Bigger funds across private capital

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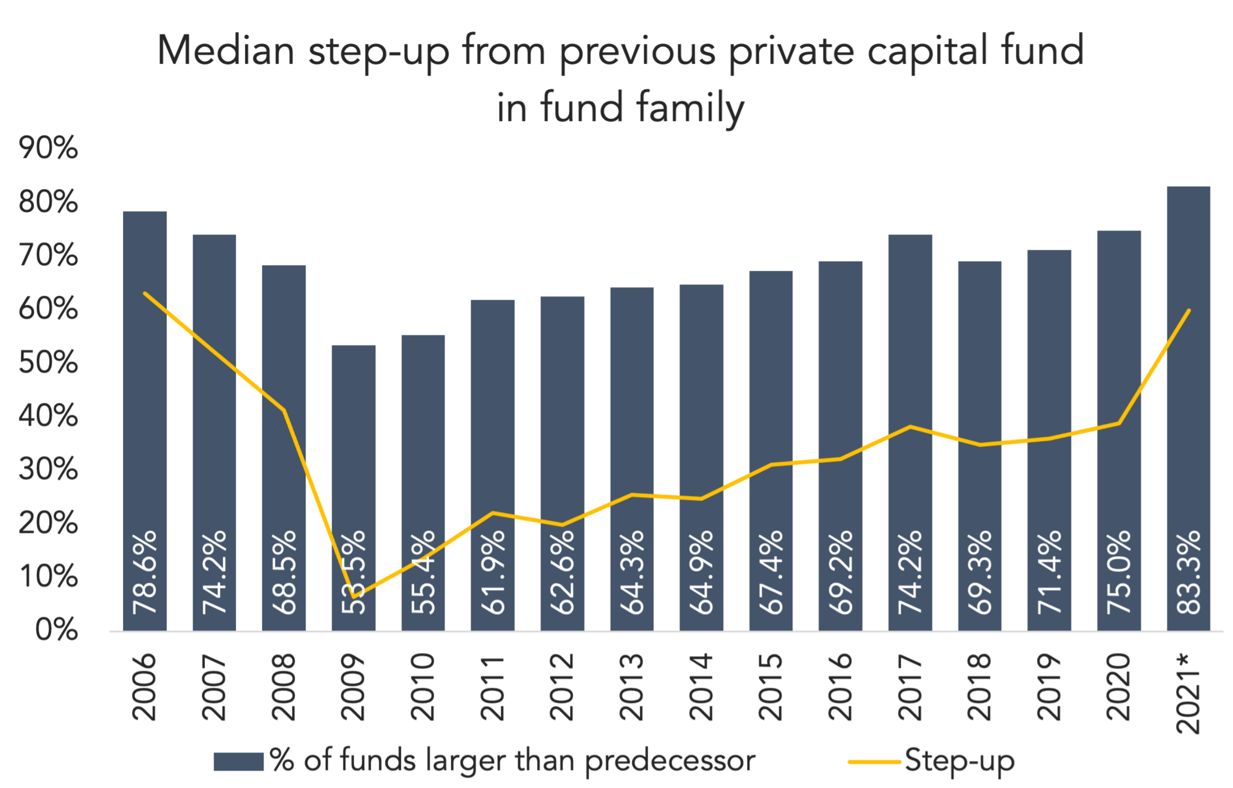

Download PitchBook's Report here.

Private capital as a whole is enjoying an enthusiastic fundraising trail. PitchBook's latest Private Fund Strategies Report, available here, covers a range of asset classes, including PE, VC, real estate, real assets, FoF and secondaries. The data shows a pronounced uptick in fund step-ups—or the difference between back-to-back funds for specific managers. 83% of private capital funds that have closed so far are bigger than their predecessors, the highest percentage we've seen in many years. And they're quite a bit bigger, too—the median step-up size is 60%. Between 2015 and 2020, the median step-up was somewhere in the 30% range each year.

It's long been the case that fund managers aim bigger for their next funds. Successor funds that are downsized can send a poor signal to the rest of the market, and make LPs wonder why. The trend isn't new, but the discrepancy is. The last time we saw successor funds change in size so dramatically was in 2009, when step-up sizes plummeted. In other words, GPs tend to gradually increase their fund sizes, in cruise control fashion, resulting in the smooth chart above. It's only when something massive happens in the market that the percentages change dramatically. The enthusiasm between GPs and LPs today is more visible than it has been in a long time.

(Past performance is no guarantee of future results.)