The biggest are the biggest for a reason

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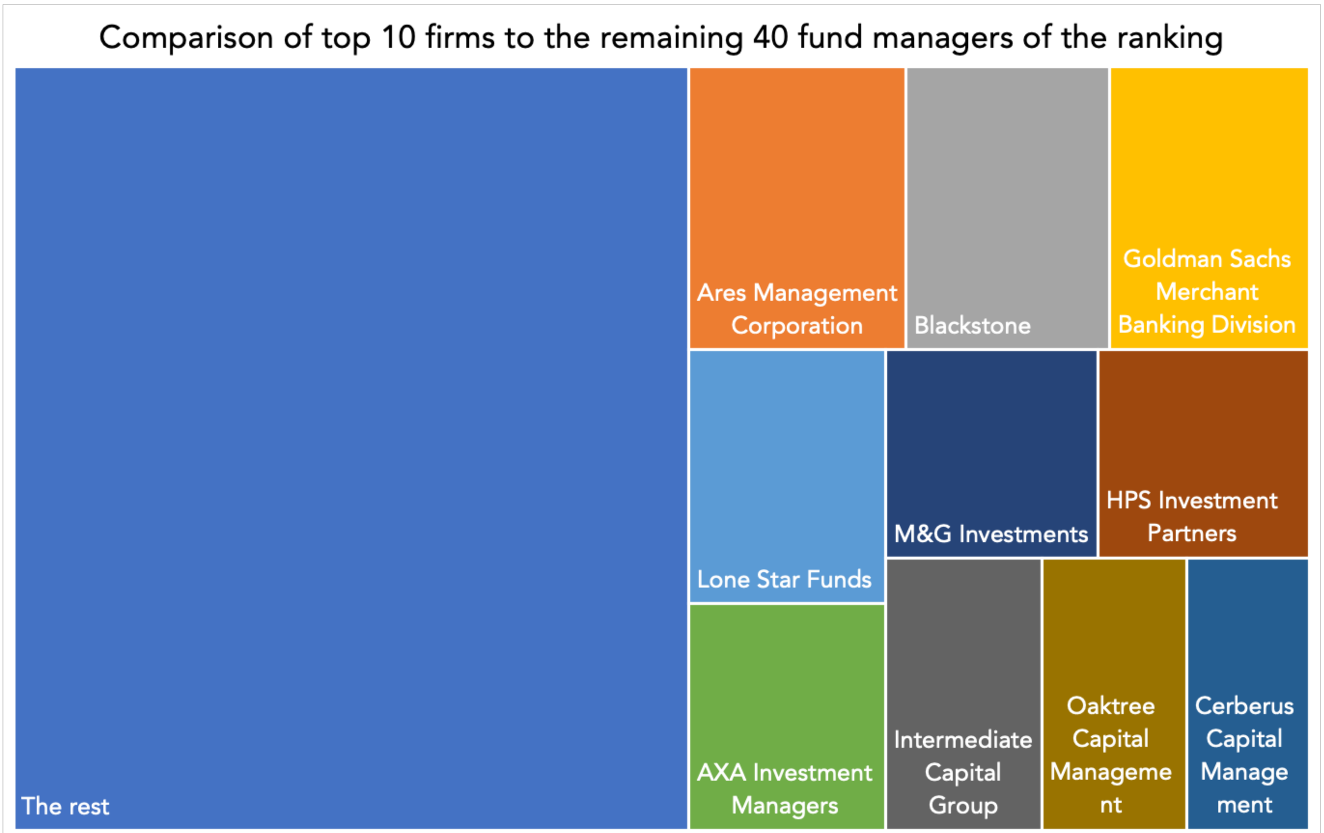

Nothing much is predictable these days, but don't expect the fundraising pecking order to change anytime soon.

"Do what you can, with what you've got, where you are." The inspirational quote comes from an autobiography of Theodore Roosevelt and surely resonates with anyone forced into lockdown as a result of the covid-19 crisis.

It could also quite neatly describe the way in which the world's largest private debt fund managers will be hoping to survive, and ultimately prosper, through these testing times.

What we've noticed in our annual "PDI 50" rankings of the most successful gatherers of capital in our asset class is the gravitation towards a small elite of fundraising heavyweights. As time has gone on, more and more capital proportionally has ended up in the hands of fewer and fewer managers.

In last year's ranking we discovered that, of $776.8 billion raised by the world's top 50 firms over the proceeding five years, almost half ($372.1 billion, 47.9 percent) had been collected by the top ten GPs. Ares Management, Blackstone and Goldman Sachs made up the top three.

One interesting question to ponder is how much the established order is challenged in times of crisis. Assuming we do eventually return to something like normality, will those top ten still be ruling the roost?

In times of volatility, it’s tempting to visualise the pieces of the puzzle being thrown in the air with little notion of how they may land. Much of the fundraising activity that has taken place so far this year appears to have been accounted for by managers with unorthodox strategies exploiting pockets of opportunity which have suddenly sprung up. Might they threaten the established order?

Of course, it’s not impossible that missteps may be made by the biggest funds that topple them from their pedestals. Failing that, however, no one should expect the trend to change anytime soon. The biggest fundraisers have also become the biggest empire builders – expanding into all kinds of strategies and many different markets around the world. They are, in other words, fully diversified. They will be in a strong position to do what they can, with what they’ve got, where they are.