

Private Capital Secondaries Funds See Record Quarter

Strong performance leads investors to commit record levels of capital to the secondary market in Q1 2017

Secondaries firms attracted a record level of investor capital in Q1 2017 as six funds raised \$14bn, surpassing the previous all-time high of \$13bn, secured in Q4 2014. The closure of \$7.5bn Strategic Partners Fund VII drove fundraising in the quarter, while there were three more vehicles in excess of \$1bn that closed in Q1. Robust performance is a key driver of investor satisfaction and commitments; median net IRRs for private capital secondaries funds exceed 15% in each vintage year from 2008. In fact, among 2014 vintage secondaries vehicles (the most recent data available), the median net IRR is 19%, compared to 9% among all private capital funds of the same vintage.

For more information and analysis, see the full *Preqin Secondary Market Update: Q1 2017* here:
<https://www.preqin.com/docs/reports/Preqin-Secondary-Market-Update-Q1-2017.pdf>

Key Q1 2017 Private Capital Secondaries Fundraising Facts:

- **Six secondaries vehicles raised \$14bn in Q1 2017**, representing the highest quarterly fundraising total of all time and marking a sharp increase on the previous two quarters which secured a combined \$10bn.
- The largest vehicle to reach a final close through Q1 was **Strategic Partners Fund VII, which secured \$7.5bn of investor capital**, while three more funds raised more than \$1bn in capital commitments.
- **There are currently 48 secondaries vehicles in market targeting a combined \$34bn**. This marks an increase in the number of funds, but a decrease in the aggregate capital targeted compared to the end of 2016, when 44 funds sought \$38bn.
- **Secondaries funds currently in market are targeting more mature regions**: 52% of funds will focus on North America, and a further 40% will focus on Europe.
- Performance within the industry is robust: **secondaries funds of each vintage year 2008-2014 are generating double-digit median net IRRs**, and surpassing wider private capital returns in corresponding vintage years.
- When asked what multiples they anticipated from investments made in 2016, **the largest proportion (43%) of secondary buyers expected multiples between 1.3X and 1.5X**, in line with the average for previous vintages.

Patrick Adefuye, Head of Secondaries Products:

“Q1 2017 proved to be a landmark quarter for the secondaries industry which continues to go from strength to strength. Investors have committed a record level of capital to funds since the turn of the year with the potential for accelerated cash flows and outperformance of traditional private capital vehicles both proving to be driving factors behind the current market expansion.

As revealed in Preqin’s year-end survey, the majority of secondaries fund managers expect to increase the level of capital they deploy in 2017, and the current pace of fundraising will aid in this through the year. Heightened competition, more aggressive buyers and the increased use of leverage may provide notable challenges, as in the wider private capital universe, but managers remain confident that the future of the secondaries market is promising.”

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