

Weekly Commentary

Private Markets: How Big Can They Get?

The growth of private equity over the past decade has been fueled by ultra-low interest rates, a decline in the number of public companies, and a surge in new businesses. From 2012 to 2022, assets under management (AUM) in the private capital markets grew at an annualized rate of 12.8%.¹ While these trends have been consistent, investors now face uncertainty about what to expect moving forward.

Recent media coverage of private equity has focused on the slowdown in distributions, lack of tech IPOs, and headwinds created by higher interest rates. This might suggest trouble ahead. While these factors certainly have contributed to a slowdown in mergers and acquisitions (M&A) and led certain investors to over-allocate to the asset class, we believe that these are relatively smaller obstacles in the broader growth trajectory of private equity.

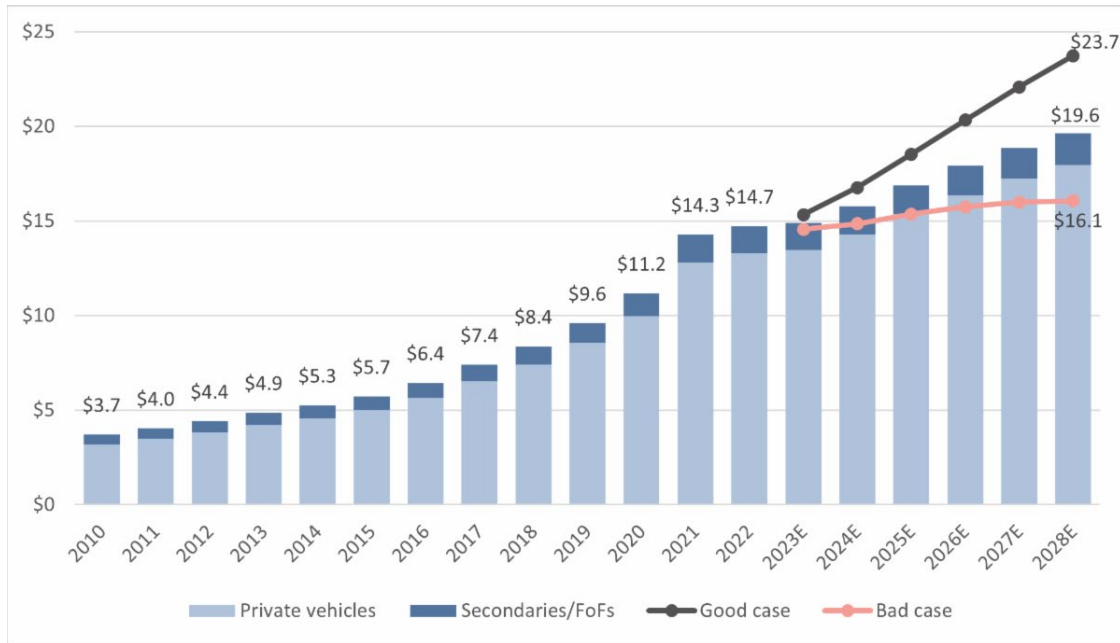
Earlier this month, PitchBook published a report titled “Private Capital’s Path to \$20 Trillion.” The report combines qualitative surveys and interviews with extensive data to create various scenarios forecasting AUM growth. While any forecast of this type is inherently imprecise, we believe it provides a reasonable outlook of what to expect in the next decade. As Figure 1 illustrates, the industry is expected to grow at a healthy rate for the foreseeable future. Notably, the analysis predicts faster growth in buyouts and private credit with more muted growth in areas such as venture capital (VC) and private real estate.

This view is supported anecdotally by other data points, such as Calpers’ recent increase in its PE allocation. Absent radical improvements in public market structures and changes in allocators' mindsets, we expect another decade of robust growth in private equity AUM and an ever-increasing number of different strategies for investors to choose from.

[\[1\]](#) Source: PitchBook. Data as of 5/1/24.

Fig. 1: Private capital closed-end funds AUM (\$T) forecast*

Our values appreciate yours



Source: PitchBook forecast generated as of 4/19/24.*

This week's contributor is Andrew Murray.

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