

Fund Finance Friday



The Small Fund Business Is Getting Smaller

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The trend towards greater concentration of capital at the top sponsors is a reoccurring theme in *Fund Finance Friday*. *Pitchbook's* quarterly *US PE Breakdown*, published this past week, again underscored the theme with renewed clarity.

During the first quarter, 29 funds closed, raising \$45.5 billion. The average fund size of \$1.57 billion represents a nearly 70% increase from 2018. Since 2013, funds of under \$1 billion consistently accounted for about a quarter of the dollars raised, but in Q1 these funds raised only 14% of the total.

It's not just a story about the rise of the megafunds skewing the average. The small fund business is getting smaller. The \$6.5 billion raised by sub-\$1 billion funds in Q1 sets an annualized pace of \$25.9 billion. If this rate holds, it would represent the least dollars raised by funds under \$1 billion since 2009. Sub-\$1 billion funds raised \$38.3 billion in 2018, down from a yearly average of \$46.6 billion in the five preceding years.

Brookfield's acquisition of a majority stake in credit specialist Oaktree Capital receives attention in the report. Through the combination, the two firms have been able to join complementary strategies on a larger scale platform. *Pitchbook* suggests the transaction may also become a template for similar deals as founders seek to monetize their GP stakes.

The *Pitchbook* [report](#) and accompanying data are both well worth the read. Larger fund sizes point to larger facility sizes and challenge lenders of all stripes to adapt to an increasingly concentrated market.