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The Co-Investment Landscape Review: Breaking Down Key Trends Shaping Co-investment Activity

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As private equity (PE) dealmaking heated up in the past decade, limited partners (LPs) sought to gain even more exposure to the asset class. Simultaneously, general partners (GPs) at PE firms began to band together more than ever. Drawing on PitchBook datasets, Troutman Pepper explores these trends in depth in its latest report, reviewing the implications of these developments and how they intertwine.

Executive Summary

- Raising pools of capital for investing alongside GPs in private markets has rarely been more popular. Co-investment fund count reached a worldwide high in 2020 at 159 closed pools of capital, amassing \$15.5 billion in commitments. Although 2021 saw a downturn in volume, more than \$20 billion was committed to co-investment vehicles. Key drivers of this growth include LPs seeking higher returns in private markets, the growth in investable opportunities at the late stage of venture, and a broader base of active investment firms competing to retain or establish relationships with more LPs.
- Close to a decade ago, Pepper Hamilton (now Troutman Pepper) sponsored [a study](#) that foreshadowed much of this trend. It found significant demand by LPs for co-investment opportunities despite their complex fee structures and other hurdles. Now, that demand has crystallized into dedicated co-investment fundraising and subsequent activity.
- In terms of asset class focus for co-investment fundraising, venture capital (VC) funds predominated in volume, with well over 1,500 VC-focused vehicles closed in 2021.
- Co-investment funds focused on PE retained the plurality of capital committed, given their specific array of strategies and alignment with some of the larger LPs, amassing \$461.4 billion in 2021.
- As co-investment fundraising grew in popularity, so did club PE dealmaking, surging to a record 4,636 transactions completed in 2021 that totaled \$387.7 billion in deal value. LPs joined in at a record rate, participating in 245 transactions for more than \$45 billion in associated deal value.
- Looking ahead, the array of challenges for PE dealmakers may prompt an overall slowdown, potentially even among club PE dealmaking. That said, investment fundraising will likely subside only slightly.

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