Private Capital Advisory
Primary Fundraising Market Overview

There is no denying that 2024 was a year in which fundraising conditions continued to be challenging. The market data paints a telling picture, with both the number of funds closing and the amounts of capital raised at their lowest respective levels since the global pandemic.

According to Preqin, 3,320 funds closed during 2024 across the world, compared to 4,375 in 2023 and 6,790 in 2022. This downward trend is reinforced by the amount of capital raised globally, with just over $1.1 trillion raised in 2024, versus just over $1.5 trillion in 2023 and $1.7 trillion in 2022.

Deal and exit markets continued to be sluggish, with LPs still affected by the lack of distributions. As a result, they have remained cautious about making their allocations, with many declining even to reinvest in private equity firms with whom they have longstanding relationships.

However, these figures should be viewed in context. Many of the mega funds were raised in 2022 and 2023 and, therefore, have not been in the market in the intervening years, which has made for the lower amounts of capital raised in 2024. In fact, 2024 saw more funds in active fundraising mode (over 17,000 funds targeting over $3.3 trillion) than 2023 or 2022. This is particularly true of mid-market and lower mid-market funds. GPs have been cognizant of market conditions and in general thoughtful of when to launch and at what size, with many having to settle for smaller fund targets.

Equally, most funds have taken much longer to raise, which in turn made for the lower levels of raised capital recorded in 2024. According to Preqin, it took an average of 24 months to reach final close in 2024, the longest time span recorded since 2000 and an increase on the prior year, which had topped 22 months for the first time.

Look beyond the headlines and there is in fact some positivity to be found, with fewer funds closing below their disclosed target. A reported 447 funds or 23% have to date reported that they closed below target in 2024, which compares favorably with 2023 and 2022 when a higher proportion fell short (31% in 2023 and 26% in 2022). 26% of the total funds closed in 2024 have reported that they did so above their target.

The picture is also varied across different fund types and regions. Certain parts of the market have seen strong interest, with fund types such as private credit and secondaries or sectors such as healthcare proving more popular areas for alternative asset allocation.

Preqin's data shows that the US has continued to be the most active region for fundraising, with 58% of all the funds closed in 2024 domiciled there. These funds raised 63% of the overall global capital pool. Many US LPs have shown appetite to keep their capital in the US.

Europe continues to be an important part of many LPs' portfolios and the data shows that European funds took a slightly larger share of allocated global capital in 2024; 28% versus 25% in 2023 and 18% in 2022. Asia based funds took a relatively lower share of allocated global capital in 2024; 6% versus 9% in 2023 and 17% in 2022.

That said, we have seen more LPs looking at Japan focused funds as well as Japanese LPs looking to invest into North America, and to a lesser extent Europe. In terms of LP participation, Asia Pacific investors have been some of the strongest supporters of the private markets this year.

We started to see the market opening up in 2024, helped by the increased velocity of distributions in the second half of the year. With healing credit markets has come improved exit markets, and this has started to filter through to M&A and fundraising activity.

In general, those GPs who returned capital and were supported by a strong track record were able to close at their hard cap in a reasonable amount of time. First time funds have found it extremely difficult to raise capital since the pandemic, but we saw an easing of this during the second half of 2024 when some first-time funds successfully closed. We have also seen LPs who want to see assets in funds becoming more accepting of sponsored capital, enabling GPs to seed funds with portfolio companies. We expect this trend to continue.

With improved deal and exit markets comes an acceleration in deployment and liquidity that should see GPs returning to market to raise additional capital and investors making new commitments after receiving distributions.

The new US administration also brings a number of unknowns but we sense some confidence within the market that an easing of the regulatory environment should enhance prospects for M&A activity and reduce compliance burdens on both GPs and LPs.

All of this may mean a rush to market in the first half of 2025 and we expect to see more capital raised across the globe by the end of the year. However, with a crowded market comes excess supply and as a result LP resources are likely to be further constrained. While the use of continuation vehicles and liquidity tools has continued to provide some liquidity, LPs remain highly focused on the need to see distributions, preferably as a result of a portfolio company sale. All of this makes it critically important for GPs to continue to strive for true exits and high levels of performance, as well as to prioritize clear transparent communication with their LPs.

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In 2022, Capstone was acquired by New York based Mizuho Americas, expanding the Firm's broader investment banking and advisory capabilities for financial sponsors. Mizuho Americas is an integral part of Japan-based Mizuho Financial Group, Inc. (NYSE: MFG). To learn more about its capabilities, visit https://www.mizuhogroup.com/americas/banking/private-capital-advisory

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