

FUND FINANCE FRIDAY

PitchBook Flags Potential Bottleneck in 2022 Fundraising

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Fundraising may be more challenging in the second half of the year than in the first, according to PitchBook's comprehensive *U.S. PE Breakdown* of the U.S. market published on April 11. "The current fundraising demand from GPs is simply overwhelming LPs' ability to supply capital," write the authors. Several factors are at play: (1) megafunds are closing at meaningful step ups, (2) fund drawdowns have shortened and fundraising frequency accelerated, and (3) the number of funds in the market is at an all-time high.

To illustrate the first of these points, PitchBook reports that nine funds seeking \$20 billion or more are raising or have already closed in 2022. Prior to this year, only seven funds of this size had ever been raised.

Solutions to the strain on LP capital budgets are on the horizon, including greater insurance company allocations and more serious retail expansion initiatives. Those, however, are multi-year campaigns and unlikely to solve demand in 2022-2023.

From our vantage, this setup is likely to fuel trends that we've previously covered, including (1) a robust secondaries market as LPs look to unlock liquidity and recycle capital sooner, along with (2) growth in LP interest in portfolio financing solutions to permit capital deployment ahead of distributions, and (3) accelerating GP interest in asset-based financing to bridge any potential hold-ups in exits due to market volatility or in fundraising due to the capital raising bottleneck.

The full PitchBook report is available [here](#) subject to registration.