BIGGER AND BETTER

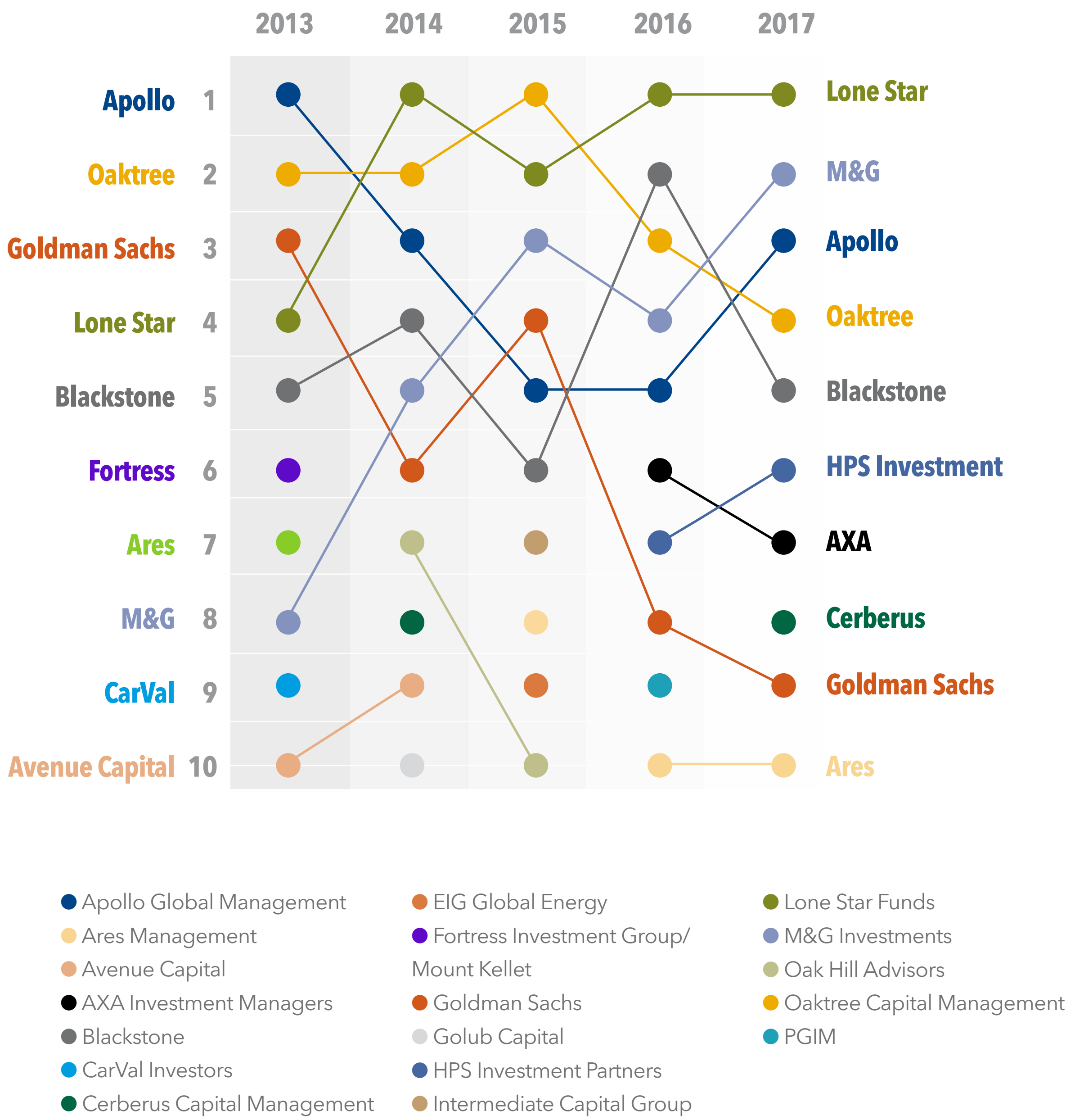
The fifth iteration of this ranking – which lists managers by the total capital raised over the past five years – could not have come at a better time. Today, private debt stands at a crossroads in its short history. After staying on a virtually uninterrupted upward trend since the days of the global financial crisis, the industry has reached a point where the amount of capital raised is unprecedented. Already, 2017 is on course to be a record fundraising year with $130 billion raised in the first three quarters of the year. Meanwhile, the top 50 biggest managers have seen their combined five-year total grow by nearly $100 billion to $640 billion.

Many of the names at the very top will be familiar to our readers, comprising firms that have managed to capitalise on their early success to forge a dominant market position. But the ranking also features plenty of new names, be they fast-growing private debt managers or well-established asset managers who have bolstered their exposure to the asset class. The private debt universe is expanding and to reflect that new reality we have expanded the list – which until now has been the PDI 30 – to bring you our first PDI 50 ranking.

PDI 50

Movers and shakers

While there has been plenty of churn at the top, a few dominant players have emerged over the last five years of the PDI 50



THE TOP 10

1. Lone Star Funds $37.8bn (2016: 1)

Holding the number one spot for the second year running, Dallas-based fund manager Lone Star has been a leading star in the PDI 50 since its inception in 2013. Founded by John Grayken in 1995, the firm holds on to the top spot thanks to strong appeal among investors for its distressed and real estate funds continuing. This is despite its five-year total dropping by nearly $5 billion from a year ago.

With a large pool of returning investors, Lone Star funds typically spend little time on the road. In the past two years the firm has concluded some notable fundraises including a final close on its fifth distressed real estate fund, which exceeded its $5 billion target to raise $5.9 billion after just five months. Shortly after that the firm hit a close on its 10th distressed fund, again beating a $5 billion target to raise $5.5 billion. The previous fund in the series also beat its target, raising $7.2 billion in 2014.

Grayken: Lone Star founder

So far, 2017 has been a significant year for Lone Star, with a shakeup of its top ranks over the summer, the most notable move being Nick Beevers replacement of Sam Loughlin as the firm's new president of North America. The business then made headlines in May when it pulled out of its Middle Market Growth Programme joint venture with Antares Capital. The programme, which existed in its current form for just under 18 months, provided unitranche financings of up to $350 million.

The company has also been looking to broaden its horizons in emerging markets. In February, it teamed up with India's Infrastructure Leasing & Financial Services to set up a $550 million joint venture to invest in stressed projects in the country.

2. M&G Investments $36.5bn (2016: 4)

Europe's top ranking private debt manager has been a regular fixture in the top 10 for four of the past five years and this is its highest billing yet. The London-headquartered firm takes second place after increasing in its five-year fundraising total from $29.3 billion to $36.5 billion. M&G manages both a large alternative credit business and a sizeable real estate debt fund unit. The company has the distinction of being the only European manager to make the top 10 for each year that it has submitted.

Euro star: London-based M&G is the highest ranking European firm

M&G is currently deploying capital from its second and third real estate debt funds, which raised a collective £1.35 billion ($1.8 billion; €1.5 billion) in 2014. The bulk of its capital comes via co-investment and separate account commitments from large institutions for tailored real estate debt strategies. The most recent real estate debt vehicle, which beat its $500 million target to raise $750 million, attracted commitments from the New Jersey Division of Investment, New Mexico State Investment Council, North Carolina State Treasury and the Wyoming State Loan and Investment Board, among others.

The firm, which handles investments across direct lending, leveraged finance and infrastructure debt, has a total £281.5 billion in AUM. Recent deals include a £230 million refinancing loan for property developer Northern Trust Group; a £70 million whole loan financing for a building developed by Rocket Investments and leased by UK hotel-chain Premier Inn; and an £85 million financing for UK-based housing association One Housing.

THE TOP 10

3. Apollo $35.2bn (2016: 5)

Apollo saw its five-year total swell to $35.2 billion this year, bringing it up to the third spot for the second time, the first occasion being in 2014. Earlier this year, the firm – headed by Leon Black – announced it would soon be deploying its flagship Apollo Investment Fund IX, which exceeded its hard-cap in June with $24.7 billion in commitments. The fund will focus on three strategies: distressed debt, corporate, carveouts and opportunistic buyouts.

The firm anticipates more distress opportunities over the coming years as the cycle turns, and has adjusted its strategy accordingly, with 20-25 percent of Fund IX to be invested in distressed debt opportunities. This is up significantly from the 1 percent allocated to debt in the predecessor fund. The enlarged allocation comes at the expense of the firm's buyout strategy, which will drop to around 40-50 percent of the fund, down from 65 percent in the last vehicle. Two other sizeable credit vehicles, raised by Apollo over the past five years, are European Principal Finance III and Financial Credit Investment III.

According to the latest earnings call, the latter showed a gross internal rate of return of 2.1 percent in the second quarter and 10.4 percent the last 12 months ending 30 June.

While Apollo has a lot of capital at its disposal, the firm is realistic about the challenges the industry faces. In April, Apollo's co-founder and senior managing director Josh Harris voiced concern over the state of the asset class, noting rising interest rates, tighter spreads and large amounts of liquidity that constitute a "recipe leading our team to be cautious".

Black: Apollo founder

4. Oaktree Capital Management $33.2bn (2016: 3)

Marks: Oaktree founder

Since the *PDI* ranking was launched, Los Angeles-headquartered Oaktree has typically been the closest rival to front-runner Lone Star, taking second place in 2013 and 2014, and the top spot in 2015. The company – along with its founder Howard Marks – is regarded an industry titan with a tally that includes its most recent distress vehicles Oaktree Opportunities Funds X and Xb, which raised a combined $12.4 billion since their inception in 2015.

Oaktree's total also includes the $5 billion predecessor to both these funds, the fully deployed 2014 vintage Fund IX, which, according to the firm's Q2 2017 report, has returned a net IRR of 2 percent to date. More recently, Oaktree launched the $775 million Oaktree European Capital Solutions Fund, a successor to the firm's first European private debt fund that reached a final close last December and will lend to mid-market companies.

Despite raising considerable amounts of money, Oaktree has fallen behind M&G and Apollo. At the same time, Oaktree has seen two big pools of capital roll off its five-year total this year: the $2.6 billion Oaktree Opportunities Fund VIIIb, a 2011-vintage appendix fund which generated 4.7 percent net IRR; and the $2 billion Highstar Capital Fund IV, a legacy vehicle Oaktree took over when it acquired infrastructure fund manager Highstar in 2014, that has now generated an 8.3 percent IRR for investors. Oaktree reported $21.5 billion in dry powder in its second-quarter earnings report this year.

THE TOP 10

5. Blackstone $33.0bn (2016: 2)

Blackstone has consistently been in the top 10 over the past five years. While it may have slipped behind M&G, Apollo and Oaktree – Blackstone took second place last year – it is only by a relatively small margin of $160 million. The New York-headquarted firm manages the bulk of its private debt business via a dedicated corporate credit arm: GSO Capital Partners. Headed by founders Bennett Goodman and Tripp Smith, GSO handles a variety of debt strategies, including mezzanine, direct lending, energy credit and distressed. The firm's most notable recent fund closes came via its two energy credit funds and a dedicated European senior debt fund, which attracted $2 billion in commitments in 2015. In June, it was reported that GSO would target $6.5 billion for its third closed-end distressed debt fund at a time when it is favouring long-term drawdown funds over open-ended vehicles. Blackstone also manages two real estate debt funds, Blackstone Real Estate Debt Strategies II and III, which have raised $3.5 billion and $4.5 billion respectively.

Blackstone: invests through its credit arm GSO

6.HPS Investments $31.5bn (2016: 7)

New York-based HPS made its debut in the top 10 last year after completing its spin-out from JPMorgan. This year it bolstered its position in the ranking after adding nearly $9 billion to its total. At the turn of the year firm had closed two funds in quick succession, first reaching a close on its third mezzanine fund in December after collecting $6.6 billion – one of the largest capital raises for the year. The firm then reached a final close on its European asset-based lending fund in January after raising €800 million. At the time of going to press, HPS also hit a final close of $4.24 billion for its HPS Specialty Loan Fund 2016, surpassing the $3.5 billion target. The firm began fundraising back in June 2016, and was already deploying capital by September. It has now made 16 investments with an average loan-to-value ratio of 54.7 percent. The firm will use the capital to issue senior debt across a diverse number of sectors in North America and Western Europe. Unfortunately, the close was too late to be included in this year's five-year total, so we may yet see HPS climb even higher in next year's ranking.

7. AXA Investment Managers $31.2bn (2016: 6)

Scemama: chief executive of AXA IM – Real Assets

AXA is the only European firm, other than M&G, to make the top 10. The French insurer led by Isabelle Scemama has slipped back one place in the ranking despite growing its five-year capital raising total by nearly $4.5 billion – further evidence that the difference between the largest firms is narrower than it has been in any previous year.

Paris-headquartered AXA has been rising to prominence for some time – it jumped five spots in last year's ranking, and two spots the year before that. AXA has a large real estate debt investment business that comprises both insurance account money and capital raised via funds and separate accounts. In September, the company reached a final close on its 10th property debt fund with €1.5 billion raised – the bulk of which was raised by January, after just six months on the road. More than a quarter of the fund, named CRE Senior 10, has been deployed already. The vehicle's final closing takes AXA IM – Real Assets' total debt commitments to more than €14 billion.

THE TOP 10

8. Cerberus $24.3bn (2016: 28)

Cerberus is one of the biggest jumpers in the ranking having bounded 20 places to return to the top 10 after a two-year hiatus. The increase in capital raised – from $6 billion to $24.3 billion – can in part be attributed to a $4 billion close held for the firm's hybrid equity and credit fund, Cerberus Institutional Partners VI, which reached its hard-cap with commitments from more than 150 investors in April. The close came a month after the firm closed its mid-market direct lending fund, Cerberus Levered Loan Opportunities Fund III, on $2.05 billion. In January, the firm closed also its fourth global opportunistic real estate fund, Cerberus Institutional Real Estate Partners IV at $1.8 billion after raising capital from the likes of San Francisco Employees' Retirement System, Florida State Board of Administration and the Texas Permanent School Fund. Cerberus now has more than $30 billion under management across three platforms: global credit opportunities (including corporate credit, distressed debt, and direct lending), private equity and real estate.

"CERBERUS NOW HAS MORE THAN $30 BILLION UNDER MANAGEMENT ACROSS THREE PLATFORMS"

9. Goldman Sachs $24.2bn (2016: 8)

As an early leader in the nascent private debt space, Goldman Sachs has made the top 10 in every *PDI* ranking. The firm has slowly been slipping down the ranking, but this is more a consequence of other players coming to prominence rather than Goldman Sachs diminishing. Indeed, the US investment bank's private debt business has actually seen its total swell over the past 12 months from $19.7 billion to over $24 billion.

Comprising part of this new total is the $2.2 billion garnered for Broad Street Loan Partners III, a successor to the $3.16 billion Broad Street Senior Credit Partners, and $2.5 billion brought in for Broad Street Real Estate Credit Partners III, a successor to the $4.2 billion Fund II. More recently, Goldman Sachs's latest mezzanine fund, GS Mezzanine Partners VII, hit the halfway point of its predecessor fund after raising $3.8 billion. The fund held an initial close of $730 million on 9 August, though not soon enough to be included in the total.

Goldman Sachs: debt assets growing

10. Ares Management $23.8bn (2016: 10)

Ares' position in this particular ranking arguably belies its greater significance in the overall debt market. Not only is it one of the biggest private debt players in the US and Europe in the years following the financial crisis, but it also runs the largest public BDC, which for the purposes of this ranking have been counted separately. The firm holds fast at number 10 but its total capital raised has gone up by $4.8 billion. Currently, the Los Angeles-based firm is closing in on its $2.5 billion target for its first private junior debt fund, having locked down $1.99 billion for Ares Private Credit Solutions, raising almost $400 million since the end of the second quarter, when the firm had raised slightly more than $1.6 billion. Though this is the first private vehicle to invest in junior debt, the firm has provided second lien and mezzanine debt for years through its BDC, Ares Capital Corporation.

"THE LOS ANGELES-BASED FIRM IS CLOSING IN ON ITS $2.5 BILLION TARGET FOR ITS FIRST PRIVATE JUNIOR DEBT FUND"

11-30

2017	GP	HQ	Total ($m)	2016 rank	Movement	2016 Total ($m)
11	Fortress Investment Group	New York	21,850	13	2	14,352
12	Intermediate Capital Group	London	20,021	11	-1	17,171
13	PGIM	Newark	18,930	9	-4	19,532
14	Oak Hill Advisors	New York	16,086	12	-2	15,523
15	Kohlberg Kravis Roberts	New York	13,113	15		13,021
16	TPG Sixth Street Partners	San Francisco	13,000	27	11	6,266
17	Crescent Capital Group	Los Angeles	12,088	37	20	4,338
18	Hayfin Capital Management	London	11,540	18		9,439
19	Avenue Capital	New York	11,300	20	1	8,898
20	Golub Capital Partners	Chicago	10,985	24	4	6,792
21	EIG Global Energy Partners	Washington DC	10,882	14	-7	13,350
22	Bain Capital	Boston	10,775	16	-6	10,656
23	Pacific Investment management Co	Newport Beach	10,580	21	-2	8,339
24	Partners Group	Zug	10,180	31	7	5,277
25	Alcentra	London	9,880	N/A	«	N/A
26	The Carlyle Group	Washington DC	9,668	19	-7	9,042
27	CarVal Investors	Hopkins	8,422	23	-4	7,891
28	Macquarie Infrastructure Debt Investment Solutions	London	8,132	N/A	«	N/A
29	Castlelake	Minneapolis	7,745	29		5,818
30	Angelo, Gordon	New York	7,701	25	-5	6,588

31-50

2017	GP	HQ	Total ($m)	2016 rank	Movement	2016 Total ($m)
31	BlueBay Asset Management	London	7,423	35	4	4,596
32	Audax Group*	Boston	6,834	22	-10	7,961
33	BlackRock	New York	6,579	26	-7	6,489
34	CVC Credit Partners	London	5,587	N/A	«	N/A
35	PAG	Hong Kong	5,441	36	1	4,341
36	Varde Partners	Minneapolis	5,176	30	-6	5,434
37	Colony Northstar	Los Angeles	5,018	N/A	«	N/A
38	Brookfield Asset Management	Toronto	4,656	N/A	«	N/A
39	Westbourne Capital	Melbourne	4,646	38	-1	3,760
40	Starwood Capital Group	Greenwich	4,472	17	-23	10,066
41	Rialto Capital Management	Miami	4,336	N/A	«	N/A
42	Providence Equity Partners	Providence	4,212	N/A	«	N/A
43	AllianceBernstein	New York	4,185	54	11	2,472
44	Park Square Capital	London	4,104	33	-11	4,982
45	Tikehau Capital	Paris	4,037	N/A	«	N/A
46	Deerfield Management	New York	4,000	N/A	«	N/A
47	Kildare Partners	Hamilton	3,860	43	-4	3,050
48	Mesa West Capital	Los Angeles	3,770	45	-3	3,010
49	Idinvest Partners	Paris	3,726	N/A	«	N/A
50	Pacific Coast Capital Partners	Los Angeles	3,649	N/A	«	N/A

** Figure denotes value without leverage*

BUSINESS DEVELOPMENT COMPANIES

Ares and GSO remain on top

Managers come and go, but dominance of scale seems eternal. By **Andrew Hedlund**

This year, the top three public and private business development companies, as ranked by total assets as of 30 June, remain unchanged from last year's ranking – but that is about the only constant in an industry that has undergone a complete makeover in just a year.

Ares Capital Corporation not only took the top spot for publicly traded BDCs again, but it also increased its lead over Prospect Capital Corporation following the closing of the $3.62 billion American Capital acquisition, which closed in January. The New York-based manager increased its lead over Prospect such that, at $12.33 billion in total assets, Ares is now more than twice the size of the runner-up. In another shakeup, Fifth Street Asset Management sold its two BDCs to Oaktree Capital Management.

On the top-five non-traded BDC list, FS Investments' four private BDCs – FS Investment Corporation II, FSIC III, FSIC IV and FS Energy & Power Fund – took the top spot. In a display of the phenomenal scale Ares' total assets fall just short of the $12.68 billion in total assets listed by the four private FS vehicles.

Owl Rock Capital Corporation, which had launched less than a year before the 2016 ranking came out, knocked Sierra Income Corporation off the top-five non-traded BDC list. Also, CION Investment Corporation went up one place this year and grew its portfolio through the acquisition of Credit Suisse Park View BDC's assets in the autumn of 2016.

There continue to be new vehicles in the market, as Bain Capital Credit launched a private BDC, Bain Capital Specialty Finance, in October of last year. Golub Capital and Goldman Sachs both added additional private vehicles, while Griffin Capital's BDC ceased operations when it consolidated its assets with the firm's Griffin Institutional Access Credit Fund, which is sub-advised by Bain.

"Between growth on one side and consolidation on the other this list could look a lot different in years to come," last year's ranking read. What we wrote a year ago seems to hold true today.

TOP 10 PUBLIC BDC MANAGERS

Fundraising for 2017 is on course to beat all records

Rank	BDC	2017 BDC Assets ($bn)
1	Ares Capital Corporation	12.33
2	Prospect Capital Corporation	6.15
3	FS Investment Corporation	4.11
4	Oaktree Specialty Lending Corp/Oaktree Strategic Income Corp*	2.56
5	Apollo Investment Corporation	2.49
6	Main Street Capital Corporation	2.16
7	Solar Capital/ Solar Senior Capital	2.13
8	PennantPark Floating Rate Capital/ PennantPark Investment Corporation	2.00
9	New Mountain Finance Corporation	1.95
10	Golub Capital BDC	1.86

**As of 30 June, Fifth Street Asset Management managed these BDCs, which Oaktree later purchased in a deal that closed mid-October*

TOP FIVE NON-TRADED BDC MANAGERS

Rank	BDC	Investment manager	2017 BDC assets ($bn)
1	Franklin Square Investment Corporation II, FSIC III, FSIC IV / FS Energy & Power Fund	Blackstone/GSO	12.7
2	Corporate Capital Trust	KKR	4.3
3	Business Development Corp of America	Benefit Street Partners	2.5
4	Owl Rock Capital Corporation	Owl Rock	1.9
5	CION Investment Corporation	CION Investments	1.7

METHODOLOGY

Understanding the ranking

The PDI 50 is based on global private debt fundraising over the last five years, and follows similar rankings from other PEI titles

The PDI 50 ranking is based on the amount of capital raised by private debt investment programmes over a five-year period. This year, the five-year window spans from 1 January 2012 to 1 June 2017. Where two firms have raised the same amount of capital over this period, the higher rank goes to the firm with the largest active pool of capital raised since 2012, ie, the biggest single fund. If there is still a tie after taking this into account, we give greater weight to the firm that has raised the most capital within the past one or two years.

We give priority to information that we receive from the fund managers themselves. When managers 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. To encourage co-operation, 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, news reports and limited partner disclosures.

Our definition of private debt is capital committed by investors to funds investing in company debt, or the debt financing of leveraged buyouts, infrastructure projects and real estate. This includes all elements of the capital structure except equity, including senior, unitranche and mezzanine investments. Asset-backed lending, distressed debt or credit-oriented special situations funds are also included. In the case of a fundraising, we look at funds with a final or official interim close after 1 January 2012. A recent interim close – a real one, not a "soft-circle" – can count even if no official announcement has been made. We also count capital raised through co-investment vehicles. BDCs are not accounted for in the *PDI* 50 ranking, but are ranked separately by total asset value.

The following DOES NOT count as private debt: high yield bond funds, sovereign and government debt funds, traditional fixed income vehicles, collateralised loan obligation funds, funds of funds and secondaries, hedge funds, opportunistic investors and special situation funds.

WHAT COUNTS AS CAPITAL RAISED

Limited partnerships: In most cases, funds are raised through LP commitments but in some cases capital is raised through contributions from an affiliated entity.

Co-investment capital: We count co-investment vehicles as well as opportunistic co-investment capital raised by managers.

Public entities: This is capital raised by managers that happen to be publicly traded.

Seed capital or GP commitment: We count any seed capital committed to any fund raised by the firm.

WHAT **DOES NOT** COUNT AS CAPITAL RAISED

Expected capital commitments: We do not count "soft-" or "hard-circled" commitments – only official final and interim closes.

Opportunistic capital: An entity that can opportunistically do debt deals, but has no dedicated programme, cannot not be counted.

Capital recycled from predecessor funds: We do not include the value of recycled capital within the five-year period.

Contributions from sponsoring entities: Where capital is earmarked to a firm for a dedicated private debt programme, we do not count the amount drawn down for deals over the five-year period.

Public offerings: We do not count capital invested via public offerings. This takes recycled capital into account.

Deal-by-deal raises: Private debt co-investment capital raised on a deal-by-deal basis is not counted.