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Mega-funds on the Comeback

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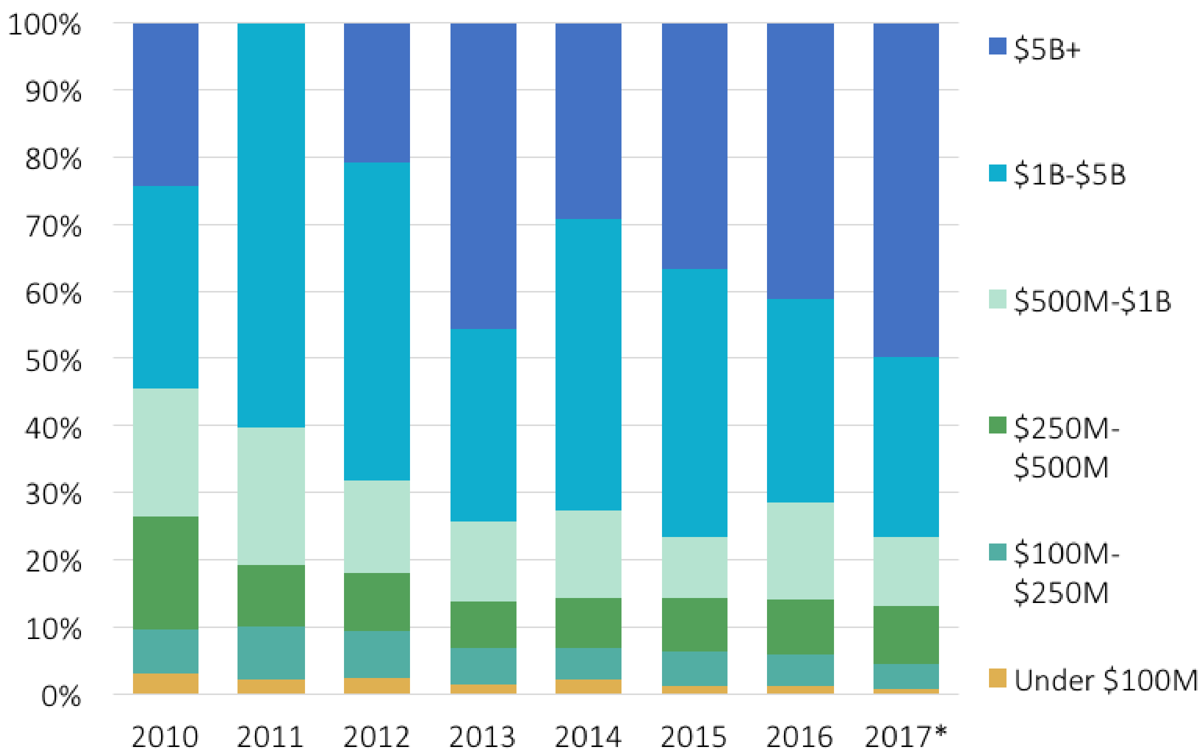

For a preliminary peek at second quarter PE numbers in PitchBook's upcoming Breakdown Report, please refer to the linked infographic.

Through the first half of the year, mega-funds of $10 billion or more in size have made a strong comeback in the U.S. and Europe. Five such private equity funds have already closed this year, matching the highest yearly total since 2010. The aggregate amount raised between those five funds came in just under $68 billion combined, a bit more than the $66.8 billion of mega-funds raised in 2013. That list doesn't include Apollo Global Management's record haul of $23.5 billion, which has yet to hold an official close. Of the five $10 billion+ funds raised this year, four of them held final closes in the second quarter, including CVC Capital Partners (€16 billion in June), Vista Equity Partners ($11 billion in May) and Silver Lake and CD&R both closing funds in April, at $15 billion and $10 billion apiece, respectively. About $54 billion in total, those four PE funds help explain the quarterly spike in global PE fundraising, which popped 41% to $106.2 billion.

The new funds are renewing the old conversation around return expectations for the funds' backers. Howard Marks of Oaktree, for one, believes "private equity has been knighted" by LPs looking for "high returns in a low-return world," adding that investors have warmed to the risks of PE given muted yields in equities and fixed income. An analyst at Reuters agreed but added that the Leon Blacks of the world, like the proverbial hikers "who encounter a bear in the woods…only need to outrun their peers, not the bear." If that turns out to be true, that might prove to be a big difference between today's string of blockbuster funds and the last wave of mega-funds raised ten years ago, which had to race against several bulls.