



Future Fund Searches and Mandates

Interested in which investor types are looking to make new private equity fund commitments, and which fund types and geographies they are targeting? Philippe Alteirac examines private equity fund searches and mandates issued over the past 12 months.

The private equity institutional investor universe is made up of a diverse range of investor types, each with different allocations and expectations of the asset class. Encouragingly for private equity fund managers looking to source fresh capital in the year ahead, there is a wealth of different investors actively searching for new fund investments over the next 12 months.

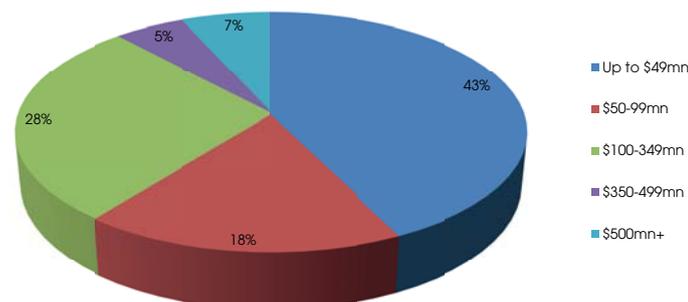
Preqin's analysts speak to investors in private equity funds around the world every day, in order to find out about the types of funds and geographies that they are actively seeking to invest in. Using this detailed information on investors' current fund searches and mandates, we have explored which investors are set to be most active, and which areas of the private equity market are set to attract the most capital in the coming months.

Types of Investors Seeking New Investments

Public pension funds have consistently issued a large proportion of mandates each quarter, as shown in Fig. 1. Faced with historically low interest rates, traditional asset classes have become increasingly less appealing to public pension funds, and in order to meet their annual returns targets, they are allocating more capital to private equity. One public pension fund searching for new fund investments is Michigan Department of Treasury. The \$51bn pension fund is looking for up to 10 new private equity funds to commit to within the next year, and anticipates committing between \$500mn and \$1bn in total to the asset class.

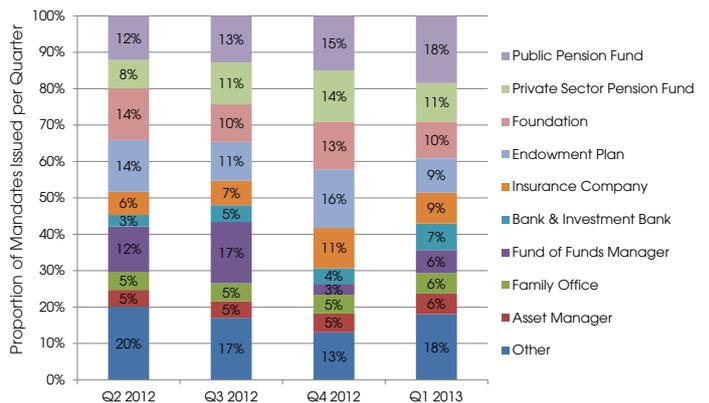
Foundations and endowments have also accounted for a large proportion of fund mandates issued over the past four quarters, in particular in Q2 2012 and Q4 2012, when these investors accounted for a combined 28% and 29% of all new fund mandates issued in these quarters respectively.

Fig. 2: Amount of Capital Institutional Investors Expect to Commit to Private Equity Funds over the Next 12 Months



Source: Preqin Investor Intelligence

Fig. 1: Breakdown of Mandates Issued over the Past Year by Investor Type



Source: Preqin Investor Intelligence

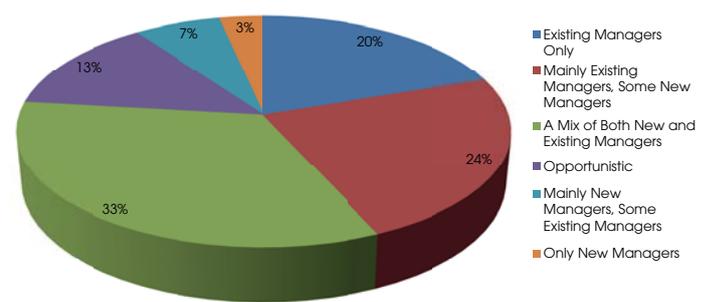
How Much Capital Can We Expect to Flow into Private Equity?

As shown in Fig. 2, 43% of investors planning to commit fresh capital to private equity funds over the next 12 months are looking to commit up to \$49mn. A third of LPs expect to commit between \$100mn and \$499mn to the asset class over the coming year, while a further 7% plan to commit more than \$500mn to new private equity funds, indicating that a number of LPs are looking to commit large sums of capital to the asset class in the year ahead.

Thirty-one percent of investors that plan to make new commitments over the next 12 months plan to make one or two new private equity fund investments, while a further 37% are seeking to commit to three to five new private equity funds.

A fifth of mandates issued by investors in the past 12 months are solely for funds being raised by existing managers within their

Fig. 3: Proportion of Mandates Being Issued to New or Existing Managers in the Last 12 Months



Source: Preqin Investor Intelligence



portfolio, as shown in Fig. 3, which can save LPs both time and resources. However, automatic re-ups are a thing of the past and GPs now have to look increasingly further afield for new investors. Nevertheless, 67% of investors that issued fund searches in the past year are considering allocating a portion or all of their capital to new managers, with many LPs looking to do so in order to gain exposure to a new strategy or geography. A further 13% are approaching fund manager selection opportunistically.

Private Equity Fund Types Sought in the Year Ahead

Two-thirds of LPs that have issued fund mandates in the past 12 months have indicated a preference for buyout funds in the year ahead. Venture capital funds are being sought by over half (55%) of LPs looking to make new fund commitments in the year ahead, while 45% of investors have stated growth funds as a preference for future private equity fund investments. Thirty-six percent of investors looking to make new investments over the next 12 months have stated a preference for distressed private equity vehicles.

Regions Sought in the Year Ahead

While a significant 41% of LPs are looking to create geographically diverse private equity portfolios by investing in the asset class on a global scale, many investors have stated particular regions they are looking to gain exposure to in the next 12 months. Fig. 5 shows that North America-focused private equity funds can expect to see the largest inflows of fund investments over the next 12 months, with 63% of investor mandates stating the region as a preference for future fund investments. Over half (54%) of investors have a preference for Europe-focused private equity fund mandates over the next 12 months.

As the economies outside of the traditional private equity markets of North America and Europe continue to develop, we have seen increasing numbers of LPs looking to place their capital in these regions. Almost half (46%) of investors that issued fund searches in the past year are looking for private equity funds focusing on opportunities in Asia-Pacific, while 17% of LPs are seeking to invest in Rest of World-focused funds. Thirty-seven percent of LPs plan to commit to general emerging markets-focused funds, which will focus on opportunities in regions such as Latin America and Africa.

Outlook

Over the next 12 months, a diverse pool of investors are seeking new private equity funds to add to their portfolios, with certain investor types likely to be more active than others. While we can expect to see a considerable flow of capital into the private equity market in the next 12 months, LPs are still likely to be selective with new fund commitments, investing only in those funds which have the potential to add the most value to their portfolios.

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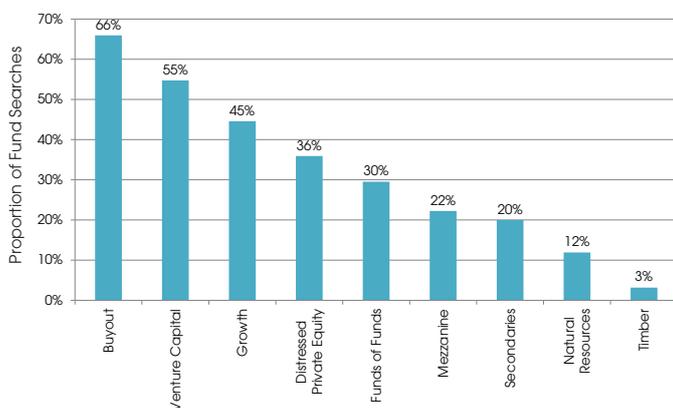
Looking to source new investors for your fund? Subscribers to Preqin's [Investor Intelligence](#) can click [here](#) to view detailed profiles and investment plans of 1,787 institutional investors that are looking to make new commitments over the next 12 months via the [Fund Searches and Mandates](#) feature.

This feature is the perfect tool to pinpoint those institutions that are seeking new funds for investment now. Search for potential new investors by current investment searches and mandates, including fund type and regional preferences, specific timeframes for next investment, and much more.

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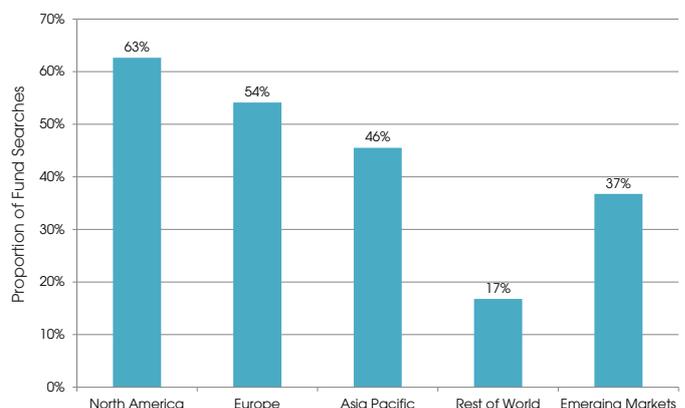
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Fig. 4: Fund Types Sought by Investors in the Next 12 Months



Source: Preqin Investor Intelligence

Fig. 5: Regions Sought by Investors in the Next 12 Months



Source: Preqin Investor Intelligence