Can Europe close the fundraising gap?

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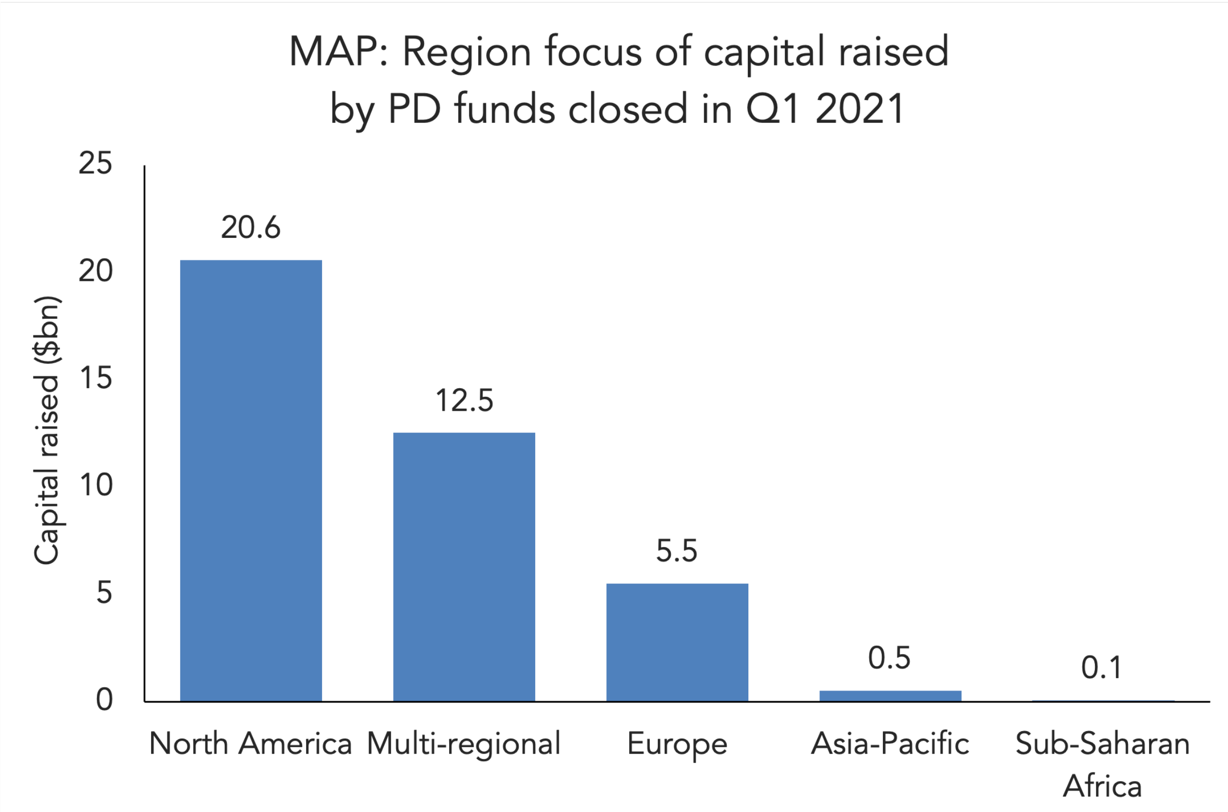

Our fundraising data show North America pulling clear as the favourite investor destination. However, Europe's relative decline may not be long-lasting.

Over the last couple of weeks in this column, we have reflected on a couple of the key themes arising from our Q1 2021 fundraising data. The first was the headline fundraising figure, which showed no immediate recovery from the subdued environment that prevailed last year. The second was that senior debt funds were bucking the downward trend, accounting for nearly half of all fundraising in the first quarter compared with an average since 2016 of around a third of the total.

Our data also revealed several other interesting trends as follows:

1. The gap between the amount of fundraising for North America and Europe widened substantially, with the former accounting for $20.6 billion and the latter $5.5 billion (see chart above). All of the six largest funds raised during the period were by US-based managers including Goldman Sachs, Cerberus Capital and Apollo Global Management. However, the bigger picture shows this gap is likely to close somewhat, with North American funds in market targeting nearly $130 billion and European managers nearly $83 billion. Moreover, the second quarter has seen Ares Management close its latest European fund on a chunky €11 billion.

2. The private debt mega-fund is here. One of the most notable aspects of recent times has been the concentration of investor capital in the hands of a small group of elite managers. This trend saw the number of funds raised tumble from nearly 400 in the peak fundraising year of 2017 to 228 last year. In the first quarter of 2021, only 34 funds achieved a closing. However, these funds accounted for more than $39 billion of capital – pushing the average fund size to more than $1 billion. The largest average fund size recorded in a 12-month period was last year, when the average reached $718 million.

3. The average time spent fundraising before a final close is achieved has remained at 2020's record length of 18 months. Prior to last year, the longest average time spent on the road was 16 months in 2017 and 2019. Of course, the phrase "on the road" has been pretty much redundant since the outbreak of the pandemic, with investors forced to do most, if not all, of their due diligence remotely.

(Past performance is no guarantee of future results.)