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Not a good time to raise your first fund

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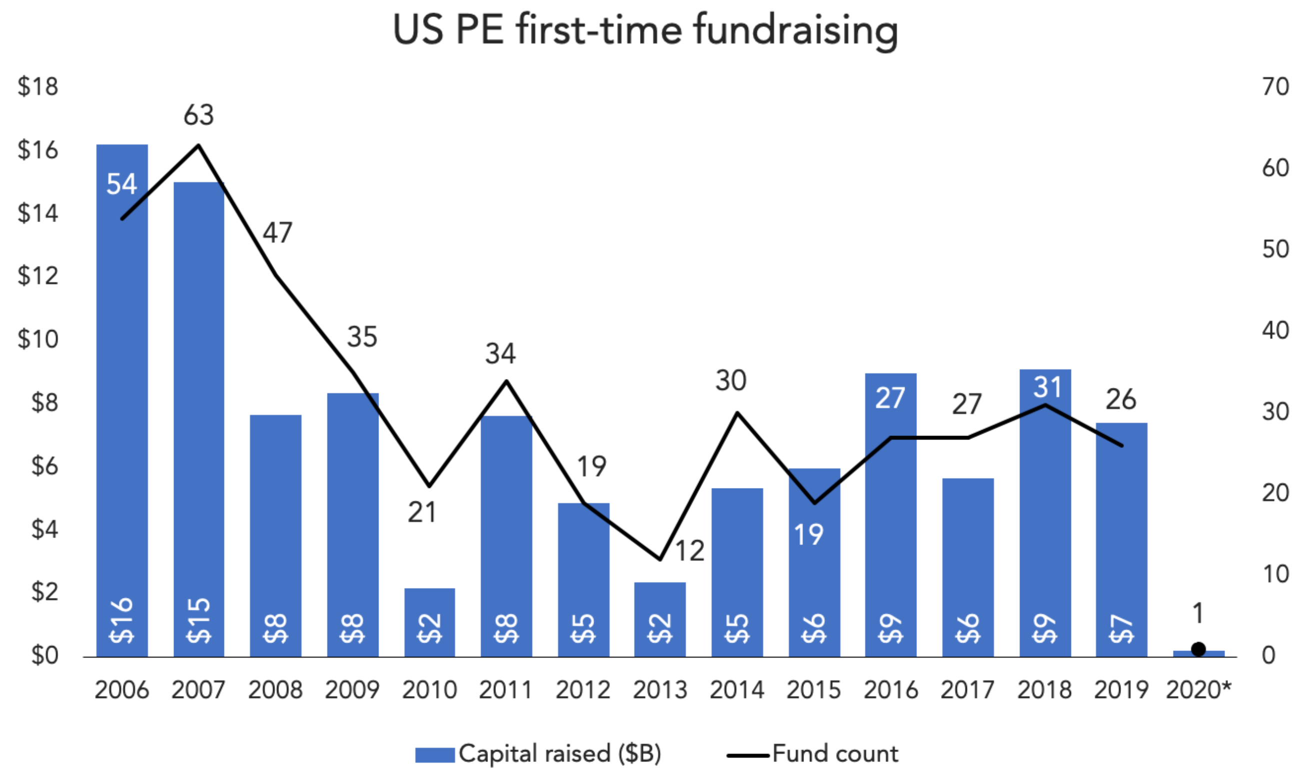

Download PitchBook's Report here.

As expected, Q1 fundraising totals were soft, according to PitchBook's PE Breakdown Report. Just 46 funds were closed totaling $45 billion, and much of that was cinched up in January or February. For context, last year's figures were 249 funds totaling $315 billion, and there's an outside chance that Q1 2020 will turn out to be the best quarter of the year.

Even if they could do it over Zoom, there's inherent discomfort in committing to unknown managers at a time like this. We expect nascent managers (three funds or fewer) to be hit especially hard by the crisis. GPs without a stable LP base will find it difficult to get on investment committee agendas until the storm has passed.

Just one first-time fund was closed in the first quarter. With a couple exceptions, first-time fundraises comprised about 10% of total PE fundraising between 2012 and 2019, at an average of about 24 rookie funds per year. Both were fairly stable trends for the better part of a decade. During the boom era of 2006-08, rookie funds were much more common, averaging over 50 funds per year and comprising over 20% of overall totals each year. Even 2009 saw more rookie funds raised (35) than in any year since. 2010 was a low point, as LPs grappled with their allocations and re-upped with more familiar firms. Interestingly, though, LPs got comfortable with first-time funds again as soon as 2011; the 34 funds raised that year accounted for over 20% of the totals, a bygone ratio that the market hasn’t approached since. The 2011 bounce-back does offer hope for new managers, that their fortunes might turn around in time to invest through the downturn. As PitchBook data has shown, returns on first-time funds tend to be higher compared to subsequent funds; separately, downturn-era fund returns tend to be higher compared to boom-era vintages. First-time funds raised in the middle of a crisis don’t get either benefit of the doubt.