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Capital Pool

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Capital Pool features exclusive reporting and commentary on what's driving LP decision-making, with senior funds columnist Jessica Hamlin.

(Blackred/Getty Images)

GP stakes investors resist the idea that they're being priced out of their market. They say the strategy's success really depends on size and timing.

Last week, I wrote about how the alternative asset management industry's **rapid consolidation has driven up the price of shares in asset managers** and, in turn, made some GP stakes investors' deal targets out of their price range. But the dealmakers who buy minority portions of promising asset managers told me the GP stakes market and the market for strategic acquisitions are two separate beasts.

The number of GP stake transactions among the seven largest publicly traded alternative asset managers in 2024 fell to its lowest since 2017. Our analysts say the dip can be explained by higher prices as larger strategic acquirers pay for asset managers at a premium and drive up the value of shares across the GP universe.

The GP stakes investors in my inbox said that while this pricing elevation could affect some dealmaking in the sector, acquisition targets are typically much larger firms than those considered for a GP stake, so its impact on GP stakes transactions may be more limited.

"In most cases, that doesn't affect the majority of GP stakes activity because most stake activity is in $2 billion to $15 billion firms, so for the majority of GP staking activity, it's not directly competitive," said Robert Hamilton Kelly, global co-head of Petershill Group, Goldman Sachs Asset Management's GP stakes arm.

For many GP stakes investors, a firm primed for a takeover wouldn't even make it into the pipeline: A disciplined GP stakes investor wouldn't buy a chunk of a GP that is considering selling itself to another more prominent firm, two GP stakes veterans told me on the condition of anonymity.

"If I got the sense that that GP was even amenable to selling themselves outright, we were pencils down," one said.

Hamilton Kelly agreed, adding that if a firm is looking to sell itself off in its entirety while also selling a minority stake in its business to an investor, the GP stakes investor wouldn't have a chance at reaping the well-recognized benefits of the strategy.

In theory, a GP stakes investor buys a minority chunk in a GP with a steady cash flow generated through the management fees it charges its LPs. The GP stakes buyer typically holds onto this minority position for long periods, generating distributions for its LPs with returns from the successes of the businesses it invested in.

If an exit (in the form of an acquisition) were to happen, let's say, a year into owning the minority stake of one of these businesses, the GP stakes investor wouldn't have enough time to reap the benefits of the fee structures of its portfolio companies.

Still, if a strategic acquisition or an IPO of a firm in a GP stakes investor's portfolio occurs along a longer timeline, these events can be healthy liquidity opportunities. In 2018, for example, Petershill purchased a stake in General Catalyst when the firm had $5 billion in AUM. In January, Petershill sold its stake for over $789 million, with General Catalyst's AUM now approximately $30 billion, as it reportedly considers an IPO.

What's more, in 2018, Dyal Capital Partners, which was later subsumed by Blue Owl, bought a passive minority stake in credit manager HPS Investment Partners, which had $45 billion AUM. Last year, BlackRock's acquired the now-$148 billion AUM HPS for $12 billion, generating returns for Blue Owl's LPs.

IN LP NEWS

Rice's new chief: Rice University appointed John Lawrence to its chief investment officer position last week, Institutional Investor reported. Lawrence has worked with the endowment since 2012 and was most recently the interim CIO following Allison Thacker's departure last year.

Blackstone buys NYC: Blackstone's secondaries platform bought a $5.5 billion portfolio of fund stakes from New York City's collection of pensions, Buyouts reported last week.

GRAB BAG

US-based VC-backed companies with at least one female founder fared well in 2024.

Female founders locked down $38.8 billion in funding from VC investors last year, a 27% year-over-year jump, according to PitchBook's **2024 US All In: Female Founders in the VC Ecosystem** report.

Still, as US VCs hone in on a smaller portion of female-founded companies, total VC deal count declined by 13.1% from 2023.

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Infrastructure has in many ways, been the belle of the private capital ball in the years since the pandemic. However, the real assets fund universe has not always been as profoundly dominated by one category as in 2020, 2021, and 2022.

As infrastructure's popularity has grown and allocators have increasingly sought exposure to opportunities capitalizing on the decarbonization, digitalization, and deglobalization megatrends, other types of real assets have seen dwindling shares of commitments.

At least, that is, until recently. In 2022, non-infrastructure real assets funds made up just 35% of raised capital. In 2023, that figure was 13.4%. And in 2024, it jumped to 18.8%.

Part of this is attributable to a slowdown in infrastructure commitments contextualized by a challenging macroeconomic environment, limited distributions back to allocators. However, it is also partly due to a resurgence of interest in private oil & gas funds. In 2024, vehicles in the category raised $8.8 billion, their highest raised capital figure since 2019.

Now, with a pro-fossil-fuel production administration in the White House and private oil & gas funds typically disproportionately located in the US, an oil & gas fundraising revival is seeming much more likely than it did a few years ago.

Read more in the **2024 Annual Global Private Market Fundraising Report**.

—Anikka Villegas, senior funds analyst, fund strategies and sustainable investing, PitchBook

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Capital Pool was written by Jessica Hamlin and edited by Heather West.

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