

## Private Equity Fund Managers See Valuations and Fundraising as Biggest Challenges in 2016

North America-based GPs concerned with valuations, Asia-based GPs with fundraising

Extracts from the 2016 Preqin Global Private Equity and Venture Capital Report find that pricing for investment opportunities is seen as the biggest challenge facing fund managers in 2016, according to 40% of survey respondents. North America-based managers are particularly concerned with valuations; 54% cite it as a key challenge in 2016. With strong fundraising activity through 2015 and a record \$435bn in dry powder available at the end of the year, North America-based managers have a lot of capital with which to compete for private equity assets. Overall, 38% of managers surveyed think it is more difficult to find attractive investment opportunities compared to a year ago, although 51% think that the difficulty remains unchanged.

The biggest concern among private equity managers based in Asia and the Rest of World is fundraising, cited by 54% and 57% of respondents respectively. Two-thirds of surveyed fund managers globally report an increase in competition for investor capital compared to a year ago, while only 3% feel there is less. Despite this, 59% of respondents either have a fund in market as of Q4 2015, or plan to launch a new offering in 2016.

### Other Key Private Equity Fund Manager Outlook Findings:

- **More Capital Deployed:** Despite valuation concerns, **the majority (60%) of surveyed fund managers expect to deploy more capital in 2016** compared to 2015. Just 10% of managers say they expect to deploy less capital in the year ahead.
- **Investor Appetite:** Fund managers report a net increase in appetite over the past year from each investor type. In particular, **over half (56%) of fund managers report an increase in appetite from family offices**, the largest proportion of any investor type.
- **Separate Accounts:** Alternative methods for investors to access the private equity market are set to become more common among fund managers in 2016. **Thirty-four percent of fund managers plan to offer more separate account opportunities in 2016**, while only 5% plan to offer fewer.
- **AIFMD Investors:** Despite the AIFMD legislation affecting marketing options to Europe-based investors, **41% of North America-based fund managers said they will be targeting investors in the region in 2016**.
- **Regulation Outlook:** Fifteen percent of fund managers believe that regulation will improve the private equity landscape in 2016, while 39% think it will change it for the worse. The **largest proportion (45%) does not believe incoming regulation will change the landscape**.

**Please see the report below for more analysis from the private equity fund manager outlook survey:**  
<https://www.preqin.com/docs/newsletters/pe/Preqin-Private-Equity-Spotlight-February-2016.pdf>

### Comment:

“Rising valuations, and the impact they may have on returns, are clearly at the forefront of the minds of many fund managers going into 2016. Strong fundraising over recent years means that managers currently have a large amount of dry powder available to be deployed into private equity assets. With strong competition for assets, particularly in the developed markets of North America and Europe, valuations look set to continue to be a concern through the year ahead.

Outside the developed markets of Europe and North America, there is concern among managers that fundraising will present a challenge in 2016. Competition for investment opportunities may be less fierce, but with ongoing volatility in many Asian markets and perceived weakness in many emerging economies, fund managers focused on these regions will have to find innovative ways to attract investors.”

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**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:**

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