

## Private Equity Fund Managers Finding it Increasingly Difficult to Reach a First Close

**Just 12% of funds closed in 2012 secured over 75% of their target capital by the time they reached a first close, compared to 33% of funds that held a final close in 2006.**

Preqin's data shows that private equity funds that closed in 2012 secured on average 44% of their target capital by the time they held a first close, the lowest proportion in the period since 2006. In addition, private equity funds closed in 2012 took an average of eight months to reach a first close, compared to five months for funds that closed in 2006.

However, evidence from 2012 suggests reaching a first close quickly can increase the chances of overall fundraising success. 58% of funds closed in 2012 that held a first close within three months went on to meet or exceed their fundraising target, compared to 36% that took over a year to reach first close.

### Other Key Facts:

- 61% of funds closed in 2012 held a first close within six months, while 12% took over a year.
- All secondaries funds closed in 2012 reached a first close within six months. 80% of distressed private equity funds and 83% of natural resources funds did the same.
- 47% of buyout funds closed in 2012 secured over half their target by the time a first close was held, compared to 22% of mezzanine funds.
- Advent Global Private Equity VII took just four months to reach a first close, securing €5.8bn in March 2012 and then went on to hold a final close on its €8.5bn hard-cap in November 2012.
- 64% of investors consider investing in a fund before a first close, primarily to take advantage of benefits such as lower management fees or co-investment rights offered by fund managers as incentives.

**For more information and analysis, please see**

[http://www.preqin.com/docs/newsletters/PE/Preqin\\_Private\\_Equity\\_Spotlight\\_May\\_2013.pdf](http://www.preqin.com/docs/newsletters/PE/Preqin_Private_Equity_Spotlight_May_2013.pdf)

### Comment:

“Attracting investor capital remains extremely challenging for fund managers in the present economic climate, as witnessed by the ongoing trend of funds taking longer to reach a first close but securing less capital. However, it is evident from funds closed in 2012 that reaching a first close sooner rather than later can have a profound impact on the likelihood of a fund reaching its overall target. It is therefore encouraging that many investors consider committing capital to funds before an initial close, primarily to secure more favourable fund terms and conditions.”

**Ignatius Fogarty – Head of Private Equity Products, Preqin**

### About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin's services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: [www.preqin.com](http://www.preqin.com)

### Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q'.

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