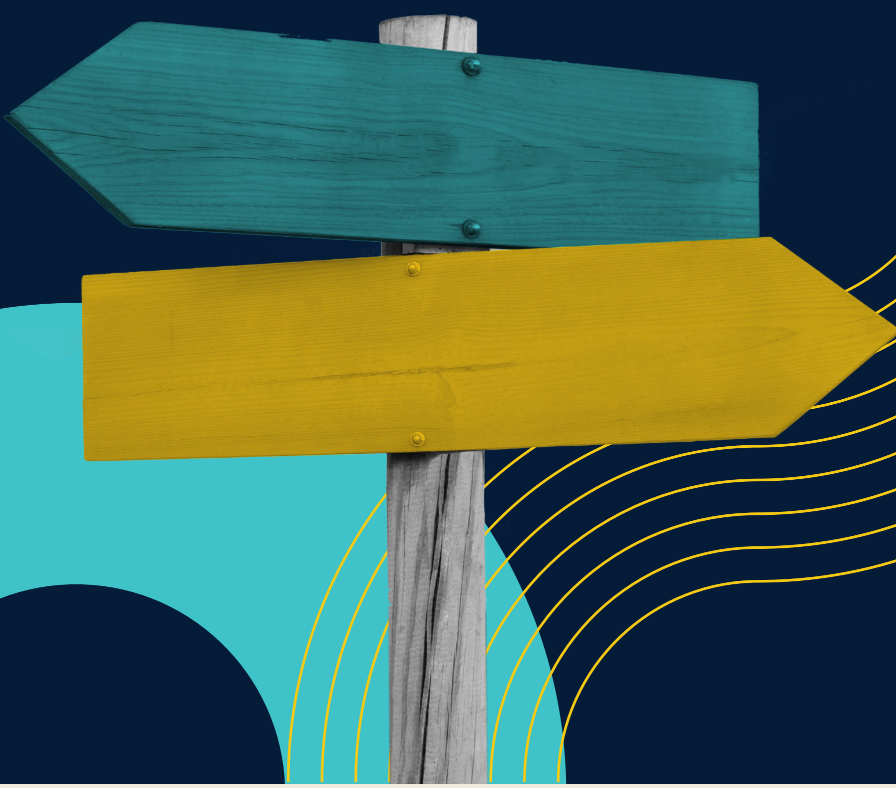
PitchBook

Q2 2022

GLOBAL Private Markets Fundraising Report



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Contents

Dry powder by strategy ($B)*

PE	$1,239.8
VC	$562.4
Real estate	$377.6
Real assets	$319.7
Private debt	$425.1
Funds of funds	$158.0
Secondaries	$126.6
Total private capital	$3,209.1

Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Previous iterations of this report were titled "Global Private Fund Strategies Report."

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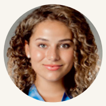

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Click here for PitchBook's private market glossary.

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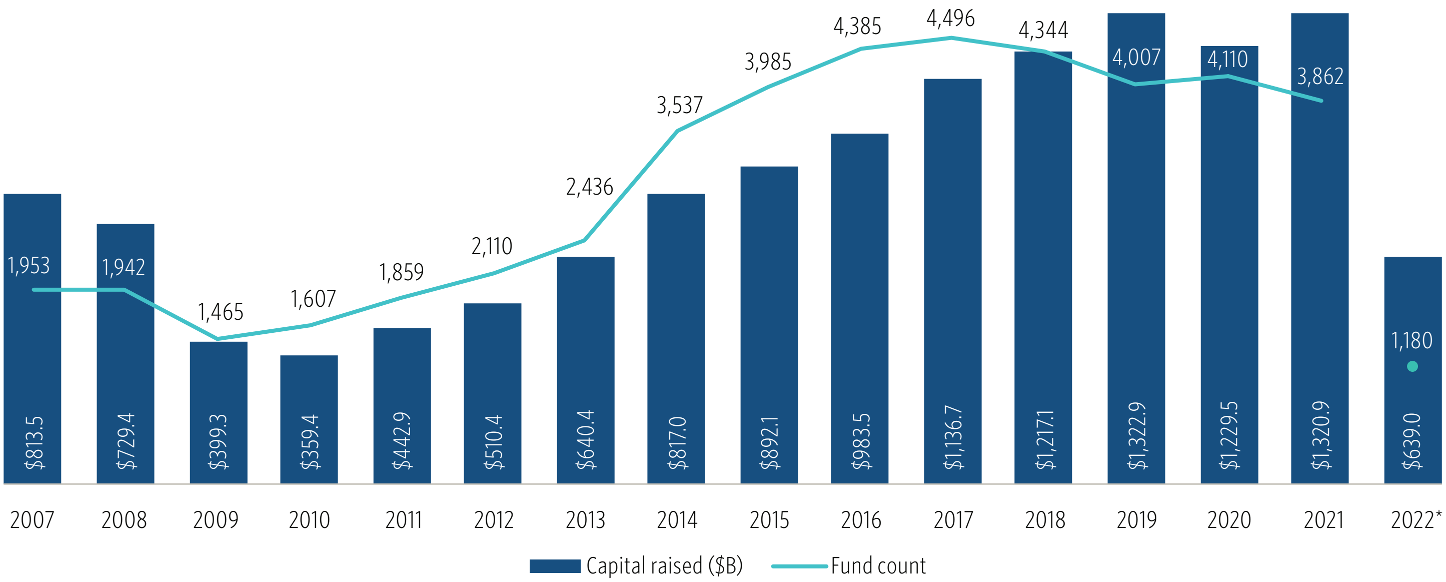
Overview

Private capital fundraising activity



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Hilary Wiek, CFA, CAIA
Lead Analyst, Fund Strategies & Sustainable Investing

At $639.0 billion in H1 2022, fund commitments continue to be robust, roughly on pace to match 2021 totals. While the steady growth in fundraising has flattened out since the advent of COVID-19, maintaining levels similar to the record 2019 figures is impressive, given the pandemic and numerous other economic headwinds. Record distributions to LPs have assuaged fears about the private markets seizing up, and the opportunity to potentially get in while valuations might be dipping has kept LPs coming back to the table. In addition, many LPs are now seasoned private market investors and understand the importance of continuing to make commitments year after year for vintage year diversification and to maintain allocations when distributions are always threatening to reduce their in-ground totals.

The aforementioned economic headwinds may mean good buying opportunities, but it is important to remember that increasing interest rates and a plethora of dry powder—the subject of this report's spotlight—may mean that GPs will need to be more selective, especially those employing leverage. This may result in a higher concentration of capital bidding on a limited supply of quality companies. This year's vintages will have to navigate this competition for prime deals plus supply chain issues, inflation, a potential recession, a tight labor market, and rising interest rates. Thus far, however, it does not appear to have deterred LPs from making commitments overall, though the mixes may be shifting around the margins.

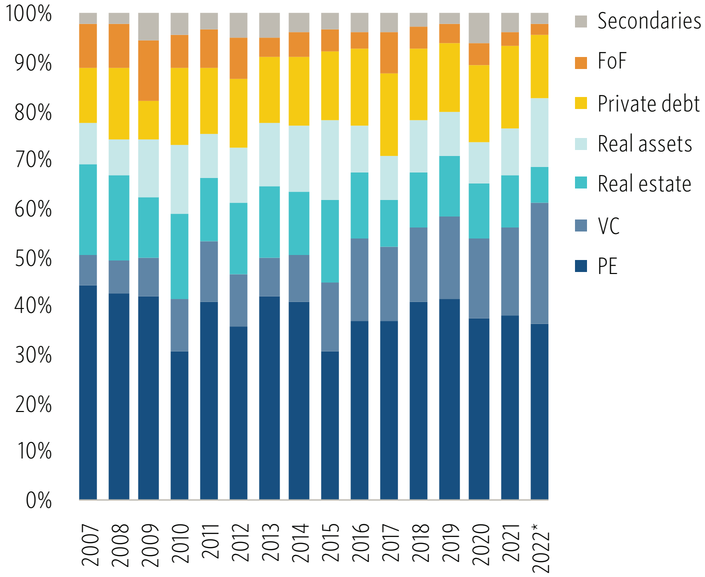
In 2018 and 2019, private equity (PE) represented over 40% of fundraising, but in 2022 thus far, it has only taken in 36.3% of overall private capital fundraising. Real assets funds, which house oil & gas strategies, have captured 14.5% of commitments in 2022, up from shares below 10% in the past three calendar years. Surprisingly, real estate, often seen as an inflation hedge, has not yet managed to grow its share of LP commitments: only 7.3% of 2022 fundraising has gone to real estate, a lower proportion of capital commitments than any of the calendar years prior. Secondaries dropped back to only a 2.1% share this year after peaking at 6% of commitments in 2020 as investors became excited by potential pandemic-driven distress and the market-expanding approach of GP-led secondaries. Private debt has also dropped; while these funds will be able to charge higher interest rates, there is an assumption that PE will decrease its use of leverage because of the increase in the cost of capital.

One interesting chart we do not often highlight in this report, but that is always in our accompanying data pack, is the “Fundraising by fund number in a fund family” chart. For several years, we have witnessed money accruing to the largest and most experienced managers, especially during the pandemic when LPs were not able to use ideal due diligence practices and hoped to reduce risk by selecting name brands over lesser-known managers. This year that trend has accelerated. While in the past five calendar years, funds eight and above have taken in 22.1% of commitments, the 2022 figure has been 33.6%. Another intriguing factoid is that the number of funds 10-plus that we show as having closed has risen steeply in recent years. From 2016 to 2019, the number was in the 50s, but in 2020, that grew to 73, and in 2021 it was 100 funds that were 10th or higher in a fund family. More fund managers have been reaching a level of maturity by institutionalizing beyond the original partners to be able to raise funds with such high numbers.

Funds one and two lost the most share at 5.7% and 4.7%, respectively, with funds five and six each dropping 1.9% in share of capital raised. Oddly, the fourth in a family grew in share from 10.6% over the past five years to 14.8% in 2022 through June. Perhaps this is the stage when many LPs see a fund strategy as institutional enough to be less risky. We do need to caveat this reporting, as we continue to collect fund closing information as it becomes available, so we are more likely to find out about funds from better known managers earlier in the data collection cycle. This means the gains to higher numbered funds may settle back some.

As much as we hear about the way PE funds are growing to massive sizes, it’s always good to step back and recognize that the headlines represent a very small share of the total count of funds raised at any given time. In 2022, 21 funds closed that were larger than $5 billion, 1.9% of the number of funds raised, but that represented 37.5% of all capital

Share of private capital raised by type



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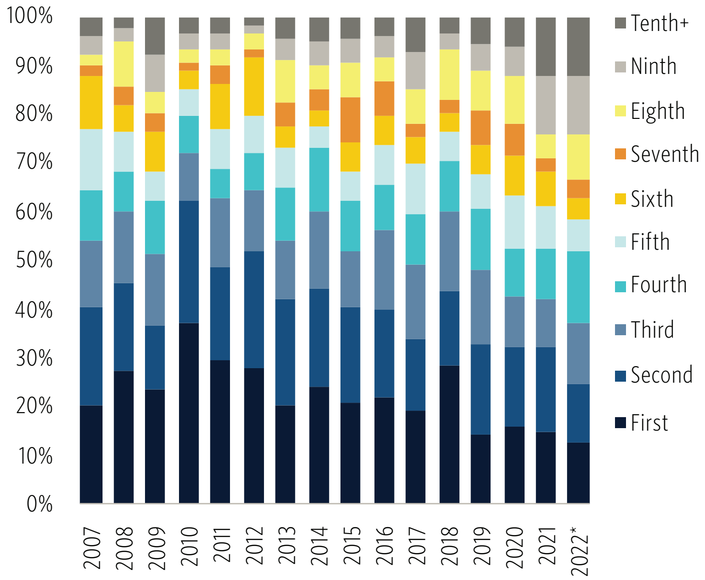
Share of private capital fund count by fund number in fund family



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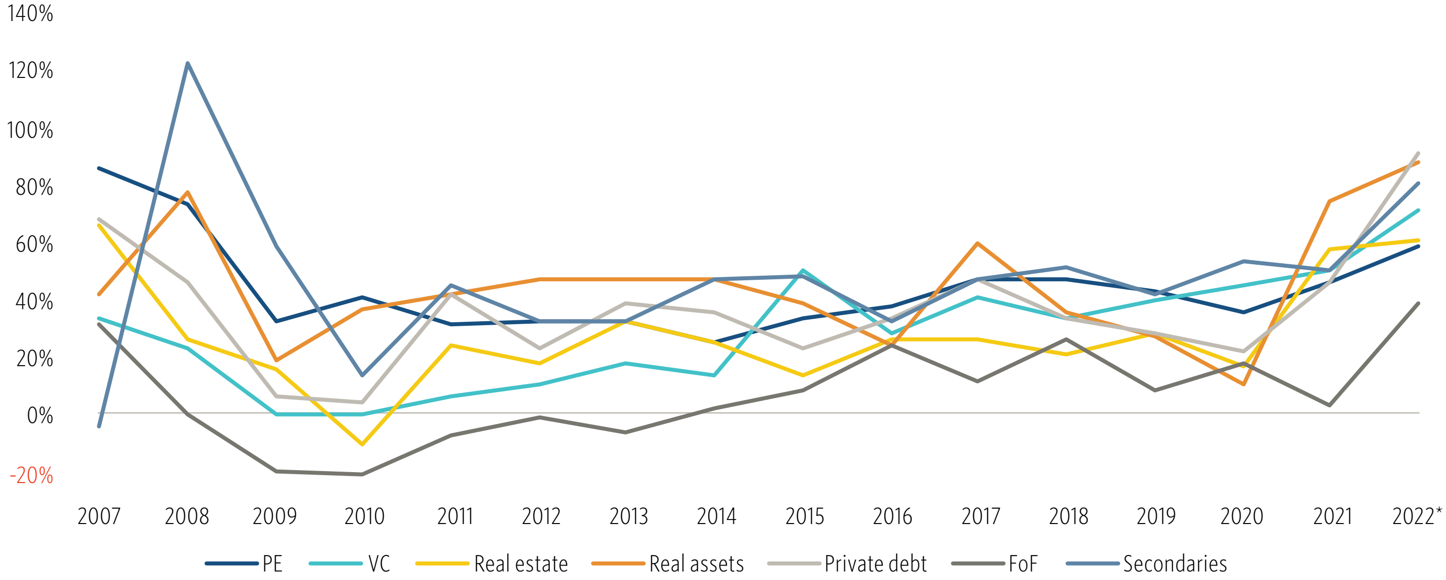
Median step-up from previous private capital fund in fund family by strategy



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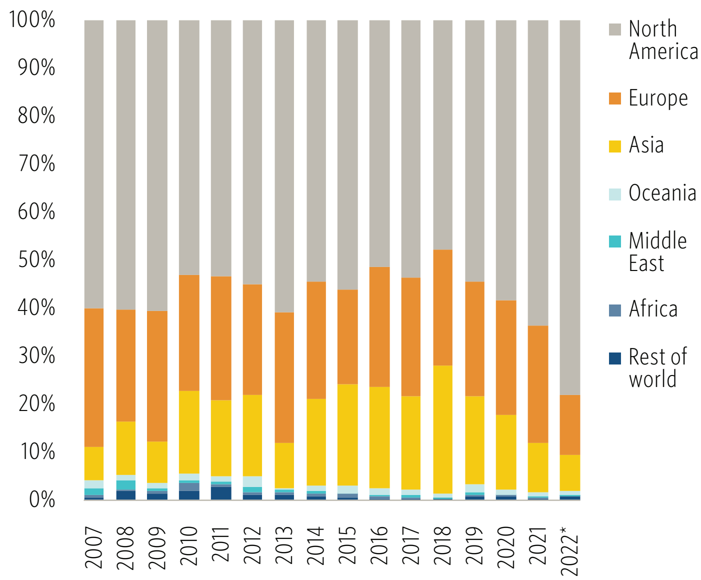
raised. Looking at how much larger different strategy types are getting, based on a median figure, private debt and real assets have actually been seeing the highest increases in size. The median successor fund in private debt was 90.3% bigger than its predecessor. Not far behind was real assets, with the median fund up 87.7% from its prior fund. While the mega PE funds continue to grow, the three largest funds to close in 2022 were only up 1.2x to 1.4x from their predecessor offerings.

Private capital fundraising ($B) by manager experience



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A WORD FROM ALTVIA

Trends to look out for when PE and VC respond to recession conditions

What are your thoughts on the current market environment for PE firms as they look to go to market with new funds? What about other types of fund strategies?

Based on conversations with GPs over the last several months, we aren't seeing a slowdown in fundraising. We are seeing the impact of the "denominator effect," which is causing LPs to revisit and be more prescriptive with allocations. In an effort to navigate these conversations, GPs can no longer get away with a very general investment thesis or one that is not validated objectively with data. For most GPs, telling the right story is increasingly a function of internal operational rigor, wherein they can easily associate investors with funds, funds with portfolio assets, and so on. The GPs that can move quickly and effectively are rewarded with more capital.

We've also noticed a big jump in the variation of fund types offered by GPs to accommodate changing LP demands and expectations. For instance, providing open-ended funds to accommodate liquidity needs and co-invest for direct access to attractive investments. Strategies and vehicles like this are now essentially table stakes.

Of the most recent concerns your clients have brought to you, which surprised you the most?

There hasn't been a pattern in new client concerns, though we've sensed an acute shift in GP sentiment. Most GPs are now explicitly acknowledging that if they do not modernize their approach, they will fall behind. It's been long and widely accepted that private markets participants are roughly five years behind the general technology curve of business at large. As long as returns were strong and fund sizes grew fund over fund, there was little incentive for GPs to rethink the way they do business.

As competitive conditions continue to mount, economic cycles decline, and emerging fund managers gain notoriety for operating like a data-driven tech firm, the broader sentiment is notably shifting, and archetype GPs feel like they are behind the times.

Kjael Skaalerud

Chief Revenue Officer
Altvia

Kjael is a PE-sponsored Chief Revenue Officer at Altvia, where he leads Go-to-Market activities and is responsible for sustainable growth in revenue and market share. Prior to Altiva, Kjael was the VP of Sales & Brand at Harri, where he led customer acquisition efforts and guided the brand strategy. Leading up to Harri, Kjael founded Skaling Ventures, a GTM consultancy that helped venture-backed Series A firms build a repeatable sales motion while earning his MBA at NYU-Stern.

With that said, the appetite for modernization also comes with concerns regarding change management and adoption from their team. Chief technology officer is a rare role in privates, so most firms don't necessarily have a technology visionary or someone to own the strategy and execution. A lot of our work involves informing a "crawl, walk, run" approach and instilling rigor around maintaining a sense of priority to create impactful outcomes in the near term, without being short-sighted to the extent that a decision now might hold them back in the future.

As volatility remains heightened, where do you see the biggest gaps with regard to portfolio monitoring that have become critical for PE firms to address? What about firms focused on other asset classes?

Real-time visibility into portfolio performance is, again, typically a function of a GP's internal operational rigor, as it relates to data collection, normalization, and visualization. In a bull market, some GPs might accept a quarterly lag in performance KPIs or condone redundant, time-intensive, administrative work to wrangle and consume this information. When times are more challenging, we all hold the wheel a bit more tightly for obvious reasons, and this requires many firms to modernize this aspect of the business via automation, systems, and data strategy.

Today, GPs are lucky if more than 75% of their portfolio companies provide operational or financial data in a timely manner. In addition, there is typically much variation in the format of the information they receive—from PDF documents to Excel spreadsheets to screenshots of general ledgers. This makes it tough to aggregate the information across the portfolio and ultimately turn it into something an internal or external audience can quickly comprehend.

This can all be solved with widely available technology. For example, an automated email with a link to a form so that portfolio companies can submit their financials on a monthly basis in a standardized format, which is aggregated and then translated to standardize analytics dashboards. Investment teams now look at on-demand dashboards to validate performance or spot follow-on investment candidates rather than sift through scattered material and struggle to reach confident conclusions. Furthermore, this type of analytics-driven experience can be provided directly to LPs to answer questions before they are asked. This is the experience LPs are used to in public markets and in their daily lives as consumers, so elite GPs are simply closing the gap. Lastly, LPs take note of the speed and accuracy with which this information and experience can be provided. Analytics are the tip of the iceberg everyone sees, but there's a lot happening underwater. A GP's ability to deliver here is a signal that their house is in order behind the scenes.

Moving on to private fund strategies as a whole, where do you anticipate any shifts in allocation trends by LPs, given recent dealmaking and macroeconomic trends? Or do you think recent volatility and economic pressures are still too new to really exert any meaningful impact in the near term?

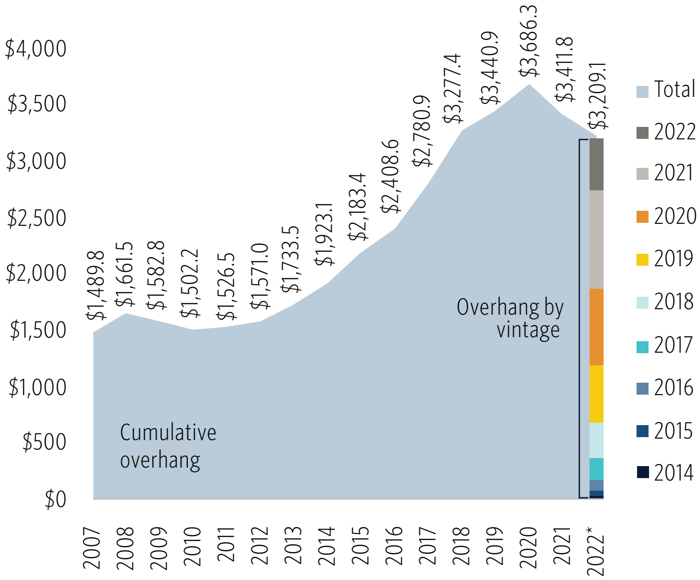
Most recently, we've all witnessed leading VC firms become much more active in public markets, as valuations and multiples have sharply corrected in the last month or so, thus creating a lot of perceived upside for investors at large. Crossover funds and investing are certainly not new concepts, especially from venture groups that do not want to end the ride at IPO. Though we believe the line between public and private investing will continue to blur as LPs index heavier to sector expertise and track record instead of public versus private exposure, and so on.

To build on the above theme of convergence, GPs that traditionally played in early-stage VC now invest in growth-stage or buyouts, so it seems the line between stage-specific investing is also blurring. In the simplest sense, LPs make decisions based on risk/reward profiles, diversification, and liquidity. The mechanisms that lead to these results are not nearly as relevant, especially when many are bloated or unnecessarily complex.

It seems like the frameworks and assumptions that the industry has operated under for many years are being challenged, causing swim lines and methods to converge. The macro environment is certainly a consideration, but I think all we can say at this point that it's putting additional stress on the system. Stress on any system forces evolution, which is a good outcome, though there will of course be a cohort of firms that do not live on to the next generation.

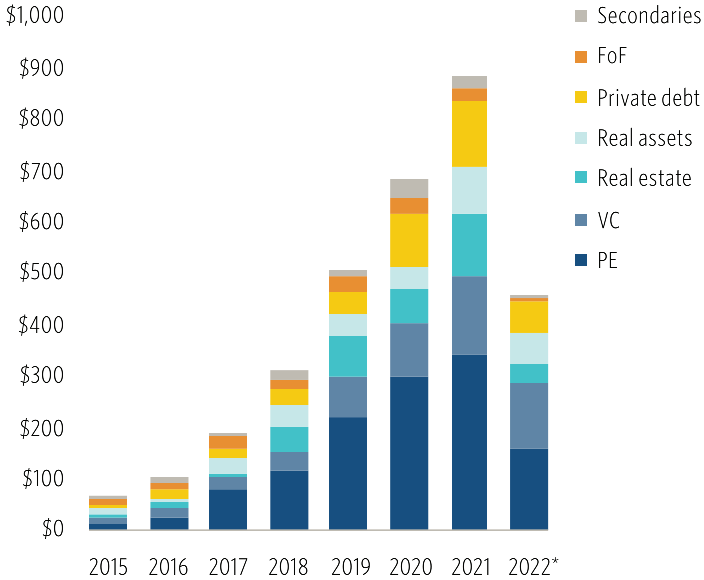
Spotlight: Dry powder

Private capital dry powder ($B)



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Private capital dry powder ($B) by strategy and vintage



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Anikka Villegas
Analyst, Fund Strategies & Sustainable Investing

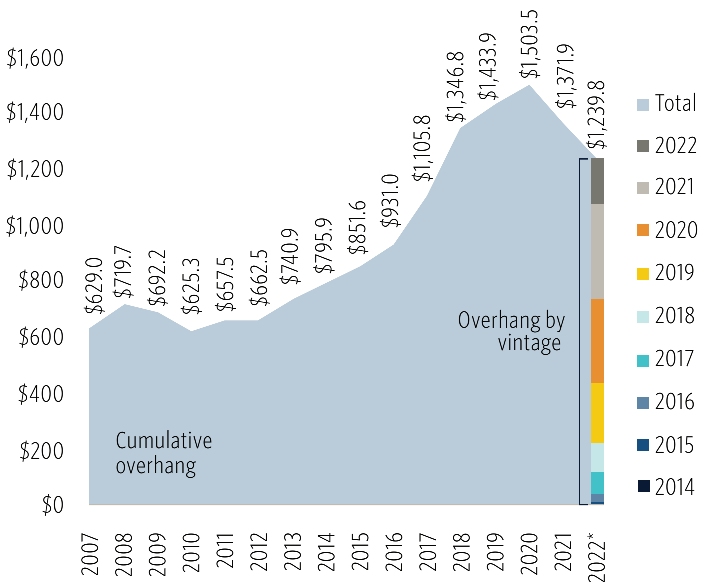
With 2022 seeing the public markets take a nosedive, record inflation rates, increasingly aggressive counter-inflationary measures from central banks, and geopolitical concerns in Europe, the eternal question of how portfolios will fare weighs more heavily on the minds of private market investors. Among the many factors that will influence the answer to that question is the volume of dry powder present in each of the strategies, which can either support asset pricing or allow it to collapse. Large amounts of dry powder and associated asset price support can be a boon to sellers but a negative for buyers, particularly when combined with high interest rates. Dry powder for private capital overall looks to be on the decline, hitting a high of $3.7 trillion in 2020 and decreasing 13.0% to $3.2 trillion at the close of Q2 2022.

Where is the dry powder sitting—in what vintage years and strategies? The largest share is sitting in 2021 vintages, an entirely expected statistic, as the most recent funds are the least drawn down. The mix within each vintage year varies widely, however, depending upon that year's fundraising mix as well the pace of drawdowns each strategy has exhibited.

Funds of funds (FoF) typically make commitments over several years, extending the period in which capital calls occur. For 2015 vintages, FoF make up 12.6% of current dry powder, but they were only 9.2% of assets raised that year. PE has spent down their funds much more quickly; in 2015, PE took in 44.0% of capital commitments, but PE dry powder from that vintage is now only 20.0%. If one assumes that investment periods are around five years and most fund managers hope to invest all of their committed capital, this means vintages 2017 and older are now highly motivated to find uses for their uncalled capital. Despite spending down more quickly than other strategies, PE still has $111.4 billion sitting uncalled in 2015 to 2017 vintages that may not be able to wait for market conditions to steady.

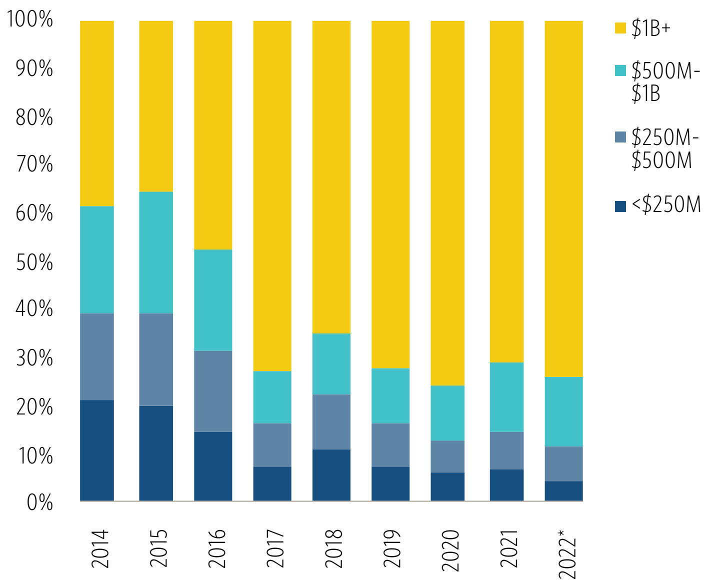
The trend of shrinking dry powder is even more pronounced for PE than the overall private capital universe. From 2020's high of $1.5 trillion, it dropped 17.5% to $1.2 trillion at the end of Q2 2022. Of note, a greater proportion of dry powder is sitting in $1 billion-plus sized funds in recent years, as investors have favored larger funds from more experienced managers. An implication of this is that PE investors will seek large targets to put that money to work. This will likely lead them to the public markets in search of attractive candidates for take-privates, especially as prices have been depressed by the bear market.

PE dry powder ($B)



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

PE dry powder ($B) by size



Source: PitchBook | **Geography:** Global
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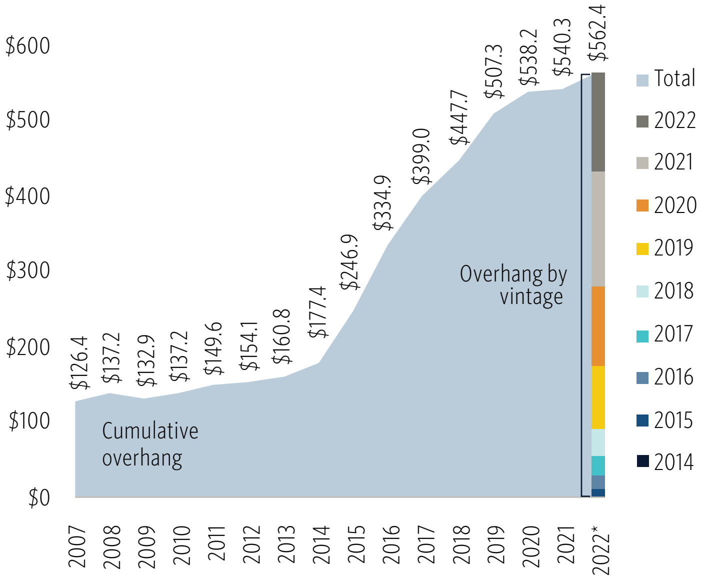
In venture capital (VC), it's another story. Dry powder has continued to climb to new heights, albeit at a crawl, reaching $562.4 billion. In contrast to other strategies, large amounts of dry powder in VC are less likely to benefit sellers. This is because VCs more frequently exit investments through IPOs or sales to corporates rather than to other VCs with capital to deploy. With the onset of potentially recessionary conditions, VCs are more likely to seek quality assets better able to weather any upcoming storms, which could lead to high entry prices as the record dry powder focuses in on a smaller set of opportunities. Fund managers also have the ability to slow their investment pace should pricing become too unattractive. It might behoove LPs to ask about the intentions of VCs to draw down capital in this environment.

At Q2 2022's close, the $377.6 billion in real estate dry powder was down 9.6% from 2020's high of $417.6 billion. Since the beginning of 2020, overhang from funds ages three to five went from 16.3% of all dry powder to 35.9% in 2022. For funds ages six to seven, those numbers were 2.1% in 2020 and 5.4% in 2022. While this phenomenon is likely partially attributable to our data not yet capturing all of the newest funds, it may also be indicative of real estate investor sentiment around the economy. When there is a reset in the economic cycle, real estate investors can purchase high-quality assets at depressed prices and sell higher later on, potentially incentivizing those expecting a reset to hold off on utilizing dry powder until one occurs.

In real assets, dry powder went from its 2020 zenith of $365.6 billion to $319.7 billion, a 12.6% drop. Of the asset class' dry powder, 18.0% is from funds with 2022 vintages. Compared to overall private capital's 14.2%, PE's 12.8%, and real estate's 9.5%, that amount is considerably higher. While some may suspect that this is due to investors swarming to oil & gas as prices shot up, 96.2% of real assets capital raised in 2022 went to infrastructure funds. With real estate fundraising slowing in H1 2022, this begs the question of what is making infrastructure so much more attractive to investors when real estate and infrastructure are both thought to be more stable, offer more inflation protection, and have more in common than other asset classes. For more on this, read on to our real estate and real assets sections.

VC dry powder ($B)



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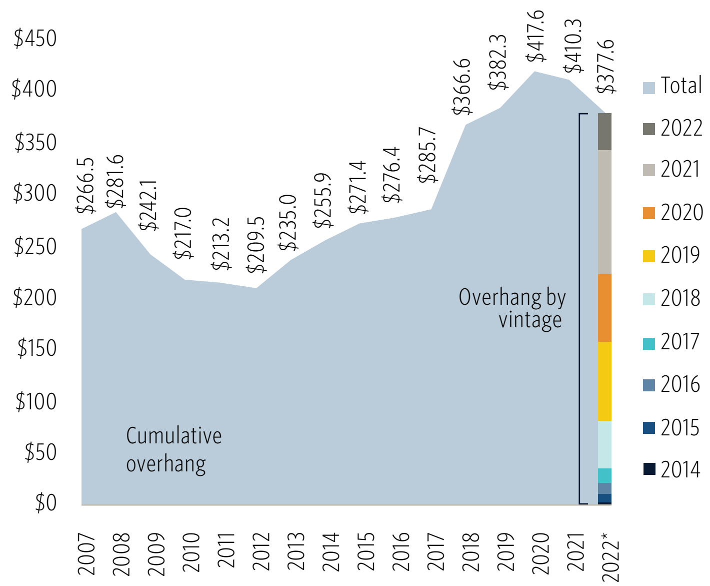
Real estate dry powder ($B)



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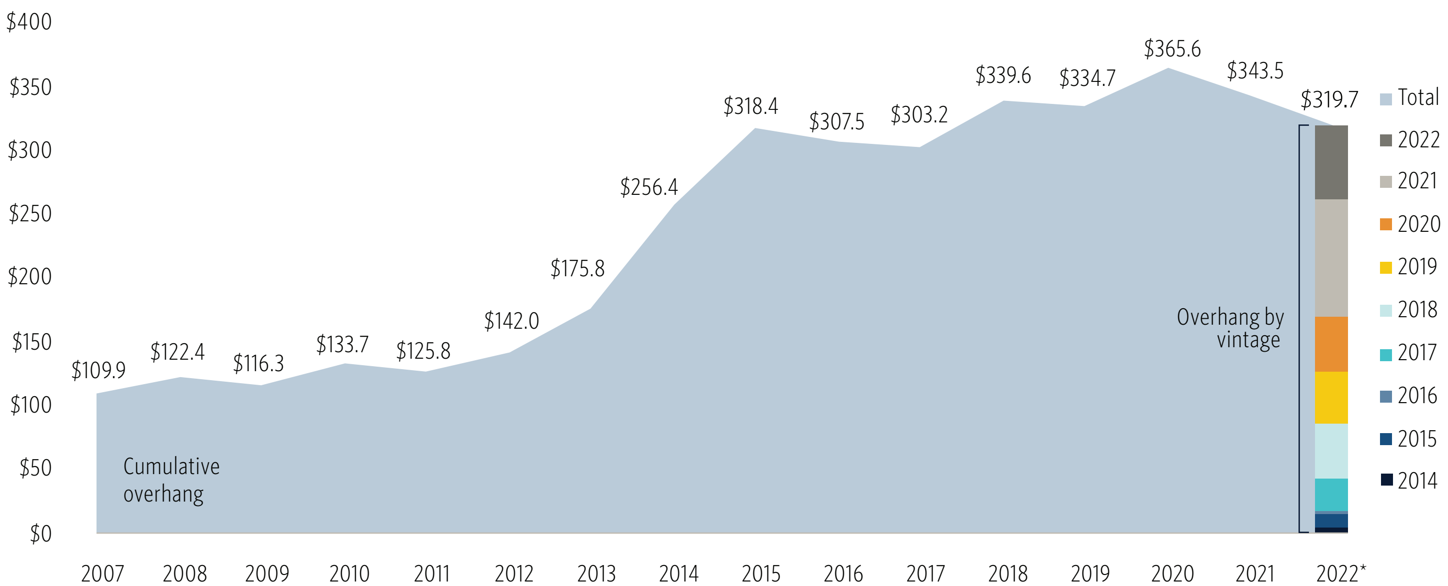
Real assets dry powder ($B)



Source: PitchBook | **Geography:** Global
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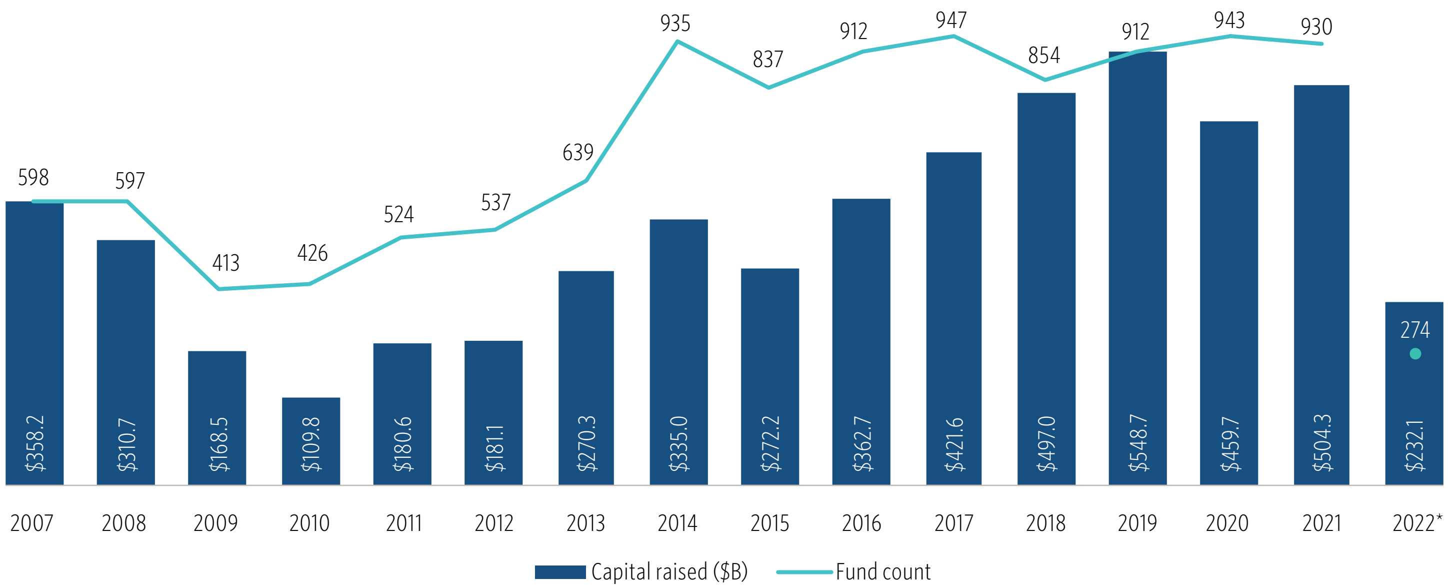
Private equity

PE fundraising activity



Source: PitchBook | **Geography:** Global
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Jinny Choi
Analyst, Private Equity

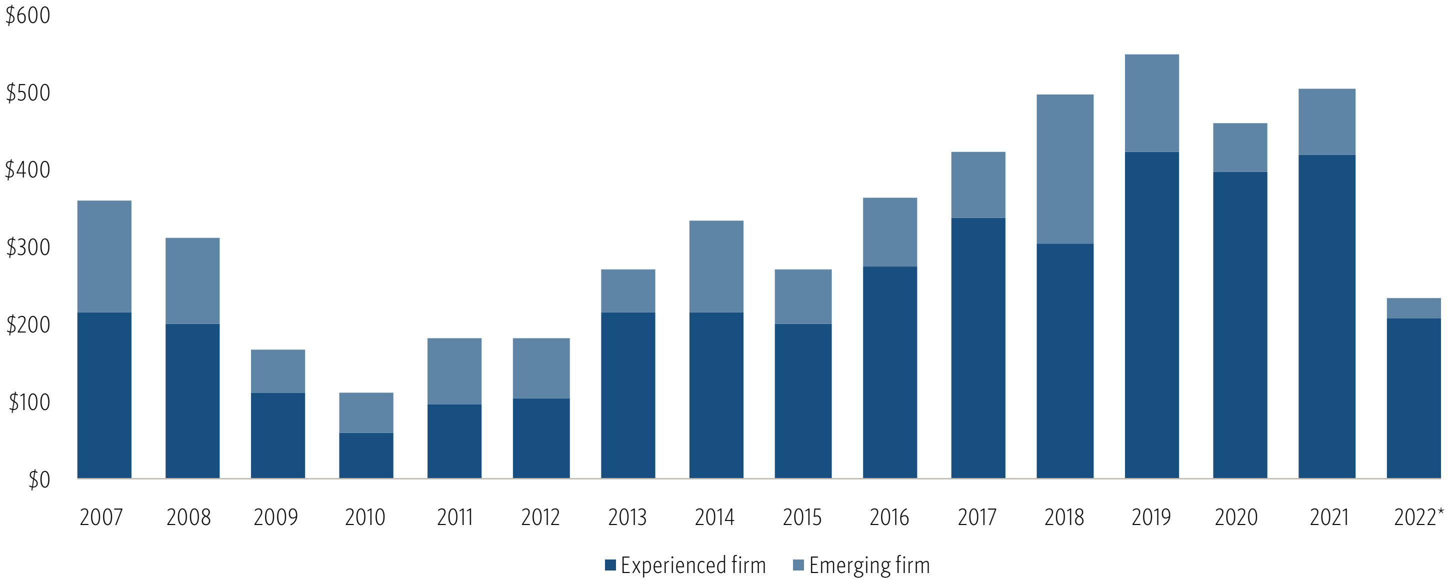
Global PE fundraising maintained its pace in Q2 2022, with $137.6 billion committed across 134 vehicles. Fund count decreased slightly for a consecutive quarter while capital raised increased 45.7% from Q1, demonstrating the prevalence of mega-funds—funds with $5 billion-plus—in PE. After a record-shattering deployment year in 2021, more firms have been returning to market seeking capital, thus creating a crowded fundraising environment. 82.9% of PE funds closed during H1 were larger than their predecessors, pushing investors to their allocation limits. Investors tend to prioritize their longest-lasting relationships, meaning larger and more-established managers are faring better in their fundraising efforts. Mega-funds accounted for 48.6% of the capital raised in 2022 so far, with four $10 billion-plus funds closing in Q2 alone. In May, Advent International raised $25.0 billion for its 10th global PE fund, marking the second largest of its kind on record.

With such gargantuan vehicles in the market and a slowing exit environment reducing capital flow back to LPs, it could become more difficult for GPs to find LPs willing to commit large amounts of capital with ease. Apollo, which planned on raising $25 billion for its next flagship fund by year-end, is now preparing to raise half of the original goal in Q3, shifting the timetable for the final close. Carlyle also signaled similar obstacles, with around $15 billion committed so far to a fund that was targeting up to $27 billion—short of the $17 billion it had anticipated collecting by the end of H1.[1]

First-time funds raised $8.6 billion over 41 funds in the first half of 2022, while emerging managers—those who have raised three or fewer funds—raised just $25.7 billion across 111 funds. Emerging managers are likely to face difficulty fundraising this year in the highly competitive market since they lack performance track records and established relationships with LPs. In addition to the competitive fundraising market, the current uncertain economic environment makes LPs less willing to take risk, resulting in a decline in capital raised by emerging managers compared to the historical average.

1: "Apollo, Carlyle See Buyout Fundraising Slow with Markets on Edge," *Bloomberg*, Dawn Lim and Allison McNeely, June 10, 2022.

PE fund value ($B) by manager experience



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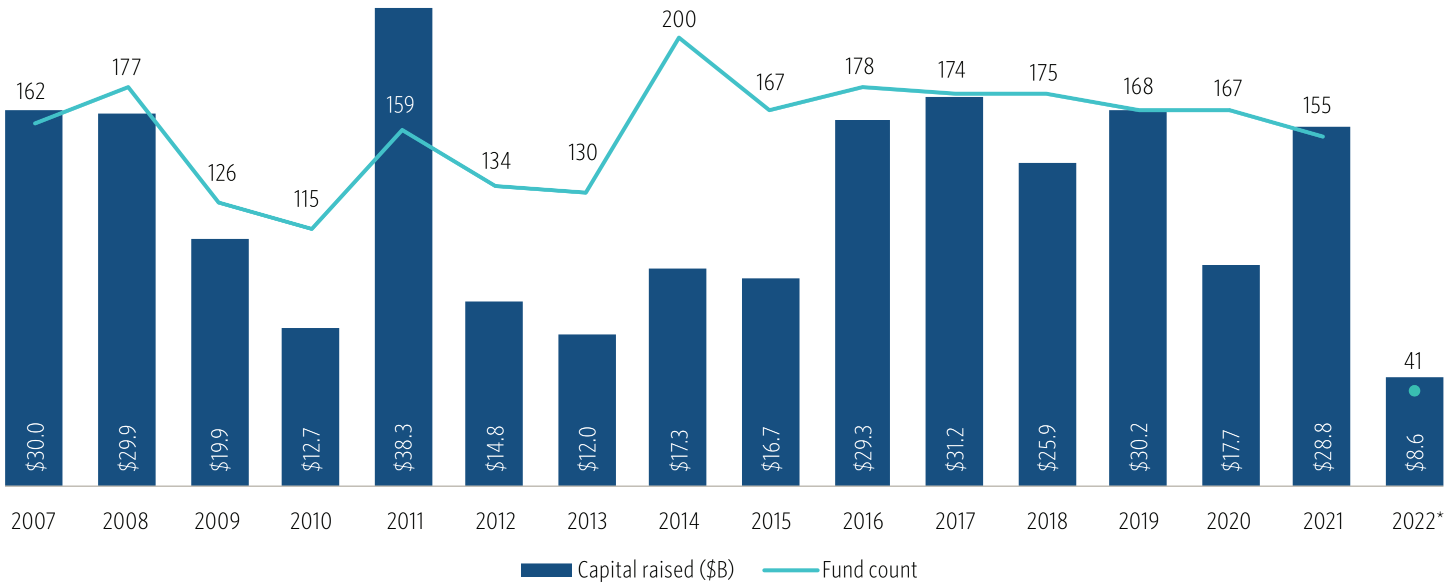
PE first-time fundraising activity



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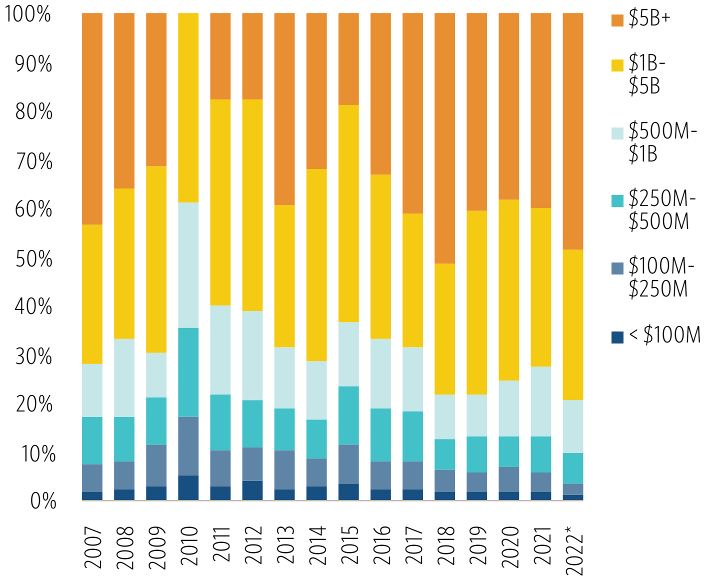
Share of PE capital raised by size bucket



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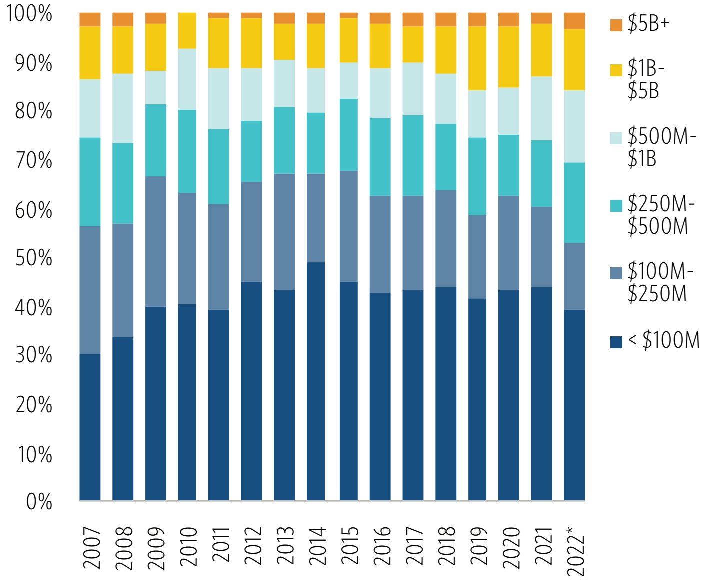
Share of PE fund count by size bucket



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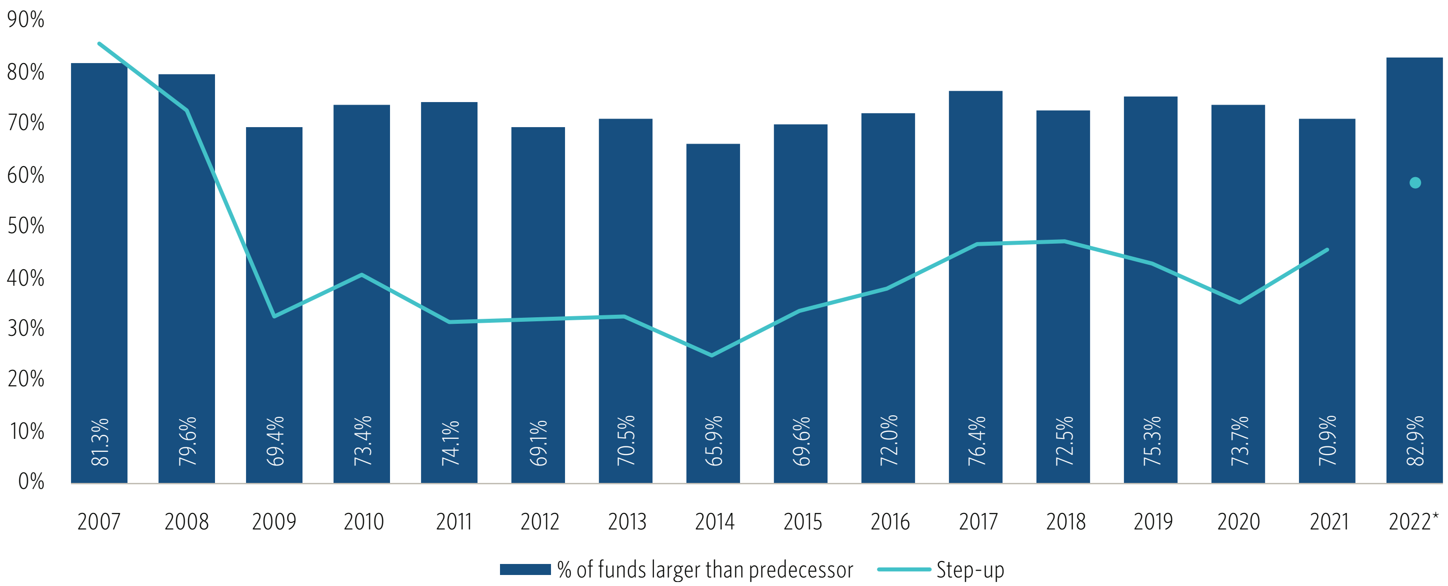
Median step-up from previous PE fund in fund family



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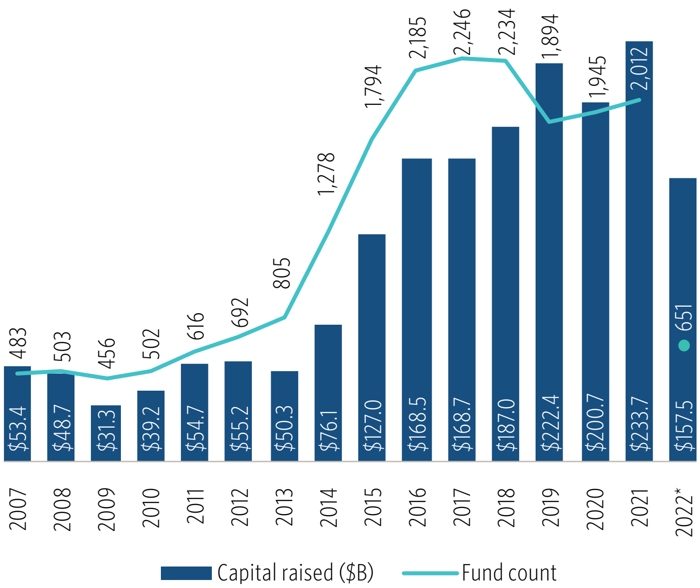
Venture capital

VC fundraising activity



Source: PitchBook | **Geography:** Global
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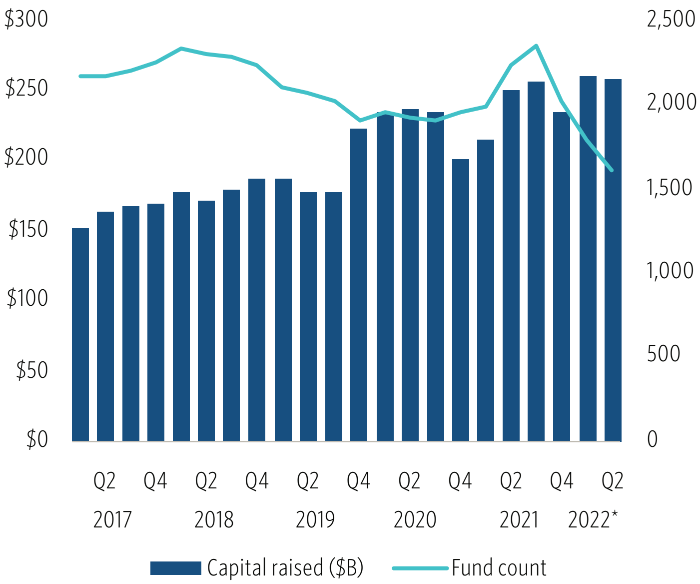
Rolling 12-month VC fundraising activity



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

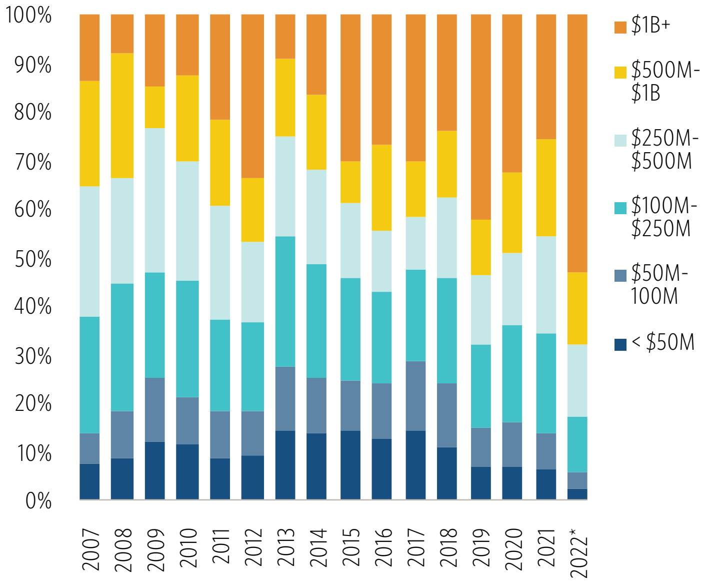
Cameron Stanfill, CFA
Senior Analyst, Venture Capital

VC fundraising during the first half of 2022 showed sustained strength despite the uncertainty of the macroeconomic climate. $157.5 billion of new capital was closed on by 651 funds, so VC has maintained the rolling 12-month fundraising pace—at least on a capital basis. Capital in the VC ecosystem has continued to accumulate in large funds as allocators have rewarded the firms that have found success during the bull market with enough demand to support massive step-ups in fund size and shorter time between funds. This trend toward concentration at the top of the market can be seen in the proportion of capital going to experienced managers, which is hovering at 70% through 2022 so far, representing the highest percentage in our dataset. This does lead to some concern for smaller and less experienced managers looking to navigate the current market environment, where it's likely that conversations for these first-time and emerging managers are becoming a lot more difficult.

In the meantime, the strength of fundraising on a capital basis in 2022—maintaining 2021's momentum—has led to new highs for dry powder, now sitting at $562.4 billion, globally. A further growth of this figure in light of the extraordinary levels of dealmaking in 2021, and so far in 2022, demonstrates how well fundraising has kept pace with the acceleration of VC activity. Given the length of time it takes to close a fund—a median of about 12 months for the 2022 funds—we expect the unbridled positivity of the fundraising environment to temper over H2 2022 as the reality of the financial markets begin to settle in. The tepid exit markets and revaluation of growth assets causing markdowns of residual value in portfolios has started to put pressure on VC fund returns,[2] and we expect this negative trend to slow new fundraising totals throughout the rest of the year, especially for first-time managers.

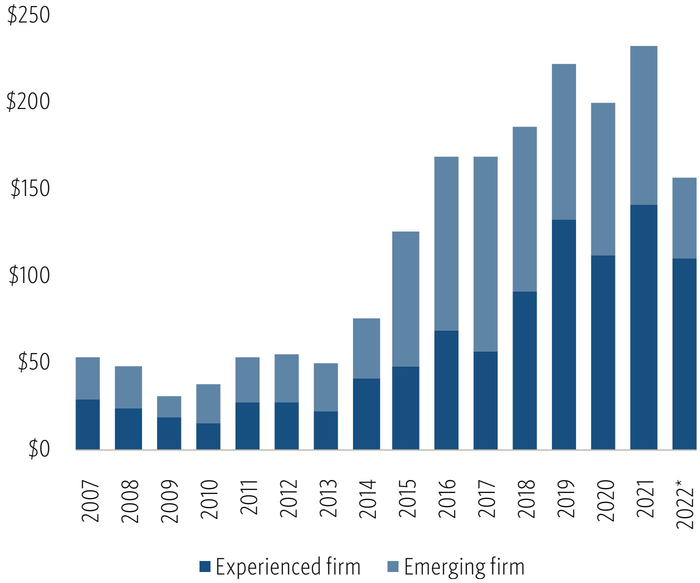
2: For more detail on recent venture trends, please reference the latest PitchBook-NVCA Venture Monitor.

Share of VC capital raised by size bucket



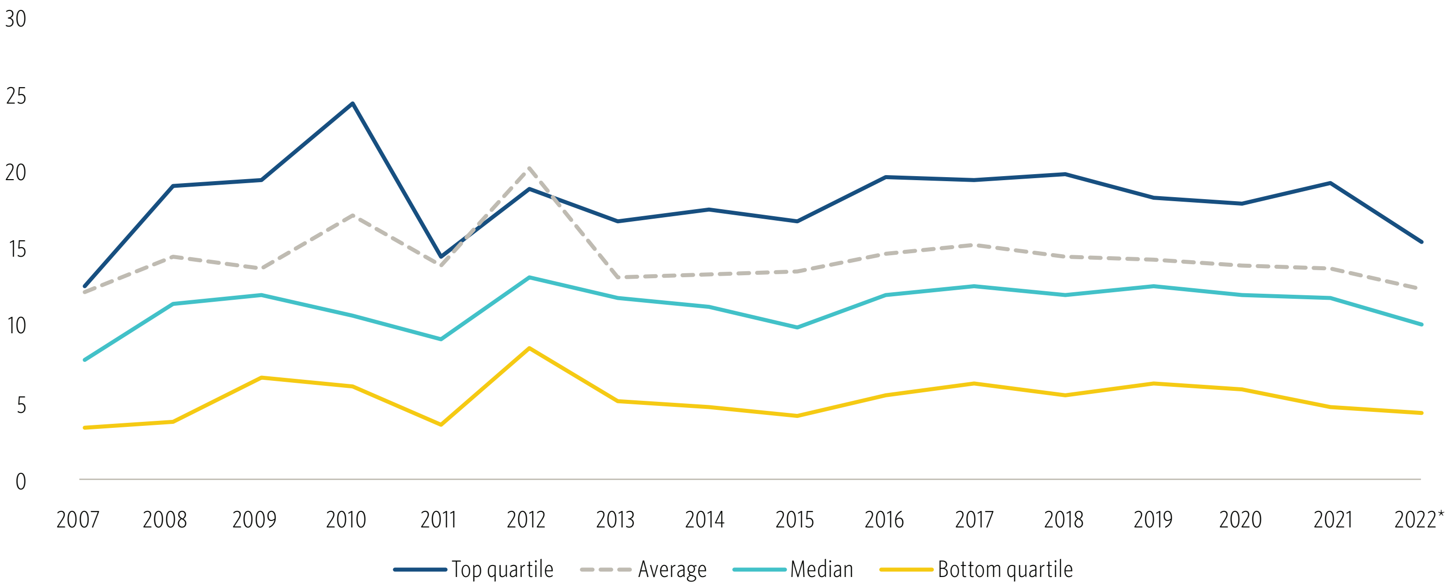
Source: PitchBook | **Geography:** Global
*As of June 30, 2022

VC fund value ($B) by manager experience



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Months to close for VC funds



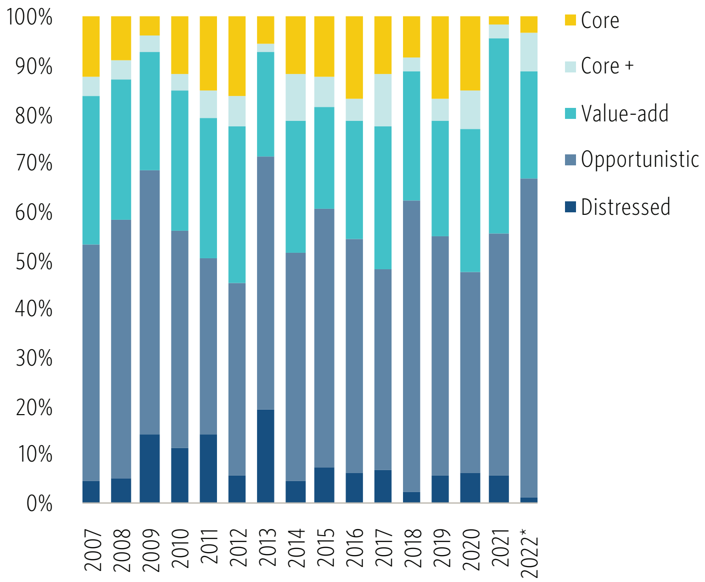
Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Real estate

Rolling 12-month real estate fundraising activity

Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Share of real estate capital raised by type



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Anikka Villegas
Analyst, Fund Strategies & Sustainable Investing

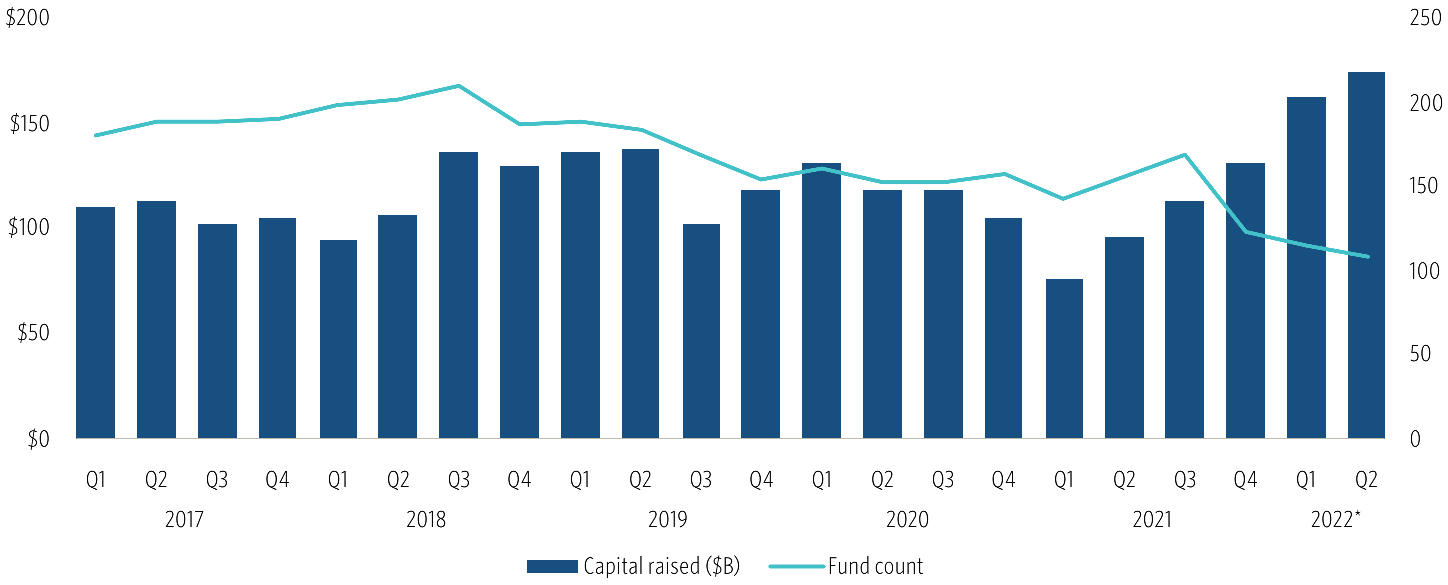
Beneath the steady-looking rolling 12-month numbers, real estate fundraising slowed in Q2 2022, with $17.9 billion raised across 53 funds—significantly below the quarterly average of $35.1 billion and 114 funds from 2017 to 2021. While one quarter of sluggish fundraising does not constitute a trend, Q1 2022's $29.0 billion and 58 funds also suggest a deceleration. Our collection efforts will likely capture more funds raised in H1 2022 over time; however, these numbers are still surprising considering investors often gravitate toward real estate during inflationary periods. One explanation is that investors are also evaluating the likelihood of a recession and/or market correction in real estate. As some market participants report an increase in the bid-ask spread between buyers and sellers, investors may be waiting on a reset in the economic cycle that would allow purchases of assets at depressed prices.[3]

Additionally, some real estate strategies and sectors are more sensitive to rising interest rates and inflation than others, so overall fundraising may decrease if activity in the less-sensitive strategies and sectors does not compensate for reduced activity in the others.[4] Core and core plus funds—typically on the less-sensitive side—received more than double their 2021 share of capital in H1 2022, but together still only make up 10.8%.[5] Opportunistic funds took the largest slice by far, making up 64.9%. Opportunistic strategies tend to be fairly inflation-sensitive due to intensive capital improvements but use differing amounts of leverage, resulting in varying interest rate sensitivity. Value-add's share shrank to 22.2% and distressed's fell to 1.4%.

3: "Private Markets Investment Briefs," Hamilton Lane, n.d., Q3 2022.
4: For more on real estate strategies and sectors and their ability to provide inflation protection, please reference our PitchBook Analyst Note: Private Markets Real Estate Fundamentals.
5: Note: Our data excludes funds with evergreen structures, which are most frequently utilized by core and core plus funds. As such, fundraising among those strategies may be more active than our numbers indicate.

Real assets

Rolling 12-month real assets fundraising activity



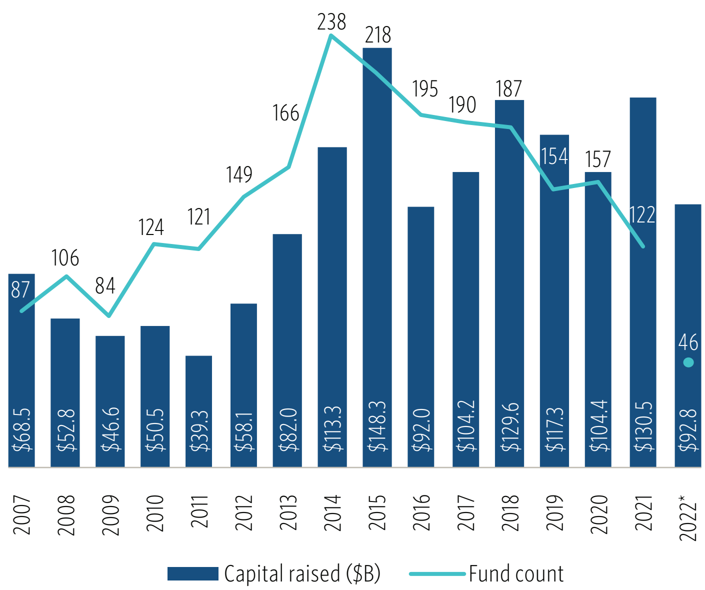
Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Anikka Villegas
Analyst, Fund Strategies & Sustainable Investing

Real assets hit its fifth consecutive quarter of rolling 12-month fundraising increases in Q2 2022. In the quarter alone, it garnered a very respectable $44.2 billion across 19 funds. Although Q2 is down $4.4 billion from Q1, 2022 is shaping up to overtake not only 2021's fundraising totals, but potentially historical annual totals going back to 2008. This is driven not by the number of funds raised, but by their tremendous sizes. In H1 2022, the asset class has already raised more capital for funds in the $5 billion-plus size bucket than in any other full year.

In terms of top funds closed in Q2 2022, two $15.0 billion infrastructure funds led the pack. The first was ISQ Global Infrastructure Fund III, a US-based value-added fund raised by I Squared Capital, working to "expand equitable access to sustainable and resilient infrastructure" globally.[6] The second was Brookfield Global Transition Fund, a Canada-based opportunistic fund, and the largest private fund ever raised with the aim of supporting the transition to a net-zero carbon economy.[7]

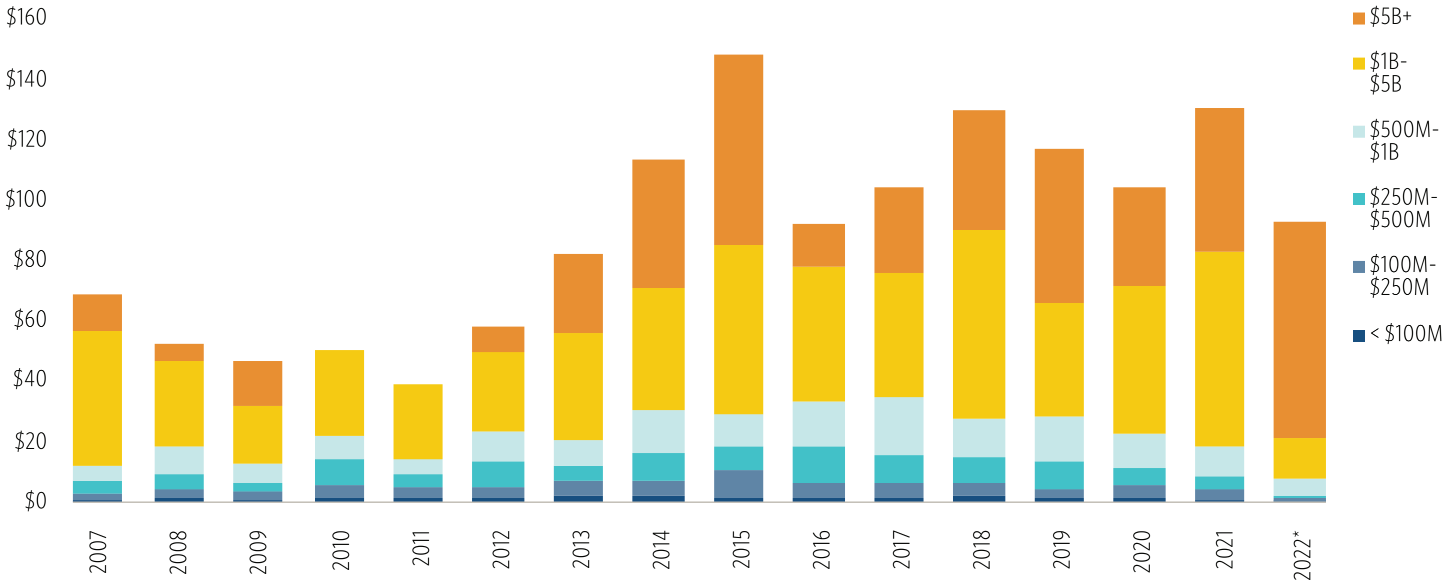
Real assets fundraising activity



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

6: "I Squared Capital Closes Its Largest Global Infrastructure Fund to Date at $15 Billion," *Business Wire*, April 7, 2022.
7: "Brookfield Raises Record $15 Billion for Inaugural Global Transition Fund," Brookfield, June 22, 2022.

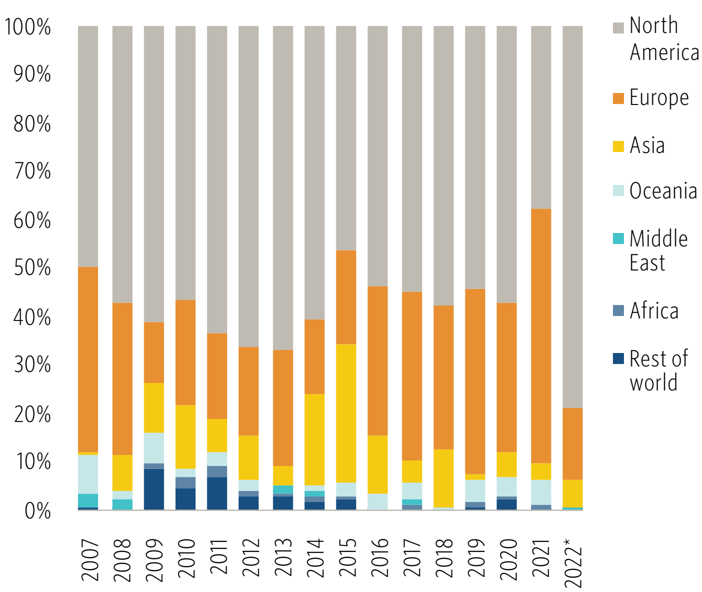
Share of real assets capital raised by size bucket



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

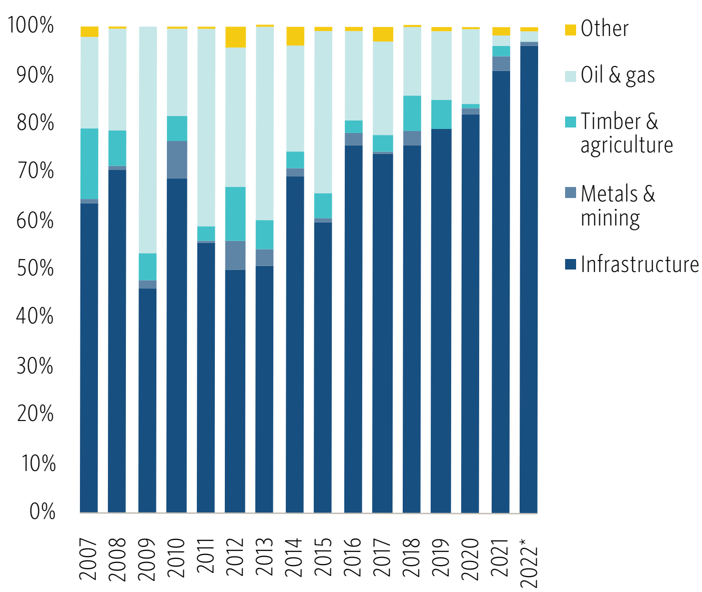
One might expect that real assets fundraising in H1 2022 was driven by energy and energy-related infrastructure needs in Europe due to the war in Ukraine; however, given how long it takes funds to form and get to a final close, it is still too soon to see the full magnitude of the war's effects reflected in fundraising data. North America represented 78.9% of real assets capital raised compared to 37.6% in 2021, while Europe's share was only 14.9%, down from 52.9% in 2021. In addition, 96.2% of real assets capital was raised by infrastructure funds in H1 2022, with only 2.1% going to oil & gas. Ultimately, with a potential recession on the horizon, rising interest rates, and uncomfortable levels of inflation, infrastructure's steadfast performance during macroeconomic turmoil, as proven during the pandemic, is driving fundraising. In addition, the November 2021 approval of the Bipartisan Infrastructure Law in the US may have drawn commitments to the space.

Share of real assets capital raised by region



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

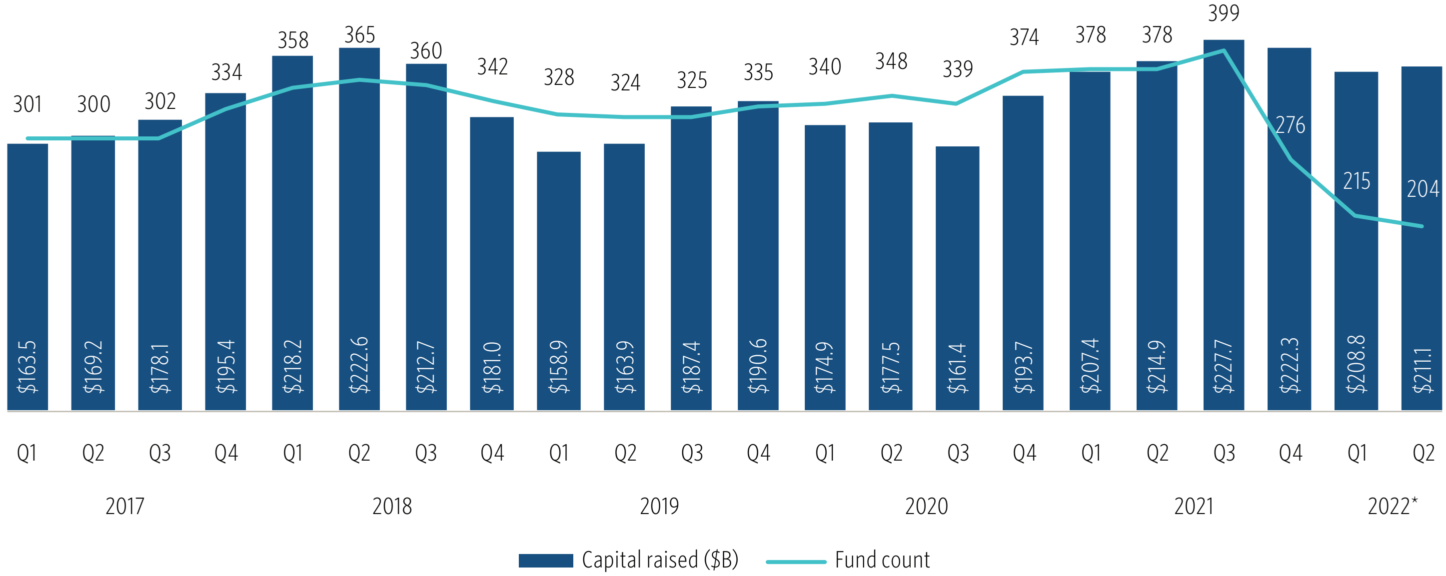
Share of real assets capital raised by type



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Private debt

Rolling 12-month private debt fundraising activity



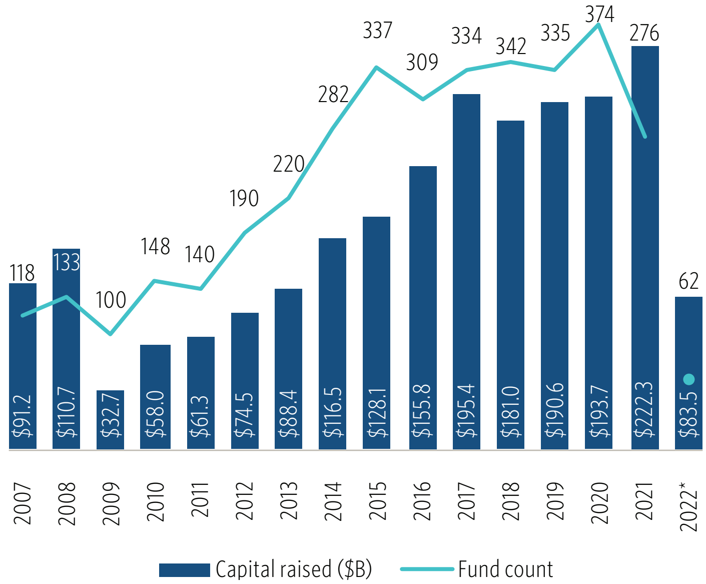
Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Kyle Walters
Associate Analyst, Private Equity

Private debt fundraising slowed in H1 2022, consistent with the broader market selloff and deteriorating macroeconomic outlook. Over the last 12 months, however, fundraising has been near all-time highs, reflecting investors' sustained demand for a strategy that can offer some protection against rising rates in the form of floating rate loans. This uptick in fundraising comes as robust PE borrowing for leveraged buyouts starts to decline as rising interest rates force buyout firms to decrease leverage on new transactions.

The record levels of deal flow and valuations across the private capital landscape in 2021 meant that private debt funds were making larger, more frequent capital calls. As a result, dry powder has dropped to its lowest level in the last four years—$425.1 billion as of June 30, 2022—and years of cash on hand has dropped to its lowest level since 2010.[8] We expect that the lack of capital availability will drive some of the larger managers to return to the market with new funds later this year. Although, the cloudy macro-outlook adds uncertainty, especially if LP portfolios remain in bear market territory and exits remain stagnant in H2, leaving less capital to be funneled back into new funds.

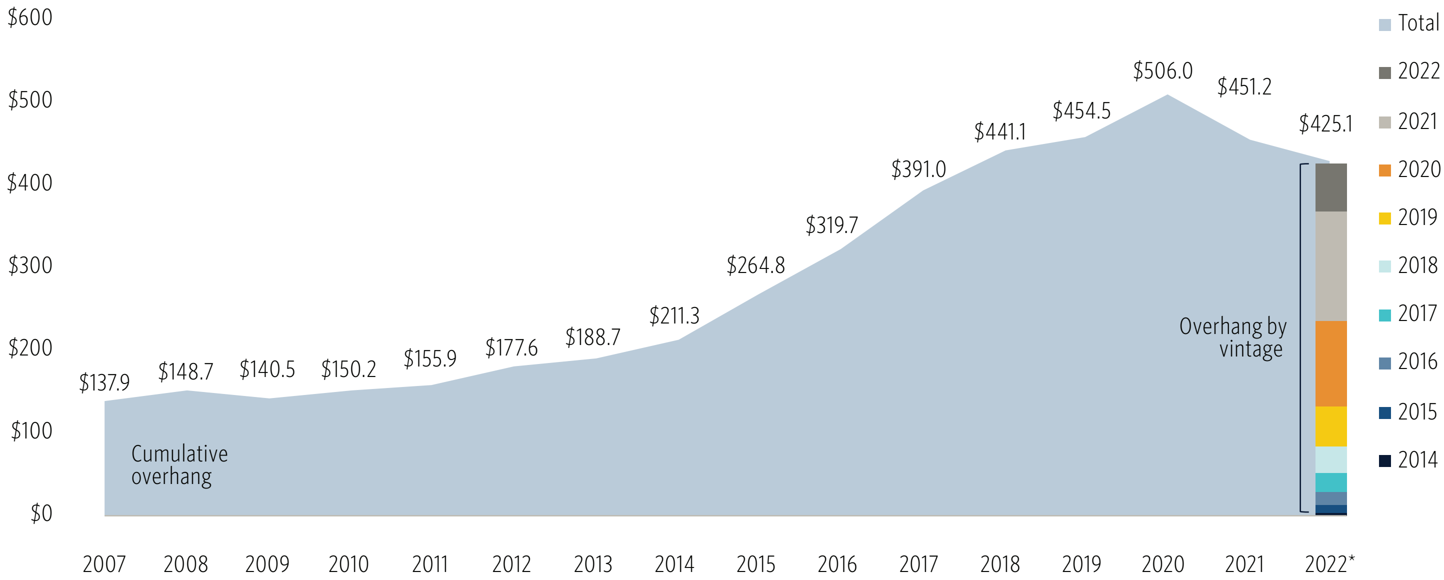
Private debt fundraising activity



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

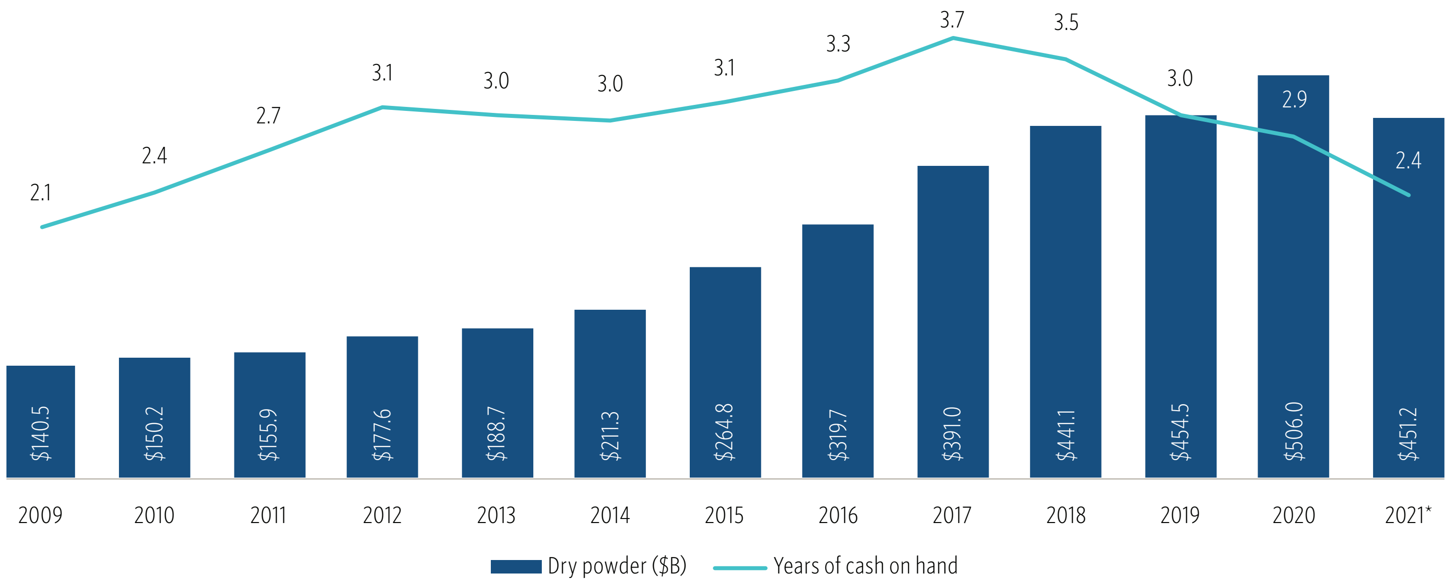
8: Note: This data is as of December 31, 2021, and calculated as end of year dry powder divided by contributions during the year.

Private debt overhang ($B)



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

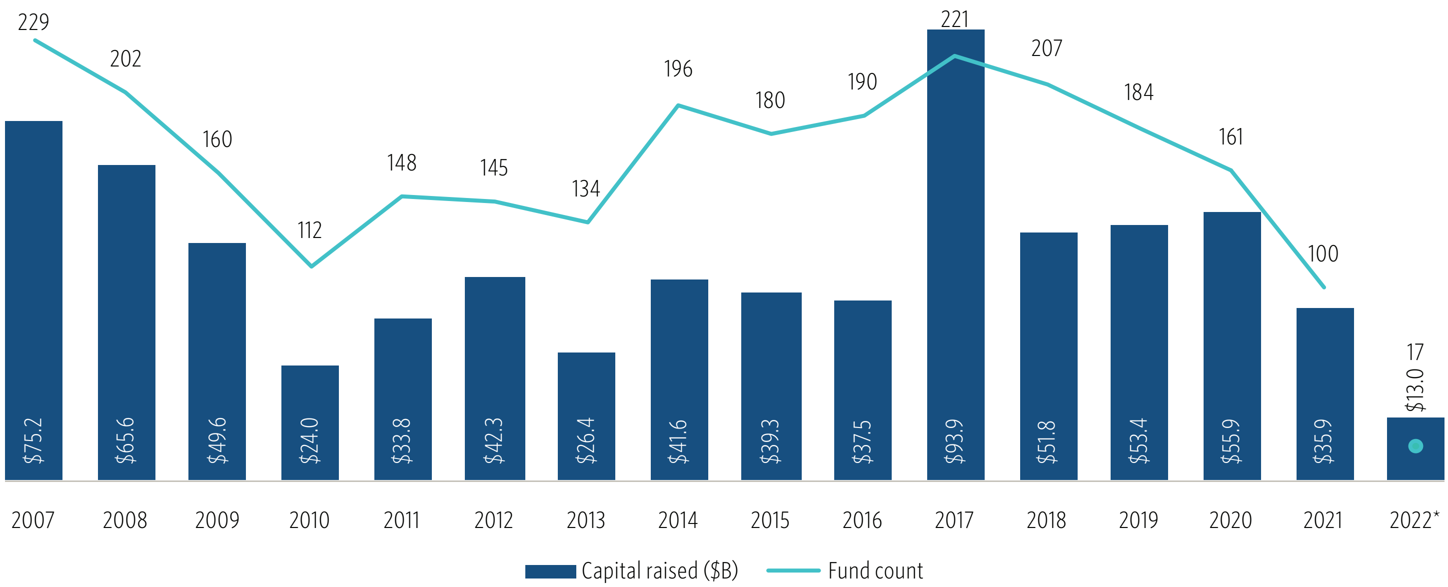
Years of cash on hand for private debt funds



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Funds of funds

FoF fundraising activity



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Hilary Wiek, CFA, CAIA
Lead Analyst, Fund Strategies & Sustainable Investing

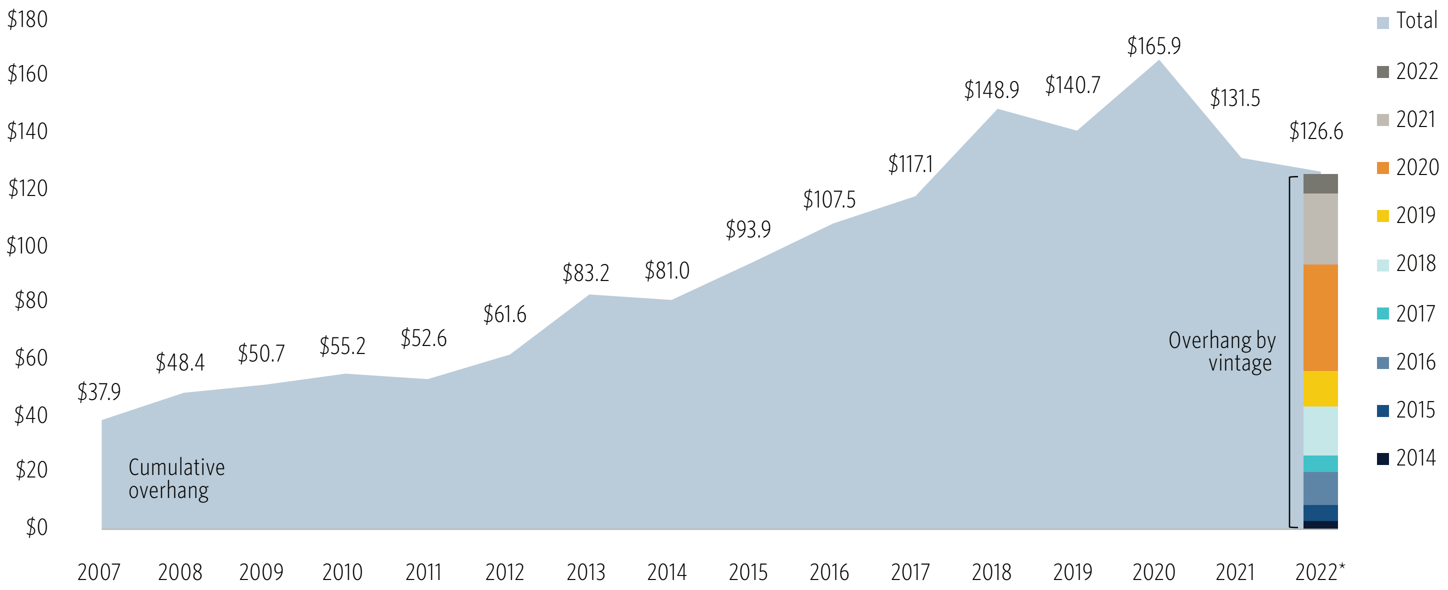
Despite impressive net of fee returns compared to private capital overall,[9] FoF continue to struggle to gain ground when it comes to closing on capital. From the 2017 high of $93.9 billion raised for 221 funds, 2021 only saw 100 funds close on $35.9 billion. Based on H1 2022 figures, the year will likely outshine 2021, but for some time the appetite has not grown for this access point into private markets. One trend that could change that, however, is the expansion of products designed for retail investors to gain exposure to the private markets, something they have largely been excluded from because their assets were not enough to meet minimums or construct a diversified portfolio. With industry players keen to access trillions of dollars of untapped retail assets,[10] it is likely that diversified offerings will be the route many retail investors take, which could lead to more FoF products and growth for those that already have a track record.

The 2022 FoF data is still sparse, as we have only captured 17 fund closings thus far. Each of these were either PE-only or general FoF. Specialist funds have been present in each calendar year up through 2021, particularly VC-only and a small but consistent number of real assets funds, but none have been recorded yet in 2022. The largest FoF from Q2 was LGT Capital Partners' $1.6 billion Crown Asia-Pacific Private Equity V, which closed on 1.7x more capital than its predecessor fund. Currently open are two FoF targeting over $1 billion: EnTrustPermal Special Opportunities Master Fund IV and Mesirow Financial Private Equity Partnership Fund VIII.

9: For more on private market fund performance, please reference our Global Fund Performance Report (as of Q4 2021 with Preliminary Q1 2022 Data).
10: Note: An SEC presentation deck indicates that by 2025, there will be $106 trillion in global individual investable assets, less than 5% of which will be allocated to alternatives.

Secondaries

Secondaries dry powder ($B)



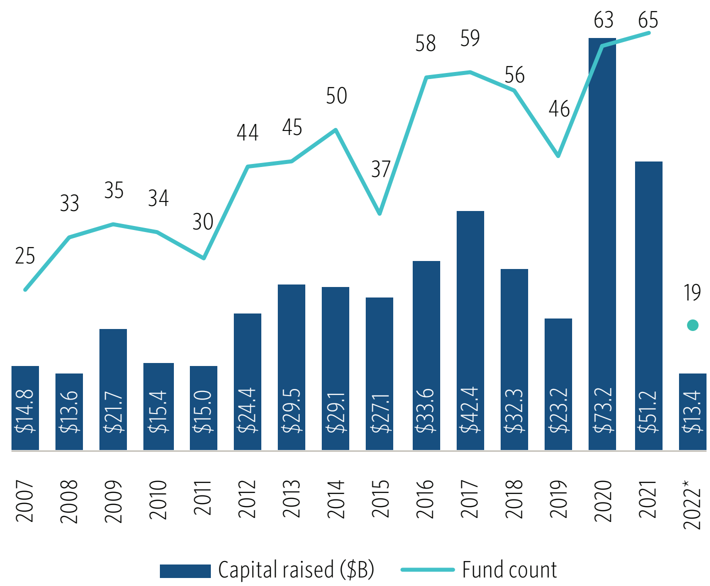
Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Hilary Wiek, CFA, CAIA
Lead Analyst, Fund Strategies & Sustainable Investing

Secondaries fundraising remains at levels far off the 2020 record as the big players who closed on funds in 2020 are still putting their capital to work and have not yet closed on their next fund. Case in point is Ardian, whose mammoth Fund VIII closed in May 2020 with $19.0 billion in commitments but returned to market in early 2022 with a new fund targeting $15 billion. Through H1 2022, the year does not appear to be on pace to match even the 2021 figure, which, while well off from the 2020 figure, was the second-most raised for secondaries in a calendar year. Secondaries funds are apparently not finding it difficult to deploy their capital, given that dry powder has been shrinking and net cash flows have moved even further to the negative overall.

The share of secondaries capital raised in North America compared to the rest of the world has also been on a downward slide. In 2020, 78.8% of commitments went to North American funds; that shrank to 51.7% in 2021, and thus far in 2022, the figure is only at 33.2%. In Q2, half of the secondaries funds closed were from Europe, but 75.5% of the capital raised went to the region, with the difference largely attributable to the $5 billion ICG Strategic Equity Fund IV being over three times larger than the next largest fund, ECP Continuation Fund from Energy

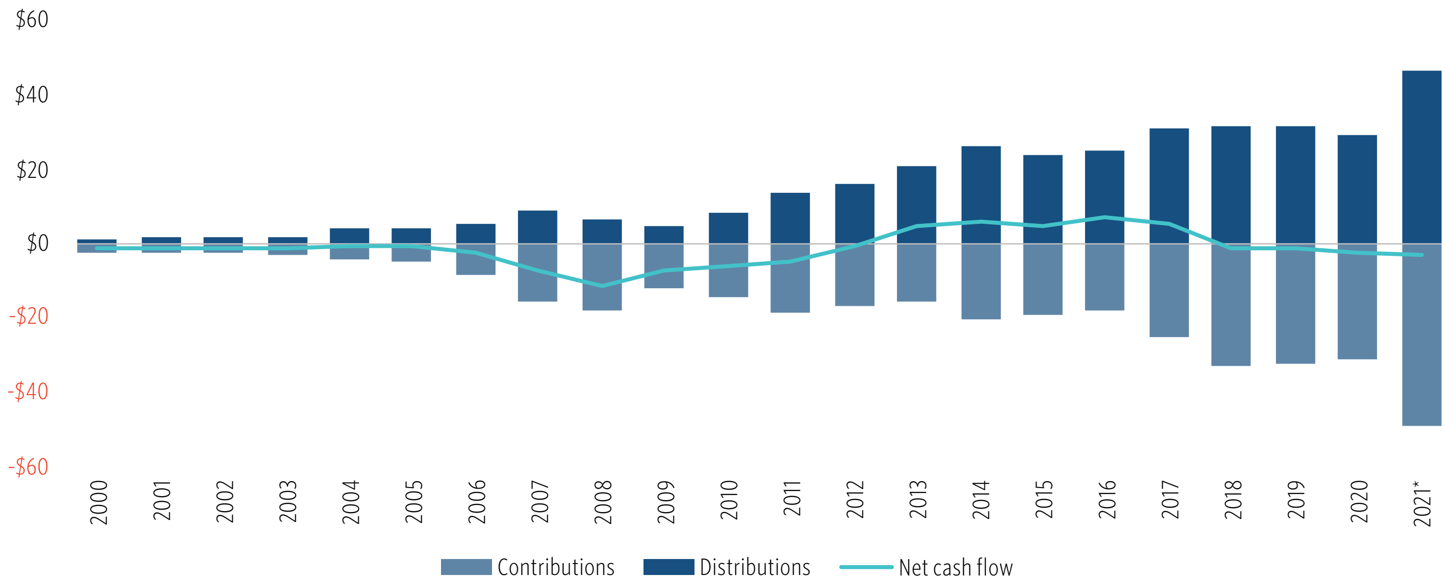
Secondaries fundraising activity



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

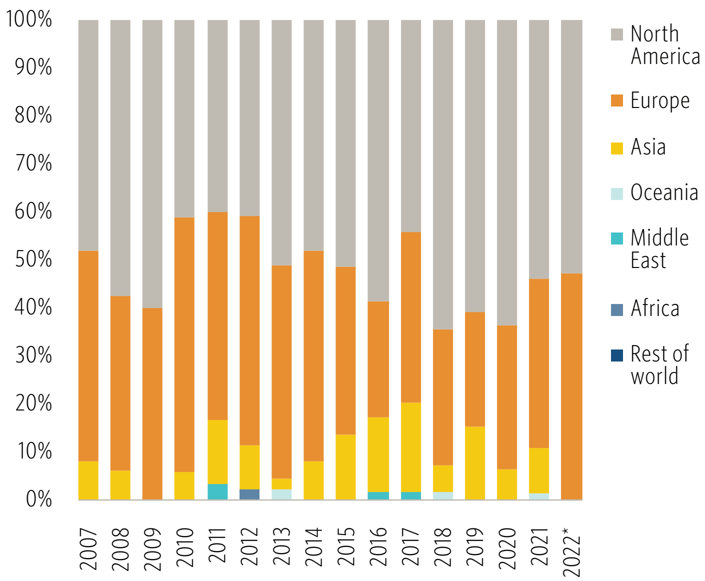
Capital Partners. Canadian-based Whitehorse Liquidity Partners V announced in March that it was seeking $5 to $6 billion, which could swing the regional share back toward North America, should it hold its final close in 2022.

Secondaries cash flows ($B)



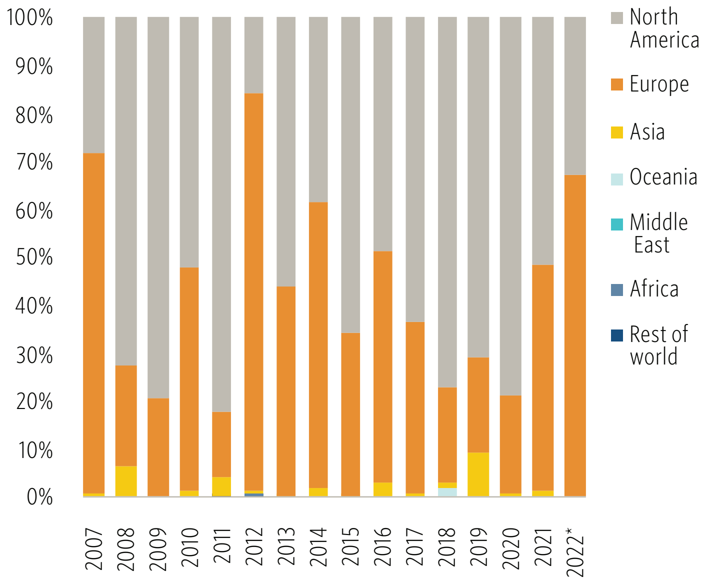
Source: PitchBook | **Geography:** Global
*As of December 31, 2021

Secondaries fund count by region



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Secondaries funds ($B) by region



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Top funds by size

Top PE funds to close in Q2 2022 by size*

Fund	Size ($M)	Close date (2022)	Step-up	HQ location (US)
Advent International GPE X	$25,000	May 23	1.4x	Boston
KKR North America Fund XIII	$19,000	April 25	1.4x	New York
Green Equity Investors IX	$14,700	April 28	1.2x	Los Angeles
Clearlake Capital Partners VII	$14,125	May 18	2.0x	Santa Monica
TPG Rise Climate	$7,258	April 27	N/A	Fort Worth

Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Top VC funds to close in Q2 2022 by size*

Fund	Size ($M)	Close date (2022)	Step-up	HQ location
a16z crypto IV	$4,500	May 25	2.0x	Menlo Park, US
Accel Leaders IV	$4,000	June 21	1.7x	Palo Alto, US
ARCH Venture Fund XII	$2,975	June 29	1.5x	Chicago, US
Sequoia Capital India - SEA Fund	$2,850	June 14	N/A	Bengaluru, India
Bond Capital Fund III	$2,500	April 1	1.3x	San Francisco, US

Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Top real estate funds to close in Q2 2022 by size*

Fund	Size ($M)	Close date (2022)	Step-up	HQ location
West Street Real Estate Investment Partners	$3,500	April 27	N/A	New York, US
Breakthrough Life Science Property Fund	$3,000	April 29	N/A	Los Angeles, US
BC Partners European Real Estate I	$1,316	June 7	N/A	London, UK
Phoenix Real Estate Fund X	$715	May 26	2.5x	Dallas, US
Actis Asia Real Estate 2	$700	April 6	1.2x	Singapore, Singapore

Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Top real assets funds to close in Q2 2022 by size*

Fund	Size ($M)	Close date (2022)	Step-up	HQ location
ISQ Global Infrastructure Fund III	$15,000	April 7	2.1x	Miami, US
Brookfield Global Transition Fund	$15,000	June 22	N/A	Toronto, Canada
ASF VIII Infrastructure	$5,250	April 22	3.1x	Paris, France
Macquarie Asia-Pacific Infrastructure Fund 3	$4,200	May 31	1.3x	Singapore, Singapore
Tiger Infrastructure Partners Fund III	$1,250	April 25	4.1x	New York, US

Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Top private debt funds to close in Q2 2022 by size*

Fund	Size ($M)	Close date (2022)	Step-up	HQ location (US)
Monroe Capital Private Credit Fund IV	$4,800	April 27	3.6x	Chicago
Apollo Hybrid Value Fund II	$4,600	April 4	1.4x	New York
Carlyle Credit Opportunities Fund II	$4,600	April 6	1.9x	Washington DC
Thoma Bravo Credit Fund II	$3,300	April 5	4.4x	Chicago
AG Credit Solutions Fund II	$3,100	May 24	1.7x	New York

Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Top FoF to close in Q2 2022 by size*

Fund	Size ($M)	Close date (2022)	Step-up	HQ location
Crown Asia-Pacific Private Equity V	$1,650	June 23	1.7x	Pfaeffikon, Switzerland
Pacific Street Fund V	$880	June 27	1.1x	Chicago, US
SwanCap Opportunities Fund V	$458	April 21	1.4x	Luxembourg, Luxembourg
Capital Dynamics Future Essentials II	$315	May 5	1.3x	Zug, Switzerland
RCP SBO Fund III	$202	May 16	1.6x	Dallas, US

Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Top secondaries funds to close in Q2 2022 by size*

Fund	Size ($M)	Close date (2022)	Step-up	HQ location
ICG Strategic Equity Fund IV	$5,000	June 23	2.1x	London, UK
ECP Continuation Fund	$1,600	June 24	N/A	Summit, US
Ufenau Continuation III	$613	April 26	N/A	Schwyz, Switzerland
Israel Secondary Fund III	$312	June 13	3.1x	Herzliya Pituach, Israel
Cipio Partners Fund VIII	$222	April 14	1.2x	Munich, Germany

Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Additional research

Private capital

Global Fund Performance Report as of Q4 2021 with Preliminary Q1 2022 Data

Download the report here

PitchBook Benchmarks as of Q4 2021 with Preliminary Q1 2022 Data

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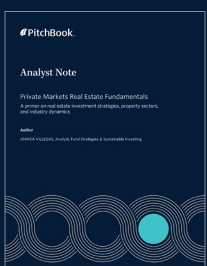

Analyst Note: Private Markets Real Estate Fundamentals

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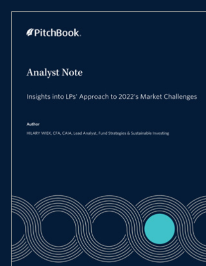

Analyst Note: Insights into LPs' Approach to 2022's Market Challenges

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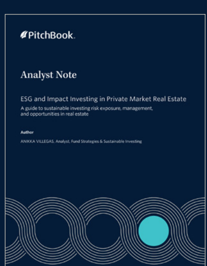

Analyst Note: ESG and Impact Investing in Private Market Real Estate

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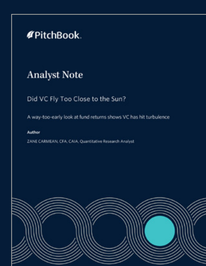

Analyst Note: Did VC Fly Too Close to the Sun?

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