



**CONVERGENCE**  
OPTIMAL PERFORMANCE

**Capital Flows into Alternative Asset Funds<sup>i</sup>  
Q3 2018 versus Q3 2017  
Insight #29**

---

*Headlines*

- *\$941BN raised in new and existing funds, tracking to Convergence’s 2018 “Base Case” Forecast of \$1,221.8BN.*
- *5,030 new private fund launches, up from 4,017 and tracking to Convergence’s “Base Case” Forecast for 2018” of 5,792.*
- *The number of new fund launches increased by double digits across three Fund Types.*
- *New Hedge Fund capital up 56%, indicating a recovery in the asset class.*
- *New Private Equity fund offering amounts are 1.39X Q317YTD levels.*

*Questions for you to consider:*

- 1) How much of this growth are you tapping into?*
- 2) What percentage of your existing clients account for this flow?*
- 3) Based on your business goals, are you getting your fair share of this flow?*
- 4) What can you do to increase the amount of business that you win from new and existing clients?*

*Please feel free to call me to discuss at 203-956-4824*

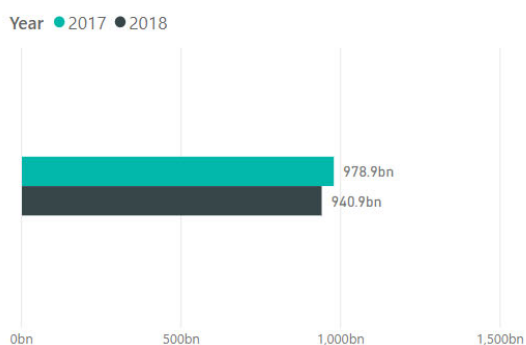
## Q3 2018 YTD Capital Flows Summary-All Fund Types

Capital raised by new and existing issuers totaled **\$940.9BN**, down **4%** from Q3 2017 YTD levels. New and existing fund issuers raised **\$311.0BN** and **\$629.8BN**, respectively, with Hedge Funds up **40%**, Private Equity down **8%**, Venture Capital down **2%** and Other Funds down **28%**.

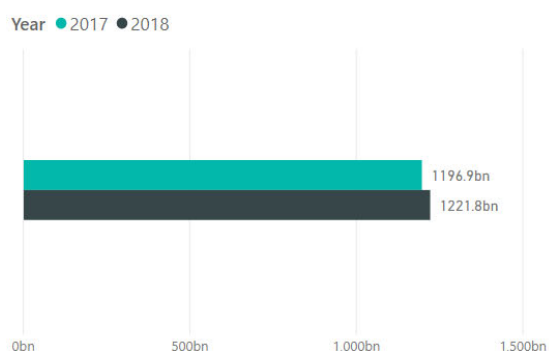
Total capital raised through Q318 is tracking to Convergence's 2018 Full Year "Base Case" Forecast of **\$1.222tr**, up **2%** over 2017, excluding capital appreciation.

**Table 1: Total Capital Flows**

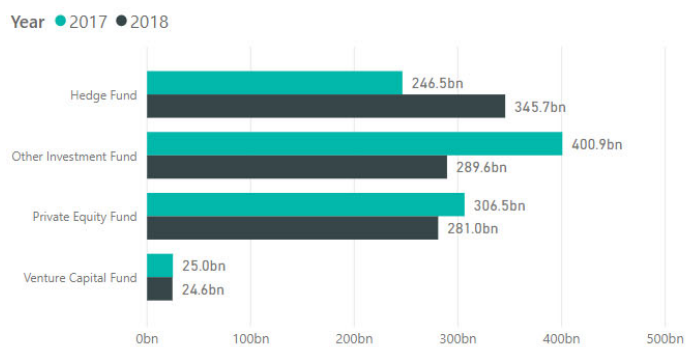
Capital Flows Q3 YTD



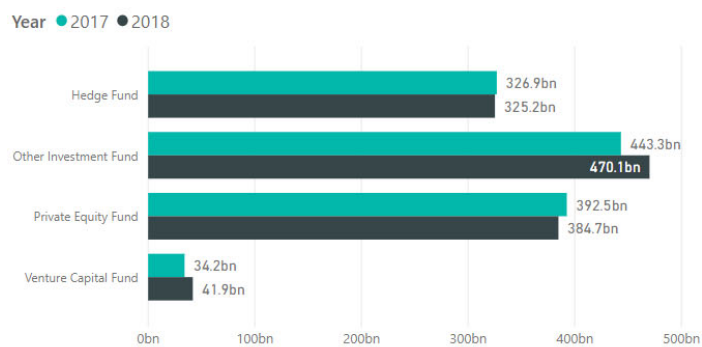
Capital Flows Actual/Forecast



Capital Flows Q3 YTD - Fund Type



Capital Flows Actual/Forecast - Fund Type



## O3 2018 YTD: Capital Flows into New and Existing Funds

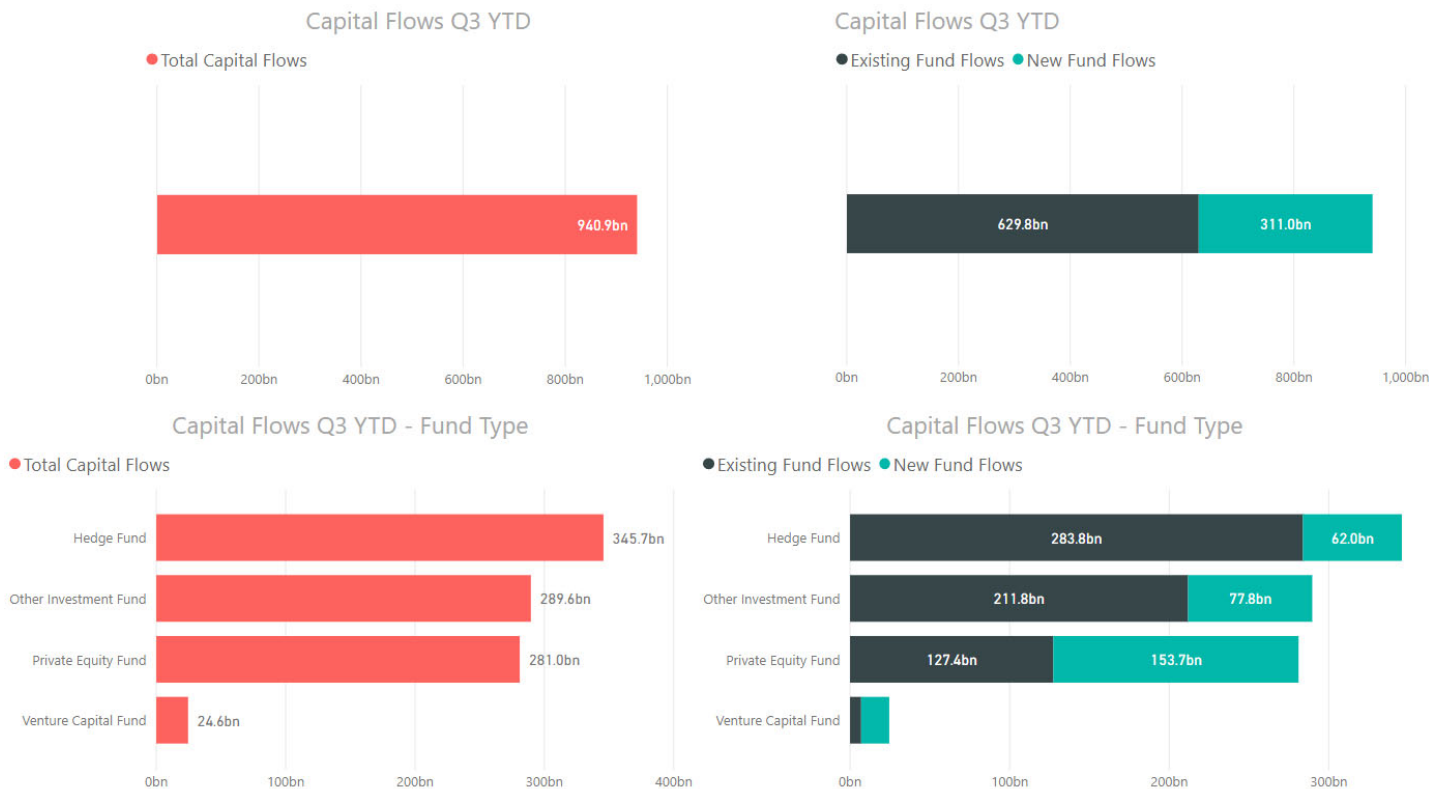
Newly issued **Hedge Funds** raised **\$62.0BN**, up **56%** from Q3 2017 YTD, while existing Hedge Funds took in an additional **\$283.8BN**, up **37%** YTD. Hedge Funds are enjoying a strong year as investors put additional capital into existing funds at the rate of \$4.6 for every \$1 they allocated to new Hedge Funds. New Hedge Funds reported \$62.0BN of New Capital suggesting that investor concerns about Hedge Funds has abated, at least for the moment.

Newly issued **Private Equity** funds raised **\$153.7BN**, down **29%** from Q3 2017 YTD while existing PE Funds took in **\$127.4BN**, up **39%** from Q3 2017 YTD. While the number of new Private Equity funds offered year-over-year slowed, the aggregate offering of \$276BN is 1.39x greater than \$199BN offered in Q317 YTD, suggesting stronger year-over-year demand for the asset class.

Newly issued **Venture Capital** funds took in **\$17.6BN**, up **28%** from Q3 2017 YTD, while existing VC Funds took in **\$6.9BN**, down **38%** from Q3 2017 YTD.

Capital Flows into newly issued **Other Funds**, which include UCITS, totaled **\$77.8BN**, up **4%** over Q3 2017 YTD, while existing Other Funds took in **\$211.8BN**, down **35%** YTD

**Table 2: Capital Flows into New and Existing Funds by Fund Type**

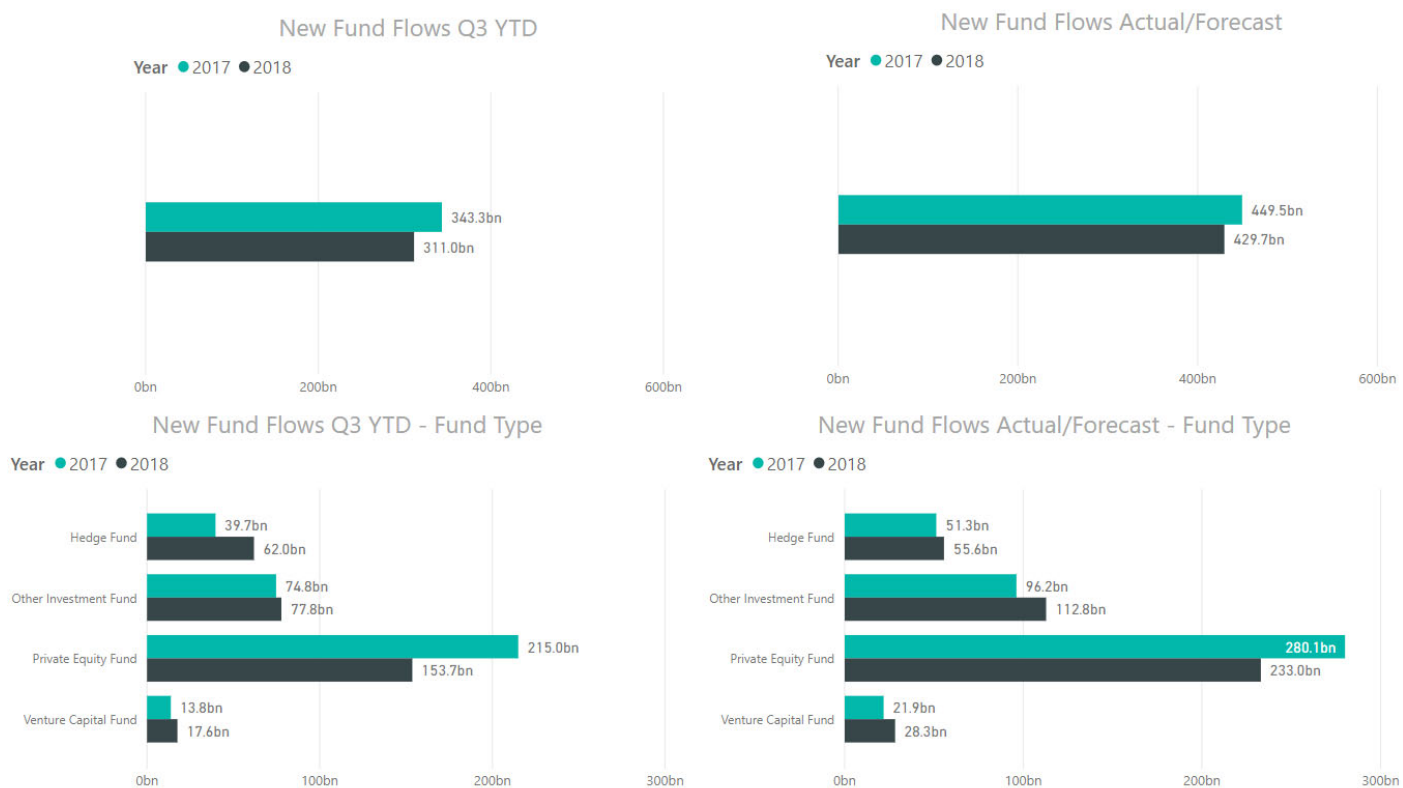


## Capital Flows into New Funds-Q3 2018 YTD - All Fund Types

Capital Flows into New Fund issues across all Fund Types was **\$311.0B**, down **9%** over Q3 2017 YTD.

Convergence's "Base Case" 2018 forecast is at **\$429.7BN** in capital raised by New Fund Issues, down **4%** over full year 2017.

**Table 3: Capital Flows from New Funds Issued by Fund Type**



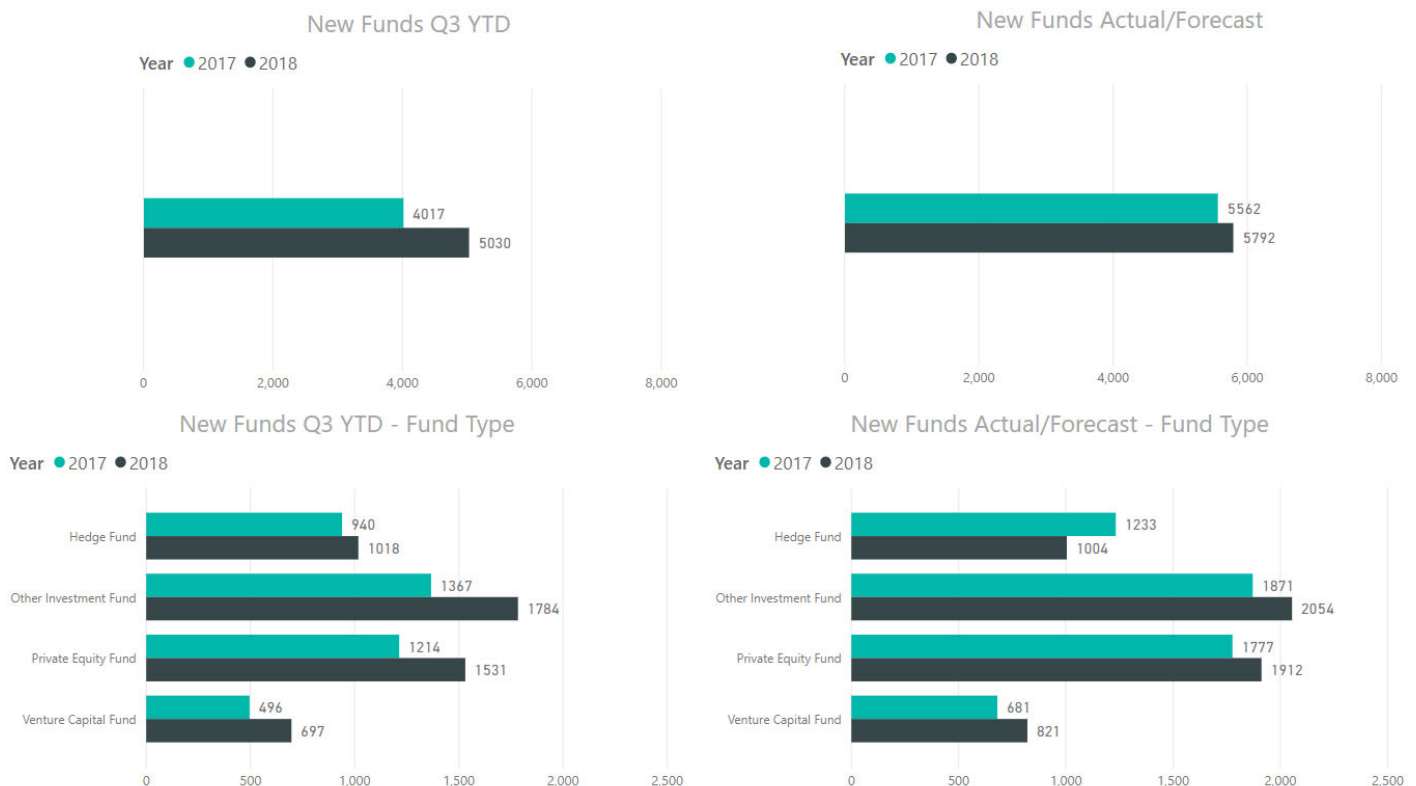
## New Funds Launched O3 2018 YTD - All Fund Types

The number of New Funds launched totaled **5,030**, up **25%** over Q3 2017 YTD. New Hedge Fund issues increased **8%**, Private Equity increased **26%**, Venture Capital Funds increased **41%** and Other Issues **31%**. The increase in New Fund issues suggests larger capital flows in subsequent quarters. The delays are more notable in closed-end funds, e.g., Private Equity, Venture Capital and Real Estate.

Convergence’s “Base Case” 2018 New Fund forecast is at **5,792** new funds, up **4%** over 2017.

Private Equity Fund launches led the pack with the highest number of new funds launches that did not disclose raising capital. Typically, closed end funds (PE, VC and RE) tend to fund up after filing, so we suspect we will see strong inflows into existing Private Equity Funds with slowdown in new fund launches in the quarters ahead.

**Table 4: New Fund Issuance by Fund Type**



<sup>i</sup> During certain holiday dates in 2017, the SEC did not provide Form D data and later published it in aggregate form, which impacted our FormD data reconciliation. Prior to this update, Convergence reported Total Capital Flows of \$1.17tr for 2017 and \$1.20tr as a Forecast for 2018. With the historical data update, Convergence reports \$1.20tr in Total Capital Flows for 2017 and \$1.22tr as a Forecast for 2018.