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Fund Finance Friday

Making Hay–PitchBook on the 'Fundraising Arms Race'

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PitchBook this week highlighted the “fundraising arms race,” or, in other words, the rush by managers to capture share in what continues to be a robust capital raising environment. Granted, the 2018 fundraising pace slowed from that of the prior two years, but the market tone nonetheless continues to be marked by an opportunistic approach from fund sponsors.

To this point, time to market between vintages (funds from the same manager) has shortened more recently to three years or less, down from an average four years or longer in 2010-2014, according to *PitchBook*. Even with the acceleration in fund formation, the pace of drawdowns has remained relatively consistent.

PitchBook highlights an undercurrent of pressure from LPs pushing managers to deploy capital more quickly. Other research, however, suggests that this pressure is nothing new. In a recent paper, “Interpreting Drawdowns: The Data Lens,” eFront researchers show that U.S. LBO funds of the 2000–2010 vintages deployed around 29% of capital in year-one on average. While there are variations in the capital called in year-one, there is no discernable trend higher over time. This makes sense, because the timing of investments is essential to fund performance and one that managers are unlikely to easily give up.

The eFront data on yearly average cumulative capital calls will be of interest to subscription line providers. That report is available **here**.

The consequences of PE's fundraising arms race