First-time fundraising bouncing back

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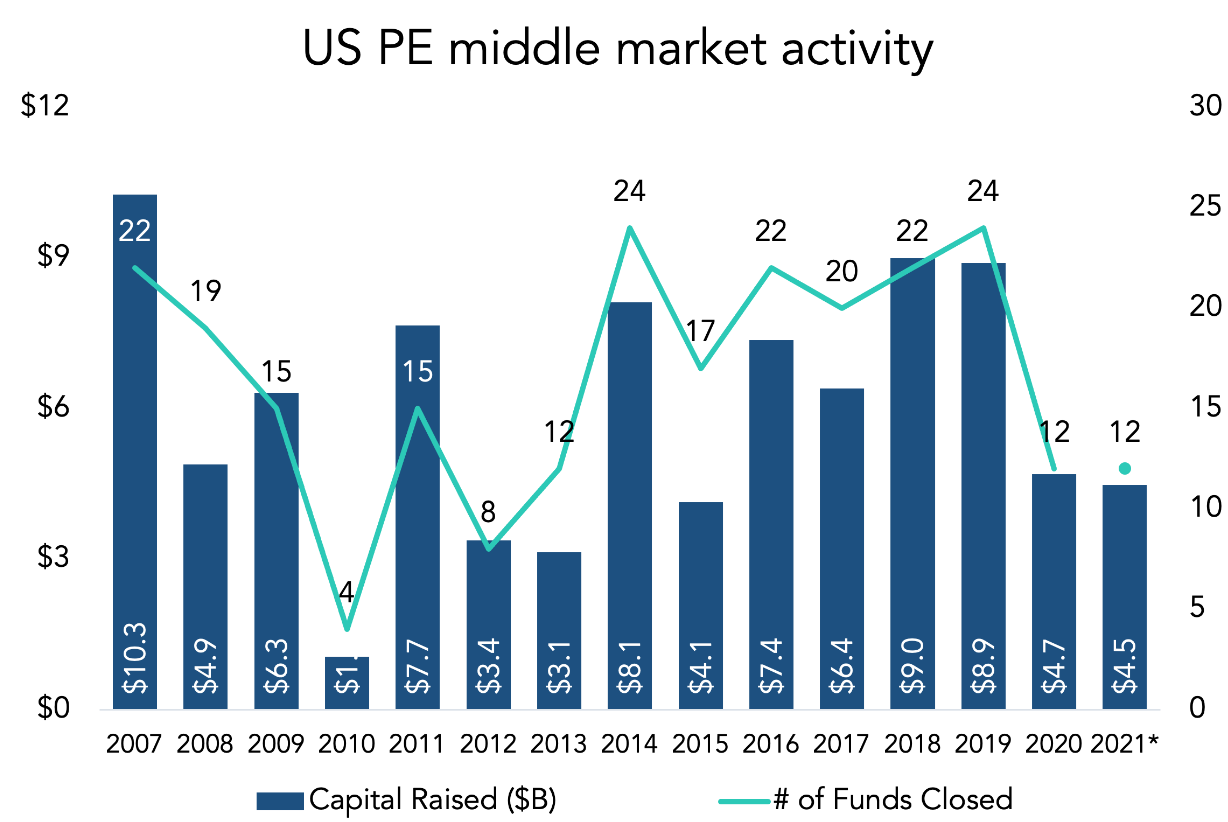

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Middle market fundraising posted a strong showing in H1, according to PitchBook's latest US Middle Market Report. $68.4 billion was raised through June, which puts 2021 on pace to approach the 2019 record. Even if it doesn't, the middle market is set to bounce back from a decline last year. Although middle market funds represented a majority (and growing) 55% of PE fund closes in H1, they also represented a diminishing 48% of dollars raised, down from more than 60% in 2018.

The fund managers impacted the most last year were first-time GPs, whose fundraising numbers were roughly cut in half versus 2019. This year, so far, is a different story. Twelve funds closed through H1, matching the total number closed in all of 2020. Capital raised isn't far behind, either. 2021 will be a bounceback year. That's a good sign for LP optimism, but it hides the fierce competition for institutional dollars among first-time managers. LPs have made it known that they'd prefer to write fewer, larger checks to GPs, and many are enthusiastic about allocating to new products offered by GPs they have pre-existing relationships with. That preference was borne out last year, if the numbers were any indication. First-time funds accounted for just 8.5% of all middle market fundraising, the lowest proportion in over a decade. The ratio is back up to 13.8% in 2021, in line with pre-COVID levels.

(Past performance is no guarantee of future results.)