

Will 2025 fulfil its promise to boost fundraising? Here's why we think so

An expected uptick in deal-making and exits in 2025 would be welcome news for fund managers who had a tough time of it last year. [Matt Horton](#) and [James Gow](#) explore the factors they expect to drive a more favorable fundraising environment in 2025 and beyond

Last year's global fundraising total of \$746.48 billion across private markets was the lowest since 2019, excluding 2020's pandemic total. Though, to illustrate how sluggish a year 2024 was, this figure is just \$30 billion above 2020's modest fundraising total. Time in the market has also increased, to an average of 20 months, according to [PEI's](#) findings, a big jump from 2019's 13 months and creeping higher than 2023's 18 months.

But while 2024 was described as a 'terrible' year by one of our clients, referencing a weak deal pipeline, most fund managers are cautiously optimistic about what 2025 might have in store. Indeed [Goldman Sachs'](#) Stephan Feldgoise suggested in the Exchanges podcast that he expects global deal-making to gain momentum in 2025, estimating at least a 10% bump to fundraising this year.

For this to be true, fund managers will need to expertly navigate exits, valuations and value creation, and to iterate and innovate if they want fundraising to grow in what will still be a very competitive market. Let's explore how:

Exit strategies - returns and reinvestment

Many fund managers have set up specialist exit offices or teams with the mandate to accelerate the exit timeline and return capital in an efficient way to investors, and in this way stimulate fundraising. Whilst it is likely that the [IPO market](#) will return as a key exit tool, it will not be the only one. In 2023, continuation fund transactions were estimated to be worth around [\\$40 billion](#), with more than \$150 billion worth of transactions in the market overall. This growth reflects the popularity of continuation funds in a tough market as a way for private equity firms to extend the holding periods of high-performing assets, wait for more

favorable market conditions, and provide liquidity for investors. As exits return these investments into continuation funds will pay off as conditions improve and new investors come into the market.

Whether investors prefer an IPO for its liquidity, or a strategic acquisition for potentially higher returns, being proactive with their exit strategies will help fund managers deliver on investor expectations, increasing their chances of retaining their investors' capital for new investment cycles.

One of our large clients, who say they are behind on realizations, expects 2025 to be a big year for recalibrating.

Secondaries are becoming an increasingly popular strategy for fund managers who want to deliver capital back to investors without having to exit an investment at an inopportune time, or where the denominator effect is hampering fundraising efforts. Preqin's [Investment](#) report for the first half of 2024 found that two out of three managers were looking to secondaries as an attractive strategy. By the middle of 2024, the value of secondaries transactions was \$70 billion, far outstripping the half year totals in 2022 or 2023.

Fund managers need to take a dynamic approach and iterate their exit strategies based on experience, feedback from investors and market conditions. An exit strategy needs to align to the specific goals and risk tolerance of a fund manager's investors, customizing them to meet investor needs. Keeping investment cycles steady and predictable increases a manager's chances of getting investors to re-up for their next fund. Whether IPOs, mergers and acquisitions, or secondaries are the most effective exit to maximize returns, is determined by preparation and research to meet investor needs, and so build trust and confidence.

Where exits don't make sense, managers are adopting strategies to add value to their portfolio companies through organic growth and extending holding periods.

Valuations - converging expectations and transparency

The gap between what sellers value their portfolio companies at and what buyers are prepared to pay for them is [shrinking](#). This is another trend we expect to see in 2025 that will open up the market for deal-making and exits in private markets, clearing the way for new fundraising. One of the primary drivers of this is interest

rates, with debt costing less and rates on a downward trend, investors are seeking out desirable assets as investment risk reduces.

Overall, maintaining accurate and transparent valuations provides potential investors with a clear picture of the fund's current performance and future potential. This transparency builds trust and confidence among investors, making them more likely to commit capital, while helping managers exit investments at an optimum time.

Some of the perennial challenges of valuations include valuing illiquid assets or those that trade infrequently. For example, it can be difficult to get a valuation for specialised real estate as there's a lack of reliable market data making the NAV valuation managers and investors rely on, less straightforward. An example might be a specialised entertainment venue reliant on the weather to keep tourist numbers up and deliver returns. NAV is a key metric for investors especially for alternative investments and real-time NAV calculations can help managers get the best valuation possible.

For managers with access to systems that make use of AI and specialized teams, [real-time reporting](#) further increases investor confidence, delivering ongoing evidence of a fund manager's track record and this reporting also forms part of the negotiation in setting the terms of a new fund. This means managers can negotiate better terms with investors, such as management fees and carried interest.

Differentiation - iteration and innovation

Successful managers differentiate their offering to both attract new investors and retain existing ones. According to the [Coller Capital 41st Barometer](#), 84% of investors expected to maintain or increase their investment in private credit, and 90% would be doing the same in private equity and secondaries. However, 8 out of 10 institutional investors declined to re-up with one or more of their current managers in the 12 months, to the end of October 2024. This is because investors are even more diligently comparing managers' strategies and performance to fulfil their objectives, and market conditions have meant that more of them are beholden to the denominator effect.

To convince investors to reinvest, or to capture unallocated capital, managers must do more than simply showcase their track record and build resilient long-

term relationships with investors. They must continually re-assess their operating models, fund strategies, and how they use technology. One example is how managers are developing and tweaking financial products to cater to different investor segments. For example, the proliferation of vehicles that allow for more liquidity and flexibility – particularly in the private credit space – are proving popular among high-net-worth and ultra-high-net-worth segments.

Technology too offers many ways to help managers differentiate their offering when coupled with their specialized teams. [Artificial intelligence \(AI\)](#) and machine learning can enhance investment monitoring, compliance and reporting, as well as streamlining investor relations. How managers implement these new technologies, or which partners they work with, is also an important differentiator.

To keep a step ahead of their competitors, managers also need to keep abreast of other evolutions in the industry, such as [tokenisation](#) and [digital assets](#). Other ways managers are sharpening their unique selling point is by optimising their [operating model](#) to share costs and expertise across their global operations, while also enhancing governance and compliance to better align with investors' objectives.

For fund managers with investment strategies that harness high growth areas, such as private credit, infrastructure and secondaries, enticing investors through innovation, superior investor relations, and tailor-made exit strategies could enable them to fulfil the promise 2025 offers in a way 2024 could not.

Aztec Group is investing heavily in technology and innovative solutions which use AI and machine learning, to provide managers with the best systems in the industry to meet their administrative and investor reporting needs. If you'd like more information on how we can support your fundraising operations, please contact us below.



Click here to talk to us



Click here to talk to us