

2016 Sees Record Q1-Q3 Private Capital Secondaries Fundraising Total

Closure of largest ever fund drives all-time high fundraising over first three quarters in 2016, while sizeable funds continue to come to market

Preqin's quarterly update on the private capital secondaries market finds eight funds closed in Q3 to raise a combined \$3.8bn of investor capital, pushing the amount raised by vehicles closed in 2016 so far to its highest ever Q1-Q3 fundraising total. Through the first three quarters, 15 secondaries funds have raised \$19bn in capital commitments, beating the previous Q1-Q3 fundraising record seen in 2014 (\$17bn), and 31% up on the total achieved in 2015 (\$14bn). The largest fund to reach a final close in Q3 was Strategic Partners VI RE (\$1.3bn), the first dedicated real estate secondaries fund to close in 2016. While substantial, this does not approach the size of the largest fund closed through Q1-Q3, the \$10.8bn Ardian Secondary Fund VII, which is the largest secondaries fund ever closed.

The private capital secondaries fundraising market at the start of Q4 2016 is also witnessing record activity. There are currently an all-time high of 44 secondaries vehicles in market, targeting a combined \$32bn in investor commitments, compared to 32 vehicles which were seeking a total of \$28bn at the start of the year. Moreover, large funds (those targeting \$1bn or more) continue to dominate the fundraising landscape, representing more than a fifth (23%) of the funds in market, while collectively accounting for over three-quarters (76%) of the aggregate target capital. Such activity is a further indication of the confidence private capital secondaries firms possess in their ability to attract high levels of investor capital and mirrors the wider trend of capital being concentrated among fewer, but larger, funds.

Other Key Q3 Secondaries Facts:

- **Average Fund Size:** Despite seeing robust fundraising activity, **funds closed in Q3 were smaller on average compared to funds closed in 2015**. Vehicles closed in the quarter raised an average of \$1.24bn compared to \$1.45bn for funds closed the previous year.
- **Largest Managers:** By total capital raised in the last 10 years, **France-based firm Ardian is the largest secondaries manager securing \$31bn of investor commitments**. Five of the largest firms are located in Europe, with the other five headquartered in the United States.
- **Fund Performance:** Over the past 10 vintage years, only one (2012 vintage) secondaries fund is currently recording a negative net IRR. At the same time, **the median net IRR for secondaries funds is currently showing gains of more than 10% in every vintage year since 2008**.
- **Secondaries Buyers:** As of the end of Q3, Preqin tracks 908 potential buyers of funds on the secondary market; **private equity fund of funds managers account for a fifth of all secondaries buyers**, the highest proportion of any type, while public pension funds also account for a notable proportion (12%).
- **Secondaries Sellers:** As of the end of Q3, Preqin tracks 678 potential sellers of funds on the secondary market, up from 610 at the end of Q2. **The largest proportion of sellers tracked (43%) are based in Europe**, with a further 41% based in North America and 16% based in Asia and all other regions.

To access further information and analysis, please see the full report below:
<https://www.preqin.com/docs/reports/Preqin-Secondary-Market-Update-Q3-2016.pdf>

Comment:

"The secondaries market is becoming increasingly marketable to investors, due to its ability to provide accelerated cash flows and its significant upside potential. The growth of vehicles out on the road is another sign that firms are becoming more comfortable operating in the market with many now launching their second or third fund after successful previous fundraises and strong portfolio performance.

The average size of secondaries vehicles reaching a final close is set to surpass a billion for the second consecutive year – testament to the strength of the industry – and firms will hope that such robust fundraising is commensurate with attractive deal-making prospects. The more than fourfold increase in the total amount raised by Strategic Partners Funds Solutions for its latest dedicated real estate secondaries fund compared to its predecessor emphasises this sentiment, and highlights the growth in opportunities for this particular section of the secondary market."

Patrick Adefuye – Head of Secondaries Products, Preqin

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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:

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

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