

GSO Partners and Monarch Capital Raising New PE Funds

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Blackstone Group LP's GSO Partners and Monarch Alternative Capital are out raising new funds in order to take advantage of opportunities created by the credit crunch.

Bloomberg is reporting that GSO is targeting \$1.5 billion for its latest vehicle, a mezzanine fund, while Monarch, a spinoff of Quadrangle Group LLC, is looking to raise as much as \$600 million for a distressed asset fund. Both are well on their way to reaching their goals. Monarch has received \$300 million in commitments from an unidentified European pension fund, and GSO has a \$100 million commitment from New Jersey's pension fund under its belt.

Monarch joins the rush by private equity and hedge funds to raise new distressed asset funds in anticipation of a flood of opportunities in the second half of 2008 and into 2009. Last week Cerberus Capital Management LP said it was launching a new fund to invest in distressed assets outside the U.S. whose prices have been knocked down by the credit crisis. Firms such as Apollo Management, Carlyle Group, Blackstone and TPG Capital have already gotten started buying up debt at reduced prices from banks looking to reduce the leveraged debt on their books.

Now with U.S. defaults having risen through 2008 from December's 25-year low of 0.97%, private capital firms are sensing opportunity, particularly in the hard-hit consumer-spending sectors. According to Standard and Poor's data, 16 of the 33 global defaults have come from industries such as retail, restaurants, leisure and media. Year to date, \$38.3 billion of debt has defaulted worldwide, up from \$8.1 billion in all of 2007 and just \$7.1 billion in 2006, S&P said on Monday.

Update: Blackstone has informed The Deal that the new GSO fund is a mezzanine fund, not a distressed asset fund as both Bloomberg and earlier versions of this post characterized it.