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DAKOTA MONTHLY ROUNDUP

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DAKOTA MONTHLY ROUNDUP / February 2025

In the Dakota Monthly Roundup, our team curates the most critical trends and developments shaping institutional capital allocation. We leverage exclusive Dakota Research data to provide limited partners, general partners, service providers, and other key players in the private markets ecosystem with actionable intelligence on capital commitments, fundraising activity, and strategic shifts in alternative investments.

Against a backdrop of elevated interest rates, persistent inflationary concerns, and global geopolitical shifts, institutional investors continue to prioritize alternative assets for diversification and long-term return potential. Private equity, venture capital, private credit, and real assets remain key allocation areas, even as market participants adjust to an evolving economic environment.

NOTABLE FUND LAUNCHES & CLOSES

Private Equity

As central banks maintain higher-for-longer interest rates, private equity firms are adapting to a shifting financing landscape. While capital raising remains robust, firms are increasingly focusing on operational improvements and strategic growth, particularly in sectors like technology and healthcare, which demonstrate resilience in an uncertain macro environment.

Investor demand for technology-driven assets, particularly in enterprise software and digital infrastructure, remains strong as companies prioritize digital transformation. To capitalize on this, firms continue to launch flagship funds targeting high-growth sectors. HGGC filed for HGGC Fund V, aiming to exceed the \$2.54 billion raised for its predecessor, reinforcing its focus on mid-market growth investments. Previous HGGC funds have backed companies such as AutoAlert, Integrity Marketing Group, and Monotype Imaging.

Banneker Partners is planning its third private equity fund, following its \$550 million vehicle, reflecting the ongoing expansion of software investments. Its past investments include LINQ, CORE, and Eyelit. PSG secured \$6 billion at the final close of PSG VI, targeting next-generation software companies, while Thoma Bravo Europe Fund raised €1.8 billion (\$1.95 billion) for middle-market software investments across Europe—marking its first dedicated European fund.

GTCR Strategic Growth Fund II exceeded its \$2.75 billion target, closing at \$3.6 billion in under six months, illustrating strong institutional demand for growth-oriented strategies. GTCR has historically backed firms like RevSpring, CommerceHub, and Consumer Cellular.

Venture Capital

Despite broader market uncertainties, venture capital saw robust activity, particularly in artificial intelligence, fintech, and sustainable technology. Obvious Ventures is targeting \$400 million for its fifth fund, maintaining its commitment to impact-driven startups. Previous investments from Obvious Ventures include Beyond Meat, Virta Health, and Recursion Pharmaceuticals. Footwork Ventures secured \$225 million for its second fund, focusing on early-stage consumer and enterprise technology.

Bonfire Ventures raised \$245 million for its fourth fund, its largest to date, underscoring demand for early-stage B2B software investments. Prior investments from Bonfire include Boulevard, Chili Piper, and Flatfile. Hamilton Lane surpassed its \$500 million target, closing Hamilton Lane Venture Access Fund I at \$615.3 million. Cherry Ventures secured \$500 million across two funds, reinforcing its ambition to seed the next European tech unicorn. Previous Cherry Ventures-backed companies include Flink, SellerX, and Cazoo.

Private Credit

With traditional banks tightening lending standards due to regulatory pressures and macro-economic headwinds, private credit has become an essential funding source for middle-market companies. Investors continue to favor direct lending and distressed debt strategies, capitalizing on dislocations in the credit markets. The demand for alternative fixed-income solutions is also being driven by persistently high interest rates, making private credit an attractive source of yield compared to traditional bonds.

Institutional demand for private credit remained strong, with a growing focus on distressed debt and asset-backed lending. Gemcorp Capital launched a \$2 billion private credit fund targeting emerging markets. Oaktree Capital Management closed Oaktree Opportunities Fund XII at \$16 billion, one of the largest distressed debt funds ever raised. Churchill Asset Management closed Middle Market CLO V at \$750 million, highlighting investor appetite for middle-market lending strategies. Tikehau Capital raised €1.2 billion (\$1.26 billion) for Special Opportunities Fund III, exceeding its target.

Real Assets

Momentum in real assets investing remained strong, particularly in infrastructure and real estate debt, as institutional investors sought inflation-hedging opportunities. With inflation concerns still influencing asset allocation decisions, investors are turning to real estate debt, infrastructure, and energy transition projects as stable, income-generating opportunities. Government-backed sustainability initiatives and global infrastructure development are further driving capital inflows into these sectors.

Brookfield Asset Management launched Infrastructure Debt Fund IV, targeting \$7 billion, while Sculptor Capital closed Real Estate Fund V at \$3 billion, its largest fundraise to date. Ara Partners raised \$500 million for its inaugural Ara Infrastructure Fund I, emphasizing sustainable infrastructure projects.

INSTITUTIONAL COMMITMENTS

Institutional investors remained highly active in February 2025, allocating over \$12 billion across private equity, private credit, real estate, hedge funds, infrastructure, and venture capital. Private equity and private credit received the most significant commitments, while real estate investments were diversified across core and opportunistic strategies, and hedge fund and infrastructure allocations were more selective.

Despite ongoing economic volatility, institutional investors continue to allocate capital strategically, balancing exposure across private equity, private credit, and real assets. The rise in direct lending and structured credit reflects a shift toward income-generating strategies in a high-rate environment, while private equity commitments show a preference for resilient, cash-flow-positive businesses. Investors are also paying closer attention to liquidity management, as capital calls and distributions remain key considerations in navigating macroeconomic uncertainty.

Private equity emerged as the most favored asset class, with notable allocations from major institutional investors. The Canada Pension Plan (CPP) Investment Board committed \$700 million to BPEA Private Equity Fund IX, reinforcing its middle-market buyout strategy. Additionally, the New Jersey Division of Investment allocated \$200 million each to Bain Capital Fund XIV and BPEA Private Equity IX, underscoring the continued investor confidence in growth equity and buyout strategies.

Private credit also saw strong investor interest, particularly in direct lending and structured credit. The Minnesota State Board of Investments allocated \$300 million to Castllake Asset-Based Private Credit III, while the Washington State Investment Board committed \$220 million to Centerbridge Special Credit Partners V. These allocations highlight the growing role of private credit in institutional portfolios as a means of diversification and yield enhancement.

Real estate investments were diversified across core and opportunistic strategies. The Florida State Board of Administration allocated \$300 million to Landmark I, a core real estate fund, demonstrating a preference for stable, income-generating assets. Meanwhile, the New Mexico State Investment Council committed \$200 million to Sculptor Real Estate Fund V, with an additional \$100 million to its co-investment sleeve, signaling interest in value-added real estate opportunities.

While infrastructure and hedge fund allocations were more selective, they remained an integral part of diversified portfolios. The Louisiana State Employees Retirement System allocated \$125 million to a HarbourVest Custom Co-Investment, while the Virginia Retirement System committed \$150 million to Silver Creek Aggregate Reserves Fund I, targeting absolute return hedge funds. These investments reflect the continued institutional appetite for alternative strategies that offer downside protection and uncorrelated returns.

Venture capital investments were more focused, with select institutional investors making strategic commitments. The South Carolina Retirement System Investment Commission allocated \$200 million to Cendana Sandstorm, an early-stage venture fund, while the New York State Common Retirement Fund contributed \$300 million to B Capital Global Growth IV, a late-stage venture capital fund. These commitments highlight the importance of venture capital in capturing long-term growth opportunities, despite broader market volatility.

PEOPLE MOVES

February brought a wave of high-profile executive appointments and leadership transitions across the institutional investment industry. Citi Wealth appointed Christopher Biotti as Head of North America Private Bank, while Schroders named Oliver Gregson as CEO of its wealth management division. Coatue Management recruited Blackstone veteran Peter Wallace and Carlyle alum Nathan Urquhart as co-presidents. Ares Management restructured its leadership team, appointing Kipp deVeer and Blair Jacobson as co-presidents and naming Kort Schnabel as CEO of Ares Capital.

Other notable moves included Piper Sandler expanding its private capital advisory team, EQT naming Per Franzen as its new CEO, and Hightower Advisors recruiting former Goldman Sachs Ayco head Larry Restieri as its next CEO.

M&A ACTIVITY

February was an active month in the M&A and private equity landscape, with major players such as KKR, Apollo Global Management, Bain Capital, and Blackstone driving significant deal activity across multiple sectors. The month was marked by strategic divestitures, high-value acquisitions, and a surge in private credit financing.

One of the key themes was private equity's increased pricing discipline, as seen in KKR and Hellman & Friedman's withdrawal from the Stroeer acquisition. Sovereign Capital's exit from Shackleton and Investcorp's divestiture of Contentserv to Dassault Systèmes indicate GPs optimizing their portfolios.

On the buy-side, Trive Capital and Argonaut Private Equity expanded into aerospace and industrials, while TowerBrook Capital Partners and Aquiline Capital Partners targeted consulting, asset management, and wealth services.

Notable Investment Themes

Technology, AI & Cloud Computing

GPs continue to direct capital into AI, data analytics, and cloud computing, with Anthropic's \$3.5B funding round highlighting AI's dominance. Boathouse Capital's investment in Analytics8 and Metronome's \$50M Series C funding underscore the demand for AI-driven business models and cloud-based analytics, as does emerging manager Cloud Capital making a \$145M first close on its second fund dedicated to data center investments.

Aerospace, Industrials & Defense

The reshoring of supply chains and increased defense spending drove M&A activity in aerospace and manufacturing. Argonaut Private Equity acquired Pryer Aerospace, while Trive Capital's investment in IFA and EnduroSat's €20M capital injection highlight continued interest in space technology.

Financial Services, Fintech & Alternative Asset Management

Private equity firms remain active in financial services, with Aquiline Capital Partners acquiring SEI's family office services and TowerBrook Capital Partners investing in Berkeley Research Group. Private credit and exposure to US markets also continued to be focus areas for manager-on-manager M&A, with Apollo's Redding Ridge acquiring Irradiant Partners to make it a top-five CLO manager with \$38B in AUM and adding \$2.2B to Apollo's private credit portfolio, while Barings agreed to acquire \$11B AUM real estate manager Artemis Real Estate Partners in a bid to bolster its presence in the US real estate market.

Infrastructure, Real Assets & Private Credit

Private credit continues to expand, as seen in Apollo Global's \$35B financing for Meta's data center expansion and RCG Ventures' \$1.8B real estate acquisition.

FINAL THOUGHTS

Despite ongoing macroeconomic uncertainties—such as elevated interest rates, inflationary pressures, and geopolitical tensions—alternative assets remained a key pillar of institutional portfolios. Investors focused on technology-driven sectors, private credit opportunities, and real assets as inflation hedges, while M&A activity reflected a disciplined approach, targeting resilient, high-value industries such as aerospace, industrials, and financial services.

Private credit continued its rapid expansion, particularly in distressed debt and structured lending, as traditional banks pulled back amid tightening credit conditions. Meanwhile, real assets and infrastructure projects attracted strong institutional demand, driven by government-backed sustainability initiatives and global infrastructure development.

As we move into Q2 2025, market participants will closely monitor macroeconomic conditions, central bank policies, and fundraising momentum to navigate an evolving investment landscape. As institutional capital allocation evolves, middle-market buyouts, direct lending, and strategic venture capital remain central focus areas.

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What sets Dakota Research apart is its unique blend of private market insights, fundraising intelligence, and CRM tools - designed specifically to enhance due diligence and investment confidence.

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