

Private Debt Industry Keeps Up Its Momentum

Lots of room for growth in 2019, but the environment is becoming more challenging

The 2019 Preqin Global Private Debt Report finds that the asset class has matured considerably in recent years, reaching \$769bn in assets under management as of the end of June 2018. Furthermore, there is still considerable room for growth in the industry: just 25% of institutions currently allocate to private debt, and many of them remain below their target allocations. Record buyout deal activity and a potential market downturn could also create plentiful investment opportunities for private debt in the months ahead. But the environment is becoming increasingly challenging, particularly for first-time funds. Interest rate rises and competition for deals have compressed yields, and investor concern about the market cycle is leading them to prioritize larger managers with established track records.

For a summary of the key trends affecting alternative assets, view the *Alternatives in 2019* report here:

<https://www.preqin.com/insights/special-reports-and-factsheets/alternatives-in-2019/25537>

Members of the media can request a complimentary press copy of the 2019 Global Private Debt Report by emailing press@preqin.com.

Tom Carr, Head of Private Debt:

“Private debt funds are at a crossroads at the start of 2019: on the one hand, the asset class is racking up consecutive successes in fundraising, AUM growth and performance. On the other hand, the indications are the market will only get more unforgiving from hereon in: the industry faces unprecedented competition, and the high returns that have marked historical performance are increasingly difficult to achieve. The key questions for the asset class then are if it is able to diversify enough to remain attractive to investors, and if it can prove resilient as and when equity markets correct. If it can, we can’t expect the private debt train to stop anytime soon.”

Key Private Debt Trends:

- Private debt **assets under management reached \$769bn** as of June 2018 (the latest available data).
- 2018 marked the **fourth consecutive year in which funds raised more than \$100bn**, as 163 vehicles secured \$110bn from investors.
- **Only a quarter of institutional investors allocate to private debt**, and every investor type remains below its average target allocation.
- A third of investors (32%) intend to invest more in 2019 than in 2018, and **48% intend to increase their allocation in the longer term**. Just 16% and 5% respectively plan to decrease their allocations in those timeframes.
- There are 395 private debt funds in market at the start of 2019. At 2018’s fundraising pace, it would take 2.4 years for all these funds to reach a final close.
- **First-time funds in particular are facing challenges:** fundraising for debut vehicles fell to a six-year low in 2018, raising just \$6.8bn.

Preqin is the home of alternative assets, providing industry-leading intelligence on the market and cutting-edge tools to support participants at every stage of the investment cycle. More than 73,000 industry participants in over 90 countries rely on Preqin as their indispensable source of data, solutions and insights.

Preqin’s data and analysis is frequently presented at industry conferences, and is used in the global financial press and academic journals & white papers. We are always happy to support journalists by providing reports, custom data and one-on-one interviews.

For more information, contact our dedicated press team at press@preqin.com or call (+44) 20 3207 0265.

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