



Preqin Industry News

Patrick Adefuye presents news stories of recent pension fund activity on the private equity secondaries market.

Several pension funds are looking to sell fund interests:

Fund of funds manager [Pantheon](#) has acquired \$500mn worth of private equity fund stakes from [Teachers' Retirement System of the State of Illinois](#). Pantheon reportedly won the bidding for the portfolio of primarily US-focused large-cap funds that had been put up for sale by the pension fund in late 2013. The total value of \$500mn includes unfunded commitments. TRS Illinois in 2013 approved [UBS Investment Bank Private Funds Group](#), [Park Hill Group](#) and [Cogent Partners](#) as secondary market advisers for private equity and real estate.

It has been confirmed that [Allegheny Technologies Incorporated Pension Fund](#) will consider selling private equity fund interests on the secondary market in the near future. The private sector pension fund has predominantly committed to private equity fund of funds vehicles in the past and opportunistically to other fund types such as buyout, venture capital, distressed private equity, mezzanine, secondaries and natural resources funds.

[Public Sector Pension Investment Board](#) completed a sale of a portfolio of private equity funds at the end of 2013, employing the intermediary services of [Cogent Partners](#) to run the sales process. The Canadian public pension fund's portfolio was worth \$1.5bn and it consisted of at least eight large buyout fund interests, including interests in [Apax Europe VI](#) and [Apax Europe VII](#), ranging in vintages from 2005 to 2008.

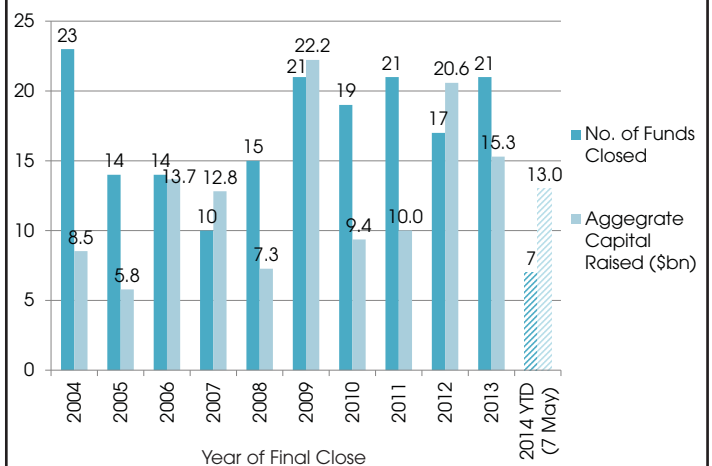
Examples of pension funds looking to purchase fund interests on the secondary market:

[United Parcel Service of America Pension Plan](#) is investing in the secondary market through a separate account relationship with [Landmark Partners](#). Along with investing in the secondary fund of funds manager's funds, it also opportunistically directly acquires fund stakes. It looks to gain exposure to a wide variety of funds through the secondary market, except venture capital funds. The private sector pension fund has no plans to sell fund stakes on the secondary market.

[California Public Employees' Retirement System \(CalPERS\)](#) actively considers secondary market opportunities. The public pension fund has set up a committee that meets on a weekly basis to consider opportunities to buy fund stakes on the secondary market. It is believed that the pension fund is capable of deploying up to \$600mn annually in secondary market opportunities depending on market conditions. Over the past year, the pension fund has competed for fund stakes in eight transactions. It has a particular interest in post-2007 vintage vehicles.

How much capital have private equity secondaries funds over recent years?

Chart of the Month: Annual Private Equity Secondaries Fundraising, 2004 - 2014 YTD (As at 7 May 2014)



Source: Preqin Secondary Market Monitor

The recent mammoth closing of the Ardian Secondary Fund VI has made a significant impact on secondaries fundraising statistics for 2014 YTD. The \$9bn Europe-focused fund drove the aggregate amount of capital raised by private equity secondaries funds to \$13bn, which is already 85% of the previous year's whole annual total, with seven months still to go until the end of 2014. Ardian's sixth fund in the series is the largest dedicated secondaries fund to close in history, securing a final close considerably higher than its original \$7bn target.

The fund is one of seven private equity secondaries funds that have reached a final close this year, and is largely responsible for the uptick seen in average fund size from last year. In 2013, 21 secondaries funds closed, collectively garnering a total of \$15bn and having an average final close size of \$729mn. In 2014 YTD, the average is \$1.9bn, the highest it has ever been and \$400mn more than the previous largest average fund size of \$1.5bn for funds closed in 2012.

With 27 private equity secondaries funds currently in market seeking an aggregate \$23bn, and evidently healthy investor appetite, the fundraising momentum for dedicated secondaries vehicles looks likely to continue through 2014.

Do you have any news you would like to share with the readers of Spotlight? Perhaps you're about to launch a new fund, have implemented a new investment strategy, or are considering investments beyond your usual geographic focus?

Send your updates to spotlight@preqin.com and we will endeavour to publish them in the next issue.