PitchBook

Q1 2023

GLOBAL

Private Market Fundraising Report

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Contents

YoY fundraising changes by strategy (trailing four quarters)

Strategy	Capital raised ($B)	YoY change
Private equity	$455.0	-15.8%
Venture capital	$202.0	-38.4%
Real estate	$92.3	-42.0%
Real assets	$62.8	-63.9%
Debt	$197.0	-21.9%
Fund of funds	$19.9	-50.6%
Secondaries	$62.4	39.6%
Private capital	$1,091.4	-29.1%

Source: PitchBook • **Geography:** Global
*As of March 31, 2023

The accompanying Excel file contains additional charts and all underlying data for this report. Download the XLS summary here.

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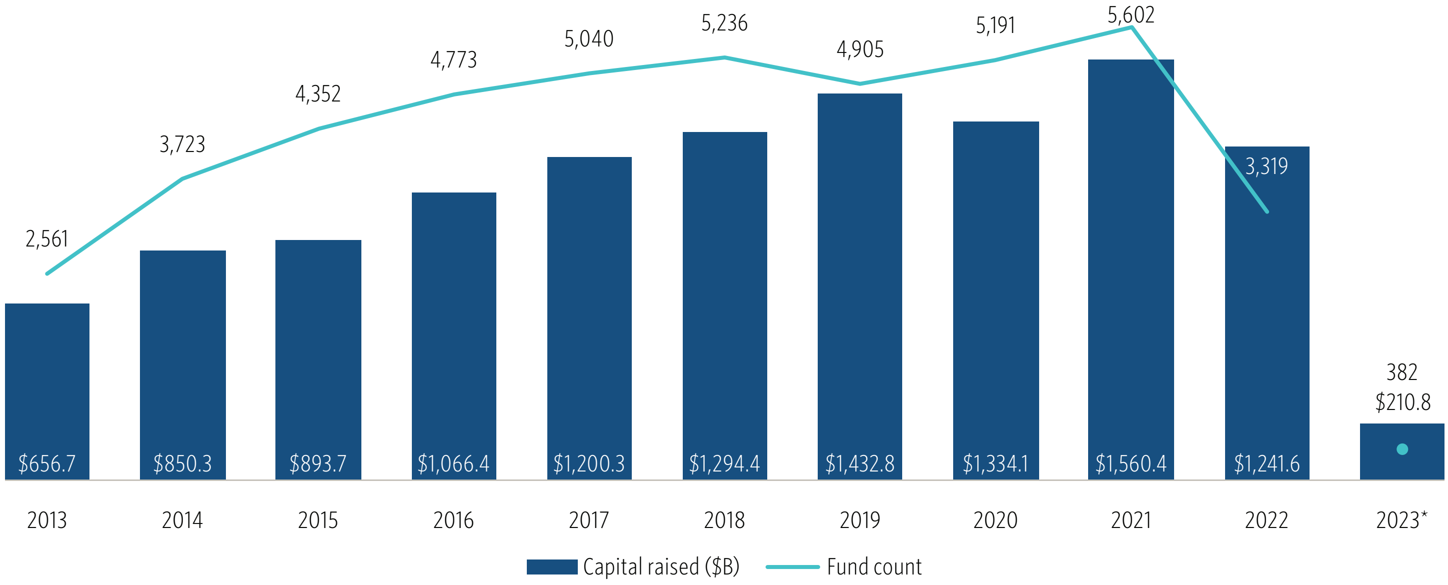
Click here for PitchBook's private market glossary.
Click here for PitchBook's report methodologies.

Overview

Private capital fundraising activity



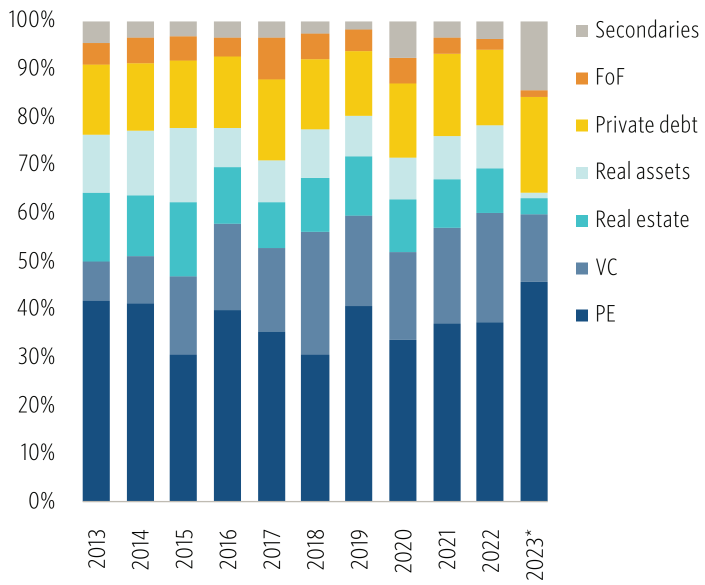
Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Hilary Wiek, CFA, CAIA
Senior Strategist

While it's still early yet, it does not seem risky to predict that 2023 is unlikely to set any private capital fundraising records. 2022 was $318.8 billion off the 2021 high, and 2023 is tracking well behind where 2022 was at this time last year, both in terms of the number of funds and the capital amount raised. In this report's spotlight and an upcoming note, we'll look closer at how bad the fundraising environment is compared to history, using our data to support or refute the anecdotal claims.

From 2013 to 2018, funds larger than $1 billion took in roughly 60% of capital commitments each year, but the norm appears to have shifted up to a range circling 65% since then. This does combine all strategies globally, so with $1 billion-plus funds becoming somewhat normal in PE—93 closed in 2022—and increasingly popular in VC—a record 52 closed in 2022—this could be seen as a metric suffering from inflation. The definition of mega PE funds used to be $1 billion-plus, but now we define them as $5 billion-plus. Larger deals keep closing, necessitating bigger funds to write the checks. Though, that may be a fallacious causality, as bigger funds might very well be leading to larger deals getting done.

Share of private capital raised by type



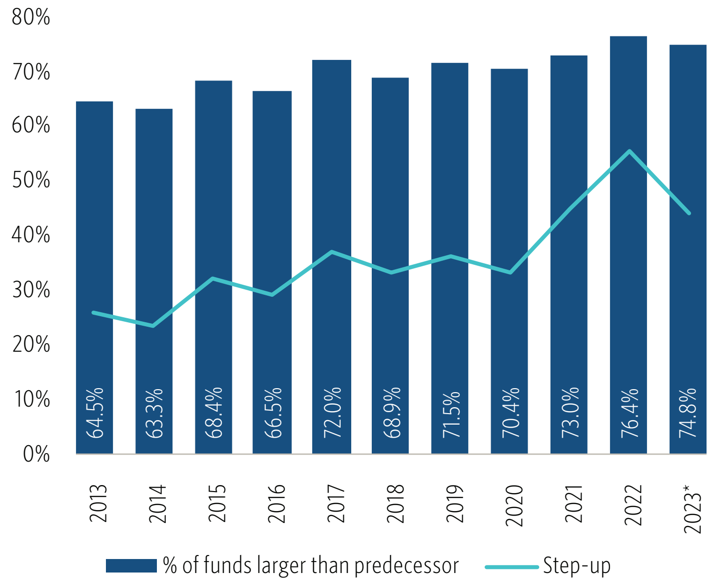
Source: PitchBook • **Geography:** Global
*As of March 31, 2023

One interesting recent reversal has been in how much funds have grown from one fund to their successors. 74.8% of the funds raised in Q1 2023 were larger than their prior fund—a little off the 2022 zenith of 76.4%, but the overall step-up figure has come down significantly. In 2022, the median step-up was 55.6%, but this year it is slightly below 2021's 44.8% at 43.8%. Each of these three years was still higher than any other years recorded, although it appears that the long-term steep growth in successor fund sizes may have finally hit a ceiling with the slowing fundraising environment. This could be laudatory for returns on these vintages if more discipline is introduced in deal pricing and deal selection because there is less dry powder to chase available deals. Add to this the deep decline in LBO financing availability, and private market participants are likely to be choosier across the board in terms of deal selection.

Capital raised for funds in Asia has seen a precipitous drop since its high point in 2018. That year, Asia collected 31.3% of all global commitments, but that share had fallen to just 11.2% in 2022 and only 8.2% thus far in 2023. Europe has represented a pretty consistent low 20s in share of global capital raised over time, though 2022 and 2023 saw that floor breached with only a 16.2% and 17.5% share, respectively, likely due to the uncertainty caused by the war in Ukraine and the economic impacts on the region.

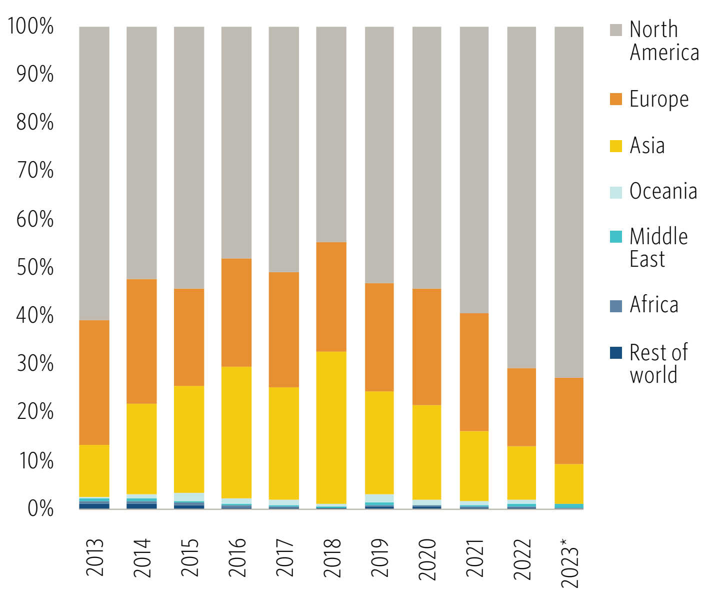
Secondaries pulled in a greater percent of capital raised in Q1 2023, but that was largely due to two funds from Blackstone closing on a combined $24.9 billion in January. VC has been on a decline in terms of share of total capital raised since 2018, when it reached a record 25.6%. In 2023 thus far, VC has only received 14.0% of the commitments we've recorded. That said, these figures will shift upward as more closings are identified and added to the data.

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



Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Share of private capital raised by region



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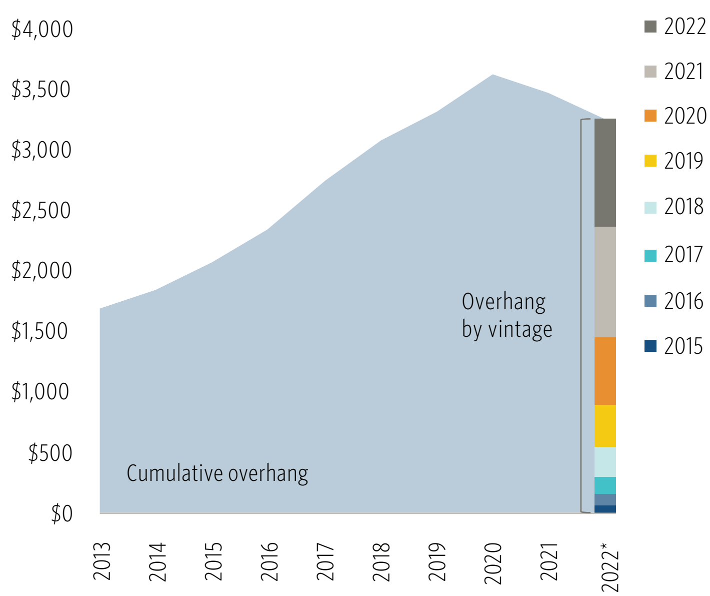
Private capital dry powder ($B) by vintage



Source: PitchBook • **Geography:** Global
*As of September 30, 2022

A WORD FROM RSM

Building credibility and resilience in an uncertain market

Establishing strong back-office processes, implementing technology, and connecting with fund administrators are three ways managers can attract PE investors in a difficult market

Heightened uncertainty around global financial markets due to rising interest rates, inflationary pressures, valuations, and a challenging labor environment has created instability for private equity GPs, leading them to take a more cautious approach to deals. In 2022, the real estate market saw a contraction and a concentration of equity placed across fewer funds.

According to data from PitchBook, $460.2 billion was raised across just 597 funds. While that $460.2 billion represents the fourth-highest year of PE capital commitments on record, it also marked the lowest number of funds to have received investment since 2012, suggesting that a smaller number of funds accounted for a larger share of the total capital raised.

This trend has led to middle-market private equity fund managers feeling intense pressure to try and get a piece of the pie. Getting ahead of the competition requires meeting ever-increasing demands for data and transparency, which calls for firms to embrace digitalization.

The need for specialized investor services also continues to grow and often includes tax and structuring advice, complex accounting and waterfall analysis, valuation support, business strategy development, and forecasting, among other deliverables. Fortunately, recent shifts in the fund services space and technological advancements have made it possible for middle-market managers to create an institutional-grade environment for LPs.

Employing strategies to better deliver on deadlines and provide peace of mind to LPs will help smaller funds to thrive in today's uncertain market.

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Partner
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Troy Merkel is the Consulting Leader and Senior Analyst in the real estate industry for RSM US LLP in the firm's Boston office. As a member of RSM's cutting-edge industry eminence program, he advises clients on market policy and technology trends that have an impact on the real estate industry.

Building credibility with a premier back office

Established and emerging managers must show they can execute without distraction, which starts by answering questions weighing heavily on investors' minds: Who does the fund rely on to perform critical functions? Is the fund able to deliver complete, accurate, timely, and quality reporting? Does the fund work with reputable third parties? Finally, can the fund deliver real-time portfolio insights?

Finding and retaining the right people to handle critical back-office functions is a constant challenge, and it can delay fundraising efforts or hamper responsiveness to investor needs. To help fill talent gaps, outsourcing has become an increasingly desirable option.

Based on RSM's research, approximately half of middle-market PE firms use a third-party fund administration solution, including most emerging funds. Given today's heightened requirements around transparency and compliance, it is highly unusual for an emerging fund to be self-administered.

Relying on a third-party administrator helps fund managers deliver timely and thorough reporting to investors with greater levels of control, quality, and consistency.[1] In the event of an audit, having financials reviewed by a third party with a reputation for accuracy will help instill confidence. Conversely, a self-administered fund could raise red flags to investors, auditors, and regulatory bodies during due diligence.

The importance of brand recognition and reputation cannot be underestimated in helping to build credibility with investors, especially for emerging fund managers. Outsourcing to a credible third party also ensures bench strength to show that a fund can execute and get investors what they need when they need it.

Embracing digital transformation

Just as self-administering back-office functions pose risks and inefficiencies, so does attempting to maintain legacy fund administration processes.

Managers who fail to keep up with innovation are destined to be left behind. Investing in automation is the path forward. Funds that lag in technology adoption will face mounting pressure to deliver real-time performance metrics and increased transparency to investors. Funds must digitalize to be able to compete in a world accustomed to instant access to information.

It will soon be unheard of to wait 45 days post-quarter to receive fund data and insights; in the future, it will take seconds. Fund managers need to highlight their ability to deliver instant data to support investor demands, which is why many are shifting their focus to automation solutions and moving away from traditional spreadsheets. Operational complexities can be simplified with the right digital tools and processes in place.

For many funds, it is a build-or-buy decision; however, it is critical to recognize that technology is not a one-time investment but a continuous and evolving transformation journey.

Onboarding and utilizing technology platforms require significant technical expertise as well as financial and human capital resources. As fees compress and costs increase, managers must manage every dollar, and IT maintenance is a major consideration.

Ideally, a service provider will have cross-functional teams consisting of IT and business professionals to offer a truly integrated investor experience.

In today's cautious environment, investors also want to see independent third-party insights into activities, such as valuations for complex investments. When a reputable third party is involved in every aspect of reporting—whether it is tax information, traditional books and records, or valuations—it helps build trust and credibility with investors, allowing funds to stand out from other investment options. Having a sophisticated technology stack can also improve a fund's security posture and make it easier to fundraise.

Enhancing the fund's ability to grow

The ability to grow and maintain resilience in today's market means fund managers need to demonstrate that they can execute without distraction.

For established and emerging funds, a manager's core responsibility is successfully driving investment performance—and much of that success now depends on the ability to provide operational excellence and an ever-growing list of services and solutions to meet investors' demands.

To keep up with LP demands, many funds have forged strategic partnerships with multiple service providers, which raises important considerations. While one company may be great to work with on an individual basis, it doesn't mean it can effectively collaborate with other providers, which only complicates a manager's responsibilities around vendor management.

If a manager is unable to perform effective vendor oversight, it could lead to increased risk and decreased efficiency. In the event that a vendor relationship doesn't work out, the last thing a fund manager wants is to have to find a replacement, go through the due-diligence process again, and explain their decisions to investors and, potentially, regulators.

One solution to this challenge is the consolidation of fund administrators through increased M&A activity, which has led to a rise in specialty fund services providers. In addition to handling foundational fund administration functions, many of these consolidated providers are offering supplemental services such as valuation; environmental, social, and governance advisory; and IT management.

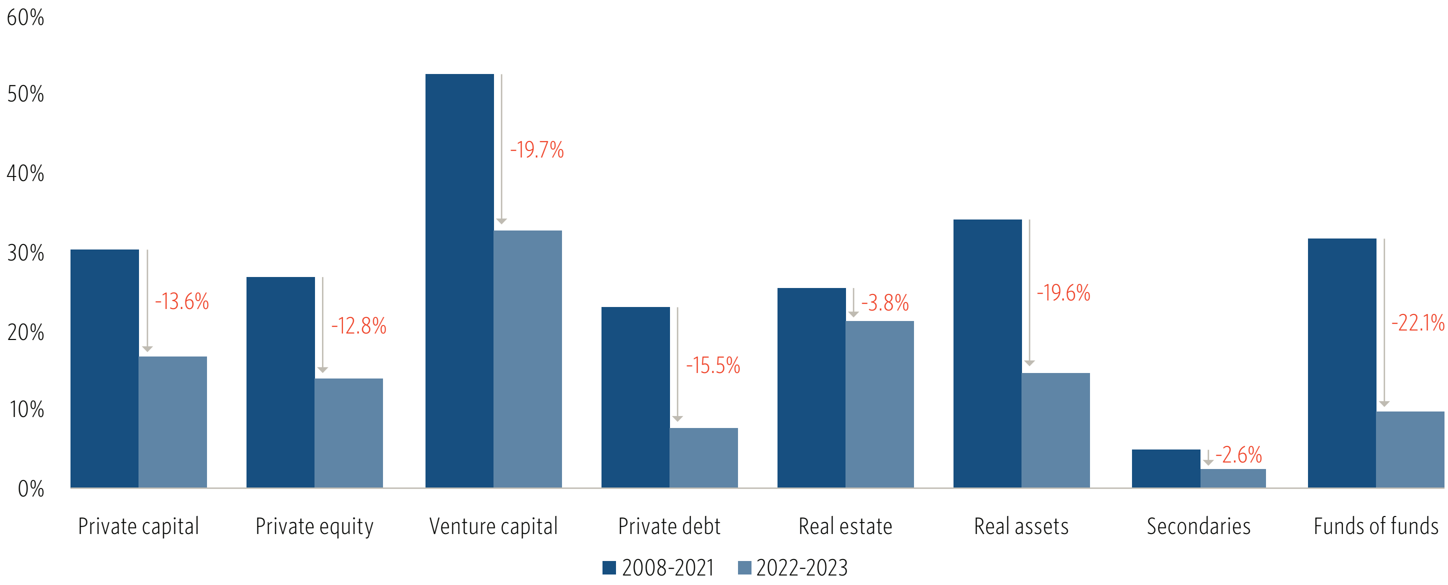
Fund managers should look for a service provider that can scale to support growth without lag. Even better, an advisor should also be credible across multiple disciplines, be able to provide insight into every direction of the market, and help navigate proposed regulations, including environmental, social, and governance reporting.

1: "How Next-Gen Fund Administration Services Elevate Operations: 6 Capabilities of Best-in-Class Fund Services," RSM, January 30, 2023.

SPOTLIGHT

How tough is the fundraising environment actually?

Share of capital raised by emerging managers by strategy and period



Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Hilary Wiek, CFA, CAIA
Senior Strategist

In conversations with GPs, the mood around fundraising has been melancholic, even amongst established fund managers. By mid-2022, some LPs were saying that they had made the bulk of the year's commitments already because existing GPs were coming back to market faster and with larger funds than expected. For other LPs, they were following a languid pace of commitments due to the drop in public markets triggering the denominator effect, leading LPs to pull back on commitments to ensure they didn't become too overallocated to private markets. Emerging managers,[1] in particular, have claimed to suffer as a result of these trends, but in reality, they always have a tough time without a history of prior fund performance to support their pitch.[2]

To determine if the recent period has been vastly different from history, we decided to segment all funds raised into two buckets—recent (2022 and Q1 2023) and historical (2008 through 2021)—and then further separate out emerging manager funds. In addition, we broke out the total private capital totals across the seven strategies we typically profile in this report.[3]

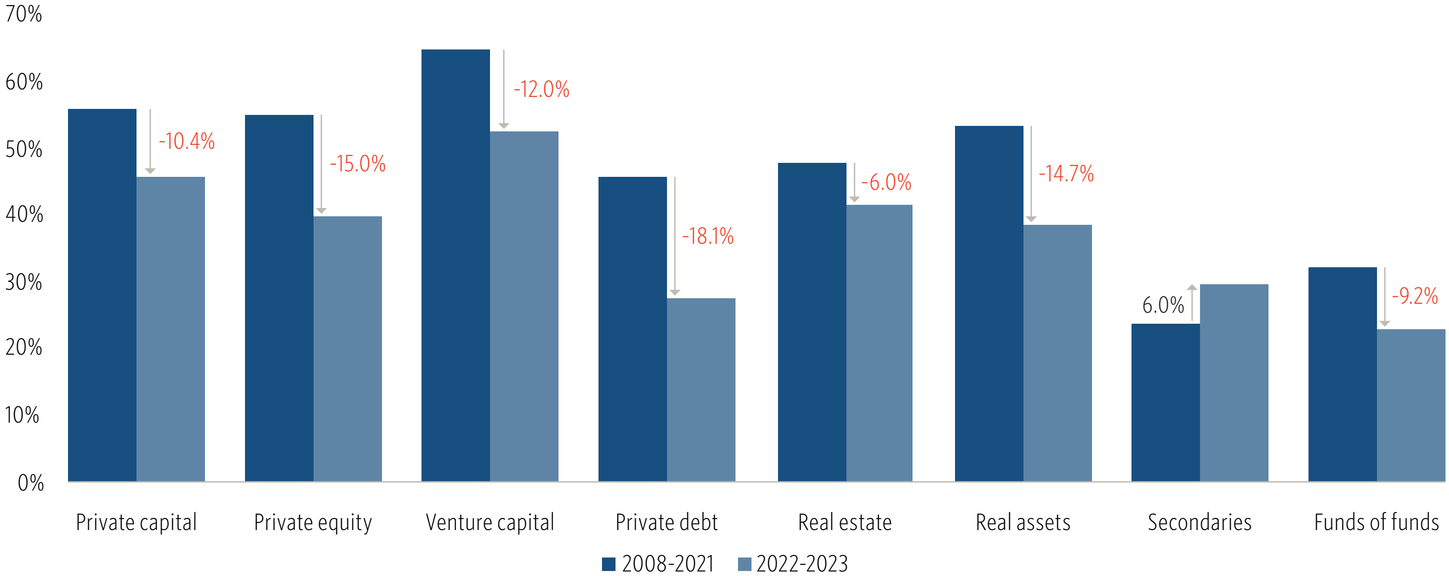
In the historical period, 30.5% of the assets raised went to emerging fund managers. This did vary quite widely across strategies, as over half of VC fundraising went to emerging

1: We define emerging managers as asset managers who have raised three or fewer funds firmwide.
2: For GPs looking for thoughts on how to better hone their pitch, refer to PitchBook's Guide to Your Pitch.
3: One major caveat is that given that this is private market data, the smaller and newer a manager, the less likely their fund information is easily discoverable through the press or other methods in a timely fashion. In fact, our fundraising data for 2022 will be markedly higher a year from now. This is particularly true for fund managers that are still flying well below the radar. For this reason, we allowed the "recent" timeframe to be longer than some might hope to see when discerning market trends.

managers, while only 5.0% of secondaries fundraising did so. In the last five quarters, however, only 16.9% of capital commitments went to emerging fund managers, though emerging VC and real estate did better, and private debt, secondaries, and funds of funds (FoF) did more poorly than private capital funds overall.

By number of funds raised, emerging managers have typically represented more than half of all private capital funds closed in any given period. In the last five quarters, however, it appears that emerging fund managers have dropped below that 50% share. Emerging VC is holding up that figure with a slightly higher than half share of funds raised, but emerging PE and real assets funds—which have historically represented

Share of funds raised by emerging managers by strategy and period



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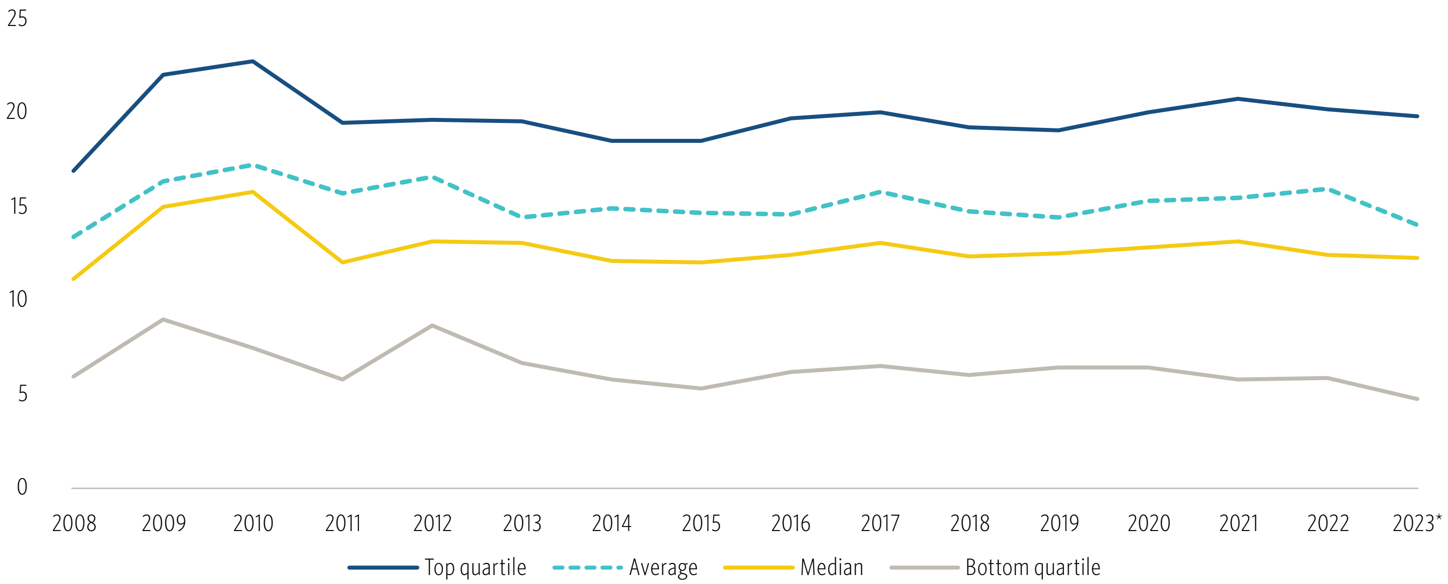
Range of private capital fund time (months) to close



Source: PitchBook • **Geography:** Global
*As of March 31, 2023

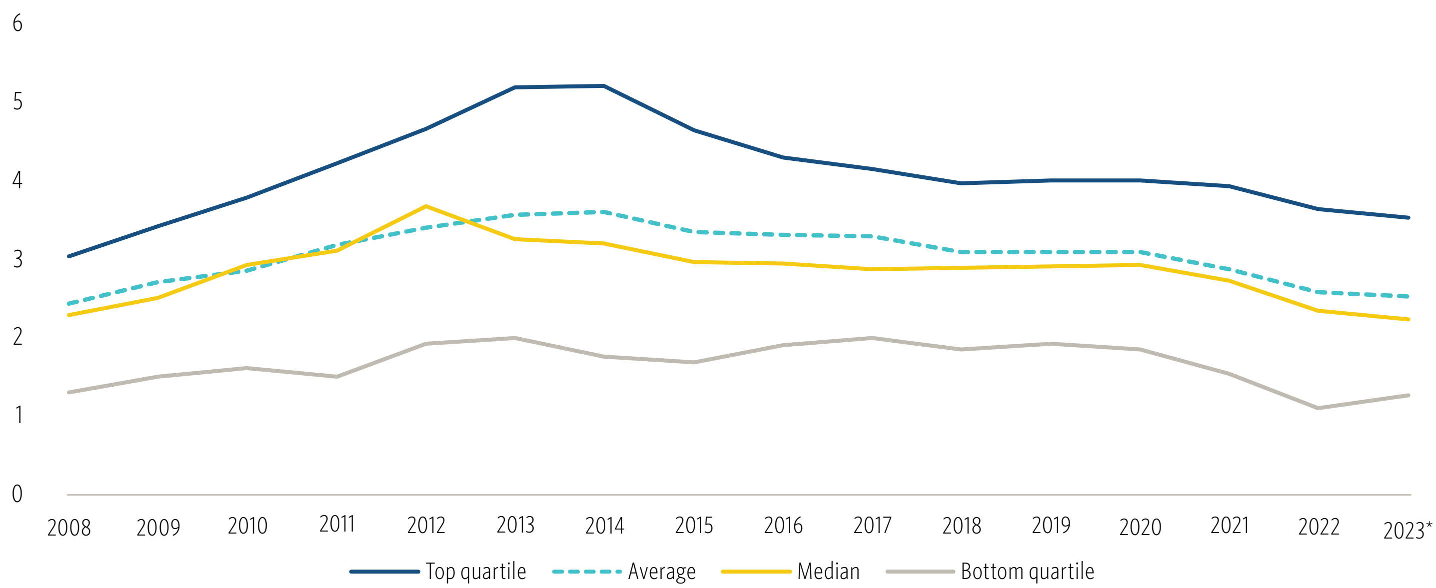
over half of the funds raised in those strategies—fell below 50% recently. Interestingly, by number of funds raised, emerging secondaries funds actually gained share recently. But private equity and private debt, fund strategies that are deeply interrelated, saw the largest drops in the share of emerging manager funds raised. Private debt and private equity are most likely to attract allocators who are newer to the private markets and more likely to select larger, more established fund managers that are perceived to be less risky.

Looking at the data for all private capital, we can see that the median time for a fund to close, in months, has been remarkably stable over time. There was a spike in 2009 as the Global Financial Crisis played out, but looking at the median, the funds that made it to a final close have taken roughly 12 to 13 months to do so. That said, the spread between the managers who were the fastest and slowest to get to a final close has widened.[4] In 2023 through March, the top quartile funds—in terms of longest time to reach a final close—took 19.8 months, while the bottom quartile funds only took 4.6 months, a 15.2 month disparity. In 2019, that spread was only 12.6 months.

When it comes to years between final closings in a fund family, the median has been flat to down for a number of years. The recent median of this statistic across all fund strategies has been 2.2 years, while between 2011 and 2014, the time was greater than three years; so if time between funds is getting longer as anecdotes imply, it will be a return to a longer-term norm rather than an alarming sign of an industry problem. Even in 2020, the figure was at 2.9 years and has continued to drop for those funds that have managed to close. Funds that manage to close provide a downward bias to this statistic, as ones that have an easier time fundraising will show up in the data, while the ones who are struggling may never make it.

In essence, there does appear to be some support for the feelings that fundraising has been difficult recently, but it is hyperbole to state that fundraising has ground to a halt, as hundreds of funds have managed to close on billions of dollars of commitments. LPs do appear to be slowing the pace and are being choosier, however, so funds that might have struggled in easier times are likely wondering if now was really a good time to launch a fund at all.

Range of private capital time (years) to close



Source: PitchBook • **Geography:** Global
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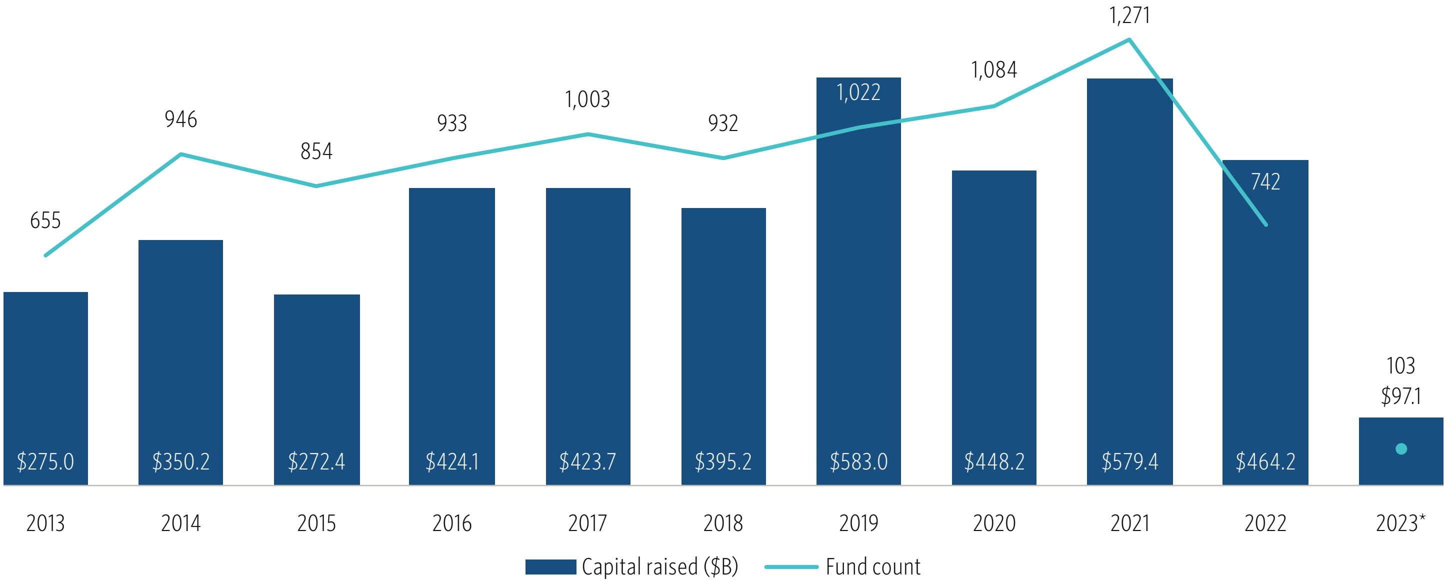
4: An important qualifier, as in this report we are only including funds that had a final close, not ones that have languished in an open state for extended periods of time.

Private equity

PE fundraising activity



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Navina Rajan
Senior Analyst, EMEA Private Capital

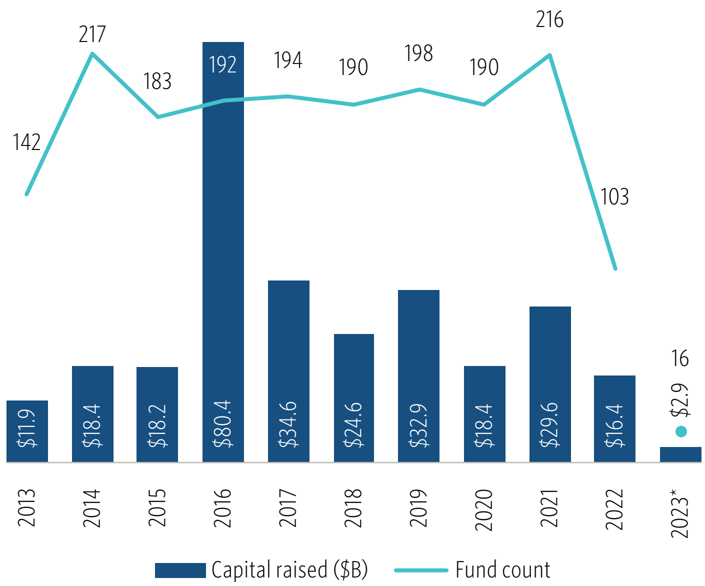
In Q1 2023, 29.9% of fundraising value comprised of megafunds, pacing below 45.5% in 2022. Three vehicles classified as megafunds—over $5 billion in size—closed in the quarter, the largest of which was Permira's VIII flagship buyout fund at $17.8 billion. Overall, fund sizes of $1 billion to $5 billion captured the most capital in the quarter at 55.2%, leading megafunds for the first time since 2020. As LPs are less supportive of raising their commitment amounts in conjunction with ever-expanding fund sizes in the face of denominator effects, we expect capital raised in this category to continue to decline versus history.

First-time funds raised $2.9 billion over 16 funds in Q1 2023, a quarterly run rate that paces below full-year 2022 ($16.4 billion over 103 funds). However, emerging managers raised $14.6 billion, 15.1% of overall fundraising and up from 13.7% in 2022, taking share from experienced firms. No one is immune to the tougher environment, where fundraising for experienced managers amounted to $82.5 billion in Q1 2023, pacing 18% below full-year 2022 (8% below for emerging managers). Amid increasing market uncertainty, we expect LPs to allocate more toward experienced funds with established track records.

North America continues to dominate share of capital, with the region sitting at $68.9 billion in Q1 2023. This quarterly run rate implies a 22% YoY step down on a full-year basis versus $348.1 billion in 2022. On the other hand, quarterly fundraising in Europe came in at $27.4 billion, a run rate which would exceed levels seen in 2022 ($68.1 billion). Whilst this implies Europe is gaining share so far this year, we note the quarterly total was largely dependent upon the Permira fund. As 2023 progresses, regional fundraising trends will fluctuate, meaning it remains to be seen if recovery in Europe exceeds that of the US for the full year.

Of the top 10 funds that closed in the quarter, only one was PE growth. Buyout strategies were the predominant fund type in the quarter, where step-up multiples averaged 1.4x. Median fund size within the top 10 was $4.5 billion, compared with $13.8 billion in 2022. Geographically, only two funds out of the 10 were European, including Permira and Waterland's buyout funds situated in London and the Netherlands, respectively. The geographical split is the same regarding open funds, where two of the top 10 open vehicles sit in London and Sweden. Other large open funds that could add to the already promising totals from Europe are Bridgepoint Europe VII and Apax XI, which may have final closes in 2023.

PE first-time fundraising activity



Source: PitchBook • **Geography:** Global
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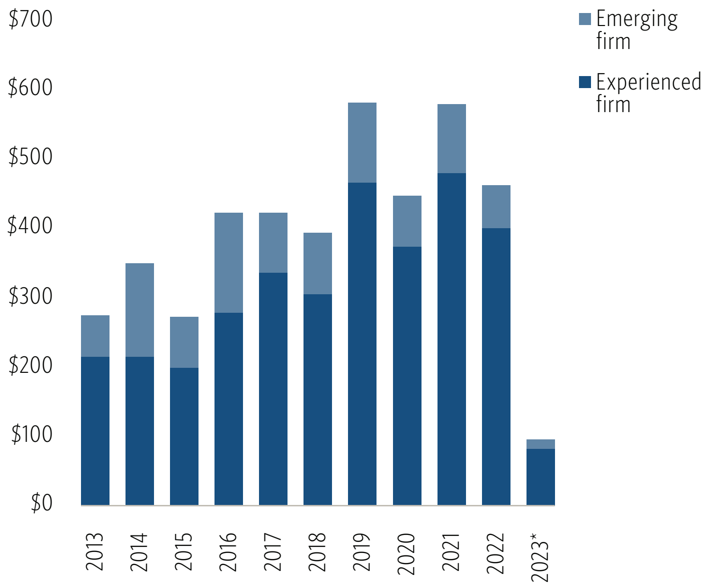
Share of PE capital raised by manager experience



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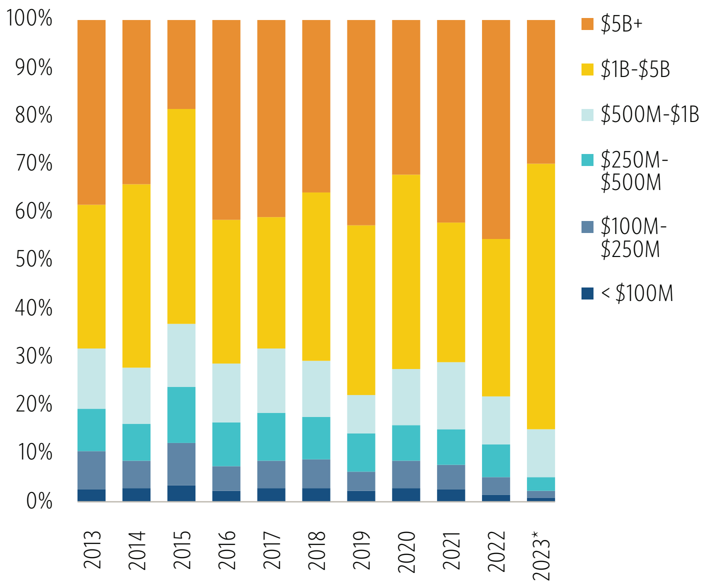
Share of PE capital raised by size bucket



Source: PitchBook • **Geography:** Global
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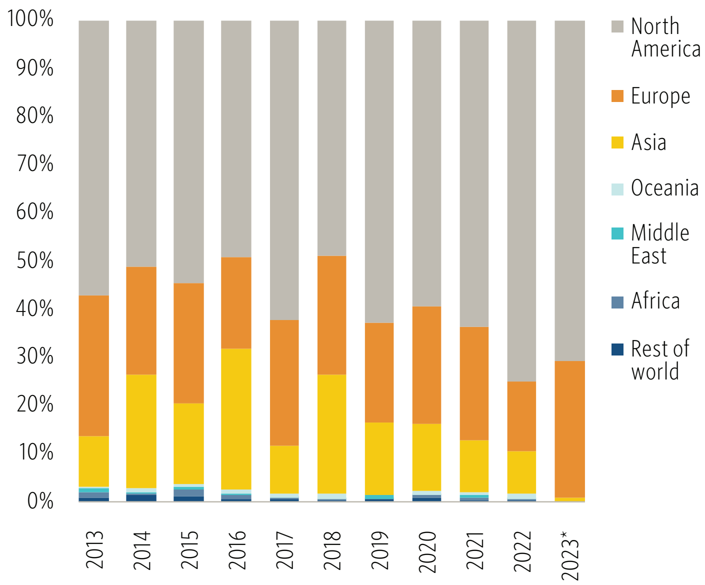
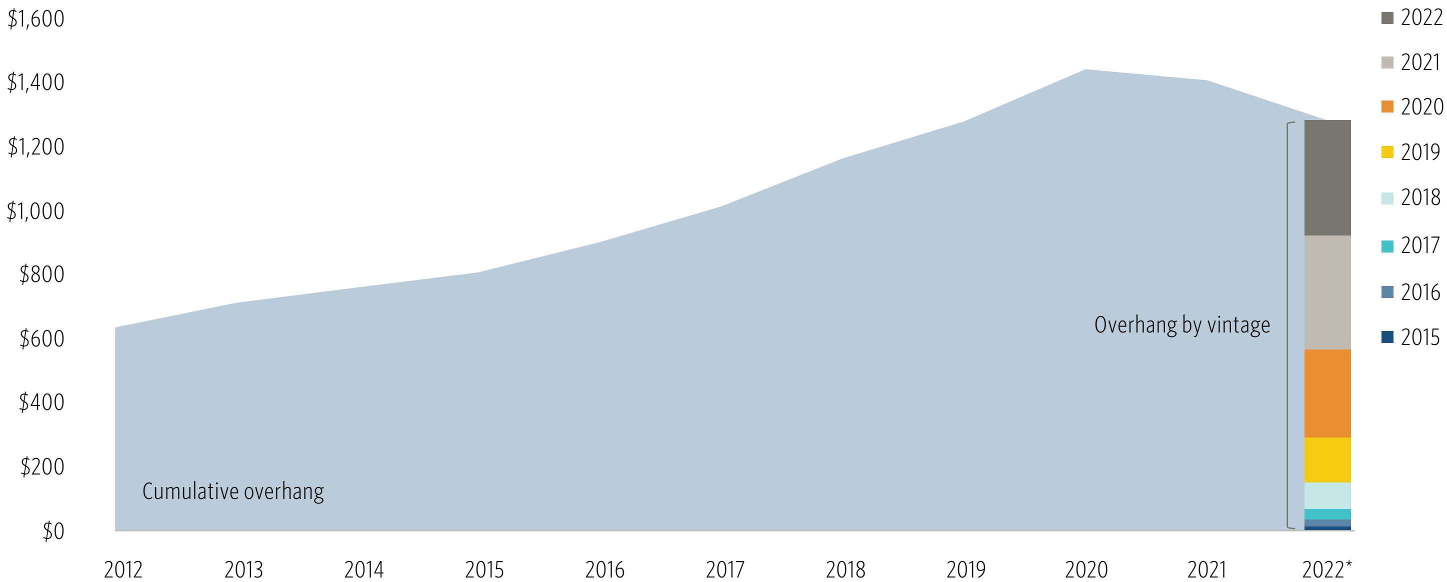
Share of PE capital raised by region



Source: PitchBook • **Geography:** Global
*As of March 31, 2023

PE dry powder ($B) by vintage



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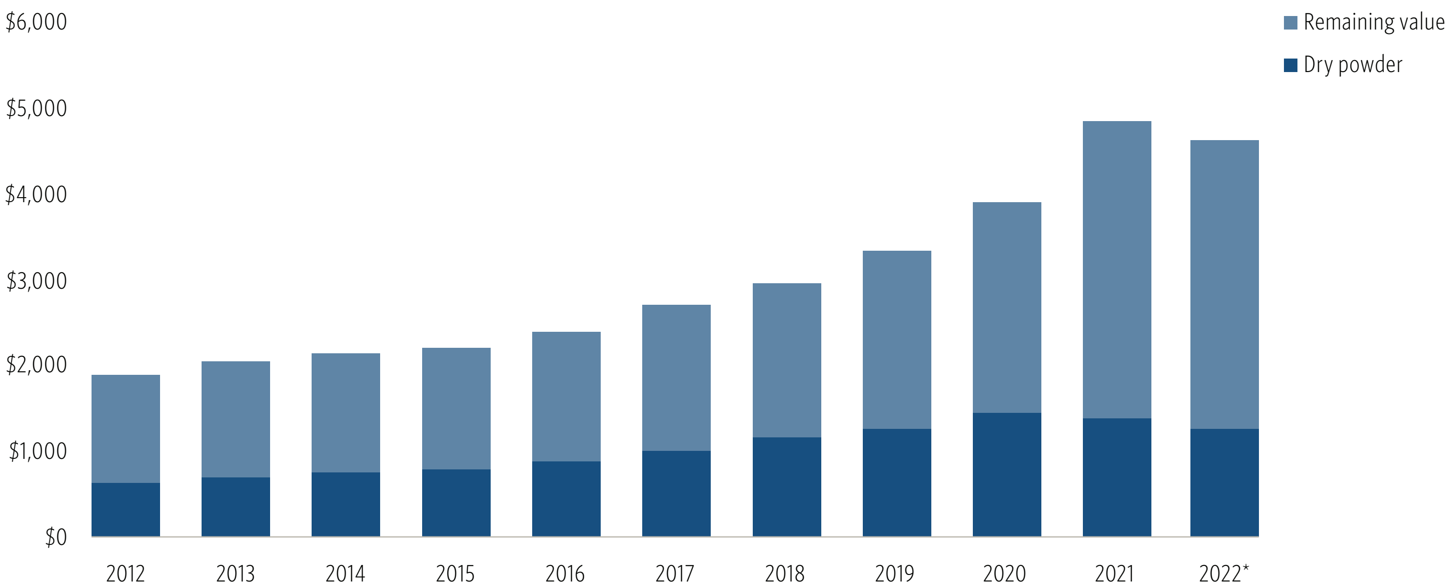
PE AUM ($B)



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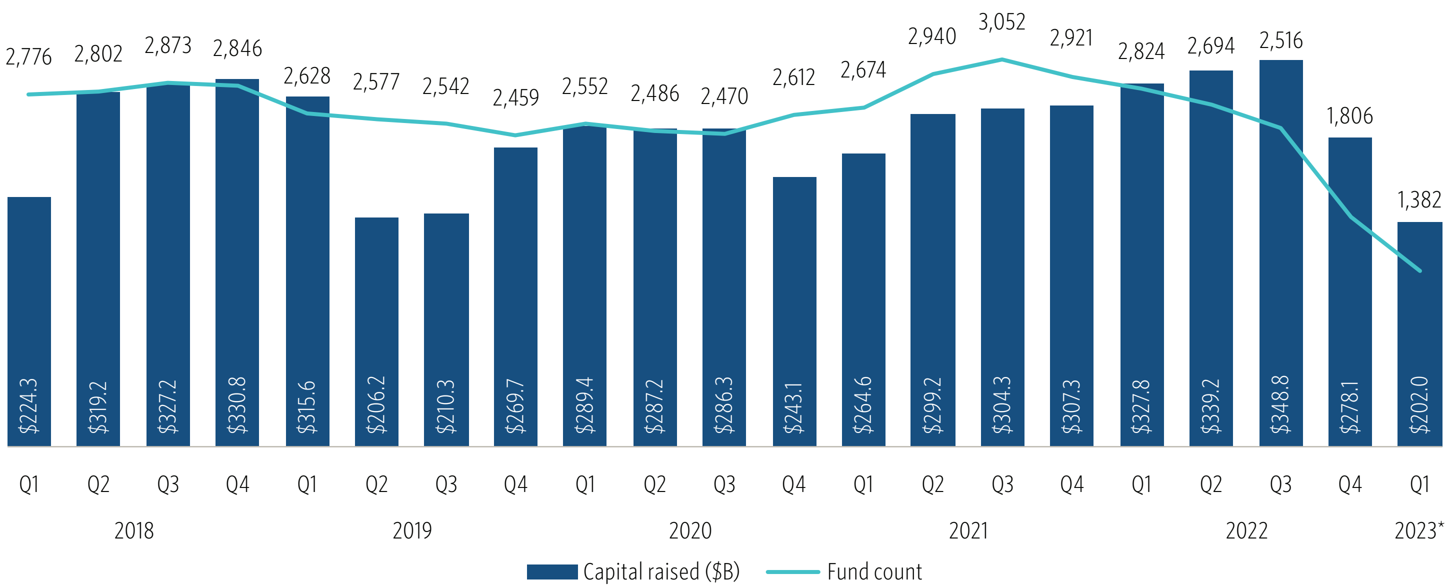
Venture capital

Rolling 12-month VC fundraising activity by quarter



Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Kaidi Gao
Associate Analyst, Venture Capital

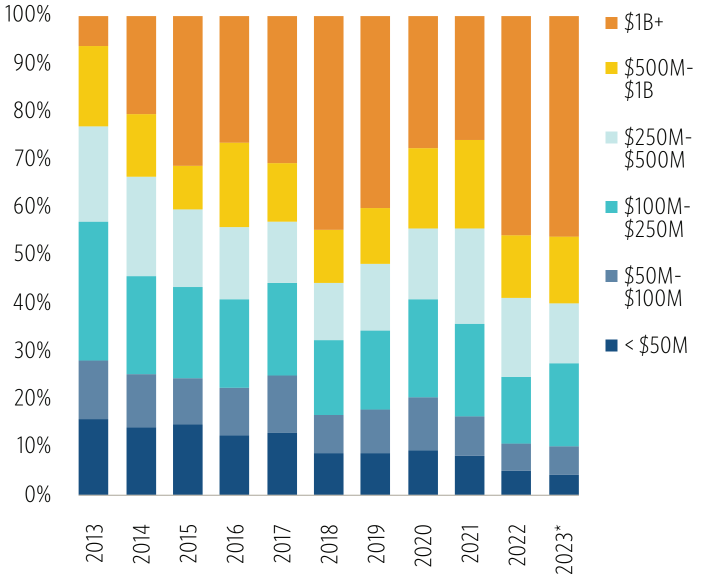
A heightened slowdown has materialized in VC fundraising trends. The trailing 12-month capital raised was nearly as low as 2018 levels, while the respective fund count plummeted to what we saw in late 2014. Venture fundraising activities suffered a knock-on effect from an extremely slow exit environment, as LPs were either unable or unwilling to keep up with the previous fast pace of allocation, given how few paper gains were converted to the cash required for future fund commitments.

Elevated company valuations from financing rounds back in 2021 have been challenged by the continuing malaise of the public markets—both in terms of the inability to realize elevated valuations through IPOs and the need to mark down portfolio holdings in recognition of tougher times. Reportedly, many funds have slowed down the pace of deployment and pushed back the timing of their next fundraise in hopes of seeing the fundraising environment warm up next year.

Quarterly capital raised experienced a dip in Q1 2023, settling at $29.5 billion, representing a 72.0% drop from the first quarter of the previous year. With a combination of diminished distributions and the denominator effect caused by the valuation pullback, LPs exercised caution in capital deployment and favored familiar GPs with long-term and consistent track records.

A few shifts in geographical fundraising patterns stood out in Q1 2023. Venture funds in Asia raised over half of all capital committed to VC funds globally, a major leap from the 2022 yearly figure of 24.0%, which was a low share level not seen since 2009. Among the 10 largest funds closed in Q1, three were domiciled in China and were all related to regional governments or state-owned enterprises. The massive size of those three Chinese funds constituted 68.2% of all funds closed in Asia during the quarter. In tandem, North America secured 53% of the total fund count, speaking to a more robust and diversified fundraising ecosystem.

Share of VC capital raised by size bucket



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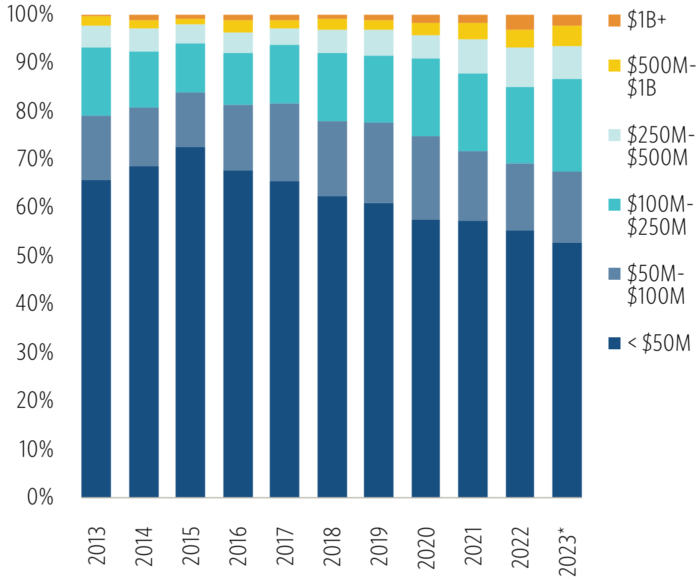
Share of VC fund count by size bucket



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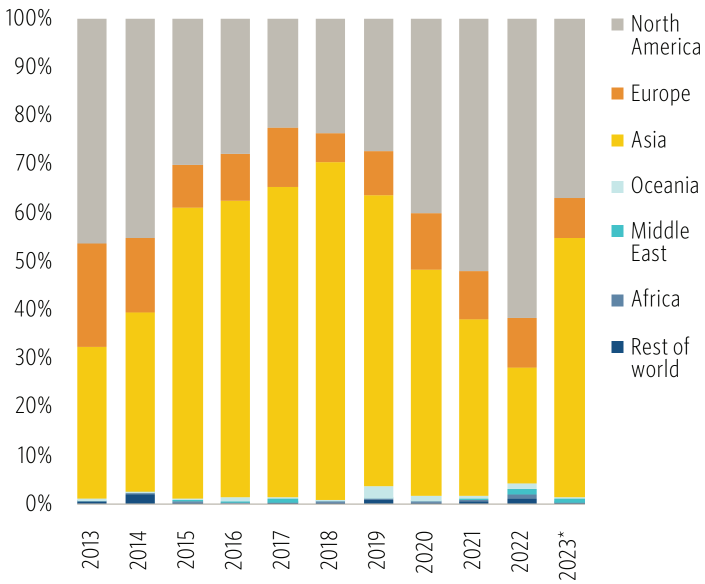
*As of March 31, 2023

Share of VC capital raised by region



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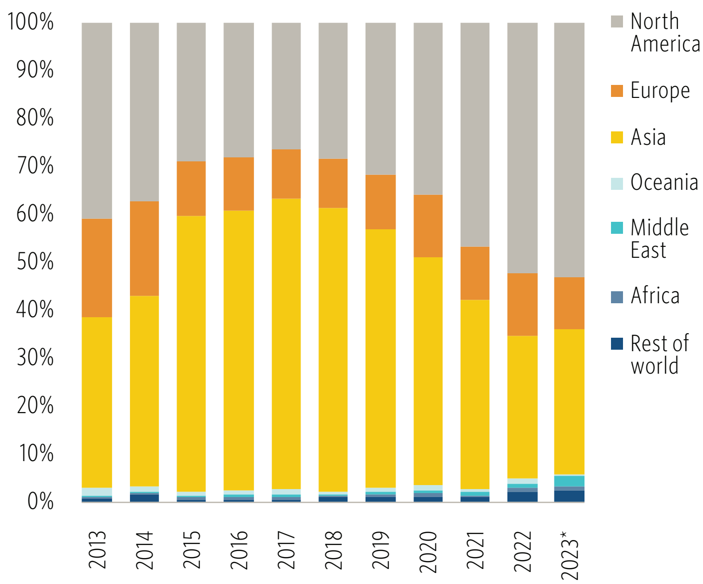

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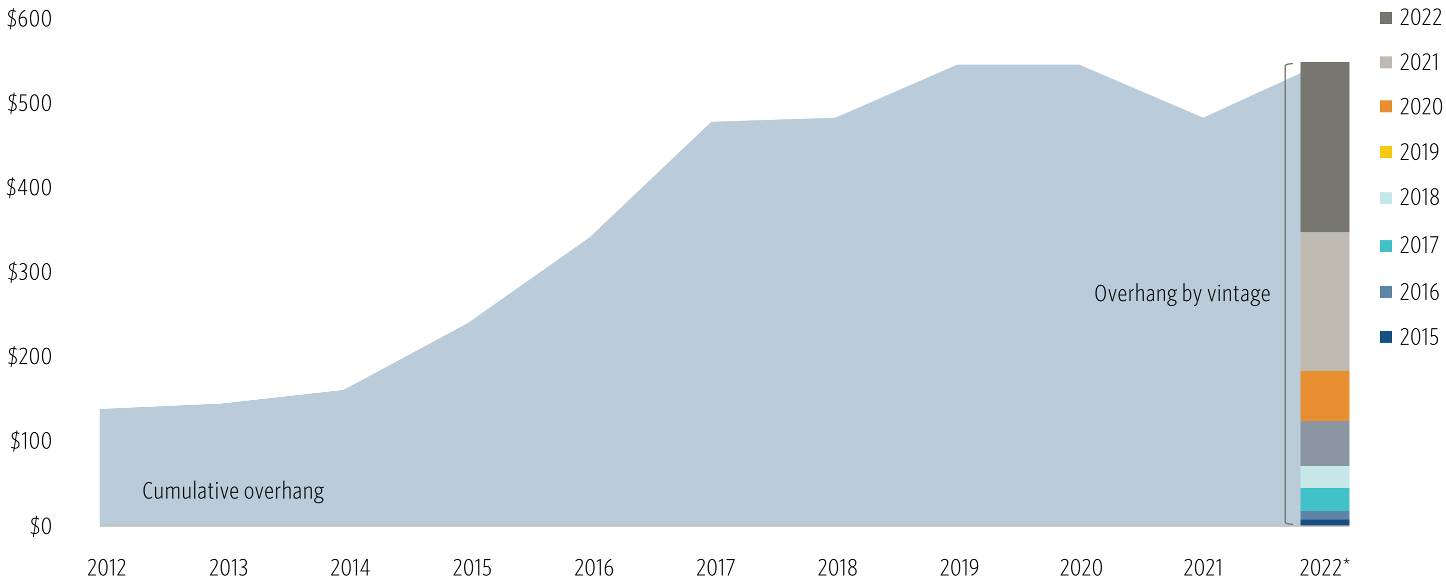
VC dry powder ($B)



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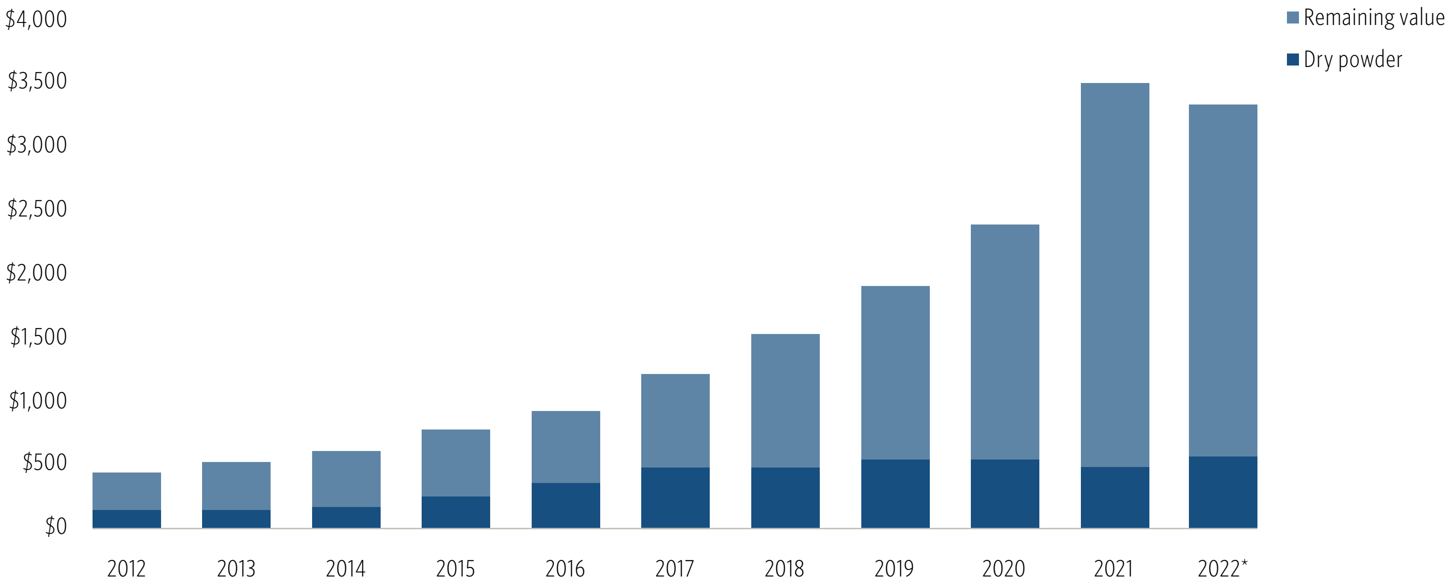
*As of September 30, 2022

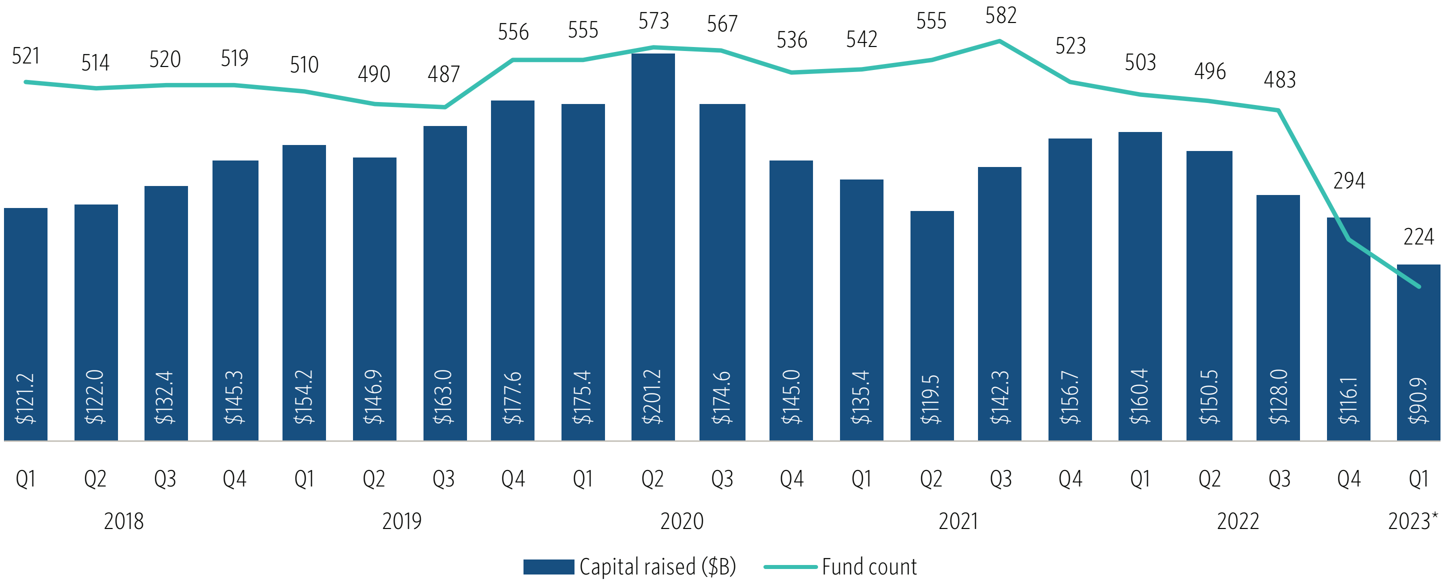
VC AUM by year ($B)



Source: PitchBook • **Geography:** Global
*As of September 30, 2022

Real estate

Rolling 12-month real estate fundraising activity by quarter



Source: PitchBook • **Geography:** Global
*As of March 31, 2023

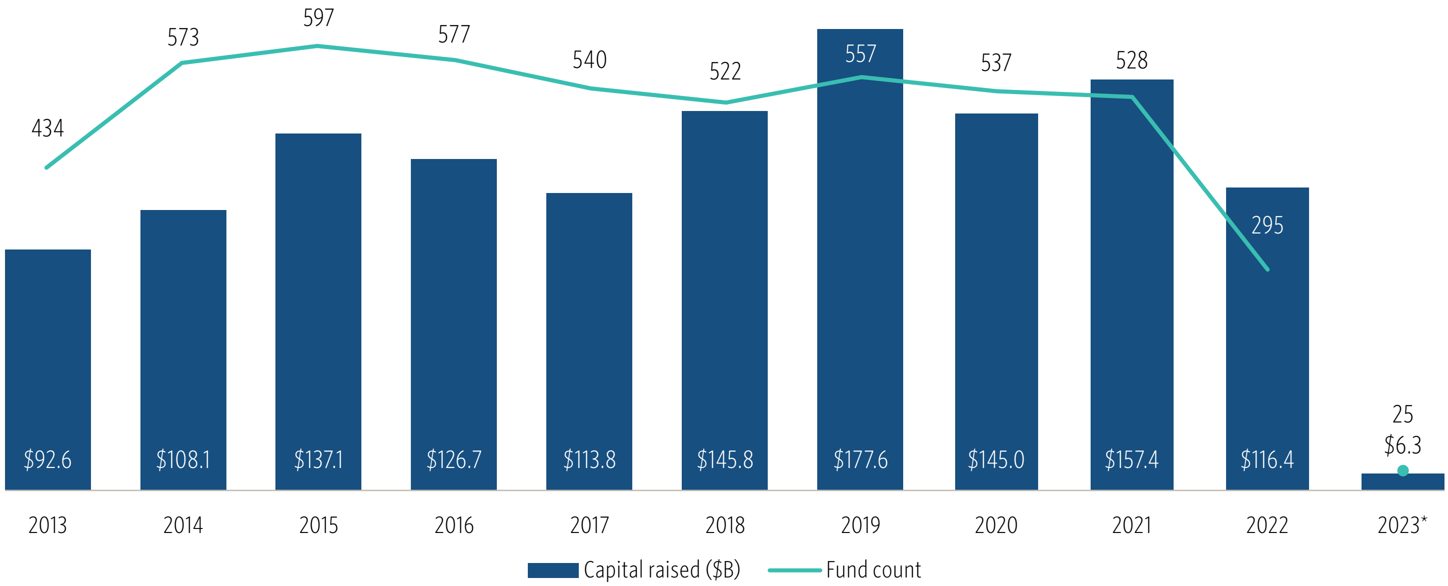
Anikka Villegas
Analyst, Fund Strategies & Sustainable Investment

Following the declining real estate fundraising activity of 2022, raised capital and fund count in Q1 2023 suggest the coming year will bring more of the same. There were $6.3 billion and 25 funds raised, with none above $5 billion in size closed. Given an environment in which economic anxieties are high and capital is more difficult to access, it is unsurprising that just 4.8% of capital went to emerging managers, despite the group accounting for 10 of the funds raised. North American fundraising was hit harder than European, with asset managers in the latter geography raising around one-fifth of its 2022 numbers in Q1, and those in the former raising approximately one-twenty-fifth. In addition, by strategy, there were no core, core plus, or distressed funds raised during the quarter, with value-add vehicles taking 56.9% of capital and opportunistic receiving the remaining 43.1%. However, many of these tides will turn in Q2 2023, with the closing of the $30.4 billion Blackstone Real Estate Partners X fund in April.

Among the top 10 largest real estate funds to close in Q1 2023, residential is the dominant sector focus, but hospitality, industrial, and office themes persist. While still far less prevalent than multifamily, single-family rental has become more of an enduring presence in private market funds, and hospitality is becoming popular again. In industrial, logistics remains a center of interest despite an anticipated softening as consumer demand wanes and the industry recalibrates post-COVID-19 pandemic boom.[5] With respect to office, European Property Investors Special Opportunities Fund 6 invests in Europe,[6] and specifically, Nordic countries. Given the region's more flexible pre-pandemic work culture, a less strained attempt to return to normalcy may be cause for more confidence in the office sector's future compared to countries like the US.

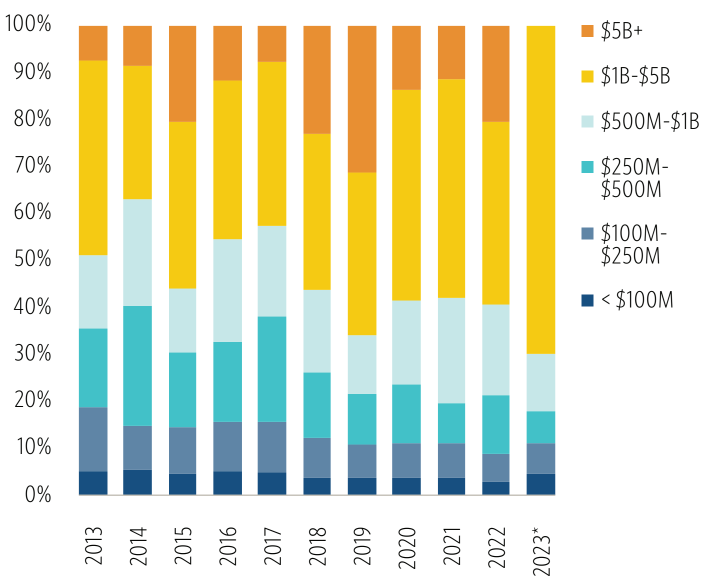
5: "Idled Ships, Empty Containers. Ocean Shipping Faces Its Biggest Slump in Years," The Wall Street Journal, Costas Paris, March 2, 2023.
6: "Tristan Raises €2bn for EPISO 6," Tristan Capital Partners, January 12, 2023.

Real estate fundraising activity



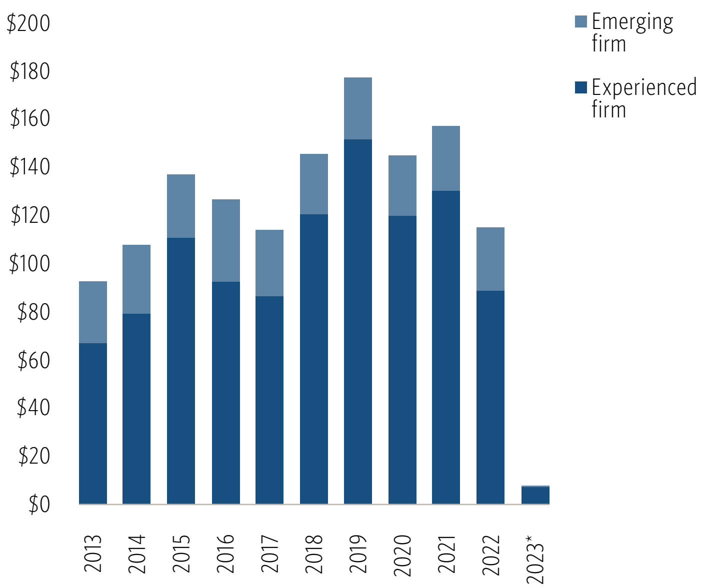
Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Share of real estate capital raised by size bucket



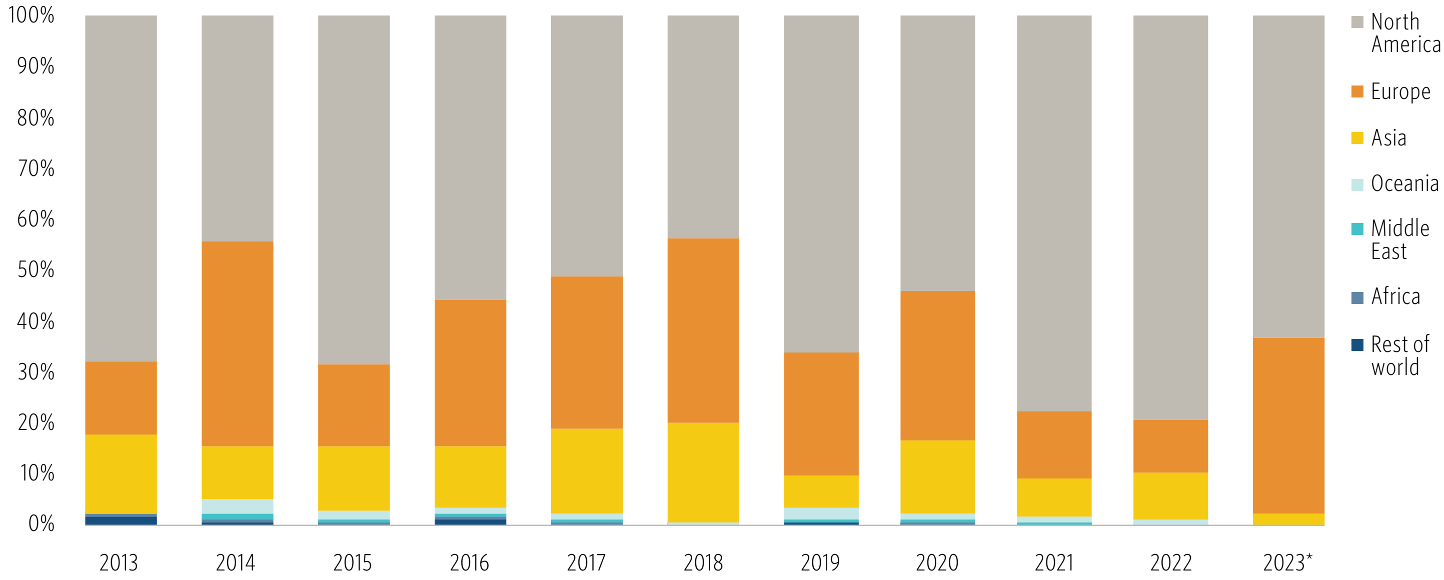
Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Real estate capital raised ($B) by manager experience



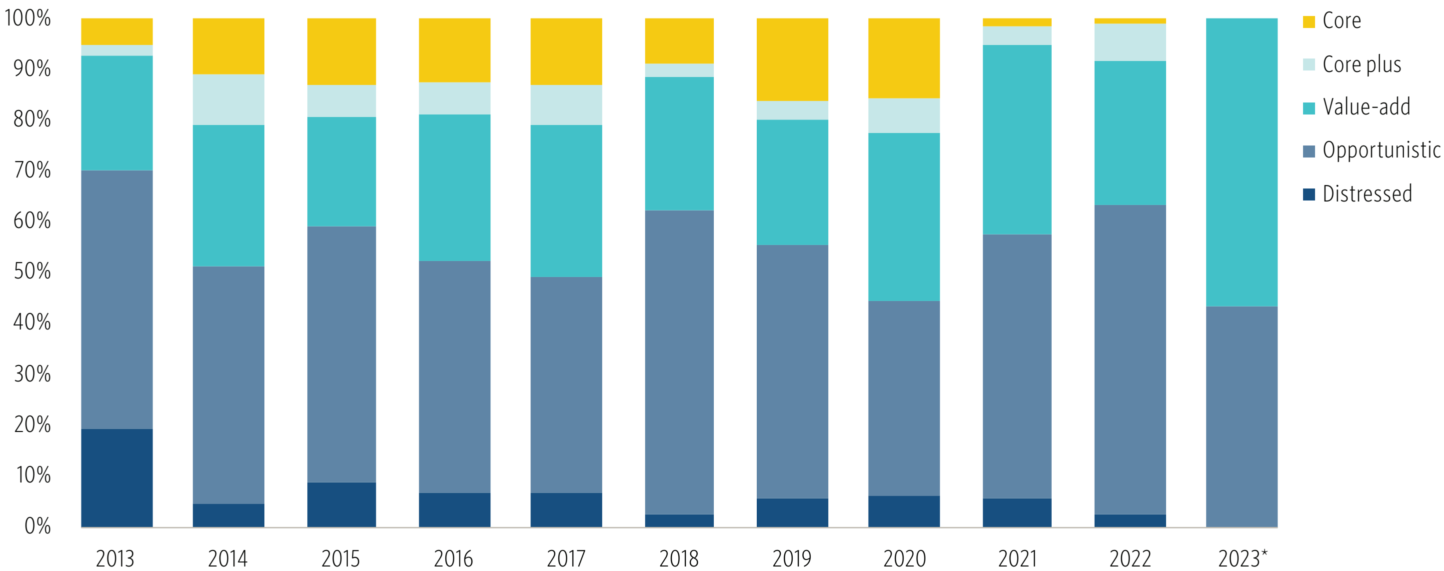
Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Share of real estate capital raised by region



Source: PitchBook • **Geography:** Global
*As of March 31, 2023

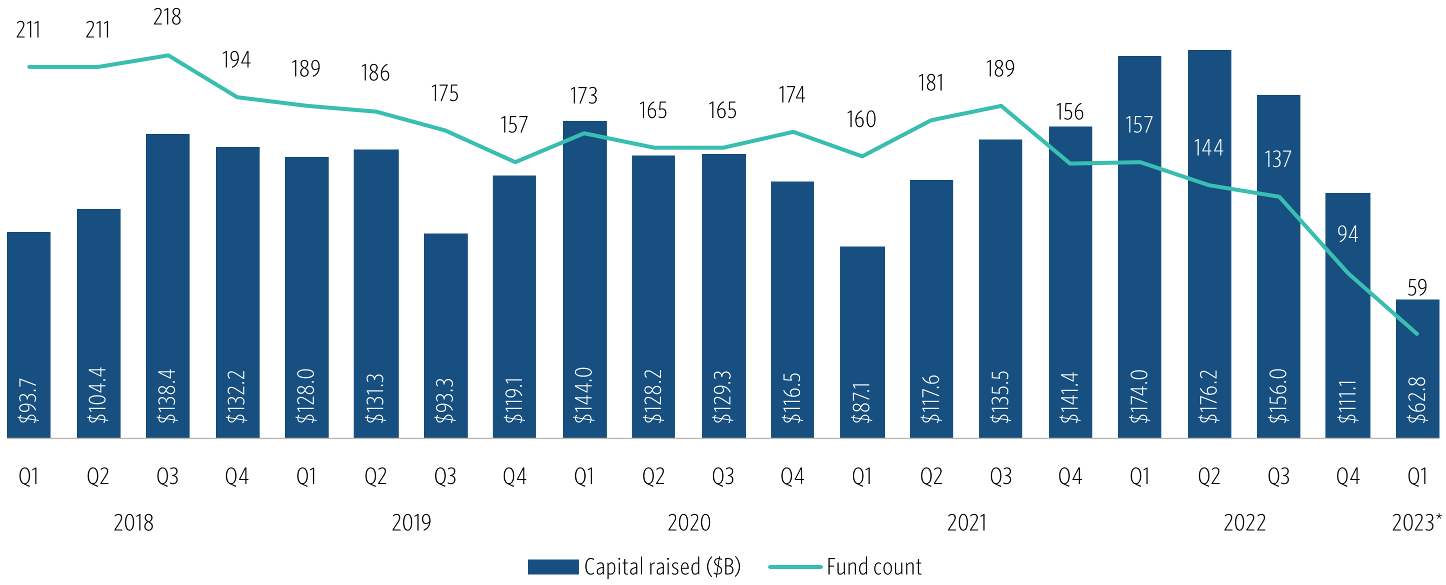
Share of real estate capital raised by type



Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Real assets

Rolling 12-month real assets fundraising activity by quarter



Source: PitchBook • **Geography:** Global
*As of March 31, 2023

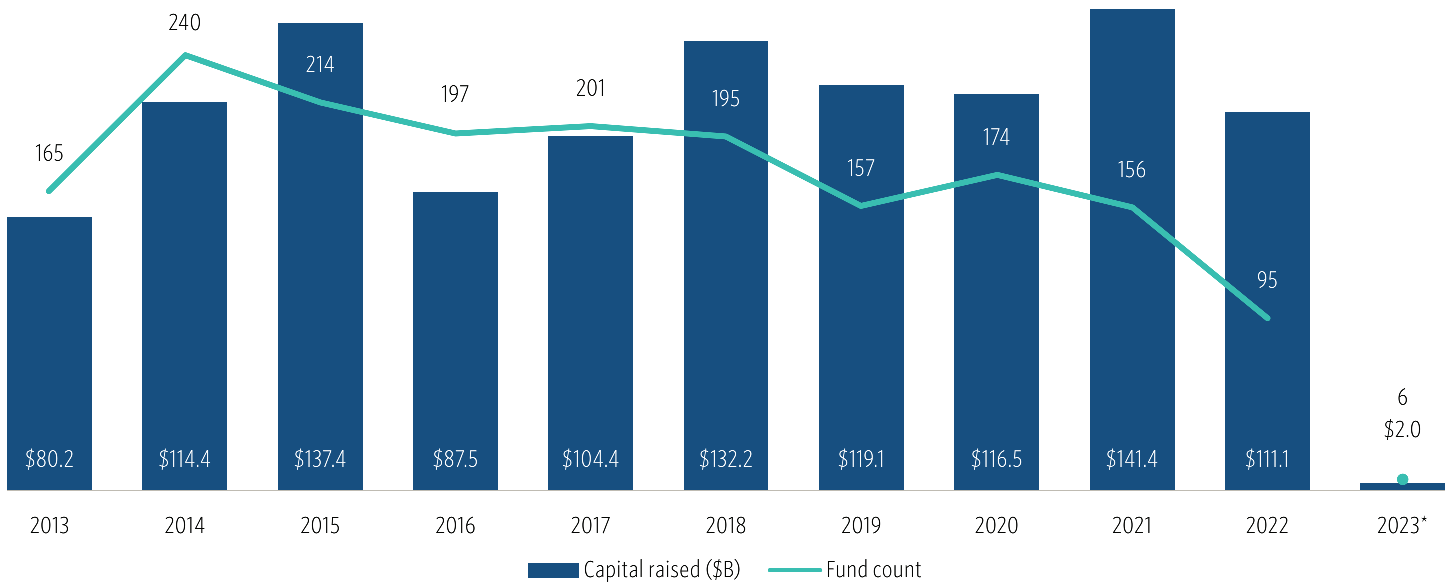
Anikka Villegas
Analyst, Fund Strategies & Sustainable Investment

After weathering the storms of the past few years better than the other strategies, real assets fundraising seemingly hit a wall in Q1 2023, with just six funds and $2.0 billion raised. While more vehicles closed during the quarter will likely be captured in our data as time goes on, it is evident that the asset class is experiencing a deviation from many of the trends of recent years, with the only major exception being a continued concentration of capital in infrastructure funds. In contrast to the prevalence of funds larger than $5 billion in this space in recent years, this quarter saw none above the $1 billion mark raised and several in the $250 million to $500 million bucket. Also, in a significant departure from normalcy, all the funds raised during the quarter came from emerging managers and none were domiciled in North America. Many of the elements driving real assets fundraising last year carried through to 2023, including the attractive US government spending environment and energy demand in Europe. As such, the pullback of LP commitments is likely due more to other macroeconomic factors and phenomena such as the denominator effect rather than the absence of investable opportunities.

Three of the six funds that closed in Q1 2023 will invest in emerging markets, a much larger proportion than is typical among the top 10 real assets funds. The largest fund, Rakiza Fund, invests in regulated utilities, energy from waste, telecom, transport and logistics, and social infrastructure in Oman and Saudi Arabia.[7] The Saudi Infrastructure Fund from Musharaka Capital also invests in Saudi Arabian infrastructure. Additionally, Convergence Partners Digital Infrastructure Fund, which is targeting fiber networks, data centers, Internet of Things, AI, and other digital infrastructure necessary to support the growth of the digital economy, invests across sub-Saharan Africa.[8] While it may seem counterintuitive that these would be some of the only funds to close given the risk profile of the emerging markets, they also provide geographical diversification, high growth potential, and create positive social impact, which may be drawing in LPs.

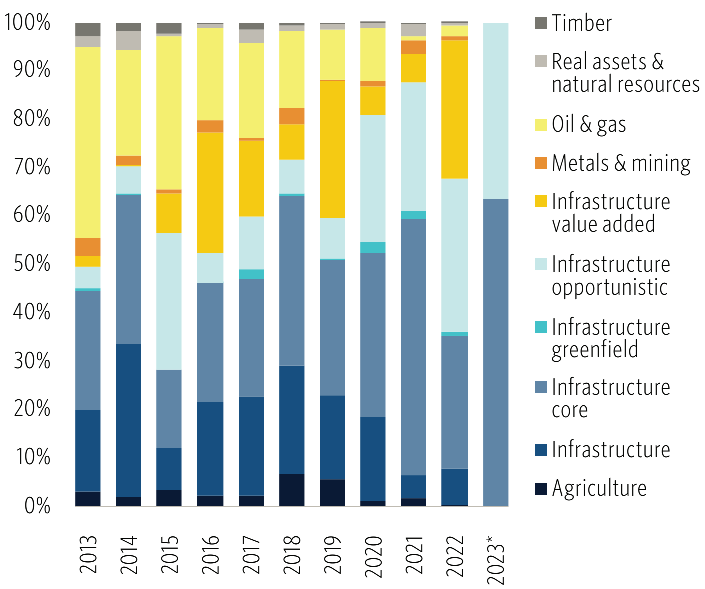
7: "About Rakiza," Rakiza, n.d., accessed May 10, 2023.
8: "Convergence Partners Raises $296 Million to Drive Digital Inclusion Across Africa," Convergence Partners, n.d., accessed May 10, 2023.

Real assets fundraising activity



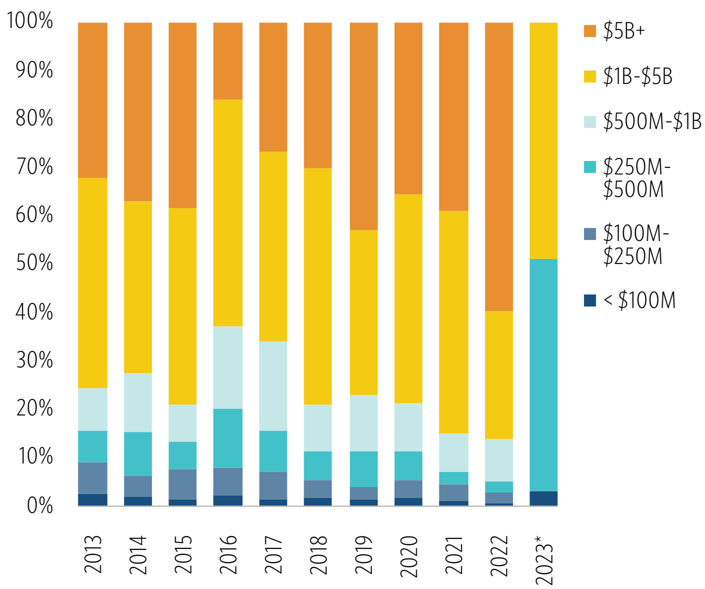
Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Share of real assets capital raised by type



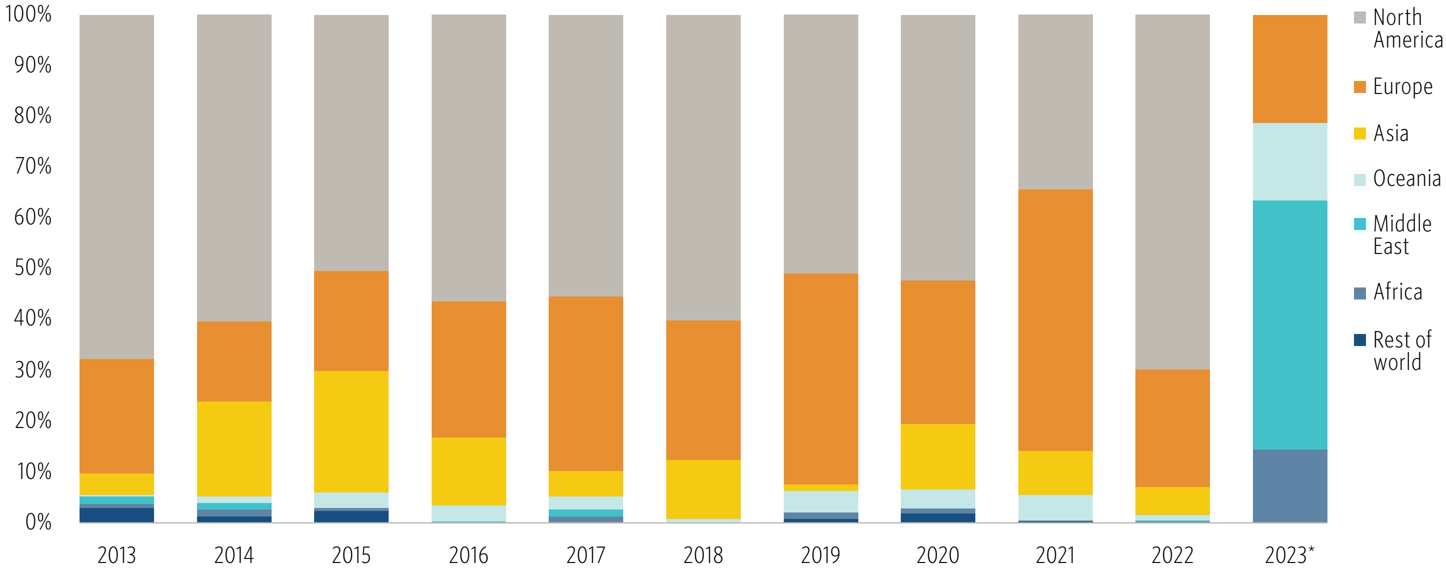
Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Share of real assets capital raised by size bucket



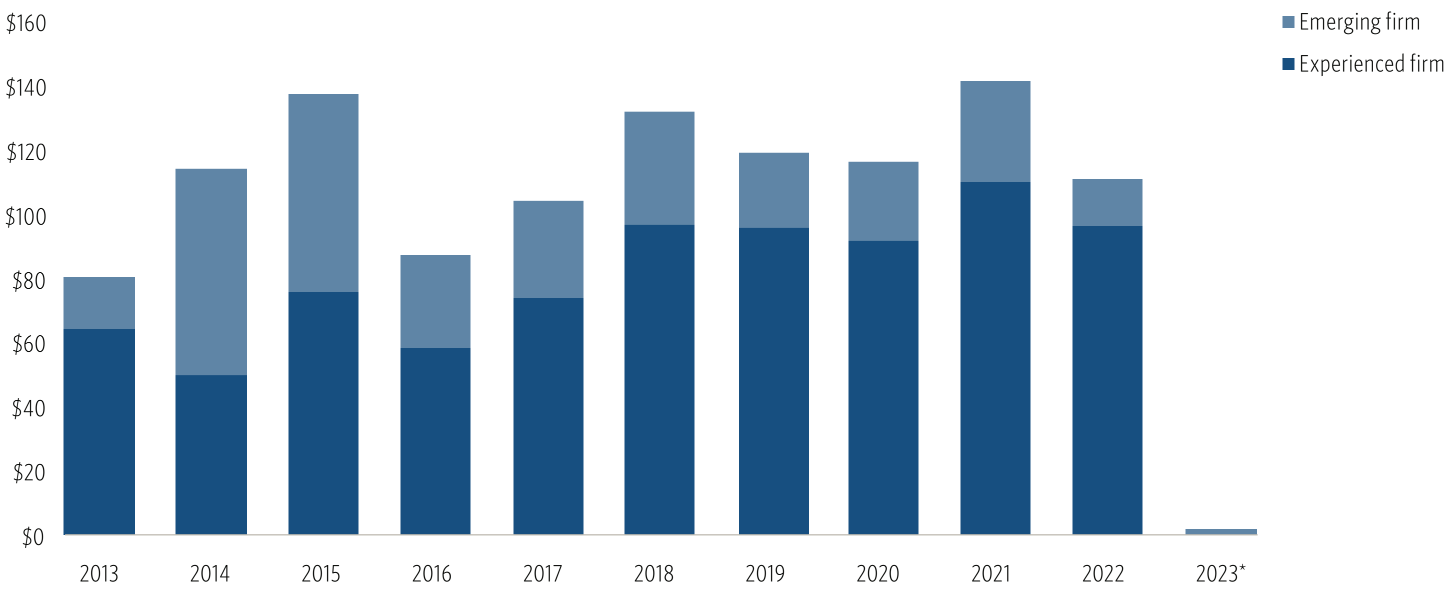
Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Share of real assets capital raised by region



Source: PitchBook • **Geography:** Global
*As of March 31, 2023

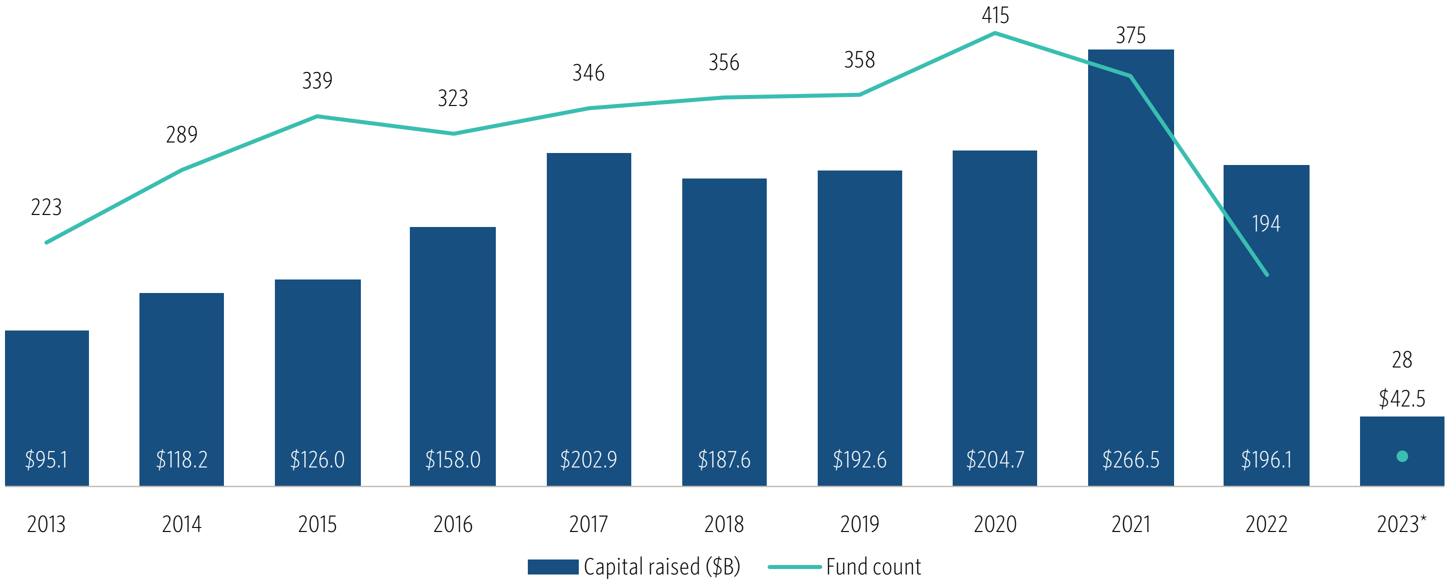
Real assets capital raised ($B) by manager experience



Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Private debt

Private debt fundraising activity

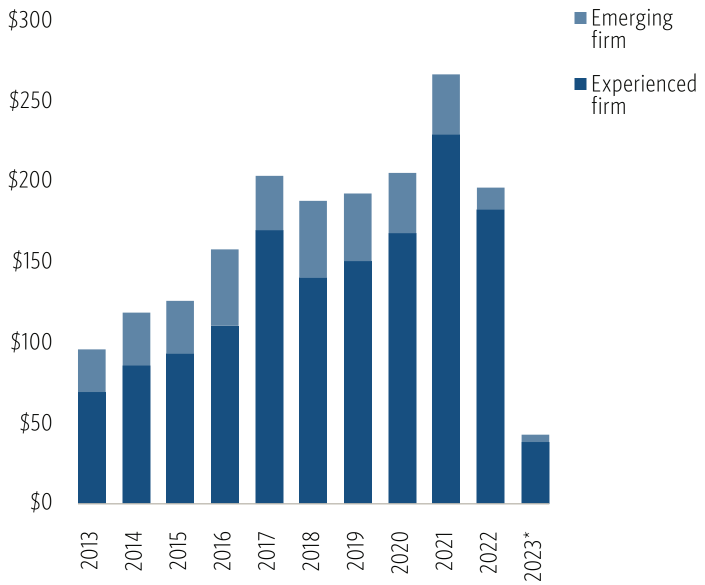


Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Tim Clarke
Lead Analyst, Private Equity

Private debt fundraising picked up where it left off in 2022, raking in a solid $42.5 billion in the first quarter. While this represented a slight sequential decline from last quarter, it was on par with Q1 2022. The first tends to be a seasonally weak quarter and we would not be surprised to see momentum build throughout the year, just as it did in 2022. While not tracked in this report, fundraising for retail-oriented vehicles such as non-traded business-development companies and interval funds slowed significantly. A total of $4.4 billion in retail capital was reportedly raised for private debt in Q1 2023, a decline from last year's $10.0 billion quarterly average.[9] This is consistent with recent comments made by Blue Owl, a major player in the retail market saying it expected a tilt to institutional fundraising for the balance of the year. The firm raised $11.0 billion, or 46.4% of their total, from the private wealth channel over the last year, second only to Blackstone.[10]

Private debt capital raised ($B) by manager experience



Source: PitchBook • **Geography:** Global
*As of March 31, 2023

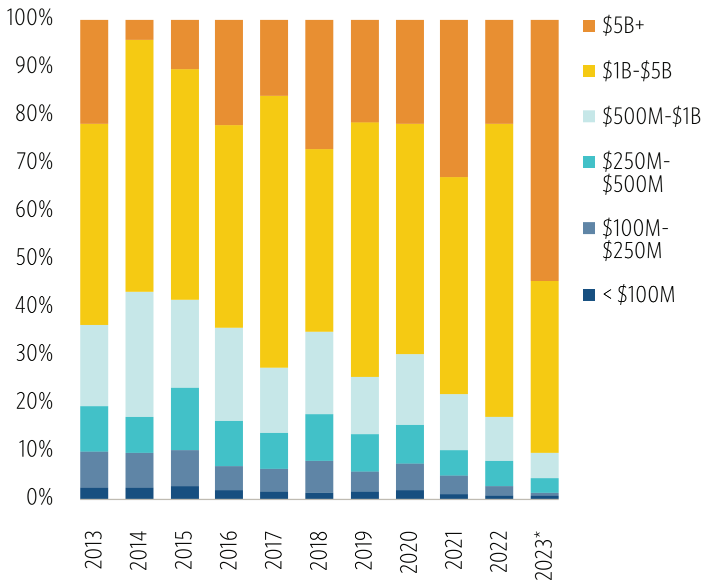
9: "Non-Traded REIT Fundraising Bounces Back in March," The DI Wire, April 24, 2023.
10: "Blue Owl Capital Inc. First Quarter 2023 Earnings," Blue Owl, May 4, 2023.

As with other strategies, larger, more experienced managers crowded out smaller managers with the top 10 funds accounting for the overwhelming majority of fundraising; this was much more pronounced than in other years and quarters.

Direct lending took a backseat to mezzanine funds in Q1 2023. These funds are making loans that are in high demand by private equity sponsors, raising the return potential for investing LPs. Mezzanine lenders are more amenable to paid-in-kind structures, which are very popular at present, as they allow borrowers to accept additions to loan principal instead of making cash interest payments, preserving cash in the process.

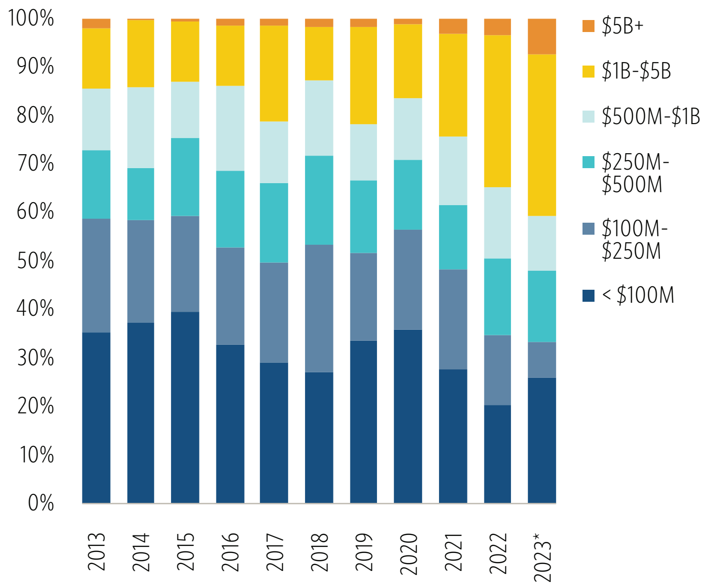
Distressed strategies were also in demand. Crescent Capital and Atalaya both closed their eighth flagship special situation funds at $8.0 billion and $1.8 billion, respectively. Also notable was Investcorp's acquisition of Marble Point Credit for $200.0 million, or 2.5% of its $7.8 billion in AUM. As the fundraising appeal of private credit funds continues to hold sway, large alternative asset managers are bidding for smaller platforms that fill gaps in their product offerings and provide niche expertise.

Share of private debt capital raised by size bucket



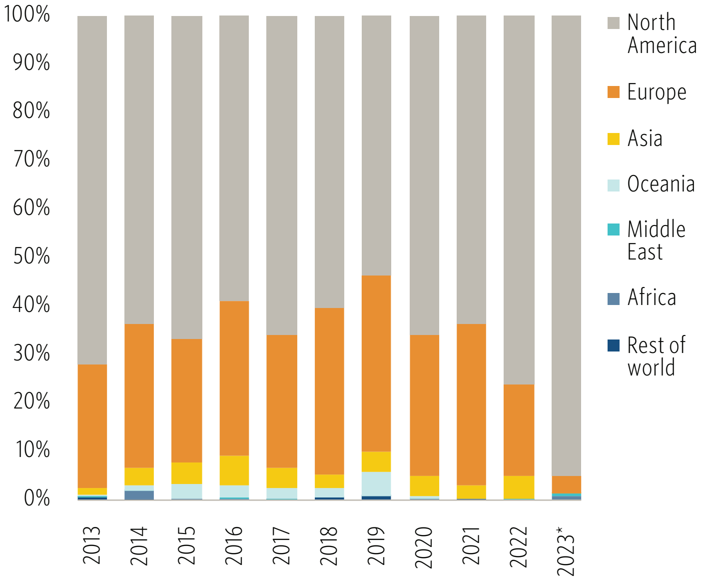
Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Share of private debt fund count by size bucket



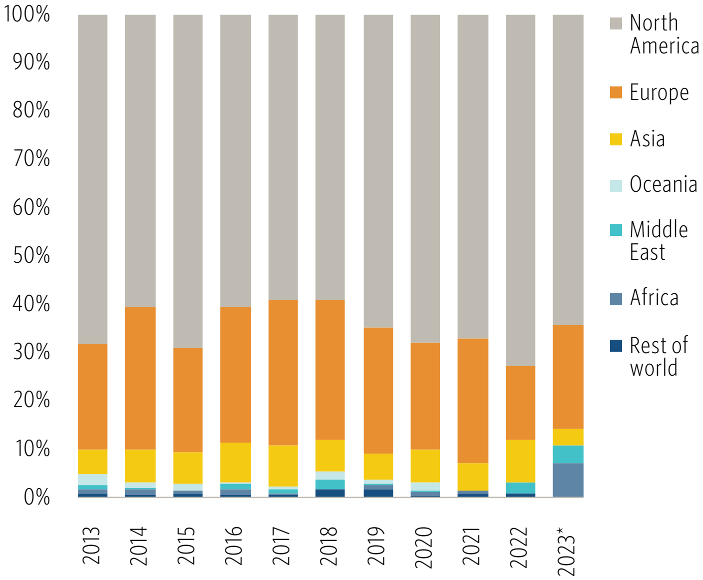
Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Share of private debt capital raised by region



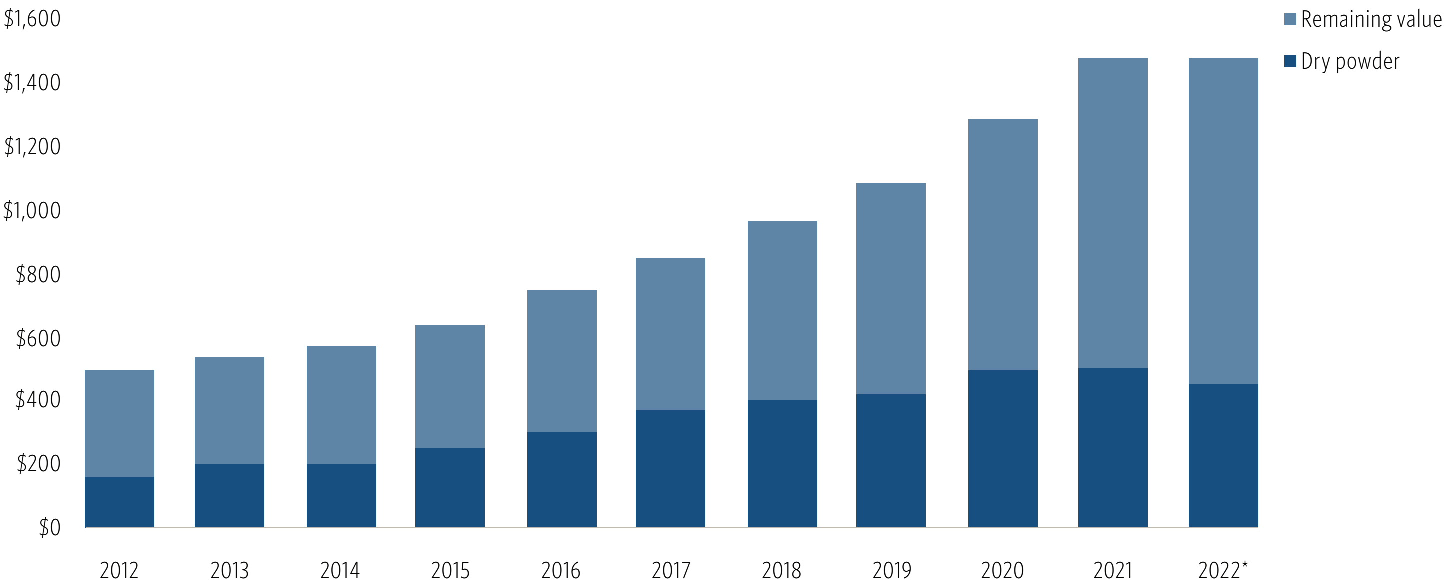
Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Share of private debt fund count raised by region



Source: PitchBook • **Geography:** Global
*As of March 31, 2023

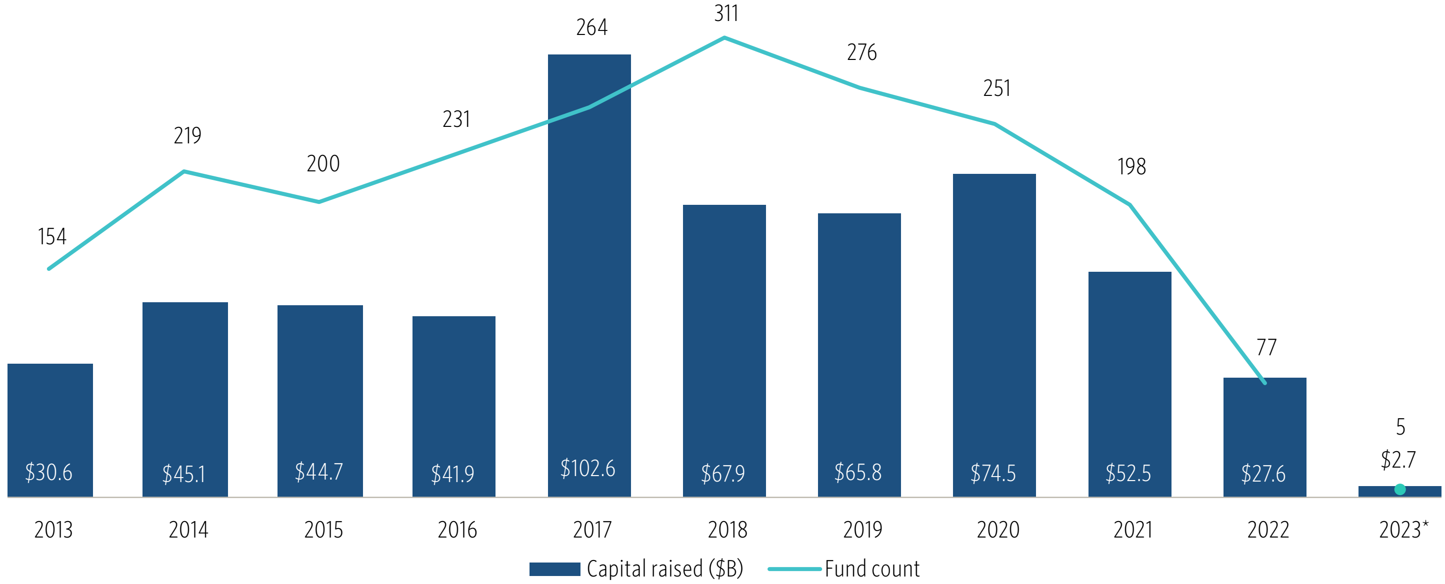
Private debt AUM ($B)



Source: PitchBook • **Geography:** Global
*As of September 30, 2022

Funds of funds

FoF fundraising activity



Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Juliet Clemens
Analyst, Fund Strategies

FoF quarterly fundraising activity was the lowest on record in Q1 2023 with five funds raising just $2.7 billion, reflecting a YoY decline of 73.8% from the $10.2 billion raised by 19 funds in Q1 2022.

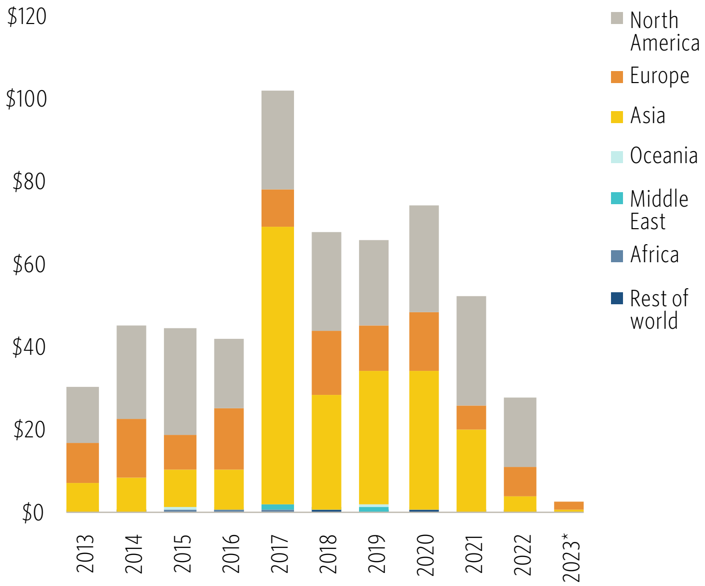
FoF fundraising has been on a downward trajectory since peaking in 2017 at $102.6 billion, though this year was an outlier in terms of capital raised.[11] Fundraising returned to more moderate levels between 2018 and 2020, within a range of $65.8 billion to $74.5 billion, before dropping to $52.5 billion in 2021, as both fewer total vehicles and fewer megafunds were raised. These declines may have occurred because investors have become increasingly aware of the double layer of fees characteristic of FoF and worry how these fees will affect their net returns. Additionally, the emergence of digital alternative investment platforms geared toward accredited retail investors may be driving smaller investors and those new to private markets away from the traditional FoF, with platforms like iCapital, CAIS, Moonfare, and RealBlocks having serviced over $165 billion of assets in the last several years.[12]

In 2022, fundraising fell even more precipitously to $27.6 billion, a YoY decrease of 47.3%. Much of this decline is attributable to the decline in VC FoF fundraising. As recently as 2021, VC FoF made up 46.5% of FoF fundraising; as VC fell out of favor with tumbling valuations in 2022, the share of VC FoF fundraising fell to 10.9%.

Of the five FoF raised in Q1 2023, the two largest—IIP Private Funds V at around $1.9 billion and IIP Venture II at $288.2 million—were both raised by Institutional Investment Partners Denmark and comprise roughly 81.4% of the Q1 total. Only one fund, Altrium Sustainability Fund I at $150.0 million, was raised by an emerging firm, while the rest of the capital was raised by established firms. With regards to geography, three funds were raised out of Europe and two out of Asia.

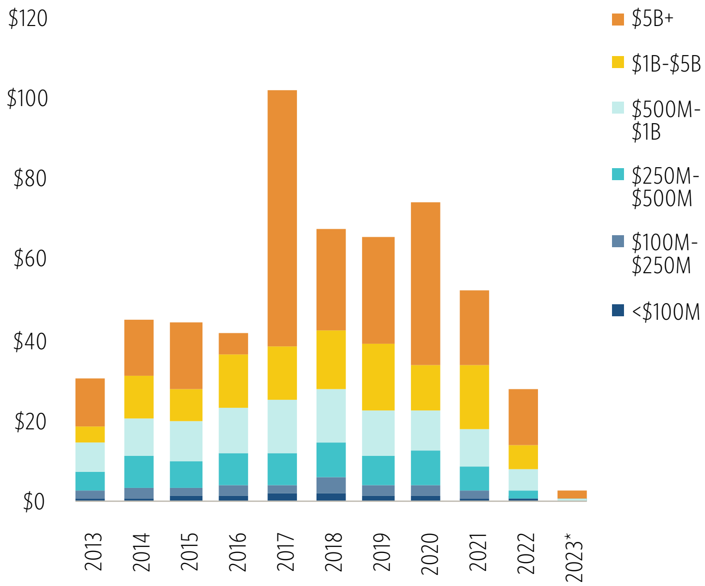
11: The sizable jump in fundraising in 2017 can be attributed to the increase in capital raised out of Asia, from $9.6 billion in 2016 to $67.9 billion in 2017, marking the first time that FoF in Asia outraised North American FoF vehicles.
12: "The Platforms Leading the Alternative Investments Tech Evolution," Forbes, Benjamin Laker, May 23, 2022.

FoF capital raised ($B) by region



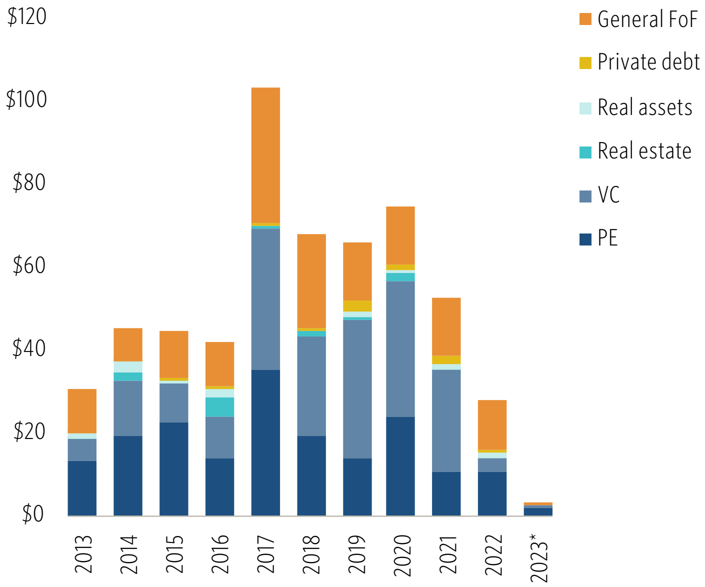
Source: PitchBook • **Geography:** Global
*As of March 31, 2023

FoF capital raised ($B) by size bucket



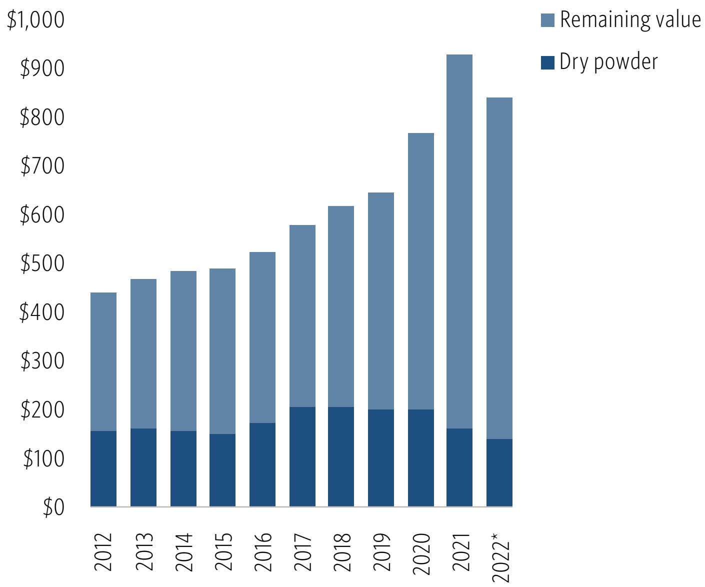
Source: PitchBook • **Geography:** Global
*As of March 31, 2023

FoF capital raised ($B) by type



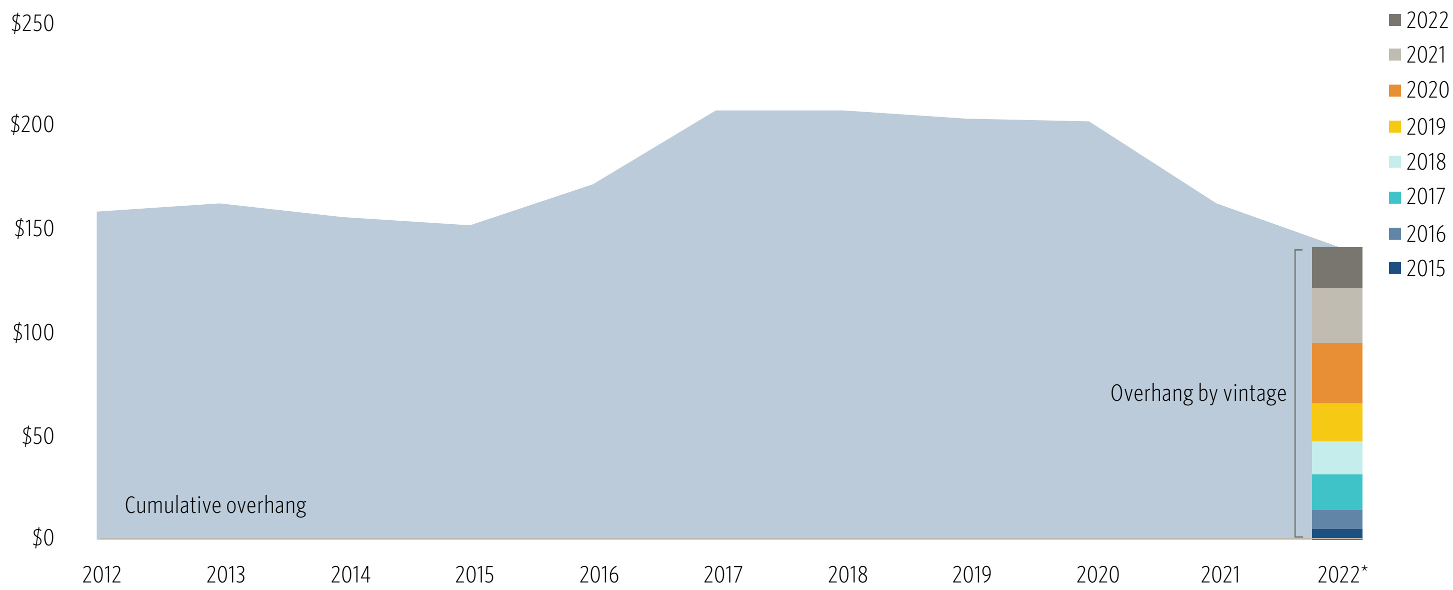
Source: PitchBook • **Geography:** Global
*As of March 31, 2023

FoF AUM ($B)



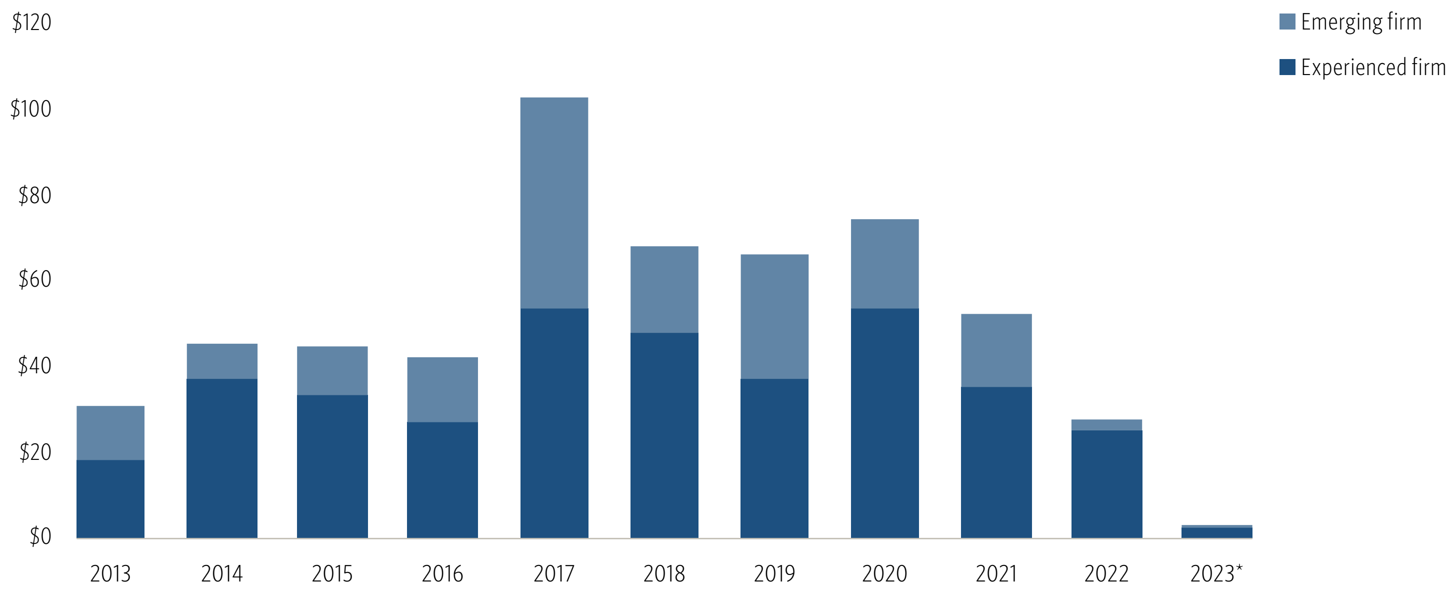
Source: PitchBook • **Geography:** Global
*As of September 30, 2022

FoF dry powder ($B) by vintage



Source: PitchBook • **Geography:** Global
*As of September 30, 2022

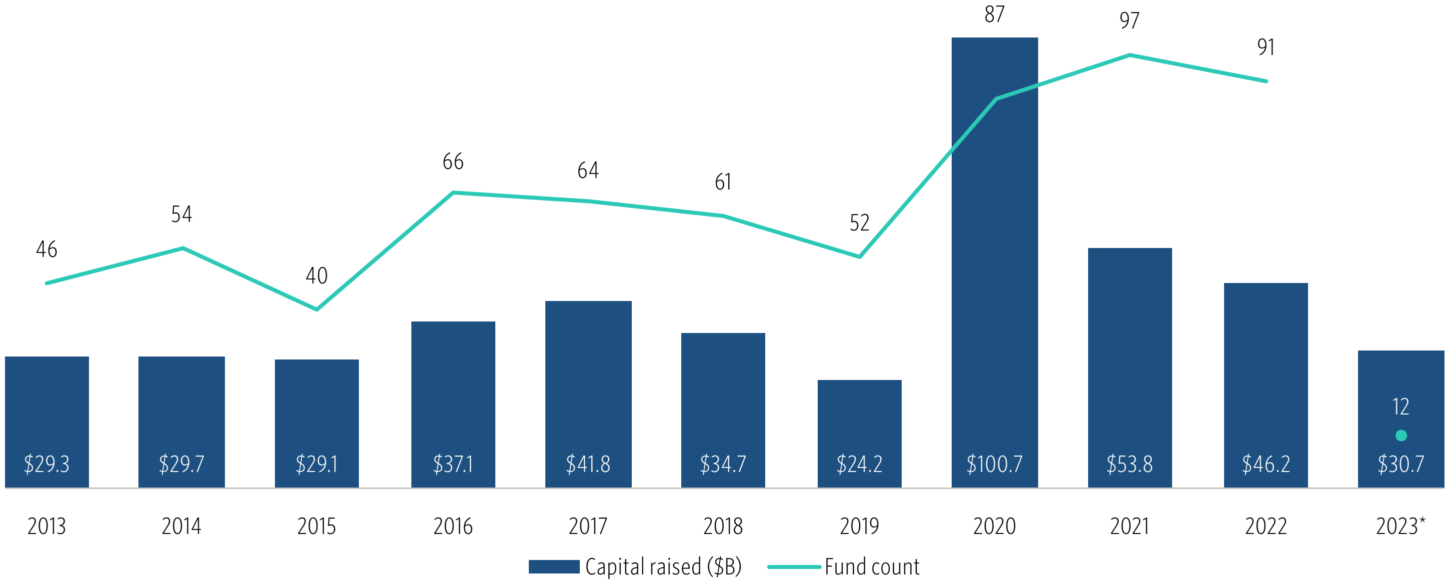
FoF capital raised ($B) by manager experience



Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Secondaries

Secondaries fundraising activity



Source: PitchBook • **Geography:** Global
*As of March 31, 2023

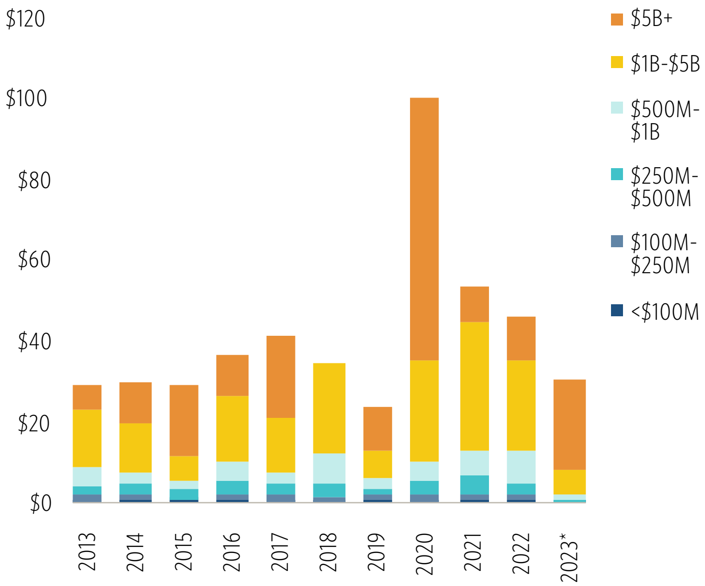
Juliet Clemens
Analyst, Fund Strategies

Only a quarter into 2023, secondaries fundraising has already hit 66.5% of 2022's $46.2 billion total, with $30.7 billion raised by 12 funds. This is the second-highest quarterly figure on record, following the $43.4 billion raised by 54 funds in Q4 2020. This Q1 haul was almost exclusively driven by the massive closing of Blackstone Strategic Partners Secondaries IX on $22.2 billion, the largest secondary fund raised to date and a 2.0x step-up from its previous fund. Blackstone also closed on the second-largest fund raised in the quarter, Strategic Partners GP Solutions, which is its inaugural dedicated GP-led secondaries strategy that raised $2.7 billion. For more information on the differences between LP-led and GP-led secondaries, read our PitchBook Analyst Note: The Evolution of Private Market Secondaries.

There are several funds currently in market that are targeting over $10 billion—including Lexington Capital Partners X, Ardian Secondary Fund IX, and Dover Street XI—suggesting that secondaries fundraising could continue the Q1 trend. With traditional exit routes still slow to recover, LPs that need liquidity have been offloading fund stakes at considerable discounts. This has provided ample opportunity for secondaries firms to acquire diversified, high-quality assets for attractive prices, enticing investors to commit to these funds. Additionally, there is increasing investor interest in GP-led continuation vehicles (CVs), which in theory will give GPs additional time to hold onto trophy assets rather than having to sell them during difficult market conditions. While CVs may be found in most secondaries funds these days, the advent of dedicated GP-led secondaries funds gives LPs an opportunity to make a targeted allocation to these more concentrated vehicles. As more GPs create CVs, this could put downward pressure on the pricing of these assets going into the funds, which may generate outsized returns for the investments when exited. Given these dynamics, time will tell if 2023 secondaries fundraising numbers will near—or even surpass—2020's fundraising peak of $100.7 billion.

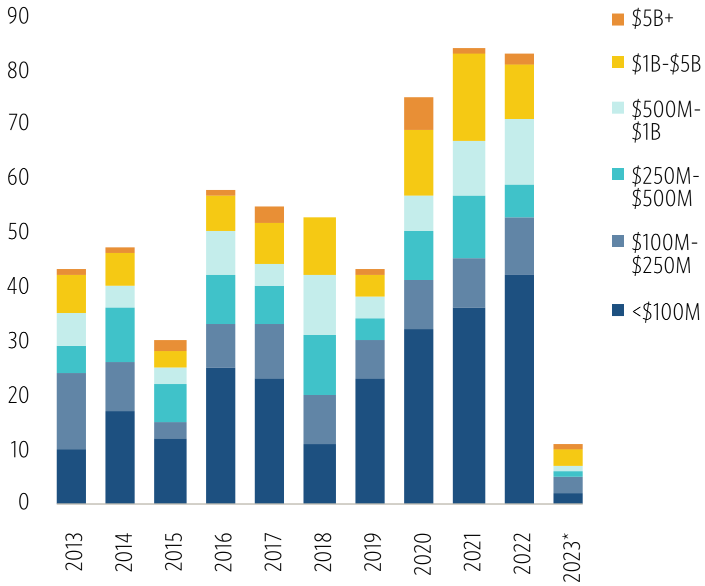
Nine of the 12 funds to close were out of North America, accounting for $29.9 billion, or 97.4%, of Q1 2023 fundraising totals. Two funds were raised out of Asia for a combined $319.3 million, and one European fund closed at $481.6 million. Three vehicles were raised within the $1 billion to $5 billion category and totaled $6.5 billion, or 21.2% of capital raised. With the inclusion of the Blackstone fund, this jumps to $28.7 billion, or 93.6%, with the remainder tied to eight funds under $1 billion.

Secondaries capital raised ($B) by size bucket



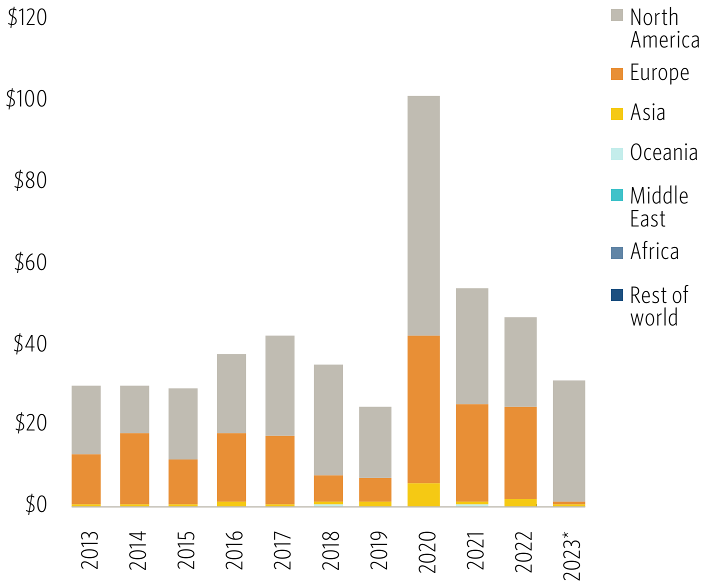
Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Secondaries deal count by size bucket



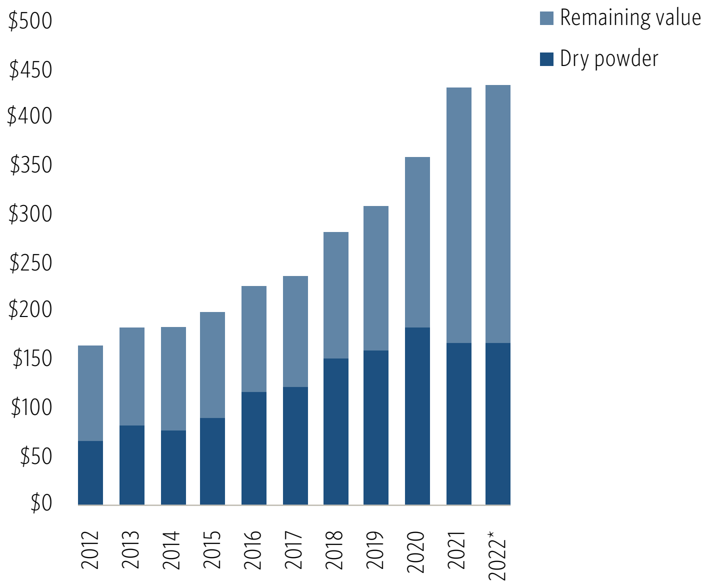
Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Secondaries capital raised ($B) by region



Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Secondaries AUM ($B)



Source: PitchBook • **Geography:** Global
*As of September 30, 2022

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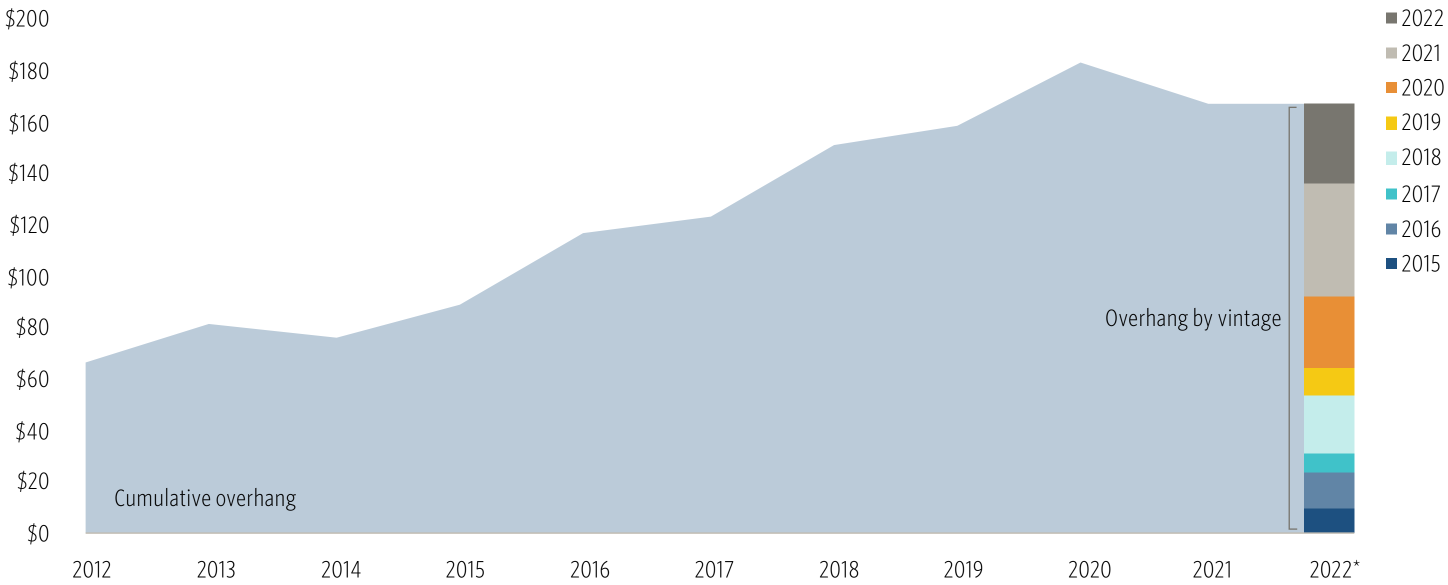
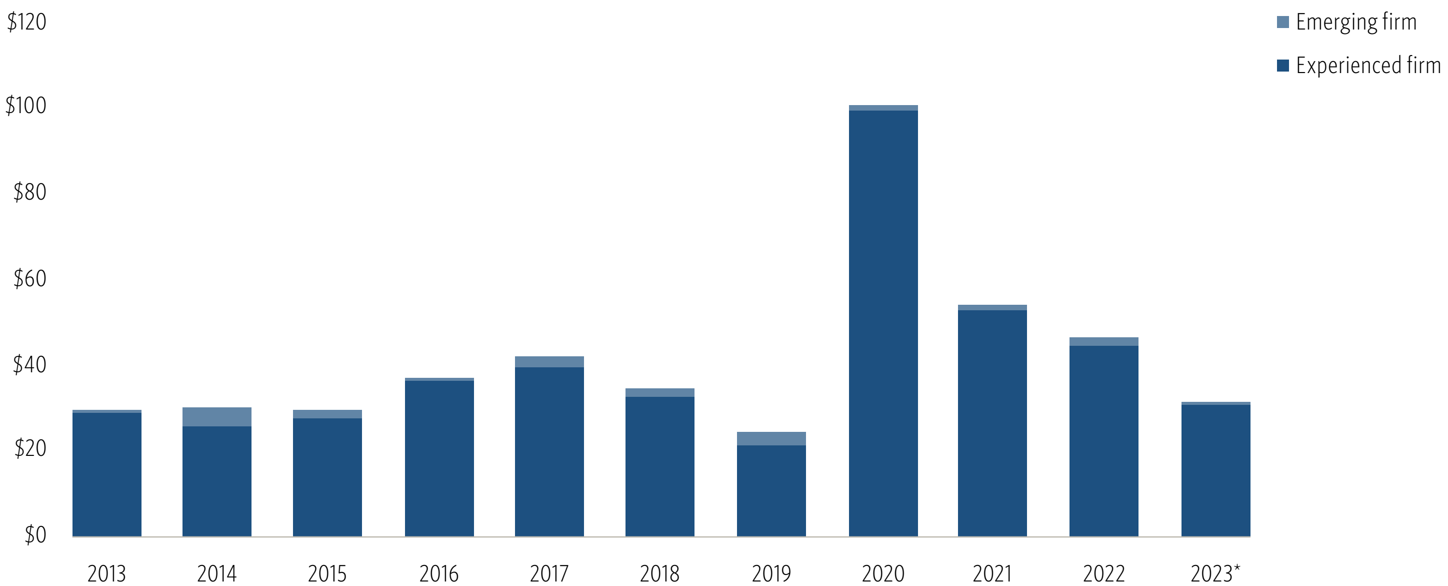
Secondaries dry powder ($B) by vintage



Source: PitchBook • **Geography:** Global
*As of September 30, 2022

Secondaries capital raised ($B) by manager experience



Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Top funds by size

Top PE funds to close in Q1 2023 by size

Fund	Size ($M)	Close date (2023)	Step-up	HQ location
Permira VIII	$17,800.2	March 8	1.5x	London, UK
TSG9	$6,000.0	January 11	1.5x	Larkspur, US
West Street Global Growth Partners	$5,200.0	February 7	N/A	New York, US
Parthenon Investors VII	$4,500.0	March 27	2.3x	San Francisco, US
Arcline Capital Partners III	$4,500.0	March 21	1.6x	Nashville, US

Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Top VC funds to close in Q1 2023 by size

Fund	Size ($M)	Close date (2023)	Step-up	HQ location
Chegu Industry Development Fund	$7,231.0	March 23	N/A	Wuhan, China
Shanghai State Owned FoF I	$2,893.9	March 22	N/A	Shanghai, China
B Capital Global Growth III	$2,100.0	January 19	2.6x	Manhattan Beach, US
Bain Capital Venture Fund 2022	$1,400.0	January 1	1.5x	Boston, US
Felicis Ventures IX	$825.0	March 2	1.4x	Menlo Park, US

Source: PitchBook | **Geography:** Global
*As of March 31, 2023

Top real estate funds to close in Q1 2023 by size

Fund	Size ($M)	Close date (2023)	Step-up	HQ location
Bridge Multifamily Fund V	$2,260.0	January 30	1.4x	Salt Lake City, US
European Property Investors Special Opportunities 6	$2,129.2	January 12	1.2x	London, UK
JRK Platform V	$1,000.0	January 10	1.3x	Los Angeles, US
Alidade Capital Fund V	$250.6	January 17	1.7x	Bloomfield Hills, US
IGIS Data Center Fund II	$153.5	February 8	N/A	Seoul, South Korea

Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Top real assets funds to close in Q1 2023 by size

Fund	Size ($M)	Close date (2023)	Step-up	HQ location
Rakiza Fund	$1,000.0	March 21	N/A	Muscat, Oman
Nykredit Infrastructure Fund 3	$373.4	February 16	N/A	Copenhagen, Denmark
FP RE Infrastructure Opportunities Fund	$309.8	January 17	N/A	Paddington, UK
Convergence Partners Digital Infrastructure Fund	$296.0	January 31	N/A	Johannesburg, South Africa
Cardiff Capital Region Innovation Investment Capital Fund	$60.2	March 6	N/A	Hengoed, Wales

Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Top private debt funds to close in Q1 2023 by size

Fund	Size ($M)	Close date (2023)	Step-up	HQ location
West Street Mezzanine Partners VIII	$15,200.0	January 12	1.2x	New York, US
Crescent Credit Solutions VIII	$8,000.0	February 23	1.7x	Los Angeles, US
Audax Direct Lending Solutions Fund II	$3,000.0	January 19	1.8x	New York, US
Willow Tree Fund II	$2,400.0	February 24	N/A	New York, US
Atalaya Special Opportunities Fund VIII	$1,800.0	February 1	1.9x	New York, US

Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Top FoF to close in Q1 2023 by size

Fund	Size ($M)	Close date (2023)	Step-up	HQ location
IIP Private Funds V	$1,890.0	February 10	0.6x	Copenhagen, Denmark
IIP Venture II	$288.2	January 30	0.9x	Copenhagen, Denmark
SWEN PE Select Europa 6	$273.0	January 29	1.1x	Paris, France
Altrium Sustainability Fund I	$150.0	February 8	N/A	Singapore
IFLP Fund No. 2	$74.8	March 30	N/A	Tokyo, Japan

Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Top secondaries funds to close in Q1 2023 by size

Fund	Size ($M)	Close date (2023)	Step-up	HQ location
Blackstone Strategic Partners Secondaries IX	$22,200.0	January 18	2.0x	New York, US
Strategic Partners GP Solutions	$2,700.0	January 18	N/A	New York, US
Ashbridge Transformational Secondaries Fund II	$2,500.0	February 2	3.7x	New York, US
Northleaf Secondary Partners III	$1,300.0	February 16	1.6x	Toronto, Canada
GCM Grosvenor Secondary Opportunities Fund III	$972.0	January 26	1.4x	Chicago, US

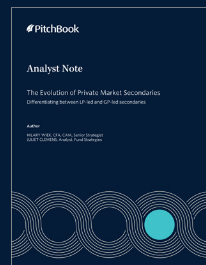
Source: PitchBook • **Geography:** Global
*As of March 31, 2023

Additional research

Private markets

2022 Global Fund Performance Report (as of Q3 2022 with preliminary Q4 2022 data)

Download the report here



PitchBook Analyst Note: The Evolution of Private Market Secondaries

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PitchBook Benchmarks (as of Q3 2022)

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PitchBook Analyst Note: The Transient Era of Billion-Dollar Funds

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Global Markets Snapshot (April 2023)

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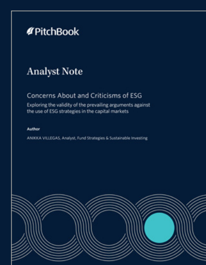

PitchBook Analyst Note: Concerns About and Criticisms of ESG

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