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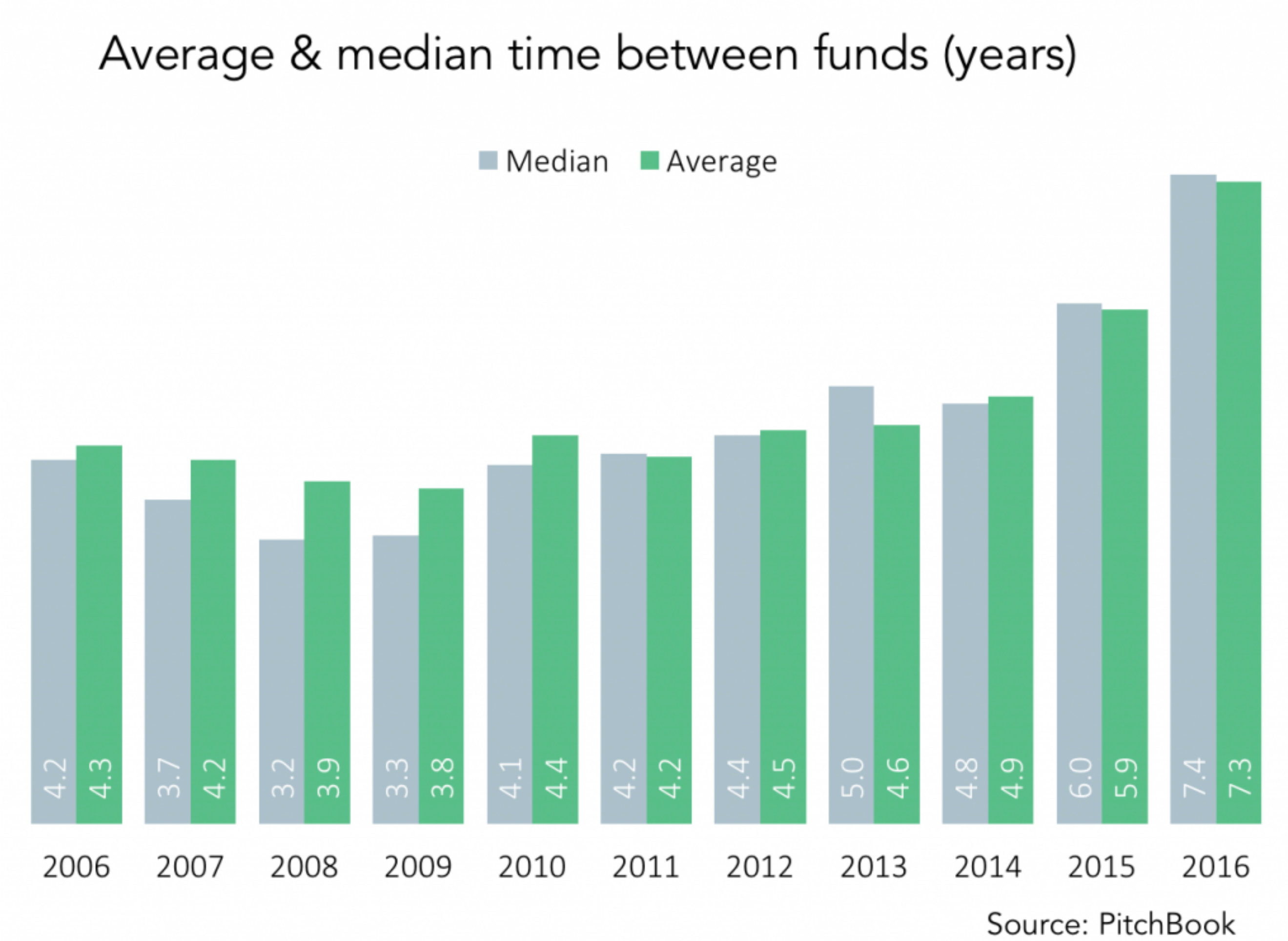
Longer fundraising times indicate future for PE fund managers?



The time between closing of funds was by far the longest of the decade for private equity fund managers last year, whether you looked at the median or the mean. Especially in the wake of the significant uptick in 2015 the increase is striking, and adds considerable color to the current fundraising scene. Firstly, in light of fund sizes creeping upward by and large, the simple fact that it takes longer to raise a larger fund should be noted. Secondly, how tightly the median and the mean time to close have clung together over the past three years is also intriguing, suggesting as it does that the distribution of fundraising times are remarkably intertwined regardless of fund parameters. That development in part is likely attributable to a herd of younger buyout shops taking longer to raise debut or second or third vehicles last year, in a climate where limited partners are eager for exposure to private equity but still considerably cautious. Third and last, in terms of the overall fundraising cycle—especially given the record proportion of PE managers hitting their targets—the elongation of the time between funds hints at a steady diminishing of fundraising volume in future, even after a gentle decline since 2014. General partners will take longer to embark on new fundraising efforts as they invest out of current vehicles, and when they do get around to fresh efforts, that process in and of itself is likely to take quite a while if current numbers are anything to go by.

View PitchBook's 2016 PE & VC Fundraising Report Here.