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CONSIDERATIONS AND STRATEGIES FOR 2023'S FUNDRAISING MARKET

The current private equity fundraising market has been described as a “challenging environment,” but as the authors of this article discuss, there are a number of ways for fund managers to evaluate their fundraising process and terms to keep a competitive edge. They begin their discussion with the need to adjust strategies to stay competitive. They then turn to terms in fund governing documents: the offering period; management fees; organizational expenses and the cap; co-investment; and borrowings. They conclude with the SEC’s proposed series of sweeping mandates that would significantly impact the management, compliance, and reporting requirements for private funds and their GPs.

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The private equity fundraising market has been experiencing a slowdown that is likely to continue through the end of 2023. The global fundraising landscape constantly redefines the industry, shuffling the balance of bargaining power between players. By examining the evolving landscape of the fundraising process, trends in private equity fund terms, and recent regulatory proposals and changes, we hope to provide a helpful snapshot of the current state of play in the industry and the evolving dynamics between private equity sponsors (“GPs”) and limited partner investors (“LPs”) on key aspects of fundraising.

CURRENT FUNDRAISING ENVIRONMENT

The first quarter signaled a slow-but-sure start to 2023 for the general private equity fundraising market. GPs are still successfully raising funds, but the pace has

slowed (particularly when compared to the pace of the 2020/2021 fundraising periods), although the market is still recovering from the economic downturn in the past year and GPs are grappling with a congested fundraising market, heightened macroeconomic uncertainty, and aggressive regulatory reforms. From a macroeconomic viewpoint, key players in the private equity industry view 2023 as a continuation of the challenging environment witnessed in 2022.

At present, there are a record number of private equity funds in the global market (3,851), a 5% increase from Q4 2022.¹ The surge in players results in a record number of funds in the market over the last five years. With regard to targeting commitments, aggregate capital

¹ Paul, Weiss: PE Fundraising at a Glance: First Quarter 2023.

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