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One more bad bit of fundraising news for first-time funds

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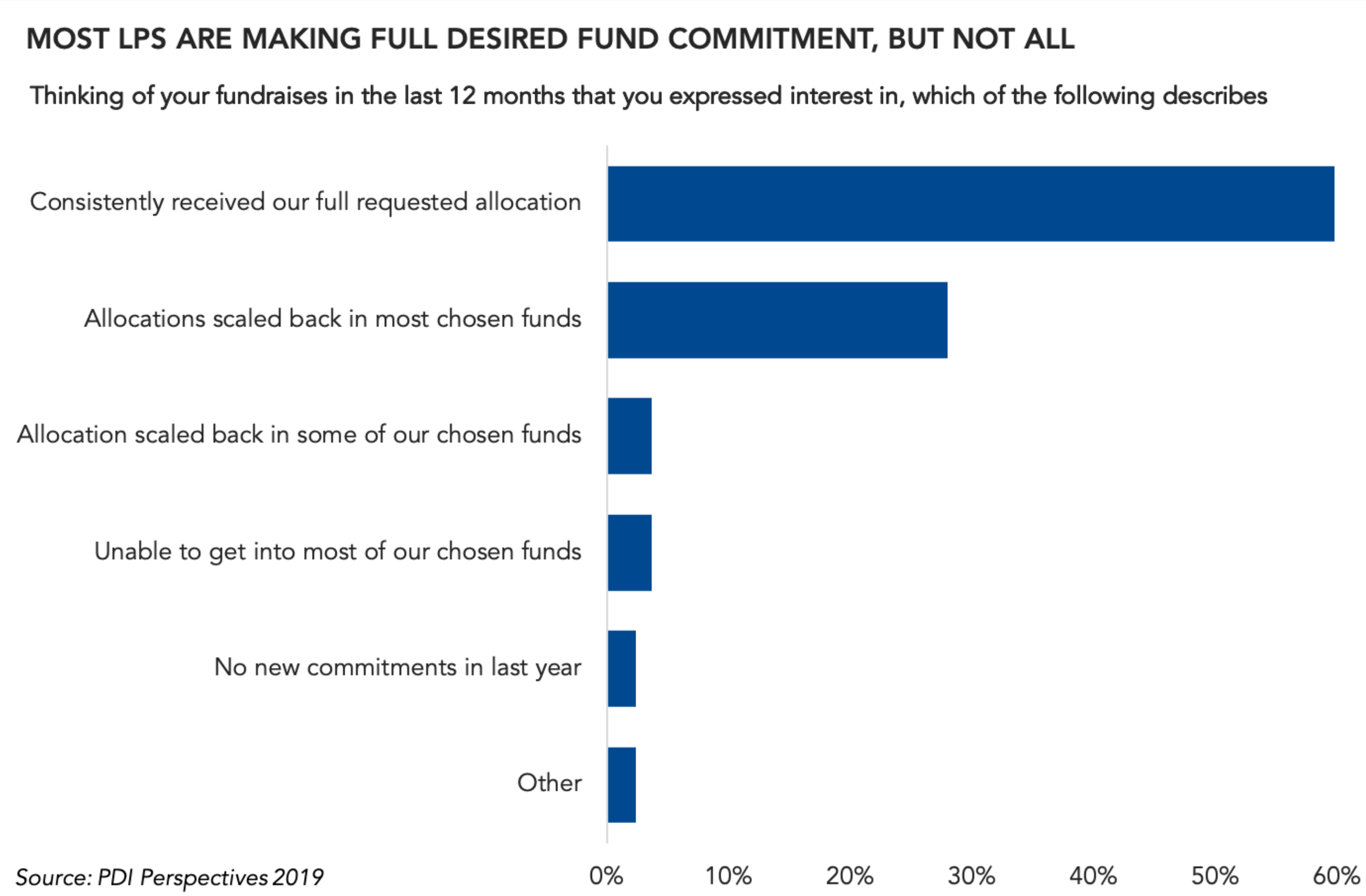

If the slowdown in fundraising continues, more LPs may make their full commitments to their funds of choice, accelerating the trend of fewer firms raising more money.

With private debt fundraising tumbling, more investors may be looking to allocate their full commitment to a vehicle rather than being crowded out by other limited partners elbowing their way into the asset class.

In our annual PDI Perspectives 2019 survey, a poll of investors across the world, 28 percent of LPs said they have had their allocations to their preferred funds cut back because the vehicle has been oversubscribed. Almost 60 percent said they consistently were able to make their full allocation.

The question remains this year whether those numbers will change because of lacklustre fundraising. Last year, managers collected almost $70 billion less than the year prior. Whether 2017’s massive $211.34 billion haul was an anomaly remains to be seen, but it appears that way.

However, if fundraising continues to tumble, the number of LPs making their full commitment to the funds they selected could increase. That could have profound impacts for first-time managers or those on the earlier vintages of a fund series.

If more investors are making their full allocation to their fund of choice, they will likely have to make fewer commitments to meet their portfolio’s private credit allocation, causing a natural thinning out of GP-LP relationships. That would be bad news for debut credit funds, given that the migration of more capital to fewer managers would continue.