

# CREDIT FUNDRAISING AT A GLANCE

First Half 2021

## H1 Trends

- ▶ **Fundraising.** Credit fundraising declined in H1, as financial distress did not materialize at the scale predicted, largely due to governmental intervention, and as signs of possible interest rate increases began to emerge.
- ▶ \$78.2bn was raised globally in H1, down 7% from \$84.3bn in H2 2020.
- ▶ Fewer funds (90) managed to reach a final close in H1 than in any other six month period in the past five years. This represents a 22% decrease from 116 funds closed in H2 2020.
- ▶ Direct lending funds represented 63% of aggregate capital and 49% of credit funds raised globally in H1. Investor interest in direct lending funds is expected to continue as government support programs come to an end and companies can be expected to seek private financing.
- ▶ While distressed debt funds gained in popularity during the height of the COVID-19 pandemic, investor appetite for this strategy has declined and now represents just 15% of aggregate capital raised globally in H1.

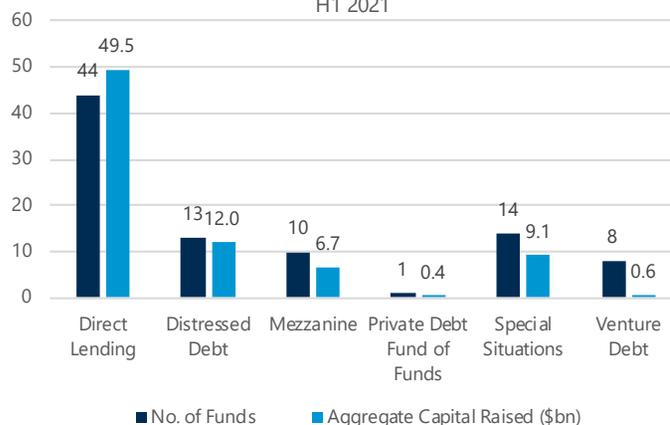
Global Biannual Credit Fundraising: H1 2016 - H1 2021



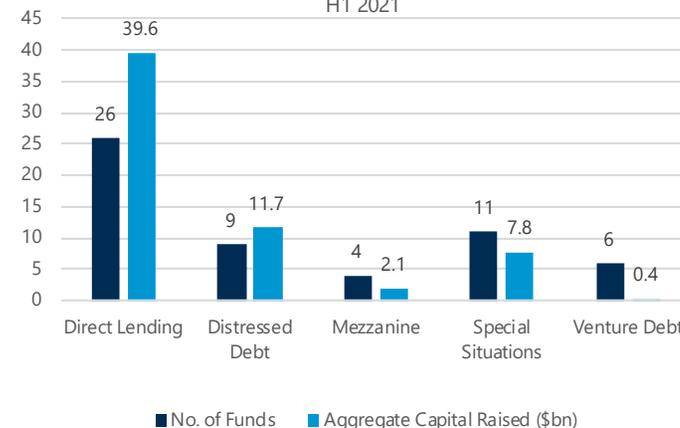
US-Based Biannual Credit Fundraising: H1 2016 - H1 2021



Global Credit Fundraising by Fund Type: H1 2021



US-Based Credit Fundraising by Fund Type: H1 2021



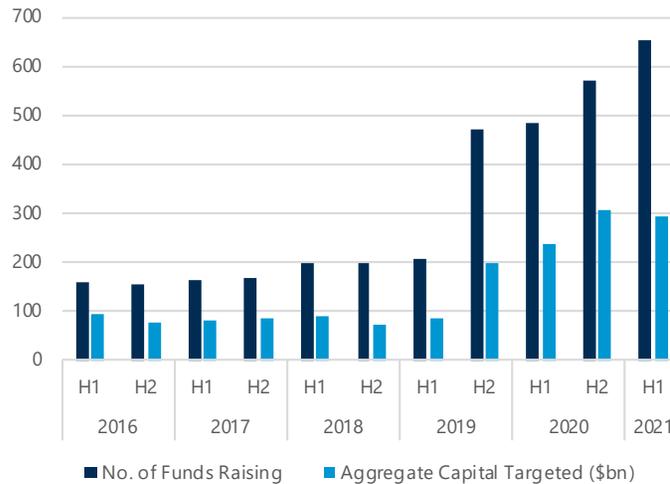
All charts were compiled by Prequin and the data contained therein have not been reviewed for accuracy by Paul, Weiss.

H1 Trends

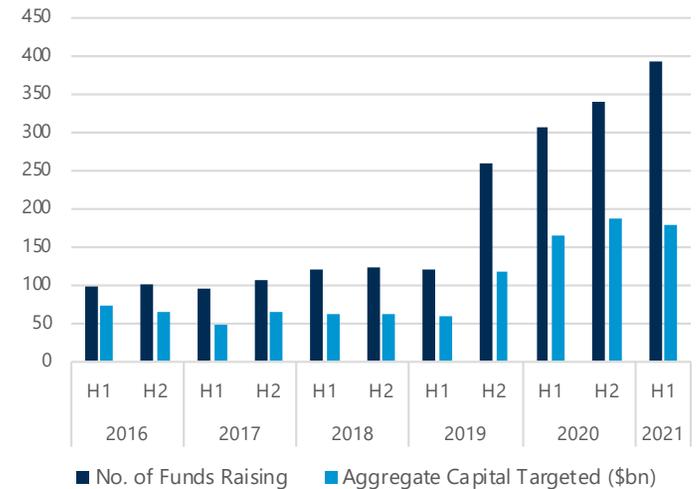
- ▶ **Funds in Market.** A record number of credit funds (653) were fundraising globally in H1, a 12% increase from H2 2020, resulting in the most funds in the market at any time over the last five years. Aggregate capital targeted in H1 was \$295bn, down 3.5% from H2 2020.
- ▶ Several established credit fund managers are raising successor funds targeting higher capital commitments. Moreover, 15% of the credit funds currently in the market are raising 61% of overall capital.<sup>1</sup>
- ▶ In this highly competitive fundraising market, investors are targeting established GPs who can access quality deals. Additionally, 79% of investors intend to allocate to only one credit fund in the next 12 months.<sup>1</sup>
- ▶ **AUM; Dry Powder.** Global credit fund AUM and dry powder reached all-time highs of \$1.047tn and \$363.8bn, respectively, at the end of H2 2020. With a record amount of dry powder to deploy, there will be increased competition among credit funds for the best deals.
- ▶ **Looking Ahead.** With governmental intervention for struggling businesses retreating and interest rates still at record lows, credit funds can be expected to gain attraction for investors into H2 2021.

<sup>1</sup>Source: Preqin Quarterly Update: Private Debt Q2 2021.

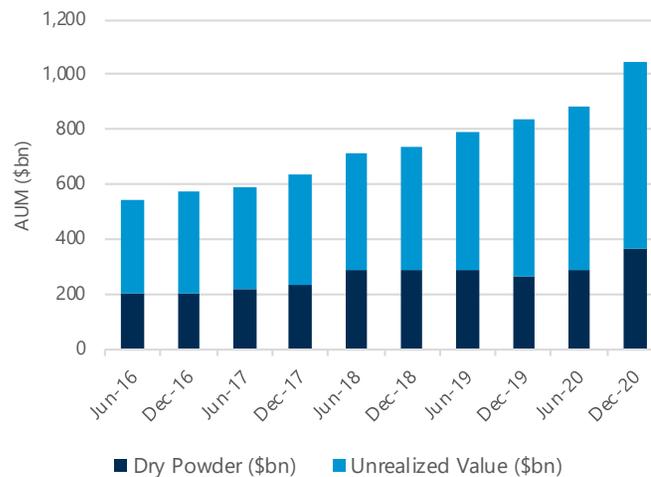
Global Biannual Credit Funds in Market: H1 2016 - H1 2021



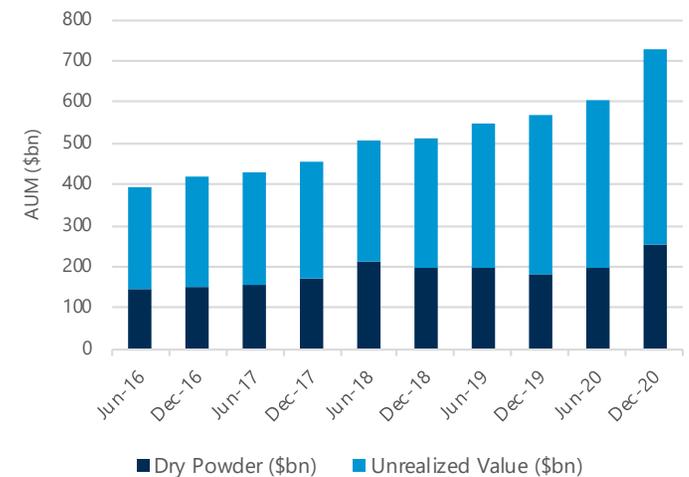
US-Based Biannual Credit Funds in Market: H1 2016 - H1 2021



Global Biannual Credit AUM: H1 2016 - H2 2020



US-Based Biannual Credit AUM: H1 2016 - H2 2020



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