

Private Capital Secondaries See Fundraising Lull in H1 2019

H1 sees slower fundraising activity, but prospects in the second half of the year are promising

Private capital secondaries fundraising has been modest in H1 2019, with seven funds holding a final close, securing just \$2.4bn from investors. But this underestimates the overall strength of the fundraising market, and prospects for the second half of the year are promising. A number of large funds are currently in market, and many have already held at least one interim close. In total there are 51 secondaries funds seeking a combined \$77bn, the majority of which plan to focus on private equity stakes. On the deal-making side, record transaction volumes from 2018 have continued through H1 2019. Potential buyers outnumber sellers, and the opportunities coming to market are increasingly diversifying from buyout strategies into other areas of the private capital market.

For more information and analysis, see the full *Preqin Secondary Market Update: H1 2019* here: <http://docs.preqin.com/reports/Preqin-Secondary-Market-Update-H1-2019.pdf>

Patrick Adefuye, Head of Secondaries:

“Investor appetite has remained strong for secondaries investment. The advantages are clear: secondaries funds offer attractive returns, and most have cashflow projections on much shorter timescales than other private capital strategies. Although fundraising has dipped in the first half of the year, it seems to simply be a lull after the record-breaking fundraising volumes seen in 2017-18. As funds currently in market hold final closes, we would expect fundraising for the full-year to rebound significantly. There are also increasing opportunities for fund managers to put capital to work, although competition is increasing – it will be a key test to see if fund managers can maintain returns in the face of pricing pressure.”

Key Private Capital Secondaries Facts:

- **In H1 2019, seven secondaries funds raised just \$2.4bn** at final close – significantly down compared to 2018, when funds raised almost \$30bn.
- **The average size of funds closed has also decreased to \$395mn in H1 2019.** The average size of secondaries funds closed in 2018 was at \$876mn.
- Eighty-three percent of funds closed in 2018 surpassed their fundraising targets – as have 50% of the funds closed in H1 2019.
- **There are currently 51 secondaries vehicles in market, seeking a combined \$77bn in capital.** The majority (84%) of those are focused on private equity investments, targeting \$72bn.
- For vintages 2007-2015, median net IRRs for secondaries vehicles exceed those of private capital. **Vintage 2015 secondaries funds have the highest median net IRR (+24.8%).**
- Appetite for buying and selling fund interests on the secondary market has remained strong in the first half of 2019. **Private and public pension funds each represent the largest proportion (13%) of sellers** within the secondary market. For potential buyers, **buyout (68%) and venture capital (58%) represent the largest pools of funds available on the secondary market.**

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