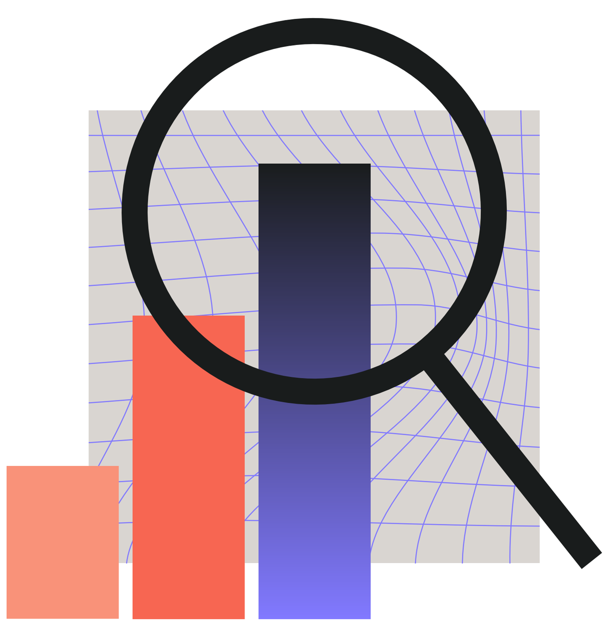
7 Private Debt Trends to Watch in 2022

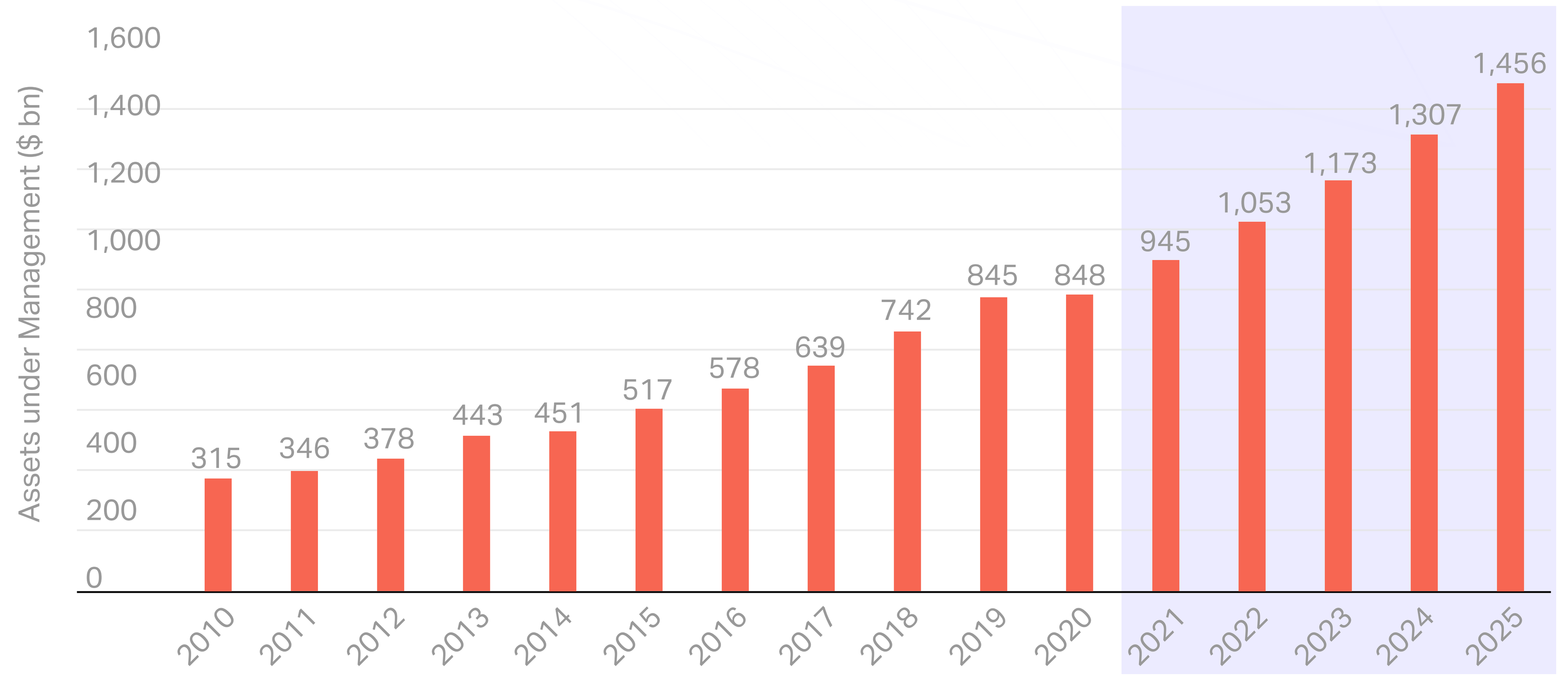
Private Debt AUM continues to surge, mega deals are making a comeback, venture debt is having a moment, and more trends to watch.



#1 Private debt is set to keep growing and growing

After coming out of the gate strong after the Covid-19 slowdown, private debt is expected to continue its outstanding growth track record in 2022, supported by low defaults and high relative recoveries through the pandemic. Per Preqin, it has since grown to be the third largest alternative asset class, behind private equity and real estate.

Private Debt Assets under Management and Forecast, 2010-2025*



**2020 figure is annualized based on data to October, 2021-2025 are Preqin's forecasted figures.*
Source: Preqin

#2 Expect to see more mega deals

2021 saw private debt encroach on the bank dominated broadly syndicated loan market, with several headline-grabbing $1B+ deals. The trend looks set to continue in 2022.

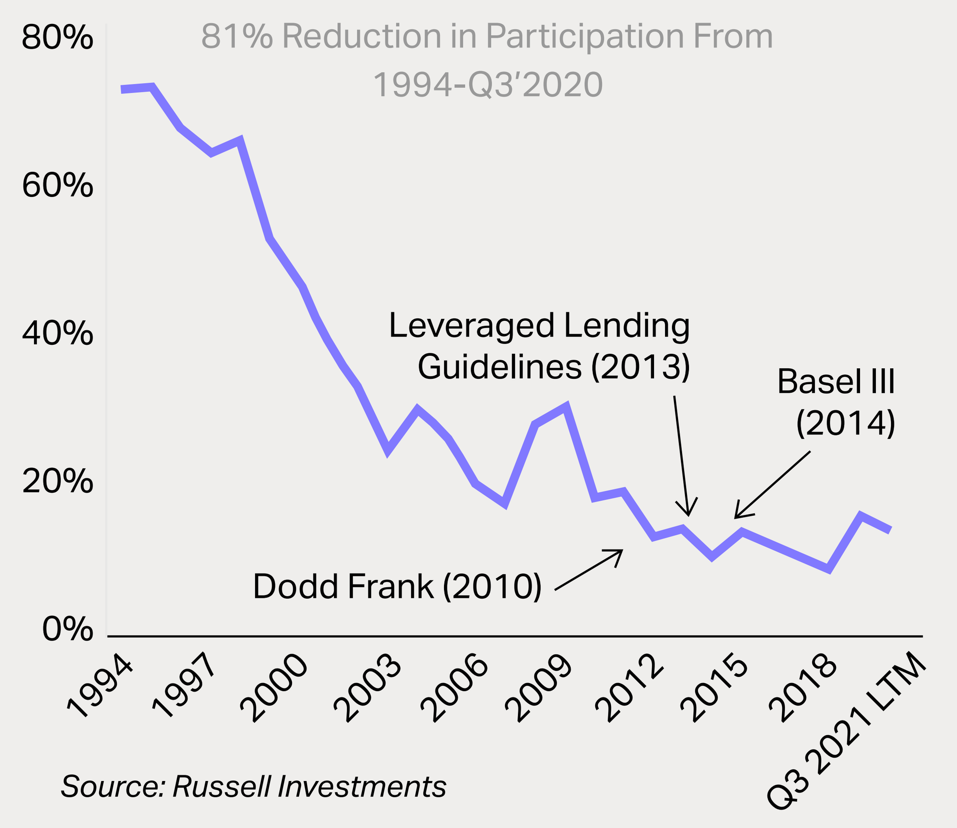
"The large LBO is back"

- Christina Minnis
Goldman Sachs Group,
Global Head of Acquisition Finance

#3 Banks continue to cede market share, across deals of all sizes

Tightened regulations are keeping banks away from leveraged loans, pushing companies of all sizes to private debt as an attractive alternative to bank financing.

Bank's Share of Leveraged Loan Market



Source: Russell Investments

#4 The big funds are getting BIGGER

+$1B Average fund size Q1 2021

Source: Private Debt Investor

The industry continued in consolidation trend in 2021, with the average fund size surpassing $1B in the first quarter. With the fund raising environment, large managers are expected to continue to take an outsized share of the pie in 2022.

#5 Asia Pacific is heating up

While North America and Europe account for 91% of private debt assets under management, Asia Pacific's market is heating up, growing by 195% in the last five years.

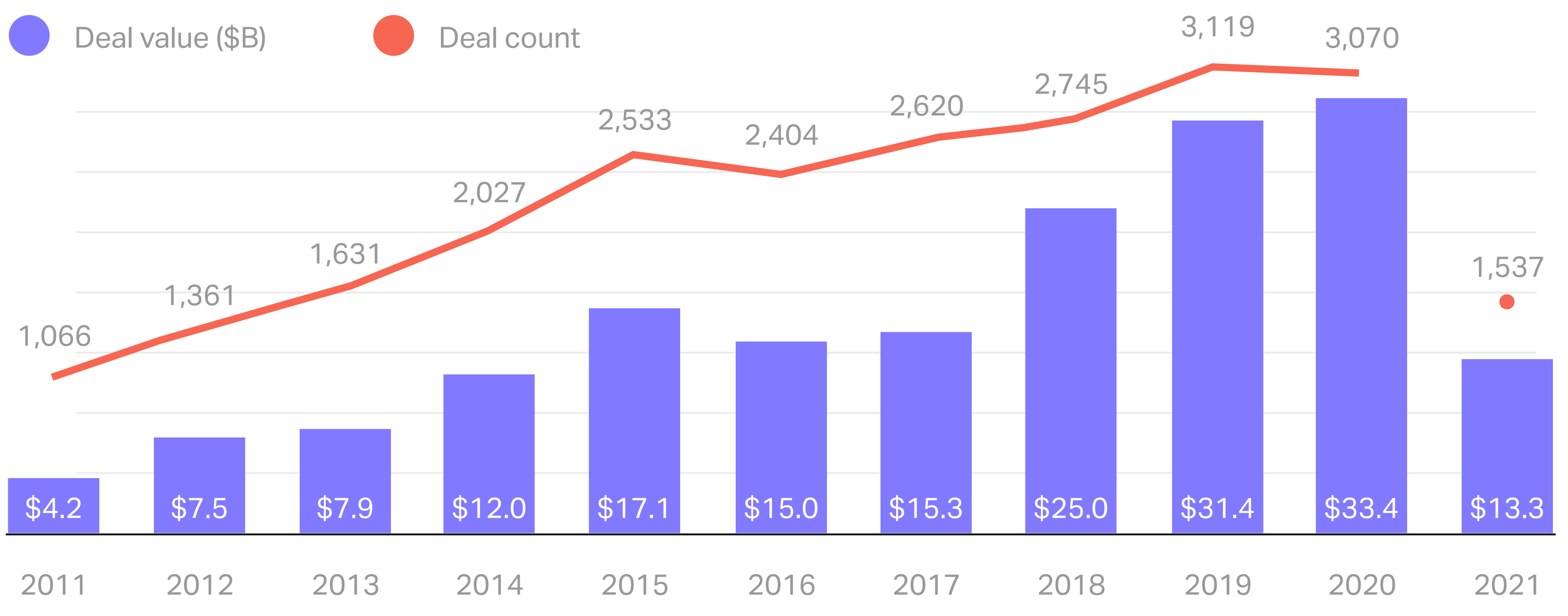
Source: Preqin report, June 2021

195%
Asia Pacific private debt AUM growth over the last 5 years

#6 Venture debt steps into the spotlight

Venture debt emerged as a major alternative source of financing for high-growth startups that have traditionally opted to solely finance through equity VC. More than $20 billion has been loaned to VC-backed companies in the US during each of the past three years.

US Venture Debt Activity



Source: Pitchbook Global Private Debt Report H1 2021

#7 Leveraging technology to scale

According to Preqin, just **39%** of private credit funds currently use portfolio monitoring software, despite investors repeatedly citing portfolio transparency and clarity of data as being a key selection criteria when it comes to asset allocation.

Source: TDC Capital Insights

To scale operations without sinking their bottom line, investors are leveraging software that can help them better manage their overhead.