Industry Development & Market Outlook

5th Annual European Fund Finance Symposium – 20th June 2019

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About Preqin

Private Equity
• Data, solutions and insights for alternative assets professionals.

Venture Capital
• Over 80,000 subscribers across 26,600+ firms worldwide.

Private Debt
• Multi-award-winning service.

Hedge Funds
• Formed in 2003.

Real Estate

Infrastructure

Natural Resources
1. Where Are We Now?
Global Alternative Assets AUM at a Record High – $9.8tn

Global Alternative Assets AUM by Asset Class

Global Private Capital AUM by Geographic Focus
Private Capital Fundraising ‘Slows’ From 2017 Highs but $838bn Raised Globally in 2018, $211bn focused on Europe

Annual Private Capital Fundraising by Asset Class

European Focused Private Capital Fundraising

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Steady Trend of Capital Flowing to **Top Managers Signaling Increased Capital Consolidation**

Percentage of Aggregate Capital Raised by Fund Size: 2010 - 2018

- **Less than $100mn**
- **$100-499mn**
- **$500-999mn**
- **$1-2.5bn**
- **$2.5bn+**

<table>
<thead>
<tr>
<th>Year</th>
<th>Less than $100mn</th>
<th>$100-499mn</th>
<th>$500-999mn</th>
<th>$1-2.5bn</th>
<th>$2.5bn+</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>7%</td>
<td>30%</td>
<td>18%</td>
<td>21%</td>
<td>26%</td>
</tr>
<tr>
<td>2011</td>
<td>6%</td>
<td>29%</td>
<td>21%</td>
<td>24%</td>
<td>21%</td>
</tr>
<tr>
<td>2012</td>
<td>6%</td>
<td>24%</td>
<td>18%</td>
<td>21%</td>
<td>27%</td>
</tr>
<tr>
<td>2013</td>
<td>5%</td>
<td>15%</td>
<td>21%</td>
<td>22%</td>
<td>37%</td>
</tr>
<tr>
<td>2014</td>
<td>4%</td>
<td>18%</td>
<td>21%</td>
<td>21%</td>
<td>35%</td>
</tr>
<tr>
<td>2015</td>
<td>4%</td>
<td>14%</td>
<td>23%</td>
<td>16%</td>
<td>37%</td>
</tr>
<tr>
<td>2016</td>
<td>4%</td>
<td>19%</td>
<td>22%</td>
<td>21%</td>
<td>39%</td>
</tr>
<tr>
<td>2017</td>
<td>3%</td>
<td>15%</td>
<td>19%</td>
<td>21%</td>
<td>41%</td>
</tr>
<tr>
<td>2018</td>
<td>3%</td>
<td>16%</td>
<td>18%</td>
<td>21%</td>
<td>43%</td>
</tr>
</tbody>
</table>
Record Levels of Capital Available to Invest - $2.2tn
Despite Challenging Deal Environment 2018 Saw Record Buyout Activity BUT... 2019 Has Shown Sign of Slowdown

Private Equity-Backed Buyout Deals by Region, Q1 2014 - Q1 2019
Similar Trend For European Venture, Real Estate and Private Debt Deals
2. Where Do We Go From Here?
Prequin Predicts Alternative Assets Growth to Continue - $14tn by 2023
Private Equity to Overtake Hedge Funds. Private Debt to Overtake Real Estate

Projected Increase in Assets

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>2017</th>
<th>Increase</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Resources</td>
<td>$0.2tn</td>
<td>+300%</td>
<td>$0.8tn</td>
</tr>
<tr>
<td>Private Debt</td>
<td>$0.7tn</td>
<td>+100%</td>
<td>$1.4tn</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>$0.4tn</td>
<td>+150%</td>
<td>$1.0tn</td>
</tr>
<tr>
<td>Private Equity</td>
<td>$3.1tn</td>
<td>+58%</td>
<td>$4.9tn</td>
</tr>
<tr>
<td>Real Estate</td>
<td>$0.8tn</td>
<td>+50%</td>
<td>$1.2tn</td>
</tr>
<tr>
<td>Hedge Funds</td>
<td>$3.6tn</td>
<td>+31%</td>
<td>$4.7tn</td>
</tr>
</tbody>
</table>

Assets under Management by Asset Class

Estimated Number of Active Alternative Assets Fund Managers Globally

- 2018: $3.6tn
- 2023 Projection: $4.7tn

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Growth to be Driven by Investor Demand – More than 12,000 Active Institutional Investors in Alternatives
The Role of Alternatives in a Low Return Environment

Median Public Pension Plan Returns by Asset Class

Investor Views on Portfolio Performance Over Past 12 months

- Fallen short of expectations
- Met expectations
- Exceeded expectations
Looking Beyond Sheer Returns: Investors are Using Alternative Assets for Many Reasons
Private Equity & Private Debt

**Private Equity: Diversify to Add High Risk-Adjusted and Absolute Returns**

**Private Debt: Diversify to Add High Risk-Adjusted Returns & a Reliable Income Stream**
Real Estate, Infrastructure, Hedge Funds and Natural Resources

Real Estate and Infrastructure: Diversify as an Inflation Hedge and for a Reliable Income Stream

Hedge Funds & Natural Resources – to Diversify to Reduce Correlation (& An Inflation Hedge For NR)
3. How To Be Part of the Alternatives Industry in 2023
Record No. of Funds in Market – 5,558 targeting $1.6tn
Changes in Sources of Capital

Fund Managers’ Projected Change in Level of Capital Sourced from Each Region by 2023

North America: Decrease - 32%, Stay the Same - 30%, Increase - 38%
Europe: Decrease - 29%, Stay the Same - 34%, Increase - 37%
Asia-Pacific: Decrease - 9%, Stay the Same - 60%, Increase - 31%
Emerging Markets: Decrease - 9%, Stay the Same - 57%, Increase - 34%

Fund Manager Views on Investor Types as a Source of Capital

- Banks: Decrease Investment - 41%, Increase Investment - 9%
- DB Pension Funds: Decrease Investment - 30%, Increase Investment - 15%
- DC Pension Funds: Decrease Investment - 13%, Increase Investment - 26%
- Fund of Funds Managers: Decrease Investment - 40%, Increase Investment - 28%
- Public Pension Plans: Decrease Investment - 16%, Increase Investment - 38%
- Private Pension Plans: Decrease Investment - 12%, Increase Investment - 61%
- Endowment Plans: Decrease Investment - 7%, Increase Investment - 44%
- Foundations: Decrease Investment - 8%, Increase Investment - 49%
- Sovereign Wealth Funds: Decrease Investment - 7%, Increase Investment - 50%
- Family Offices: Decrease Investment - 5%, Increase Investment - 65%
Investors Plan to Focus More on Specialists and Alternative Routes to Market

**Fund Manager Relationships Sought by Investors**

- Slightly Multi-Managers: 2% (2018), 0% (2023)
- More Multi-Managers than Specialized Managers: 7% (2018), 3% (2023)
- A Mix of Both: 36% (2018), 33% (2023)
- More Specialized Managers than Multi-Managers: 43% (2018), 43% (2023)
- Slightly Specialized Managers: 16% (2018), 17% (2023)

**Routes to Market**

- **Pooled Funds**
  - Fund Manager: 45% (Increase), 13% (Decrease)
  - Investor: 15% (Increase), 25% (Decrease)

- **Separate Accounts**
  - Fund Manager: 28% (Increase), 25% (Decrease)
  - Investor: 39% (Increase), 39% (Decrease)

- **Co-investments**
  - Fund Manager: 42% (Increase), 39% (Decrease)
  - Investor: 17% (Increase), 42% (Decrease)

Source: Prequin Investor Survey, June 2018
Managers with ESG Policies Expected to Double by 2023

- 79% of fund managers either have an ESG policy in place for alternative assets or plan to in the next five years.
- 67% of fund managers are implementing due to demand from LPs.
- Hedge fund managers may need to reconsider their stance on ESG.
Fund Managers May Need to Move Faster to Improve Diversity

- 56% and 60% of investors and fund managers respectively believe a **diverse workforce** is beneficial to achieving investment objectives.

- Preqin research shows less than 18% and 19% of all roles at private equity and hedge fund firms are filled by women.

- Over a quarter of investors either have or plan to have a **diversity policy** in place for hiring investment managers in the **next five years**.
Invest in **Technology** and **Data**

- Fund managers plan to use technology across their operations over the next 5 years
- 89% and 75% of investors and fund managers respectively believe AI and machine learning will be more relevant to alternatives in 2023
- 43% of fund managers are currently or plan to use big data processes in the next five years

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**Fund Manager Views on Where Technology Could Benefit Their Operations in the Next Five Years**

- Fundraising: 45%
- Deal origination: 46%
- Portfolio management: 51%
- Investor relations: 53%
- Trade Execution: 56%
- Fund operations: 62%
- Research: 65%
The Future of Alternatives

- We expect alternative assets AUM to hit $14tn in 2023 – but given the tailwinds could go higher.

- Driven by an evolving ecosystem of investors seeking yield and to diversify risks in portfolios, as well as new opportunities globally.

- Investment focus will move away from the more developed markets as better opportunities become available in Asia and Emerging Markets.

- And continued innovation by alternative managers leading to new products.

- ESG and technology will continue to have significant impacts on the industry.