The Pulse of Private Equity – 4/11/2016

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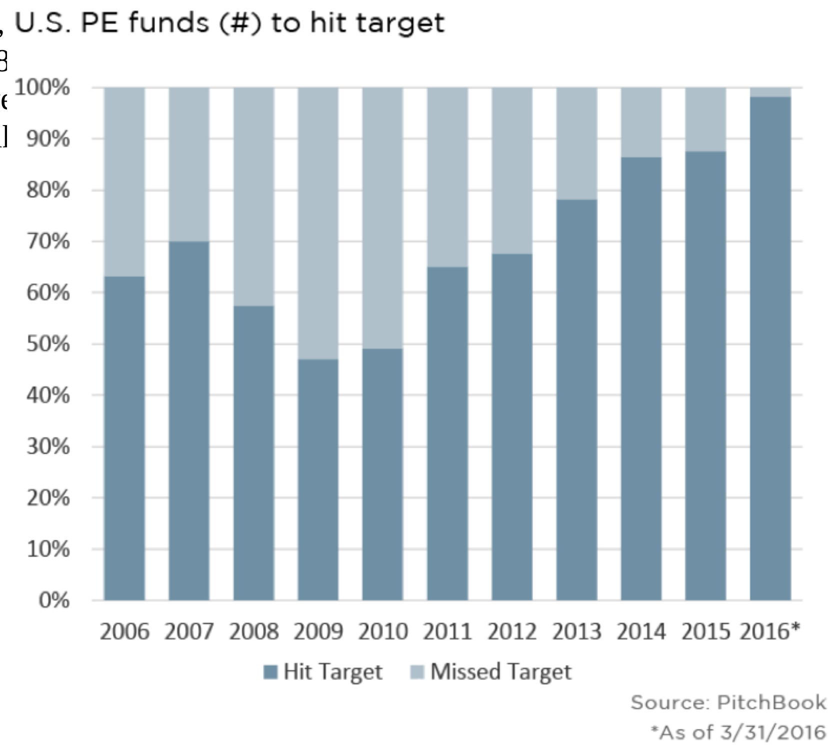
98% of U.S. PE Funds Closed in Q1 Either Hit or Exceeded Target

In the first quarter of 2016, … mitments. Of those
71 vehicles, no less than 98 … ented, even by the
standards of the past two ye… of funds that
closed, the success rate mal… ners VI, Advent



Global, Thoma Bravo, etc. … These are all

prominent, large PE firms that have a long, robust track record, which doubtless affected the quarter's results. But that alone can't explain why so many PE funds hit their targets. In addition, PE fund managers are adapting their raising strategies to an intensely competitive dealmaking environment, gearing toward less expensive opportunities in select niches with potential for considerable adding on and operational enhancements. Even though a considerable portion of the funds that were closed were in the billions of dollars and focused on buyouts primarily—hallmarks of the traditional PE strategy—there were a fair number in the lower size range, geared toward the lower reaches of the U.S. middle market, with firms like Pfingsten Partners closing vehicles with a specific focus toward niche manufacturing, distribution and business services companies. That same increased specificity is also reflected on the fund investor side. Limited partners are seeking out fund managers that can provide increasingly customized options, whether fee discounts, longer lifecycles, separate accounts or co-investment opportunities, to name some of the more popular embellishments. All in all, the ramp-up in bespoke LP agreements and niche buy side strategies are doubtless behind not only the increase in fundraising success over the past two years but the staggering rate observed in Q1 2016. Even if the success rate doubtless slides as 2016 goes on, it's testament to how the PE fundraising landscape continues to evolve.

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