

# International Commitments May Catch up Post-COVID

**Investors kept up the pace of commitments during the pandemic, but most stayed close to home. 2022 could see a rebound in cross-regional investments**

As some of us selectively return to holiday-party small talk to round out the year, we've had ample opportunity to speculate on what the private equity landscape will look like in 2022 and 2023. Will the private equity world and LP commitments return to a normal, steady state? Were there specific disruptions during the pandemic that will produce a disproportionate response in a post-COVID world?

Perhaps the best way to anticipate behavior is to examine how it veered from normal during the 2020-2021 COVID years, with expectations that overcorrection to the mean can be an unavoidable part of emerging from a period of intense disruption.

If we narrow our focus to the velocity of LP commitments in 2020-2021, our observation is that LP commitments to existing relationships – and to new relationships close to home – have continued relatively unfettered throughout the pandemic. If there has been a fundraising category hit hard by travel restrictions and market uncertainty, it's LP commitments to new international relationships.

We've seen North American LPs underwrite new North American fund relationships throughout COVID – in many cases committing to funds with no in-person interaction. This approach was necessary to maintain a new relationship pipeline capturing pandemic vintage years. We've seen a similar approach in Europe and Asia. Whether attributable to perceived safety in proximity, or the higher bar in underwriting for international managers, the most notable change in behavior we observed was LPs dialing back allocations to new relationships outside of their home markets.



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Assuming travel challenges ease in 2022, we would expect a reversal of this dynamic, with additional allocations to fill a gap that's been created by roughly two years of missed commitments to new international relationships. This is good news for sponsors expecting to be in market in 2022 who are targeting LPs outside of their home market. It should also open up opportunities for sponsors who may have historically avoided international marketing.

Further good news is that while in-person meetings will return as a key underwriting step, the broad acceptance of Zoom meetings for introductions means international marketing need no longer be a costly (time and money) exploratory expedition, with virtual meetings providing a path to test demand. We're already seeing European LPs scheduling trips across the US to prime the pump, and we hope to see North American LPs schedule trips to London and continental Europe in the first half of the year.

The pandemic has inflicted multiple forms of isolation on us all. In 2022 we look forward to a reversal of the isolation of LP commitments to their home markets.

Founded in 2001, **Capstone Partners** is a leading independent placement agent focused on raising capital for private equity, credit, real assets, and infrastructure firms from around the world. **Clay Deniger** is Managing Partner and CEO of Capstone Partners. He joined the firm in 2004 and is responsible for its global operations, in addition to leading client strategy and execution for all North American mandates.

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