INSIGHTS

SEPTEMBER 2023

PRIVATE EQUITY WIRE

ONES TO WATCH 2023

PRIVATE EQUITY'S 20 STANDOUT DEBUTS AND STELLAR STORIES

EXECUTIVE SUMMARY

Standing out is fundamental to the private equity (PE) value proposition, even more so at a time when the fight for risk-averse investor capital is fiercer than ever. The 20 firms featured in the first section of this report have all managed to catch the eye in a challenging market – either owing to the illustrious pedigree or diverse background of their founders, their sector-specialisms or their unique and clearly delineated investment strategies.

Our list is not a ranking – it's editorially compiled – but it does feature a number of outperformers, and offers intriguing insight into key sectoral and regional trends in the contemporary PE market. It also provides hope that emerging managers can perform strongly despite a flight to established and proven track records.

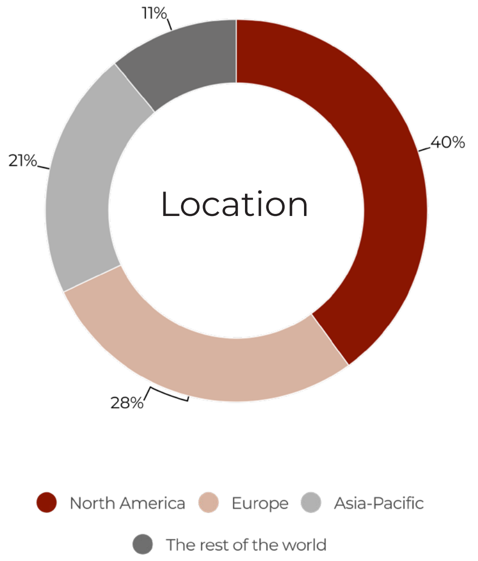
The second section of this report dives into the outlook for emerging managers – what are their biggest macro-economic concerns going into the next 12 months, and how are they positioning themselves for the future? With cautious optimism spreading through the PE landscape, GPs can expect a more competitive and complex operating environment – exacerbated by a raft of regulatory changes that unfolded in 2023 and will make their mark in the near term.

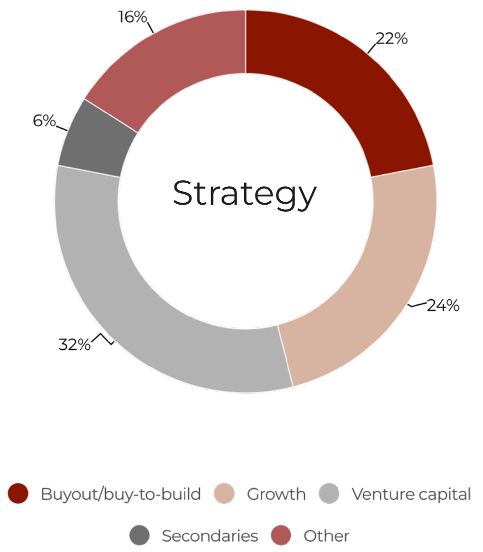
Fund managers launching in this market have the advantage of positioning for near-term conditions and leveraging advanced digital tools to build more agile, future-ready operations. Emerging PE managers appear further along this journey than older houses. They're also far more optimistic about the growth prospects of their own firms, and the wider PE industry.

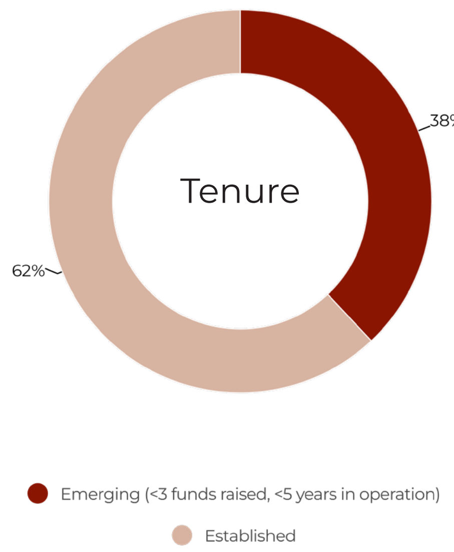
AFTAB BOSE
SENIOR RESEARCH ANALYST

CONTENTS

Breakdown of respondents to Hedgeweek's Q2 Hedge Fund Manager Survey by firm location, size, and approach:







METHODOLOGY

The 20 private equity firms included in the report's first section are the titular 'Ones to watch'. This is an editorial list that runs in alphabetical order and is not a ranking. It was compiled by Private Equity Wire based on interviews with other established and emerging private equity managers and in-house research, taking into consideration multiple factors including founder pedigree, relevance of investment strategy, business innovations, and attractiveness to investors. To be considered for the list, a firm must have launched their first fund within the last 12-24 months.

For section two, the primary source of data is the results of Private Equity Wire's Q3 Private Markets GP Survey conducted in September 2023 (see above for a breakdown of respondents by location, AUM, and investment approach). Further insights were gathered during qualitative follow-up interviews in September with named and unnamed private equity sources, and additional third-party research and intel.

KEY FINDINGS

1

The US remains an opportunity hub

Sixteen of the 20 firms featured in the Ones to Watch list are based in the US, and nine of those are based in New York City, signalling the region's status as a financial hub remains well established. Also worth noting is that all seven of the launches that manage more than $1bn in asset value are based in the US. The market is less directly affected than other regions by energy crises, and appears less concerned about a global recession and inflation.

2

Specialisms in the spotlight

Thirteen of the Ones to Watch list have launched with a sector specialism – symptomatic of the need for differentiation and a clear investment strategy amid high competition for funds. Only five are specialised in tech, which is a healthy number nonetheless but also a sign that the era of astronomical tech valuations might have come to an end. Five were launched as specialist impact/sustainability firms – another indicator of market direction.

3

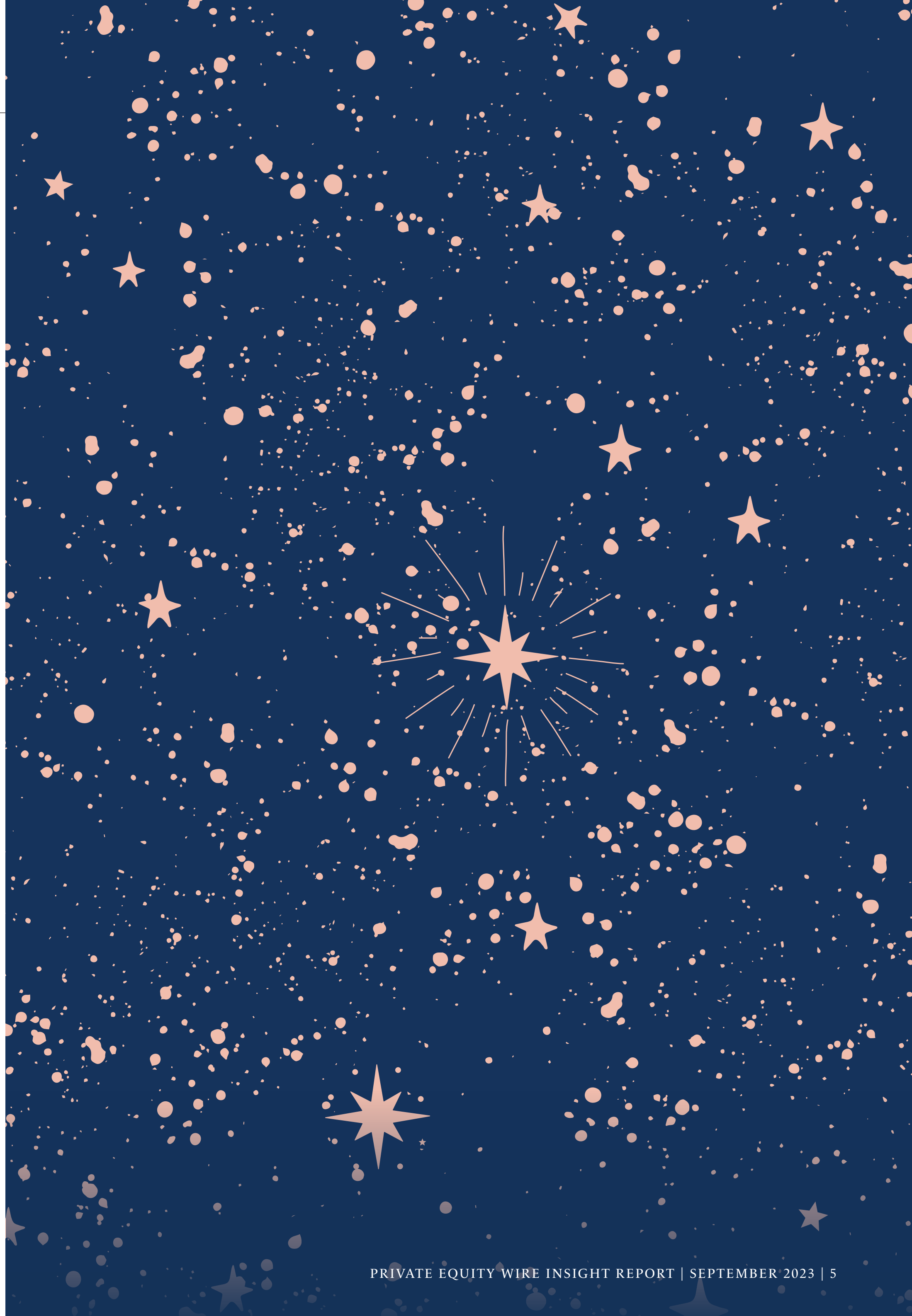
European managers more wary of macro trends

The biggest macro-economic concerns track across both emerging and established managers – rising interest rates, global recession and inflation being the top three, while supply chain disruptions and a volatile energy market are also challenging, albeit to a lesser extent. But across all factors, a far greater share of European managers cite these as concerns than their North American counterparts, in part due to the direct impact of the war on the continent.

4

Outsourcing and tech-enablement are the future

Three out of four emerging managers outsource the majority of their fund administration activities, compared to less than half of their established counterparts. Nearly 70% of the former category also report that tech enables the majority of their operational activity – as opposed to half (51%) of the latter group. Market complexity makes outsourcing and transformation necessities for now, but they could provide a competitive edge in the future.



IN THE LIMELIGHT

The US is a hotspot for new fund managers, and most are launching with sector specialisms to differentiate themselves in a competitive market

ASTARA CAPITAL PARTNERS

Specialism: Industrial/manufacturing/services
Headquarters: NYC, New York
Founder: Michael Ranson
Pedigree: Blue Wolf Capital Partners

Founder Michael Ranson and his team won over global LPs with an operational and value-add strategy at an economically challenging time when portco value creation is of the essence. The inaugural fund closed at $312m, surpassing its $250m target, leaving the firm to manage over $400m of capital commitments. The team, which is made up of operators and private equity professionals from firms including Blue Wolf Capital, Gamut Capital Management and Brightstar Capital Partners will focus on North American mid-market opportunities in the industrial, manufacturing, and services businesses sectors.

$3.9bn

raised for a first-time fund by Patient Square Capital in January 2023

BANSK GROUP

Specialism: Consumer
Headquarters: NYC, New York
Founder: Bart Becht
Pedigree: JAB Holding Company, Reckitt Benckiser

Bart Becht knows consumer goods. His pedigree crosses over operational and investment experience as chairman of JAB Holding Company and as CEO of Reckitt Benckiser. Collectively, Bansk's team has invested over $30bn of equity capital – its inaugural $800m fund will be targeting opportunities between $100m and $400m in "distinguished" brands in high-growth areas across household products, beauty and personal care, consumer health, food & beverage. Following the close, the firm manages around $1.5bn in assets.

BICYCLE CAPITAL

Specialism: Tech/healthcare/consumer
Headquarters: Miami, Florida
Founder(s): Marcelo Claure, Shu Nyatta
Pedigree: Softbank

Former Softbank executives Marcelo Claure and Shu Nyatta have set up Bicycle Capital to invest in Latin American late-stage startup and growth equity opportunities. They will look to invest in the technology, healthcare and consumer sectors, among others. The firm is looking to complete up to four deals each year and partner with founders who can expand their businesses regionally. Its anchor LPs include Claure Group and Mubadala Investment Company. The firm has attracted initial commitments for its first fund of approximately U$440m, shy of its $500m target.

BRAEMONT CAPITAL

Specialism: Tech, business/financial services
Headquarters: Dallas, Texas
Founder: Robert Covington
Pedigree: RedBird Capital Partners

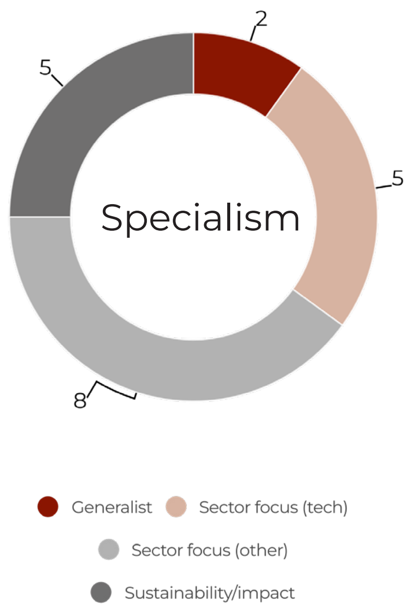
Founded in 2021 by RedBird Capital Partners veteran Robert Covington, this $525m inaugural thematic fund exceeded its $500m target and holds the record for the largest first-time fund raised in the state of Texas. Its fundraising strategy impressively includes 75% of first-time institutional capital. The firm reportedly has sights on raising a second fund on the back of confidence in the deal pipeline. The focus will be on defensive growth niches in the technology, business services, and financial services sectors.

BROAD SKY PARTNERS

Specialism: Business services/consumer
Headquarters: NYC, New York
Founder: Tyler Zachem
Pedigree: Carlyle

Serial PE founder Tyler Zachem relaunched Broad Sky in 2021 following a GP stake taken in the firm's portfolio by Carlyle in 2015 – a year after the firm was first launched in 2014. While at Carlyle, Zachem built the firm's long-dated investment platform, Carlyle Global Partners. Adam Glucksman also joins from Carlyle where he was a Managing Director of the $1.12bn 2011 vintage Carlyle U.S. Equity Opportunity Fund. The inaugural mid-market buyout fund raised $304m and has deployed capital into acquisitions including medical device and diagnostics company Thomas Scientific.

Fig. 1.1 Private Equity Wire's 20 'Ones to Watch' for 2023 by specialism



Source: Various, Private Equity Wire research

KEY FINDINGS

16 of the 20 Ones to Watch are based in the US

Breakdown of the PEW Ones to Watch by region

North America

Europe

Other

$1.4bn

raised for a first-time fund by GrowthCurve Capital

COALESCE CAPITAL

Specialism: Tech-enabled services
Headquarters: NYC, New York
Founder: Stephanie Geveda
Pedigree: Warburg Pincus

Stephanie Geveda, most recently a Warburg Pincus Partner and head deal maker in business services, ventured out during one of the most testing fundraising environments. Her $30bn deal track record, served her and the team well making a final close on a $500 million inaugural fund less than a year after announcing the firm's launch. The team is looking to take controlling stakes in asset-light and mid-sized human capital and technology-enabled business services companies. Targets will generate at least $5 million of EBITDA and $25 million of revenue.

CURE VENTURES

Specialism: Life sciences/therapeutics
Headquarters: Boston, Massachusetts
Founder(s): Dave Fallace, Richard Lim, Lou Tartaglia
Pedigree: Polaris Partners, TIFF Investment Management, Omega Funds

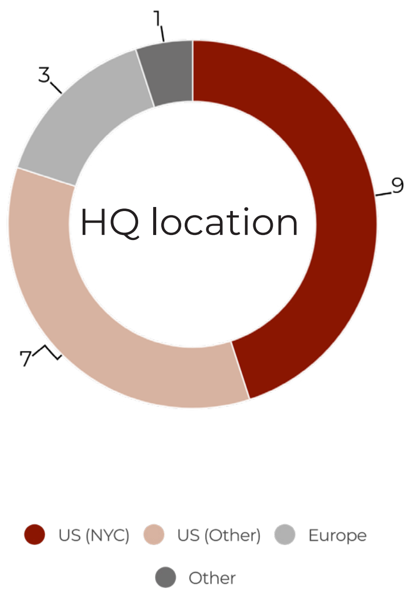
This Boston-based life sciences VC firm closed its inaugural fund at a hard cap of $350m, focused on early-stage investments in new therapeutics. Cure Ventures' unique approach embeds operators alongside portfolio company founders to drive day-to-day decision making. The firm's Managing Partners have widespread biotech experience – Dave Fallace served as an advisor for biotech VC fund Polaris Partners ; Richard J. Lim served as a Partner and President at Omega Funds; and Lou Tartaglia is a scientist, serial biotech start-up founder and investor who served as a Partner at Third Rock and 5AM Ventures.

DYNASTY EQUITY

Specialism: Sports assets/franchises
Headquarters: NYC, New York
Founder: Don Cornwell
Pedigree: PJT Partners, Providence Equity Partners

Dynasty Equity's strategy is to invest in minority interests in sports franchises and other related assets. The firm believes that sports franchises are unique assets with strong long-term growth potential. Prior to Dynasty Equity, Don Cornwell was a Founding Partner at PJT Partners, a premier global advisory-focused investment bank. He also has previous experience on the M&A team at Morgan Stanley – where he established a sports and gaming-focused pool of expertise.

Fig. 1.2 Private Equity Wire's 20 'Ones to Watch' for 2023 by HQ location



Source: Various, Private Equity Wire research

GEEK VENTURES

Specialism: Impact/Tech
Headquarters: NYC, New York
Founder: Ihar Mahaniok
Pedigree: Grid AI, WeWork, Facebook

A firm built by US immigrants for US immigrants. The team, led by Ihar Mahaniok has closed its first fund at $23m and will aim to deploy the capital in up to 30 or more scalable tech startups founded by immigrants over the next 18 months. Geek Ventures partner Vadim Rogovskiy is a serial tech entrepreneur who has backed and is still involved in companies he has founded. One of them is the fashion tech business 3DLook, an AI body measurement software developer, which raised $15m from a group of global investors.

GROWTHCURVE CAPITAL

Specialism: AI/transformation
Headquarters: NYC, New York
Founder: Sumit Rajpal
Pedigree: Goldman Sachs

Closing a first-time fund at $1.4bn is impressive at the best of times, particularly so amid inflation and high interest rates. Founder Sumit Rajpal, most recently Global Co-Head of the Goldman Sachs Merchant Banking division, built a team of investment and operational professionals at an opportune moment considering 2023's demand for AI, digital transformation, and human capital-based investment opportunities. GrowthCurve will focus on mid-market opportunities in the technology and information services, healthcare, and financial services sectors. The fund is nearly 50% invested.

HARBOURVIEW EQUITY

Specialism: Entertainment/music royalties
Headquarters: Newark, New Jersey
Founder: Sherrese Clarke Soares
Pedigree: Morgan Stanley, Tempo Music

Sherrese Clarke Soares's transactional track record and network within the entertainment, music and sports sectors was enough for Apollo to invest $1bn in her firm HarbourView, which is now reportedly raising its debut commingled fund. The royalties-focused firm has acquired a catalog of more than 17,000 songs across master recording and publishing income streams, including from artists such as Nelly, Justin Bieber and Wiz Khalifa, among others. Prior to founding HarbourView, Clarke Soares founded Tempo Music, after spending over 15 years at Morgan Stanley in various roles.

HUNTER POINT CAPITAL

Specialism: GP stakes
Headquarters: NYC, New York
Founder: Bennett Goodman & Avi Kalichstein
Pedigree: Blackstone Credit

Hunter Point Capital supports GPs that have reached an inflection point in their growth, providing capital and strategic guidance from its team of experienced business builders. A sluggish fundraising market and lack of realised capital made this strategy aptly timed by co-founders Bennett Goodman, formerly of GSO Capital Partners – now the $125bn Blackstone Credit platform – and Avi Kalichstein, a former Managing Principal with Easterly Partners Group and Managing Director at JC Flowers & Co. In 2023 alone, HPC has acquired stakes in global GPs including L Catterton, Coller Capital, and Inflexion Private Equity, and has also set up an NAV Lending and Preferred Solutions platform.

$1.1bn

raised for first fund by Integrum Capital Partners

INTEGRUM CAPITAL PARTNERS LP

Specialism: Tech-enabled services
Headquarters: NYC, New York
Founder: Tagar Olson, Ursula Burns and Richard Kunzer
Pedigree: KKR, Xerox and BC Partners

This firm's strong global LP relationships kept it well insulated from 2023's challenging fundraising environment. The firm closed its inaugural fund at $1.1bn, exceeding its original target. Based on a partnership model, the firm maintains an enviable roster of talent including KKR veteran Tagar Olson, former Xerox CEO and Chairwoman Ursula Burns, and Richard Kunzer, an ex-Partner and Co-Head of Investor Relations at BC Partners. Portcos include USI, Evertree Insurance, Strategic Risk Solutions, and MerchantE, the latter of which was fully realised in 2022.

JOLIBA CAPITAL

Specialism: Impact/generalist
Headquarters: Abidjan, Ivory Coast
Founder(s): Hamada Touré, Yann Pambou
Pedigree: Swiss RE Management, Amethis

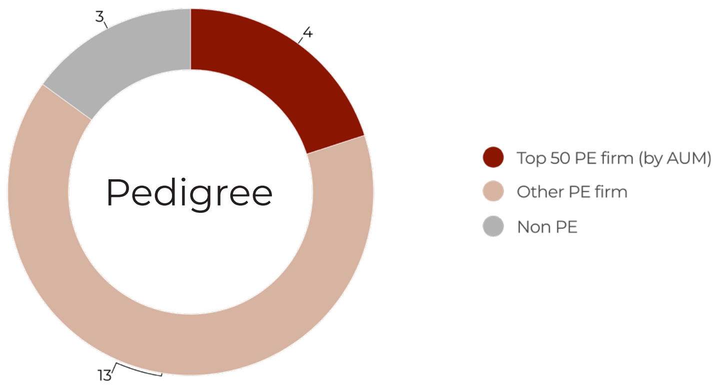
In an underserved PE market, Joliba has raised €55m for its first close on its first buyout fund, which has a target of €150m. Founding partners Hamada Touré and Yann Pambou are seasoned investment professionals – CEO Touré was most recently Head of Africa at Swiss RE Management; and Yann joins from Amethis, a $1.1bn private equity fund investing in Africa working in partnership with Edmond De Rothschild Private Equity, where he was an investment director. The firm is partnered with LBO France and includes International Finance Corporation (IFC), Proparco, and FMO as its investors.

PATIENT SQUARE CAPITAL

Specialism: Healthcare
Headquarters: Menlo Park, California
Founder: Jim Momtazee
Pedigree: KKR

This inaugural and record-setting $3.9bn fund closed in January 2023, marking the largest first-time private equity fund and largest fund ever raised with a health-care-focused strategy. Founder Jim Momtazee built an impressive reputation over a 21-year period as a Partner at KKR and co-head of its health care investment team. The firm has already deployed over $4bn in equity capital, including co-investments. Investments include Apollo Therapeutics, Summit BHC, Radius Health, and Syneos Health.

Fig. 1.3 Private Equity Wire's 20 'Ones to Watch' for 2023 by founder pedigree

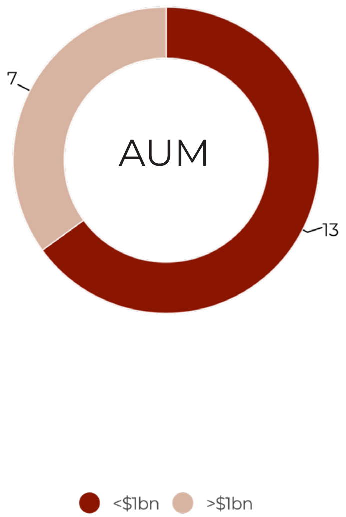


Source: Various, Private Equity Wire research

One of the biggest challenges is sometimes persuading LPs to be the first investor into the fund

Kaspar Hartmann
Founding Partner, KKA Partners

Fig. 1.4 Private Equity Wire's 20 'Ones to Watch' for 2023 by AUM



Source: Various, Private Equity Wire research

POLYTECHNIQUE VENTURES

Specialism: Deeptech, healthtech, cleantech
Headquarters: Paris, France
Founder/President: Denis Lucquin
Pedigree: Sofinnova Partners

Polytechnique Ventures, an investment fund created on the initiative of the École Polytechnique Alumni, was launched in 2021 and is linked to the School's ecosystem. The fund is advised by Polytechnique Ventures SAS and managed by Equitis Gestion. The fund has raised €36m and is looking to invest in 15 to 20 startups, with a preference for co-investment opportunities. Denis Lucquin, a former Partner and President of Sofinnova Partners, is President of Polytechnique Ventures SAS.

RAINER PARTNERS

Specialism: Services companies
Headquarters: Seattle, Washington
Founder(s): Alex Rolfe, Jon Altman
Pedigree: Gemspring Capital, Altamont

Founded by former Altamont Capital executives Alex Rolfe and Jon Altman, the team closed its debut fund, Rainier Partners Fund I, at $300m in February 2023, exceeding its $250m target. Altman has previously been Managing Director of Gemspring Capital, while Rolfe was most recently Managing Director of Altamont Capital Partners. Their first-time fund will be invested in North American buyouts and corporate carveouts in the lower middle-market. The team will focus on opportunities in business services, financial services, consumer services, and industrial services.

SANDBROOK CAPITAL

Specialism: Climate/energy infrastructure
Headquarters: Stamford, Connecticut
Founder(s): Various
Pedigree: Riverstone

A combination of the team's global track record in low carbon energy infrastructure and LPs' appetite for ESG climate targets has contributed to the team's success in closing its inaugural fund at $1.42bn, exceeding its $1bn target. Since being set up in 2021 by five former Riverstone partners, Sandbrook has been actively investing and co-investing in mid-market renewable energy assets and technologies. The firm has also launched Voltwise Power, a newly formed company specialised in developing, owning and operating utility-scale battery energy storage systems (BESS) across Europe.

TILT CAPITAL

Specialism: Energy transition
Headquarters: Paris, France
Founder(s): Nathanaël Krivine, Nicolas Lepareur, Nicolas Piau
Pedigree: Engie, Siparex

This energy transition fund has reached its fundraising target of €250 million and will continue fundraising to reach its hard cap of €300 million by October 2023. Fund investors include the EIB, the EIF Bpifrance and Siparex Associés (the sponsor of Siparex Group's funds) alongside banks, insurers and family offices. TiLT Capital was founded as an entrepreneurial private equity initiative by former Engie executives Nathanaël Krivine, Nicolas Lepareur and Nicolas Piau. LPs found the team's track record impressive and an added bonus was its classification as an "Article 9" fund under the SFDR.

WAKEUP CAPITAL

Specialism: Social impact
Headquarters: Dublin, Ireland
Founder: Faye Walsh Drouillard
Pedigree: Google, Toniic

Founded in 2020 by US National Faye Walsh Drouillard, an independent management consultant with a background in financial services, social impact investment and philanthropy, and German technology executive and angel investor Mark Peters, Wakeup Capital is raising a €50m first fund to back early-stage technology impact investments across Europe. Wakeup Capital will target companies using innovative technology to solve social and environmental challenges through human resources, clean energy, sustainable food systems, and healthcare.

$1bn

funds invested by Apollo in HarbourView

DIRECTIONS OF TRAVEL

As challenging as the landscape is for emerging PE managers, a combination of a clear investment strategy, market differentiation, and agile positioning can pave the way for success

The 'Ones to Watch' listed above stand out not just because of their performance and backgrounds, but also for the fact their growth stories have unfolded in one of the high-pressure PE landscapes in over a decade.

Private Equity International's H1 2023 fundraising report showed a slump in the value of funds raised for the third consecutive quarter in June, while the number of funds closed fell by nearly 50% from January through June compared to the same period the year before. Capturing investor interest has been challenging for the most established of players, which makes the fact that a number of the firms listed in the first section exceeded their targets all the more impressive.

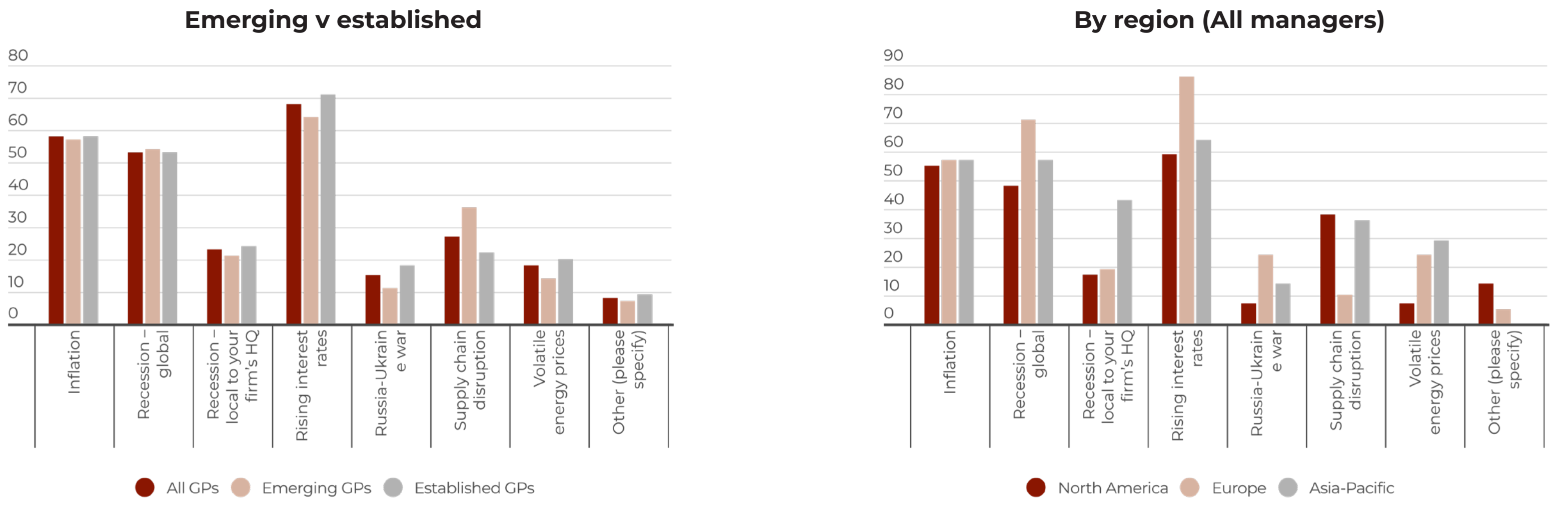
MACRO CONDITIONS

A Private Equity Wire survey conducted for this report revealed the main macro-economic indicators concerning emerging managers relate very closely to those plaguing more established players – rising interest rates, inflation and a global recession being, respectively, the top three for both groups (see fig. 2.1).

"We've worked hard to ensure our investment strategy and philosophy can withstand downturns, inflation and high interest rates, and though these all occurred quicker than we expected – we were well prepared," says Kaspar Hartmann, Founding Partner of KKA – a Berlin-based PE firm that closed its oversubscribed Fund II at €230m in July.

"Our companies have pricing power to pass rising costs on to customers, and our portfolio has no, or limited, trade and energy exposure – with a focus on B2B services and healthcare. Achieving high returns through tech-enabled value creation strategies has also minimised our dependence on leverage," he adds.

Figure 2.1 Biggest macroeconomic concerns for GPs over the next six months



Analyst note: *Survey respondents were asked, 'In terms of the way your firm positions its portfolio, what are your three biggest macroeconomic concerns for the next six months?'*

Source: Private Equity Wire GP Survey Q3 2023

KKA is an example of an emerging manager that has managed to position itself strategically with market forces in mind – in this case steering clear of energy and trade exposure amid global supply chain disruptions. Indeed, European GPs, emerging and established, were far more concerned than their North American counterparts about energy price volatility, having faced more direct disruption from the Russia-Ukraine conflict – another macro-economic factor cited by more European managers than any others.

North American managers are least concerned, comparatively, about economic pressures such as a global recession and higher interest rates – an explanation, in part, of the fact that the overwhelming majority of Private Equity Wire's 'Ones to Watch' list is based in that region.

STANDING OUT

Investors have flocked to safety, which has put 'tried-and-tested' managers at the top of their priority list. PEW's survey revealed LPs emphasise similar characteristics when assessing emerging and established managers alike – the primary factor being track records, which tilts the fundraising pool very much towards managers that have been active long enough to prove themselves repeatedly.

"One of the biggest challenges is sometimes persuading LPs to be the first investor into the fund. You need to find people who really believe in you, the team and strategy and, more importantly also the underlying purpose," says Hartmann.

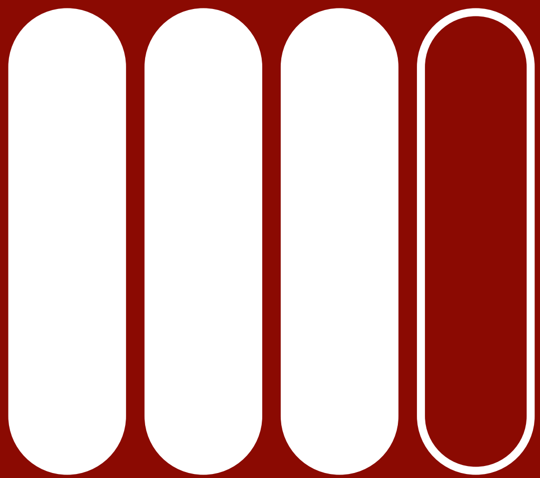
Particularly in a risk-off environment, emerging managers have to go that extra mile to win allocations. As Hartmann mentions, clear communication and alignment with LPs is crucial. But clearly defining the scope of investments is also key – particularly in terms of a sector specialism.

Speaking in a mid-September PEW webinar, organised in partnership with SS&C, Giovanni Pericolini, Partner and CFO at Medicxi Ventures said: "There are a lot of GPs out there

KEY FINDINGS

Emerging managers are heavily reliant on tech and outsourcing

3 out of 4 emerging managers outsource the majority of their fund admin activity



7 out of 10 emerging managers say tech enables the majority of their operational activity

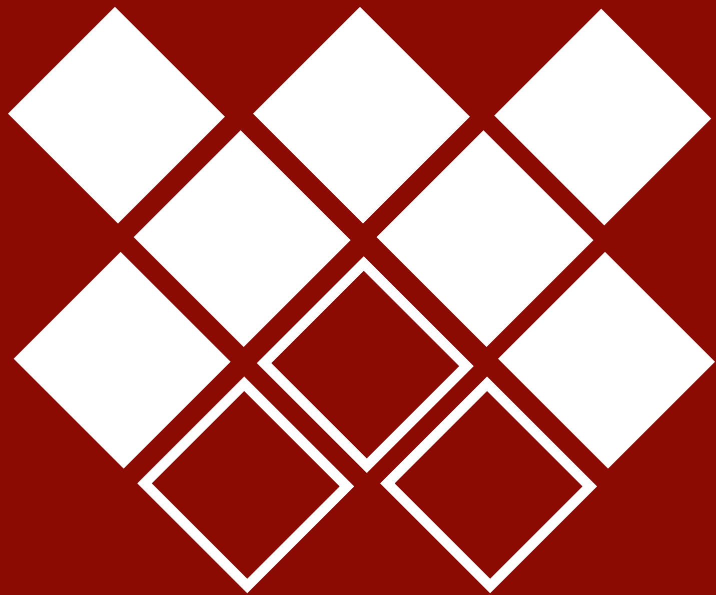
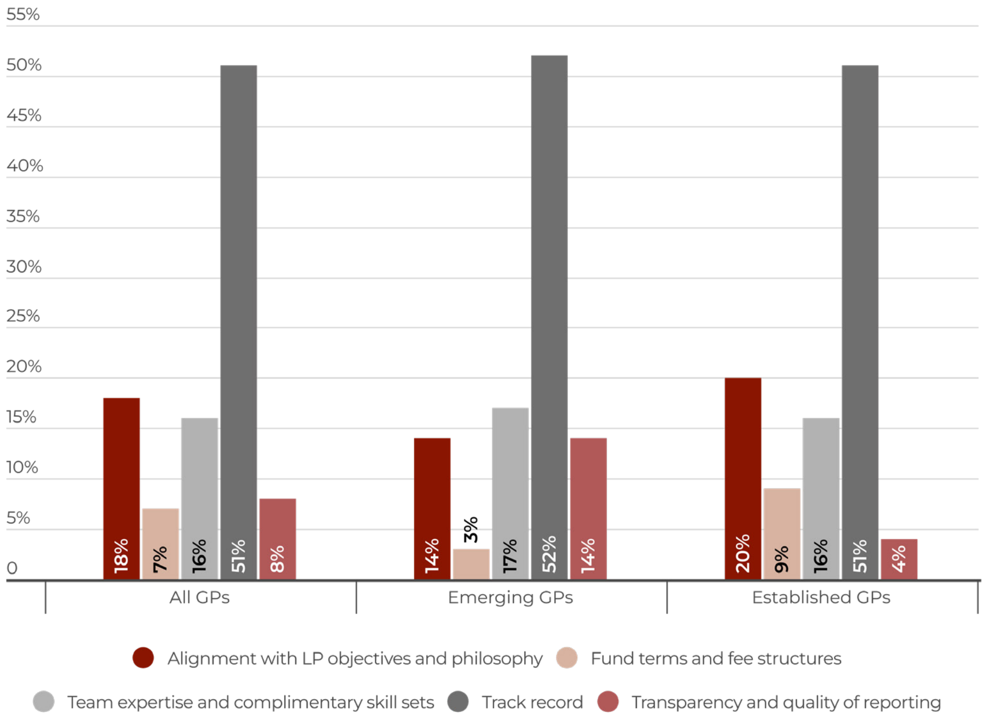


Figure 2.2 Key areas of scrutiny for LPs, according to GPs



Analyst note: *Survey respondents were asked, 'During your conversations with LPs, where have they placed the greatest scrutiny?'*

Source: Private Equity Wire GP Survey Q3 2023

competing for a very small pool of institutional capital, and a lot of their propositions are very similar. We try and differentiate ourselves with our specialism on life sciences businesses, which gives investors a clear idea of where they're investing.

"Another factor that has helped us is the experience of our team – we may not have a long track record as a firm, but some of our members have been in this space for over three decades, and have built a strong reputation," he adds. Medicxi closed a $400m fund in February, taking six months to raise capital which, according to Pericolini, may not sound long but is a fairly extended timeline given the firm has some key LP relationships, and when compared to other fundraising cycles.

Differentiation and experienced investment teams can help counter the heavy emphasis on track records – evident from the illustrious backgrounds of many founders on our 'Ones to Watch' list.

COPING CAPACITY

It's a tough environment nonetheless for emerging managers – not only do they have to go the extra mile to differentiate themselves, more than three times as many of our survey respondents from emerging GPs than their established counterparts face scrutiny on their transparency and quality of reporting during conversations with LPs.

Process in focus

"Investors are human beings, and at a time of uncertainty it's human nature to flock to what's familiar – which isn't normally a brand new, first-time fund," said the Managing Director of a seeding and anchoring firm on a recent Private Equity Wire webinar in partnership with SS&C.

According to her, the screening process for the seeding pipeline has grown far more stringent. It's become more important than ever to really identify the GP strategies – usually one or two out of hundreds – that will really resonate in the market.

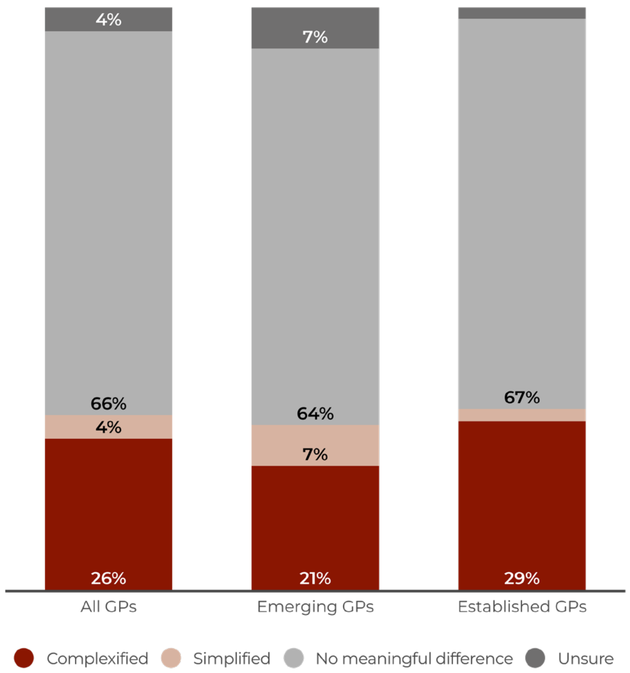
But there's more to the selection process. Even the best and brightest investment team, she says, can fail at the subsequent operational due diligence phases, when it comes to light that their systems and processes are underdeveloped.

It can be easy for internal processes to slip through the cracks when investment teams are busy with their day jobs.

For investors in a tentative environment, this can be a dealbreaker.

Managers – emerging and established – need to put concerted effort into improving their processes in order to compete in the current landscape.

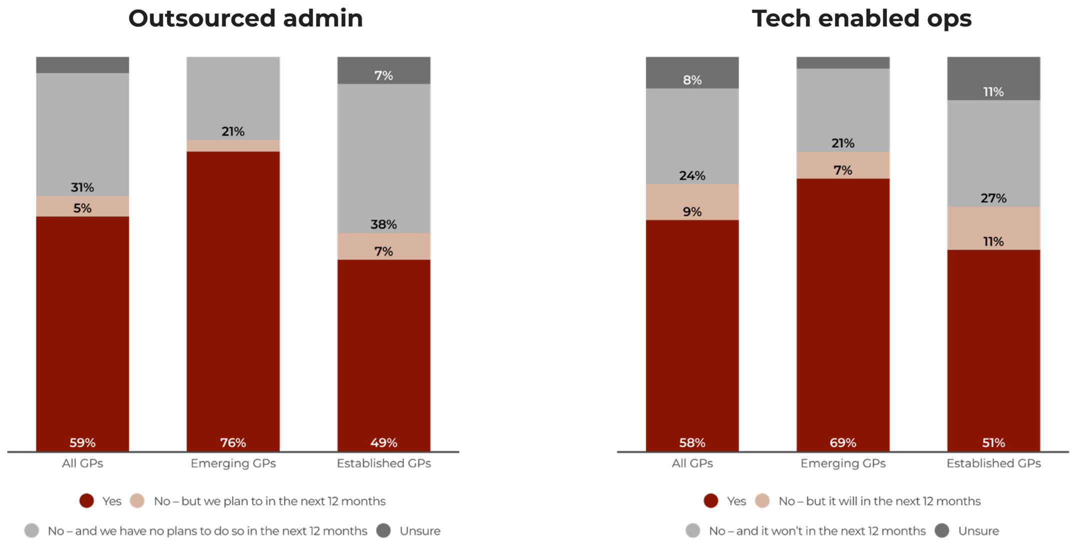
Figure 2.3 Impact of regulation on GPs' primary investment strategy



Analyst note: *Survey respondents were asked, 'How have regulatory changes in 2023 affected your firm's primary investment strategy?'*

Source: Private Equity Wire GP Survey Q3 2023

Figure 2.4 Extent to which GPs' ops departments outsource and use tech



Analyst note: *Survey respondents were asked, 'Does your firm outsource the majority of its fund administration activity?' and 'Does tech enable the majority of your firm's operational activity?'*

Source: Private Equity Wire GP Survey Q3 2023

Transparency is not an easy feat – collecting and collating reportable data at the portfolio level requires significant manpower and a robust tech infrastructure. And reporting is only set to grow more challenging as the regulatory landscape tightens – 26% of all GPs responding to our survey said regulatory changes in 2023 had complexified their primary investment strategies. Managers on the emerging side were less concerned than others, but a fifth are still navigating more complexity.

Reporting expectations, combined with extra-mile due diligence and value creation efforts in a competitive environment, add up to sizeable administrative burdens on emerging managers – many of which are still developing their operational infrastructure.

The overwhelming majority of emerging managers turn to outsourcing and tech enablement to solve their capacity constraints. Compared to less than half of established managers who outsource the majority of their fund admin, 76% of emerging managers do so, and another 3% will be doing so in the next 12 months. The same is true of whether tech enables the majority of their operations – nearly 70% of emerging managers rely heavily on tech, compared to just over half of their established counterparts (51%).

MANAGERS OF THE FUTURE

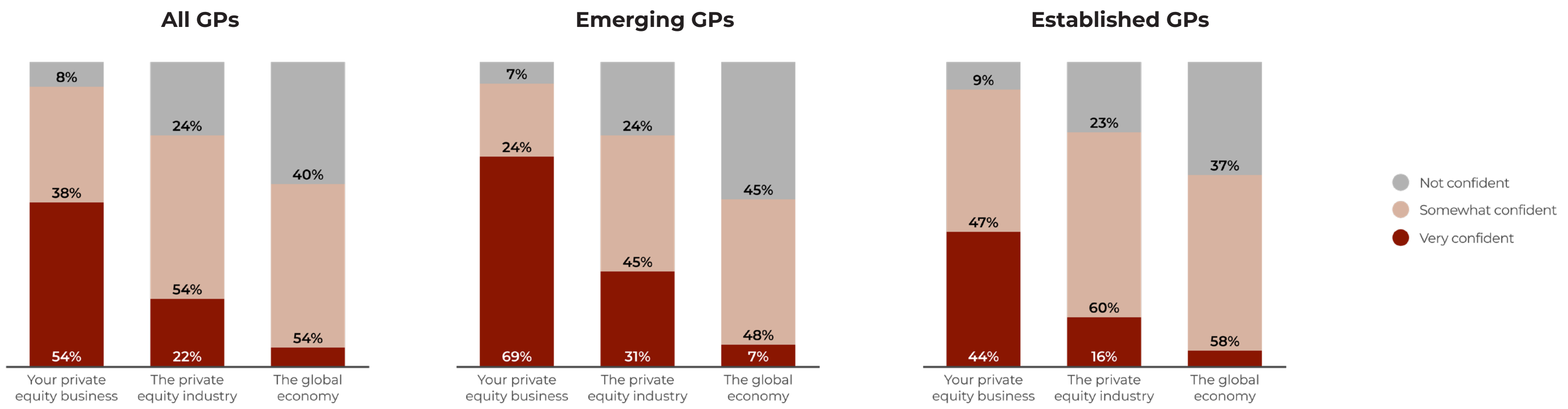
What are simply coping mechanisms at present – that is outsourcing and tech-driven operations – could well become competitive advantages for emerging managers in the near future. Using artificial intelligence (AI) as an example; tremendous strides in generative AI and Large Language Models have the potential to transform the PE landscape – speeding up investment research and due diligence processes, enabling better decision-making and eventually levelling the playing field, as data on offer becomes standardised through AI capabilities.

“

Achieving high returns through tech-enabled value creation strategies has also minimised our dependence on leverage

Kaspar Hartmann
Founding Partner, KKA Partners

Figure 2.5 GPs' confidence in the prospects of their business, industry, and the global economy



Analyst note: *Survey respondents were asked, 'How confident are you in the 12-month growth prospects of: Your private equity business, the private equity industry, and the global economy?'*

Source: Private Equity Wire GP Survey Q3 2023

The fact that emerging managers already use tech to enable the majority of their operations, and have outsourcing relationships with third parties, will give them the agility to pivot to market trends and adopt advanced tech that much quicker. For more established players, which have large legacy infrastructure to contend with, such pivots can make for arduous undertakings.

Whether it's owing to this comparatively agile position, or hints in the market of more economic stability going into the final quarter of 2023, emerging managers are confident of growth prospects going into the next 12 months – far more so than their established counterparts. Nearly 70% of emerging managers believe their private equity business will grow over that period, compared to 44% of established managers, and nearly twice as many emerging managers (31%) than established ones (16%) believe the private equity industry as a whole will grow in the next 12 months.

The numbers suggest the private equity industry might well be in for a shakeup – not least due to the stellar performances of the 'Ones to Watch' identified in this report. ■

KEY TAKEAWAY

Emerging managers need far more operational support – whether through tech or outsourcing – than their established counterparts, but this might work to their advantage in a market that demands agility.

CONTRIBUTORS:

Katherine Steiner-Dicks
Report Contributor

Aftab Bose
Senior Research Analyst
aftab.bose@globalfundmedia.com

Johnathan Glenn
Head of Design
johnathan.glenn@globalfundmedia.com

FOR SPONSORSHIP & COMMERCIAL ENQUIRIES:

Marielle Rose
Associate Commercial Director
marielle.rose@globalfundmedia.com

Published by: Global Fund Media, Lion Court, 25 Procter St, London WC1V 6NY