

KEYNOTE INTERVIEW

Recovery despite uncertainty



*The fundraising market looks set to rebound in spite of longer timelines and uncertainty in the US, say **Warren Goodworth**, **Bryan Hunkele** and **Steven Zaorski**, partners in the asset management group at Ropes & Gray*

Q How would you describe the fundraising climate for private funds, and how does it look for the next 12 months?

Bryan Hunkele: I would say there is cautious optimism – really, the same thing has been said at the beginning of every fiscal year since the boom of 2021 and the subsequent fundraising slowdown. The belief is always that this year should be better, and next year is going to be really busy.

Fundraising still takes a long time: the time taken from initial diligence to investment committee approval is

elongated, and the negotiation of the legal documentation is extended. But we do see people coming through a little closer to the amounts of their initial indications of interest, which is a change on last year when there were many strong indications of interest that failed to materialise.

Managers are doing a better job of returning capital to investors, so LPs have capital to invest, and sponsors are

embracing new techniques to access untapped pools of capital.

Warren Goodworth: We have seen a lot of sponsors pushing fundraisings back from 2024 into 2025 with the idea that 2025 is going to be a better year. We will see how that plays out. A lot of funds that had planned to launch in the back half of last year are now launching, so this year is definitely shaping up to be stronger.

Steven Zaorski: I generally agree that fundraising should be stronger in 2025,

SPONSOR
ROPES & GRAY

but there is still some cause for concern coming out of Washington, DC. Many in the market were expecting a business-friendly regulatory environment under the new president, but the first few weeks have instead proved to be rather uncertain. However, we have not yet seen clients pull fundraises as a result.

Q What steps are top managers taking to achieve their targets and create new client relationships?

WG: Top managers are spending more time diligencing their new LP relationships, which is kind of unusual. In the last fundraising cycle, LPs were saying they were going to put in \$500 million, and then in the end they did not come through. As a result, sponsors are focusing more on getting certainty around those numbers.

We have also seen a spike in managers employing placement agents. Often, they are looking to different regions, like the Middle East and East Asia, to tap new pockets of capital. In these cases, agents with strong relationships can be valuable.

BH: We are asked a lot of questions about discounts, but so far they are not a feature of the market for top managers. We do see some emerging managers going down the route of fee breaks to try to push people to a first close, but there is certainly not a widespread implementation of discounts today.

Q What about emerging managers – what can they do to gain traction?

SZ: Frankly, emerging managers are struggling. They are having a hard time in the fundraising market; it will take them the full 18 months, if not longer, to raise their funds. It is harder to get traction, and there has definitely been a flight to the brand-name PE firms.

What we are seeing is all-star investment professionals spinning out of brand-name funds and having some



Q What are the challenges associated with private wealth as it becomes increasingly attractive to fundraisers?

Bryan Hunkele: There are a lot of different ways to access private wealth capital. For example, you can set up your own feeder fund working with private banks, or you can hire placement agents that will bring in high-net-worth individuals from certain jurisdictions. The most successful route we have seen, if a sponsor is willing to pay, is to hire a banking platform with access to large swathes of HNWI capital – that is usually pretty successful, but it is costly.

Warren Goodworth: A sponsor has to determine whether the cost is worth the end result. Depending on your fund size, if you are not getting traction from more traditional investors, then it usually is.

Steven Zaorski: One sponsor that I recently worked with opened up an HNWI channel for the first time and it raised a lot of money for them. However, they are used to interacting with institutional investors and have found this to be quite different, as the high-net-worth investors do not have the same back-office capabilities as institutional investors and they tend to ask a lot more questions. Administratively, it is tougher for our clients to manage.

success. Without that kind of pedigree, the new entrants are running into challenges. Often they cannot get traction until they start putting money into the ground and demonstrate their investment thesis.

WG: Perseverance seems to be the key. It takes much longer than people expect to raise a fund these days: we say 18 months, but all of my emerging clients that have been trying to raise are probably running closer to 24 months and are having to get extensions on

fundraising periods. It ultimately comes down to perseverance and hard work.

BH: For emerging managers, it is all about narrative and the story they are telling. If they are spinning out of a bigger player, that is a huge help, as is having warehoused a number of deals. A lot of LPs will tell emerging managers to come back once they have reached 50 percent of their fund target, but of course getting that first 50 percent in the first place is the challenge.

Q What kind of structuring innovations are you seeing in the market?

BH: A big theme is large managers being pushed hard to adopt bespoke structures for big institutional LPs. It used to be the investor's problem to structure around their own tax issues; now, even the really large managers that have resisted LP customisation are finding that difficult. No one wants to wilfully stand in the way of access to available capital when what those LPs are asking for is costly and/or burdensome, but not impossible.

The fundraising market has certainly shifted in a way that means fund complexes are becoming much more sophisticated – for example, with all the various separately managed accounts and jurisdictional nuances.

Q Do you expect mega-funds to keep on growing? What constraints are they facing?

BH: Of everyone in the market, mega-funds are best positioned to find new pockets of capital; emerging managers just tend to lack the sophistication to go across the globe and reach into new jurisdictions to find that. For them, the trend for this year will be modest growth.

I expect to see a modest uptick in fund sizes as there is a focus on access to new markets. That may be followed by even more of an uptick in 2026.

SZ: It really comes down to whether the deal markets settle down with less uncertainty so that exits can happen and capital gets returned to investors. If that starts to happen, we can expect stronger fundraising in 2026 and 2027.

A lot of LPs have been concerned about realisations for a while, and that has hampered their ability to write new cheques. Sponsors have found creative ways to generate liquidity, such as continuation funds, and we expect those tools to remain useful even as the transaction markets start to come back.

“LPs have capital to invest, and sponsors are embracing new techniques to access untapped pools of capital”

BRYAN HUNKELE

“Top managers are spending more time diligencing their new LP relationships, which is kind of unusual”

WARREN GOODWORTH

“New entrants... often cannot get traction until they start putting money into the ground and demonstrate their investment thesis”

STEVEN ZAORSKI

Q Will fundraising timelines decrease this year?

WG: What I am advising clients is to keep the longer fundraising timelines in their documentation and retain the ability to extend beyond 18 months. Maybe you are lucky and it gets done sooner, but the expectation is that deal markets, while improving, have not yet fully reopened. There is cautious optimism, but nothing more.

We are hoping fundraising will speed up, but we are not yet expecting timelines to decrease significantly.

Q What might the new US administration mean for the regulation of private funds?

BH: The short answer to that one is no one knows. There has been talk about changes to tax regimes, changes to incentives for environmental investments, and certainly there is turbulence with respect to ESG and DE&I initiatives. How those will translate through to managers and their investments remains to be seen.

Most folks thought that the new administration would take a long-term approach, but there has been a flurry of activity and it is not yet quite clear what the long-term ramifications will be. The industry needs to take stock and wait and see.

The big issue, however, will be tariffs: how much things cost and how those costs impact international trade could have a big effect on companies undergoing transformation.

WG: Any time there is uncertainty, that will affect markets. Private equity is no exception.

It is unclear what the impact of this is going to be right now, and we are all trying to figure that out. Right now, though, deals are happening and pipelines are strong. At the end of the day, that deal environment drives people to market when they need fresh capital. So far, we do not see the political backdrop discouraging funds from launching fundraising processes this year. ■