

Private Equity Distributions Spur Investors to Commit More Capital in 2016

Private equity funds distribute \$189bn in H1 2015, following record \$475bn distributed in 2014

As part of Preqin's 2016 Global Private Equity and Venture Capital Report, a survey of private equity investors finds that 30% feel their investments have exceeded their expectations over the past year, up from 17% that felt that way in December 2014. Only 6% of surveyed investors reported that their investments had fallen short of expectations in 2015. A record \$475bn was distributed from private equity funds in 2014, and a further \$189bn was returned to investors in H1 2015. This means many investors will need to reinvest more capital to maintain their allocations to the asset class, and over half (51%) of investors anticipate making new private equity commitments in H1 2016.

However, with total private equity** dry powder standing at \$696bn as of the end of 2015, the increase in the amount of capital being made available for investment has raised concerns over the valuation of assets. Seventy percent of surveyed investors stated that valuations were the biggest challenge facing them in 2016. This was echoed by 40% of surveyed fund managers, while 38% say that it is already more difficult to find attractive investment opportunities now compared to a year ago.

Key Facts from the 2016 Global Private Equity & Venture Capital Report:

- **Industry AUM:** The **total size of the private capital industry*** reached **\$4.2tn as of June 2015**, up from \$4.0tn in December 2014. Private equity** fund strategies accounted for \$2.4tn of this total.
- **Performance Expectations:** **Forty percent of surveyed investors said they expected their private equity portfolios to outperform public markets by over 4%**, up from 37% at the end of 2014. However, this is still below the 54% that said the same in 2012, the most recent high.
- **Best Opportunities:** A majority of investors (**71%**) **cited North America as offering the best opportunities in 2016**, up from 60% a year ago. Within emerging markets Asia, China and India were all seen as favourable by over 40% of private equity investors.
- **Target Allocations:** The **proportion of investors which are currently above their target private equity allocation** has fallen from 19% at the end of 2014 to 8% in 2015. The proportion below their target allocation has stayed level at 45%.
- **Sought-After Fund Types:** The **largest proportion of investors (73%) will be seeking to invest in small to mid-market buyout funds** in 2016. Large to mega buyouts, venture capital and growth funds are also highly sought after by private equity investors.

**For more from the Preqin 2016 Global Private Equity & Venture Capital Report, visit www.preqin.com/reports
To request a complimentary press copy of the report, please contact press@preqin.com**

Comment:

"Private equity has been the best performing part of many investors' portfolios over recent years, delivering superior returns compared to all other asset classes over the longer term. The record levels of distributions seen in 2014 and H1 2015 will further help to keep investor sentiment positive, and many investors have indicated that they are preparing to allocate more capital to the asset class in the year ahead.

While fundraising should remain strong due to investor demand, the challenge of identifying the best investment opportunities remains for investors. With concerns rising over valuations, investors will be looking to commit to managers with a proven track record of finding attractive opportunities."

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*** Preqin defines 'private capital' as all closed-end alternative assets funds, including private equity, venture capital, private debt, real estate, infrastructure and natural resources.**

**** Preqin defines 'private equity' as constituted of buyout, venture capital, growth, turnaround, and other closely related strategies.**

Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin's services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: www.preqin.com

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