

This report is an excerpt from: **Preqin Quarterly: Private Equity, Q3 2012**. To download the full report please visit: https://www.preqin.com/docs/quarterly/PE/Private_Equity_Quarterly_Q3_2012.pdf

Future Fund Searches and Mandates

Due to continued uncertainty in financial markets, many institutional investors remain cautious when selecting new private equity funds for investment. Preqin's dedicated teams of multi-lingual analysts are in continuous contact with institutional investors to find out exactly which LPs are looking to make fresh private equity commitments in the year ahead and where they are looking to deploy this capital. This data is accessible through the Future Fund Searches and Mandates feature on Investor Intelligence.

Despite investors being cautious regarding new investments, the vast majority of private equity investors are seeking to commit capital to new funds in the year ahead. Notably, 89% of sovereign wealth funds are hunting for new private equity funds to allocate capital to. Sovereign wealth funds typically take a long-term approach to their investment portfolios, making the private equity asset class a desirable choice for many such institutions.

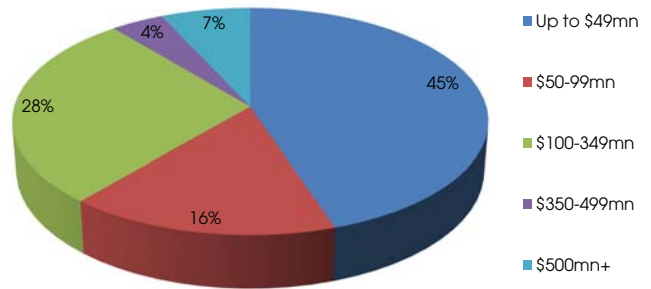
Furthermore, a large proportion of endowment plans, public pension funds, multi-family offices and foundations are all likely to be significant investors in the asset class in the coming year, with 87%, 86%, 85%, and 84% respectively anticipating new commitments. This is encouraging news for fund managers seeking to raise capital; in what has been a very competitive market there is still a wealth of investors they can target in the coming months.

As Fig. 3 shows, 45% of investors are looking to commit up to \$49mn to new private equity funds in the space of the next year. A further 16% have set aside \$50-99mn for new fund commitments, and 28% will be allocating \$100-349mn to new private equity funds. For those seeking to raise capital, it is encouraging to see that a reasonable proportion of investors will be allocating large sums of capital to the asset class, as 11% have indicated they will commit \$350mn or more to new private equity funds in the next 12 months.

A number of investors have re-evaluated their portfolios in terms of which fund types they should target to best take advantage of the opportunities available in current markets. Buyout funds are the most sought after fund type by investors searching for new opportunities; 63% of investors searches include buyout funds as possible targets over the next 12 months (Fig. 4). Venture capital also remains attractive to active LPs, with 49% of searches naming these vehicles as a fund type considered for investment in the next year.

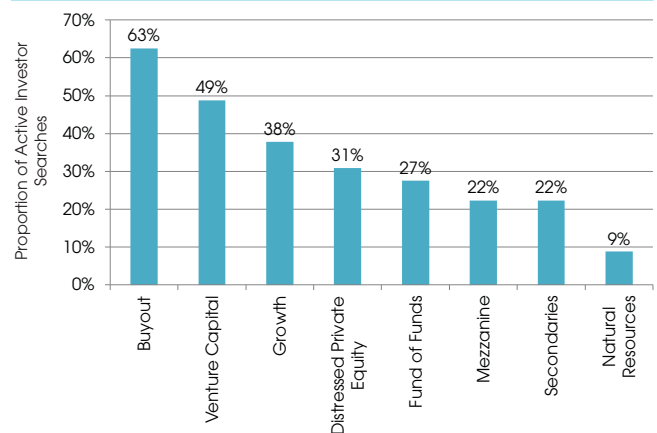
Growth and distressed private equity funds are also attracting considerable attention from investors, with 38% and 31% of LP searches stating them as fund types to add to their portfolios

Fig. 3: Amount of Fresh Capital Investors Expect to Commit to Private Equity Funds over the Next 12 Months



Source: Preqin Investor Intelligence

Fig. 4: Fund Types Sought in the Next 12 Months by Institutional Investors in Private Equity



Source: Preqin Investor Intelligence

respectively. Many LPs recognize that the financial crisis has created opportunities for distressed private equity funds and believe these funds could potentially provide strong performance. Many investors are looking to tap into growth funds when investing in Asia due to the rapid expansion of economies in the region.

While investors continue to approach the private equity asset class with caution, a sizeable proportion remain confident about allocating new capital to the asset class and are continuing to search for new funds to add to their portfolios in the next 12 months. Many investors have put in place investment strategies for the year ahead, with a variety of fund types and regions being targeted. Finding the right investors and assessing their requirements will be important for private equity fund managers looking to secure capital in the year ahead.