

Private Debt Investors Look to Asia in 2018

More than 900 institutions are seeking private debt opportunities in the region, although historical fundraising activity has been sporadic

The private debt fundraising market has historically been focused on opportunities in the developed financial markets of North America and Europe. But 2018 shows promising signs that the market in Asia may be showing incipient growth. More than 900 investors globally have a stated preference for Asia-focused private debt funds, and 30% of investors surveyed at the end of 2017 said they thought Asia represented the best opportunities in 2018. This is twice the proportion that cited the region just six months prior (13%). Sharply increasing investor appetite bodes well for the region, even though historical fundraising has struggled to gain momentum. Both the annual number of funds closed and the aggregate capital raised have varied widely in previous years, and the market has been dominated by a small number of larger funds. Looking ahead, though, investors are well served for prospective funds – as at June there are 31 Asia-focused funds in market, seeking a total of \$11bn from investors.

For more information and analysis, see the full [June 2018 Private Debt Spotlight](http://docs.preqin.com/newsletters/pd/Preqin-Private-Debt-Spotlight-June-2018.pdf) here:
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Key Asia Private Debt Facts:

- Appetite for private debt opportunities in Asia is significant: **927 institutions now state that they are seeking investments in the region**. Of these, just 12% are Asia-based investors, while 69% are in North America.
- At the end of 2017, **30% of investors said that they thought Asia presented the best opportunities** for private debt in 2018. This is significant, although it lags behind North America (44%) and Europe (59%).
- It is sharply up in recent months, though: in June 2017 just 13% of private debt investors cited Asia as presenting the best opportunities.
- Investors seeking Asia-focused funds are well-served. **There are 31 Asia-focused funds in market as at June, seeking a combined \$11.3bn from investors**.
- This is despite **historical fundraising trends in Asia being variable**. 2017 marked the second highest level of annual capital raised, at \$6.4bn, but was preceded by \$2.1bn raised in 2016 and \$6.2bn secured in 2015.
- Similarly, **annual fund closures have struggled to gain momentum**. A record 24 funds closed in 2015, but this was followed by 10 fund closures in 2016 and 14 in 2017.

Tom Carr, Head of Private Debt Products:

“Although the rapid expansion of the private debt industry is widely recognised, it is equally apparent that the bulk of the increase has been focused on established markets in North America and Europe. As such, appetite for debt investments in Asia has struggled to gain traction – although individual large funds focused on the region have been able to successfully raise capital, the sector as a whole has not developed much momentum.

However, the conditions are favourable for more attention to be paid to the region, and we may well see some consistent activity develop in the coming months. More than 900 institutions are now targeting investments in Asia, and almost a third of private debt investors think the region holds the best opportunities for 2018. This may be in part a reaction to the consensus that markets in North America and Europe are approaching a pricing peak, and given the long timeframes of private debt vehicles there may be an expectation that opportunities in Asia will multiply in coming years. For the time being, though, it remains a niche area of the industry, and fund managers raising Asia-focused vehicles must expect to face a long and challenging fundraising process.”

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