

Rubenstein: Sovereign wealth funds to become largest private equity allocator

By **ARLEEN JACOBIUS** July 25, 2016



David Rubenstein

Sovereign wealth funds could overtake public pension funds as the most significant source of private equity capital in the next five years, David Rubenstein, co-founder and co-chief executive officer of Carlyle Group told attendees at the Private Equity Exclusive conference in Chicago on Monday.

U.S. public pension funds have historically been the biggest source of capital for private equity firms and today account for 30% to 35% of capital, Mr. Rubenstein.

However, sovereign wealth fund assets are growing rapidly, expected to increase to \$9 trillion by 2020 from \$1 trillion in 2004, Mr. Rubenstein said, citing [PricewaterhouseCoopers](#) report on asset management in 2020.

“In the next five years, sovereign wealth funds will be the largest source of capital for private equity,” he said.

What's more, Mr. Rubenstein said he expects more and more of all asset owner capital to be invested in private equity despite the industry's expectations of lower returns. “Why are people rushing in when returns are going down?” he queried.

The reason is that private returns, while lower than in the past, is better than any other publicly traded asset class. “The average private equity fund will perform better than anything else you can do — legally,” Mr. Rubenstein quipped.