Same game, new players

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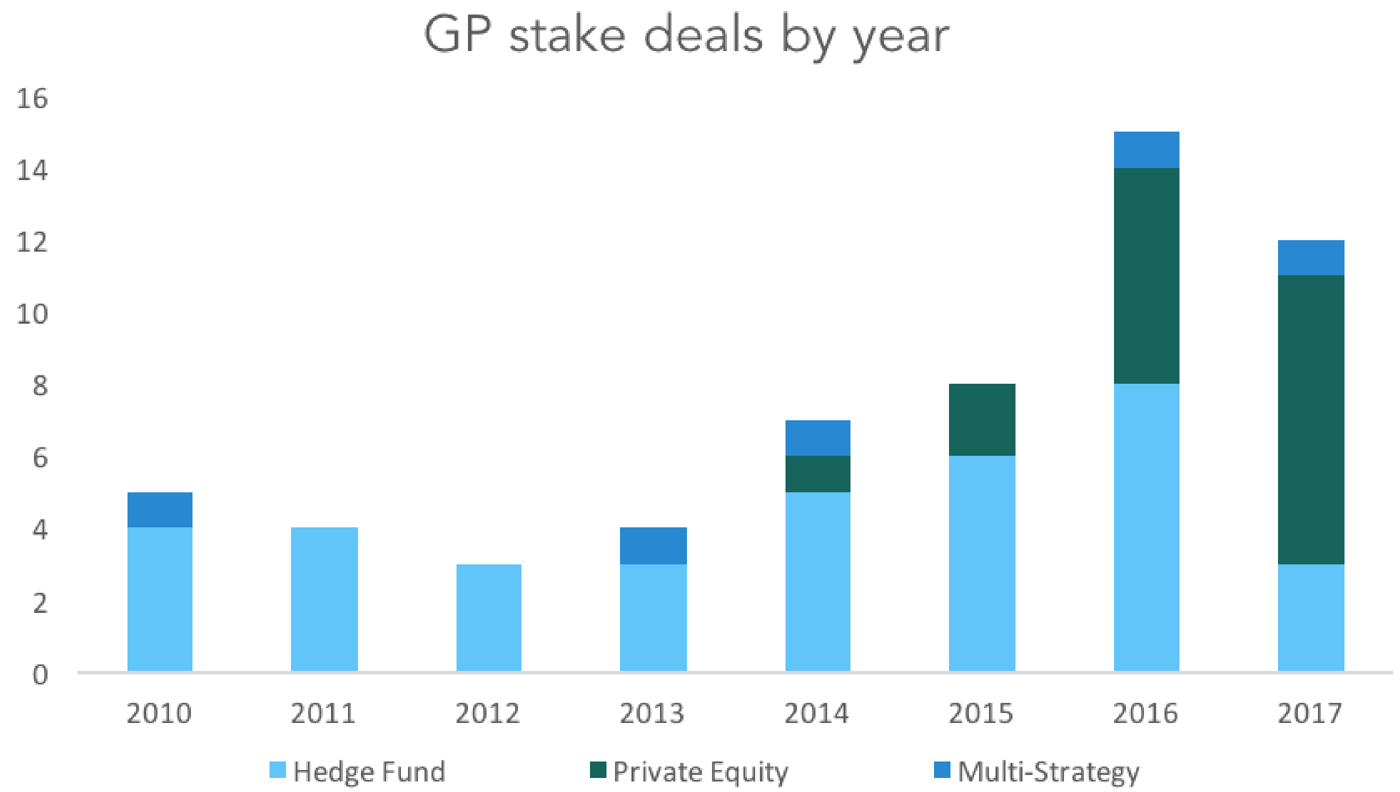

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The alternative asset industry is no stranger to GP stake sales, but those transactions have historically focused on hedge fund managers over private equity. That trend has pulled a full 180 in recent years, with PE stakes now accounting for well over half of such deals in 2017 while hedge fund sales have slowed to a trickle. There were some hard lessons learned for minority owners of hedge funds, which are highly liquid and can take sharp turns downward if enough redemptions happen at once. PE stakes, on the other hand, are more or less locked for the duration of the fund. Institutional investors turned their attention to the PE market last year, following Goldman Sachs' successful exit of its first Petershill fund and a reported 15% annualized return over the fund's life. Goldman followed up with two additional Petershill funds, and big names like Blackstone, Credit Suisse and AlpInvest are launching their own GP stake funds, as well, some $1 billion+.

A quick look at the accompanying chart shows the recent surge in interest. Of all the GP stake deals tracked in PitchBook's platform, about 80% of them were struck in the last two years. What, if anything, this portends for the PE industry as a whole is hard to predict, but like every trend that starts at the top, the middle market may see more of these stake swaps in the years to come. To download the note, which also breaks down the LP categories of GP stake funds, please click on this link.

Contact: Alex Lykken
alex.lykken@pitchbook.com