

LPs Keen to Co-Invest with PE Fund Managers

65% of those with an interest in the space anticipate increasing allocations to private equity co-investments in the future

More than half perceive returns to be better than from regular PE fund investments

Just 9% of LPs that currently express interest in co-investments expect to reduce their allocations to these investments in the future, a Preqin study reveals. A significant proportion are championing the perceived benefits of co-investment, which include better control over investments, the strengthening of GP relationships and lower fees.

Two-thirds of investors have also seen higher returns from their co-investments than their private equity fund investments, while 13% stated that returns were significantly better.

Over 100 investors with an interest in co-investments were interviewed, and almost a quarter of those contacted are active co-investors on a regular basis.

Investor Appetite for Co-investments – Key Findings

- 63% of investors that actively co-invest do so on an opportunistic basis.
- 39% of LPs that actively co-invest set aside a separate allocation for co-investments, while 61% allocate to co-investments at the expense of their private equity fund investments.
- Fund of funds managers account for the largest proportion of the co-investor universe – 23%.
- 44% of investors with an interest in co-investment are based in North America, 31% in Europe and 25% in Asia and Rest of World.
- 66% of LPs with an interest in co-investment have over \$250mn allocated to private equity.
- 75% of LPs that have an appetite for co-investment ask GPs for co-investment rights when making new fund commitments.
- 38% of investors that currently co-invest will only do so alongside a GP with which they already have an existing relationship.

The full report and analysis of results can be found here:

http://www.preqin.com/docs/reports/Preqin_Private_Equity_Co-Investor_Report.pdf

Comment:

“Investors are increasingly keen to co-invest with GPs in order to reap the perceived benefits, including better returns, better transparency and better control over investments. At the same time, many GPs are now more willing to offer co-investment rights in order to secure commitments to their funds, while using co-investor capital in deals allows them to invest in larger deals that they may not be able to access with fund capital alone.

With 65% of LPs active in this space planning to increase their allocations to co-investments going forward and a growing number seeking to start their own co-investment programs, it is clear that we will see an increase in the level of activity in this area in the future.”

Emma Dineen – Manager, Private Equity Investor Data

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Note to Editors: Preqin is spelled without the letter ‘U’ after the ‘Q’.

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