

Content Includes:

# Preqin Secondary Market Update

## Fundraising

Amount raised by secondaries funds in 2016 is the highest total ever at this stage of the year.

Q3 2016

## Funds in Market

There are currently 44 secondaries funds in market, seeking more than \$32bn.

## Transactions

Several secondaries transactions took place during the quarter, across a range of fund types.

## Performance

Large amounts of uncalled capital signal the potential for new investments by secondaries managers.





# Foreword

General market sentiment suggests that there has been a slowdown in secondary market deal activity in the first half of 2016. One estimate – from Greenhill-Cogent – has total market volume at \$12bn in the first six months of the year, which represents a 20% decrease from total volume in the first half of 2015. Macroeconomic shocks, such as the slow start to the year by the S&P 500 and growth fears in China, tend to have an adverse but temporary effect on secondaries deals, with sellers adopting a wait-and-see approach as reported NAVs catch up to these shocks. Fundraising dynamics certainly suggest that this slowdown will be short lived, and the mid- to long-term prospects for the secondary market remain positive if the amounts being raised by secondaries vehicles are commensurate with the available opportunities for secondaries deal making. The \$18.5bn raised by secondaries funds in the first three quarters of this year is more than has ever been raised at this stage of any year by secondaries funds.

Secondaries managers are confident in the opportunities that exist (the average size of vehicles is \$1.2bn), as are the investors backing them. The more than fourfold increase in the total amount raised by Strategic Partners Funds Solutions for its latest dedicated real estate secondaries vehicle compared to its predecessor highlights the growth in opportunities for that particular section of the secondary market. There is a further \$32bn being sought by all secondaries managers still raising capital, from 44 vehicles, which is more than ever before as new managers enter the space to take advantage of the perceived opportunities.

We hope you find this report useful and welcome any feedback you may have. For more information, please visit [www.preqin.com](http://www.preqin.com) or contact [info@preqin.com](mailto:info@preqin.com).

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## Key Facts



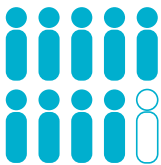
**\$1.3bn**

Amount raised by the first real estate secondaries fund to close in 2016, Strategic Partners VI RE.



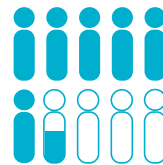
**\$1.2bn**

Average size of secondaries funds closed so far in 2016, compared with \$1.4bn for funds closed in 2015.



**908**

Number of potential secondary market buyers.



**678**

Number of potential secondary market sellers.



**44**

Number of secondaries funds currently on the road, seeking \$32.3bn in capital commitments.



**23%**

Median net IRR of 2013 vintage secondaries funds.

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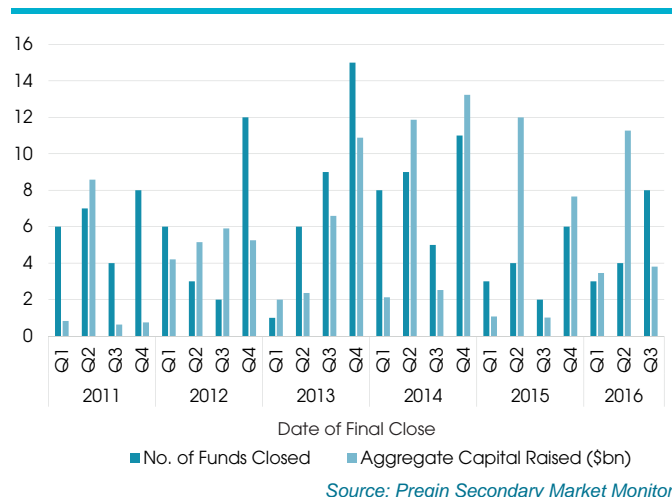
# Fundraising

In Q3 2016, eight secondaries funds held a final close, securing an aggregate \$3.8bn and bringing the total raised by secondaries funds in 2016 so far to \$18.5bn (Fig. 1). This is the highest total amount ever raised by secondaries funds at this stage of the year, an indication of strong investor appetite for secondaries.

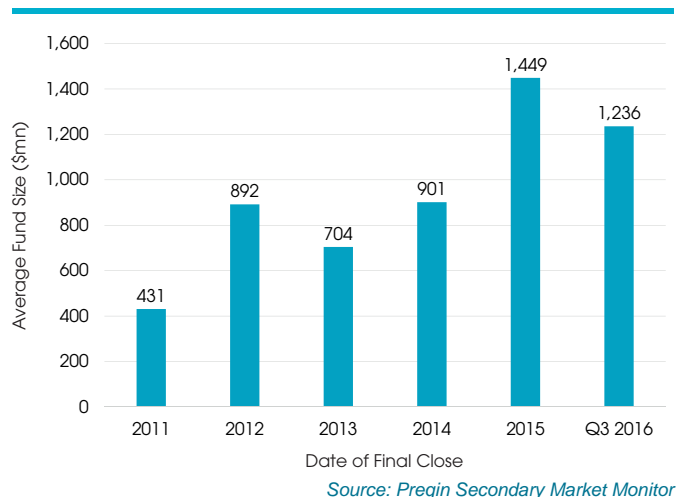
In total, 15 secondaries vehicles have held a final close in the first three quarters of this year, compared with nine funds closed at the same stage in 2015. The average size of secondaries funds closed in 2016 thus far is \$1.2bn, slightly lower than in 2015 but higher than in previous years (Fig. 2).

The largest fund to close in Q3 2016 (and the third largest in 2016) is Strategic Partners Fund Solutions' Strategic Partners VI RE, which raised \$1.3bn (Fig. 4). Strategic Partners Fund Solutions is one of a handful of managers that raises capital for dedicated real estate secondaries vehicles; this is the first dedicated real estate secondaries vehicle to close in 2016. Its predecessor closed on \$300mn in 2012 – this fourfold increase in size may suggest that investors and fund managers perceive greater opportunities in the real estate secondaries market.

**Fig. 1: Global Quarterly Secondaries Fundraising, Q1 2011 - Q3 2016**



**Fig. 2: Average Size of Secondaries Funds Closed, 2011 - Q3 2016**



**Fig. 3: 10 Largest Secondaries Managers by Total Capital Raised in the Last 10 Years**

Firm	Location	Total Capital Raised in Last 10 Years (\$bn)
Ardian	France	31.4
Lexington Partners	US	22.7
Goldman Sachs AIMS Private Equity	US	18.5
Coller Capital	UK	17.5
Strategic Partners Fund Solutions	US	12.1
Partners Group	Switzerland	10.9
Landmark Partners	US	8.8
HarbourVest Partners	US	7.0
Pantheon	UK	5.9
AlpInvest Partners	Netherlands	5.5

**Fig. 4: Five Largest Secondaries Funds Closed in 2016**

Fund	Firm	Type	Fund Size (\$mn)	Final Close Date
Ardian Secondary Fund VII	Ardian	Secondaries	10,800	Apr-16
Partners Group Secondary 2015	Partners Group	Secondaries	2,817	Mar-16
Strategic Partners VI RE	Strategic Partners Fund Solutions	Real Estate Secondaries	1,300	Sep-16
PEG Secondary Private Equity Investors III	JPMorgan Asset Management - Private Equity Group	Secondaries	810	Aug-16
Montauk TriGuard VII	Montauk TriGuard	Secondaries	660	Jul-16

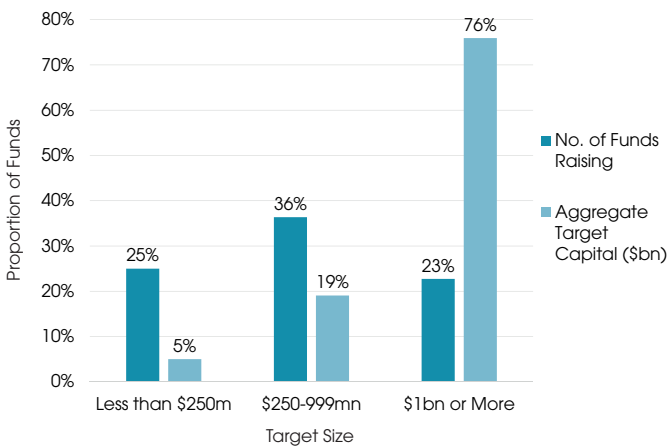


# Funds in Market

There are 44 secondaries vehicles seeking capital as of the start of Q4 2016, which is more than at any point in the past five years (Fig. 5). These funds are targeting aggregate capital of \$32.3bn. The relatively large number of funds on the road is a combination of managers returning to the market following fundraises in 2014, as well as new managers entering the space in a sign of a maturing market. These include primary fund of funds managers seeking to raise capital for their first dedicated secondaries vehicles, such as Siguler Guff, Abbott Capital Management and GCM Grosvenor Private Markets.

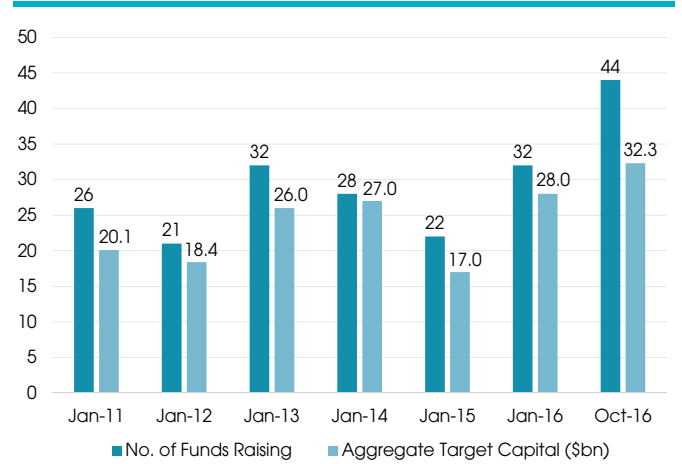
As shown in Fig. 6, funds seeking less than \$1bn represent 61% of secondaries funds in market. However, funds seeking \$1bn or more represent more than two-thirds (76%) of the aggregate capital being sought. Over half (55%) of the number of funds seeking capital are managed by North America-based managers, as shown in Fig. 7. The largest secondaries vehicle currently in market is Strategic Partners Fund VIII, which is seeking \$5.5bn, as shown in Fig. 8.

**Fig. 6: Secondaries Funds Currently in Market by Target Size**



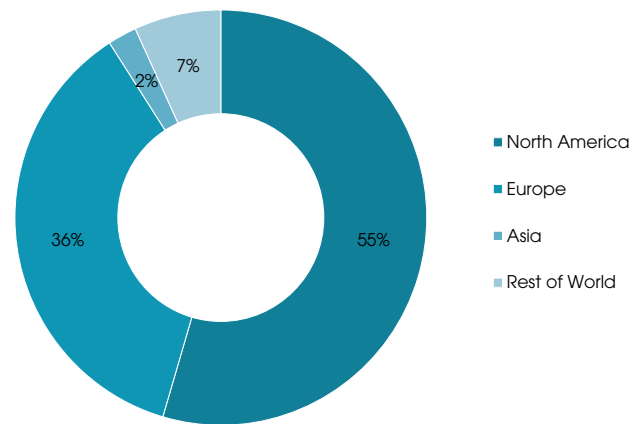
Source: Preqin Secondary Market Monitor

**Fig. 5: Secondaries Funds in Market over Time, January 2011 - October 2016**



Source: Preqin Secondary Market Monitor

**Fig. 7: Secondaries Funds Currently in Market by Manager Location**



Source: Preqin Secondary Market Monitor

**Fig. 8: 10 Largest Secondaries Funds Currently in Market (As at October 2016)**

Fund	Firm	Target Size (\$mn)	Fund Status	Firm Location
Strategic Partners Fund VII	Strategic Partners Fund Solutions	5,500	Raising	US
GS Vintage Fund VII	Goldman Sachs AIMS Private Equity	5,000	Second Close	US
Pantheon Global Secondary Fund V	Pantheon	2,500	Third Close	UK
Crown Global Secondaries IV	LGT Capital Partners	2,500	Raising	Switzerland
Lexington Middle Market Investors IV	Lexington Partners	2,000	Raising	US
AlpInvest Secondaries Fund VI	AlpInvest Partners	2,000	Raising	Netherlands
Pomona Capital IX	Pomona Capital	1,750	Raising	US
Hamilton Lane Secondary Fund IV	Hamilton Lane	1,250	Third Close	US
Portfolio Advisors Secondary Fund III	Portfolio Advisors	1,000	Second Close	US
ICG Strategic Secondaries Fund II	ICG Strategic Secondaries	1,000	Raising	UK

Source: Preqin Secondary Market Monitor



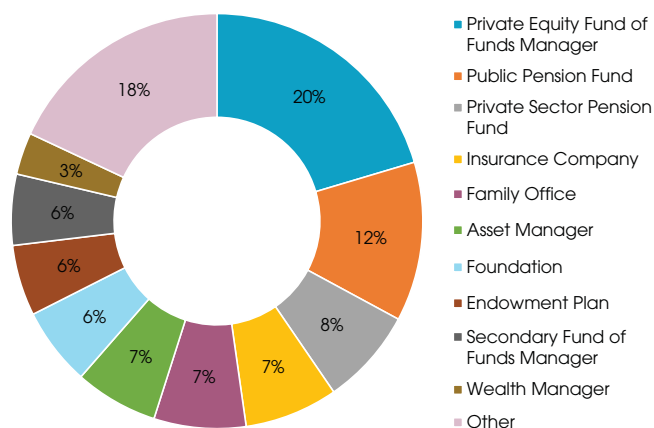
# Buyers, Sellers and Transactions

As of the end of Q3 2016, Preqin tracked 908 potential buyers and 678 potential sellers of fund interests on the secondary market. Private equity funds of funds form the largest group of potential buyers tracked, representing 20% of the total (Fig. 9). The largest proportion (45%) of the buyers are based in North America, with 39% based in Europe (Fig. 11).

The potential sellers have indicated to Preqin, within the last 12 months, an openness to hearing about opportunities to sell. At least 30% of these investors are known to have sold interests in the past. Private equity fund of funds managers, together with public pension funds, make up the largest groups of sellers, representing 12% each (Fig. 10). The largest proportion (43%) are based in Europe, with 41% in North America (Fig. 11).

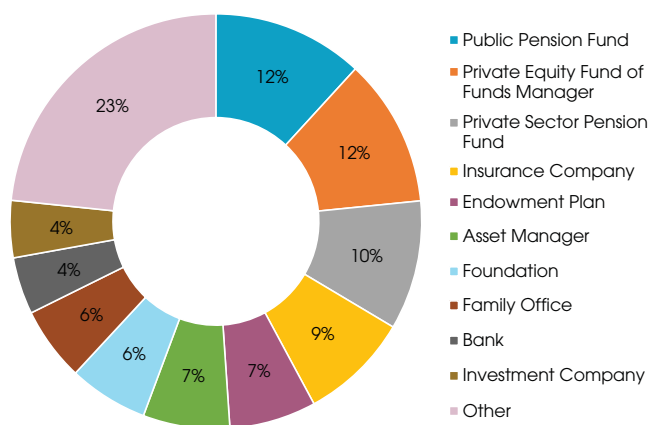
A sample of transactions completed in Q3 2016, as tracked by Preqin, can be seen in Fig. 12. Sales by Landmark Partners, Goldman Sachs AIMS Private Equity and Strategic Partners Fund Solutions highlight the use of the secondary market by fund of funds managers.

Fig. 9: Potential Secondary Market Buyers by Type



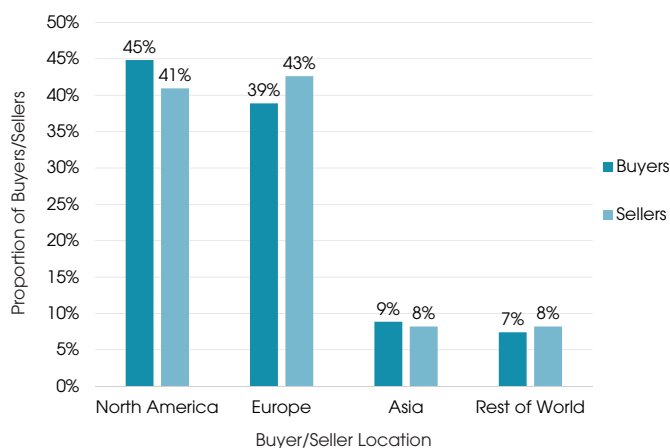
Source: Preqin Secondary Market Monitor

Fig. 10: Potential Secondary Market Sellers by Type



Source: Preqin Secondary Market Monitor

Fig. 11: Potential Secondary Market Buyers and Sellers by Location



Source: Preqin Secondary Market Monitor

Fig. 12: Sample Secondaries Transactions in Q3 2016

Seller	Buyer	Fund(s)
Landmark Partners	Montauk TriGuard	Vision Capital Partners I-V
Goldman Sachs AIMS Private Equity	Argentum Asset Management	Graphite Capital Partners VII
Partners Group	Goldman Sachs AIMS Private Equity	n/a
Missouri State Employees' Retirement System	Ardian	Bridgepoint Europe III
Scotiabank Private Equity Investments	Ardian	BC European Cap IX
Strategic Partners Fund Solutions	HarbourVest Partners	Doughty Hanson & Co III, Doughty Hanson & Co IV
London Borough of Enfield Pension Fund	APG - All Pensions Group	Arcus European Infrastructure Fund I
Montana Board of Investments	Adams Street Partners	TA XI
Arizona Public Safety Personnel Retirement System	Undisclosed	Apollo Investment Fund VII, Blackstone Capital Partners V
California Public Employees' Retirement System (CalPERS)	Strategic Partners Fund Solutions	LaSalle French Fund II
George Kaiser Family Foundation	StepStone Group	3i India Infrastructure Fund

Source: Preqin Secondary Market Monitor



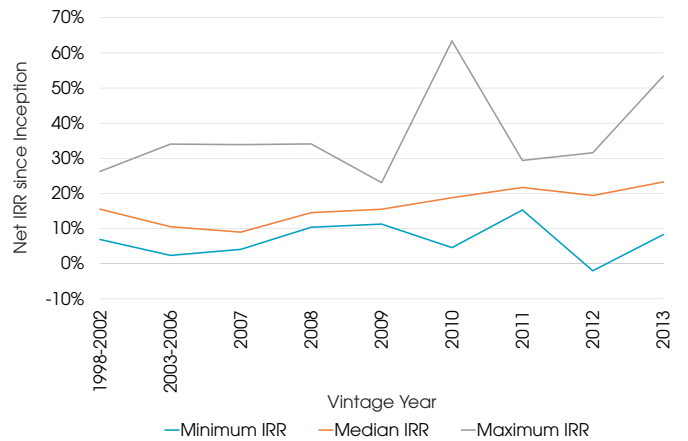


# Performance

Secondaries funds typically provide accelerated cash flows, and this is typically borne out in the IRR measure of performance. Only one fund (2012 vintage) has returned a negative IRR in the last 10 years (Fig. 13). Overall, just three secondaries vehicles are returning a negative IRR – one per cent of the total number of secondaries funds Preqin has data for – illustrating the minimized risk associated with secondaries investments. Indeed, the median secondaries vehicle has delivered double-digit IRRs from vintage 2007 onwards. As shown in Fig. 14, secondaries funds compare favourably with other strategies in IRR terms, with secondaries funds exhibiting a higher median IRR compared to other major fund types in funds of vintage 2010 and older. In terms of net multiples delivered, secondaries funds have consistently delivered higher median multiples compared with all private capital funds (Fig. 15).

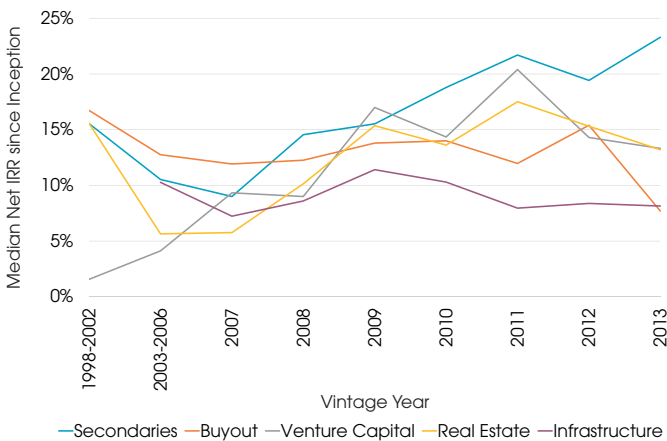
The 10 largest secondaries managers by uncalled capital have a combined \$54.8bn left in their funds (Fig. 16). While some of this capital will be used by these managers to fund calls in existing investments, it suggests there is potentially significant capital available for new investments.

**Fig. 13: Secondaries Funds: Minimum, Median and Maximum Net IRR by Vintage Year**



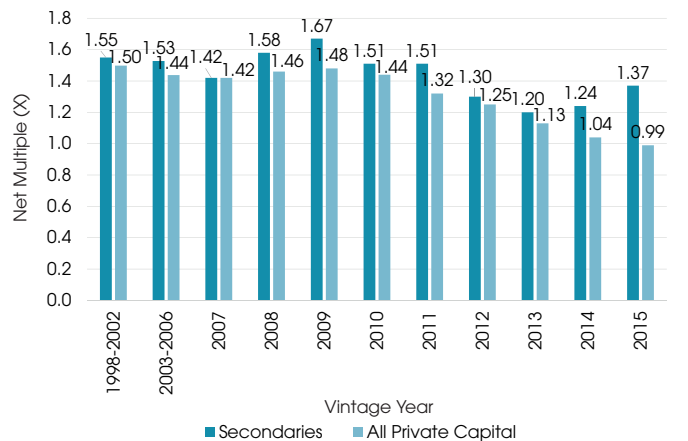
Source: Preqin Secondary Market Monitor

**Fig. 14: Median Net IRR by Vintage Year: Secondaries vs. Other Private Equity Strategies**



Source: Preqin Secondary Market Monitor

**Fig. 15: Median Net Multiples by Vintage Year: Secondaries vs. All Private Capital**



Source: Preqin Secondary Market Monitor

**Fig. 16: 10 Largest Secondaries Fund Managers by Uncalled Capital**

Firm	Location	Uncalled Capital (\$bn)
Ardian	France	16.2
Coller Capital	UK	9.0
Lexington Partners	US	9.0
Goldman Sachs AIMS Private Equity	US	6.0
Partners Group	Switzerland	4.0
Strategic Partners Fund Solutions	US	3.5
Landmark Partners	US	2.7
Pantheon	UK	2.0
DB Private Equity	UK	1.5
Committed Advisors	France	1.0

Source: Preqin Secondary Market Monitor

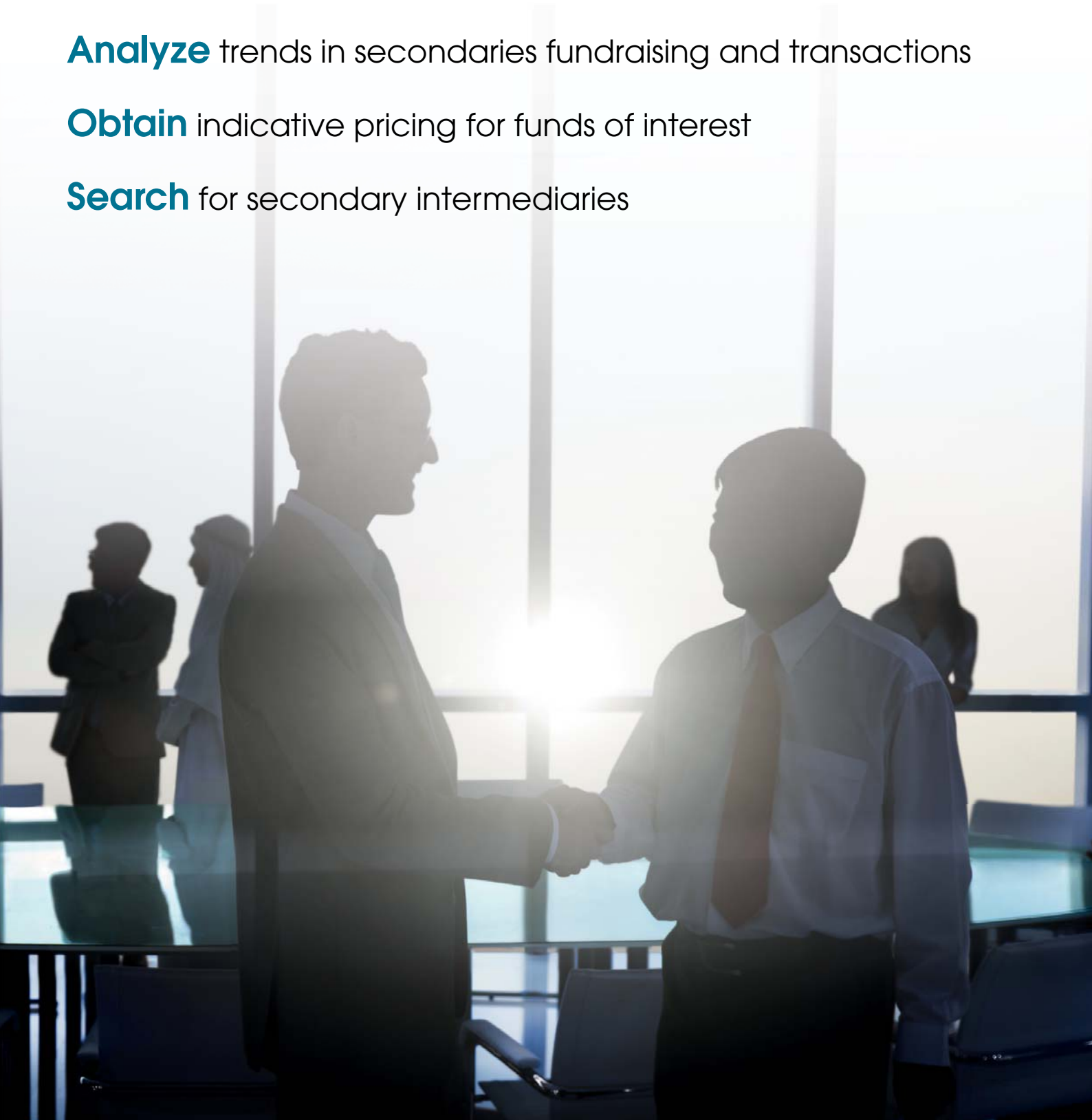
**Identify** potential buyers and sellers of fund interests

**Benchmark** performance of secondaries funds

**Analyze** trends in secondaries fundraising and transactions

**Obtain** indicative pricing for funds of interest

**Search** for secondary intermediaries



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# Preqin Secondary Market Update

Q3 2016

## Preqin: Global Data and Intelligence

*If you want any further information, or would like a demo of our products, please contact us:*

### Source potential sellers of fund interests

Find out which investors are looking to sell fund interests on the secondary market. Search for LPs by type, details of the fund interests they are looking to sell, and more.

Combine with Preqin's Private Equity Online, Real Estate Online, Infrastructure Online, Private Debt Online and Natural Resources Online services to find additional sellers, including LPs no longer investing or that have put their investments on hold, as well as those over-allocated to private equity or real estate.

### Find out which LPs are looking to invest in secondaries

Source potential new investors for your latest secondaries vehicle among LPs with an appetite for secondaries funds. Analyze which types of LPs are looking to buy fund interests on the secondary market in the near future. View detailed investment plans for secondary buyers.

### Analyze the latest secondaries fundraising activity

See which secondaries funds are in market and which have recently closed. Examine secondaries fundraising over time by target and final close size, strategy and location.

### View private equity secondary market transactions and recent news

Explore our archive of previous secondary market transactions to find out which funds have been traded, which LPs have sold fund interests and the buyers of these interests on the secondary market.

### Identify key secondary intermediaries

Identify intermediaries involved in the secondary market that match your requirements based on transaction type, intermediary location and client location, as well as size of transactions and types of client represented. View league tables to find out the key players in the market.

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