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Press Release
10th July 2018

Tail-End Private Capital Funds Hold Half a Trillion Dollars

Funds of 2008 vintage or older have $525bn in unrealized value as of the end of 2017

Tail-end private capital funds* still hold $593bn in total assets, including $525bn in unrealized value** as at December 2017. This accounts for over 10% of the total assets held by the industry, which reached $5.22tn as of the same point. The majority is held in 2006-2008 vintage funds, which collectively account for $477bn and 2008 funds alone hold $205bn. Unsurprisingly, private equity represents the largest proportion of this, with $391bn in unrealized value held in tail-end funds. However, significant amounts are held in private debt and infrastructure vehicles – $39bn and $42bn respectively – while tail-end real estate funds hold just $30bn. These assets are likely to be key targets for private capital secondaries vehicles, which have raised $13bn in 2018 YTD, and they may be helping to drive a glut of large secondaries funds coming to market at the start of Q3.

For more information and analysis, see the full *Q2 2018 Secondary Market Update* here:
http://docs.preqin.com/reports/Preqin-Special-Report-Secondary-Market-Update-Q2-2018.pdf

Key Tail-End Private Capital Fund Facts:

- As at December 2017, **tail-end private capital funds hold $593bn in assets, including $525bn in unrealized value**. This accounts for 10% of total assets held by the industry, which reached $5.22tn as of the same point.
- **Vintages 2006, 2007, 2008 hold the majority of tail-end unrealized value**, and have $117bn, $154bn and $205bn respectively.
- **Private equity accounts for most of the tail-end unrealised value** ($391bn), but significant amounts remain in private debt ($39bn) and infrastructure ($42bn).
- Similarly, **North America-focused funds hold the bulk of tail-end unrealized value ($314bn), of which $103bn is held by 2008 vintage funds alone**. Europe-focused tail-end funds hold $132bn in unrealized value, while Asia-focused tail-end funds hold $54bn.
- **Q2 2018 saw the close of the largest real estate secondaries fund ever which secured £3.3bn**, bringing total quarterly fundraising to seven vehicles which raised $7.6bn.
- Looking ahead, **there are 39 secondaries funds in market targeting $52bn**, a significant increase from January in which aggregate capital targeted was $21bn.
- **This includes two funds each seeking $12bn**, which would make them the largest secondaries funds ever if they hit their targets.

Christopher Elvin, Head of Private Equity Products:

"Tail-end funds of older vintages now represent a significant proportion of the assets held in the private capital industry. One in 10 invested dollars has been in the industry for a decade or more, and many investors may be looking for ways to redeem their investments. While some of the assets will have exit routes open to them, others may be facing a challenging exit strategy without assistance from private capital secondaries vehicles. Particularly for assets acquired in the run-up to the Global Financial Crisis, secondary investment may be the most attractive option for both fund managers and investors.

However, we've seen the aggregate capital sought by funds in market jump by well over 200% from January to July, as capital targeted went from $21bn to $50bn. This would seem to indicate that managers are taking notice of the capital available in the secondaries market, and pushing forward bigger funds than ever before. ASF VIII and Lexington Capital Partners IX, the largest funds in market, would seem to highlight this, as the funds are each seeking $12bn, thus making them the largest secondaries funds ever – if they succeed in reaching their targets."

Preqin defines tail-end funds as those that are 10 or more vintage years old. Here, that refers to funds up to and including 2008 vintage vehicles.

*****Unrealized value refers to the value of investments made by funds which have not yet been exited.***

Preqin is the leading source of information for the alternative assets industry, providing insight and analysis gathered by its global teams of dedicated researchers. Founded in 2003, the company is a frequent source of intelligence used in the global financial press, through its online databases, regular publications and bespoke data requests.

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