



Market Monitor: Q1 PE Fund Raising Tops Last Year

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Published by Private Equity Analyst in April 2008

Despite the slowdown in the economy and private equity deal-making, fund-raising remains strong, according to our database. But the share of the total going to buyout funds is on the decline.

As this publication went to press with a couple of days still left in the first quarter, fund-raising by U.S.-based private equity firms had topped year-ago totals, with 68 funds raising \$51.6 billion, up 16% from \$44.3 billion raised by 68 funds.

Buyout firms raised \$22.3 billion across 28 funds, down from the \$35.2 billion raised by 34 funds in 2007. Their share of the overall PE pie is also on the decline, to 43% from 80% last year.

The decline in buyouts wasn't a surprise to most industry observers. "Why give a firm equity when it cannot deploy the funds with leverage due to the state of the credit markets?" asked Jay Tannon, partner at law firm DLA Piper.

Last year, a handful of mega buyout funds accounted for \$27.3 billion, or 62% of the total capital raised. This year, several large funds, including **Madison Dearborn Partners** and **Blackstone Group**, have had to delay dosings.

"There have been concerns with mega funds given the difficulty in financing transactions, the slowing of distributions, and financing from less typical places like hedge funds and sovereign wealth funds," said Brett Nelson, head of global private equity at consulting firm Ennis Knupp + Associates.

That means that while one mega fund dominated the totals, it wasn't a buyout fund. **Goldman Sachs & Co.**'s new mezzanine fund, **GS Mezzanine Partners V LP**, wrapped up in February at around \$20 billion, including leverage. That helped push the mezzanine category to a total of \$22.3 billion raised in the quarter by four firms, the same amount as buyout firms raised.

2008 Funds Through March

Type of Fund	Number	Amount (\$M)
Buyouts/Corporate Finance	28	\$22,263.9
Venture Capital	27	\$4,138.2
Secondary & Other Private Equity	5	\$1,028.8
Mezzanine	4	\$22,270.9
Funds of Funds	4	\$1,914.0
Total	68	\$51,615.8

It's hard to extrapolate trends from just one quarter of data, given private equity firms' notorious secrecy. And there are some funds which may have closed in the quarter – notably, **TPG Capital's** new vehicle, **TPG Partners VI LP**, which was expected to have a closing on north of \$10 billion – that aren't included in the stats yet.

Still, it is safe to say the industry isn't as bullish on the buyout market as it was this time last year. "With deals being much slower, we'll have a period where tenured groups will be sitting on their hands and not doing fund-raising," said Gary Robertson, head of private equity at consulting firm Callan Associates.

Meanwhile, the venture industry continued chugging along at the steady level it has maintained over the past couple of years. Venture firms raised around \$4.1 billion in the quarter, up from the \$3.8 billion raised at this point last year.

Observers expect more money to flow to VC firms this year, as well as other niches less dependent on debt financing.

"If you're a top-tier mezzanine, middle-market PE or VC player, you will be perceived as attractive right now, in part because you're not quite as dependent on what's going on in the credit markets," said DLA Piper's Tannon.

Top 5 Buyout Funds To Hold Final Closes In Most Recent Month¹

Fund Name	Fund Region	Firm Name	Location	Total Amt. Raised (\$M) ²	Target Amt. (\$M)
1	New Mountain Partners III LP	New Mountain Capital	LLC New York	\$5,120.00	\$3,000.00
2	Bain Capital Europe III LP	Bain Capital Inc.	Boston	\$4,799.00	\$3,427.80
3	Natural Gas Partners IX LP	NGP Energy Capital Management	Stamford, Conn.	\$4,000.00	\$3,000.00
4	Abry Partners Fund VI LP	ABRY Partners LLC	Boston	\$1,385.00	\$1,350.00
5	Investindustrial IV LP	Investindustrial	Milan	\$1,371.10	\$1,096.88

Top 5 VC Funds To Hold Final Closes In Most Recent Month¹

Fund Name	Fund Region	Firm Name	Location	Total Amt. Raised (\$M) ²	Target Amt. (\$M)
1	Clarus Lifesciences II LP	Clarus Ventures	Cambridge, Mass.	\$660.00	\$600.00
2	Orchid Asia IV LP	Orchid Asia Group Management Ltd.	Hong Kong	\$420.00	\$350.00
3	Flybridge Capital Partners III LP	Flybridge Capital Partners	Boston	\$280.00	N/A
4	Environmental Technologies Fund	ETF Environmental Technologies Fund	London	\$220.63	\$200.00
5	Helion Venture Partners II	Helion Venture Partners LLC	Port Louis, Mauritius	\$210.00	N/A