

CREDIT FUNDRAISING AT A GLANCE

H2 Trends

Second Half 2023

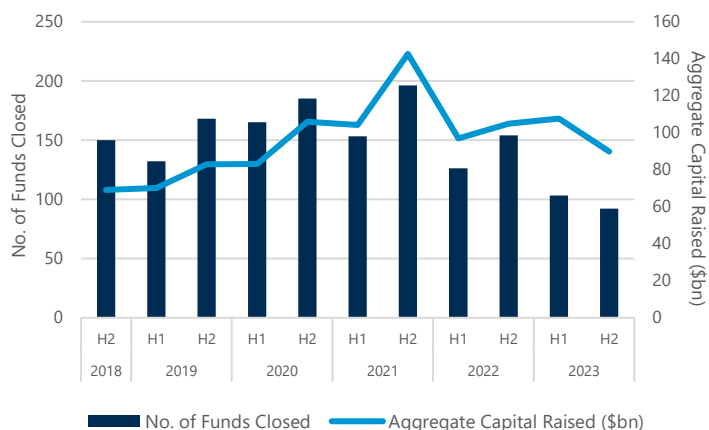
Challenging Fundraising Market.

- ▶ Credit funds raised \$89.8bn globally in H2, down 17% from \$107.6bn raised in H1 and representing the weakest half year for fundraising since H1 2020.
- ▶ While total credit fundraising of \$197.4bn in 2023 remained relatively flat compared to \$201.8bn raised in 2022, 2023 represented the third-best year on record (only behind 2021 and 2022).
- ▶ 92 funds reached a final closing globally in H2, down 11% from 103 funds closed in H1 and marking the lowest number of funds closed in any half year over the last five years.

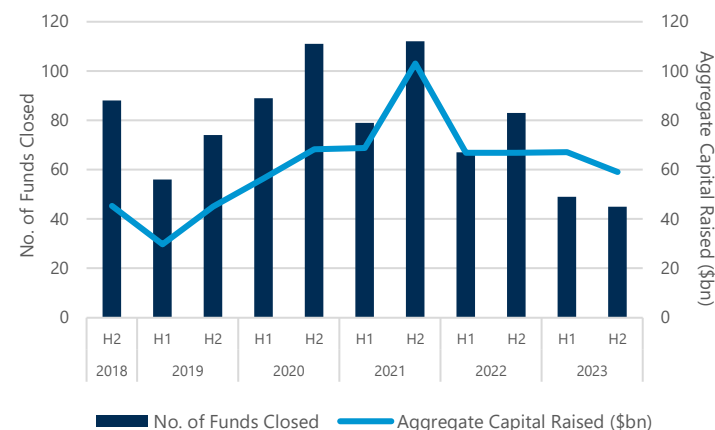
Increase in Direct Lending Funds.

- Direct lending funds have proven to be an attractive alternative to syndicated bank loans due to their efficiency, flexibility, and certainty of execution.
- ▶ Direct lending funds raised \$53.1bn globally in H2, up 40% from \$31.9 raised in H1.
 - ▶ Direct lending funds represented 57% of credit funds closed globally and 59% of aggregate capital raised by credit funds in H2, compared to 51% and 35%, respectively, in H1.

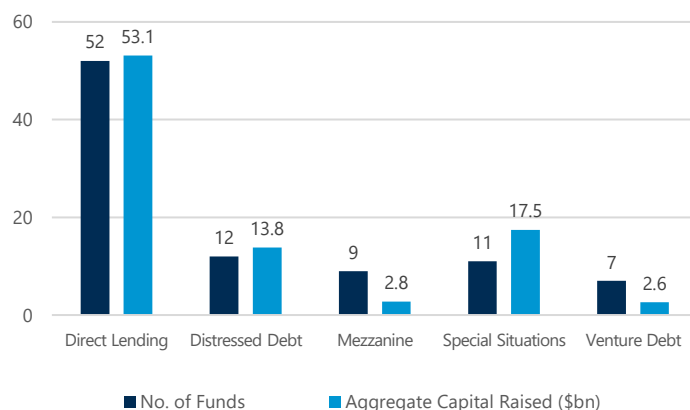
Global Biannual Credit Fundraising



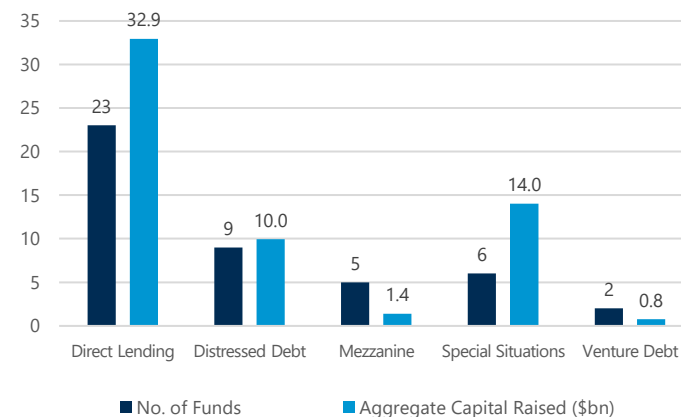
US-Based Biannual Credit Fundraising



Global Credit Fundraising by Fund Type: H2 2023



US-Based Credit Fundraising by Fund Type: H2 2023



All charts were compiled by Prequin 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 (1,074) were fundraising globally in H2, a 4% increase from H1. Aggregate capital targeted in H2 also reached a record high of \$466.2bn, up 12% from H1. Aggregate capital being targeted by credit funds in 2023 has more than tripled since 2019.

▶ **AUM.** Global credit fund AUM reached an all-time high of \$1.693tn as of H1 2023. This means that the credit market, as measured in AUM, has grown 138% over the last five years, from \$709.3bn at the end of H1 2018. Global credit fund AUM is projected to reach \$2.8tn by 2028.¹

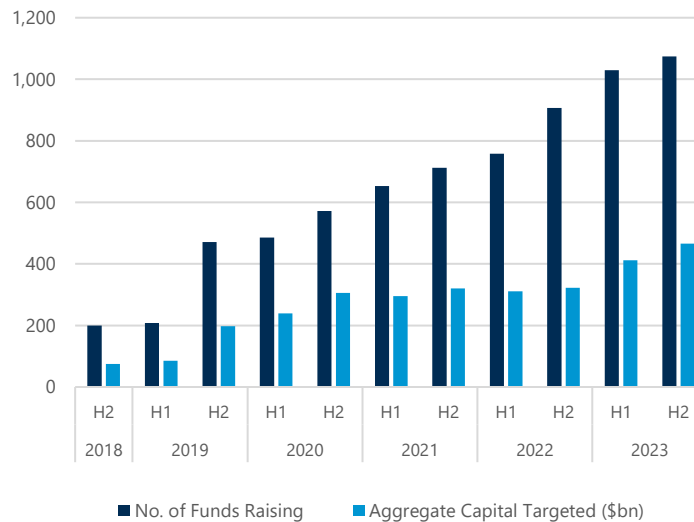
▶ **Dry Powder.** Global credit fund dry powder also reached an all-time high of \$498.2bn as of H1, a 17% increase from \$412bn at the prior half end. As many credit funds have the ability to recycle capital as well as profits, the aggregate dry powder figure is likely higher.

▶ **Consolidation of Capital.** The 10 largest credit funds that held final closings in 2023 amassed \$82.8bn among them, representing 42% of aggregate capital raised in 2023.¹ The average fund size for credit funds closed in 2023 was \$1.01bn, up from \$720mn in 2022.

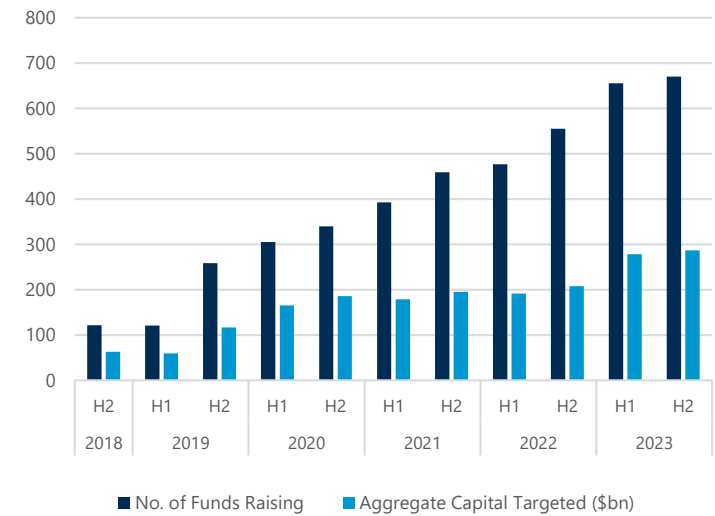
▶ **BDCs.** In addition to traditional credit funds, privately offered business development companies are increasingly popular among credit firms seeking to attract retail investors who often focus on liquidity needs.

¹ Preqin.

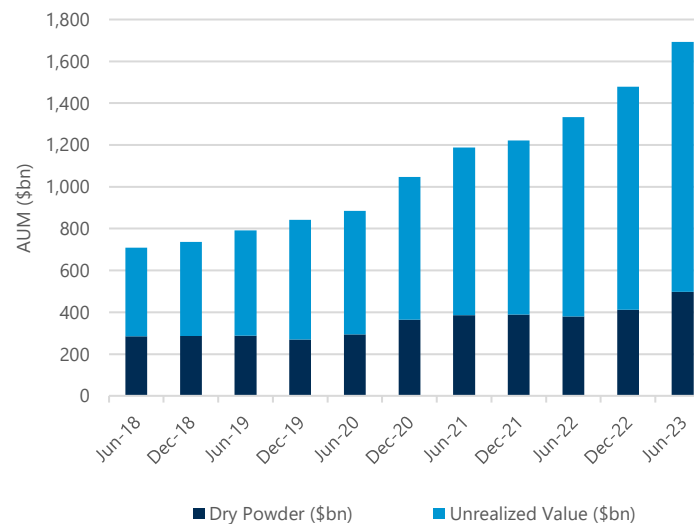
Global Biannual Credit Funds in Market



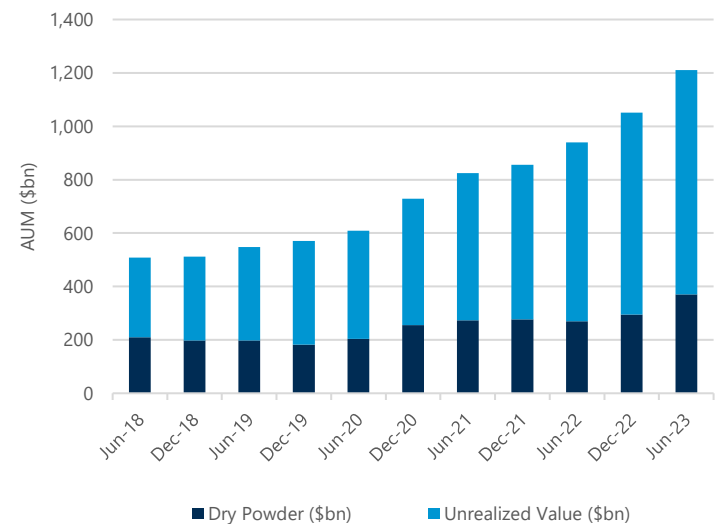
US-Based Biannual Credit Funds in Market



Global Biannual Credit AUM



US-Based Biannual Credit AUM



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