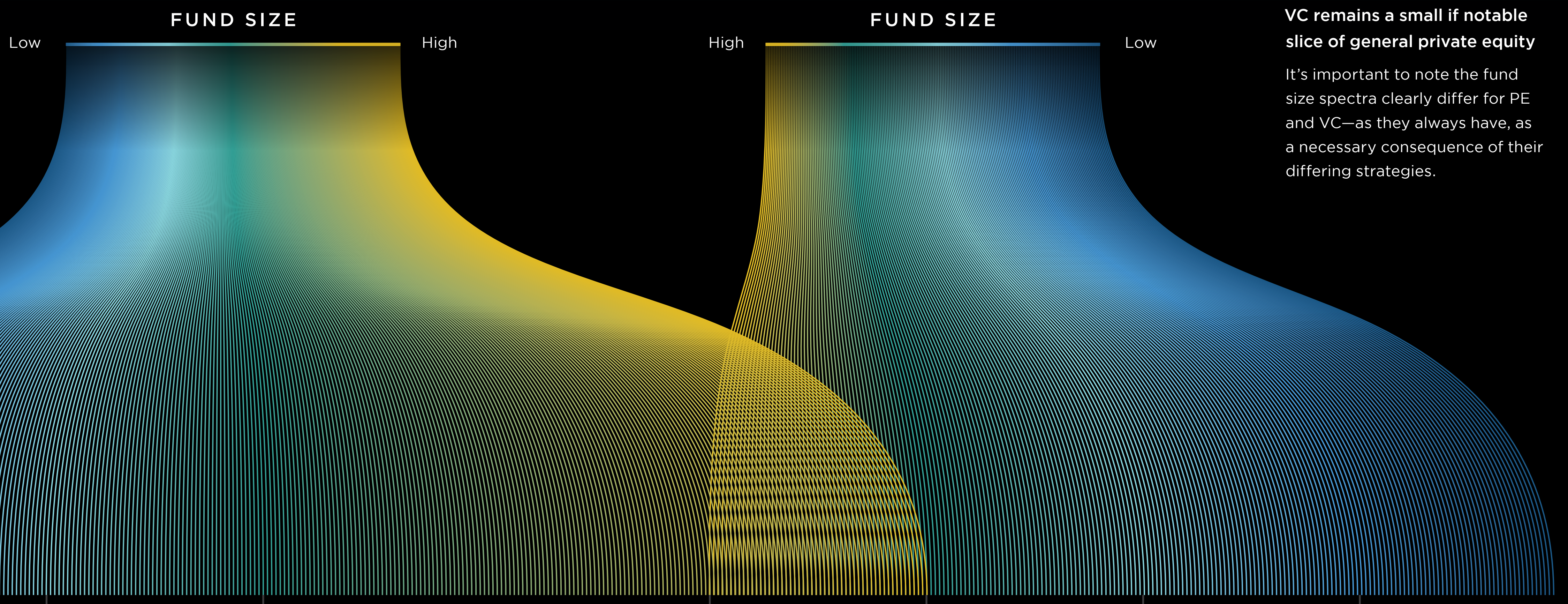
How fund managers are adapting strategies

There are no hard-and-fast rules about funds of specific sizes pursuing only select strategies. But typical check sizes do matter in practicality, leading to funds within certain size ranges tending to explore certain opportunities others can't. Micro VC funds can target niche seed-stage plays untenable for larger vehicles; mega-buyout funds can carve out underperforming divisions of publicly traded corporations. Here's our depiction of a selection of the strategies GPs are deploying in the current market environment, across the fund size spectrum for each asset class.

VC remains a small if notable slice of general private equity

It's important to note the fund size spectra clearly differ for PE and VC—as they always have, as a necessary consequence of their differing strategies.



ADD-ONS

Middle-market-focused fund managers are tackling fragmented niches, building out platforms.

TECHNOLOGY

As enterprise software companies adopt SaaS models—entailing steady cashflows—PE firms find them even more to their liking.

SECONDARY BUYOUTS

Larger firms with greater resources or specialist approaches can often take over the portfolio companies of smaller, fellow GPs.

CARVE-OUTS

Divestitures of divisions by public companies looking to boost performance can represent take-private opportunities.

PRIVATE GROWTH

Large, mature tech companies staying private represent growth investment opportunities.

ENTERPRISE

It's not that consumer plays aren't possible, it's that incumbency effects are more potent than ever before, so B2B looks to be a better bet.

GEOGRAPHIC DIVERSIFICATION

Although there is no major push to invest globally yet, VCs are keenly aware of relative cost and network advantages.

NICHE FUNDS

In a high-priced environment, capable first-time GPs are doubling down on differentiation on sector and capital stack foci.