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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.