

A photograph of several sailboats with white sails sailing on a blue body of water under a clear sky. The boats are positioned diagonally across the frame, from the bottom left towards the top right. The water has a textured, wavy surface. A dark blue rectangular box is overlaid on the bottom left of the image, containing white text.

# **PREQIN QUARTERLY UPDATE: PRIVATE EQUITY & VENTURE CAPITAL Q2 2017**

Insight on the quarter from the leading provider of alternative assets data

## **Content includes:**

- Fundraising
- Funds in Market
- Institutional Investors
- Buyout Deals and Exits
- Venture Capital Deals
- Fund Performance and Dry Powder



alternative assets. intelligent data.

# FOREWORD - Christopher Elvin, Preqin

Q2 2017 witnessed continued momentum in private equity fundraising: 206 funds reached a final close, raising an aggregate \$121bn. Capital commitments have now exceeded \$100bn in five of the past seven quarters, an almost unprecedented sustained period of strong fundraising. The amount of capital raised continues to be spread across fewer funds – nearly two-thirds (63%) of the capital raised in Q2 was secured by the top 10 funds closed in the quarter, and average fund size has increased from \$543mn in Q1 2017 to \$637mn in Q2.

The private equity fundraising landscape remains highly competitive: a record 1,998 funds are currently in market – 90 more funds than at the start of Q2 2017 – targeting \$676bn in investor capital. The aggregate capital being sought is bolstered by the \$100bn target size of the largest ever private equity fund in market, SoftBank Vision Fund, which secured \$93bn in its first close.

Concerns persist over record dry powder levels (\$906bn) and high entry prices for assets, but encouragingly, there has been an increase in both the aggregate value of buyout and venture capital deals in Q2 compared to Q1, reaching \$83bn and \$47bn respectively. North American buyout deal value in particular surged, with the announcement of deals worth an aggregate \$55bn, more than double the value of Q1. However, quarterly buyout exit activity has declined 9% from Q1, with 381 exits completed for an aggregate \$59bn, representing the lowest quarterly number of exits since 2010.

Looking ahead, it is likely this tale of two markets will prevail. The strong pricing that has facilitated high exit activity in recent years, resulting in record net distributions and driving fundraising, will at the same time continue to make it challenging for managers looking to put capital to work.

We hope you find this report useful and welcome any feedback you may have. For more information, please visit [www.preqin.com](http://www.preqin.com) or contact [info@preqin.com](mailto:info@preqin.com).

<b>p3</b>	<b>Fundraising</b>
<b>p5</b>	<b>Funds in Market</b>
<b>p6</b>	<b>Institutional Investors</b>
<b>p8</b>	<b>Buyout Deals and Exits</b>
<b>p9</b>	<b>Venture Capital Deals</b>
<b>p10</b>	<b>Fund Performance and Dry Powder</b>

## PRIVATE EQUITY ONLINE

With unrivalled data and intelligence, **Private Equity Online** provides a 360° transparent view of all aspects of the asset class, including fund terms and conditions, fundraising, fund managers, institutional investors, fund performance, deals and exits, service providers and more.

Get in touch today to arrange a demo of **Private Equity Online**: ✉: [info@preqin.com](mailto:info@preqin.com) | 🌐: [www.preqin.com/peo](http://www.preqin.com/peo)

All rights reserved. The entire contents of Preqin Quarterly Update: Private Equity & Venture Capital, Q2 2017 are the Copyright of Preqin Ltd. No part of this publication or any information contained in it may be copied, transmitted by any electronic means, or stored in any electronic or other data storage medium, or printed or published in any document, report or publication, without the express prior written approval of Preqin Ltd. The information presented in Preqin Quarterly Update: Private Equity & Venture Capital, Q2 2017 is for information purposes only and does not constitute and should not be construed as a solicitation or other offer, or recommendation to acquire or dispose of any investment or to engage in any other transaction, or as advice of any nature whatsoever. If the reader seeks advice rather than information then he should seek an independent financial advisor and hereby agrees that he will not hold Preqin Ltd. responsible in law or equity for any decisions of whatever nature the reader makes or refrains from making following its use of Preqin Quarterly Update: Private Equity & Venture Capital, Q2 2017. While reasonable efforts have been made to obtain information from sources that are believed to be accurate, and to confirm the accuracy of such information wherever possible, Preqin Ltd. does not make any representation or warranty that the information or opinions contained in Preqin Quarterly Update: Private Equity & Venture Capital, Q2 2017 are accurate, reliable, up-to-date or complete. Although every reasonable effort has been made to ensure the accuracy of this publication Preqin Ltd. does not accept any responsibility for any errors or omissions within Preqin Quarterly Update: Private Equity & Venture Capital, Q2 2017 or for any expense or other loss alleged to have arisen in any way with a reader's use of this publication.

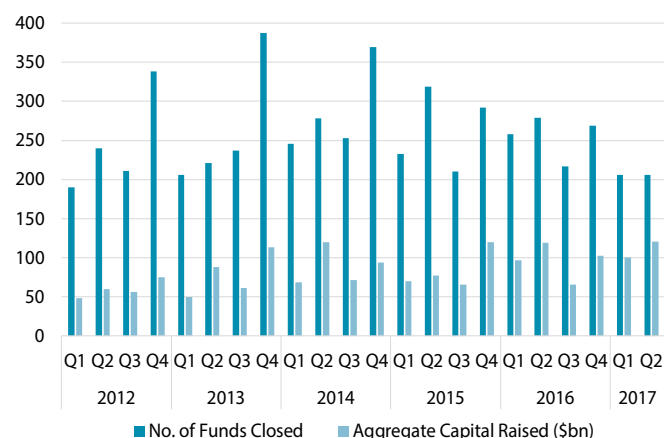


# FUNDRAISING

A total of 206 private equity funds secured a final close in Q2 2017, raising an aggregate \$121bn in capital commitments. Compared to Q2 2016, this represents a significant drop in the number of funds holding a final close (73 fewer), although it marks an increase of \$2bn in aggregate capital raised (Fig. 1). As seen in Fig. 2, buyout funds have experienced a particularly successful quarter, raising \$88bn, the largest amount of any second quarter in the last five years. It surpasses the previous high in Q2 2014 by \$14bn, and accounts for 73% of all capital raised in Q2 2017 (Fig. 3). The five largest funds closed in Q2 2017 were all buyout vehicles (Fig. 8), accounting for 71% of all buyout fundraising and 52% of total fundraising in Q2.

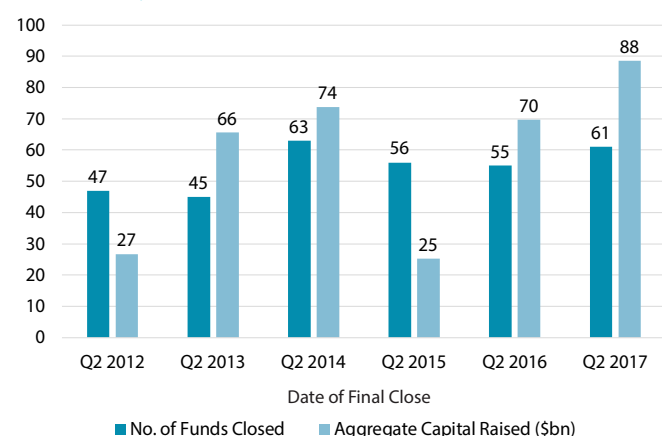
As seen in Fig. 4, contrasting with second-quarter fundraising in previous years, venture capital funds have seen the lowest number of vehicles closed (92) since Q2 2013, as well as the

Fig. 1: Private Equity Fundraising, Q1 2012 - Q2 2017



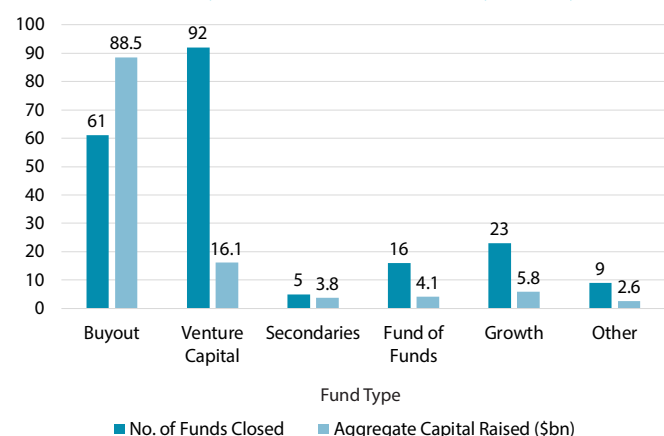
Source: Preqin Private Equity Online

Fig. 2: Q2 Buyout Fundraising, 2012 - 2017



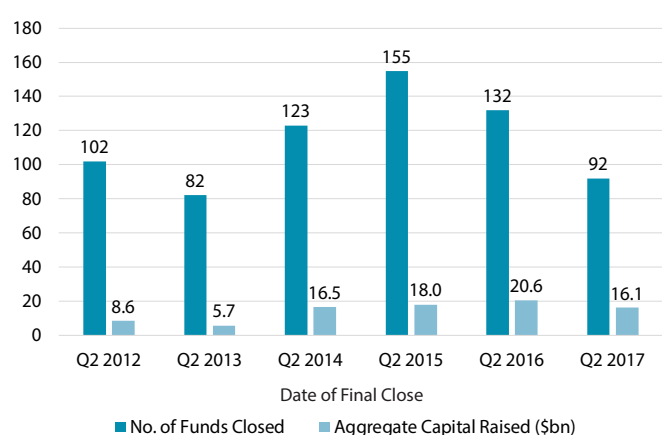
Source: Preqin Private Equity Online

Fig. 3: Private Equity Fundraising in Q2 2017 by Fund Type



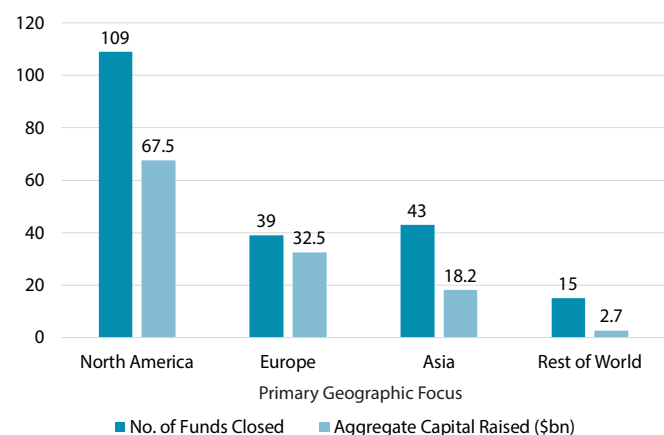
Source: Preqin Private Equity Online

Fig. 4: Q2 Venture Capital Fundraising, 2012 - 2017



Source: Preqin Private Equity Online

Fig. 5: Private Equity Fundraising in Q2 2017 by Primary Geographic Focus



Source: Preqin Private Equity Online

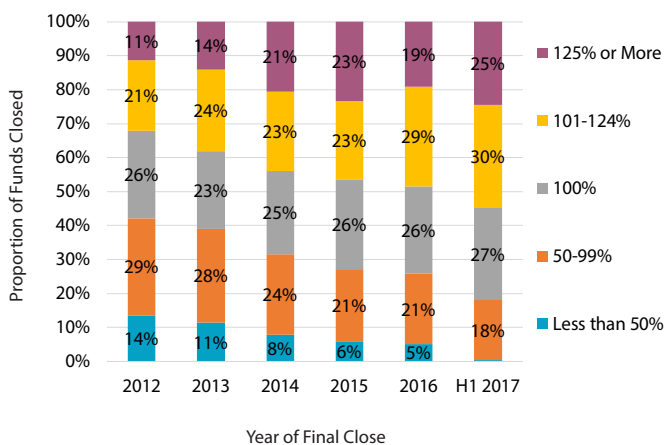
smallest amount of capital raised (\$16bn) in the last three years. However, this is still a four-quarter high in terms of capital secured, with venture capital funds raising the second largest amount of capital by fund type, only \$300mn less than secondaries, fund of funds and growth funds combined.

With five of the 10 largest funds closed in Q2 2017 targeting the region, it is unsurprising that North America-focused fundraising accounted for the majority (\$68bn) of capital raised in Q2 (Fig. 5). Primarily Europe-focused funds raised \$33bn, with the closure of the €16bn CVC Capital Partners Fund VII accounting for 55%

of total capital raised for investment in the region. Similarly, KKR Asian Fund III accounted for 46% of the \$18bn raised for investment in Asia.

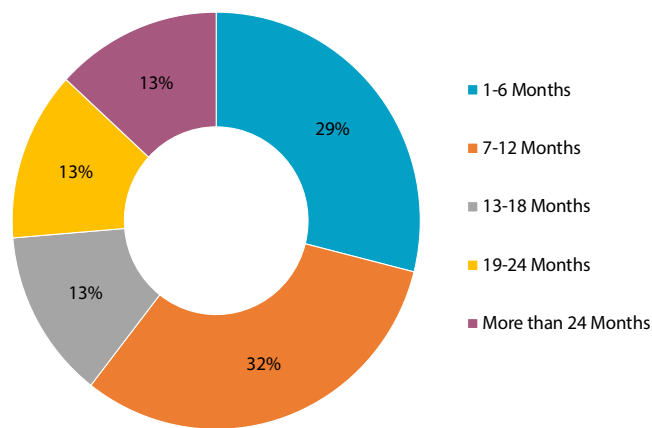
As illustrated in Fig. 6, the proportion of funds failing to reach their target size has decreased significantly since 2012. Eighty-two percent of funds closed in H1 2017 have reached their target size, with a quarter achieving 125% or more – this is an increase of six percentage points on funds closed in 2016. The majority (61%) of funds closed in Q2 2017 also spent 12 months or less on the road, with only 13% spending over two years in market (Fig. 7).

**Fig. 6: Private Equity Funds Closed by Proportion of Target Size Achieved, 2012 - H1 2017**



Source: Preqin Private Equity Online

**Fig. 7: Time Spent in Market by Private Equity Funds Closed in Q2 2017**



Source: Preqin Private Equity Online

**Fig. 8: 10 Largest Private Equity Funds Closed in Q2 2017**

Fund	Firm	Target Size (mn)	Fund Type	Geographic Focus
CVC Capital Partners Fund VII	CVC Capital Partners	16,000 EUR	Buyout	Global
Silver Lake Partners V	Silver Lake	15,000 USD	Buyout	North America
Vista Equity Partners Fund VI	Vista Equity Partners	11,000 USD	Buyout	North America
Clayton Dubilier & Rice X	Clayton Dubilier & Rice	9,350 USD	Buyout	Europe, North America
KKR Asian Fund III	KKR	9,300 USD	Buyout	Asia, Australasia
New Enterprise Associates 16	New Enterprise Associates	3,300 USD	Venture Capital	North America
Summit Partners Growth Equity Fund IX	Summit Partners	3,300 USD	Growth	Europe, North America
Vitruvian Investment Partnership III	Vitruvian Partners	2,400 EUR	Buyout	Europe
Hamilton Lane Secondary Fund IV	Hamilton Lane	1,900 USD	Secondaries	Global
EQT Mid Market Europe	EQT	1,600 EUR	Buyout	Europe

Source: Preqin Private Equity Online

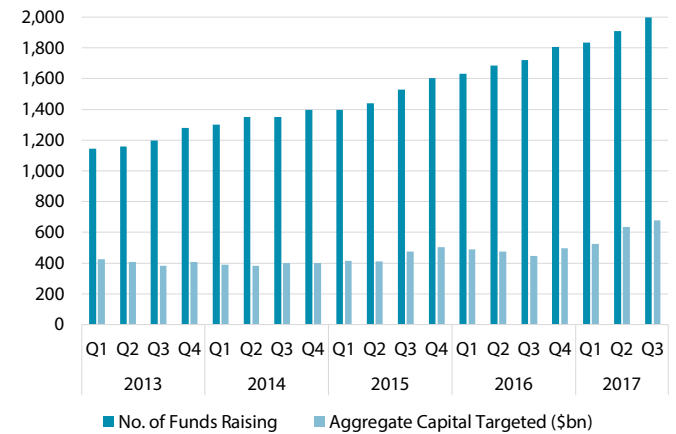


# FUNDS IN MARKET

The number of private equity funds in market has continued to grow in H1 2017. A record 1,998 funds are in market as at the beginning of Q3, an increase of 164 funds from the start of the year; these funds are targeting an aggregate \$676bn in capital commitments, over \$150bn more than at the start of 2017 (Fig. 9). This increase in targeted capital can be largely explained by SB Investment Advisers' SoftBank Vision Fund, which is seeking \$100bn overall – the largest amount ever targeted by a private equity fund – and held a first close in May 2017 on \$93bn.

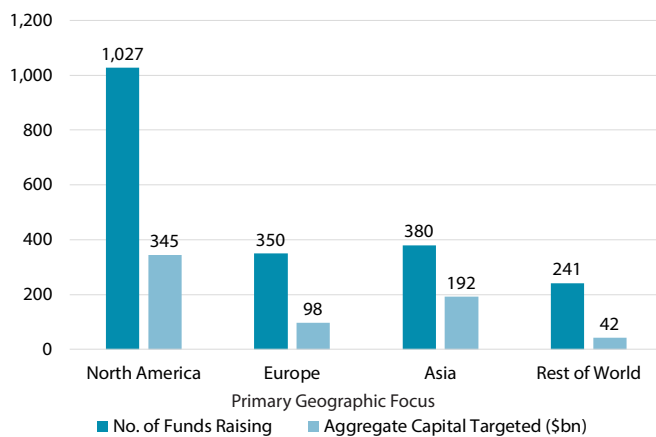
More than half (51%) of all funds in market are targeting investment opportunities in North America (Fig. 10). Asia remains ahead of Europe as the second most targeted region for investment, as Asia-focused funds seek \$94bn more capital than Europe-focused funds. The difference in capital targeted between these regions can largely be explained by the CNY 450bn (\$66bn) being targeted by three of the five largest funds in market, which will target opportunities in China (Fig. 12).

**Fig. 9: Private Equity Funds in Market over Time, Q1 2013 - Q3 2017**



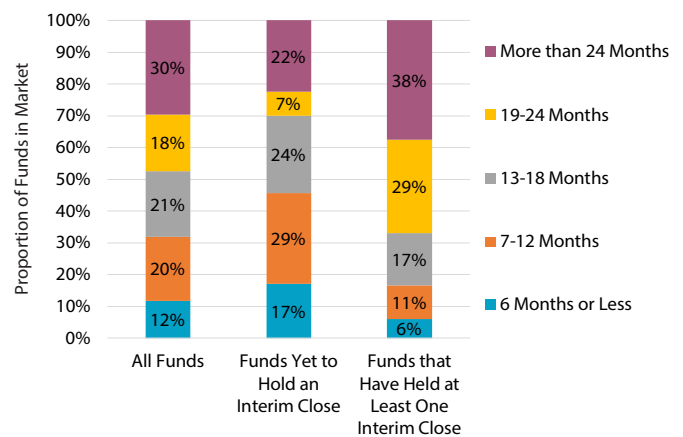
Source: Preqin Private Equity Online

**Fig. 10: Private Equity Funds in Market by Primary Geographic Focus**



Source: Preqin Private Equity Online

**Fig. 11: Time Spent on the Road by Private Equity Funds in Market**



Source: Preqin Private Equity Online

**Fig. 12: Five Largest Private Equity Funds in Market**

Fund	Firm	Target Size (mn)	Fund Type	Geographic Focus
SoftBank Vision Fund	SB Investment Advisers	100,000 USD	Hybrid	Global
China State-Owned Capital Venture Investment Fund	China Reform Fund Management	200,000 CNY	Venture Capital	China
Apollo Investment Fund IX	Apollo Global Management	23,500 USD	Buyout	North America, West Europe
State-owned Enterprise National Innovation Fund	China Aerospace Investment Holdings	150,000 CNY	Growth	China
Sino-Singapore (Chongqing) Connectivity Private Equity Fund	UOB Venture Management	100,000 CNY	Growth	China, Singapore

Source: Preqin Private Equity Online



# INSTITUTIONAL INVESTORS

Public and private sector pension funds, as well as endowment plans and foundations, continue to make up the largest proportion (45%) of institutional investors in private equity (Fig. 13). Buyout and growth strategies attract a broad and even range of investor types, while other strategies such as co-investment and fund of funds are dominated by these four investor types. Co-investment funds in particular attract mostly pension funds, which have the necessary resources and experience to invest in this type of strategy – 33% of public pension funds co-invest with GPs, compared with only 15% of foundations.

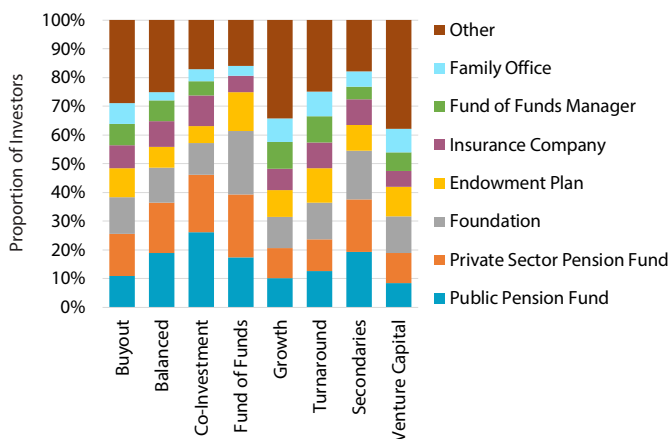
Fig. 14 shows there has been little change in investors' strategy preferences since Q2 2016. Despite a slight decrease in the proportion of investors targeting buyout funds, the strategy is still the most favoured with 61% of LPs planning to invest in this fund type in the next 12 months. Venture capital (47%) and growth

(41%) strategies are also prominent, with private equity funds of funds targeted by a more modest 18% of investors.

Europe remains the most attractive region for private equity investors in the next 12 months, as targeted by 52%, closely followed by North America (50%, Fig. 15). Appetite for emerging markets (19%) and Rest of World (11%) remains unchanged since this point last year, while interest in Asia-Pacific has dropped by one percentage point.

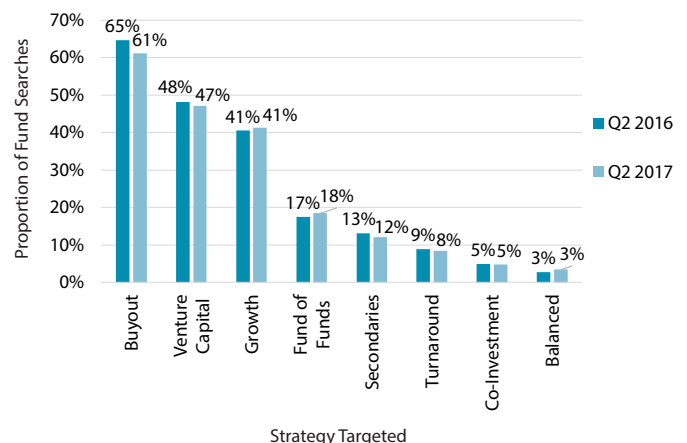
Half of all investors looking to make commitments over the next 12 months are expecting to allocate less than \$50mn to the asset class (Fig. 16). Thirty-eight percent aim to invest \$100mn or more, a three-percentage-point increase on this time last year. However, it appears that investors are looking to make commitments to fewer funds in the year ahead: the proportion of investors

**Fig. 13: Make-up of Investors in Private Equity by Fund Type**



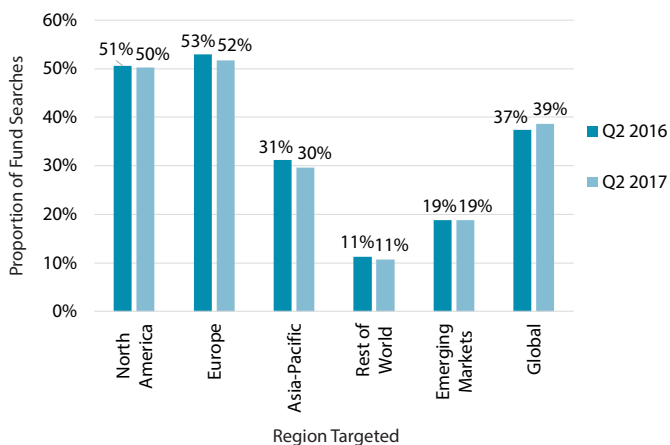
Source: Preqin Private Equity Online

**Fig. 14: Strategies Targeted by Private Equity Investors in the Next 12 Months, Q2 2016 vs. Q2 2017**



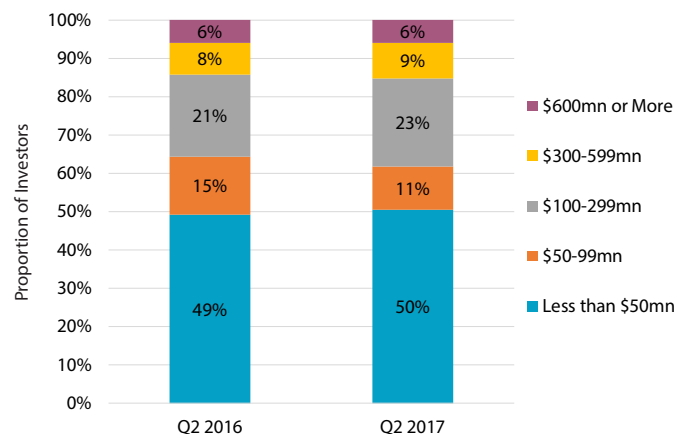
Source: Preqin Private Equity Online

**Fig. 15: Regions Targeted by Private Equity Investors in the Next 12 Months, Q2 2016 vs. Q2 2017**



Source: Preqin Private Equity Online

**Fig. 16: Amount of Capital Investors Plan to Commit to Private Equity Funds in the Next 12 Months, Q2 2016 vs. Q2 2017**



Source: Preqin Private Equity Online

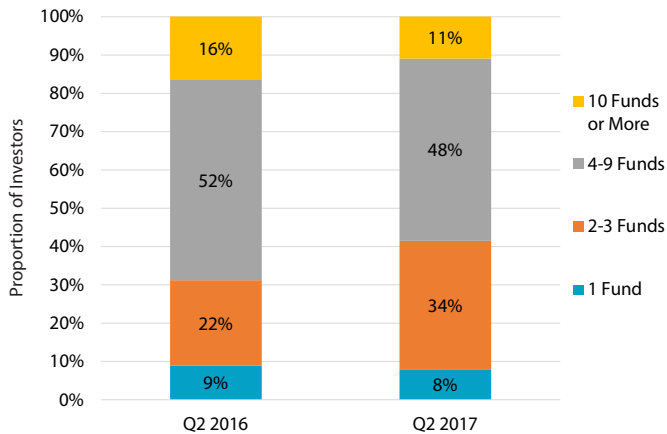


targeting 2-3 funds has risen from 22% to 34% in the past year, and has dropped by nine percentage points for those planning to commit to four or more funds (Fig. 17).

Government agencies have by far the highest average target allocation to private equity at 48.8% of total assets, considerably higher than family offices, which follow with 27.8% (Fig. 18).

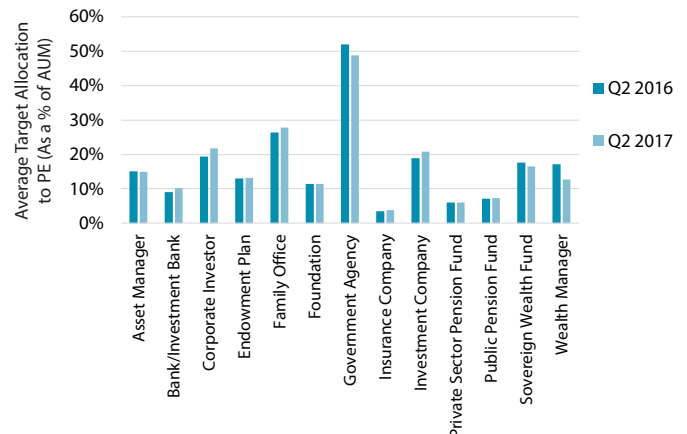
Corporate investors (21.8%) and investment companies (20.9%) also aim to allocate a large proportion of assets to private equity. Public pension funds (7.2%), private sector pension funds (6.0%) and insurance companies (3.7%) have the lowest target allocations to private equity, possibly due to the wider investment scope and more stringent regulations and investment policies to which these investors adhere.

**Fig. 17: Number of Private Equity Funds Investors Plan to Commit to in the Next 12 Months, Q2 2016 vs. Q2 2017**



Source: Preqin Private Equity Online

**Fig. 18: Average Target Allocation to Private Equity by Investor Type (As a Proportion of AUM), Q2 2016 vs. Q2 2017**



Source: Preqin Private Equity Online

**Fig. 19: Sample Private Equity Investors to Watch**

Investor	Location	Allocation to Private Equity (\$mn)	Investment Plans
Korea Post Savings	South Korea	57	Korea Post Savings will be making new commitments to private equity funds over the next 12 months, targeting mezzanine and distressed debt vehicles, with a focus on European and North American markets across a wide range of industries.
Ohio State Highway Patrol Retirement System	US	63	Ohio State Highway Patrol Retirement System plans to make new commitments to private equity funds over the next three years to meet its target allocation of 10%. The public pension fund is looking to commit \$20mn to one fund and will consider both new and existing managers.
Achmea Investment Management	Netherlands	2,234	Achmea Investment Management will be investing in eight private equity funds in the next 12 months, committing €350mn in total. The insurance company will target buyout and growth vehicles across Europe and North America and will look to work with a combination of new and existing managers.
prevoyance.ne	Switzerland	74	The public pension fund expects to commit CHF 20mn across two private equity funds in the next 12 months. It will target growth funds on a global basis and will focus on a diversified range of industries.

Source: Preqin Private Equity Online

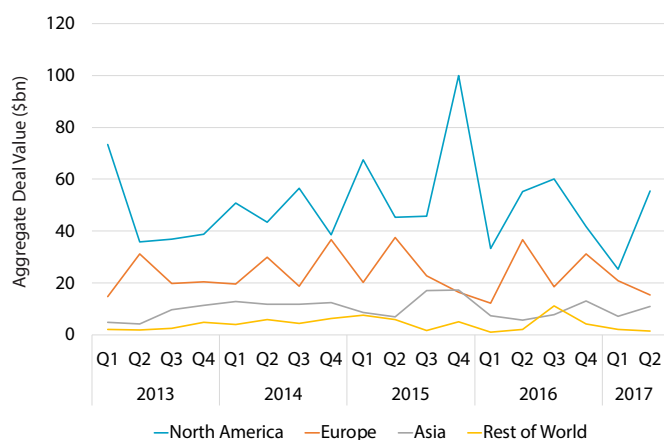
# BUYOUT DEALS AND EXITS

The second quarter of 2017 saw 1,001 private equity-backed buyout deals announced or completed globally, worth an aggregate \$83bn (Fig. 20). While there were fewer deals than in the previous quarter, aggregate deal value is up 50% in the same period. However, both the number of deals and the aggregate value for H1 2017 are 4% and 10% lower respectively in comparison to H1 2016, possibly due to increased asset pricing, making it a challenge for GPs to find attractive opportunities.

Deal value in Q2 2017 was higher than in Q2 2016 for North America and Asia, with the latter up by 92%. Deal value in both of these regions increased by 119% and 57% respectively from the previous quarter, while Europe and Rest of World saw a decrease of 26% and 29% respectively (Fig. 21). Four of the five largest buyout deals of Q2 2017 were for companies in North America; the largest transaction was the public-to-private acquisition of Staples, Inc. by Sycamore Partners for \$6.9bn (Fig. 23).

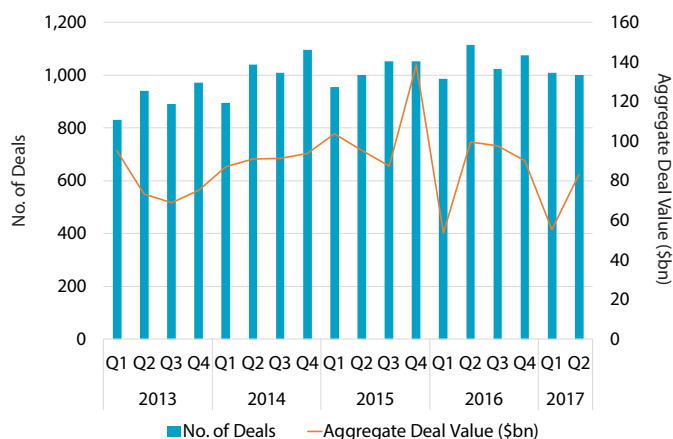
There was a 9% decline in exit activity from Q1 2017, with 381 private equity-backed exits in Q2 2017 for an aggregate \$59bn, representing the lowest quarterly number of exits since Q2 2010,

**Fig. 21: Aggregate Value of Private Equity-Backed Buyout Deals by Region, Q1 2013 - Q2 2017**



Source: Preqin Private Equity Online

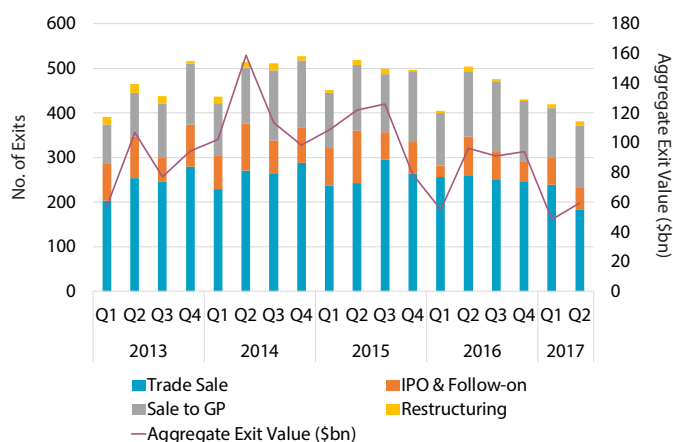
**Fig. 20: Private Equity-Backed Buyout Deals, Q1 2013 - Q2 2017**



Source: Preqin Private Equity Online

and a 12% decrease between H1 2016 and H1 2017 (Fig. 22). There were fewer trade sales and IPO & follow-ons compared to the previous quarter, but 25% more sale-to-GP and restructuring exits.

**Fig. 22: Private Equity-Backed Buyout Exits by Type and Aggregate Exit Value, Q1 2013 - Q2 2017**



Source: Preqin Private Equity Online

**Fig. 23: Five Largest Private Equity-Backed Buyout Deals Announced in Q2 2017**

Portfolio Company	Investment Type	Deal Date	Deal Size (mn)	Investor(s)	Bought from/Exiting Company	Location	Primary Industry
Staples, Inc.	Public-to-Private	Jun-17	6,900 USD	Sycamore Partners	-	US	Retail
Visma Consulting	Buyout	Jun-17	45,000 NOK	GIC, HgCapital, ICG, Montague Partners	Cinven, KKR	Norway	Software
West Corporation	Public-to-Private	May-17	5,100 USD	Apollo Global Management	Quadrangle Group, Thomas H Lee Partners	US	Technology
PAREXEL International Corporation	Public-to-Private	Jun-17	5,000 USD	Pamplona Capital Management	-	US	Pharmaceuticals
inVentiv Health Inc / INC Research Holdings Inc	Merger	May-17	4,600 USD	Advent International, INC Research Holdings Inc., InVentiv Health, Inc, Thomas H Lee Partners	-	US	Pharmaceuticals

Source: Preqin Private Equity Online





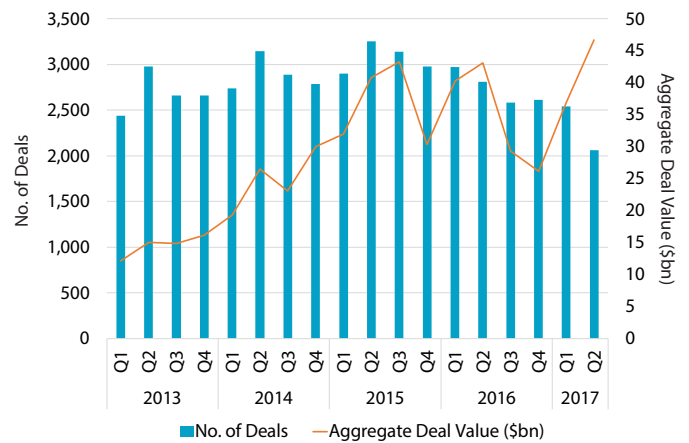
# VENTURE CAPITAL DEALS

In Q2 2017, 2,062 venture capital financings were announced globally, marking a decline of 19% from the previous quarter and representing a 27% decrease from the 2,811 financings in Q2 2016 (Fig. 24). Despite fewer transactions, the aggregate value (\$47bn) of venture capital deals in Q2 2017 was 26% higher than in Q1 2017, a five-year high. Six venture capital deals that surpassed \$1bn were announced in Q2 2017, notably Didi Chuxing's \$5.5bn funding round in April (Fig. 27).

The number of venture capital deals in North America fell for the eighth consecutive quarter, showcasing the lowest figures for any quarter since 2009. Despite this, the 936 financings represented the largest proportion (45%) of deals in any single market (Fig. 25). Furthermore, in terms of deal value, the region's financings equated to \$20bn, 41% of the global market share. Deal flow slowed in Europe, India and Israel compared to Q1 2017; however, aggregate value for Europe and Israel increased in the same period by 22% and 28% respectively.

Angel/seed and Series A/Round 1 were the most common stages of financing, each accounting for 28% of the total number of deals in Q2 2017 (Fig. 26). However, angel/seed financings accounted

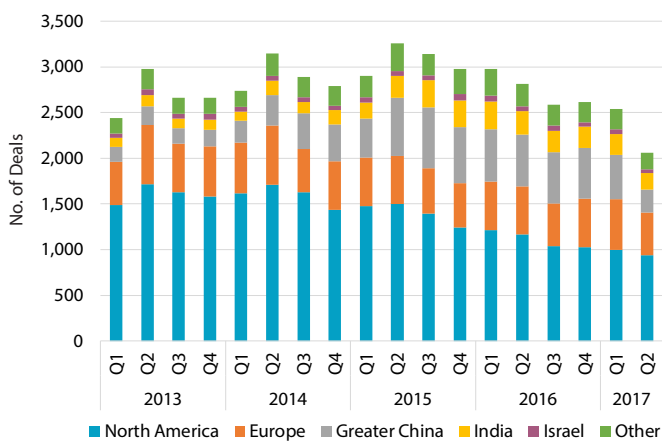
Fig. 24: Venture Capital Deals\*, Q1 2013 – Q2 2017



Source: Preqin Private Equity Online

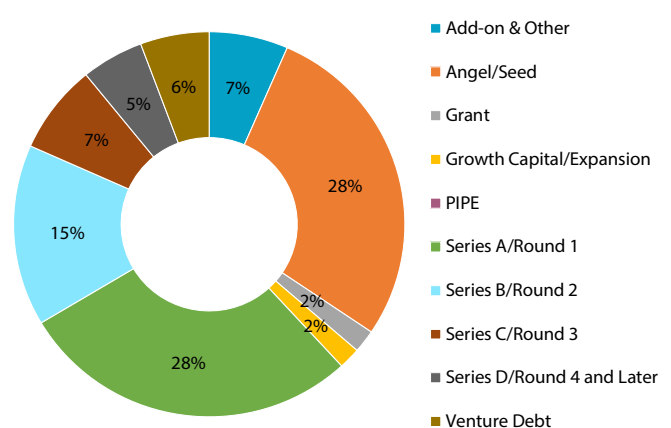
for only 3% of global aggregate value, due in part to the \$2.4mn average deal size. Series D/Round 4 and Later financings, of which there were 86, raised \$8.9bn, the largest figure by any stage this quarter, equating to 29% of the market share.

Fig. 25: Venture Capital Deals\* by Region, Q1 2013 - Q2 2017



Source: Preqin Private Equity Online

Fig. 26: Venture Capital Deals in Q2 2017 by Stage



Source: Preqin Private Equity Online

Fig. 27: Five Largest Venture Capital Deals\* in Q2 2017

Portfolio Company	Stage	Deal Date	Deal Size (mn)	Investor(s)	Location	Primary Industry
Didi Chuxing	Unspecified Round	Apr-17	5,500 USD	Bank of Communications, China Merchants Bank, Silver Lake, Softbank	China	Telecoms
Flipkart Internet Private Limited	Unspecified Round	Apr-17	1,400 USD	eBay Inc., Microsoft, Tencent	India	Internet
Go-Jek Indonesia	Unspecified Round	May-17	1,200 USD	Tencent	Indonesia	Business Services
Ele.me	Unspecified Round	Jun-17	1,000 USD	Alibaba Group	China	Internet
One97 Communications Limited	Unspecified Round	May-17	1,000 USD**	Softbank Capital	India	Internet

Source: Preqin Private Equity Online

\*Figures exclude add-ons, mergers, grants, secondary stock purchases and venture debt.

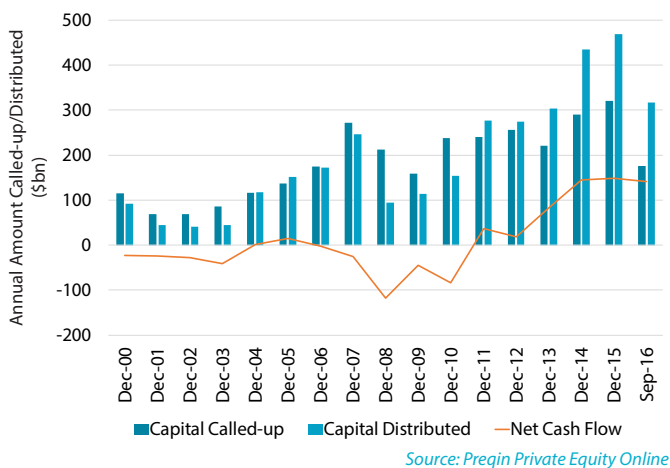
\*\*Part of a \$1.4bn transaction, whereby \$400mn was a secondary stock purchase from SAIF Partners.

# FUND PERFORMANCE AND DRY POWDER

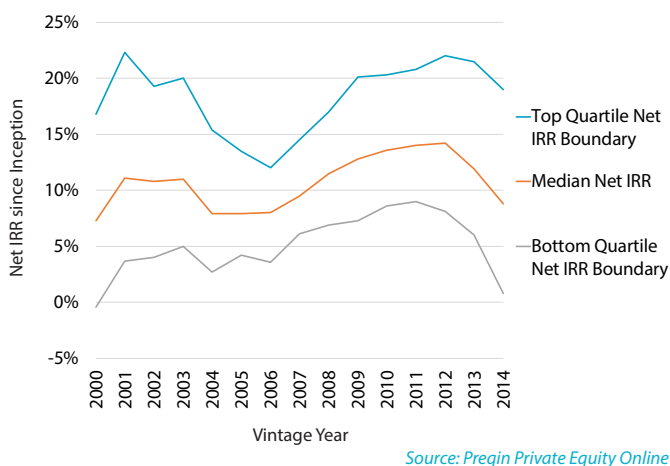
Capital distributions have continued to outweigh capital called-up, with over \$1.5bn returned to investors since 2013. While distributions increased by over \$60bn in the third quarter of 2016, and with distributions for 2016 to date standing at \$318bn, it is unlikely that 2016 distributions will surpass the record \$470bn from 2015 (Fig. 28).

Dry powder has increased by more than \$80bn between December 2016 and May 2017, with \$906bn available for investment as at May 2017 – a new industry record (Fig. 29). Buyout dry powder remains the source of the majority (62%) of available capital, although this share has decreased from 65% in December 2016. The amount of dry powder available to growth fund managers experienced the most growth from December 2016, increasing by 25% to reach \$112bn at the end of May.

**Fig. 28: Private Equity - Annual Amount Called-up, Distributed and Net Cash Flow (As at September 2016)**



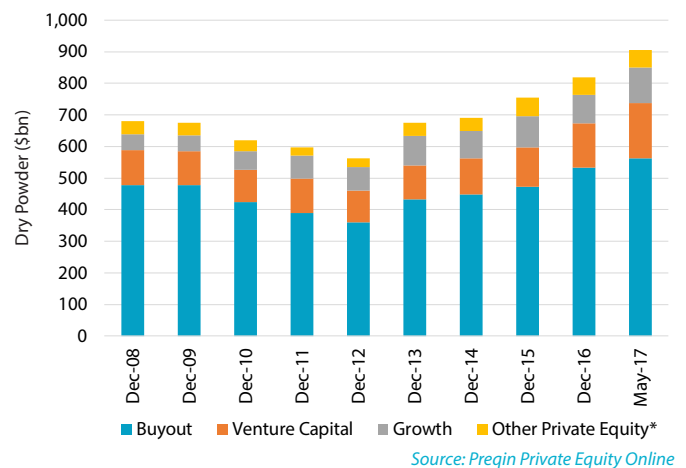
**Fig. 30: Private Equity - Median Net IRRs and Quartile Boundaries by Vintage Year**



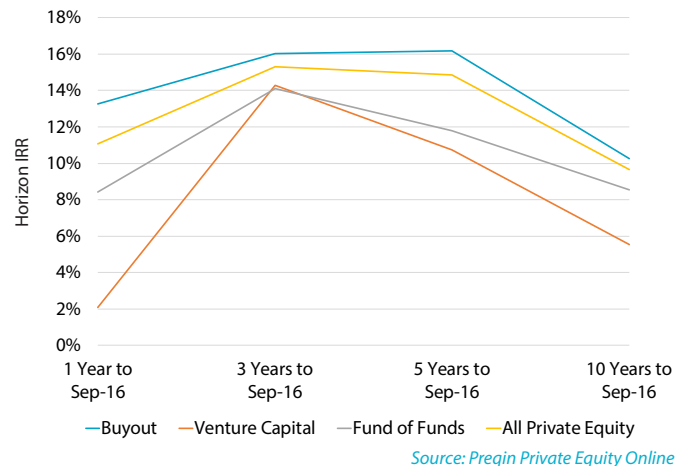
The wide range between the top and bottom quartile boundaries, particularly for more recent vintages, illustrates the importance of fund selection (Fig. 30). Vintage 2011 and 2012 funds have the highest median net IRRs (+14.0% and +14.2% respectively) of vintages examined.

As seen in Fig. 31, buyout funds have the highest horizon IRRs across each period examined, posting returns of 13.3%, 16.0%, 16.2% and 10.3% in the one-, three-, five- and 10-year horizons respectively. Despite the relatively poor short-term performance of venture capital funds (+2.1% in the year to September 2016), the fund type has posted relatively strong returns over both three- (+14.3%) and five-year (+10.7%) horizons.

**Fig. 29: Private Equity Dry Powder by Fund Type, 2008 - 2017**



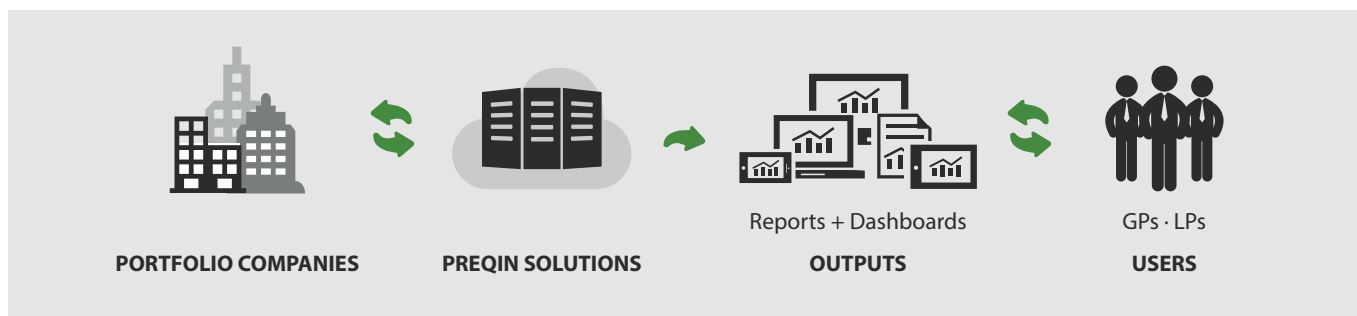
**Fig. 31: Private Equity - Horizon IRRs by Fund Type (As at September 2016)**



\*Other Private Equity includes Balanced, Co-Investment, Co-Investment Multi-Manager, Direct Secondaries and Turnaround funds.

## PORTFOLIO MANAGEMENT MADE EASY

Streamline and automate your entire portfolio management process with Preqin Solutions, our powerful web-based analytics platform designed exclusively for private capital investment professionals.



### MONITORING

Automate your data collection workflows and portfolio performance analysis.



### VALUATION

Shorten your valuation cycle, ensuring consistency and transparency.



### FUND ANALYSIS

Analyze fund investment performance and utilize exit planning and benchmarking features.



## LIMITED PARTNER REPORTING

Replicate and automate your existing LP reports, both in the cloud and in Excel, allowing your IR team to streamline your quarterly reporting process.



## DATA INTEGRATION

Now integrated with Preqin performance data on 8,602 private capital funds, in addition to LN, KS, PME+ and Direct Alpha PME methodologies, giving you the ability to benchmark your performance against private or public markets on the fly.



Contact us to arrange an online demonstration and find out how we can help you:

**info@preqinsolutions.com · www.preqinsolutions.com**

### About Preqin Solutions

Preqin Solutions, formerly Baxon Solutions, delivers market-leading cloud collaboration software for monitoring, valuation, benchmarking and reporting on private capital portfolio investments. The software automates the compilation, analysis and exchange of all portfolio information including operating metrics (financial, KPIs, ESG), investment valuations, and ultimately investment and aggregate fund performance. Through the integration of Preqin data, this performance can be contextualized with reference to the broader market for internal and investor reporting purposes.



With global coverage and detailed information on all aspects of the private equity asset class, Preqin's industry-leading **Private Equity Online** service keeps you up-to-date on all the latest developments in the private equity universe.

Find out how Preqin's range of private equity products and services can help you:

[www.preqin.com/privateequity](http://www.preqin.com/privateequity)

New York ■ London ■ Singapore ■ San Francisco ■ Hong Kong ■ Manila

 **preqin**  
alternative assets. intelligent data.