Private equity bandwagon rolls on, but for how much longer?

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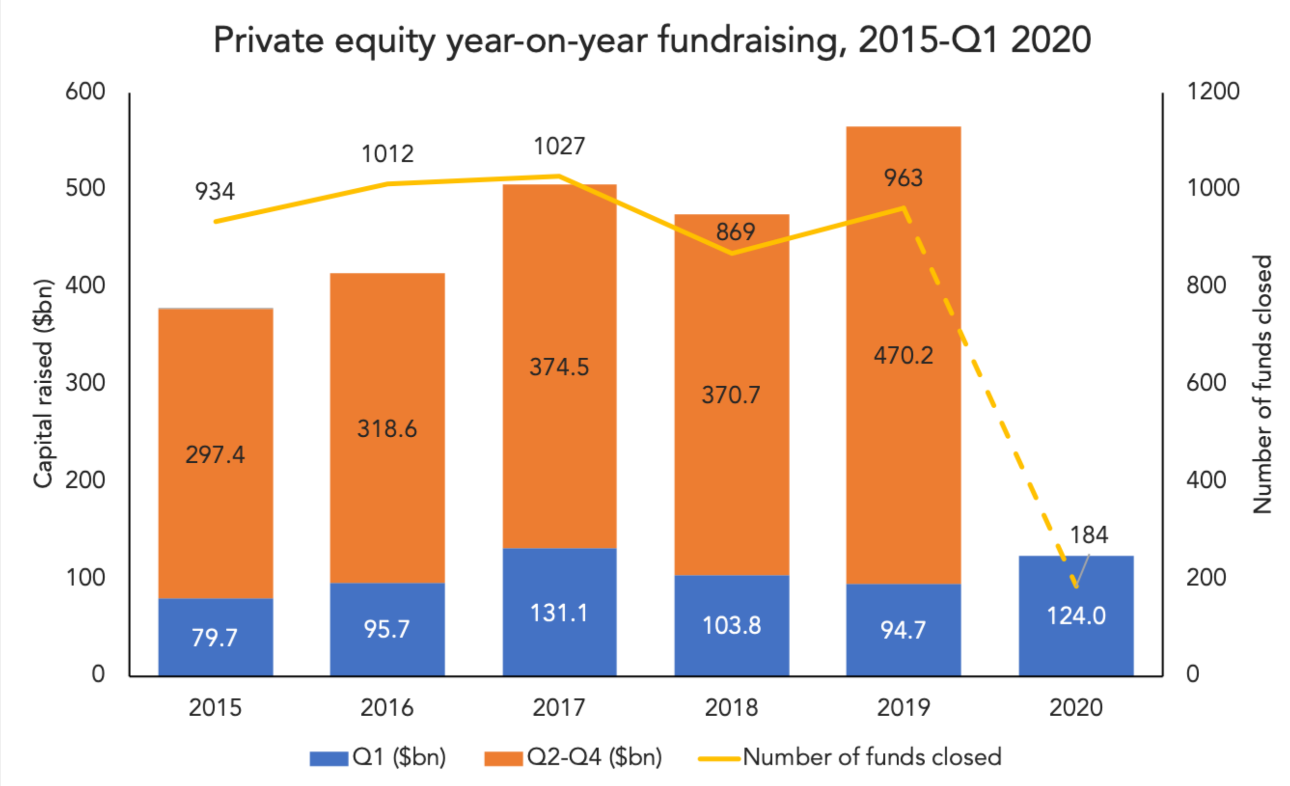

Fundraising for the asset class was strong in the first three months of 2020 but continuing to defy the effects of covid-19 seems unlikely.

As we have noted in this column over the last couple of weeks, private debt fundraising provides a neat reflection of the times with wary fundraisers pretty much confined to barracks. As we reported, just over $20 billion was raised by 24 private debt funds globally in the first quarter of this year.

There have been some chinks of light amid the gloom, including Churchill's own closing of a $2 billion fund towards the end of March. Since then, the likes of Crescent Capital, Signal Capital and Arena Investors have all announced closes. However, it would take an optimist indeed to predict an uptick in the overall fundraising numbers any time soon.

But with many private debt managers totally or partially reliant on the private equity market for dealflow, it's interesting to note that in that corner of the investment world fundraising is a very different story. As the chart above shows, global private equity fundraising in the first quarter of this year reached $124 billion – down slightly on the $131 billion raised in the equivalent period of 2017, but ahead of all other first quarters since 2015.

On the face of it, private equity fundraising is in a rude state of health – but no one is likely to be lulled into a false sense of security. Indeed, the expectation is that private equity will suffer much the same effect, relatively speaking, as private debt – but with more of a lag effect. While private debt was probably affected by the coronavirus outbreak towards the end of the quarter, it had in any case been on a downward trend for the last few years.

The private equity fundraising downturn, meanwhile, is expected to kick in over the coming months. A survey conducted by our sister title Private Equity International at the end of March found one in five investors planning to make fewer private equity fund commitments in 2020 compared with their plan for the year. In addition, 12 percent of respondents said they would reduce their planned average size of commitment.