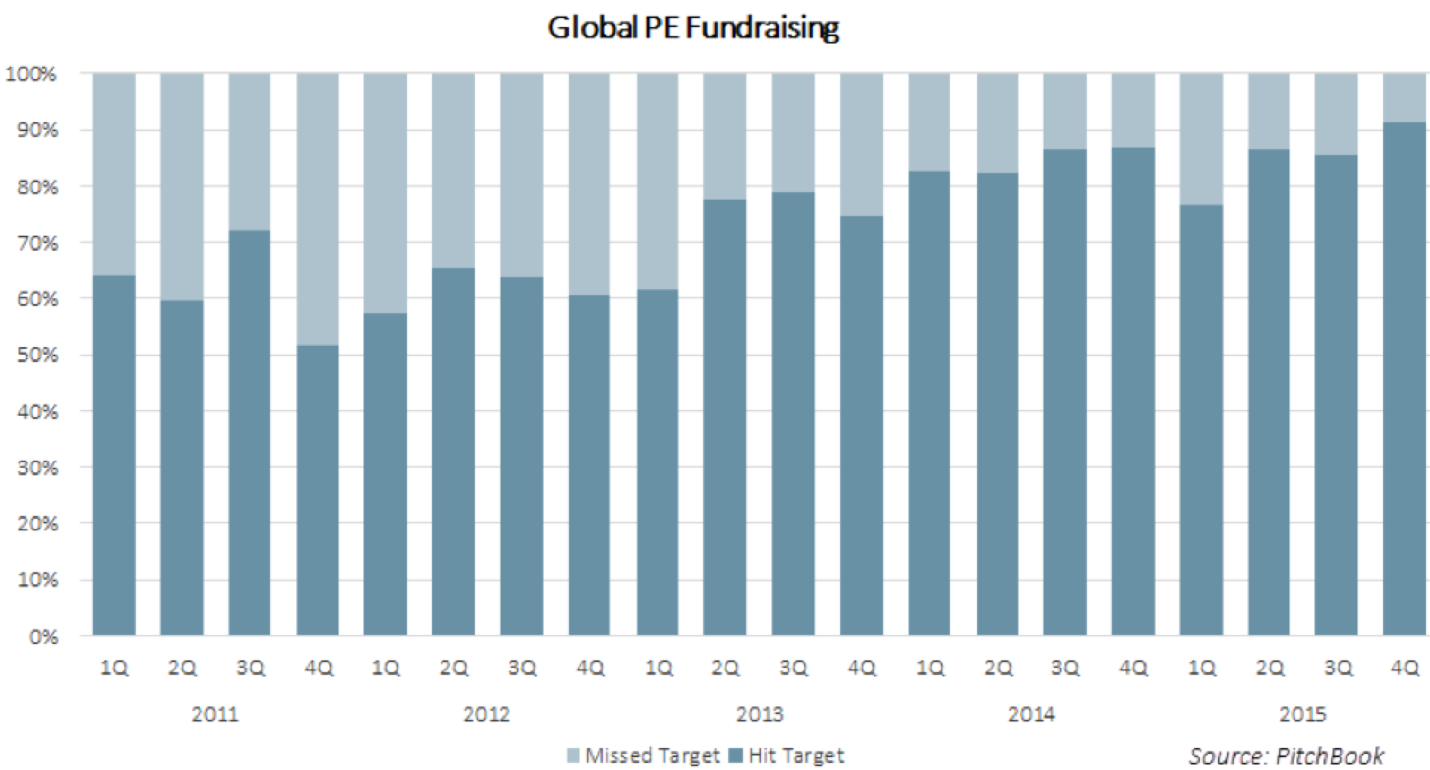
The Pulse of Private Equity – 1/4/2016

PitchBook | January 5, 2016

PE Fundraisers Still Riding High

The latest numbers for private equity fundraising success—as measured by how many funds hit their target—are impressive to say the least. In 4Q 2015, over 90% of PE funds raised worldwide hit their targets. 88 funds were raised in that time period, according to PitchBook data, amassing $76.4 billion in capital commitments. It's worth noting that the number of vehicles was the lowest quarterly total of the past five years, with only the 96 closed funds in 3Q 2011 coming closer.



Even given the time-dependent vagaries of PE fundraising, that quarterly percentage, as well as the elevated levels of successful fund closings over the past couple years, hints at quite a few different trends. First, it suggests fundraisers nowadays are choosing targets quite shrewdly, likely dialing back ambitions in terms of size and honing strategies in today's competitive dealmaking environment; further enticements such as a short-term window of decreased fees or additional accounts and co-investment opportunities are also more popular nowadays, contributing to the sky-high percentage. Second, limited partners are still more than willing to commit to select managers in the asset class, with a level of confidence attributable to historical PE returns and the popularity of alternative, long-term strategies in a low-yield, highly volatile era. The types of managers raising nowadays is key to note, as by and large a winner-take-all effect is only further evidenced in today's fundraising climate, as LPs look askance at elevated valuations and seek proven firms with the strongest track records consequently. Those firms and their vehicles tend to be on the larger side—the global median PE fund size hit $271.5 million in 4Q—with ample resources to devote to not only fundraising but also portfolio management and deal sourcing.

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