

Sixty-Five Percent of Private Equity Investors Hold Positive Perception of the Industry

Record distributions exceed performance expectations and spur new allocations

In a survey conducted with 226 institutional investors in private equity, Preqin finds that 65% hold a generally positive perception towards the industry, and just 6% have a negative view. Strong performance has contributed to this buoyant sentiment, with 30% of private equity investors saying their investments had exceeded their performance objectives in 2015, and a further 64% stated that their portfolio had met their expectations. This looks set to spur further commitments, with 54% of investors planning to make new contributions in 2016, the majority (51%) in H1. Just 10% of investors do not anticipate investing in the next 12 months, down from 15% that said so in 2014.

However, management fees continue to be a cause for concern; 64% of investors consider it to be an area where the alignment of interests between investors and fund managers can be improved, up from 60% the previous year. Ninety-one percent of investors have previously decided not to invest in a fund due to its proposed terms, with a quarter of respondents frequently choosing not to invest as a result of unattractive terms. Thus, even though 63% of investors surveyed saw a change in management fees over the past six months it is clear that there is still more work to be done to meet investor expectations.

Other Key Private Equity Investor Outlook Facts:

- **Alignment of Interests:** **Seventy percent of investors agree that their interests are aligned with fund managers'**. This is relatively unchanged from a year ago, when 71% of investors said that interests were aligned.
- **Diversifying Relationships:** Private equity investors continue to try to diversify manager relationships over the coming year, with 12% intending to invest mostly or entirely in new manager relationships and **only 22% planning to allocate entirely to re-ups with existing managers.**
- **Concern over Valuations:** The majority of private equity investors (70%) cited **pricing and valuations as the biggest challenge** in operating an effective private equity program over 2016. Performance is the second biggest challenge, cited by 40% of investors.
- **Transparency Needed:** **Fifteen percent of investors believe that transparency will be the biggest challenge in 2016**, and 47% of investors that disagree that their interests are aligned with fund managers' cite it as an area in need of improvement.

To access further information and analysis, please see the full Preqin Investor Outlook: H1 2016 below:
<https://www.preqin.com/docs/reports/Preqin-Investor-Outlook-Alternative-Assets-H1-2016.pdf>

Comment:

"The private equity industry continues to deliver superior returns in comparison to all other asset classes over the longer term. As such, with the majority of investors happy with the returns they have received, it is little wonder that general sentiment remains buoyant and investors are optimistic about the future of the asset class.

With many investors looking to increase their allocations, sheer demand should sustain healthy fundraising, and the biggest challenge now facing the industry lies with fund managers trying to deploy this wall of committed capital. Investors will be looking to see that their investments represent good value for money over the coming years as valuations increase and competition for assets intensifies."

Christopher Elvin – 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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