ASANTE CAPITAL GROUP

2024 Recap, 2025 Market Outlook

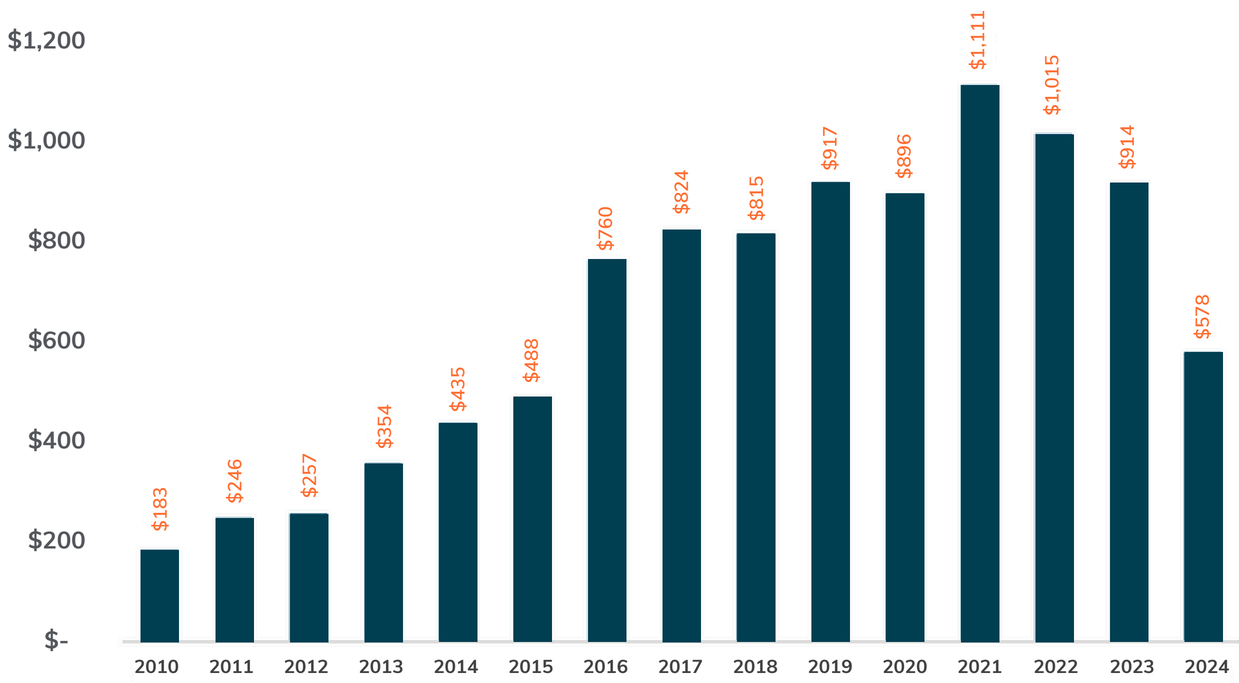
Adapting to shifting priorities and capital demands in the evolving private markets landscape

As we bid farewell to 2024, the private markets landscape remains energised with change, shaped by evolving GP and LP priorities and a recalibration of market conditions. Managers and investors across the spectrum have faced both challenges and opportunities, with a renewed focus on differentiated strategies and creative liquidity solutions to meet shifting capital demands. Looking to the rest of 2025, we're expecting more bold moves in a congested fundraising environment and a lively secondaries scene as investors sharpen their focus on portfolio optimisation.

State of the Market

2024 was a year of reset, hitting the bottom of the cycle, gradually seeing green shoots pop up around us, providing respite from the challenging market conditions experienced over 18+ months prior. The year began with an abundance of protracted processes, hangovers from 2023 and 2022, finally clearing the market. Tenacity proved key and many notable brands achieved their target and even hard-cap (albeit with some downward revisions in certain cases). Altogether, we see 2024 reporting numbers totaling around $800 billion raised versus the $1.1 trillion raised in 2021 - bringing this year roughly in line with 2016-2018 levels.

Aggregate Capital Raised (USD bn)



However, behind the headline figures, there is a wide variation in winners and losers...

Asset Classes

Fundraising trends varied across asset classes, reflecting shifting investor priorities. The sentiment can only be described as reserved positivity, an improvement from the caution exercised in 2023 and the exuberance at the turn of the decade.

Buyout

Buyout funds maintained their dominance with many investors shifting focus towards the small-cap and lower-middle market, driven by the maturity of their programs, well-entrenched large cap picks and the potential for higher returns. Historically, small and mid-market buyouts have achieved superior performance, often benefiting from valuation multiples 16% lower than larger deals, creating an attractive value proposition. These funds tap into a vast opportunity set of approximately 38,700 companies, compared to only 5,300 targeted by mega funds.[1] Separate but related to this behavior, emerging managers saw a pick-up in interest, as LPs grew wary of more established managers drifting from target markets and pursuing fund size leaps beyond the bounds of comfort. We wrote about the proliferation of spin-outs and first time funds in our last newsletter which can be found here.

VC / Growth

Despite their seemingly perpetual optimism, venture and growth fund managers saw more tepid investor interest amid levelling tech valuations and waning buzz from the previous funding boom. Reports indicated a 53% decline in VC fundraising from its 2021 peak, with only $32bn raised in the first half of 2024. The average fund size also dropped by 21%, reflecting more cautious LP allocations.[2] Anecdotes of inaccessible VCs opening up their subdocs to an array of new investors and accommodating multiple closes proliferated the watering hole. Meanwhile, GPs in the space are already lamenting the loss of their 2020-2022 vintage portfolios, featuring as lessons learned in their latest fundraising foray. Dominating the conversation is the demand for DPI - with only select star assets sufficing the IPO route, venture secondaries has grown more prevalent in the backdrop of stabilizing discount windows. Sizeable multi-asset continuation vehicles pursued by Lightspeed and Index Ventures are leading the pack and there is an emergence of venture secondaries specialists like Artea Global and Pinegrove creating the market. However, there is still interest in sectors such as AI, healthcare innovation, and clean energy as specialisation remains the key to driving outsized returns. We see fundraising continuing to be challenging in the VC market until significant returns from prior vintages come through.

Private Credit

Conversely, private credit emerged as a standout performer, attracting significant allocations due to rising interest rates and its appeal as a fixed-income alternative. A total of $169.2bn in committed capital has been closed for private debt funds through Q3 2024. Assuming the typical upward drift due to late-reporting funds, private debt fundraising is now on track to moderately exceed last year's total of $226bn.[3]

Real Assets

Infrastructure remained robust, driven by its defensive characteristics and alignment with long-term global trends like energy transition and digitalization. The AI phenomenon has spread into the digital infrastructure space, with data centers becoming critical assets in supporting growing demand for cloud computing, big data, and AI applications. In fact, infrastructure funds raised $68bn in H1 2024, marking a significant uptick from previous years. Digital infrastructure, particularly data centers, has attracted substantial interest, with private equity firms targeting these assets for their stable cash flows and growth potential. As the global energy transition accelerates, sustainable infrastructure investments also saw strong demand, with over 35% of infrastructure funds in 2024 focusing on renewable energy and green technologies.[4]

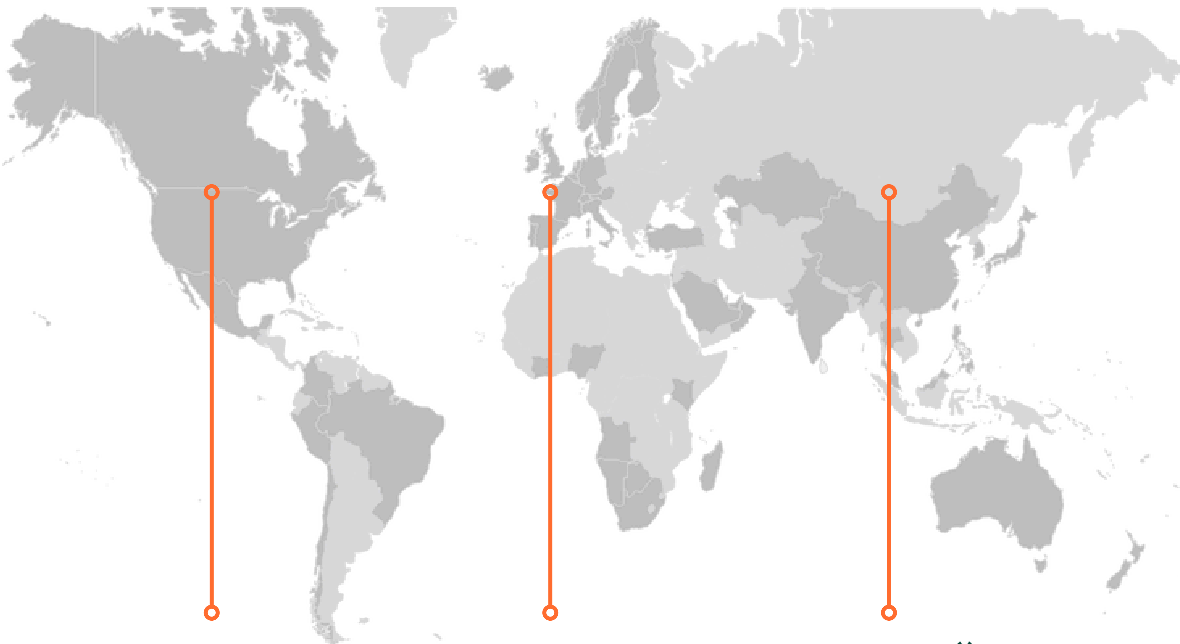
As economic conditions remain uncertain and the cost of capital remains stubbornly high, firms that can demonstrate resilience, sector-specific expertise, and a commitment to innovation are best positioned to succeed in this competitive environment.

1 Meketa Investment Group, Small and Middle Market Buyouts Whitepaper Jan. 2023
2 Finta: VC Industry Outlook 2024: Navigating the New Venture Landscape with Allocate
3 Pitchbook: Private Market Fundraising Report Q3 2024
4 Coin Law: Private Equity Market Statistics 2024: Growth, Challenges, and Opportunities

Geography

Investor interest across geographies revealed both traditional preferences and emerging shifts. North America remained at the forefront, capturing 58% of global private equity fundraising in H1 2024, driven by robust LP demand for mid-market and large buyouts. In contrast, Europe saw a relatively cooler season, particularly in the mid-market, with regional-focused funds raising $73bn, reflecting concerns over geopolitical instability and slower economic growth. Asia-Pacific showed a mixed picture: India stood out primarily in the venture capital space, benefiting from its burgeoning startup ecosystem and strong domestic demand. Japan attracted increased attention for mid-market buyouts, reflecting a perceived “flight to safety” in LP’s Asia-focused allocations. Elsewhere in the region, fundraising performance varied; while Australia maintained steady momentum as a mature and stable market, other parts of Asia-Pacific faced challenges, particularly China, where USD fundraising has remained stagnant amid regulatory and macro-political uncertainty coupled with ongoing cautious investor sentiment.

Recent Successful Asante Closes



Abingworth Life Science Investing
Dawson
Gemspring Capital
Mill Point Capital

eevolve
GRO
Maguar
Tenzing

5Y Capital 五源资本
HLC Highlight Capital
The Longreach Group
Vertex Ventures China

Asante LP Coverage

Market Consolidation

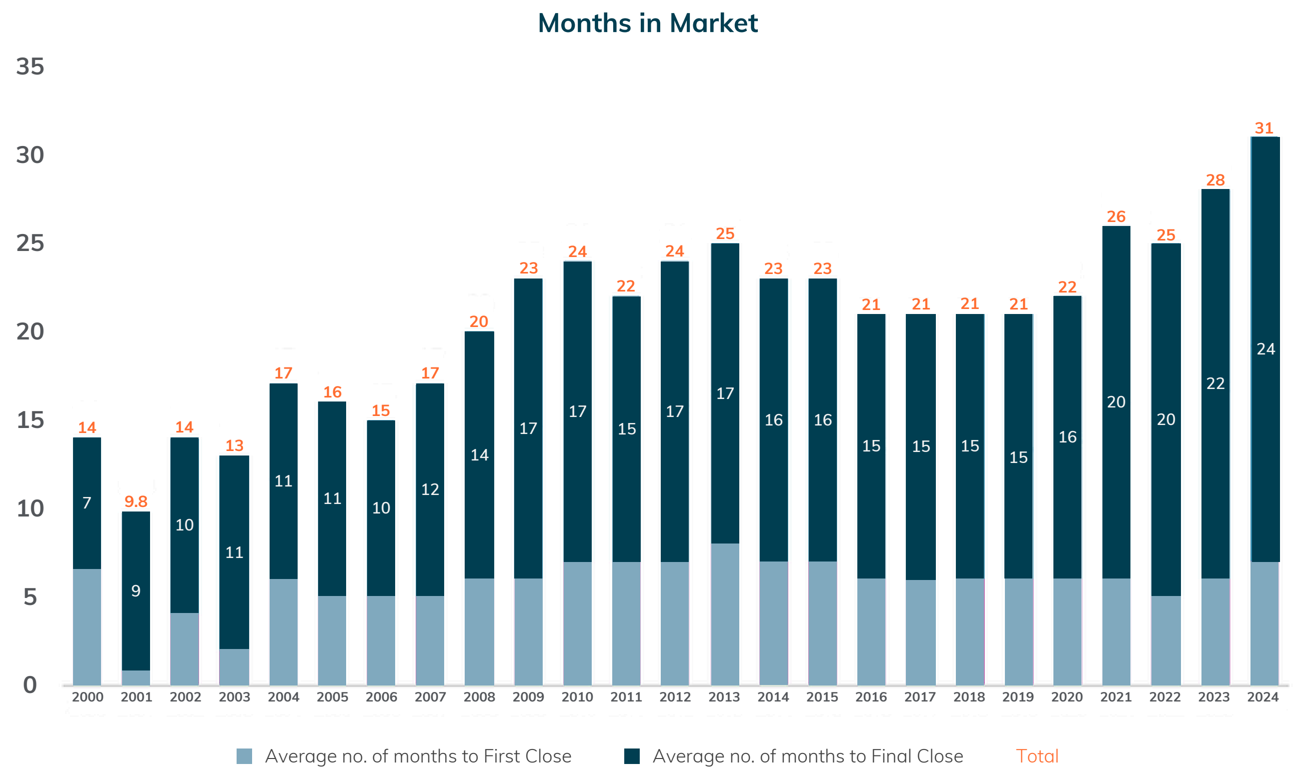
The consolidation of private equity managers is picking up steam, with larger financial sponsors and asset managers snapping up firms to solidify their position in the alternatives space. In 2023 alone, M&A activity in the asset management industry reached nearly $10 billion,[5] with a significant portion tied to private equity deals. For smaller and mid-sized firms, teaming up with these giants offers access to deeper capital pools, wider distribution networks, and the operational muscle needed to thrive in a fiercely competitive market. On the other side, big players are keen to grab their share of the private equity pie - drawn by the allure of high margins, recurring management fees, and specialized expertise that can give them a competitive edge.

For asset managers looking to break into alternatives, acquiring an established private equity platform is a fast track to growth. With the global alternatives market expected to hit $23 trillion by 2026,[6] investors are hungry for diversification, and private equity delivers the kind of outsized returns traditional asset classes often can't match. But this trend isn't without its challenges - integrating teams, retaining top talent, and ensuring limited partners still get bespoke attention aren't easy feats under a larger umbrella. Still, the numbers and the momentum don't lie: consolidation is reshaping the private equity world, creating both opportunities and hurdles as the lines between independent private investment firms and asset management powerhouses blur.

The recent acquisition of private credit leader HPS Investment Management by BlackRock, Glendower by CVC Capital Partners and Actis by General Atlantic are just a selection of the recent consolidation transactions in private markets. We see no reason for the trend to slow.

Looking Forward

As we enter 2025, the focus in private equity is expected to shift toward providing liquidity solutions for investors, many of whom are facing over-commitment issues due to elongated fund cycles. Secondaries are poised to play a critical role, with fund managers increasingly using them to address portfolio rebalancing, distribute capital ahead of new fundraising efforts, and fund new growth plans for existing platforms. Spin-out funds - formed by experienced teams departing larger firms - are also expected to gain traction, appealing to investors seeking fresh ideas and focused strategies.



5 Markets Media: Asset Management M&A Remains Strong
6 S&P Global: Global alternatives AUM forecast to double by 2026, topping $23 trillion

The optimism that prevailed during the Covid boom is a distant memory, fundraising has taken a more humble form than the lofty figures thrown out before. Fund size increases are tempered and lessons learned feature prominently in the cautious narrative that GPs are formulating within current fundraising plans. Many GPs hover over the 1-2 deals that will precipitate their return to the market though DPI lags behind.

As the private equity industry navigates economic uncertainty and evolving LP priorities, a growing emphasis on Distributions to Paid-In Capital (DPI) over Internal Rate of Return (IRR) has emerged in 2024. While IRR remains a critical metric for assessing fund performance, LPs are increasingly focused on realized returns and liquidity, particularly in an environment marked by the denominator effect. With public markets recovering unevenly, many LPs have found their private equity allocations overexposed relative to total portfolio values, driving a need for cash distributions to rebalance their portfolios and meet liquidity needs.

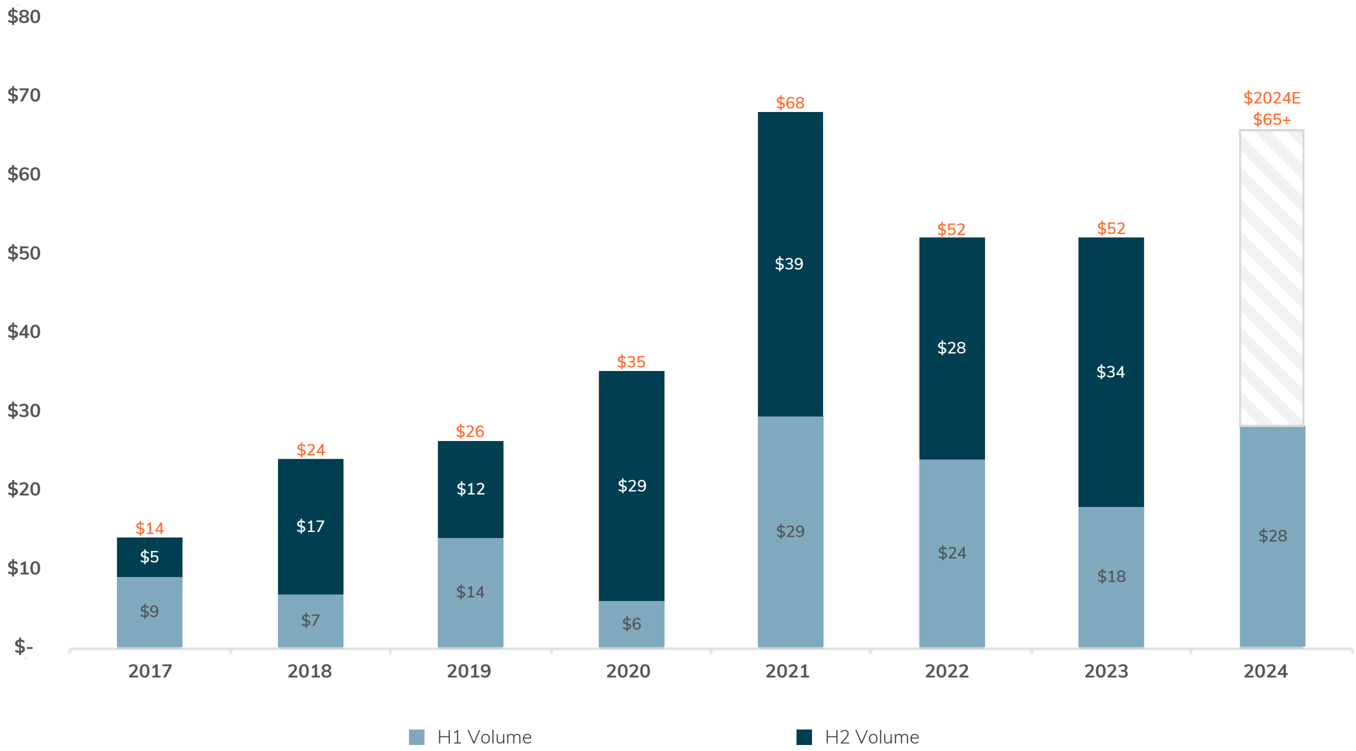
This shift in focus has significant implications for GPs. Firms that can demonstrate a strong track record of realized exits and steady DPI are better positioned to maintain LP confidence and secure re-ups. In contrast, those relying on strong but unrealized IRRs may face heightened scrutiny. For new GP relationships, the denominator effect has tightened the window of opportunity, as LPs prioritize commitments to managers with proven liquidity strategies and reduced risk profiles. For existing relationships, it has created pressure on GPs to accelerate exits and deliver returns, potentially reshaping portfolio management strategies in favor of shorter hold periods or opportunistic sales.

In this environment, GPs must adapt by aligning their strategies with LP expectations. Transparency around exit timelines, portfolio valuation, and distributions is paramount. At the same time, GPs should be mindful of balancing short-term liquidity goals with long-term value creation to avoid compromising overall performance. By addressing LP concerns head-on and maintaining a disciplined approach to capital deployment and realization, GPs can navigate these challenges while strengthening their relationships with both existing and prospective investors.

Continued Secondaries Strength

The private equity secondaries market is seeing a big uptick in deal volume, driven by shifting market dynamics and growing demand for liquidity. With traditional M&A exits to strategics and sponsors slowing down - attributable to higher interest rates, uncertain valuations, and a tougher deal environment - secondaries have become a practical and increasingly popular alternative. Investors are also leaning into this market as they look for liquidity to rebalance portfolios after extended hold periods and tighter fundraising cycles. What was once considered a niche strategy is now firmly mainstream, with secondaries transaction volumes expected to hit nearly $150 billion by the end of 2024.

GP-Led Annual Transaction Volume (USD bn) [7]



A key driver of this momentum is better pricing - bid-ask spreads between buyers and sellers are narrowing, making deals more likely to close. Buyers are capitalizing on opportunities in high-quality assets, while sellers are embracing secondaries as a strategic way to fine-tune portfolio exposure. Add to that the growing sophistication of secondaries funds and widespread acceptance across the industry, and it's clear why this market has become an essential part of private equity's toolkit.

As the secondaries market matures, fund managers are expected to specialize further by transaction type and geography to stay competitive in an increasingly sophisticated space. Single-asset and multi-asset GP-led deals are likely to see continued focus, with specialized managers honing expertise in crafting bespoke liquidity solutions for specific scenarios. Meanwhile, LP stake trades are poised to remain a cornerstone of activity, particularly for managers adept at navigating large, diversified portfolios and catering to institutional investors seeking swift and efficient exits. Geographically, some fund managers are deepening their expertise in high-growth regions like Asia-Pacific, while others concentrate on North America or Europe, aligning with regional demand and asset dynamics. This tailored approach will be key to capturing opportunities in a rapidly evolving market.

Despite the return of M&A volume, secondaries is here to stay as a fourth exit route. Looking ahead, secondaries activity shows no signs of slowing, with innovative deal structures and broader investor interest set to keep volumes strong in 2025 and beyond.

7 Jefferies

2024: Year of Value Creation

How the deal-making environment in 2024 impacted the value creation playbook for GPs

Historically, the buyout industry has relied on multiple arbitrage and financial engineering to drive a significant portion of portfolio company value, paying lip service in some cases to operational improvements. However, given the recent economic environment of increased financing costs and depressed valuations, managers have leaned into building out teams of industry professionals focused on value creation within their portfolio companies. Mid-market companies, often with less mature corporate structures, need more operational enhancements than their larger peers. These smaller businesses often face a transition from driving growth at all costs to a focus on operational efficiency and profitability, an area where managers can step in with established value creation teams.

Seasoned Primaries & Visible Pipeline

In an increasingly competitive private equity landscape, a strong deal pipeline and the ability to source transactions proprietarily are critical differentiators for managers. A robust pipeline ensures a steady flow of opportunities, enabling GPs to deploy capital efficiently while maintaining discipline around asset quality and valuation. In contrast, a weak or inconsistent pipeline can lead to prolonged lack of deal activity, heightened pressure to pursue marginal opportunities, or overpaying in auction-driven processes.

Off-market deal sourcing is a valuable differentiator. By leveraging unique relationships, market intelligence, and strategic networks, GPs can identify under-the-radar opportunities, often securing better terms and reduced competition. A proprietary sourcing strategy not only enhances potential returns but also signals to limited partners a GP's ability to differentiate itself in crowded markets. It demonstrates a proactive, relationship-driven approach that resonates with LPs seeking long-term value creation.

A seeded portfolio further underscores the importance of a strong pipeline. When fundraising, having pre-identified or secured investments de-risks the fund for potential LPs, providing visibility into the type, quality, and expected returns of future deals. It aligns with market demand for faster capital deployment while mitigating the J-curve effect. In today's environment, where LPs are increasingly discerning, the combination of a well-developed pipeline, proprietary sourcing capabilities, and a strong seeded portfolio can significantly elevate a GP's market positioning and fundraising success.

Conclusion

Overall, the fundraising landscape has remained challenging through 2024 but not without opportunity, and we see widespread optimism creeping in. Managers who can demonstrate strong track records, innovative deal strategies, and disciplined capital deployment are likely to stand out, with an M&A market which is expected to recover, bringing together dealmakers on pricing, and adding impetus to the velocity of capital changing hands between GPs and LPs. The secondaries market, now broadly accepted as a strategic tool, will continue to grow, reinforcing its role in enabling both liquidity and portfolio optimization. The turbulence seen in the fundraising markets in the last few years has brought positive changes to the industry, including bolstering of value creation initiatives by GPs, more disciplined approach to strategy drift and a reduction in complacency as GPs must prove their right to exist, all of which we expect to spill over into good vintage years ahead.

Our next newsletter will release the results of our much-anticipated annual LP sentiment survey and analyze views of the market allocators. In the meantime, wishing you all a healthy, happy and successful 2025 from all of the Asante team!

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