

# FUND FINANCE FRIDAY

## Private Market Outlook 2020 – Raise Your Expectations

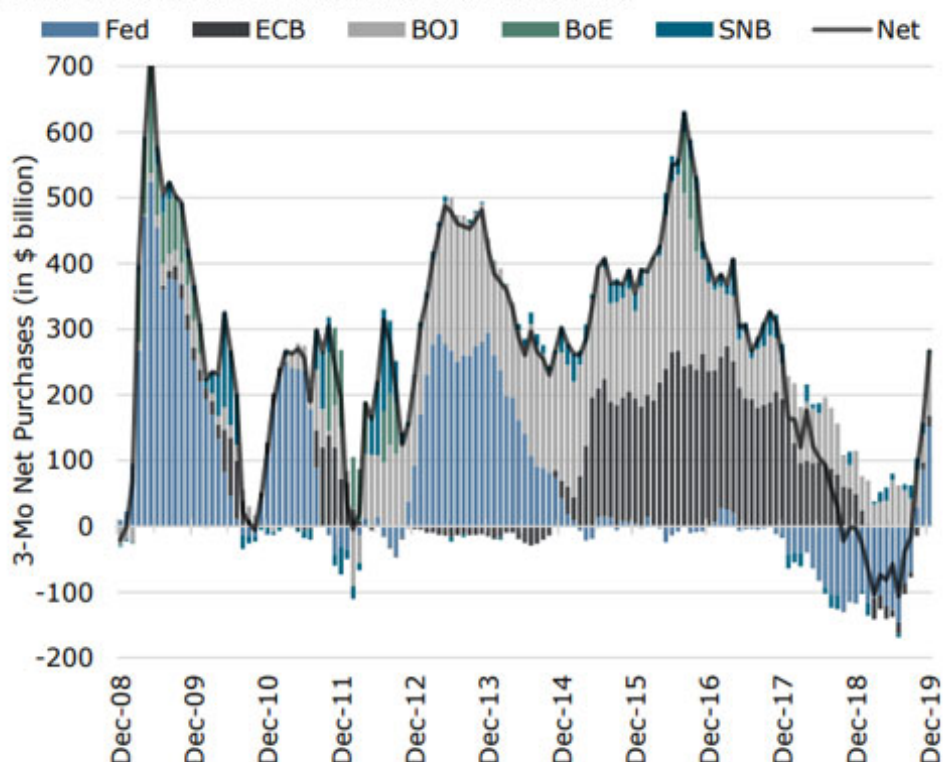
January 10, 2020 | Issue No. 59



**By Chris van Heerden**  
Associate | Fund Finance

The first days of January feel familiar in some ways – we’re off into a new year with what once again looks like a “growing but slowing” economy and markets that are yield-starved across the board. This mix has clearly been beneficial to private market fundraising in recent years as investors have been willing to forgo liquidity to access private market returns. Unlike this time last year, however, central banks are back in play. Globally, central banks have pivoted to balance sheet expansion, and their re-engagement appears to be muting volatility and spurring a risk-on tone across markets – quite constructive for private market fundraising, in our view.

### Global Central Bank Net Asset Purchases



Source: Wells Fargo Securities, Bloomberg L.P.

Also in the "plus" column, seminal shifts in the investment landscape carry into the new year. While neither of these trends are breaking news, they continue to have a large-scale impact on capital flows: (1) Investors are increasingly opting for passive investment vehicles when investing in public markets, and (2) when paying for active management, investors increasingly prefer to do that in the private market.

As these trends in capital flows continue to play out, private markets are moving farther into the mainstream. The SEC's recent moves toward widening the accredited investor definition may perhaps be read as an acknowledgment that private market investment opportunities have reached a scale where it no longer makes sense to exclude individual investors to the same extent as in the past.

Where does this leave us? Linear extrapolation, or forecasting with a ruler, would suggest that fundraising will extend the gradual slowing we've seen in the past two years, with 2020 fundraising coming in modestly below 2019. That's certainly possible and may even be the base case, but it may be too early to count out a re-acceleration in fundraising with some surprise to the upside.