

Private Equity Fund Managers Squeezed in the Mid-Market

Preqin survey of almost 400 private equity fund managers finds competition for assets is focused on mid-market buyouts

Increased competition for private equity deal opportunities is being felt primarily by fund managers targeting mid-market transactions. Preqin's H1 Private Equity Fund Manager Outlook finds that the majority of fund managers are seeing more competition for mid-market assets compared to a year ago. By contrast, fund managers targeting small and large buyouts are seeing smaller net increases in competition. Investor appetite for mid-market deals has spurred strong fundraising for the sector in recent years, injecting a large amount of capital into the dealmaking market and putting growing pressure on fund managers to compete for attractive deal opportunities.

For more results from the survey, see the full H1 2017 Private Equity Fund Manager Outlook here: <https://www.preqin.com/docs/reports/Preqin-Special-Report-Private-Equity-Fund-Manager-Outlook-H1-2017.pdf>

Key Facts from the Private Equity Fund Manager Outlook:

- Across the entire private equity spectrum, **42% of respondents have seen an increase in competition for assets compared to 12 months ago.**
- However, **51% of fund managers said they saw more competition for mid-market assets**, and 44% felt competition for large assets had grown. By contrast, just 35% said the same of small buyouts.
- This congestion may be due to the current attraction of mid-market buyout deals: **58% of private equity investors currently feel that mid-market buyouts represent the best opportunities**, more than twice the proportion that cited any other fund type or size.
- Accordingly, mid-sized buyout funds have seen strong fundraising of late. **2016 saw 48 vehicles raise a combined \$41bn, a post-Global Financial Crisis record.**
- This has seen a large amount of capital become available to fund managers. As of February 2017, **mid-market buyout fund managers hold a record \$99bn in dry powder.**
- Given these conditions, it is perhaps unsurprising that **more managers (41%) named valuations as their key concern in 2017 than any other issue.**

The Fund Manager Outlook survey was conducted as part of the 2017 Private Equity Global Report. Please email press@preqin.com to request a complimentary press copy.

Christopher Elvin, Head of Private Equity Products:

"Record distributions in recent years have driven investor appetite for private equity, with more fund managers coming to market in order to meet this demand. Strong fundraising has injected a large amount of capital into the marketplace, and with record numbers of fund managers vying for the best deal opportunities, it is unsurprising that competition for assets is rising, driving up valuations.

However, this latest survey shows that this increase in competition, which has become a key industry trend, is not being felt by all fund managers equally. The smallest and largest buyout fund managers are not seeing such a sharp increase in pressure. Rather, it is the mid-market that is seeing competition rise most sharply, with increasing numbers of fund managers attracted to the potential risk/return balance offered by assets in this area. Fund managers operating in this space will have to work harder than ever in order to find attractive deal opportunities, and to avoid entering into bidding wars that drive asset prices yet higher."

Preqin is the leading source of information for the alternative assets industry, providing insight and analysis gathered by its global teams of dedicated researchers. Founded in 2003, the company is a frequent source of intelligence used in the global financial press, through its online databases, regular publications and bespoke data requests.

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