

# CREDIT FUNDRAISING AT A GLANCE

## H2 Trends

### ► Fundraising Stabilizing.

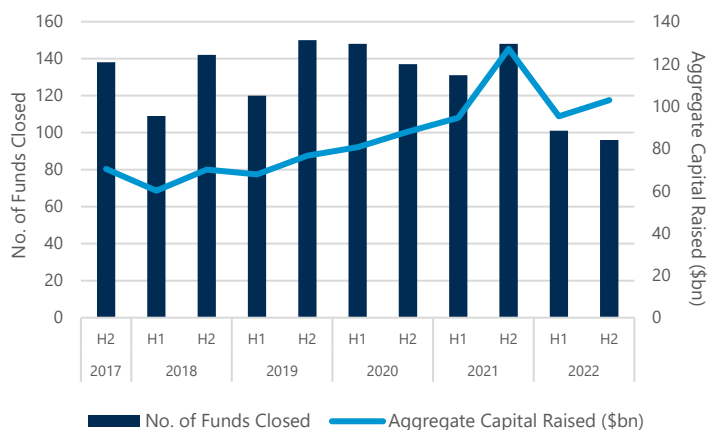
- Credit funds raised \$102.8bn globally in H2, up 7% from \$95.2bn raised in H1 2022.
- Fewer funds reached a final close in 2022 both globally (197) and in the U.S. (109) than in any year in the past five years. While fewer funds closed, the average fund size rose to a record \$1.07bn. Investors favored established credit firms, with larger capital commitments going to fewer funds. Indeed, the 10 largest credit funds represented 50% of all capital raised through Q3 2022.<sup>1</sup>

- **Direct Lending Funds.** Despite the sluggish H2 fundraising environment, investor interest in direct lending funds remained strong. Among the credit funds that closed globally during H2 2022, direct lending funds represented 52% of aggregate capital raised, compared to 65% in H1 2022. Direct lending funds represented 50% of the number of funds closed globally during H2 2022, compared to 59% in H1 2022. As macroeconomic challenges with inflation, interest rates and geopolitical unrest continue, direct lending funds provide a compelling option for borrowers and investors, alike.

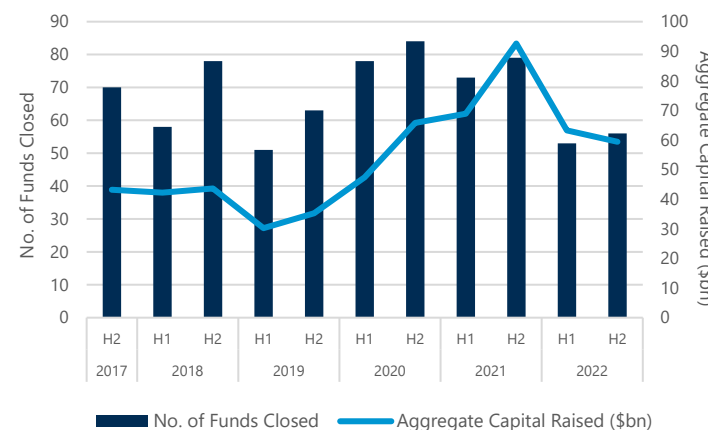
<sup>1</sup>Preqin Global Report 2023: Private Debt.

Second Half 2022

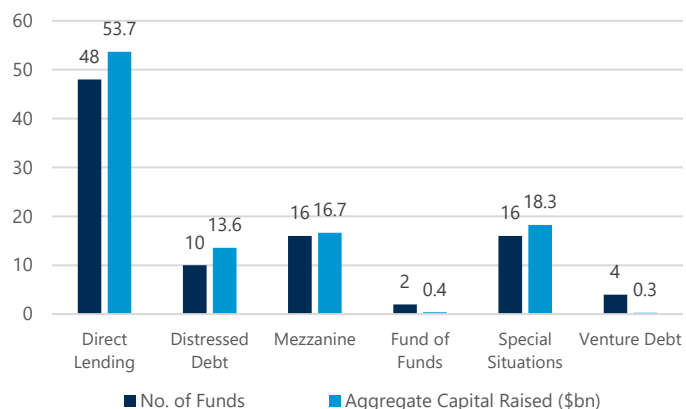
Global Biannual Credit Fundraising: H2 2017 - H2 2022



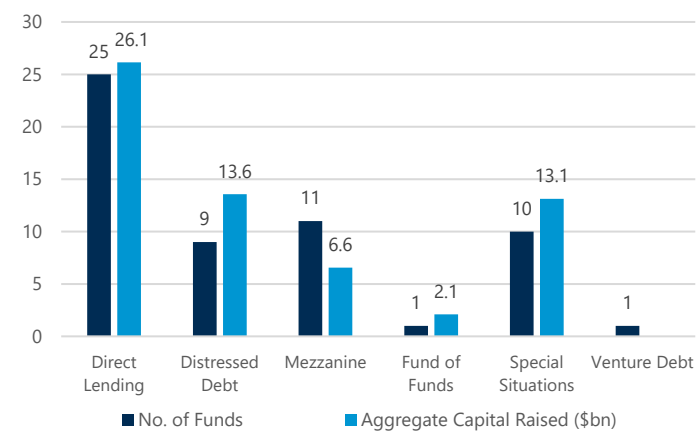
US-Based Biannual Credit Fundraising: H2 2017 - H2 2022



Global Credit Fundraising by Fund Type: H2 2022



US-Based Credit Fundraising by Fund Type: H2 2022



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

## H2 Trends

### Funds in Market.

- A record number of credit funds (907) were fundraising globally in H2, a 16% increase from H1 2022, resulting in the most funds in the market at any time over the last five years. Aggregate capital targeted in H2 was \$322.4bn, up 4% from H1 2022.
- The average time “spent on the road” was more than two years for 35% of credit funds and 19-24 months for 23% of credit funds through Q3 2022.<sup>1</sup>
- Investor outlook for the asset class remains positive, with 63% of investors surveyed by Preqin indicating that they intend to increase allocations to credit funds over the long term.<sup>1</sup>

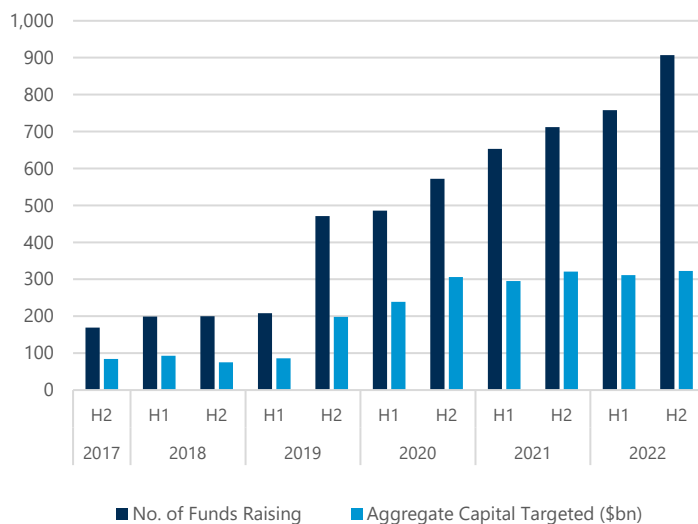
- BDCs.** In addition to traditional credit funds, privately offered business development companies are increasingly popular among firms that focus on direct lending.

- AUM.** Global credit fund AUM reached an all-time high of \$1.333tn as of H1 2022. This means that the credit market, as measured in AUM, has more than doubled over the last five years, from \$633.5bn at the end H2 2017. Global credit fund AUM is projected to reach \$2.3tn by 2027.<sup>1</sup>

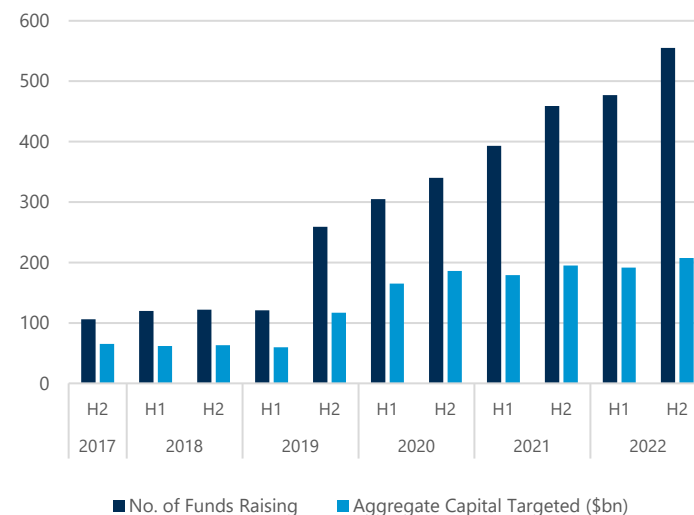
- Dry Powder.** Global credit fund dry powder stood at \$379.8bn as of H1 2022, down 4% from the record high of \$390bn at the end of 2021. As many credit funds have the ability to recycle capital as well as profits, the aggregate dry powder figure is likely higher.

<sup>1</sup>Preqin Global Report 2023: Private Debt.

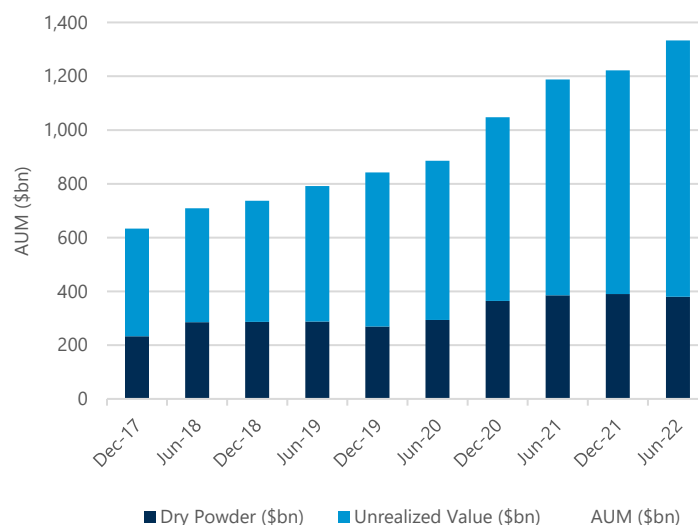
Global Biannual Credit Funds in Market: H2 2017 - H2 2022



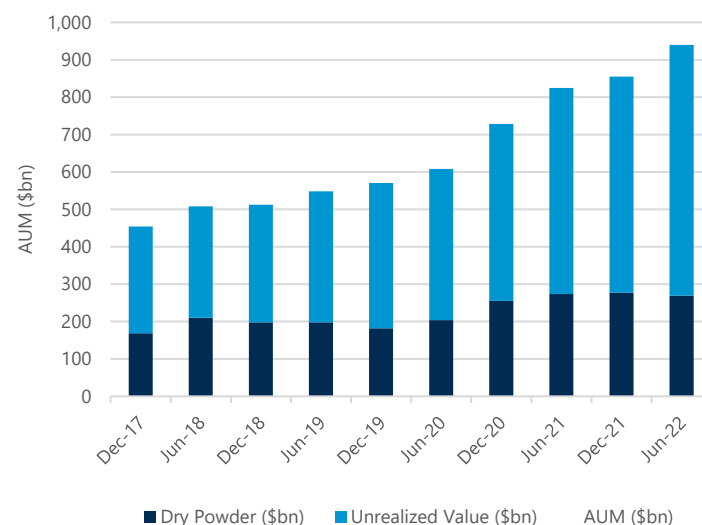
US-Based Biannual Credit Funds in Market: H2 2017 - H2 2022



Global Biannual Credit AUM: H2 2017 - H1 2022



US-Based Biannual Credit AUM: H2 2017 - H1 2022



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Recognized as one of the premier private funds practices in the marketplace, the Paul, Weiss Private Funds Group serves as industry-leading advisors to a diverse group of private firms, ranging from up-and-coming firms to large alternative asset managers. Our deep and sophisticated team of private funds lawyers has experience in all aspects of the organization and operation of alternative asset management products across the spectrum. Our extensive market knowledge is built on decades of experience working hand in hand with fund managers, investors and other key market participants, equipping us with unrivaled data about evolving trends and market dynamics and making us uniquely positioned to offer cutting-edge yet practical advice. We provide advice on both day-to-day questions and firm-defining decisions with respect to the full range of asset management services, including fund and management company formation, seed capital and strategic arrangements, partner arrangements and employee compensation, regulatory and compliance considerations and investment management M&A. The full suite of the firm's resources are at our clients' fingertips, and we work closely across practice areas to provide seamless advice to private funds throughout their lifecycles.

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