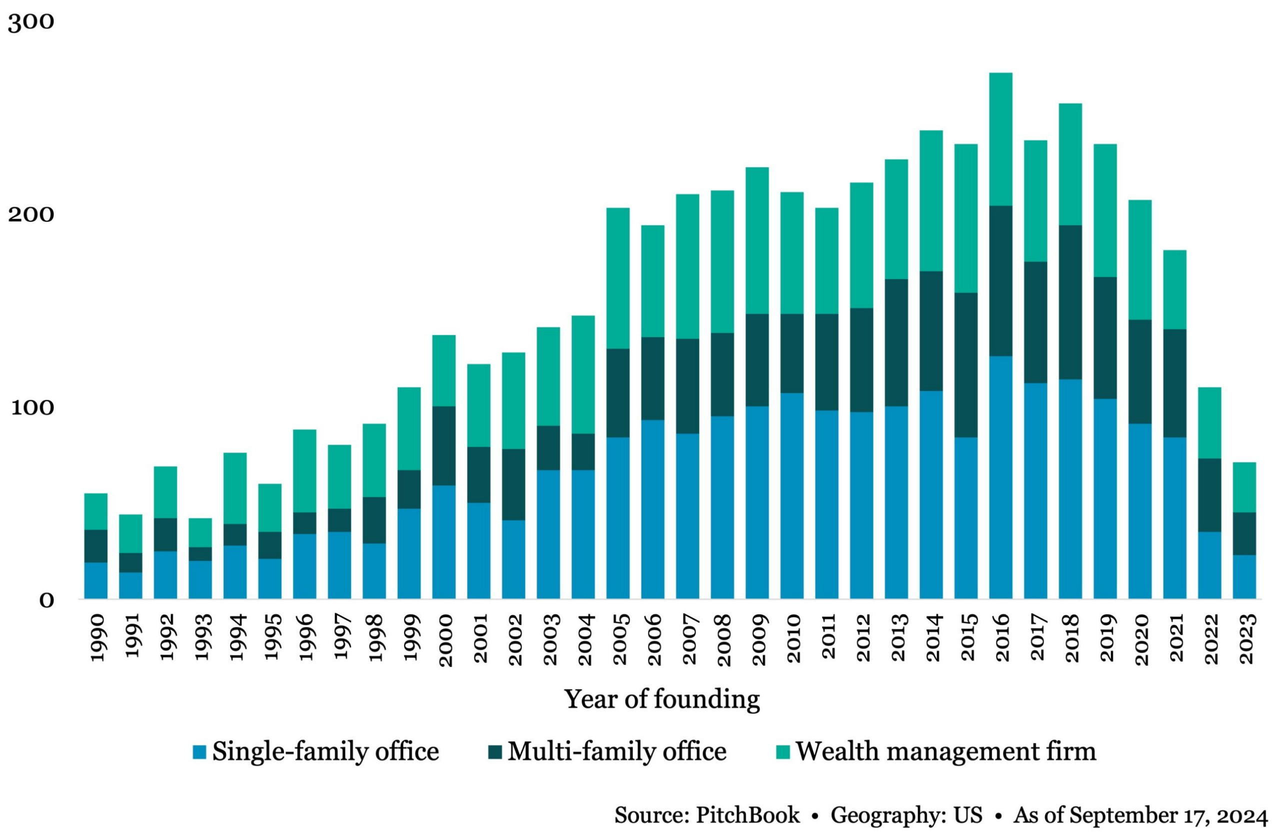
New family offices and wealth-management firms founded annually

PitchBook | October 3, 2024



Download PitchBook’s Report here.

Private market AUM held in drawdown funds is nearly $15 trillion globally, up from less than a trillion in 2000, handily outpacing the growth in public markets. However, outside of ultra-high-net-worth individuals (UHNWIs) and those with privileged networks, individual investors have been largely left out of the mix. Investor protection laws are partially to blame, and arguably for good reason. Typically, drawdown funds are exempt from Investment Act of 1940 (’ 40 Act) registration under Section 3(c)(7), but that limits the number of LPs and translates to high investment minimums and barriers to entry for much of the private wealth channel. Estimated global wealth stands at nearly $450 trillion, with about 90% held by those with at least $100K. If 5% of that wealth were to be allocated to private markets, that would represent more than $20 trillion in total capital formation, dwarfing total AUM in drawdown funds today and $1.1 trillion in evergreen LP funds. We view the private wealth channel as two broad opportunity sets for GPs. The first is the ongoing adoption by accredited investors and qualified purchasers making up high-net-worth (HNW), very-high-net-worth (VHNW), and the aforementioned UHNW. Together, they are expected to invest over $7 trillion in private market allocations by 2033. That amount represents more than half the $12.6 trillion in fundraising activity in drawdown funds across all private capital for the 10 years ending in 2023. With investor accreditation requirements, most evergreen fund offerings launched today are targeted at these cohorts. The growing ranks of family offices and registered investment advisors (RIAs), as well as the expected wealth transfer to younger generations, means the opportunity set is expanding. These investors are also interested in drawdown funds, and those with scale and access are taking share from institutional investors in the LP base of traditional vehicles.

(Past performance is no guarantee of future results.)