The Pulse of Private Equity – 4/4/2016

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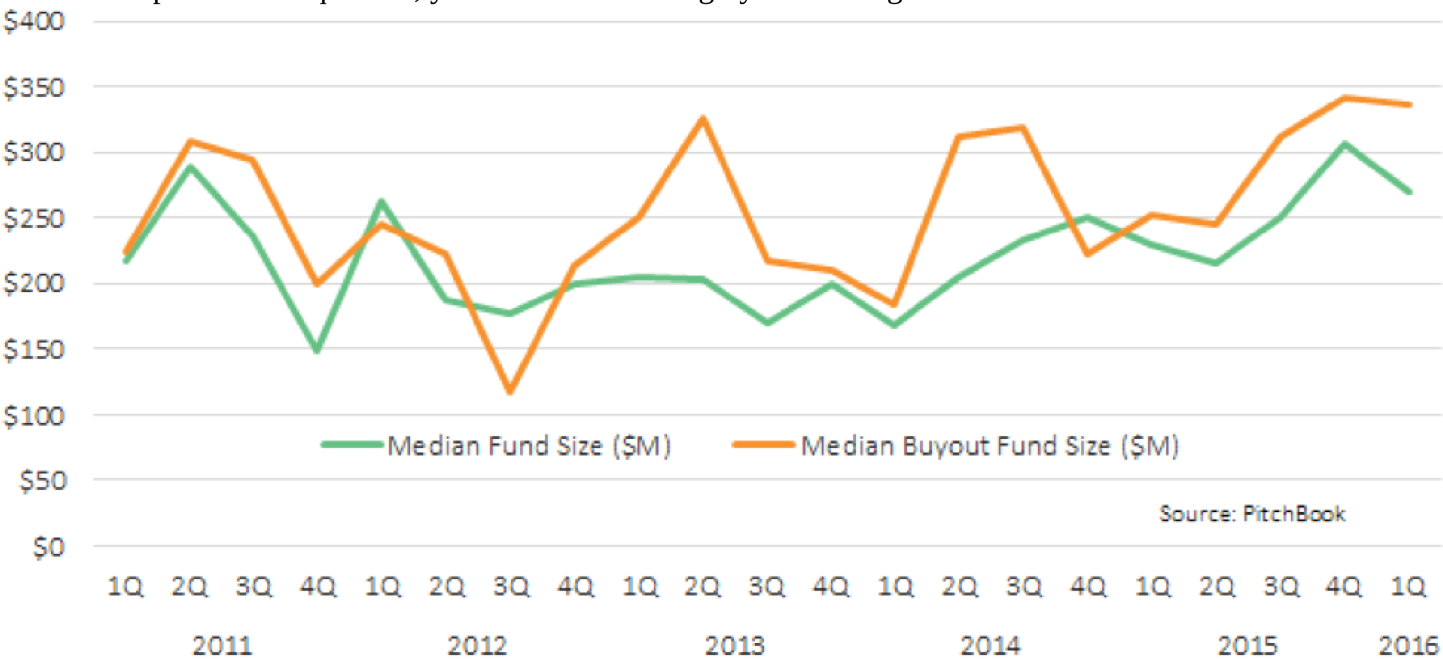
The Bigger, the Better: Private Equity Funds Still Trending Upward in Size

Although there is a fair amount of quarterly variance in median private equity fund sizes, there has been a distinct trend upward since the end of 2013, with the closing quarter of 2015 cresting at just over $300 million across all PE fund types. Buyout funds have trended even larger as of late, avoiding a quarter-over-quarter slump in 1Q 2016. Through the end of March, 2016 saw 104 PE vehicles close, a tally that was roughly in line with most of the past several quarters, yet down from the highly active heights of 2013.



Thus, even as overall fundraising activity has softened slightly, fund sizes have trended upward, and as these figures are global medians, it's clear that the industry as a whole has been targeting at least modestly higher when it comes to fundraising. This is well in line with current PE fundraising trends, both observed and anecdotal: With a growing number of active PE firms courting limited partner dollars, strategies are growing more niche and sector-specific as firms seek to demonstrate untapped opportunities or their particular areas of expertise and tout strong track records. LPs, meanwhile, have been seeking to at the very least maintain their allocation to the PE asset class on the whole, looking to commit to larger, most-proven fund managers. Especially in today's dealmaking environment, it's unsurprising to see larger fund closes, consequently, as risk-averse LPs subscribe to vehicles of bigger fund managers, which do tend to outperform other fund size classes, by and large. The concentration of buyout fund sizes around $300 million speaks to not only the characteristics of the PE firms raising recently but also that particular strategy's popularity, most likely generated by more and more fund managers looking toward the core and upper bounds of the middle market for best-valued opportunities.

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