

Private equity fundraising's post-pandemic recovery

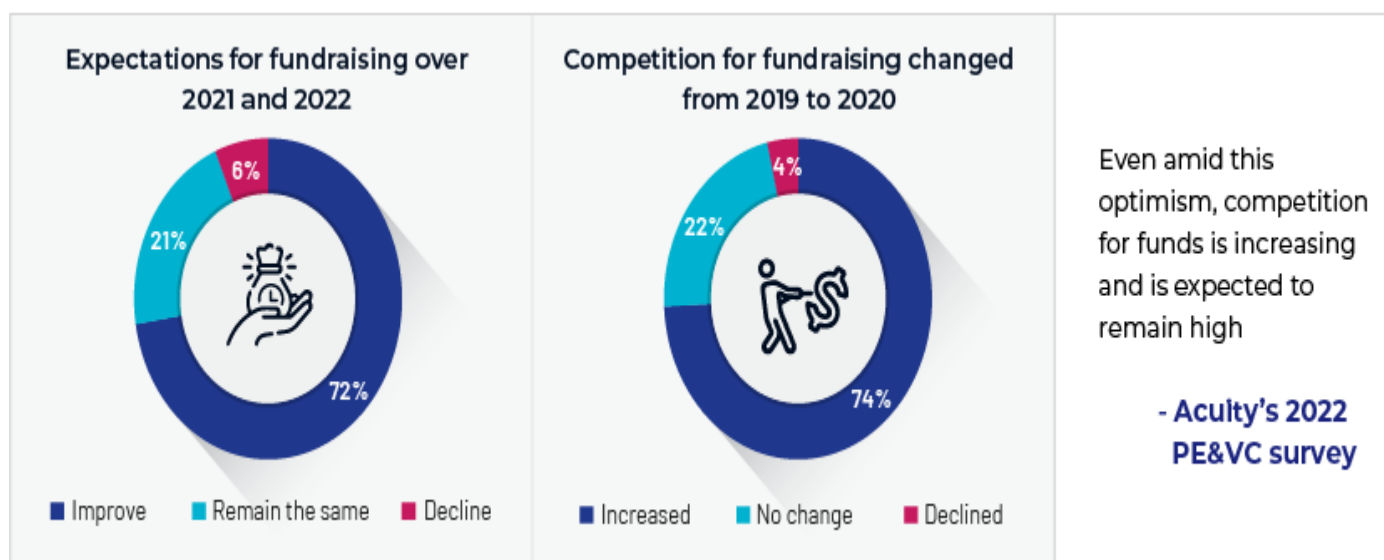
Archana Kanojia

The year 2019 was definitely a year of **locks** and **downs**. While the global economies were put under **lock** to halt the spread of the virus, economic activity went **down** due to the pandemic-induced restrictions. Private equity [suffered](#) a setback for a while, but having learnt from past events (such as the global recession of 2008-09), it was able to recover fast to pre-pandemic fundraising levels. This confidence was identified in our [landmark survey](#), which shows that [private equity and venture capital \(PE&VC\)](#) professionals are very enthusiastic about fundraising in 2022.

Fundraising is expected to remain strong in 2022, continuing the trend of rising fundraising in recent years, driven by expectations of low interest rates and the business support ecosystem

- Acuity's 2022 PE&VC survey

As markets open up and economic activity picks up pace, expansion of the private equity market in terms of fundraising and investments will likely be gradual and in line with positive market sentiment. Our survey results highlight this optimism.



“Despite a large number (74%) of respondents experiencing increasing competition for raising funds recently, almost the same number (72%) still believe fundraising should improve in 2022”

Performance of private equity verticals

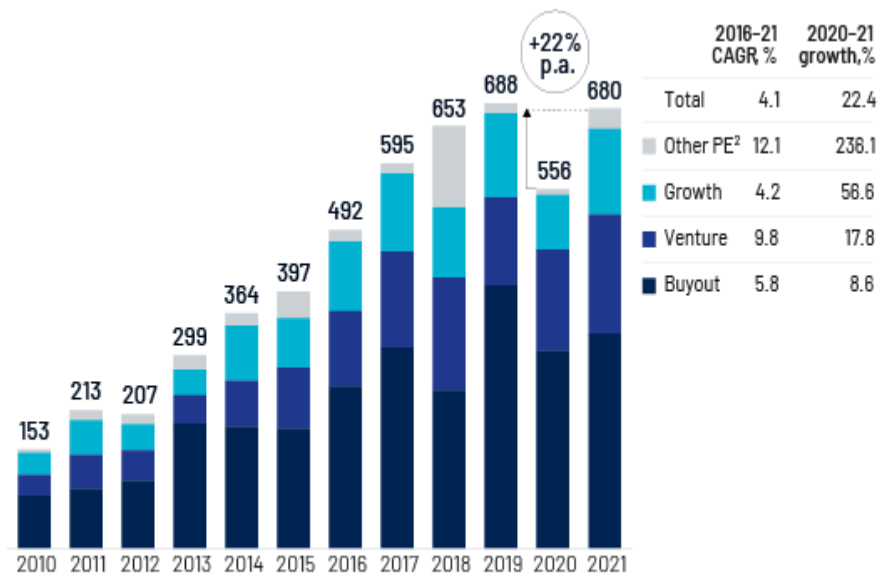
Private equity remained the highest-performing market class among peers such as real estate, natural gas, infrastructure and private debt. It recorded [AuM](#) of USD9.8tn in 1H 2021 (33% more than for all of 2020), and fundraising reached USD680bn[1] in 2021, as many deals put on hold due to the pandemic were concluded. Buyout deals surpassed venture and growth deals and recorded a fundraising volume of USD331bn.

Buyouts (80%) and funds of funds (90%) are the most positive about an increase in fundraising

- Acuity's 2022 PE&VC survey

On the other hand, [private equity](#) asset classes across verticals such as buyouts and growth showed an improvement in 2021 from the 2020 slump and were back to the previous trend of high growth.

Global private equity fundraising by asset subclass,¹ \$ billions



¹ Excludes secondaries, funds of funds, & co-investment vehicles to avoid double counting of capital fundraised.

² Includes turnaround PE funds and PE funds with unspecified strategy.

Source: Preqin

In addition to these assets classes, funds of funds are progressing towards substantial fundraising not seen in years.

Although funds of funds' fundraising activity has remained subdued since 2017, the strategy will likely make a turnaround following 15 years of low dry powder (from USD172bn in 2007 to USD119bn in 2020)

-Acuity's 2022 PE&VC survey

One hundred and four growth equity funds closed in 2021^[2], clocking a deal value of USD74.2bn and recording growth of 30% and 44% in terms of transactions and deal value, respectively. This was fuelled by increasing capital investment in health and [technology](#) companies. Considering that the pandemic led to a wave of digitalisation across global economies, the trend of technology-based investments is likely to continue in 2022.

- [Permira](#), a UK-based buyout firm, closed its second growth equity fund in December 2021 at USD4bn, surpassing its target of USD2.5bn
- Tiger Global Management, a US-based investment firm, closed its growth fund in March 2022 at USD11bn

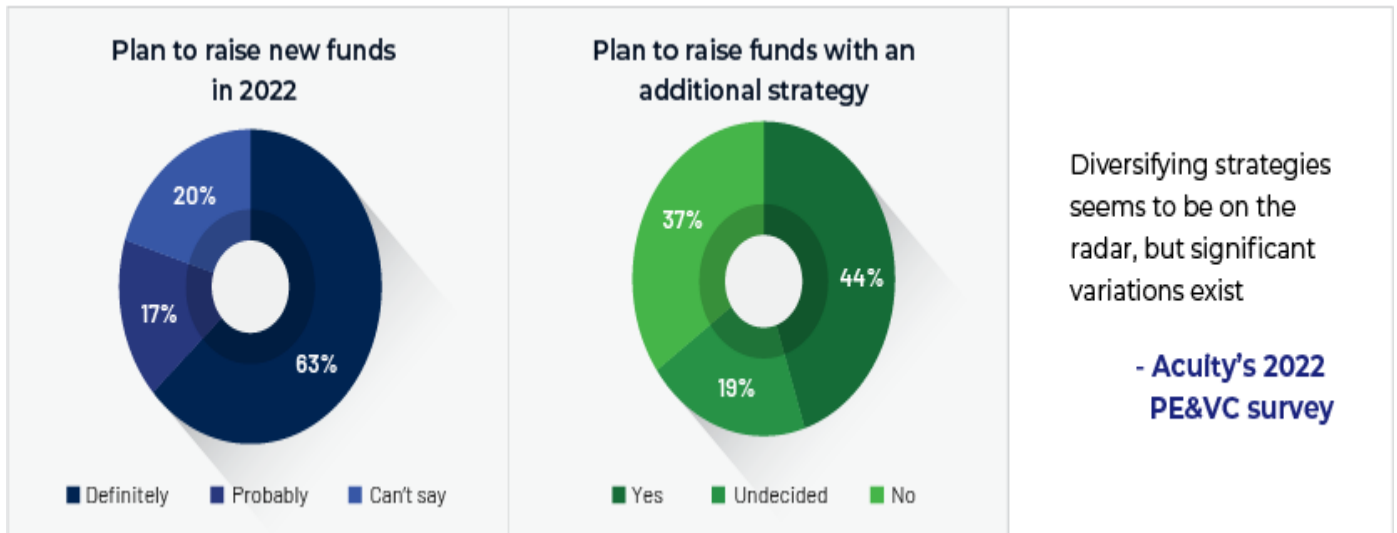
If there is a deal out there, private equity is sure making its way towards it. With USD3.4tn of dry powder at its disposal, we believe fundraising is sure to increase.

The road ahead

With markets adjusting and economic activity returning to pre-pandemic levels, the private equity space is very likely to conclude the deals put on hold. The result could be a further increase in private equity fundraising.

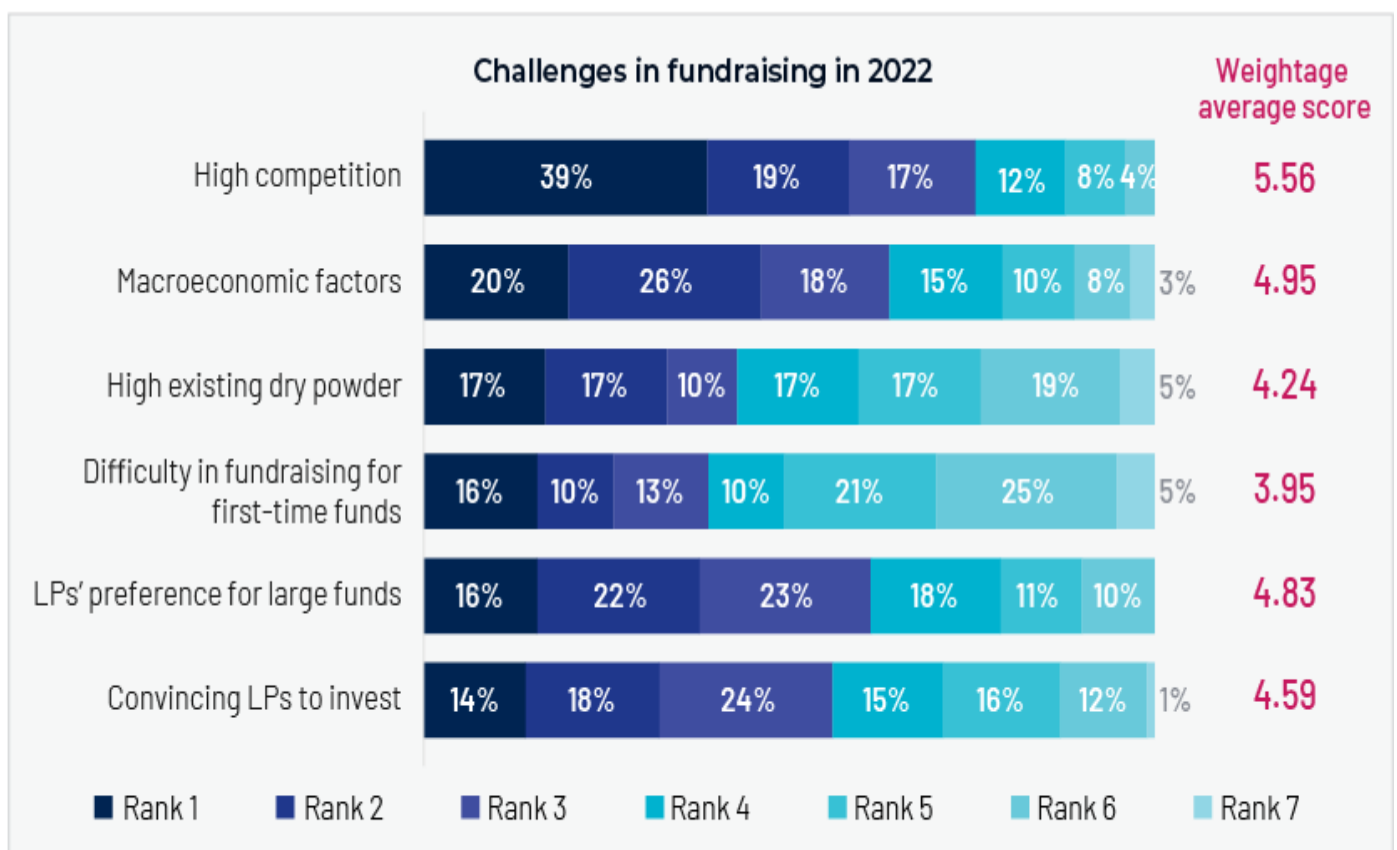
Fundraising is expected to increase in 2022, with two-thirds of the respondents planning to raise new funds while another 17% think they may

Acuity's 2022 PE&VC survey



...and the hurdles

The trend of increasing fundraising has its own challenges.



Note: Score is a weightage average score of the share of respondents assigning importance to a particular response divided by the number of respondents responding to that concern

Pandemic-related travel restrictions and the current political and regulatory climate are also impacting fundraising. At times, firms face challenges due to their internal structures, e.g., niche mandates, investment strategies and resources available for marketing efforts. Firms' performance and valuation could also hinder fundraising - *Acuity's 2022 PE&VC survey*

How Acuity Knowledge Partners can help

We have more than two decades of experience in offering fundraising support to global clients. Our services range from market mapping and target screening to pre-sales support, with our teams of subject-matter experts working as an extension of the client team.

Sources:

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Acuity Knowledge Partners is a leading provider of high-value research, analytics and business intelligence to the financial services sector. The company supports over 650+ financial institutions and consulting companies through a team of over 6,000+ subject matter experts who work as an extension of the clients' teams based out of various global delivery centres.

We empower our clients to drive revenues higher. We innovate using our proprietary technology and automation solutions. We enable our clients to transform their operating model and cost base.