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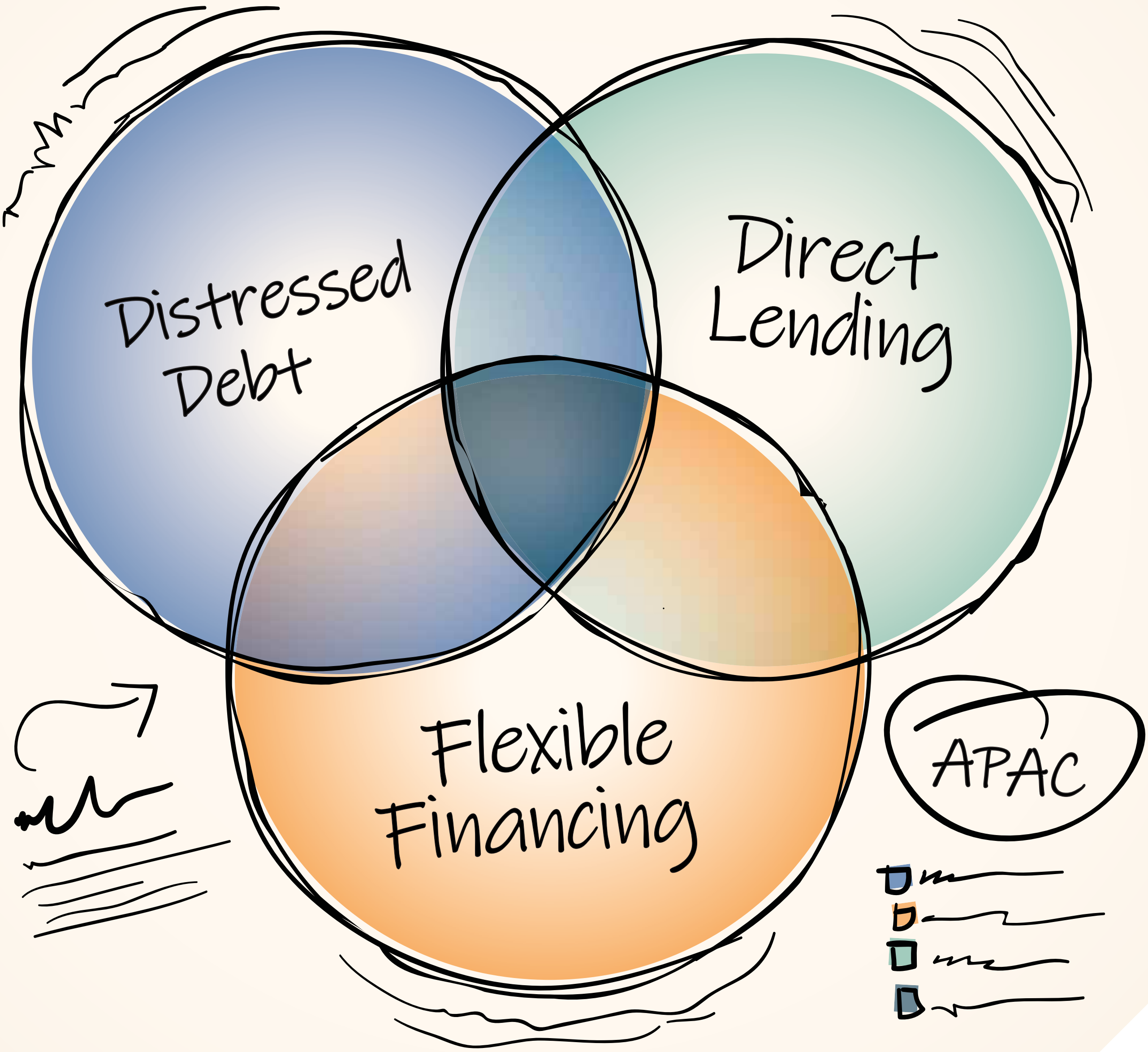

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Insight

People An impending shortage of workout professionals

Private credit is experiencing unheralded capital raises from new and existing firms intended to take share from banks, ***writes Charlie Perer***. This capital will undoubtedly be deployed by professionals skilled at deploying, but not always skilled at collecting it back. Very few cycles end well when billions of dollars are raised by firms that are not cycle-tested and banks that did not shed assets soon enough.

The real problem with most cycles is that ultimately there is never enough supply to meet demand, which causes excessive risk taking from both banks and non-banks motivated to grow. Due to a confluence of factors, there will be a leverage epidemic in the next downturn that will be compounded by a shortage of skilled workout professionals.

Each commercial bank and credit fund should be asking itself what its plan is for its workout department and start making contingency plans. The battle-tested professionals who were in their 40s and 50s during the 2008 downturn are now in their 50s and 60s and thinking about retirement or joining a more lucrative turnaround firm.

This, combined with banks focused intensely on their expense ratios as mandated by Wall Street and the slimming down of non-revenue producing divisions, has created a dearth of experienced special assets professionals. For credit funds, it's really the opposite problem, in that many of these groups are newly formed and don't even have a workout department.

The noise from bank and non-bank management teams suggests that finding skilled workout professionals with commensurate experience will be easy. Of course, this is not so simple. Being a workout professional is the ultimate apprenticeship job – you really need to learn it by doing it.

It is a unique job that demands a high level of mental acuity. There is the daily, weekly and monthly grind of dealing with the hardest credits, tantamount to getting a new multidimensional puzzle to solve each week, with problems ranging from uncontrollable commodity price swings/tariffs to bad or entrenched management.

Neither is easy to solve, and these are real-time problems as liquidity will be challenged during these situations. It takes a toll when the hardest problems are put on your desk and success is defined as obtaining par and moving on. In addition, the time spent on regulation when working at a bank, as well as general reporting requirements, makes an already time-consuming job more arduous.

The job has also become eminently more complicated over the past 10 years due to the proliferation of complex unitranche and split-lien deals, and the growth in capital markets. Deals are not only more complicated, but the growth in the number of multi-lender deals will surely create court fights, and the take-out options are very different.

The asset-based lending market exploded during the past decade, bringing options ranging from distressed private equity to bulk loan sales. Non-bank lenders have provided liquidity that had been limited in the past. Knowing capital markets is also becoming a critical component.

It does not take a crystal ball to know the direction in which we are heading. There is no arguing that credit standards have loosened (both bank and non-bank) over the past few years and banks have fought bitterly for assets. The result is that while the economy is by all measures still stable, the banks and non-banks have booked significant assets with higher risks, looser standards and lower rates. ■

Charlie Perer is co-founder and head of originations at SG Credit Partners, a California-headquartered fund manager

↑

"The final three months of the year [2023]… looked a lot like the soft landing that Fed officials are looking to achieve. More recently, some economists have even begun considering the possibility of a no landing"

Monroe Capital Market Update

Ups & downs

"The extent of transparency around asset valuations, overall levels of leverage, and the complexity and interconnectedness of the sector make assessing financial stability risks difficult"

Officials at the ***Bank of England*** *raise concerns about the private equity industry*

↓

The big numbers

Lincoln ESDI beats ELLI on median returns, CalPERS ups private debt allocation, Partners Group estimates royalties

8.1%

Median return delivered by Lincoln International's European Senior Debt Index over the last five years, compared with 4.9% for the European Leveraged Loan Index

8%

The new private debt target allocation for California Public Employees' Retirement System, up from 5%. The pension also raised its private equity target from 13% to 17%

$3.3bn

Amount raised by Hunter Point Capital for its inaugural GP stakes fund, HPC I, which the firm said was the largest debut fund of its type

€249bn

Amount of European leveraged finance issuance in 2023, a 4.6% decline on the €261bn total recorded in 2022 as leveraged loan issuance fell 15%

$700m

Raised by Goldman Sachs Asset Management for a private credit/hedge fund co-investment vehicle, Union Bridge Partners I

$1trn

Partners Group's estimate of the size of the private markets royalty sector as it added royalties as a fifth asset class alongside private equity, infrastructure, private debt and real estate

£650m

Total commitments made by Abu Dhabi Investment Authority to Cheyne Capital's Real Estate Credit Holdings strategy, as it announced its latest commitment to the ninth vintage

Trend Watch **US mid-market direct lending beats return average**

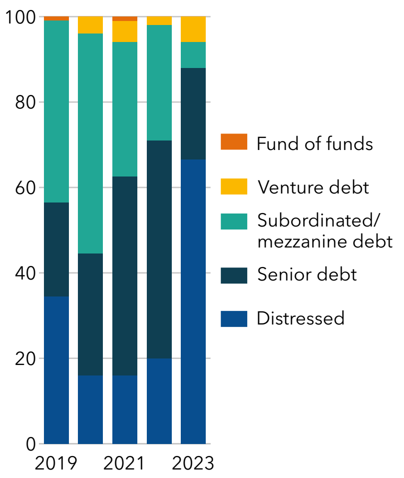
Last year saw the Cliffwater Direct Lending Index – based on almost 15,000 directly originated US mid-market loans – deliver a total return of 12.13 percent, easily beating the index's trailing five-year return of 9.09 percent and trailing 10-year return of 8.84 percent.

The fourth quarter of last year delivered a 2.95 percent total return. This was a little down on the quarterly peak of 3.17 percent in the third quarter.

The full year saw a 12.08 percent return in interest income with realised losses of -0.86 percent, lower than the -1.03 percent long-term average. Unrealised gains from loan mark-ups equalled 0.92 percent for the year, reversing nearly half of the unrealised losses from loan mark-downs in 2022.

The low level of realised credit losses represented, according to Cliffwater, "an outcome that seems to run contrary to predictions expressed in the press of trouble ahead".

Proportion of capital raised through APAC-focused private debt funds by strategy (%)



Source: Private Debt Investor

Reg breaches growing concern

Fines for alternative fund managers for breaking regulations could be set to rise, according to a study from Ocorian, the fund administration and services firm.

Ocorian's study of private equity, venture capital and real estate fund managers reveals 79 percent expect the number and value of fines issued for breaking regulations will increase, with 18 percent expecting a dramatic rise. Furthermore, 86 percent said their organisations are preparing or budgeting for a potential increase in fines they could face.

Nearly four out of five (79 percent) think their market is over-regulated, with 85 percent believing the level of regulation will increase over the next five years.

When it comes to their firm adhering to regulations in the jurisdictions they operate in, only 29 percent said it is not an issue – 30 percent said they find it very difficult to do this, and 37 percent said it is quite difficult.

Asia distress on the up

Capital raised for distressed opportunities accounted for two-thirds of all Asia-Pacific fundraising in 2023, versus just 20 percent in 2022 (see chart).

"Real estate is certainly a distressed opportunity at the moment, and there are a lot of distressed portfolios out there," Vince Ng, a partner at global placement firm Atlantic-Pacific Capital, told *Private Debt Investor*.

"Corporate credit is also exhibiting a fair amount of distress, but how much of that is China versus non-China or developed markets versus less-developed markets is the question." ■

ALLOCATION • WATCH

■ Texas Municipal Retirement System

Texas Municipal Retirement System announced new commitments made in Q4 2023 to private debt funds during its March Board of Trustees meeting. The public pension fund committed $250 million to Adams Street Senior Private Credit Fund III, as well as $200 million to the TPG Real Estate Credit Opportunities fund. The system's recent commitments have focused on senior debt, subordinated/mezzanine debt and distressed strategies in North America and Europe.

■ Colorado Health Foundation

Colorado Health Foundation is underallocated to private debt, a source at the organisation told *Private Debt Investor*.

The firm, which currently has an allocation of 6 percent, amounting to $165 million, aims to more than double its allocation with a target allocation of 15 percent. It mainly focuses on investments in private debt through distressed, senior debt and subordinated/mezzanine debt in North America, Latin America, western Europe and Asia-Pacific, with a bite-size of $20 million-$40 million.

■ International Finance Corporation

The IFC has proposed a $100 million commitment to ResponsAbility Asia Climate Investment Fund. The IFC's recent commitments have focused on senior debt, subordinated/mezzanine debt and distressed strategies in Asia-Pacific, Africa, the Middle East and central and eastern Europe.

Strategy How Morgan Stanley's Miller dealt with stress

David Miller, Morgan Stanley's global head of private credit and equity, knows a thing or two about managing a big portfolio, particularly during times of stress, ***writes Robin Blumenthal***.

As chief investment officer of the $700 billion Troubled Asset Relief Program – which the US government set up in 2008 to help steady the country's financial system – Miller went through trial by fire navigating the global financial crisis, which also helped create the environment for the robust private credit universe that exists today.

"It was a fascinating and very scary time," Miller says of his work in Washington, which began in October 2008, in the eye of the storm. He joined a small team as director of investments under Treasury secretary Hank Paulson, and then became chief investment officer of a larger team under Treasury secretary Tim Geithner.

"I was a good investor before I went to Washington, but it was not really about how to generate the highest investment returns – although we were focused on protecting taxpayer capital – but more strategic in terms of how to stabilise the financial system," says Miller, who had been a portfolio manager at HBK Investments and before that, a vice-president in the special situations group at Goldman Sachs.

"Trying to create an incredibly complex strategy and execute on it while trying to fend off bank and market failures was incredibly chaotic," says Miller, who oversees a growing $50 billion portfolio that is roughly equally split between private credit and private equity.

Although his current mandate is significantly less fraught, the lessons Miller learned in Washington, including the importance of working with "tremendously dedicated and talented people", have likely served him well in running his business, which is part of a $230 billion alternatives platform within the $1.5 trillion of AUM of Morgan Stanley Investment Management. That division has helped the firm become the top valued bank in terms of price to tangible book value, and Miller aims to keep the momentum going, with a goal of doubling the private credit section to $50 billion in the next few years.

Risk management first

He will undoubtedly draw on his experience at the Treasury to achieve that goal. "The biggest thing that stays with you as an investor is your role to first be a risk manager with a credit mentality and being aware of what could go wrong, and being able to think outside the box," Miller says.

"Although the financial system is much safer today than in 2008, with the interconnectedness of the banks and the capital markets, you have to pay attention to what's going on from a macro perspective, which will inform some of your decisions as an investor."

That includes "the importance of diversifying your funding sources, particularly if you're employing leverage, and having the right structures with matching assets and liabilities, which allow you to be invested in longer-term, illiquid assets that are not usually appropriate for a bank."

Miller does not believe there's systemic risk in the burgeoning private credit ecosystem. That is because equity contributions by sponsors in deals today, at about 50-60 percent, are "far superior" to those in 2008. "The vast majority of private credit is housed in appropriate fund structures that are either unlevered or levered at one to two times," he says. That compares with the 10-12 times leverage typical in bank lending.

"Private funds, including private credit funds, that did not need to sell assets in 2008 and 2009, and were able to be patient because clients couldn't withdraw money during the panic, tended to perform pretty well," Miller says. "So, while there could be a default cycle in the next few years – and we don't expect anything like 2008 – we think private funds with good managers and the right structures should perform just fine."

The asset class offers other benefits. "Having asset managers be owners and providers of credit that may be too risky to be on a bank's balance sheet generally de-risks the overall system," he says. "At the appropriate time, rates will come down as inflation comes down."

> "Trying to create an incredibly complex strategy and execute on it while trying to fend off bank and market failures was incredibly chaotic"

When they do, M&A transactions, which rose 25 percent across the mid-market in Q1 2024 compared with Q1 2023, according to early data Miller has seen, will increase. "We're pretty constructive on growth, and we think M&A is going to pick up materially," he says, noting that Morgan Stanley's buyout teams are seeing 30-40 percent increases in M&A in the mid-market where private credit plays.

Intentional about growth

That should support Miller's goals to double the credit business, which he expects to achieve organically, for now. Private credit growth will come from areas Morgan Stanley already operates in: for the US, that includes senior secured direct lending, capital solutions (mezzanine/hybrid/opportunistic credit) and speciality finance, as well as venture growth and media royalties. In Europe, he plans to add capital solutions to the direct lending business.

"We don't view the growth profile as particularly heroic," says Miller, who joined Morgan Stanley in 2016 after a stint as chief executive officer of Silver Bay Realty Trust Corp, a publicly traded REIT he co-founded in 2011. "We have been very intentional about our growth," he says, noting the importance of having the scale to support top talent and a sophisticated platform, and the infrastructure to compete within any sizeable deal.

"We don't want to be so big that we are forced to do the marginal deal," he says. Amid the strong growth in the asset class, Miller is focused on maintaining a balance, saying that "the most important thing to us is our fiduciary responsibility to our clients".

Those clients skew about 60 percent towards institutional investors such as sovereign wealth funds, for which the manager creates structures such as separately managed accounts and funds of one. But the platform is increasingly turning to other vehicles such as public, as well as non-traded, perpetual life business development companies like its North Haven Private Income funds, which serve institutions, and the platform's remaining 40 percent retail and high-net-worth clients. To that end, the business took its Morgan Stanley Direct Lending fund public in January. The BDC, launched in 2019, invests in subordinated debt.

Miller does not have any near-term plans to grow the business through acquisitions, although he does not rule out the possibility in the future. Right now, "we feel really good about the organic opportunities, and believe that most of private credit is in the relatively early innings". ■

> "Having asset managers be owners and providers of credit that may be too risky to be on a bank's balance sheet de-risks the overall system"

Regulation **Why overperformance may be underestimated**

Expert analysis by **by Jiří Król**,
global head of the Alternative Credit Council

The recently published National Bureau of Economic Research paper examining the risk-adjusted returns of private debt funds provides a valuable contribution to understanding the performance of this growing asset class. However, its conclusions, based on a sample spanning the period from 1992 to 2015, should be viewed with some scepticism given limitations in the data and methodology.

One of the paper's key findings is that private credit managers generate significant gross alpha of around 4 percent, but this outperformance largely accrues to the general partners via fees rather than being passed through to limited partners. It also concludes that once adjusting for risks correlated with public debt and equity markets, the net returns provide no "abnormal" excess returns compared with those asset classes.

These conclusions warrant a closer look. The critique that alpha mostly benefits GPs rather than LPs may not fully account for major changes in private credit product structures and fee models over the past decade. Larger funds, increased use of separately managed accounts and co-investment vehicles have likely resulted in more investor-friendly terms and lower fees that allow LPs to capture more of the alpha.

> "The methodology of using public equity as a risk factor to discount private credit returns might overstate the actual risk of the examined private credit portfolios"

Perhaps more critically, the methodology of using public equity as a risk factor to discount private credit returns might overstate the actual risk of the examined private credit portfolios. The authors argue this is needed to reflect the 20 percent "equity-like" exposures, primarily through preferred shares and equity warrants. However, these securities have very different risk profiles to common equity. When using only public debt adjustment factors, private credit delivers large and statistically significant alpha of almost 2 percent.

Dramatic shift

Furthermore, data suggests private debt funds have maintained absolute returns that are broadly the same in recent years as compared with the pre-2015 period the paper examines. This has happened even as portfolios have dramatically shifted towards senior secured loans with negligible mezzanine or equity exposures, further weakening the case for the use of the equity risk adjustment.

Ultimately, while this paper raises important points about risk-adjusting private credit returns, its conclusions appear a little too academic. Looking at the Cliffwater CDLI index, private credit consistently delivers absolute returns of around 9 percent. Similar publicly traded non-investment grade bond and loan indices manage to deliver around 4.5 percent with higher volatility and bigger drawdowns. For institutional investors targeting 6-8 percent nominal returns, this matters.

Rather than undermining private credit's merits (as some commentators opined), this analysis arguably reinforces the key premise – private credit generates compelling returns. The underlying data and assumptions of the paper merit further refinement and, significantly, updating to capture a more relevant time period for the asset class. But overall, the core of this paper hints at an asset class providing meaningful value to investors. ■

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Editor's letter

Asia-Pacific hopes to defy doubters

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It grew out of distressed debt, evolved into direct lending and is now home to increasingly flexible forms of capital. Asia-Pacific, dare we say it, is maturing into a well-rounded private debt market (or collection of markets, given the region's diversity).

It does still seem daring to say this because the progress of private debt in APAC has never been linear – there have been plenty of steps backward as well as forward. Indeed, last year, fundraising in the region fell by more than 60 percent. Granted, private debt fundraising declined globally – but in APAC the fall was much steeper than elsewhere, due to caution around Chinese private credit, and the region's nascency making it more sensitive to fluctuations, among other reasons.

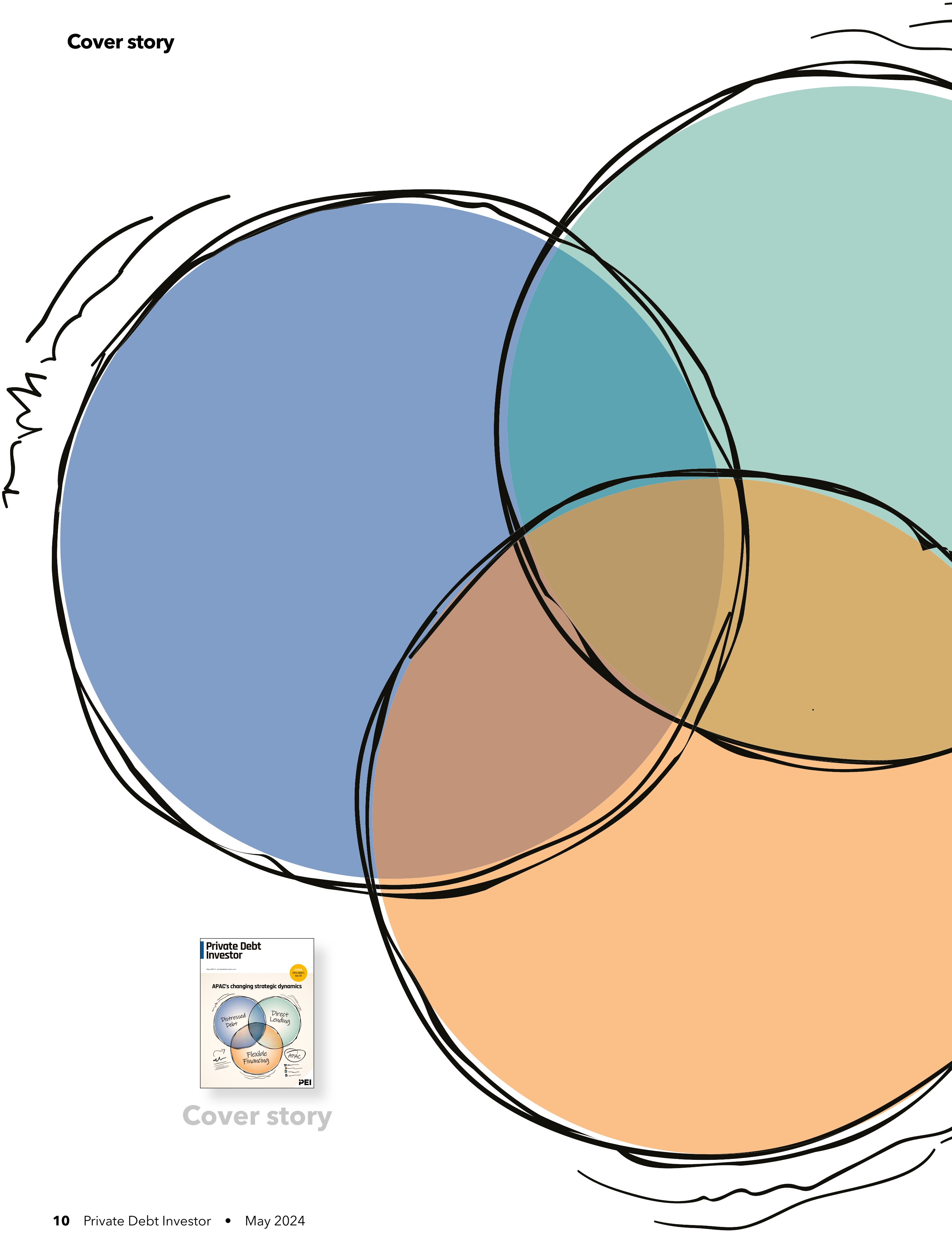
> **"Asia-Pacific, dare we say it, is maturing into a well-rounded private debt market"**

But in this month's cover story (see p. 10) – which is based around insights shared at our PDI APAC Forum 2024 – we discover there are concrete reasons why the period ahead leaves room for optimism. Not least, the difficulties being experienced by the region's banks – in part due to their high real estate exposures – and by the high-yield market, which mean private debt has gaps it can grow into. With an increasingly flexible approach, the opportunity to claim market share is clear.

Also in this edition, we discover the progress being made by private debt secondaries as they increasingly edge their way into the asset class's mainstream (starting on p. 18) and we find out the identity of all the firms in the *Infrastructure Debt 30* ranking, published by affiliate title *Infrastructure Investor*.

Accompanying this issue is our *Europe Report 2024*, covering all the major developments in the region over the last 12 months.

Andy Thomson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Cover story

The gaps opening in Asia-Pacific

The region has trailed the US and Europe and still has a long way to go to develop a private debt market of heft. But there are signs that investors and managers would do well to take a closer look at what it has to offer. Andy Thomson reports from the PDI APAC Forum

There are two specific reasons why private debt has a near-term opportunity to build market share in Asia-Pacific: a collapsing Chinese high-yield market and increasing pressure on banks with significant real estate exposure, attendees at the PDI APAC Forum 2024 in Singapore heard.

Both are developments of real significance, with China's high-yield market worth around 75 percent of Asia-Pacific's high-yield market as a whole and the banks in Asia-Pacific accounting for around 75-80 percent of total lending. Constraints on these sources of financing create a meaningful gap for private debt to move into.

Another reason for being optimistic about private debt's growth potential in Asia-Pacific is the growing recognition that it can provide flexible solutions for companies with specific needs. This has tended to be something the banks are not particularly adept at. One panellist described it as "a structural need for flexible capital".

One example is capital structures that allow businesses to grow cross-border (complex, given the distinctive nature of APAC's individual markets). This is a hallmark of APAC direct lending, one panellist said. Whereas in the US and Europe direct lenders tend to act just like the banks, in APAC "it's more about the provision of innovative finance for firms looking to grow their international footprint", one fund professional present said.

Another opportunity in Asia-Pacific is identifying borrowers willing to pay a premium to make themselves more able to tap other financing sources in future. As one panellist put it: "We can offer financing on the basis of a 15 percent return and focus on helping borrowers to clean up their issues, so they can make themselves investment grade."

This growing opportunity appears somewhat counterintuitive given the difficulties managers have experienced on the fundraising trail. Fundraising for private credit in Asia-Pacific took a nasty hit in 2023, with just 11 funds reaching the finish line, compared with 33 the year before. The amount of capital raised was also down considerably, standing at a cumulative $5.9 billion – barely one-third of the $15.5 billion raised in 2022, according to *Private Debt Investor* data.

Last year was tough for fundraising globally, with private debt totals falling to their lowest levels since 2016. The 62 percent drop-off in Asia compares poorly against a 23 percent drop worldwide but those on the ground think the tide may be turning. Flexibility of finance may hold one of the keys.

Plain vanilla 'enticing'

The high-yield market is "no longer functioning" according to one panellist, while the exposure of banks' loan books to real estate means they need to make a high level of provisions and are under pressure from regulators. In an increasingly benign environment, plain vanilla private debt lending in markets such as Australia and South Korea can today deliver 15 percent returns – very enticing for investors troubled by the difficulties of other investment areas.

Ryan Chung of Hong Kong-headquartered fund manager Huatai International said Asian sponsors had grown accustomed to obtaining financing at low cost and with light covenant packages. Now, "things have changed a bit", he said.

"Sponsors bought at high multiples, sometimes with adjusted EBITDA, but there has been a valuation reset and multiples are healthier and leverage levels are also healthier. The market has been rather quiet over the last 18 months but will build up over the next two to three years."

But Barnaby Lyons, partner and global co-head of Bain Capital Special Situations, warned against trying to focus too much on one market or strategy. "Don't put all your eggs in one basket because you could get caught out by volatility," he said. "We run regional businesses, which allows us to wait and to pivot. The sheer demand for alternative strategies and the lack of capital supply, with just a handful of players, means you're not forced to do a standard template of deal."

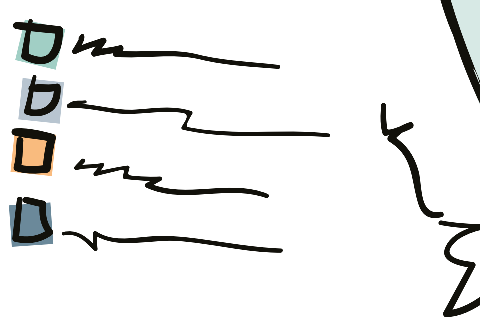
He added that while the Asian credit markets are as large as the US and Europe combined, private debt in the region is "miniscule" by comparison, but this could change since there is "a structural need for flexible capital".

Scott McClurg, head of private credit at HSBC Asset Management, also stressed the importance of not relying on individual markets, pointing out that helping companies grow across borders was part of HSBC's approach in the region. "We help young growing businesses with capital structures, and we put in place financing that works across different markets. There is a degree of complexity that can be quite difficult for investors to get their heads round."

McClurg also maintained that Asia-Pacific benefits from not being overly reliant on the private equity-sponsored market: an accusation sometimes levelled at the US and Europe, which have seen dealflow in this area dry up over the last year or two and arguably struggled to find alternative sources of dealflow.

"In Asia, it's a different model," said McClurg. "Private equity has

> ***"Don't put all your eggs in one basket because you could get caught out by volatility"***
>
> **BARNABY LYONS**
> **Bain Capital Special Situations**



been doing well, but there is also the corporate space and different funding structures. In the UK and Europe, direct lenders operate in a similar way to the banks but in Asia it's more about the provision of innovative finance for firms looking to grow their international footprint."

Prepping for investment grade

Another quite distinct opportunity in Asia-Pacific, according to Soo Cheon Lee, co-founder and chief investment officer at Hong Kong-based fund manager SC Lowy, is identifying borrowers willing to pay a premium to make themselves more able to tap other financing sources in future.

"We can offer financing on the basis of a 15 percent return and focus on helping borrowers to clean up their issues, so they can make themselves investment grade and then access cheaper finance. We keep them focused with strong documentation, since it's in their interests as well as ours."

Diane Raposio, a partner at global alternative assets firm KKR who leads the Asia capital markets business and the client business in Asia, also thinks there are gaps in Asia-Pacific that fund managers can take advantage of. "The regional banks continue to dominate, and remain an important part of the capital base," she said.

"But they have very conservative lending standards and can't meet the financing need and the flexibility that's required. On the private equity side, there's $620 billion of dry powder and, after the decline of 2022-23, it will pick up this year and there will be renewed demand. We're seeing it in Australia and India already."

She added: "We're also seeing junior debt come back, as it has done in the US and Europe. We often partner with the banks on the provision

The danger of slipping standards

There is a tendency for Asia-Pacific to miss out on lessons that have created tighter deal processes in more mature markets

"When times are good and there is a lot of capital around, people can forget about deal protections," said Frank Danieli, managing director and head of credit investments and lending at MA Financial Group, the Sydney-based alternative asset manager. "But these are sacred rights that you need to maintain. You've got to be able to safeguard yourself if things go wrong."

As elsewhere in the world, there is some concern that private debt's good times may have left a legacy in Asia-Pacific of loose documentation. Speaking of his home market, Danieli said: "Australia is a very favourable lending market because the banks wrote the rules. But it can be quite insular and not take the learnings from offshore."

He said that while bad deals appear to have only a negative connotation, they can in fact be valuable learning experiences for a market. "In the US, there have been examples of lender-on-lender violence but, when bad things happen, the documents tend to get tightened up," he said. "In APAC, some people don't know about these deals and so that tidying up process doesn't happen."

Danieli is hopeful for the future of private debt but says it is a market where you need to pay close attention. "At the moment, I don't see anything systemic to worry about. But you've got to be detailed in your analysis because of high rents, wage pressures, revenues under pressure in healthcare, etc. You have to focus on the micro issues."

Facing up to climate change

Asian investors and managers are beginning to put themselves at the forefront of ESG innovation

"Many LPs in the region have adopted climate responses as they have recognised the financial impact on their portfolios," said Monica Bae, director of investor practice at the Asia Investor Group on Climate Change, which was established to educate Asia's asset owners and managers about the risks and opportunities of climate change and low-carbon investing.

She said the need to align around a 1.5C temperature rise rather than 2C, as set out in the Paris Agreement, was "already more recognised in the public markets but is now moving into the private markets".

Lisa Genasci, managing director of sustainable finance at Hong Kong-headquartered fund manager ADM Capital, said her firm now incorporated more than 40 ESG key performance indicators "including understanding carbon footprint and resource use as well as social aspects" and that reporting on these was mandatory. "We hope we are adding value to the company so it can go on to obtain cheaper capital," said Genasci.

ADM has also taken the rare step of linking ESG performance to carried interest and also to the possibility of default, thereby introducing an element of 'carrot and stick'. Genasci said she believes this will become much more common in future.

> *"We can offer financing on the basis of a 15 percent return and focus on helping borrowers to clean up their issues, so they can make themselves investment grade"*
>
> **SOO CHEON LEE**
> **SC Lowy**

of junior capital and preferred equity. Growing that market is a matter of educating corporates which have only ever dealt with the banks."

Raposio also thinks that the asset-based finance opportunity, which has been in the spotlight in the US and Europe for a while, is coming to Asia-Pacific – especially consumer finance and lending against hard assets, where she believes we're "at the beginning of a private market", particularly in India and Australia. And the pressure on real estate is also starting to create opportunity. "Asian banks have a lot of exposure to commercial real estate in the US and they're coming to us and asking how we can help them manage their balance sheets," she said.

"With public markets highly volatile, we want to avoid that noise and friction in our portfolio, so we look at what role private debt can play"

DAVID CHUA
Income Insurance

Australia, one of the markets alluded to by Raposio, was mentioned frequently at the APAC Forum – a market that shares more characteristics with the US and Western European private debt markets than is typical of the region as a whole. "We're at a very good point in the cycle for Australian private debt," said Wendy Fergie, chief investment officer of Wealth Pi Fund, an Australian real estate development funding firm.

"Rates are expected to come down later this year, inflation is on its way down, there's a housing supply issue and you've got the low Australian dollar. It makes us a very investable sector. Our legal framework is also very strong and that's a big plus in the context of Asia-Pacific."

"There are a lot of funds raising capital for social housing, with state and charity support," she added. "That's where some of the ESG focus is in Australia, as there are housing supply issues. It's a space that family offices are looking at. You have property behind your investments and that makes it tangible for the end investor."

At present, private debt only accounts for around 15 percent of corporate lending in Australia compared with a developed markets average globally of around 30 percent, but panellists expected private debt managers in the country to claim a much bigger share from the traditionally dominant large banking groups in the years ahead.

The investor view

The APAC Forum also featured many views and insights from leading investors in the region. David Chua, chief investment officer at Singapore-based insurance company Income Insurance, spoke on a panel about how (and why) investors have embraced private debt.

"Since you have the well-known challenges on the banking side, insurers have become more prominent," he said. "With public markets highly volatile, we want to avoid that noise and friction in our portfolio, so we look at what role private debt can play. We find that it's attractive for its income and price stability and it acts as a diversifier within fixed income. We also think debt will play a more important role relative to equity in this environment."

Allocations are going up as part of a search for income, added Kerrine Koh, a managing director in the client solutions group and head of the Singapore office at Hamilton Lane. "Private debt has been a large and growing part of portfolios," she said. Some of the capital is coming from new strategic allocations to private debt, while some comes from private markets or fixed income/public credit buckets.

Koh also observes a trend of favouring senior debt where "the returns versus the risk are very attractive". This approach is seconded by Chua, who said: "When you can obtain low double digits in senior lending, why would you stretch for an additional 200 basis points?"

Lulu Wang, a portfolio strategist in private markets solutions at Abrdn, said her team has backed some pan-Asia special situations strategies in the past but is now allocating more to senior debt. This conservatism is partly based on caution around the changed backdrop against which managers are operating.

"Many managers haven't been tested and, in a zero-rate environment, it's unsurprising that you have low losses and defaults," she said. "We're now transitioning to a new environment. Can managers continue to source deals effectively when private equity activity is lower?"

Questions over the future remain, but, in Asia-Pacific as elsewhere, constraints on the banks are producing new opportunities for private debt managers and investors alike. ■

A rare team lift prompts Barings legal action

The firm was left reeling when 20 staff departed for Nomura-backed Corinthia. John Bakie summarises the key developments so far

With the private credit space looking ever-more lucrative, competition is heating up for those looking to acquire private debt management companies and firms seeking to snap up the best talent for their own business.

This was thrown into sharp focus in March after rumours emerged that fund manager Barings had lost a number of senior staff in its private credit team, including its co-heads Ian Fowler and Adam Wheeler. It appeared Barings had fallen victim to a so-called 'team lift', when a rival business poaches an entire team that already know how to work well together with an offer too tempting to refuse.

That offer came from newly founded credit business Corinthia Global Management. The London-based firm was set up in September 2023 by executive chairman Paul Weightman, with little detail at the time about its plans, other than to launch a global private credit strategy. Notably, Corinthia is backed by Japanese investment bank

Nomura, which previously had no presence in private debt but had been rumoured for some time to be looking to access the rapidly growing market.

Corinthia confirmed to *Private Debt Investor* that more than 20 staff were moving over, including many senior figures in Barings' private finance group (see box), making this one of the biggest team lifts ever seen in private markets, with no precedent in the credit space.

The market was first alerted to this development when Barings announced that Bryan High would become the new head of global private finance, replacing Fowler and Wheeler, with support from Tyler Gately, heading up North American private credit, and Stuart Mathieson, who is leading APAC private credit.

A week later, following the revelation that the team had jumped ship en masse to Corinthia, Barings launched legal action against Fowler, Kelsey Tucker (its private finance group's former global head of operations) and Corinthia itself.

The legal filing accused them of conspiring to use the firm's confidential information to solicit its clients and employees and claimed Fowler and Tucker breached contractual conditions. It levelled the same accusation at London-based Wheeler, though he was not party to the legal action that was launched in a North Carolina court.

The court filing made the further accusation that Corinthia's executive chair Weightman contacted Roger Crandall, the chairman and CEO of Barings' parent company MassMutual, and offered to purchase the firm's private credit business "for pennies on the dollar".

> *"Nomura had been rumoured for some time to be looking to access the rapidly growing private debt market"*

The documents allege this was to include management of its funds, proprietary information, client book and all staff. It further accused them of using personal employee information, such as personal e-mail addresses, to contact employees and offer them employment contracts with Corinthia, including offers to redress any bonuses that might have been forfeited if they left the business.

Following the launch of its legal action, a Barings spokesperson said: "In response to recent actions taken by Corinthia Global Management, Ian Fowler and Kelsey Tucker, Barings has today commenced legal proceedings, seeking a temporary restraining order and preliminary injunction to prevent them from continuing to target our clients and employees, and stop the ongoing misappropriation of our trade secrets and confidential information.

"This legal action has been taken as a result of the defendants' blatant disregard of their fiduciary and contractual obligations, which goes against Barings' codes of conduct and ethics. Barings will not sit idly by and allow the defendants' misconduct to occur."

As yet, Corinthia has declined to comment on the legal action, though on 21 March, Corinthia, Fowler and Tucker agreed to a temporary injunction that would see them hand over any confidential information they may hold on Barings' clients, processes or staff. While the accused parties agreed to the terms of the injunction, they did not admit liability or wrongdoing.

Ratings downgrade

Barings would suffer further woes relating to the mass departure before March was over, with its Barings BDC (of which Fowler had been president) receiving a downgrade from ratings agency Fitch. The BDC's outlook had previously been "stable" but Fitch reduced it to "negative", stating: "The revision of the outlook reflects the recent turnover in the direct lending team, which raises concerns regarding BBDC's ability to access dealflow, competitively originate loans and economically extend funding facilities."

There are also unconfirmed rumours that the departure of senior figures Fowler and Wheeler has triggered key-person clauses in the firm's closed-end credit funds. This could potentially prevent the business writing new loans until LPs are satisfied the new leadership team has the necessary skills to continue investing capital from its funds. Barings declined to comment on whether the move had triggered key-person clauses in any of its contracts. ■

Who is heading to Corinthia?

It is rare to see quite so many people jump ship at once to another asset manager, especially with so many senior names.

Below are some of those who have taken the plunge to launch new credit manager Corinthia.

First are the former co-heads at Barings private finance group, Ian Fowler and Adam Wheeler. There were then a number of more senior people: Volker Samonigg, who was head of capital relationship and management; Alexander Vaulkhard, client portfolio manager; and Kelsey Tucker, former global head of operations. They were followed by 18 other team members across the business's operations in North America, Europe and Asia.

What is driving LPs to the secondaries market?

LPs want liquidity and GPs want to be in a position to offer it to them, while both want secondaries volume, Christopher Faille finds

Private Debt Investor's LP Perspectives 2024 Study shows that 21 percent of investors that were questioned plan to commit capital to secondaries funds in private debt over the next 12 months.

This is the highest proportion in the history of the survey and a considerable increase from the 14 percent figure of the 2023 survey. These heightened plans to commit capital constitute one metric for the recent explosive growth of the space.

According to Andrew Bellis, head of private debt at Partners Group: "I still think [the growth of credit secondaries as a market] is fairly nascent – there is a lot more room for growth. In general, it is growing in parallel with the way the PE secondaries market grew, with a lag in timing."

The scale of transactions

Secondaries sellers often have constant cash outflows. Pensions need to make payouts, universities have operating costs and so forth. Pierpaolo Casamento, who heads private debt secondaries at Tikehau Capital, says: "The more sophisticated investors use secondaries regularly for trading out of positions. It doesn't mean that they are unhappy or distressed, only that they want to manage their portfolio actively."

Pierpaolo adds that in 2020 Tikehau looked at between $3 billion and $4 billion of opportunities in private credit secondaries transactions. That number was up to $17 billion in 2023, and is on track to beat that this year. According to Coller Capital, deal value was just $2 billion in 2017.

Perhaps, though, such numbers should be viewed with a caveat. Krishna Skandakumar, private fund and secondaries partner at Goodwin, cautions: "Unlike private equity secondaries, private credit GP-led transactions are often executed without brokers or intermediaries, so the rest of the world doesn't necessarily know what deal particular parties have struck with one another.

"This means we don't necessarily have a good handle on the scale of transactions."

On the debt side, as on the equity

side, there are three factors involved in driving firms to the secondaries market: liquidity, valuation and sophistication. In recent years, assets under management for private credit funds have reached at least $1.5 trillion. This has left plenty of investors looking for distributions and, worried about the denominator effect, seeking liquidity across their portfolios.

Second, LPs sell into the private credit secondaries market because it offers them smaller discounts than other secondaries markets. In a recent white paper, Atalaya Capital Management and Proskauer found that "private credit presents better relative value when compared to private equity today".

Skandakumar agrees. He says: "In private credit secondaries, you're only looking at a very small discount against the underlying portfolio compared to what you'd see in a private equity analogue."

That very small discount may be as little as 5 percent against NAV, as Jeff Griffiths of placement and advisory firm Campbell Lutyens noted late last year.

Was the UK's LDI crisis the credit secondaries' Lehman?

The UK liability-driven investment crisis in 2022 may have accelerated the secondaries market

The secondaries market for private equity took off in response to the global financial crisis. Lehman's bankruptcy filing in September 2008 shook the financial world. The following year saw $9 billion in equity secondaries transactions, according to the Private Capital Research Institute. PCRI says "though the window of opportunity was short, investors discovered that secondaries performed especially well" during the crisis. The amount of transactions was $100 billion by 2021.

Is there an equivalent event on the credit side? In September 2022, after a change of government, the new UK chancellor's growth plan proposed policies that frightened the markets, sent the pound to an all-time low against the dollar and terrified the liability-driven investment market. The Bank of England intervened successfully on 28 September.

"At this time the market's growth is mostly LP-driven – the investors in credit funds are looking for liquidity solutions," Bellis says. "In the UK in particular, the LDI crisis emphasised the need for liquidity for many institutions and may have accelerated this move."

Growing experience

As a third reason why the secondaries market has become more attractive to LP sellers, Skandakumar references the increasing sophistication of participants on both sides of the table. "We've gone from a climate in which most participants in a transaction of this sort are doing so for the first time, to one in which there is some experience on each side of the table," he says.

Michael Hacker, global head of portfolio finance at AlpInvest, a subsidiary of Carlyle, also spoke about the increasing sophistication of market participants, when asked about the outlook for the space. Sophistication is both the effect and a cause of this recent evolution.

"Credit secondaries are definitely benefiting from the combination of the broader credit market correction that began in 2022 and the significant evolution in the secondaries market since 2018, driving increasing sophistication among managers and a broader acceptance of these secondary transactions as effective portfolio management tools," he says.

Although the secondaries market for private credit still, in Hacker's view, lags "private equity by more than a decade… its faster growth is certainly supported by the trail blazed over the last 10 to 15 years".

GP leadership and conflicts

Law firm Cleary Gottlieb contends that GP-led secondaries represent the next major growth push for the credit secondaries market. These are transactions in which a sponsor orchestrates the sale of credit assets from a fund or funds that it advises to a continuation vehicle, with new outside investors, generating liquidity for the older investors in the process.

It is worth noting, though, that there are conflicts inherent when the GP takes the leading role. Cleary Gottlieb points out that though the sponsor wants to maximise value for its investors, it does not want to maximise too much value. After all, it wants to leave room for the growth of the underlying assets after the transaction.

Such conflict may show up in tricky negotiations over leverage. As Cleary Gottlieb puts it in a memo on the firm's website, "Private credit typically has a lower return profile than private equity… some continuation vehicles may seek to incorporate leverage to boost returns." That, though, "may add unexpected complexity to deal execution by introducing the risk that the debt could crowd out equity".

Another twist in the relationship of LPs and GPs in the context of secondaries transactions is that, as Casamento of Tikehau puts it: "In some instances, LPs decide that they have allocations to too many GPs and they are using secondary trades to consolidate. This, too, is a matter of portfolio management." ■

A place in the mainstream

A new survey suggests private debt secondaries have continued their ascent with more deals, stiffer competition and a wider group of participants. By Andy Thomson

Having argued last May that the private debt secondaries market had grown up, London-based placement and advisory specialist Ely Place Partners now maintains the market has "graduated to the mainstream".

In its *Private Debt Secondary Market Survey 2024*, the firm acknowledges that "due to the number of deals that are completed on a bilateral basis and that close unreported and under the radar", it is difficult to estimate the true size of the private debt secondaries market. However, the anecdotal evidence appears to suggest a strong upward trajectory. Below are some of the key findings from the April survey.

Increasing volume

Ely Place says reported numbers suggest a market size of $5 billion-$6 billion of closed transactions in both 2022 and 2023, but the consensus among respondents to the survey suggested that between $17 billion and $25 billion of dealflow had been seen over the last 12 months, with estimates of $6 billion-$10 billion of closed deals during the period.

Looking ahead, impressive growth appears to be in the works. Survey respondents said they expected more than $30 billion of dealflow during 2024, with closed transactions totalling $10 billion-$15 billion. This means the year may see an increase in volume of 50-100 percent. Moreover, one investor predicted $50 billion of volume by 2026.

Competition heats up

In its May 2023 report, Ely Place found that credit secondaries were priced at mid-80s on average – but that there was a huge range of pricing. Today, average pricing remains similar but some high quality senior loan portfolios have pushed up close to par pricing.

This reflects confidence which, in Ely Place's view, is based on fewer concerns about losses than 12 months ago, an improvement in private debt fund liquidity, less uncertainty about the macro environment and an increase in buyside capital. Respondents to the survey said pricing had picked up 2-5 percent as a percentage of net asset value from a year ago.

It's not all red-hot competition, though. Other portfolios continue to trade at larger discounts depending on factors such as the stage in the fund term, expected refinancings, the underlying strategy, the quality of the loans, amount of leverage and who the GP is.

The survey points out that while

The themes shaping 2024

Among the trends identified by respondents to the survey were:

1 An increase in quality and size of credit secondary deals

2 Sellers will be more open to structured solutions in order to reach price expectations. In particular, we should expect to see more deferrals than last year

What they said

Some anonymous quotes from respondents

"Private debt will grow to $2 trillion-$2.5 trillion and 1-1.5 percent of that will change hands in the secondary market"

"Market sizing is imponderable – the problem is the GP-leds, which are done off-market"

"Mid-90s is probably right [for a high quality senior unlevered portfolio] with a reference date of six months, depending on GP quality, how much is unfunded, and how much cash is coming out. This is up a couple of hundred basis points from a year ago"

"Middle of the range is mid to high 80s, but it's a really wide range. On the low end, we might bid 50-55c – almost VC-type discounts. These are typically tail-end, binary outcomes, often with concentration risk"

"Pricing has tightened quite a bit. A good portfolio, unlevered, no unfunded, maybe 96-97"

there has been an uptick in pricing, the headline piece is dependent on timing between reference date and closing. It notes: "Two quarters or more of interest payments between the reference date and closing in favour of the buyer can make a big difference to the effective net price paid."

Pension funds to the fore

The growing maturity of the market has produced a dedicated universe of buyers, giving LPs confidence to bring large portfolios to market. Because of this, respondents to the survey said they expected dealflow to be heavily weighted towards the LP side, with LP-led deals expected to account for 80 percent of the total versus 20 percent for GP-led transactions.

While various LPs are expected to comprise the seller universe, most pressure is on those with short-term cash needs. Pension funds was the category most cited by survey respondents, in particular those based in the UK. Family offices and endowments were also expected to put portfolios on the market.

While GP-leds are tipped to be only a relatively small proportion of the market, they are expected to grow as GPs "look for creative solutions to accelerate liquidity for their LPs and wrap up older funds". ■

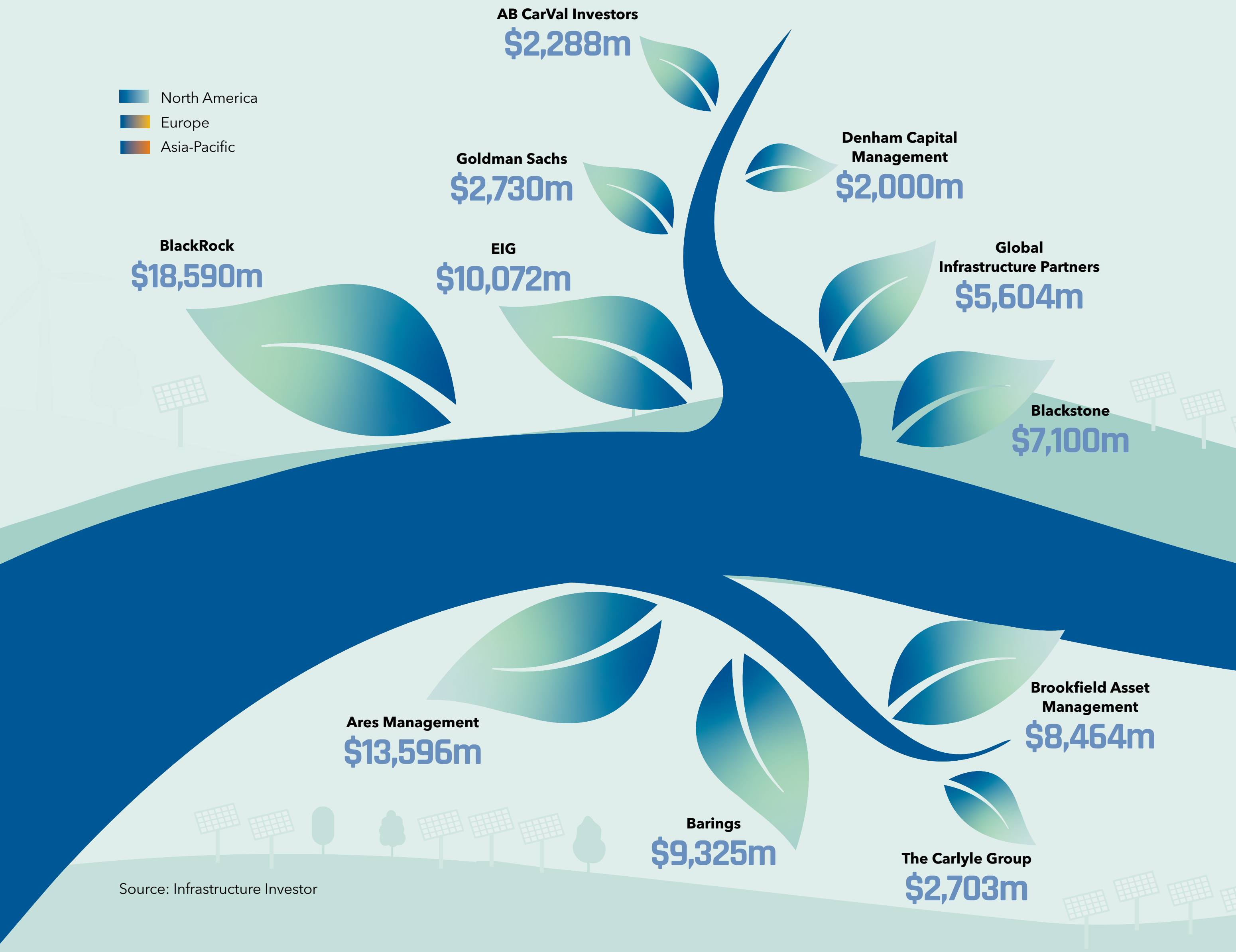
3 As evergreen funds grow in number, they may need to rely on the secondaries market to manage redemptions due to the illiquidity of the underlying assets

4 We may see an increased use of back leverage by buyers on unlevered senior portfolios in order to push up expected returns

5 Increased competition in the direct lending space will lead to manager consolidation, which will act as a tailwind for credit secondaries transactions coming to market

The Infrastructure Investor Debt 30

Credit fundraising surpasses $172bn as tailwinds point to more optimism, writes Charles Waine



Source: Infrastructure Investor

The past 12 months have been tough for all asset classes, yet infrastructure debt still managed to post fundraising growth, albeit at a much slower pace as volatility hurt global investment. Over the following pages are profiles of the 30 firms leading this trend in the unlisted infrastructure debt sector, set out by affiliate title *Infrastructure Investor*.

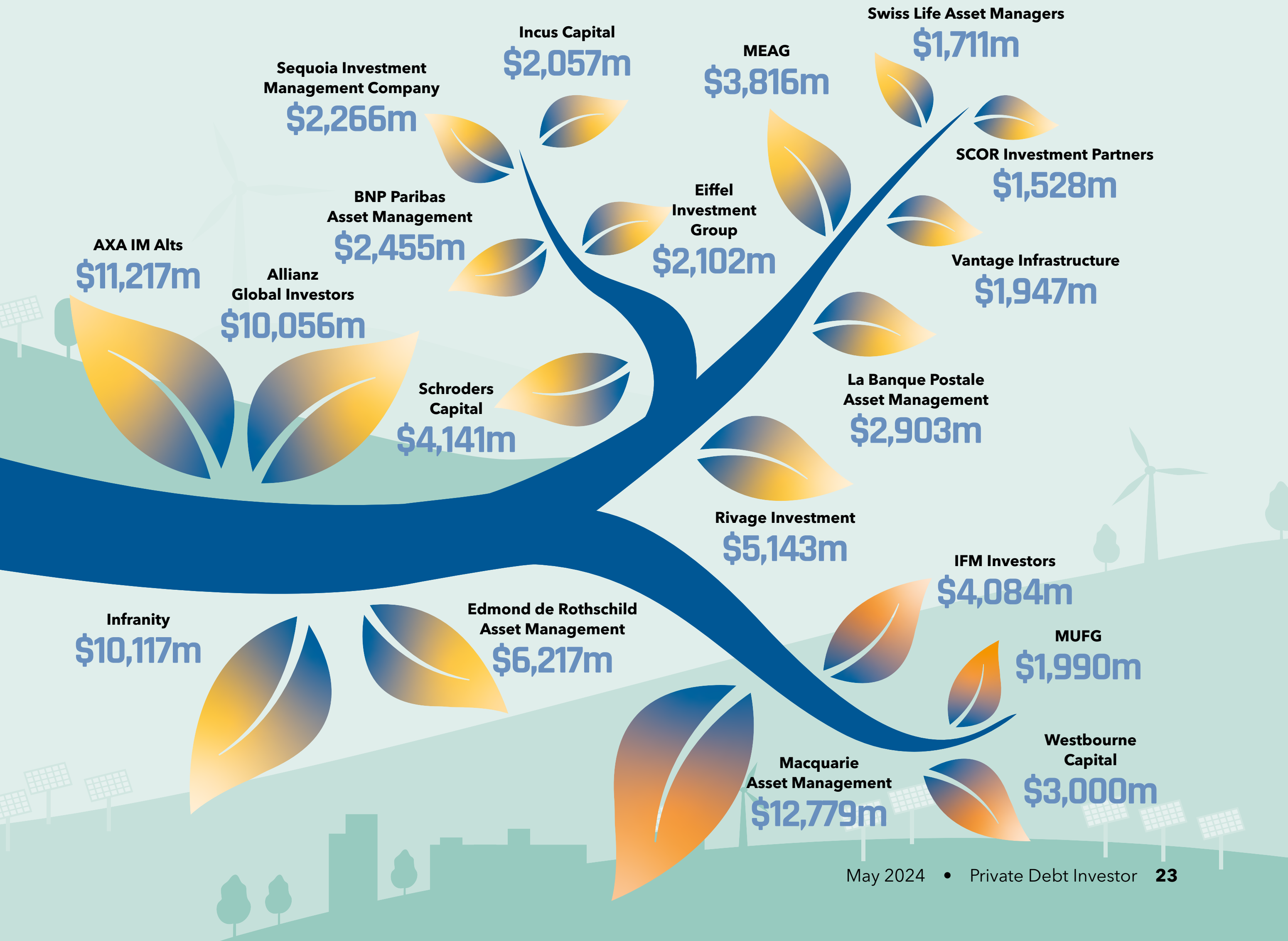
The Infrastructure Investor Debt 30 ranks firms by capital raised for debt strategies over the preceding five years. This year's list saw total capital raised grow by roughly $10 billion, well below the $23 billion increase posted in last year's list. To make the top 10, each manager successfully raised at least $7 billion. The infrastructure sector has particularly benefited from the rising interest rate environment as illustrated by *Infrastructure Investor*'s *LP Perspectives* survey, where 30 percent of respondents plan to lift allocations to the asset class in 2024, against just 4 percent saying they will invest less capital.

European managers again filled out the list this year as 15 GPs made it into the top 30, compared with 11 from North America and four from the Asia-Pacific region. Four new entrants made it onto the ranking, half headquartered in the US and half in Europe. New York's Blackstone came in at number 10, the highest slot for a new addition to the list.

BlackRock topped the ranking for a third consecutive year, and Ares also maintained its second place. Macquarie climbed one spot to wrap up the top three.

Jeetu Balchandani, global head of infrastructure debt at BlackRock, says: "There is pent-up demand from a more stagnant 2023 across the industry, and the current landscape is exciting. Advances in technology, supportive government policy, an increased rate environment and energy transition thematics are creating a strong pipeline of opportunities."

Equity fundraising differed slightly from infrastructure debt, as highlighted by the Infrastructure Investor 100 ranking. There has been little correlation between the two in recent years, but Macquarie, Brookfield and Blackstone each made the top 10 in both lists. ■



Biggest and the best

The leading lights of infrastructure debt continue to show the rest how it is done

Rank 2024		Rank 2023	Manager	Headquarters	Capital raised ($m)
1	◁▷	1	BlackRock	New York	18,590
2	◁▷	2	Ares Management	Los Angeles	13,596
3	▲	4	Macquarie Asset Management	Sydney	12,779
4	▼	3	AXA IM Alts	Paris	11,217
5	▲	7	Infranity	Paris	10,117
6	▼	5	EIG	Washington, DC	10,072
7	▼	6	Allianz Global Investors	Frankfurt	10,056
8	▲	9	Barings	Charlotte	9,325
9	▼	8	Brookfield Asset Management	Toronto	8,464
10	★	-	Blackstone	New York	7,100
11	◁▷	11	Edmond de Rothschild Asset Management	Paris	6,217
12	▼	10	Global Infrastructure Partners	New York	5,604
13	▼	12	Rivage Investment	Paris	5,143
14	◁▷	14	Schroders Capital	London	4,141
15	◁▷	15	IFM Investors	Melbourne	4,084
16	▼	13	MEAG	Munich	3,816
17	▼	16	Westbourne Capital	Melbourne	3,000
18	▲	22	La Banque Postale Asset Management	Paris	2,903
19	▲	20	Goldman Sachs Asset Management	New York	2,730

The 100 biggest infrastructure fund managers

1	Macquarie Asset Management
2	Brookfield Asset Management
3	Global Infrastructure Partners
4	KKR
5	EQT
6	Stonepeak
7	DigitalBridge
8	Blackstone
9	Antin Infrastructure Partners
10	IFM Investors
11	I Squared Capital
12	Copenhagen Infrastructure Partners
13	BlackRock
14	Ardian
15	ECP
16	DIF Capital Partners
17	Igneo Infrastructure Partners
18	Partners Group
19	Meridiam
20	Equitix
21	Swiss Life Asset Managers
22	Actis
23	Morgan Stanley Infrastructure Partners
24	InfraVia Capital Partners
25	Vauban Infrastructure Partners
26	Schroders Greencoat
27	AIP Management
28	EnCap Investments
29	InfraRed Capital Partners
30	Basalt Infrastructure Partners
31	GCM Grosvenor
32	QIC Limited
33	F2i Sgr S.p.A
34	The Carlyle Group
35	Apollo Global Management
36	AXA IM Alts
37	iCON Infrastructure
38	Manulife Investment Management
39	The National Investment and Infrastructure Fund
40	Axium Infrastructure
41	Infracapital
42	Grain Management
43	IPI Partners
44	Goldman Sachs Asset Management
45	Energy Infrastructure Partners AG
46	Oaktree Capital Management
47	Mexico Infrastructure Partners
48	Luxcara
49	Asterion Industrial Partners
50	Argo Infrastructure Partners

20	▲	21	The Carlyle Group	New York	2,703
21	▼	18	BNP Paribas Asset Management	Paris	2,455
22	★	-	AB CarVal Investors	Minneapolis	2,288
23	▼	19	Sequoia Investment Management Company	London	2,266
24	▲	26	Eiffel Investment Group	Paris	2,102
25	★	-	Incus Capital	Madrid	2,057
26	▼	24	Denham Capital Management	Boston	2,000
27	▼	25	MUFG	Tokyo	1,990
28	▼	23	Vantage Infrastructure	London	1,947
29	★	-	Swiss Life Asset Managers	Zurich	1,711
30	▼	28	SCOR Investment Partners	Paris	1,528

51	Capital Dynamics
52	DWS
53	Northleaf Capital Partners
54	LS Power Group
55	Generate Capital
56	Ullico Investment Advisors
57	ArcLight Capital Partners
58	GI Partners
59	Foresight Group
60	Allianz Global Investors
61	Quinbrook Infrastructure Partners Ltd.
62	Dalmore Capital Limited
63	Morrison & Co
64	Ancala Partners
65	CIM Group
66	Cube Infrastructure Managers
67	Ares Management
68	Omnes Capital
69	GLIL Infra
70	Mir
71	
72	
81	
82	
83	Feng
84	3i Group
85	Pacific Equity Partners
86	China International Capital Corporation
87	DTCP
88	Tiger Infrastructure Partners
89	Palistar Capital
90	Tailwater Capital
91	Hy24
92	Keppel Capital
93	PATRIZIA
94	Sustainable Development Capital
95	Intermediate Capital Group
96	Commerz Real
97	Instar Asset Management
98	Marguerite
99	Hull Street Energy
100	Astatine Investment Partners

13

Of the 30 largest infrastructure debt fundraisers, 13 also make the cut for the top 100 infrastructure equity fundraisers. Of those, seven are in the debt top 10

Methodology

The 2024 II Debt ranking is based on the amount of direct infrastructure debt investment capital raised by firms between 1 January 2018 and 31 August 2023.

Where two firms have raised the same amount of capital over this time period, the higher II Debt ranking rank goes to the firm with the largest active pool of capital raised since 2018 (ie, the biggest single fund). If there is still a 'tie' after taking into account the size of a single fund, we give greater weight to the firm that has raised the most capital within the past one or two years.

We give highest priority to information that we receive from or confirm with the infrastructure managers themselves. When firms confirm details, we seek to 'trust but verify'. Some details simply cannot be verified by us, and in these cases we defer to the honour system. In order to encourage co-operation from infrastructure firms that might make the II Debt ranking, we do not disclose which firms have aided us on background and which have not. Lacking confirmation of details from the firms themselves, we seek to corroborate information using firms' websites, press releases, limited partner disclosures, etc.

What counts?
Structures
- Limited partnerships
- Open-end vehicles (capital must be raised within the specified dates)
- Co-investment funds/separate accounts capital raised by infrastructure managers that happen to be publicly traded
- Seed capital and GP commitment

Strategies
- Debt strategies
- Mezzanine funds
- Financing of existing assets (brownfield), development-phase assets (greenfield) or a mix of both

What does not count?
- Expected capital commitments
- Public funds
- Contributions from sponsoring entities
- Capital raised for funds of funds
- Capital raised for infrastructure funds that seek to own assets for a period of time
- Secondaries vehicles
- Real estate funds
- Private equity funds
- Equity funds: core, core-plus, value-add, opportunistic
- Hedge funds
- Capital raised on a deal-by-deal basis
- Leverage
- PIPE investments

1

BlackRock

New York

Capital Raised

$18.59bn

Total AUM

$10trn

BlackRock held onto the top spot for a third consecutive year, despite announcing no significant new raises over the past 12 months.

In October, the New York-based firm launched Global Infrastructure Debt Fund II, a new energy transition-focused debt vehicle to help drive decarbonisation in Europe and the US. In January 2022, BlackRock also closed Colombia Infrastructure Debt Fund II, its second fund for the South American country, achieving its hard-cap target of $630 million.

Despite the drop in raised capital this year, the US manager sits almost $5 billion ahead of the nearest competition.

2

Ares Management

Los Angeles

Capital Raised

$13.6bn

Total AUM

$378bn

Two years ago, Ares Management failed to make the top 30 listing, but in December 2022 it closed Ares Infrastructure Debt Fund V on $5 billion. Ares Management says the fund will invest primarily in North America and Europe, but will also look at opportunities across the Asia-Pacific region.

The California-based manager clung onto second place for the second consecutive year, despite its capital raised falling by 6 percent from last year. The manager's third debt fund fell off the counting period, which had closed $500 million above the $2 billion target set in 2017. It is currently in market with AMP Capital Infrastructure Debt Asia.

3

Macquarie Asset Management

Sydney

Capital Raised

$12.78bn

Total AUM

$589.1bn

Macquarie Asset Management had held the fourth spot for three consecutive years, but finally leapt into third place. The Australia-based manager recorded an 8 percent jump in raised capital since last year's ranking, estimated at around $996.11 million.

In mid-2023, Macquarie made several strategic hires to expand the private infrastructure credit business. Harlan Cherniak was appointed head of infrastructure debt for the Americas and Gurjit Orjela was selected to focus on high-yield infrastructure debt opportunities in Europe. In November, the manager also said it would expand its private credit offering into credit portfolio financing.

North America | Europe | Asia-Pacific

4

AXA Investment Managers Alts

Paris

Capital Raised

$11.22bn

Total AUM

$199.77bn

In 2021, AXA Investment Managers achieved the top spot in the infrastructure debt ranking before dropping into third position and staying there over the past two years. AXA finished in fourth place when the inaugural ranking was compiled in 2019.

The Paris-based manager swapped places with Macquarie in this year's ranking after its capital raised total fell by almost $3 billion, a difference of around 10 percent from last year's numbers. This was due to AXA's European Infrastructure Senior I fund dropping out of the counting period and no significant debt fund closes announced.

5

Infranity

Paris

Capital Raised

$10.12bn

Total AUM

$9.7bn

Paris-based investment firm Infranity, part of Generali Investments in Italy, was a new entrant in last year's ranking and once again experienced a big injection of capital in 2023. Funding has soared by 26 percent over the past 12 months as debt funds including GGI Senior Infrastructure Debt II and IF Senior Infrastructure Debt III both closed.

These combined closes propelled Infranity up two places and increased capital raised by more than $2 billion from 2022, when the firm also launched its fourth senior debt strategy, which has already raised €425 million against a target of €1.5 billion, according to *Infrastructure Investor* data.

6

EIG

Washington, DC

Capital Raised

$10.07bn

Total AUM

$24bn

US-based manager EIG fell one spot in the ranking this year after funding slipped by around 13 percent. The firm is currently in market with EIG Energy Fund XVIII, which launched in Q1 2022, after the previous vehicle closed on $3.11 billion back in June 2019.

In January, pan-European renewable energy producer Aukera announced a €450 million structured credit facility from EIG to help finance and construct more than 1.5GW of solar, wind and battery storage projects across the UK, Germany, Italy and Romania. The energy fund series focuses on opportunities across the entire energy value chain.

7

Allianz Global Investors

Frankfurt

Capital Raised

$10.06bn

Total AUM

$557.41bn

Dropping one spot in the ranking from last year, Germany-based Allianz Global Investors says diversification will be essential as the market environment and valuations may present opportunities in private markets such as private credit and infrastructure.

In its 2024 outlook, Allianz writes: "As interest rates begin to level off, a new investment environment is emerging with opportunities that may not have existed in years. Uncertainty remains high with the potential for an oil-price shock and the implications of November's US election adding to the mix. But the good news is investors may be rewarded for taking risk again."

8

Barings

Charlotte

Capital Raised

$9.33bn

Total AUM

$351bn

Barings moves back into eighth position after a one-year hiatus when the firm briefly fell into ninth place after the US manager closed its inaugural infrastructure debt fund in August 2022.

The Barings Target Yield Infrastructure Debt fund reached more than $100 million above the initial $500 million target, after attracting interest from a mix of public and private pension funds and insurance companies. The fund is pursuing returns of around 6-7 percent and consists of a mix of junior and senior debt. The debut infra debt fund will focus on investments in North America and Europe.

9

Brookfield Asset Management

Toronto

Capital Raised

$8.46bn

Total AUM

$865bn

Brookfield may have dropped one place in the ranking this year, but the Canadian manager posted a strong 17 percent increase in capital raised. In November, the firm announced the closing of its third debt vintage on $6 billion. Brookfield Infrastructure Debt Fund III closed $2 billion above the expected target and almost seven times larger than the series' inaugural fund, which fell from the counting period.

Over half of the fund has already been deployed across projects in renewables, data centres and other sectors. The main geographical focus of the fund is on North America and Europe, while Brookfield claimed the close made it the world's largest debt fund.

North America · Europe · Asia-Pacific

10

Blackstone

New York

Capital Raised

$7.1bn

Total AUM

$1.04trn

Blackstone is a new entry to the ranking this year after closing the firm's third transition-focused credit vintage on more than $7 billion. The US-based manager called BGREEN III the "largest energy transition private credit fund ever raised" and plans to support the shift away from fossil fuels by investing in LNG, as well as renewables and other low-carbon infrastructure.

Blackstone's second energy transition vehicle raised $4.5 billion against a target of $5 billion, while the debut vintage managed to raise $3.5 billion. The steady growth in investment across the three funds underlines the industry-wide appetite for decarbonisation that has been seen in recent years.

11

Edmond de Rothschild Asset Management

Paris

Capital Raised

$6.22bn

Total AUM

$23.41bn

Edmond de Rothschild Asset Management maintained its position in this year's ranking with an 11 percent increase in capital raised. In April the manager announced BRIDGE VI, targeting €1 billion for infrastructure debt projects across Europe, Asia and the Americas.

The previous vintage closed in 2020 on €2.5 billion. Last year, it loaned funds via its BRIDGE debt financing platform to social infrastructure firm Kinland, which focuses on the Nordic region and continental Europe. In September, it invested €24.7 million in Kyotherm.

12

Global Infrastructure Partners

New York

Capital Raised

$5.6bn

Total AUM

$100bn

Global Infrastructure Partners fell two spots this year despite its capital raised remaining exactly the same as last year's total.

Since its inception in 2006, GIP continues to target infrastructure investment assets in the energy, transportation, digital, water and waste sectors, with a focus on complex transactions, strategic joint-venture partnerships with large industrial partners and operational improvements. Its equity business focuses on large-scale investments in infrastructure businesses and assets that provide essential services for communities with high barriers to entry and significant governance positions.

13

Rivage Investment

Paris

Capital Raised

$5.14bn

Total AUM

$8.58bn

Rivage dropped one spot in the ranking as capital raised fell by 6 percent this year. No new funds were closed by Rivage over the past 12 months, but the manager announced the launch of two new debt vehicles.

The European Investment Fund made a €30 million deposit to the EU's new debt impact-focused European Climate Debt Solutions Fund (EUCLIDES) as a cornerstone investor. Rivage is targeting a first close of €100 million and a target size of €250 million. In February 2023, the France-based manager launched a €300 million sustainable infrastructure debt fund alongside NN Group to help accelerate the energy transition.

14

Schroders Capital

London

Capital Raised

$4.14bn

Total AUM

$8.58bn

Schroders Capital is in the market with the third vintage of its "JULIE" fund series, fully dedicated to sub-IG infrastructure investments in Europe and focused on core, brownfield assets. JULIE III, targeting 8-9 percent in Europe, has successfully raised €600 million after holding a first close in April 2023.

Schroders Capital also has a dedicated IG strategy, similarly focused on core, brownfield assets in Europe with the latest fund, Euro IG Debt Fund V, garnering €500 million in 2023.

15

IFM Investors

Melbourne

Capital Raised

$4.08bn

Total AUM

$143.23bn

Australia's IFM Investors also maintained its standing in the ranking for a second consecutive year. The manager posted an impressive 10 percent increase in capital raised over the past 12 months via mandates and open-end vehicles.

In November, IFM also announced a memorandum of understanding with the UK government to invest £10 billion ($12.6 billion; €11.7 billion) across equity and debt in the UK by 2027. The manager explained that the investment would go towards funding large-scale infrastructure and energy transition projects. The MoU was also an increase on the £3 billion that IFM had pledged to invest in the UK back in 2022.

North America Europe Asia-Pacific

16

MEAG

Munich

Capital Raised

$3.82bn

Total AUM

$346.48bn

Germany's MEAG fell three positions in the ranking this year, despite launching its third infrastructure debt vehicle in August. MEAG Infrastructure Debt Fund III is targeting €600 million to €800 million and will focus on senior secured debt lending across Europe, mostly in sectors including transport, social infrastructure, communication and the energy transition.

The previous infrastructure debt vehicle in the series closed in 2021 on €1.05 billion, well above the €800 million initial target, and followed on from the first in the series, which closed on €661 million in 2019.

17

Westbourne Capital

Melbourne

Capital Raised

$3bn

Total AUM

$8.5bn

Australian manager Westbourne Capital fell one spot in the ranking this year following a 7 percent drop in total capital raised over last year's numbers, largely due to its Westbourne Infrastructure Debt Opportunities Fund falling out of the counting period.

In 2018, Westbourne hit a first close on $1.5 billion for its infrastructure debt platform, managing director David Ridley told *Infrastructure Investor* at the time, adding that he expected to see increased demand from insurance companies for infrastructure debt investments as they seek to replace lower-returning government bonds in fixed-income portfolios.

18

La Banque Postale Asset Management

Paris

Capital Raised

$2.9bn

Total AUM

$72.94bn

In September 2023, La Banque Postale Asset Management announced the launch of a €1 billion impact infrastructure debt fund in support of the energy transition in Europe. The fund will be deployed over a three-year period and focus on renewables, the circular economy, clean transport, energy efficiency, green hydrogen and energy storage.

The French manager moved up four places this year after capital raised jumped by 24 percent over the past 12 months, even though its LBPAM European Infrastructure Debt Fund II dropped out of the counting period.

19

Goldman Sachs Asset Management

New York

Capital Raised

$2.73bn

Total AUM

$2.55trn

Goldman Sachs Asset Management climbed one spot from last year's ranking after a small drop in capital raised over the previous year's total.

NN Investment Partners was a Netherlands-based asset manager headquartered in The Hague with operations across Europe, Asia and the Americas. The company was acquired by Goldman Sachs Asset Management in April 2022, having ranked 30th in that year's Debt 30. In 2018, NN Investment Partners debuted its first infrastructure debt fund, NN (Lux) European Sustainable Infrastructure Debt fund, targeting $200 million with a focus on sustainable investments across social infrastructure, transportation, energy, utilities and digital infrastructure.

20

The Carlyle Group

New York

Capital Raised

$2.7bn

Total AUM

$426bn

The Carlyle Group climbed one spot in this year's ranking, despite fundraising totals staying put on $2.7 billion for the second straight year. In December, the US-based manager launched its second infrastructure debt fund, focusing on North America, after closing the first vehicle back in 2022 on $2.55 billion.

In February, the Carlyle Group also announced a $750 million senior debt financing for The Parking Spot, the largest near-airport parking firm in the US. The investment involves refinancing existing debt across a subset of The Parking Spot's portfolio, which includes 28 near-airport parking facilities across 18 major airports in 13 US states.

21

BNP Paribas Asset Management

Paris

Capital Raised

$2.46bn

Total AUM

$562.13bn

Two years ago, BNP Paribas Asset Management made its debut in the ranking in the 16th position, but this year the Paris-based firm dropped three places after fundraising totals fell 19 percent. In December, the French manager launched its Climate Infrastructure Debt fund targeting €500 million to €750 million and aims to support energy transition projects across continental Europe.

Earlier last year, the manager also closed the European Infrastructure Debt Fund II. BNP Paribas' European Junior Infrastructure Debt Fund I is reported to be halfway to achieving its €500 million target size.

North America | Europe | Asia-Pacific

22

AB CarVal Investors

Minneapolis

Capital Raised

$2.29bn

Total AUM

$16bn

US-based manager AB CarVal Investors is a new entrant to the Infrastructure Investor Debt 30 ranking this year after closing the CVI Clean Energy Fund II on $1.5 billion in mid-2023, coming in $500 million above initial target.

Second in its clean energy series, the fund will focus mostly on low-carbon credit investments in North America and Europe. The first vehicle in the clean energy series closed in 2021 and successfully raised $490 million, easily exceeding its $250 million initial target. It focuses on renewable energy projects in the North American market.

23

Sequoia Investment Management Co

London

Capital Raised

$2.27bn

Total AUM

$2.61bn

Sequoia Investment Management Company fell four places this year after capital raised declined by 17 percent and no new funds were announced.

In November, the firm announced a £56 million ($70.5 billion; €60.5 billion) private loan facility to finance the acquisition of UK biomass firm Esken Renewables by Pioneer Point Partners. The facility was provided by Sequoia Economic Infrastructure Income Fund in support of the value-add strategy of Pioneer Point Partners. The SEQI fund has made at least 58 investments to date, including US hydropower firm Great River Hydro and UK renewable energy platform Infinis.

24

Eiffel Investment Group

Paris

Capital Raised

$2.1bn

Total AUM

$6.44bn

Eiffel Investment Group moved up two spots this year, posting a substantial 36 percent increase in raised capital, via new investment in the Eiffel Impact Debt II fund. In July, the France-based firm announced that it had already raised almost €650 million for the fund and was targeting €800 million at final close.

In 2022, Eiffel Investment Group raised €500 million on first close of its second impact private debt vintage after raising €576 million for its first impact debt fund. In October, the debt team also announced a €60 million financing for industrial engineering firm Fives Group.

25

Incus Capital

Madrid

Capital Raised

$2.06bn

Total AUM

$3.47bn

Another new entrant to this year's Infrastructure Investor Debt 30 ranking, and the only Spain-based manager on the list, Incus Capital announced the second close of its second energy transition credit fund in October 2023 on €300 million. The European Renewables Credit Fund is targeting €500 million and is the direct successor to the firm's €300 million European Real Assets Senior Credit Fund.

The latest dedicated energy transition fund will focus on senior financing for greenfield and brownfield renewables projects across Europe to help transition away from fossil fuels. In December 2022, Incus also reached a hard-cap of €650 million for its fourth European credit fund. The close coincided with the firm's 10th anniversary.

26

Denham Capital

Boston

Capital Raised

$2bn

Total AUM

$12bn

Denham Capital launched its private credit strategy at the end of 2021 after securing a significant commitment from a US insurance company. The private credit strategy complements its nearly 20-year equity strategy, which focuses on private, clean energy infrastructure investments across the globe.

The team, led by partner Jorge Camiña, has deployed over $800 million of capital across 16 transactions, both investment grade and high yield, and spanning the US, Latin America and Europe since inception. Denham claimed the 24th spot in last year's ranking.

27

MUFG

Tokyo

Capital Raised

$1.99bn

Total AUM

$1.97trn

Last year marked the debut appearance of Tokyo-based MUFG to the debt ranking, and this year the bank is again the sole Japanese participant after increasing capital raised by 13 percent.

In January 2024, the firm announced a $1.9 billion debt financing for EdgeCore Digital Infrastructure to help scale the company's data centre campus in Mesa, Arizona. In May, the Japanese mega-bank also closed the senior debt financing of two offshore windfarms in France for around €5 billion. The offshore windfarms will provide electricity to more than 1.6 million people each year and help France move towards carbon neutrality.

North America | Europe | Asia-Pacific

28

Vantage Infrastructure

London

Capital Raised

$1.95bn

Total AUM

$3.9bn

Vantage Infrastructure slipped five spots in the debt ranking this year as the firm's debut credit fund moved closer to final close. Vantage told *Infrastructure Investor* in October 2023 that the fund will focus on sub-investment grade senior debt in the US mid-market, investing in operating infrastructure companies.

In January 2024, Vantage and Nuveen jointly announced a $400 million senior debt investment in US energy management firm Budderfly, aimed at supporting clean energy growth in the mid-market sector.

29

Swiss Life Asset Managers

Zurich

Capital Raised

$1.71bn

Total AUM

$285.77bn

Zurich-based Swiss Life Asset Managers is another debutant in the ranking this year, and the only representative on the Infrastructure Investor Debt 30 list from Switzerland.

The manager holds just one infrastructure debt fund, the Swiss Life Loan Fund ESG Infrastructure Debt vehicle, which launched in mid-2022 with the ambition of raising €2.5 billion in capital. The fund has already deployed at least €700 million in 20 investments across telecoms, transportation, industrial storage and renewables in Western Europe.

30

SCOR Investment Partners

Paris

Capital Raised

$1.53bn

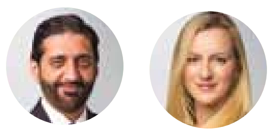
Total AUM

$22.82bn

Dropping two places in the ranking this year, SCOR Investment Partners posted an 11 percent rise in capital raised. In December, the Paris-headquartered firm moved closer to its hard-cap target of €1 billion after announcing a second close for the SCOR Infrastructure Loans IV fund.

The fourth senior debt vehicle in the series is focused on digital infrastructure and reached a second close of €501 million, following on from the intermediary close of €320 million in 2022. The vehicle has already made investments in fibre networks, data centres and green transport in France, Germany, Spain, Italy and the Netherlands.

How banks are pivoting to compete



Guest comment by **Faisal Ramzan** and **Alice Dawson-Loynes**

The popularity of private credit is creating more competition and consequently more opportunities for both borrowers and lenders

Market volatility, geopolitical tension and rising interest rates over the past few years have created challenges in the broadly syndicated loan and high-yield bond markets but have conversely created opportunities for private credit lenders. Traditional bank lenders are now pivoting and entering the direct lending space to compete with the private credit lenders.

This year has seen tightening of spreads in the direct lending market as bank competition returns to the European leveraged finance market. Capital structures nearing maturity and expiring call protection periods have created opportunities to refinance and reprice deals. Traditional bank lenders are keen to establish their own position in the private credit market, valued at more than $1.7 trillion globally, which competes for larger sponsor-backed deals in addition to its extensive mid-market coverage.

Private credit financing, whether provided by a single lender or a 'club', can offer certainty of closing and speed of execution without the unpredictability of syndication risk that is inherent within the BSL market. Private credit financings can include other flexibilities, such as PIK tranches and delayed draw facilities, which are attractive features in unpredictable markets.

Innovative strategies

Banks are looking for innovative ways to compete with private credit lenders in the leveraged finance market. This may be through the creation of their own private credit fund platforms, either through true 'funds' or simply strategies to compete with private credit. Other banks have formal partnerships with private credit funds.

Banks may also be involved through 'first out last out' structures, where the borrower receives the benefit of improved pricing on a single tranche of debt, while the credit fund and bank agree economics in the background. The approach may vary, but the aim is to reclaim some of the leveraged finance market activity that has migrated to direct lenders.

Entities such as Goldman Sachs have long had an established private credit or asset management business, while other investment banks such as JPMorgan Chase, Morgan Stanley, BNP Paribas and Citigroup are developing their private credit platforms and strategies.

Investec was one of the early entrants to this market, raising its own debt fund for direct lending in 2021 to build on its direct lending team's 10-year-plus track record of originating and investing in European private credit. "We focus entirely on the European lower mid-market. We see this as our sweet spot as it's an area of private credit that has a high volume of deals yet is underserved by our competitors" says Callum Bell, head of direct lending at Investec.

SMBC has a long-established joint venture with Park Square Capital, currently investing from its second joint programme and focusing on the mid-market. "It's a competitive part of the market, but our ability to provide a complete private credit solution, including a genuine RCF, sets us apart and is attractive to sponsors," says Adam Bouma, executive director, leveraged finance origination at Sumitomo Mitsui Banking Corporation.

"We are also unique in being able to transition from a private credit structure to a BSL structure with our capital markets capabilities as the companies grow. That flexibility has allowed us to structure hybrid solutions for our clients and can facilitate an exit."

Although banks can engage in direct lending using their balance sheet, courting external investors for additional capital may enable these banks to participate in more direct lending deals with larger commitments.

Some investment banks are exploring opportunities to trade private credit loans and facilitating secondaries market transfers. Potentially privacy of information in relation to these loans will be eroded, which could be an issue for sponsors requiring privacy in relation to the asset. Although arguably secondaries market transactions of private debt could allow direct lenders to manage their portfolios more effectively and release capital for new deals.

Differentiating themselves

Traditionally, private credit funds approach transactions differently to the lenders in the BSL market as they hold the debt to maturity. Credit committee approval and due diligence for lenders underwriting a BSL deal is fundamentally predicated on terms designed to achieve successful syndication.

In a challenging high-interest rate environment, private credit lenders have the capacity to offer bespoke solutions such as subordinated tranches and deferred cash pay interest. Can banks compete by offering holdco PIK and preferred equity?

Documentation and terms are hugely influential. Ease of negotiation and speed of execution are features of the private credit market, but also the inclusion of more restrictive covenants. Covenant-lite structures are prevalent in the BSL market but covenant loose is more common in the private credit world (unless it is a large-cap deal). Market competition may create further convergence of terms from the BSL market and direct lending products.

Relationships are fundamental in the leveraged finance market, but flexibility and bespoke capital solutions are also essential to sponsors.

Healthy competition can drive innovation, as traditional banks and private credit funds positively differentiate their financing solutions and secure borrower interest. From a sponsor perspective, a wider range of competitors will provide more options, flexibility and appropriate pricing. Existing private credit funds have adapted to operate not only in mid-market deals but to also establish relationships with sponsors to ensure their inclusion in the larger-cap deals. Private credit funds are also creating more opportunities by providing finance on non-sponsored deals.

"Banks are looking for innovative ways to compete with private credit lenders in the leveraged finance market"

Collaboration possibilities

Increased activity in the BSL market this year has seen competition drive pricing down and some existing private credit loans have been refinanced by syndicated debt. Bespoke solutions may be required for more challenging credits, which can command a premium. Private credit should maintain its dominance in the mid-market, providing complex financing solutions to smaller companies, but the large-cap deals will continue to be competitive.

Collaboration between traditional bank lenders and private credit funds is the most obvious way to be mutually beneficial. Credit funds may have uninvested available capital, but insufficient buyout opportunities. These partnerships could provide access to exclusive dealflow available to the traditional lenders and possibly introductions to corporates.

Credit funds may be able to provide the more flexible financing options, such as subordinated tranches, that may not be possible for the bank lenders in the partnership. Hybrid finance solutions, combining funds from bank lenders and credit funds in a variety of dynamic yet resilient structures, should create opportunities beneficial to both the borrowers and the lenders. ■

Faisal Ramzan is a private credit partner and member of the global finance practice and private capital team at law firm Proskauer; Alice Dawson-Loynes is a manager of training and development – private credit group

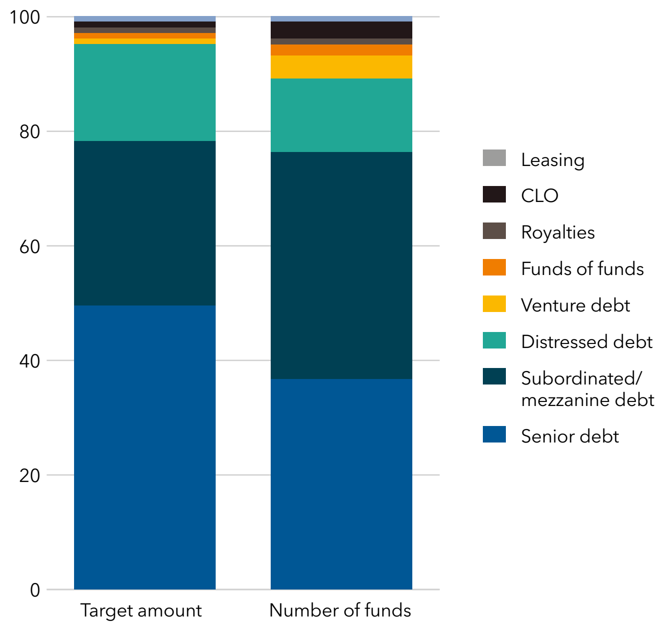
Funds in market

This month's measure of the pulling power of managers, regions and strategies in private credit

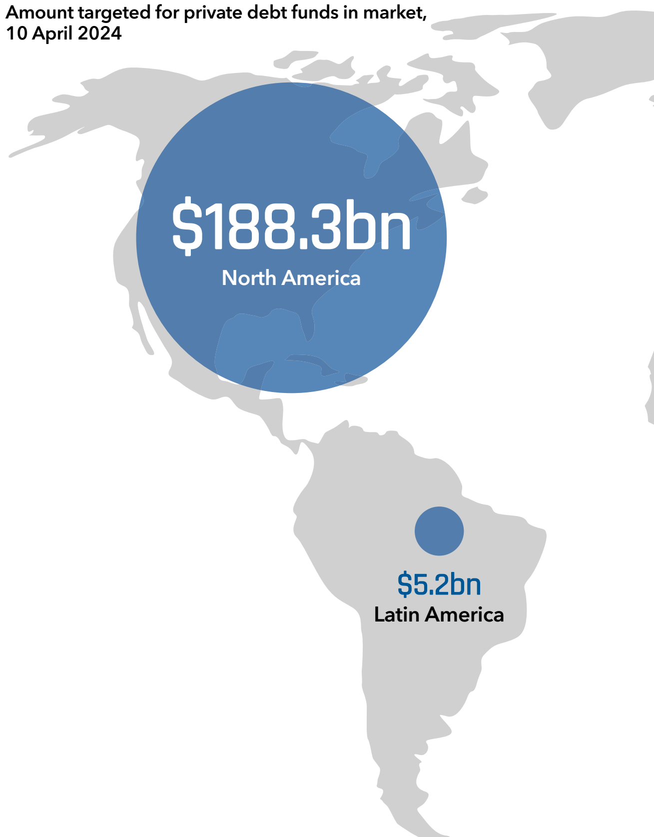
Top funds in market, 10 April, 2024

Fund	Institution	Target ($bn)	Raised ($bn)	Region	Strategy	Sector
Oaktree Opportunities Fund XII	Oaktree Capital Management	18.0	6.4	Multi-regional	Distressed	Corporate
Brookfield/Societe Generale Private Debt Fund	Brookfield Asset Management	10.8	2.7	North America	Subordinated/ mezzanine debt	Diversified
Ares Senior Direct Lending Fund III	Ares Management	10.0	10.3	North America	Senior debt	Corporate
Oaktree Lending Partners	Oaktree Capital Management	10.0	Undisclosed	North America	Senior debt	Corporate
Blackstone Senior Direct Lending Fund	Blackstone	10.0	8.0	North America	Senior debt	Corporate
Stepstone Private Credit Fund	StepStone Group	10.0	0.1	North America	Subordinated/ mezzanine debt	Corporate
Blackstone Capital Opportunities Fund V	Blackstone	10.0	Undisclosed	North America	Subordinated/ mezzanine debt	Corporate
Blackstone Real Estate Debt Strategies V	Blackstone	8.0	3.9	Multi-regional	Subordinated/ mezzanine debt	Real estate
Fortress Credit Opportunities Fund VI	Fortress Investment Group	8.0	0.4	Multi-regional	Distressed	Diversified
CVC European Direct Lending IV	CVC Capital Partners	7.6	Undisclosed	Europe	Senior debt	Corporate

Strategy focus of private debt funds in market, 10 April 2024 (%)

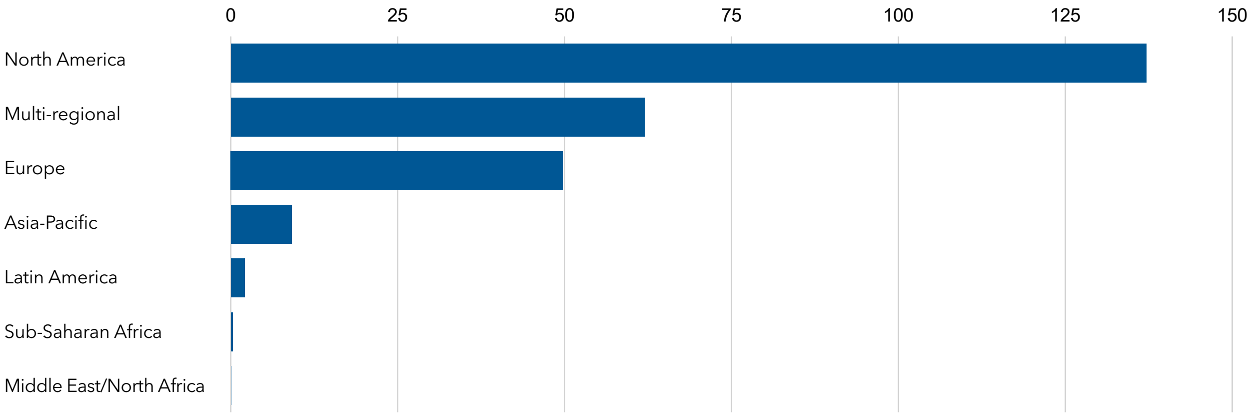


Amount targeted for private debt funds in market, 10 April 2024

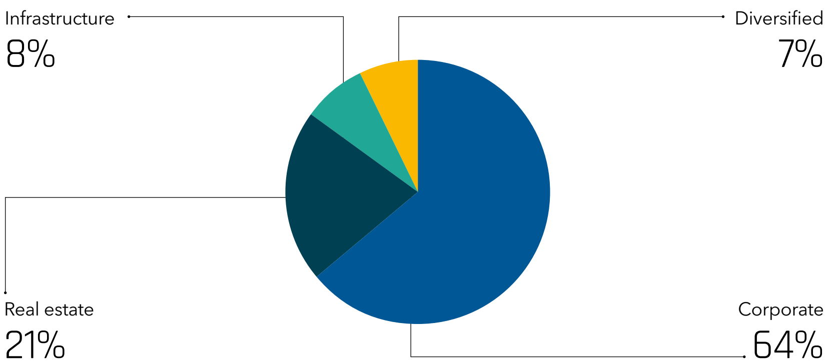


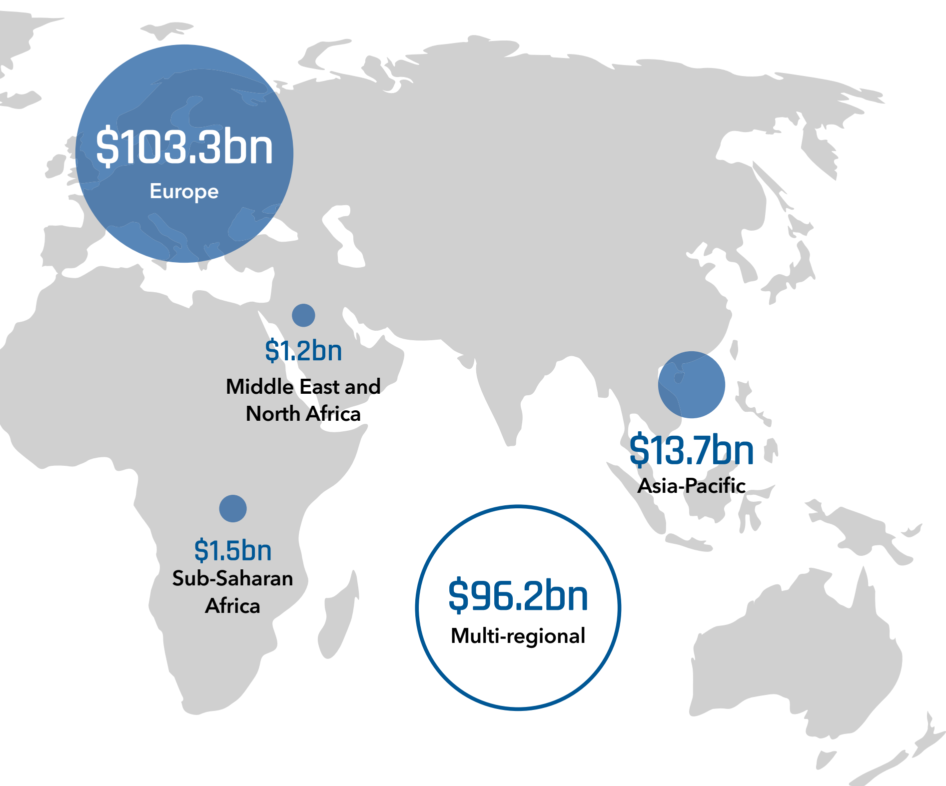
Source for all data: Private Debt Investor

Capital raised by private debt funds in market by region, 10 April 2024 ($bn)



Sector focus of private debt funds in market, 10 Apr 2024





$409.4bn
Total amount targeted by funds in market

1,256
Number of closed-end funds in market

775
Number of managers with funds in market

25%
Percentage of amount targeted by the 10 largest funds in market

102
Number of funds in market targeting $1bn or more

46%
Proportion of capital targeted by funds in market focused on North America

$260.3bn
Capital raised by funds in market through interim closes

The rise of the machines

The June issue of Private Debt Investor takes a deep dive into technology, artificial intelligence and fund services

With the adoption of artificial intelligence and machine learning tools skyrocketing in the wake of ChatGPT's launch, its potential to revolutionise private credit has been thrust into the spotlight. Right across the asset class, from deal origination and due diligence through to investor reporting, accounting and risk management, the scope for managers to leverage the efficiencies of AI to work smarter could fundamentally change the status quo.

Outside the obvious relevance for investment processes, many private funds are looking to integrate AI into their back-office and middle-office processes to speed things up, deliver enhanced insights and save on resources.

Accelex is one company harnessing AI to bring more transparency to private debt, with technology that it says gives firms timely access to performance and transaction data from funds in a clean and easy-to-analyse format. Its tool automates the extraction and preparation of data, giving managers quick access to thousands of data points that would previously have taken huge effort to obtain, and allowing them to significantly enhance the accuracy of their reports, according to the firm.

Other service providers and technology companies are developing their own tools to automate everything from the calculation of carried interest allocations to deal sourcing and ESG reporting.

We'll bring you all the latest developments from the technological frontier.

Don't miss out!