The Q3 2015 Preqin Quarterly Update

Private Equity

Insight on the quarter from the leading provider of alternative assets data

Content includes...

Fundraising

Lowest number of funds to close in a quarter since 2006.

Investors in Private Equity

Over half of investors are currently below their target allocation to private equity.

Deals

Venture capital investment reached record levels in Q3.

Fund Performance and Dry Powder

Investors received record distributions in 2014.

Secondaries

Fundraising for secondaries vehicles saw a significant slowdown in Q3.

Fund Terms

Average hurdle rate has dropped for third consecutive vintage year.

Plus, Special Guest Contributors:
Capstone Partners

preqin

alternative assets. intelligent data.

Foreword - Christopher Elvin, Preqin

This quarter has seen some notable dips in levels of global private equity activity, but also some pockets of significant growth. The total amount of private equity dry powder has continued to rise, albeit at a reduced pace, from $1.31tn in Q2 2015 to $1.32tn in Q3. Unsurprisingly, the largest proportion of committed capital is specifically earmarked for buyout investments.

The buyout deals landscape experienced an increase in the number of transactions but a decrease in aggregate value this quarter. In contrast, there has been a small drop in the number of venture capital financings announced globally but the aggregate value, at $42bn, is nearly double the total value of venture capital financings at the same point last year and represents the highest quarterly figure recorded in the period since 2007.

A total of 178 private equity funds reached final close in Q3 2015 which is the lowest number since the start of 2006. However, in terms of aggregate capital collected, Q3 2015 was the most successful quarter so far in 2015, with $137bn secured. A record number of vehicles are now on the fundraising trail (2,348), further intensifying competition between fund managers in their bid to secure LP capital.

Asia has had an outstanding quarter, with regard to both fundraising and deal activity. Bolstered by the final close of the $4.5bn buyout fund RRJ Capital Master Fund III, we saw 26 Asia-focused private equity funds secure a total of $15bn. Moreover, $21bn worth of private equity-backed buyout deals was witnessed in Asia, pushing it ahead of Europe to be the second biggest region in terms of aggregate deal value. In the venture capital world, eight of the 10 largest venture capital financings in Q3 2015 were in Asia.

Private equity secondaries fundraising activity has seen a significant slow down, with only $500mn raised by a single fund reaching a final close in the year's third quarter, compared to the $10.2bn secured by two such vehicles in Q2. However, there were a notable number of fund stakes sold.

Looking to the short-term future, the majority (60%) of LPs surveyed by Preqin in June 2015 indicated that they intend to make their next private equity commitments in H2 2015 or 2016. Interviews with over 100 LPs around the world revealed that more than half (52%) of investors are currently below their target allocation to private equity, while 45% of investors are operating at their target allocation to the asset class. With distributions at peak levels – $779bn was distributed to LPs in 2014, outpacing capital calls by 52% – it is expected that the investor community at large will look to maintain or increase its allocation to the private equity asset class.

Key Facts

2,348 Record number of private equity funds in market at the start of Q4 2015, seeking an aggregate $831bn in commitments.

$1.32tn Estimated private equity capital available for investment (as at 30 September 2015).

European buyout deal value was 55% lower than in Q2 2015.

$41.6bn Aggregate venture capital deal value in Q3 2015, the highest quarterly figure recorded since 2007.

60% Proportion of investors looking to make their next private equity commitment in H2 2015 or 2016.

Q3 2015 saw peak levels of buyout fundraising and venture capital deal activity in Asia.

Contents

Succession Planning for Private Equity Firms

- Steve Standbridge, Managing Partner, Capstone Partners

Is building a firm that outlasts the founding partners a realistic goal?

Yes, but it is not easy and can create some short-term turmoil; however, with the right leadership, culture and structure, private equity firms can survive generational changes. Private equity is still a relatively young asset class so many of the early innovators in our industry are just going through transitional periods. As you would expect, some are managing succession well while others have struggled and, as a result, we are seeing a proliferation of successful spin-out funds as talented younger partners seek to run their own firms.

What are the common characteristics you see in firms that have managed succession well and those that have had issues?

As I mentioned, it really comes down to leadership, culture and structure. When private equity was a cottage industry, funds tended to be smaller and founding partners were able to run a firm while still being involved in the day-to-day aspects of executing deals and managing portfolios. As firms have grown and the regulatory environment has evolved, firm leaders have had to adapt to managing complex organizations while still setting the strategic direction, culture and underwriting standards of the firm. This leaves less time to be involved in the day-to-day business of working on deals so their roles on the deal front have evolved into mentoring key deal partners, providing advice on the underwriting of deals, and giving direction to portfolio companies through their role as board members.

The best firm leaders also realize a big part of their role is to observe the development of their team and identify and mentor the future leaders. We see issues when founders or current managing partners are either too involved in the day-to-day execution of deals and ignore the development of the firm, or their egos lead them to believe that they are irreplaceable, which is common in our industry.

The best firm leaders also promote an ownership culture in the firm beyond just economics. Firms run as heavy-handed command and control organizations lead to dissatisfaction among younger partners who end up feeling as though they are just employees building wealth for the senior partners without any long-term view towards putting their own stamp on the firm. With a culture of open and honest communication, collegiality and a feeling of ownership and accountability, junior partners will act in the long-term interest of the firm and their investors, which ultimately leads to a smooth transition to future partners.

The last important factor in successful succession is making sure the economic and partnership structure allow for fair sharing of the economics and ultimately treat all parties fairly as partners move into retirement. Private equity professionals are economic and capitalistic animals by nature, but that doesn't mean that there isn't a middle ground where all parties can be satisfied. As senior partners' roles start to diminish, they need to be willing, with successive funds, to commensurately lessen their ongoing economic interest in the funds and the partnership. We have raised many funds over the years for talented young professionals who were tired of senior partners continuing to take the lion's share of the economics even as their full-time involvement in the firm and deals wound down. The most effective way to deal with this issue has been to reassign the carry in each successive fund to reflect the increasing contributions of the junior partners. In some cases, GPs have even set up new management companies for each fund, which allows the senior partners to wind down ownership and avoids valuation disagreements if there is a need to buy a founding partner out of a position in a management company. Bottom line is that none of this can be accomplished without a founding or senior partner whose objective is for a firm to outlast his or her legacy.

If there is a need to buy out founding or senior partners, are there sources of capital available to facilitate a transaction?

There are several options available to junior partners who may not have accumulated enough wealth to buy out founders or senior partners who are looking for near-term liquidity. The three most common sources of capital are: (i) secondary firms, (ii) fund investors that are looking to increase their returns through sponsoring private equity funds, and/or (iii) the sale of an interest to a third party.

We regularly receive calls from secondary buyers asking if we are aware of funds that are nearing a succession event. They are willing to provide capital to buy out a founder's interest and structure a transaction where the younger partners can buy out their interest over time. This can be an attractive transaction for all parties as it satisfies liquidity needs while still giving LPs comfort that there is a path to full recapture of economics by the new generation of general partners.

Likewise, we are seeing more traditional fund investors look to act as sponsors of firms so they are willing to provide transitional capital to buy out founders. These transactions are structured similar to a deal with a secondary player where a sponsor's ownership positon can be diminished over successive funds.

A third option is the outright sale of part of the firm to a third party. The challenges in this kind of transaction are how much of the firm is being sold, the role the buyer will play in the governance of the firm, and whether there is a mechanism provided for a future buy back of the position. Limited partners have mixed feelings about these types of transactions as they want to make sure that the bulk of the economics still rests with the investment team.

One other option is taking a firm public, but that is really only a viable option for a small percentage of large multi-product managers.

How and when should a private equity firm go about building a succession plan?

One thing that I have observed through meeting with hundreds of private equity firms is that they often don't eat their own cooking. I think most private equity firms would agree that if a board and management team didn't have a reasonable management succession plan in place, they would be shirking their fiduciary duties; however, many private equity firms don't consider their own succession plans until it is too late. I go back to my earlier comments on leadership and firm culture when it comes to succession planning. The best leaders recognize that they will one day need to transition their position so they give their younger partners opportunities to grow as future leaders. They can do this not only through developing their deal skills, but by involving them in managing a specific investment sector, recruiting, team building and fundraising. In other words, the process starts early and is reinforced throughout a junior partner's career.

There will inevitably come a point when one or more partners may be anointed as the new leaders and this can create turmoil as others feel passed over, but that is part of the natural process in the evolution of a firm and limited partners understand that dynamic. I am aware of one firm that actually rotated partners through the managing partner role before choosing the next leader and that firm has successfully worked through their succession. The other reason for early development of a succession plan is so that the firm is well positioned in the event of an unforeseen circumstance, such as a health issue, requiring a rapid change in leadership.

When should a succession plan be communicated to LPs?

Succession planning has become a major diligence topic for limited partners as they have recognized that a poorly executed plan can lead to key partner turnover, potentially leaving them stuck in a fund with insufficient resources to manage a portfolio of investments. Every diligence questionnaire will include a question about succession planning, and as founding and senior partners age, investors will inevitably ask questions in the pitch meetings about the succession plan. Most investors will also spend time with each partner at the firm and get individual perspectives on how they see the firm evolving. Lack of consistency or a poorly articulated plan can lead to investors passing on potential commitments to a fund. In terms of timing of communication, the ideal situation is to have the transition occur over a couple of funds. For instance, it would be appropriate to talk about a founding partner lessening their involvement in a fund currently being raised, thus creating the expectation that the transition will occur over the course of this fund with the full transition completed when they return to market for their next fund.

Capstone Partners

Founded in 2001, **Capstone Partners** is a leading independent placement agent focused on raising capital for private equity, credit, real assets and infrastructure firms from around the world.

Steve Standbridge is a Managing Partner responsible for North American client origination and distribution in the Northeastern United States.

www.csplp.com

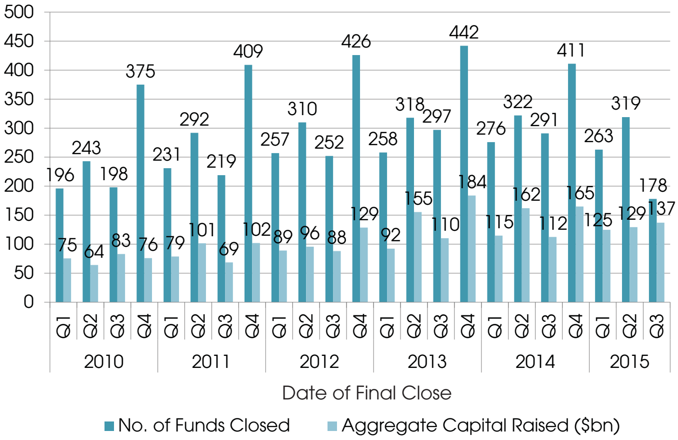
Fundraising in Q3 2015

With the third quarter of the year typically slow for fundraising, it is surprising to see Q3 2015 has been the best quarter in 2015 so far in terms of aggregate capital raised. There were 178 funds that reached a final close, securing an aggregate $137bn (Fig. 1). The number of funds raised, however, has seen a sharp drop from the previous quarter, causing a marked rise in the average private equity fund size.

Buyout funds in particular collected the greatest amount of capital, with 34 funds reaching final close in Q3 and raising an aggregate $46.7bn (Fig. 2). Fig. 3 shows that 2015 saw the best third quarter for buyout fundraising since the financial crisis. The same number of real estate funds reached a final close in Q3 but only $37.7bn was raised.

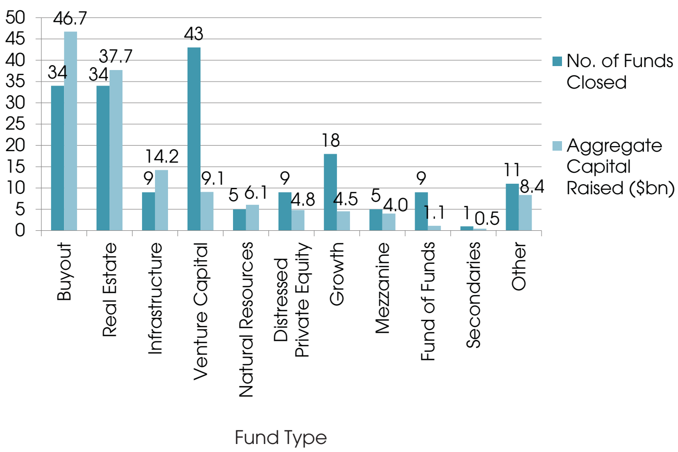
North America-focused funds raised the greatest amount of capital, with 89 funds reaching a final close in Q3, securing $80bn in total capital. There were also 42 Europe-focused funds and 27 Asia-focused funds to hold a final close, securing an aggregate $34bn and $15bn respectively. The largest fund to reach a final close was Blackstone Real Estate Partners VIII*, which collected $15.8bn, significantly more than the second largest fund, EQT VII, which closed on €6.8bn (Fig. 4).

Fig. 1: Global Quarterly Private Equity Fundraising, Q1 2010 - Q3 2015



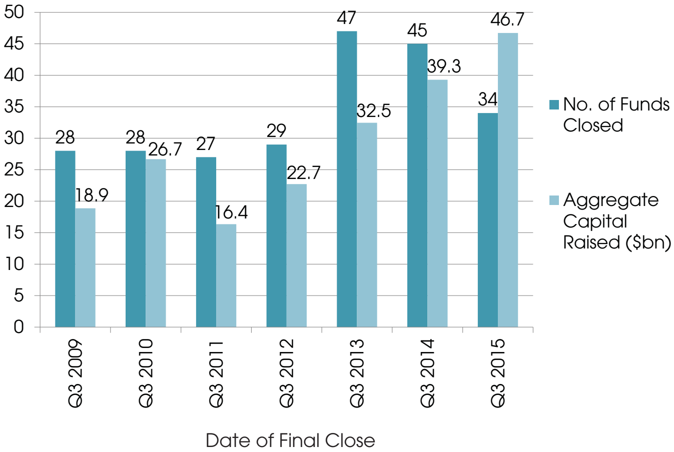
Source: Preqin Funds in Market

Fig. 2: Breakdown of Private Equity Fundraising in Q3 2015 by Fund Type



Source: Preqin Funds in Market

Fig. 3: Breakdown of Q3 Buyout Fundraising, 2009 - 2015



Source: Preqin Funds in Market

Fig. 4: Five Largest Private Equity Funds Closed in Q3 2015

Fund	Firm	Type	Final Size (mn)	Firm Headquarters	Geographic Focus
Blackstone Real Estate Partners VIII*	Blackstone Group	Real Estate	15,800 USD	US	Global
EQT VII	EQT	Buyout	6,750 EUR	Sweden	Austria, Germany, Switzerland, Nordic
ArcLight Energy Partners Fund VI	ArcLight Capital Partners	Infrastructure	5,575 USD	US	North America, West Europe
TA XII	TA Associates	Buyout	5,300 USD	US	US
RRJ Capital Master Fund III	RRJ Capital	Buyout	4,500 USD	Hong Kong	ASEAN, China, Global

Source: Preqin Funds in Market

**Please note, Blackstone Real Estate Partners VIII closed to institutional investors in Q1 2015, having raised $14.5bn. It then raised additional capital from retail investors, and reached a final close in Q3 2015 on $15.8bn.*

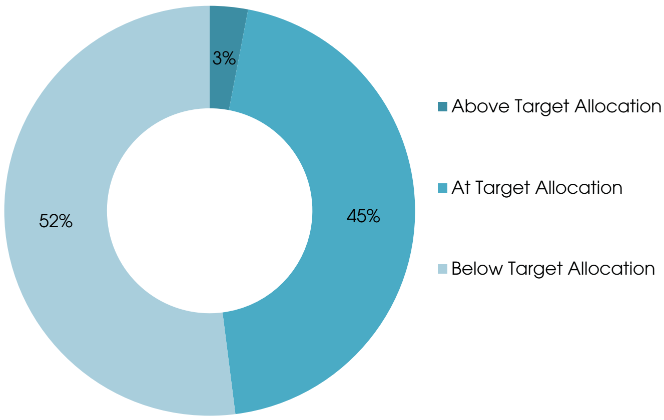
Institutional Investors in Private Equity

According to Preqin's H2 2015 Investor Outlook survey conducted in June 2015, the majority (52%) of investors are currently below their target allocation to private equity, while 45% of investors are operating at their target allocation to the asset class (Fig. 1). With such a large proportion of LPs falling short, it can be expected that a significant number of investors will be making new commitments in the coming months.

Preqin interviewed over 100 private equity investors to gain insight into their investment activity in the year to date, upcoming investment plans and attitudes towards the private equity market as a whole. During the first half of 2015, 52% of investors stated that they had made new private equity fund commitments in this period, while 48% had not. As shown in Fig. 2, 65% of investors located in Asia have not made commitments so far this year. The same cannot be said of investors located in North America, Europe and in economies outside these three regions where 56%, 55% and 67% respectively have already committed to new private equity funds so far in 2015.

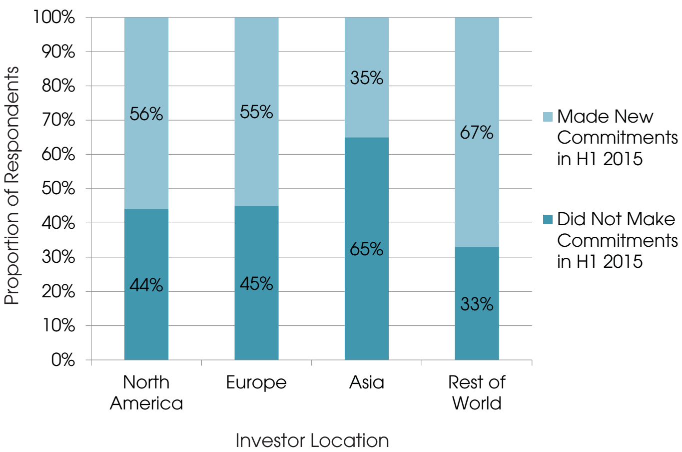
Encouragingly, the majority (60%) of investors surveyed worldwide will look to make their next private equity commitments in H2 2015 or 2016 (Fig. 3). Some investors are unsure of their plans at the present time and may choose to invest opportunistically, but only 4% do not anticipate investing before at least 2017. In terms of fund types that currently present the best opportunities, Fig. 4 reveals that 51% of investors favour small to mid-market buyout funds, followed by venture capital (23%), distressed private equity (17%) and mezzanine (14%).

Fig. 1: Proportion of Investors At, Above or Below Their Target Allocations to Private Equity



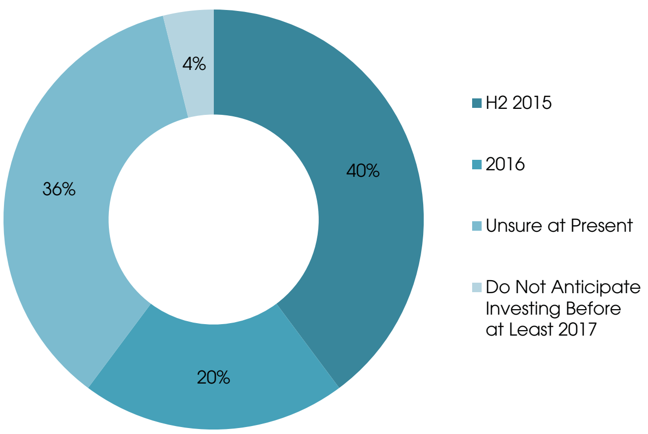
Source: Preqin Investor Interviews, June 2015

Fig. 2: Proportion of Investors that Made New Private Equity Commitments in H1 2015 by Location



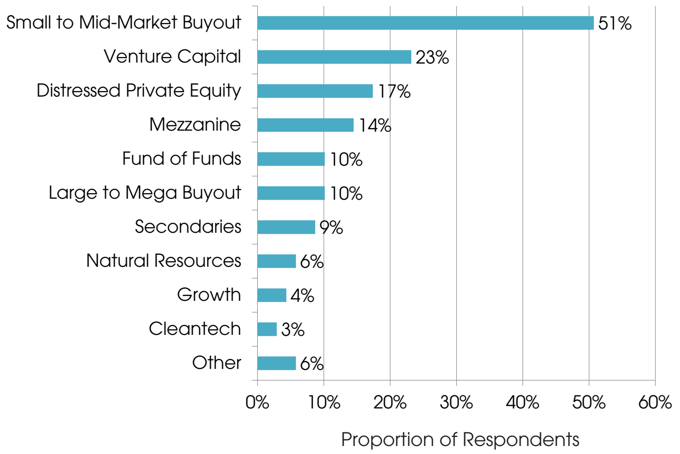
Source: Preqin Investor Interviews, June 2015

Fig. 3: Investors' Timeframe for Their Next Commitment to Private Equity Funds



Source: Preqin Investor Interviews, June 2015

Fig. 4: Private Equity Fund Types Investors Feel Are Currently Presenting the Best Opportunities



Source: Preqin Investor Interviews, June 2015

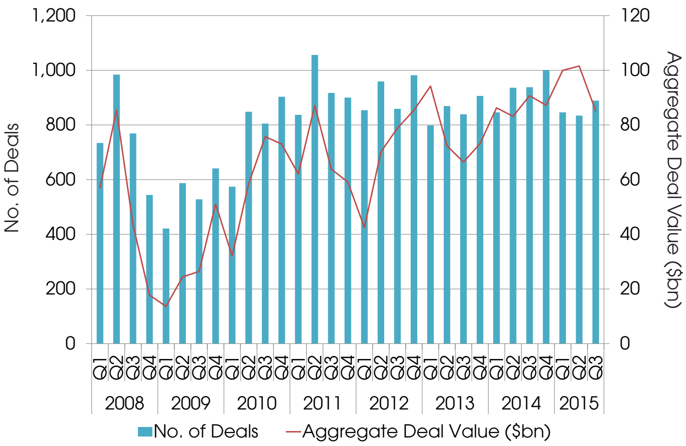
Buyout Deals

The third quarter of 2015 witnessed the first increase in the number of private equity-backed buyout deals since Q4 2014. During the quarter, 889 deals were recorded, up 7% from Q2 2015. In spite of the increase in the number of investments, the aggregate value dropped to $85bn from $102bn last quarter, a 17% decrease (Fig. 1).

Aggregate deal value in North America fell by 14% from Q2 2015, while Asia overtook Europe to hold the second largest total transaction value for the quarter (Fig. 2). The aggregate value of Asian deals in Q3 amounted to $21bn, almost five times as high as the previous quarter ($4.2bn), and the highest quarterly value of private equity-backed deals in the region on record. This was partly driven by the £4.2bn purchase of Homeplus, the South Korean unit of Tesco, by CPP Investment Board, MBK Partners, PSP Investments, Temasek Holdings and other investors (Fig. 4). Europe, on the other hand, witnessed its total deal value slump to $18bn, a 55% decrease from $39bn in Q2.

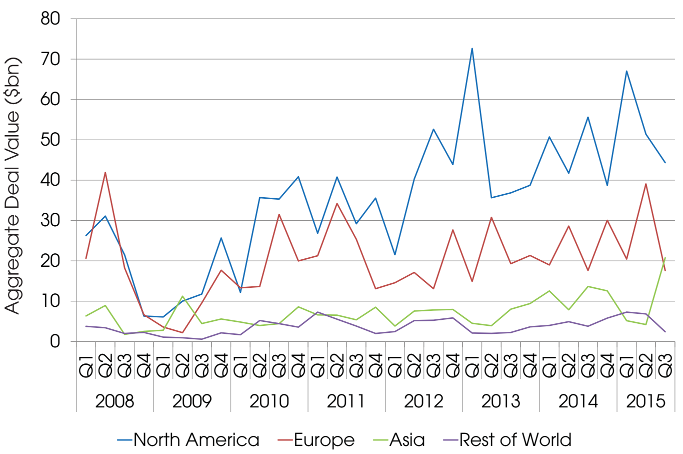
Q3 2015 witnessed a modest decline in the number of private equity-backed exits, from 413 in Q2 2015 to 397. The aggregate value of exits reached $116bn, 5% lower than in the preceding quarter (Fig. 3). IPOs and follow-on offerings recorded an 83% drop from Q2 2015 but the aggregate value of trade sale exits, at $97bn, hit a quarterly record.

Fig. 1: Quarterly Number and Aggregate Value of Private Equity-Backed Buyout Deals Globally, Q1 2008 - Q3 2015



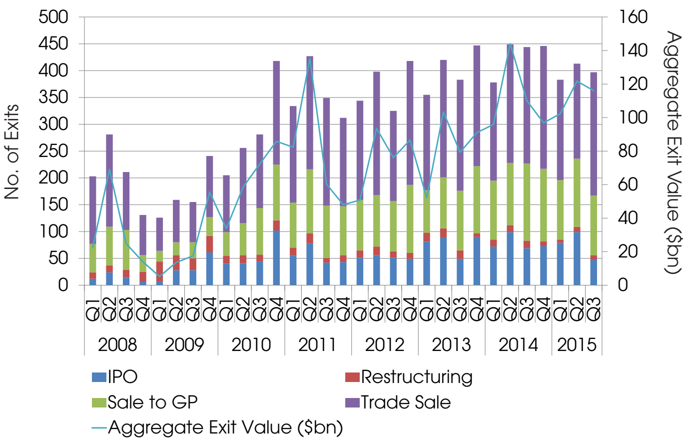
Source: Preqin Buyout Deals Analyst

Fig. 2: Quarterly Aggregate Value of Private Equity-Backed Buyout Deals by Region, Q1 2008 - Q3 2015



Source: Preqin Buyout Deals Analyst

Fig. 3: Global Number of Private Equity-Backed Exits by Type and Aggregate Exit Value, Q1 2008 - Q3 2015



Source: Preqin Buyout Deals Analyst

Fig. 4: Five Largest Private Equity-Backed Buyout Deals Announced in Q3 2015

Portfolio Company	Investment Type	Deal Date	Deal Size (mn)	Investors	Bought from/ Exiting Company	Location	Primary Industry
Veritas	Buyout	Aug-15	8,000 USD	Carlyle Group, GIC	Symantec Corp	US	Software
Solera Holdings	Buyout	Sep-15	6,500 USD	Goldman Sachs, Koch Industries, Vista Equity Partners	-	US	Software
Homeplus	Buyout	Sep-15	4,240 GBP	CPP Investment Board, MBK Partners, National Pension Service, Public Sector Pension Investment Board, Temasek Holdings	Tesco	Korea	Retail
LeasePlan Corporation N.V	Buyout	Jul-15	3,700 EUR	Abu Dhabi Investment Authority, Goldman Sachs Merchant Banking Division, Pension Fund for General Practitioners, TDR Capital	Metzler Asset Management, Volkswagen AG	Netherlands	Transportation
Arnhold and S. Bleichroeder Holdings	Buyout	Jul-15	4,000 USD	Blackstone Group, Corsair Capital	TA Associates	US	Financial Services

Source: Preqin Buyout Deals Analyst

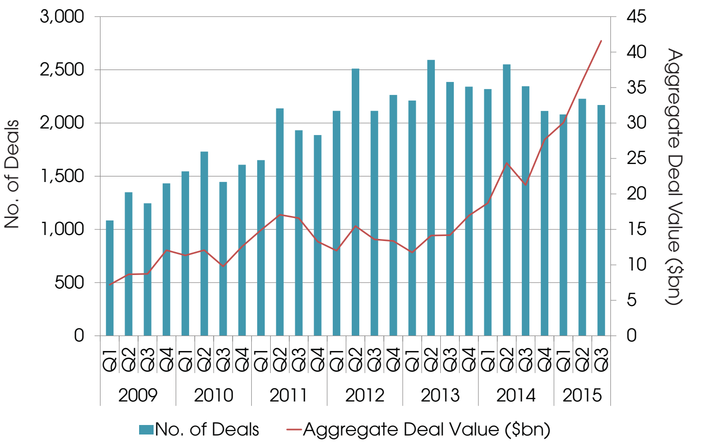
Venture Capital Deals

During the third quarter of 2015, 2,169 venture capital financings were announced globally, a slight decrease compared with 2,228 in Q2 2015. The aggregate value in Q3 2015, at $42bn, is nearly double the total value of venture capital financings at the same point last year and represents the highest quarterly figure recorded in the period since 2007 (Fig. 1). This has been driven by multiple large cap deals (Fig. 4).

Q3 2015 saw 963 venture capital financings take place in North America, making up 44% of the total number of global financings (Fig. 2). The aggregate value of deals in the region reached $19bn and accounted for 41% of the global deal value for Q3. Greater China recorded its highest quarterly aggregate deal value ($13bn) in the period since 2007, representing a 43% increase on its previous record of $9.1bn in the preceding quarter. India, with 272, saw its greatest quarterly number of deals to date and highest aggregate value at $3.9bn, nearly double the Q2 value.

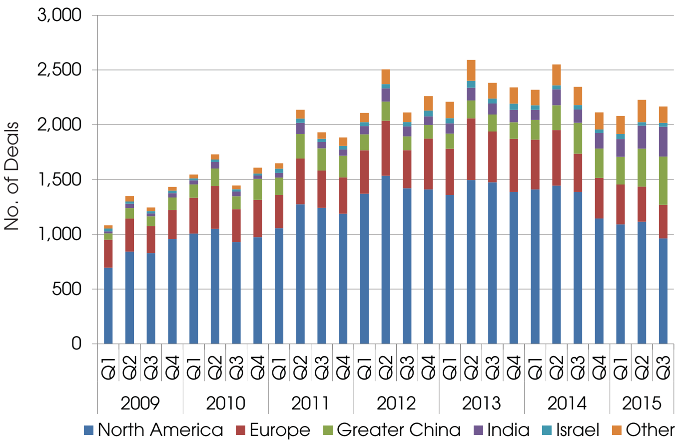
Angel/seed financings remain the most common stage of venture capital deals, representing 22% of the total number (Fig. 3). Series A deals were the second most common stage in Q3 2015, making up 20% of the total number, while series B made up 11% of venture capital deals in Q3.

Fig. 1: Quarterly Number and Aggregate Value of Venture Capital Deals* Globally, Q1 2009 - Q3 2015



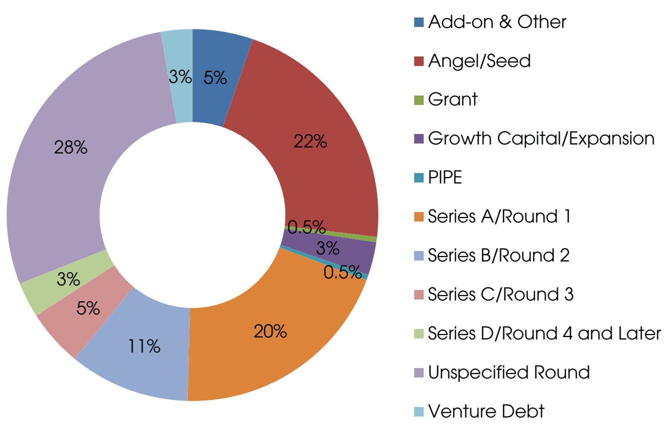
Source: Preqin Venture Deals Analyst

Fig. 2: Quarterly Number of Venture Capital Deals* by Region, Q1 2009 - Q3 2015



Source: Preqin Venture Deals Analyst

Fig. 3: Proportion of Number of Venture Capital Deals by Stage, Q3 2015



Source: Preqin Venture Deals Analyst

Fig. 4: Five Largest Venture Capital Deals* in Q3 2015

Portfolio Company	Stage	Deal Date	Deal Size (mn)	Investors	Location	Primary Industry
Didi Kuaidi	Unspecified Round	Jul-15	2,000 USD	Alibaba Group, Capital International, China Investment Corporation, Coatue Management, Ping An Ventures, Temasek Holdings, Tencent	China	Telecoms
Didi Kuaidi	Unspecified Round	Sep-15	1,000 USD	Alibaba Group, Capital International, China Investment Corporation, Coatue Management, Ping An Ventures, Temasek Holdings, Tencent	China	Telecoms
Social Finance	Series E/ Round 5	Sep-15	1,000 USD	Baseline Ventures, DCM, Institutional Venture Partners, Renren Inc., Softbank Capital, Third Point Ventures, Wellington Management	US	Financial Services
Uber Technologies, Inc.	Series F/ Round 6	Jul-15	1,000 USD	Microsoft, Times Internet	US	Telecoms
17u	Unspecified Round	Jul-15	6,000 CNY	CITIC Capital, Dalian Wanda Group, Tencent	China	Internet

Source: Preqin Venture Deals Analyst

Figures exclude add-ons, mergers, grants, venture debt and secondary stock purchases.

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Fund Performance and Dry Powder

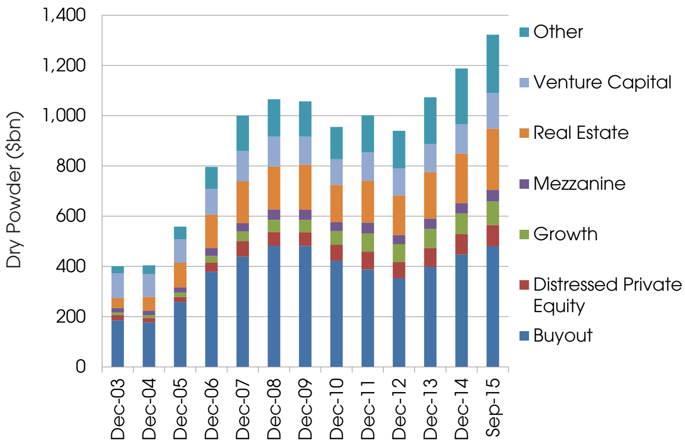
This quarter has once again seen a rise in the amount of estimated capital available for investment across all fund types, with the total now standing at $1.32tn (Fig. 1). Since December 2014, the fund types that have experienced the largest relative increases are real estate, venture capital and mezzanine, with estimated dry powder levels growing by 24%, 21% and 15% respectively. Buyout funds still have the largest amount of estimated dry powder at $480.6bn.

Fig. 2 shows that recent private equity funds with vintages 2009-2012 have higher median net IRRs than any other vintage year, despite these vehicles being early on in their fund life cycle. However, it is important to note that these are not realized returns and that the median net IRRs for these vintages are likely to fluctuate over the coming years.

Preqin data in Fig. 3 for horizon IRRs shows strong short- and long-term performance for most fund types, with venture capital posting the highest annualized return over the one-year period to December 2014 (+21.7%), and buyout over 10 years (+20.9%). Over the longer term, however, venture capital funds have performed poorly in comparison, with the horizon IRR for 10 years to December 2014 standing at just 5.6%.

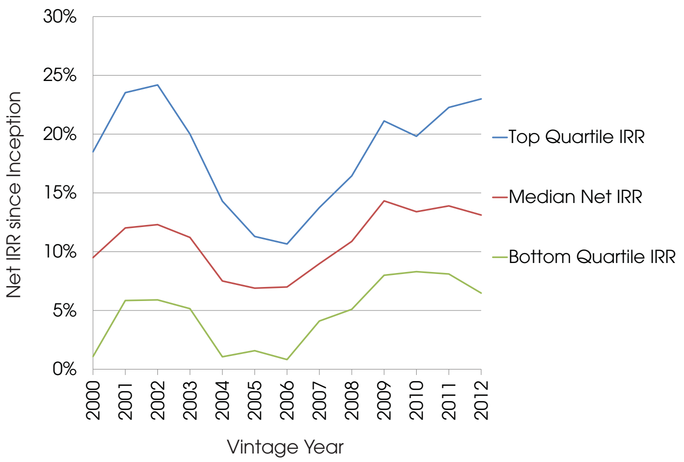
In 2014, investors received distributions totalling a record $779.4bn, a two-fold increase on the amount distributed in 2011 and 2012 and surpassing the amount called in 2014 by 52% (Fig. 4).

Fig. 1: Estimated Private Equity Dry Powder by Fund Type, December 2003 - September 2015



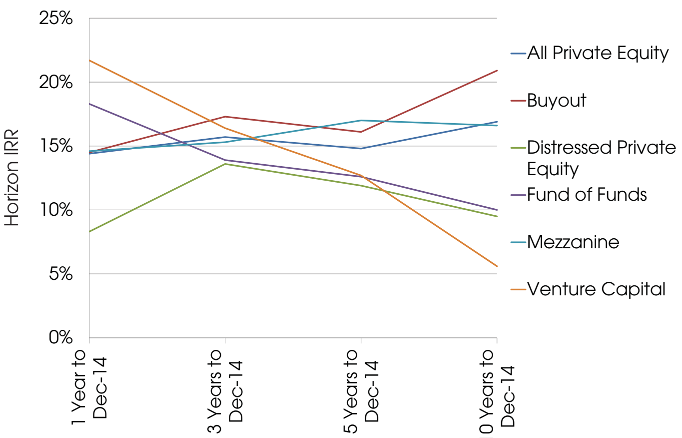
Source: Preqin Performance Analyst

Fig. 2: All Private Equity: Median Net IRRs and Quartile Boundaries by Vintage Year



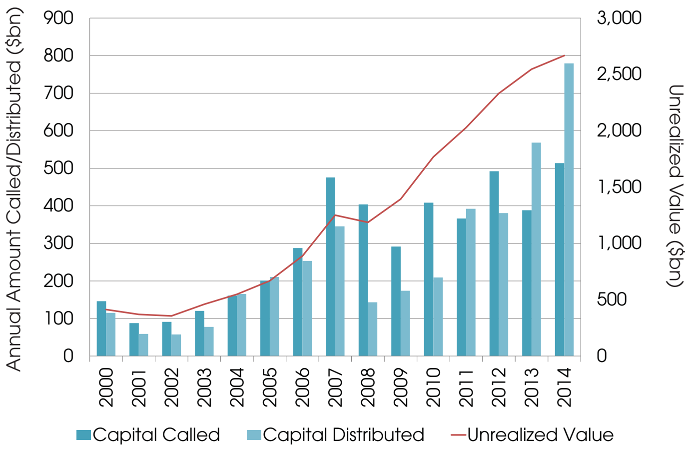
Source: Preqin Performance Analyst

Fig. 3: Private Equity Horizon IRRs by Fund Type (As of 31 December 2014)



Source: Preqin Performance Analyst

Fig. 4: Annual Amount Called, Distributed and Unrealized Value (As of 31 December 2014)



Source: Preqin Performance Analyst

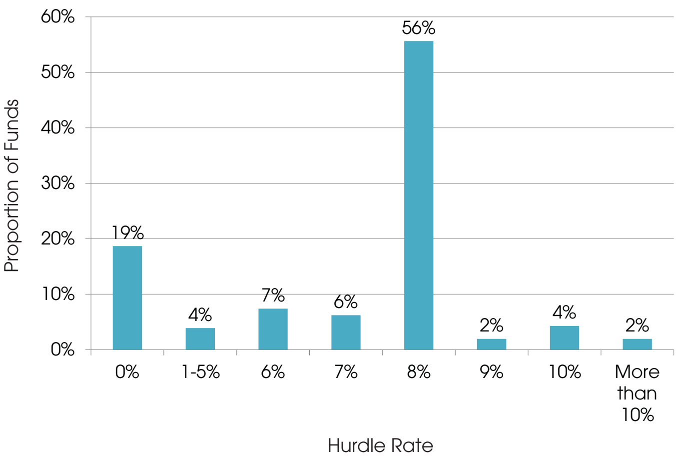
Fund Terms and Conditions

An important condition for LPs in private equity funds has long been a defined hurdle rate on annual returns. Traditionally, the hurdle rate (or preferred return) has been at an industry standard of 8%, whereby the GP will not receive any carried interest until this hurdle rate has been passed. As shown in Fig. 1, for all direct private equity funds (excluding real estate) with a 2014/2015 vintage, or those yet to begin investing as of July 2015, the majority (56%) of funds still have a hurdle rate of 8%.

There is a general view that a hurdle rate should be set based on the underlying performance of the public market thereby rewarding the GP for generating added value over and above normal market conditions. However, it is becoming more and more common that fund managers diverge from the industry standard, and can offer LPs other benefits such as changes to the carry rate, or amendments to the way fees are implemented.

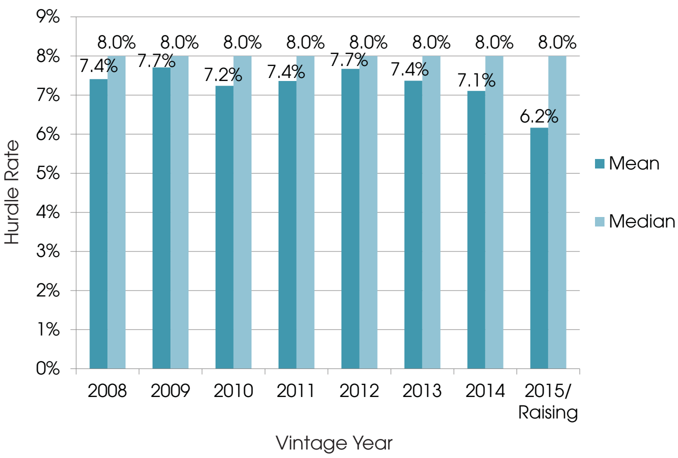
A notable number of GPs are managing funds without any hurdle rate; almost a fifth of recent vintage funds have a 0% preferred rate of return. In September 2015, Advent International disclosed that there would be no hurdle rate on its eighth fund, following the lead of other managers that have taken a similar approach to fund terms, namely Warburg Pincus and Hellman & Friedman. There has been a recent downward trend in hurdle rates offered by GPs; as shown in Fig. 2, funds that are raising or that are closed and have a 2015 vintage, have a mean hurdle rate of just 6.2%. This has fallen each year from 7.7% seen for 2012 vintage funds. Given that the median hurdle rate remains at 8%, this decline is driven primarily by the growing proportion of funds with a 0% hurdle rate.

Fig. 1: Hurdle Rate Used by Direct Private Equity Funds, Excluding Real Estate Funds (Funds Raising & Vintage 2014/2015 Funds Closed)



Source: 2015 Preqin Private Equity Fund Terms Advisor

Fig. 2 Average Hurdle Rate Used by Direct Private Equity Funds, Excluding Real Estate Funds by Vintage Year, 2008 - Present



Source: Preqin

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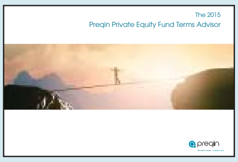

The **2015 Preqin Private Equity Fund Terms Advisor** is the most comprehensive guide to private equity fund terms and conditions ever produced. Based on analysis of terms and conditions data for over 4,500 funds, the publication and complimentary online module contain vital analysis, benchmarks and actual listings of key terms for funds of all types, investor sentiment towards fund terms and conditions, and much more.

- View actual terms and conditions data (on an anonymous basis), including management fees, carry, hurdle/preferred return, fee rebates, no-fault divorce and key-man clauses, GP commitments, investment period and much more.
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Private Equity Secondaries

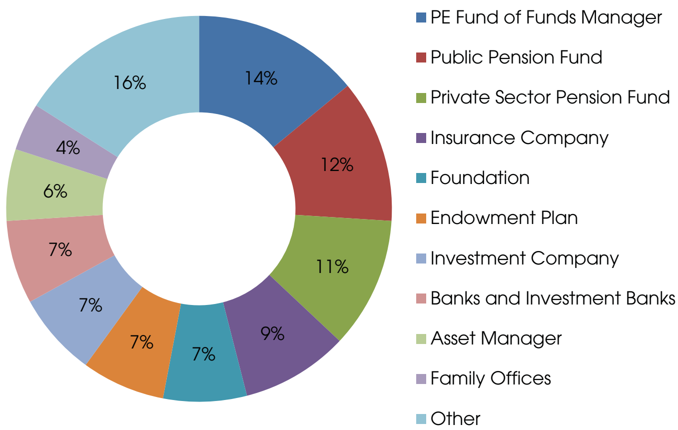
Preqin's **Secondary Market Monitor** currently tracks 562 institutional investors that are considering selling private equity fund interests on the secondary market. As Fig. 1 illustrates, private equity funds of funds represent the largest proportion of these investors, making up 14% of all potential sellers. Public pension funds and private sector pension funds are the next most prevalent, making up 12% and 11% of the total number of sellers respectively.

Preqin recorded 20 secondary transactions in Q3, a sample of which is listed in Fig. 2. The transactions involving Kendall Investments and Dolby Family Ventures were two of six portfolio sales that Preqin logged over the quarter.

As demonstrated in Fig. 3, just one secondaries fund closed in Q3 2015: mcp Opportunity Secondary Progam Fund III. The fund, which is managed by Switzerland-based firm Montana Capital Partners, exceeded its initial target size of €300mn and reached its hard cap of €400mn. The vehicle will complete niche secondary transactions on a global scale over a three-year investment period.

As of the end of September 2014, there were 30 secondaries funds raising capital. The five largest are illustrated in Fig. 4. Each is the latest in a series of funds managed by a GP with significant secondaries experience and all five are targeting $2.5bn or more.

Fig. 1: Breakdown of Potential Private Equity Secondary Market Sellers by Type



Source: Preqin Secondary Market Monitor

Fig. 2: Sample Secondary Transactions Involving Private Equity Funds in Q3 2015

Seller	Buyer	Fund(s)	Transaction Date
Wilshire Private Markets	Strategic Partners Fund Solutions	BC European Cap VII	Aug-15
Kendall Investments	Menhaden Capital	Green Growth Fund 2, WHEB Green Growth Fund I	Aug-15
Dolby Family Ventures	Menhaden Capital	Green Growth Fund 2, WHEB Green Growth Fund I	Sep-15
CPP Investment Board	HarbourVest Partners	PAI Europe IV	Jul-15
Storebrand Asset Management	SL Capital Partners	Macquarie European Infrastructure Fund II	Jul-15

Source: Preqin Secondary Market Monitor

Fig. 3: Private Equity Secondaries Funds Closed in Q3 2015*

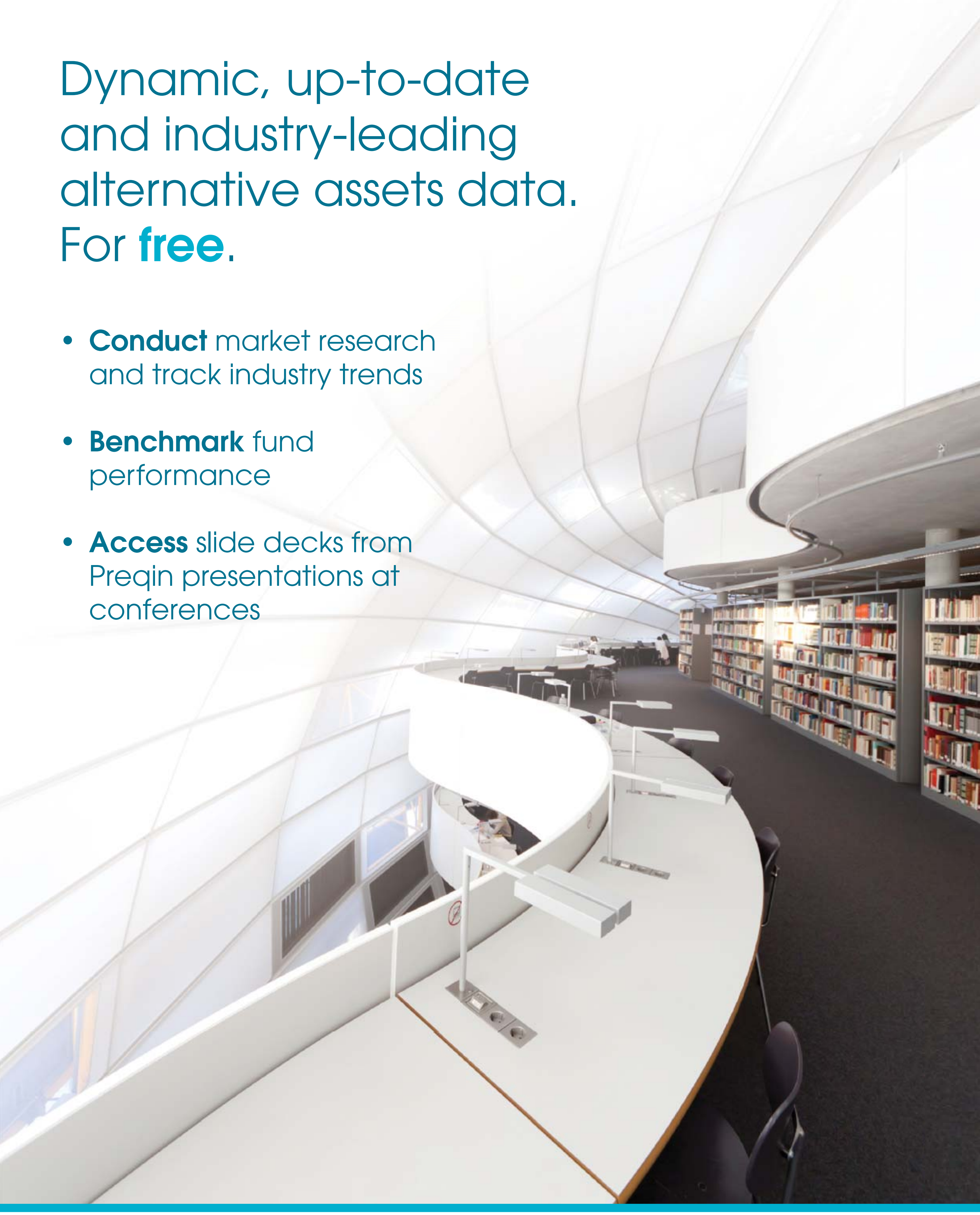
Fund	Firm	Fund Size (mn)	Date of Final Close
mcp Opportunity Secondary Program Fund III	Montana Capital Partners	400 EUR	Sep-15

Source: Preqin Secondary Market Monitor

Fig. 4: Five Largest Secondaries Funds Currently in Market

Fund	Firm	Target Size (mn)	Latest Interim Close Size (mn)	Fund Status
Ardian Secondary Fund VII	Ardian	9,000 USD	-	Raising
Coller International Partners VII	Coller Capital	5,500 USD	3,100 USD	First Close
Strategic Partners Fund VII	Strategic Partners Fund Solutions	5,500 USD	-	Raising
Crown Global Secondaries IV	LGT Capital Partners	2,500 USD	-	Raising
Pantheon Global Secondary Fund V	Pantheon	2,500 USD	1,119 USD	Second Close

Source: Preqin Secondary Market Monitor



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