PitchBook

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Private Fund Strategies Report

2020 Annual

A Technology Platform for the Firm Lifecycle

Maximize the impact of your IR team

Create differentiated LP Experiences

Build on the platform for Growth

Built for Private Equity & Venture Capital

- Faster Fundraising
- Precise Deal Execution
- Loyal LPs

“

The Altvia team has been fantastic, bringing efficiencies to every facet of our business–fundraising, marketing, deal execution and fund administration. They understand what we do and their team has changed how we manage our business.”

Michael Painter
Managing Partner, Co-founder, Plexus Capital

PLEXUS CAPITAL

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Contents

Download the accompanying Excel pack for all underlying data.

YoY fundraising changes by strategy (2020 versus 2019)

	Capital raised ($B)	YoY change	Fund count	YoY change
Private capital	$870.1	-20.7% ▼	1,425	-35.8% ▼
Private equity	$360.6	-31.8% ▼	403	-37.4% ▼
Venture capital	$111.6	20.4% ▲	602	-26.9% ▼
Real estate	$93.5	-40.9% ▼	161	-46.5% ▼
Real assets	$68.8	-38.8% ▼	55	-43.9% ▼
Private debt	$112.5	-26.2% ▼	114	-42.1% ▼
Funds of funds	$26.5	-5.4% ▼	61	-46.5% ▼
Secondaries	$96.6	278.3% ▲	29	-34.1% ▼

Source: PitchBook | **Geography:** Global

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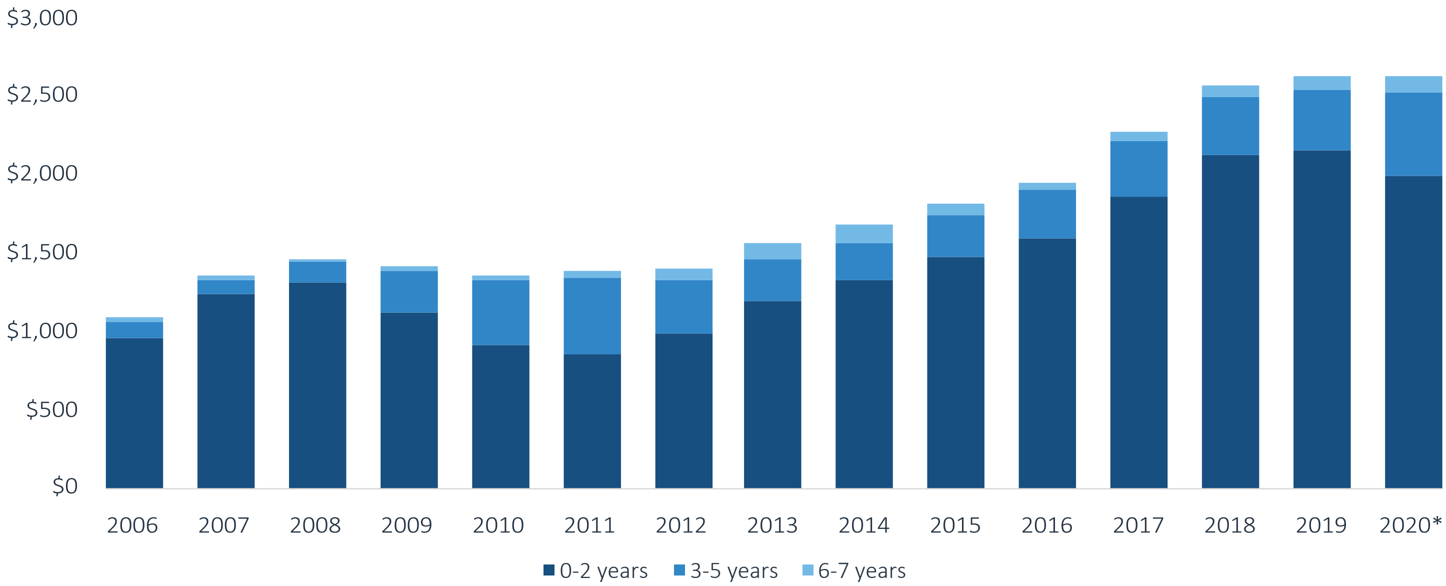
Click here for PitchBook's report methodologies.

Click here for PitchBook's private market glossary.

Fund overview and LP perspective

Private capital overhang ($B) by age cohort



Source: PitchBook | **Geography:** Global
*As of June 30, 2020

Hilary Wiek, CFA, CAIA Lead Analyst, Fund Strategies and Performance
hilary.wiek@pitchbook.com

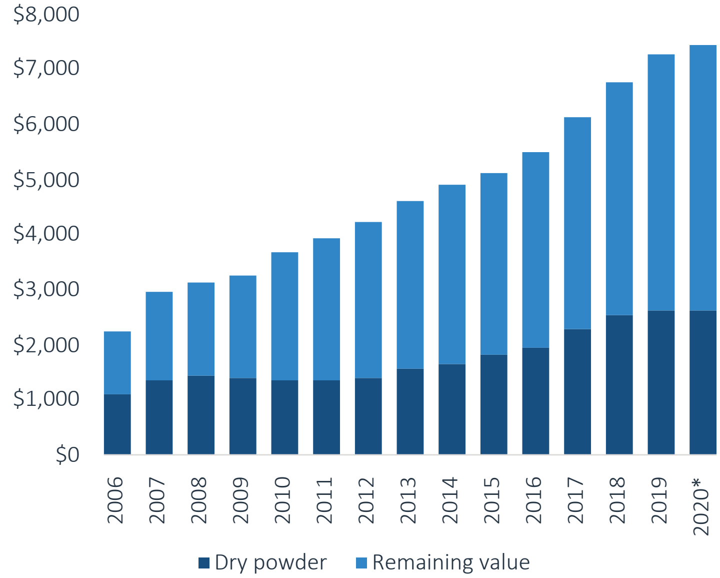
It was difficult to foresee how 2020 would play out when much of the world went into lockdown in March. Many expected a significant drop in fundraising activity because the new environment precluded in-person meetings for LPs and GPs and uncertainty about the pandemic's economic impact might cause investors to stay on the sidelines. LPs did not completely abandon their commitment pacing plans, however, allocating $870.1 billion to private market funds in 2020. The year's total is astonishingly high given the circumstances, though it did fall 20.7% from 2019. The number of funds closed dropped by 35.8%, indicating that LPs primarily committed capital to larger, more established fund managers. Some strategies, such as VC and secondaries, raised more capital in 2020 than they did in 2019 but closed fewer funds. The largest decline came from real estate, which saw a 40.9% drop in capital raised and a 46.5% reduction in the number of funds closed.

Aggregate private market dry powder plateaued in 2020, but the age of the funds in which it sat shifted from the prior year. We were not surprised to find that the majority of uncalled commitments belong to funds still early in their life, but funds have taken longer to deploy capital in certain periods. For example, the effects of the global financial crisis (GFC) are evident in 2010, when the share of dry powder represented by funds between three and five years old grew substantially. Some of those same funds also represented the increased share of dry powder earmarked for six- and seven-year-old funds in 2013 and 2014. As of June 30, 2020, the amount uncalled by funds three years or older had grown substantially from 2019 as calls ground to a halt in the first half of the year. By adding how much capital is sitting in portfolio investments to how much dry powder remains to be called, a long trend of continuous growth in assets controlled by private market investors becomes visible.

Overview

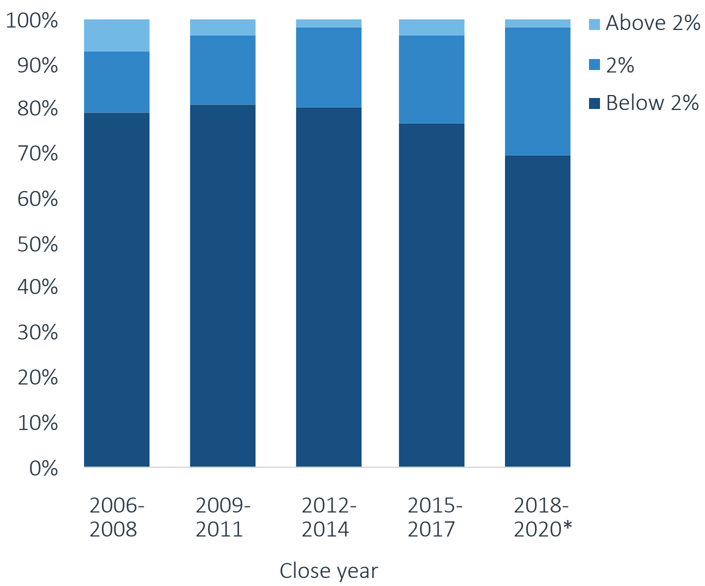
While many genericize the structure of management fees and carried interest in PE and VC as "2 & 20," a wide variety of fee structures are represented in the private markets, most of which fall below a 2% management fee level.[1] The data in the management fee and carried interest charts features all strategies, including secondaries and funds of funds, which typically have stated fees well below, but in addition to, those of the funds in which they are investing. Interestingly, the charts show that the 2 & 20 structure has grown in usage over the past 15 years. Not only are more funds at the 2% management fee level, but the proportion of funds charging a 20% incentive fee has also grown. Expensive fee structures are used less often, but then so are discounts.

Private capital AUM ($B)



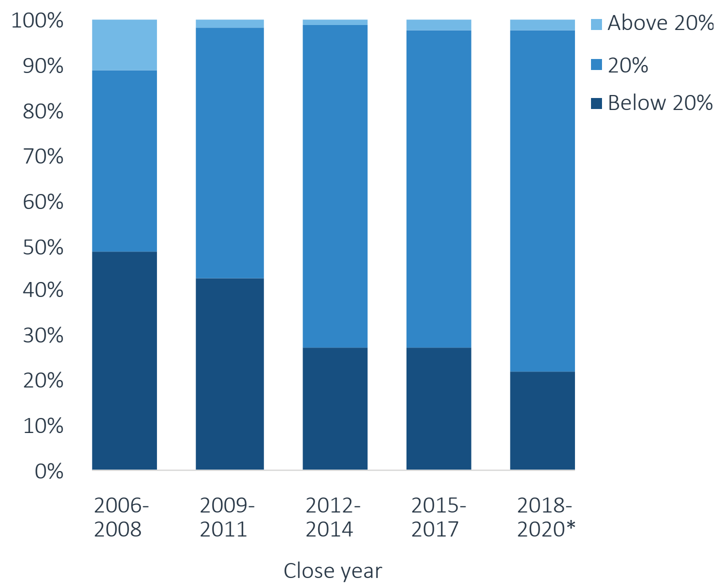
Source: PitchBook | **Geography:** Global
*As of June 30, 2020

Management fee percentage for private capital funds by close year



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

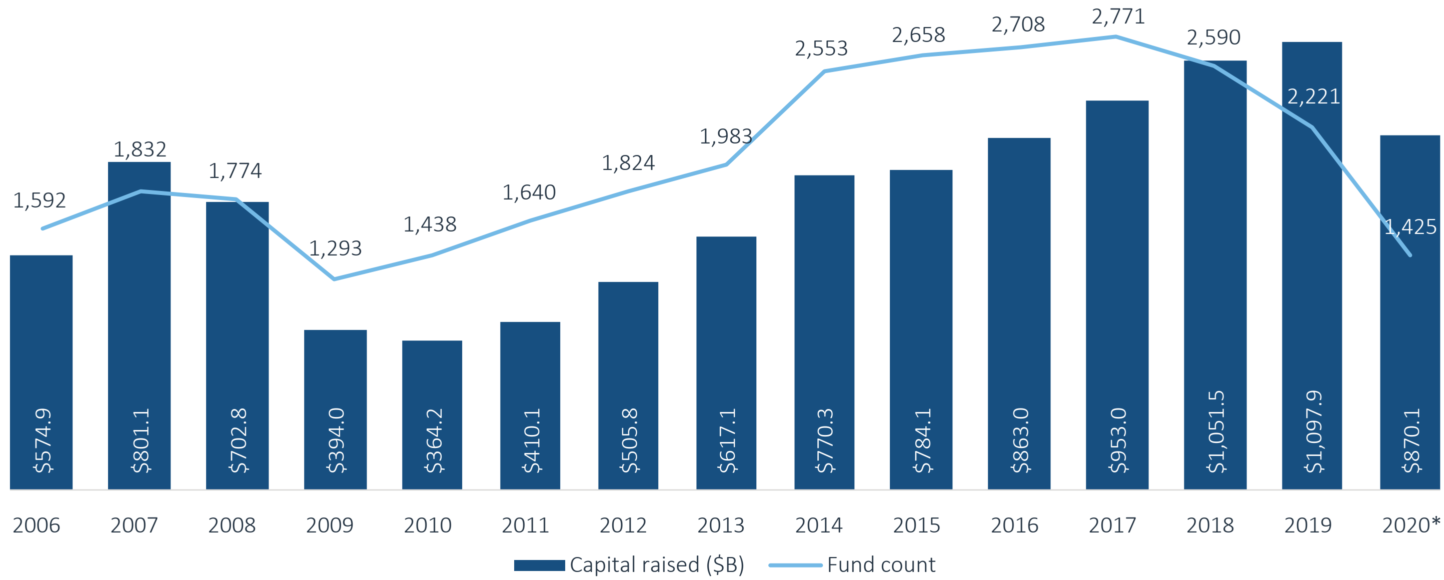
Carried interest percentage for private capital funds by close year



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

1: Management fee data is available for 3.0% of total funds and 16.8% of capital raised during the period. Carried interest data is available for 2.1% of total funds and 11.7% of capital raised during the period.

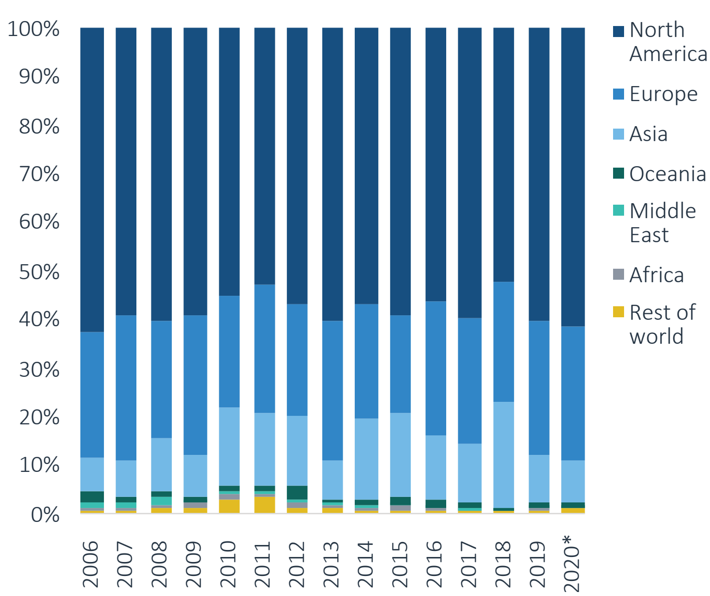
Private capital fundraising activity



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

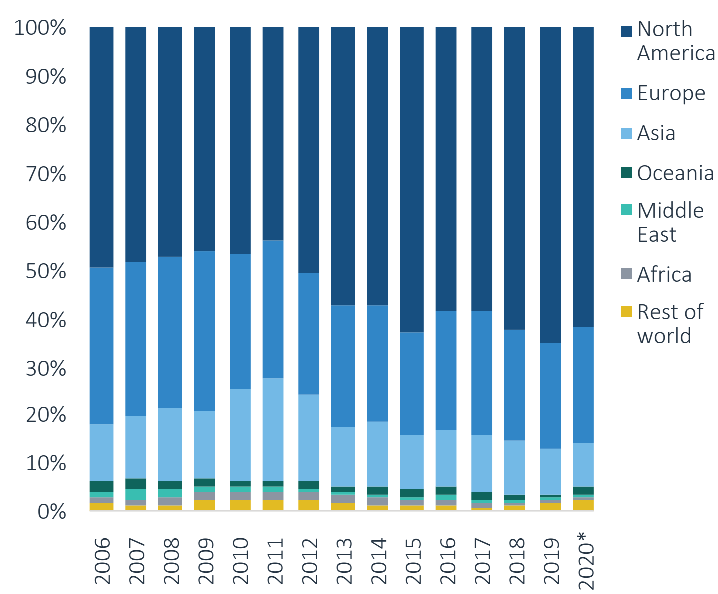
There was little change in any region's share of capital raised and funds closed. The pandemic hit most countries, so there were no perceived safe havens. North America did receive a slightly larger percentage of commitments in 2020, but the picture did not look vastly different from 2019.

Private capital funds ($) by region



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Private capital funds (#) by region

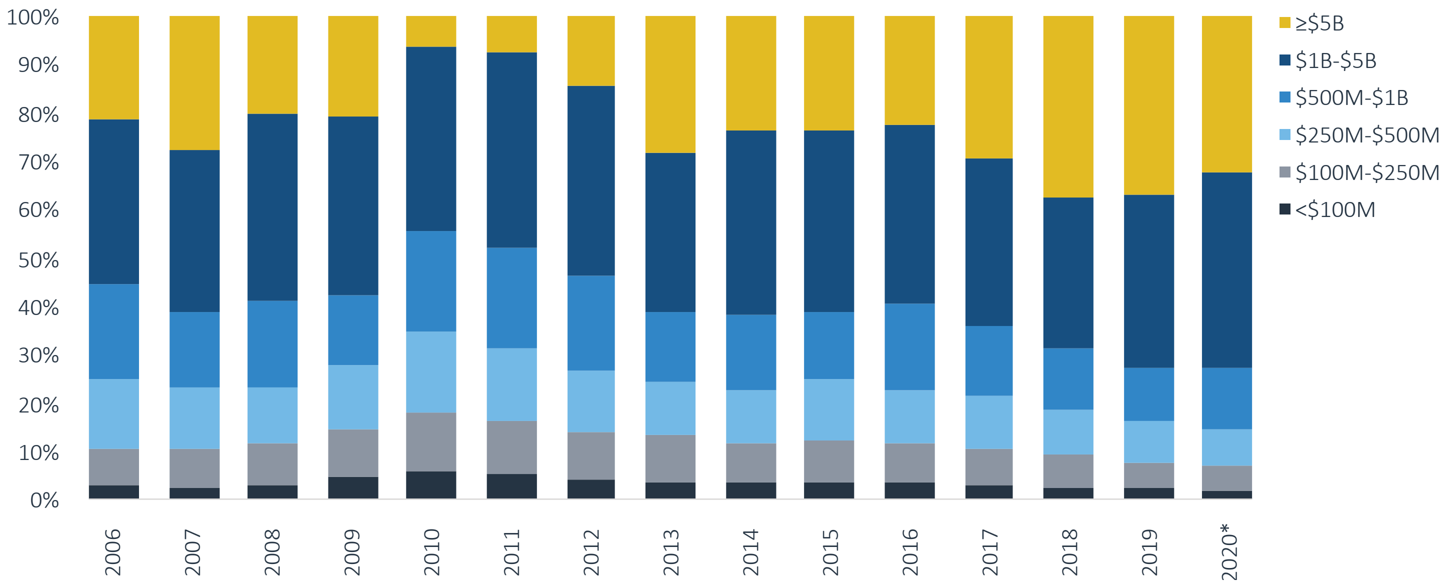


Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Overview

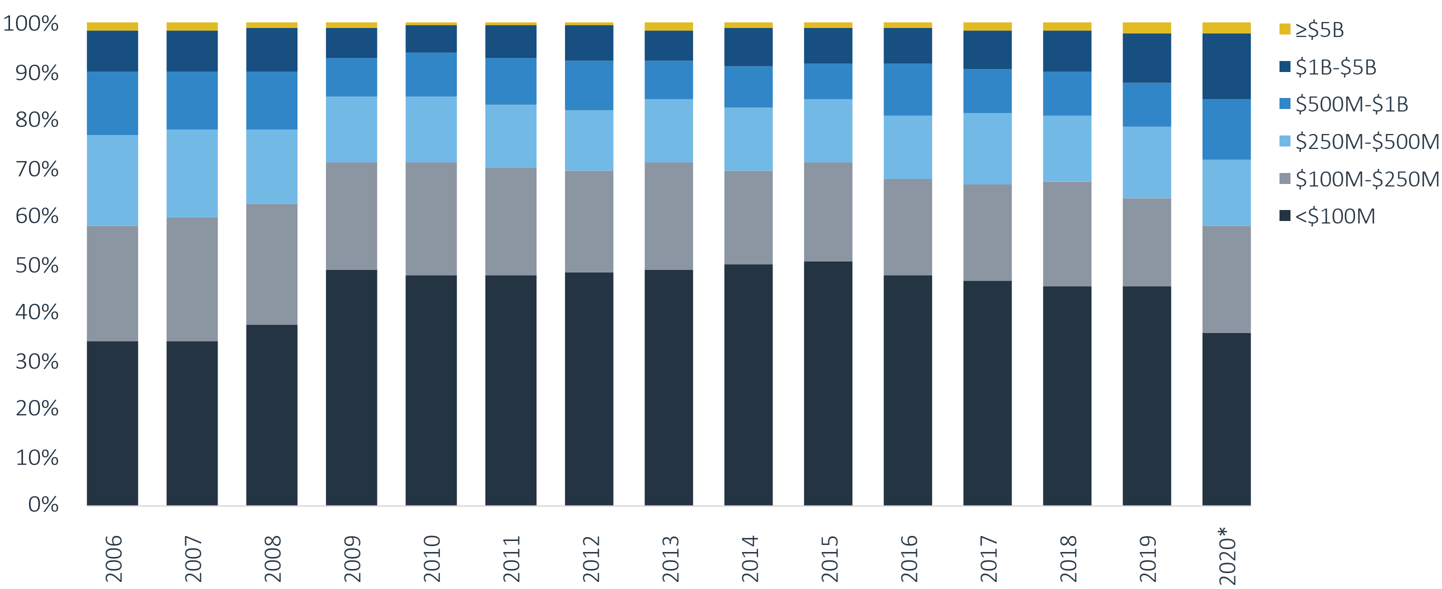
While larger fund managers garnered the lion's share of commitments in 2020, funds that closed on $1 billion or more captured a nearly identical share to what they did in 2019. It was not just the pandemic that caused LPs to stick to this part of the market. The trend has been developing for many years now. One figure that did fall markedly in 2020 was the proportion, by number, of funds sized $100 million and lower. Those funds constituted 45.4% of total fund count in 2019 but only 35.6% in 2020. Their share was redistributed to funds between $100 million and $250 million, between $500 million and $1 billion, and between $1 billion and $5 billion. As noted earlier, however, total fund count and capital raised did shrink overall.

Private capital funds ($) by size



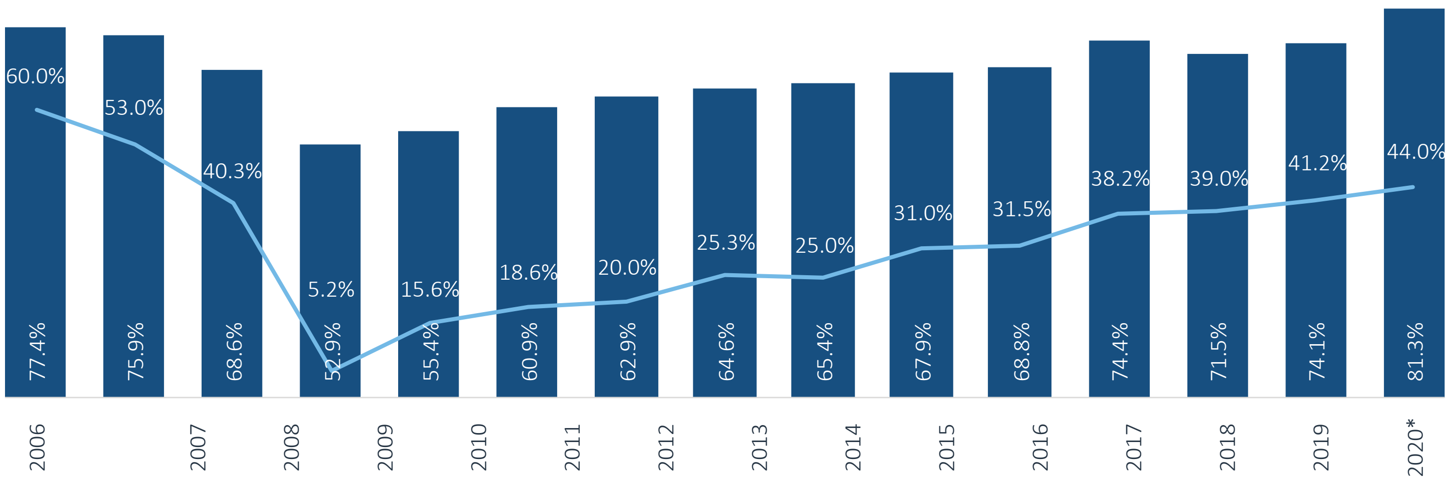
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Private capital funds (#) by size



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Median step-up from previous capital fund in fund family



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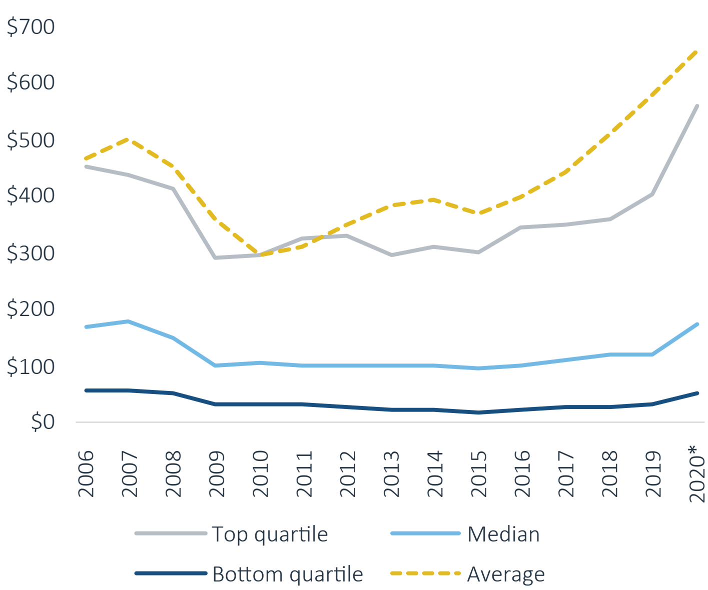
Private capital fund sizes ($M)



Source: PitchBook | **Geography:** Global
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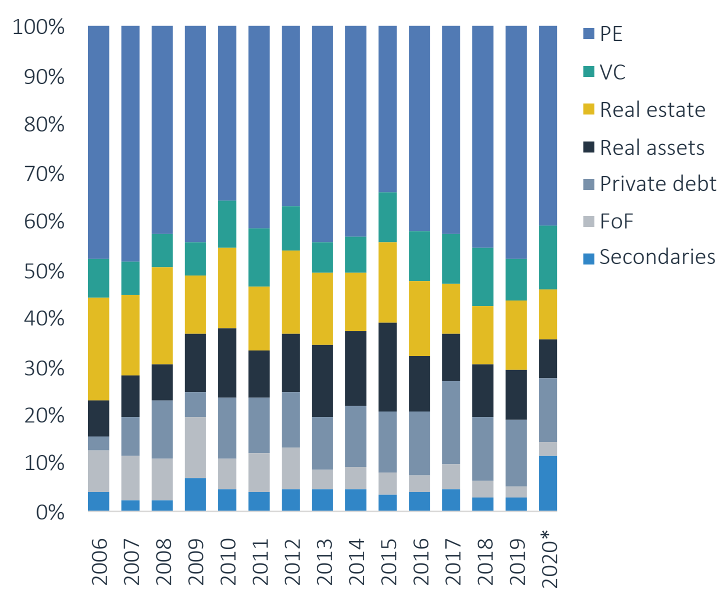
Private capital funds ($) by type



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Q&A: Altvia

Compared to one year ago, has there been significant change in the demand for and usage of deal management software across the market? If so, can you walk us through the causes?

Absolutely. Both demand and usage have increased dramatically across the market, and it's only getting started.

As easy as it is to point the finger at the COVID-19 pandemic, I believe the cause has more to do with firms not taking advantage of the opportunities and possibilities already afforded by technology, and now they're scrambling to catch up. For years, technology offered better options for information flow and work productivity. However, during the pre-pandemic status quo, firms felt less urgency to adopt them. Nothing seemed broken until the pandemic came along. Many are now finding that they have an acute reactionary problem—being distributed—that technology is and has long been readily able to solve.

The possibilities that technology has offered all along, coupled with the innovation cycles that are still ahead of mainstream adoption, are still ahead of the rush to adopt technology that has been mature. Yesterday's technology will act as a gateway drug to the reality of what technology can achieve in the market going forward. I'm excited about the possibilities that will emerge as a result.

How have client concerns and priorities shifted over the past year, and how have they varied across the allocator (LP) side to the investor (GP) side?

For the most part, LPs and GPs have similar concerns and priorities, which I'll separate into four themes: 1) workflow automation, 2) data, 3) insight, and 4) engagement.

Workflow automation is the most foundational of these themes, and the reason is obvious: What used to be a trip down the office hallway may now be a burdensome process of emails and/or Slack messages that seem less effective. For the first time, firms are wondering, "Can this be easier?" and "Can this be automated?" These questions seem to be of highest priority, and for good reason: The answer is almost always yes.

Jeff Williams

SVP, Industry Solutions & Strategy
Altvia

Jeff Williams started with Altvia in 2011, bringing with him a deep technical understanding and industry experience as an Associate at a leading Fund-of-Funds, Greenspring Associates. Through his tenure, he has worked extensively internally leading various departments and externally with clients to make the vision of Altvia come to life through the development, and launch of products solving the issues facing GPs and LPs.

Mr. Williams earned a BA in finance from the University of Utah and lives with his wife, two children, and 10 guitars in Colorado.

Data concerns are multifaceted, and data and insight are highly related. For those struggling with foundational data challenges, it feels akin to scrambling to capture car exhaust already in the atmosphere. Often, people think data exists or should be usable when it simply isn't, and that's usually due to poor foundational technology. Many firms are struggling to figure out how to properly capture the exhaust and make it usable, and that's okay. Better late than never.

All firms are interested in insight, but fewer firms are prepared to receive it. For these purposes, I'll define *insight* as the result of understanding what's in your data and what can be learned from it. Insight typically requires a mix of commercially available data such as PitchBook's and proprietary, internally generated data. These two data sources can be combined to help firms understand what's working and what's not, which activities lead to increased conversion (either on the investment team or from capital-raising efforts), where to spend time and where not to, what can be leveraged (well-formed LP reporting data, for example), and perhaps most importantly, engagement.

On both sides of the house—investment team and IR, engagement is important, but I categorize engagement as mostly a GP problem. An overwhelming theme during COVID-19: GPs are proving to be ill-equipped to digitally engage with current LPs and new prospects. Put simply, many firms struggle to understand both where to allot their time and how fruitful those efforts are. It's a scary problem to have, but we're always relieved to tell those GPs that we can help.

In terms of firm operations, how does usage of such reporting and process tools vary across the types of clients with which you work (PE buyout shops versus VC fund managers, for example)?

Venture has been slower to adopt reporting and process tools than other areas of the market. But to be fair, I think there's a good reason. Many of the premier early-stage VCs with which we work don't rely upon outbound sourcing models; their investment opportunities find them. On top of that, many of their portfolio companies don't have the same sort of financial data that more mature companies possess.

Interestingly, VCs typically feel more self-conscious about the irony that accompanies investing in cutting-edge technology companies while not having invested in technology for their own firm operations. Demand for LP transparency drives firms of all shapes and sizes, and many VCs see a huge opportunity to use technology to show LPs they eat their own dog food. Generally, LPs' competitive differentiation creates an opportunity for technology to generate a differentiated experience—one that is far more transparent than the traditional document overload through which LPs have historically suffered.

In terms of process and reports, FoF are, without question, our most diligent clients. The pass-through nature of their portfolios, combined with co-investment and secondary strategies that extensively use data, are the obvious culprits.

Given the centralization of data, how do cybersecurity concerns factor in for PE firms that need access to multiple portfolio companies' data?

Cybersecurity's importance can't be emphasized enough. At the end of the day, we live in an information economy, and entire market moats are built upon information. For example, consider Vista's Standard Operating Procedures, the treasure trove to which few people are allowed access.

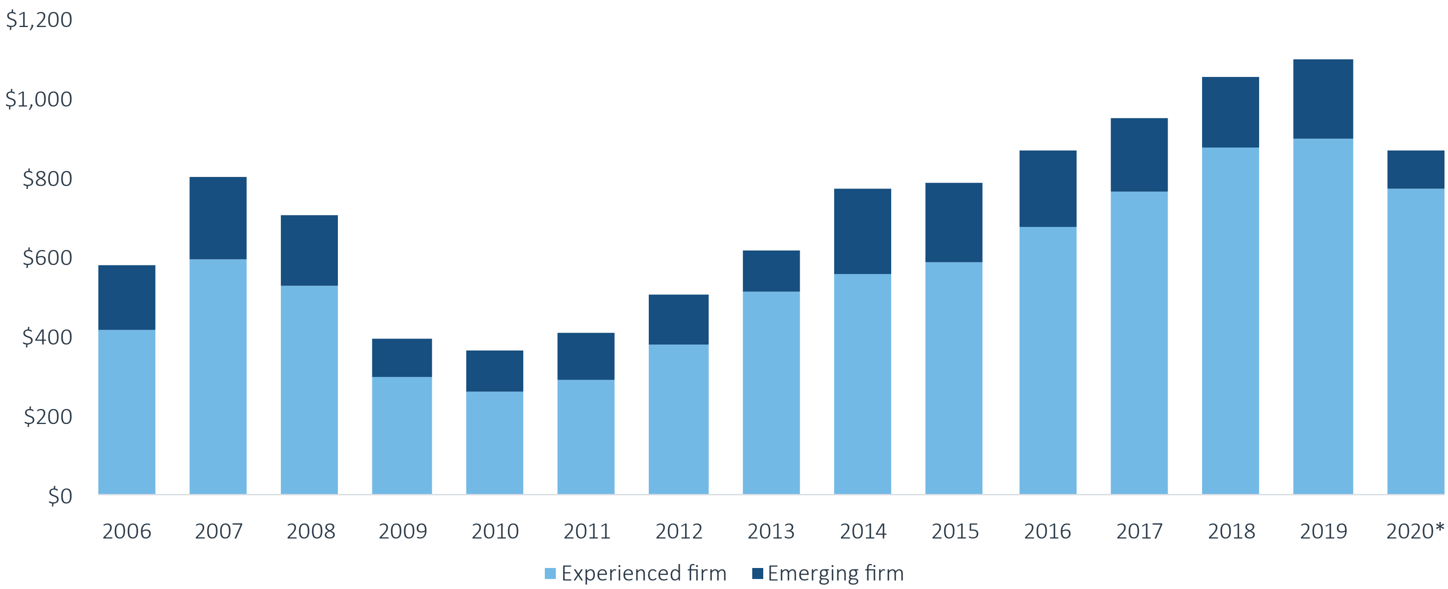
Outsourcing is increasingly relied upon for the collection of portfolio company data, and many of the new market entrants are owned by PE and VC firms. While burdensome, the collection step in acquiring data from portfolio companies also provides tremendous value. It also dramatically increases both the number of parties with access and—like a game of telephone—the risk of inaccuracies.

I do not mean to question the integrity of these vendors or their owners. That is certainly not what I'm hoping to accomplish here. Instead, my point is that what recent cybersecurity incidents have taught us, if we are to take the SolarWinds hack as an example, is that even the most bulletproof vendors with the noblest of virtues—even ones trusted by Fortune 500 companies—can become compromised for long periods of time and without anyone realizing.

PE firms should be both developing data and technology strategies that align with the level of risk they're comfortable assuming and prepared to understand the stakes from a competitive standpoint. Our suggestions involve developing strategies that can be influenced and controlled—by reducing data touch points, for example—and are capable of dynamically shifting as new threat vectors evolve. Those that do not are at greater risk, but even those that do can neither control nor prevent the threats with which we are forced to live in today's world.

Spotlight: Emerging fund managers

Private capital funds ($B) by manager experience

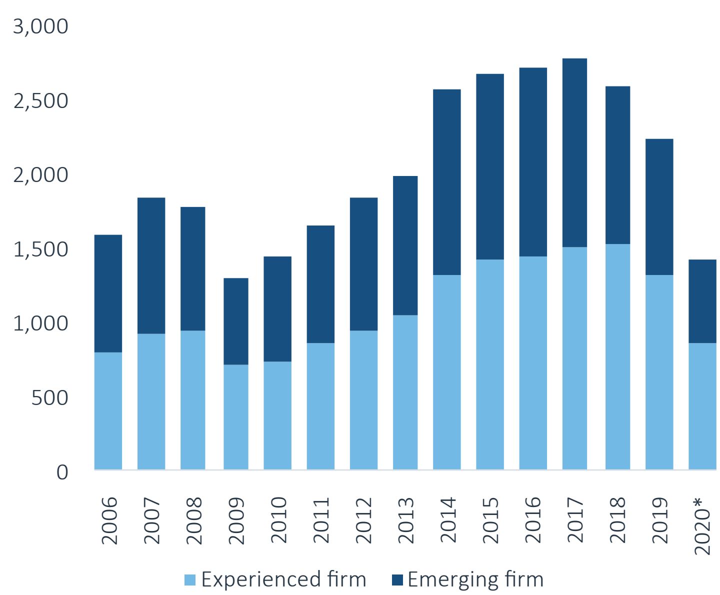


Source: PitchBook | **Geography:** Global
*As of December 31, 2020

This quarter, we decided to focus on emerging fund managers, or those that have closed three or fewer funds. Experienced managers, those with four or more funds, have historically received the vast majority of commitments to private markets—77.9% of dollars closed since 2006. In the last five years, the proportion of fundraising dollars going to emerging managers has declined. In 2019, 18.2% of that capital went to emerging managers, but their share hit a 15-year low of 11.7% in 2020. The roster of experienced managers has grown relentlessly over the past two decades as a proportion of each year's emerging managers continues on to raise successor funds.

PE and VC investors have consistently had different comfort levels with emerging funds, with emerging managers representing 38.3% of VC commitments over the past 15 years but only 20.5% of PE commitments. Their share of both strategies fell in 2020, though emerging VC managers still managed to garner 29.6% of VC fund commitments, down from 37.4% in 2019. In the VC space, because many in-person meetings between fund managers and LPs were canceled due to the ongoing pandemic and growing uncertainty, LPs tended to favor and commit capital to GPs with whom

Private capital funds (#) by manager experience



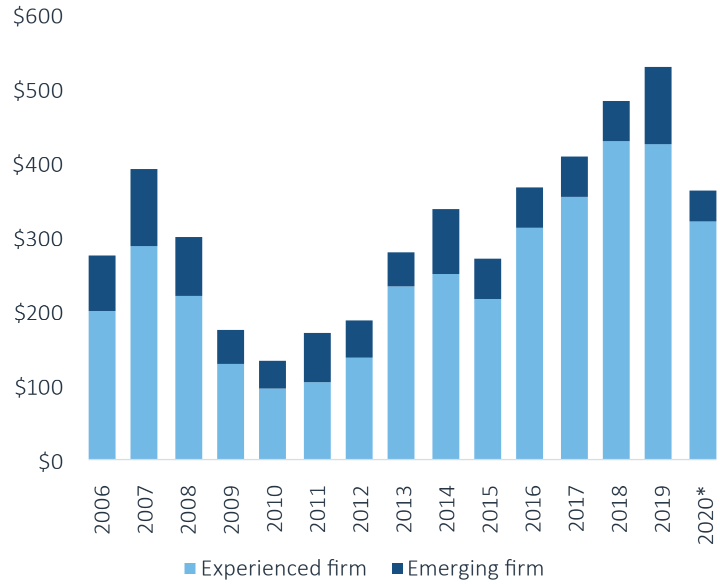
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

they have strong relationships and that have solid past fund performance. For many emerging VC firms raising funds without past performance to tout, we have seen an increase in the popularity of rolling funds, growth and opportunity funds, special purpose vehicles (SPVs), syndicates, special purpose acquisition companies (SPACs), and other nonflagship financing structures.

2020 saw a considerable shift in the flow of commitments to PE firms. Because of many factors previously listed, LPs had less time to perform due diligence on newer managers, and many instead decided to re-up with existing relationships. This resonated all the way to the top of the industry, where titans such as Blackstone (NYSE: BX) and KKR (NYSE: KKR) lauded the relative ease of fundraising over Zoom, while smaller firms struggled. Whereas 19.9% of the capital raised in 2019 went to emerging PE managers, just 11.6% went to emerging managers in 2020. Things look to be changing heading into 2021. Many of those emerging managers have continued to fundraise, albeit with slower prospective LP due diligence processes. Some of these same LPs are expecting to have more freedom at investment meetings in 2021 to pursue new mandates and potentially allocate capital to emerging managers.

The real estate picture is interesting in that 15 years ago, there were still a lot of new entrants to what was a less developed area of the private markets. In 2006, 34.8% of capital raised for real estate funds went to emerging managers. In both 2019 and 2020, emerging managers closed on 9.1% and 9.6%, respectively, of the capital raised for real estate funds. Real assets, on the other hand, did not have the same influx prior to the GFC, but saw a rash of new entrants even later. In 2014, emerging managers received 53.5% of dollars committed to the strategy. Total capital raised for real assets jumped from $39.4 million in 2011 to $140.7 million in 2015, so the strategy was experiencing exceptional growth at that time, with new entrants meeting a good portion of that demand. Both real estate and real assets require specialized expertise, so established firms or entrants with that expertise have already risen funds, and few vehicles are likely to form in any given year, keeping the emerging-manager pool small.

PE funds ($B) by manager experience



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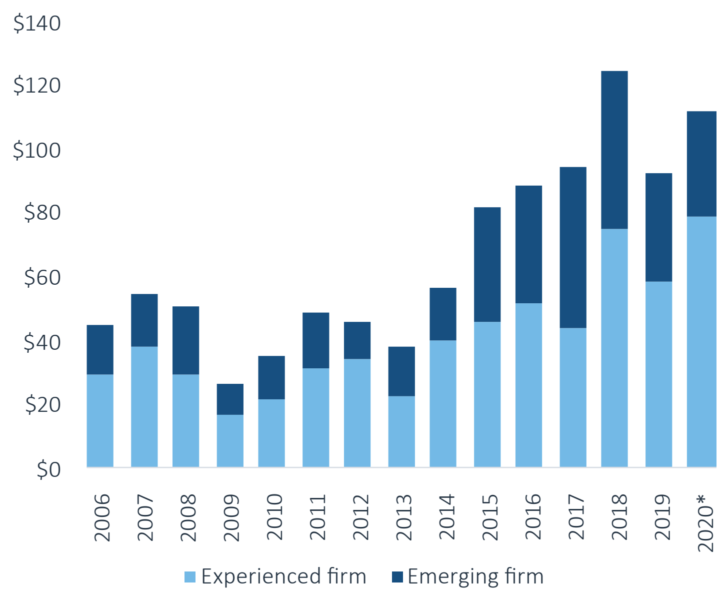
VC funds ($B) by manager experience



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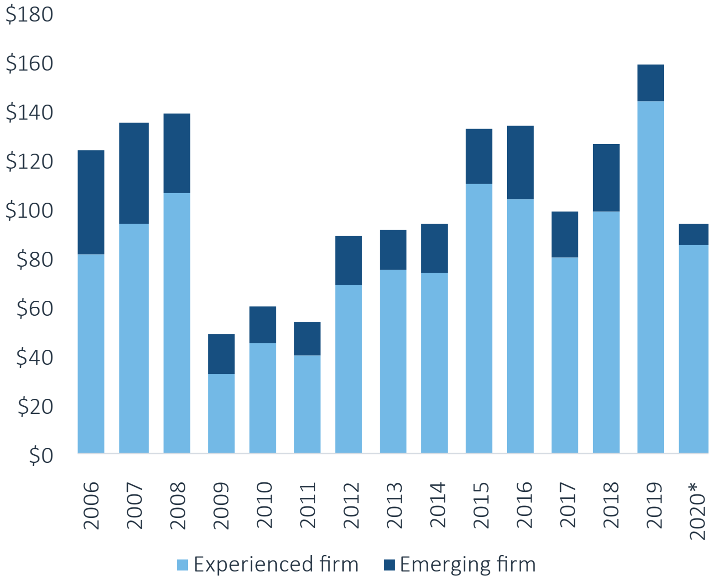
Real estate funds ($B) by manager experience



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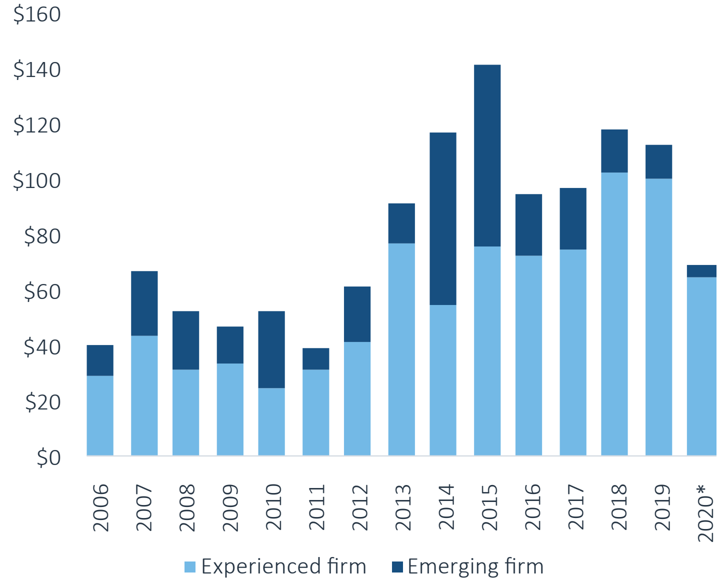
*As of December 31, 2020

Real assets funds ($B) by manager experience



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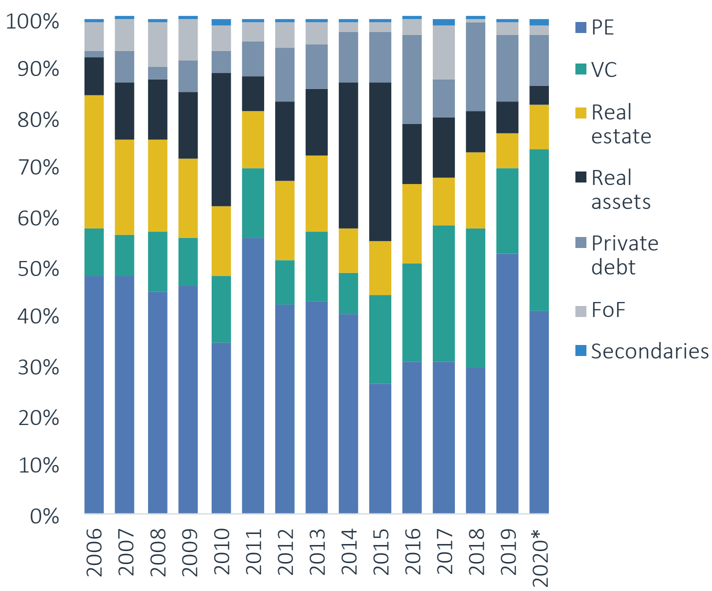
Emerging manager funds ($B) by strategy



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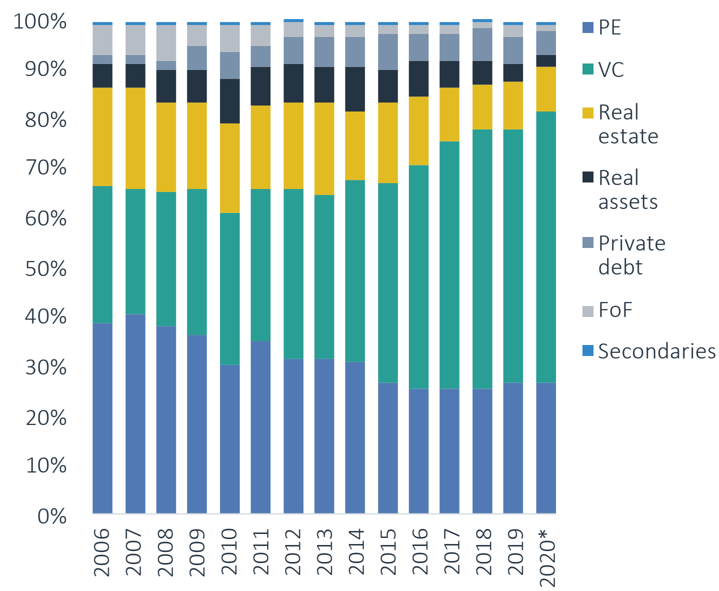
Emerging manager funds (#) by strategy



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*As of December 31, 2020

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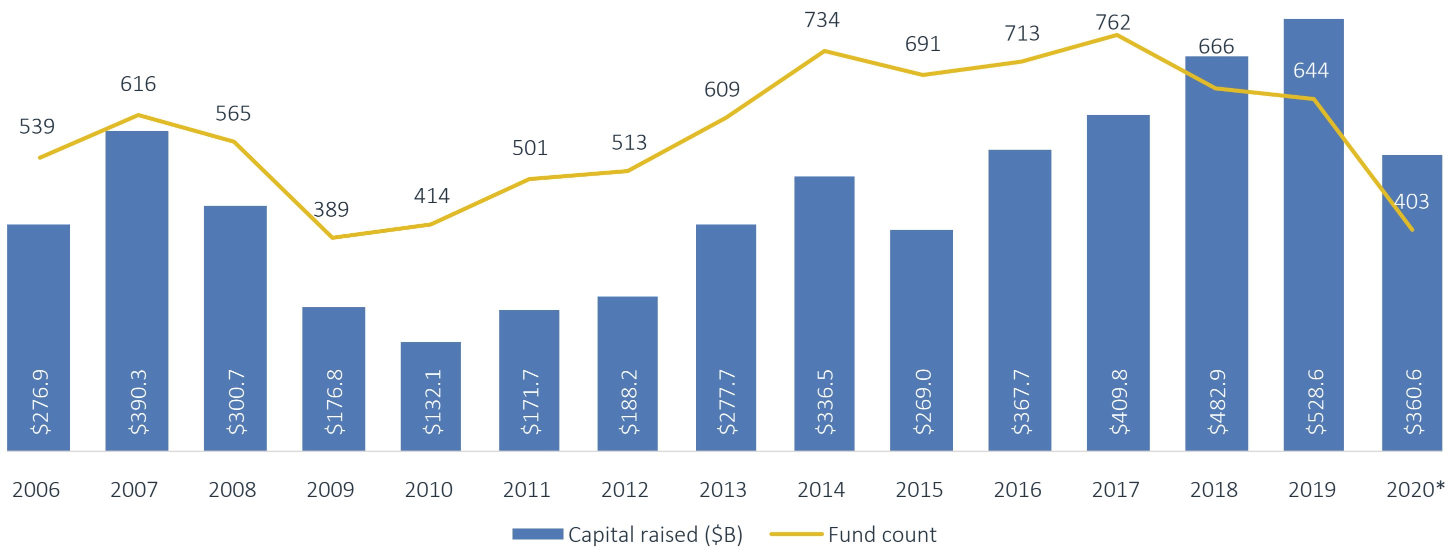
Private equity

PE fundraising activity



Source: PitchBook | **Geography:** Global
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Wylie Fernyhough Senior Analyst, PE Lead
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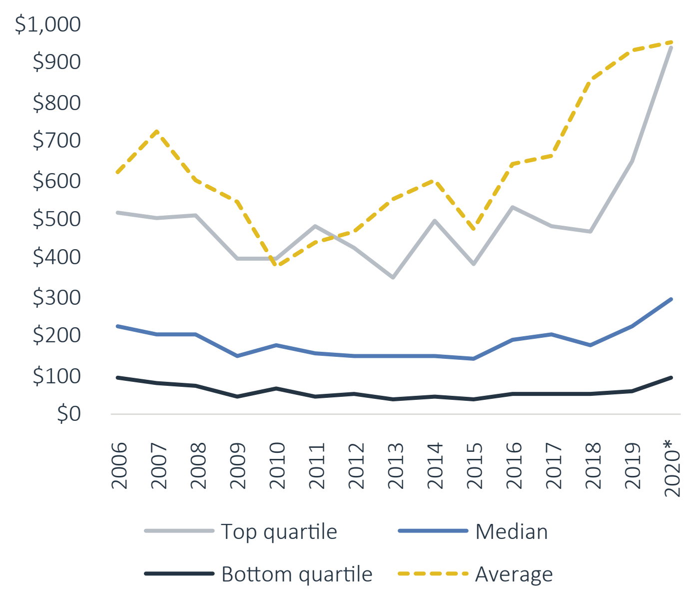
Capital raised for PE funds reduced by a third in 2020 from 2019. The industry was battered by the pandemic and faced structural headwinds with fewer mega-funds ($5 billion+) in the market. In total, PE firms closed on 403 funds raising a cumulative $360.6 billion, recording the lowest amount of capital raised since 2015. Fundraising figures were particularly low in Q2 and Q3, when LPs were more concerned with managing their current portfolio rather than making new fund commitments. However, momentum appears to be trending in a positive direction going into 2021. The fourth quarter of 2020 was the only quarter in which PE funds amassed more than $100 billion. We believe 2021 will likely set a high-water mark for capital raised given built-up LP demand and a surfeit of mega-funds coming to market or already in market. The year is already off to a healthy start with managers including Silver Lake, New Mountain, and Apax raising mega-funds in January alone.

Established managers represented an outsized proportion of total capital raised for the PE strategy, recording their second highest share in over fifteen years. They raised 7.6x the capital that emerging managers did.

PE fund sizes ($M)



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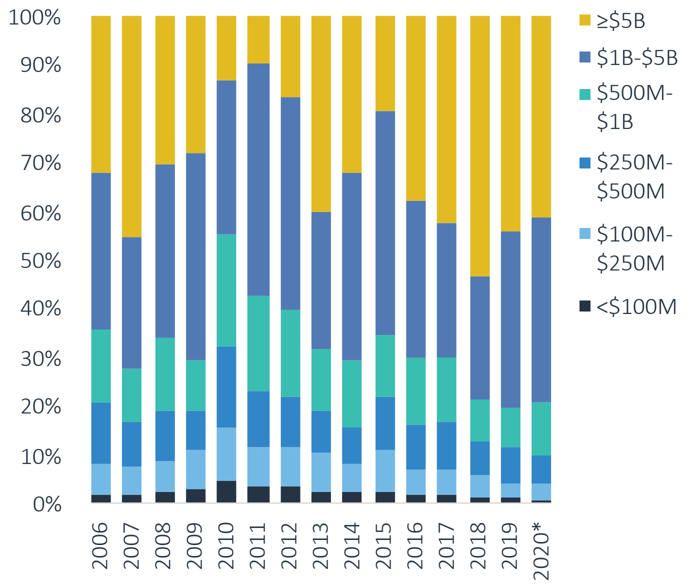
*As of December 31, 2020

Perhaps because of this dynamic, GPs seemed to have effectively pushed back against LPs demanding a change from the traditional 2 & 20 model. From 2018 to 2020, established GPs proved capable of extracting higher fees than they did in the previous three-year period. As these firms remain dominant forces in the market, GPs will likely continue to extract healthy fees.

PE funds ($) by size



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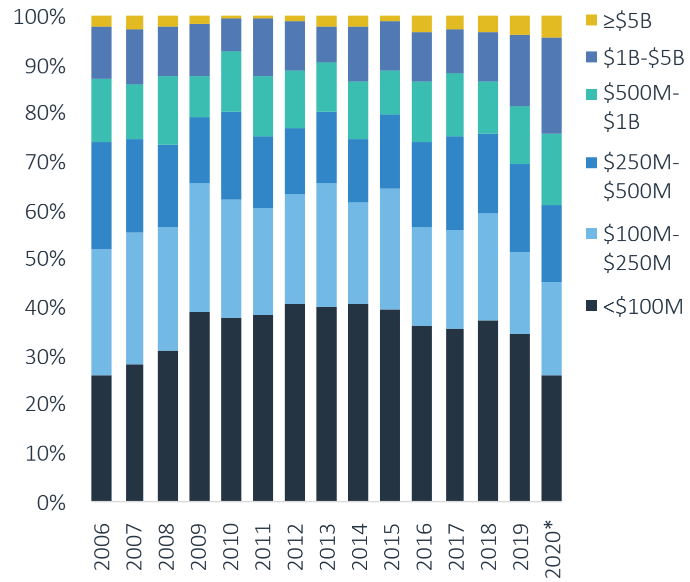
PE funds (#) by size



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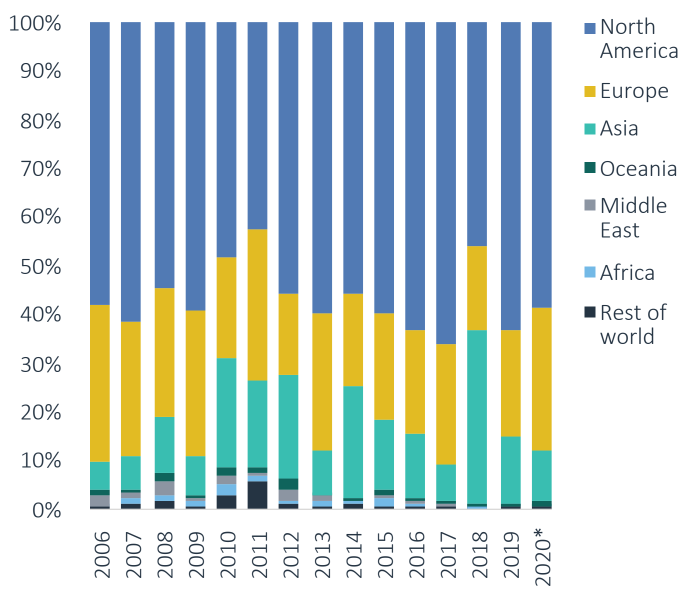
PE funds ($) by region



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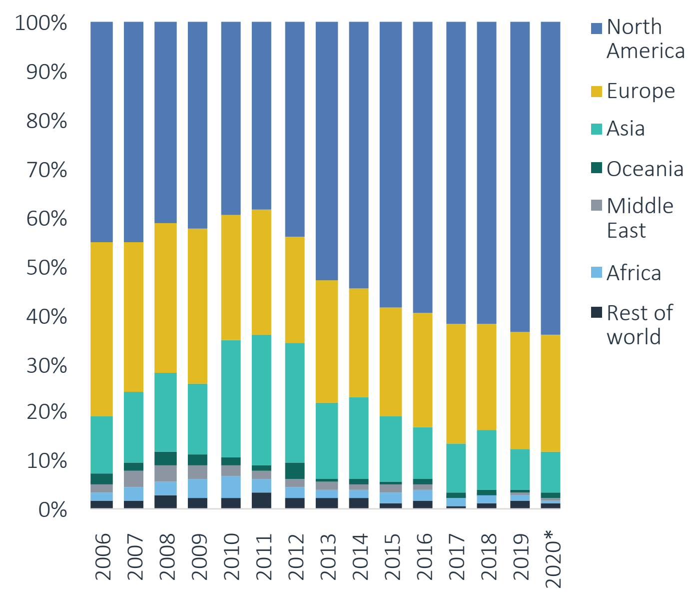

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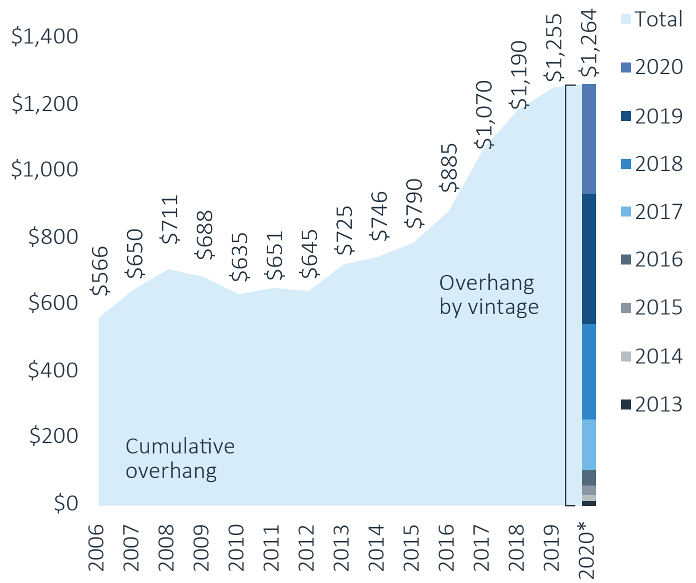
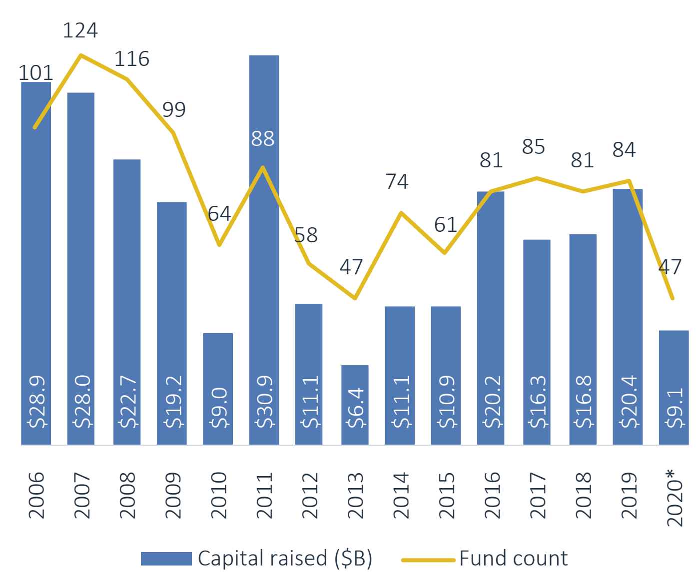
*As of December 31, 2020

PE overhang ($B)



Source: PitchBook | Geography: Global
*As of June 30, 2020

PE first-time fundraising activity



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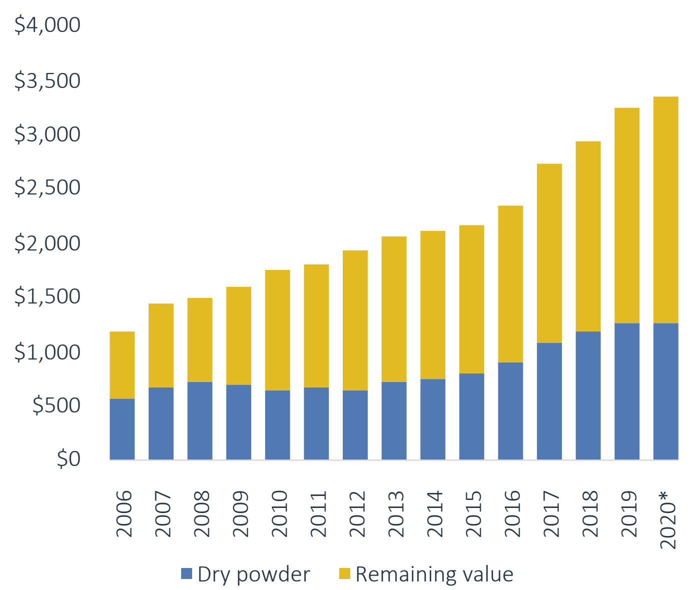
PE AUM ($B)



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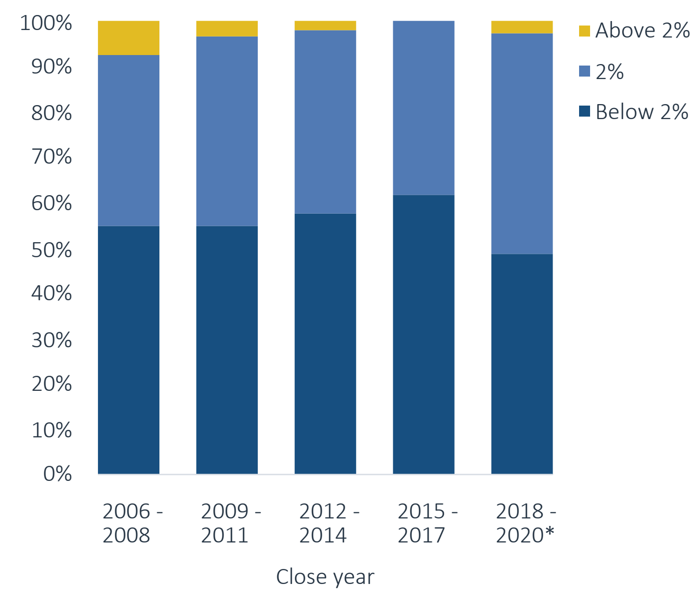
*As of June 30, 2020

Management fee percentage for PE funds by vintage year cohort



Source: PitchBook | Geography: Global
*As of December 31, 2020

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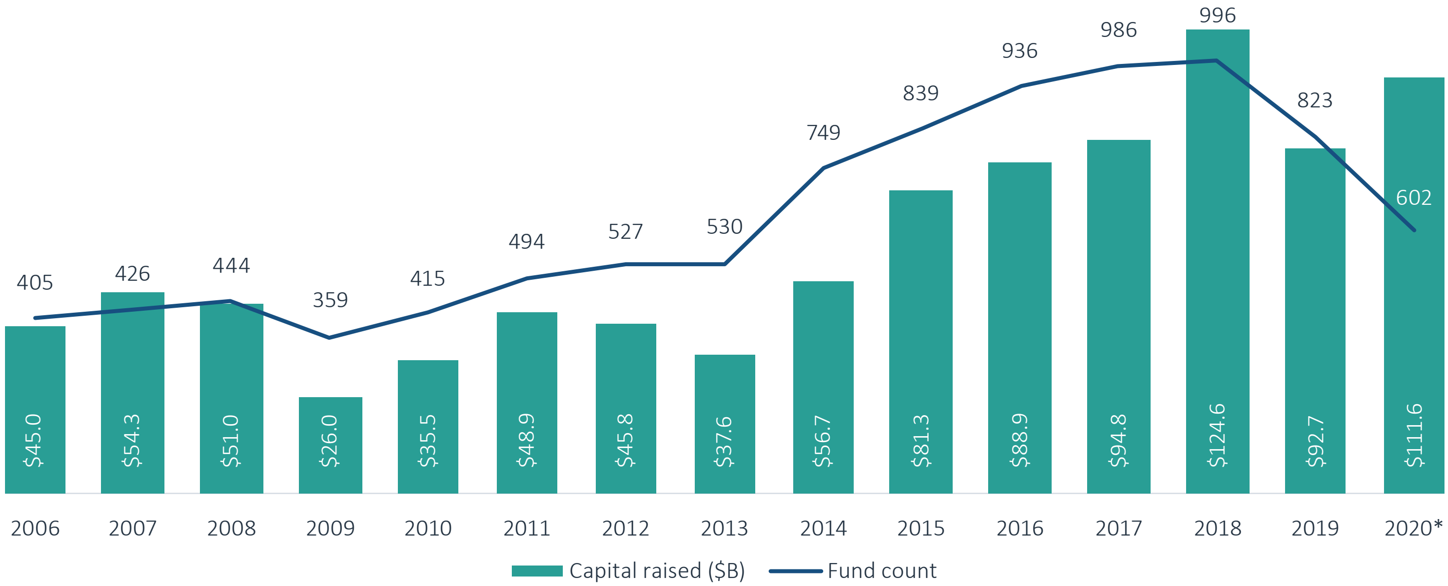
Venture capital

VC fundraising activity



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Cameron Stanfill, CFA Senior Analyst, VC
Joshua Chao, Ph.D. Analyst, VC
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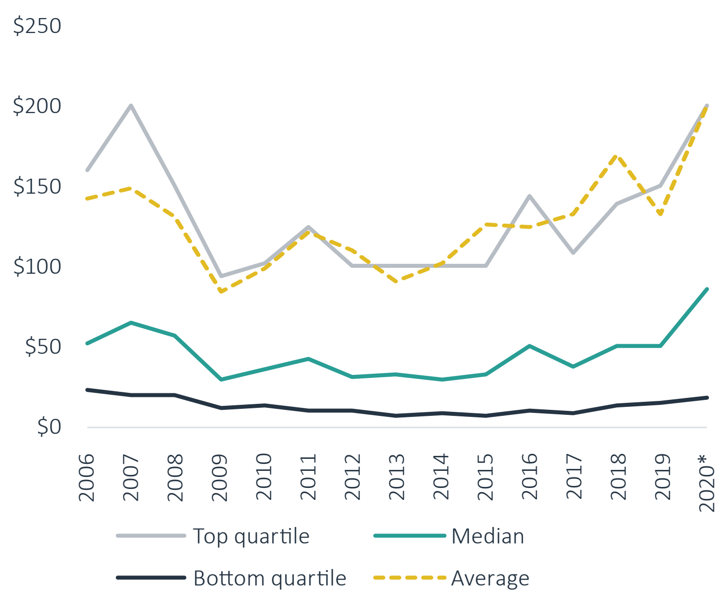
Capital raised for venture funds rose to exceptional heights in 2020, surpassing $100 billion for the second time ever. VC firms raised $111.2 billion, marking a 20.6% YoY increase across 26.8% fewer funds. These divergent trends in fund count and value imply a significant growth in average and median fund sizes, which the data reflects. We recorded YoY fund size increases across all quartiles and the average, with the median moving to an unprecedented $85.0 million on the back of an especially strong Q4. Highlights of the quarter's activity include Andreessen Horowitz closing a pair of new funds totaling $4.6 billion, pan-European investor Creator Fund closing a $2.0 billion fund, China's Gaorong Capital closing a USD-denominated fund of $1.2 billion, and Lead Edge Capital closing $950.0 million for its fifth flagship fund for a 1.8x fund size step-up.

Access to growth and high return potential remains a consistent factor underpinning VC's fundraising success over the last few years. Mega-funds (those exceeding $500 million) accounted for 54.4% of capital raised for venture, narrowly edging out the record set previously in 2018. The volume of these massive funds expanded 69.5% YoY to 61 as VCs rode many of the tailwinds

VC fund sizes ($M)

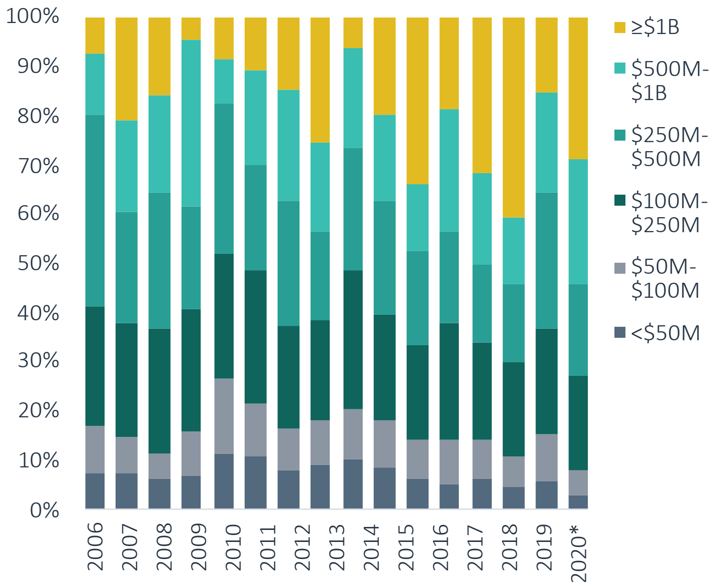


Source: PitchBook | **Geography:** Global
*As of December 31, 2020

of the current fundraising environment—namely LPs underallocated to venture, near-zero benchmark interest rates, and substantial public market liquidity from a strong IPO market. Conversely, a sharp contraction in micro-funds (those under $50 million) raised indicates the difficulty that many first-time and emerging fund managers faced in 2020. A mere 208 micro-funds were raised in 2020, marking a 34.6% YoY decline and the lowest count we have recorded since 2010.

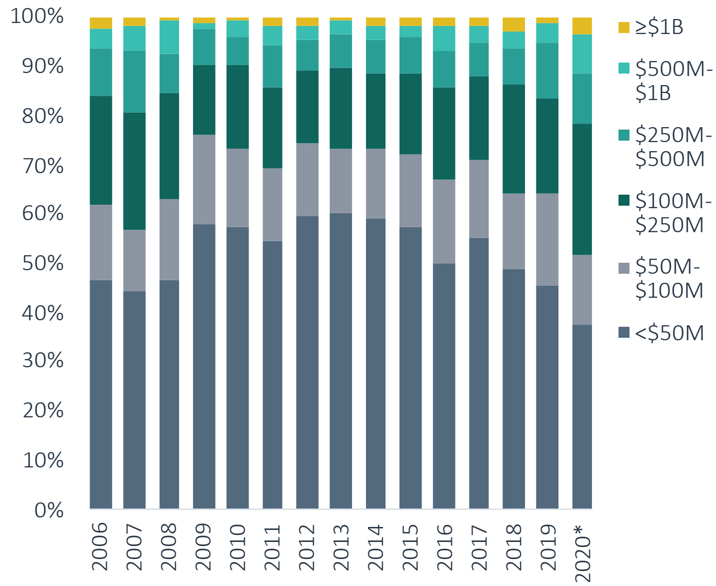
Total VC dry powder also continues to climb higher, despite the historically elevated levels of contributions since 2018. Total capital raised has increased more rapidly than contributions in response to the massive flow of capital into the space from nontraditional investors, which has enabled companies to increase in size and remain VC-backed. As larger startups have found more plentiful funding in the private markets, VC funds have needed to increase fundraising efforts to support these opportunities. Luckily for VC firms, institutional investors have been more than willing

VC funds ($) by size



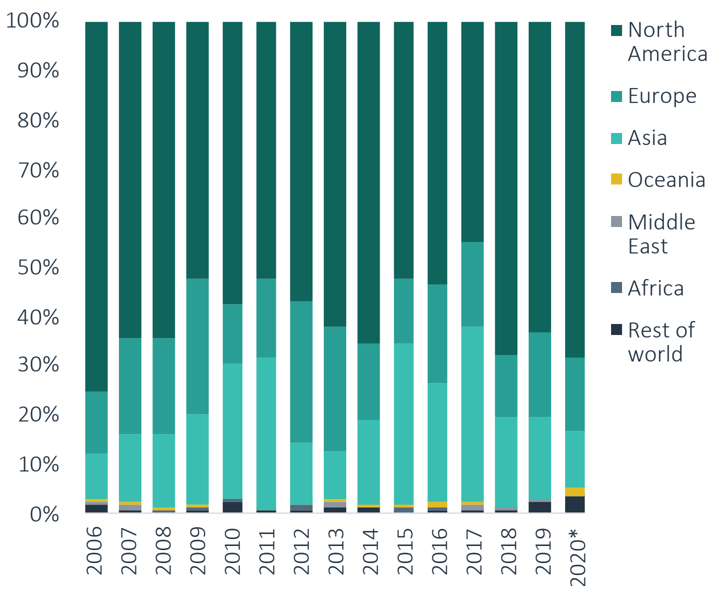
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

VC funds (#) by size



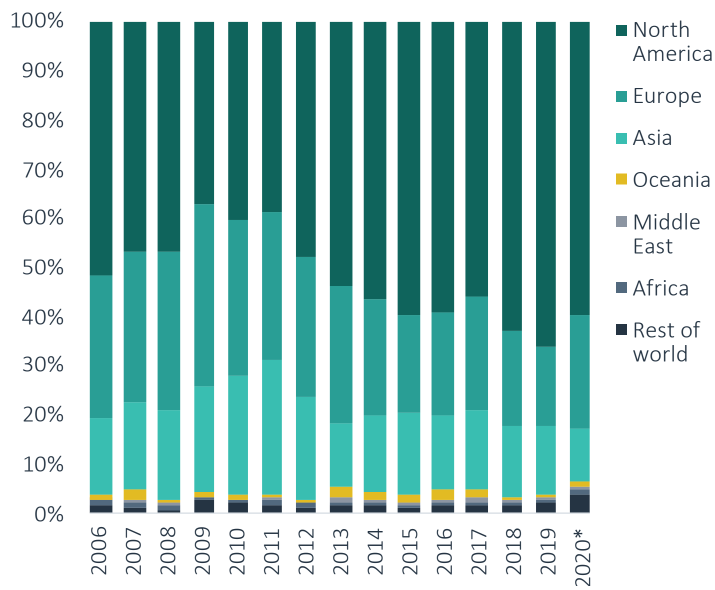
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

VC funds ($) by region



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

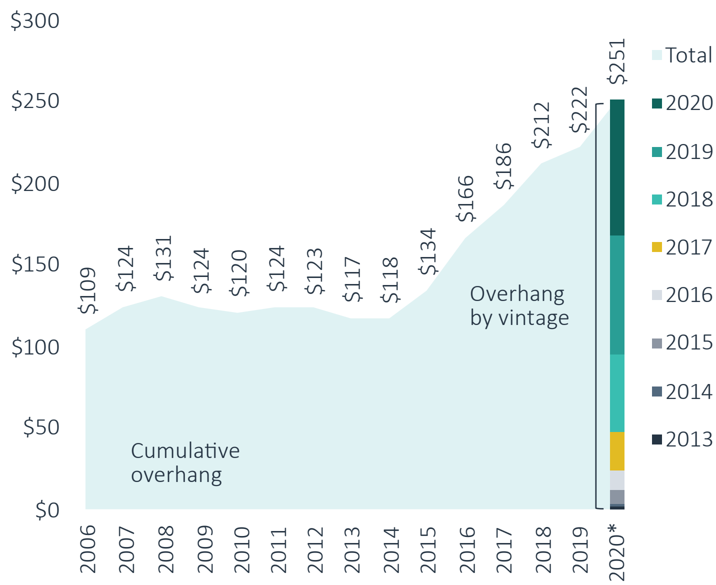
VC funds (#) by region



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

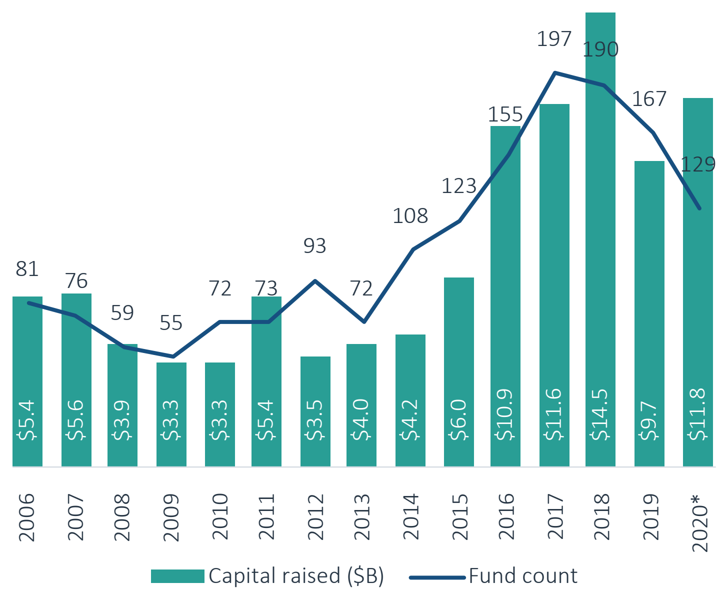
to commit to VC funds in a search for returns in an otherwise bleak returns environment. Notably, many investors are actively searching for the next unicorn, as dry powder rises to the levels seen around 2014-2015, when the broader unicorn trend really took hold of the VC zeitgeist.

VC overhang ($B)



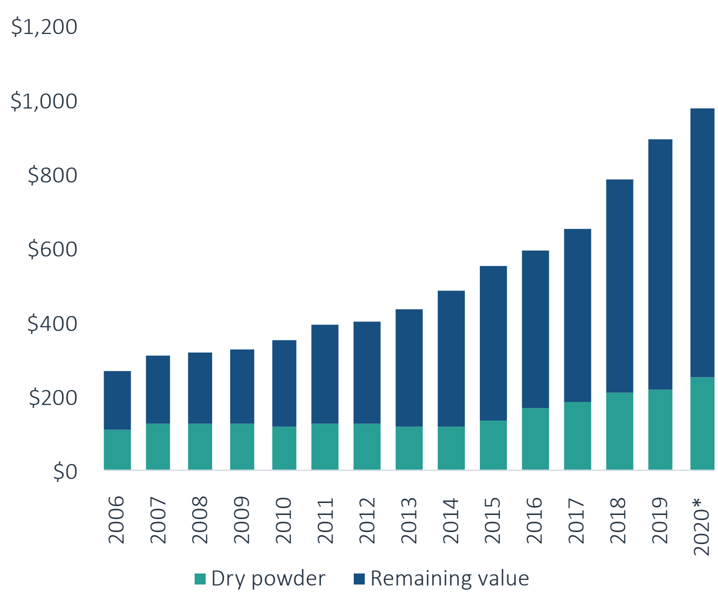
Source: PitchBook | **Geography:** Global
*As of June 30, 2020

VC first-time fundraising activity



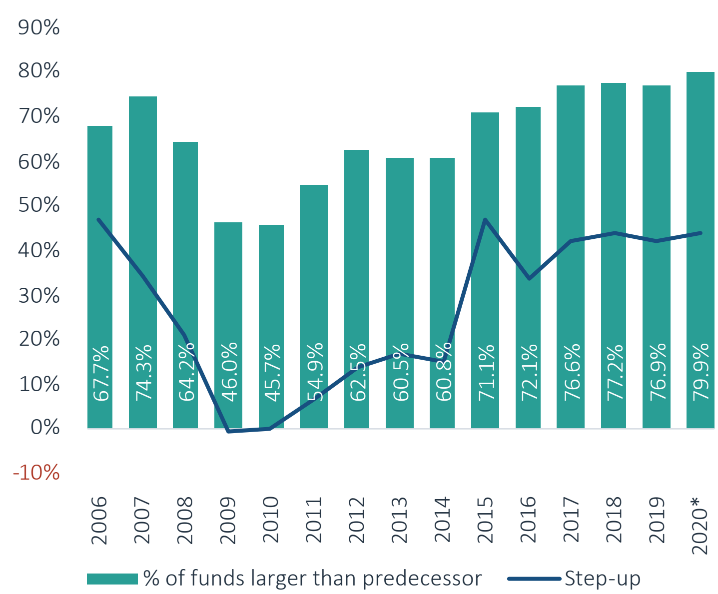
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

VC AUM ($B)



Source: PitchBook | **Geography:** Global
*As of June 30, 2020

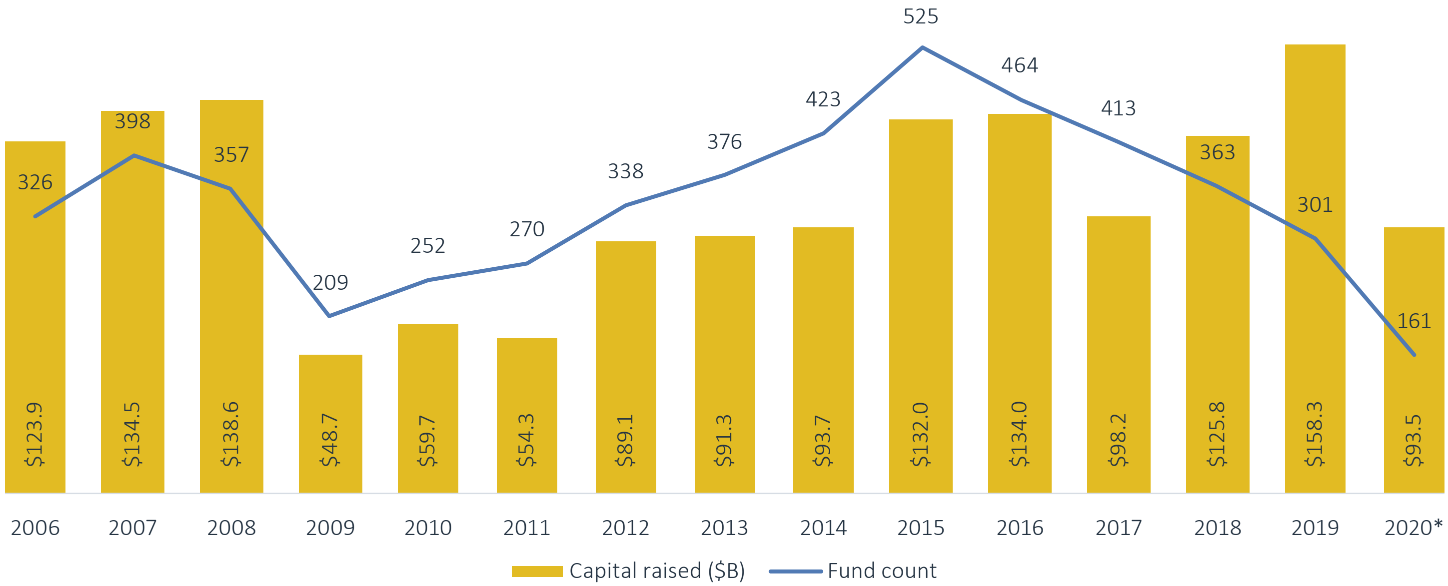
Median step-up from previous VC fund in fund family



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Real estate

Real estate fundraising activity



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

James Gelfer Head of US Private Markets Research
Zane Carmean, CFA Quantitative Research Analyst
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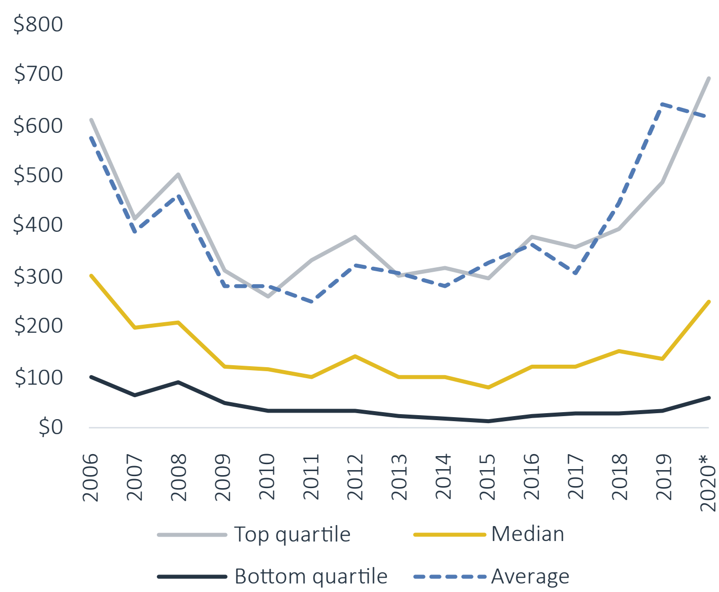
The word "bifurcation" is often used to describe fundraising trends in many areas of private markets, with LPs concentrating capital in massive funds on one end and small, specialized funds on the other. The opposite phenomenon played out in real estate in 2020, with weakness on the ends of the size distribution and strength in the middle. Blackstone Real Estate Partners Europe VI was the only fund that closed on more than $5 billion during the year, pulling down the average fund size from its all-time high in 2019. Even with this anemic activity at the top of the market, the median and top-quartile fund sizes rose sharply as the small end of the market also seized up, with the number of funds under $500 million hitting its lowest level since 2004. While the count of small and larger funds contracted, activity for real estate vehicles between $500 million and $5 billion held relatively steady YoY.

Real estate fund sizes ($M)

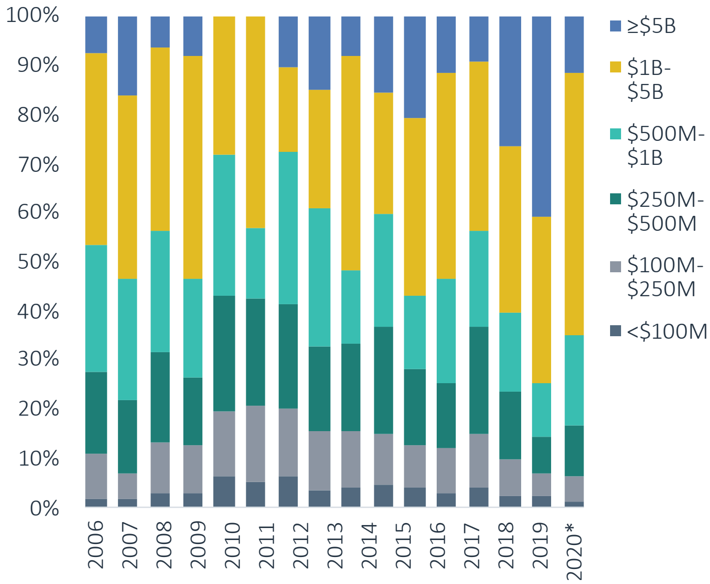


Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Activity was down across all real estate substrategies with the exception of core plus, where capital raised rose to a multiyear high. With the upheaval stemming from the pandemic, it seemingly would be a good time to raise a distressed fund, but totals regressed in 2020 to some of the lowest levels on record. Much of this, however, can be attributed to the strong year in 2019 and the long fundraising cycles in private markets. When it comes to asset preferences, investors appear to be gravitating toward strategies that are insulated from the headwinds of the pandemic. Many funds raised recently focused on resilient areas such as industrial and multifamily housing. While there are pockets of weakness in housing, industrial rent growth in North America exceeded 3% in 2020.[2]

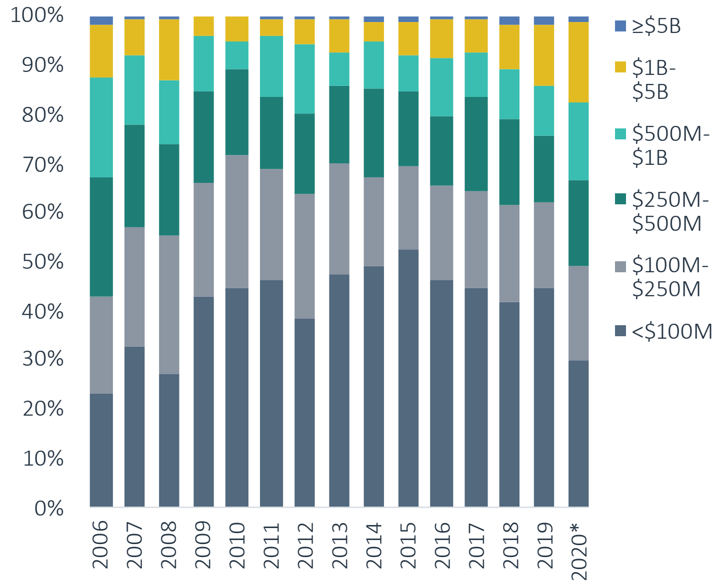
Real estate fundraising at the regional level also aligned with how economies appear to be combating the pandemic. North America suffered the steepest drop YoY in capital raised for the strategy on both an absolute and relative basis. Europe also saw a sharp decline, while

Real estate funds ($) by size



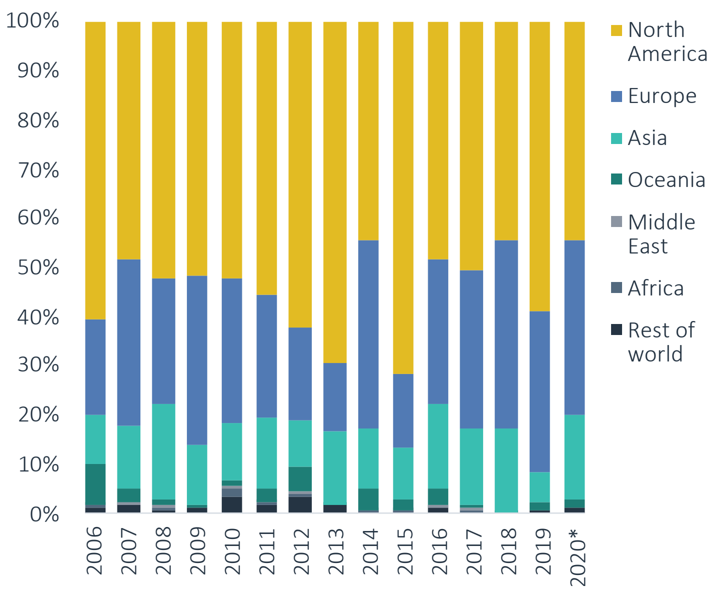
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Real estate funds (#) by size



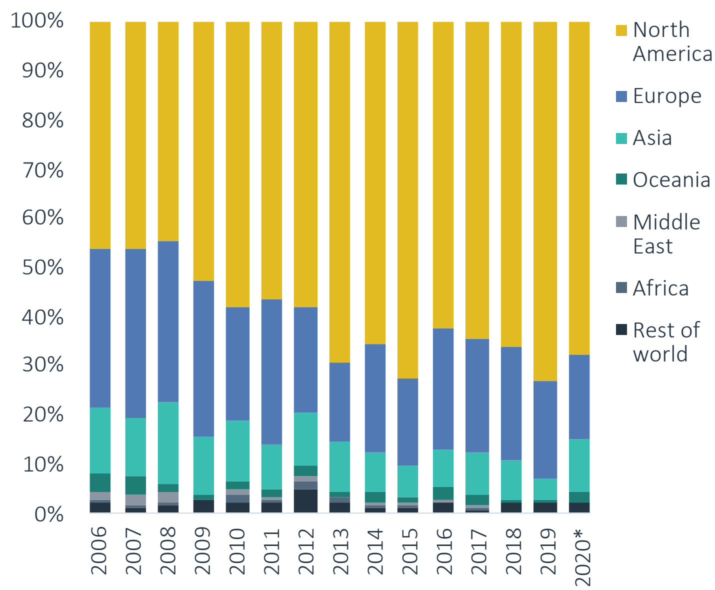
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Real estate funds ($) by region



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Real estate funds (#) by region

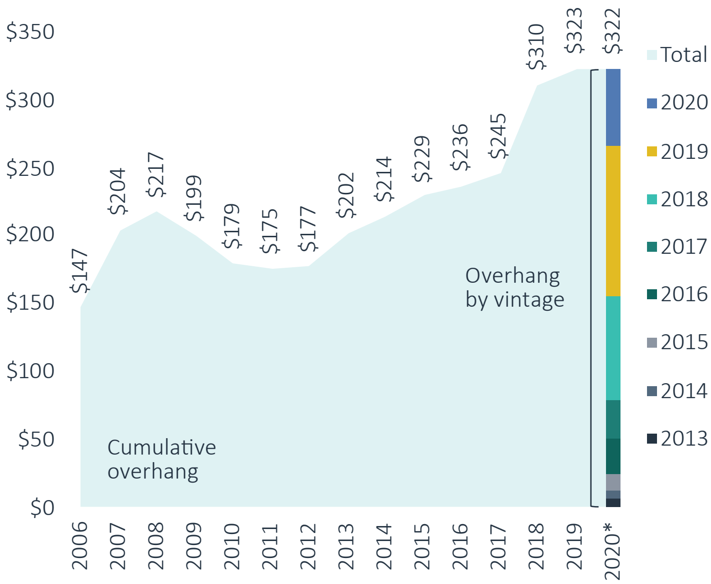


Source: PitchBook | **Geography:** Global
*As of December 31, 2020

2: Prologis. As of December 31, 2020.

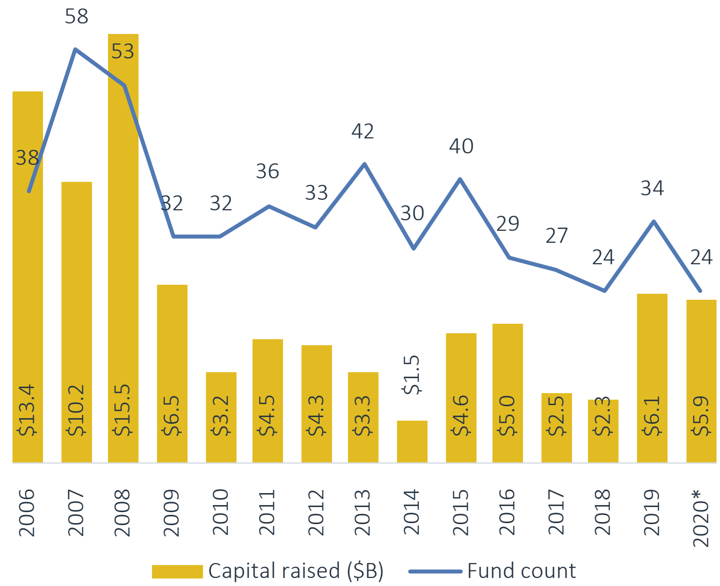
Asia enjoyed a rebound from a slow year in 2019. Asia's transaction market was also strong; activity in the region rebounded to pre-crisis levels, while dealmaking in North America and Europe accelerated in Q4 but remained below recent high-water marks on an annual basis.[3]

Real estate overhang ($B)



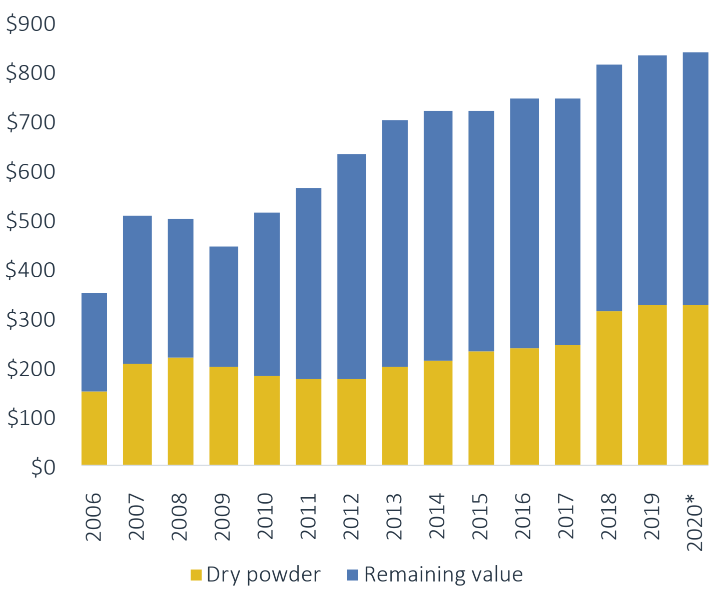
Source: PitchBook | Geography: Global
*As of June 30, 2020

Real estate first-time fundraising activity



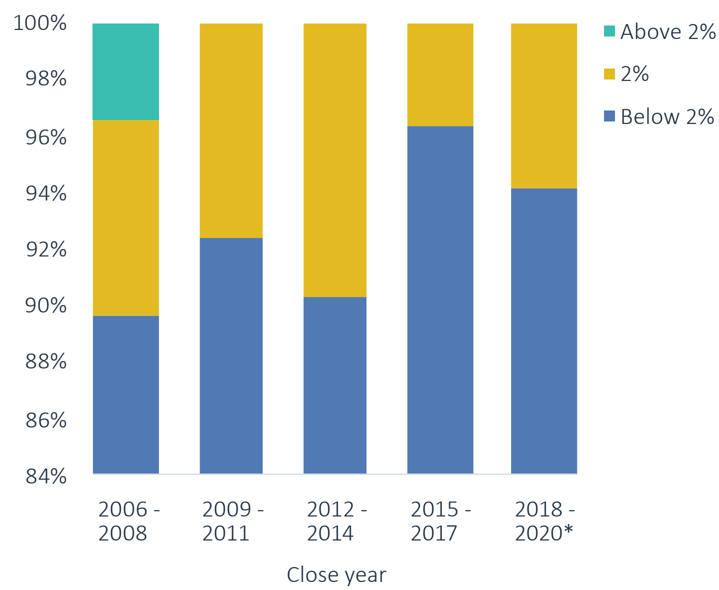
Source: PitchBook | Geography: Global
*As of December 31, 2020

Real estate AUM ($B)



Source: PitchBook | Geography: Global
*As of June 30, 2020

Management fee percentage for real estate funds by vintage year cohort



Source: PitchBook | Geography: Global
*As of December 31, 2020

3: CBRE. As of December 31, 2020.

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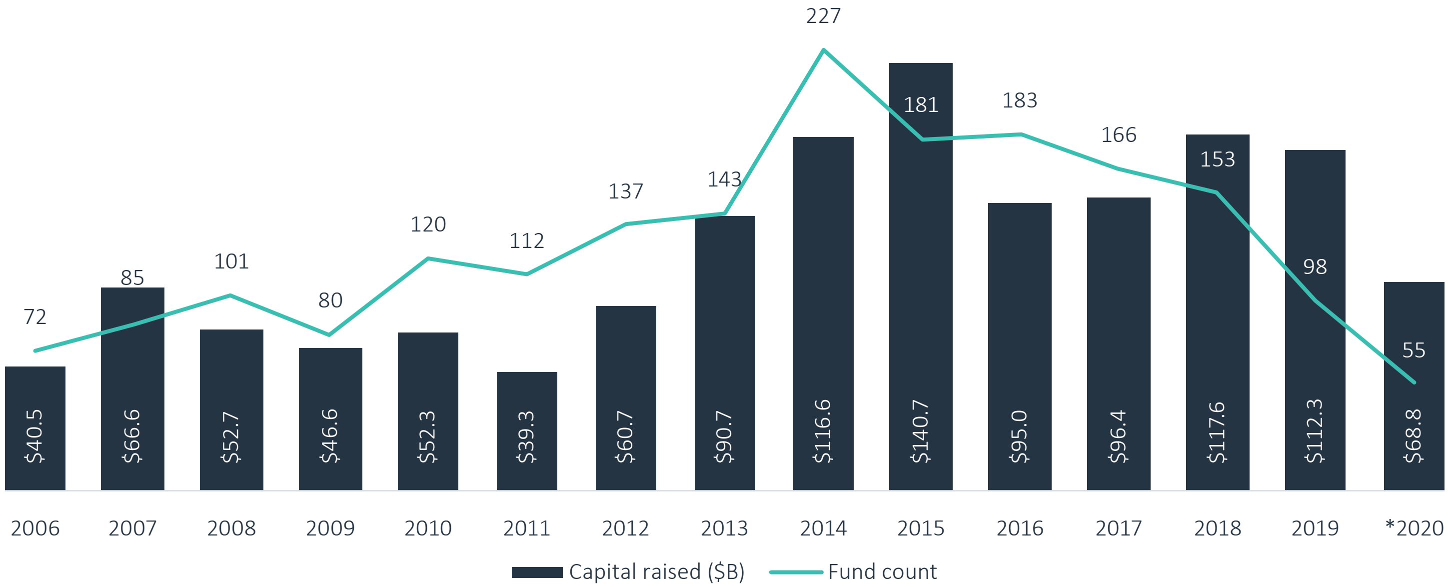
Real assets

Real assets fundraising activity



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Wylie Fernyhough Senior Analyst, PE Lead
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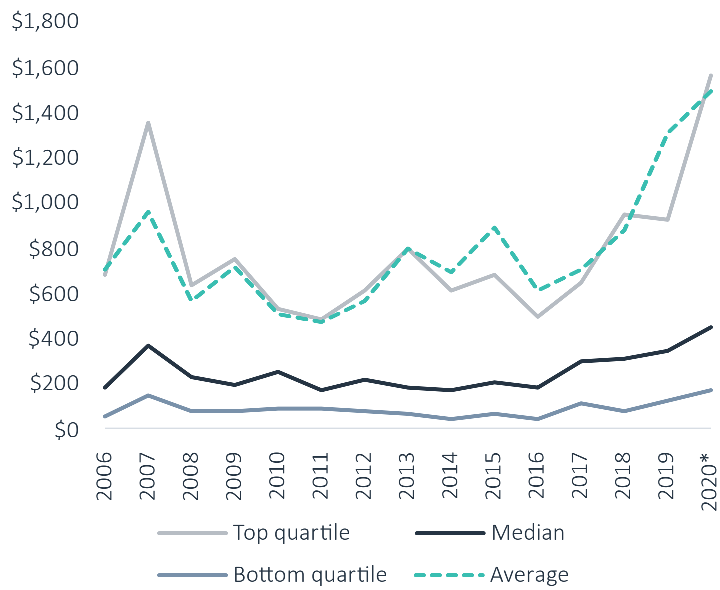
Real assets fundraising cratered in 2020. Just 68 funds closed during the year, amassing a combined $68.8 billion, or just over half the capital raised for the strategy in 2019. The asset class's weak showing can primarily be attributed to the dearth of oil & gas fundraising. After years of feeble prices in the oil market, investment activity has dried up. Public companies also pared back on capex spending, and many pursued mergers of scale to try and reduce costs. Oil & gas funds accounted for less than one-tenth of the capital raised for real assets funds, marking the substrategy's lowest share on record.

Infrastructure fundraising remained healthy in 2020 as LP appetite for the substrategy remained endured. Brookfield's gargantuan $20.0 billion Infrastructure Fund IV accounted for nearly a third of total capital raised for real assets funds. The fund speaks to the recent trend in which LPs have plowed an increasing proportion of their real assets allocations into infrastructure. The substrategy accounted for nearly 90% of all real assets capital raised in 2020, the highest on record. Paris-based Antin Infrastructure Partners also closed a sizable fund, collecting $7.4 billion (€6.5 billion). We expect commitments to infrastructure funds will swell as LPs view the mid-to-high-single digit yields favorably given

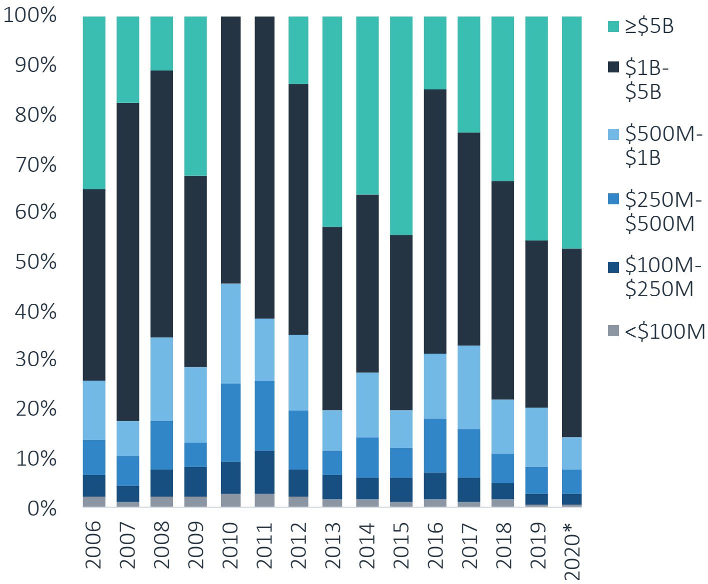
Real assets fund sizes ($M)



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

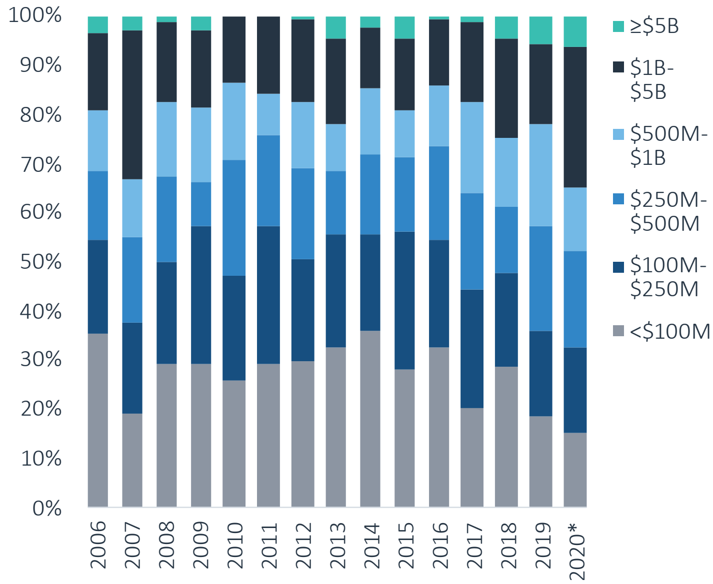
depressed interest rates and GDP growth rates across the globe. However, the pandemic's aftermath may alter infrastructure fundraising as utilization rates for physical assets such as airports, toll roads, and ports—once thought to be foolproof—diminished considerably. This dynamic may hasten the move toward more investments in digital infrastructure assets, including phone towers, data centers, fiber optic cables, and more.

Real assets funds ($) by size



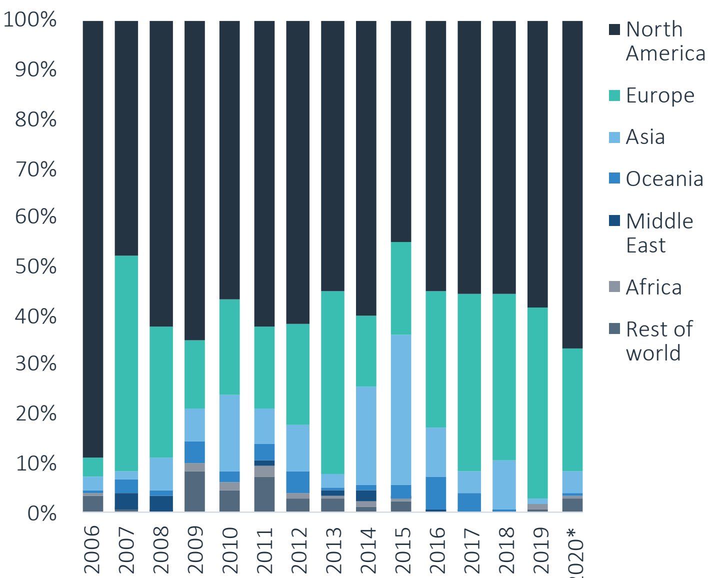
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Real assets funds (#) by size



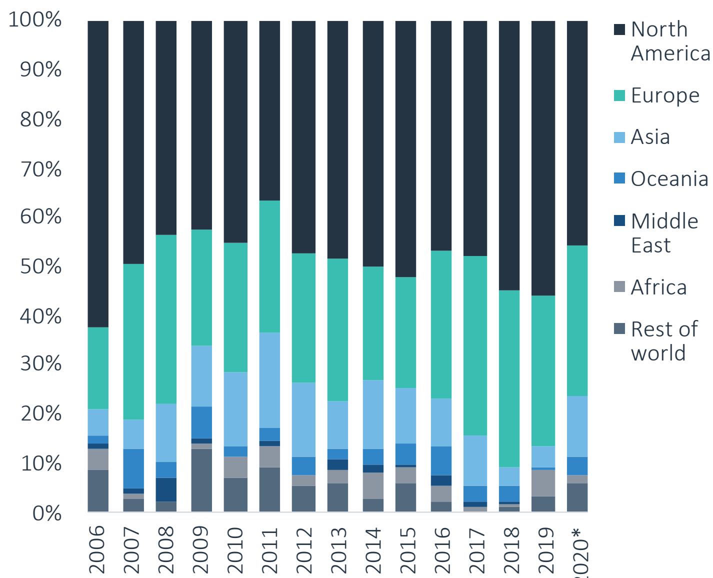
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Real assets funds ($) by region



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

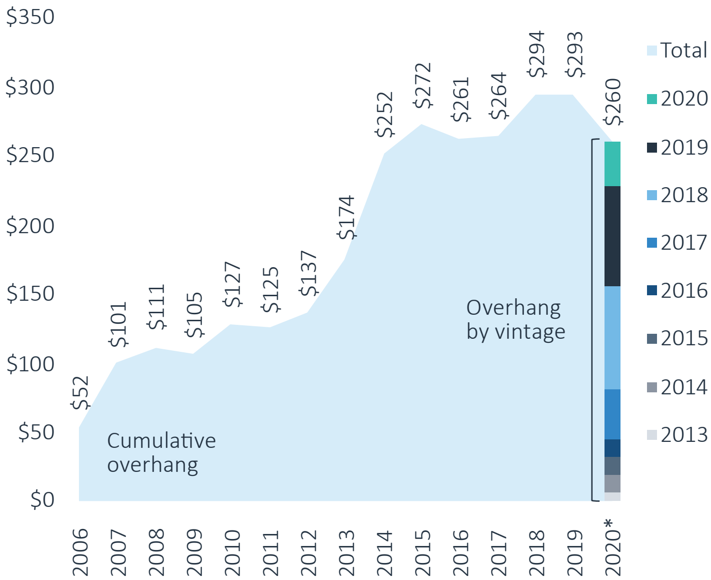
Real assets funds (#) by region



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

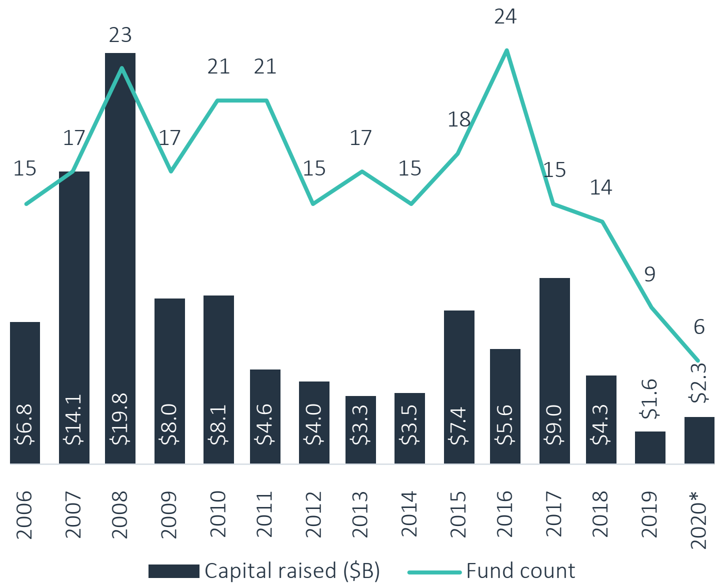
Real assets

Real assets overhang ($B)



Source: PitchBook | Geography: Global
*As of June 30, 2020

Real assets first-time fundraising activity



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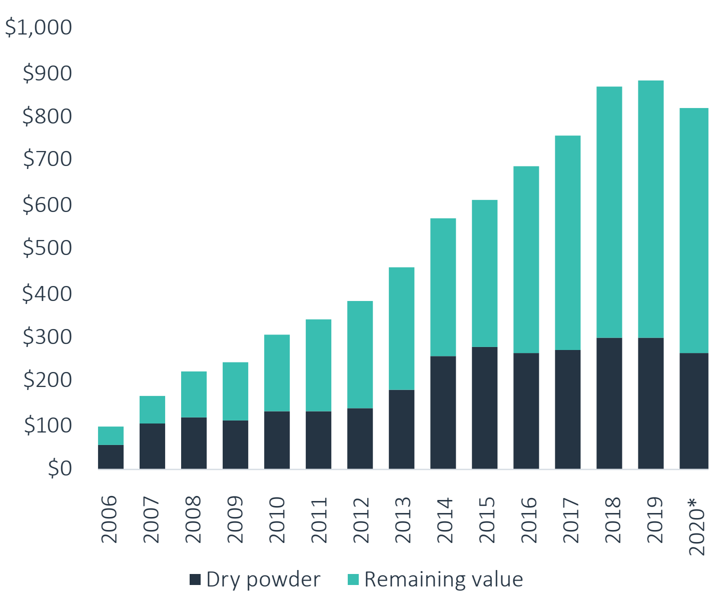
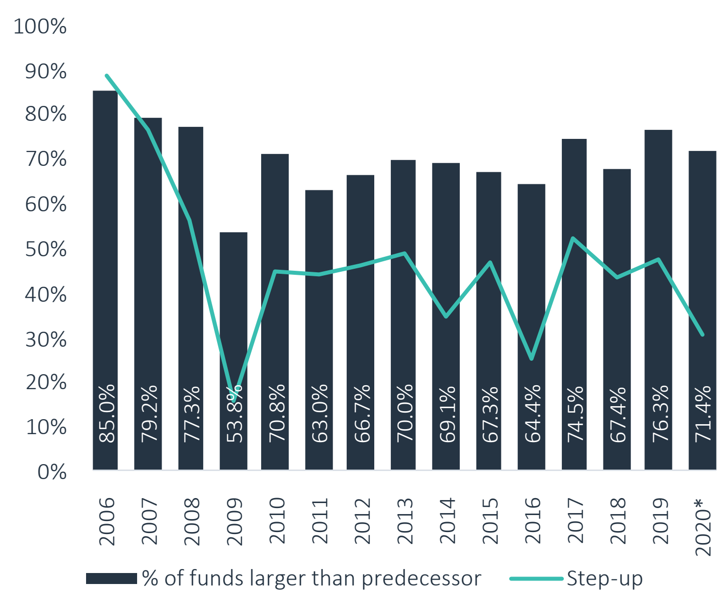
*As of December 31, 2020

Real assets AUM ($B)



Source: PitchBook | Geography: Global
*As of June 30, 2020

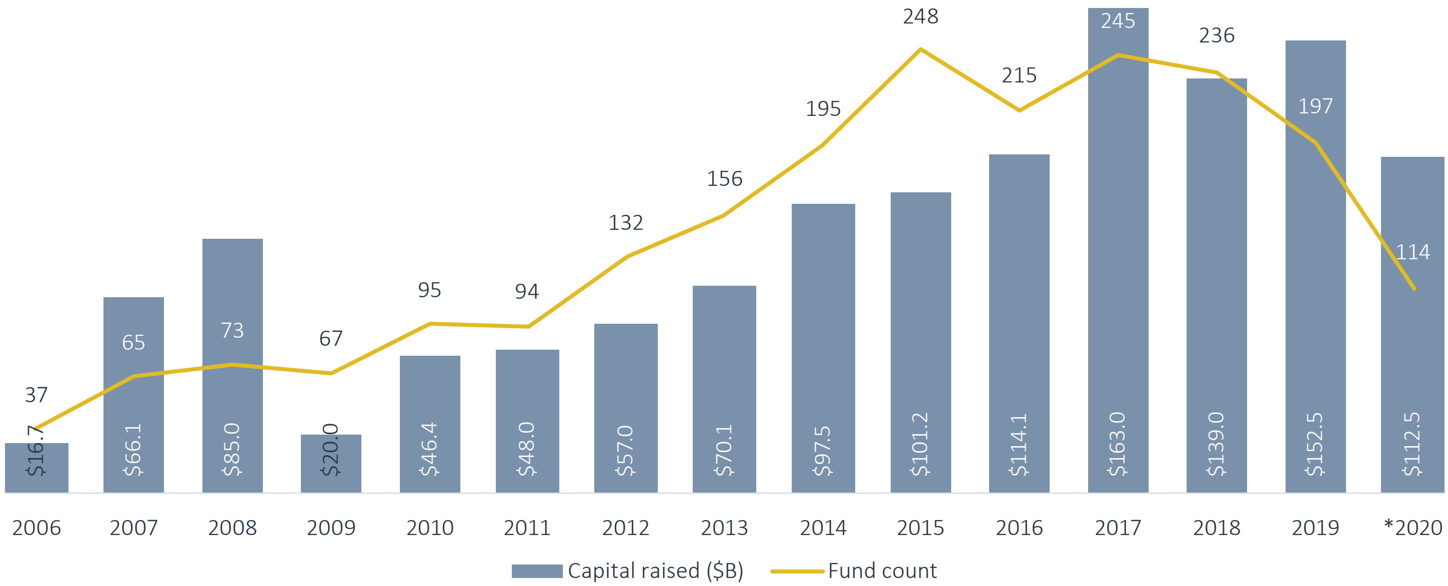
Median step-up from previous real assets fund in fund family



Source: PitchBook | Geography: Global
*As of December 31, 2020

Private debt

Private debt fundraising activity



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

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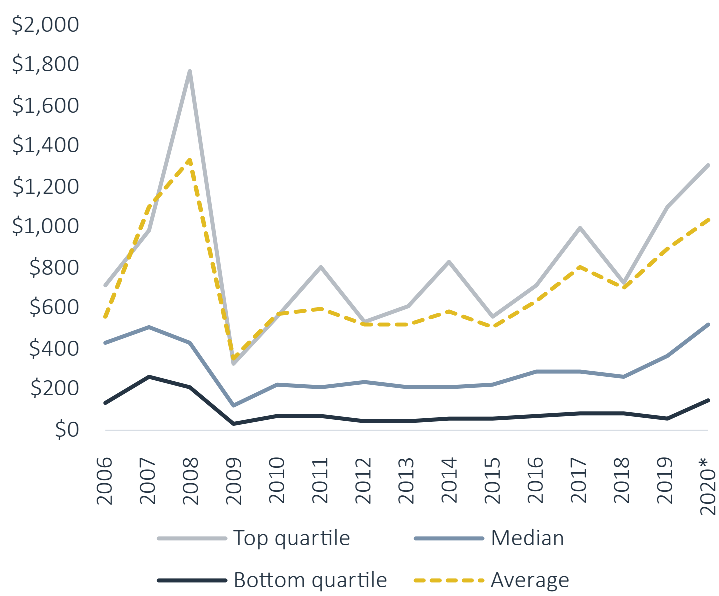
dylan.cox@pitchbook.com

Private debt fundraising fell sharply in 2020, though outcomes varied greatly between substrategies. Direct lending, which had recently become the largest substrategy within private debt, saw broad slowdowns amid investor concerns about payment defaults on loans. Distressed debt and special situations funds experienced YoY increases in capital commitments due to a perceived increase in the availability of distressed assets due to COVID-19. These distressed opportunities, however, have been few and far between due to the swift recovery in credit markets following central bank intervention in response to the pandemic. Capital commitments to real estate debt and infrastructure debt also increased in 2020, in part due to the capital preservation characteristics of these substrategies in a volatile environment.

While overall fundraising softened, capital calls to private debt funds are on track for a record year, according to data from H1 2020. Private equity transactions, which are a large source of direct lending's deal flow, dried up in the early months of the pandemic, but debt managers still found ways to deploy capital in the form of refinancings or capital injections for struggling businesses. At the same time, distressed managers

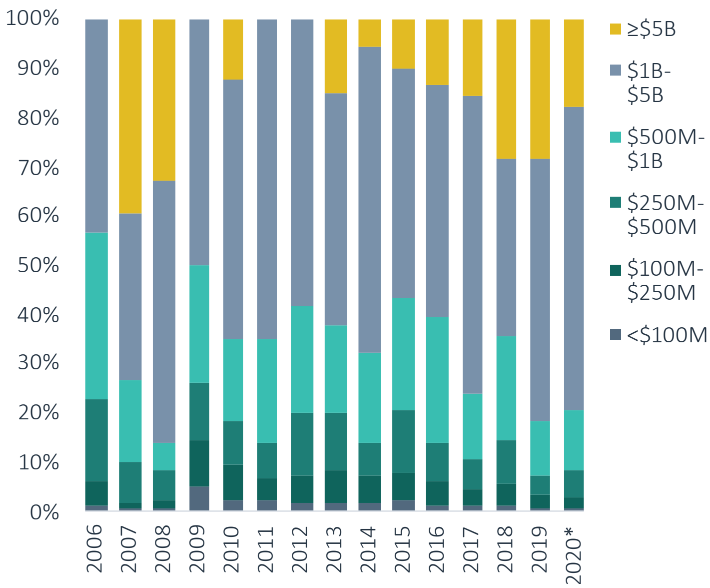
Private debt fund sizes ($M)



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

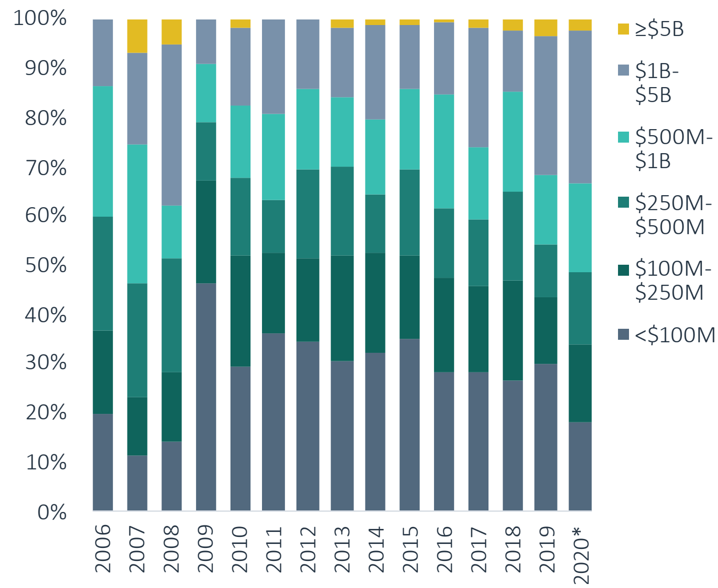
already sitting on commitments were eager to take advantage of the steep, albeit short-lived, sell-off seen across most asset classes in March and April 2020. While the global economy is certainly not out of the woods yet, we believe a few different factors—namely low interest rates, the yield premium offered in private debt, and the continued growth of private equity—will drive a rebound in interest in private debt funds in 2021.

Private debt funds ($) by size



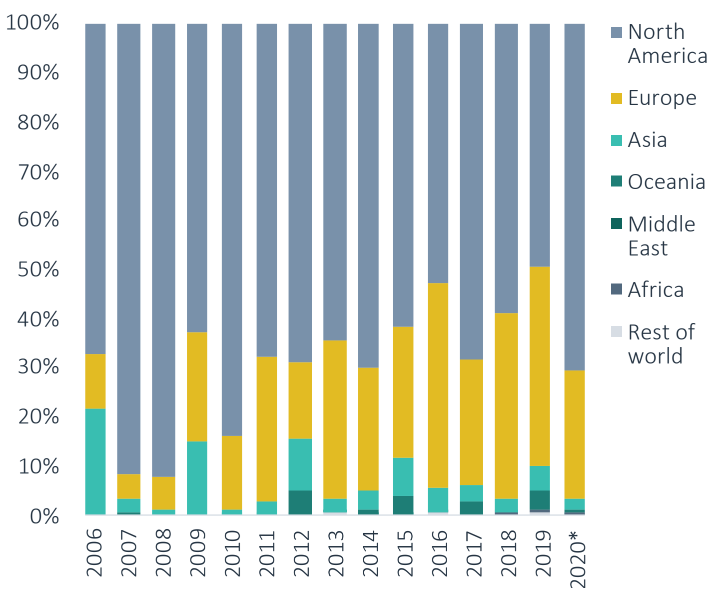
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Private debt funds (#) by size



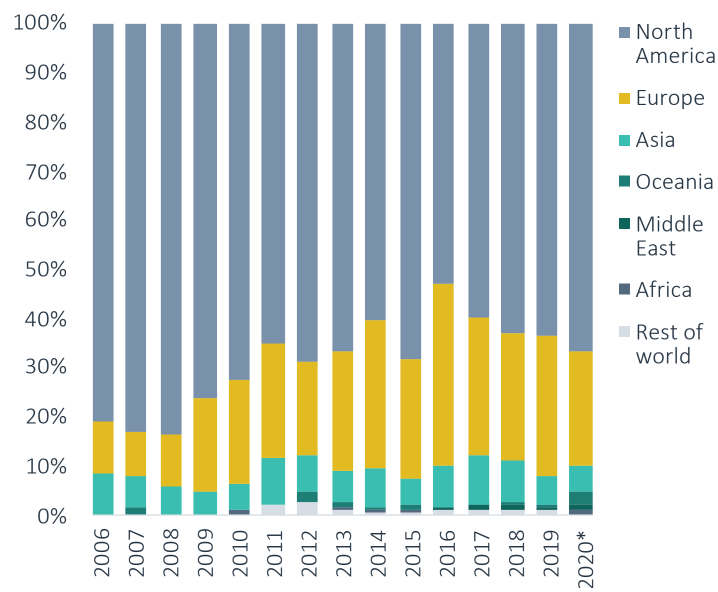
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Private debt funds ($) by region



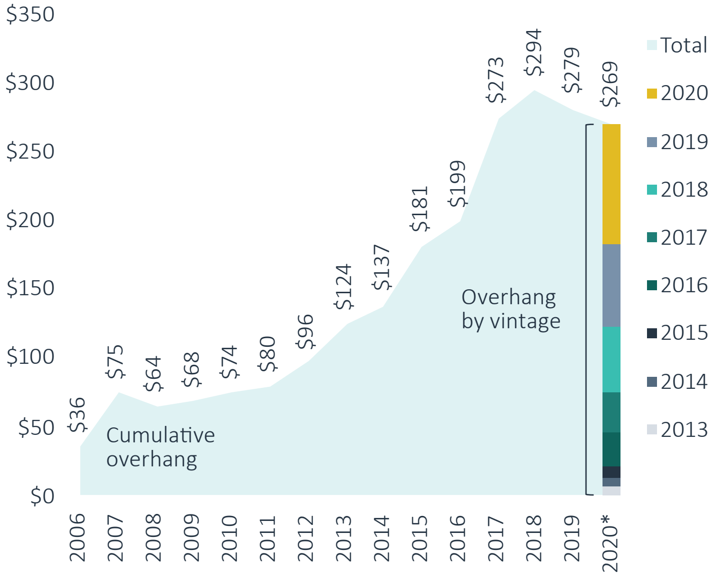
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Private debt funds (#) by region



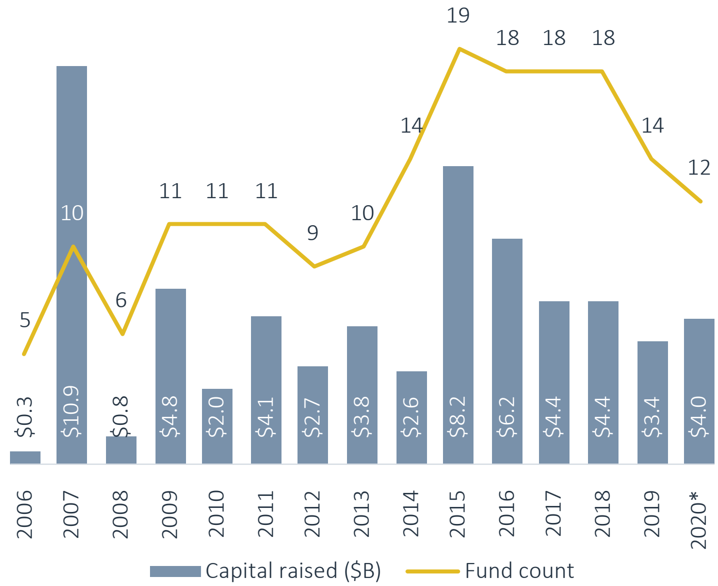
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Private debt overhang ($B)



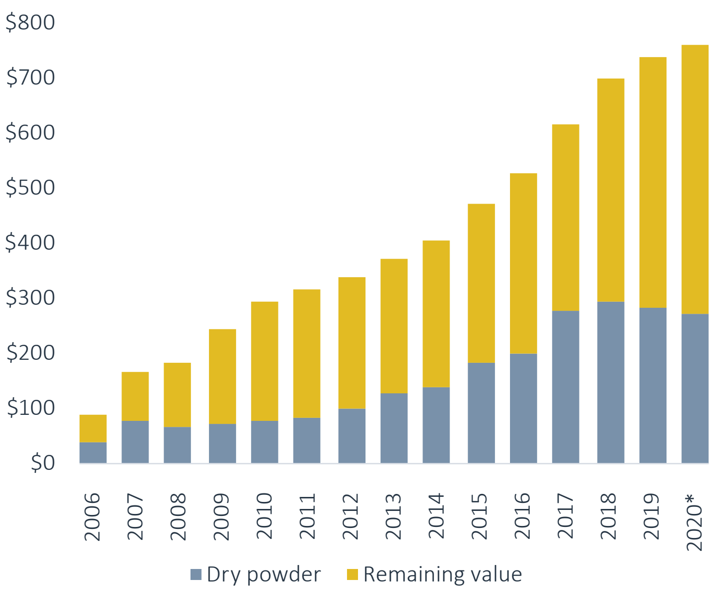
Source: PitchBook | **Geography:** Global
*As of June 30, 2020

Private debt first-time fundraising activity



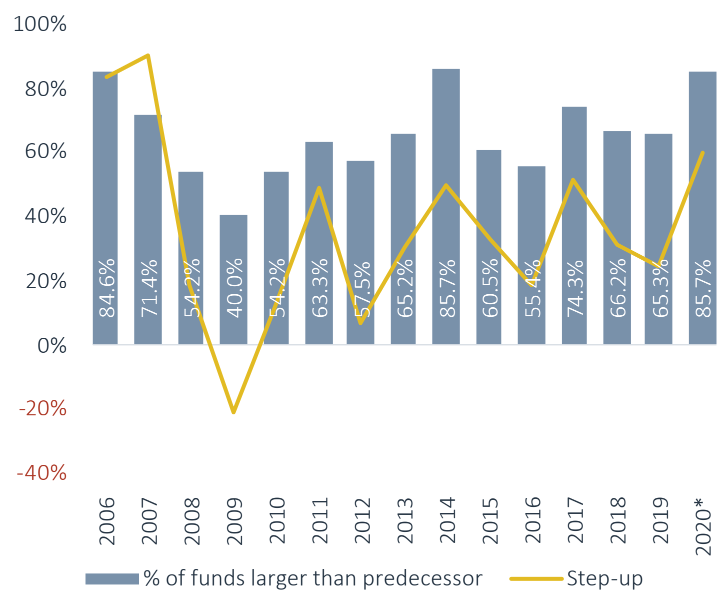
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Private debt AUM ($B)



Source: PitchBook | **Geography:** Global
*As of June 30, 2020

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



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

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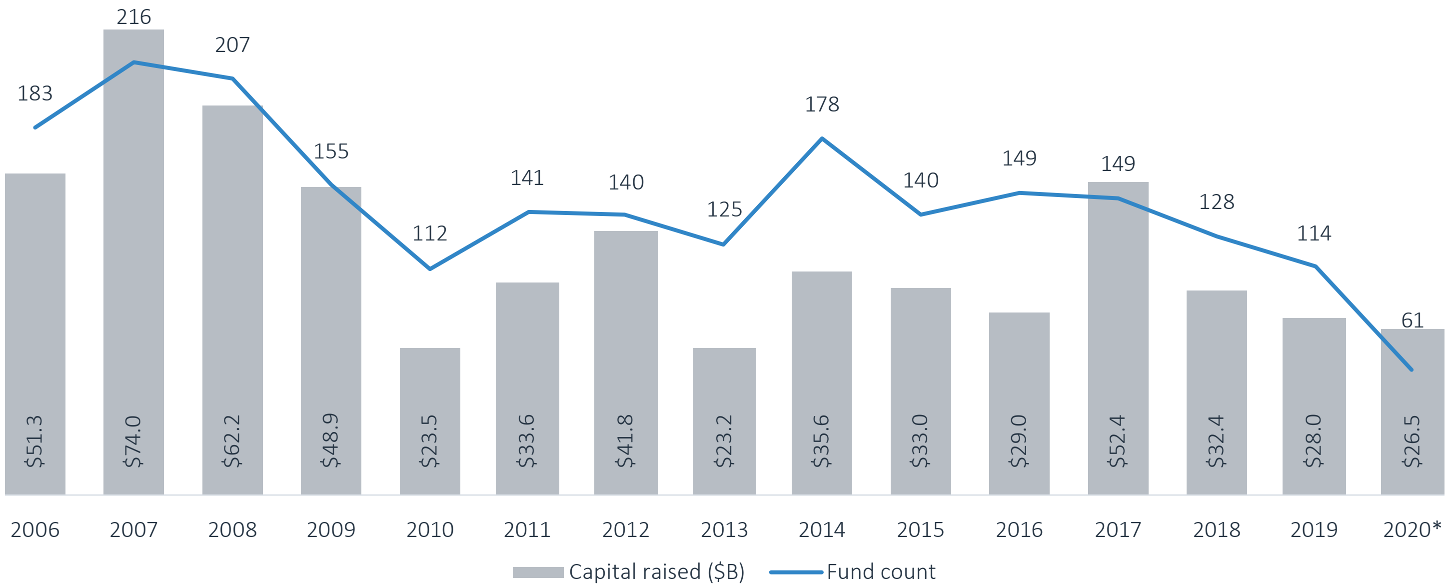
Funds of funds

FoF fundraising activity



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

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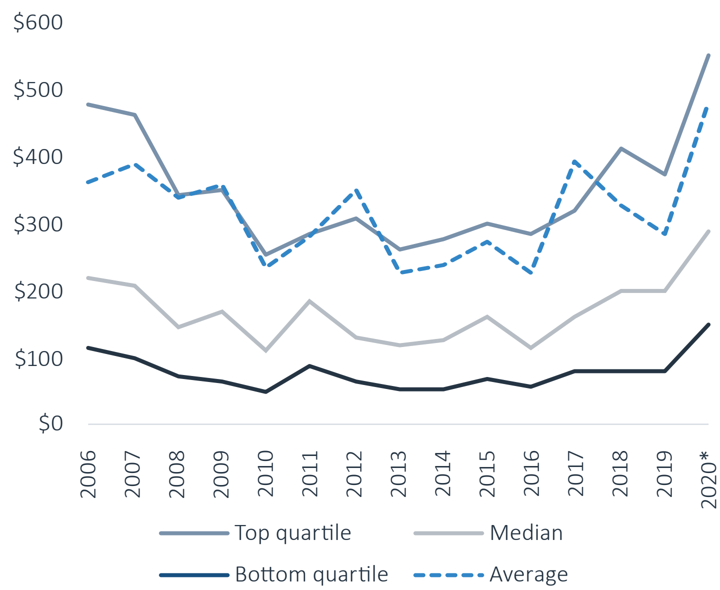
hilary.wiek@pitchbook.com

Capital raised for FoF, the stalwart strategy of smaller investors and new entrants to the private markets, declined only 5.4% from 2019 to 2020, despite a drop of 46.5% in the total number of funds closed. While the current users of FoF will likely remain a no-growth funder of these strategies, the wildcard for growth would be if 401(k) plans utilize the option that became available to them in 2020 to invest in PE.[4] If some fraction of target-date funds choose to incorporate FoF, the strategy could experience several years of rapid and then eventually steady growth as those funds ramp up.

Seven FoF closed on $1 billion or more during the year, with Mercer's $2.7 billion Private Investment Partners V leading the pack. The third largest fund raised in 2020 was Axiom's Asia VI, which closed in September with $1.8 billion. The largest European offering was Monte Rosa V, which closed on $1.2 billion in July. Each of the other top 10 funds by size were US-based. The list of top 10 funds that are still open to additional LP commitments at year-end was much more globally representative, with five from Europe, three from Asia, and two from the US, so we would expect 2021 to see better representation from multiple regions. Overall, 2020 saw FoF dominated by North American funds more than any year in the past 15.

FoF sizes ($M)

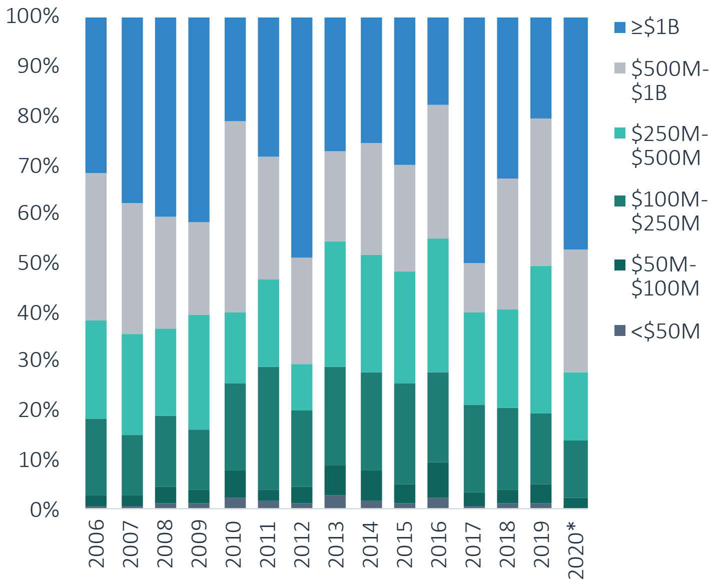


Source: PitchBook | **Geography:** Global
*As of December 31, 2020

4: For more on private equity offerings for 401(k) investors, please read our analyst note Access Points for the Masses.

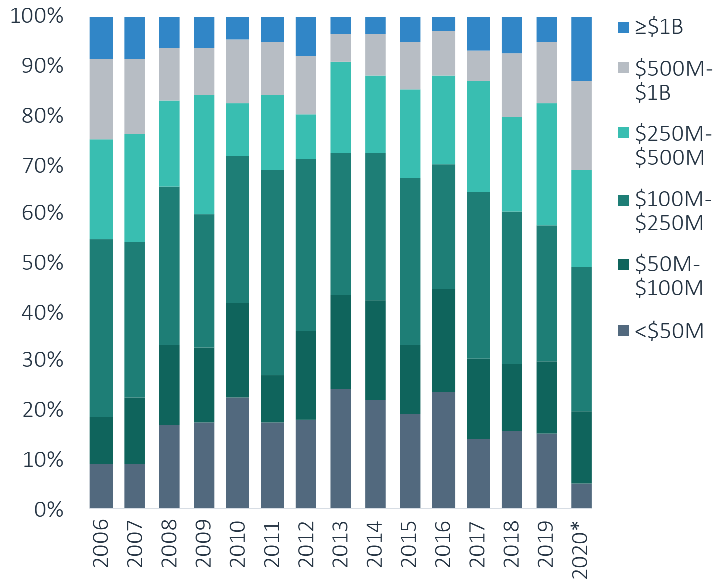
Unlike most private capital strategies, the amount of dry powder available for FoF drawdowns has been declining in recent years. The peak for the strategy was in 2009 at $182.4 billion, with the 15-year low coming in 2020 at just $100.4 billion. This decline is partly due to the fact that many investors that allocate to FoF eventually graduate to investing directly in private funds to avoid the double layer of fees, but it is also partly because some will move to a separate account structure that is sometimes not captured in fund data. Because FoF typically have a longer life span than primary funds, total AUM (remaining NAV plus overhang) has not dropped nearly as dramatically. FoF AUM hit a high-water mark in 2014, when these funds had $432.7 billion under management. By 2020, this figure was at $408.8 billion.

FoF ($) by size



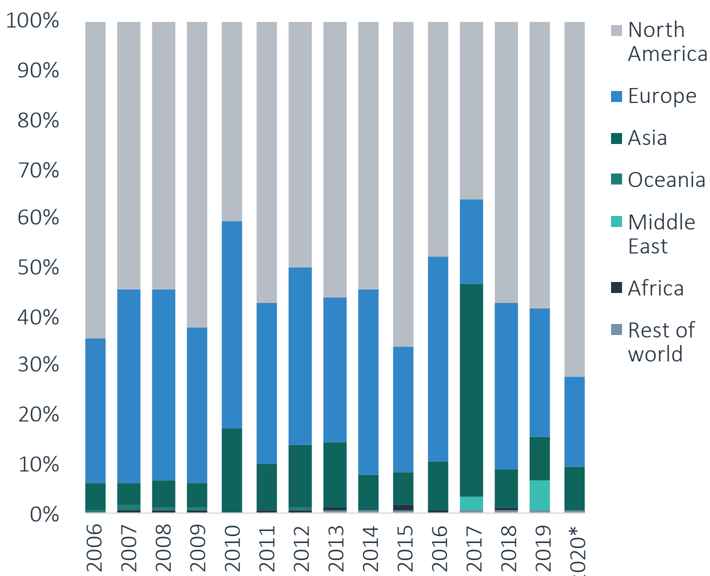
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

FoF (#) by size



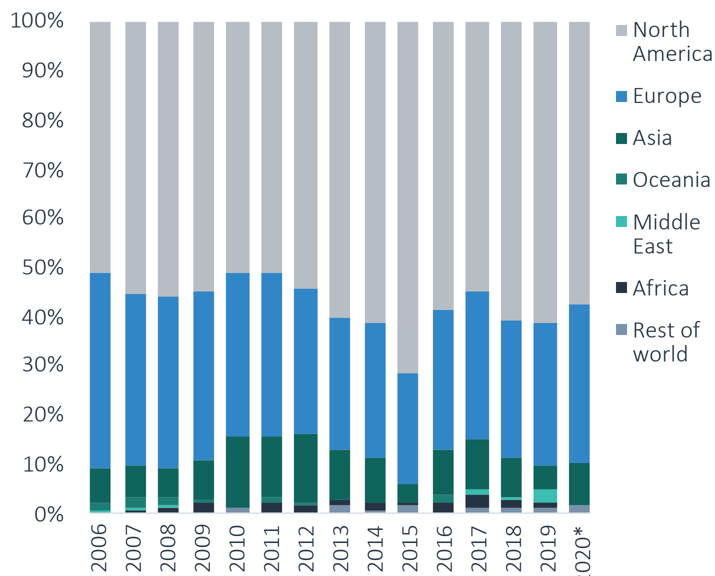
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

FoF ($) by region



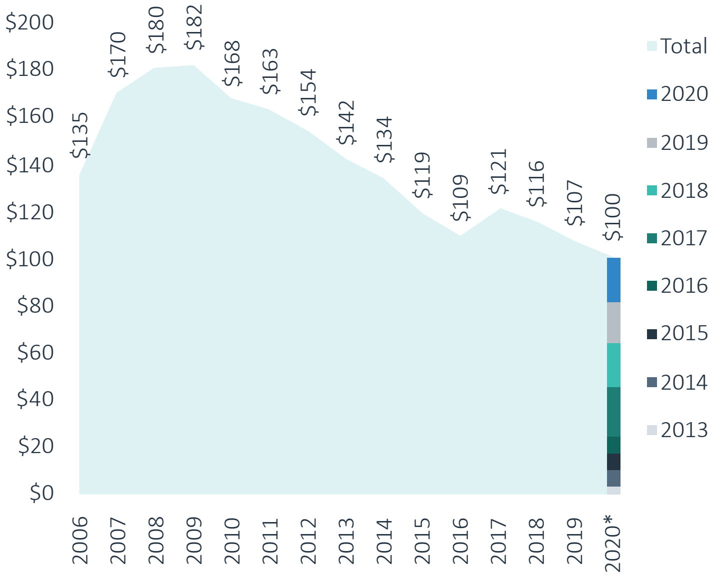
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

FoF (#) by region



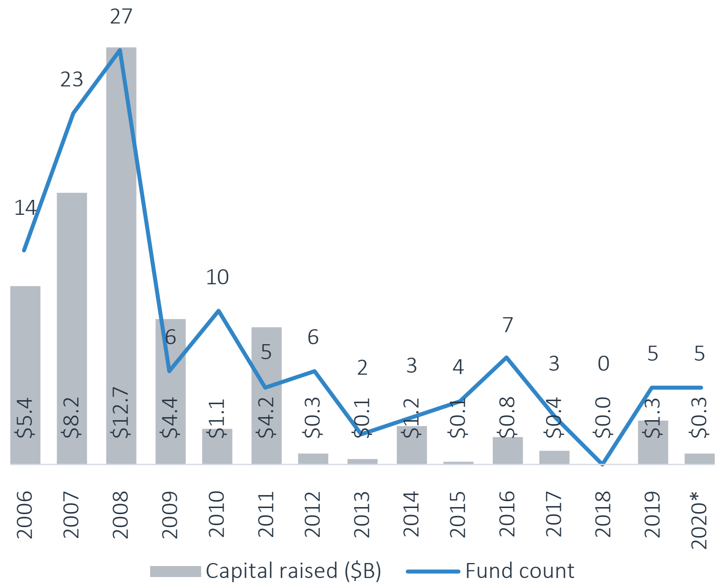
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

FoF overhang ($B)



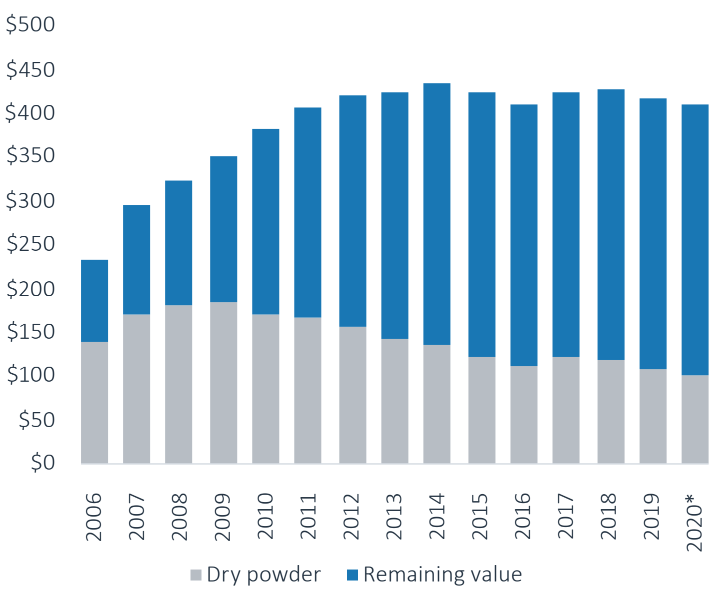
Source: PitchBook | **Geography:** Global
*As of June 30, 2020

FoF first-time fundraising activity



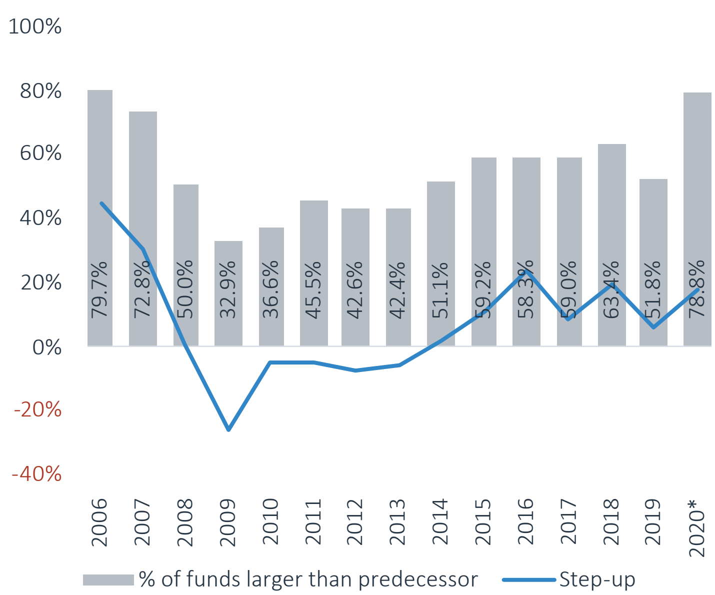
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

FoF AUM ($B)



Source: PitchBook | **Geography:** Global
*As of June 30, 2020

Median step-up from previous FoF fund in fund family

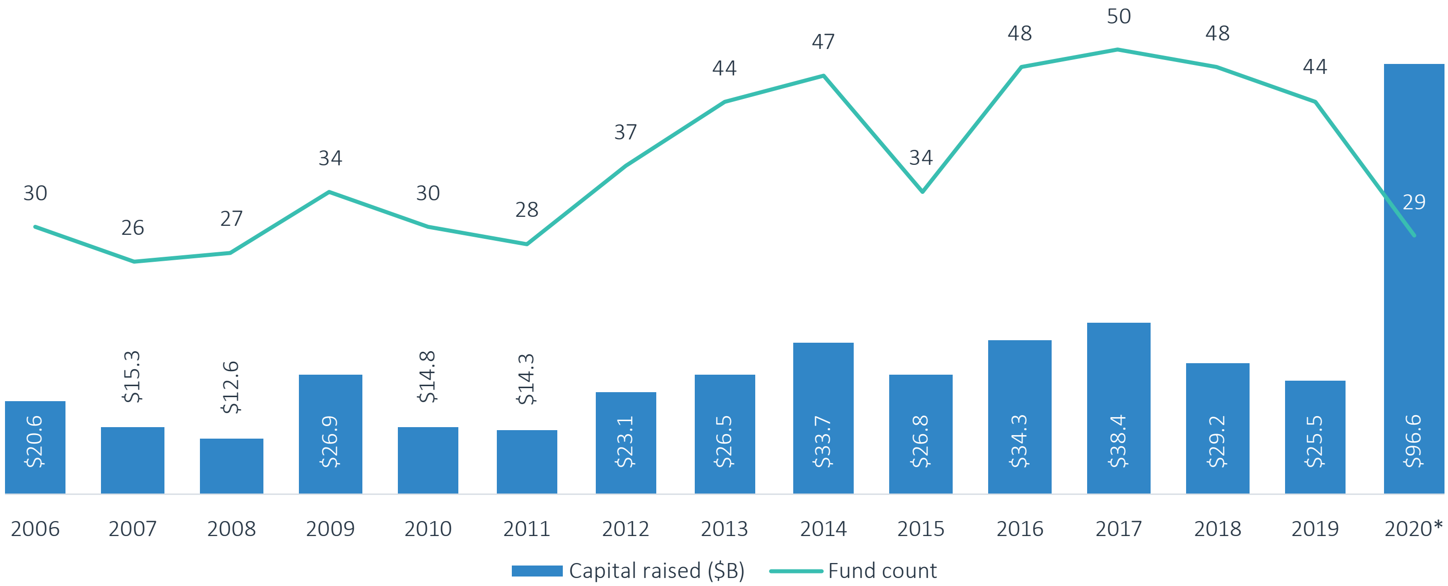


Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Sponsored by

Secondaries

Secondaries fundraising activity



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

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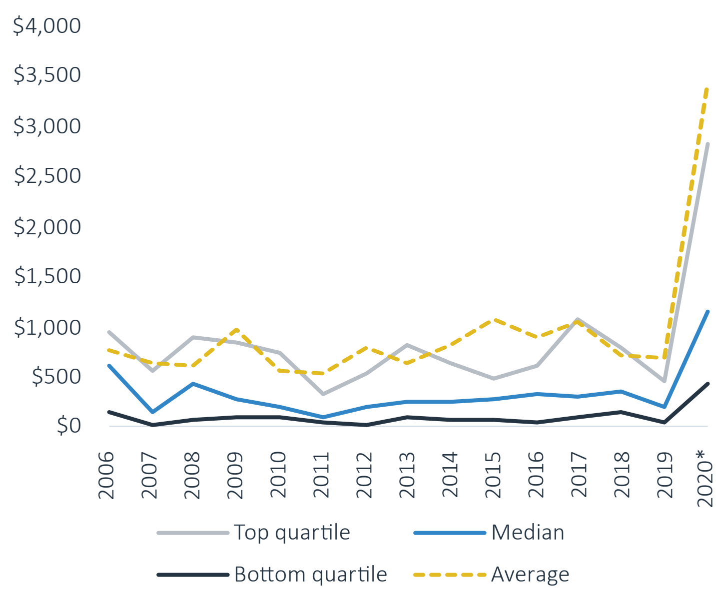
Secondaries funds closed on more capital in 2020 than in the previous three years combined. The amount was 2.5x the prior top year of 2017. Some truly massive secondaries funds closed in 2020. Goldman Sachs Vintage Fund VIII was only the fourth largest fund at $10.3 billion. The top three, Lexington Capital Partners IX ($14.0 billion), Dover Street X ($17.6 billion), and Ardian Secondary Fund VIII ($19.0 billion)—all funds with a long line of predecessor funds—support the overall theme of 2020: money flowing to the established managers.

Some of the increase in secondaries activity stems from a market call by investors believing that a crisis is always an opportune time to be shopping for discounted fund positions. Another large driver has been the rise of GP-led secondaries. These deals, wherein GPs offer their LPs the option to roll their commitment into a new SPV or sell their position to others, typically comes as traditional funds approach the end of their originally contemplated 10-year lifespan. This allows GPs to hold their winners longer and has become a dominant area within the secondaries market. Reports indicate that in 2020, GP-led deals accounted for a higher proportion of the secondaries market than LP-led deals for the first time

Secondaries fund sizes ($M)

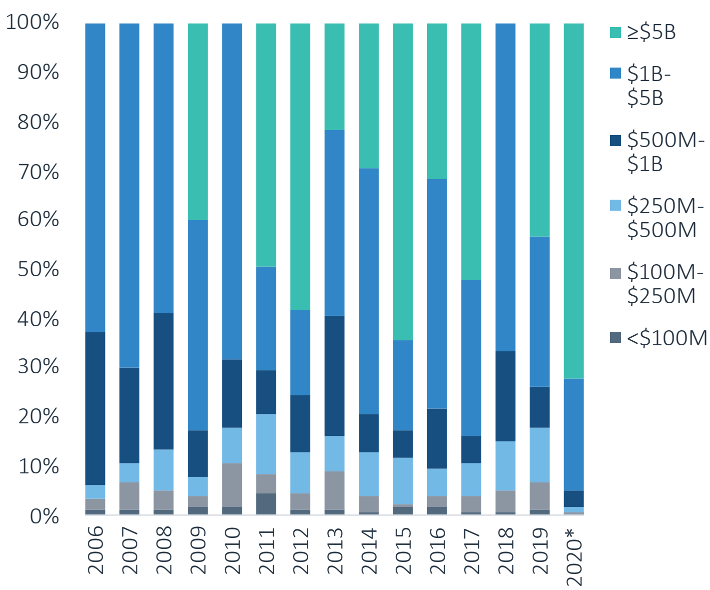


Source: PitchBook | **Geography:** Global
*As of December 31, 2020

ever. Ensuring the trend carries into 2021, Blackstone announced it was raising its first GP-led secondaries vehicle on the company's Q4 2020 earnings call.

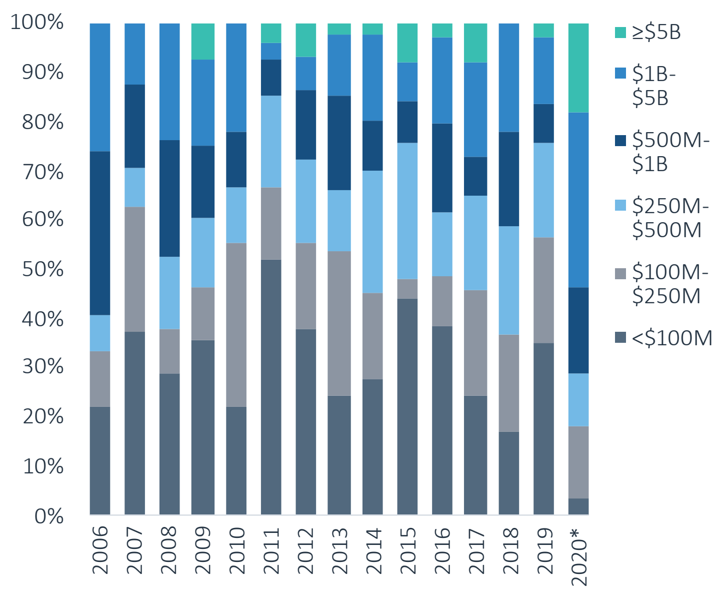
We also expect the pool of LPs offering up positions for sale to grow for the foreseeable future as the stigma around LPs cashing out early has faded. Today, the secondaries market is viewed as a portfolio management tool for the sophisticated LP. Secondaries fundraising activity is likely to proliferate further, as more LPs turn to the strategy to meet portfolio rebalancing needs, while others are attracted to the purchase of fund interests because of the truncated lifespans, which help with J-curve mitigation and boost IRRs.

Secondaries funds ($) by size



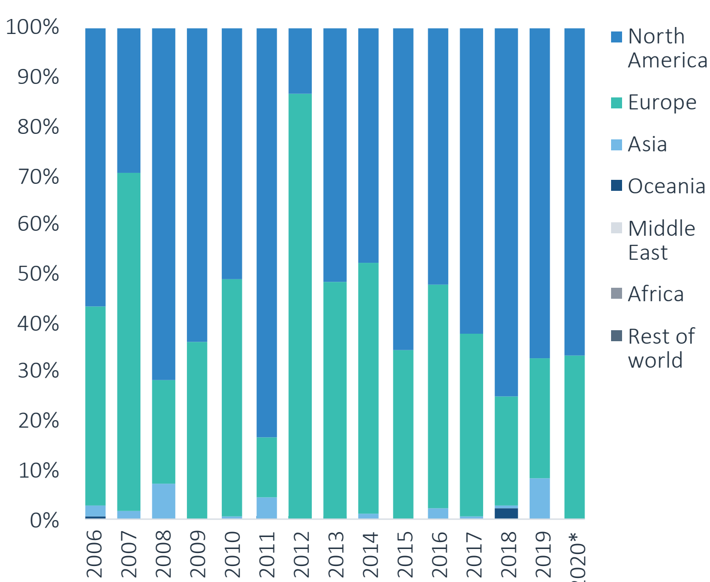
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Secondaries funds (#) by size



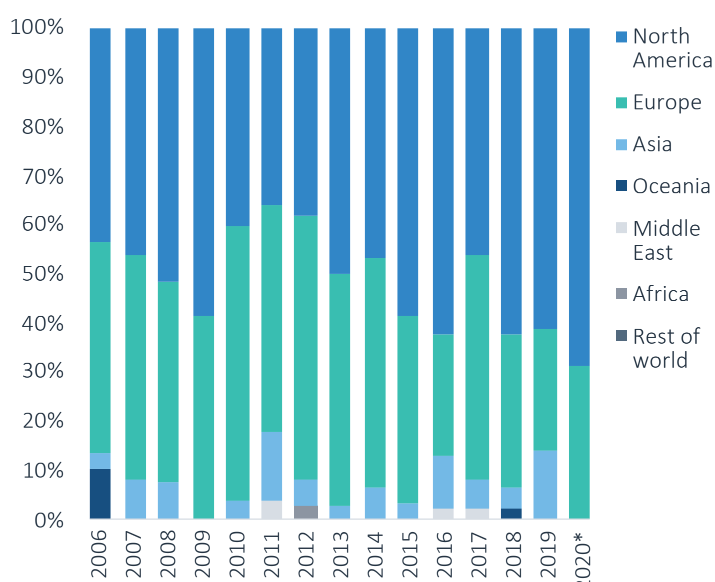
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Secondaries funds ($) by region



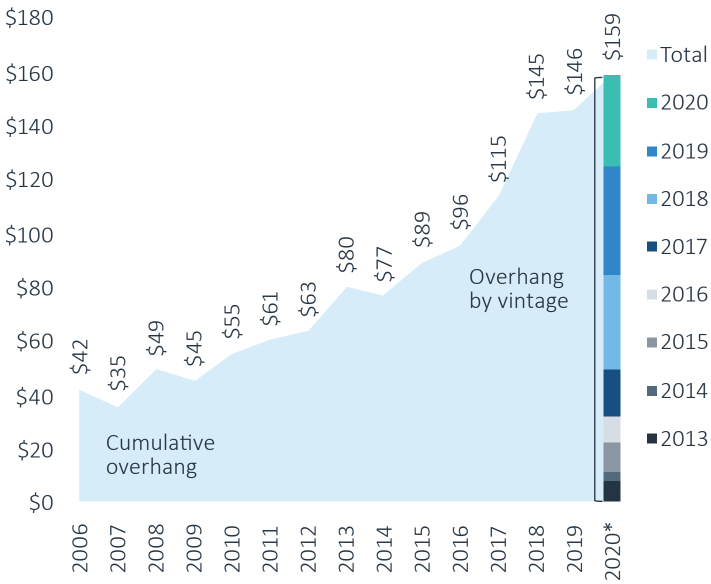
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Secondaries funds (#) by region



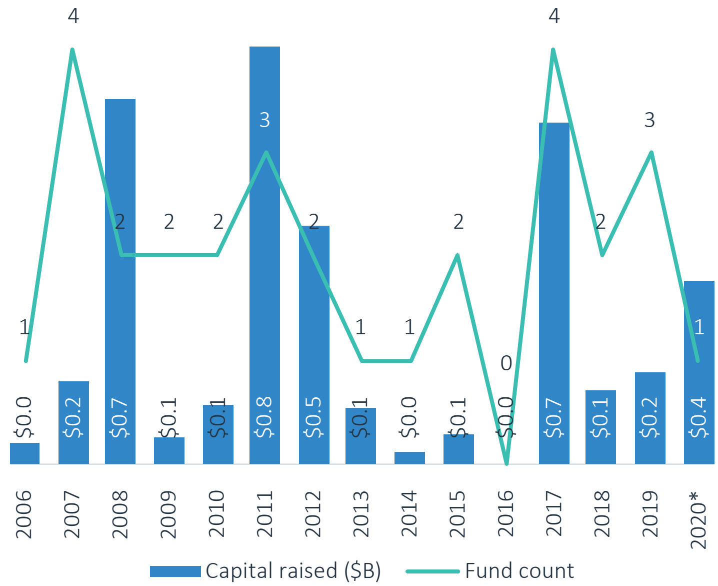
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Secondaries overhang ($B)



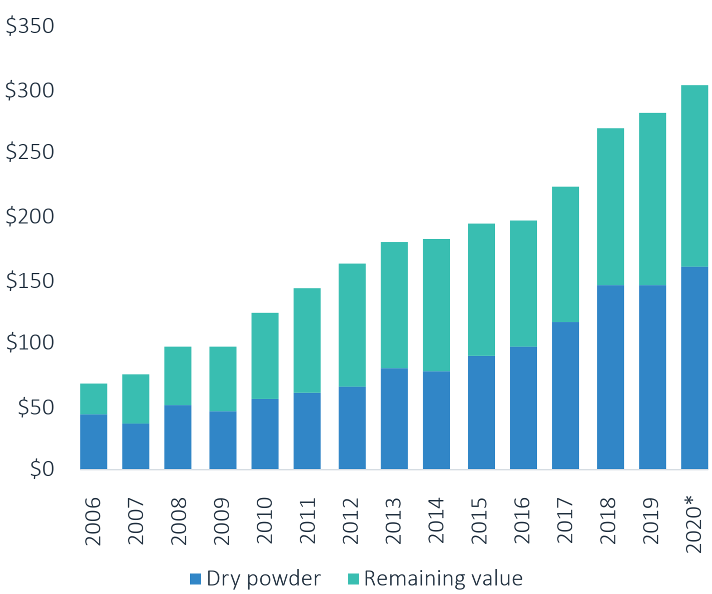
Source: PitchBook | Geography: Global
*As of June 30, 2020

Secondaries first-time fundraising activity



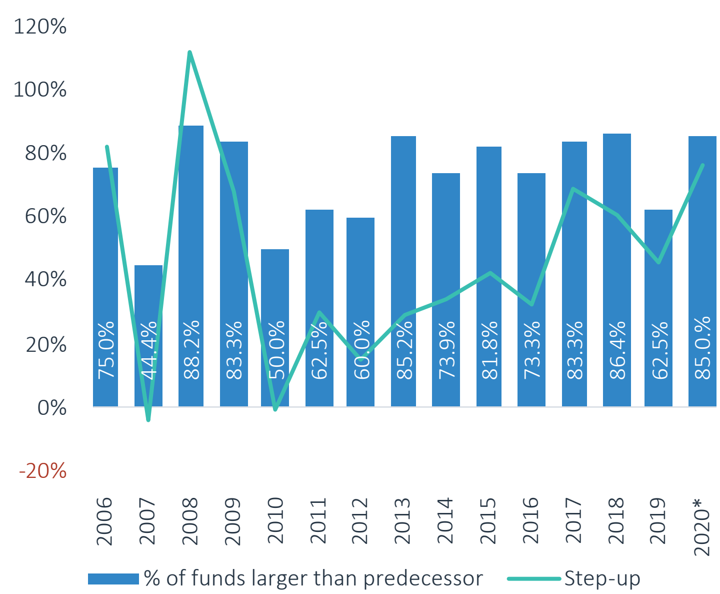
Source: PitchBook | Geography: Global
*As of December 31, 2020

Secondaries AUM ($B)



Source: PitchBook | Geography: Global
*As of June 30, 2020

Median step-up from previous secondaries fund in fund family



Source: PitchBook | Geography: Global
*As of December 31, 2020

Top funds by size

Top PE funds to close in 2020 by size

Fund name	Fund size ($M)	Close date	Fund step-up	City	Country
CVC Capital Partners Fund VIII	$23,981	July 3, 2020	1.3x	London	UK
Thoma Bravo Fund XIV	$17,800	October 26, 2020	1.4x	Chicago	US
HPS Mezzanine Partners 2019	$11,000	October 5, 2020	N/A	London	UK
Platinum Equity Capital Partners V	$10,000	January 7, 2020	1.5x	Los Angeles	US
Insight Venture Partners XI	$9,542	April 3, 2020	1.5x	New York	US

Source: PitchBook | **Geography:** Global

Top VC funds to close in 2020 by size

Fund name	Fund size ($M)	Close date	Fund step-up	City	Country
Tiger Global Private Investment Partners XII	$3,750	January 30, 2020	1.0x	New York	US
New Enterprise Associates 17	$3,600	March 11, 2020	1.0x	Menlo Park	US
Andreessen Horowitz LSV Fund II	$3,231	November 20, 2020	1.4x	Menlo Park	US
General Catalyst Group X	$2,300	April 9, 2020	1.7x	Cambridge	US
The Climate Pledge Fund	$2,000	July 23, 2020	N/A	Seattle	US

Source: PitchBook | **Geography:** Global

Top real estate funds to close in 2020 by size

Fund name	Fund size ($M)	Close date	Fund step-up	City	Country
Blackstone Real Estate Partners Europe VI	$10,761	April 8, 2020	1.3x	London	UK
CR Land Residential Development Fund	$4,278	January 1, 2020	N/A	Hong Kong	Hong Kong
Rockpoint Real Estate Fund VI	$3,800	June 16, 2020	1.2x	Boston	US
BREP Europe VI (Alberta)	$3,074	April 8, 2020	N/A	London	UK
Secured Capital Real Estate Partners VII	$2,750	April 9, 2020	1.4x	Tokyo	Japan

Source: PitchBook | **Geography:** Global

Top real assets funds to close in 2020 by size

Fund name	Fund size ($M)	Close date	Fund step-up	City	Country
Brookfield Infrastructure Fund IV	$20,000	February 7, 2020	1.4x	Toronto	Canada
Antin Infrastructure Fund IV	$7,404	July 28, 2020	1.8x	London	UK
BlackRock Global Energy and Power Infrastructure Fund III	$5,100	April 15, 2020	N/A	New York	US
DIF Infrastructure VI	$3,528	October 26, 2020	1.6x	Schiphol	Netherlands
ArcLight Energy Partners Fund VII	$3,375	February 4, 2020	0.6x	Boston	US

Source: PitchBook | **Geography:** Global

Top private debt funds to close in 2020 by size

Fund name	Fund size ($M)	Close date	Fund step-up	City	Country
Apollo Strategic Origination Partners	$12,000	July 6, 2020	N/A	New York	US
Blackstone Real Estate Debt Strategies IV	$8,000	September 22, 2020	1.8x	New York	US
GSO European Senior Debt Fund II	$4,546	March 18, 2020	2.1x	London	UK
Monarch Capital Partners V	$3,699	December 8, 2020	3.0x	New York	US
Ares Special Opportunities Fund	$3,518	June 22, 2020	2.3x	Los Angeles	US

Source: PitchBook | **Geography:** Global

Top FoF to close in 2020 by size

Fund name	Fund size ($M)	Close date	Fund step-up	City	Country
Mercer Private Investment Partners V	$2,700	February 6, 2020	1.0x	Saint Louis	US
HarbourVest Partners XI-Combined	$2,610	January 15, 2020	6.2x	Boston	US
Axiom Asia VI	$1,800	September 1, 2020	1.3x	Singapore	Singapore
Manulife Private Equity Partners	$1,566	January 9, 2020	N/A	Boston	US
Monte Rosa V	$1,164	July 9, 2020	1.4x	Geneva	Switzerland

Source: PitchBook | **Geography:** Global

Top secondaries funds to close in 2020 by size

Fund name	Fund size ($M)	Close date	Fund step-up	City	Country
Ardian Secondary Fund VIII	$19,000	June 2, 2020	1.8x	Paris	France
Dover Street X	$17,641	October 6, 2020	3.7x	Boston	US
Lexington Capital Partners IX	$14,000	January 15, 2020	1.4x	New York	US
Goldman Sachs Vintage Fund VIII	$10,300	November 18, 2020	1.4x	New York	US
AlpInvest Partners Fund VII - Secondary Investments	$9,000	December 16, 2020	0.8x	Amsterdam	Netherlands

Source: PitchBook | **Geography:** Global