

# Private Equity Update

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KPMG Private Equity Forum, November 2016

# About Preqin

Private Equity &  
Venture Capital

Hedge Funds

Real Estate

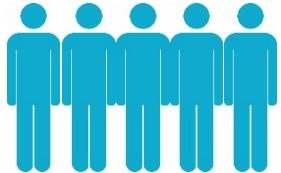
Infrastructure

Private Debt

Natural  
Resources



Data available via online databases, publications and research reports



Clients include over 44,000 industry professionals from 16,000 firms



Multi award-winning service

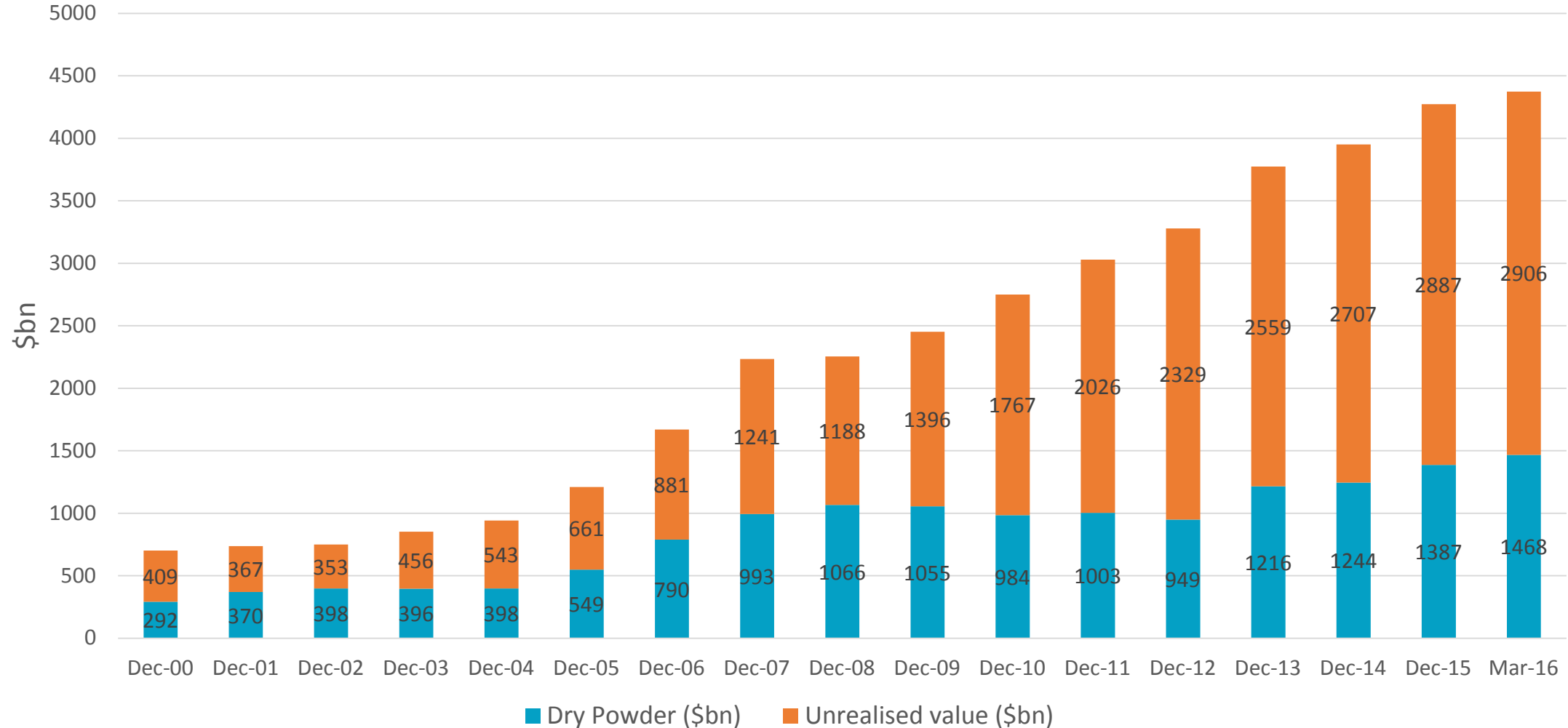


# Market Overview

# Private Capital has evolved

Closed-End Private Capital				
Private Equity	Private Debt	Real Estate	Infrastructure	Natural Resources
Buyout	Direct Lending	Private Equity Real Estate	Infrastructure	Energy
Venture Capital	Distressed Debt			Private Equity Real Estate Fund of Funds
Growth		Mezzanine	Infrastructure Fund of Funds	
Turnaround	Special Situations	Private Equity Real Estate Fund of Funds		Timberland
Other Private Equity	Venture Debt		Private Equity Real Estate Fund of Funds	Water
Private Equity Secondaries	Private Debt Fund of Funds	Private Equity Real Estate Secondaries		Infrastructure Secondaries
Private Equity Fund of Funds				

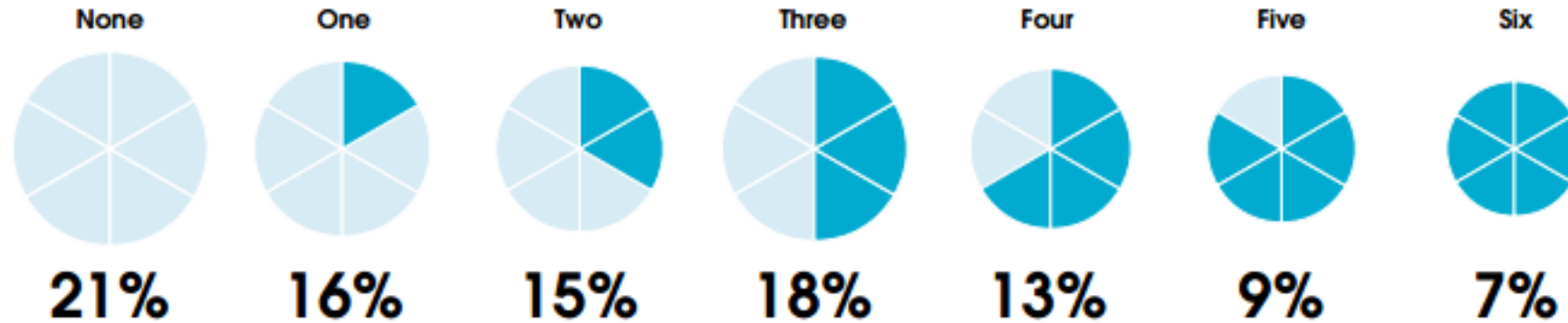
# Private Capital Assets Under Management - \$4.4tn as at March 2016



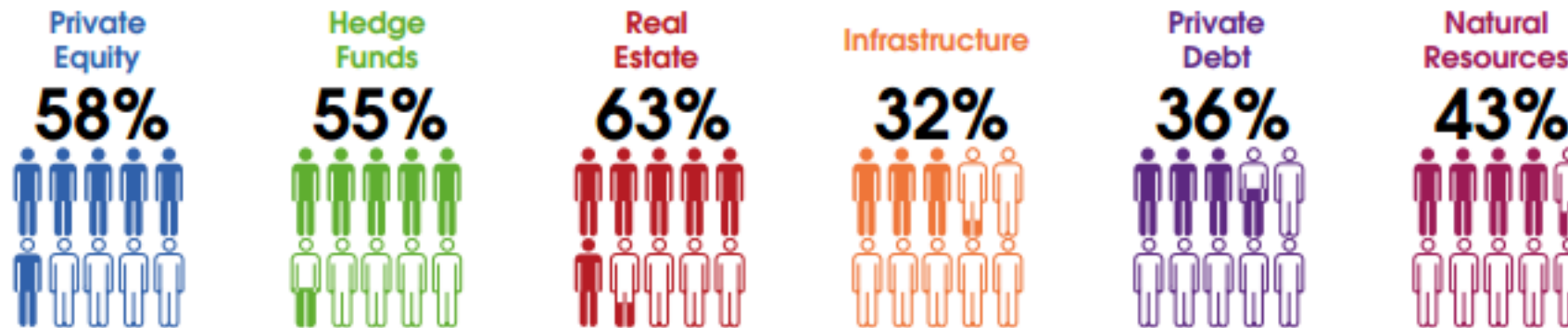
Source: Preqin Private Equity Online

# Alternative Assets – No Longer Alternative!

Institutional Investors by Number of Alternative Asset Classes Invested In



Proportion of Institutional Investors Allocating to Each Alternative Asset Class



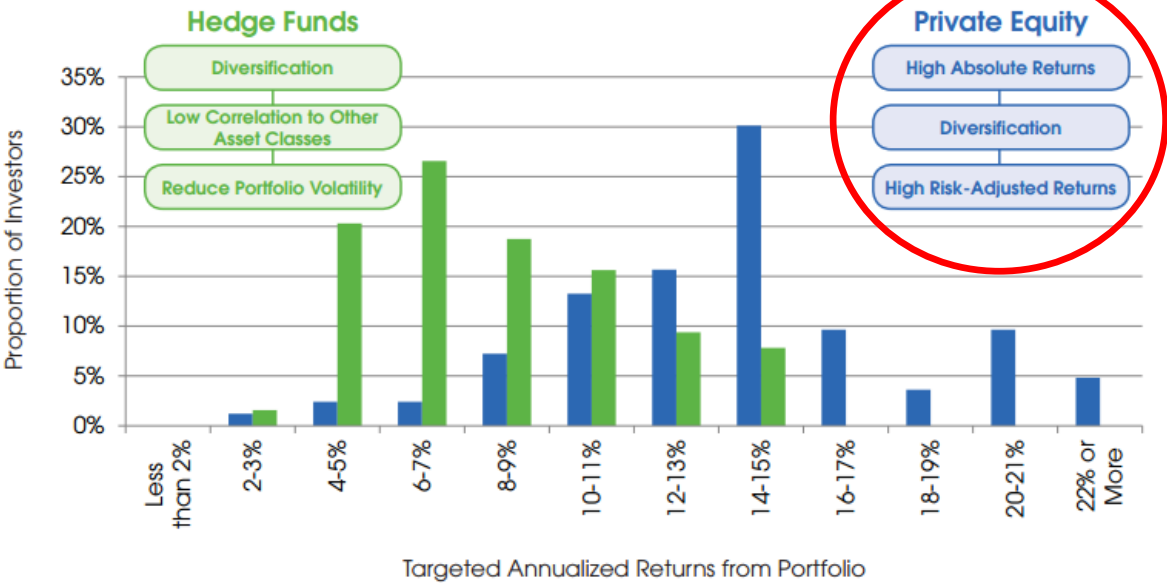
Source: Preqin H2 2016 Investor Outlook

# Distinct Investor Motivations

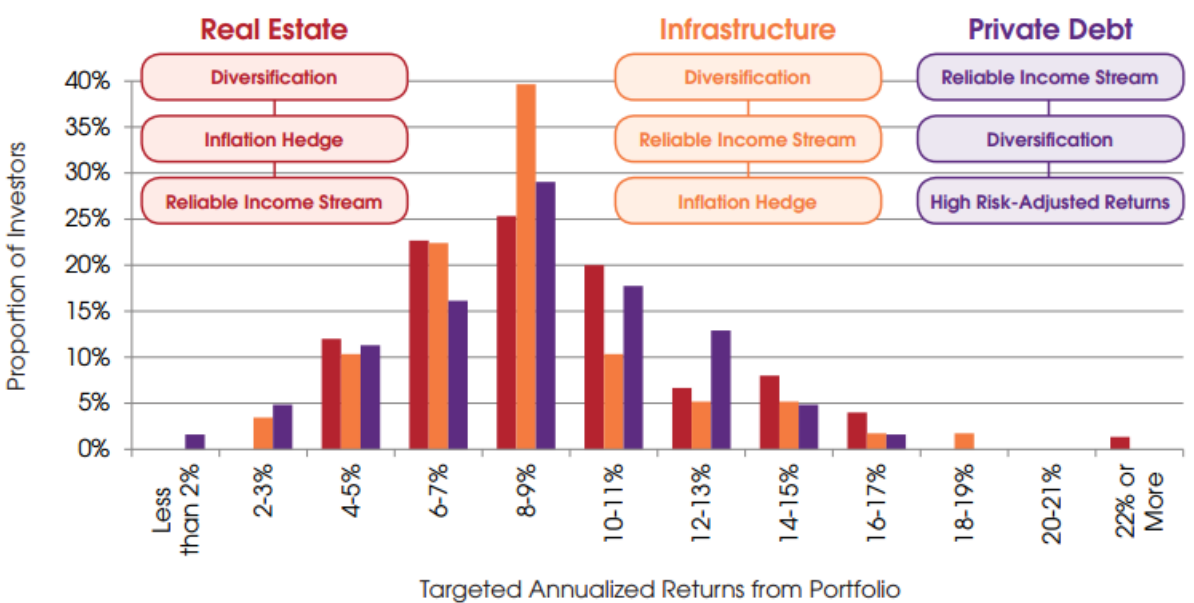
Has PE delivered vs. LPs' expectations?



Private Equity vs. Hedge Funds: Targeted Annualized Returns and Main Reasons for Investing

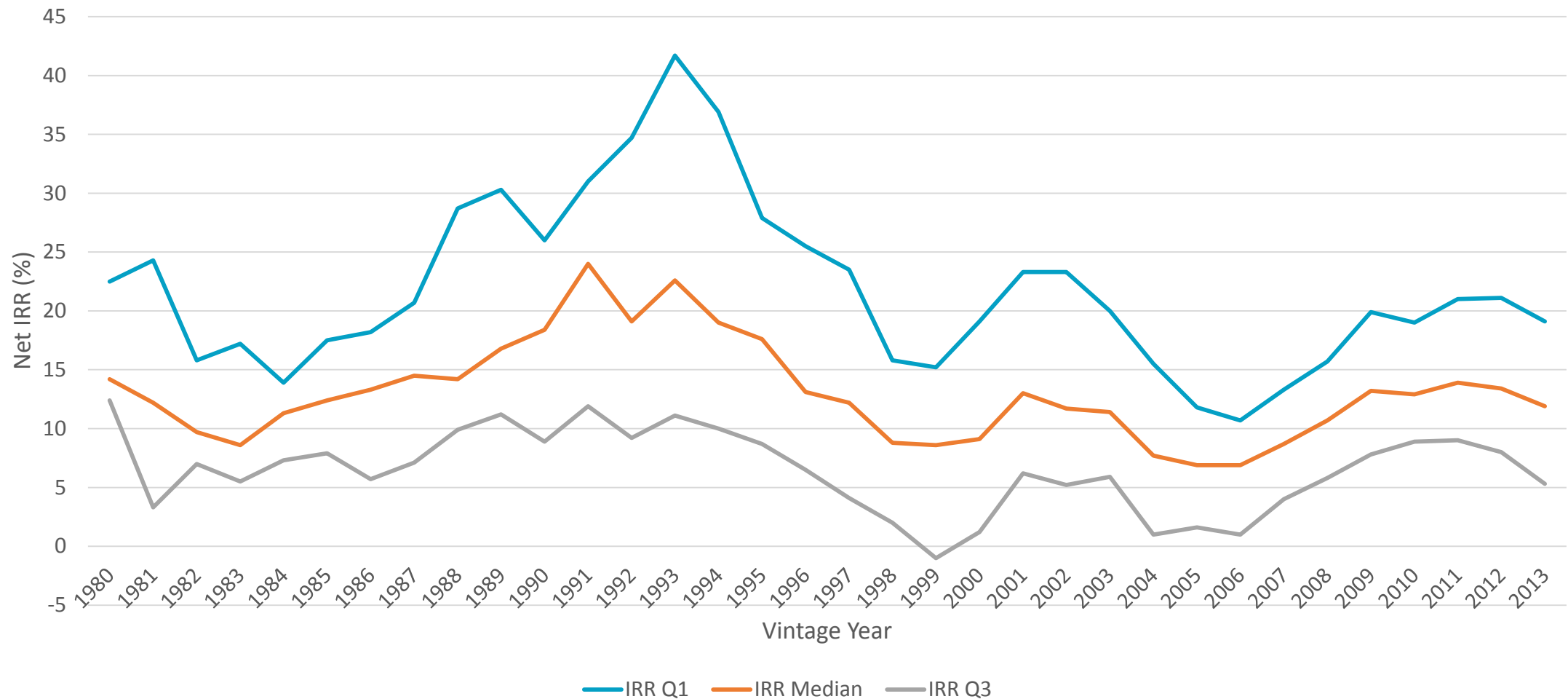


Real Estate, Infrastructure and Private Debt: Targeted Annualized Returns and Main Reasons For Investing



Source: Preqin H2 2015 Investor Outlook

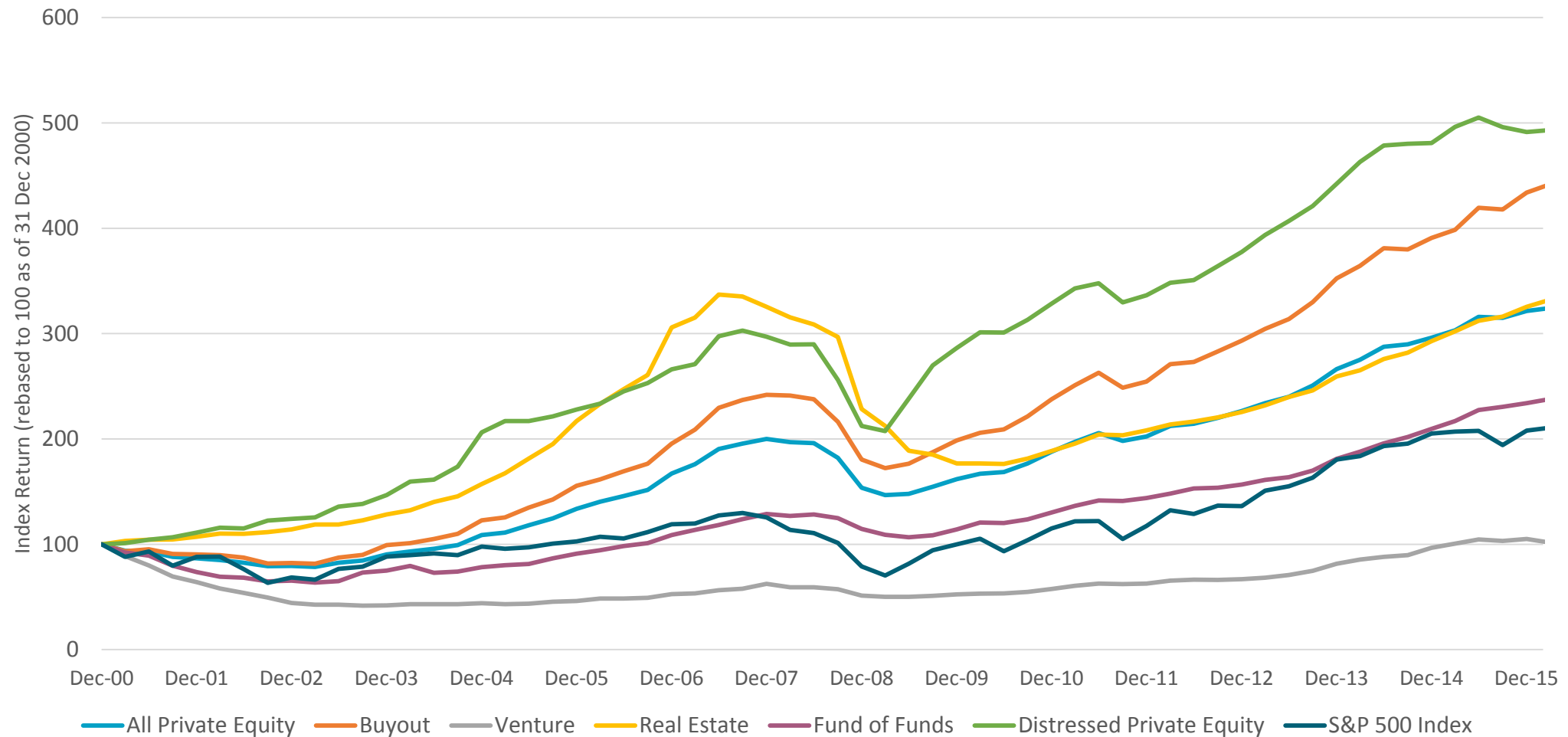
# All Private Equity Strategies Median Net IRRs and Quartile Boundaries



Source: Preqin Private Equity Online

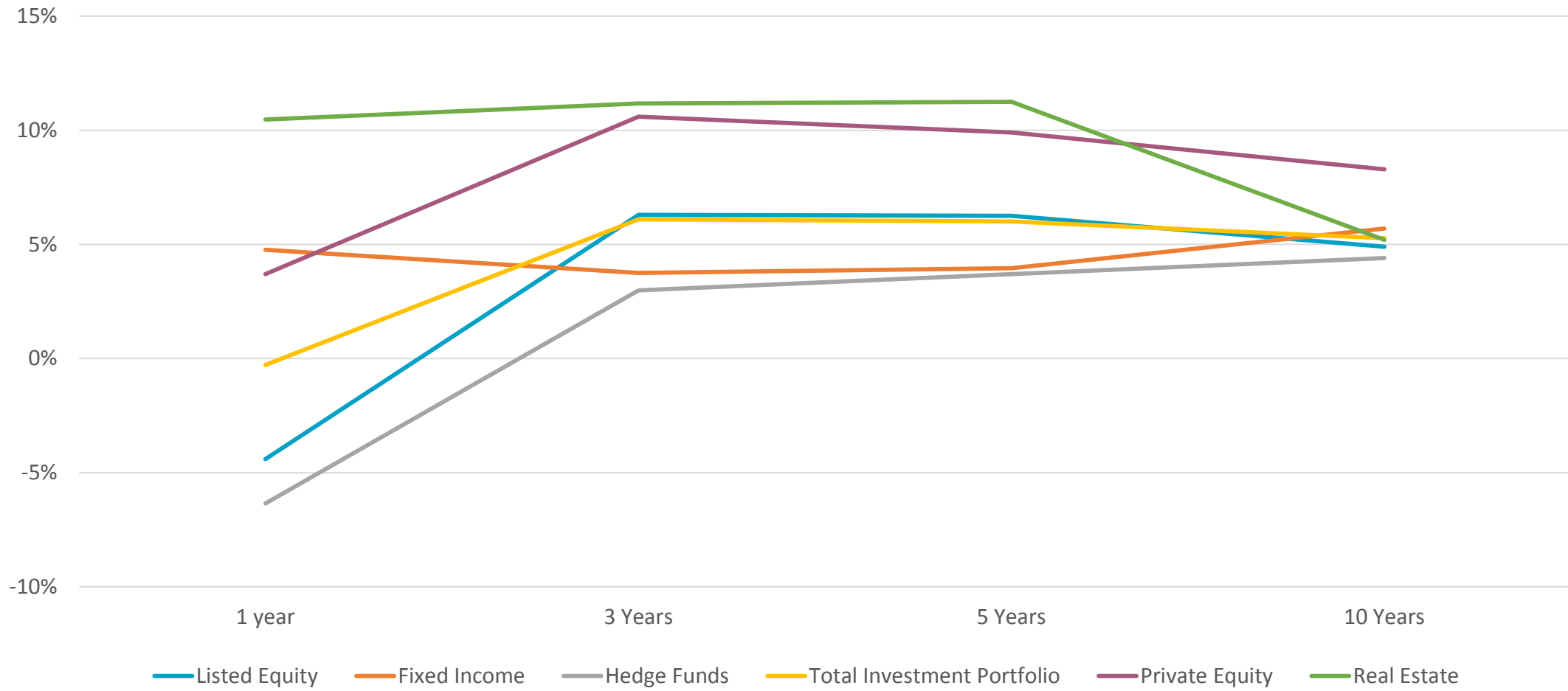


# PrEQIn Index, 2000 - 2015



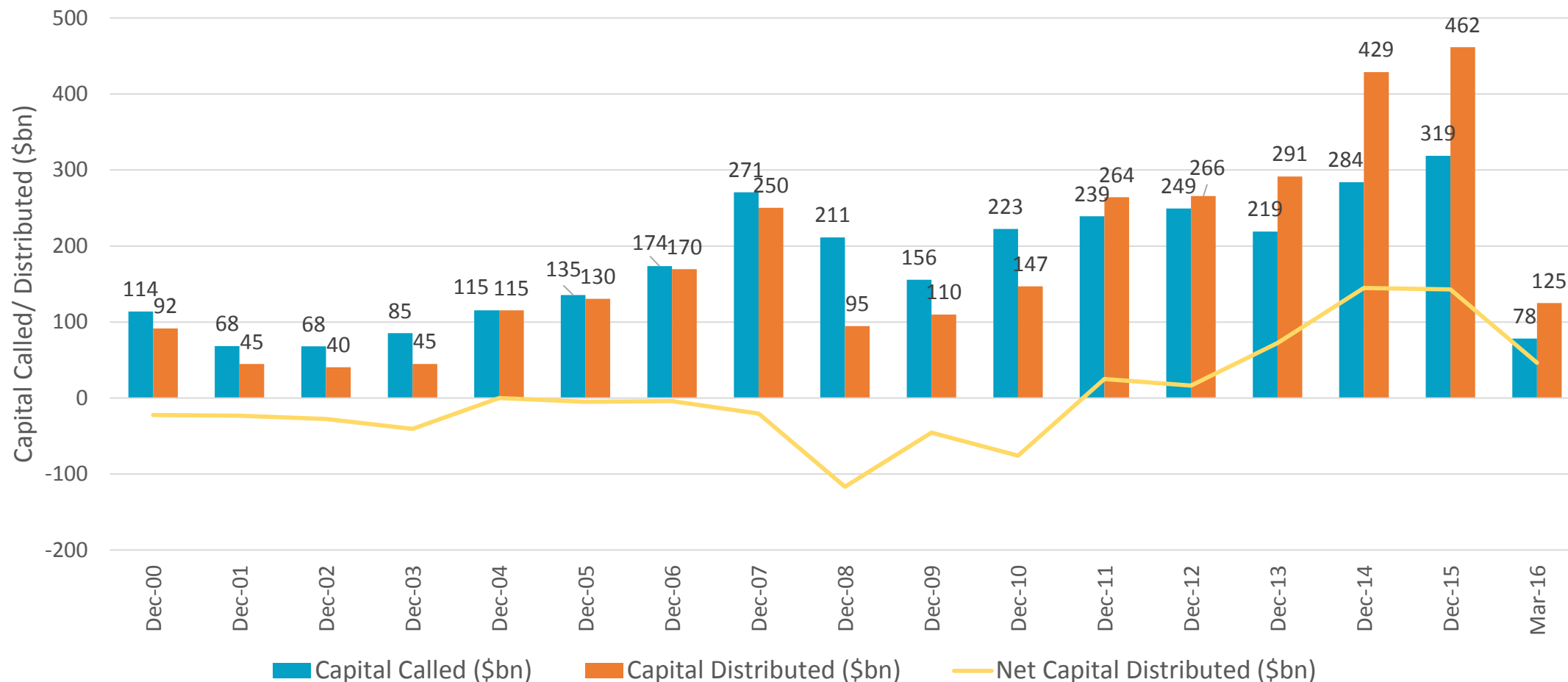
Source: Preqin Private Equity Online

# Returns by Asset Class – Pension Funds (as of June 2016)



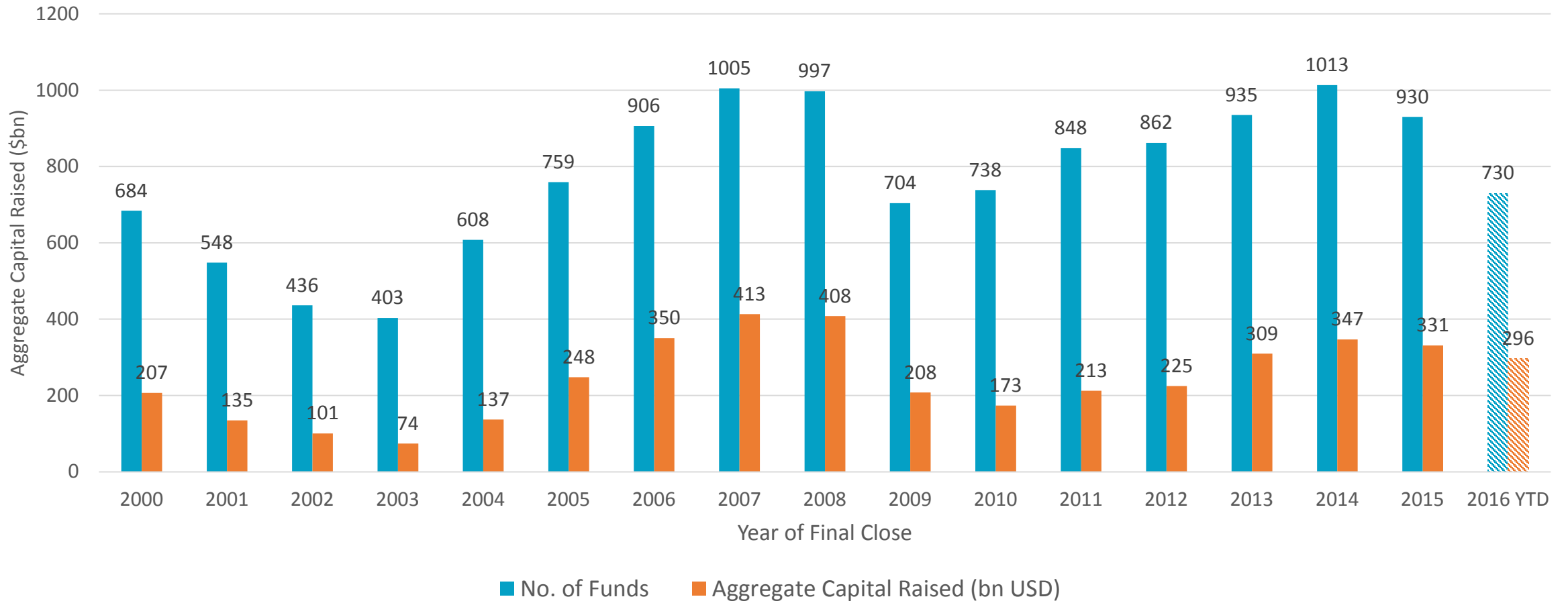
Source: Preqin Private Equity Online

# Private Equity Capital Calls & Distributions, 2000 – 2016 (March)



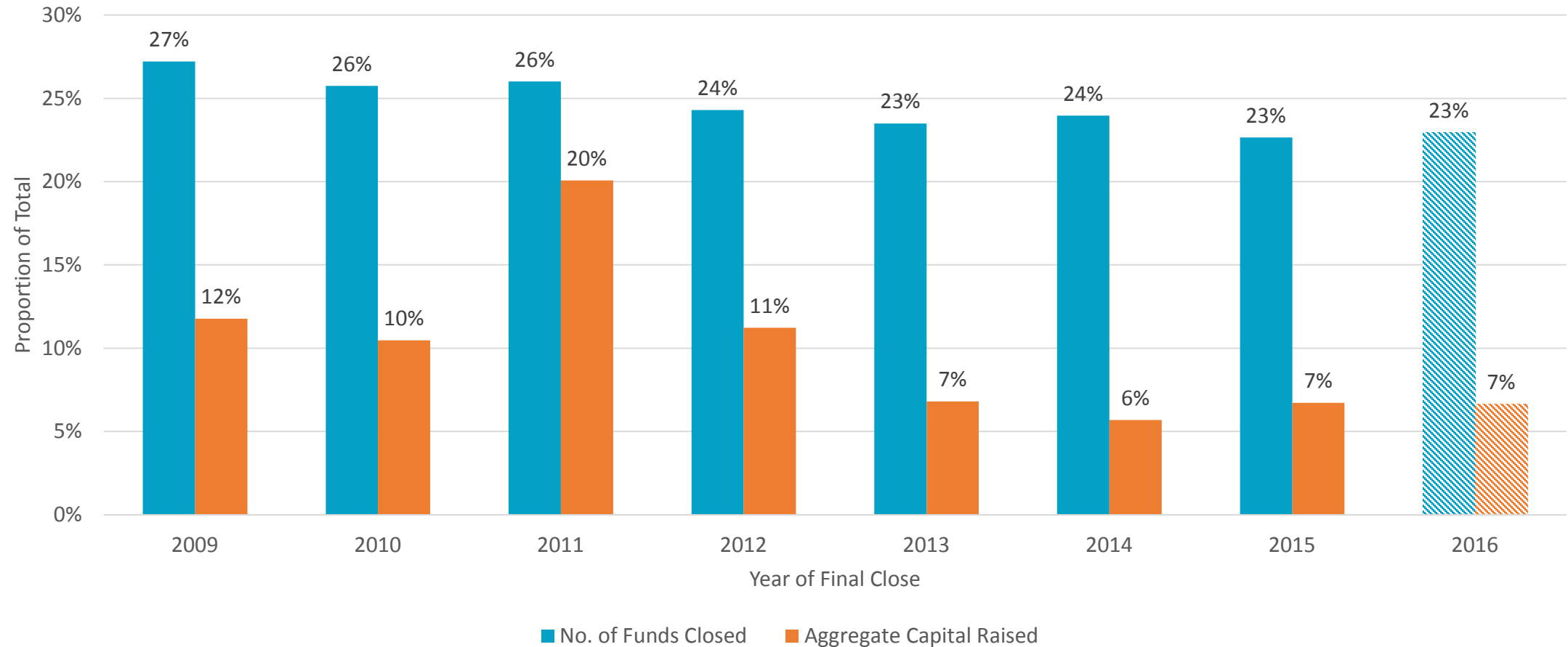
Source: Preqin Private Equity Online

# Global PE Fundraising



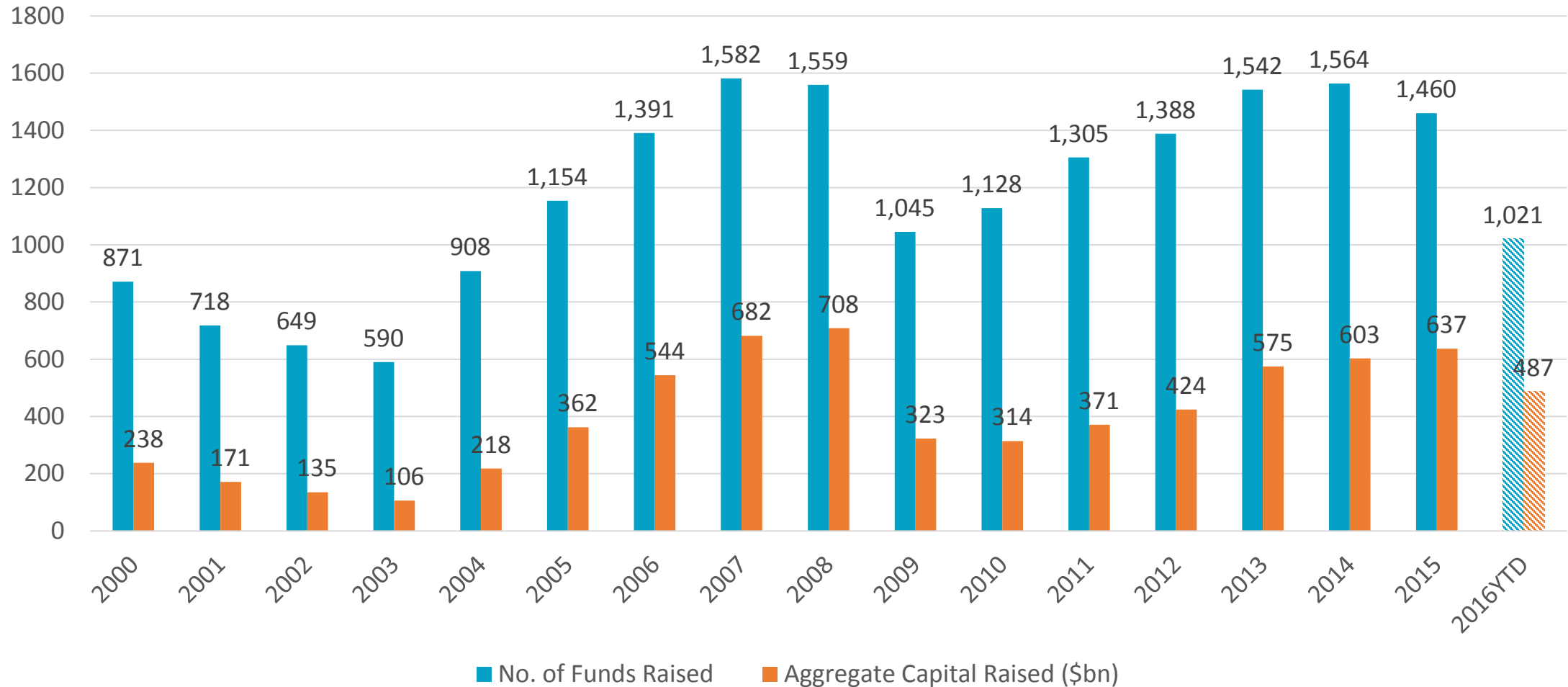
Source: Preqin Private Equity Online

# Fundraising by First-Time Fund Managers as a Proportion of All Private Equity Fundraising, 2009 - 2016



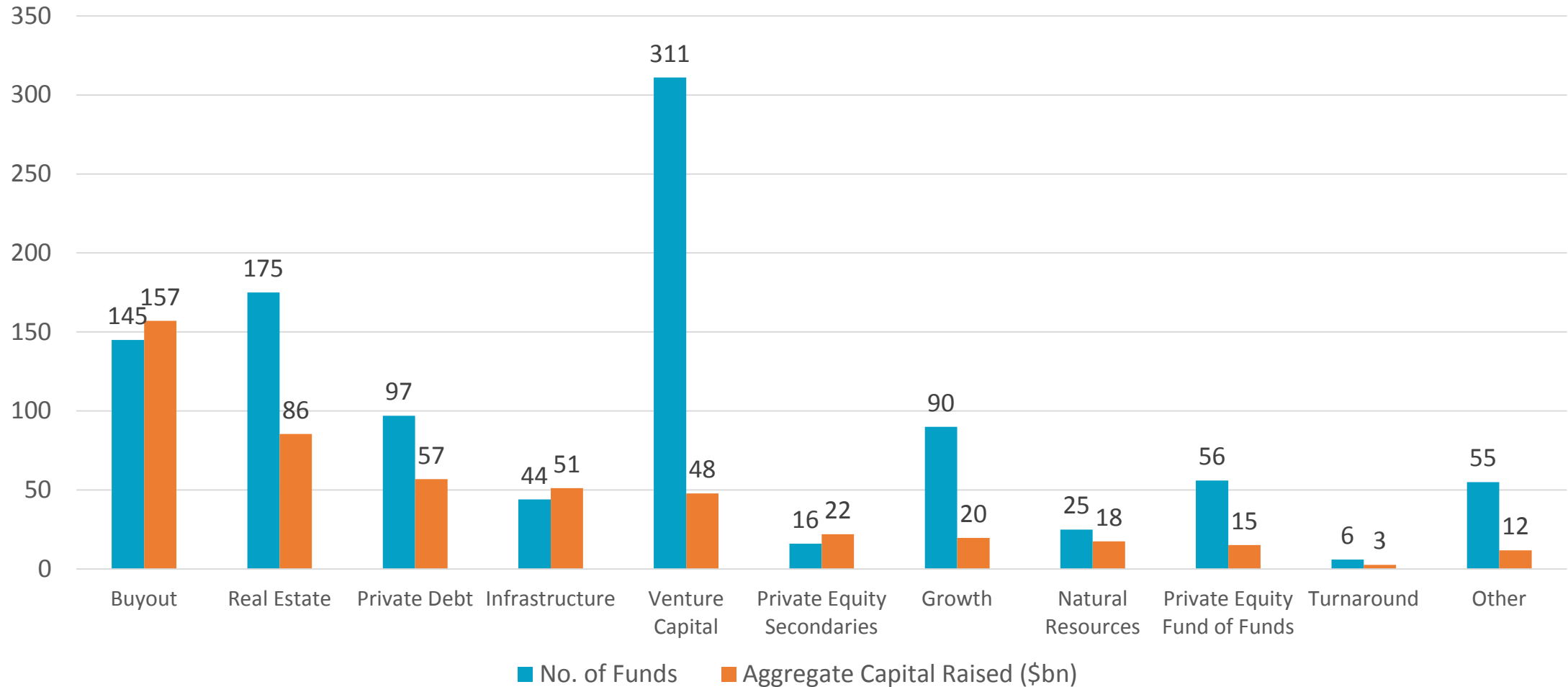
Source: Preqin Private Equity Online

# Annual Global Private Capital Fundraising, 2000 – 2016YTD



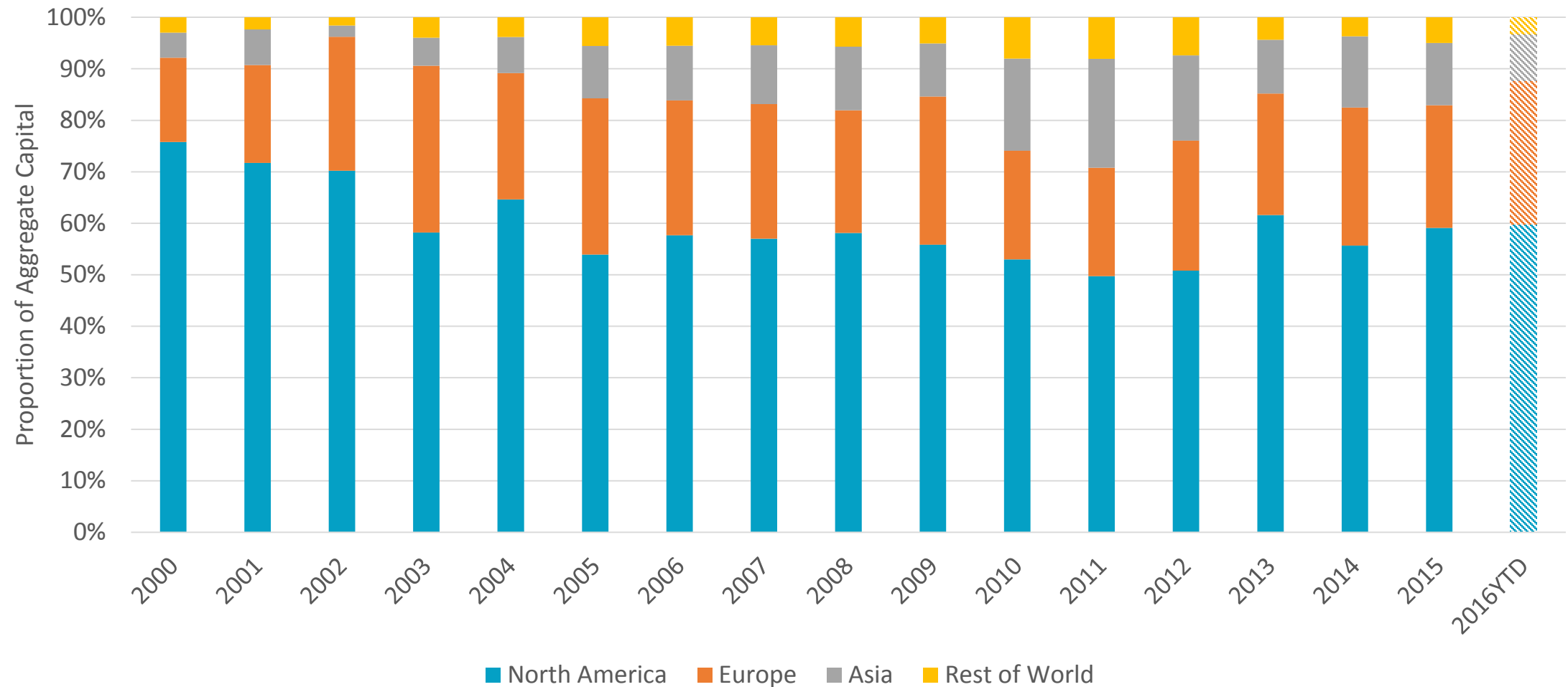
Source: Preqin Private Equity Online

# Private Capital Fundraising by Fund Type, 2016 YTD



Source: Preqin Private Equity Online

# Private Capital Fundraising by Primary Geographic Focus, 2000 – 2016YTD



Source: Preqin Private Equity Online

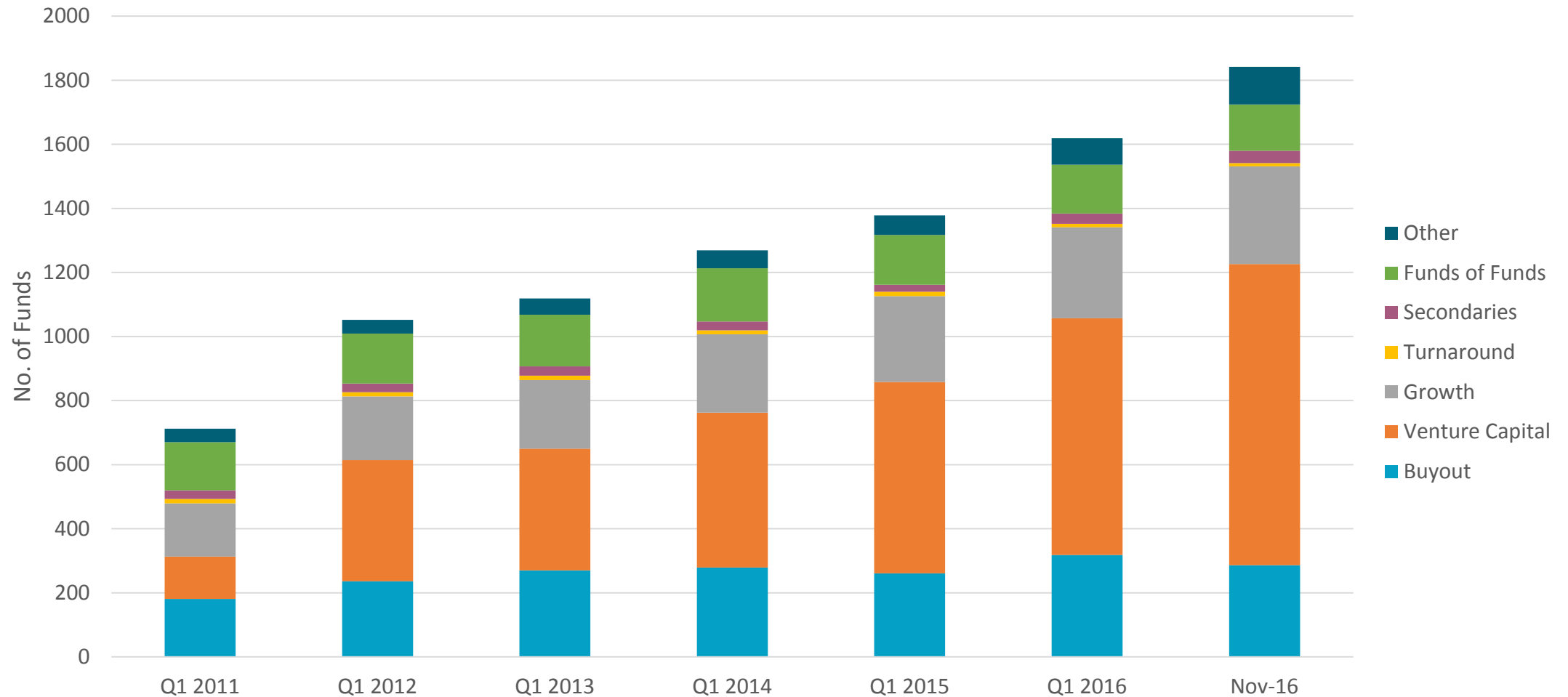


# Private Capital Fundraising Momentum, 2008 – 2016 YTD

Year	Average No. of Months to First Close	Average % of Target Size at First Close	Average No. of Months to Final Close	Average % of Target Size at Final Close
2016	7	47%	16	104%
2015	7	46%	17	101%
2014	8	47%	16	104%
2013	8	46%	18	98%
2012	8	44%	17	94%
2011	7	46%	16	97%
2010	7	48%	18	92%
2009	6	52%	17	80%
2008	6	53%	15	93%

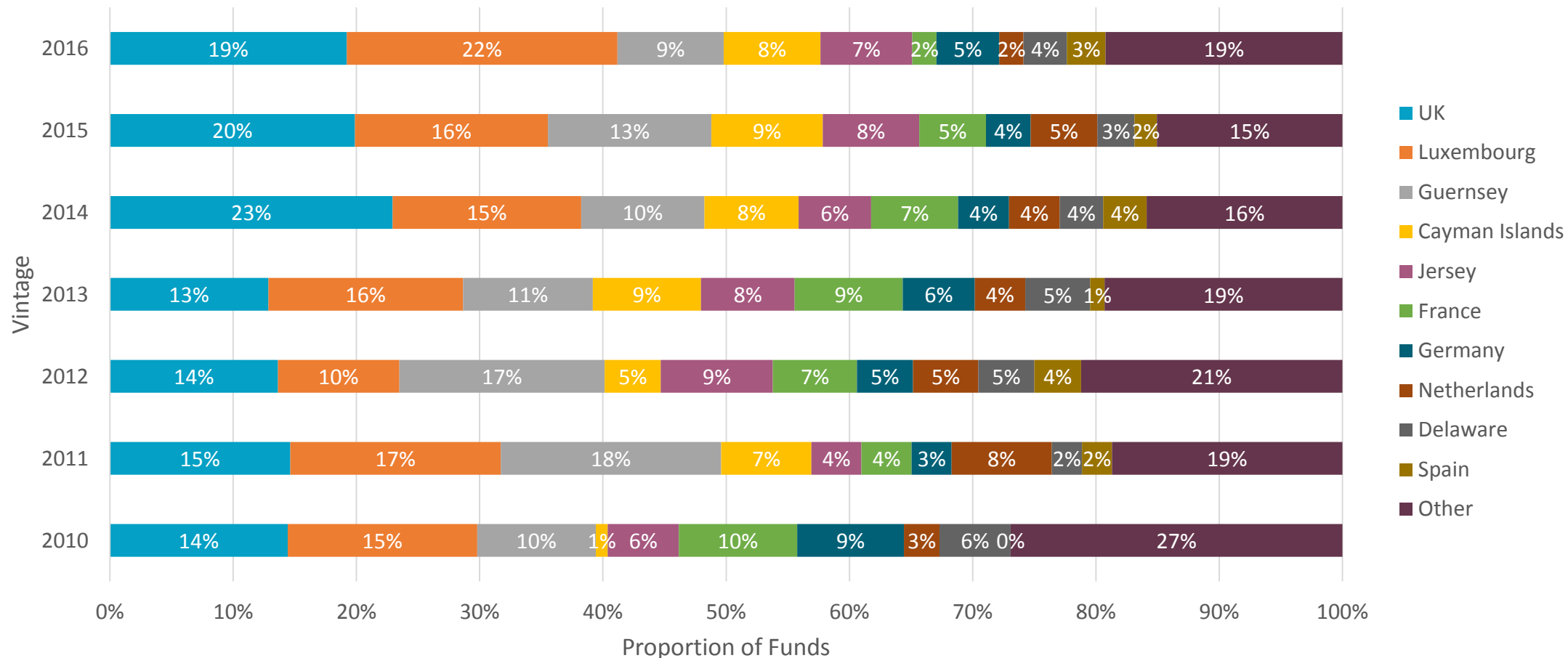
Source: Preqin Private Equity Online

# Number of Private Equity Funds in Market, 2011 – Nov 2016



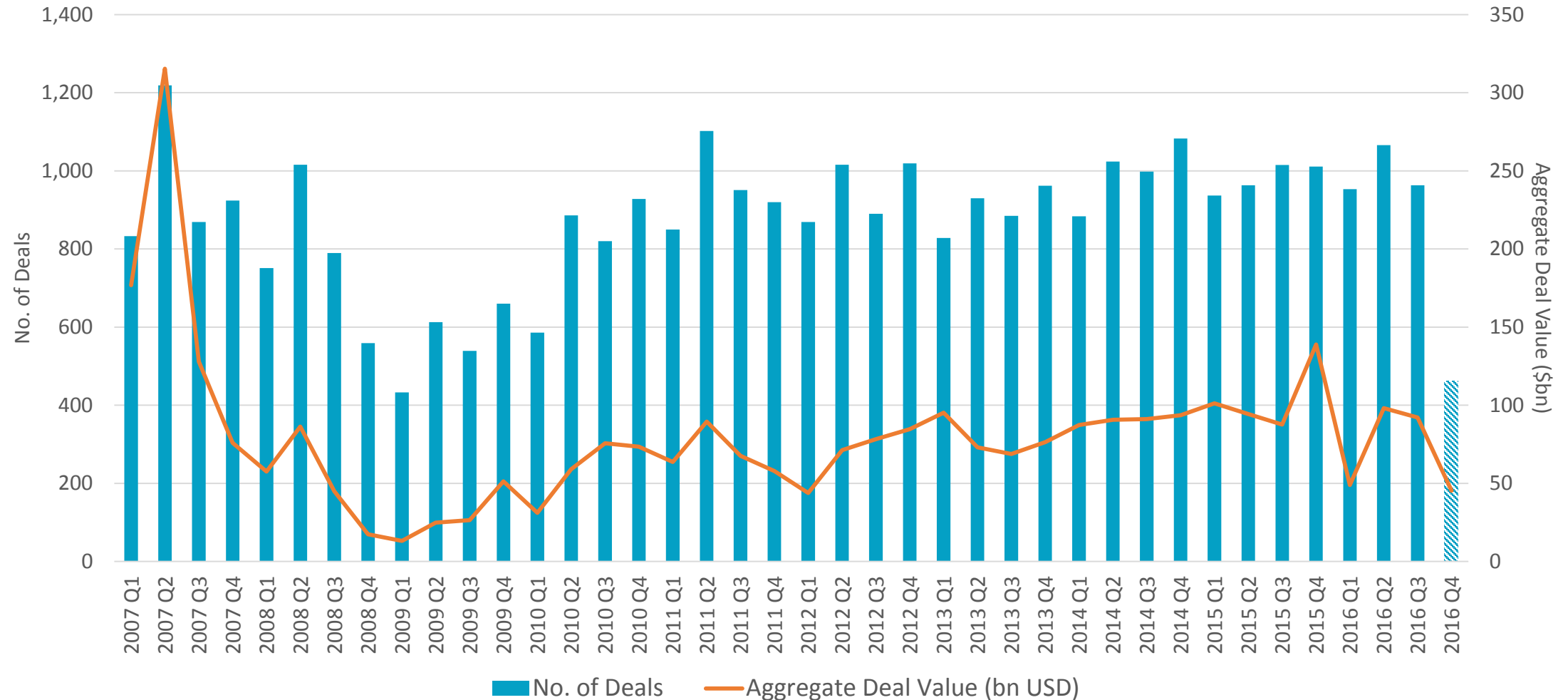
Source: Preqin Private Equity Online

# Top 10 European Private Capital Fund Domicile Locations - 2010 to 2016 Vintages



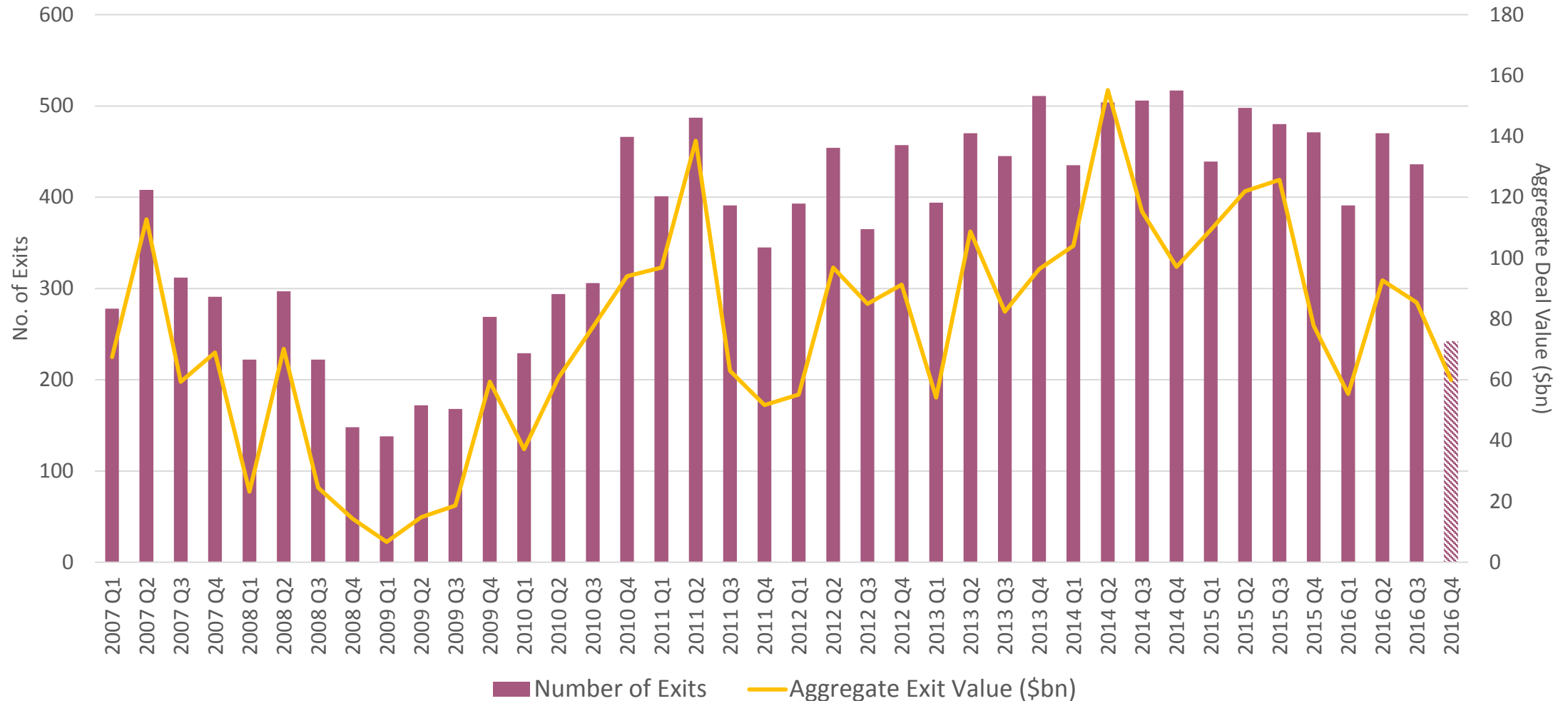
Source: Preqin Private Equity Online

# PE-Backed Buyout Deals, 2007 – 2016 YTD



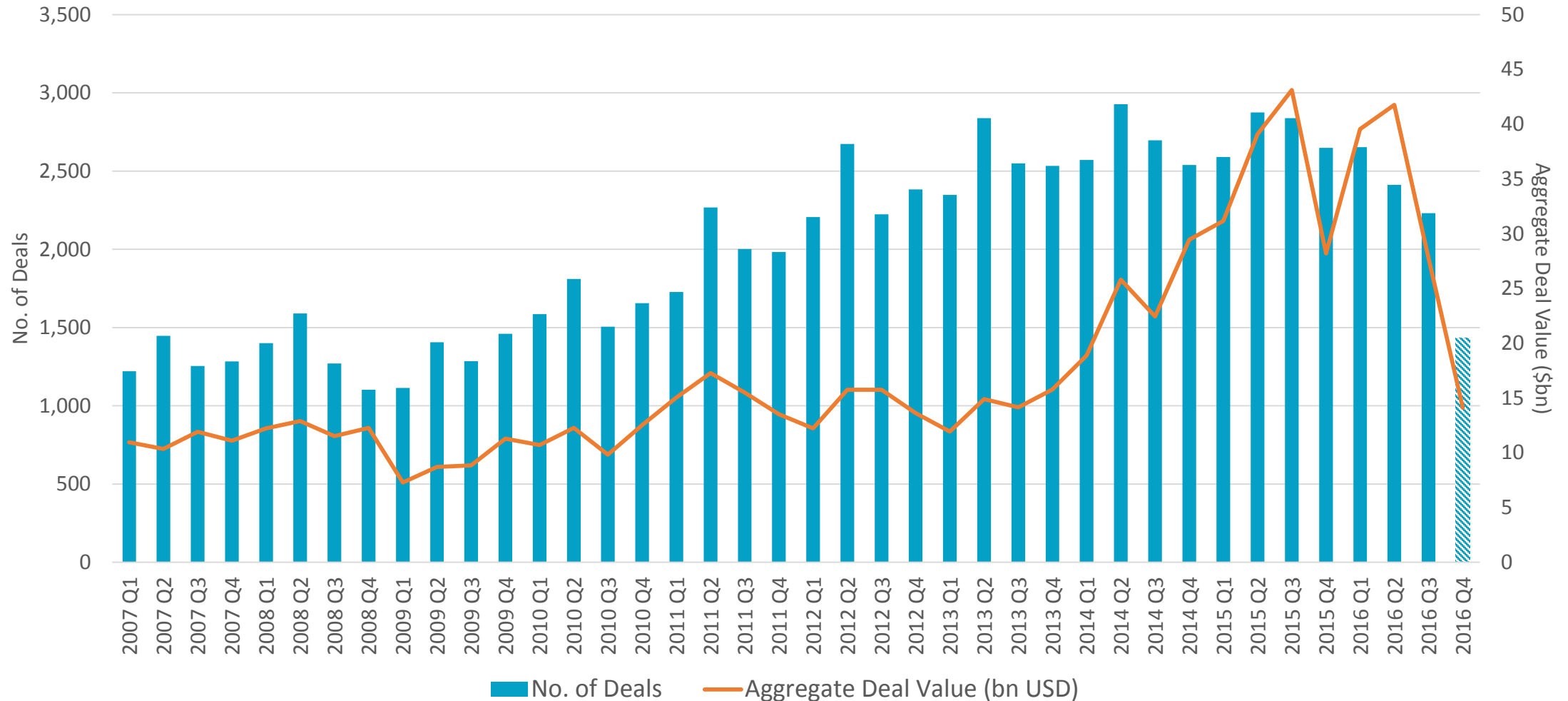
Source: Preqin Private Equity Online

# PE-Backed Buyout Exits, 2007 – 2016 YTD



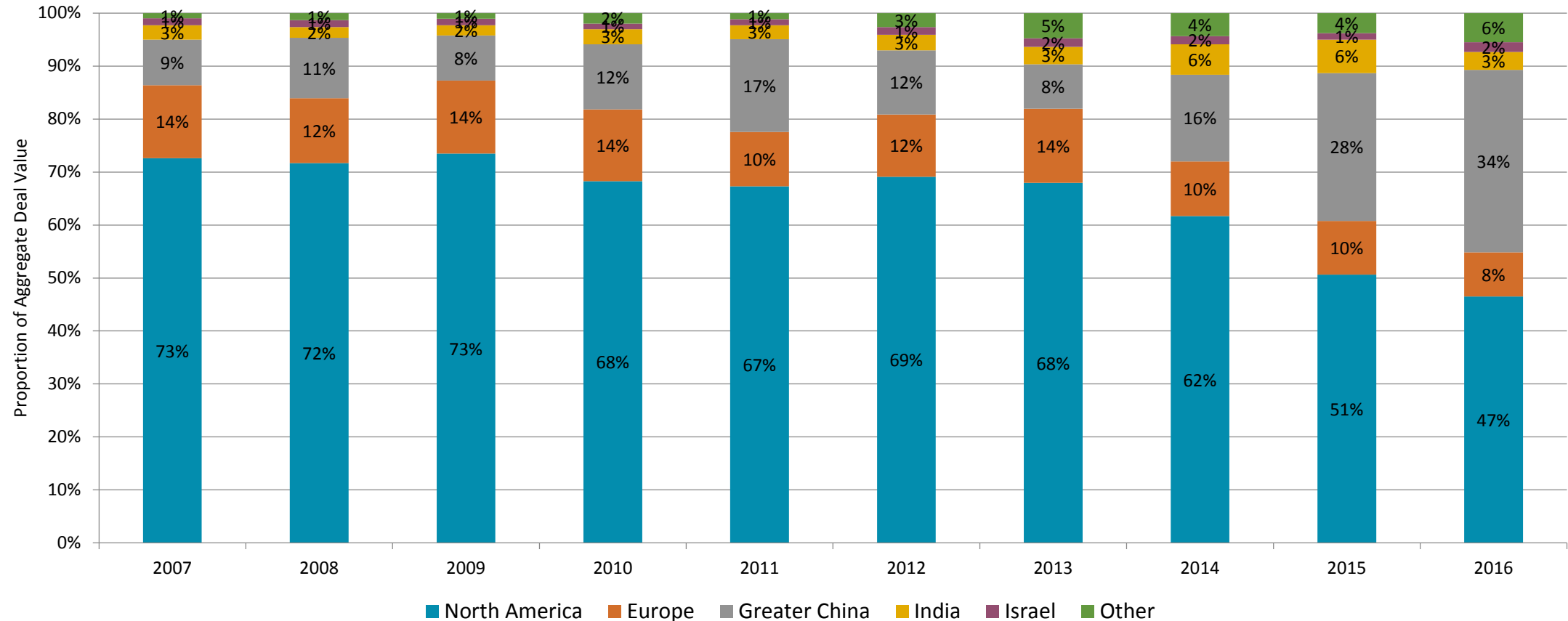
Source: Preqin Private Equity Online

# Venture Capital Deals, 2007 – 2016 YTD



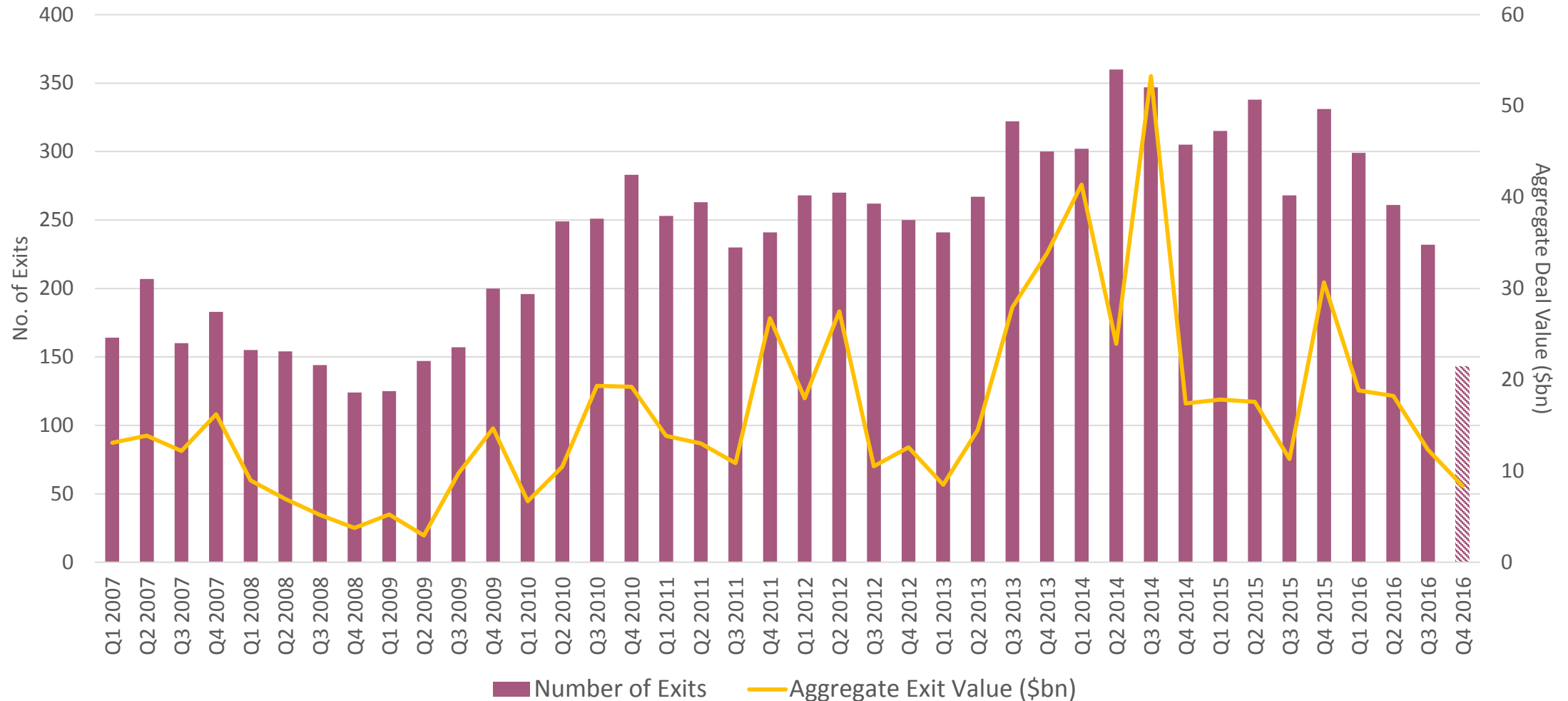
Source: Preqin Private Equity Online

# Proportion of Venture Capital Deals (Value) by Region, 2007-2016 YTD



Source: Preqin Private Equity Online

# Venture Capital Exits, 2007 – 2016 YTD



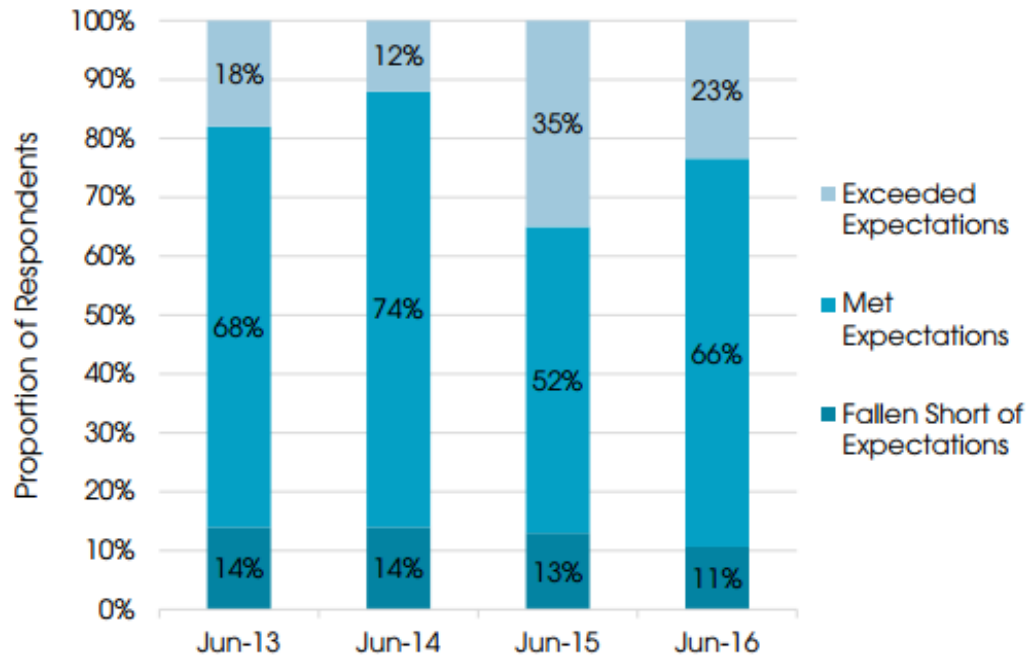
Source: Preqin Private Equity Online



# Implications for LPs and GPs

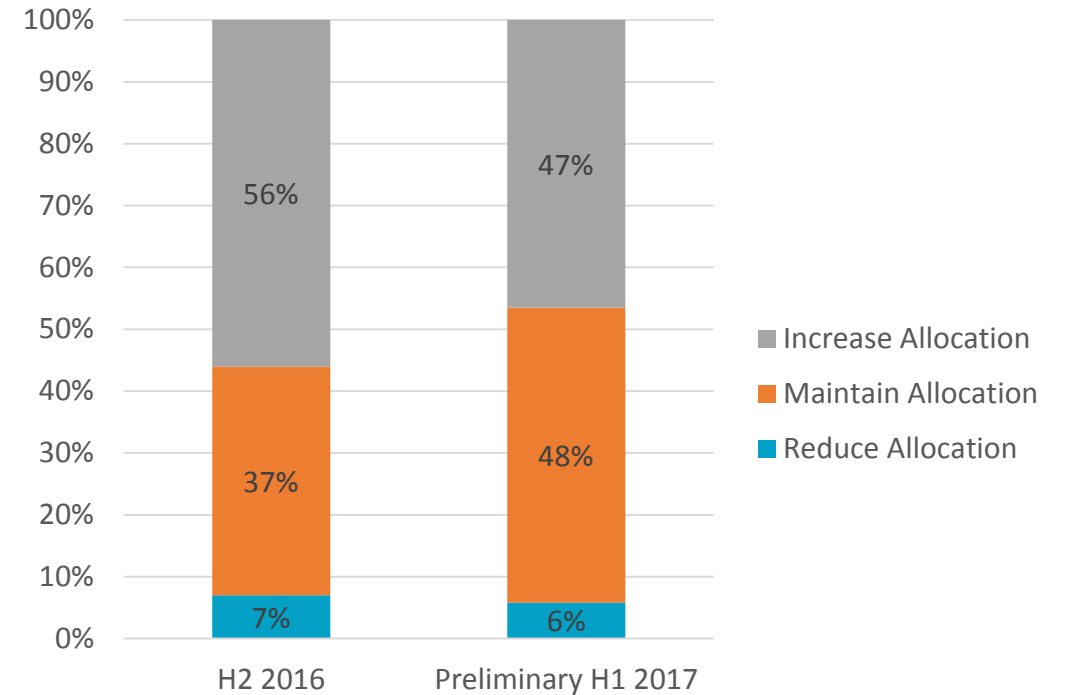
# LP Satisfaction with PE Returns

**Fig. 2.2:** Proportion of Investors that Feel Their Private Equity Fund Investments Have Lived up to Expectations over the Past 12 Months, 2013 - 2016



Source: Preqin Investor Interviews, June 2013 - June 2016

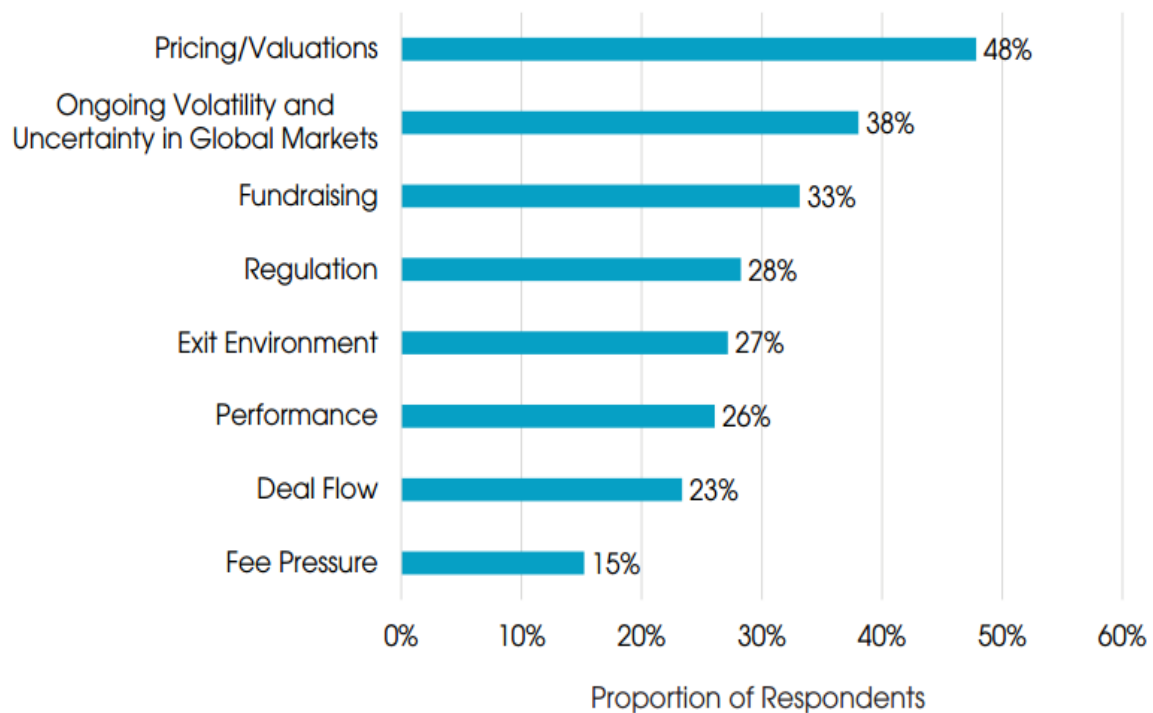
## LP Intentions for PE Allocations



Source: Preqin Investor Interviews, June & November 2016

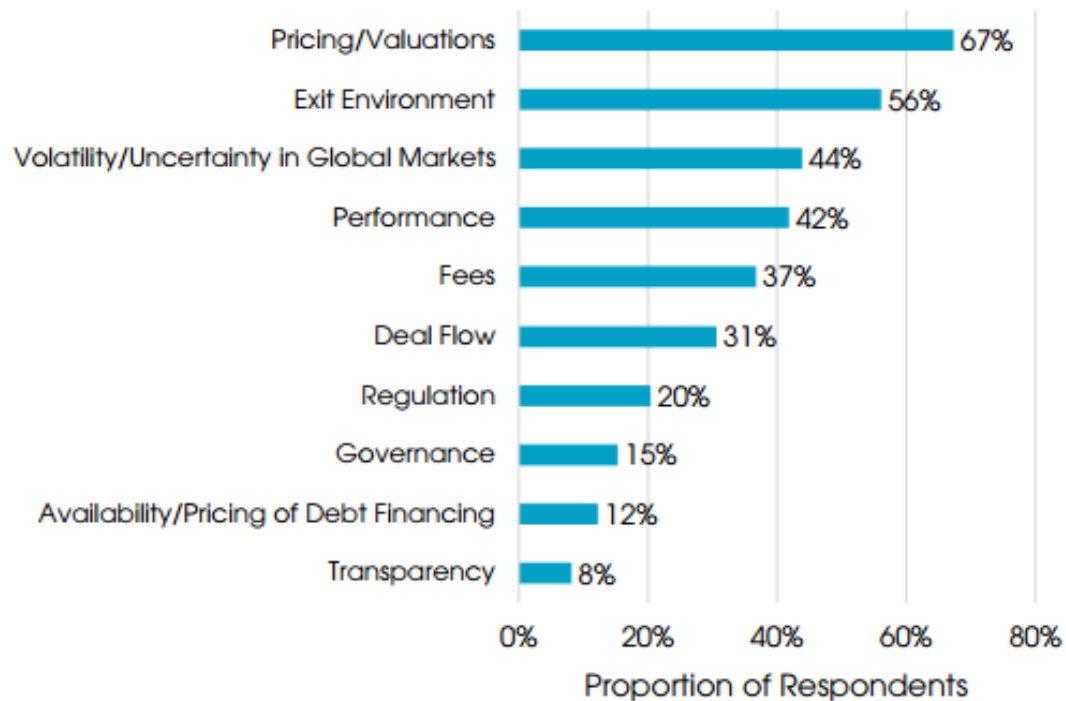
# Challenges

**Fig. 1:** Fund Manager Views on the Biggest Challenges Facing the Private Equity Industry in the Next 12 Months



Source: Preqin Fund Manager Survey, June 2016

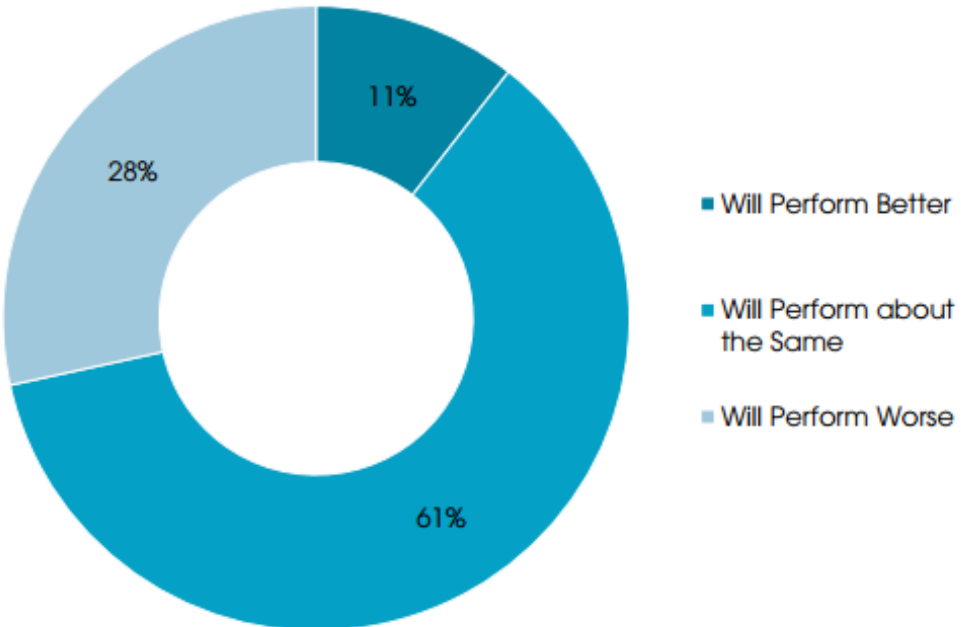
**Fig. 2.13:** Biggest Challenges Facing Investors Seeking to Operate an Effective Private Equity Program at Present



Source: Preqin Investor Interviews, June 2016

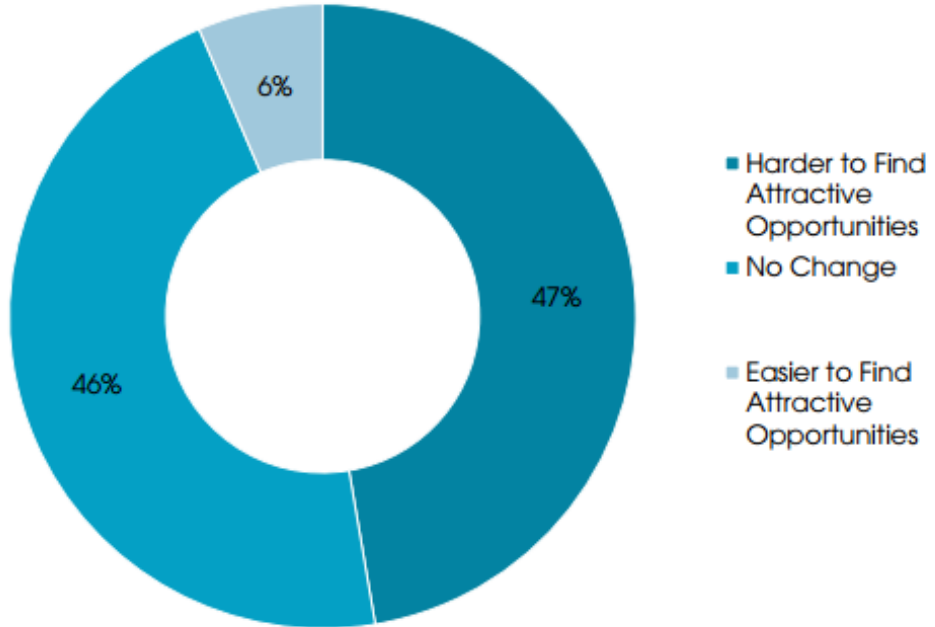
# LP Return Expectations & Views on Difficulty of Identifying Attractive Investment Opportunities

**Fig. 2.15:** Investors' Return Expectations from Their Private Equity Portfolios in the Next 12 Months Compared to the Past 12 Months



Source: Preqin Investor Interviews, June 2016

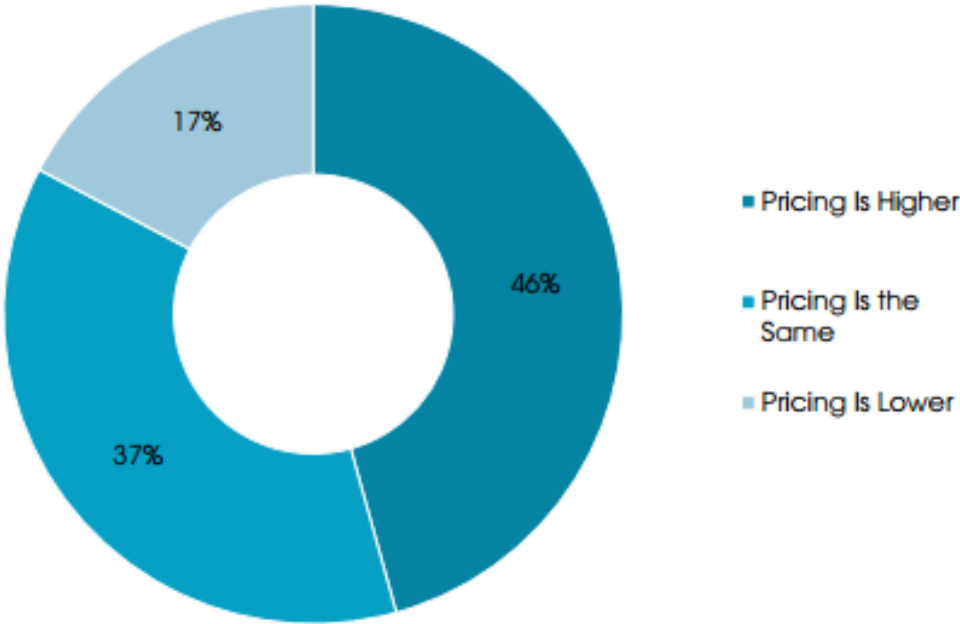
**Fig. 2.16:** Investor Views on the Difficulty of Identifying Attractive Investment Opportunities Compared to 12 Months Ago



Source: Preqin Investor Interviews, June 2016

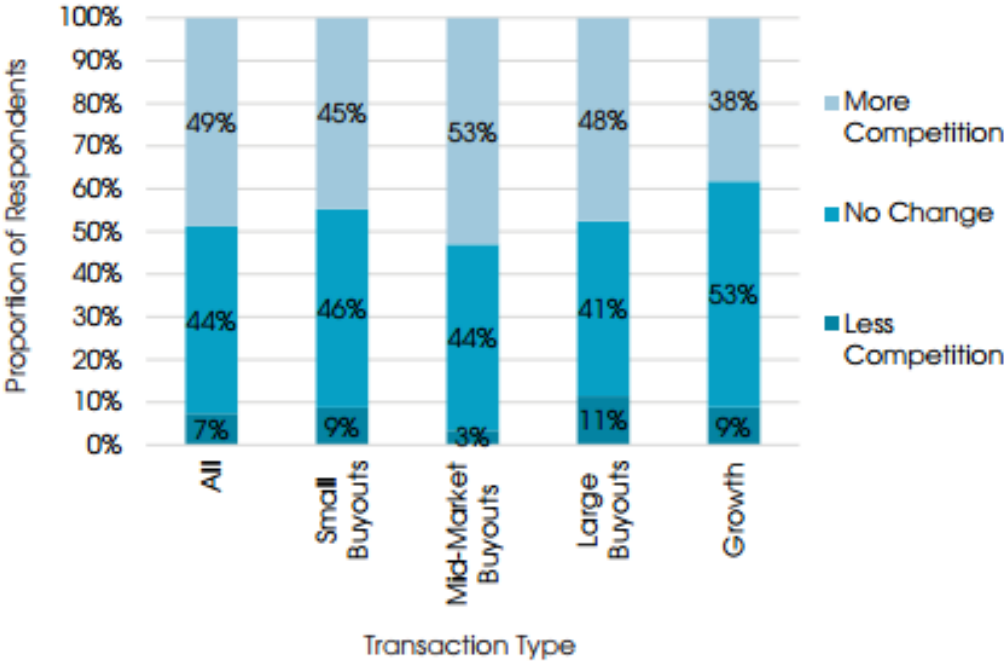
# GPs views on Pricing & Competition for Private Equity Transactions

**Fig. 2:** Fund Manager Views on Pricing for Portfolio Companies Compared with 12 Months Ago



Source: Preqin Fund Manager Survey, June 2016

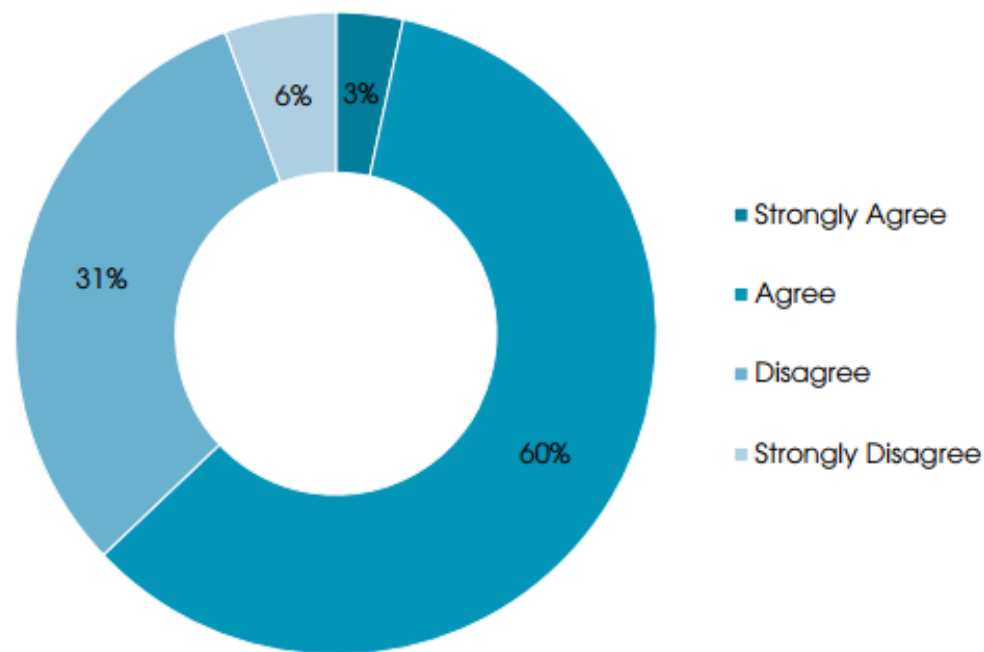
**Fig. 3:** Fund Manager Views on the Level of Competition for Private Equity Transactions Compared with 12 Months Ago by Type



Source: Preqin Fund Manager Survey, June 2016

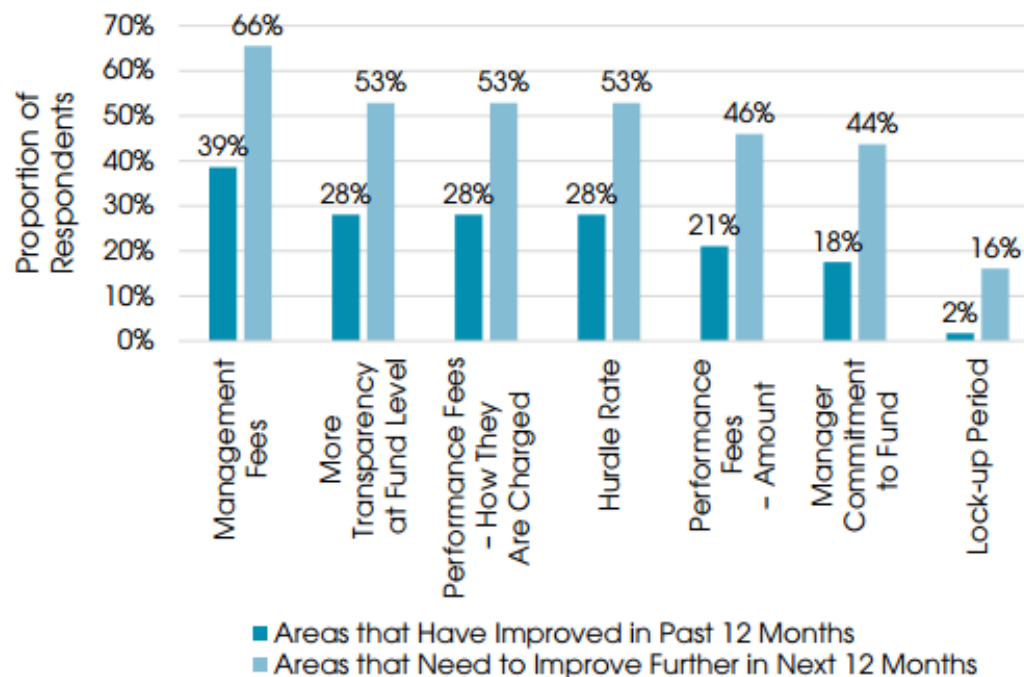
# Alignment of Interests

**Fig. 2.17:** Extent to Which Investors Believe LP and GP Interests Are Properly Aligned



Source: Preqin Investor Interviews, June 2016

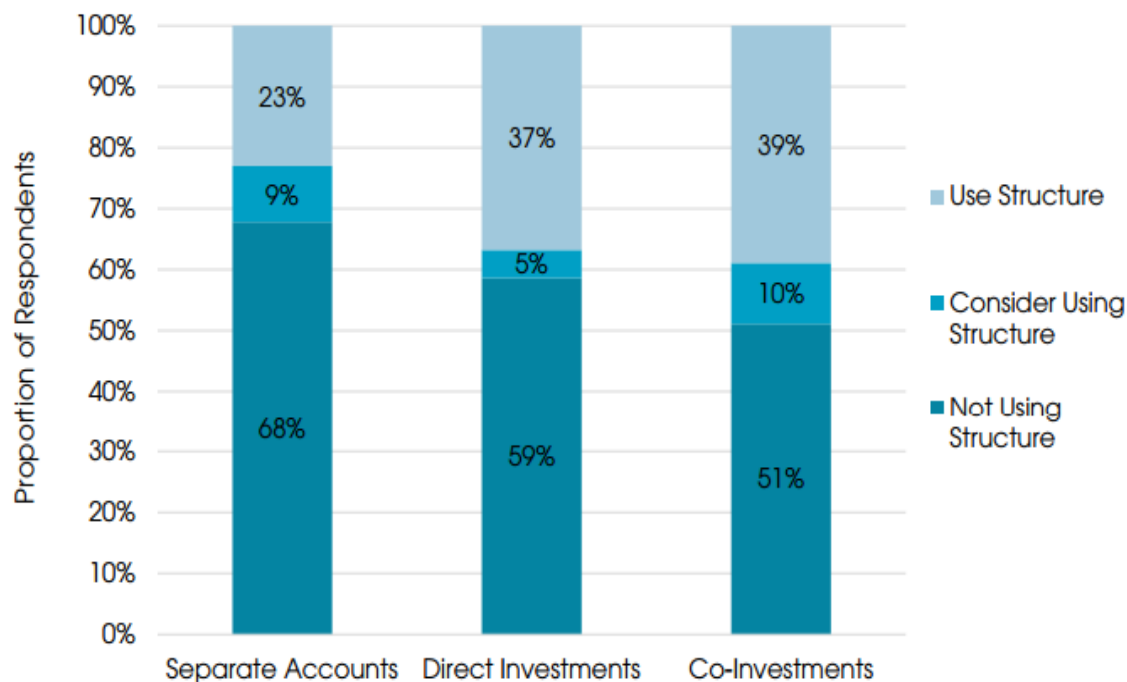
**Fig. 2.19:** Areas of Fund Terms Investors Feel Have Shown the Most Improvement over the Past 12 Months and that Need to Improve Further in the Next 12 Months



Source: Preqin Investor Interviews, June 2016

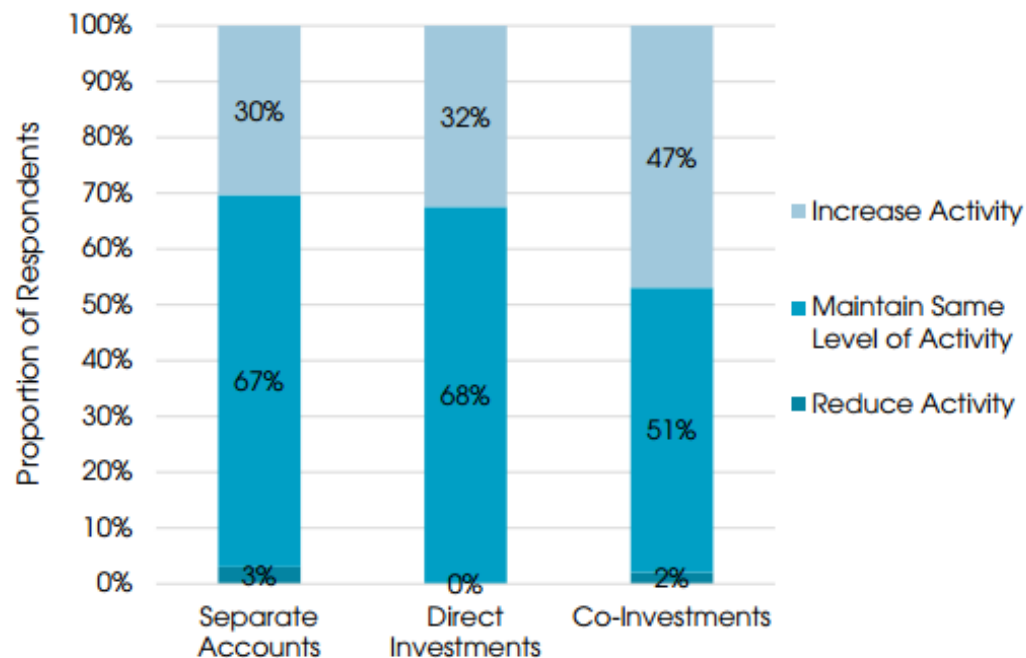
# LP Use of Alternative Structures Increasing

**Fig. 2.24:** Investor Participation in Alternative Methods of Accessing Private Equity



Source: Preqin Investor Interviews, June 2016

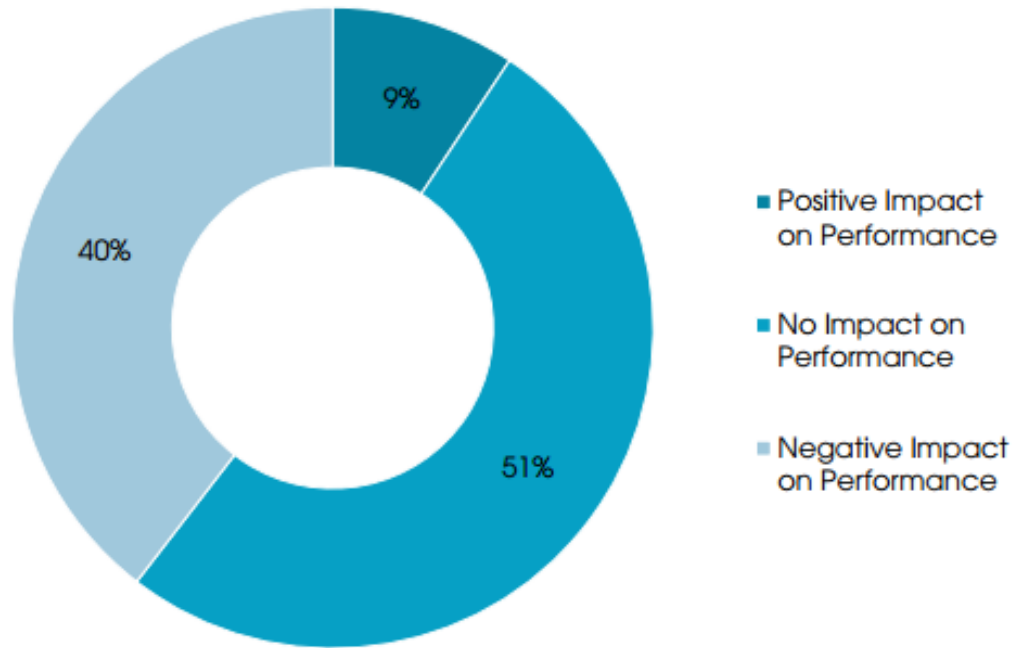
**Fig. 2.26:** Investors' Expected Level of Activity in Alternative Structures in the Long Term



Source: Preqin Investor Interviews, June 2016

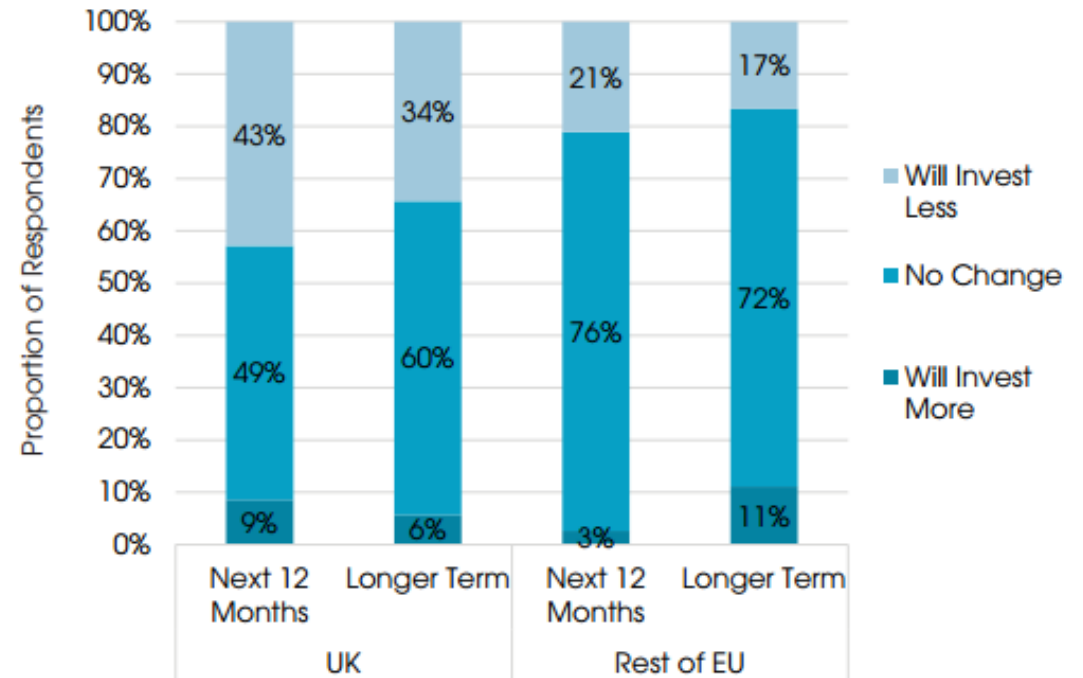
# LPs views on Brexit

**Fig. 5:** Investor Views on the Impact of Brexit on the Performance of Their Private Equity Portfolios in the Next 12 Months



Source: Preqin Fund Manager Survey, June 2016

**Fig. 6:** Investor Views on the Impact of Brexit on Future Private Equity Investments in the Next 12 Months: UK vs. Rest of EU

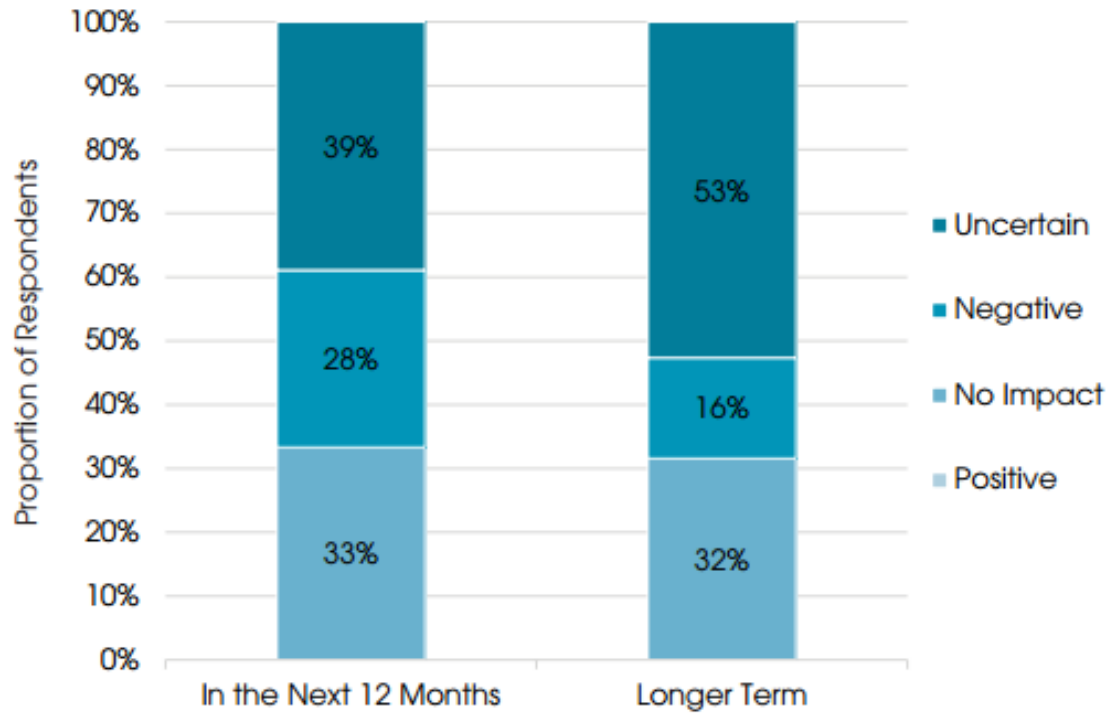


Source: Preqin Investor Interviews, June 2016



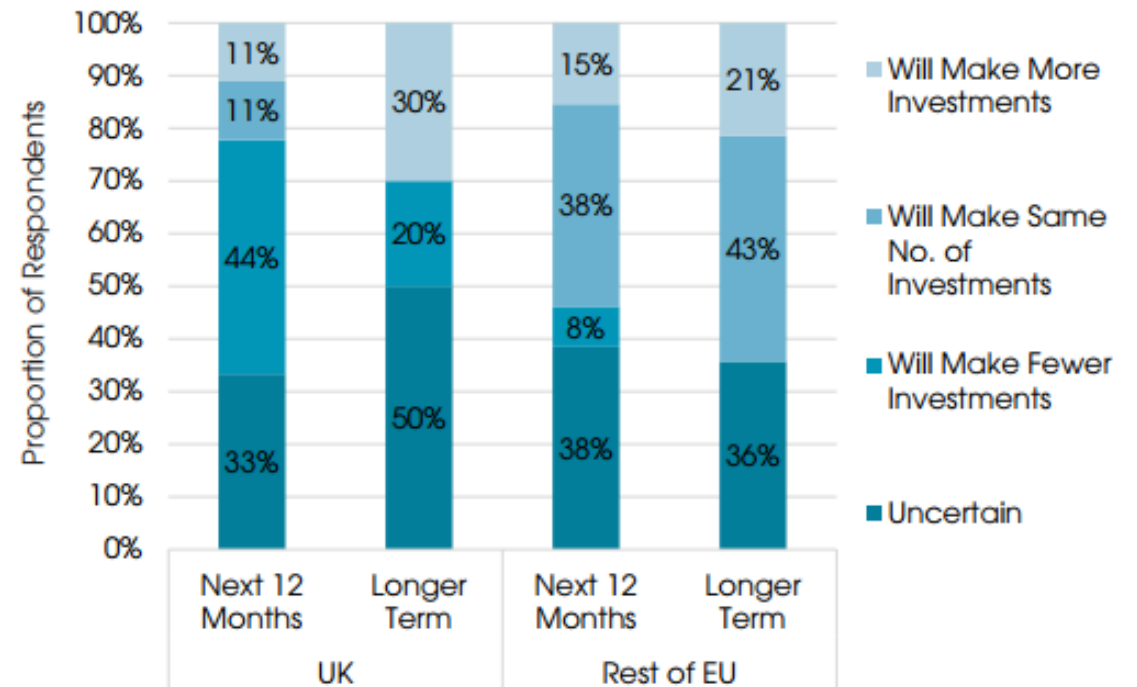
# GPs views on Brexit

**Fig. 3:** Private Equity Fund Manager Views on the Impact of Brexit on the Performance of Their Portfolios



Source: Preqin Fund Manager Survey, June 2016

**Fig. 4:** Private Equity Fund Manager Views on the Impact of Brexit on Their Investments in the UK and Rest of EU

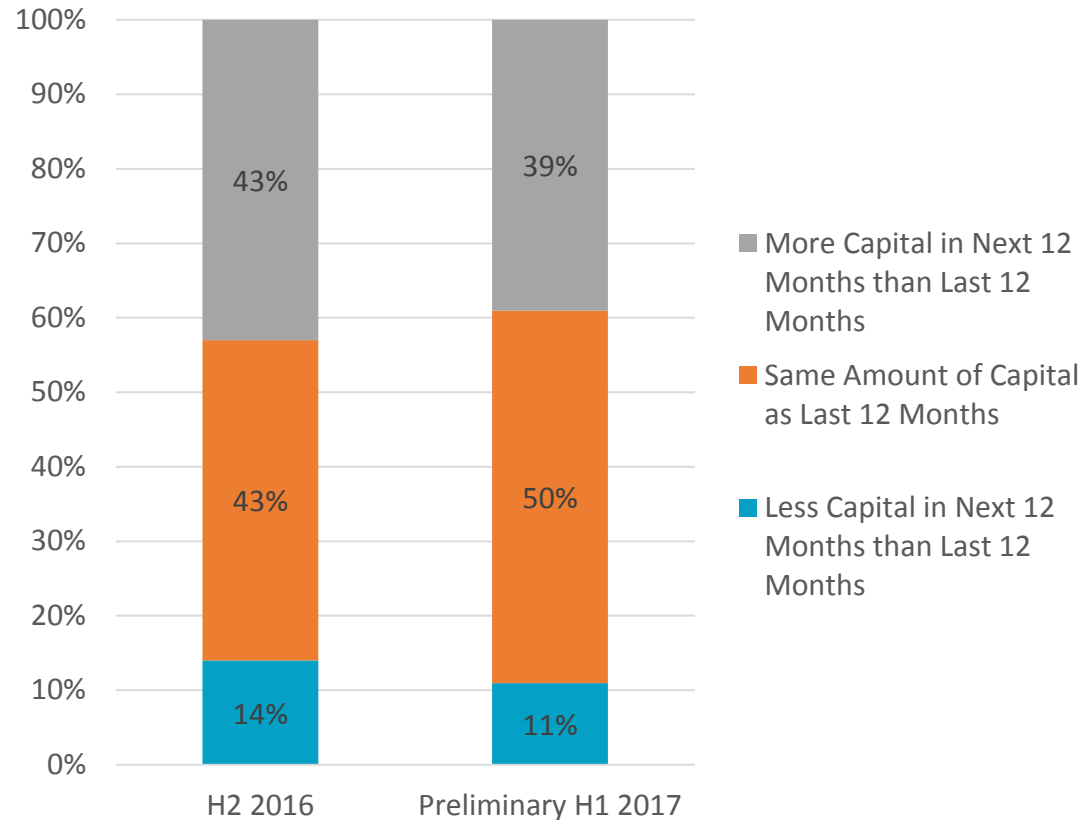


Source: Preqin Fund Manager Survey, June 2016

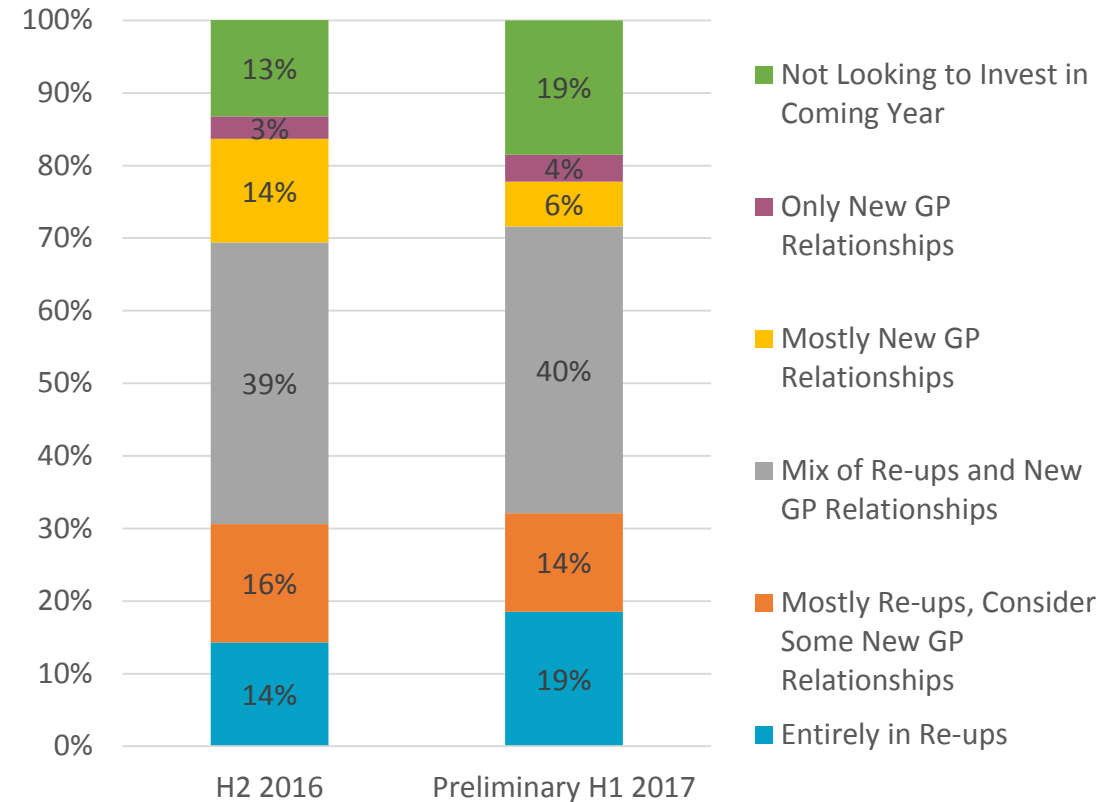
# Outlook

# LPs' Expected Capital Commitments & Intentions for GP Relationships

Amount of Capital LPs are looking to Invest in next 12 Months



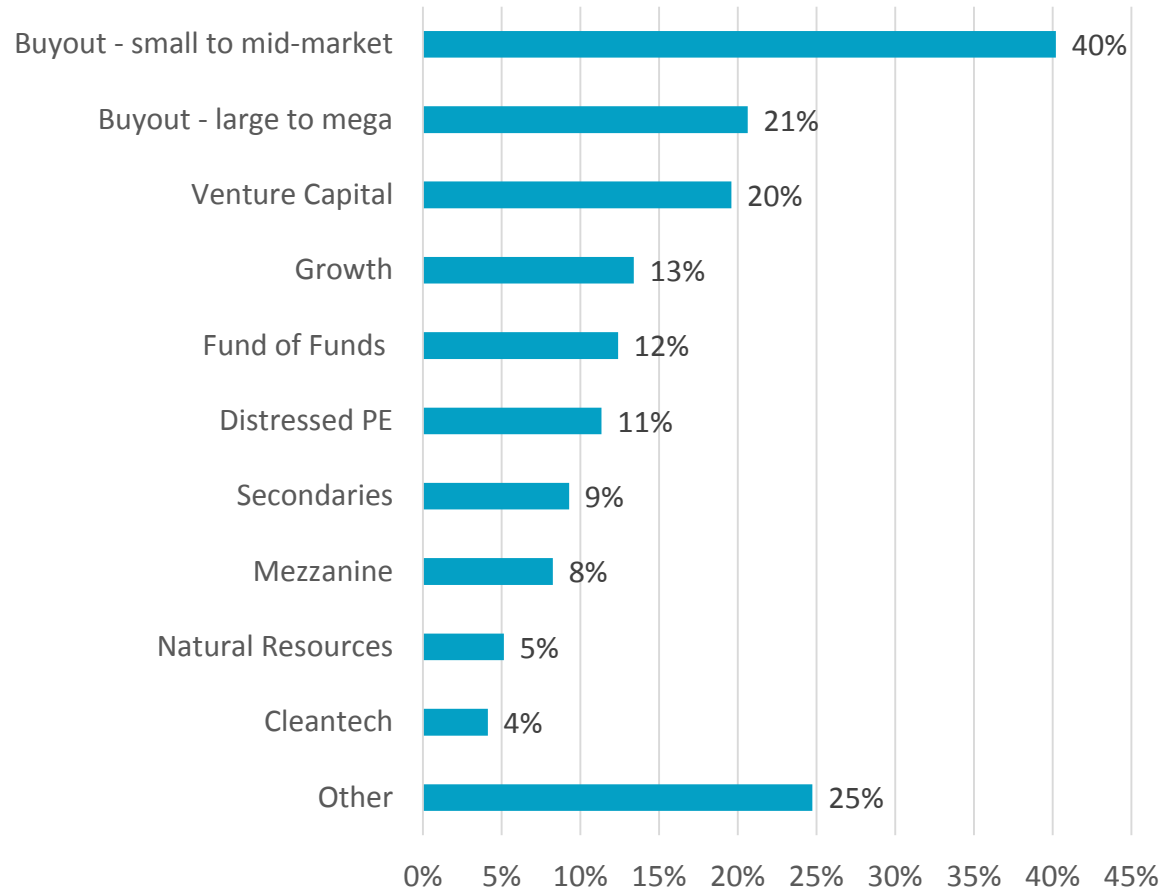
Intentions for GP Relationships in the next 12 Months



Source: Preqin Investor Interviews, June & November 2016

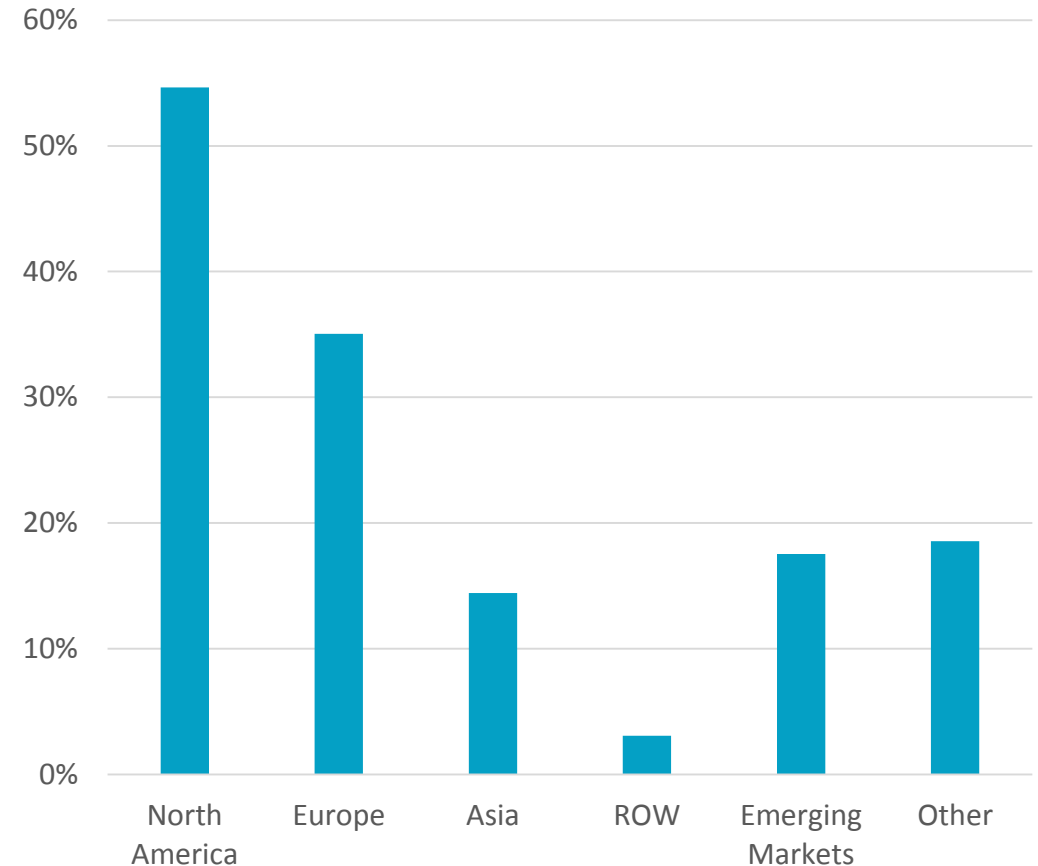
# LP Preferences – Fund Type & Geography

Fund Types LPs View as Presenting the Best Opportunities in the Current Financial Climate



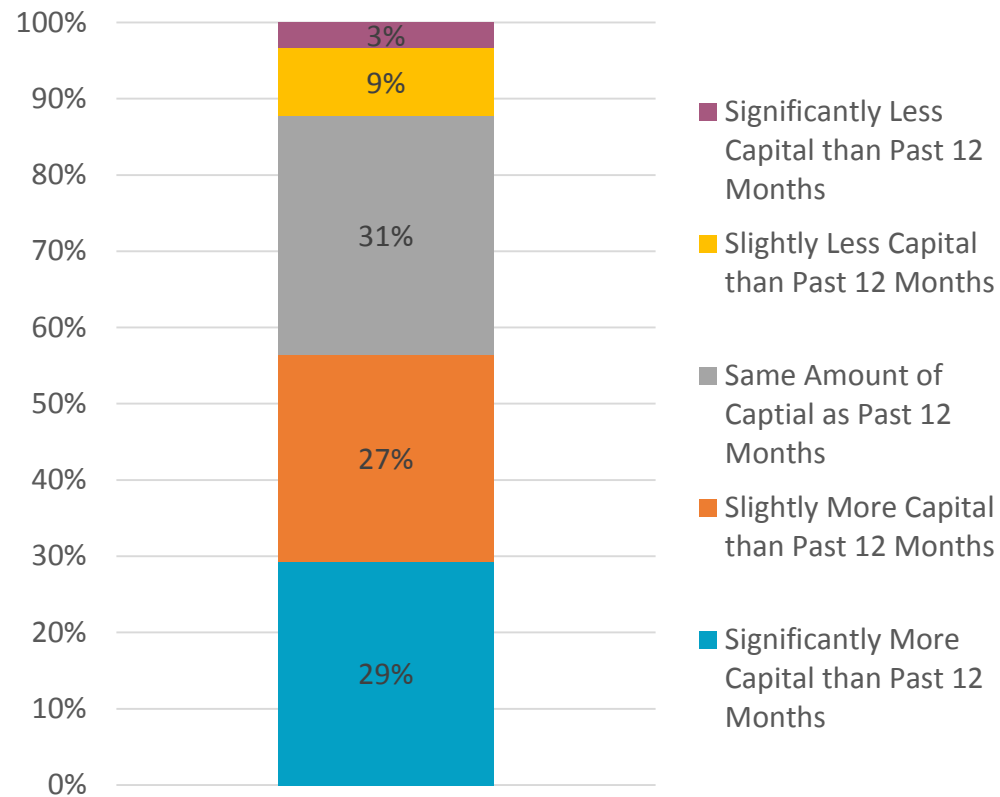
Source: Preqin Investor Interviews (Preliminary), November 2016

Regions LPs View as Presenting the Best Opportunities in the Current Financial Climate

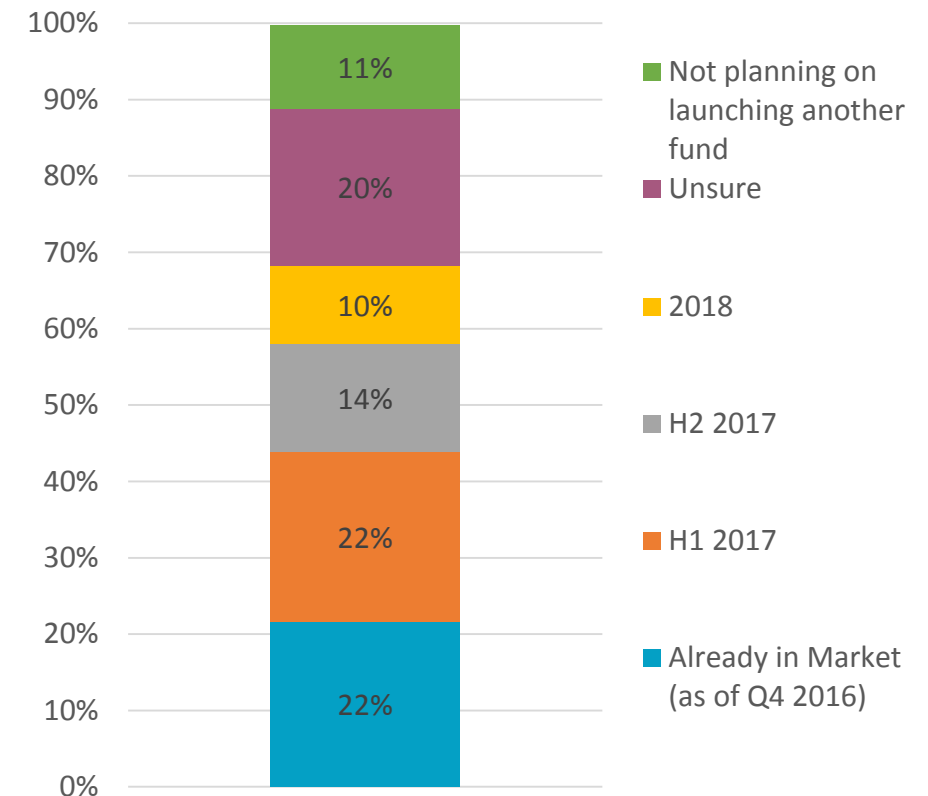


# GPs Timeframe for Next Fund & Amount of Capital Looking to Deploy in next 12 months

Amount of Capital Looking to Deploy in the next 12 months



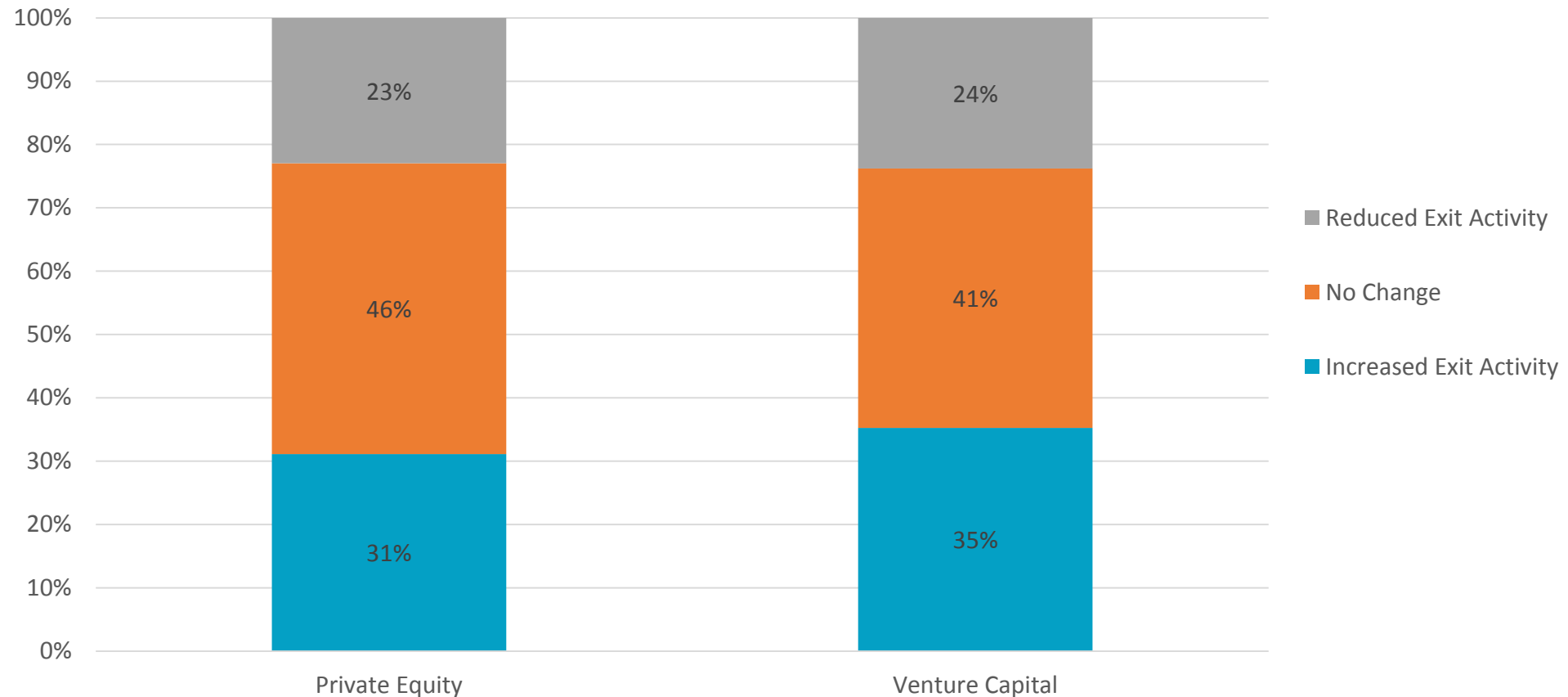
Timeframe for Next Fund



Source: Preqin Fund Manager Survey (Preliminary) – November 2016

# Exit Activity Predictions

How will the Exit Environment Change Over the Next 12 Months?



Source: Preqin Fund Manager Survey (Preliminary) – November 2016

# Key Takeaways

- PE industry has evolved and continues to grow as a result of strong long term performance
- Distributions are driving LP appetite and fundraising - majority of LPs will maintain/increase allocations and reinvest capital received....
- BUT difficult for both for LPs and GPs to find attractive investments in highly competitive markets
- Clear current concerns – namely around valuations and performance impact
- Still a seller’s market but wider political/financial instability may cause shifting of the scales
- LPs are evolving and increasing in sophistication – directs/co-investments
- Future is bright – both LPs and GPs looking to increase activity

# Data Sources

- Preqin's online services: [www.preqin.com/services](http://www.preqin.com/services)
- Free reports available from [www.preqin.com/research](http://www.preqin.com/research)

Request further information from [info@preqin.com](mailto:info@preqin.com)



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