

EXAMINING PRIVATE EQUITY'S APPEAL

Investing opportunities in private equity are getting harder to come by even as levels of investor capital rise, say fund managers

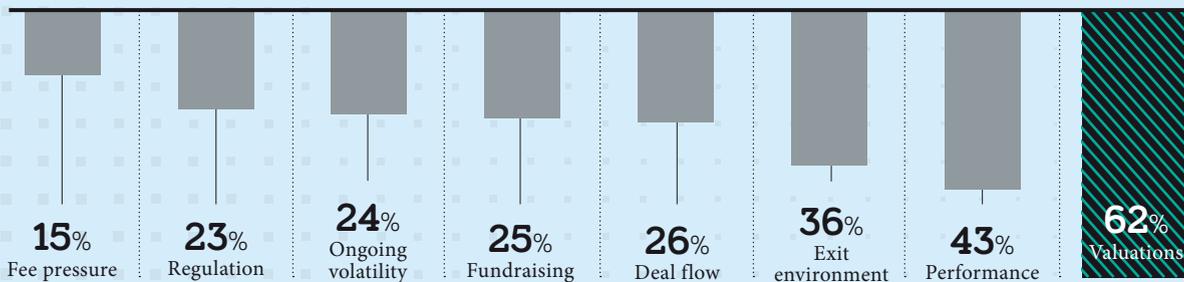
THE ONGOING INTEREST of global institutional investors in diversifying their portfolios into longer-term assets with regular returns is leading to an ongoing interest in private equity. A survey by alternatives asset research provider Preqin asked over 350 private equity fund managers in November 2017 how they saw their investing prospects and the level of institutional investor support they are anticipate for 2018. It revealed the results in March.

ALL THE BELOW CHARTS ARE SOURCED FROM PREQIN'S FUND MANAGER OUTLOOK: ALTERNATIVE ASSETS 1H 2018 SURVEY.

THE WORLD'S KEY INVESTING INHIBITORS

The key challenges facing private equity fund managers

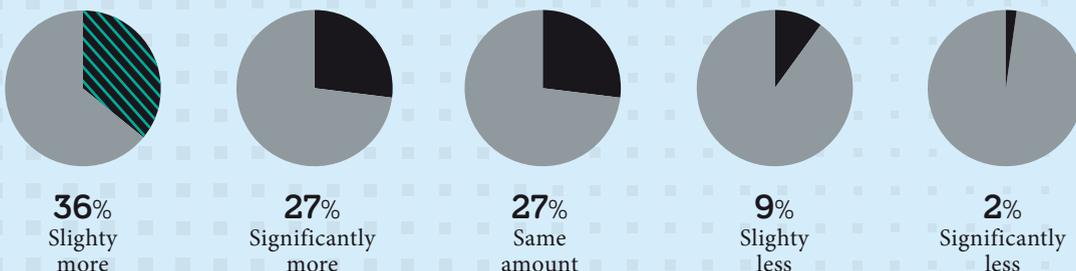
GLOBAL PRIVATE EQUITY fund managers were fairly unified in the key challenges they face when it comes to private equity investing. Almost two-thirds of respondents said valuations were the key issue, a factor of rising equity prices across the globe. Almost half felt asset performance was also an issue, with the exit environment for selling out of investments coming third.



DEPLOYING CAPITAL

The amount of capital Asia fund managers aim to deploy in 2018 compared to 2017

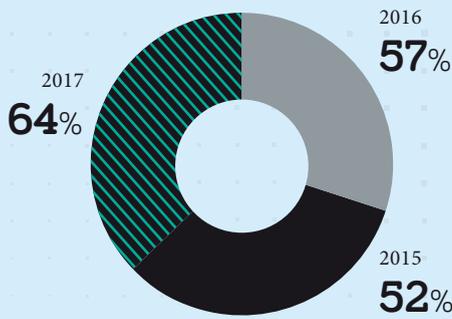
WHILE ASSETS HAVE higher valuations than in previous years, private equity managers also have a lot more capital to deploy. Nearly two-thirds of respondents felt they had significantly or slightly more capital to deploy this year, versus just 11% that felt they would be investing less.



TO CO-INVEST, OR NOT TO CO-INVEST?

The number of private equity fund managers offering co-investments is rising

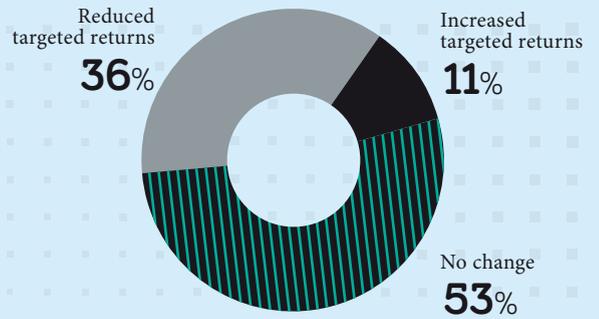
INSTITUTIONAL INVESTORS ARE also becoming more assertive when it comes to requesting—or demanding—co-investing opportunities alongside private equity funds. That’s putting pressure on the fund managers to offer such opportunities; as a result nearly two-thirds now do so, a steady increase on the previous two years.



THE IMPACT ON RETURNS

Fund manager views on the impact of valuations on fund returns

WITH VALUATIONS GENERALLY higher than they were a few years ago, the ability to enjoy outsized internal rates of return is also becoming more difficult. While most survey respondents felt their rates of return would not change in 2018, over one third felt they would need to reduce their targeted returns due to higher valuations. Just 11% felt they could see better asset performance.



THE LEVEL OF INSTITUTIONAL INVESTOR APPETITE

Fund manager views on how asset owner appetite for private equity has changed over the past 12 months, 2016 vs. 2017

THE DESIRE OF institutional investors to put more of their money to work in private equity is continuing to rise, according to fund managers. While 58% of respondents said asset owners were significantly or slightly increasing their interest in private equity investing in the 12 months to November 2016, this rose to 67% in the year to November 2017. Institutional investors are still throwing money at private equity.

