Largest Investors Allocate $1.54tn to Private Equity

‘Billion Dollar Club’ investors’ total allocations equivalent to 52% of total industry assets

The ‘Billion Dollar Club’, comprising those investors which allocate $1bn or more to the asset class, has grown to 359 members in 2018. This is up from 315 in 2017, a 14% increase, illustrating the abiding popularity of private equity investments. In total, Billion Dollar Club investors have $1.54tn allocated to the asset class, equivalent to 52% of the $2.97tn in assets held by the industry. This is up substantially from $1.24tn that they allocated in 2017, as almost all investor types in the Club saw double-digit percentage point increases to their allocations. Public pension funds still comprise the largest section of the Billion Dollar Club, accounting for 30% of its members and 37% of aggregate allocations. However, sovereign wealth funds, despite only representing 1% of total private equity investors, now have 14 Club members which collectively account for $215bn in total allocations, the second largest portion.

For more information and analysis, see the full June Private Equity Spotlight here: http://docs.preqin.com/newsletters/pe/Preqin-Private-Equity-Spotlight-June-2018.pdf

Key Billion Dollar Club Investor Facts:

- In 2018 there are 359 private equity investors which allocate $1bn or more to the asset class, up 14% from the 315 members of the Billion Dollar Club in 2017.
- Billion Dollar Club members allocate $1.54tn to private equity in total, up from $1.24tn the previous year. This is equivalent to 52% of the total assets under management held by the industry ($2.97tn as at September 2017).
- Public pension funds represent 30% of Billion Dollar Club members and 37% of their aggregate allocations, making them the largest group.
- Sovereign wealth funds account for the second largest proportion of Billion Dollar Club allocations. They allocate $215bn to the industry, despite representing just 4% of Billion Dollar Club members.
- The majority (54%) of Billion Dollar Club members are based in North America, while 28% are in Europe. Asia and the rest of the world each hold 9% of members.
- Unsurprisingly, Billion Dollar Club members have higher average allocations than other private equity investors. They allocate an average of 10.6% of their assets to private equity, compared to 8.0% among other investors.
- They also typically make larger investments to more funds. Sixty-six percent of Club members intend to commit $100mn or more to private equity over the next 12 months, compared to 17% of other investors.
- Similarly, 59% of Billion Dollar Club investors intend to make seven or more different commitments over the next 12 months, compared to 21% of other private equity investors.

Christopher Elvin, Head of Private Equity Products:

“It is well-known that the largest group of investors have an outsized influence on the private equity industry, but it is striking that in 2018 just 350 investors account for more than half of total AUM of the asset class. The Club includes some of the largest institutional investors not just in private equity, but globally: 26 now allocate more than $10bn to the asset class, and two – CPP Investment Board and Kuwait Investment Authority – allocate upwards of $50bn. This gives them tremendous influence in shaping standards, influencing fee negotiations, and gaining access to oversubscribed vehicles and alternative methods of accessing the asset class.

The Club has added almost 50 members in the past year alone, indicating the growing importance that private equity investments are having for institutions with demanding returns objectives. It is a mark of confidence in the industry, but it creates challenges for other investors and fund managers alike. Club members may make it more difficult for other investors to access vehicles that are already in high demand, and the size of their commitments mean that even though they are more likely to consider first-time funds than other investors, they may be difficult to accommodate for many fund managers.”

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