

JANUARY 2019

# PRIVATE FUND REPORT

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Due to soaring interest in private investments by institutional investors as well as the long-term allocation shift to private markets that we have observed in recent years, *Pensions & Investments* is launching a new database to cover private funds closed starting in 2010. Along with *P&I* survey data, P&IQ Searches & Hires database information, *Pensions & Investments* aims to paint a clear picture of private capital markets growth.

A closer look at the asset mix of the top 200 corporate and public defined benefit plans reveals a long-term trend of capital shifting to private markets at the expense of public markets. Corporate DB plans' four-year average equity allocation dropped to 40.7% in 2017 from 62.1% in 2001, while private investing doubled its portfolio exposure to 18% from 8.1% over past 20 years. Public DB plans demonstrated even stronger interests in private investing, boosting its four-year average allocation to 25.5% in 2017 from 8.2% of 2001. Private equity's four-year average exposure climbed to 9% from 2.9% in 2001, and real estate grew 125% over the period.

### Corporate DB plans average asset mix (top 200 plans)

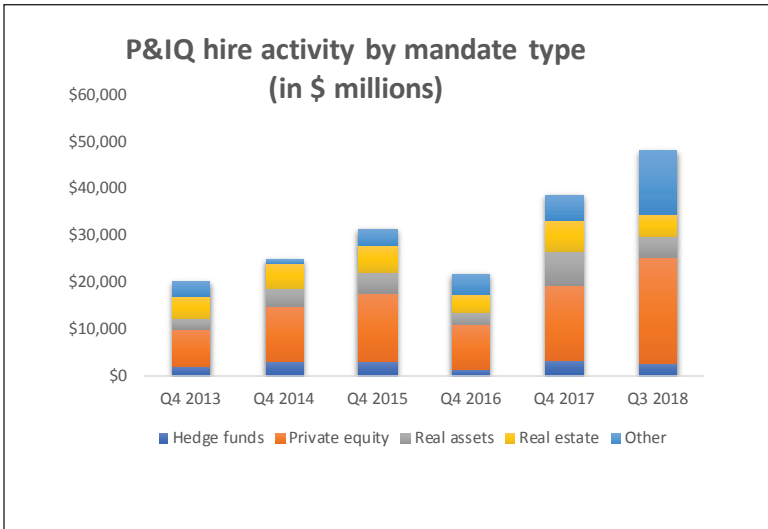
	1998-2001	2002-2005	2006-2009	2010-2013	2013-2017
<b>Total equity</b>	<b>62.1%</b>	<b>60.4%</b>	<b>51.9%</b>	<b>41.6%</b>	<b>40.7%</b>
<b>Total fixed income</b>	<b>27.9%</b>	<b>27.9%</b>	<b>31.5%</b>	<b>37.6%</b>	<b>38.9%</b>
<b>Cash</b>	<b>2.0%</b>	<b>1.4%</b>	<b>1.9%</b>	<b>1.9%</b>	<b>2.5%</b>
Private equity	3.5%	4.0%	4.9%	7.0%	5.6%
Real estate	2.8%	3.3%	3.4%	4.3%	4.5%
Mortgages	0.2%	0.3%	0.1%		
Other	1.7%	2.8%	6.5%	7.6%	7.9%
<b>Total alternatives</b>	<b>8.1%</b>	<b>10.4%</b>	<b>14.8%</b>	<b>18.9%</b>	<b>18.0%</b>
Total	100%	100%	100%	100%	100%

Source: *Pensions & Investments*

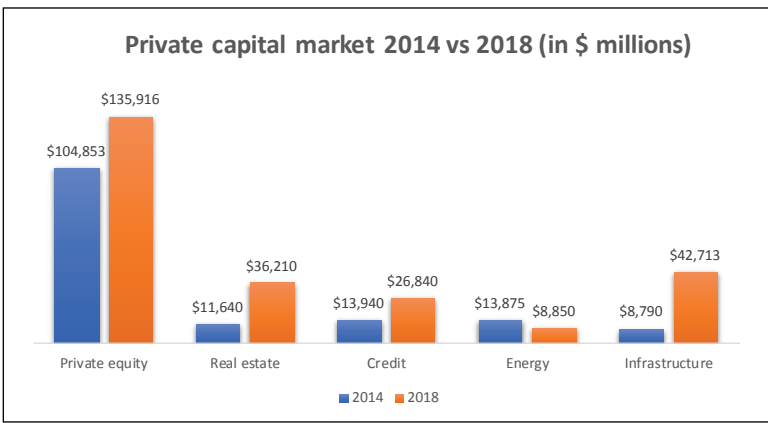
### Public DB plans average asset mix (top 200 plans)

	1998-2001	2002-2005	2006-2009	2010-2013	2013-2017
<b>Total equity</b>	<b>58.8%</b>	<b>60.4%</b>	<b>57.2%</b>	<b>51.3%</b>	<b>50.1%</b>
<b>Total fixed income</b>	<b>31.1%</b>	<b>28.6%</b>	<b>25.8%</b>	<b>25.2%</b>	<b>22.7%</b>
<b>Cash</b>	<b>1.9%</b>	<b>1.5%</b>	<b>1.5%</b>	<b>1.9%</b>	<b>1.7%</b>
Private equity	2.9%	3.8%	6.1%	9.5%	9.0%
Real estate	3.6%	4.2%	5.7%	7.0%	8.1%
Mortgages	1.0%	0.8%	0.5%		
Other	0.7%	0.8%	3.3%	5.2%	8.4%
<b>Total alternatives</b>	<b>8.2%</b>	<b>9.5%</b>	<b>15.6%</b>	<b>21.7%</b>	<b>25.5%</b>
Total	100%	100%	100%	100%	100%

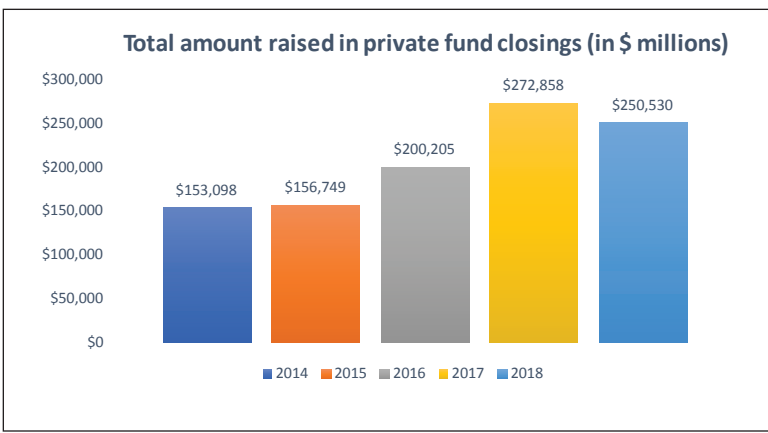
Source: *Pensions & Investments*



Source: P&I Searches and Hires Database



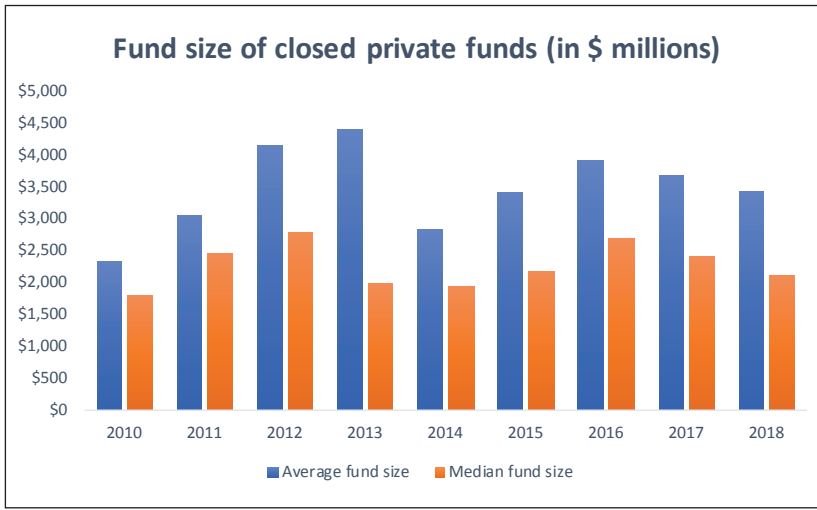
Footnote: Pensions & Investments collects data on closed private funds with more than \$1 billion in commitments



Historical P&IQ data indicate a growing interest in hiring alternative managers as well as an expansion of private investing over the past few years. In 2013, 41% of 554 investment mandates were awarded to alternative managers and 20% were won by traditional investment managers. As of November 2018, alternative managers won 67.18% of 582 investment mandates, a 70.74% jump from 229 in 2013, while traditional managers won 15% of the mandates. Private equity has always been the largest private capital sector, on average accounting for 51% of mandates awarded on a yearly basis. In 2018, private equity firms won 227 mandates, followed by 78 for real estate and 42 mandates to real assets funds. The dollar amount in private investment mandates reached \$48.13 billion in 2018, a 136.09% jump from \$20.39 billion in 2017. Private equity grew by 182.52% to \$22.66 billion in 2018 from \$8.02 billion in 2013, followed by a 106.79% growth in real assets.

Based on the data collected by *Pensions & Investments* on private fund closings, as of November 2018 the total amount raised soared to \$250.53 billion from \$153.1 billion in 2014, an asset growth rate of 63.64% over the period. Private investments saw significant investor interest and strong capital inflows in 2016 and 2017, with the aggregate assets of closed private funds growing 27.72% and 36.29%, respectively, in those years.

Private equity funds raised \$135.92 billion in 2018 while infrastructure funds received \$42.71 billion. Another \$36.21 billion went to real estate funds, while \$26.84 billion went to credit and \$8.85 billion to energy. Private equity, the largest private markets asset class, saw 29.62% in fundraising growth



from 2014 to 2018. Infrastructure funds raised 386% more committed capital in 2018 than the \$8.79 billion of 2014, the highest growth rate among all asset classes. Real estate asset growth increased 211%. On the other hand, energy funds saw declining interest from investors with 36.22% less capital raised in 2018.

*Pensions & Investments* collects data on closed private funds with more than \$1 billion in commitments.

The average size of closed private funds was \$3.47 billion over the previous nine-year period. The number of the closed funds increased by 184% from 2013 to 2014, though the average fund size dropped to \$2.84 billion in 2014 from \$4.4 billion in 2013, the highest average fund size seen over the period. So the five-year average closed fund size from 2014 to 2018 was \$3.46 billion, slightly less than the average fund size of \$3.49 billion between 2010 and 2013. The median fund size of closed private funds was \$2.26 billion over the same period, with the highest median fund size of \$2.78 billion recorded in 2012.

Apollo Global Management LLC raised \$24.7 billion for its Apollo Investment Fund IX, surpassing its \$23.5 billion hard cap and considered the largest private equity fund in history. The fund invested primarily in distressed investments, corporate carve-outs and opportunistic buyouts in a wide range of industries in North America and Europe. The new buyout fund was 34% larger than its prior fund, Apollo Investment Fund VIII, which ranked third on the list of largest private funds with \$18.4 billion in capital commitments.

Carlyle Partners VII, closed at its \$18.5 billion hard cap, was the largest private equity fund raised by Carlyle Group and the second-largest private fund closed over the past nine years. This fund exceeded its \$15 billion target by 23% and was 42% larger than Carlyle's prior fund, the \$13 billion Carlyle Partners VI, which closed in 2013. Carlyle Partners VII has majority and minority investments in the consumer and retail, health care, industrial, transportation, technology, media and telecom sectors.

Blackstone Capital Partners VII started fundraising in November 2014 and closed in 2015 at \$18 billion, exceeding its \$17.5 billion hard cap. The fund has more than 250 limited partners and spanned 40 countries. Blackstone Capital Partners VII raised 13% more capital than its predecessor fund, Blackstone Capital Partners VI, which held \$16 billion in 2012.

CVC Capital Partners closed CVC Capital Partners VII at €15.5 billion (\$17.3 billion) in 2017. The European buyout fund targeted investments in middle-market companies in the beverage, chemicals, consumer services, manufacturing, distribution, media, retail and technology sectors. CVC Capital Partners VII was 48% larger than its prior fund CVC Capital Partners VI, which closed at its €10.5 billion hard cap in 2013.

## Top 20 private funds closed (in \$ millions)

Name of money manager	Name of fund	Amt. raised	Asset class	Sub asset class
Apollo Global Management	Apollo Investment Fund IX	\$24,700	Private equity	Buyout
Carlyle Group	Carlyle Partners VII	\$18,500	Private equity	Buyout
Apollo Global Management	Apollo Investment Fund VIII	\$18,400	Private equity	Buyout
Blackstone Group	Blackstone Capital Partners VII	\$18,000	Private equity	Buyout
CVC Capital Partners	CVC Capital Partners VII	\$17,300	Private equity	Buyout
Blackstone Group	Blackstone Capital Partners VI	\$16,000	Private equity	Buyout
Blackstone Group	Blackstone Real Estate Partners VIII	\$15,800	Real estate	Opportunistic
Silver Lake	Silver Lake Partners V	\$15,000	Private equity	Buyout
Brookfield Asset Management	Brookfield Infrastructure Fund III	\$14,000	Real assets	Infrastructure
KKR	KKR Americas XII Fund	\$13,900	Private equity	Buyout
EQT	EQT VIII	\$13,300	Private equity	Buyout
Blackstone Group	Blackstone Real Estate Partners VII	\$13,300	Real estate	Opportunistic
Advent International	Advent Global Private Equity VIII	\$13,000	Private equity	Buyout
Carlyle Group	Carlyle Partners VI	\$13,000	Private equity	Buyout
Warburg Pincus	Warburg Pincus Private Equity XII	\$12,000	Private equity	Balanced
Warburg Pincus	Warburg Pincus Private Equity XI	\$11,200	Private equity	Balanced
Hellman & Friedman	Hellman & Friedman Capital Partners VIII	\$10,900	Private equity	Buyout
Ardian	Ardian Secondary Fund VII	\$10,800	Private equity	Secondaries
Hillhouse Capital Group	Hillhouse Fund IV	\$10,600	Private equity	Buyout
TPG	TPG Partners VII	\$10,500	Private equity	Buyout
Silver Lake Partners	Silver Lake Partners IV	\$10,300	Private equity	Buyout

The largest non-private equity fund closed over the nine years was Brookfield Infrastructure Fund III, which closed at \$14 billion in 2016. The global infrastructure fund exceeded its \$10 billion fundraising target by 40% and invested in high-quality, core infrastructure assets on a value basis.

Stonepeak Infrastructure Fund III was the second-largest infrastructure fund, closing at \$7.2 billion and exceeding its \$5 billion fundraising target. KKR Global Infrastructure Investors III, ISQ Global Infrastructure Fund II and Brookfield Infrastructure Fund II all closed at \$7 billion, doubling the asset sizes of their predecessor funds.

EnCap Investments closed EnCap Energy Capital Fund XI at \$7 billion and EnCap Energy Capital Fund X at \$6.5 billion, representing two of the largest energy funds closed between 2010 and 2018. Quantum Energy Partners VII closed at its hard cap of \$5.6 billion, 25.84% larger than its prior fund.

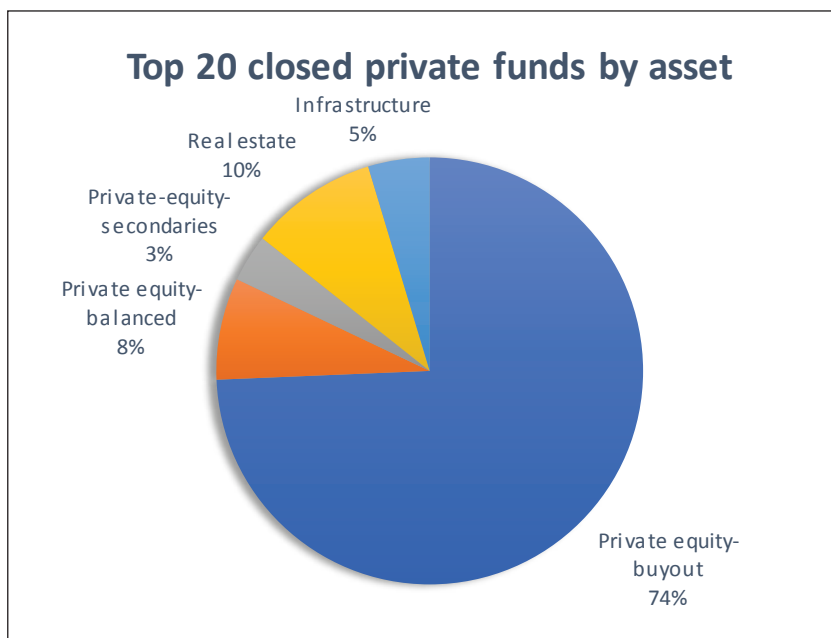
In addition to its private equity funds, Blackstone Group closed three real estate funds. All three were among the top five real estate funds closing over the nine-year period. Blackstone Real Estate Partners VIII closed at its hard cap of \$15.8 billion, raising 18.79% more capital than its \$13.3 billion predecessor fund of Blackstone Real Estate Partners VII. Blackstone Real Estate Partners Europe V, an opportunistic real estate fund that focuses on large, complex property-related transactions in Europe, raised \$8.7 billion and was 52.95% larger than its \$5.69 billion predecessor prior fund.

Top 5 funds by asset class	Amt. raised	Previous fund	Asset class	Sub asset class
Brookfield Infrastructure Fund III	\$14,000		Real assets	Infrastructure
Stonepeak Infrastructure Fund III	\$7,200	\$3,500	Real assets	Infrastructure
KKR Global Infrastructure Investors III	\$7,000	\$3,100	Real assets	Infrastructure
ISQ Global Infrastructure Fund II	\$7,000	\$3,000	Real assets	Infrastructure
Brookfield Infrastructure Fund II	\$7,000	\$2,700	Real assets	Infrastructure
EnCap Energy Capital Fund XI	\$7,000	\$6,500	Real assets	Energy
EnCap Energy Capital Fund X	\$6,500	\$5,000	Real assets	Energy
Quantum Energy Partners VII	\$5,600	\$4,450	Real assets	Energy
NGP Natural Resources XI	\$5,330	\$3,590	Real assets	Energy
Blackstone Energy Partners II	\$4,500		Real assets	Energy
Blackstone Real Estate Partners VIII	\$15,800	\$13,300	Real estate	Opportunistic
Blackstone Real Estate Partners VII	\$13,300		Real estate	Opportunistic
Brookfield Strategic Real Estate Partners II	\$9,000	\$4,400	Real estate	Opportunistic
Blackstone Real Estate Partners Europe V	\$8,700	\$5,688	Real estate	Opportunistic
Starwood Global Opportunity Fund XI	\$7,560	\$5,600	Real estate	Opportunistic
Ares Capital Europe IV	\$7,600	\$2,923	Credit	Direct lending
GSO Capital Solutions Fund III	\$7,000	\$5,000	Credit	Distressed debt
Mezzanine Partners Fund III	\$6,600	\$4,400	Credit	Mezzanine
GSO Capital Opportunities Fund III	\$6,500	\$4,000	Credit	Mezzanine
GSO Capital Solutions Fund II	\$5,000		Credit	Distressed debt

Source: P&I Private Fund Close Database

Ares Capital Europe IV was the largest credit fund closed over the nine-year period with a hard cap of \$7.6 billion, exceeding its fundraising target by 44.44%. The fund held more than double the capital of its prior \$2.92 billion fund. GSO Capital Partners closed GSO Capital Solutions Fund III at its \$7 billion hard cap, 40% higher than its predecessor

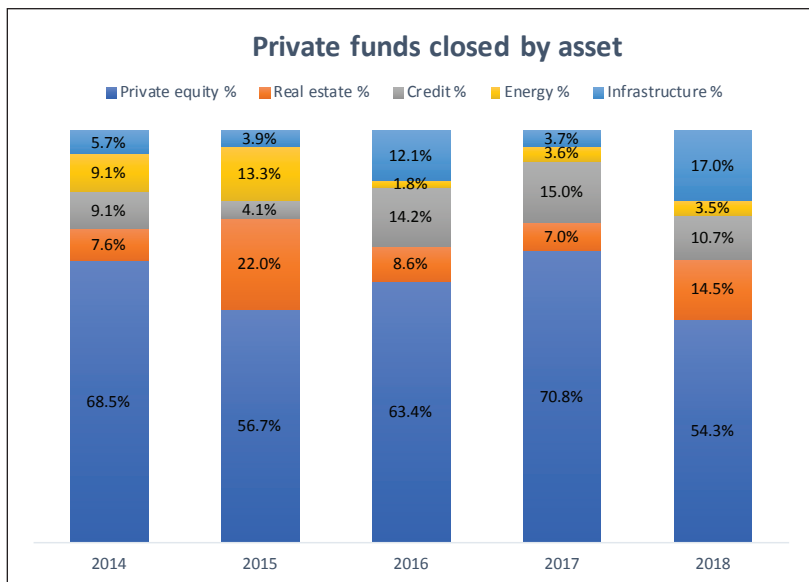
\$5 billion GSO Capital Solutions Fund II. Both funds were on the list of the largest closed credit funds. The fund provides financing to companies experiencing liquidity problems across various sectors with a focus on the U.S. and Europe.



Source: P&I Private Fund Close Database

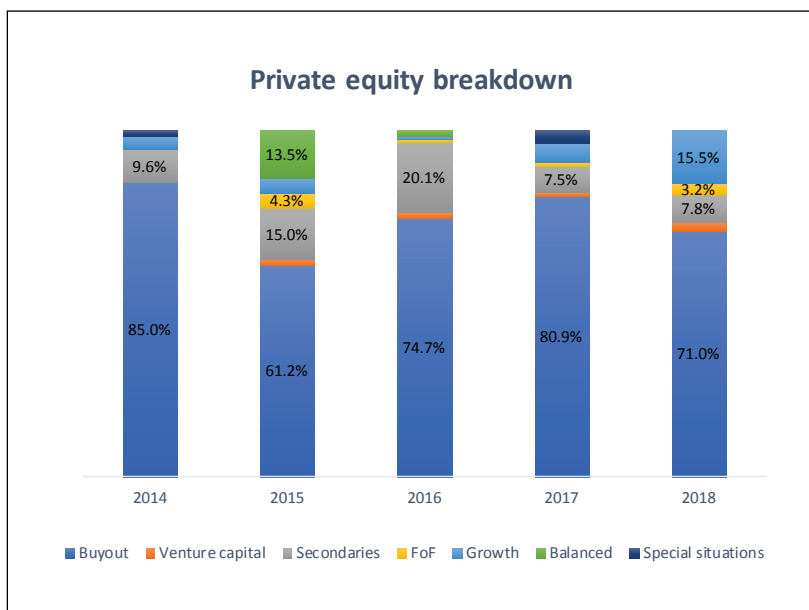
HPS Investment Partners closed Mezzanine Partners Fund III at \$6.6 billion, exceeding its \$5.5 billion target and its \$4.4 billion predecessor fund, Mezzanine Partners Fund II. Mezzanine Partners III, which primarily invested in North American and Western European junior debt and equity securities, ranked third place on the list of credit funds.

Based on *Pensions & Investments* data on closed private funds with an average capital commitment of \$1 billion or above, Blackstone Group raised an aggregate amount of \$122.9 billion over the past nine years. The top five Blackstone Group funds were dedicated to private equity and real estate, accounting for 58.42% of total capital raised by the firm. Carlyle Group ranked second on the largest private capital manager list with \$71.79 billion capital raised, followed by KKR with \$51.01 billion, Apollo Global Management with \$45.05 billion and Brookfield Asset Management with \$36.7 billion.



KKR Americas XII Fund, which invests in North American companies, closed at \$13.9 billion in 2017, was the largest Americas-focused fund at the time. It was 54% larger than its predecessor fund, the \$9 billion North America Fund XI, which closed in December 2013.

Warburg Pincus Private Equity XI closed at 11.2 billion in 2013, shy of its \$12 billion fundraising target. The fund aimed to invest in growth companies in five industry sectors: energy; financial services; health care; technology, media and telecommunications; and consumer, industrial services.



Silver Lake Partners V raised \$15 billion, surpassing its \$12.5 billion target as well as its \$10.3 billion predecessor fund, Silver Lake Partners IV. Lexington Partners hit the hard cap on its latest private equity secondary market fund, the \$10.1 billion Lexington Capital Partners VIII, which exceeded its \$7.1 billion predecessor LCP VII fund by 42%.

Eighty-five percent of top 20 private funds closed over past nine years were private equity funds, followed by 10% for real estate and 5% for infrastructure. Among three subgroups of private equity sector, 74% were buyout funds, 8% were balanced and 3% were secondary funds.

From 2014 to 2018, private equity funds accounted for an average of 62.78% of total capital raised, followed by 11.94% for real estate, 10.75% for credit funds, 8.49% for infrastructure and 6.04% for energy funds.

In 2014, 68.5% of capital raised was in the private equity sector, followed by 9.1% for credit, 9.1% for energy, 7.6% for real estate and 5.7% for infrastructure. Only 54.3% of capital went to private equity funds in 2018, a significant decrease from 68.5% from 2014. Infrastructure and real estate funds grew to account for 17% and 14.5% of total capital raised, respectively; in 2014, the sectors accounted for 5.7% and 7.6% of capital raised. Energy funds declined to 3.5% in 2018 from a peak of 13.3% in 2015. Credit funds saw a significant jump to 14.2% of assets in 2016 from 4.1% in 2015.

Taking a closer look at private equity subasset-class hierarchy from 2014 to 2018, buyout funds accounted for an average of 74.6% of private equity fundraising, followed by 12% for secondaries, 6% for growth, 3% for balanced funds, 2% for funds of funds, 1.4% for venture capital and 1.1% for special situations. Buyout funds saw a 14-percentage-point decline, while growth funds jumped to 15.5% in 2018 from 4% in 2014. Balanced funds and secondaries funds reached their respective fundraising peak years in 2015 and 2016, accounting for 13.5% and 20.1% of total private equity capital raised.



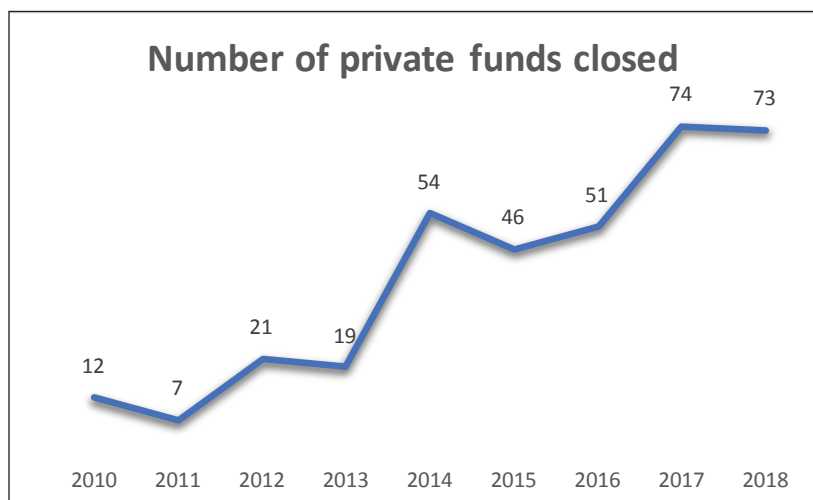
Appendix 1:

List of top money managers

Name of money manager	Top closed funds	Amount raised	Hard cap	Target	Previous fund
<b>Blackstone Group</b>		<b>\$122,900</b>			
	Blackstone Capital Partners VII	\$18,000	\$17,500		\$16,000
	Blackstone Capital Partners VI	\$16,000			
	Blackstone Real Estate Partners VIII	\$15,800	\$15,800		\$13,300
	Blackstone Real Estate Partners VII	\$13,300			
	Blackstone Real Estate Partners Europe V	\$8,700			\$5,100
<b>Carlyle Group</b>		<b>\$71,790</b>			
	Carlyle Partners VII	\$18,500	\$18,500	\$15,000	\$13,000
	Carlyle Partners VI	\$13,000		\$10,000	\$13,700
	Carlyle Asia Partners V	\$6,550		\$5,000	\$3,900
	Carlyle Realty Partners VIII	\$5,500	\$5,500	\$5,000	\$4,200
	Carlyle Europe Partners IV	\$4,100	\$4,100	\$3,000	\$5,849
<b>KKR</b>		<b>\$51,013</b>			
	KKR Americas XII Fund	\$13,900			\$9,000
	KKR Asian Fund III	\$9,300			\$6,000
	KKR Global Infrastructure Investors III	\$7,000	\$7,000		\$3,100
	Asian II Fund	\$6,000	\$6,000		
<b>Apollo Global Management</b>		<b>\$45,050</b>			
	Apollo Investment Fund IX	\$24,700	\$23,500		\$18,000
	Apollo Investment Fund VIII	\$18,400			
	European Principal Finance Fund	\$1,950			
<b>Brookfield Asset Management</b>		<b>\$36,700</b>			
	Brookfield Infrastructure Fund III	\$14,000		\$10,000	
	Brookfield Strategic Real Estate Partners II	\$9,000		\$7,000	\$4,400
<b>Warburg Pincus</b>		<b>\$29,200</b>			
	Warburg Pincus Private Equity XII	\$12,000	\$12,000		\$11,200
	Warburg Pincus Private Equity XI	\$11,200	\$12,000		
<b>Silver Lake Partners</b>		<b>\$25,300</b>			
	Silver Lake Partners V	\$15,000		\$12,500	\$10,300
	Silver Lake Partners IV	\$10,300		\$7,500	
<b>CVC Capital Partners</b>		<b>\$21,800</b>			
	CVC Capital Partners VII	\$17,300			\$10,500
<b>Lexington Partners</b>		<b>\$21,300</b>			
	Lexington Capital Partners VIII	\$10,100	\$10,100		\$7,100
<b>EQT</b>		<b>\$19,300</b>			
	EQT VIII	\$13,300			\$8,390

## Appendix 2:

Chart 1: Number of private funds closed



## Appendix 3

Chart 1

P&IQ Hire activity by mandate type (in \$ millions)

	2010	2011	2012	2013
Hedge funds	\$1,242	\$4,671	\$2,098	\$2,110
Private equity	\$2,190	\$6,485	\$5,806	\$8,019
Real assets	\$1,099	\$1,885	\$2,007	\$2,077
Real estate	\$788	\$1,947	\$2,305	\$4,975
Other	\$438	\$7,915	\$412	\$3,205
<b>Total</b>	<b>\$5,757</b>	<b>\$22,903</b>	<b>\$12,628</b>	<b>\$20,386</b>

Chart 2

P&IQ Hire activity by mandate type

	2010	2011	2012	2013	2014	2015	2016	2017	Q3 2018
Hedge funds	12	64	27	20	28	31	15	23	23
Private equity	30	74	81	111	149	170	137	191	227
Real assets	10	10	29	26	44	34	25	63	42
Real estate	10	26	44	54	99	85	48	74	78
Other	3	12	5	18	12	26	30	35	21
<b>Total</b>	<b>65</b>	<b>186</b>	<b>186</b>	<b>229</b>	<b>333</b>	<b>346</b>	<b>256</b>	<b>386</b>	<b>391</b>

**Questions on the P&I Private Fund Report?**

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**Questions about the P&I Private Fund Database?**

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