2020 prediction – a dip in fundraising

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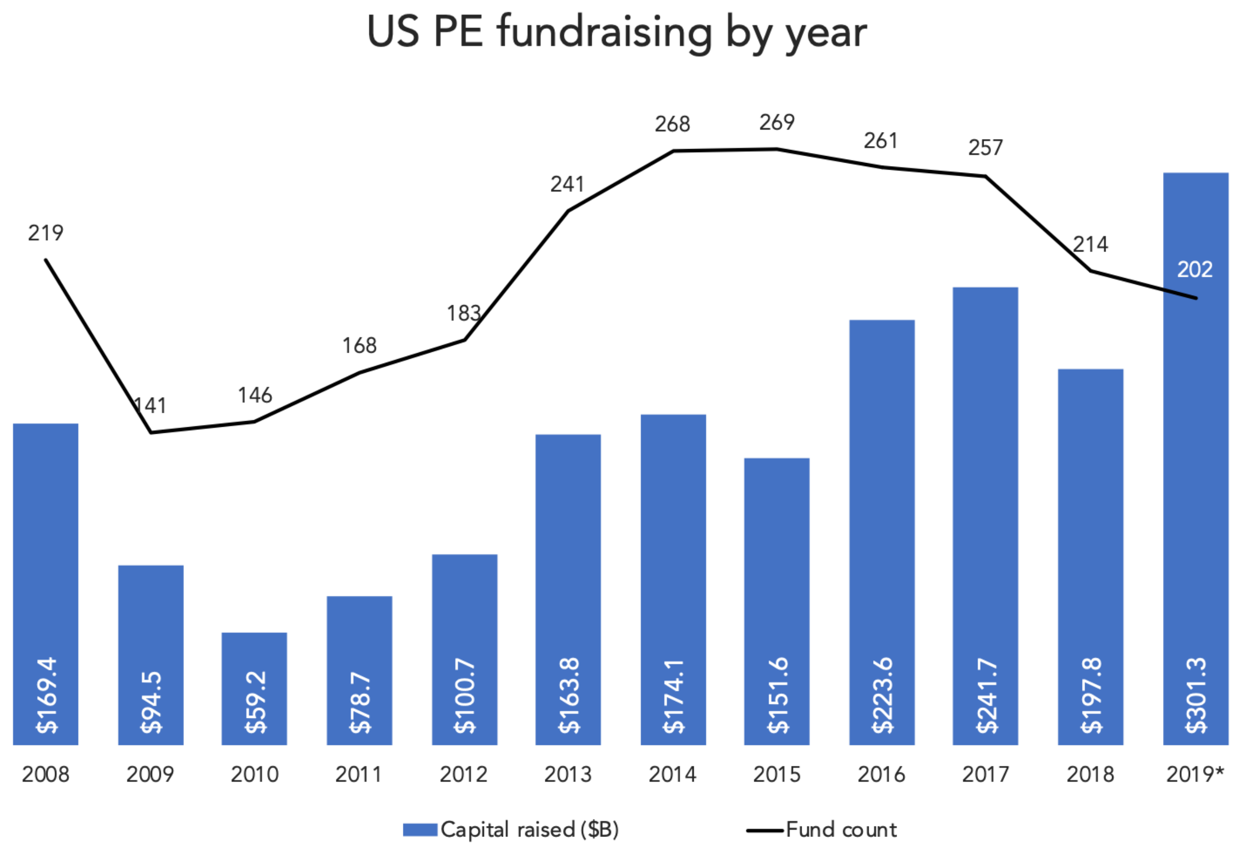

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2019 fundraising levels hit record territory in the US, passing $300 billion for the first time. Year-end numbers show a decline in the number of fund closings, though, which fell to 202. Despite the capital haul, that's the fewest US fund closings since 2012. Taken together, the figures reflect how dominant mega-funds were last year. Six funds of at least $10 billion happened to close in 2019, including new flagship funds for Blackstone, Advent, Vista Equity, Thoma Bravo, Leonard Green & Partners and TPG. Blackstone's fund is the largest ever raised. We say "happened to close" because fundraising numbers are inherently lumpy, especially using our methodology of only counting final closes. Many of those LP commitments were made in 2018 but the funds only hit their targets last year, which makes the 2019 record something of a coincidence.

That's one reason we're predicting a dip in 2020 fundraising. Just based on timing, it's unlikely we'll see an encore record-setting performance, even though we already have our first $10 billion fund only a week into 2020 (Platinum Equity). We see fundraising levels passing $200 billion this year, which itself would be impressive coming off of $300 billion. That would be half a trillion dollars in the US alone in the span of two years. LP sentiment is as good as ever, considering that 96% of 2019 vintages were larger than their predecessors, according to PitchBook's latest Breakdown Report. As we note, LPs have been fleeing hedge funds in favor of private equity, even though hedge funds tend to outperform in times of market dislocation (which some predict is right around the corner) and PE is much more correlated to equity markets (which some believe are headed for a correction). Apparently those are risks LPs are willing to take, especially at the high end. $5B+ funds accounted for over half of all capital raised last year, which was the first time that's happened since 2007.

Even if fundraising numbers go down this year, that won't mean dealmaking will in 2021. With rates remaining low and positive economic sentiment throughout the market, it would be safe to predict strong numbers both this year and next.