2019 Preqin Global
Private Equity & Venture Capital Report
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DATA PACK FOR 2019 PREQIN GLOBAL PRIVATE EQUITY & VENTURE CAPITAL REPORT
The data behind all of the charts and infographics featured in this report, plus additional datasets for each of the chapters in the book, is available to purchase in Excel format. Ready-made charts and graphs are also available, and can be used in marketing materials, presentations or company reports.

To purchase the data pack, please contact your Preqin representative or download an order form here:

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KEY TRENDS OF 2018

Throughout 2018, the private equity & venture capital industry saw robust fundraising in aggregate terms, which is positive news for markets supported by investments from private equity. Investor demand remained strong as healthy capital distributions to investors continued to fuel activity. Despite the prevailing market uncertainty and widespread concerns around portfolio company valuations, many industry participants are expecting further growth in assets under management (AUM) in 2019.

**FUNDRAISING STRONG BUT CHALLENGING**

$432bn
Total capital secured in 2018 was down 24% from the record $566bn raised in 2017, but in line with levels seen in previous years

75%
of surveyed fund managers experienced an increase in investor appetite over 2018

**CAPITAL REMAINS CONCENTRATED**

24%
of total capital raised in 2018 was secured by the 10 largest funds closed, level with 2017

76%
of surveyed fund managers experienced more competition for investor capital in 2018 than in 2017

**INDUSTRY GROWTH CONTINUES**

$3.41tn
Total industry assets as at June 2018 (the latest available data)

82%
of surveyed fund managers predict that AUM will increase further over 2019

**CASH FLOW FALLS DESPITE HIGH DISTRIBUTIONS**

Cash flow to investors turned negative in 2017 as capital calls of $500bn outstripped distributions of $495bn for the first time since 2010

$262bn
of distributions in H1 suggests 2018 could be on course to surpass the record $517bn distributed in 2016

**DEAL FLOW HITS NEW HIGHS**

5,106
buyout deals – a record number – and 14,889 venture capital deals were completed in 2018

$274bn
Aggregate venture capital deal value in 2018 – a record high

**ASSET VALUATIONS ARE KEY CONCERN**

68% and 63% of surveyed investors and fund managers respectively feel asset valuations will be a key challenge for returns in 2019

39% and 44% of surveyed investors and fund managers respectively expect a market correction in the coming year
What has made investing in private equity so attractive in the past 10-20 years?
First and foremost, the ability of private equity to outperform the public market over the past two decades. In my eyes, no other asset class has been able to outperform the public stock and bond markets so consistently over such a significant period of time.

More specifically, a key driver of investment in the industry over the past 10 years was the performance of the asset class over the course of the Global Financial Crisis (GFC). When the crisis hit, we saw many investors looking to liquidate their public holdings, but because of the structure of the private model, many LPs remained invested in private vehicles. And actually, when you look at private equity funds of vintages 2006-2008, they outperformed the public market and ended up delivering distributions to their investors.

Being able to return capital to investors after such a tough environment demonstrated the value that a private equity allocation can provide, and as such, drove investors to the market.

As the private equity environment improved post-GFC, more capital was distributed back to LPs and, in turn, we saw these distributions fuel growth as institutions sought to re-invest this capital in private equity, the market that had delivered such strong returns for them previously.

This outperformance and return generation led to a consistent flow of new investors entering the asset class as well as investors already active in private equity increasing their allocations.

With so many investors in today’s market holding an allocation to private equity, what makes for a successful private equity portfolio?
There are several key factors to consider when creating or shaping a private equity allocation.

We are seeing more and more investors allocating in each of the three main regions: North America, Europe and Developed Asia-Pacific. Diversifying geographically allows investors to hedge against potentially uncertain economic environments; however, this is not without challenges: entering a new region requires understanding the market as well as operating in close proximity to its GPs.

Another factor to consider is allocating to a blend of strategies. We see a lot of investors active in buyout, venture capital and distressed debt, as well as some infrastructure assets within their private equity allocation. A mixture of risk/return profiles and asset diversification further de-risks portfolios.

Finally, many investors allocate through a range of vehicles such as co-investments and separate accounts. Accessing the industry through these vehicles allows for varying levels of exposure to the industry and more custom solutions to complement the holdings of a portfolio.

Once invested in private equity, how do you successfully monitor and evaluate your portfolio?
How investors monitor their portfolio is perhaps one of the areas of private equity that has changed the most over the past 10 years. The advancement of technology and increasing amount of information available to institutions has led them to create more rigorous processes and evaluation techniques.

Successfully benchmarking and evaluating a portfolio centres around managing the flow of information, and in turn processing that information into analysis.
Institutions receive data from their GPs on fund performance and the performance of underlying assets; they use public market data to evaluate their performance against stock and bond markets; LPs now have access to more data on private markets and can obtain Public Market Equivalent benchmarks for the private equity industry. Efficiently managing the wealth of data now available to investors is crucial to monitoring a portfolio and thereby the success of the investment strategy.

And what metrics or analysis are investors now creating from this data?
Information on cash flows is the first metric on the mind of investors. Monitoring calls and distributions and implementing forecasting models allows for investors to gain a better perspective on the current and potential future performance of their portfolio.

Risk measurement has also been an area of focus for investors for some time now. Implementing tools to derive risk metrics comparable with public assets allows for a greater understanding of the positioning of the portfolio.

Performance benchmarking is of course another key piece of analysis for investors. More LPs are creating historical benchmarks and implementing processes to allow data to transition more quickly from GP submission to evaluation.

How does implementing these processes benefit investment decision-making?
Creating processes and using software that streamlines and automates data analysis allows for several improvements, to name a few:
- Decisions can be made faster and with greater clarity.
- The risk of data error is reduced.
- Employees work from a centralized data source, increasing consistency across analysis and removing the need for creating metrics in Excel.
- The minds and time of investment professionals are freed up.

Alongside the benefits to investment decision-making, these processes also allow for greater transparency across LPs, especially important for investors with complex capital structures; a more in-depth understanding of an investor’s GP relationships and the underlying assets they have exposure to; and clearer audit trails across the institution.

What will make for successful private equity investing in 2019? How do you see the processes we have discussed playing a part?
A lot of people in private equity are talking about cycles and the potential for a change in cycle phase. In times of a changing environment it is more important than ever to stay close and up to date on the market and your portfolio. An investor that focuses resources on technology and systems now will be better placed to react and make decisions for their portfolio in the future.

How do you see the private equity market developing over 2019?
First and foremost, we expect the performance of the private equity industry to remain strong, not only in terms of absolute returns but also as a diversifier to the public market. Private equity has previously shown its ability to outperform the public market in times of downturn, and we are confident that the asset class will remain strong in the event of a cyclical change.

If the market does enter a downturn then the secondary market will likely see more activity as investors look to rebalance their portfolio and potentially discounted shares become available.
Being able to rapidly evaluate the changing dynamics within your portfolio will be of critical importance to successfully operating a private equity portfolio in this environment.

ABOUT ASSETMETRIX

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www.asset-metrix.com
Robust fundraising in aggregate terms is positive news for some private equity fund managers – especially for the largest and most established – but not all can expect to get a share of the pie in 2019. There are more funds on the road and an unprecedented level of capital concentration among the biggest managers, which is creating a challenging fundraising market for all but the most sought-after managers and brand-name firms. This dynamic is set to continue in 2019 and may well test the sustainability of traditional closed-end private equity fundraising.

As shown on page 31, net cash flow to LPs turned positive in 2011. As cash-rich investors sought re-investment, fundraising activity in the private equity market continually reached record levels. Although aggregate fundraising in 2018 failed to match the record level we saw in 2017, the still sizeable total of $432bn is around average for the trailing five-year period, cementing what has become the new normal of $400bn+ annual global fundraising (Fig. 2.1).

Buyout funds continue to dominate the market, with 215 funds raising a total of $235bn in 2018 (Fig. 2.2, down 22% from the $300bn secured in 2017). Venture capital funds had another strong year: 605 vehicles achieved a final close, and 2018’s total of $79bn is 13% higher than 2017’s, making it the only top-level strategy to record a year-on-year increase in capital raised. In both cases, average fund sizes jumped to post-GFC record levels in 2018 by way of the increasing capital concentration in the market: $1.2bn for buyout funds closed and $151mn for venture capital vehicles.

When examining the split of fundraising by size of fund, we can see that the majority (52%) of total capital raised in 2018 was committed to the 50 largest funds closed during the year (Fig. 2.5). This follows the increasing capital concentration we have seen in the market in recent years, driving the increase in average fund sizes in 2018.

While LP appetite for the asset class is showing no signs of diminishing, the growing uncertainty surrounding valuations as well as rising expectations of a correction in the market mean investors are looking to recognized brands and established managers now more than ever.

**UNCERTAINTY AND THE CYCLE**

Many of the private equity investors and fund managers we surveyed in November 2018 believe that the market is at its peak and due for a correction, as cited by 61% and 62% of investors and fund managers respectively (page 75). While strong returns during prior market cycles will help maintain the appeal of the asset class, the uncertainty surrounding the flow of capital through the fund investment cycle could mean investors exercise caution when looking to deploy capital – especially after so many were left overcommitted following the Global Financial Crisis (GFC).

While 2018 recorded $432bn in capital commitments, in line with the activity seen in recent years, the decline in total dollars raised from the peak of 2017 could indicate that market uncertainty is already starting to impact investor activity.

**REGIONAL FUNDRAISING SHIFTS**

North America-focused vehicles raised the most private equity capital (240bn) of any region in 2018, followed by funds targeting Europe (95bn), Asia (80bn) and Rest of World (16bn). In terms of market share and in line with fund managers’ plans for 2019 (page 76), this represents a slight shift towards developed markets in comparison to the previous year. Asia-focused funds’ share (19%) of total capital raised in 2018 was six percentage points lower than in 2017, marking the region’s smallest market share since 2013. Funds focused on North America and Europe, however, saw their share of total capital increase by four and two percentage points respectively.

As at the start of 2019, there are significantly more private equity funds in market than two years ago (Fig. 2.11). This can, in part, be attributed to Preqin’s additional research efforts to strengthen our coverage of the Chinese market. As at January 2019, the number of and aggregate capital targeted by North America-focused funds on the road are

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1. Fundraising and AUM figures for Asia-focused funds have increased significantly since the end of 2016. This can partly be attributed to Preqin’s additional research efforts to strengthen our coverage of the Chinese private equity & venture capital market with the opening of our Guangzhou office in October 2017.
## INVESTORS

**Fig. 4.1: Proportion of Aggregate Capital Invested in Private Equity by Investor Location, 2014 vs. 2018**

<table>
<thead>
<tr>
<th>Region</th>
<th>2014</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>59%</td>
<td>55%</td>
</tr>
<tr>
<td>Europe</td>
<td>24%</td>
<td>25%</td>
</tr>
<tr>
<td>Asia</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>Rest of World</td>
<td>9%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: Preqin Pro

**Fig. 4.2: Institutional Investors in Private Equity: Number and Median Current and Target Allocations (As a % of Total AUM) to Private Equity**

<table>
<thead>
<tr>
<th>Region</th>
<th>No. of Investors</th>
<th>Median Current Allocation</th>
<th>Median Target Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>North America</strong></td>
<td>3,874</td>
<td>6.1%</td>
<td>10.0%</td>
</tr>
<tr>
<td>US</td>
<td>3,653</td>
<td>6.1%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Canada</td>
<td>203</td>
<td>5.7%</td>
<td>7.0%</td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td>1,954</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>472</td>
<td>4.1%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Norway (Nordic)</td>
<td>239</td>
<td>5.0%</td>
<td>7.0%</td>
</tr>
<tr>
<td><strong>Asia</strong></td>
<td>1,207</td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>430</td>
<td>4.0%</td>
<td>20.0%</td>
</tr>
<tr>
<td>South Korea</td>
<td>132</td>
<td>4.0%</td>
<td>20.0%</td>
</tr>
<tr>
<td>Japan</td>
<td>239</td>
<td>3.1%</td>
<td>8.0%</td>
</tr>
<tr>
<td><strong>Rest of World</strong></td>
<td>656</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>158</td>
<td>3.5%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Singapore</td>
<td>87</td>
<td>11.0%</td>
<td>17.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Preqin Pro

*Excluding the UK.*
Fig. 7.4: Views on Portfolio Company/Asset Pricing: Investors vs. Fund Managers

- **Investors**
  - Undervalued, Considerable Room for Further Price Rises: 1%
  - Undervalued, Some Room for Further Price Rises: 5%
  - Fairly Valued: 31%
  - Overvalued, Correction More than 12 Months Away: 24%
  - Overvalued, Correction Likely within Next 12 Months: 24%
  - Overvalued, Correction Imminent: 15%

- **Fund Managers**
  - Undervalued, Considerable Room for Further Price Rises: 2%
  - Undervalued, Some Room for Further Price Rises: 6%
  - Fairly Valued: 26%
  - Overvalued, Correction More than 12 Months Away: 22%
  - Overvalued, Correction Likely within Next 12 Months: 33%
  - Overvalued, Correction Imminent: 11%

Source: Preqin Fund Manager and Investor Surveys, November 2018

Fig. 7.5: Views on Where We Are in the Current Equity Market Cycle: Investors vs. Fund Managers

- **Investors**
  - Recovery/Expansion: 61%
  - Peak: 62%
  - Recession: 5%
  - Trough: 5%
  - Unsure: 11%

- **Fund Managers**
  - Recovery/Expansion: 62%
  - Peak: 61%
  - Recession: 8%
  - Trough: 8%
  - Unsure: 11%

Source: Preqin Fund Manager and Investor Surveys, November 2018

Fig. 7.6: Investors’ Expected Capital Commitments to Private Equity & Venture Capital in the Next 12 Months Compared with the Previous 12 Months

- **Private Equity**
  - More Capital: 30%
  - Same Amount of Capital: 46%
  - Less Capital: 24%

- **Venture Capital**
  - More Capital: 31%
  - Same Amount of Capital: 57%
  - Less Capital: 12%

Source: Preqin Investor Interviews, November 2018

Fig. 7.7: Investors’ Plans to Alter Their Level of Private Investment in Response to the Cycle: Private Equity vs. Venture Capital

- **Private Equity**
  - Will Invest More in Private Capital: 25%
  - No Change: 65%
  - Will Invest Less in Private Capital: 10%

- **Venture Capital**
  - Will Invest More in Private Capital: 24%
  - No Change: 64%
  - Will Invest Less in Private Capital: 12%

Source: Preqin Investor Interviews, November 2018
The 2019 Preqin Global Alternatives Reports are the most detailed and comprehensive reviews of the alternative assets industry available, offering exclusive insight into the latest developments in the private equity, hedge fund, real estate, infrastructure, private debt and natural resources asset classes.

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<th>Quantity</th>
<th>Data Pack*</th>
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<td>$90/£65/€75</td>
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<tr>
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<td>$175/£125/€150</td>
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<tr>
<td>Private Debt</td>
<td>$175/£125/€150</td>
<td>$90/£65/€75</td>
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<tr>
<td>Natural Resources</td>
<td>$175/£125/€150</td>
<td>$90/£65/€75</td>
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<td></td>
<td></td>
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<tr>
<td>All Six Titles (25% Saving!)</td>
<td>$785/£560/€675</td>
<td>$395/£280/€340</td>
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</tr>
</tbody>
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