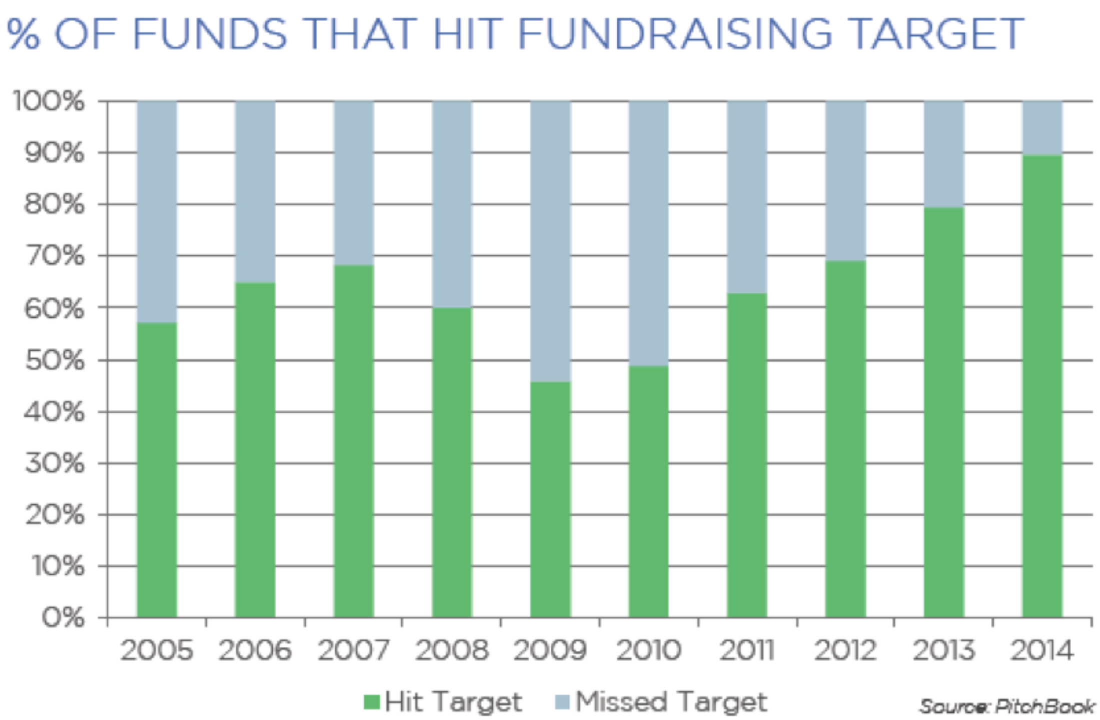
The Pulse of Private Equity – 2/2/2015

PitchBook | February 4, 2015

The PE Fundraising Trail Never Looked So Good

Blackstone CEO Steve Schwartzman made headlines this week after saying he has "begged, literally begged" young PE execs not to strike out on their own in this frothy fundraising market. "Every (young) person who's made that decision, in my view, has failed. Everyone." Getting further along in your career, says Schwartzman, is critical to making it in the PE industry.



The graph below shows why so many young execs are confident. Nine out of ten PE funds hit or beat their fundraising targets in 2014, up from 79% in 2013 and 69% in 2012. To Schwartzman's point, though, those figures largely reflect more modest fundraising goals set by battle-hardened GPs. GPs that are pitching more modest fund targets and more focused investment theses are having an easier time getting those commitments. It's easy to assume that the current froth means an easier time for new-comers to raise their debut funds, which may indeed be the case; nearly 40% of 2014 funds (by count) were sub-$100m funds, up from about 25% during the buyout boom in 2006/2007.

But most of the big success stories in 2014 were for established PE firms that had solid track records and differentiated investment strategies. LPs clamored to get into those funds, in some cases generating so much demand that fundraising only took a handful of months to complete. Debut funds are taking longer to raise, with good reason.