

MARKET-BASED FINANCE IN EUROPE: THE RISE OF PRIVATE DEBT AND LOAN ORIGINATING FUNDS

INTRODUCTION

Private debt is becoming an important pillar of Europe's capital markets, fuelled by sustained investor demand for long-term yield, changes in the provision of bank lending to corporates, and strong complementarities with private equity.

According to ECB estimates, assets under management (AuM) in the European private credit¹ market reached approximately €430 billion in 2024^{2,3}, underscoring its growing role as a complementary source of financing - particularly for SMEs, infrastructure projects, and mid-market companies. Private debt is thus becoming integral to a more diversified, market-based financial system and aligns with the goals of the Savings and Investment Union (SIU).

A key driver of this expansion is due to a sub-segment of private debt: loan-originating funds (LOFs), which allow institutional and retail investors to channel capital directly into the real economy. To support the growth and cross-border activity of these funds in a responsible manner, the recent AIFMD review introduced rules tailored to funds active in lending. The framework covers elements such as borrower diversification and exclusions, leverage, restrictions on "originate to distribute" strategies, as well as the obligation to retain a percentage of the originated loan.

This report sheds further light on the growth of the private debt and LOF market in Europe, highlighting key

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market developments, structural trends, and its increasing importance within the broader capital-markets landscape.

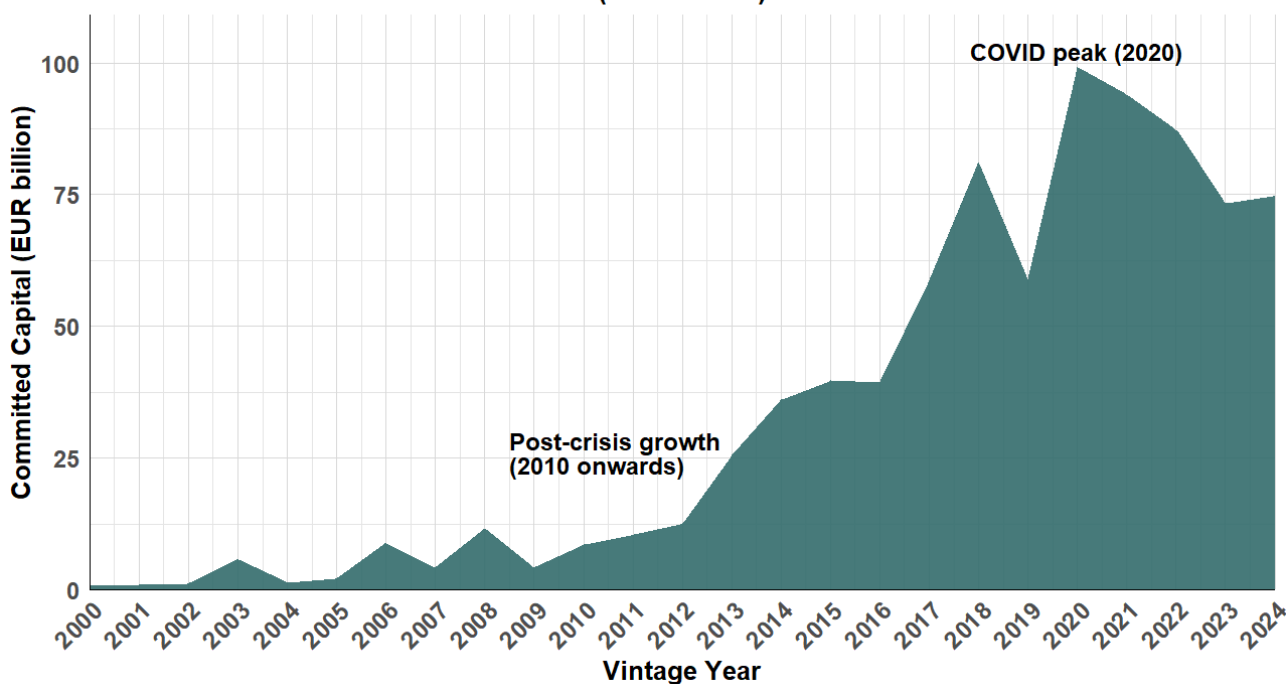
THE PRIVATE DEBT FUND MARKET

The European private debt fund market has grown significantly over the past decade. This report approximates that growth by analysing committed capital by fund vintage year⁴, based on data sourced from Morningstar Direct⁵.

As shown in the chart below, private debt fund commitments were marginal in the early 2000s but rose sharply after 2013 as banks curtailed corporate lending following the global financial crisis. Both institutional and retail investors financed mid-sized and unlisted firms through private debt funds, filling an important funding gap. There was a short decline in 2019, reflecting the typical cyclicity of private debt fundraising and the closure of several funds in early 2020. However, growth quickly surged again to reach a record fundraising peak of over EUR 99 billion in 2020⁶, driven by strong investor demand during the COVID pandemic and a prolonged period of very low interest rates. While a decline followed in 2021 as markets normalised, there has been sustained investor appetite for private debt strategies, with committed capital remaining above pre-2018 levels and reaching nearly EUR 75 billion in 2024.

This upward trend underscores the potential of European capital markets to channel greater financing into the real economy - a critical component for strengthening the EU's long-term competitiveness and financial resilience.

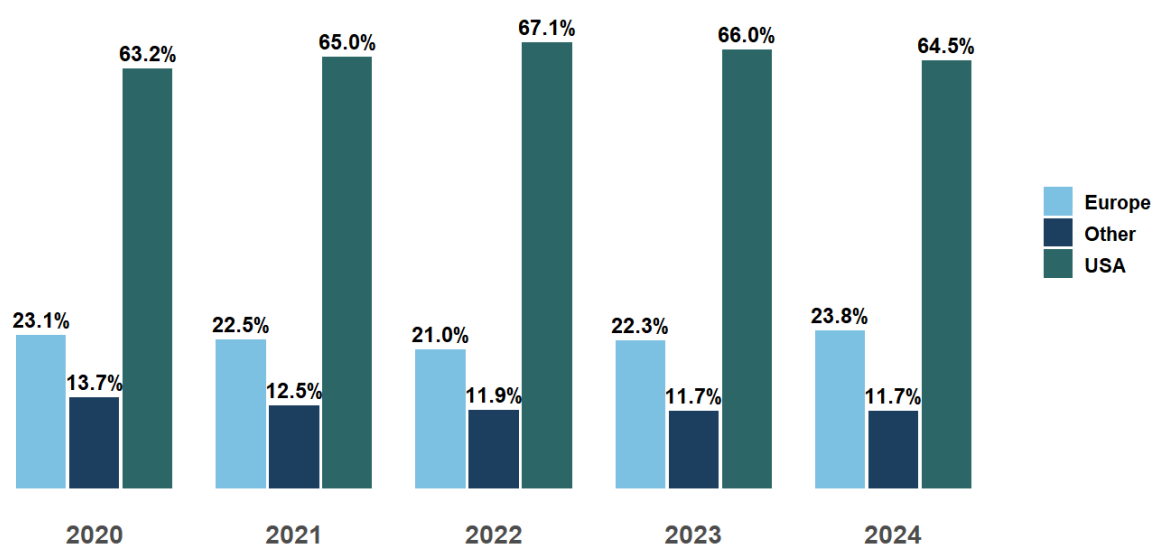
**Committed Capital of Private Debt Funds in Europe
(EUR billion)**



Source: EFAMA's calculation based on Morningstar data

We analysed Europe’s global standing in terms of capital to private debt funds. The data highlights the dominant role of US-domiciled funds, which have consistently received over 60% of global private debt commitments from 2020 to 2024, reflecting the greater maturity and scale of the US private debt market compared to other regions. Europe’s share⁷ has remained relatively stable, fluctuating between 21% and 24% over the past decade, while funds domiciled outside the US and Europe have consistently accounted for less than 15%. A temporary dip in the US share in 2020 coincided with a relative increase in Europe’s weight, suggesting a regional shift in fundraising dynamics during the COVID period.

Committed Capital of Private Debt Funds by Region and Vintage Year (Share of Total, %)



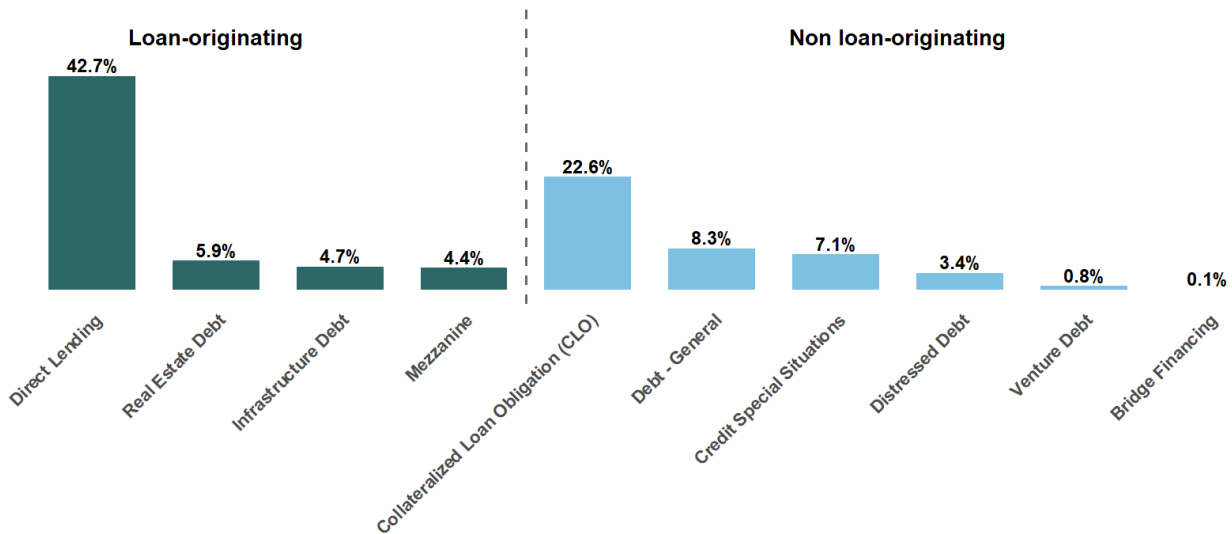
Source: EFAMA’s calculation based on Morningstar data

FOCUS ON LOAN-ORIGINATING FUNDS

Within the private debt universe, a key distinction is made between loan-originating funds (LOFs), which provide financing directly to companies, and non-loan-originating funds, which invest indirectly through participations⁸ or secondary market instruments⁹. Loan-originating funds encompass a broad range of strategies, including loans made directly to mid-market companies (direct lending), real estate debt (such as mortgages and construction), infrastructure debt (typically financing projects in energy, transport, etc.) and higher risk subordinated debt (mezzanine). This diversity of strategies and underlying assets requires a regulatory approach that allows for customised solutions based on the fund managers’ expertise.

The chart on the following page examines cumulative capital committed to varying private debt strategies over the last five vintage years (2020–2024). Direct lending LOFs clearly dominate private debt fundraising, accounting for 43% of committed capital during 2020-2024. Altogether, LOF strategies represented roughly two-thirds of the total committed capital of private debt funds during that period.

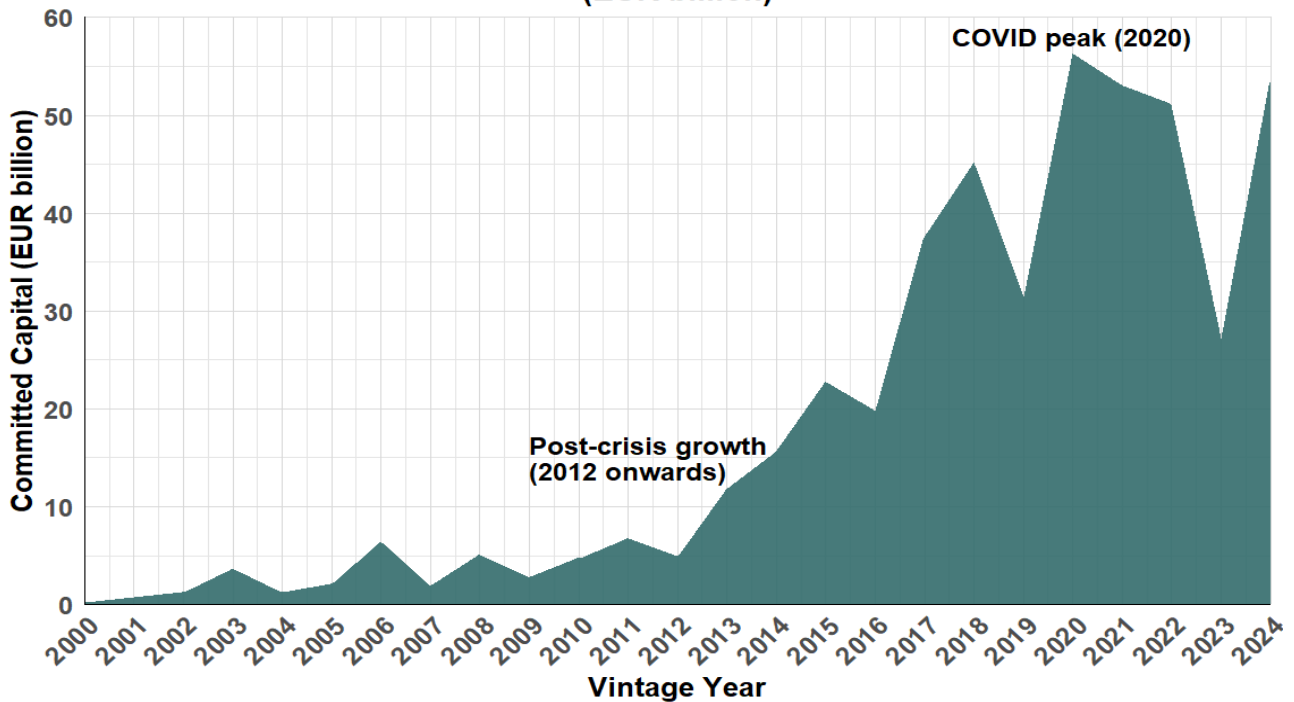
Cumulative Committed Capital of Private Debt Funds by Strategy (2020–2024) (Share of Total, %)



Source: EFAMA's calculation based on Morningstar data

Because LOFs account for the largest share of private debt fundraising, their evolution closely follows the broader dynamics of the asset class, as shown in the chart below. After a slow period following the global financial crisis, loan-originating fundraising in Europe began to grow strongly only after 2012, once markets stabilised and investor demand increased. The chart also shows two temporary dips: one in 2019, linked to cyclicality, and a larger one in 2023, when higher interest rates and lower deal activity reduced new commitments. Despite these pauses, LOFs remain a central part of the European private debt market, as we saw in the previous graph.

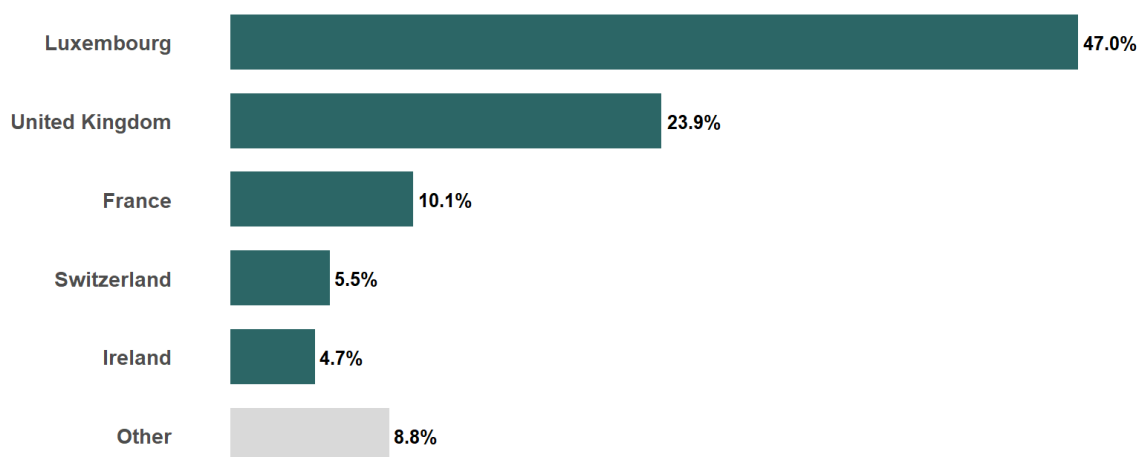
Committed Capital of Loan-Originating Private Debt Funds in Europe (EUR billion)



Source: EFAMA's calculation based on Morningstar data

Over the past five years, committed capital in European loan-originating funds has been heavily concentrated in a few financial centres. Luxembourg accounted for 47% over 2020–2024 and as much as 57% in 2024. This concentration underscores the continued attractiveness of certain jurisdictions, driven by regulatory frameworks, tax efficiency, and investor familiarity. It also implies that developments in these key domiciles could have an outsized impact on the future trajectory of the European private debt market. Looking ahead, however, this dynamic may shift following the recent AIFMD review, as harmonised rules on loan origination are expected to foster a more integrated EU market for these funds.

Cumulative Committed Capital of Loan-Originating Private Debt Funds by Domicile (2020–2024)
(Share of Total, %)



Source: EFAMA's calculation based on Morningstar data

CONCLUSION

Loan-originating funds play a vital role in broadening the financing options available to European companies, infrastructure, and real estate projects. The market has grown strongly in recent years and shows significant potential for further expansion. This underscores the need for increased data collection to enable more in-depth analysis of the existing trends and a better understanding of the broader industry implications. It also highlights the importance of a well-calibrated and harmonised regulatory framework that fosters growth, innovation and investor confidence. The new AIFMD rules that apply from April will allow private debt funds, particularly loan-originating AIFs, to operate more efficiently across EU borders. However, Europe still lags behind the United States in both scale and depth of private debt markets. Therefore, we need to maintain a regulatory ecosystem that allows EU private debt funds to compete with the solutions available in the US. A flexible regulatory framework that acknowledges the diversity of private debt funds will help Europe mobilise private capital, diversify funding sources, and reduce reliance on bank lending.

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ABOUT EFAMA

EFAMA is the voice of the European investment management industry, which manages around EUR 33 trillion of assets on behalf of its clients in Europe and around the world. Its membership consists of 29 national associations, 53 global asset managers, and 28 associate members. We advocate for a regulatory environment that supports our industry's crucial role in steering capital towards investments for a sustainable future and providing long-term value for investors.

Besides fostering a Savings & Investments Union, consumer empowerment and sustainable finance in Europe, we also support open and well-functioning global capital markets and engage with international standard setters and relevant third-country authorities. EFAMA is a primary source of industry statistical data and issues regular publications, including Market Insights and the authoritative EFAMA Fact Book.

More information is available at www.efama.org

ENDNOTES

¹ ECB (2025). [Hidden leverage and blind spots: addressing banks' exposures to private market funds.](#)

² This contrasts with a KPMG survey (see endnote below) that says Luxembourg, by itself, has EUR 510 bn AuM.

³ Terminology in this space varies across sources. The ECB uses **private credit** as a broad umbrella for non-bank lending to corporates, while in EU policy discussions **private debt** is often treated as a synonym. By contrast, research firms such as KPMG, Preqin, and PitchBook frame **private debt** as an asset class encompassing a range of strategies (e.g. direct lending, mezzanine, distressed). In this paper, we use **private debt funds** to denote investment vehicles executing such strategies, with **loan-originating funds (LOFs)** as a subset of private debt funds that originate loans across a variety of segments. This analysis draws on the following papers:

- BVCA. [Private debt's steady rise in the UK.](#)
- KPMG Luxembourg. [Private debt fund survey 2024.](#)
- ECB (2025). [Hidden leverage and blind spots: addressing banks' exposures to private market funds.](#)

⁴ According to Morningstar, vintage year refers to the year in which a private capital fund first draws capital from investors or makes its first investment. It groups funds by the market environment in which they began investing, enabling performance comparisons across similar economic cycles.

⁵ The original database is denominated in USD. Historical currency conversion rates were applied to present the data in EUR.

⁶ This figure, like others in this report, represents a lower-bound estimate. Morningstar's private credit database, while one of the most comprehensive sources available, does not yet capture the full universe of private debt funds active in Europe.

⁷ Fundraising commitments reported by Europe-domiciled private debt funds.

⁸ A loan participation is a contractual arrangement in which an investor (the participant) purchases an economic interest in a loan that was originally extended by another lender (the lead lender or originator). The participant does not become a direct party to the loan agreement with the borrower. Instead, it holds a share of the lender's rights to receive payments.

⁹ Non-loan-originating funds can originate loans on an opportunistic or ancillary basis, but loan origination is not their core business, nor the defining element of their strategy. The division between loan-originating and non-loan-originating funds presented here depends on the strategy followed by the fund and availability in the database. Some differences in classification may occur under the definitions introduced in the AIFMD review, which further define the characteristics of an "loan-originating AIF" within the broader activity of loan-origination.