

Investors Are Bullish About the Growth of the Private Equity Secondary Market

98% of LPs believe secondary market activity in 2013 will match or exceed 2012 levels

Preqin's Special Report: Private Equity Secondary Market reveals that 53% of investors interviewed by Preqin in March 2013 believe the secondary market is of core or growing importance within their private equity portfolios, suggesting the secondary market has the potential to grow further in the future.

Forty-five percent of funds sold on the private equity secondary market in 2012 were of vintage years 2006-2008; many of these funds, which were raised during the boom years, have ultimately underperformed, which has motivated secondary market sales.

Other Key Findings:

- 43% of LPs expect secondary market activity will increase in 2013, and a further 55% expect activity levels to match those witnessed in 2012.
- Public and private sector pension funds represent a quarter of potential secondary market sellers, followed by banks (12%) and insurance companies (9%).
- 66% of LPs looking to sell fund interests on the secondary market plan to exit buyout funds.
- 67% of investors interviewed in March 2013 cited the opportunity to purchase fund interests at a discount to NAV as a motivation for buying assets on the secondary market, an increase compared to 50% that named the same benefit in March 2011.
- Secondaries funds that closed in 2012 raised an aggregate \$21bn, almost double the amount raised by funds that closed in 2011.
- Average size of secondaries funds that closed in 2012 was \$1.4bn, more than double the 2011 average of \$596mn.
- AXA Private Equity closed the largest secondaries fund ever raised in June 2012, with AXA Secondary Fund V attracting \$7.1bn from investors.
- Dover Street VIII is the largest secondaries fund in market by target size, which had already raised \$3.1bn by November 2012, ahead of its original target of \$3bn.

To view the full report, please see:

http://www.preqin.com/docs/reports/Secondary_Market_Report_Mar13.pdf

Comment:

"The vast majority of investors in private equity expect secondary market activity to match or exceed the high levels witnessed in 2012. Institutional investors under pressure to conform to new regulations will likely bring portfolios of fund interests to the market, along with non-distressed sellers that increasingly view the secondary market as a portfolio consolidation tool.

A bumper year for secondaries fundraising means a large amount of capital is available to deploy among specialized secondaries players. Coupled with a considerable 72% of institutional investors that stated it was either a possibility or highly likely that they would purchase fund interests on the secondary market over the next two years, this indicates 2013 is set to be a strong year for private equity secondary market activity".

Patrick Adefuye – Managing Analyst - Funds of Funds & Secondaries

Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

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