn raised by funds closed in 2012. North America-focused funds have also seen substantial increases in fundraising, with the aggregate capital raised for direct lending in the region rising by 144% from 2012-2015.

Europe looks set to continue to lead the direct lending fundraising market, with the three biggest funds currently seeking capital all focused on the region, targeting a combined \$7bn in investor commitments. Moreover, just under half (31) of all Europe-focused private debt funds in market focus on a direct lending strategy, and these funds are seeking 58% (\$19bn) of the aggregate target capital.

Other Key Private Debt Spotlight Facts:

- **Notable Fund Closures: Six Europe-focused direct lending funds closed in 2015 raised over \$1bn.** The two largest, Senior Debt Partners II run by Intermediate Capital Group and the European Loan Programme run by Ares Management, raised \$3.4bn and \$3.2bn respectively.
- **Investor Appetite:** Forty-six percent of investors surveyed for the Preqin H1 2016 Investor Outlook plan to commit more capital to private debt in 2016 than in 2015. Additionally, **64% of respondents intend to target specifically direct lending** over the course of 2016.
- **Regional Appetite:** While Europe and North America were both cited by 65% of private debt investors as targeted regions in June 2015, **in December 71% of investors said they were targeting Europe**, compared to 67% that were targeting North America.
- **Fundraising Success:** Europe-focused direct lending funds closed in 2013-2015 on average **exceeded their target sizes**. Funds closed in these years achieved 160%, 131% and 144% of their stated targets on average.
- **Slow Start to 2016:** Despite recent fundraising success, 2016 has seen few private debt funds close globally. **As of April, only three Europe-focused direct lending funds have closed**, as have five funds focused on North America.

To access further information and analysis, please see the report below:

<https://www.preqin.com/docs/newsletters/pd/Preqin-Private-Debt-Spotlight-May-2016.pdf>

Comment:

“Direct lending has grown in recent years to become a staple part of the global private debt market. Particularly in Europe, sustained annual growth in the capital raised by direct lending funds reflects the increasing favourability with which investors regard the asset class as a whole and the strategy in particular.

Regulatory tailwinds have aided in this as Basel’s implementation has required many traditional lenders in Europe to operate with added caution. With no regulatory relief in sight for traditional lenders, and allocators becoming increasingly sophisticated and familiar with the space, the outlook for direct lending looks promising.”

Ryan Flanders – Head of Private Debt Products, Preqin

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Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin's services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: www.preqin.com

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