

## **\$116bn of Private Equity Assets Locked in Zombie Funds**

**Preqin estimates there are 1,200 private equity zombie funds in existence**

Preqin data shown in this month's Private Equity Spotlight indicates that there are approximately 1,200 private equity funds that can be described as zombie funds. In a zombie fund, the GP is sitting on their assets past their expected holding period with no intention of making realizations and no plans to raise a successor fund, while continuing to collect management fees from their investors. Preqin identifies zombie funds by examining active firms managing a fund with a 2001-2006 vintage that have not raised a follow-on fund after 2006.

Zombie funds have a much lower median distribution to paid-in capital compared to their peers, with zombie funds of a 2003 vintage distributing only 39% of paid-in capital back to investors, compared to 99% for all private equity funds of a 2003 vintage.

### **Other Key Facts:**

- Secondary buyouts can offer a solution, with a fund manager taking over the assets of a zombie fund and creating an exit opportunity and liquidity to the primary vendor.
- Preqin has identified approximately 1,732 portfolio companies held in zombie funds, which may prove interesting opportunities for fund managers and other potential acquirers looking to purchase assets at a discounted price.
- Fund managers are seeing opportunities in this space. Vision Capital, for example, is looking to acquire mature portfolios of mid-market European companies; it closed its latest vehicle, Vision Capital Partners VII on €680mn.
- Zombie funds have not had a detrimental impact on investor's appetite for new investments; 87% of investors interviewed in December 2012 are planning to maintain or increase their allocation to private equity in the next 12 months.

**For more information and analysis, please see**

[http://www.preqin.com/docs/newsletters/PE/Preqin\\_Private\\_Equity\\_Spotlight\\_June\\_2013.pdf](http://www.preqin.com/docs/newsletters/PE/Preqin_Private_Equity_Spotlight_June_2013.pdf)

### **Comment:**

"No one is a winner when zombie funds are involved and they represent a clear misalignment of interests between the fund manager and investor. Consequently, GPs should be eager to realize investments and return capital to investors so that there is no reputational damage that adversely affects their ability to raise a follow-on fund. The secondary buyout market goes some way in offering a solution to return capital to investors."

### **Ignatius Fogarty – Head of Private Equity Products, Preqin**

#### **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.

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin's services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: [www.preqin.com](http://www.preqin.com).

#### **Note to Editors:**

- Preqin is spelled without the letter 'U' after the 'Q'.

For more information, please contact: Ignatius Fogarty +44 (0)20 7645 8858 or [ifogarty@preqin.com](mailto:ifogarty@preqin.com)

For general press information, please contact: Helen Kenyon +44 (0)20 7645 8880 or [press@preqin.com](mailto:press@preqin.com)

New York: One Grand Central Place, 60 E 42nd Street, Suite 2544, New York NY 10165 Tel: +1 212 350 0100

London: Equitable House, 47 King William Street, London EC4R 9AF Tel: +44 (0)20 7645 8888

Singapore: One Finlayson Green, #11-02, Singapore, 049246 Tel: +65 6305 2200

Silicon Valley: 303 Twin Dolphin Drive, Suite 600, Redwood City, CA 94065 Tel: +1 650 632 4345

Web: [www.preqin.com](http://www.preqin.com) / [info@preqin.com](mailto:info@preqin.com)