

Asia Begins to Emerge in Growing Private Debt Industry

\$6.1bn of investor capital raised in 2015, with a further \$8bn currently targeted for investment in the Asian non-traditional lending market

The latest research from Preqin on the private debt industry finds that firms are now looking outside of the traditional and more established private credit industries of North America and Europe, and expanding their reach to Asia. 2015 was a significant year for Asia-focused private debt fundraising as 17 funds secured \$6.1bn of investor commitments, the highest aggregate total since 2012 when \$8bn was raised. Moreover, in the past five years, only in 2013 (\$0.3bn) have firms secured less than \$3bn of investor capital. The success of this recent fundraising in the Asia-focused private debt space has seen an increasingly marketpace, with 20 vehicles currently seeking an aggregate \$8bn, a 113% increase in total target value from 2014.

However, despite this growth, private debt in Asia still represents a small share of the global market. In 2012, Asia-focused funds accounted for just 13% of all private debt capital raised, dropping to 7% in 2015, with investors allocating the majority of capital to vehicles investing in North America and Europe. Moreover, with a sluggish start to fundraising across the industry in 2016, no funds targeting Asian credit markets have reached a final close this year.

Other Private Debt in Asia Facts:

- **Fund Manager Location:** The majority of managers (75%) of Asia-focused funds are located in India, Hong Kong or Singapore with the remaining 25% situated in the US and UK. However, **of the five largest funds currently out raising, only one fund is managed by an Asia-based firm** with the other four located in the US or UK.
- **Fundraising by Strategy:** Of the largest five Asia-focused funds closed in 2015, **three utilized a distressed debt strategy, raising a combined \$3bn**, just under half of total private debt fundraising in the region. Direct lending and special situations strategies accounted for four of the top ten funds closed.
- **Fundraising Success:** **Forty-seven percent of Asia-focused funds in 2015 exceeded their initial target size**, and of these eight funds, three focus primarily on Japan. Among funds that fell short of their initial target size, India, Singapore and South Korea were most commonly targeted, with just one fund targeting Japan.
- **Investor Preferences:** **More than two-thirds (69%) of private debt investors based in Asia prefer to invest in North America**, with a fifth looking to invest in European credit markets. Just 7% of investors in Asia would actually look to invest in the Asian markets, with 4% targeting opportunities in Rest of World.

To access further information and analysis, please see the report below:

<https://www.preqin.com/docs/newsletters/pd/Preqin-Private-Debt-Spotlight-June-2016.pdf>

Comment:

“There are many reasons behind the recent growth of private debt in Asian markets including the diminishing availability of credit from traditional banking sources amid recent lending pullbacks. Even though Asia has the perception of being less lender-friendly than more established Western markets, non-traditional lending is gaining traction by offering flexible terms and loan servicing that is attractive to borrowers.

Nonetheless, private debt in Asia still occupies a very small segment of the total private debt market, with the majority of capital raised being targeted towards established credit markets. This should not undermine the recent growth the industry has seen in the region, though, and given the growth of Asia-focused funds on the road, it is likely the region will be the next in line to benefit from the development of the global private debt marketplace.”

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Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

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