White paper

Moonfare Pulse

2024

Our annual fund activity report shows how investors are reshaping their private market portfolios for the new reality.

Moonfare®

Moonfare Pulse offers a snapshot of commitment trends of our investor community. We analysed activity across 83 feeder funds that were available on our platform between January 1, 2020 and December 31, 2023.

In this period more than 3,900 investors collectively committed $2.6 billion. These investors had to meet certain criteria which may include a minimum financial instrument portfolio and sufficient prior investment experience. Investors were domiciled in Europe, the US and Asia.

1

Rise of private credit

Private credit saw a notable rise in interest among Moonfare investors, growing from 2.6% in 2022 to 10.6% in 2023. The credit’s recent appeal largely stems from relatively high yields offered by floating-rate private credit loans.

2

Buyouts remain the go-to strategy

Buyout funds continue to dominate Moonfare's platform activity, capturing 63% of all capital commitments in 2023, up nearly 10 percentage points from the previous year. This trend mirrors the global market, where buyout funds saw an 18% increase in capital raised year-over-year[1].

3

Growth strategies decline further

Growth-oriented strategies have seen a decline, with only 5.2% and 8.3% of Moonfare's capital directed to growth equity and venture capital funds, respectively. This decrease is largely driven by rising interest rates and declining tech stock valuations.

4

Younger investors eye private equity

Investors under 35 are becoming more prominent, contributing nearly 13% of all commitments on Moonfare’s platform in 2023, up from 5% in 2020. This shift is driven by millennials' growing wealth, longer investment horizons and a higher risk tolerance compared to older generations.

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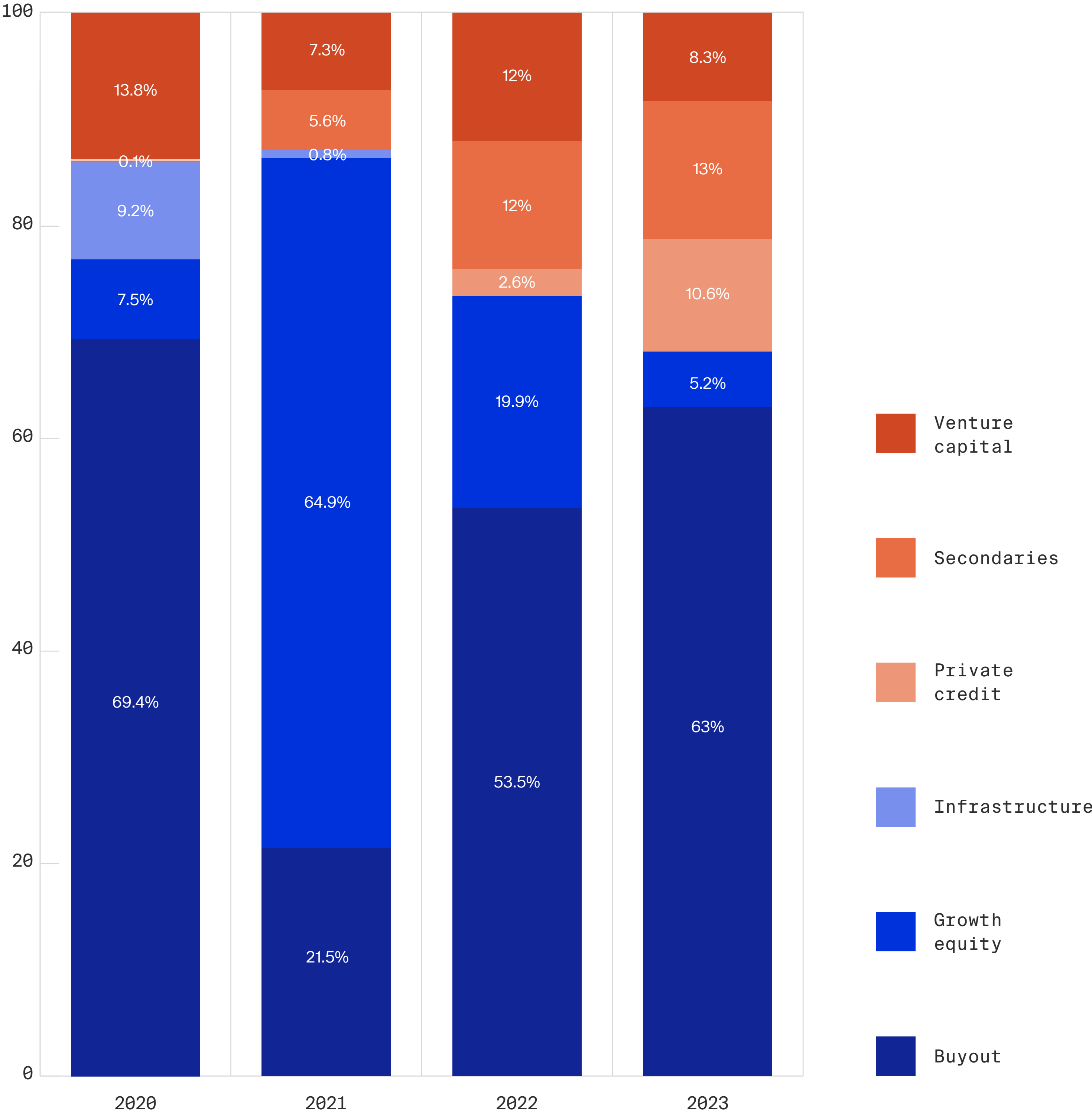
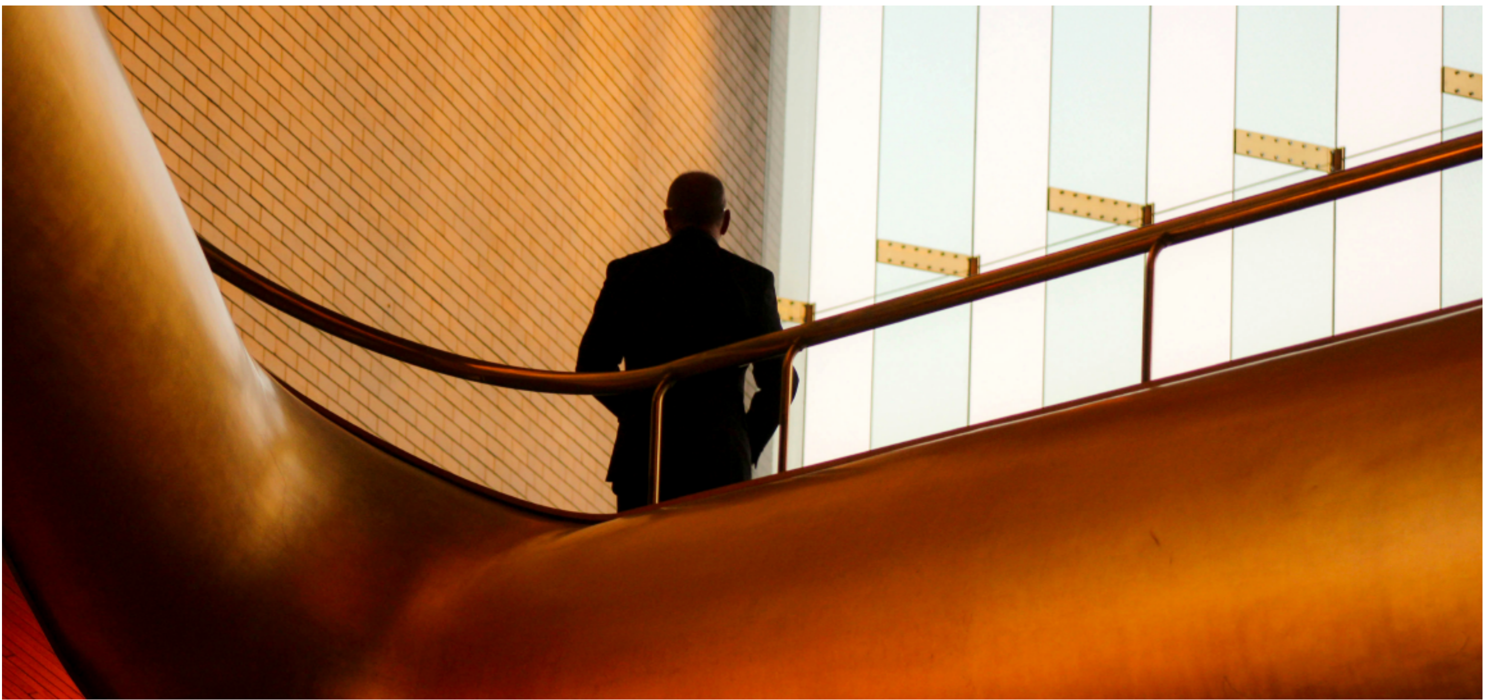
Private credit gains momentum

Share of total allocations by value



Source: Moonfare 2024



Private credit has seen the most significant relative increase in appetite among Moonfare investors. While only 2.6% of capital was directed to private credit funds in 2022, this share increased to 10.6% of last year's total commitments.

This growing interest in private credit, in which funds lend directly to corporates or PE sponsors to finance acquisitions, is not surprising. Much of private credit is in the form of floating rate, and as interest rates rose in 2022 and 2023, so have yields.

For example, leveraged loans in the US gained 13.3% in 2023, as measured by the Morningstar LSTA Index. "This was the highest annual reading of the US index since the global financial crisis and the second-strongest return ever," Pitchbook noted.[2] European leveraged loans showed comparable performance.[3]

Private credit investors seem to be satisfied with the performance. A recent Preqin report found that 90% of investors said private debt had met or exceeded their expectations, while 92% expect the same or better performance this year compared with 2023.[4]

Overall, the private credit market topped $2.1 trillion globally last year in assets and committed capital. About three-quarters of this was in the US, where its market share is nearing that of syndicated loans and high-yield bonds.[5]

The industry is expected to grow further, according to Preqin estimates[6] — despite the recent fundraising slowdown that has had an impact on private credit as well.

While only 2.6% of capital was directed to private credit funds on the Monfare platform in 2022, this share increased to 10.6% last year.

Buyouts remain the go-to strategy

Traditional private equity buyouts remain the investment of choice for the Moonfare community. In 2023, the amount of capital directed towards buyout funds increased nearly 10 percentage points, representing 63% of all commitment by value.

The activity observed in buyout funds on the Moonfare platform mirrors a wider market trend. Globally, buyout funds saw an 18% year-over-year increase in capital raised last year. With the exception of secondary funds, buyouts were the only major category to report gains, as noted by Bain & Company.[7]

Limited partners, however, became highly selective, seeking fund managers who have the scale and ability to effectively deploy capital and find lucrative opportunities. Larger funds were particularly favoured, with the top 20 buyout funds securing 51% of the total capital raised.[8]

Examples include European-based CVC Capital Partners which raised the largest private equity fund ever, securing target-beating €26 billion.[9] TA Associates raised a $16.5 billion fund[10] while Permira beat its target with a €16.7 billion raise.[11]

This flight to scale is not unexpected. Mega fund managers can potentially deliver more consistent long-term performance[12], while offering extensive operational expertise, supported by longer track records and scalability — features favoured by many investors when faced with less accommodating markets.

The same trend continued into 2024. Around 43% of the capital went to only three mega funds. Overall, buyouts collected $76.8 billion in the first quarter which puts this year's fundraising totals on track to rival 2023.[13]

In 2023, capital directed to buyout funds rose by nearly 10 percentage points to 63% of total commitments.

Growth strategies decline further

If buyout fundraising remained relatively resilient, growth-oriented strategies have more or less fallen out of investors' purview in 2023. Only 5.2% and 8.3% of capital raised through the Moonfare platform has flowed to growth equity and venture capital funds, respectively, markedly less compared to 2022.

Rising interest rates and declining tech stock valuations contributed to a challenging environment. As M&A activity slowed down considerably and IPO markets nearly ground to a halt, capital was left tied up in late-stage companies, further reducing available funds for new investments. The collapse of Silicon Valley Bank also added to instability, leading investors to be more cautious.

As a result, fundraising for VC and growth equity has dropped to their lowest level of cumulative capital raised since 2015. VCs struggled to raise funds in 2023 — only $191 million was collected globally, per Pitchbook.[14]

Start of 2024 has been a continuation of the past 24 months. Only seven funds closed on $500 million or more of total commitments. In comparison, 2021, which was an outlier year in terms of activity, more than 150 funds reached that mark, according to Pitchbook.[15]

That said, not all areas of venture capital performed the same. Generative AI, in particular, has gained significant interest from investors — in 2023, investments into AI businesses climbed to $27 billion with two-thirds coming from corporates. AI transactions — both in value and volume — are expected to grow further this year, with $18.8 billion already raised in just 5 months, according to Dealroom.[16]

The tide could slowly change also in the venture space at large as startup valuations slowly stabilise and investors shift their focus to companies that can deliver profitable growth.

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Private equity secondaries hold steady

Once viewed as a last-resort exit for underperforming assets, secondaries can today potentially offer a range of benefits, including portfolio diversification, quicker returns and discounted assets. These and other potential benefits have provided tailwinds for these investments which appear to only blow stronger and stronger.[17]

The secondaries activity on the Moonfare platform has also remained relatively robust. In 2023, 13% of all commitments by value were earmarked for secondaires funds, up one percentage point year-on-year and more than double the 2021 share.

These results reflect the growing momentum for secondaries broadly. Last year, managers in this space raised $91 billion, the highest amount ever.[18] The trend is set to continue in 2024, as limited partners increasingly seek to release capital. The overall secondaries market activity in the first quarter was up around 20% compared to the same period in 2023. [19]

The LP-led market's younger cousins, GP-led deals, have also grown markedly over the years and today represent around 50% of secondary deals.[20] Initiated by the GP, these deals typically see a company or companies rolled into a continuation vehicle, with LPs offered the chance to hold their investment or sell and receive distributions.

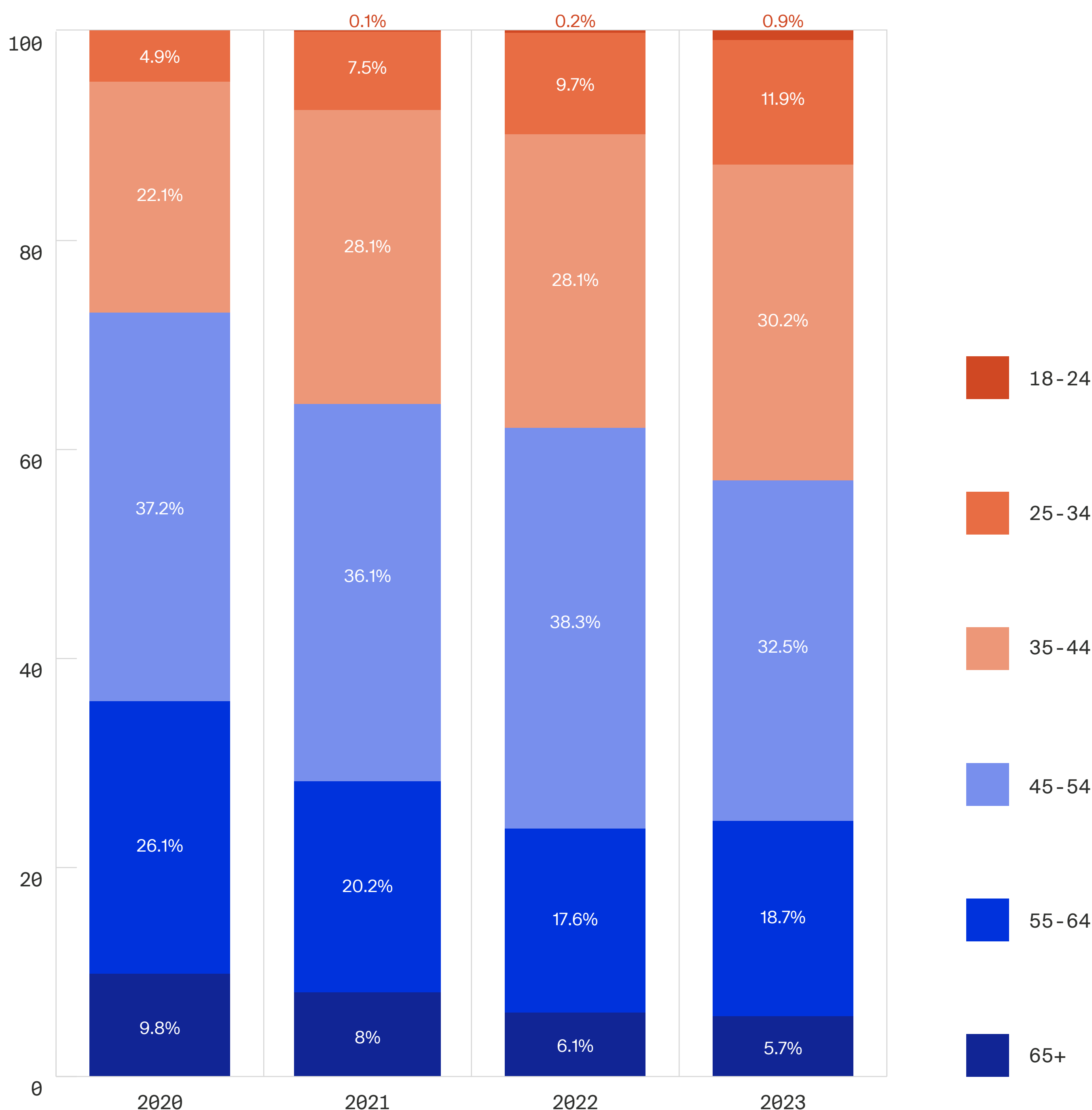
With a strong supply of capital and robust demand from both LPs and GPs, the secondaries market has both deepened and broadened over the past few years. And while external forces — such as the slowdown in distributions — have created strong conditions for recent growth, secular forces within the industry look set to drive further expansion.

To find out more about secondaries and the opportunities these investments offer, read our most **recent report**.

Last year, 13% of all commitments by value were earmarked for secondaires funds, up one percentage point year-on-year.

Younger investors are increasing their private equity investments

Share of allocation volume per age bracket



Source: Moonfare 2024

Investors under the age of 35 account for a relatively small portion of the total allocations, but their share is consistently growing. Nearly 13% of all commitments (by volume), flowing through the Moonfare platform, came from this group, up from only 5% in 2020.

There are a couple of reasons for the increasing appetite for private assets among younger demographics. Global wealth is changing hands in favour of millennials[21], who are now largely in their 30s and becoming a prominent investing force. They typically have longer investment horizons which can make less liquid assets a potentially lucrative portfolio addition.

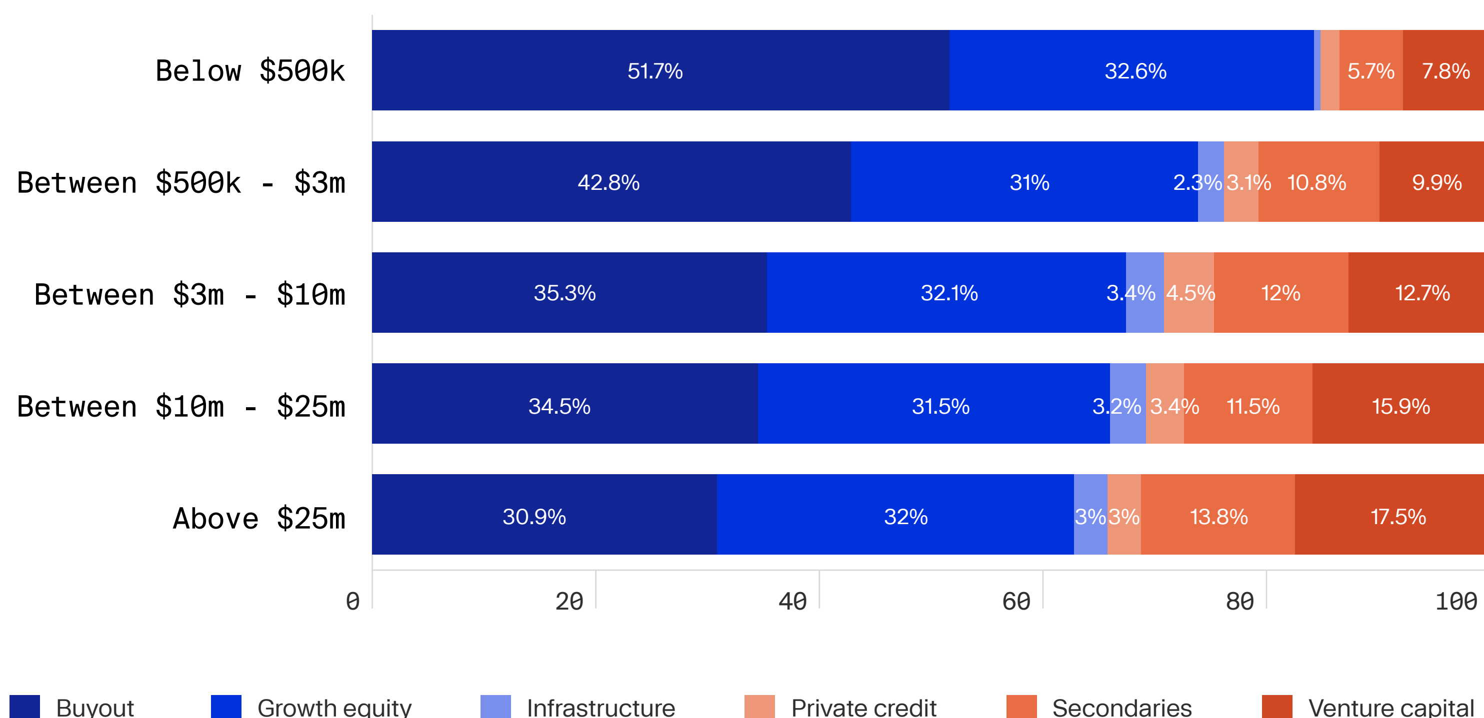
Younger investors today also seem to have different preferences compared to their parents. For example, they are more risk-tolerant than generations before them.[22] A large majority don't think that relying solely on traditional investments such as stocks and bonds will produce above-market returns, according to a 2024 study from Bank of America Private Bank. As a result, many have turned to alternatives, particularly private equity, real estate, cryptocurrencies and digital assets for a potential upside.[23]

In fact, wealthy millennials and Gen Z, the latter were born between the late 1990s and the early 2010s, allocate three times more of their money to alternative investments than older generations, according to the study, with the same trend set to continue.[24]

Nearly 13% of all recent commitments on the Moonfare platform come from investors younger than 35, a significant increase from just 5% in 2020.

Wealthier investors seem more risk-tolerant

Share of all investors per wealth bracket, 2020-2023



Source: Moonfare 2024

Our analysis of platform activity also found that Moonfare investors with larger means are more drawn to higher-reward, higher-risk investments, such as venture capital — compared to investors with more limited financial capacity.

For example, 17.5% of individuals who reported having a financial portfolio worth more than $25 million are invested in venture capital funds. In contrast, only around 7.8% of investors with assets valued below $500,000 are exposed to the asset class.

Academic research is able to back these findings. A survey, conducted by The Wharton School, for example, showed that wealthy individuals with over $30 million or $50 million of wealth tend to have higher risk tolerance.[25]

One explanation for differing preferences is that wealth frequently originates from entrepreneurial activities, which often involve substantial risk-taking. As a consequence, a history of successful risk-taking could shape a higher tolerance for risk in the wealthy. In addition, well-heeled individuals often have higher levels of financial sophistication, allowing them to better understand and manage risks.[26]

Endnotes

1. https://www.bain.com/insights/private-equity-outlook-liquidity-imperative-global-private-equity-report-2024/
2. https://files.pitchbook.com/website/files/pdf/2023_Annual_Global_Private_Debt_Report.pdf
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