

# Master's Thesis

*How do Key Factors Interact to Influence Private  
Equity Fundraising in the DACH region?*

Lorenz Weihe

Dissertation written under the supervision of:

Professor Peter Rajsingh

Dissertation submitted in partial fulfilment of requirements for the MSc in international management at CLSBE, at Universidade Católica Portuguesa and for the MSc in international business at Smith School of Business, Queen's University.

Lisbon, September 12<sup>th</sup>, 2024.

## Abstract

---

The Private Equity industry has historically experienced a “golden age of Private Equity”, consistently breaking global fundraising records. Low cost of capital and significant economic growth provided enabled Private Equity to outperform other asset classes. Recent shifts in the economic environment halted fundraising and implied a necessary transformation for future growth. Research has already identified key factors in a global context. However, it lags in examining organizational resources and capabilities and its implications on overall fundraising. Hence, this thesis aims to investigate the key factors driving the decline in PE fundraising in the DACH region and to close the research gap by identifying most influential external and internal factors in the current fundraising climate. With triangulation, comprising exploratory expert interviews and existing literature, key factors were identified and evaluated on their potential to influence leveraged buyout fundraising. Findings of the study suggest that interest rates and market uncertainty constitute main external factors, negatively impacting fundraising. Organizational drivers and a more cautious, but resilient approach of investors mitigate negative external effects. Fund managers quickly adapted to transforming industry, emphasizing on value creation, stability, and a distinct investment strategy. The analysis also revealed areas for maneuver, potentially improving current fundraising efforts. Sector specialization, wider investor outreach, deal-by-deal structures, and the support of placement agents should be leveraged. Embracing and adapting to the industry transformation is paramount for fund managers’ survival.

**Title:** How do Key Factors Interact to Influence Private Equity Fundraising in the DACH region?

**Author:** Lorenz P. Weihe

**Keywords:** Private Equity, Leveraged Buyout, Fundraising Dynamics, Key Factors, Transformation

**JEL classification:** G10, G11, G23, G24, L25

## **Estrutura do Resumo**

---

O setor de capital de risco viveu uma "idade de ouro", alcançando recordes de angariação de fundos devido ao baixo custo de capital e ao crescimento económico. No entanto, recentes mudanças no ambiente económico interromperam esse crescimento, exigindo uma transformação para o futuro. Embora a investigação já tenha identificado fatores-chave a nível global, falta uma análise aprofundada dos recursos organizacionais na angariação de fundos. Esta tese investiga os principais fatores que influenciam o declínio da angariação de fundos na região DACH, identificando fatores externos e internos críticos. Através de entrevistas a peritos e revisão de literatura, concluiu-se que as taxas de juro e a incerteza do mercado são os principais fatores externos negativos. Em resposta, gestores adaptaram-se rapidamente enfatizando a criação de valor, a estabilidade e estratégias de investimento claras. Além disso, a investigação revelou que fatores organizacionais, como a especialização setorial e o alcance de novos investidores, são áreas com potencial de desenvolvimento. Outras estratégias promissoras incluem o uso de estruturas de transação por transação e o apoio de agentes de colocação. Esses fatores, quando bem geridos, atenuam os impactos negativos de fatores externos. A especialização no setor, maior alcance dos investidores, e o desenvolvimento de novos modelos de transação são essenciais para enfrentar os desafios atuais. Conclui-se que a adaptação às transformações no setor é fundamental para a sobrevivência dos gestores de fundos, permitindo que continuem a ter sucesso num ambiente económico em rápida mudança.

**Título:** Como os fatores-chave interagem para influenciar a captação de recursos de capital privado na região DACH?

**Autor:** Lorenz P. Weihe

**Palavras-chave:** Capital Privado, Aquisição Alavancada, Dinâmica de Captação de Recursos, Fatores Chave, Transformação

**JEL classificação:** G10, G11, G23, G24, L25

## **Preface/Acknowledgements**

I would like to express my deepest gratitude to everyone who has supported me throughout the journey of completing this master's thesis.

First and foremost, I am profoundly grateful to my advisor, professor Peter Rajsingh. This thesis has been significantly shaped by his extensive knowledge, invaluable guidance, and consistent availability. His insights and encouragement have been instrumental throughout my research journey and am very thankful for his mentorship and contribution.

Furthermore, my research would not have been possible without the support and dedication of the 15 interview experts from the DACH region, representing leading professionals in the Private Equity landscape. Their availability and expertise contributed significantly to the development of this academic paper.

I would further like to acknowledge the support of my colleagues and friends, as well as my family. Their continuous support and encouragement have been a source of strength and motivation throughout my academic endeavors.

To everyone who has supported me throughout this process, thank you all for being part of this journey.

# Table of Contents

- TABLE OF FIGURES ..... VII**
- TABLE OF TABLES ..... VII**
- TABLE OF ABBREVIATIONS ..... 8**
- 1. INTRODUCTION..... 9**
  - 1.1. PROBLEM STATEMENT ..... 9
  - 1.2. OBJECTIVE AND RESEARCH QUESTION ..... 10
  - 1.3. THESIS OUTLINE ..... 10
- 2. LITERATURE REVIEW..... 11**
  - 2.1. INTRODUCTION PRIVATE EQUITY..... 11
    - 2.1.1. Definition Private Equity..... 11*
    - 2.1.1. Historical Development of Private Equity..... 13*
    - 2.1.2. Economic relevance..... 15*
    - 2.1.5. Private Equity in DACH region..... 16*
  - 2.2. PRIVATE EQUITY FUNDRAISING ..... 18
    - 2.2.1. Fundraising Process ..... 18*
    - 2.2.2. Fundraising Development ..... 19*
    - 2.2.2. Fundraising in DACH region ..... 19*
  - 2.3. THEORETICAL FRAMEWORKS..... 20
    - 2.3.1. Exogenous fundraising drivers ..... 20*
  - 2.3.3. RESEARCH GAP ..... 26
- 3. METHODOLOGY ..... 26**
  - 3.1 RESEARCH FOCUS ..... 26
  - 3.1 RESEARCH DESIGN..... 27
  - 3.2. DATA COLLECTION ..... 28
    - 3.2.1. Primary data collection..... 28*
    - 3.2.2. Secondary data collection..... 30*
- 4. ANALYSIS & DISCUSSION ..... 31**
  - 4.1. EXTERNAL FUNDRAISING DRIVERS..... 31
  - 4.1. INTERNAL FUNDRAISING DRIVERS..... 36
  - 4.1. FUNDRAISING STRATEGIES ..... 42
- 5. CONCLUSION..... 43**
  - 5.1. MAIN FINDINGS..... 43
    - 5.1.1 Theoretical Implications..... 45*

5.1.2. *Practical Implications* ..... 46  
5.2. LIMITATIONS AND FUTURE RESEARCH ..... 47

**APPENDICES ..... I**

APPENDIX A - ADDITIONAL FIGURES..... I  
APPENDIX B – TABLE OF INTERVIEW..... V  
APPENDIX C - EXPERT INTERVIEW QUESTIONS ..... VI  
APPENDIX D – DECLARATION OF ORIGINALITY AND INTEGRITY..... VIII  
APPENDIX F – SUMMARIES EXPERT INTERVIEWS ..... XVI

# Table of Figures

**FIGURE 1.** TAXONOMY OF PRIVATE EQUITY CLUSTERS ..... 12

**FIGURE 2.** PRIVATE EQUITY INVESTMENTS DEVELOPMENT (IN EUR BN) ..... 13

**FIGURE 3.** SHARE OF PE DEAL VALUE BY SIZE BUCKET IN DACH REGION IN 2023..... 17

**FIGURE 4.** HISTORICAL FUNDRAISING ACTIVITY IN DACH REGION (IN EUR BN)..... 20

**FIGURE 5.** RESOURCE DEPENDENCE THEORY APPLIED TO PRIVATE EQUITY FUNDRAISING ..... 21

**FIGURE 6.** STRUCTURE OF DYNAMIC CAPABILITIES FRAMEWORK ..... 24

**FIGURE 7.** PARTICIPANTS’ ACTIVE INVOLVEMENT IN FUNDRAISING PROCESSES..... 32

**FIGURE 8.** FREQUENCY OF MENTIONED EXTERNAL FACTORS DRIVING CURRENT FUNDRAISING ..... 32

**FIGURE 9.** RELATIVE COMPARISON OF ORGANIZATIONAL AND OVERALL MARKET FUNDRAISING SUCCESS ..... 33

**FIGURE 10.** COMPARISON HISTORICAL FUNDRAISING AND INTEREST RATE CHANGES (IN EUR BN AND %) ..... 34

**TABLE 3.** CODE CATEGORIES AND TRIGGER WORDS ..... 37

**FIGURE 12.** EXPERT BEST PRACTICES ..... 42

**FIGURE A:** 10-YEAR HORIZON IRR BUYOUT FUNDS VS. PUBLIC MARKETS ..... I

**FIGURE B.** GROWTH DEVELOPMENT OF NET ASSET VALUE AND PUBLIC MARKET CAPITALIZATION (INDEXED, 2,000 = 100) ..... I

**FIGURE C.** INDEXED PRIVATE EQUITY PERFORMANCE BY FUND SIZE ..... II

**FIGURE D.** GLOBAL PRIVATE EQUITY AUM, BY ASSET TYPE (IN USD TRILLION) ..... II

**FIGURE E.** EUROPEAN TRANSACTION VOLUME BY GEOGRAPHY (IN # OF DEALS) ..... III

**FIGURE F.** EUROPEAN FUNDRAISING DEVELOPMENT, ANNUAL INCREMENTAL AMOUNT RAISED ..... III

**FIGURE H.** EUROPEAN BUYOUT FUNDRAISING AND INTEREST RATE DEVELOPMENT (2007-2023)..... IV

**FIGURE I.** DIMENSIONS OF DISTANCE FOR TRANSFORMATION (DYNAMIC CAPABILITIES MODEL)..... IV

**FIGURE J.** ILLUSTRATION RESEARCH DESIGN ..... V

# Table of Tables

**TABLE 1.** ILLUSTRATION VRIO FRAMEWORK ..... 23

**TABLE 2:** INDUSTRY AND EXPERIENCE OVERVIEW INTERVIEW EXPERTS ..... 29

**TABLE 3.** CODE CATEGORIES AND TRIGGER WORDS ..... 37

## Table of Abbreviations

<b>Abbreviation</b>	<b>Meaning</b>
AUM	Assets under Management
Cap	Capitalization
DACH	Germany, Switzerland, and Austria
DPI	Distributions to Paid-In
EU	European Union
EUR	Euro
FO	Family Offices
FoF	Fund of Funds
GC	Growth Capital
GP	General Partner
IR	Investor Relations
IRR	Internal Rate of Return
LBO	Leveraged Buyout
LLP	Limited Liability Partnership
LP	Limited Partner
MoM	Multiple on Money
PE	Private Equity
RBV	Resource-Based View
RDT	Resource Dependence Theory
SME	Small and Medium Enterprises
SSA	Strategic Asset Allocation
USA	United States of America
USD	US-Dollar
VC	Venture Capital

# 1. Introduction

## 1.1. Problem Statement

Private Equity has significantly gained importance over the past decades, fueled by consistent, record-breaking fundraising results. Particularly, the DACH region emerged as an important player, being the second largest in Europe<sup>1</sup> (Roland Berger, 2024). With continuous outperformance of other asset classes and positive spillover-effects in operating industries, Private Equity has become an imperative industry. Historically, the industry benefited from low interest rates and favorable macroeconomic conditions. The “golden age of Private Equity” peaked in 2021, raising capital over EUR 149.5 billion. However, recent macroeconomic shifts, shaped by interest rate increases, inflation and market uncertainty caused a substantial slowdown of the industry. DACH fundraising declined from EUR 24.4 bn in 2021 to just EUR 4 bn in 2023.

The rapid interest rate shift, coupled with liquidity constraints and market uncertainty are leading to a transformation of the industry. Since Private Equity financing is particularly important to small and medium enterprises in the DACH region and its positive effects on the economy, the question of the industry’s future role in the macroeconomic setting arises (Scheuplein, 2021). To cope with the ongoing transformation, PE fund managers must adapt their capabilities to sustain a competitive advantage. In this context, fundraising success largely represents fund manager’s ability to “adapt to the new normal” and determines the future role of the asset class. Particularly in times of crises, Private Equity significantly contributed to revitalizing struggling companies and industries (G. Brown, Harris, Jenkinson, Kaplan, & Robinson, 2020).

Outlined in literature, Private Equity fundraising is largely affected by cyclical and structural factors (Kelly, 2012). While literature largely examines key factors of Private Equity activities, it lacks in analyzing internal drivers and its interaction with external factors in regards to fundraising. Hereby, the study specifically analyzes buyout fundraising in the DACH region. This thesis addresses the research gap by identifying key drivers of Private Equity fundraising and how dynamic capabilities contribute a sustained advantage.

---

<sup>1</sup> in terms of deal count, as of 2023

## **1.2. Objective and Research Question**

Stemming from this pressing issue, the study aims to answer the following Research Question:

***How do Key Factors Interact to Influence Private Equity Fundraising in the DACH region?***

To answer the *Research Question*, the study derives two hypotheses that are tested by applying triangulation. Hereby, both literature and exploratory interviews are applied to examine the question in greater detail.

Specifically, the academic paper provides an analysis of 1) the underlying denominators for increasingly challenging fundraising for Private Equity funds operating in the DACH region, 2) former success factors for effective fundraising, and 3) a potential shift in success factors as well as newly applied strategies in capital raising.

## **1.3. Thesis Outline**

The thesis is structured as follows: Chapter 2 provides a brief overview of the Private Equity fundraising and recent developments. Related papers in the field of PE fundraising as well as relevant management theory are presented. Based on existing literature, two hypotheses are developed and in Chapter 3. Further, the study's research design and data collection procedure are outlined. Chapter 4 presents and discusses qualitative analyses of semi-structured interviews. Chapter 5 contains a summary and implications.

## 2. Literature Review

The following literature review is divided into a contextual as well as methodological part. The former comprises research about recent fundraising dynamics and its implications for Private Equity (“PE”) fund managers under chapter 2.2. Additionally, chapter 2.3. synthesizes the ongoing Private Equity fundraising transformation with theoretical concepts attributed to major theorists. The combination of both provides a sound understanding of current industry dynamics and commonly applied methodological approaches in the field, ultimately shedding light on the knowledge gap this academic study aims to fill.

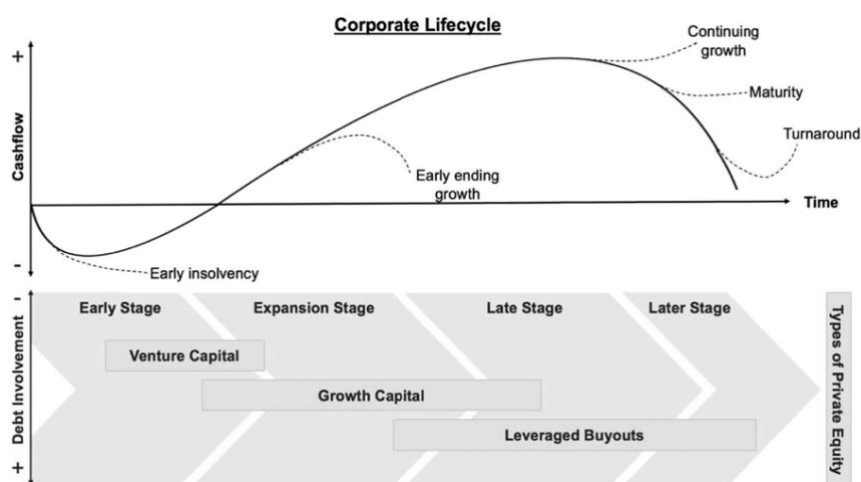
### 2.1. Introduction Private Equity

Private Equity is a key component of the modern financial market, playing a crucial role in fostering economic growth, innovation, and corporate development (Bernstein, Lerner, Sorensen, & Strömberg, 2017). This section of the literature review explores Private Equity in depth, focusing on its definition, economic relevance, and its specific characteristics within the DACH region (Germany, Austria, and Switzerland). Understanding these elements lays the foundation for analyzing key factors influencing PE fundraising success, particularly within this region.

#### 2.1.1. Definition Private Equity

Generally, the asset class *Private Equity* falls under the umbrella term of *Alternative Investments*, comprising unconventional, non-public investment strategies. Specifically, this investment category consists of investments which do not include stocks, bonds, or cash. Opposed to traditional investments, Alternative Investments are characterized by low liquidity, and high managerial involvement. The market hereby categorizes alternative investments as follows: hedge funds, private capital, natural resources, real estate, and infrastructure ("Introduction to Alternative Investments," 2023).

Private Equity is part of the private capital category, serving as an umbrella definition for distinct investment approaches, which are characterized by the maturity of the target and type of ownership, (Lerner & Leamon, 2023). Private Equity firms seek to enhance the value of acquired companies and then selling the stakes at a premium (Gompers, Kaplan, & Mukharlyamov, 2016). Considering the taxonomy model of Phalippou (2017), Private Equity can be clustered into *Venture Capital* (“VC”), *Growth Capital* (“GC”), and *Leveraged Buyouts* (“LBO”), providing resources to companies at various stages of their development.



**Figure 1.** Taxonomy of Private Equity clusters  
*Source: Extracted from Phalippou (2017)*

VC tends to be provided to early-stage companies with high growth and risk potential while GC targets more mature companies with significant growth trajectory. These investments usually involve minority stakes with investors not seeking operational control of the firm. On the other side, *Leveraged Buyouts* refer to the acquisition of a controlling stake in a mature company, using a significant portion of debt financing (Kiesel, Scherer, & Zagst, 2010).

*“The idea is to remove the principal – agent problem which arises due to the difference between ownership and control of public companies: by introducing a more direct link between owner and manager, interests are better aligned” (Kelly, 2012, p. 6).*

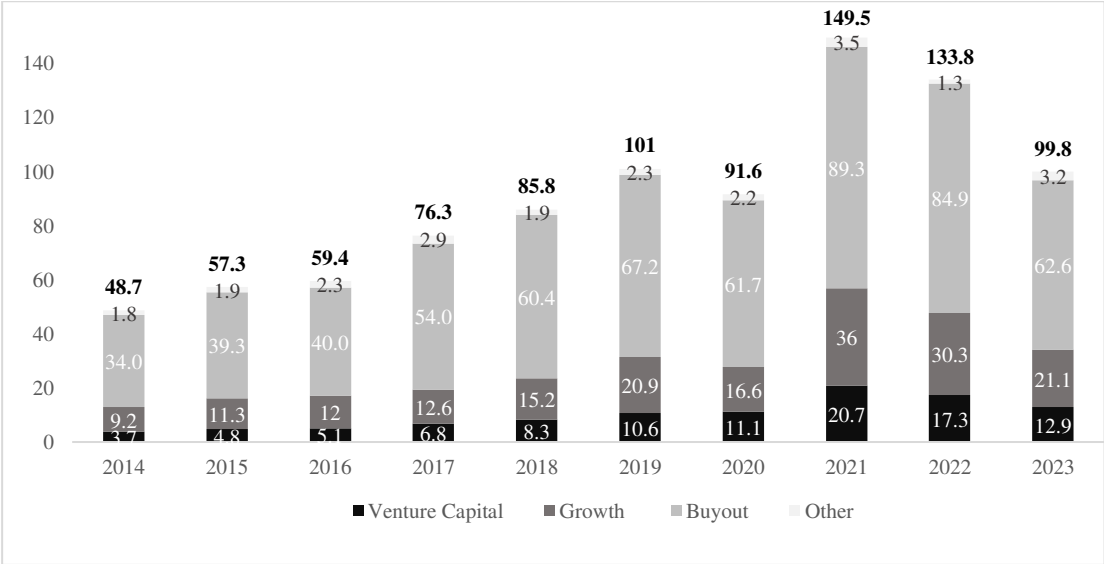
Overall, PE firms act as financial intermediaries, collecting capital from diverse investors. Raised private capital is then pooled in a Private Equity fund. These vehicles are usually “closed-end”, captive vehicles with a finite lifetime of 10 years. In the fundraising process, PE fund managers define a target fund size for the fund, also referred to as target capitalization (“cap”). The target fund size is accompanied by a hard cap, limiting capital over-subscriptions to a predefined amount.

PE funds are typically structured as limited partnerships, where the *General Partners* (“GPs”) are responsible for managing the fund, while *Limited Partners* (“LP”) contribute capital. The investor base hereby comprises institutional investors, such as corporate and public pension funds, and insurance companies, but also high-net-worth individuals, and *Family Offices* (“FO”). Private Equity Fund of Funds (“FoF”) are another investor type, continuously gaining more importance (Steven N. Kaplan & Stromberg, 2009; Kiesel et al., 2010; Tykvová, 2018). During the fund lifetime, Private Equity investors have low managerial control and rather just act as capital providers. When reaching the end of a fund lifecycle, capital and returns are redistributed to investors, after deduction of GP compensation fees. (Ljungqvist &

Richardson, 2003). These fees consist of an annual management fee of 2% and a carried interest, amounting to 20%. This commonly accepted fee structure is also referred to as the “2 and 20 rule” (Corporate Finance Institute).

Historically, the European Private Equity landscape has been dominated by *Leveraged Buyouts*. Data from Invest Europe (2023a) highlights that although VC is leading in deal count (4,764), LBOs have historically been most significant in terms of investment volume, reaching over EUR 62.2 billion in 2023 (63% of total PE investments).

Based on the historic economic significance of LBOs this study will further examine fundraising dynamics and drivers of this particular investment approach. Consequently, future mentioning of Private Equity addresses *Leveraged Buyouts*.



**Figure 2.** Private Equity Investments Development (in EUR bn)  
 Source: (Invest Europe, 2023a, p. 39) / EDC. Note: Other includes Turnaround/Rescue and Replacement capital

2.1.1. Historical Development of Private Equity

For a more detailed understanding of the asset class, the history of Private Equity will be outlined as follows:

The 1980s were shaped by changes in the international monetary system under the dollar's supremacy, promoting globalization and deregulation, which ultimately marked the birth of Private Equity (M. Jensen, 1993). As a result, Private Equity, particularly in the form of *Leveraged Buyouts*, began to emerge and greatly succeeded “by substituting incentives held out by compensation and ownership plans for the direct monitoring and often centralized decision- making of the typical corporate bureaucracy” (M. C. Jensen, 1989, p. 68).

However, the late 1980s and early 1990s were characterized by recession, as the junk bond market crashed, resulting in many bankruptcies of LBOs (Gheorghe & Popescu, 2015).

The decline of LBO activity was just temporary and led to a transformation of the industry, shaped by a transition towards operational efficiency (Indahl & Jacobsen, 2019). Consequently, PE continued to grow and played a major role in substituting weak capital markets and fostering technological advancements.

The 2000s marked a second boom for PE funds, driven by large financial institutions that maximized shareholder profits while expanding into various asset classes (Indahl & Jacobsen, 2019). After a short setback due to the dotcom-bubble, continuous growth was again affected by the financial crisis in 2008, leading to a substantial industry decline (Bernstein, Lerner, & Mezzanotti, 2018). Following the *Global Financial Crisis* (“GFC”), the PE industry maneuvered into a recovery phase, shifting from a reliance on leverage to a focus on value creation through organic growth and Mergers and Acquisitions (Jenkinson, Sousa, & Stucke, 2013). Until early 2020s, economic growth and a low interest rate environment contributed to the “golden age of Private Equity”, with all-time high assets under management (AUM) and uninvested capital levels, also referred to as dry powder (Group, 2017). This phenomenon has led to fierce competition within the industry, with GPs facing the challenge of investing substantial amounts of raised capital without overpaying for assets or targeting underperforming companies. Bain & Company (2024) highlights that global dry powder reached \$13,100 billion in 2022, reflecting growing challenges and simultaneous demand in the industry.

Since the beginning of 2022 however, the fundraising activities stagnated for diverse reasons. The Covid-19 aftermath, geopolitical tensions, rising market uncertainty, economic stagnation and rising interest rates imposed a broad range of challenges, requiring swift adaptation. Main transformation driver from a fundraising perspective consists of interest rate fluctuations. The decline in public market valuations causes the proportion of an investor's portfolio allocated to Private Equity to increase disproportionately, leading to an overallocation in this asset class relative to their target allocation. This *denominator effect* restricts further investments in the asset class, sometimes even requiring selling portfolio stakes at a discount. (G. W. Brown & Kaplan, 2019; *Private markets turn down the volume*, 2023).

During the pandemic, it was paramount to showcase agility and to rapidly adapt to new obstacles. A report from Bain & Company (2021) proved PE funds ability to effectively leverage their specialized industry expertise and operational flexibility to navigate the crisis. However, increasing challenges raise the question on the future significance of the asset class and its part in the market transformation. Indeed, historical trends have shown PE to operate

within highly cyclic paths. One of the dominant features of past fundraising activities has been a change in interest rates, which will be analyzed in detail throughout the study.

### *2.1.2. Economic relevance*

Since the 1980s, there have been controversial discussions surrounding the role and effects of Private Equity in the economy. As outlined earlier, PE has gained significant popularity as an alternative investment asset class over the past two decades. Despite many scholars advocating for PE and its economic benefits, critical voices about its negative impacts have grown louder (G. Brown et al., 2020).

Specifically, LBO critics have pointed out limitations of financial flexibility as well as short-term orientation at expense of long-term stability (Ernst, Koziol, & Schweizer, 2013). On the contrary, other studies showcase increased financial performance of PE-backed companies due to enhanced financial means (Breuer & Pinkwart, 2018; Cumming, Siegel, & Wright, 2007).

Despite controversies about the role of Private Equity, asset allocations have continuously increased in the past. The rationale of investor's relentless demand for Private Equity is difficult to determine, rooted in the opaque nature of the industry as well as the existence of many possible growth drivers (Kelly, 2012). Advantages of LBOs, include the limitation of agency issues through the alignment of interests between owners and management, along with the provision of an alternative source of financing. Further empirically proven advantages (Aldatmaz & Brown, 2020), revolve around the broader economic impact of Private Equity. The scholars applied a data set of PE investments across 19 industries in 52 countries from 1990 to 2017. Results indicate positive externalities for other companies within the same industry, comprising increased labor productivity, employment, and profitability among others. These effects are rooted in rising competitive pressure in PE-backed industries as well as "knowledge spillovers", with the industry adapting to operational and financial changes.

Nonetheless, historical record-breaking demand for LBOs are mainly rooted in its superior financial performance. Numerous literature presents evidence on financial outperformance of public markets, providing excess annualized returns of three to four percent (Harris, Jenkinson, & Kaplan, 2014; Phalippou, 2014). Further, Robinson and Sensoy (2016) empirically prove reliance and stability of the asset class, having constantly outperformed public market for over 25 years.

Historical superior returns and rising economic relevance of Private Equity is further underpinned by diverse historical KPIs. According Bain & Company (2024) Private Equity provides steady, high long-term returns with buyouts continuously outperforming public

markets in the U.S.A and Western Europe. As of Q3 2023, Western European buyout funds beat the MSCI Europe annualized 10-year horizon IRR by approximately 8%, reaching an IRR of 15% (*Figure A*). Comparing historical AUM growth of Private Equity and public markets, global net asset value of Private Equity “has grown by a factor of nearly ten since 2000, outpacing growth in public equities market capitalization nearly threefold over the same period” (M. Company, 2021, p. 18). First deviations occurred after the global financial crisis (GFC) in 2009 and accelerated until early 2020s (*Figure B*). Within leveraged buyouts, particularly small cap funds have the highest upside on average (*Figure C*).

The underlying data indicates that LPs learned from their experience of not investing in the asset class following the GFC and missing out on the recovery phase. AUM for Private Equity remain undiminished, even in the wake of Covid-19 as well as recent market turmoil and rising interest rates (*Figure D*).

At this point, the question arises, what future economic role Private Equity, particularly leveraged buyouts will play and, going forward, if the risk appetite of LPs is persistent. Historically, despite criticisms, PE had played a crucial role in revitalizing struggling companies and industries. Specifically, PE's capital and expertise in restructuring could play a crucial role in economic recovery and transformation (G. Brown et al., 2020).

PE investments play a crucial role in providing essential financing and value creation to small and medium-sized enterprises (SMEs), which are the backbone of the DACH region economies. (Crifo & Forget, 2012; Invest Europe, 2023a). Notably, the pandemic in year 2021 proved its resilience and swift adaption strategies/capabilities. Nonetheless, literature also suggests that Private Equity investments impose systematic risks during economic downturns (Bernstein et al., 2018).

The question of whether Private Equity will serve as a pivotal economic will be examined by analyzing current trends in fundraising. This analysis will also consider how both cyclical and organizational factors might challenge the industry.

#### *2.1.5. Private Equity in DACH region*

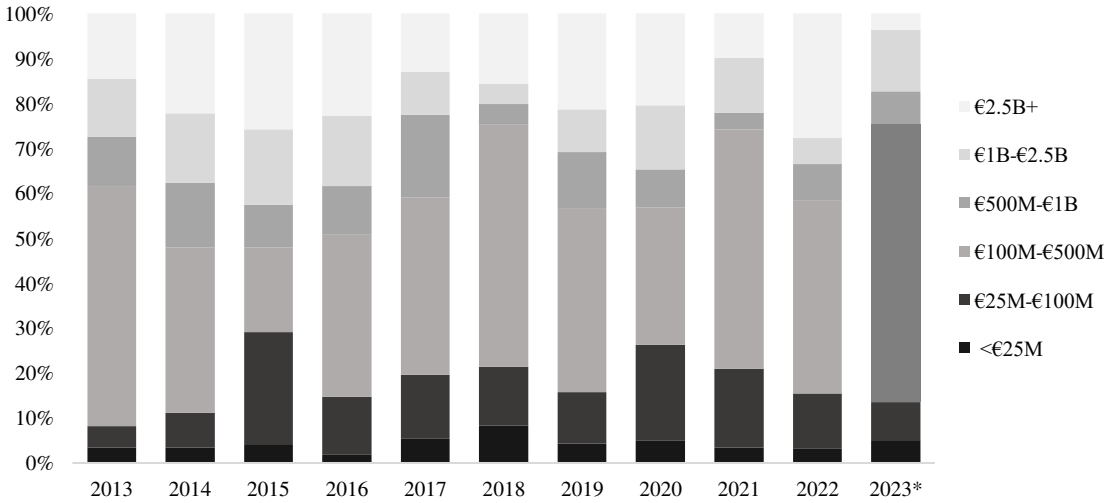
The Private Equity industry in the DACH region has emerged as a significant player of the broader European PE landscape. The past decade was shaped by substantial growth in the region's PE activities, supported by a growing economy, cheap cost of debt and a highly fragmented market of SMEs, offering substantial investment opportunities to investors.

Its landscape has evolved remarkably and but is now undergoing a decline. The early 2000s marked the beginning of a sustained increase in PE deal activity, reaching a peak in 2021

with record-high transaction volumes, reaching 635 total deals. Economic reforms, as well as a more favorable regulatory environment have fueled its growth. However, the trend experienced a notable reversal in 2022, experiencing a decline in deal count of 23% in 2022 and in 2023 respectively (Figure E). This inflection point is primarily driven by macroeconomic challenges, including rising interest rates and inflationary pressures. Despite this downturn, the overall trajectory of private equity activity in the region has remained positive over the long term. (Roland Berger, 2024).

As of 2023, the DACH region's Private Equity industry is recognized as the second largest in Europe, with a total of 379 completed transactions. This market is supported by over 400 active Private Equity fund managers, indicating a significant concentration of investment activity within the region. A large pool of small and medium-sized enterprises (SMEs) in niche industries serve as target investments for PE investments, continuously attracting PE capital (Roland Berger, 2024). The fragmented market is further distinguished by the prevalence of family-owned businesses, that frequently seek private equity financing for purposes such as growth, succession planning, or international expansion (Scheuplein, 2021).

Figure 3 illustrates that main deal activity in the DACH region has historically occurred in small cap to lower-mid cap sizes, illustrating the demand for SME. Further, PE funds are moving from risky megadeals towards smaller bolt-on acquisitions (Rajan & Moura, 2023).



**Figure 3.** Share of PE deal value by size bucket in DACH region in 2023  
 Source: (Rajan & Moura, 2023)

The LP landscape in the DACH region encompasses a diverse array of institutional investors, family offices, and banks. Majority of LPs in German PE funds are institutional investors, including pension funds, insurance companies, and sovereign wealth funds. These investors seek to diversify their portfolios through *Strategic Asset Allocation* (“SAA”) and

investing in buyouts among others. Additionally, family offices are paramount due to the prevalence of many family-owned businesses in the DACH region. Compared to institutional LPs, family offices have less regulation.

Despite a short-term economic contraction in 2022 and 2023, deal volumes increased to EUR 100 billion, largely due to large historical dry powder reserves. The DACH region's relatively low PE penetration rate still offers substantial room for growth. A survey from PwC with 250 PE respondents underpinned that Germany will become key focus for PE investments over the next five years (65%) and highlighted general optimism in regards to future deal activities (PwC, 2024).

## **2.2. Private Equity Fundraising**

The following chapter details literature and market reports on Private Equity fundraising and its dynamics in the DACH region.

### *2.2.1. Fundraising Process*

The fundraising process for a PE buyout fund is a thoroughly planned and executed endeavor which generally spans 12 to 24 months, involving various key parties, carefully structured fees, and often strict size caps. Typical Private Equity investors are institutional investors and family offices (Da Rin & Phalippou, 2017). Committed capital is locked in for an average lifespan of 10 years.

GPs start the fundraising process between the third and sixth year of the previous fund's life in order to maintain long-term success and sizable follow-on rounds (Barber & Yasuda, 2017). The fundraising timeframe largely depends on several factors, such as GP's reputation and track record. It begins with a pre-marketing phase for a few months, followed by a formal fundraising phase that takes 6-12 months. The process culminates in the first close, where the fund can begin operations, and subsequently, the final close when no further capital can be accepted. The size of a private equity buyout fund is typically capped based on the GPs capacity to manage the capital effectively and the market opportunity available for deploying it (Cendrowski, Petro, Martin, & Wadecki, 2012; Steven N. Kaplan & Stromberg, 2009).

Standard market KPIs for fundraising development are Assets under Management and dry powder. AUM refer to the total market value of committed capital managed by GPs. It is a suitable indicator of the industry's economic significance. Dry powder describes the amount of committed, yet not deployed capital. High levels of dry powder indicate significant investment potential, however, also considerable pressure to invest and to generate satisfactory returns to investors. In a bearish market, high dry powder levels and declining AUM are an early warning

system for more cautious approaches and expectation of market corrections (Lambert & Scivoletto, 2023).

An important intermediary in the fundraising process are placement agents, facilitating the capital raising PE funds. Leveraging their networks and expertise to connect funds with suitable investors, aligning interest and capital needs.(Phalippou & Gottschalg, 2009).

### *2.2.2. Fundraising Development*

Fundraising in PE has undergone dynamic developments in the past decade. Like historical transaction volumes, fundraising recovered after the GFC in 2008 due to favorable market conditions, as well as a transformation of several firms, such as KKR and Blackstone, into core private markets players, boosting fundraising activities in Europe until the early 2020s (Lynn, 2022).

Since then, European fundraising has steadily increased, peaking in 2022 at over EUR 194.6 billion, with buyouts accounting for 68% (Figure F). In early 2022, the fundraising environment became increasingly uncertain. The Covid-19 aftermath, along with inflation and rising market turmoil has placed significant pressure on the financial performance of PE funds. This led to lower-than-average returns, which, among other factors, contributed to a decline in investor confidence.

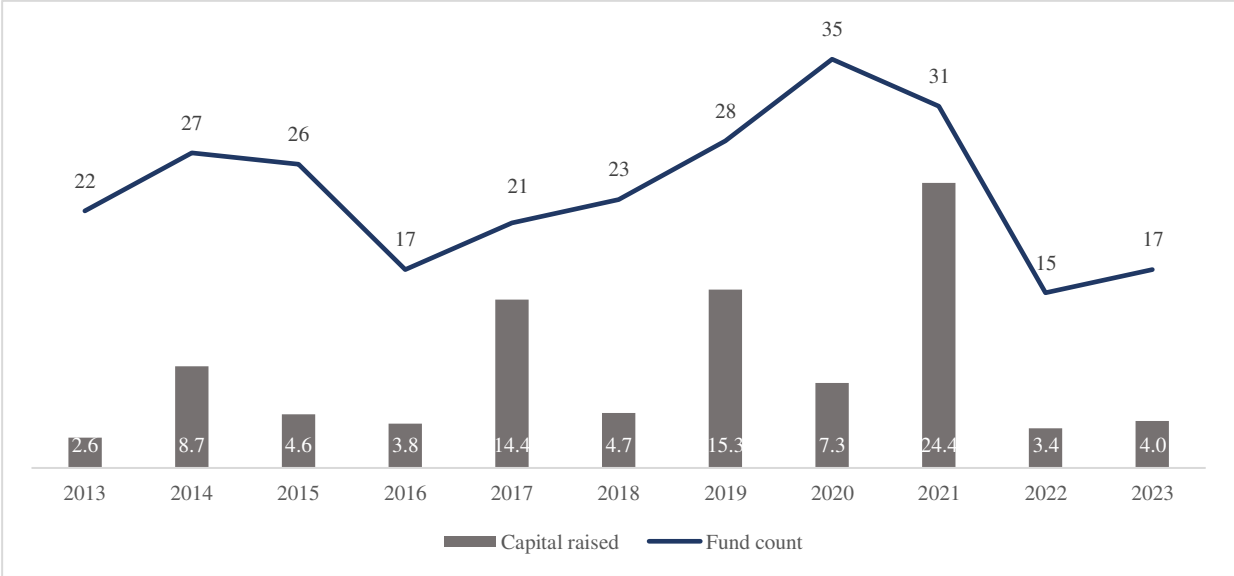
Since 2022, the PE sector has been grappling not only with the pandemic's aftermath but also with rising debt costs and the denominator effect (McKinsey & Company, 2023). Throughout 2023 and early 2024, macroeconomic challenges continued to weigh down on fundraising. While Europe saw a 57% increase in total fundraising, this growth largely stemmed from institutional investors redirecting assets to large, well-established firms. In 2023, 20 funds raised more than half of total capital commitments (*Global Private Equity Report, 2024*). Simultaneously, mid-sized PE funds experienced a notable decline in fundraising. The surge in 2023 fundraising can also be attributed to a rebound from prior years of underfunding (McKinsey & Company, 2024).

### *2.2.2. Fundraising in DACH region*

Fundraising activities in the DACH region have shown considerable variation, largely due to the relatively small number of Private Equity firms in the area. Despite that, 2023 was shaped by an increase in fundraising compared to the previous year, both in terms of total capital raised and the number of funds established (Figure 4).

However, the €4.0 billion raised across 17 funds remains modest, representing only 4.7% of the total capital raised across Europe to date. That year Germany accounted for, 72.7% of the capital raised in DACH. Interestingly, the two largest funds closed this year were in Switzerland, continuing a trend seen in 2022s (Rajan & Moura, 2023).

Additionally, the rise in interest rates has shifted the focus towards buyout funds, as growth and expansion funds face valuation pressures. Macroeconomic challenges, including rising interest rates its delayed denominator effect, have frozen fundraising in the DACH region, with only five new funds raising €2 billion in 2022 (Patel & Moura, 2022)



**Figure 4.** Historical fundraising activity in DACH region (in EUR bn)  
 Source: (Rajan & Moura, 2023)

There is still substantial dry powder, however quickly decreasing due to missing capital allocations (Figure G). As market participants adjust “to the new normal”, there is potential for deal flow to accelerate. Consequently, improving liquidity will positively impact fundraising activities in the DACH region (Roland Berger, 2023).

**2.3. Theoretical Frameworks**

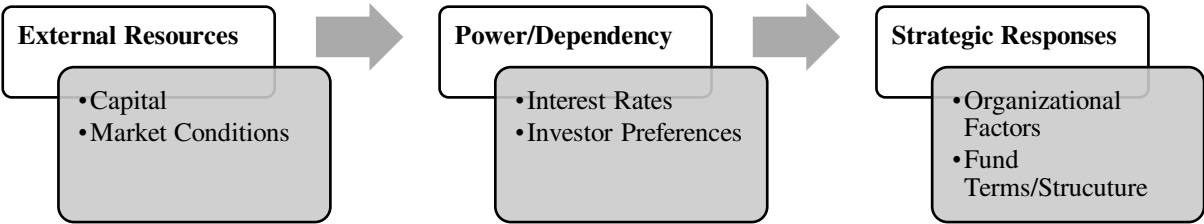
In the study of fundraising drivers for buyout PE managers, multiple theories and academic frameworks offer unique insights into current dynamics. The *Resource Dependency Theory*, *Resource Based View & VRIO*, and *Dynamic Capability Framework* are applied to combine fundraising trends with acknowledged theory.

*2.3.1. Exogenous fundraising drivers*

*Resource Dependency Theory (“RDT”)*

The Resource Dependence Theory combines power imbalance and interdependence in a model developed by Jeffrey Pfeffer and Gerald R. Salancik (1979). It illustrates that organizations are not self-sufficient and rely on external resources that are controlled by other entities. To ensure survival, organizations must manage their dependence on these resources, as “the greater the dependence, the greater the power of the organization controlling the resource” (p. 43). The level of resource dependence is determined by the principle of criticality and principle of scarcity (Biermann & Harsch, 2017). Essentially, power dynamics and external influences become crucial factors in shaping organizational success.

The RDT theory was extended to identify balancing strategies to manage dependencies. These strategies are comprised of i) controlling the source of dependence, ii) stabilizing transactions through coordination, iii) altering the social environment, iv) managing or avoiding the formation of demands, and v) outsourcing (J. Pfeffer & Salancik, 2003). Organizational success is predominantly linked to customer demand, with Resource (Barney, 1991).



**Figure 5.** Resource Dependence Theory applied to Private Equity fundraising  
*Source: author’s work*

Regarding Private Equity, operations are influenced by both supply and demand forces, similar to any other financial market. The supply side is determined by LPs capacity and readiness to commit capital to GPs. Consequently, GPs have a resource dependency on LPs capital commitments. The capital commitments of investors are, in turn, influenced by external factors and shaped by investor preferences (Figure 5). The demand side depends on the availability and quality of companies seeking equity financing (Balboa & Martí, 2003; Kelly, 2012).

A number of scholars studied the influence of external factors on Private Equity fundraising (Gompers & Lerner, 1999; Groh & von Liechtenstein, 2009; Meyer, 2006). External drivers can be categorized into cyclical and structural factors. Structural factors encompass tax regime, investor protection, corporate governance practices, the broader economic as well as entrepreneurial environment (Kelly, 2012). In terms of cyclical factors, macroeconomic trends such as low interest rates and economic growth have historically been favorable to fundraising (Jeng & Wells, 2000; Robinson & Sensoy, 2016).

A crucial external driver of Private Equity fundraising are interest rates. European boom and bust cycles had a negative causality with interest rate changes demonstrating its cycality (Figure H). Among others, low interest rates enable GPs to arbitrage from mispricing in the debt and equity markets, on the portfolio level (Steven N. Kaplan & Stromberg, 2009). On the LP level, rising interest rates increase borrowing costs and reduce investor appetite for the riskier Private Equity asset class, leading to a decrease in capital allocations to Private Equity funds (Metrick & Yasuda, 2010).

### 2.3.2. Endogenous fundraising drivers

The following chapter outlines theoretic concepts on firms' adaption to changing macroeconomic conditions. Findings from previous academic research offer insights into fundraising factors, being subject of further examination in the following sections.

#### *Resource-Based View (RBV)*

The Resource-Based View is a theory of strategic management and was a response to earlier models that primarily focused on external factors, such as the earlier outlined RDT. Conceptualized by Wernerfelt (1984) and formalized by J. Barney (1991), the theory emphasizes on internal resources of a firm as key drivers of sustainable, competitive advantage. "For a resource to hold the potential of sustained competitive advantage, it must be valuable, rare, imperfectly imitable, and non-substitutable" (p. 101). With several examples, Barney proves that various factors, such as technological expertise and intellectual property are difficult to replicate and significantly contribute to the outperformance of competitors. The introduced VRIN model (Table 1), has become an internationally recognized framework, acknowledged and extended by numerous renowned scholars (Grant, 1996; Sirmon, Hitt, Ireland, & Gilbert, 2011; Teece, Pisano, & Shuen, 1997).

In response to critics arguing about the RBV's inward focus and neglection of significant external factors, the resource-based theory was extended into the VRIO framework, adding organization, or "O", as "to fully realize this potential, a firm must also be organized to exploit its resources and capabilities" (Barney, 1995, p. 56). The degree of how internal resources are valuable, rare, inimitable and organized ultimately determines a firm's sustainable competitive advantage.

	Valuable	Rare	Inimitable	Organization	Comment
Resource/Expertise	No	-	-	-	Competitive disadvantage
Resource/Expertise	Yes	No	-	-	Competitive parity
Resource/Expertise	Yes	Yes	No	-	Temporary comp. advantage (CA)
Resource/Expertise	Yes	Yes	Yes	Yes	Sustainable CA

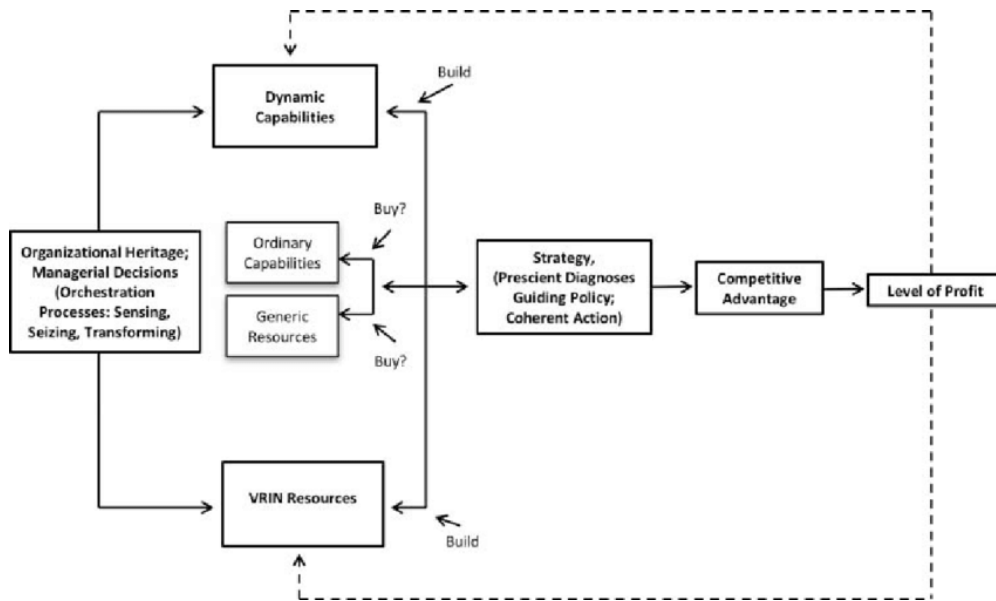
**Table 1.** Illustration VRIO Framework  
*Source: (Barney & Hesterly, 2019)*

As a widely acknowledged concept, Barney’s RBV acts as foundational theory in strategic management. One of many major theory extensions builds the *Dynamic Capabilities Framework*, which was first introduced by Teece et al. (1997).

### *Dynamic Capabilities Framework*

“Dynamic capability is the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments” (Teece et al., 1997, p. 516). The framework builds on the RBV and emphasizes a firm’s flexibility and necessity of continuous adaptation. With this theory, the authors argue that while a firm focuses on static resources, it must also develop dynamic capabilities to sustain a competitive advantage in a rapidly changing and environment. In this context, the firm should actively create, extend or modify its resource base with the support of the company’s core competencies (Helfat et al., 2009). Hereby, Teece (2007) refers to dynamic capabilities being more strategic in nature, opposed to ordinary capabilities with a rather operational focus.

In this context, the theory identified three core processes. They consist of i) sensing opportunities and threats, ii) seizing opportunities, and iii) reconfiguring resources. The overall process of building dynamic capabilities can only be achieved through an “investment in discovery, knowledge generation, and learning” (Teece, 2019, p. 10). The figure below illustrates how internal and external factors intertwine to form the framework and degree of organizational success.



**Figure 6.** Structure of Dynamic Capabilities Framework  
 Source: (Teece, 2019)

In order to meet market demand, firms often need to undergo transformation and develop capabilities that do not currently exist within the organization. The extent to which a firm is distant from the required capability can be assessed using a three-dimensional framework. This framework consists of technical distance, namely the gap between the corporate's existing knowledge and technological offerings. Additionally, it comprises market distance which states how far the target market is from the firm's current market focus, as well as business model distance that addresses the overall structure and alignment of the business model (Figure I).

Based on the assessment of these dimensions, the firm can determine the appropriate strategy for closing the distance. This may involve using open innovation to reduce technical distance, implementing customer-centric approaches to bridge market distance, or even restructuring the entire business model to better align with new market demands and capabilities. This holistic approach ensures that the firm can effectively adapt to external market pressures and innovate accordingly (Teece, 2019).

Both theories emphasize the need for buyout fund managers to continually adapt their strategies and leverage their unique resources in response to changing interest rate environments, therefore, changing availability of capital. GPs with strong dynamic capabilities are may mitigate the negative external influence of rising interest rates by adjusting to operational improvements, changing the investment strategy or offering alternative investment vehicles to LPs, ultimately enhancing competitive advantage in a maturing industry (*Global Private Equity Report, 2024*; Lerner, Mao, Schoar, & Zhang, 2022).

Both theories emphasize the need for PE firms to continually adapt their strategies and leverage their unique resources in response to changing interest rate environments. Firms that demonstrate dynamic capabilities are more likely to succeed in fundraising during periods of economic uncertainty and rising cost of capital. Simultaneously, those firms with valuable, rare, and inimitable resources, as outlined in the RBV, are better positioned to attract capital by offering differentiated value propositions to investors.

#### *Exemplary internal fundraising factors*

Some research exists on internal factors that are critical determinants of a GPs fundraising success. A key driver which has been consistently highlighted is *prior performance* of PE firms. Past fund performance as well as interim fund performance positively affects both the likelihood and volume of successful fundraising efforts (Barber & Yasuda, 2017). This is reinforced by Steven N Kaplan and Schoar (2005), who provide empirical evidence that better prior investment returns increase future fundraising success. Interestingly, they also demonstrate a concave relationship between past returns and subsequent fund volumes, suggesting diminishing returns at higher levels of prior performance.

*Firm size, age, and reputation* also play significant roles in fundraising outcomes. Numerous scholars highlight by Balboa and Martí (2007) highlight that like firm size and membership in professional associations can improve fundraising prospects through reputational gains increased perceived operational stability (Balboa & Martí, 2007; Da Rin & Phalippou, 2017). Furthermore, Gejadze, Giot, and Schwiendbacher (2017) emphasize the importance of Private Equity *fund specialization* in investment stages, geographies, and industries, ultimately contributing to a reduction of fundraising intervals. Within fund specialization, local expertise and geographic focus positively affect Private Equity fundraising activities (Hochberg & Rauh, 2013).

*Fund manager experience* is seen as critical to both investment and fundraising success. This is consistent with multiple studies that show how experienced GPs invest more quickly, enhancing firm productivity. In this context, prior investment experience, and the number of predecessor funds are positively related to follow-on fundraising outcomes (Chung, Sensoy, Stern, & Weisbach, 2012; Strömberg, 2008).

In a study by Loos and Schwetzler (2017), authors applied regression on 1,463 fundraising events and determined that previous transaction with shorter holding periods, as well as *industry-style consistency* positively impacted fundraising follow-on rounds. More

generally, the research emphasizes LPs' preference for *consistent distributions* and a stable investment strategy. Interestingly, the amount of dry powder in the market negatively impacts fundraising volume.

Concluding, prior performance, firm size and age, experience, fund specialization, and reputation, high liquidity, and strategy-consistency are all internal factors that significantly affect PE fundraising efforts. These findings underscore the importance of both track records and strategic positioning in capital-raising success and are key levers in the current PE transformation.

### **2.3.3. Research Gap**

The current macroeconomic headwinds and rising interest rates are reshaping the PE industry by increasing the cost of capital and reducing fundraising activity. Less liquidity in the market force LPs to restrict investments, despite persistent demand. Outlined in previous studies and theoretical frameworks, Private Equity fundraising is affected by cyclical and internal drivers. Little research on the buyout sub-sector, dynamics in the DACH region, as well as changing key factors influencing Private Equity fundraising exists. Among others, the research gap stems from the opaque nature of the asset class, making it challenging to understand the motivations behind investor's decisions and whether their objectives differ across segments of this heterogeneous asset class (Kelly, 2012).

Among others, this study addresses this research gap by examining how organizational factors influence Private Equity fundraising in the buyout sector and by analyzing the current interaction and impact of key factors on fundraising. Further, the thesis explores strategies and dynamic capabilities of fund managers that guarantee a positive fundraising outcome.

## **3. Methodology**

This chapter outlines and provides justification for the methods selected to address the research question. It begins with an outline of the research question and derived hypotheses, followed by the research design rationale. The second part of the section outlines the data collection procedure in greater detail.

### **3.1 Research Focus**

This work aimed to extend past studies on buyout fundraising factors. As outlined before, the thesis examined existing studies and theoretical frameworks on Private Equity fundraising developments and its key drivers. While diverse studies highlight the cyclicity of the Private Equity class, limited studies have focused on shifting key factor importance or new entries.

Therefore, the *Research Question* of the study is as follows:

*“How do key factors interact to influence Private Equity fundraising in the DACH region?”*

In this context, the study aimed to extend existing research on specific dynamics in the Private Equity buyout sector, with a geographic focus on the DACH region. Specifically, it sought to test causality between interest rate changes and buyout fundraising activities. Further, the study examined how organizational factors, such as past performance, fund specialization, and strategy consistency interact with macroeconomic changes like rising interest rates. By addressing these questions, the research provides a clearer understanding of the fundraising landscape in the DACH buyout market, shedding light on how internal drivers and external conditions influence fundraising activities in this under-researched region. Lastly, the thesis contextualized the dynamic capabilities framework to determine how GPs may adapt their strategy and resources to guarantee successful future capital raising.

Based on the formulated research question above, testable hypotheses are outlined in the following. Considering insights from the Literature Review and Theoretical Frameworks, the external factor of interest rate fluctuation was assumed to affect buyout fundraising activity negatively. This assumption was tested with hypothesis H1.

*H1: Rising interest rates are significantly related to negative buyout fundraising activities in the DACH region.*

Further, the importance of key organizational drivers on fundraising activities were examined. Following that the interaction of interest rates and key factors, impacting overall fundraising success were tested. The research assumed a positive mitigating effect of organizational factors on negative external factors.

*H2: The interaction of internal key factors with negative external drivers are significantly related to positive buyout fundraising activities in the DACH region.*

### **3.1 Research Design**

Due to the opaque nature of the industry and little research in the specific industry, the methodological foundation of the study consists of the literature review and semi-structured expert interviews. Applied methodological triangulation combined qualitative insights from diverse experts and secondary data based on prior studies, and reports. Following this approach, are more holistic understanding of underlying phenomena and future implications was gained (Jack & Raturi, 2006; Jick, 1979).

For the semi-structured interviews, an exploratory research design was employed (Figure J). The design was used to uncover the impact of rising interest rates as well as other underlying trends and key factors on buyout fundraising in the DACH region. In comparison to quantitative research designs, qualitative-based semi-structured interviews provide several advantages.

The expertise of seasoned interview professionals can be effectively leveraged through open-ended questions, providing adequate flexibility to adjust both the questions and the structure of the interview. This approach not only helps in addressing the predefined research hypotheses but also facilitates the generation of new hypotheses for future studies and provides valuable insights into a wide range of yet unexplored topics (A. Brown, 2010; Yin, 2009). Another benefit of the flexible research strategy is the production of rich, in-depth data, capturing nuanced details of the interviewees (Creswell & Poth, 2016).

While the qualitative research design offers depth and flexibility, the method also has several drawbacks. Main criticism of the research method consists of the result's subjectivity and potential biases. Interpretations during data collection and evaluation may affect the validity and completeness of the findings. Particularly, follow-up questions are prone to unintentionally steering the participant's answers (Maxwell, 2013). Further significant disadvantages of the research design address challenges in data analysis and the limited scope for hypothesis testing. Lacking clear structure, the identification of patterns in data requires interpretation and may lead to inconsistency. As exploratory research often generates new hypotheses, it may be challenging to test and existing ones (Patton, 2014; Stebbins, 2001). There is no "right" sample size for regression on semi-structured interviews, however, the rather small sample size restricts quantitative analysis and robustness checks. To ensure a structured data pooling and analysis, the approach of Mayring (2014) was applied.

In order to minimize potential biases, the questions were kept open-ended. In adherence to data privacy regulations, all participants provided explicit consent prior to the beginning of the interviews for the audio and video recordings of the sessions. Recordings remain confidential and cannot be accessed by any third party. Additionally, interviewees were given the choice to consent to whether their identities would remain anonymous or be disclosed in the study.

## **3.2. Data Collection**

### *3.2.1. Primary data collection*

Primary data was collected from exploratory, semi-structured interviews. The participants are Private Equity fundraising experts from diverse fields in the DACH region. The respondents' backgrounds encompass diverse roles, seniority levels, geographical coverage and degree of fundraising involvement within the buyout sector. Predetermined samples were strategically targeted to ensure relevance to the research questions and information-rich insights. Predetermined samples were strategically targeted to ensure relevance to the research questions and information-rich insights (Patton, 2014). A total of 84 interview requests were sent, 15 interview experts were available for questioning. The participants included PE fund managers, PE Fund of Funds (FoF) managers, placement advisors, as well as strategy consultants from Germany, Austria, and Switzerland (Table 2).

Out of the 15 interviewees, eight Private Equity fund managers provided fundraising insights for the DACH region. The respondents represented the small- and mid-cap buyout market, reflecting significant private equity activities in regions with a high concentration of SMEs. Further, three placement advisors as well as three PE Fund of Funds managers in the DACH region were chosen to provide additional invaluable, multidimensional perspectives of the private equity fundraising process, revealing key success factors and investor preferences. A detailed expert overview and the interview guide questions can be found under *Appendix B*.

Main criteria in the sampling strategy were to have expert interviews representing the industry-agnostic, small-and mid-buyout market in the DACH region. Participants should ideally possess substantial years of professional experience and demonstrate active involvement in IR. Additionally, the headquarters of the funds should be located within the DACH region, or raised funds should specifically target the DACH region or be raised in a decentralized manner within the area.

	Industry	# Participants	Industry Share	Av. Industry experience
<b>Experts</b>	PE Fund	8	53%	11.5 years
	PE FoF	3	20%	11.7 years
	Placement	3	20%	8.7 years
	Advisory			
	Consulting	1	7%	18 years
<b>Total/ Average</b>		<b>15</b>	<b>100%</b>	<b>12.5 years</b>

**Table 2:** Industry and experience overview interview experts

Interviewed participants were identified and approached through i) personal networks, ii) past internships, iii) LinkedIn, and iv) email. All interviews were conducted virtually with the

support of Microsoft Teams, Zoom, and Google Meet, and were recorded after verbal consent for transcription and coding purposes. Prior to the interview, a questionnaire was shared upon request. Interviews averaged at 45 minutes, following the questionnaire while allowing flexibility to explore additional perspectives and unaddressed details.

In terms of data collection, participants were identified and approached through i) personal network and past internships, ii) LinkedIn, and iii) email. All interviews were virtually conducted and recorded, using Microsoft Teams, Zoom, and Google Meet. Upon request, a questionnaire was sent to participants prior to the meeting. After oral formal consent for audio recording, the interviews for following transcription and coding processes. While largely following the questionnaire, questions were adjusted to accumulate different views and details on information priorly not emphasized.

The interview guide was structured around the research question and its corresponding hypotheses, leveraging open-ended questions to facilitate comprehensive responses. Broadly, the interview questions were categorized into three main topics. After an initial discussion of the interviewee's role in PE fundraising, the guide explored the following areas: i) fundraising development, ii) internal fundraising factors, and iii) buyout fundraising strategies. A detailed interview guide can be found under *Appendix C*.

### *3.2.2. Secondary data collection*

The findings from the semi-structured interviews were incorporated in the comprehensive review of secondary data, consisting of top-class academic literature and market reports from credible firms and institutions. The academic sources utilized for this research predominantly comprised grade-A sources, with key contributions from prestigious journals such as the *Journal of Finance*, *Review of Financial Studies*, and *Review of Financial Economics*. In total, 27 Grade-A academic sources were referenced to support the study's theoretical foundations.

Complementing academic literature, the analysis also incorporated a significant number of reports from internationally renowned consulting firms, institutions, and financial data providers. Notable sources included Bain & Company, McKinsey & Company, PwC, Invest Europe, and PitchBook. A total of 21 reports were reviewed and integrated into the literature review, providing critical insights and market data to complement the academic findings.

## 4. Analysis & Discussion

In this chapter, the findings from interviews with 15 industry experts are presented and analyzed. Following Mayring (2014) structured approach to qualitative content analysis, the interviews were transcribed and subject to detailed analysis. Foundation of the analysis was the thorough preparation of transcribed data. To ensure a comprehensive examination, a combination of open coding and thematic analysis was employed.

Initially, line-by-line coding was applied to systematically break down and label the data. Guided by the Braun and Clarke (2006) framework, inductive coding was then undertaken, starting with familiarization that involved reading and re-reading the transcripts to develop a deep understanding of the material. In a second step, initial codes were generated by identifying significant features in the data. These codes were subsequently grouped into potential themes, which were then refined and structured during the review phase. Further, themes were elaborated and given descriptive names to accurately capture the key findings. The analysis was then written up, with illustrative data extracts provided for each theme.

In total, 484 initial codes were derived from the interviews, which were grouped into 26 second-order themes and eight overarching dimensions. From these dimensions, four main categories emerged for detailed, subsequent analysis: i) the influence of external factors on buyout activities, ii) key organizational factors and factor shifts, iii) the interaction of factors in fundraising, and iv) areas of dynamic capabilities aimed at addressing shortcomings in key fundraising success factors.

Results of the coding process are visually presented and discussed using a triangulation approach. Consequently, this chapter extends existing academic literature in the field of Private Equity fundraising and answers the research question of the study:

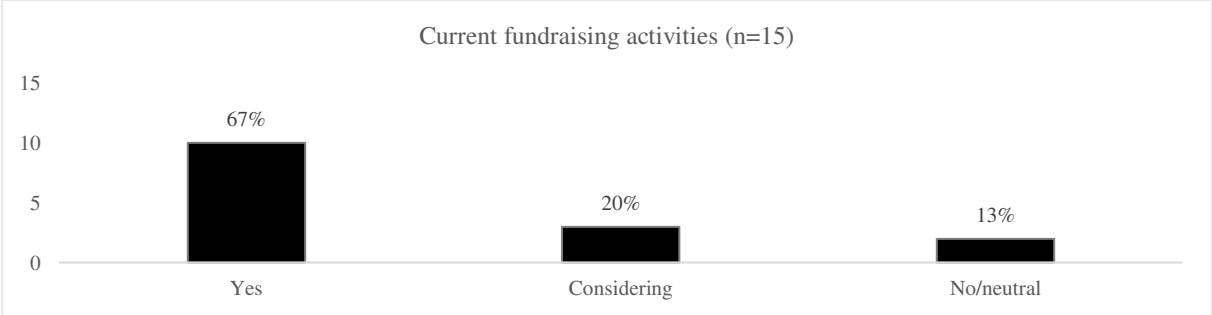
*“How do key factors interact to influence Private Equity fundraising in the DACH region?”*

Nonetheless, the presented results are restricted to fundraising activities of buyout managers in the DACH region. They mainly address fundraising activities of small- and mid-cap buyout fund managers (fund size up to EUR 1bn).

### 4.1. External fundraising drivers

This chapter sheds light on the overall fundraising activities and sentiment in the DACH region and thereafter examines the influence of macroeconomic drivers on fundraising, particularly the influence of rising interest rates. Accordingly, this chapter answers the first hypothesis, namely, *H1: Rising interest rates are significantly related to negative buyout fundraising activities in the DACH region.*

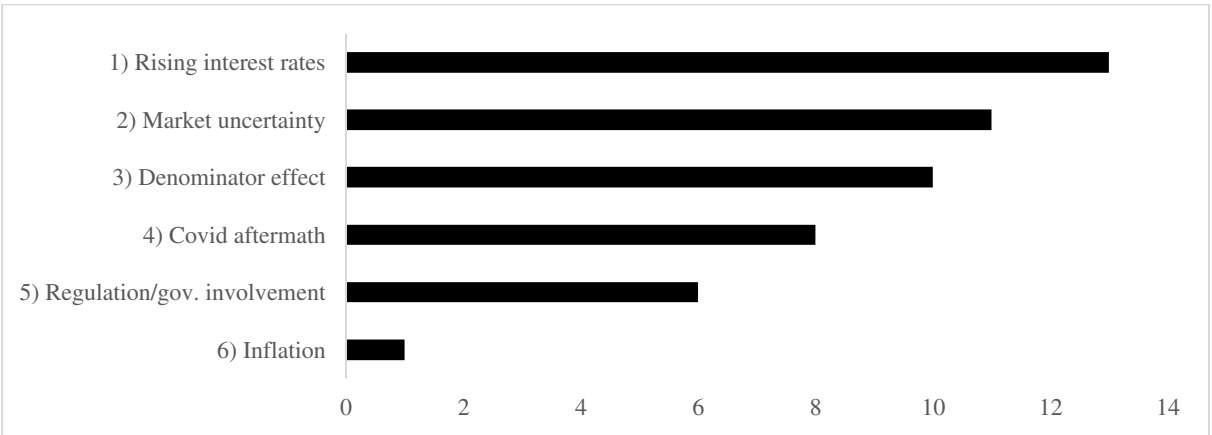
To initially understand the industry experts' current buyout fundraising activities or support in the DACH region, (regarding placement agents), the participants took stance on current internal fundraising activities. All 15 participants have active involvement or touchpoints with IR-related activities.



**Figure 7.** Participants' active involvement in fundraising processes

Surprisingly, despite a historic European fundraising low, 67% of participants (n = 10) are currently raising funds or supporting funds in the fundraising process. 20% of the interview experts (n = 3) are seriously considering picking up fundraising activities or prepare for fundraising. 13% of respondents do not participate in fundraising activities or preferred not to comment. Despite diverse tailwinds, it seems like fundraising activities in the DACH region have not ceased, indicating continuous LP demand.

Both, relevant literature as well as numerous reports highlight the influence of diverse factors on Private Equity fundraising. Kelly (2012) hereby distinguishes between cyclical and structural external factors, affecting leveraged buyout fundraising activities. A frequency analysis was applied to identify key exogenous factors (**Figure 8**).

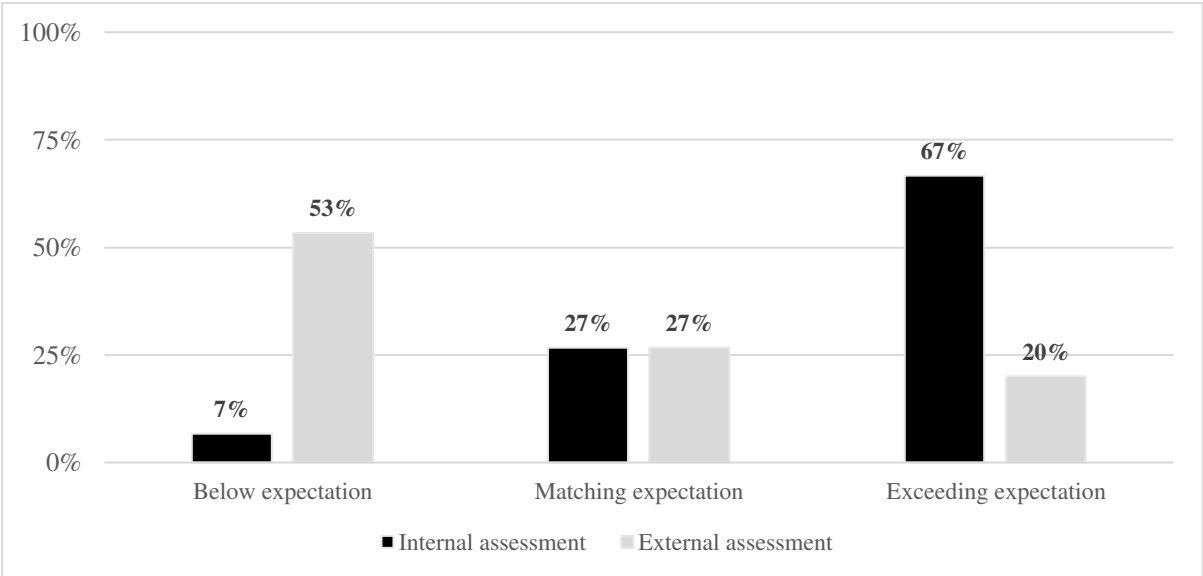


**Figure 8.** Frequency of mentioned external factors driving current fundraising

The illustrated data reveals a strong consensus among participants, with rising interest rates identified as the most significant factor influencing buyout fundraising in the DACH region (n = 13). This factor is followed by market uncertainty (n = 11) and the denominator effect (n =

10). Additional factors affecting fundraising consist of the Covid-19 aftermath, as well as increasing regulation. Surprisingly, inflation was rarely mentioned, but may have been implicitly included in other factors, such as market uncertainty. The findings are supported by existing literature on the influence of external drivers on PE, as well as the *Resource Dependency Theory* discussed earlier (Chapter 2.3.1).

With rising interest rates identified as a core external driver, a more detailed analysis is conducted on this factor. Due to its assumed cyclical nature, as noted by scholars (Steven N. Kaplan & Stromberg, 2009), the study's first hypothesis is formulated, stating that rising interest rates are significantly correlated with a decline in buyout fundraising activities in the DACH region. Previous analyzed data indicates that despite the elevated interest rates, fundraising efforts continue in the DACH region. Based on this, an evaluation of fundraising success is carried out, and compared against participants' overall perception of DACH fundraising.



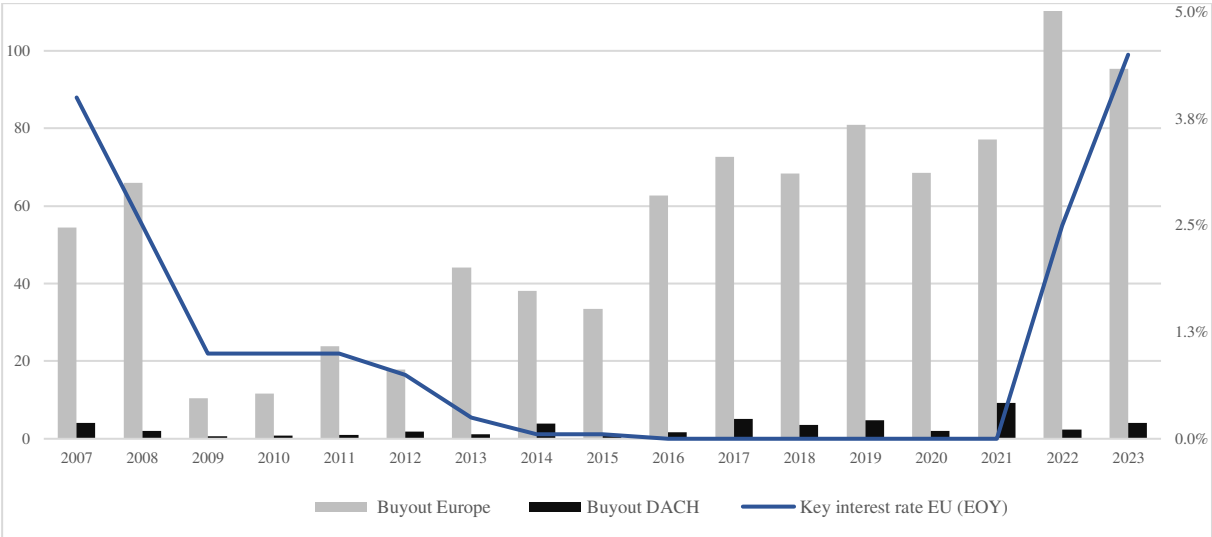
**Figure 9.** Relative comparison of organizational and overall market fundraising success

The displayed figure presents an assessment of participant's (n = 14) own fundraising efforts, compared to their overall perceptions of fundraising dynamics in the DACH region. The fundraising success or expectations were measured based on the achievement of predetermined fund sizes. Fund oversubscriptions are hereby reflected as exceeding expectations.

According to Figure 10, fundraising efforts of interviewees are quite successful, with 67% of participants being oversubscribed or expect to exceed initial target caps. A quarter of surveyed participants are meeting targets and less than 10% do not meet initial expectations. Compared to respondent's DACH region's assessment, it is quite the contrary. While 67%

exceeded own fundraising targets, the 53% of respondents had a rather cautious perception on the DACH region market.

The results suggest that rising interest rates negatively impact fundraising development, this effect is however mitigated, as surveyed participants are performing significantly better than the current market average.



**Figure 10.** Comparison historical fundraising and interest rate changes (in EUR bn and %)

An analysis of capital raised in Europe and the DACH region, in relation to historical interest rates, shows a historically negative correlation between fundraising activities and rising interest rates. In Europe, fundraising declined following its peak in 2022. Nonetheless, in the DACH region, fundraising rebounded after a recovery phase. Experts characterize the current dynamics as follows:

10 interviewees particularly stressed the significant *impact of rising interest rates* across the whole industry, with immediate and mediate effects on the Private Equity asset class. According to one participant, fundraising has significantly worsened over the past 24 months, primarily driven by rapid interest rate jumps. Private Equity fundraising and operations have been marked by an unprecedented steep increase in interest rates. The increase in the cost of capital has reduced financial performance for Private Equity portfolio companies. Bad operational performance, paired with previous overvaluations of investments, deal activity, particularly exit-making diminished. Missing distributions to LPs slow down capital allocations. According to another interviewee, inflation as well as market uncertainty further ignite the liquidity issue. In addition to the key concern of liquidity, LPs are further faced with the burden of portfolio over-allocation.

*“The rise of interest rates significantly impacted the valuations of bond portfolios leading to an asset overallocation in private markets, also referred to as the denominator effect. Large institutional investors are now facing the need to rebalance their allocations due to significant changes in interest rates, macroeconomic uncertainty, and related collateral effects.”*

The denominator effect occurs due to strategic asset allocation constraints, with regulatory and organizational requirements to not exceed capital allocations in certain asset classes, considering a well-balanced portfolio balance.

9 experts mentioned the rising *demand among LPs for large-cap funds* driven by the desire to minimize asset portfolio complexity and to have more long-term stability.

Scholars found that larger funds provide return with a narrower range of performances, considered safer investments. This trend was ongoing before 2021, and now it is exacerbated by increasing market uncertainty.

*“The trend of flight to quality, which had been growing over the past five years, became more present, with investors increasingly favoring established and high-quality firms.”*

An expert states that over half of the available capital currently flows to megafunds. This again raises competition of smaller, less established funds over the remaining 50% of total capital allocations. In addition to decreasing portfolio complexity and stable returns, large cap funds also provide a significant safeguard for reputational LPs' career risk, by sticking with well-known managers with core relationships, as underlined by three experts. Given the investor motivations above, *flight to stability* would better describe the phenomenon, as small-cap firms often exceed average returns of large cap funds and have a high level of professionalization.

Particularly affected by the flight to quality are European mid-cap buyout managers due to a *lack of sector specialization and local expertise*, often contributing to ineffective capital deployment., ultimately creating *internal conflicts* between offices. An expert adds that mid-market funds often fail to provide distinct advantages to LPs. Small and lower-mid cap players, on the other hand, remain in demand due to higher return upside, if carefully selected. An expert that recently raised both, a growth fund and a mid-cap fund observed that the growth fund had strong demand, while fundraising efforts for the mid-cap fund were more complex, underlining the sentiment *“small is beautiful.”*

To further understand the uneven capital distribution in the DACH region, one must distinct between established funds with a long track record and emerging fund managers, also called first-time funds/first-timers.

*“Emerging managers, or relatively new funds, face increased fundraising pressure because they often lack a strong track record or significant realizations, which results in fewer distributions to demonstrate their success.”*

Since 2022, very few emerging managers successfully closed funds, as most LPs currently focus on past performance and management track record. This intense competition makes securing capital difficult for newer funds. Additionally, first-timers often have a less professional LP base due to their size and rely on many small tickets. Nonetheless, an expert points out that first-timers are still realistic, if a spinout of a larger, established fund and a strong network. Despite the challenges, there is potential for improvement if market conditions stabilize. Raising a new fund with available capital in 2024 may offer opportunity, as the ability to deploy capital in a cautious market with few available capital provides plenty investment options, possibly even at a discount.

Three experts also argued that during the global financial crisis, many LPs paused PE investments (both reups and new investments), a mistake in retro perspective as PE vintages showcased superior returns. Having learned from that mistake, LPs only partly decrease capital allocations, sticking just to reups.

Concluding, the first hypothesis stands true, namely that interest rates negatively affect fundraising activities. An expert further confirms the RDT in this context, stating that “LPs now have more leverage, as the fundraising dynamics have shifted in their favor”. Nonetheless, the effect is mitigated by diverse other factors mentioned above. In addition, internal factors may also interact with negative effects of interest rate increases, potentially leading to successful fundraising activities.

#### **4.1. Internal fundraising drivers**

Internal factors were determined in an effort to deduce the key organizational levers, influencing buyout fundraising in the DACH region.

To identify key organizational factors impacting buyout fundraising in the DACH region, thematic analysis was conducted. Line-by-line codes were the foundation of a keyword analysis, that identified trigger words and phrases. Trigger words were then pooled under a respective main category of organizational factors (Table 3).

After the analysis of identified main categories, a frequency analysis was performed for historical internal fundraising factors and current fundraising factors, examining a potential shift in respective weighting.

<b>Coded Category</b>	<b>Trigger Key Words &amp; Phrases</b>
1. Performance and Reputation	Anchor investors, brand, reputation, premium LP, returns, track record, financial performance, consistent performance, publicity
2. Network and Relationships	Contacts, relationships, friends, interested parties, LP strategy confidence, conferences, existing LPs, events
3. Experience	Fund age, manager age, amount previous funds, previous fundraising, (sector) expertise
4. Investment Strategy & Sourcing	Deal sourcing, pipeline, investment management, operational excellence, clear strategy, solid strategy, niche funds, impact funds, democratization, secondaries, diversification, focus
5. Stability	Strategy stability, team stability, fund size, risk management, consistent returns, fluctuation, succession, generation change
6. Process Efficiency	Transparency, open communication, proactiveness, process efficiency, streamlining, fast deployment
7. Value Creation	Crisis management, leverage, organizational excellence, organic growth, sector expertise, niche, management capabilities, multiple expansion/arbitrage, expansion
8. Liquidity	Deal making, exits, investments, distributions, capital deployment, capital call, exit strategy, capital allocation

**Table 3.** Code categories and trigger words

### 1. Performance and Reputation

There is unanimous consent among the experts that Private Equity fundraising still revolves around key factors, such as a strong track record, and consistent financial performance. In regard to the DACH region, performance remains crucial, however its significance varies based on the respective circumstances. Poor performance quickly becomes a major issue, while strong, consistent strategies, and trust in the team can make performance secondary.

One expert recalled that particularly family offices and entrepreneurs are very understanding of weaker performance due to similar impact of macroeconomic shocks and rising interest rates on their businesses. They rather value strong relationships and stable, long-term returns. Four experts emphasized that first-time fund managers must especially showcase strong financial performance and establish a track record in order to remain competitive. With limited historic performance indicators and recent LP partnerships, this challenge is even more pronounced.

## 2. Network and Relationships

One expert emphasized that mainly track record and network are key success factors in PE fundraising. He stresses, that for responsibility and accountability reasons, senior managers are responsible for fundraising. A strong track record hereby closes deals of doors, already opened though a great network. In this context, he stated that “after all, Private Equity is a people business”. Most importantly, in periods of market stress, proactive communication is paramount. Many experts agreed and added that fundraising is “a game of large numbers” and current dynamics make it imperative to “cast the net wider”. This is especially crucial for the DACH region, which is characterized by a local, fragmented LP base.

## 3. Experience

The majority of the participants agreed upon the fact that experience is considered an important factor for fundraising success. In such a case, the managers who already have substantial experience likely possess capabilities related to dealing with dynamic market environments. They adapt strategies and resources in an efficient manner according to the changes taking place. Past crises such as, the GFC, and the COVID-19 pandemic have naturally provided managers with a steep learning curve, which equipped them with a wholesome toolkit for managing uncertainty. One expert reflects on having misjudged the aftermath of the GFC, pointing out that the mistake was one of over-reducing the amount of capital deployed at the time, since those vintages ultimately proved to be very profitable.

## 4. Investment Strategy and Deal Sourcing

Private Equity fundraising success relies on a clear and consistent investment strategy, encompassing sector focus, geographic scope, ticket sizes, and value creation approaches. Despite general fundraising challenges, funds that demonstrate a strong, and clear investment strategy continue to attract capital and foster LP confidence. More than 75% of experts stated that LPs currently have a special appetite for impact investment strategies as well as ESG. In this context, one expert highlighted that the primary LP focus of ESG lies on environmental factors, with other aspects being secondary. Another expert explained that the growing demand for niche impact funds can be attributed to the following reasons:

*“Especially the impact vertical is maturing. Newer funds are now showing performance, which could influence future allocations because track record can be statistically proven to investors.”*

Successful deal sourcing is closely tied to this strategy, as LPs seek funds with a well-defined and stable approach. Rapid changes to investment strategies can undermine investor trust, making it crucial for managers to maintain a clear, consistent strategy while effectively sourcing deals. Further, PE managers are required to show a consistent and diverse deal origination pipeline, which is supported by a robust network and ongoing market screenings. As the industry is maturing and deal activity is low, this factor gains importance.

## 5. Stability

Macroeconomic factors have significantly impacted the fundraising landscape, resulting in a state of shock among investors and the need for stability. Many experts mentioned a “flight to quality” in this context, namely LP turning towards less risky, renowned large cap institutions.

Besides, investors seek a consistent, long-term investment strategy and team stability, which are crucial factors for successful fundraising. Six experts emphasized the critical importance of GPs addressing succession planning. In this context, two participants highlighted it as a significant factor in recent fundraising efforts. One expert summarizes this as follows:

*“The industry faces succession issues, with many funds struggling with leadership transitions due to long-term partners who have not prepared for succession. This leads to increased turnover and instability as well as future risk of losing valuable knowhow.”*

Frequent team changes may undermine LPs confidence, making team stability and a smooth generational transition within investment teams essential for fundraising success. Particularly for German investors, return and investment stability are paramount.

## 6. Process Efficiency

Experts from all questioned industry verticals observed that efficiency in the transaction process has gained significant importance. Mainly, investors focus on the thoroughness of due diligence, which now includes value creation strategies and exit preparations. Further, they value fast and efficient Investment Committee (IC) decisions to secure deal-making in a very competitive market.

## 7. Value Creation

There is unanimous agreement of experts that in the current environment, PE managers must showcase operational excellence and clearly communicate their value creation strategies. With interest no longer the main value creation driver in the industry, the focus shifted towards operational efficiency, as financial engineering upside has diminished. To quote one expert:

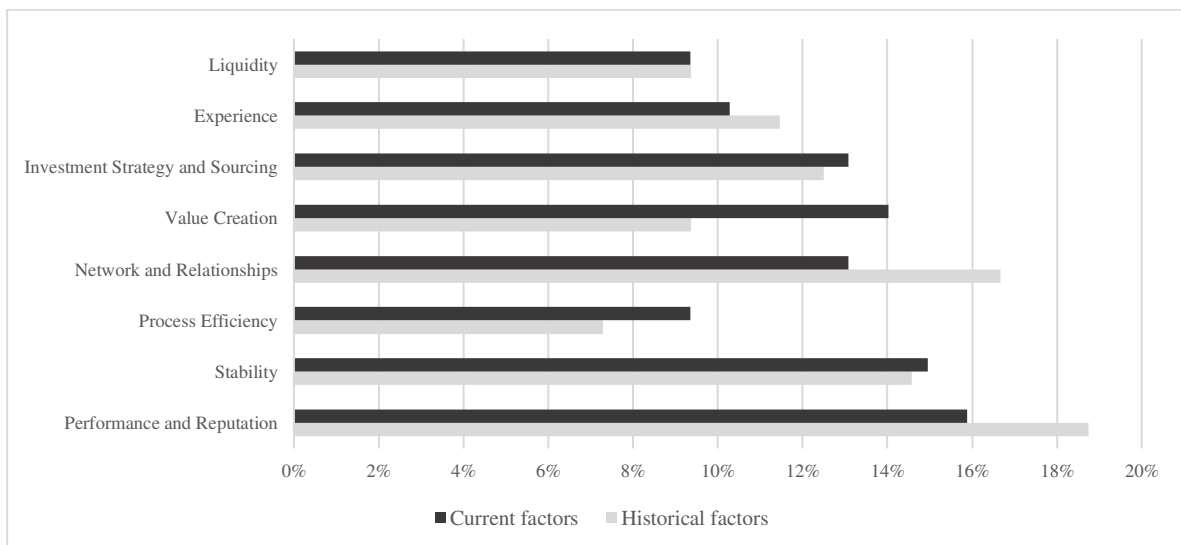
*“Operational excellence and disciplined processes are crucial in fundraising, especially in demonstrating value creation and improvement within companies in the DACH region.”*

This value driver is very hands-on and requires substantial expertise. LPs assess how funds manage these investments and how value is created, evaluating both investment management and overall strategy. As one expert said, the current crisis management demonstrates true value creation skills and sets successful and unsuccessful managers apart.

Rising interest rates have impacted asset portfolios, making consistent, risk-adjusted returns essential. Managers in the DACH region are advised to focus on stabilizing portfolios and consider delaying new fundraising efforts. There is increasing interest in value-focused strategies with a strong operational emphasis.

## 8. Liquidity

As discussed in section 4.1., market uncertainty and rising interest rates led to the denominator affect, significantly restricting LPs liquidity, necessary for future fundraising activities. An expert hereby notes that PE managers are extending the timelines for exits in hopes of future valuation increases. However, this results in lower returns to investors, reducing their ability to reinvest, ultimately causing a self-fulfilling prophecy of reduced capital availability. The current fundraising issues are largely due to liquidity constraints, which limit capital returns and distributions. Consequently, experts have noticed an increase focus of distribution metrics, such as DPI, neglecting traditional IRR MoM performance indicators. Further, many expert observed a rise of Continuation Vehicles, enabling PE managers to rollover funds and providing LPs urgently needed capital.



**Figure 11.** Relative frequency analysis internal success factors

Considering the valuable expert insights above, the visual provides a clear depiction of the shifting internal factors influencing PE fundraising. The figure reveals several crucial insights. Especially, given that most experts experienced considerable success in their recent fundraising activities, the figure corroborates how the strategic reallocation of internal resources and capabilities has had a mitigating effect on the challenges posed by rising interest rates, and even exceeded fundraising expectations.

Historically, key factors such as track record, financial performance, and a network have been crucial in securing successful funds. However, the figure shows a significant shift in these drivers. While performance remains a critical factor, its importance has decreased, as one expert observed:

*“Track record is a measure of past success. A historical favorable environment largely contributed to the success of the industry and initiated the golden age of Private Equity. Now, fund managers really have to prove themselves and must demonstrate resilience.”*

This finding is in tune with the heightened value creation and operational excellence focus. Experts already witnessed examples of some German PE funds that were not able to demonstrate operational excellence and also lacked in a clear, sustainable investment strategy. Surprisingly, experience and liquidity appear as less critical. A potential reason for this phenomenon may be that the interviewed expert already had prior fundraising successes and a significant track record. Therefore, liquidity a merely assumed quality. In current times, other factors such as operational efficiency and strategic clarity have become more important.

Further, LPs are increasingly looking for specialized funds. Although specialization is not strictly limited to sector expertise, 11 experts argued that particularly sector specialization and subsector expertise will become paramount for PE operations and consequently fundraising over the next decade. However, one expert offered a contrasting view, asserting that there is still significant opportunity in the DACH region for generalist funds, which will continue to play an important role. He added that sector specialization could limit deal-making opportunities, potentially causing funds to miss out on valuable investments outside target sectors.

Applying the findings to existing literature and managerial frameworks, one can observe that in the context of Private Equity fundraising, Barney's (1991) *Resource Based Theory* stands true. The above set of valuable, rare resources and capabilities are determine a company's success and sustainable competitive advantage. Additionally, fund managers were able to

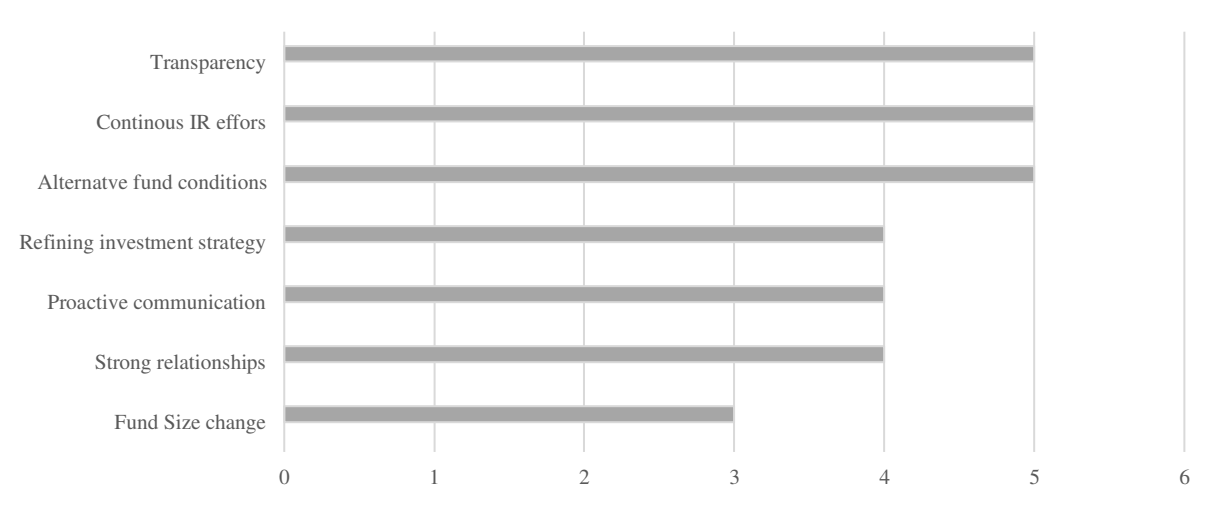
swiftly shift their focus on internal fundraising factors, in order to meet changing market dynamics. The insights provide a first assessment of the second hypothesis of the study.

*H2: The interaction of internal key factors with negative external drivers are significantly related to positive buyout fundraising activities in the DACH region*

Generally, interest rates were proven to negatively affect Private Equity fundraising in the DACH region for buyouts. This study identified and pooled key organizational indicators, which have historically been paramount in successful fundraising activities. Notably, among the largely successful fundraising experts, a shift in significance of key factors were observed. In accordance with previous market insights (Bain & Company, 2023), PE fund managers currently work stronger on value creation activities, general stability (team and strategy) as well as on distinct investment strategies, and building sub-sector expertise. As surveyed GPs were significantly outperforming the DACH market fundraising average, putting stronger emphasis on mentioned factors result in positive fundraising dynamics. Concluding, despite a small sample size, there is considerable evidence for a significant positive impact of internal factors on fundraising, even outweighing external influence.

**4.1. Fundraising strategies**

The interviewees demonstrated the advantage of dynamic capability and resource adjustments. Taking this into account, a frequency analysis was performed on experts best practices and fundraising suggestions. The following table outlines most frequent recommendations of the industry experts.



**Figure 12.** Expert best practices

According to the frequency figure, transparency, continuous IR efforts, as well as alternative fund conditions are proposed as top strategies to increase fundraising success. In terms of transparency, the interviewees noted that GPs have the responsibility to be as transparent as possible, in particular when providing interim performance reports or in times of crisis management. One expert stated that everything one hides, comes out eventually and will significantly hurt the firm's reputation and future fundraising activities.

Continuous IR efforts are necessary to increase chances of reups of current investors. As one expert said, investors have learned from mistakes during the GFC to keep investing, however, mostly in already known and already invested Private Equity funds. Continuous exchanges and early anticipation of LPs' demands likely provide an early advantage.

If fundraising is not going as anticipated, most experts suggested to move from typical fund structures towards deal-by-deal structures. Although, not as attractive as conventional vehicles, an expert highlighted the chance of proving oneself on the market and then engaging in regular fundraising, once track record is restored and fundraising dynamics are more favorable.

In addition to the mentioned recommendations and depicted strategies on the frequency figure, experts unanimously agree upon the fact that a high initial reup rate, hence, a strong first closing are paramount in current fundraising environment. Not only does it underline the confidence of invested LPs in the strategy, it also is a great lever to attract additional investors.

## **5. Conclusion**

This study investigates the key factors in Private Equity and their interactions, driving successful Private Equity fundraising in the DACH region. This section summarizes the main results of the thesis and outlines its theoretical and practical implications. The findings are analyzed in relation to existing literature, highlighting the study's novel contributions. The discussion is structured around external and internal key fundraising factors, its interactions, as well as earlier identified organizational levers for successful fundraising. Following this, the study's limitations and opportunities for future research are discussed.

### **5.1. Main Findings**

The overall aim of this study was to shed more light on current Private Equity fundraising dynamics in the DACH region and to demonstrate how key factors interact to determine fundraising success. Consequently, two hypotheses emerged from the *Research Question*. Applying a triangulation, 15 interviews were conducted with leading experts, currently being

involved in fundraising-related activities. The expert interviews, building the foundation of the qualitative research approach, provided the following answers to the hypotheses.

*1. H1: Rising interest rates are significantly related to negative buyout fundraising activities in the DACH region.*

In light of the Resource Dependence Theory, the conducted interviews assessed the current degree of fundraising success among participants, while also identifying and examining the influence of external factors. The findings indicate that overall fundraising efforts, despite market turmoil, were notably successful. External drivers influencing these activities were identified to be both, cyclical and structural. Key factors impacting fundraising success comprise rising interest rates, market uncertainty, the denominator effect, and increasing regulation. Notably, all participants (100%) emphasized that fluctuations in interest rates have had the most significant and immediate effect on fundraising dynamics with additional medium-term implications.

First and foremost, higher interest rates have significantly increased the cost of debt, resulting into weaker performance across Private Equity portfolio companies. Aside from diminishing returns, higher interest rates took a toll on M&A activity. As a result, deploying investor capital that has been committed (dry powder) and making distributions from exits of companies have constituted the biggest challenges Private Equity managers have faced. From the supply side, there has been over-allocation to the Private Equity class in response to the rising interest rates, which decreased the value of public assets in portfolios, courtesy of the so-called denominator effect.

Consequently, there is a negative causality observable between interest rates and Private Equity fundraising activities. Nonetheless, interview results indicated that participants exceeded their fund volume targets, raising questions for the underlying reasons. Historical data of fundraising volumes and interest rates illustrated that fundraising in the DACH region increased, despite interest rate hikes.

*2. H2: The interaction of internal key factors with negative external drivers are significantly related to positive buyout fundraising activities in the DACH region.*

Based on the implication of the answer to the first hypothesis, exploratory interviews were conducted to determine key organizational fundraising factors. Historically, financial performance, reputation, value creation, and a clear investment strategy were paramount to

attract capital. Caused by changing market dynamics, The Private Equity industry underwent a transformation, where successful Private Equity managers were required to configure their capabilities in accordance with investors' demand and changing requirements to operate.

Successful Private Equity managers transformed by reinforcing their focus on strategy and team stability, operational value creation, and a clear investment strategy, meeting LPs changing demands. While “flat is the new normal”, the study showcased that successful fundraising is still possible, with many participants being oversubscribed. In addition to a shift of internal capability/resource focus, experts also proposed necessary strategy changes for future successful fundraising. In this context, a sector specialization is currently ranked top priority for fund managers.

#### *5.1.1 Theoretical Implications*

These results contribute valuably to the theoretical understanding of PE fundraising, in particular in the DACH region and enrich the literature on *resource dependence, capital allocation, and organizational strategy*. Theoretical implications allow for a discussion through the lenses of RDT and DCT, respectively, and provide new insights on how PE firms overcome both exogenous and endogenous challenges to realize successful fundraising outcomes.

The findings support the applicability of the RDT, which postulates that organizations have to manage the external dependencies so as to develop resources critical to their survival. In this case, increased interest rates, market uncertainty, as well as changes in regulations form an external dependency for PE firms to deal with. The study shows that these external factors, especially fluctuations in interest rates, adversely affect buyout activities and have seriously impacted the PE managers of the DACH region. On the other hand, regarding the negative external preconditions, successful fundraising performance indicates that the regional PE firms have developed some adaptive mechanisms which may help them overcome these risks. This, therefore, calls for an external risk management in the RDT, and generally proposes an extension of the theory to emphasize the role of the cyclical and structural market forces in shaping organizational strategies.

Findings of the study also correspond with the Dynamic Capabilities Theory, which has emphasized the capability of an organization to reconfigure resources and capabilities in light of changing environments. The thesis underlines the finding that successful PE managers in the DACH region have reconfigured their internal processes by improving their investment strategies, team stability, and value creation at an operational level. These findings represent an extension of the existing literature insofar as, among the key conclusions, strategic agility and

sector specialization emerge as crucial for adaptation to pressures emanating from outside. The need to move toward sector specialization, reported here as one of the most important issues for the managers of the funds, corresponds fully with the concept of strategic orchestration of resources: a category elementary to Dynamic Capabilities Theory.

Nonetheless, findings from the study contradict the contributions to fundraising literature, in which traditional literature suggests a rise in interest rates should reduce fundraising volumes. On the contrary, it shows a counterintuitive finding-that despite rising interest rates, the PE firms in the DACH region have passed their fundraising targets, defying conventional wisdom by pointing toward internal organizational factors that are stronger in financial performance, good reputation, and investor trust canceling out external market forces. These findings suggest that existing models of PE fundraising need a deeper interplay between the internal and external factors. The thesis thus contributes to the elaboration of an increasingly detailed understanding of the conditions under which PE firms can raise funds successfully, even in adverse conditions from a macroeconomic perspective.

Hence, the thesis provides evidence that the interaction of internal factors-which include strategy and operational capabilities-on negative external drivers, such as interest rates and market uncertainty-yield positive fundraising outcomes. The implications are therefore that theoretical frameworks must be developed with multi-level analysis, which gives due consideration to micro-level organizational capabilities and to macro-level economic conditions. These findings present that organizational resilience and adaptive capability are very important for surpassing external adversities, with enrichment of the theoretical discussion on interdependence within internal and external factors on PE fundraising.

### *5.1.2. Practical Implications*

This thesis carries a lot of invaluable insights for PE firms operating within the DACH region, currently seeking or considering fundraising. First, despite the cyclical nature of rising interest rates on fundraising, the DACH region remains a very attractive market for Private Equity and continues to attract funds. Despite liquidity constraints, investors still provide capital, with increased difficulties for GPs to receive a share. Intense competition as well as less available capital requires a change in strategy to obtain a competitive advantage.

While some key organizational factors have always been in fundraising activities, namely consisting of track record, reputation, network, other key fundraising drivers emerged. LPs particularly focus on GPs value creation strategy and closely assess the managers

investment strategy, crisis management skills, and team stability. If GP returns are not just mediocre, investors value above mentioned more.

A very important implication of the study is that dynamic capabilities must be configured within PE firms. These need to be flexible and adaptable to the changing external environment, and at the same time focus on long-term value creation. Firms that can navigate economic cycles and to switch operational strategies are better positioned to attract capital during rising interest rates and economic volatility.

Furthermore, team stability and in particular, leadership succession became important aspects of investors' confidence. GPs who could provide security in terms of smooth leadership transition and continuity with regard to the management approach creates more confidence among investors, ultimately resulting in better fundraising outcomes. Investors particularly crave stability and a consistent vision at least in times of turmoil.

## **5.2. Limitations and Future Research**

There are diverse limitations that need to be acknowledged in this study. First, the research design heavily relied on qualitative insights. The conducted semi-structured interviews bear diverse risks. Coded data may be subjected to biases when being analyzed. Further, the sample size of 15 expert interviews did not allow for linear regression and significance tests, leading to potential misleading results. Additionally, the small sample size number restricts general theory formulation.

Considering the limitations above, another factor is the usually opaque nature of the industry. While questioned interviewees were largely successful in fundraising activities, unsuccessful GP funds managers were excluded due to adverse selection or simply ceased to exit. Another limitation of the research is its focus on a specific geography. While being insightful for the specific region, the focus reduces the generalizability of findings toward other geographies or PE strategies, such as venture capital or growth equity, which might raise money in a different way and face different challenges in their fundraising process.

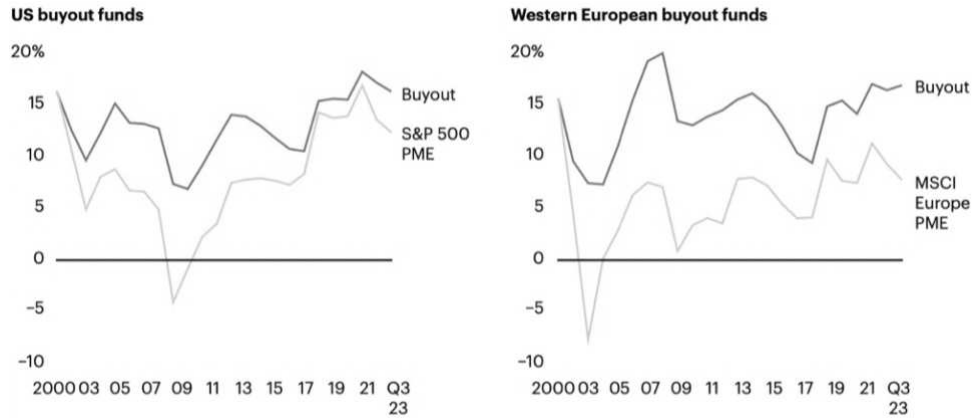
Further, the study did not explicitly analyze how many PE funds downsized fundraising targets due to changed economic conditions. This could be an interesting avenue for future research, as this would underline the actual effect of changed macro-economic scenarios on fund size and investor commitments.

While this study focused on the impact of interest rates on buyout funds, there are ample possibilities to analyze its effects on other Private Equity subcategories or other regions. Different future research may focus on identified, significant dynamic capabilities that are

paramount in current and future fundraising. Specifically, factors such as team stability, succession planning, and strategic clarity could be further analyzed by studying how PE funds foster, maintain and grow them, while constantly adapting to economic changes.

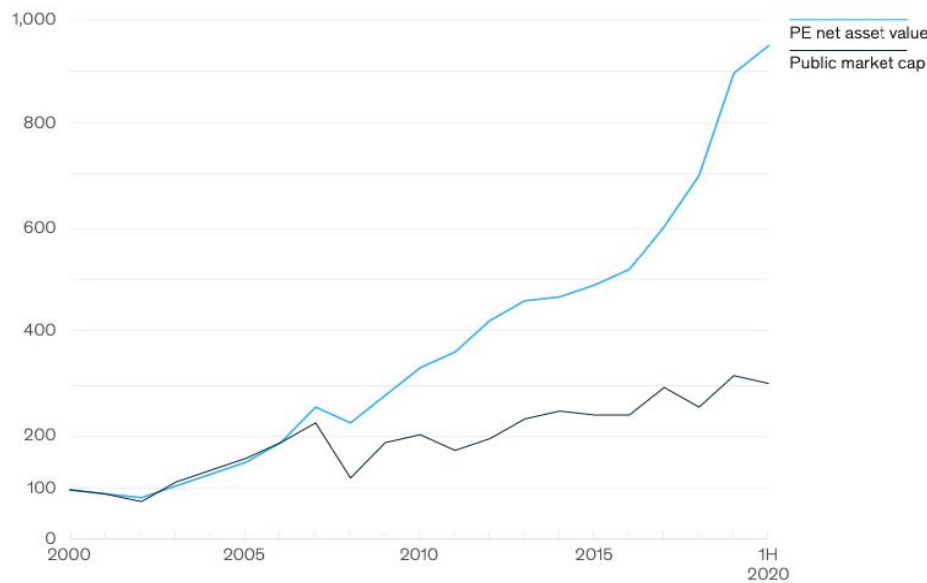
# Appendices

## Appendix A - Additional Figures



**Figure A:** 10-year horizon IRR buyout funds vs. public markets

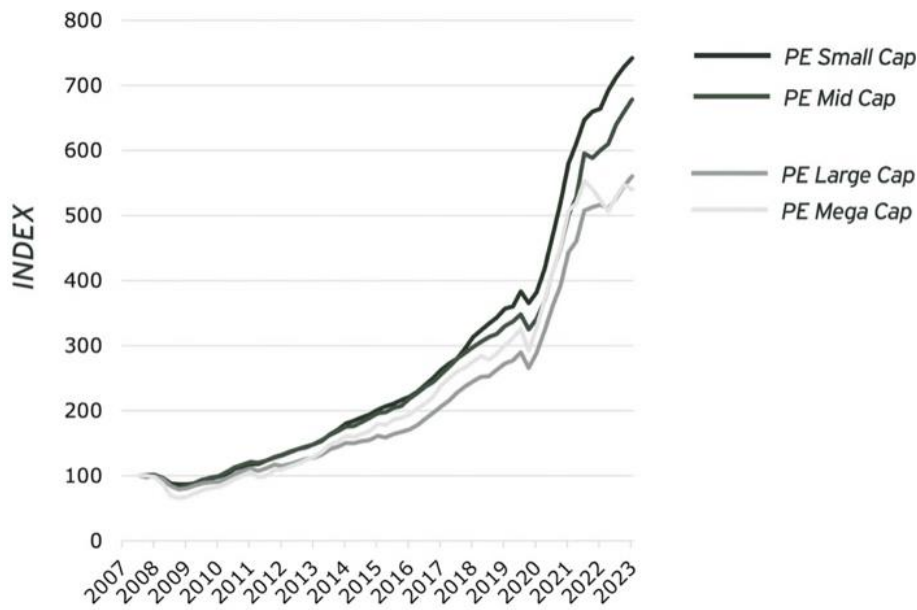
*Notes: ICM internal rate of return calculated using public market equivalents via the Long-Nickels index comparison method, an IRR-based methodology that makes meaningful comparisons between private capital investments and indexes; assumes buying and selling the index according to the timing and size of the cash flows between the investor and the private investment; Western Europe as defined by MSCI, includes 32 countries*  
*Sources: (Global Private Equity Report, 2024), MSCI*



**Figure B.** Growth development of net asset value and public market capitalization (indexed, 2,000 = 100)

*Notes: Net asset value equals assets under management less dry powder. Market cap is based on the total market cap of companies globally.*

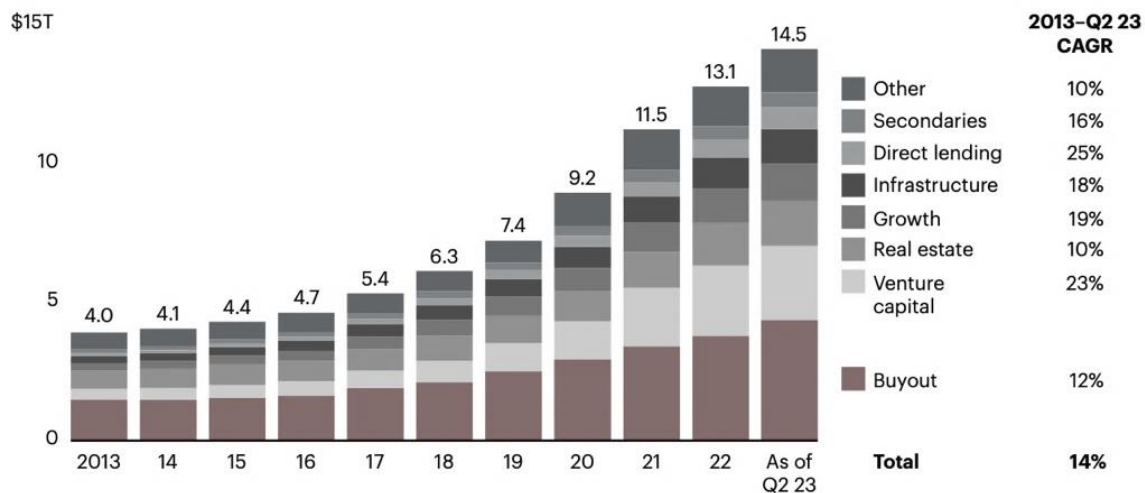
*Sources: (2021), World Federation of Exchanges, Preqin*



**Figure C. Indexed Private Equity performance by fund size**

*Notes: Buyout category includes buyout, balanced, coinvestment, and coinvestment multimanager funds; secondaries includes real estate secondaries, infrastructure secondaries, direct secondaries (PE), and secondaries (PE) fund types; other category includes fund-of-funds, mezzanine, natural resources, hybrid, private investment in public equity, and real assets; excludes distressed private equity*

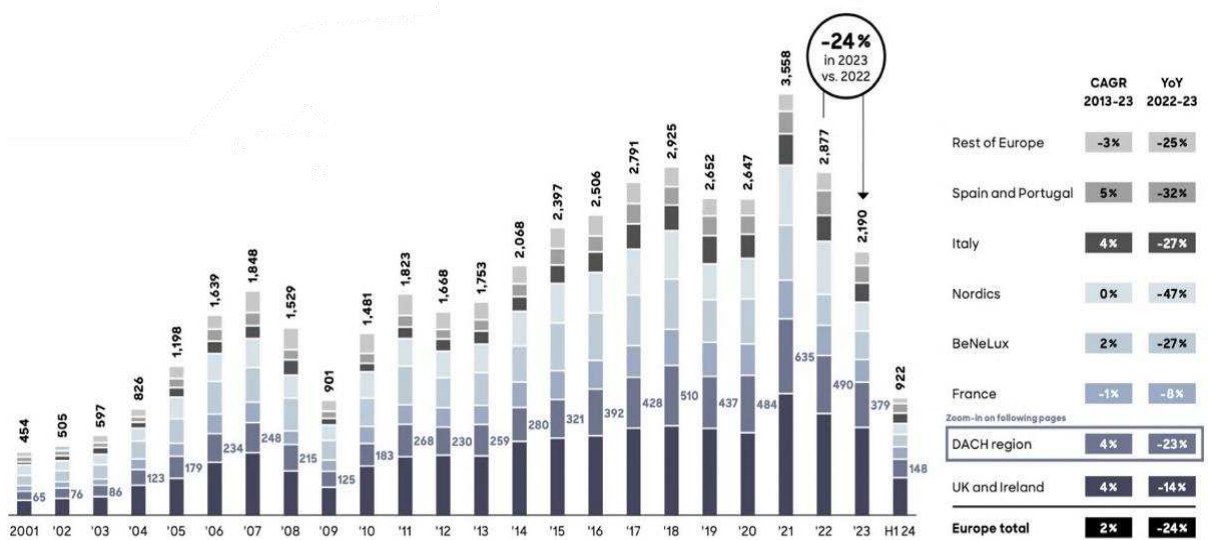
*Sources: (Global Private Equity Report, 2024), Preqin*



**Figure D. Global Private Equity AUM, by asset type (in USD trillion)**

*Note: Small Cap and PE Lower Mid Cap funds with a fund volume of less than 0.5 billion USD, PE Mid Cap funds with a fund volume of more than 0.5 billion USD up to 1.5 billion USD, PE Large Cap funds with a fund volume of more than 1.5 billion USD up to less than 4.5 billion USD, and PE Mega Cap funds with a fund volume of more than 4.5 billion USD.*

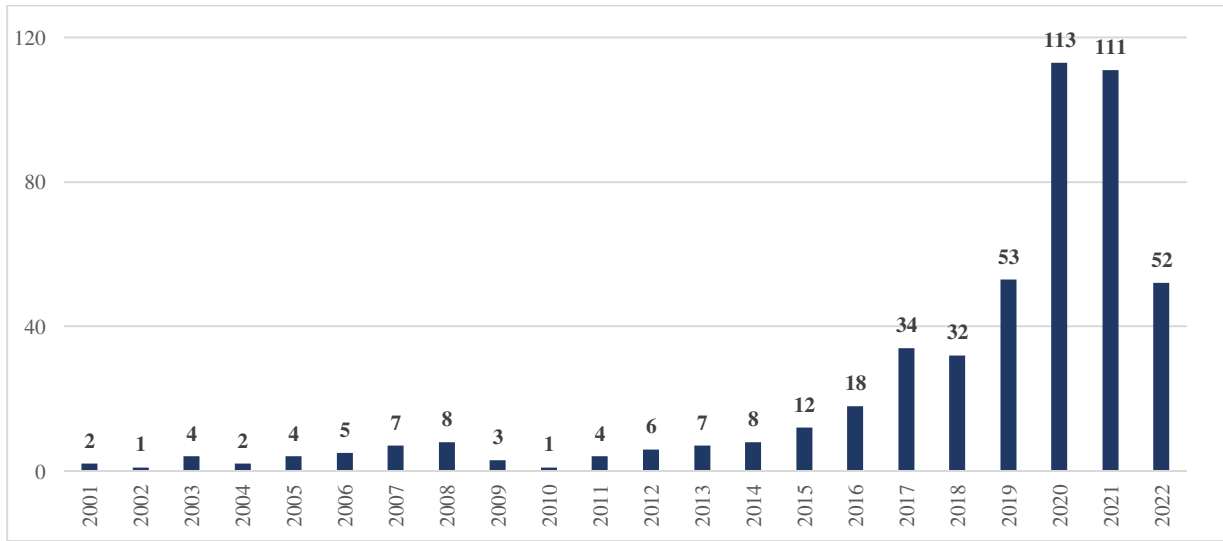
*Source: Preqin (2023).*



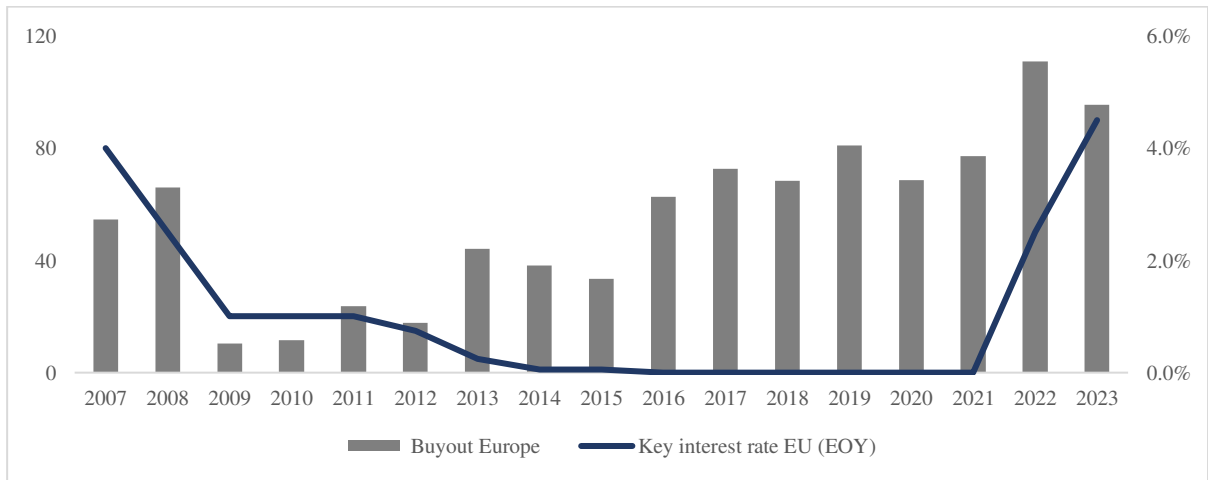
**Figure E.** European transaction volume by geography (in # of deals)  
 Source: (Roland Berger, 2024)



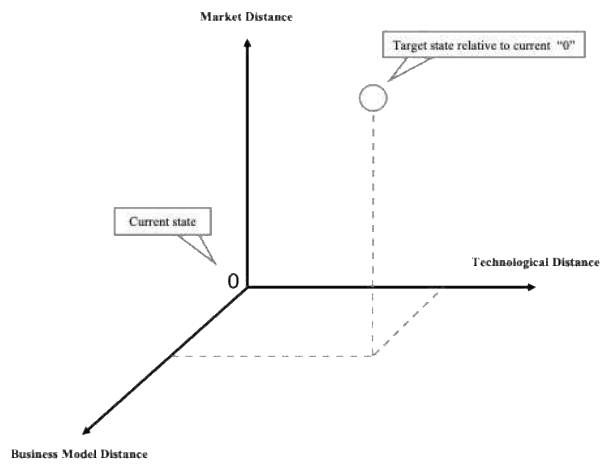
**Figure F.** European fundraising development, annual incremental amount raised  
 Source: (Invest Europe, 2023a)



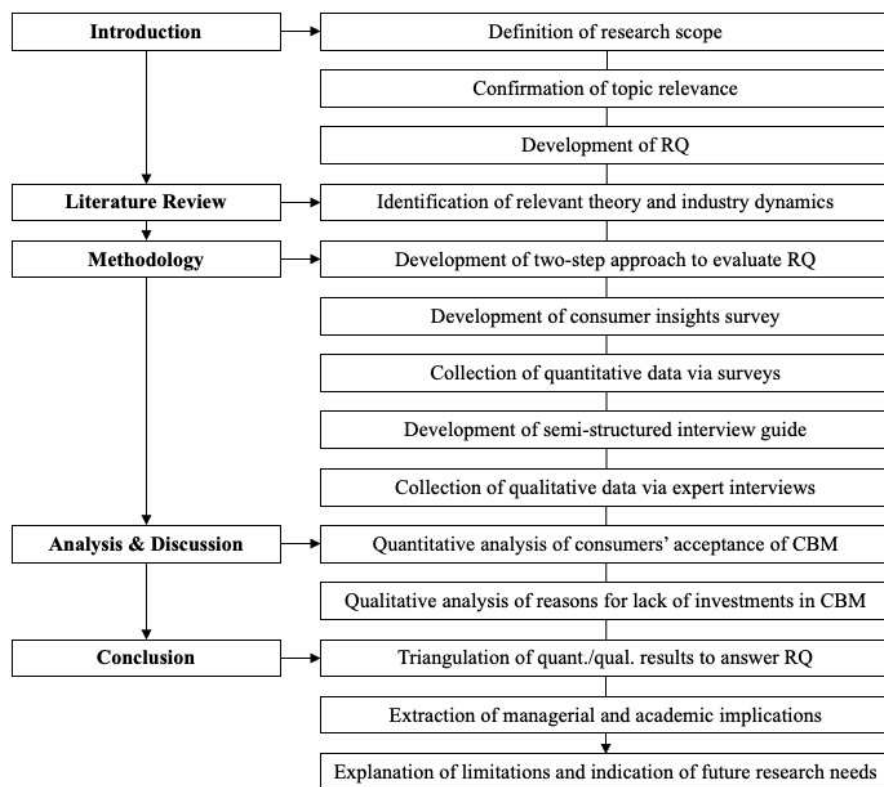
**Figure G.** Buyout dry powder development DACH region (in EUR bn)  
 Source: (Roland Berger, 2024)



**Figure H.** European Buyout fundraising and interest rate development (2007-2023)  
 Sources: (Deutsche Bundesbank, 2024; Invest Europe, 2023b)



**Figure I.** Dimensions of distance for transformation (dynamic capabilities model)  
 Source: (Teece, 2019)



**Figure J.** Illustration Research Design

## Appendix B – Table of Interview

ID	Expert Name	Industry Vertical	Company Name	Position	Location	Industry Exp.	Research Relevance
A	Sandra Stohler	Placement Advisor	Elisir Capital	Managing Director	Switzerland	15 years	Significant fundraising experience in DACH region, having supported in closing of three DACH based PE funds
B	Pietro Rosci	Placement Advisor	Athos Partners	Vice President	Monaco	5 years	VP at renowned firm and recent fundraising support for four German PE funds
C	Stephanie Prella	Placement Advisor	Sierra Capital	Managing Partner	Germany	6 years	Germany based placement advisor, providing deep understanding for German LP landscape
D	Johanna Levander	Private Equity	Trill Impact	Partner, Head of IR	Germany	13 years	Managing IR, with prior experience at EQT, providing deep insights into European and specifically DACH fundraising dynamics
E	Caroline Schimmelbusch	Private Equity	Bregal Unternehmernkapital	Managing Director, Capital Formation	Germany	11 years	Leading investor relations and fundraising efforts; recently closed German oversubscribed fund at €2.65bn
F	Michael Phillips	Private Equity	Castik Capital	Managing Partner	Germany	20 years	Managing fundraising at Castik with many years of IR experience as former Partner at Apax Partners, where he increased AUM from € 1bn to € 30bn

G	Christoph Ganahl	Private Equity	AG Capital	Investment Director	Austria	14 years	Director of Austrian PE fund, recently closed first time fund for AG Capital
H	Raphael Nitz	Private Equity	BPE Unternehmensbeteiligungen	Investment Manager	Germany	8 years	Involvement in the 2022 fund closing with volume over EUR 150m
I	Franz Reiffenstuel	Private Equity	Adelis Equity	Partner	Germany	15 years	Raised several funds at DPE and Chequers; currently responsible for IR activities at Adelis
J	Mike Mellody	Private Equity	Triton Partners	IR Professional	United Kingdom	9 years	Part of Triton's IR team for three years, with continuous involvement in fundraising efforts & management; raised TSM II fund in 2021 and Continuation Fund in 2022
K	Matthias Daum	Private Equity	Blue Earth Capital	Analyst Fundraising	Switzerland	2 years	Previous experience in IR and high involved in numerous fundraising processes
L	Jan Mehlhorn	Private Equity FoF	Ardian	Director, IR DACH	Germany	5 years	Responsible for fundraising activities in DACH region with involvement in recently closed Growth Fund III at EUR 530m
M	Oskar Volkland	Private Equity FoF	Astorius	Partner	Germany	5 years	Many years of industry experience, overseeing fundraising activities and further involvement in FoF investments
N	Markus Kronenberghs	Private Equity FoF	Reia Capital	Managing Partner	Germany	25 years	Recently raised first time fund, Reia Capital, with volume of EUR100m
O	Markus Mentz, PhD	Strategy Consulting	Oliver Wyman	Partner, Automotive and Private Equity	Germany	18 years	Managing German Private Equity Consulting Practice; frequent involvement in PE Due Diligence & value creation projects

## Appendix C - Expert Interview Questions

The following set of interview questions provide a guideline for the conducted semi-structural interviews. In this context, the exploratory research design provides flexibility in the interview style and structure. Depending on the expert interviewee profile, additional tailored questions were added, arising during the course of the conversation. The methodology's objectives consist of i) understanding historical trends in PE fundraising ii) identifying the key drivers that influence PE fundraising, iii) examining interaction of key factors, and iv) identifying dynamic capability levers for successful fundraising activities. Additionally, the interviews will explore how macroeconomic factors and industry-specific changes impacted and changed current fundraising strategies.

### *Semi-Structured Expert Interviews - Question Guide*

#### 1. Personal Background

- a. Please provide some information on your personal background in Private Equity.

- b. What are your touchpoints with Private Equity fundraising and have you recently been involved/are currently involved in IR-related activities?
- 2. Fundraising Development
  - a. How do you perceive the current buyout fundraising environment in the DACH region?
  - b. Which macroeconomic factors and industry-specific changes have played significant roles in shaping the current fundraising trend?
  - c. Did the rise of interest rates affect PE fundraising?
  - d. What are your expectations on the DACH fundraising development in the short-term?
- 3. Internal Fundraising Factors
  - a. What factors have historically been important in fundraising activities?
  - b. Did you observe a shift in the significance of the respective fundraising factors?
  - c. How would you weight the respective factors in terms of importance?
- 4. Buyout Fundraising Strategies
  - a. How did you perceive your own fundraising efforts and what aspects played a key role?
  - b. How can buyout fund managers currently deal with currently challenging fundraising processes?
  - c. What actions should GPs take who do not fulfill expected fundraising criteria?
  - d. In your specific case, what are your company's best practices and strategies in fundraising activities?
- 5. Other
  - a. Do you have any other insights that you consider important for this thesis?

## **Appendix D – Declaration of Originality and Integrity**

I, Lorenz Paul Weihe, hereby declare that, to the best of my knowledge and ability, the written thesis document I am submitting to the Católica Lisbon School of Business and Economics, constitutes original work and properly acknowledges all third-party intellectual contributions.

I thereby certify that:

- (1) The written text forming the body of this work is my own with the exception of explicit quotes from others and the corrections proposed by my thesis supervisor.
- (2) The information derived from other published and unpublished works, introduced into any part of this thesis, is duly identified by citation in the text and with its source fully identified in the references.
- (3) Any persons who, through past communication either in person or through any other means, have substantially contributed toward the intellectual development of this work are also explicitly acknowledged.
- (4) This work is original and has never been subject to prior presentation or publication. Whenever the thesis was written under the auspices of other research projects, this is fully stated and described in the thesis.

I understand that the thesis will be fully checked for originality upon submission.



Lorenz Paul Weihe

Wiesbaden, 12.09.2024

Place and Date

## Appendix E – References

- Aldatmaz, S., & Brown, G. W. (2020). Private equity in the global economy: Evidence on industry spillovers. *Journal of Corporate Finance*, 60, 101524. doi:<https://doi.org/10.1016/j.jcorpfin.2019.101524>
- Bain & Company. (2021). Global Private Equity Report. Retrieved from <https://www.bain.com/de/publikationen/topics/global-private-equity-report/2021/>
- Bain & Company. (2023). Global Private Equity Report. Retrieved from <https://www.bain.com/globalassets/about/2023-global-pe-report---roadshow-deck.pdf>
- Balboa, M., & Martí, J. (2003). An integrative approach to the determinants of private equity fundraising. Available at SSRN 493344.
- Balboa, M., & Martí, J. (2007). Factors that determine the reputation of private equity managers in developing markets. *Journal of Business Venturing*, 22(4), 453-480.
- Barber, B. M., & Yasuda, A. (2017). Interim fund performance and fundraising in private equity. *Journal of Financial Economics*, 124(1), 172-194. doi:<https://doi.org/10.1016/j.jfineco.2017.01.001>
- Barney. (1995). Looking inside for competitive advantage. *Academy of Management Perspectives*, 9(4), 49-61.
- Barney, & Hesterly, W. S. (2019). *Strategic management and competitive advantage: Concepts and cases*: Pearson.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of management*, 17(1), 99-120.
- Bernstein, S., Lerner, J., & Mezzanotti, F. (2018). Private Equity and Financial Fragility during the Crisis. *The Review of Financial Studies*, 32(4), 1309-1373. doi:10.1093/rfs/hhy078
- Bernstein, S., Lerner, J., Sorensen, M., & Strömberg, P. (2017). Private Equity and Industry Performance. *Management Science*, 63(4), 1198-1213. doi:10.1287/mnsc.2015.2404
- Biermann, R., & Harsch, M. (2017). Resource Dependence Theory. In J. A. Koops & R. Biermann (Eds.), *Palgrave Handbook of Inter-Organizational Relations in World Politics* (pp. 135-155). London: Palgrave Macmillan UK.
- Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative research in psychology*, 3(2), 77-101.
- Breuer, W., & Pinkwart, A. (2018). Venture capital and private equity finance as key determinants of economic development. *Journal of Business Economics*, 88(3), 319-324. doi:10.1007/s11573-018-0892-x

- Brown, A. (2010). Qualitative method and compromise in applied social research. *Qualitative research, 10*(2), 229-248.
- Brown, G., Harris, B., Jenkinson, T., Kaplan, S., & Robinson, D. (2020). Private equity: Accomplishments and challenges. *Journal of Applied Corporate Finance, 32*(3), 8-20.
- Brown, G. W., & Kaplan, S. N. (2019). Have private equity returns really declined? *The Journal of Private Equity, 22*(4), 11-18.
- Cendrowski, H., Petro, L. W., Martin, J. P., & Wadecki, A. A. (2012). *Private equity: History, governance, and operations* (Vol. 738): John Wiley & Sons.
- ChatGPT. (2024). Retrieved July, August 2024, from OpenAI
- Chung, J.-W., Sensoy, B. A., Stern, L., & Weisbach, M. S. (2012). Pay for performance from future fund flows: The case of private equity. *The Review of Financial Studies, 25*(11), 3259-3304.
- Company, B. (2024). *Global Private Equity Report 2024*. Retrieved from
- Company, M. (2021). *A year of disruption in the private markets*. Retrieved from <https://www.mckinsey.com/~media/mckinsey/industries/private%20equity%20and%20principal%20investors/our%20insights/mckinseys%20private%20markets%20annual%20review/2021/mckinsey-global-private-markets-review-2021-v3.pdf>
- Corporate Finance Institute. 2 and 20 (Hedge Fund Fees). Retrieved from <https://corporatefinanceinstitute.com/resources/career-map/sell-side/capital-markets/2-and-20-hedge-fund-fees/>
- Creswell, J. W., & Poth, C. N. (2016). *Qualitative inquiry and research design: Choosing among five approaches*: Sage publications.
- Crifo, P., & Forget, V. (2012). Think Global, Invest Responsible: Why the Private Equity Industry Goes Green. *Journal of Business Ethics, 116*. doi:10.1007/s10551-012-1443-y
- Cumming, D., Siegel, D. S., & Wright, M. (2007). Private equity, leveraged buyouts and governance. *Journal of Corporate Finance, 13*(4), 439-460.
- Da Rin, M., & Phalippou, L. (2017). The importance of size in private equity: Evidence from a survey of limited partners. *Journal of Financial Intermediation, 31*, 64-76.
- Deutsche Bundesbank. (2024). EZB Zinssätze. Retrieved from <https://www.bundesbank.de/de/statistiken/geld-und-kapitalmaerkte/zinssaetze-und-renditen/ezb-zinssaetze-607806>. <https://www.bundesbank.de/de/statistiken/geld-und-kapitalmaerkte/zinssaetze-und-renditen/ezb-zinssaetze-607806>
- Ernst, S., Koziol, C., & Schweizer, D. (2013). Are private equity investors boon or bane for an economy?—A Theoretical Analysis. *European Financial Management, 19*(1), 180-207.

- Gejadze, M., Giot, P., & Schwienbacher, A. (2017). Private equity fundraising and firm specialization. *The Quarterly Review of Economics and Finance*, 64, 259-274.
- Gheorghe, H., & Popescu, M.-F. (2015). The History of Junk Bonds and Leveraged Buyouts. *Procedia Economics and Finance*, 32, 1268-1275. doi:10.1016/S2212-5671(15)01504-X
- Global Private Equity Report*. (2024). Retrieved from <https://www.bain.com/insights/topics/global-private-equity-report/>
- Gompers, P., Kaplan, S. N., & Mukharlyamov, V. (2016). What do private equity firms say they do? *Journal of Financial Economics*, 121(3), 449-476. doi:<https://doi.org/10.1016/j.jfineco.2016.06.003>
- Gompers, P., & Lerner, J. (1999). What drives venture capital fundraising? In: National bureau of economic research Cambridge, Mass., USA.
- Grant, R. M. (1996). Toward a knowledge-based theory of the firm. *Strategic management journal*, 17(S2), 109-122.
- Groh, A. P., & von Liechtenstein, H. (2009). How attractive is central Eastern Europe for risk capital investors? *Journal of International Money and Finance*, 28(4), 625-647. doi:<https://doi.org/10.1016/j.jimonfin.2009.01.006>
- Group, B. C. (2017). *Value creation strategy: Capitalizing on the new golden age of private equity*. Retrieved from <https://www.bcg.com/publications/2017/value-creation-strategy-capitalizing-on-new-golden-age-private-equity>
- Harris, R. S., Jenkinson, T., & Kaplan, S. N. (2014). Private equity performance: What do we know? *The journal of finance*, 69(5), 1851-1882.
- Helfat, C. E., Finkelstein, S., Mitchell, W., Peteraf, M., Singh, H., Teece, D., & Winter, S. G. (2009). *Dynamic capabilities: Understanding strategic change in organizations*: John Wiley & Sons.
- Hochberg, Y. V., & Rauh, J. D. (2013). Local overweighting and underperformance: Evidence from limited partner private equity investments. *The Review of Financial Studies*, 26(2), 403-451.
- Indahl, R., & Jacobsen, H. G. (2019). Private Equity 4.0: Using ESG to Create More Value with Less Risk. *Journal of Applied Corporate Finance*, 31(2), 34-41. doi:<https://doi.org/10.1111/jacf.12344>
- Introduction to Alternative Investments. (2023). Retrieved from <https://www.cfainstitute.org/en/membership/professional-development/refresher-readings/introduction-alternative->

[investments#:~:text=Alternative%20investments%20are%20supplemental%20strategies,%2C%20real%20estate%2C%20and%20infrastructure.](#)

- Invest Europe. (2023a). *Investing in Europe: Private Equity Activity 2023*. Retrieved from [https://www.investeurope.eu/media/i4zpjz1m/20240507\\_invest-europe\\_pe-activity-data-2023-report.pdf](https://www.investeurope.eu/media/i4zpjz1m/20240507_invest-europe_pe-activity-data-2023-report.pdf)
- Invest Europe. (2023b). *Investing in Europe: Private Equity Activity H1 2023*. Retrieved from [https://www.investeurope.eu/media/7307/investeurope\\_h1-activity\\_2023.pdf](https://www.investeurope.eu/media/7307/investeurope_h1-activity_2023.pdf)
- Jack, E. P., & Raturi, A. S. (2006). Lessons learned from methodological triangulation in management research. *Management research news*, 29(6), 345-357.
- Jeng, L. A., & Wells, P. C. (2000). The determinants of venture capital funding: evidence across countries. *Journal of Corporate Finance*, 6(3), 241-289.
- Jenkinson, T., Sousa, M., & Stucke, R. (2013). How fair are the valuations of private equity funds? Available at SSRN 2229547.
- Jensen, M. (1993). The Modern Industrial Revolution, Exit, and the Failure of Internal Control Systems. *The journal of finance*, 48(3), 831-880. doi:<https://doi.org/10.1111/j.1540-6261.1993.tb04022.x>
- Jensen, M. C. (1989). The eclipse of the public corporation. *Harvard Business Review*, 67(5), 61-74.
- Jick, T. D. (1979). Mixing qualitative and quantitative methods: Triangulation in action. *Administrative science quarterly*, 24(4), 602-611.
- Kaplan, S. N., & Schoar, A. (2005). Private equity performance: Returns, persistence, and capital flows. *The journal of finance*, 60(4), 1791-1823.
- Kaplan, S. N., & Stromberg, P. (2009). Leveraged Buyouts and Private Equity. *Journal of Economic Perspectives*, 23(1), 121–146. doi:10.1257/jep.23.1.121
- Kelly, R. (2012). Drivers of private equity investment activity: Are buyout and venture investors really so different? *Venture Capital: An International Journal of Entrepreneurial Finance*, 14, 1-22. doi:10.1080/13691066.2012.688494
- Kiesel, R., Scherer, M., & Zagst, R. (2010). *Alternative Investments and Strategies: Credit, Derivatives, CPPI, Investments, Risk*: World Scientific.
- Lambert, M., & Scivoletto, A. (2023). Dry Powder in Private Equity. In *The Palgrave Encyclopedia of Private Equity* (pp. 1-5): Springer.
- Lerner, J., & Leamon, A. (2023). *Venture capital, private equity, and the financing of entrepreneurship*: John Wiley & Sons.

- Lerner, J., Mao, J., Schoar, A., & Zhang, N. R. (2022). Investing outside the box: Evidence from alternative vehicles in private equity. *Journal of Financial Economics*, 143(1), 359-380. doi:<https://doi.org/10.1016/j.jfineco.2021.05.034>
- Ljungqvist, A., & Richardson, M. P. (2003). The cash flow, return and risk characteristics of private equity. In: National Bureau of Economic Research Cambridge, Mass., USA.
- Loos, R., & Schwetzler, B. (2017). Fueling the buyout machine: Fundraising in private equity. *Financial Markets and Portfolio Management*, 31, 397-443.
- Lynn, A. (2022). The Changing Face of PE Fundraising. *PE International*. Retrieved from [www.privateequityinternational.com/the-changing-face-of-private-equity-fundraising/](http://www.privateequityinternational.com/the-changing-face-of-private-equity-fundraising/)
- Maxwell, J. A. (2013). *Qualitative research design: An interactive approach: An interactive approach*: sage.
- Mayring, P. (2014). Qualitative content analysis: theoretical foundation, basic procedures and software solution.
- McKinsey & Company. (2023). *Private Markets Turn down the Volume*. *McKinsey Global Private Markets Review 2023*. Retrieved from <https://www.mckinsey.com/~media/mckinsey/industries/private%20equity%20and%20principal%20investors/our%20insights/mckinseys%20private%20markets%20annual%20review/2023/mckinsey-global-private-markets-review-2023.pdf>
- McKinsey & Company. (2024). *Private markets in a slower era*. *Global Private Markets Review 2024*. Retrieved from <https://www.mckinsey.com/industries/private-equity-and-principal-investors/our-insights/mckinseys-private-markets-annual-review>
- Metrick, A., & Yasuda, A. (2010). The economics of private equity funds. *The Review of Financial Studies*, 23(6), 2303-2341.
- Meyer, T. (2006). Private equity-spice for European economies. *Journal of Financial Transformation*, 18, 61-69.
- Patel, N., & Moura, N. (2022). *DACH Private Capital Breakdown 2022* Retrieved from [https://files.pitchbook.com/website/files/pdf/2022\\_DACH\\_Private\\_Capital\\_Breakdown.pdf](https://files.pitchbook.com/website/files/pdf/2022_DACH_Private_Capital_Breakdown.pdf)
- Patton, M. Q. (2014). *Qualitative research & evaluation methods: Integrating theory and practice*: Sage publications.
- Pfeffer, J., & Salancik, G. R. (1979). [The External Control of Organizations: A Resource Dependence Perspective, Jeffrey Pfeffer, Gerald R. Salancik]. *The Academy of Management Review*, 4(2), 309-310. doi:10.2307/257794
- Pfeffer, J., & Salancik, G. R. (2003). The External Control of Organizations. A Resource

- Dependence Perspective. *Stanford: Stanford University Press*.
- Phalippou, L. (2014). Performance of buyout funds revisited? *Review of Finance*, 18(1), 189-218.
- Phalippou, L. (2017). *Private Equity Laid Bare*. Oxford: CreateSpace Independent Publishing Platform.
- Phalippou, L., & Gottschalg, O. (2009). The performance of private equity funds. *The Review of Financial Studies*, 22(4), 1747-1776.
- Private markets turn down the volume.* (2023). Retrieved from <https://www.mckinsey.com/industries/private-capital/our-insights/mckinseys-private-markets-annual-review-2023>
- PwC, D. (2024). *Private Equity Trend Report 2024*. Retrieved from <https://www.pwc.de/private-equity-trend-report-2024>
- Rajan, N., & Moura, N. (2023). *DACH Private Capital Breakdown 2023*. Retrieved from [https://files.pitchbook.com/website/files/pdf/2023\\_DACH\\_Private\\_Capital\\_Breakdown.pdf](https://files.pitchbook.com/website/files/pdf/2023_DACH_Private_Capital_Breakdown.pdf)
- Robinson, D. T., & Sensoy, B. A. (2016). Cyclicity, performance measurement, and cash flow liquidity in private equity. *Journal of Financial Economics*, 122(3), 521-543.
- Roland Berger. (2023). *Private Equity-DACH: State of the Region H1 2023*. Retrieved from <https://www.rolandberger.com/en/Insights/Publications/Ready-to-reignite-Private-equity-in-the-DACH-region-June-2023.html>
- Roland Berger. (2024). *When Will the Knot Finally Unravel?* Retrieved from <https://www.rolandberger.com/en/Insights/Publications/>
- Scheuplein, C. (2021). *Private Equity Monitor: Die Aktivität von Private-Equity-Gesellschaften in Deutschland von 2012 bis 2018 in der Gesamtschau*: Study der Hans-Böckler-Stiftung.
- Sirmon, D. G., Hitt, M. A., Ireland, R. D., & Gilbert, B. A. (2011). Resource orchestration to create competitive advantage: Breadth, depth, and life cycle effects. *Journal of management*, 37(5), 1390-1412.
- Stebbins, R. A. (2001). *Exploratory research in the social sciences* (Vol. 48): Sage.
- Strömberg, P. (2008). The new demography of private equity. *The global impact of private equity report*, 1, 3-26.
- Teece, D. J. (2007). Explicating dynamic capabilities: the nature and microfoundations of (sustainable) enterprise performance. *Strategic management journal*, 28(13), 1319-1350.

- Teece, D. J. (2019). A capability theory of the firm: an economics and (strategic) management perspective. *New Zealand Economic Papers*, 53(1), 1-43.
- Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic management journal*, 18(7), 509-533.
- Tykvová, T. (2018). Venture capital and private equity financing: an overview of recent literature and an agenda for future research. *Journal of Business Economics*, 88(3), 325-362. doi:10.1007/s11573-017-0874-4
- Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic management journal*, 5(2), 171-180.
- Yin, R. K. (2009). *Case study research: Design and methods* (Vol. 5): sage.

## **Appendix F – Summaries Expert Interviews**

### **1. Stephanie Prelle – Sierra Capital**

#### *Personal Background*

Stephanie Prelle has an extensive background in finance and investment banking, with prior experience at Credit Suisse and Deutsche Bank, where she specialized in strategic investment solutions for hedge funds, asset managers, and institutional investors across multiple regions. In 2018, she founded Sierra Capital, a placement agent focused on alternative investments, underlining her entrepreneurial ability to connect PE funds with institutional investors. Under her leadership, Sierra Capital partnered with Reach Capital in 2022, which proves her adaptability in the evolving fundraising landscape.

#### *Fundraising Development*

Mrs. Prelle observed a shift in the Private Equity fundraising environment, which previously benefited from low interest rates and high returns. However, rising interest rates have led to an overallocation in institutional portfolios (SAA), reducing capital flow into private markets (denominator effect). Lower exit volumes due to overvaluation result in lower returns of capital to Private Equity investors, who therefore are not able to reinvest in the asset class, leading to a self-fulfilling prophecy. Furthermore, increased costs of capital combined with market uncertainties, including international political shifts and conflicts, negatively impacted portfolio valuations and deal flow. This resulted in delayed exits and reduced reinvestment, further challenging fundraising efforts. In the German PE market, investor fragmentation create additional difficulties, as assets are dispersed among many investors.

#### *Fundraising Factors*

Key fundraising factors include consistent deal sourcing, effective deal-making, and strategic exit management. Further, she highlighted the importance of PE managers maintaining a strong deal pipeline and providing clear exit strategies to guarantee future capital redistribution. Investors also evaluate how value is created during the holding period and the manager’s strategy for managing portfolio companies. Recently, risk management and operational excellence have gained more attention, with a focus on sustainability and diversification in portfolios. Investors in the DACH region emphasize risk mitigation, a trend that has intensified due to current market conditions. There is no definite checklist applied in fund assessment as the Due Diligence consists of several soft KPI as well as individual factor assessments.

### *Fundraising Strategies*

Sole financial performance is not sufficient for successful fundraising. Managers have to demonstrate expertise through case studies, portfolio analysis, and a deep understanding of associated risks. Ultimately, the market will undergo a shakeout, identifying successful fund managers. Placement agents, like Sierra Capital, are valuable intermediaries, supporting GPs in communicating their USPs to investors and navigate the challenging environment.

### *Outlook*

The expert believes that while the return to historically low interest rates is unlikely, early signs of market adaptation can be observed. The stabilization of private markets could improve deal flow and exits, enhancing liquidity and fundraising efforts. However, uncertainty remains in the short term with successful fundraising hinging on strong risk management and strategic alignment. Overall, the current fundraising environment is challenging but not futile. Fund managers that demonstrate clear strategies, risk management, and agility are well positioned to secure future capital. Placement agents continue to play a critical role in this process.

## **2. Oskar Volkland - Astorius**

### *Personal Background*

Oskar Volkland, Managing Partner at Astorius, has a strong background in PE fundraising and fund investments. At Astorius, a Private Equity FoF, he manages fundraising activities, both with their own investors (family offices, individuals), as well as on behalf of the PE managers they invest in. This dual position grants him a broad perspective on the current fundraising landscape and its challenges.

### *Fundraising Factors*

Key factors in evaluating PE managers remain consistent, such as having a clear, consistent strategy and ensuring team stability, especially for mid-cap funds. Deal sourcing, transaction efficiency, track record, and holding period lengths also remain important. Although these criteria haven't drastically shifted, the current environment has made it easier to evaluate managers on their ability to handle crisis situations. Investors are closely assessing managers' crisis management, fund agility, and ability to execute exits. The liquidity of the asset class is a growing concern, making exit volumes and strategies a critical part of the evaluation process. Two factors have gained more relevance: steady, replicable growth, as opposed to rapid, non-organic growth, and team stability, especially in times of crisis. It's crucial for funds to maintain a stable team with industry expertise distributed among key members.

### *Fundraising Factors*

Additionally, two factors somewhat gained more relevance in the current fundraising industry. One factor addresses historical rapid fund size growth. This growth was not always organic in the past and funds should rather demonstrate steadiness, with growth being replicable through performance. Further, in times of crises, a stable team is highly valued. Consequently, it is essential to closely examine team fluctuations and analyze the distribution of industry expertise and knowhow between the members (key men).

#### *Outlook*

Volkland views the fundraising environment positively, but the pace of improvement remains uncertain. An Astorius survey of fund managers suggests conditions have not worsened compared to the previous year, with around 50% of respondents reporting either stability or improvement. The key to a stronger fundraising environment is an increase in transaction activities, particularly exits and deal-making, which are currently stagnating. The general sentiment is that the fundraising environment has bottomed out and is unlikely to deteriorate further. In essence, fundraising remains challenging, but current conditions present opportunities for managers with strong crisis management skills and stable teams to stand out. The use of continuation vehicles offers an effective strategy for maintaining investor confidence and liquidity.

### **3. Dr. Markus Mentz – Oliver Wyman**

#### *Personal Background*

With over 18 years at Oliver Wyman and head of the firm's Private Equity Practice in Germany, Dr. Mentz is well-versed in Private Equity (PE) developments. His extensive experience working with PE fund managers and advising on value creation and due diligence equips him to discuss shifts in PE value creation strategies and the overall fundraising landscape.

#### *Fundraising Development*

Fundraising has become more challenging, influenced by geopolitical risks, economic shifts, and rising interest rates. Despite these challenges, some funds continue to attract capital due to strong, credible investment strategies that instill confidence in Limited Partners (LPs). Successful strategies are not confined to specific sectors but must present a well-rounded, risk-managed profile. Capital concentration in large funds has increased, leaving smaller funds with less available capital. In the DACH region, macroeconomic uncertainties have made it difficult for many PE firms to raise capital, though those with proven strategies and strong exit records still succeed. Funds are also seeing extended fundraising periods, with some failing to reach target sizes.

### *Fundraising Factors*

Fundraising has become more challenging, influenced by geopolitical risks, economic shifts, and rising interest rates. Despite these challenges, some funds continue to attract capital due to strong, credible investment strategies that instill confidence in Limited Partners (LPs). Successful strategies are not confined to specific sectors but must present a well-rounded, risk-managed profile. Capital concentration in large funds has increased, leaving smaller funds with less available capital. In the DACH region, macroeconomic uncertainties have made it difficult for many PE firms to raise capital, though those with proven strategies and strong exit records still succeed. Funds are also seeing extended fundraising periods, with some failing to reach target sizes.

### *Fundraising Strategies*

Private equity managers are increasingly turning to continuation vehicles to maintain liquidity, allowing them to roll over assets while providing returns to investors. Another observed trend is the professionalization of investor relations to enhance communication and transparency with LPs. Longer fundraising periods and delayed campaigns have become common, reflecting current market difficulties. Despite these challenges, most PE managers are maintaining their core strategies to avoid losing credibility with investors. Sell-side due diligence has become more rigorous, focusing on organic value creation and ensuring investments are well-positioned for divestment. Rising interest rates have also highlighted the importance of communicating the risk diversification benefits of PE to institutional investors.

## **4. Johanna Levander – Trill Impact**

### *Personal Background*

Johanna Levander, Head of Investor Relations at Trill Impact, is an expert on private equity fundraising dynamics with over a decade of experience in institutional capital raising, investor relations, and business development. Her career spans senior roles at Credit Suisse, EQT Partners, and Goldman Sachs Asset Management, giving her a deep understanding of both European and global fundraising landscapes.

### *Fundraising Development*

Rising interest rates have led to overallocations in private equity as public equity values decline. Since 2022, fundraising has become more difficult, with most Limited Partners (LPs) focusing on reups with existing managers. Emerging managers struggle due to lack of track records and realizations, making fundraising particularly tough for newer funds.

Despite these challenges, large-cap funds with strong track records remain attractive to investors, though the process is now longer and more complex. The pandemic has also disrupted LP relationships, leading to more scattered teams and making roadshows and fundraising more difficult. Managers like those at Trill Impact often need to reintroduce their unique selling propositions to rebuild trust. Looking ahead, the market is expected to stabilize within the next year.

#### *Fundraising Factors*

Investors are increasingly focusing on impact funds, especially those addressing climate change, while generalist funds are less in demand. Stability and consistency in a fund's strategy are crucial; investors want long-term strategies rather than rapid shifts, which can harm trust. Performance is important, but trust and strategy often weigh more heavily in investor decisions. Established funds with strong KPIs tend to secure capital, but emerging managers face significant challenges in gaining allocations. For emerging funds, a strong team track record and differentiated strategy are essential, though competition with established managers makes fundraising difficult. Demonstrating consistent value creation and exit capabilities is critical for fundraising success.

#### *Fundraising Strategies*

Fund managers are advised to stick to their strategies rather than changing them based on short-term market trends. Frequent changes can undermine trust. In the current environment, it's important to widen outreach, contacting more potential LPs and expanding networking efforts to secure commitments.

Continuation vehicles and GP-led secondaries have gained popularity as liquidity solutions, though Johanna cautions against over-reliance on them. Targeting retail investors is another trend, seen in initiatives like EQT Nexus, but this approach requires a proven track record and credibility. Summarized, while fundraising has become more challenging, funds with strong, consistent strategies and broader outreach efforts are best positioned for success. Established managers continue to attract capital, while newer managers face tougher competition.

### **5. Franz Reiffenstuel – Adelis Equity**

#### *Personal Background*

The expert has years of experience in Private Equity (PE) fundraising, particularly in the German-speaking mid-market. Since 2009, he supported in fundraising at DPE, Brockhaus PE, and Chequers, building strong investor relationships and a deep understanding of PE

fundraising dynamics in the DACH region. Among others, he currently oversees Investor Relations at Adelis Equity.

#### *Fundraising Development*

Currently, 75% of the buyout market face difficulties in fundraising, particularly pan-European funds due to inadequate sector specialization. This lack of focus leads to challenges in capital deployment as well as potential internal conflicts within fund offices across different countries. LPs are experiencing capital constraints due to delayed exits and rising interest rates, shifting their focus to fixed-income securities and private debt, which are more attractive than PE. More than half of the available capital is allocated to megafunds, leaving smaller funds to compete for the remaining allocations. The industry's "golden age" is over, and PE firms now need to focus on future-oriented sectors and organic growth rather than financial engineering.

#### *Fundraising Factors*

Key fundraising factors include strong track records, consistent performance, and team stability. Investors prioritize solid performance, with first-quarter results being especially critical. In the current market, team dynamics are heavily examined, with LPs evaluating individual contributions, risk appetite, and deal assessment abilities. A clear, differentiated strategy is crucial, along with efficient Investment Committee decisions. Specialization in subsectors is becoming more present, as investors seek funds with deep expertise. LPs are placing increasing emphasis on transparency and straightforward IC processes.

#### *Fundraising Strategies*

In 2022, Franz raised a €700 million continuation fund and launched an impact fund in his prior role, reflecting the growing importance of ESG factors and alternative fund vehicles. He stresses that solid returns, team stability, and generational transitions within teams are key to successful fundraising. Subsector expertise, particularly in the U.S., is critical, and Franz predicts that sector specialization will be essential for competitiveness in the next decade. Transparency with LPs is paramount; fund managers should swiftly explain any deal issues and maintain trust through consistent communication.

The trend of retail investors entering PE, driven by large GPs creating liquid products, is a slow but notable shift. Franz mentions that this could lead to underperforming funds surviving on retail capital. For newer funds struggling with fundraising, a wider LP outreach and adjusting fund terms, such as creating continuation funds, may be strategies, though these could send negative signals to the market.

#### *Other*

The expert further mentions the distinct dynamics in the DACH region's fundraising landscape. Smaller PE players rely on building close relationships with a core group of investors (particularly in DACH region), while larger midcap funds deal with institutional “Premium LPs” that require more professionalism, including quarterly reports and a dedicated IR team. Personal networks of fund partners are crucial for fundraising success, but once a fund accesses Premium LPs, a more formal IR structure becomes necessary to meet sophisticated investor expectations.

## **6. Michael Phillips – Castik Capital**

### *Personal Background*

Michael Phillips, Investment Partner at Castik Capital and former Equity Partner at Apax Partners for over 20 years, has vast experience in PE fundraising under his belt. At Apax, he grew the firm’s AUM from under €1 billion to over €30 billion and led some of the firm's most profitable deals. Mr. Phillips expertise in navigating the European PE landscape is demonstrated by his very successful Castik Capital’s debut fund, making him an expert on fundraising strategies in the DACH region.

### *Fundraising Development*

The expert points out that successful fundraising still heavily relies on a strong track record and extensive network. These factors build trust with investors and are essential for consistent returns. The COVID-19 pandemic shifted some processes online, with videoconferencing becoming a key part of fundraising, a practice that continues in the post-pandemic environment. Pre-marketing and maintaining consistent communication with investors are crucial for ensuring the fund is considered when LPs begin their asset allocation planning, which can start 12 to 24 months ahead. Anchor investors are particularly important for new funds, as they offer credibility that can attract other investors. Additionally, he notes that fundraising has become more labor-intensive, requiring greater patience and perseverance. A high reup rate with existing investors is critical, as it signals trust and confidence, making it easier to attract new investors. However, contacting a large number of potential LPs remains necessary due to a typical low conversion rate of about 6%, consistent with past fundraising challenges.

### *Fundraising Factors*

Trust, a strong track record, and a clear, consistent strategy are essential in fundraising. Differentiation is key to standing out in a competitive market, with LPs increasingly seeking unique strategies that offer clear advantages to their portfolios. A solid first close, backed by existing investors, helps reduce perceived risks for new investors. Maintaining transparency

and consistency in communication with LPs is vital for building trust and securing commitments. Phillips emphasizes that while performance matters, LPs often value trust and strategy more than pure metrics. First-time fundraisers, face significant challenges due to the lack of a track record. These managers must demonstrate clear advantages, such as specialized geographies or industry expertise, to justify the additional risks and efforts required from LPs. Phillips notes that mid-market funds often struggle to differentiate themselves and compete with larger, more established funds.

#### *Fundraising Strategies*

Preparation is key, with 6-9 months of pre-marketing needed to secure investor interest. Partners should lead outreach to LPs, as they bring credibility. Anchor investors are vital for gaining trust, and a mix of large and small LPs helps balance demands.

Consistency in strategy is crucial for building LP trust. GPs must stick to their plans and maintain transparent, regular communication. Any deviation from the strategy risks losing investor confidence. Fundraising is particularly challenging for first-time funds without a track record, as LPs prefer established managers.

Transparency and honesty are essential for established funds, especially when addressing underperforming investments. Maintaining trust through consistent strategy and communication is vital for long-term success. Emerging managers must differentiate themselves and build trust, while established funds must ensure continuity and reliability to secure commitments.

### **7. Raphael Nitz - BPE Unternehmensbeteiligungen**

#### *Personal Background*

Raphael, a 35-year-old with a background in management consulting and industry, has worked at BPE for eight years. His passion lies in the stories of small German SMEs (small and medium-sized enterprises) and their entrepreneurial leaders. Having started in private equity with internships, he has developed a deep understanding of the sector, particularly in the German-speaking market.

#### *Fundraising Development*

Current challenges in fundraising include the interest rate environment and macroeconomic factors. Trust and long-term relationships with LPs are essential, particularly for smaller funds. Fundraising success depends on fund size and targeted investors. German entrepreneurial families, BPE's primary investors, value personal relationships, while institutional investors, like insurance companies and pension funds, bring a more professional approach.

### *Fundraising Factors*

Key factors for fundraising include consistent performance, team stability, and a clear strategy. BPE's investors, many of whom are from the SME sector, support the firm because they understand the challenges of small businesses. Consistent returns, even in uncertain environments, build investor trust. ESG is becoming more important, especially for larger funds, but remains secondary for smaller funds like BPE. The Munich tax office scrutinizes funds, especially regarding whether they are "asset-managing" or "commercial," which could impact investor trust and fund structure.

### *Fundraising Strategy*

BPE's fundraising strategy focuses on maintaining its niche in small-cap German companies, particularly in succession planning. They have deliberately avoided significant fund size growth to preserve their specialization. This steady approach reassures LPs, who value the firm's consistency and focus. For BPE, long-term relationships with high-net-worth individuals (HNWIs) who provide patient capital are key.

BPE has maintained strong performance and a diversified portfolio to spread risk. They avoid industry-specific funds and prioritize risk diversification. ESG is increasingly relevant but has not led to major changes in BPE's strategy. Future fundraising prospects are positive as LPs are ready to reinvest, especially with recent successful exits.

### *Other*

BPE is cautious about changes in tax classifications between "asset-managing" and "commercial" funds, a distinction that has significant consequences in the German private equity market. Clear communication with investors is necessary to address potential concerns. BPE avoids continuation vehicles, citing conflicts of interest, and remains focused on maximizing value through careful exit timing, resisting pressure to sell at a discount.

In conclusion, BPE's strategy centers on maintaining a consistent, specialized focus in small-cap investments, building trust with investors through steady performance, and avoiding over-expansion or drastic changes in fund structure.

## **8. Sandra Stohler – Elisir Capital**

### *Personal Background*

Sandra Stohler, a seasoned Swiss placement agent, has been active in private equity fundraising since 2009. Her expertise covers private equity, private debt, and infrastructure. As the founder of Elisir Capital, she advises teams on enhancing the effectiveness of their fundraising and

investor relations efforts. Her vast experience provides deep insights into market trends, investor preferences, and regulatory developments in private markets.

#### *Fundraising Development*

Stohler notes significant shifts in fundraising dynamics since the COVID-19 pandemic. Remote work has complicated physical meetings, making roadshows difficult and shifting fundraising efforts to video calls. This has increased outreach volume, requiring multiple follow-ups with LPs, even those with long-standing relationships. The market has also shifted from performance-based fees to retainer-based agreements due to growing competition.

Since 2023, the fundraising environment has stalled, with interest rates and macroeconomic uncertainties leading to fewer exits in private equity funds. Stohler remains cautiously optimistic, hoping for more exits in the latter half of 2024 to improve fundraising momentum.

#### *Fundraising Factors*

While a strong track record remains the top priority in fundraising, recent trends since 2023/24 have introduced a focus on ESG and diversity. Raising capital for first-time teams has become almost impossible, with only spinouts from successful funds succeeding. Stohler ranks key factors for successful fundraising as strong track record, consistent deal flow and exits, a stable team with a clear succession plan, regular communication with LPs.

#### *Fundraising Strategies*

Stohler advises private equity managers to be creative in navigating the current fundraising environment. Strategies include utilizing continuation vehicles, offering co-investments, engaging in secondaries, and structuring deal-by-deal arrangements. She emphasizes maintaining strong LP relationships, starting fundraising early, ensuring a solid track record, shortening holding periods, and planning succession early. Succession planning, often overlooked, is critical as funds usually run for 10 years, and by age 50, GP partners should actively plan for leadership transitions. If key success factors aren't met, Stohler suggests using deal-by-deal structures or delaying fundraising. She also believes that the current challenges may lead to a rethinking of the GP/LP model, proposing that fees based on net asset value (NAV) could improve fundraising dynamics and attract LPs. Concluding, creativity, strong LP relationships, early succession planning, and adaptability are crucial for navigating the current challenging fundraising environment.

## **9. Markus Kronenberghs – Reia Capital**

### *Personal Background*

Markus, with over 25 years of experience in private equity, has held key roles in fundraising and investment management. He has worked at Kedge Capital, Cara Investment, and co-founded Reia Capital, a Germany-based private equity fund of funds. His expertise includes corporate finance, private equity transactions, and building small-cap funds in the DACH region and Europe.

#### *Fundraising Development*

Markus highlights the growing trend of democratizing private equity, making it accessible to private investors. Reia Capital's focus on smaller funds differentiates it from larger players like Partners Group. He notes that large institutional investors are rebalancing due to rising interest rates, with many shifting towards larger, more stable funds. This "flight to brand" simplifies their processes and reduces risks but leaves smaller funds struggling. The current environment is more challenging, with many funds taking 18-24 months to reach targets. Macro uncertainties and leadership succession issues further complicate fundraising, especially for mid-cap funds without a clear strategy.

#### *Fundraising Factors*

Key factors in today's environment include team stability, succession planning, and specialization. Investors are focusing more on fund management teams and how well they handle transitions. Specialization in sectors allows firms to win deals not by price but by expertise, creating proprietary deal flow. Markus emphasizes that the internal processes and strategic foresight of fund managers are more critical than past distributions to paid-in capital (DPI). Funds that can generate sustainable performance with a money multiple of 3x or higher are more appealing to investors.

#### *Fundraising Strategies*

Successful GPs need to demonstrate adaptability and a strong ability to apply lessons from past experiences. This includes training younger team members and focusing on recognized growth markets like food, agriculture, and impact investing (Article 9 funds). Markus suggests that smaller funds are becoming the "new normal" in the market, and GPs must make their smaller funds meaningful and purposeful. Strategies like deal-by-deal arrangements can help GPs navigate current challenges. While there's been some pressure on management fees, especially for large funds, improved fee structures are unlikely to boost demand significantly.

In summary, specialization, team stability, and adaptability are key for private equity fundraising. GPs must differentiate through expertise, succession planning, and thoughtful investment strategies to succeed in the challenging market environment.

## **10. Christoph Ganahl – AG Capital**

### *Personal Background*

Christoph Ganahl, co-founder of AG Capital, has over 14 years of experience in private equity, investment banking, and corporate M&A. He previously worked at aws Mittelstandsfonds, a federal fund supporting Austrian SMEs. In 2009, Ganahl and his colleagues spun off the fund to form AG Capital, addressing the market gap in later-stage equity financing in Austria.

### *Fundraising Development*

In Austria, later-stage investment funds faced difficulties after 2009, with banks and insurance companies withdrawing. However, by 2020, interest in the sector revived, providing AG Capital an opportunity. The current fundraising environment remains challenging, especially for smaller players, due to macroeconomic uncertainties and geopolitical tensions. However, Ganahl is cautiously optimistic about improvements in 2024. He observes that while investors are not distrustful of private equity, many prefer safer investments with established, larger funds.

### *Fundraising Factors*

Key factors in fundraising include track record and fund size. Historically, investors were reluctant to support first-time or smaller funds, especially in crises. AG Capital leveraged its regional focus in Austria and neighboring countries, filling a gap that larger European funds overlooked. With support from the European Investment Fund (EIF), they attracted local investors. Moving forward, AG Capital plans to expand its distribution and emphasize its track record to avoid being perceived as a first-time fund. The goal is to launch a larger fund with a stronger industry focus to attract more international investors.

### *Fundraising Strategies*

Securing anchor investors early is crucial for credibility. Ganahl and his team developed a succession plan to transition from aws Mittelstandsfonds, blending state capital with private investment. Strong relationships with banks, insurance companies, and family offices were key to this process. The focus on local SMEs and their Austrian roots helped secure capital.

Despite economic challenges, Ganahl sees many opportunities, with valuation gaps closing and deals available. Funds launched during downturns often achieve higher returns over time, making 2024 a promising year to start a new fund.

Ganahl advises fund managers to clearly communicate their strategy and focus on specific industry verticals. Incorporating ESG principles or aligning with Article 8 funds has become standard for many investors. While not always a strict requirement, the Article 8 classification is seen positively by investors.

In conclusion, AG Capital's success is rooted in its regional focus, strong relationships, and clear strategy. Going forward, expanding its track record and refining its industry focus will be crucial to further fundraising success.

## **11. Matthias Daum – Blue Earth Capital**

### *Personal Background*

Matthias has been working at Blue Earth Capital since September 2022, focusing on fundraising and investor relations. His interest in sustainable finance and impact investing led him to join Blue Earth after completing a master's degree in Banking and Finance at HSG St. Gallen.

### *Fundraising Development*

Fundraising for impact private equity was strong in 2021 and 2022 but saw a decline in 2023 due to the denominator effect, as institutional investors faced allocation constraints after the COVID-19 market downturn. Despite early 2024 still being challenging, there is cautious optimism, with the impact investing sector maturing and newer funds starting to show performance results. Private credit has also gained attention due to rising interest rates, and there is renewed interest in areas like Secondaries. Climate-related investments remain urgent, but there is a growing interest in AI and emerging markets, despite recent investor caution.

### *Fundraising Factors*

Blue Earth observes that Limited Partners (LPs) prioritize two main factors: performance and impact. While some investors focus more on financial returns, others prioritize the impact aspect. For impact, Blue Earth adheres to leading standards and external verifications to demonstrate its commitment. Performance, especially in established funds, is key, but for first-time funds like Blue Earth's climate strategy, investors scrutinize the team's experience and decision-making processes. Investors also evaluate alignment with their own interests, such as investment type and industry focus, before committing.

Perceptions around impact investing are shifting. Historically seen as yielding lower returns due to its philanthropic roots, the sector is now showing solid performance, contributing to broader acceptance. A recent survey by Blue Earth showed that most investors in the impact space believe their returns are meeting or exceeding expectations.

### *Fundraising Strategy*

Blue Earth continues to raise funds by emphasizing climate-focused strategies, appealing to current investor interests. The firm is raising capital for three distinct vehicles: a semi-liquid private credit fund focused on social and ecological impact in emerging markets, a private

equity fund centered on ecological impact in developed markets, and a mixed vehicle combining private equity and private credit investments in emerging markets.

Private equity managers should be patient in challenging fundraising environments, maintaining relationships with existing clients while expanding outreach to new investors. Understanding LPs' future allocation preferences is crucial, and adjusting fundraising strategies based on market demand, such as the current interest in private credit, is essential.

Building long-term relationships is key, as investors hesitant to commit now may invest in the future. Maintaining visibility through thought leadership, public participation, and consistent market presence is also important for long-term success.

#### *Other*

Blue Earth's approach to impact investing balances achieving market-rate returns with generating meaningful impact. Their strategy focuses on businesses where impact is central to the business model, ensuring both financial performance and impact goals are met.

In summary, Matthias and Blue Earth's approach to fundraising relies on a strong balance between impact and returns, adapting to market trends, and maintaining long-term investor relationships. This focus on sustainability, solid performance, and understanding LP priorities positions them well in the evolving impact investing landscape.

## **12. Caroline Schimmelbusch – Bregal Unternehmerkapital**

### *Personal Background*

Caroline Schimmelbusch, Managing Director of Capital Formation at Bregal Unternehmerkapital (BU), brings over 11 years of experience in private equity fundraising and investor relations. Her previous roles at GI Partners and Jefferies in New York have equipped her with deep insights into capital raising. Recently, her team closed an oversubscribed fund at €2.65 billion, demonstrating her expertise in fundraising dynamics, particularly in the DACH region.

### *Fundraising Development*

The DACH region, particularly Germany, is unique with its many small private equity firms and only a few mid- and large-cap players. Historically, the market was underdeveloped, with low penetration and mediocre returns. German entrepreneurs are often more cautious in selling their businesses, which complicates private equity transactions. BU addressed these challenges by building a local team and adopting best practices, unlocking the potential of the German market.

Macroeconomic challenges in 2023 made investor skepticism about Germany's attractiveness a key hurdle. The "flight to quality" trend became more pronounced, with investors favoring established firms. However, the reopening of the IPO market and increased mid-market transactions in early 2024 have improved fundraising prospects. Germany, though, remains more conservative than regions like France, the UK, and the Nordics, where investors are more willing to pay higher prices.

#### *Fundraising Factors*

Caroline highlights that strong relationships with existing investors and a high re-up rate are key to successful fundraising. Operational excellence, disciplined processes, and the ability to demonstrate value creation are critical, especially in the DACH region. Fund manager track records remain crucial, but team cohesion, consistency, and future potential are increasingly important. Investors scrutinize team dynamics and interactions during due diligence. Distributions to Paid-In Capital (DPI) have gained importance, reflecting a fund manager's ability to return capital effectively. Additionally, investors assess investment strategy scalability and replication, emphasizing sector and regional expertise.

#### *Fundraising Strategy*

Strong relationships with existing investors are essential for maintaining a high re-up rate, which is a crucial KPI in fundraising. BU's success is attributed to a systematic approach to sourcing deals, with a large team and clear KPIs tracked through Salesforce. The firm's structured and transparent processes have impressed limited partners (LPs), helping them differentiate themselves in a competitive market.

Proactive LP communication and effective portfolio management are key factors in managing crises and maintaining investor trust. For BU, task forces and dedicated teams monitor economic impacts and provide clear, summarized reports, strengthening LP relationships. Achieving a strong first closing with substantial support from existing investors and understanding the constraints of different LP types, such as pension funds and family offices, are best practices in the current macro environment.

Caroline also notes that mid-cap firms, like BU, manage fundraising efforts with more limited resources compared to large-cap firms but still emphasize the importance of maintaining discipline in follow-ups, rolling closings, and regularly updating demand books to adapt to macroeconomic changes. Placement agents can be practical for smaller funds under €200-300 million.

#### *Other*

In the early days, BU did minimal pre-marketing but has since evolved its strategy with each successive fund. With a strong focus on high DPI ratios, BU has successfully demonstrated its ability to return capital quickly, which has been crucial for its fundraising success. This long-term approach highlights that most of the work in fundraising begins after the fund closes.

In summary, Caroline emphasizes the importance of strong LP relationships, operational excellence, and a systematic approach to fundraising. Maintaining consistent communication, focusing on performance, and adapting strategies based on market conditions are key to long-term success in the private equity landscape.

### **13. Jan Mehlhorn – Ardian**

#### *Personal Background*

Jan Mehlhorn, a 36-year-old Director at Ardian, has spent five years in the Investor Relations team, focusing on the German and Austrian markets. His work spans Ardian’s diverse platform, including Secondaries, Direct Buyouts, Infrastructure, Real Estate, and Private Credit. With prior experience in fixed income and at Golding Capital Partners, Mehlhorn brings comprehensive expertise in private markets and fundraising, particularly in managing relationships with institutional investors such as insurance companies, pension funds, and family offices.

#### *Fundraising Development*

Jan Mehlhorn observes that the fundraising environment has worsened over the past two years due to rising interest rates, which have created liquidity challenges across private market funds. The “denominator effect” has evolved into a broader liquidity crisis, especially for insurance companies, as fixed-income portfolios take longer to recover. Despite these challenges, specific niches such as secondaries have thrived, with Ardian seeing continued interest in this area.

While large funds like CVC and Advent continue to raise capital successfully, the mid-market segment is facing difficulties. However, there is growing interest in the lower mid-cap and small-cap spaces, where investors seek additional alpha. Fundraising for direct buyouts, including Ardian’s sixth expansion fund, has become more difficult, taking longer than expected, with a shift towards prioritizing Distributed to Paid-In Capital (DPI) over Internal Rate of Return (IRR). At the past Super Return conference, Mehlhorn has noticed a shift in attitude, with the private equity market adjusting to the “new normal” of longer fundraising processes. A generational shift is also underway, with younger managers increasingly taking over from the older guard.

#### *Fundraising Factors*

In the DACH region, German investors prioritize stability and consistent returns over high-performance spikes. A long-term track record of around 15% net IRR across multiple funds is valued more than a single strong-performing fund. Investors are also cautious about leverage and increasingly focused on downside protection and loss rates. In terms of due diligence, investors are placing greater emphasis on the stability of the management team and firm, particularly after recent disruptions like the departure of the entire team at Barings.

Environmental, Social, and Governance (ESG) considerations have become central in due diligence processes, driven by both investor demand and regulatory requirements. However, current ESG regulations from the European Commission lack clarity, leaving the market to develop its own standards. ESG interest is often generational, with younger investors, particularly those under 45, driving the demand for sustainable investments.

Geographical diversification has also grown in importance, with more investors looking beyond Europe to North America due to the saturated markets in regions like the Nordics and France. Crisis management has become a key focus for investors as they assess how managers navigated challenges like COVID-19 and rising interest rates.

#### *Fundraising Strategy*

Ardian's decentralized approach has led to a broad LP base of approximately 1,600 globally, though the majority of assets come from a few key players. The democratization of private equity, opening the market to more private investors, is a key fundraising opportunity for Ardian as they explore new fund vehicles.

Jan Mehlhorn anticipates further consolidation in private equity, with weaker managers being absorbed by larger platforms. Continuation funds are gaining interest but need long-term planning beyond DPI. German LPs remain cautious, with interest mainly from large family offices and institutional investors.

Key fundraising strategies include maintaining close relationships with LPs, patience due to extended timelines, and engaging advisory firms as intermediaries. Transparency, especially in portfolio management, is vital. Mehlhorn suggests that fund managers consider proposing slightly smaller funds to signal recalibration, which could be seen positively if well-communicated. The "denominator effect" has led to asset reallocations, and the secondary market presents opportunities with widespread discounts. Although re-up rates fluctuate, Ardian's focus on maintaining relationships with key investors is critical.

Summing up, Mr. Mehlhorn emphasizes the evolving challenges in private equity fundraising, particularly liquidity constraints, and highlights the importance of patience, stability, and ESG focus for future success.

## **14. Mike Mellody – Triton Partners**

### *Personal Background*

Mike Mellody, part of the Investor Relations team at Triton Partners, has a strong background in private equity fundraising, having previously worked at Pantheon and Deutsche Bank. His experience spans multiple sectors, including fixed income and investment management, providing him with deep insights into the dynamics of private equity fundraising across Europe, particularly in the DACH region.

### *Fundraising Development*

Mellody reflects on the "free money" era, where private equity managers achieved high returns by leveraging businesses and selling them at inflated prices, especially during the post-COVID surge. This led to a rapid deal-making environment in 2021-2022, with private equity funds returning to fundraising cycles within nine months rather than the typical three to five years. This rush strained allocators, disrupted traditional investment schedules, and caused a "flight to quality," where LPs preferred established mega-funds like CVC and TA Associates over smaller or newer funds. Triton, with its focus on value-driven strategies in sectors like industrial tech and healthcare, has benefitted from this shift. Investors now favor operational excellence and stability over high-growth tech funds, which are viewed as riskier in the current climate. Mellody describes the lingering market effects from the COVID-era deal surge as a "snake trying to swallow a pig," suggesting that the market is still adjusting to the rapid deal-making and fundraising cycles of recent years.

The fundraising environment, while improving, remains cautious. M&A activity is gradually increasing, and the IPO market, evidenced by the Renk IPO, is showing signs of recovery. Mellody expects 2025 to feel closer to normal, though full stabilization of valuations may take longer.

### *Fundraising Factors*

Triton's success in fundraising is linked to its focus on operational improvements, or "fix and expand" strategies, rather than multiple expansion. Mellody emphasizes that consistent returns are highly valued by LPs, and Triton's track record of never having a fund return under two times net to investors has strengthened its current fundraising efforts.

In the current environment, LPs are increasingly focused on realized returns (DPI) and the sources of value creation. Succession planning and team incentivization are also key factors LPs consider, as they want to ensure leadership transitions are well-managed and that teams are meaningfully incentivized through carry.

### *Fundraising Strategy*

Mellody highlights the importance of continuous communication with LPs to ensure they are well-informed and prepared for fundraising cycles. Triton maintains regular contact with investors to keep them updated on allocation plans, which helps secure early commitments for fundraising. The firm's strong re-up rate and consistent engagement with LPs have contributed to successful fundraising, even in challenging conditions.

Continuation funds have been used strategically by Triton to provide liquidity during periods of low M&A activity. In 2022, Triton distributed €1.4 billion to Fund IV investors, achieving a 3.6x return. Mellody stresses that Triton focuses on delivering returns rather than simply growing fund size, which helps maintain investor demand for their established strategies.

For struggling GPs, Mellody advises maintaining constant communication and transparency with investors, sharing updates regularly to keep LPs informed about potential exits and portfolio developments. He also suggests that GPs consider a deal-by-deal model or closing a fund at a lower target to navigate tough fundraising conditions.

### *Other*

Mellody notes that LPs have more leverage in the current market, with incentives such as fee discounts and co-investment rights becoming more common. However, these incentives only go so far—if LPs lack capital, they will remain hesitant to invest. He highlights that LPs now recognize the challenging fundraising environment and are more understanding if funds fall short of their targets. Overall, the interview expert emphasizes the importance of consistent communication, operational excellence, and transparent strategies in fundraising. Triton's value-driven focus has positioned it well in the current market, where investors prioritize stability and realized returns over high-growth strategies.

## **15. Pietro Rosci – Athos Partners**

### *Personal Background*

Pietro Rosci, a key player at Athos Partners, brings five years of experience in private equity advisory and investment banking, with expertise gained from nine fundraising and advisory mandates across Europe. His deep knowledge, honed through his roles at Athos Partners and Barclays, makes him a valuable expert on private equity fundraising strategies in the DACH region.

### *Fundraising Development*

Rosci highlights the impact of rising interest rates on large-cap private equity firms, making capital deployment and value creation through financial engineering more difficult. This, in

turn, has led to fewer exits for lower mid-market firms, affecting LPs that rely on distributions to reinvest capital. Some funds have turned to continuation vehicles, although these provide lower returns than earlier-stage transactions.

Despite these challenges, Rosci emphasizes the success of recent DACH region fundraisings, with examples such as Elvaston (€800 million), Dubag (€80 million), and EOS (€300 million) closing at hard caps and attracting significant demand. While ticket sizes were reduced due to the denominator effect, the overall fundraising environment has improved since late 2022, and successful funds continue to thrive while weaker funds struggle to raise capital. The focus has shifted toward top-performing funds, leading to a healthier, more competitive market.

#### *Fundraising Factors*

Rosci contrasts different LP types, noting that risk-averse LPs like pension funds prefer long track records with lower returns, while fund-of-funds seek higher alpha and are more aggressive in their investments. He emphasizes that a strong track record, high returns, and team stability are critical for successful fundraising.

ESG and impact funds, highly popular in 2020-2021, have seen declining interest due to concerns about greenwashing and poor returns, although ESG compliance remains important when it provides economic benefits. Strategies like buy-and-build approaches and sector specialization are particularly valued by LPs. Additionally, co-investments and continuation vehicles have become increasingly important tools to attract investors.

#### *Fundraising Strategies*

Rosci advises GPs to maintain management fees above 2% and carried interest at 20% to avoid undermining credibility and fund management capacity, particularly in the lower mid-market. He also highlights the trend of struggling GPs turning to deal-by-deal models to survive or pivoting to niche investment strategies. He observes a growing LP focus on the lower mid-market, where specialization in sectors or business models leads to strong returns. Specialized funds, especially in healthcare or circular business models, are often oversubscribed, while generalist funds without exceptional performance are losing significance. This trend reflects a broader market shift toward expertise and focused strategies.

#### *Other*

Rosci notes the evolving structure of LPs, with fintech and multifamily offices pooling capital from high-net-worth individuals to make larger investments. Examples like Marklink and Altix in the Benelux region demonstrate how private banking clients and retail investors are participating in private equity through lower minimum investment thresholds, making private equity more accessible.

In summary, Pietro Rosci emphasizes the importance of a strong track record, team stability, and specialized strategies for successful fundraising in the DACH region. The shift toward specialization, along with maintaining credibility through proper fee structures, is key for GPs navigating the current fundraising landscape.