

Private Fund Strategies Report

Q1 2020

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Download the [accompanying Excel pack](#) for all underlying data and additional charts not included in this report.

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YoY fundraising changes by strategy (trailing four-quarter)

Strategy	Capital raised (\$B)	YoY change	Fund count	YoY change
Private capital	\$928.0	-2.8% ▼	1,301	-21.7% ▼
PE	\$452.6	-3.0% ▼	385	-17.4% ▼
VC	\$93.9	0.9% ▲	539	-6.9% ▼
Real assets	\$198.8	-15.7% ▼	183	-49.7% ▼
Debt	\$112.7	-6.4% ▼	112	-26.3% ▼
FoF	\$26.4	47.2% ▲	54	-23.9% ▼
Secondaries	\$43.5	114.6% ▲	28	-3.4% ▼



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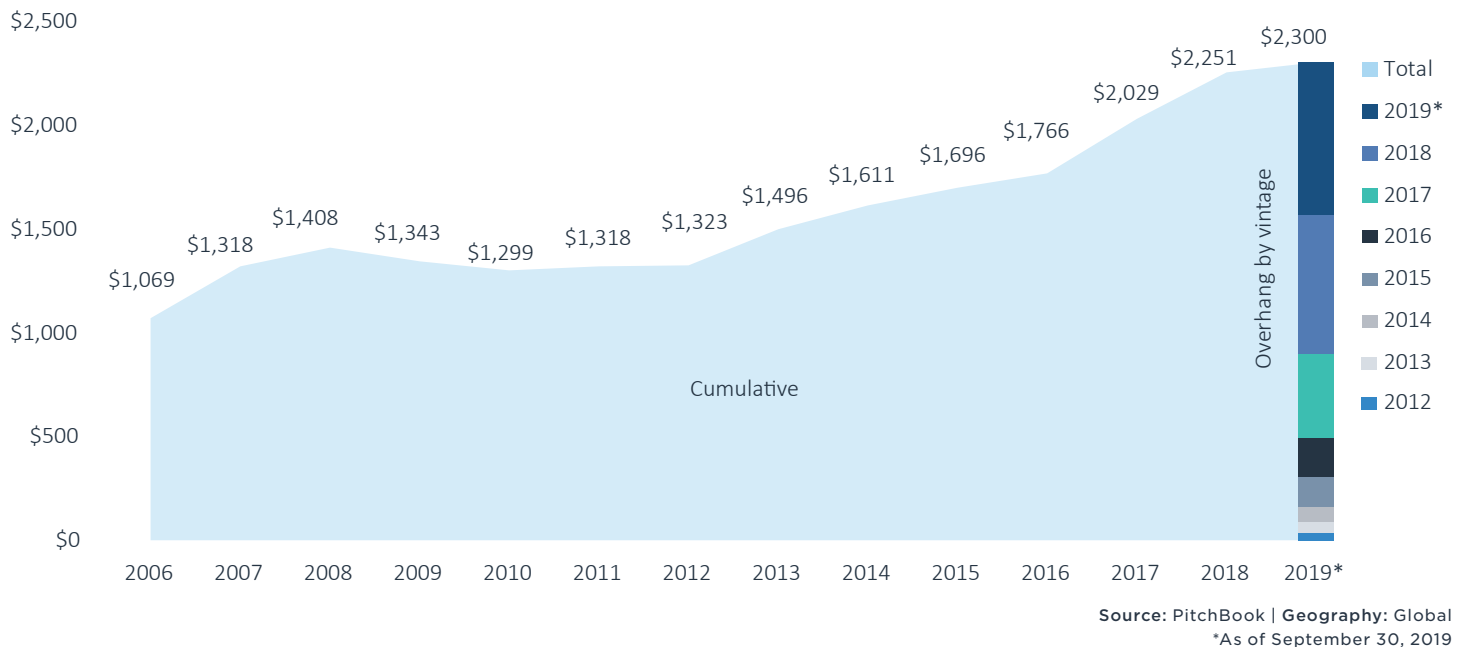
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Fund overview and LP perspective

Private capital overhang (\$B)



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As might be expected, the Institutional Research Analysts at PitchBook Data have received numerous inbound inquiries about what impact the COVID-19 crisis will have on private market cash flows. In a [series of notes](#) that began in March, we have been discussing likely scenarios and showing historical data to help visualize what extreme events can do to calls, distributions, fundraising and, ultimately, dry powder. This report is concerned largely with the latter two questions. It is too early to report on the ultimate performance impact of this crisis, but we do have both anecdotal word as well as some data already showing how private market fundraising has been affected.

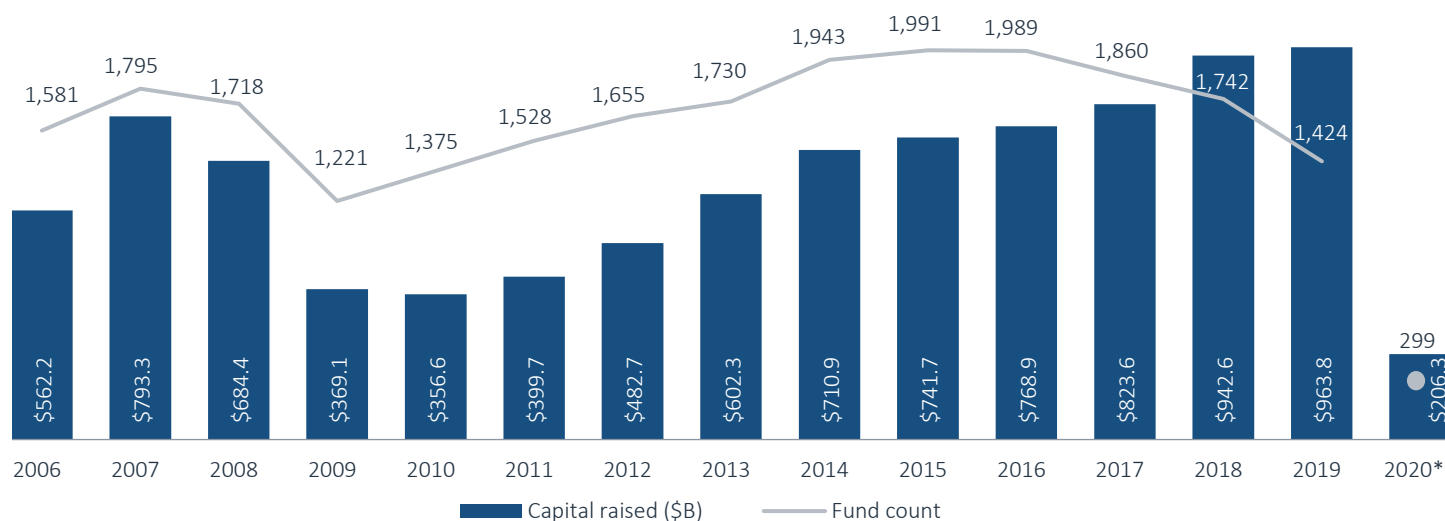
Overall, the suppositions from our note [COVID-19's Influence on Private Market Strategies and Allocators](#) appear to be playing out as expected. Big funds are continuing to close with impressive commitment totals, benefiting both from their established names and the fact that LPs had completed much of their due diligence in 2019. Going forward, we are hearing from both allocators

and managers that re-ups with existing GPs are more likely to find success than new fund strategies. Across private market strategies, this will push the balance even further toward the mega-funds that have been garnering such a large proportion of LP commitment dollars. Funds that have had a first closing and begun investing may have a difficult time with further fundraising if future investors are expected to buy in at cost on investments that now need to be written down.

LPs appear to be pondering their commitment pacing this year, with many choosing to slow the pace at least somewhat. The month of May will see many LPs hosting quarterly meetings with their investment committees; these will be followed by news of decisions made about allocations going up or down or shifting to something more opportunistic.

The denominator effect does not appear to be driving a wave of either forced secondaries sales or LP defaults. While a wave of calls came to LPs in March from GPs paying off subscription lines of credit, acute liquidity issues have not been a widespread issue. A few LP defaults have been reported from small non-institutional investors,

Private capital fundraising activity



Source: PitchBook | Geography: Global
*As of March 31, 2020

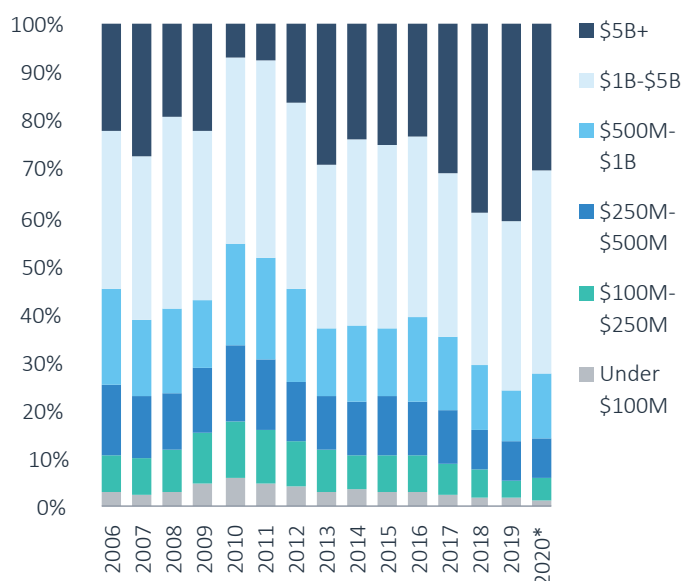
some of whom have since been able to settle up with their GPs. We expect capital calls to fall after this initial wave as GPs spend time shoring up portfolio companies rather than closing on new deals, which should ease any strain LPs may have felt. Deal activity at both the primary and secondary levels has ground to a halt as market participants take some time to recalibrate what companies or LP stakes are now worth.

Private capital had a healthy quarter of fundraising as 2019 efforts wrapped up with final signed commitments. Over

\$200 billion was raised by 299 funds. In the 12 months ending March 31, 2020, \$928.0 billion was raised across 1,301 funds—not a record, but not far off of one either. Adding recent fundraises to ones closed in recent years, we calculate that more than \$2.3 trillion of dry powder is waiting to be called from LPs by GPs anxious to identify profit-making enterprises.

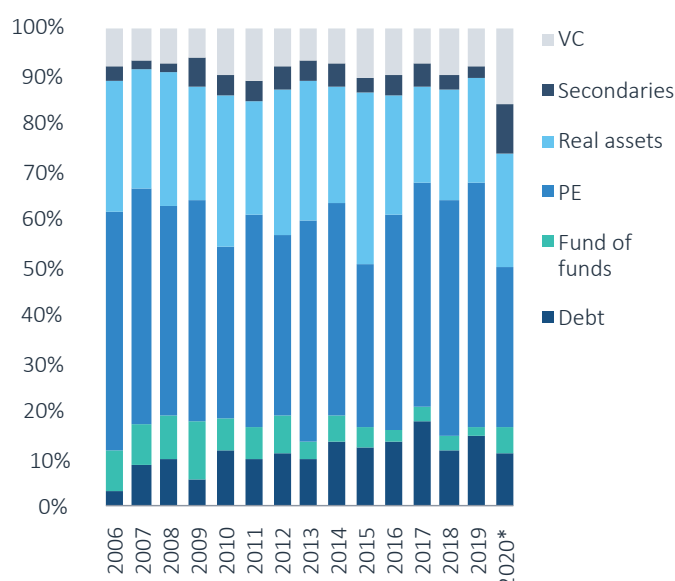
We know that record levels of commitments are waiting to be called. Only time will tell how well GPs will purchase, manage and exit investments in an unprecedented time of uncertainty.

Private capital funds (\$) by size



Source: PitchBook | Geography: Global
*As of March 31, 2020

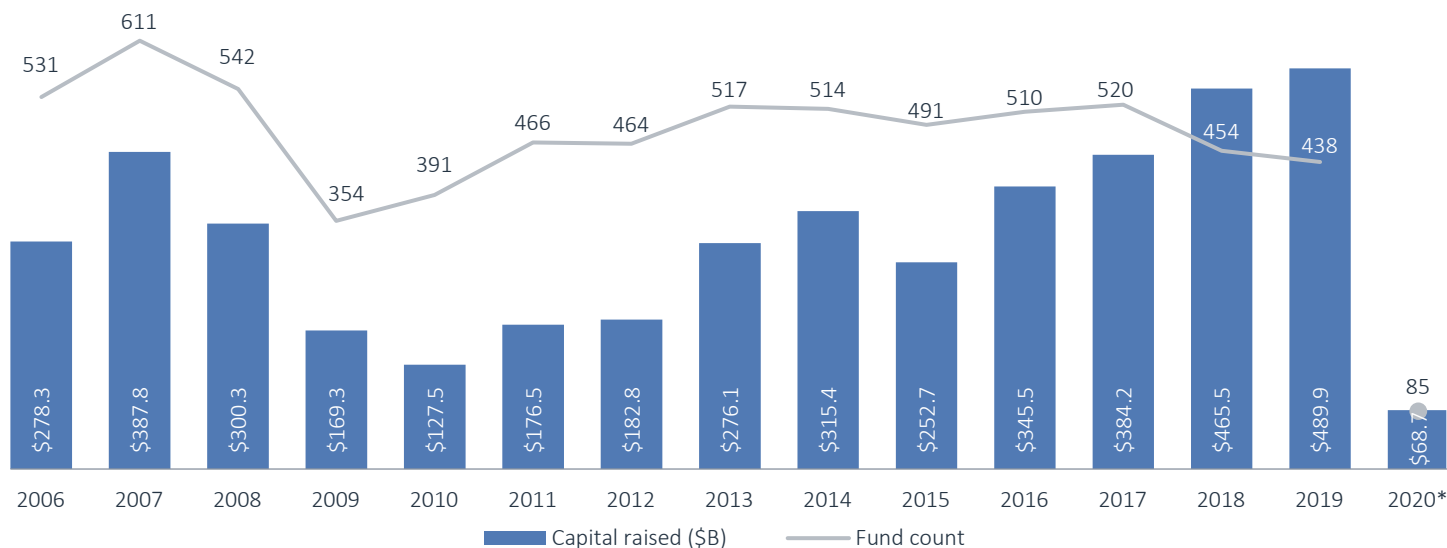
Private capital funds (\$) by type



Source: PitchBook | Geography: Global
*As of March 31, 2020

Private equity

PE fundraising activity



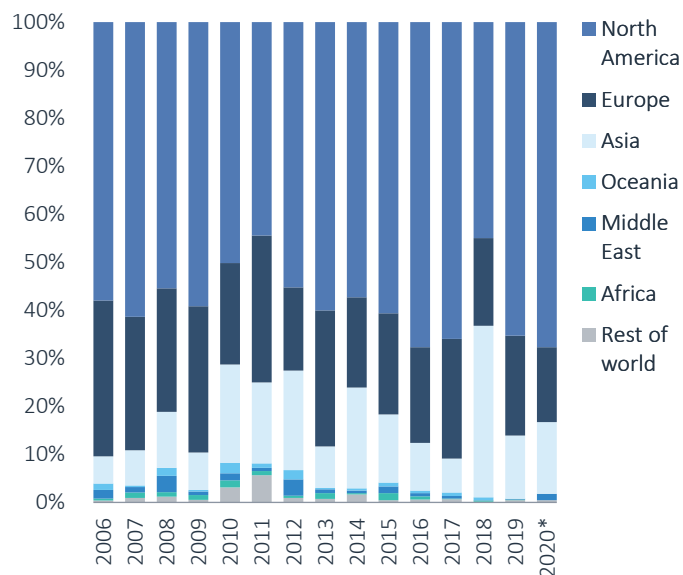
Source: PitchBook | Geography: Global
*As of March 31, 2020

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After a record-setting effort in 2019, PE fundraising decelerated in Q1 2020, although mega-funds (\$5 billion+ for PE) continued to propel overall capital raised. The quarter saw 85 funds close on \$68.7 billion, setting 2020 on pace for more muted figures. COVID-19's impact on in-person due diligence is thwarting fundraising attempts by nearly every GP and further exacerbating the bifurcation between mega-fund managers and everybody else. Thoma Bravo, Silver Lake Management, New Mountain Capital and Francisco Partners have either launched new mega-buyout funds in 2020 or are nearing first closes despite the global pandemic, while smaller firms have had to push out fundraising efforts indefinitely.

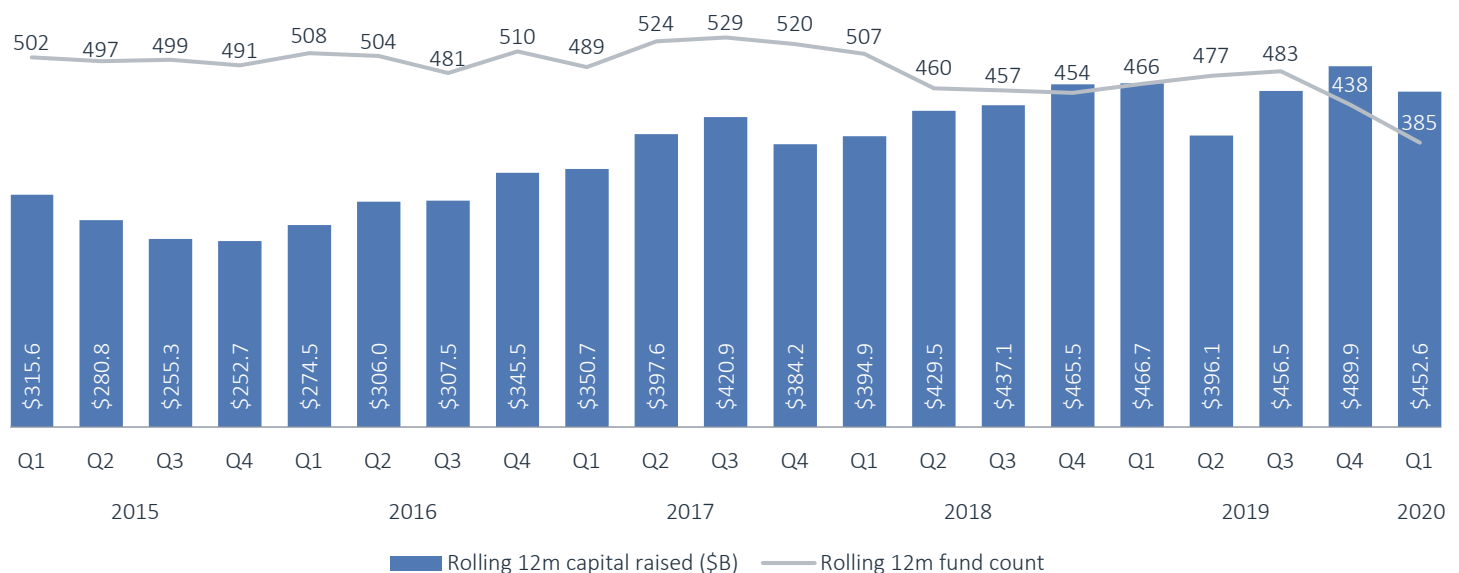
The largest GPs are in high demand and able to secure fresh capital from LPs at a time when many smaller firms are unable to do so. With allocators in triage mode, they are more likely to re-up with a proven manager than commit to emerging GPs. Blackstone CEO Stephen Schwarzman echoed this in a recent earnings call, stating that firms with long-standing relationships will be able to weather this storm, but for newer managers, fundraising in this environment may be "almost impossible." Despite early talk of reopening the economy, business travel and in-person due diligence will likely be inadvisable for LPs for several months, meaning mega-funds and more established firms will continue to assume the lion's share of capital.

PE funds (\$) by region



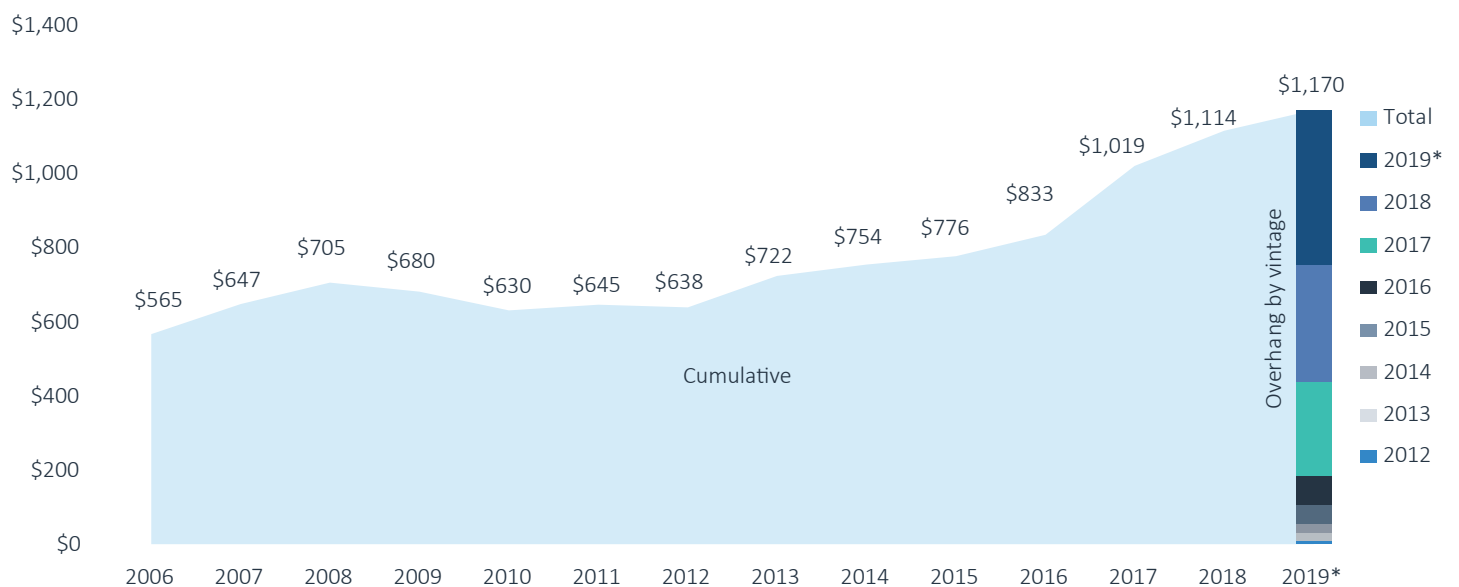
Source: PitchBook | Geography: Global
*As of March 31, 2020

PE fundraising by 12-month rolling total



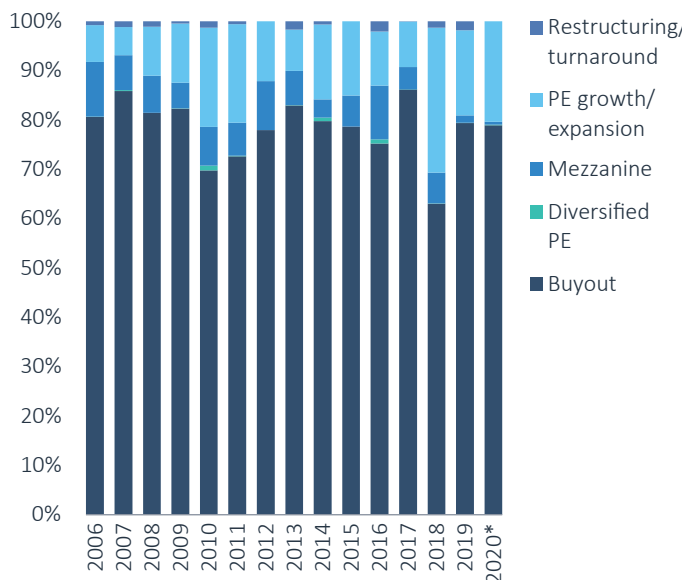
Source: PitchBook | Geography: Global

PE capital overhang (\$B)



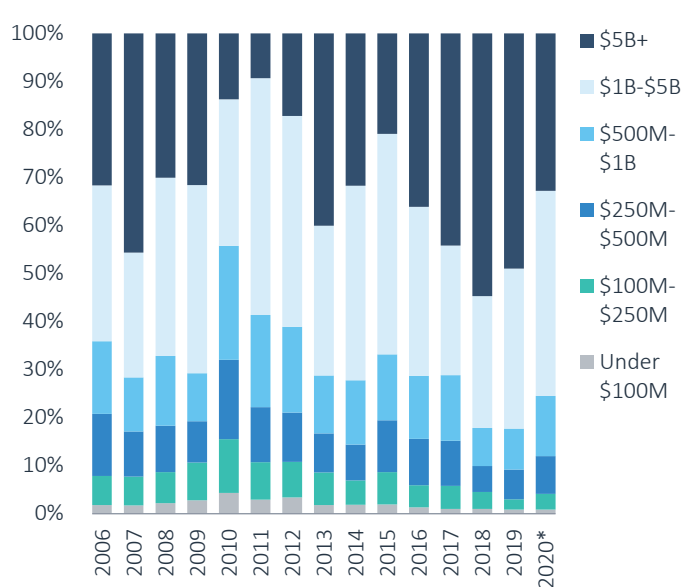
Source: PitchBook | Geography: Global
*As of September 30, 2019

PE funds (\$) by type



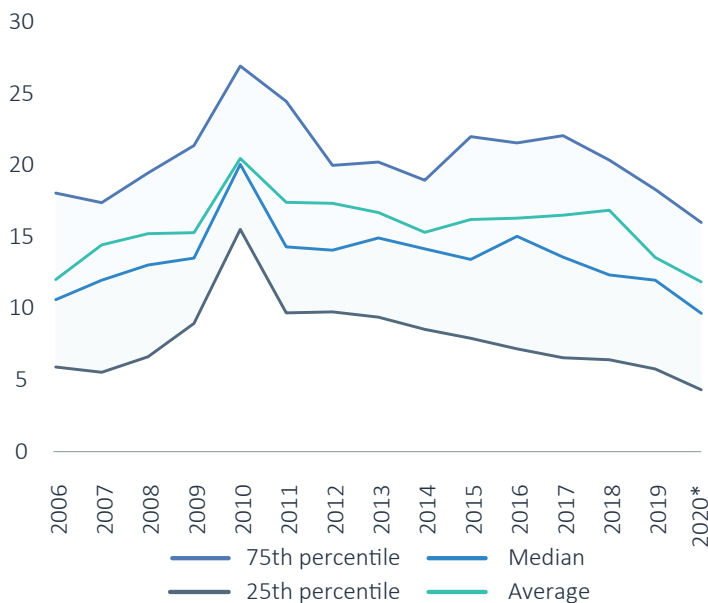
Source: PitchBook | Geography: Global
*As of March 31, 2020

PE funds (\$) by size



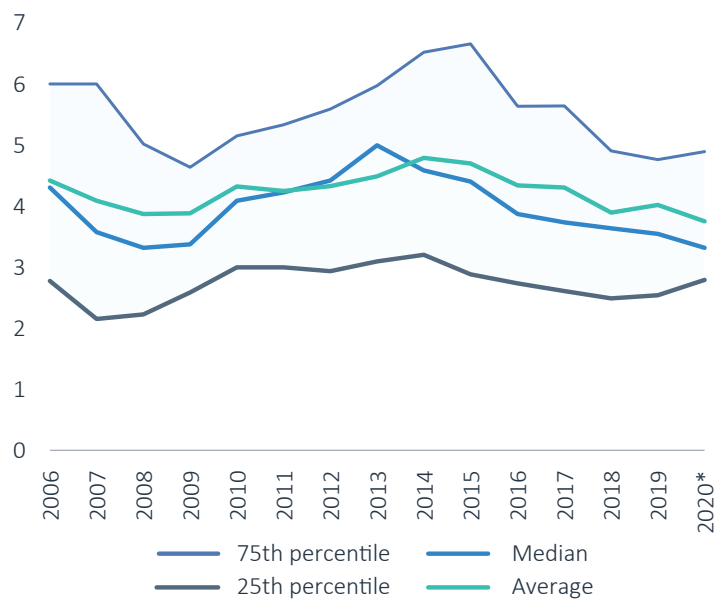
Source: PitchBook | Geography: Global
*As of March 31, 2020

Quartile distribution of time (months) to close PE funds



Source: PitchBook | Geography: Global
*As of March 31, 2020

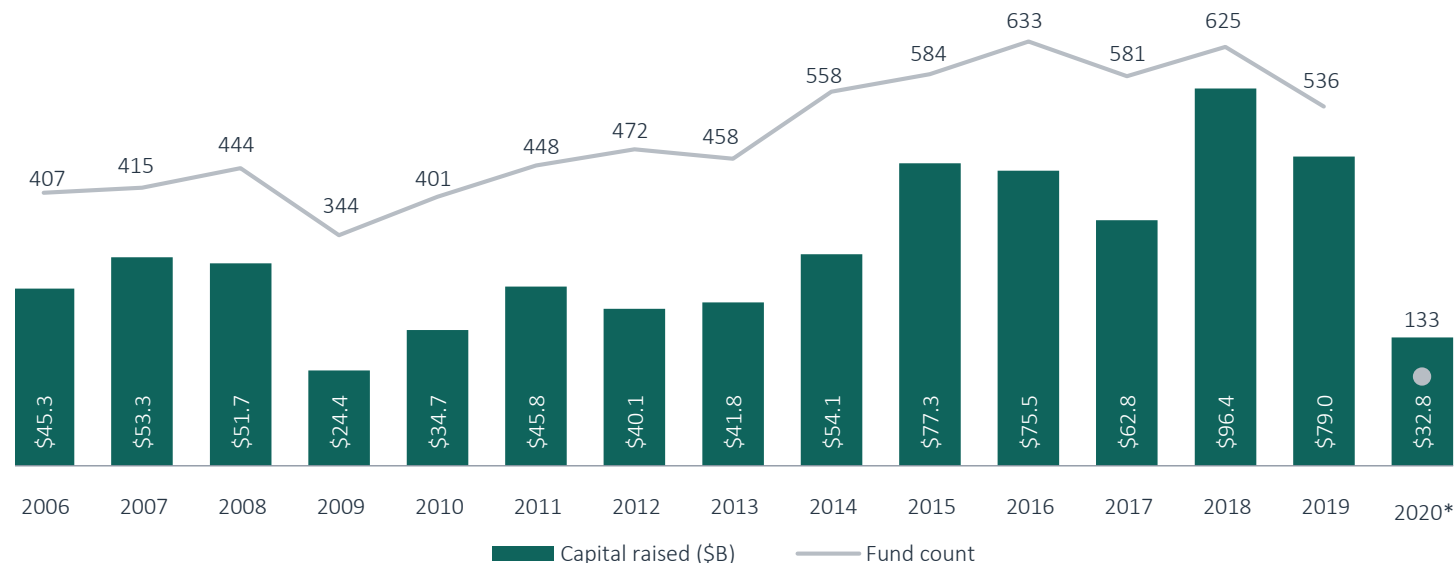
Quartile distribution of time (years) between PE funds



Source: PitchBook | Geography: Global
*As of March 31, 2020

Venture capital

VC fundraising activity



Source: PitchBook | Geography: Global
*As of March 31, 2020

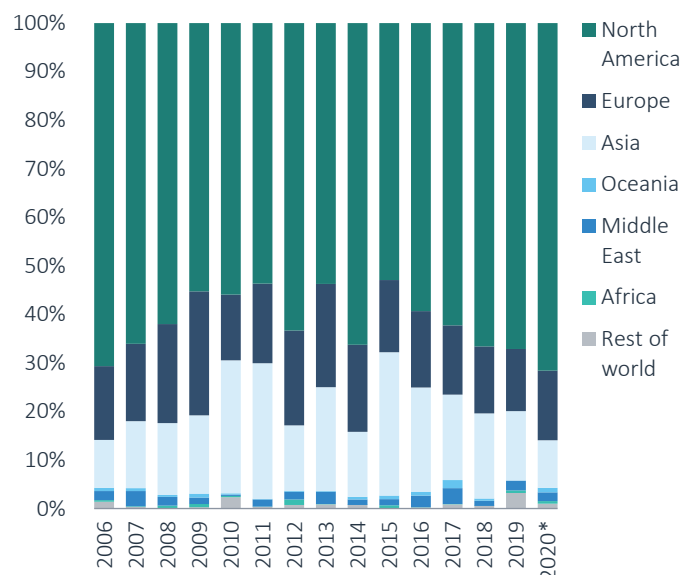
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VC fundraising started 2020 strong, with robust activity across developed markets in North America and Europe compensating for a drop in activity in emerging markets, particularly in Asia. Capital remains concentrated primarily in North America, although the share of VC funds based out of Europe continues to grow.

The chasm between large and small funds expanded to an unprecedented level in Q1 2020, with both the average and top quartile of fund sizes higher than the records set in 2019. While the top end of the market has moved the most, the median fund size has also risen to the \$100 million mark for the first time. We anticipate headwinds from the economic disruptions stemming from COVID-19, but we believe demand will remain strong for top-tier managers and, as a result, aggregate fundraising numbers will be largely resilient in 2020.

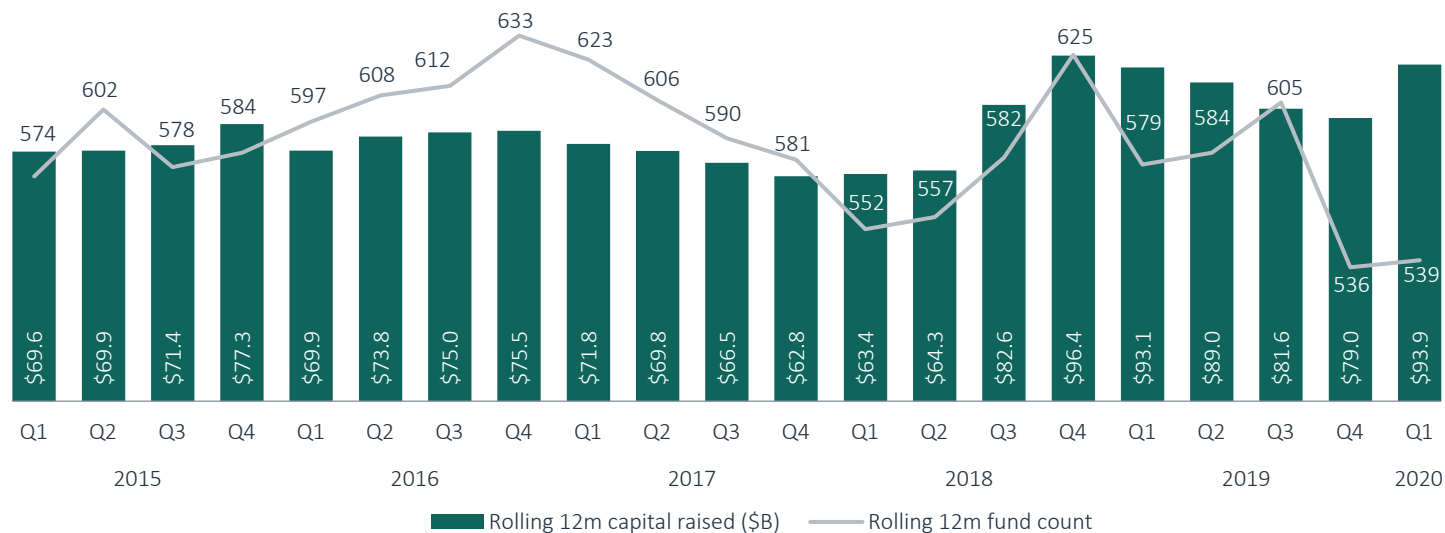
Funds at the smaller end of the spectrum are naturally the most susceptible for several reasons. In addition to being less established, smaller funds typically rely more on family offices and individual investors, which are liable to pull back in a challenging environment compared to institutions that have long-term allocation plans such as endowments, foundations and the like.

VC funds (\$) by region



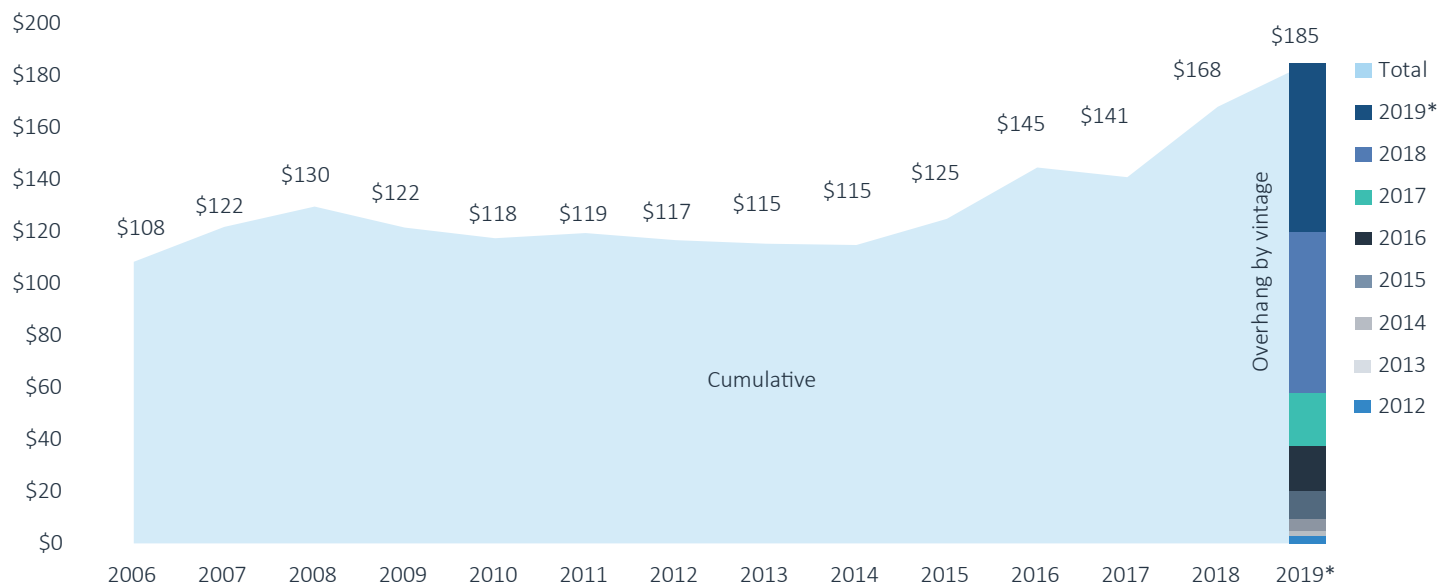
Source: PitchBook | Geography: Global
*As of March 31, 2020

VC fundraising by 12-month rolling total



Source: PitchBook | Geography: Global

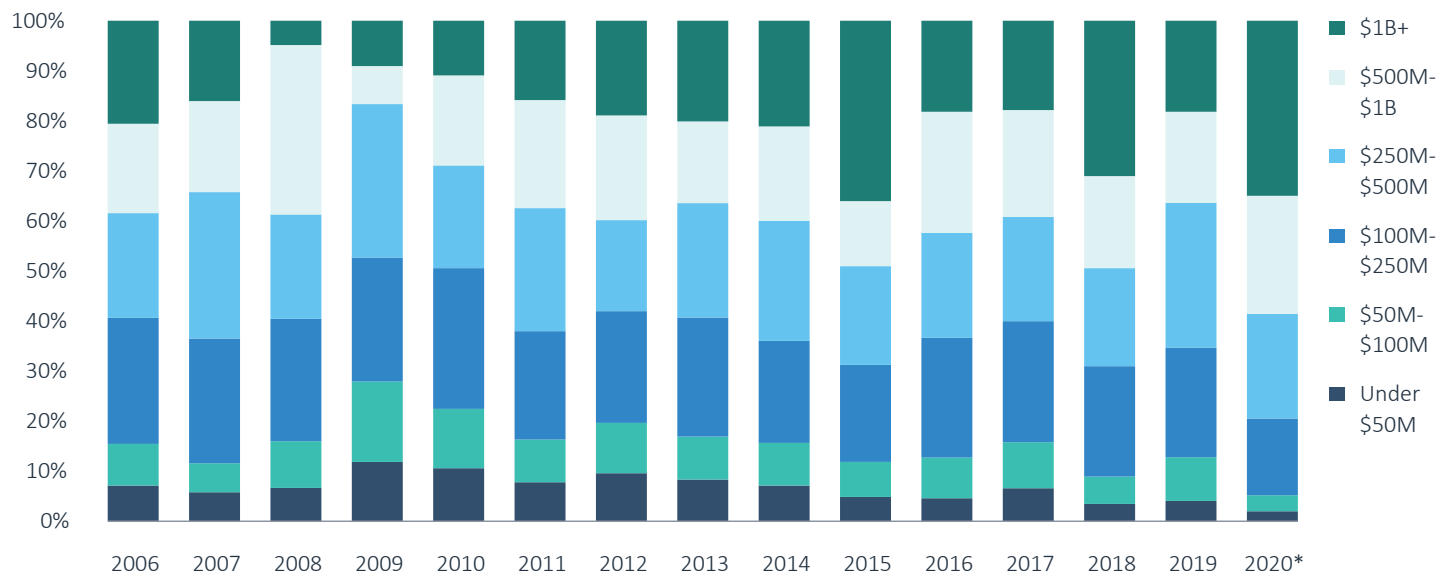
VC overhang (\$B)



Source: PitchBook | Geography: Global

*As of September 30, 2019

VC funds (\$) by size



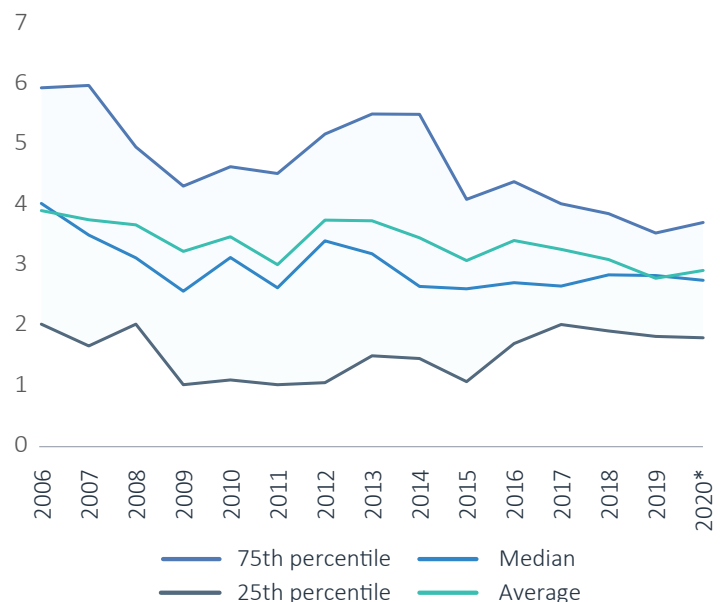
Source: PitchBook | Geography: Global
*As of March 31, 2020

Quartile distribution of time (months) to close VC funds



Source: PitchBook | Geography: Global
*As of March 31, 2020

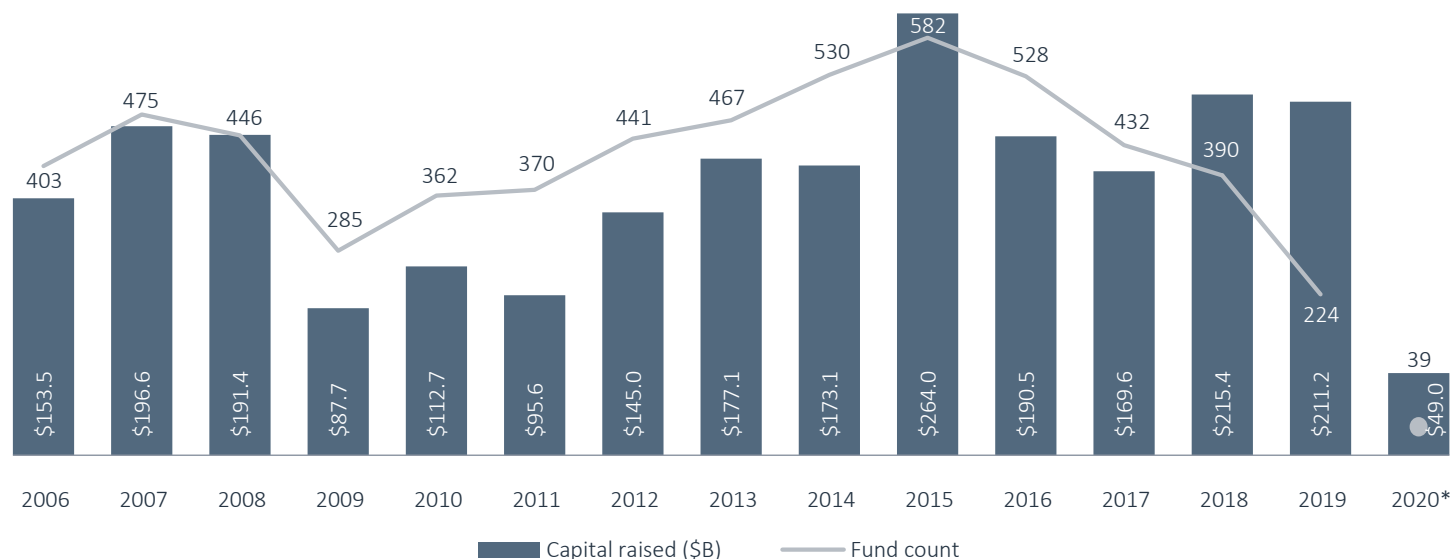
Quartile distribution of time (years) between VC funds



Source: PitchBook | Geography: Global
*As of March 31, 2020

Real assets

Real assets fundraising activity



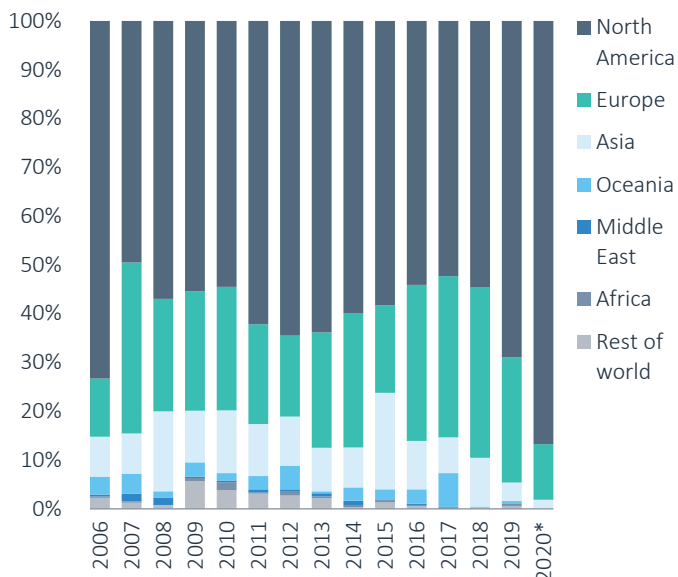
Source: PitchBook | Geography: Global
*As of March 31, 2020

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Real assets fundraising figures came in at \$49.0 billion raised across 39 funds for the first quarter of 2020, led by Brookfield Infrastructure Fund IV, which reached \$20.0 billion with its final close in February. While annual totals have come in above \$200 billion each of the last two years, fund counts have dropped considerably from the 2015 peak of 582. More and more capital flowed into the larger, more established managers as the economy expanded. Despite the disruption caused by the COVID-19 pandemic, several mega-funds were able to hold their final fund closings in March and April. The largest fund to close was BlackRock's Global Energy and Power Infrastructure fund, locking up \$5.1 billion in commitments after its April 15 final close. We expect smaller and first-time funds will have a tougher time meeting their targets while the downturn lasts.

As infrastructure has matured, its vehicles have continued to take a greater share of both fund count and capital raised in the real assets category. Managers in the space have become increasingly focused on renewable energy and digital infrastructure, a trend unlikely to reverse anytime soon. Of the 10 largest real assets funds currently raising capital, six are focused on infrastructure and represent about \$20 billion in fundraising targets.

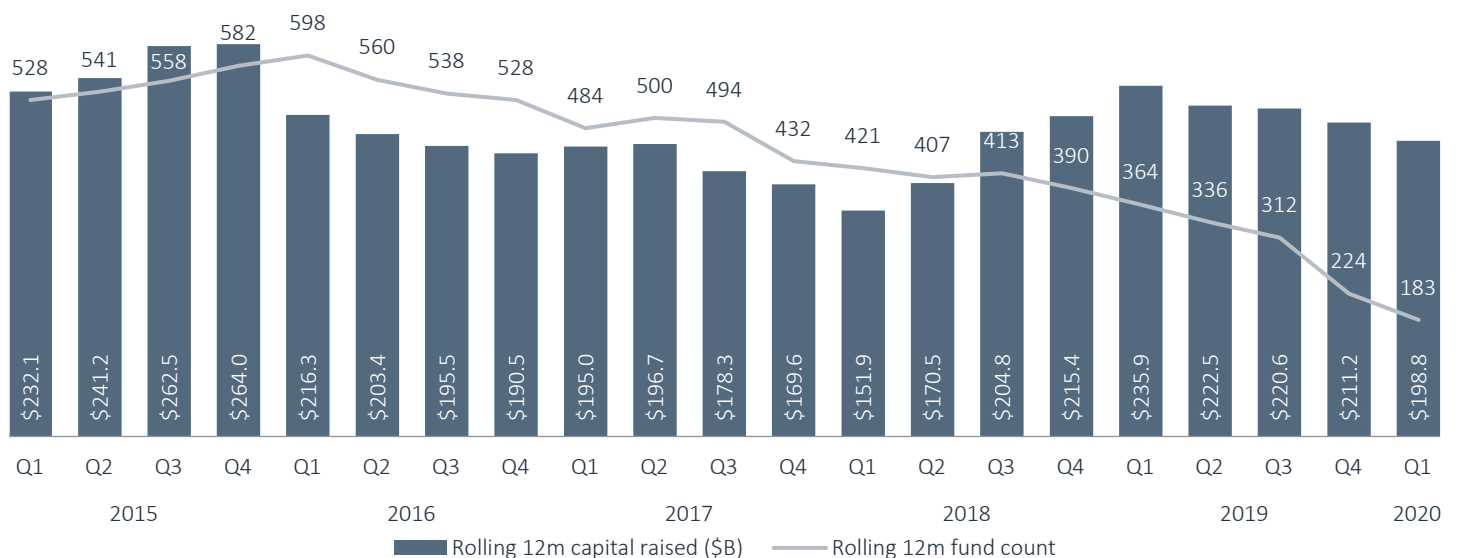
Real assets funds (\$) by region



Source: PitchBook | Geography: Global
*As of March 31, 2020

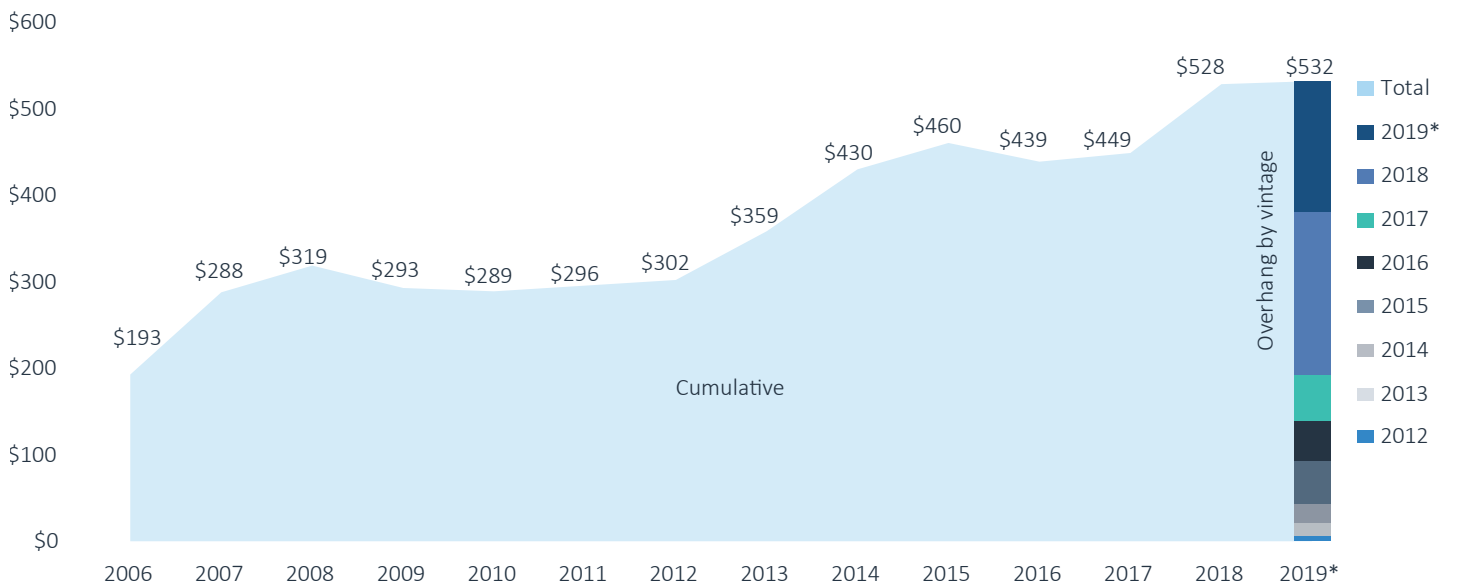
Real assets

Real assets fundraising by 12-month rolling total



Source: PitchBook | Geography: Global

Real assets capital overhang (\$B)



Source: PitchBook | Geography: Global

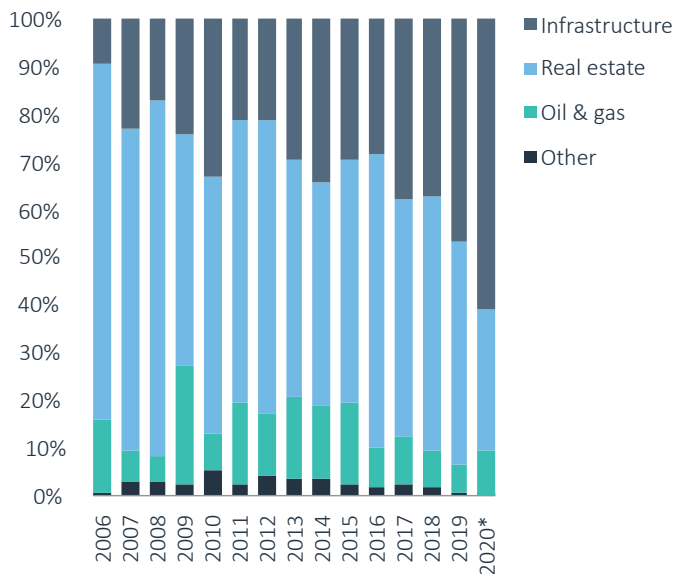
*As of September 30, 2019

Asset selection will be key to weathering the downturn. As we highlighted in [our recent note](#), cash flows related to energy, travel and retail property assets have been hammered by demand shocks. This will provide long-run opportunities for well-capitalized investors, although the impact on property managers is likely to last well into the recovery. Investments in industrial and digital infrastructure have held up well as store closures and

work-from-home policies have increased demand for warehouses and server farms. Clear evidence of that came from Blackstone's Q1 earnings release, which noted its real estate holdings (heavily weighted toward industrial properties) did not have as large of a downturn compared to the firm's other strategies.

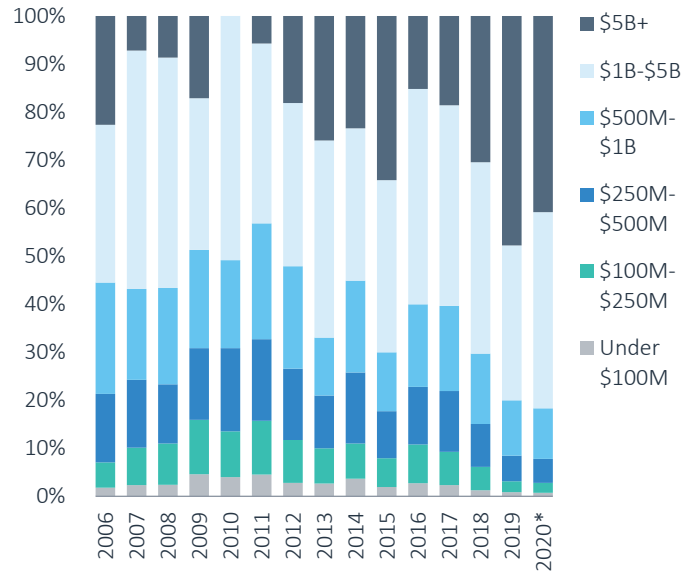
Real assets

Real assets funds (\$) by type



Source: PitchBook | Geography: Global
*As of March 31, 2020

Real assets funds (\$) by size



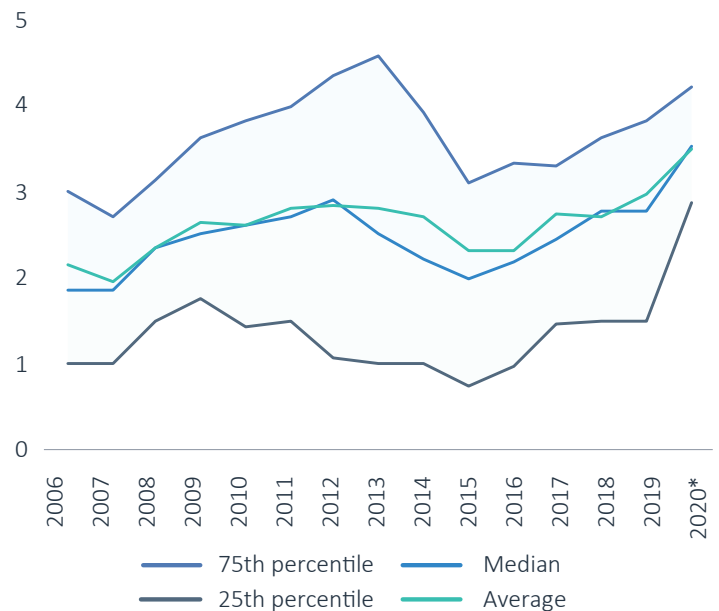
Source: PitchBook | Geography: Global
*As of March 31, 2020

Quartile distribution of time (months) to close real assets funds



Source: PitchBook | Geography: Global
*As of March 31, 2020

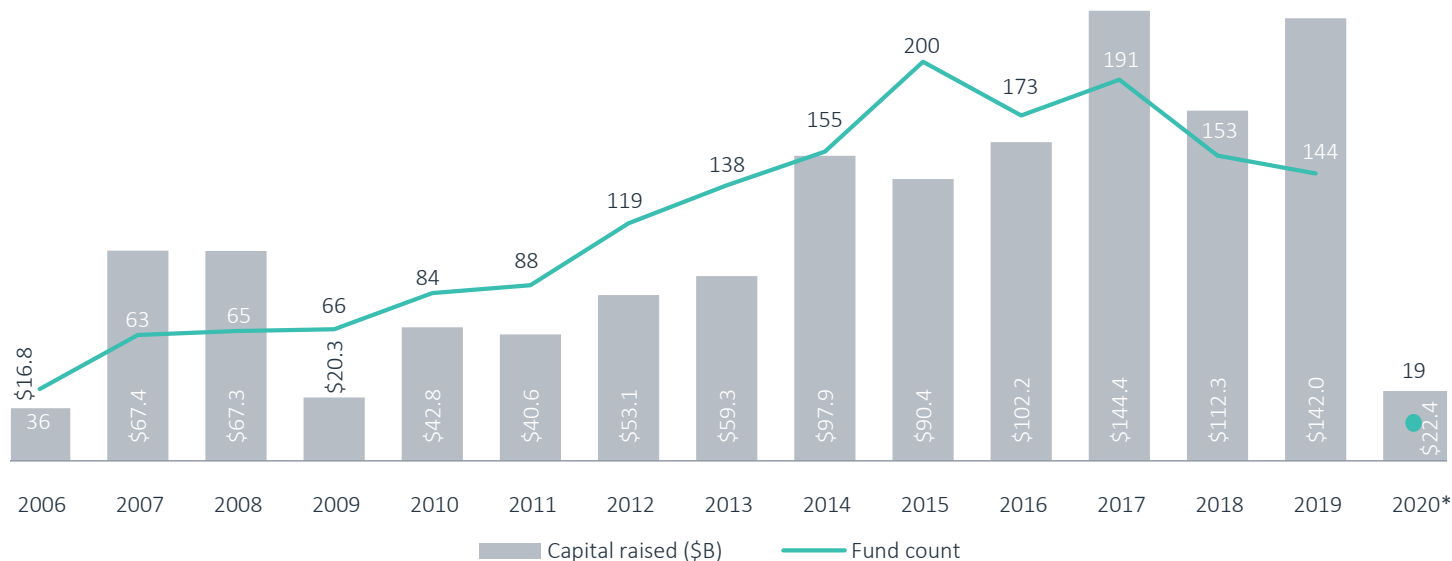
Quartile distribution of time (years) between real assets funds



Source: PitchBook | Geography: Global
*As of March 31, 2020

Private debt

Private debt fundraising activity



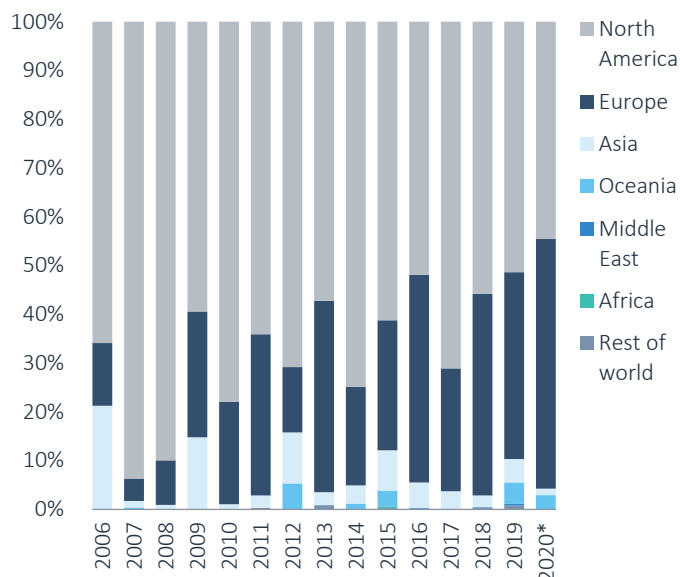
Source: PitchBook | Geography: Global
*As of March 31, 2020

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The private debt fundraising environment has become a shadow of its former self, no doubt driven by uncertainty surrounding the COVID-19 pandemic. For the 12 months ending Q1 2020, just 112 private debt vehicles held a final close, the lowest recording of this metric since the 12 months ending Q2 2013. Capital raised has been a bit stronger though, with \$112.7 billion in commitments gathered over the same period. GSO (Blackstone's credit arm) and Ardian each raised multibillion-dollar direct-lending vehicles, which may struggle to find immediate deal flow given the slowdown in sponsor-backed activity likely to occur in Q2 and Q3.

Most of the attention in private debt is now centered around opportunistic strategies hoping to capitalize on recent market dislocations. Almost a third of US debt is now considered distressed, according to ratings agency S&P Global.¹ As one might expect, the oil & gas, retail, restaurant and transportation sectors have been hit the hardest. A flurry of mega-funds focused on distressed and special situations have come to market hoping to capitalize on the opportunity. Oaktree is targeting a record \$15.0 billion for its latest distressed debt vehicle, while GSO, PIMCO and Bain Capital are shopping similar theses to potential investors.

Private debt funds (\$) by region



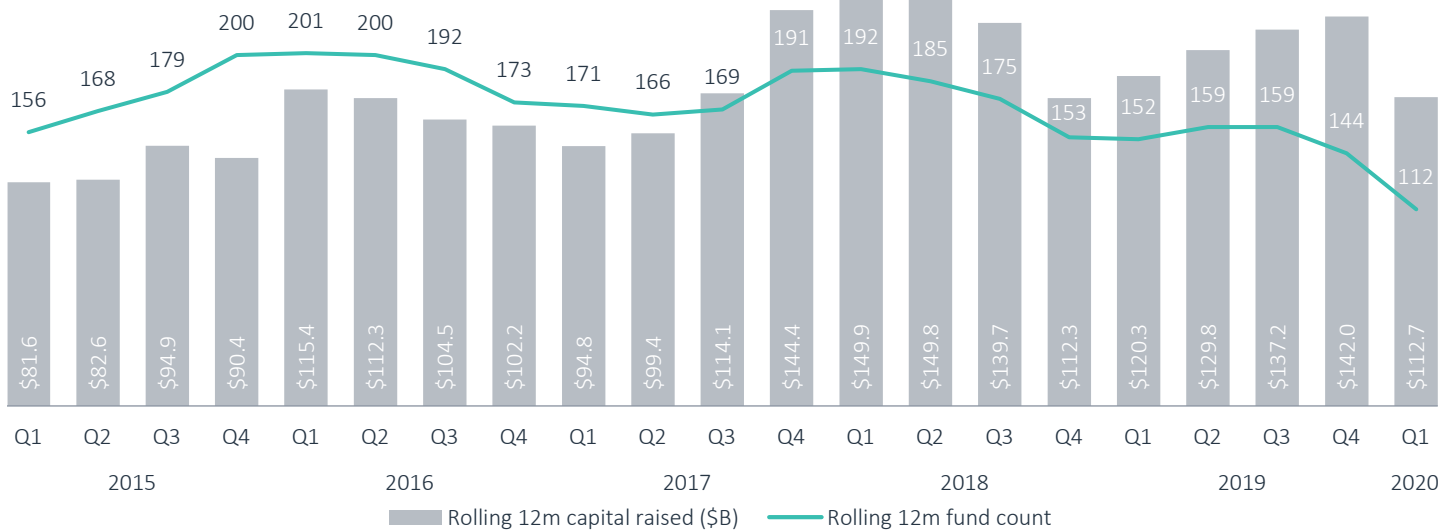
Source: PitchBook | Geography: Global
*As of March 31, 2020

If these announcements are any indication, direct lending, which had been the poster child of private debt over the last decade, is likely to cede ground to distressed and special situations funds.

¹:"Credit Trends: Tighter Financing Conditions Push The U.S. Distress Ratio Above 30%," S&P Global, Nicole Serino and Sudeep K Kesh, April 27, 2020"

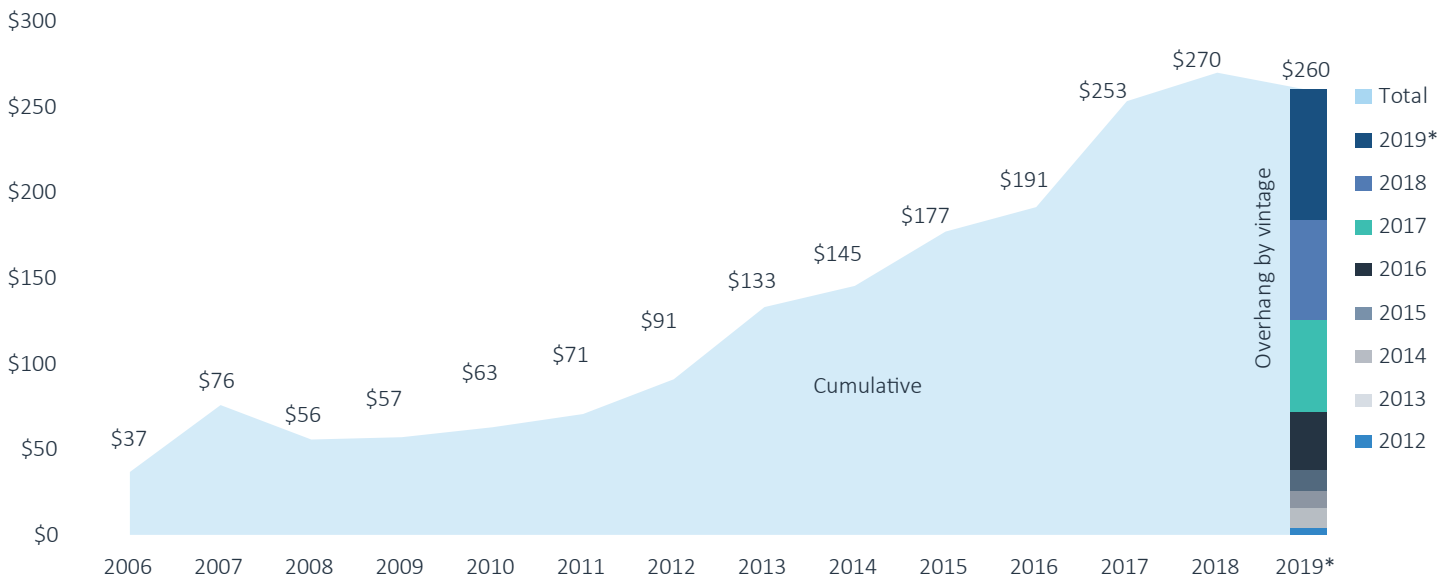
Private debt

Private debt fundraising by 12-month rolling total



Source: PitchBook | Geography: Global

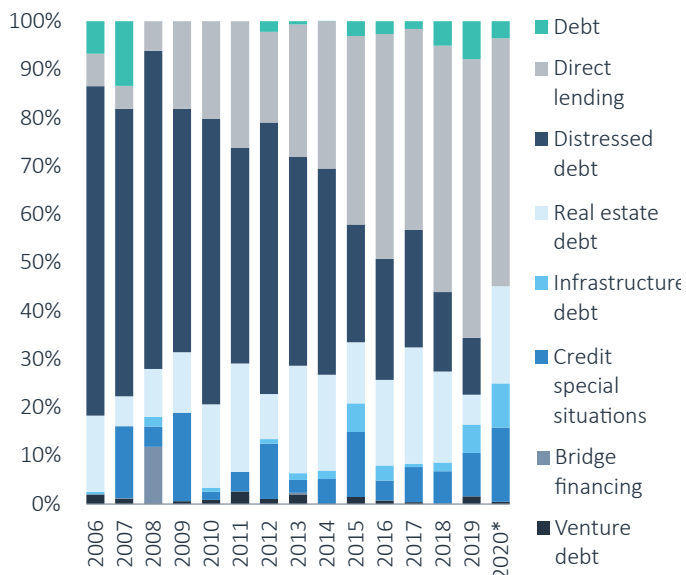
Private debt capital overhang (\$B)



Source: PitchBook | Geography: Global
*As of September 30, 2019

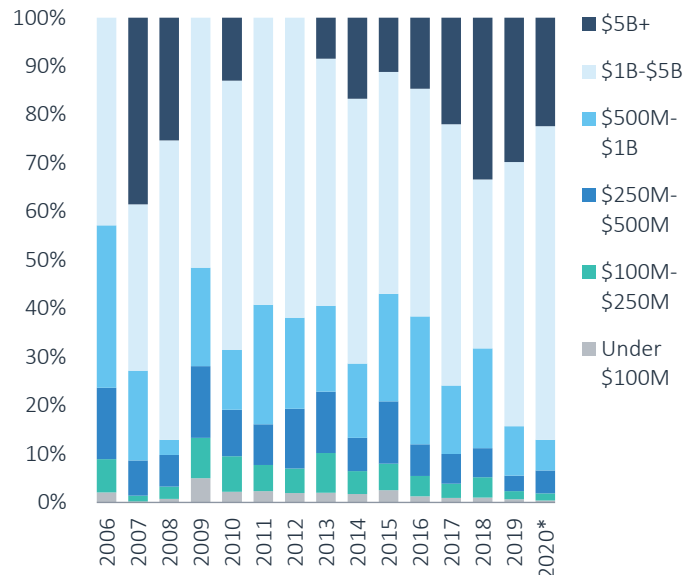
Private debt

Private debt funds (\$) by type



Source: PitchBook | Geography: Global
*As of March 31, 2020

Private debt funds (\$) by size



Source: PitchBook | Geography: Global
*As of March 31, 2020

Quartile distribution of time (months) to close private debt funds



Source: PitchBook | Geography: Global
*As of March 31, 2020

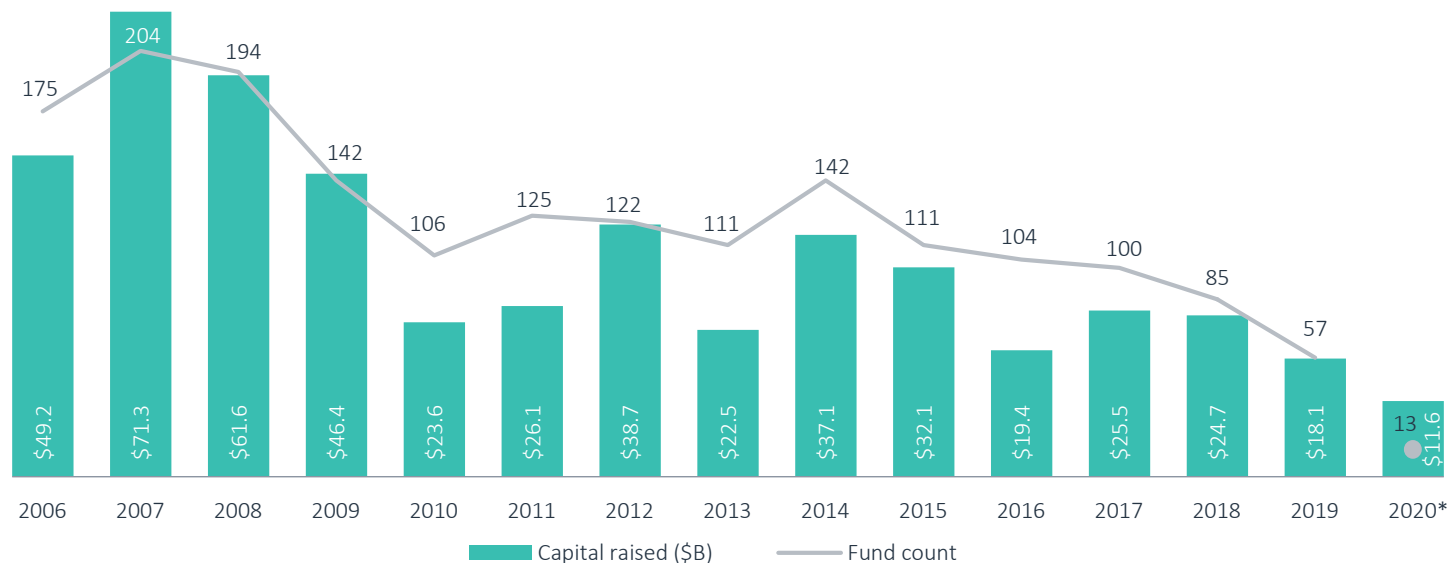
Quartile distribution of time (years) between private debt funds



Source: PitchBook | Geography: Global
*As of March 31, 2020

Funds of funds

FoF fundraising activity



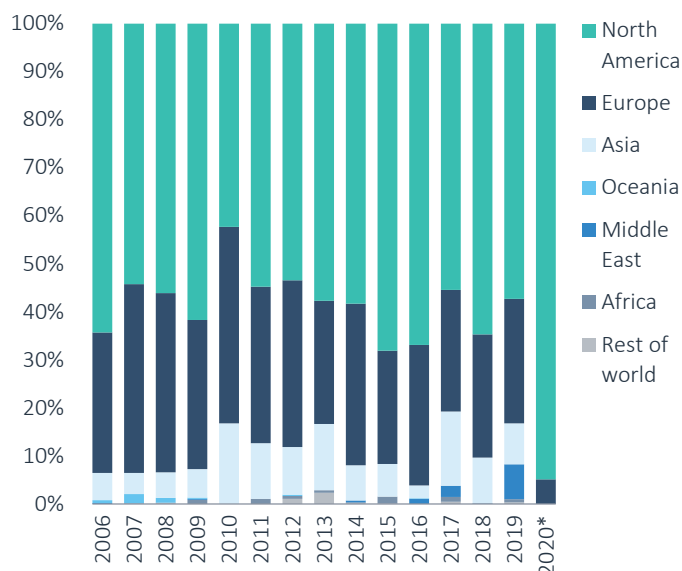
Source: PitchBook | Geography: Global
*As of March 31, 2020

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Since the GFC, FoF figures have dropped off for both capital raised and number of funds closed as LPs have found [other access points into private markets](#). Often at the expense of FoF, investors are putting large sums to work through separate accounts and co-investment programs, figures that are less likely to be captured in fundraising totals. That said, the first quarter saw 13 FoF close on a total of \$11.6 billion, a small sum compared to buyout and VC totals, but still representing a large number of allocators who value the easy access to either diversified exposure to the private markets or the specialized expertise of vehicles such as VC FoF. While this method of implementing a private market allocation has not seen the growth trajectory of primary fund commitments, we believe that there will continue to be several dozen fund launches each year hoping to serve the needs of allocators looking for the solutions FoF provide.

Four funds greater than \$1 billion did close during the quarter, but most noteworthy for FoF in February was the announcement that Vanguard is partnering with HarbourVest to offer PE funds to qualified institutional

FoF (\$) by region



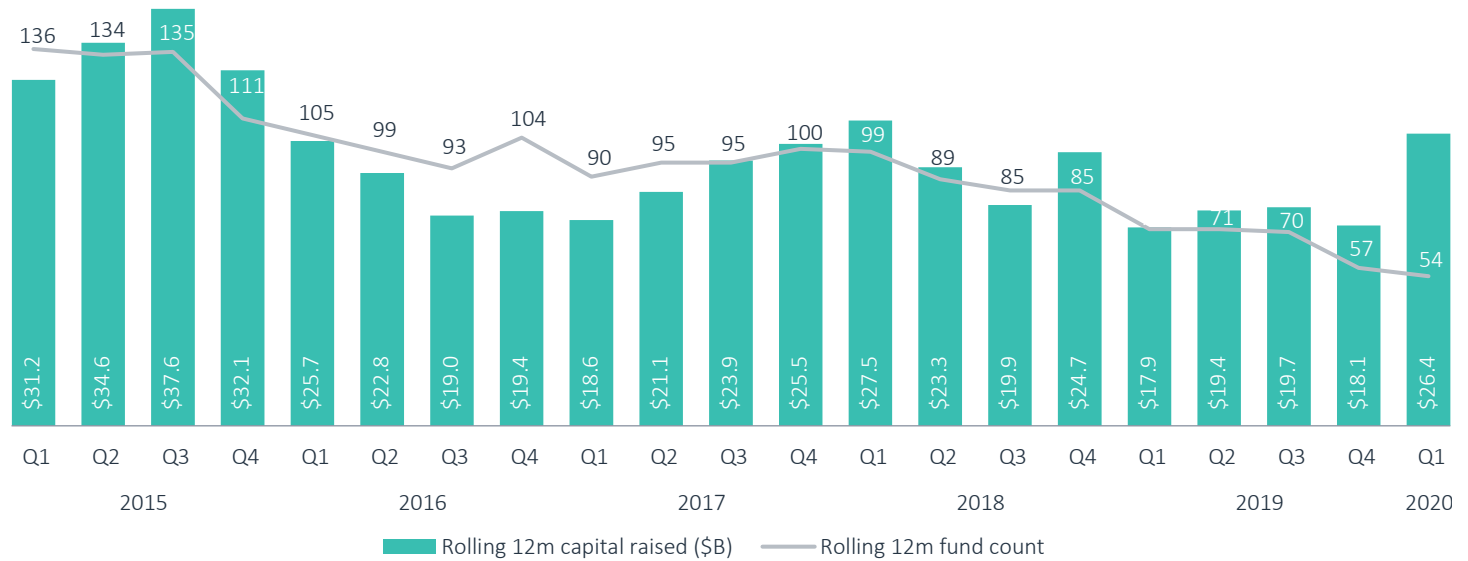
Source: PitchBook | Geography: Global
*As of March 31, 2020

customers of Vanguard.² Many believe this is a precursor to PE for the masses, a set of asset owners Vanguard knows a thing or two about. This could signal a rebirth for FoF if the initiative finds success.

2: "Vanguard and HarbourVest Announce Private Equity Partnership," HarbourVest, February 5, 2020

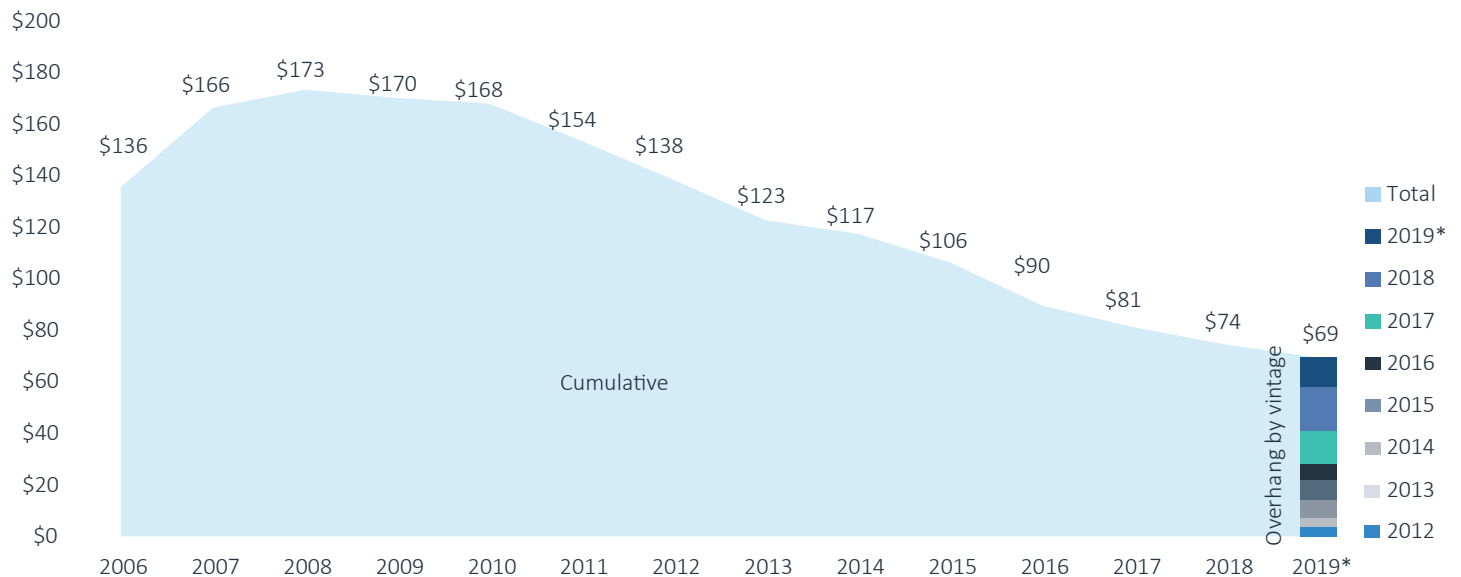
Funds of funds

FoF fundraising by 12-month rolling total



Source: PitchBook | Geography: Global

FoF capital overhang (\$B)

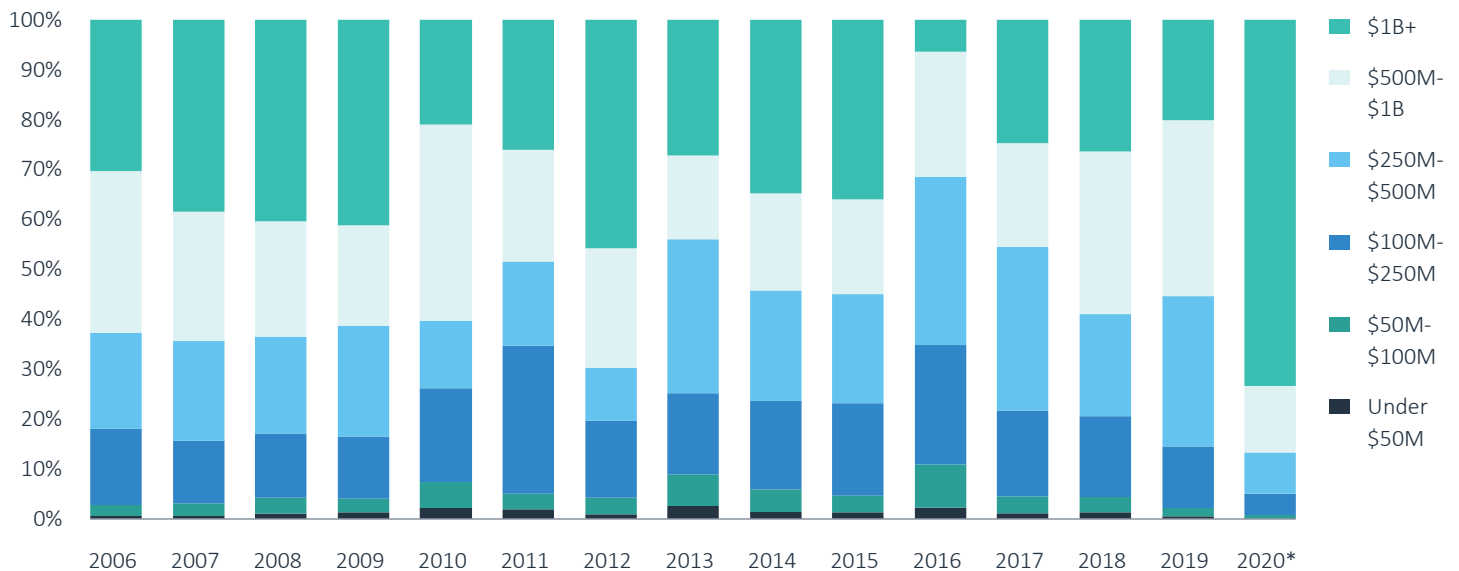


Source: PitchBook | Geography: Global

*As of September 30, 2019

Funds of funds

FoF (\$) by size



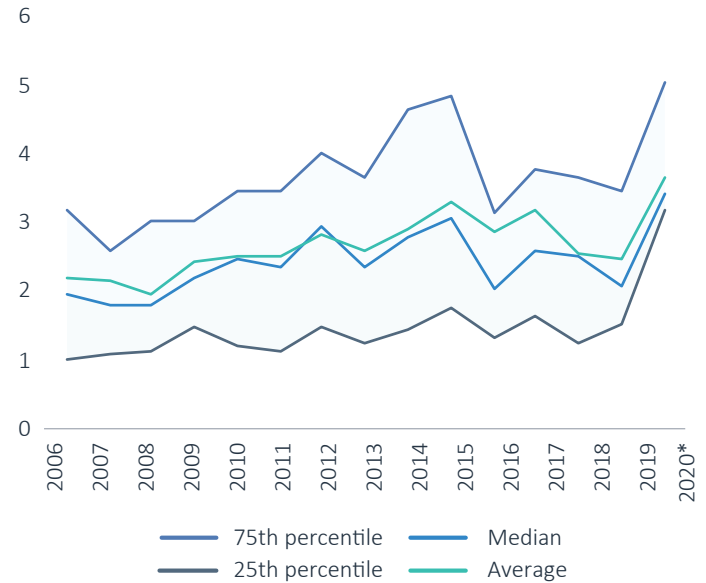
Source: PitchBook | Geography: Global
*As of March 31, 2020

Quartile distribution of time (months) to close FoF



Source: PitchBook | Geography: Global
*As of March 31, 2020

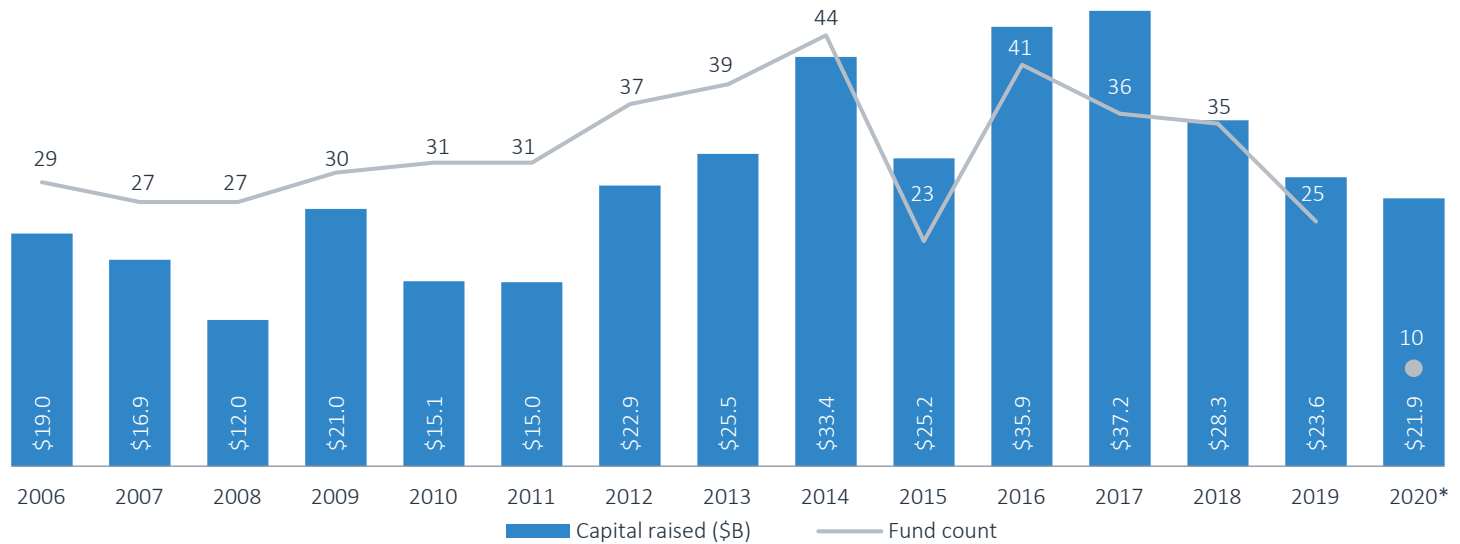
Quartile distribution of time (years) between FoF



Source: PitchBook | Geography: Global
*As of March 31, 2020

Secondaries

Secondaries fundraising activity



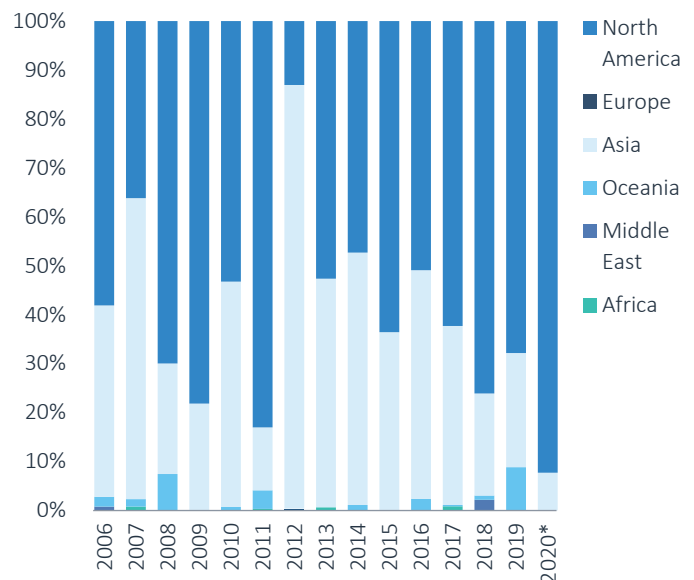
Source: PitchBook | Geography: Global
*As of March 31, 2020

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At \$21.9 billion, secondaries strategies had a record quarter for fundraising, mainly on the back of Lexington Capital Partners IX, which closed on \$14.0 billion in January. This fund had been in the market for 23 months, so while this year will be credited for the final close, its vintage will be 2018 for the purpose of measuring performance. In terms of fund count, 10 funds closed was by no means a record, that having been set in Q4 2013 at 16. Growing fund sizes have meant that fewer funds can manage a record haul.

As the funds that closed in the first quarter took an average of 14.7 months to close, the substantial level of commitments is more an indication of how hot 2019 was, rather than a reflection of the current environment. These funds will contribute to the \$119.0 billion in dry powder already seeking secondaries deals just as LPs have stepped to the sidelines in terms of offering up stakes for sale. We are hearing that even March 31 GP fund valuations will not fully reflect the new environment, so LPs will have to wait until late in the third quarter before they have an indication of what their funds are now worth. As we [wrote in March](#), players in the secondaries market are expecting few transactions to close until at least the fourth quarter. In terms of fundraising through

Secondaries funds (\$) by region

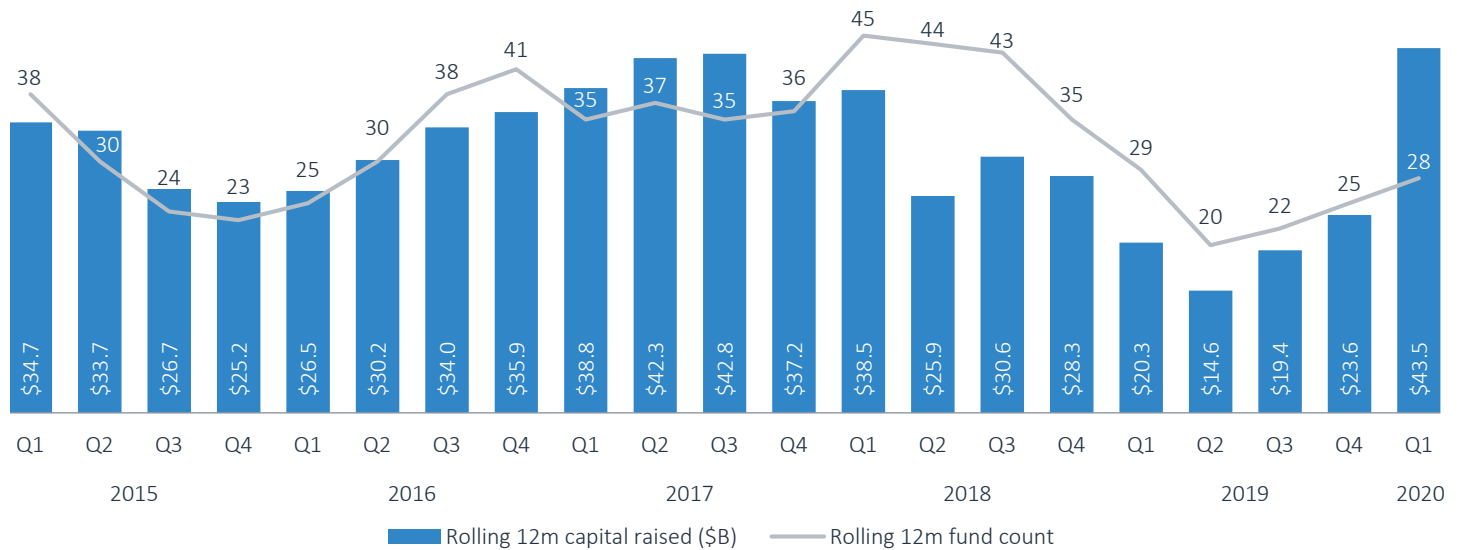


Source: PitchBook | Geography: Global
*As of March 31, 2020

the rest of the year, it is likely that new entrants to this space will find it difficult to gain traction, though several established players are in the market with large funds and will continue to find LPs receptive. StepStone, which was raising its fourth secondaries opportunities fund, was able to close on \$2.1 billion in the early days of April.

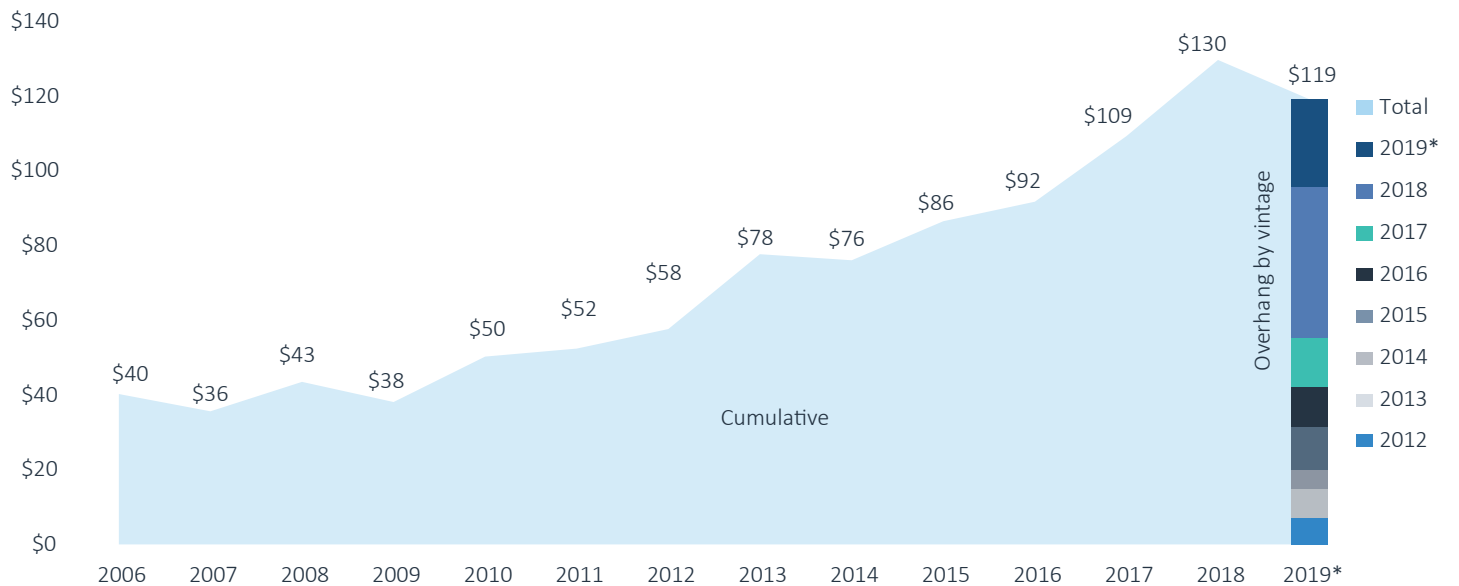
Secondaries

Secondaries fundraising by 12-month rolling total



Source: PitchBook | Geography: Global

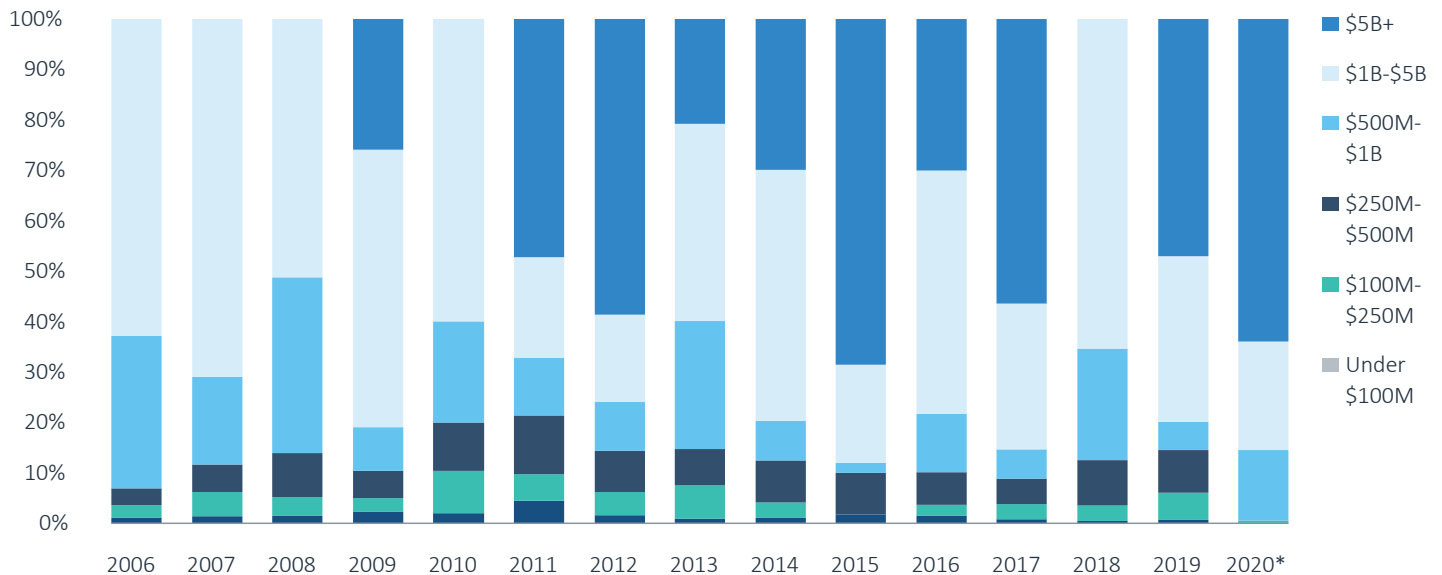
Secondaries capital overhang (\$B)



Source: PitchBook | Geography: Global
*As of September 30, 2019

Secondaries

Secondaries funds (\$) by size



Source: PitchBook | Geography: Global
*As of March 31, 2020

Quartile distribution of time (months) for secondaries funds to close



Source: PitchBook | Geography: Global
*As of March 31, 2020

Quartile distribution of time (years) between secondaries funds



Source: PitchBook | Geography: Global
*As of March 31, 2020

Top funds by size

Top PE funds to close in Q1 2020 by size

Fund name	Fund size (\$M)	Close date	Fund step-up	Fund city	Fund country
Platinum Equity Capital Partners V	\$10,000	January 7, 2020	1.5x	Los Angeles	US
Trident VIII	\$7,000	January 14, 2020	1.3x	Greenwich	US
Baring Asia Private Equity Fund VII	\$6,500	January 21, 2020	1.6x	Hong Kong	Hong Kong
Odyssey Investment Partners Fund VI	\$3,250	February 13, 2020	1.6x	New York	US
Carlyle Japan Partners IV	\$2,391	March 25, 2020	2.4x	Tokyo	Japan

Source: PitchBook | Geography: Global

Top VC funds to close in Q1 2020 by size

Fund name	Fund size (\$M)	Close date	Fund step-up	Fund city	Fund country
Tiger Global Private Investment Partners XII	\$3,750	January 30, 2020	1.0x	New York	US
New Enterprise Associates 17	\$3,600	March 11, 2020	1.0x	Menlo Park	US
Founders Fund Growth	\$1,500	February 19, 2020	N/A	San Francisco	US
GL Ventures	\$1,420	February 26, 2020	N/A	Beijing	China
Battery Ventures XIII	\$1,200	February 12, 2020	1.5x	Boston	US

Source: PitchBook | Geography: Global

Top funds by size

Top private debt funds to close in Q1 2020 by size

Fund name	Fund size (\$M)	Close date	Fund step-up	Fund city	Fund country
GSO European Senior Debt Fund II	\$5,028	March 18, 2020	2.3x	London	UK
Ardian Private Debt IV	\$3,341	January 22, 2020	1.5x	London	UK
AG Credit Solutions Fund	\$1,800	February 11, 2020	N/A	New York	US
AlbaCore Partners Fund II	\$1,655	February 13, 2020	0.9x	London	UK
Bridge Debt Strategies Fund III	\$1,600	January 15, 2020	0.9x	Salt Lake City	US

Source: PitchBook | Geography: Global

Top real assets funds to close in Q1 2020 by size

Fund name	Fund size (\$M)	Close date	Fund step-up	Fund city	Fund country
Brookfield Infrastructure Fund IV	\$20,000	February 7, 2020	1.4x	Toronto	Canada
ArcLight Energy Partners Fund VII	\$3,375	February 4, 2020	0.6x	Boston	US
Energy Capital Partners IV	\$3,300	January 21, 2020	0.7x	Short Hills	US
Westbrook Real Estate Fund XI	\$2,506	March 9, 2020	0.9x	Palm Beach Gardens	US
iCON Infrastructure Partners V	\$2,104	March 30, 2020	1.6x	London	UK

Source: PitchBook | Geography: Global

Top funds by size

Top FoF to close in Q1 2020 by size

Fund name	Fund size (\$M)	Close date	Fund step-up	Fund city	Fund country
Mercer Private Investment Partners V	\$2,700	February 6, 2020	13.4x	Saint Louis	US
HarbourVest Partners XI-Combined	\$2,610	January 15, 2020	2.2x	Boston	US
Manulife Private Equity Partners	\$1,566	January 10, 2020	N/A	Toronto	Canada
GoldPoint Partners Select Manager Fund IV	\$678	January 22, 2020	N/A	New York	US
YIELCO Private Debt	\$361	February 3, 2020	N/A	Munich	Germany

Source: PitchBook | Geography: Global

Top secondaries funds to close in Q1 2020 by size

Fund name	Fund size (\$M)	Close date	Fund step-up	Fund city	Fund country
Lexington Capital Partners IX	\$14,000	January 15, 2020	1.4x	New York	US
ICG Strategic Secondaries Fund III	\$2,400	January 30, 2020	2.3x	New York	US
Madison International Real Estate Liquidity Fund VII	\$1,200	March 9, 2020	0.9x	New York	US
Five Arrows Secondary Opportunities V	\$1,114	January 9, 2020	2.2x	London	UK
Greenspring Secondaries Fund IV	\$800	January 6, 2020	1.6x	Owings Mills	US

Source: PitchBook | Geography: Global

