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Press Release **13th March 2014**

Private Equity Investors Set to Increase Exposure to Co-Investments in Search of Higher Returns and Lower Fees

Over half of investors plan to increase co-investment activity; almost a third of GPs expect to offer more opportunities in 2014

Preqin's recent surveys with 140 private equity investors and 80 private equity fund managers worldwide reveal that private equity co-investments are becoming increasingly significant. 52% of investors plan to increase their co-investment activity in 2014, while 31% of fund managers expect to offer more co-investment opportunities in the year ahead.

Investors' increasing interest in private equity co-investments is driven by the outperformance such investments can offer. 85% of investors we surveyed stated that their returns from co-investments were better than their private equity fund investments. The remaining 15% stated the returns from their co-investments were similar to fund investments. Other attractions include reduced fees and greater control for the LP.

Other Key Facts:

- 40% of investors Preqin spoke to are actively co-investing, while 37% are co-investing on an opportunistic basis. 16% are considering co-investing in the future.
- Somewhat surprisingly, investors' interest in co-investment spans investors of all sizes; 28% of investors with less than $250mn allocated to private equity have more than 10% of their private equity portfolio dedicated to co-investments, the same proportion as investors with an allocation of more than $5bn.
- 77% of investors expect their co-investments to outperform their fund investments by 2.6% or more, while no investors expect them to perform the same or worse.
- 91% of GPs surveyed stated that up to half of the investors in their latest vehicle requested co-investment rights; however, only 23% of fund managers stated that more than five investors had co-investment rights included within the limited partner agreement for their latest fund.
- 75% of investors cited the potential for higher performance as a key advantage of co-investments, while 70% stated the reduced cost associated with co-investments as a top pull factor.
- Other attractions to LPs include strengthening GP relationships, which was stated by 46% of investors and gaining more control over investments, which was cited by 35% of respondents.
- Fund managers primarily see co-investments as a way to build stronger relationships with investors, with 76% of fund managers stating this as an advantage of offering co-investments.
- However, 58% of fund managers believe that offering co-investments can delay the deals process, while 33% stated co-investments can have a negative impact on their relationships with investors that are not offered co-investment rights.

For more information and analysis, please see
https://www.preqin.com/docs/newsletters/pe/Preqin_Private_Equity_Spotlight_March_2014.pdf

Comment:
"Private equity co-investments are set to play an increasingly significant role in the investment plans of both investors and fund managers in 2014 and beyond. Investors are keen to take advantage of the potential for higher returns and lower costs that co-investments can offer, with many investors looking to increase their exposure to such investments in the year ahead. Fund managers increasingly view co-investments as an important tool for building deeper relationships with LPs, though they are also mindful that co-investments can slow down the deal making process and increase their reporting burden. While on the whole fund managers expect to offer more co-investment opportunities in the year ahead, they will carefully select the investors that are offered such investments."

Ignatius Fogarty, Head of Private Equity Products, Preqin

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.

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

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