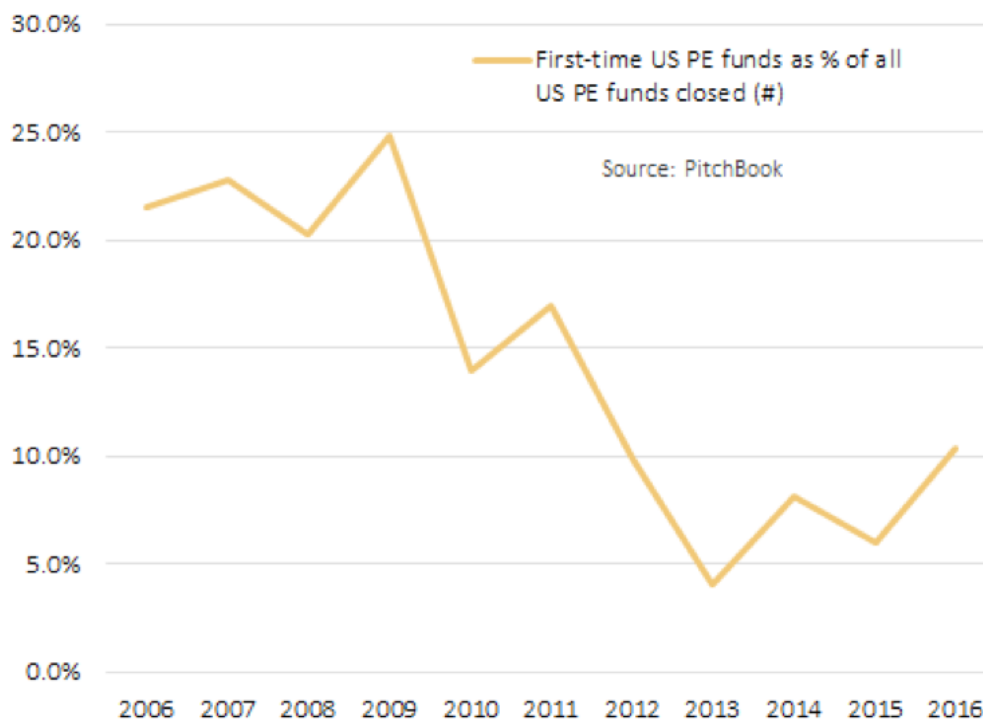


The Pulse of Private Equity – 1/9/2017

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First-time US PE funds make slight comeback in 2016, but still a low portion of total fundraising

First-time private equity funds in the US amassed just shy of \$7.5 billion in 2016, across 26 pools of capital. Although both figures were distinct increases from 2015 – which logged 17 first-time PE funds and \$4.6 billion raised – as a proportion of total US PE fundraising, first-time fundraising activity still remains at a considerable low relative to earlier in the past decade. A considerable driver of that decline was doubtless the spike in the total number of first-time PE funds raised from 2006 to 2008. No fewer than 842 fresh vehicles were closed during that timeframe, indicative of the optimistic nature of that particular boom – contrarily, during the recent surge of overall PE fundraising since 2013, the corresponding number of first-time funds has remained quite low.



This is most likely due to sheer crowding in the market more than anything else, as not only has there been significant capital overhang for some time now due to pre-crisis fundraising but also as the buyout cycle has slowed over the past two years there have been fewer opportunities to put capital to work. Without as much clarity in the investment landscape for fledgling fund managers to customize strategies and target markets, some may be dissuaded from embarking on the fundraising trail. Another contributing factor is doubtless that limited partners tend to prioritize established relationships in times of uncertainty. That, with the trend toward allocating more toward larger, more experienced general partners, certainly doesn't help give a boost to first-time fundraising efforts. Looking forward, it is unlikely there will be a further surge of fresh US funds hitting the market in 2017 – at best, the tally observed in 2016 will recur.