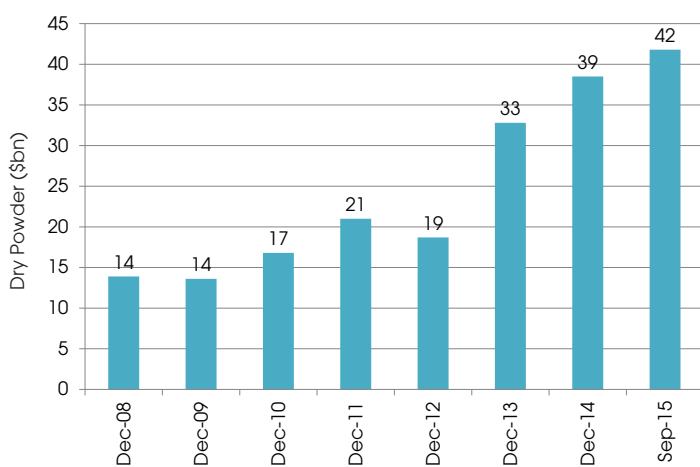


# Private Debt in Europe: Q4 2015

Dry powder held by Europe-based fund managers currently stands at a high of \$42bn, led by particularly strong direct lending fundraising since 2013. As banking regulation and quantitative easing in the Eurozone have just begun to come into effect, managers in the region are increasingly dedicating resources and efforts to access lending opportunities in the underserved middle-market segment. This trend is expected to continue, fuelled by capital from institutional investors seeking strong returns through senior-focused vehicles in the direct lending segment.

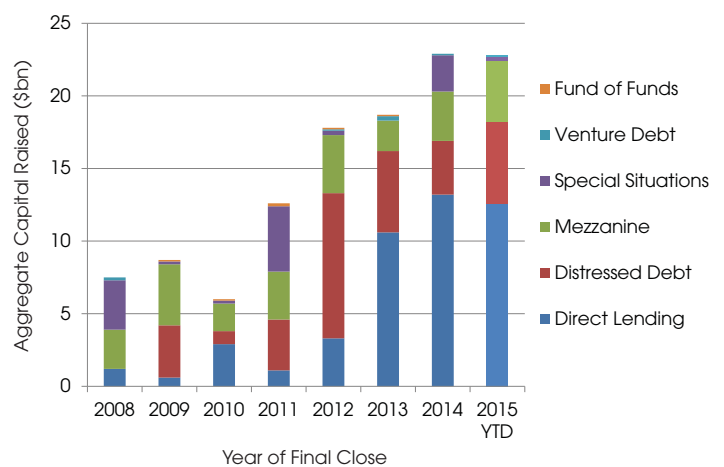
**Fig. 1:** Europe-Based Private Debt Fund Managers: Available Dry Powder, December 2008 - September 2015



Source: Preqin Private Debt Online

Fifty-five percent of Europe-based investors are allocating to the asset class from private equity allocations, a figure which has been driven down in recent years as investors are increasingly moving towards creating separate private debt allocations as has been the case in the US and has been slightly slower to take hold in Europe. Interestingly, distressed debt fundraising has already surpassed 2014 levels for Europe-focused funds, with \$5.6bn in commitments secured so far in 2015.

**Fig. 2:** Europe-Focused Private Debt Fundraising by Fund Type, 2008 - 2015 YTD (As at 25 September 2015)



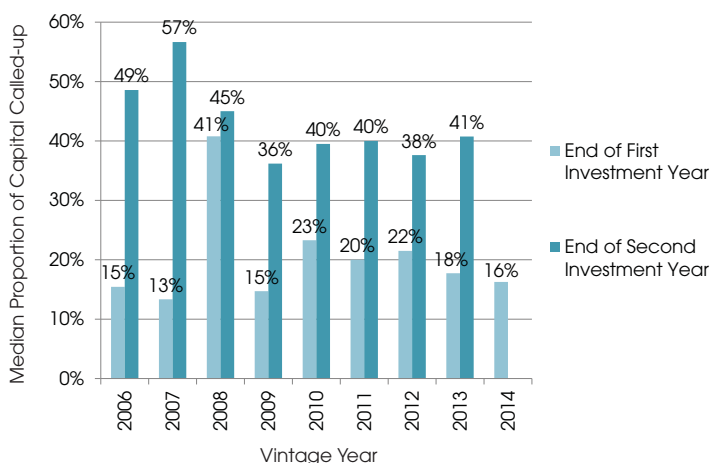
Source: Preqin Private Debt Online

**Fig. 3:** Five Largest Europe-Focused Private Debt Funds Currently in Market (As at 25 September 2015)

Fund	Firm	Fund Type	Target Size (\$mn)	Status
KKR Special Situations Fund II	KKR	Distressed Debt	2,500	Second Close
GSO European Senior Debt Fund	GSO Capital Partners	Direct Lending	2,500	Raising
Ares Capital Europe III	Ares Management	Direct Lending	2,214	First Close
LCM Credit Opportunities Fund III	LCM Partners	Distressed Debt	2,040	Second Close
Avenue Europe Special Situations Fund III	Avenue Capital Group	Distressed Debt	2,000	First Close

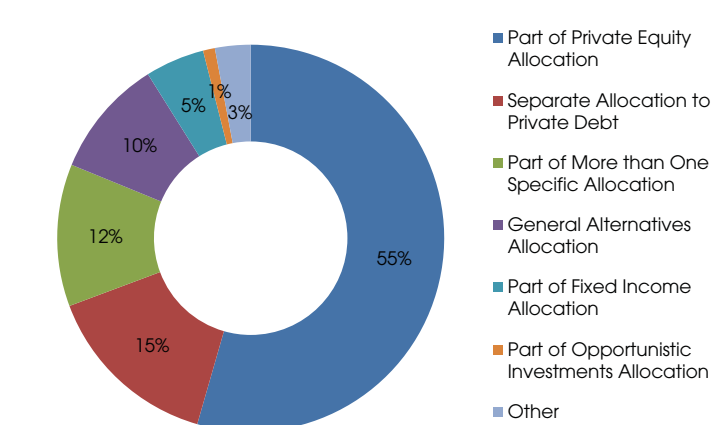
Source: Preqin Private Debt Online

**Fig. 4:** Median Proportion of Capital Called-up by the End of the First and Second Investment Years, Vintage 2006-2014 Funds



Source: Preqin Private Debt Online

**Fig. 5:** Breakdown of Europe-Based Institutional Investors in Private Debt by Source of Allocation



Source: Preqin Private Debt Online