preqin
alternative assets. intelligent data.

Press Release
19th July 2017

Private Capital Secondaries Fundraising Slumps in Q2 2017

Market sees lowest activity levels since Q3 2015 following record opening quarter

The fundraising market for private capital* secondary vehicles slowed sharply in Q2 2017, as just five funds closed, raising a combined $4bn. This is down from the record levels of activity seen in the opening quarter of the year, during which nine funds secured $19bn. However, collectively H1 2017 has seen secondary funds raise almost four-fifths of the record annual capital total marked in 2014, putting this year on course to be the largest ever for secondaries fundraising. Notably, there are increased signs of stratification and diversification in the market: Q2 saw the closure of the largest ever preferred equity financing vehicle, while funds currently in market include a potentially record-breaking vehicle focusing on infrastructure stakes.

For more information and analysis, see the full *Preqin Secondary Market Update: Q2 2017* here:
https://www.preqin.com/docs/reports/Preqin-Secondary-Market-Update-Q2-2017.pdf

Key Private Capital Secondaries Facts:

- **Five secondaries funds secured $4bn from investors in Q2 2017**. This is down from nine funds that secured a record $19bn in the previous quarter.
- This marks the fewest fund closures seen since Q2 2016, and the lowest level of capital raised since Q3 2015.
- The largest fund closed in the quarter was the **$1.9bn Hamilton Lane Secondary Fund IV**.
- **Forty-five secondaries funds remain in market.** These vehicles are seeking $32bn, down from $38bn that was sought by 44 funds at the start of the year.
- Secondaries funds have posted higher median net IRRs compared to the wider private capital industry in every vintage year from 2007. **2014-vintage secondaries funds have a median net IRR of 19.7%**, more than twice the median performance for 2014-vintage private capital funds as a whole (9.6%).
- Dry powder for secondaries vehicles has reached **$87bn as of the end of June 2017**.

Patrick Adefuye, Head of Secondaries Products:

"The opening quarter of 2017 saw a record level of fundraising activity for the private capital secondaries market. Following that, it is to be expected that the industry would pause in Q2, as many investors will have made commitments to funds closed recently. In that context, low quarterly fundraising figures should not be taken as a negative sign for the overall growth and health of the secondary market. In fact, despite large fund closures in the first half of the year, an almost equal number of funds have launched in the period, an indication that fund managers believe there is still substantial investor appetite for secondary fund commitments.

In another sign of the secondary market's growing prominence and diversification, there were two funds closed in Q2 which will pursue a preferred equity strategy. At the same time, funds in market as at July include seven funds targeting secondary stakes in real estate and infrastructure funds. With investors and fund managers both looking to the secondary market as a useful source of liquidity and portfolio management, we can expect to see the number of these niche funds continue to grow."

Private capital here refers to the closed-end alternative asset classes of private equity, private debt, real estate, infrastructure and natural resources.

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.

For more information, contact our dedicated press team at press@preqin.com or call (+44) 20 3207 0265.

New York	London	Singapore	San Francisco	Hong Kong	Manila
+1 212 350 0100	+44 20 3207 0200	+65 6305 2200	+1 415 316 0580	+852 3958 2819	

www.preqin.com / info@preqin.com