

## Private Capital Firms Grow as Industry Expands

**There are now 7,500 active private capital firms worldwide\*, employing almost 200,000 members of staff**

The number of new private capital firms being founded each year has been decreasing in the wake of the Global Financial Crisis, with the growth in the size of the market slowing from its previous pace of expansion. However, in recent years the number of active firms in the industry has rebounded: in 2016, 500 new firms were founded, and a further 309 have been established in 2017 year-to-date. Currently there are 7,500 firms active in the market, employing nearly 200,000 people. The average number of employees varies with the assets under management of the firms in question, with the smallest firms\*\* employing an average of 13 members, and the largest firms\*\* employing an average of 199 people. When split by geographic location, North America has the largest average number of employees, seeing a mean of 53 members of staff, while Asia-Pacific-based firms came in second with an average of 42 employees.

**For more information and analysis, see the full *November 2017 Private Equity Spotlight* here:**

<https://www.preqin.com/docs/newsletters/PE/Preqin-Private-Equity-and-Venture-Capital-Spotlight-November-2017.pdf>

### Key Private Capital Fund Manager Facts:

- Private capital assets under management and capital distributions have seen strong growth. As at December 2016, **AUM amounts to \$4.6tn**, while **2015 and 2016 saw the highest capital distributions on record** (\$858bn and \$909bn respectively).
- **There are 7,500 active firms currently active in the market, employing nearly 200,000 members of staff.** In private equity alone, there are an estimated 108,400 people working within the industry.
- **In 2016, 500 new firms were added**, and 309 new firms have been added in 2017 YTD. This demonstrates an increase in the pace of growth from recent years.
- **The number of employees at firms varies with the firm's AUM.** Firms with less than \$250mn in AUM have an average of 13 employees, while firms with \$10bn or more in AUM employ an average of 199 people.
- **Larger firms tend to have fewer employees per \$1bn in AUM than smaller firms:** while firms with less than \$250mn in AUM employ an average of 176 people per \$1bn, firms with \$10bn or more employ 10 people per \$1bn.
- **Firms in the Asia-Pacific region reported the highest median number of employees (18)**, while the US saw the highest mean average number of employees (53).

### Christopher Elvin, Head of Private Equity Products:

"The private capital industry has seen an overall trend of healthy growth, with the number of active firms in market increasing at a more rapid pace in the past couple of years. Since 2008, private capital distributions to investors have been growing as well, and in the last five years, distributed capital has outstripped annual called capital, with 2015 and 2016 seeing record amounts of capital returned to investors.

This expansion of the industry has led many private capital firms to expand their operations, and the majority intend to keep recruiting additional staff through 2018. However, it is important to note that most firms still have a low staff headcount, with the typical outfit employing just over a dozen people directly and outsourcing many of its compliance and back-room operations. Although the industry as a whole may be growing its workforce, it remains the case that only the largest firms have high headcounts."

*\*Active firms are categorised by the vintage year of their first recorded fund. Firms which do not raise a fund for 10 years are considered to be inactive.*

*\*\*Smallest firms are those with less than \$250mn in AUM. Largest firms denote firms with \$10bn or more in AUM.*

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