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US-Canada PE activity rising, despite politics

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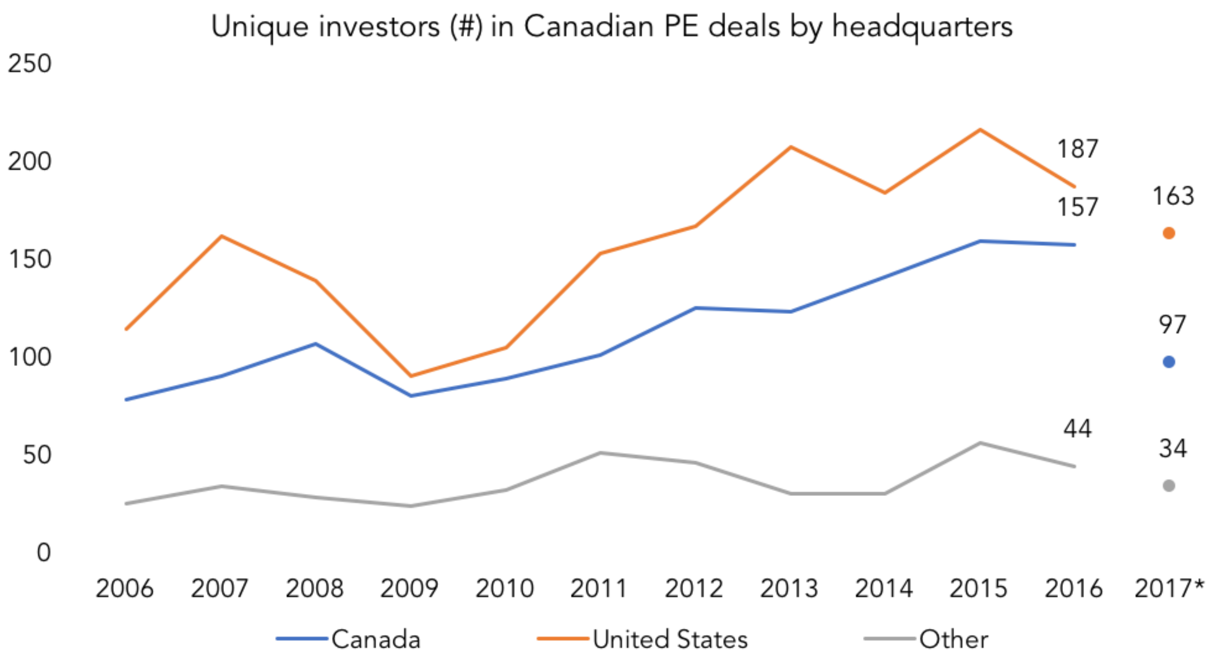

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Cross-border private equity activity remains high in Canada, despite trade-related fears at the onset of the incoming Trump administration. According to our latest Canada Breakdown report, available to download here, PE activity involving US investors is on a quick pace in 2017. The 163 such deals through 3Q put this year on pace to hit a record high, or at least within reach of the 216 deals involving US firms in 2015. More surprising, however, is the drop-off in purely Canadian activity, which is not expected to match last year's levels. In other words, US investors are more excited about Canada than Canadians are, and even more so today.

To be sure, this isn't an entirely new trend; US-based investors have largely been behind the recent surge in Canadian PE activity since the financial crisis. Canada's own PE ecosystem has grown in fits and starts through the years, and annual fundraising numbers are heavily influenced by the handful of larger Canadian firms that happen to be fundraising that year. Just six Canada-based funds have closed in 2017, raising a total of C$3 billion of commitments. US-based fundraising has been on a tear, of course, and investors looking to deploy its dry powder have looked north for deal flow, as the accompanying chart shows. It's telling, though, just how heavily influenced the Canadian market is this year to outside investors. Of the C$47 billion invested overall in Canada this year, more than C$30 billion of that total has been in deals without any Canadian involvement. That amounts to about 64% of purely foreign investment into Canada in 2017, a percentage that has hovered below half (often well below half) for the last decade. Consider us a bit surprised for now.

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