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MM fundraising is having its moment

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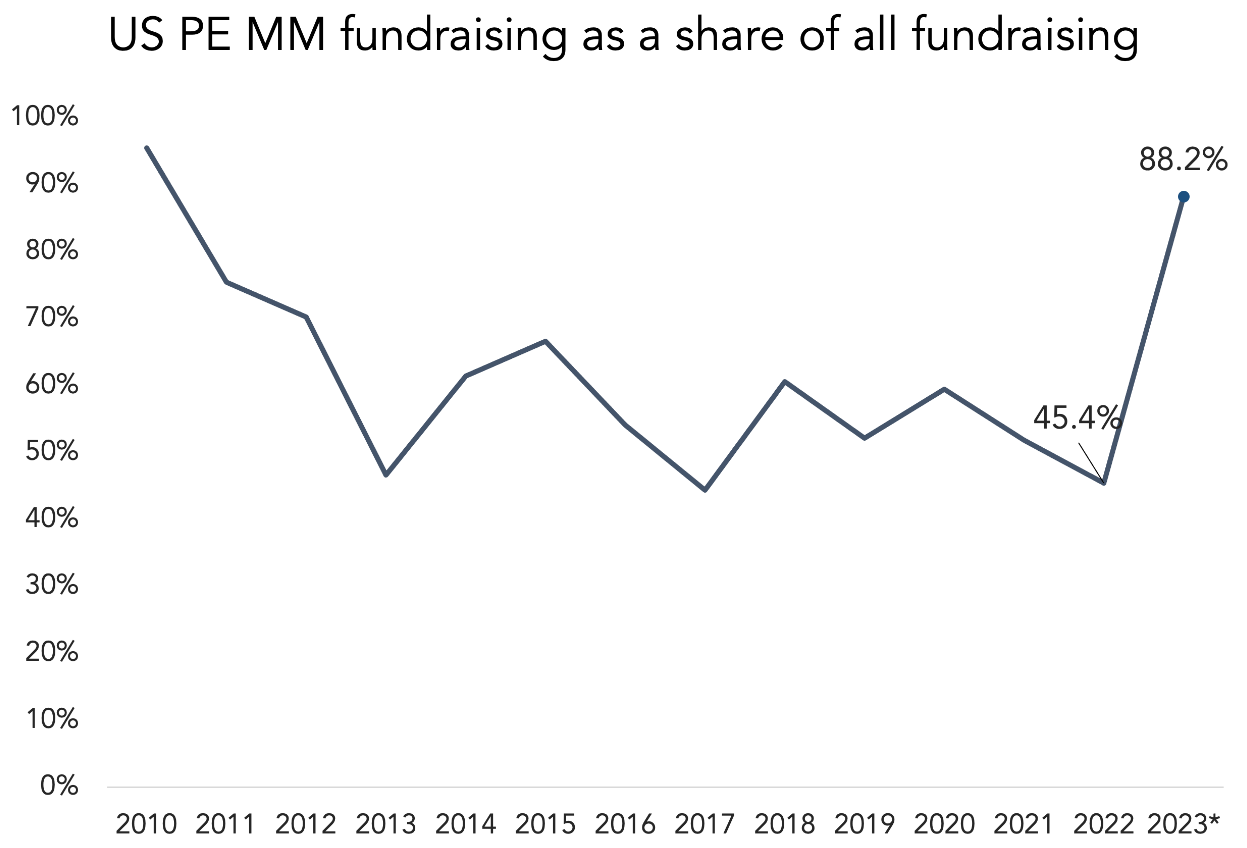

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Middle-market fundraising is having a moment in the sun. PitchBook's latest US PE Middle Market Report recorded $49.9 billion raised in MM strategies in Q1, up 70% from Q1 2022. A historical look at fundraising seasonality bodes well for the middle market. Over the past decade, Q1 sees 23% of total annual fundraising, compared to 33% that the typical fourth quarter sees. In other words, MM fundraising is very much back weighted. Moreover, MM fund counts got off to a strong start with 38 closings. They accounted for 51% of all PE fund closings in the first quarter, up from a 37% reading in 2022.

Normally, Q1 readings of any kind should be asterisked; it's too soon to tell. MM fundraising should buck that trend to some degree this year. Through Q1, 88% of dollars raised went to middle-market funds. Obviously that percentage will come down—Apollo, Blackstone, Carlyle and TPG are all still marketing their latest flagship funds, which have so far raised over $55 billion but haven't closed yet. Even if they had all closed in Q1—and there's a reason they haven't—the middle market's percentage would still be just under 45%, not far off of where it was last year. Big firms "are having a significantly harder time raising flagship buyout funds" compared to prior fundraising cycles, according to the Wall Street Journal, which also reported that PE giants are looking for smaller deals and add-on opportunities in lieu of megadeals. All of which points to a trend favoring the middle market, as opposed to a fluke of a quarter.

(Past performance is no guarantee of future results.)