

Private Equity Secondaries Fundraising Surges in 2014

8 private equity secondaries funds closed in 2014 YTD have raised a total of \$13bn, more than triple the \$4.2bn raised by 6 secondaries funds closed in the same time period in 2013

Recent research from Preqin reveals that 8 private equity secondaries funds have closed in 2014 so far, raising an aggregate \$13bn in investor commitments. This is more than triple the \$4.2bn raised by 6 secondaries funds closed in the same time period in 2013. The average size of secondaries funds closed in 2014 so far is \$1.6bn, more than double the average size of \$729mn of funds closed in 2013.

Other Key Facts:

- Secondaries fundraising in 2014 YTD (as of 3 June) also surpassed fundraising in the same time period in 2012, when funds held a final close on \$3.5bn.
- There are currently 27 private equity secondaries vehicles in market seeking to raise an aggregate \$24bn. The largest secondaries fund currently in market is Lexington Capital Partners VIII, managed by Lexington Partners, which has a target of \$8.0bn and held a first close on \$5.5bn in February 2014.
- Preqin's survey of 60 institutional investors in May 2014 reveals that 48% of investors view the secondary market as of core or growing importance to their private equity portfolios.
- Pricing does not appear to be the main motivation for investors buying interests on the secondary market; only 33% of investors surveyed stated good value (as a proportion of net asset value) as their motivation for purchasing fund interests, compared to 67% of investors that stated the same in 2013.
- Over a third (36%) of investors surveyed explained that the motivation behind investing in the secondary market is the mitigation of the J-curve effect on their portfolios, allowing them to avoid the negative returns often experienced in the earlier stages of investments by investing in funds at a later stage of their life cycles. This is a substantial increase from the 17% that cited the same reason in 2013.
- Investors were also asked about their motivations for selling fund interests on the secondary market; a significant 39% named liquidity requirements as their reason, a notable increase from the 23% which named this motivation in 2013.
- Preqin's survey of institutional investors in the secondary market in May 2014 revealed that all investors expect the current high level of secondary market activity to either be maintained (78%) or increase (22%).

For more information and analysis, please see the full report:

https://www.preqin.com/docs/reports/Preqin_Special_Report_Private_Equity_Secondary_Market_June_2014.pdf

Comment:

"2014 has already had a very successful start in terms of private equity secondaries fundraising, and it looks like fundraising for the year will surpass the lower level of capital raised in 2013. Secondaries fund managers have a significant amount of capital to spend, and this buy-side pressure continues to be the main driver of secondary market activity. Additionally, more institutional investors are playing a part on the buy side of the private equity secondary market, adding to the increasing levels of competitive pressure and contributing to the relatively high level of pricing being observed in the market currently."

Tim Friedman, Chief Commercial Officer, Preqin

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.

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin's services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: www.preqin.com

For more information, please contact: Tim Friedman +1 646 376 7070 or tfriedman@preqin.com
For general press information, please contact: Nicholas Jelfs +44 (0)20 7645 8882 or press@preqin.com