

Private Equity Investors Double Down in Q1 2018

Investors look to commit more capital to more funds, focusing on core strategies

Investor appetite for private equity has remained high in 2018, despite concerns about pricing and future returns. Ninety-two percent of investors indicated at the end of 2017 that they intended to commit as much or more capital in 2018 as in the previous year, and over a third intended to engage more fund managers in their portfolios. This has been borne out in Q1, as investors have looked to make larger commitments to a greater number of funds. The proportion of active investors with intended commitments exceeding \$50mn over the next 12 months rose from 51% in Q1 2017 to 63% a year later, while the proportion of investors committing to more than three funds climbed to 60%. Investors seem to be targeting core private equity strategies, with the proportions seeking investments in buyout, venture capital and growth funds all rising. By contrast, interest in funds of funds and secondaries vehicles fell markedly from the year before.

For more information and analysis, see the full *Preqin Private Equity Quarterly Update: Q1 2018* here: <http://docs.preqin.com/quarterly/pe/Preqin-Quarterly-Private-Equity-Update-Q1-2018.pdf>

Key Private Equity Investor Facts:

- Preqin's year-end survey found **37% of investors sought to commit more to private equity in 2018** than in 2017, while a further 55% intended to commit the same amount.
- Eight out of 10 intended to make their next commitment in Q1 2018, with a further 12% looking to commit in Q2.
- **Over a third (35%) intended to increase the number of fund managers in their portfolios**, while just 11% sought to streamline them.
- These trends have continued into Q1: the proportion of **investors looking to commit more than \$50mn in the next 12 months rose** from 51% in Q1 2017 to 63% in Q1 2018.
- At the same time, the **proportion of investors looking to commit to four or more funds rose** to 60% from 57% the year before, including 17% that will commit to 10 or more funds.
- **Investors are focusing this appetite on core private equity strategies:** the proportions seeking buyout (70%), venture capital (52%) and growth (49%) investments all rose compared to Q1 2017.
- By contrast, the proportion targeting secondary vehicles fell from 22% in Q1 2017 to 14% a year later, while the **proportion seeking funds of funds more than halved from 29% to just 13%**.

Christopher Elvin, Head of Private Equity Products:

"Despite widespread concerns over high asset pricing and the potential impact on future performance, investors clearly remain satisfied with private equity. The vast majority intend to either maintain or increase their allocations in both the short and longer term, and at the end of 2017 Preqin found that many intended to include a wider variety of fund managers in their portfolios. This trend has continued into Q1: intended commitments from investors are larger than they were a year before, and the number of different funds they are seeking to access has increased.

What is particularly striking is that appetite for the core private equity strategies of buyout, venture capital and growth funds has grown, along with interest in Asia-Pacific and emerging market investments. In recent years we have seen proportional preferences for these fund types decrease as the private equity market has become more diversified, but this has reversed itself in the early part of 2018. Funds of funds and secondaries have contrastingly seen their favour decrease. While investors are looking to diversify into regions beyond North America and Europe, they seemingly are preferring to do so through equity funds rather than secondary or indirect vehicles."

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