Private equity

Private equity industry shrinks for the first time in decades

Assets under management fell 2% last year as investors pulled back from sector

New cash coming into buyout groups was not enough to replace the $468bn in assets the industry sold last year © Spencer Platt/Getty Images

Antoine Gara in New York and **Alexandra Heal** in London

Published MAR 5 2025

Private equity assets under management fell last year for the first time in decades as investors confronting a $3tn backlog of ageing and unsold deals pulled back from committing new funds to the sector.

Buyout firms managed $4.7tn in assets as of June last year — down about 2 per cent from 2023, according to a report from consultancy Bain & Co.

The decline in assets was the first since Bain began tracking industry assets in 2005.

Even during the 2008 financial crisis, the private equity industry recorded modest asset growth, underscoring the magnitude of the challenges currently facing buyout groups.

Fundraising has slowed sharply as private equity groups have struggled to sell assets and return cash to investors, causing large pension funds and endowments to retrench, said Hugh MacArthur, chair of Bain's global private equity practice.

"There is more money coming out of the cigar box than coming into the cigar box," MacArthur said. "The pace of liquidity coming back to [fund investors] continues to be stressed."

The proportion of a fund's net asset value that buyout managers return to their investors as cash has fallen to about half the historical average in recent years.

The lack of distributions has squeezed pension funds, which need regular cash payouts to fund their commitments to retired workers.

In 2024, the distributions from the private equity industry as a percentage of net assets fell to their lowest in more than a decade at just 11 per cent, Bain found.

Investors have responded by resisting new fund commitments. Private equity fundraising dropped 23 per cent in 2024, with the industry drawing in $401bn in new assets — the weakest tally since 2020.

New cash coming into buyout groups was not enough to replace the $468bn in assets the industry sold last year as dealmaking and equity capital markets started to recover.

MacArthur said pressures on the private equity industry were unlikely to ease quickly.

Buyout funds are holding almost twice the assets they were in 2019, but the amount of assets they sell annually is little changed, Bain found, meaning working through the trillions of dollars in unsold assets will take time.

"It won't all be better in 2025," MacArthur said. "It's a three- or four-year problem."

At the same time, private equity fees have fallen.

The industry's traditional "2 per cent" management fee is being eroded by so-called co-investments where sovereign wealth funds and pensions invest directly in deals without paying fees, while the rise of lower fee evergreen funds raised by giants including Blackstone and Apollo Global may further weigh on fees.