

North American Endowments Step up Private Equity Investment

Average private equity allocations rise from 8.4% of AUM in 2007 to 13.2% in 2012

North America-based endowments, the fourth largest institutional private equity investor group, have steadily increased their investment in private equity in recent years, new Preqin research reveals. Such institutions remain committed to private equity investment, with 94% intending to increase or maintain their exposure to private equity in the longer term. Over half (58%) of North America-based endowments expect to make their next private equity commitment before the end of 2012 and a further 10% in 2013.

Key Findings:

- North American endowments have increased their average allocation to private equity on a year-on-year basis from 8.4% of assets under management in 2007 to 13.2% in 2012. On average such institutions are now slightly over their average target allocation (12.5%) but very few are turning to the secondary market to sell fund interests.
- 16% of North American endowments plan to increase and 78% expect to maintain their private equity allocations over the longer term. 14% plan to increase and 74% plan to maintain their exposure over the next 12 months.
- 26% plan to increase and 54% expect to maintain the number of GP relationships in their portfolio over the longer term; however this may not be with the same teams.
- 72% view North America as presenting the most attractive opportunities for private equity investment, while 31% identify Europe.
- 37% will target small to mid-market buyout funds for investment over the next 12 months, with 34% believing that these fund types offer attractive opportunities at present.
- 26% will target distressed private equity funds over the coming twelve months, with 31% viewing the distressed space as presenting attractive opportunities.
- 51% feel that they are more conservative in their private equity investment due to the financial crisis.
- 27% see accessing top-tier fund managers as the biggest challenge facing their private equity programs.

For more information and further details, please see the full report:
http://www.preqin.com/docs/reports/US_Endowments_June_2012.pdf

Comment:

Like many institutional investor types, North American endowments have been impacted by the tumultuous financial markets in recent years. Despite some of these institutions being faced with liquidity issues and over-allocation to the asset class, many have ramped up their exposure to private equity investment over the past few years and it is clear that this important investor group remains committed in the long term. Turbulent financial markets have made investors more cautious, but many North American endowments are proving their dedication to private equity by making plans for their next fund commitments.

Emma Dineen, Manager – LP Data

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Note to Editors: Preqin is spelled without the letter 'U' after the 'Q'.

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