

Global Private Equity Barometer

Summer 2022

Coller Capital

Coller Research Institute

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 36th 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

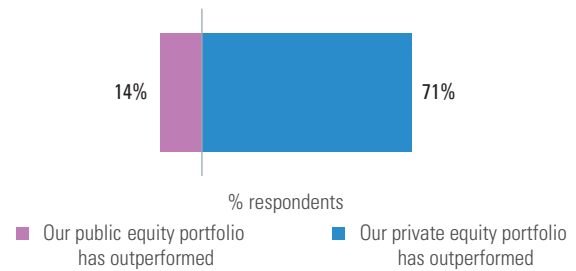
This edition of the Barometer includes investors' views and plans regarding:

- LPs' private equity vs public equity portfolio performance
- Achievability of LPs' private equity target returns
- LP views on alternative sources of PE fund capital
- LP commitments to funds investing in GP management companies
- ESG's role as a value driver
- ESG sector exclusions and environmental risks
- Reputational risks to LPs from activist investors/media campaigns
- LPs' exposure to cryptocurrencies and the metaverse
- LP recruitment
- LP commitments to VC funds targeting female and ethnic minority founders
- Investor commitments to private equity funds at first closing
- Implications of rising interest rates for private credit portfolios
- Private markets asset allocation and returns

PE portfolios have outperformed public equity portfolios, LPs confirm

Over 70% of LPs report that their private equity portfolios have outperformed their public equity holdings since the Global Financial Crisis (GFC). Only 14% of LPs reported the opposite.

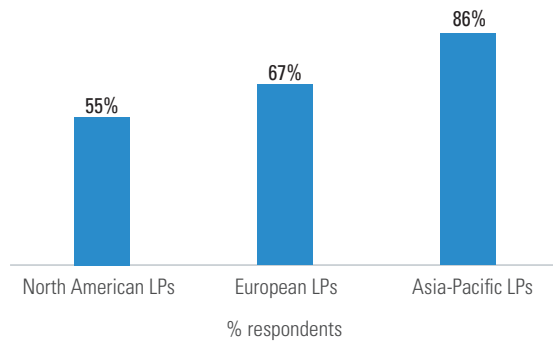
Fig 1 Performance of LPs' private versus public equity portfolios since the GFC



Most LPs would hit their target PE returns with only median fund performance

Limited Partners would achieve their private equity return targets if all their funds achieved only the median performance for their fund cohort in their respective vintage years.

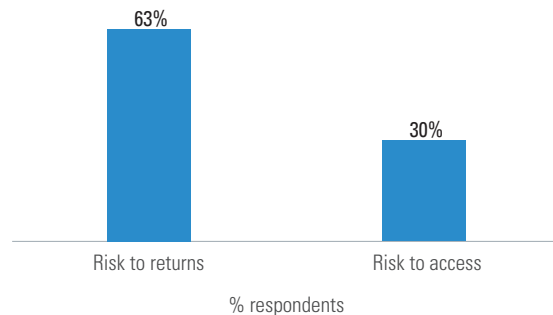
Fig 2 Proportion of LPs whose target PE returns would be met with the median fund performance for the relevant fund type and vintage year



LPs see non-institutional sources of PE fund capital as a risk to returns, but not to their own access

Almost two thirds of LPs believe that alternative sources of capital for PE funds (from retail investors or insurance premiums, for example) will present a long-term risk to institutional investors' private market returns. However, only 30% of LPs believe these alternative sources of capital will create fund access risks for them.

Fig 3 Proportion of LPs who believe non-institutional sources of PE fund capital will pose a risk to their PE returns and fund access

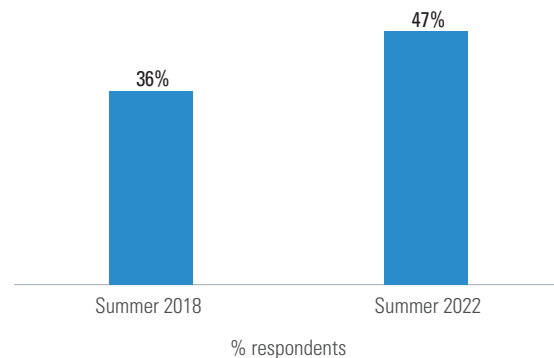


Half of LPs now invest in funds that buy interests in GP management companies

Almost half of LPs currently invest, or are planning to invest, in funds that acquire minority interests in GP management companies. This proportion has risen from just over a third of LPs four years ago (in the *Barometer* of Summer 2018).

Fig 4

Proportion of LPs investing, or planning to invest, in funds that acquire minority interests in GP management companies

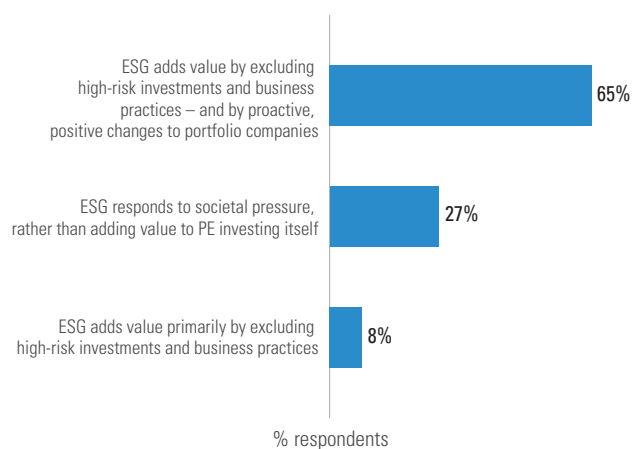


Most LPs think ESG delivers positive impacts, as well as filtering out negatives

A majority of investors in all regions of the world believe that ESG adds value both through proactive change to portfolio companies and through the exclusion of high-risk investments and business practices.

Fig 5

LPs' personal views on ESG's potential to add value

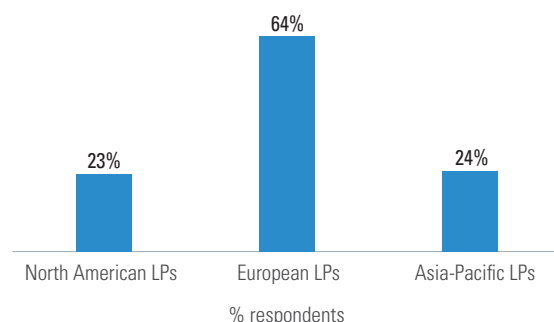


European LPs exclude more industry sectors than their peers elsewhere

Two thirds of European Limited Partners have increased the number of sectors their organisations exclude from investment consideration for ESG reasons in the last five years.

Fig 6

LPs who have increased the number of industry sectors they exclude for ESG reasons in the last five years – by LP location

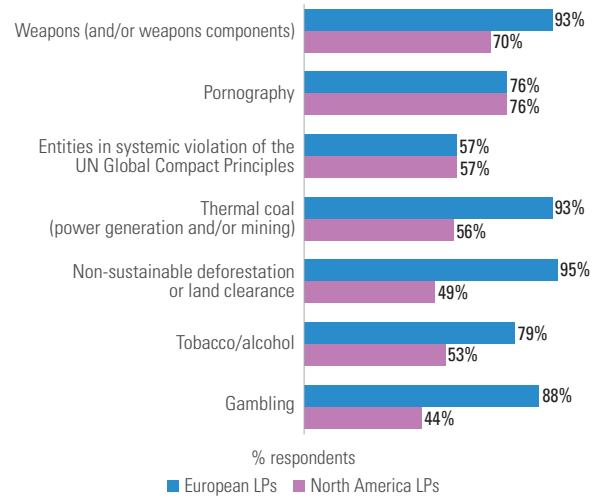


Weapons and pornography excluded by almost all LPs

Over four fifths of LPs currently exclude, or plan to exclude, weapons/weapon components and pornography from their investment considerations. Over half of LPs exclude entities in systemic violation of the UN Global Compact Principles.

Fig 7

Industries/subsectors that LPs exclude, or plan to exclude from investment consideration for ESG reasons



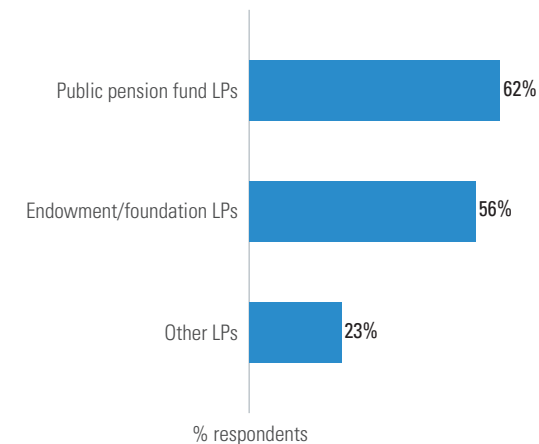
Publicly exposed LPs see a risk of reputational damage from their links to PE-owned businesses

Over half of public pension plans, foundations, and endowments see a growing risk to their reputations from commentators or activists focused on LP links to PE-owned businesses.

Other investors, who see themselves as less publicly exposed, are less concerned.

Fig 8

Perceived risk of reputational damage from commentators or activists focused on LP links to PE-owned businesses – by LP type



Climate change is the universal environmental concern for LPs

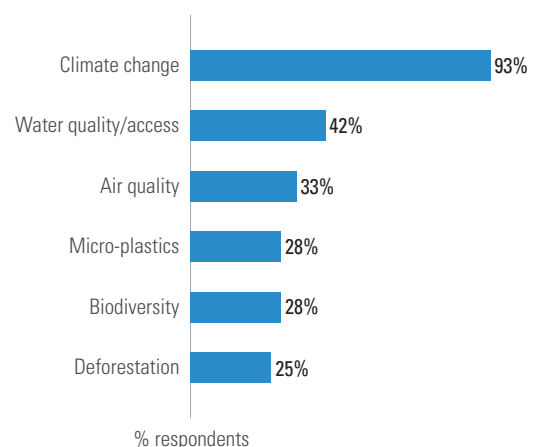
Unsurprisingly, climate change is by far the most important environmental focus of investors' ESG programmes – with 93% of LPs reporting that they focus strongly on this risk.

European investors are more focused on most individual ESG risks than their peers in North America and the Asia-Pacific region – with biodiversity and deforestation being an especial concern for them.

Asia-Pacific investors were more focused on air quality than their peers in other regions.

Fig 9

Most important environmental focuses of investors' ESG programmes – by proportion of LPs

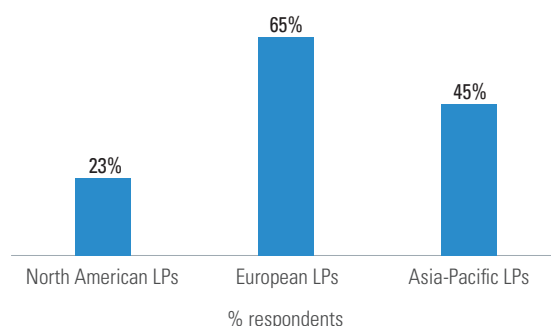


Many LPs likely to adopt Science-Based Targets to measure environmental impact

Very few (only 4% of) LPs have so far asked their GPs to adopt the Science-Based Targets initiative (SBTi) in measuring and reporting environmental impacts in their portfolios. However, many investors say they are likely to make this request in the next few years.

Fig 10

Proportion of LPs that have, or are likely to ask their GPs to use the SBTi to measure environmental impact within the next few years – by location of LP

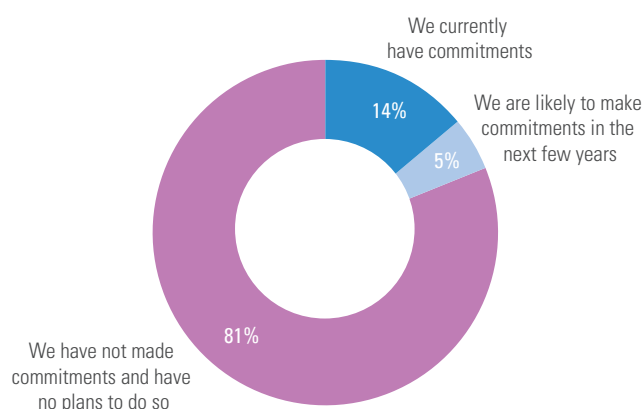


One fifth of LPs expect to commit to PE/VC funds that invest using cryptocurrencies

14% of LPs currently make commitments to PE/VC funds that invest using cryptocurrencies and another 5% plan to do so in the next few years. A large majority (81%) of LPs do not see themselves ever doing this (including 44% who have made a policy decision to exclude cryptocurrency investing).

Fig 11

LPs making commitments to PE/VC funds that invest using cryptocurrencies

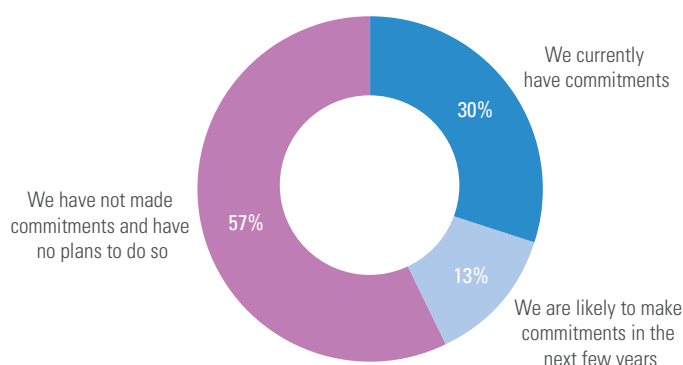


Crypto-enabling businesses are seen as a legitimate investment focus by two in five LPs

Almost a third of LPs currently have commitments to PE/VC funds targeting investment in crypto-enabling businesses and an additional 13% of private equity investors expect to make such commitments in the next few years.

Fig 12

LPs making commitments to PE/VC funds that target investment in crypto-enabling businesses

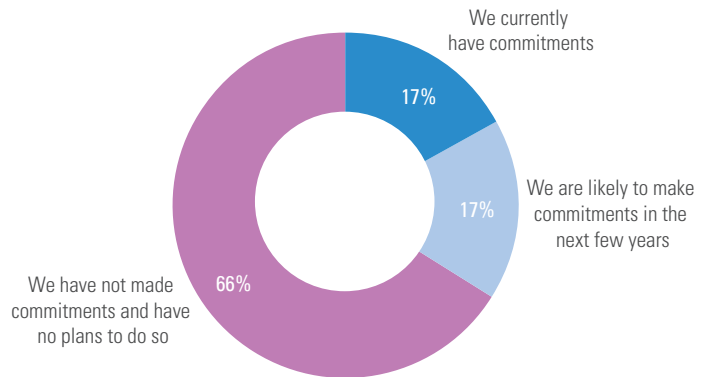


One third of LPs to seek exposure to the metaverse

17% of LPs currently have commitments to PE/VC funds that target investment in services and goods for the metaverse (a virtual-reality space in which users can interact with a computer-generated environment and other users). An equal proportion of Limited Partners are planning to make such commitments in the next few years.

Fig 13

LPs making commitments to PE/VC funds that target investment in metaverse-related services and products

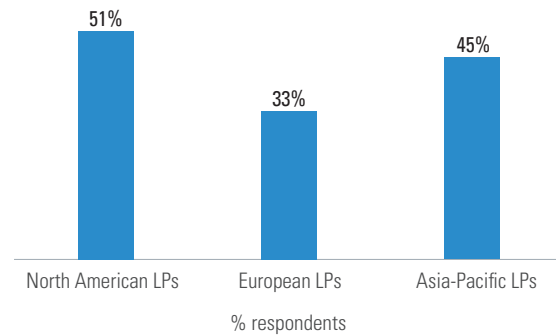


Hiring high-quality investment staff has become more difficult for LPs

51% of North American LPs and 45% of Asia-Pacific LPs say it has become more difficult to hire high-quality investment staff for their institutions than it was two years ago. One third of European LPs say this is the case.

Fig 14

Proportion of LPs who believe hiring high-quality investment staff has become harder in the last two years

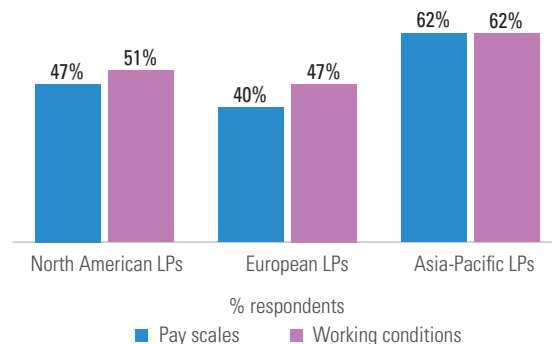


Around half of LPs are changing their pay scales and/or working conditions to attract new recruits

Approaching half of LP institutions in North America and Europe are having to adjust their pay-scales and/or working conditions to attract new recruits in today's competitive market. This proportion rises to over 60% for Asia-Pacific LPs.

Fig 15

LP institutions having to change pay-scales/working conditions to attract new recruits

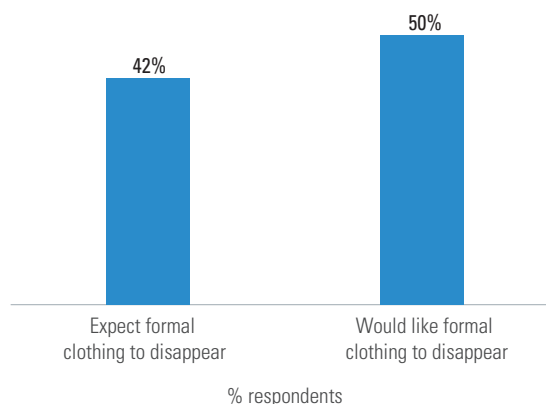


Formal business clothing unlikely to disappear post-pandemic, LPs say

Just two in five LPs expect formal business clothing to disappear from the private equity world in the wake of the pandemic – and only half of investors would be happy if it did.

Fig 16

The wearing of formal clothing in PE in the future – LPs' views

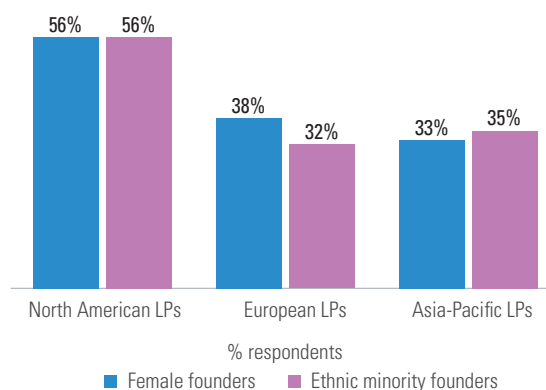


North American LPs are more committed to VC funds that invest significantly in businesses with female/ethnic minority founders

Well over half of North American LPs have made or expect to make commitments to venture capital funds that invest significantly or exclusively in businesses with female or ethnic minority founders. Around one third of European and Asia-Pacific LPs make or expect to make such commitments.

Fig 17

LP commitments, current and planned, to VC funds investing significantly in businesses with female or ethnic minority founders – by LP location

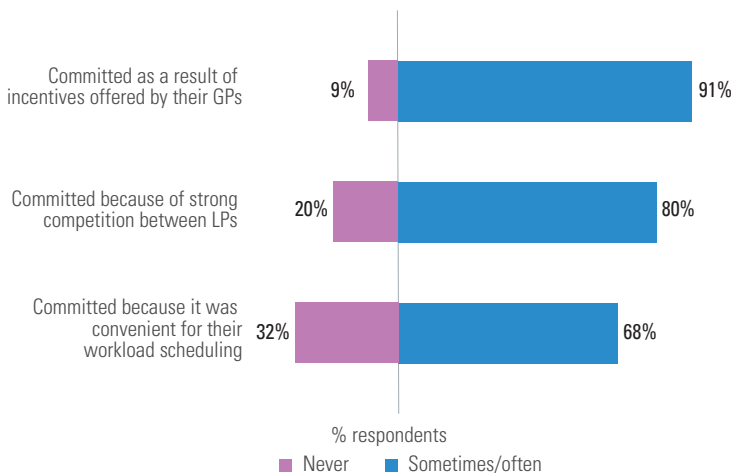


Almost all LPs commit to first closings of PE funds if they are incentivised

91% of LPs say they have committed to the first closings of private equity funds as a result of incentives offered by their GPs (eg, 'early bird' discounts). Half of the investor population say they often do this.

Fig 18

Reasons for LPs committing to the first closings of PE funds in the last two years

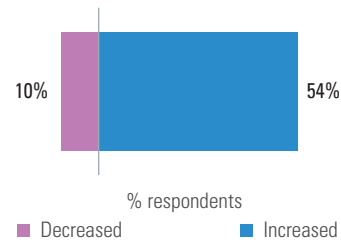


Over half of LPs have recently increased their target allocations to PE

54% of LPs have increased their target allocation to private equity over the last two years, with only 10% of LPs reducing their allocations.

Fig 19

Changes in LPs' private equity target allocation – last two years

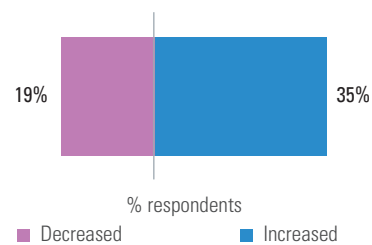


Some churn seen in investors' private credit allocations

LP views are more evenly balanced on private credit, with 35% of LPs increasing target allocations and 19% of LPs decreasing them over the last two years.

Fig 20

Changes in LPs' private credit target allocation – last two years

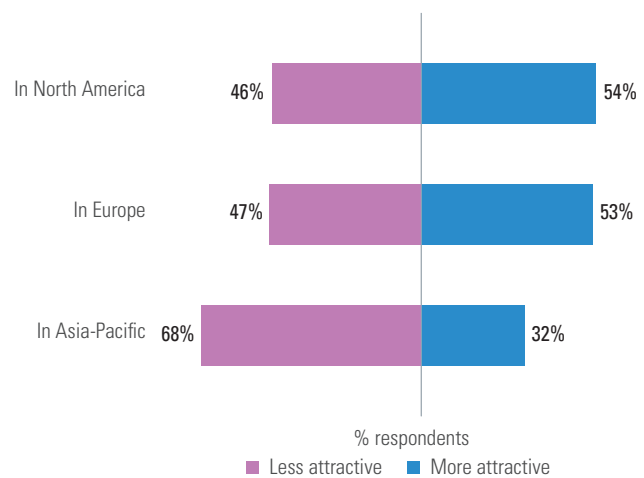


Private credit more attractive in PC's developed markets, LPs say

More than half of investors see attractive opportunities in private credit funds targeting North America and Europe in the next two years. Only one third of Limited Partners see Asia-Pacific-focused funds in a similar way.

Fig 21

The attractiveness of commitments to private credit funds in the next two years – by region



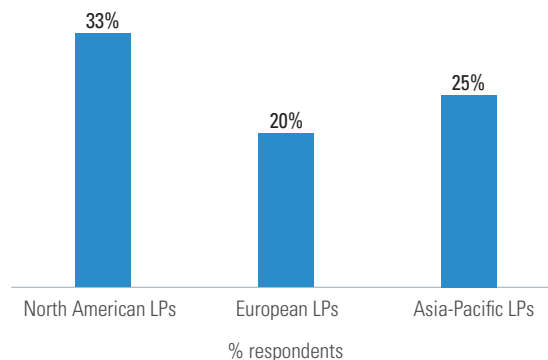
A third of North American LPs foresee higher default rates in their private credit portfolios

One fifth of European LPs expect significantly higher default rates in their private credit portfolios as a result of rising interest rates.

However, one third of LPs based in North America expect higher defaults.

Fig 22

Proportion of LPs who think rising interest rates will result in higher default rates in their private credit portfolios – by LP location



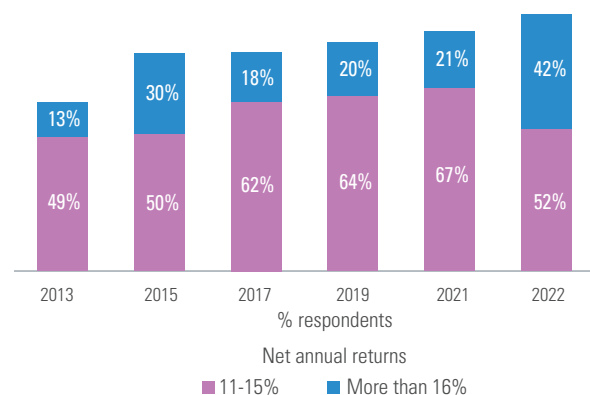
Proportion of LPs with net annual returns of 16%+ across their PE portfolios nears record levels

The 42% of LPs who now report net annual returns of over 16% across the lifetime of their private equity portfolios has been exceeded only once since the *Barometer* was first published in 2004 – in 2007, in the run-up to the Global Financial Crisis, when 45% of LPs reported the same.

Fully three quarters of Limited Partners have made portfolio-lifetime returns of 16%+ net from their North American venture investments.

Fig 23

Annual net returns across LPs' PE portfolios since their inception

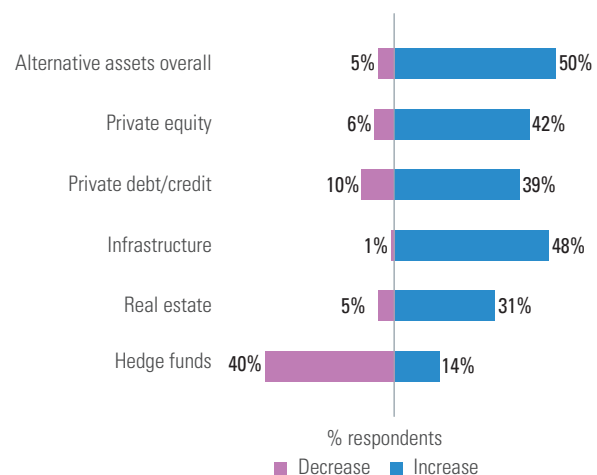


LP allocations to alternative assets continue to rise

Half of LPs plan to increase their target allocations to alternative assets over the next 12 months, with infrastructure, real estate, private equity and private credit all seeing significant proportions of LPs planning to increase target allocations. LPs' planned reductions in their target allocation to hedge funds echoes the picture in many previous *Barometers*.

Fig 24

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



Coller Capital's *Global Private Equity Barometer*

Research methodology

Fieldwork for the *Barometer* was undertaken for Coller Capital from 7 February to 30 March 2022 by Arbor Square Associates, a specialist alternative assets research team with over 50 years' collective experience in the PE arena.

Respondent breakdown – Summer 2022

The *Barometer* researched the plans and opinions of 110 investors in private market 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

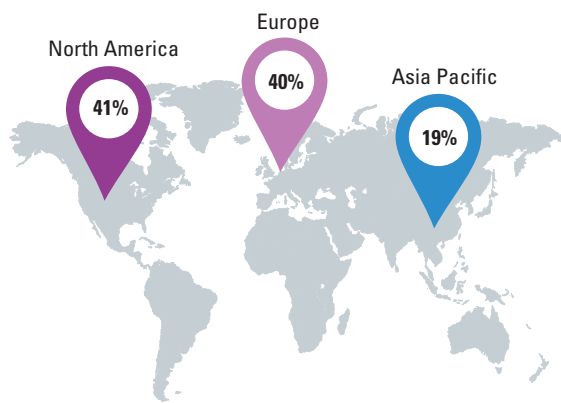


Fig 26 Respondents by total assets under management

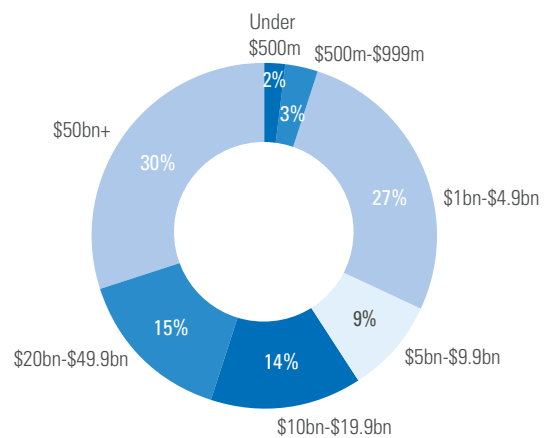


Fig 27 Respondents by year in which they started to invest in private equity

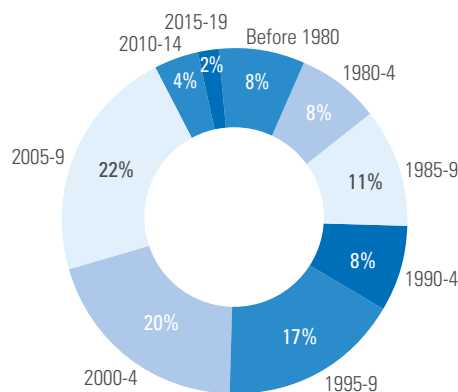
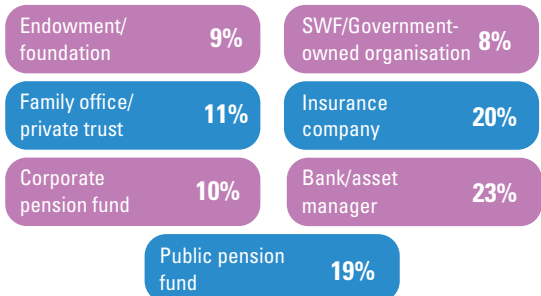


Fig 28 Respondents by type of organisation



About Collier Capital

Collier Capital, founded in 1990, is one of the world's leading investors in the secondary market for private assets – 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 and Hong Kong, 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 \$1.45 billion and backing from 40 institutional investors.

Notes

Limited Partners (or LPs) are investors in private equity funds. General Partners (or GPs) are private equity 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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