

Coller Research Institute

Global Private Equity Barometer

Summer 2023

Coller Capital

First in Secondaries

Coller Capital's *Global Private Equity Barometer*

Since 2004, Coller Capital's *Global Private Equity Barometer* has provided a unique snapshot of worldwide trends in private equity – a twice-yearly overview of the plans and opinions of institutional investors in private equity based in North America, Europe, and Asia-Pacific (including the Middle East).

This 38th edition of the *Barometer* captured the views of 110 private equity investors from around the world. Its findings are globally representative of the LP population by:

- Investor location
- Type of investing organisation
- Total assets under management
- Length of experience of private equity investing

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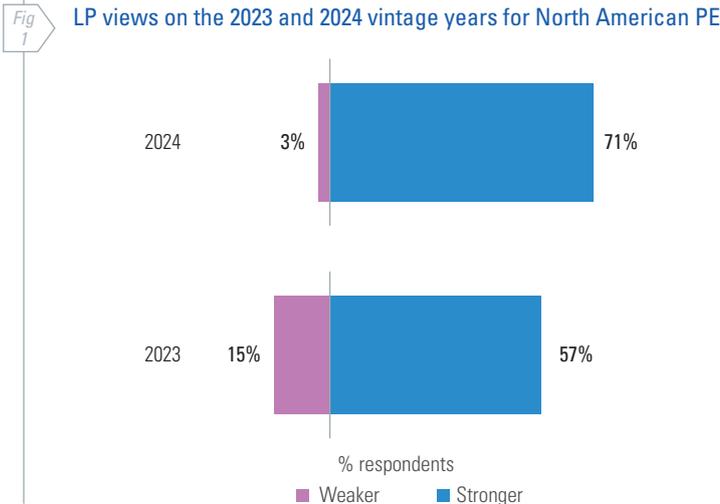
Topics

This edition of the Barometer includes investors' views and plans regarding:

- LPs' expectations for private equity vintage years 2023 and 2024
- Attractive sectors and strategies for private equity investment
- LPs' views on debt levels in buyouts
- Buy-and-build investment performance
- Likely future sources of dealflow for GPs
- Reasons LPs access the secondaries market
- Private markets asset allocation and returns
- LPs' forecasts for the future shape of private equity and private debt markets
- Challenges for LPs in the fund investment process
- LPs activity around due diligence
- LPs' views on the usefulness of AI in the PE transaction process
- LPs views on the 'anti-ESG' movement in the US
- LPs views on the outlook for GP drawdowns
- Outlook for venture capital fund raising

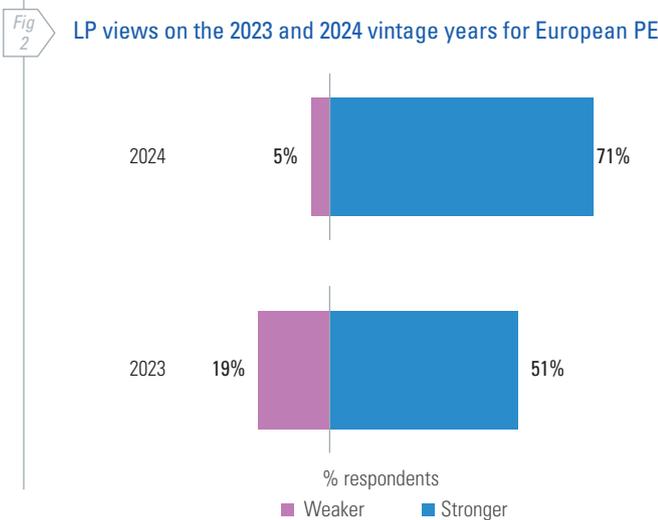
Majority of LPs are positive on the outlook for North American PE

Three fifths of LPs believe that 2023 will be a strong vintage year for North American private equity. More LPs are positive on the outlook for 2024, with 71% saying it will be a strong year and almost no LPs expecting it to be weaker.



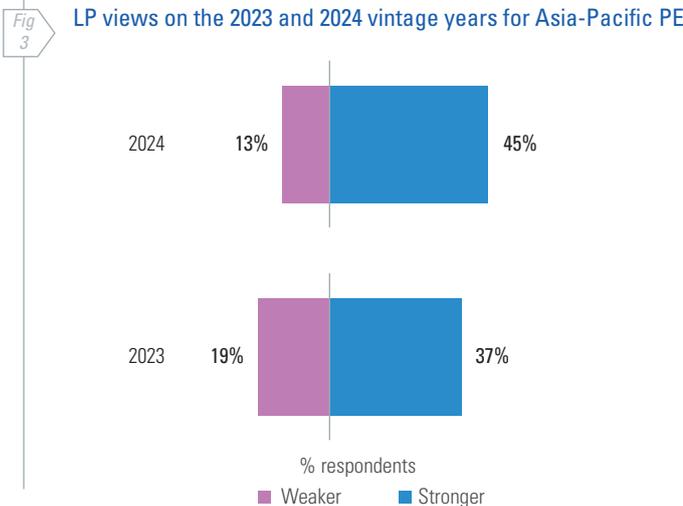
LPs also expect strong vintages in 2023 and 2024 for European PE

Half of LPs expect a stronger outcome for European PE in 2023, with more LPs being positive on the outlook for 2024. Three quarters of European LPs are positive on the outlook for 2024.



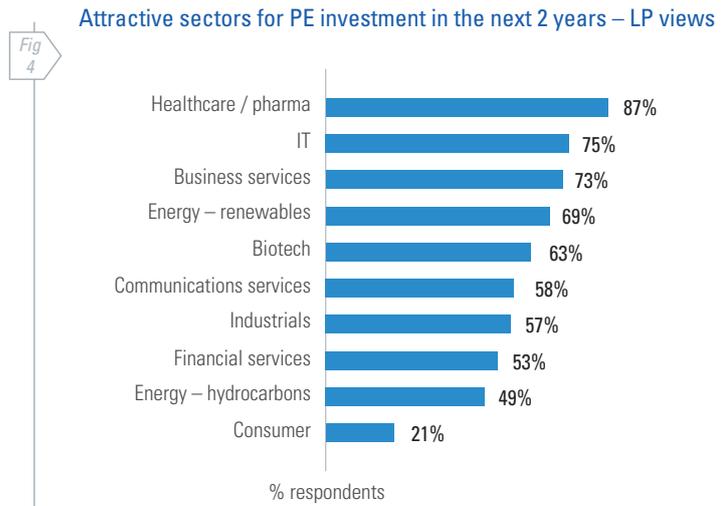
Less than half of LPs believe 2024 will be a stronger year for Asian PE

45% of LPs say that 2024 will be a stronger vintage year for Asian private equity, with a higher number of Asia-Pacific LPs taking a positive view on their own region (70% of respondents).



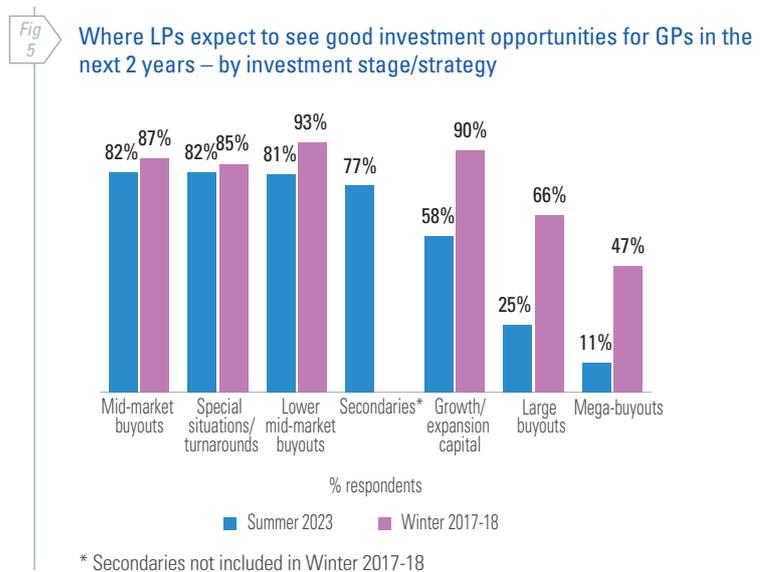
Healthcare/pharma seen as most attractive sector for PE investment in the next two years

87% of LPs say that healthcare and pharmaceuticals are attractive sectors for private equity investment over the next two years. Three quarters of LPs say IT and business services look attractive. LPs' views on renewable and hydrocarbon energy vary considerably with 69% and 49% of LPs viewing these sectors as attractive respectively. Just one fifth of LPs think the consumer sector is an attractive opportunity for PE investment.



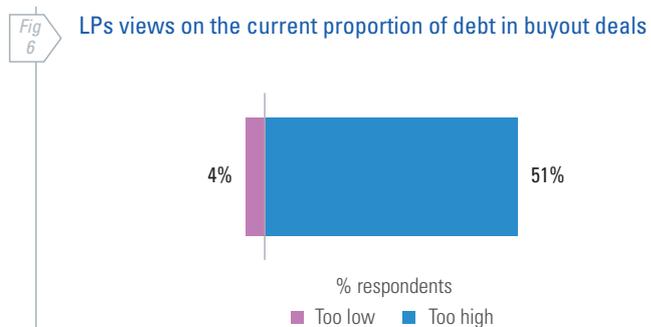
Mid-market and special situation funds most favoured by LPs

Over four fifths of LPs say they expect to see good investment opportunities for GPs in mid-market/lower mid-market buyouts and special situations in the next two years. Three quarters of LPs expect good opportunities to arise in secondaries. Significantly fewer LPs see attractive opportunities for growth, large and mega buyouts.



Half of LPs say there's too much debt in buyout deals

51% of LPs say that the current proportion of debt in buyout deals is too high. Only 4% of LPs think the level is too low.

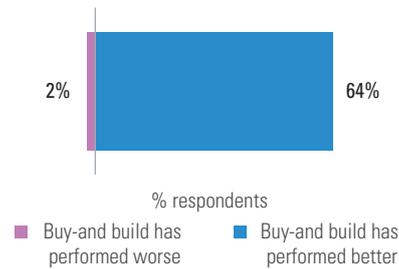


Buy-and-build investments are outperforming for three fifths of LPs

64% of LPs report that their buy-and-build investments have outperformed their organically focused investments. Hardly any LPs reported that their buy-and-build investments had underperformed their organic growth investments.

Fig 7

LPs' buy-and-build investment performance versus investments focused on organic growth

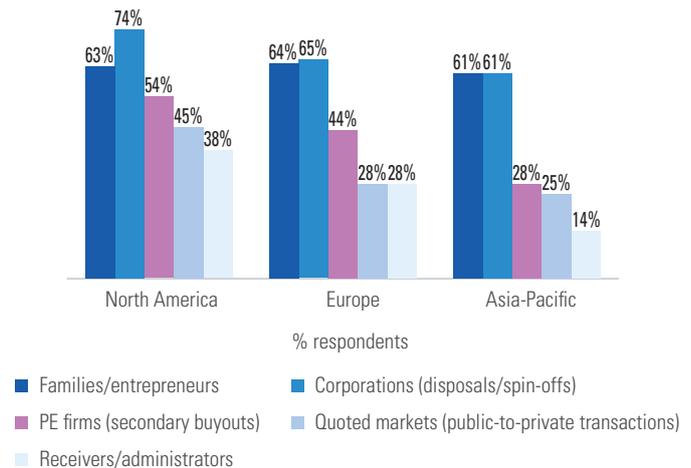


Families/entrepreneurs and corporations will provide the most attractive investment opportunities for PE – LPs say

More than three fifths of LPs expect families/entrepreneurs and corporations (via disposals and spin-offs) to provide the most attractive investment opportunities for private equity transactions in the next two years. Few LPs see good private equity investment opportunities coming from businesses in administration.

Fig 8

Where the most attractive investment opportunities for PE will come from in the next two years – LP views

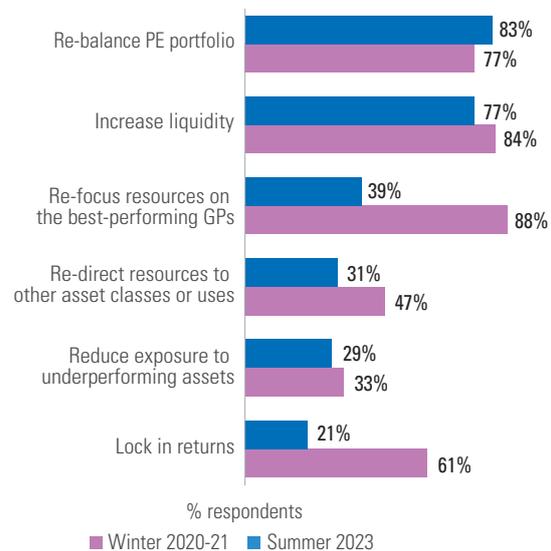


Rebalancing portfolios and increasing liquidity are key reasons for LPs to sell in the PE secondaries market

Most LPs will use the secondaries market to rebalance their private equity portfolios and also to increase liquidity. Since we last asked LPs for their reasons in the *Winter 2020-2021 Barometer*, far fewer LPs are using the secondary market to lock in returns or re-focus their portfolios on the best performing managers.

Fig 9

Reasons LPs will sell in the PE secondaries market – next 2 years

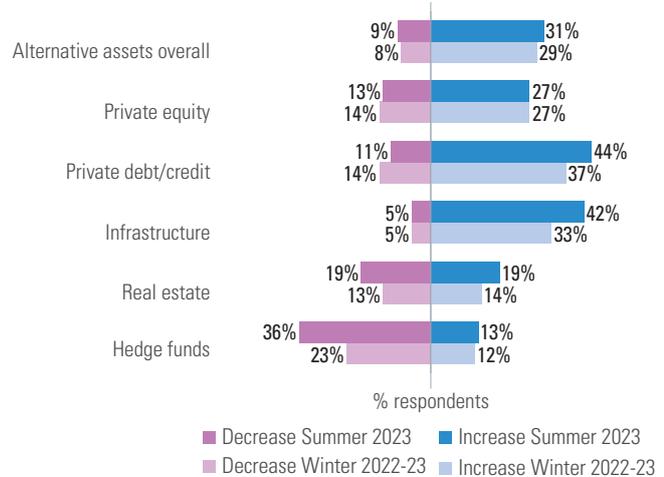


More LPs plan to increase their target allocations to private credit and infrastructure

Over two fifths of LPs plan to increase their target allocations to private credit and infrastructure over the next 12 months, a slight increase from the *Winter 2022-2023 Barometer*. LPs' plans for private equity are holding steady, with over a quarter of LPs planning to increase their allocations.

Fig 10

Changes in LPs' planned target allocations to alternative assets over the next 12 months

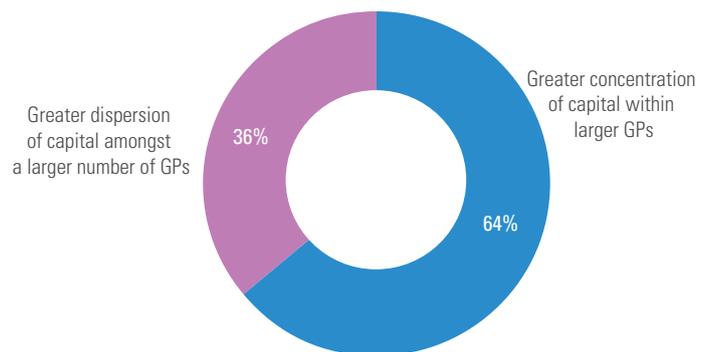


Two thirds of LPs believe there will be a greater concentration of capital among private debt managers

64% of LPs expect the shape of private debt markets to change over the next three to five years, with a greater concentration of capital within larger GPs. The remainder of LPs expect a greater dispersion of capital amongst a larger number of GPs.

Fig 11

How LPs expect the shape of the private debt market to change – next 3 to 5 years

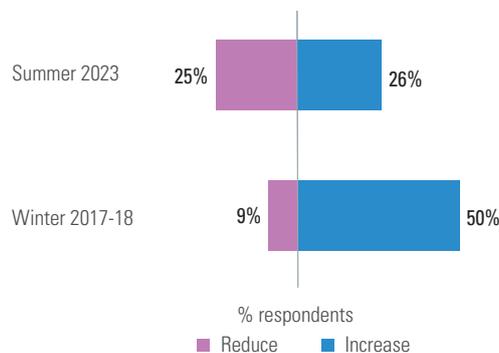


Fewer LPs expect to increase their average PE commitment size to individual GPs

The number of LPs expecting to increase the size of their PE commitment to individual GPs has halved since the *Winter 2017-2018 Barometer*. One quarter of LPs expect to decrease their average commitment size.

Fig 12

LP expectations for the average size of their PE commitment to individual GPs – next 3 years

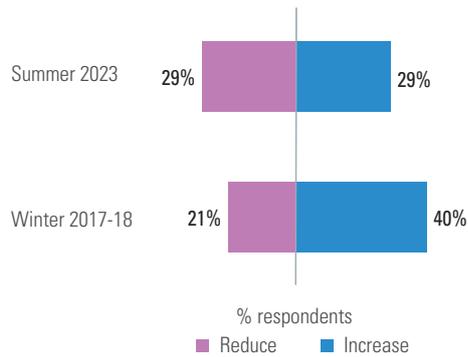


Equal number of LPs increasing and decreasing the GPs they invest with

29% of LPs expect to increase the number of GPs they are invested with over the next three years and the same number of LPs expect to decrease their portfolio GPs. This is a slight change in balance since last reported in the *Winter 2017-2018 Barometer*.

Fig 13

LP expectations for the number of GPs they will invest with – next 3 years

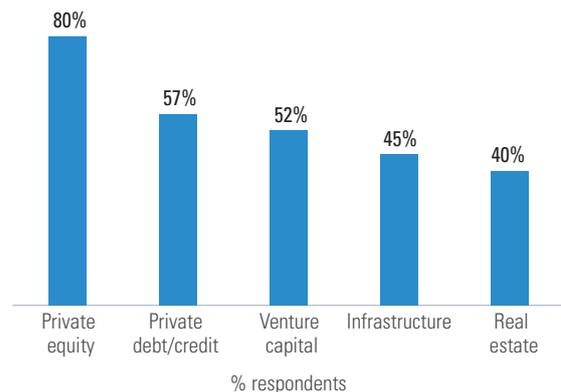


Majority of LPs to make a first commitment to a new PE manager in the next one to two years

80% of LPs expect to make their first commitment to a new private equity manager in the next one to two years. Over half of LPs expect to do the same to new managers in private credit and venture capital.

Fig 14

Asset classes to which LPs expect to make their first commitments to new manager relationships – next 1 to 2 years

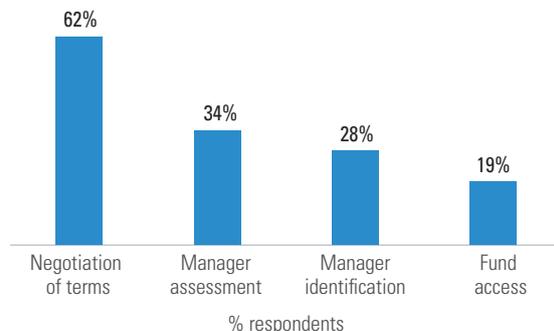


Negotiating terms cited as a challenge in the fund investment process by three fifths of LPs

62% of LPs said the negotiation of terms was a challenge for their institution during the process of investing in a GPs' fund. Around one third of LPs found manager assessment and identification a challenge. Only a fifth of LPs were concerned about fund access.

Fig 15

Aspects of the fund investment process LPs find challenging

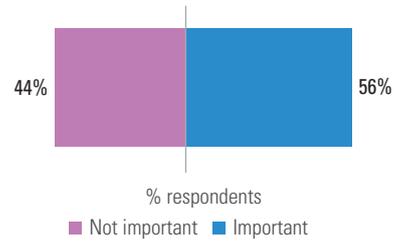


LPs' views split on the importance of incentives when committing to a first close

Over half of LPs think the provision of incentives, such as an early bird discount, are important to their institution when making the decision to commit to a fund's first close. 44% of LPs say incentives are not important.

Fig 16

Importance of incentives to LPs when committing at first close – next 2 years

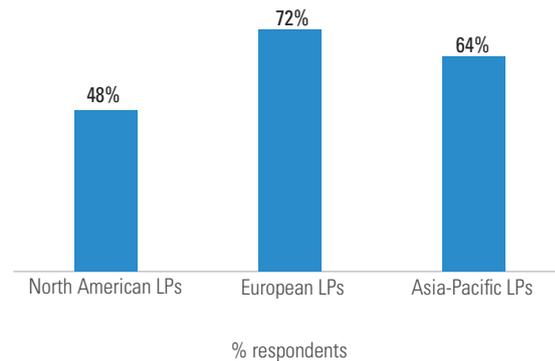


More European LPs have increased their levels of due diligence compared to global peers over the last two years

72% of European LPs report they have increased the level of due diligence they undertake on potential fund investments compared to two years ago. Less than half of North American LPs have increased their level of diligence on new investments.

Fig 17

LPs that have increased the level of due diligence they undertake on potential fund investments over the last two years

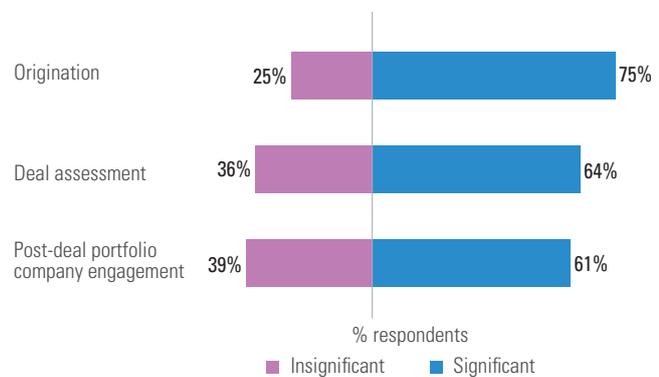


LPs can see the usefulness of AI in the PE transaction process

Three quarters of LPs think that Artificial Intelligence (AI) will be an important tool when originating private equity transactions in the next five years. Three fifths of LPs believe that AI will make a significant contribution during the deal assessment and post-deal portfolio company engagement stages.

Fig 18

LPs views on the significance of using AI in the following stages of the PE transaction process – next 5 years

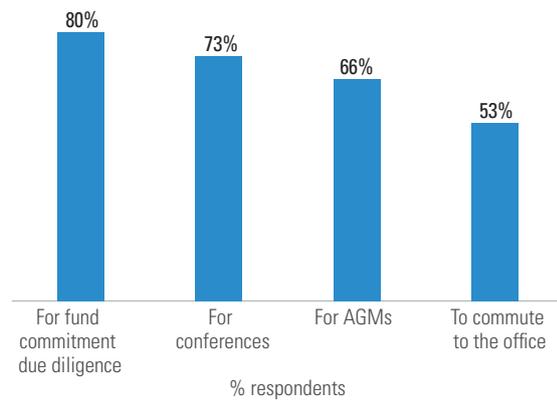


Majority of LPs will return to travelling for fund due diligence sessions

80% of LPs expect their due diligence related travel to return to pre-Covid levels. Two thirds of LPs expect to travel more in the next 12 months for conferences and AGMs. By contrast, only half of LPs expect to travel more frequently to their own office.

Fig 19

LPs' travel expectations - next 12 months

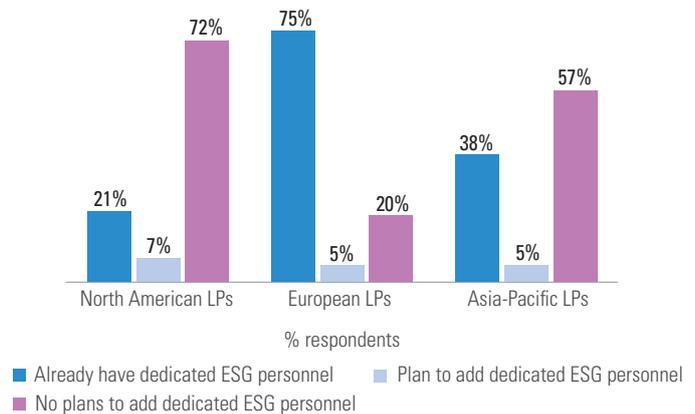


European LPs leading the way with the hiring of dedicated ESG professionals

Three quarters of European LPs already have dedicated personnel responsible for ESG within their institutions. Conversely, three quarters of North American LPs say they have no plans to appoint dedicated ESG professionals.

Fig 20

LPs' plans for dedicated ESG team members at their institutions

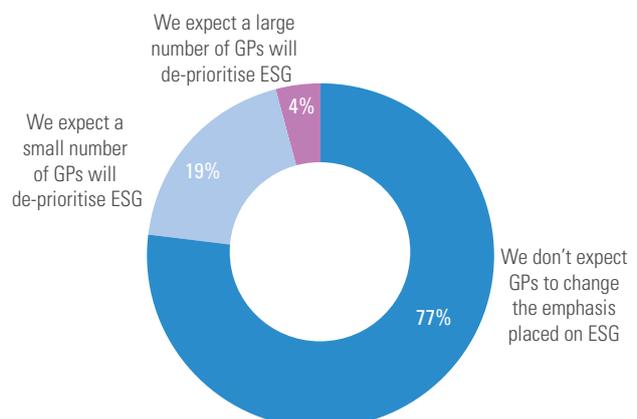


Majority of LPs do not expect the 'Anti-ESG' movement in the US to impact the importance of ESG in the PE market

Only 4% of LPs expect the Anti-ESG movement in the US will result in GPs deprioritising the importance of ESG within the private equity market. The majority of LPs are not expecting GPs to change the emphasis they place on ESG.

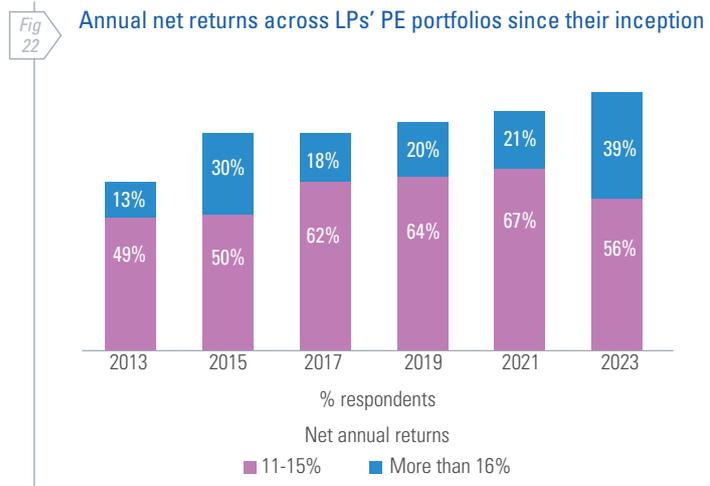
Fig 21

LPs' views on the impact the 'Anti-ESG' movement in the US will have on the importance of ESG in the PE market



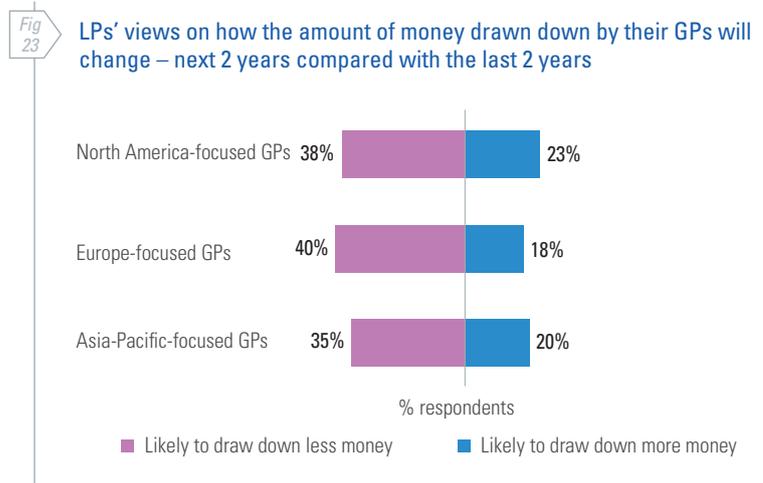
Proportion of LPs with net annual returns of 16%+ across their PE portfolios stays at record levels

39% of LPs report net annual returns of over 16% across the lifetime of their private equity portfolios, a similar level to the record high in the *Summer 2022 Barometer*.



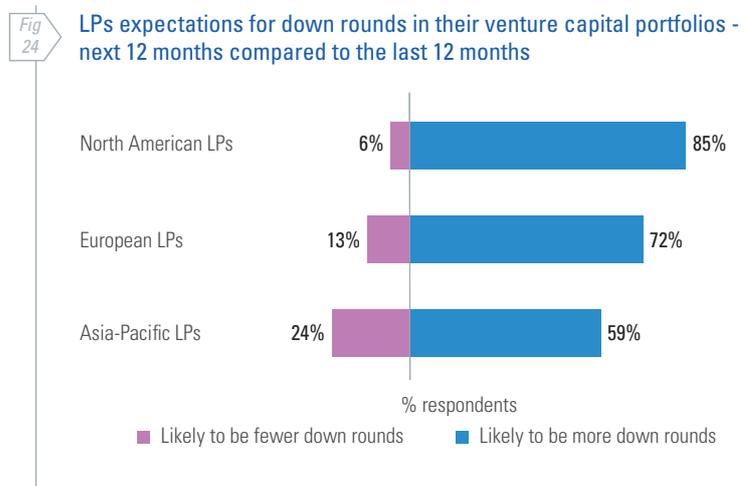
LPs expect GPs to draw down less money compared to two years ago

Around two fifths of LPs expect their GPs to draw down less money in the next two years compared to the amount drawn in the last two years. Around one fifth of LPs expect their GPs to draw down more money.



LPs forecasting down rounds in their venture capital portfolios

Three quarters of LPs are expecting more down rounds in their venture capital portfolios in the next 12 months compared to the last year. The number of North American LPs expecting this is much higher at 85% of respondents.



Coller Capital's *Global Private Equity Barometer*

Research methodology

Fieldwork for the *Barometer* was undertaken for Coller Capital from 13 February to 31 March 2023 by Arbor Square Associates, a specialist alternative assets research team with over 50 years' collective experience in the PE arena.

Respondent breakdown – Summer 2023

The *Barometer* researched the plans and opinions of 110 investors in private equity funds. These investors, based in North America, Europe, and the Asia-Pacific region (including the Middle East), comprise a representative sample of the LP population worldwide.

Fig 25 Respondents by region

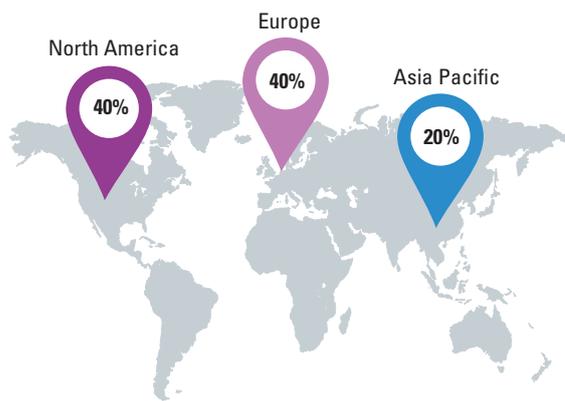


Fig 26 Respondents by total assets under management

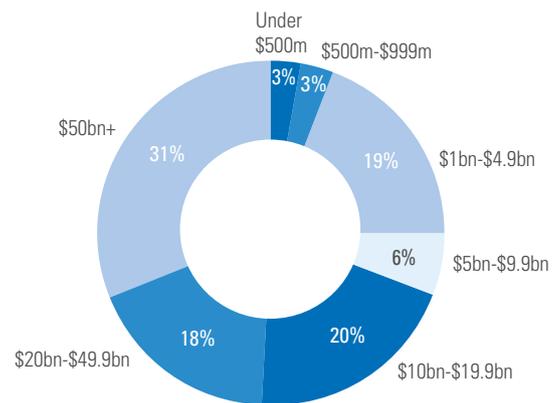


Fig 27 Respondents by year in which they started to invest in private equity

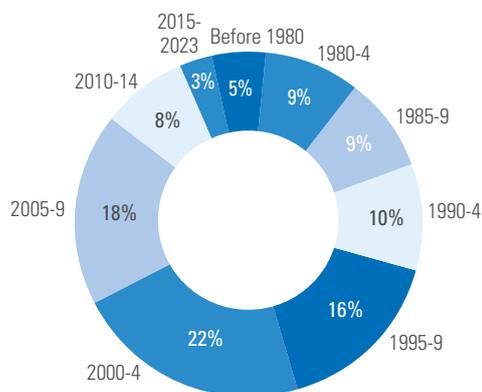
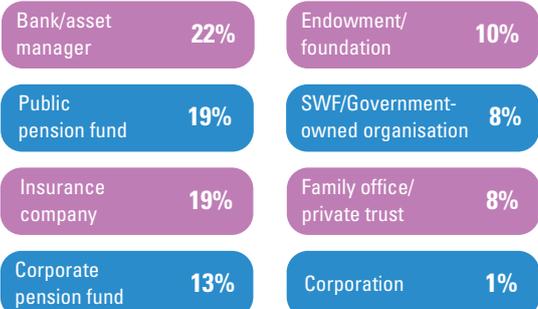


Fig 28 Respondents by type of organisation



About Collier Capital

Collier Capital, founded in 1990, is one of the leading independent investors dedicated to the private capital secondaries market– and widely acknowledged as an innovator at the complex end of secondaries.

The firm provides liquidity solutions to private markets investors worldwide, acquiring interests in private equity, private credit, and other private markets assets. With headquarters in London, and offices in New York, Hong Kong, Beijing and Seoul, Collier’s multinational investment team has a truly global reach.

In January 2021, the firm closed Collier International Partners VIII, with committed capital (including co-investment vehicles) of just over \$9 billion and backing from over 200 of the world’s leading institutional investors.

In February 2022, the firm closed Collier Credit Opportunities I, with committed capital (including co-investment vehicles) of c.\$1.45 billion and backing from over 40 institutional investors.

In March 2023, Collier Capital announced the creation of its global Private Wealth Secondaries Solutions (“PWSS”) business to provide further access to private capital markets for high-net-worth individuals.

Notes

Limited Partners (or LPs) are investors in private capital funds. General Partners (or GPs) are private capital fund managers. In this Barometer report, the term private equity (PE) is a generic term covering venture capital, growth, buyout, and mezzanine investments.

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