



Global Private Equity Barometer

Winter 2020-21

Coller Capital

Coller Research Institute

Coller Capital's Global Private Equity Barometer

Coller Capital's *Global Private Equity Barometer* is 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 33rd edition of the Barometer captured the views of 113 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:

- GP communications during the Covid-19 crisis
- Structural risks in PE portfolio construction
- PE investment opportunities in the current environment
- PE allocations and returns
- Co-investments
- LPs' liquidity needs and the secondary market (including GP-led secondaries)
- 'Take privates' of public companies
- Special Purpose Acquisition Companies (SPACs)
- Business sector-focused strategies
- Ethnic diversity within PE
- Distressed and turnaround strategies – exposure, return expectations, default rates

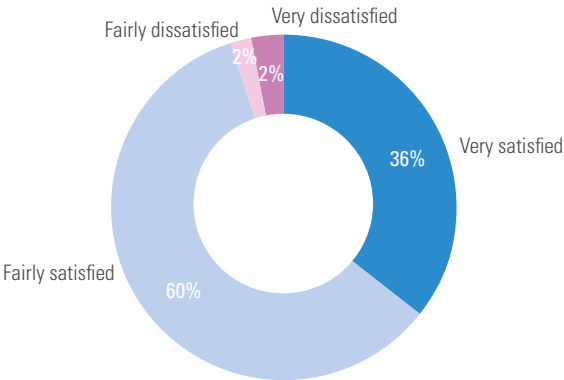
LPs satisfied with GPs' Covid-19 communications

Nearly all LPs are fairly or highly satisfied with how their GPs have communicated during the Covid-19 crisis.

Over a third of investors reported being highly satisfied with their managers' communications – and this included approaching half (45%) of North American LPs.

Fig 1

LP satisfaction with their GPs' communications during the crisis



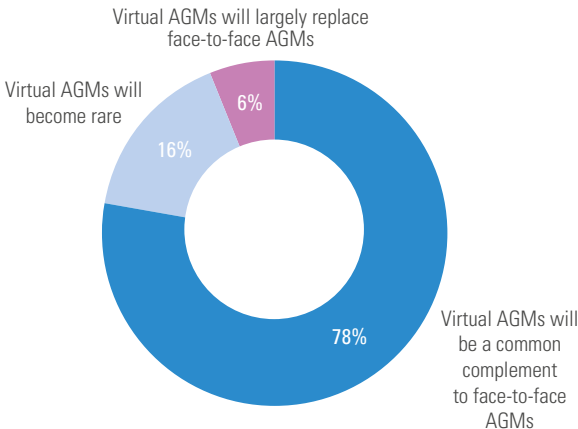
Virtual AGMs are here to stay

Most LPs believe virtual AGMs will be common in the future, but as a complement to, rather than a replacement for, face-to-face AGMs.

Relatively few investors think virtual AGMs will replace face-to-face meetings or that virtual AGMs will disappear again once travel and social distancing restrictions are relaxed.

Fig 2

The incidence of virtual AGMs in the future – LP views

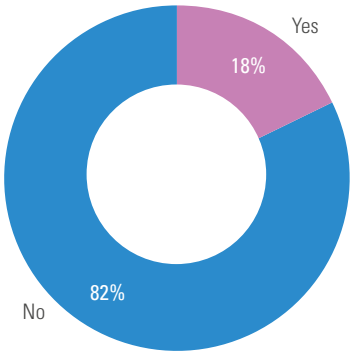


PE travel will never return to pre-Covid levels, LPs believe

Over four fifths of LPs think PE-related travel will be reduced permanently as a result of the Covid-19 crisis.

Fig 3

Likelihood of PE-related travel returning to pre-Covid levels in the medium-to-long term – LP views

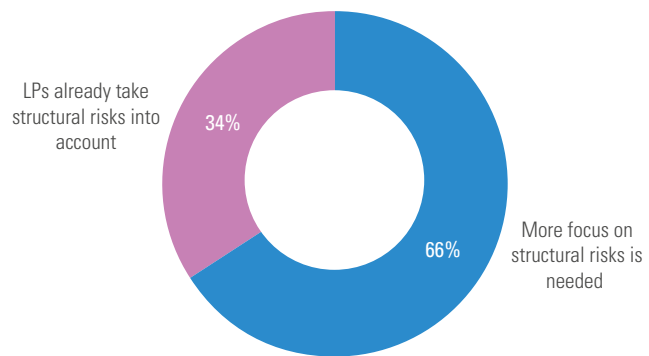


Investors will focus more on structural risks in portfolio construction

Two-thirds of investors believe the Limited Partner community as a whole will in future take more account of structural risks (such as pandemics, climate change, or geopolitical tensions) in their portfolio construction.

Fig 4

Likelihood of increased LP focus on structural risks in building PE portfolios



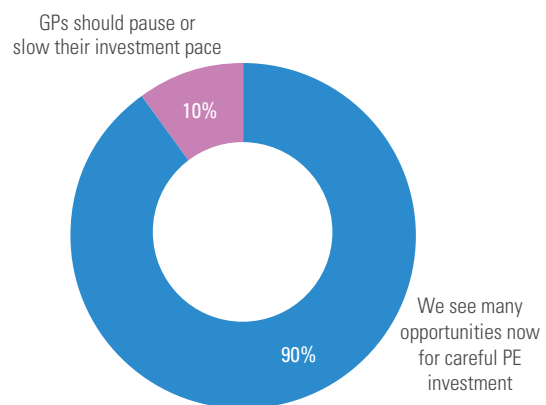
Almost all investors think now is a good time for GPs to invest

Almost all LPs believe that the months ahead will offer many good opportunities for private equity investment by their General Partners.

Just one in ten LPs believe GPs should pause or slow their investment pace until the Covid-19 crisis is resolved.

Fig 5

The current opportunity for GP investment – LP views



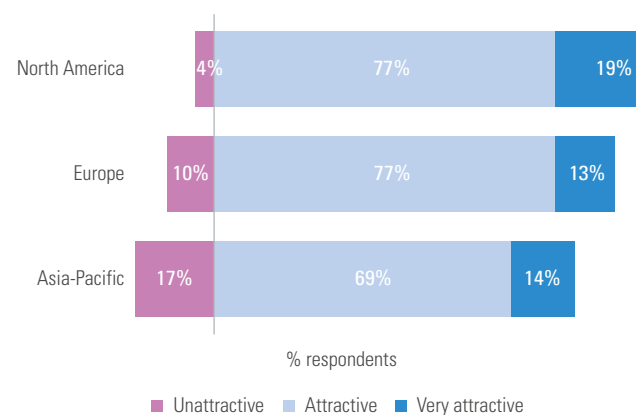
Almost all LPs think North America is attractive for PE investment now

The current environment for private equity investment is seen as attractive in all regions of the world.

This is especially true of North America – where 96% of LPs think there will be attractive investment opportunities in the near future.

Fig 6

The attractiveness of regional PE markets over the next 2-3 years – LP views

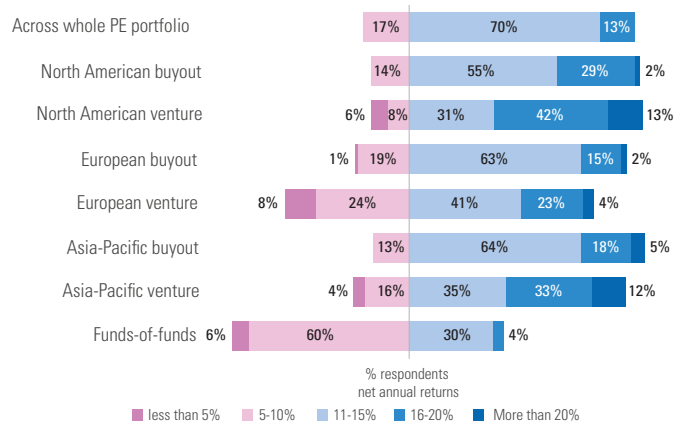


LPs expect strong PE returns over the next 3-5 years

Over four fifths of Limited Partners expect to achieve annual net returns of more than 11% from their private equity portfolios in the next 3-5 years. 13% of private equity investors are forecasting net returns of over 16%.

Fig 7

LPs' forecast annual net returns from PE for the next 3-5 years

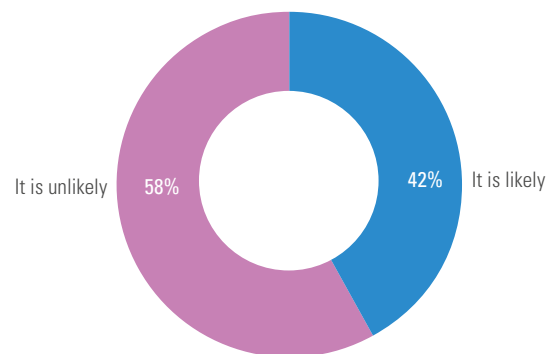


Two in five investors say a review of LP co-investment policies is likely

Over two fifths of Limited Partners believe that changes in the investment environment mean that a review of LP co-investment policies is now likely.

Fig 8

Likelihood of a reassessment of investor co-investment policies – LP views



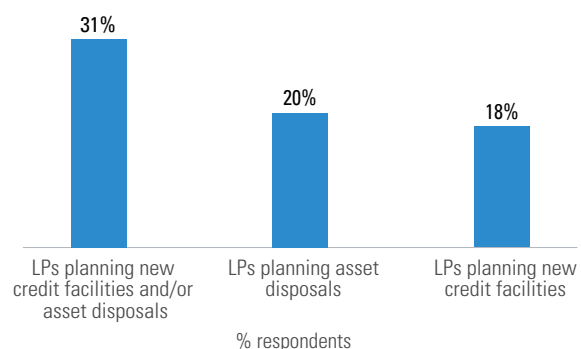
A third of LPs to remedy liquidity shortfalls via new credit facilities/asset disposals

Almost a third of Limited Partners plan to use new credit facilities or asset disposals to remedy liquidity shortfalls in their private equity portfolios over the next couple of years.

While European and Asia-Pacific LPs are almost equally likely to choose each of these routes, North American investors are twice as likely to choose asset disposals over new credit facilities.

Fig 9

How LPs plan to remedy liquidity shortfalls in their PE portfolios in the next 2 years

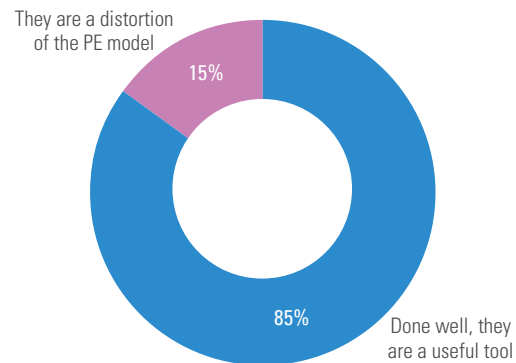


Well-structured GP-led secondaries are overwhelmingly popular with LPs

The large majority of private equity investors welcome well-constructed GP-led secondary transactions, believing that they increase optionality for both Limited and General Partners.

Fig 10

GP-led secondaries as a blessing or a curse – LP views

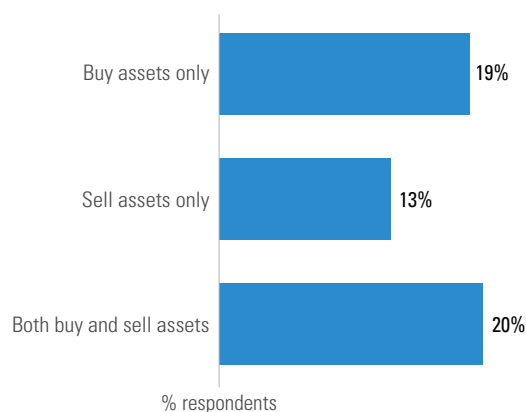


Half of LPs plan to access the secondary market in the next two years

Just over half of LP institutions plan to utilise the secondary market in the next two years, either as a buyer or a seller – or both. One in five Limited Partners plan both to buy and to sell assets.

Fig 11

Planned LP activity in the secondary market in the next 2 years (excluding GP-led secondaries)



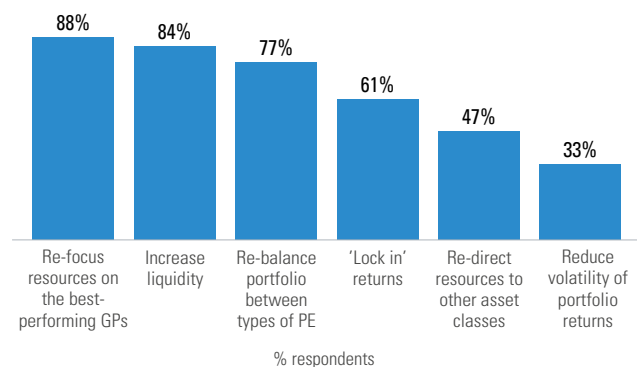
PE portfolio re-shaping to drive secondary market sales

Re-focusing their portfolios in favour of individual managers or particular types of private equity will be important reasons for LPs to sell assets in the secondary market in the next two years, complementing a desire to boost liquidity in their portfolios.

These priorities are broadly similar to those shown by investors at the time of the Global Financial Crisis (in the *Barometer of Winter 2008-09*).

Fig 12

Reasons LPs will sell in the PE secondary market in the next 2 years

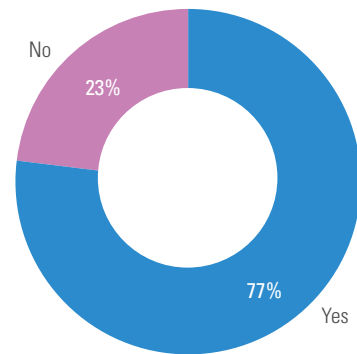


Number of 'take privates' likely to rise, LPs believe

Three quarters of LPs believe the number of 'take privates' of public companies by private equity firms will rise over the next two years. Investors from all regions of the world share this view.

Fig 13

Likelihood of 'take privates' of public companies increasing in the next 2 years – LP views

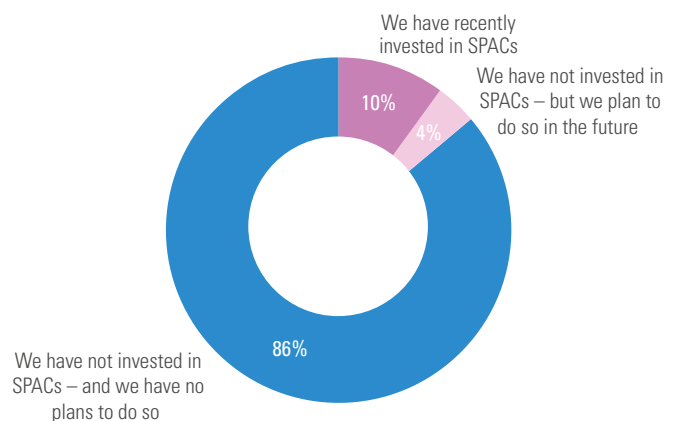


Very few PE investors plan to invest in SPACs

The large majority of LPs have not recently invested in a SPAC (Special Purpose Acquisition Company) and have no intention of doing so in the future.

Fig 14

LP investment policies with regard to SPACs

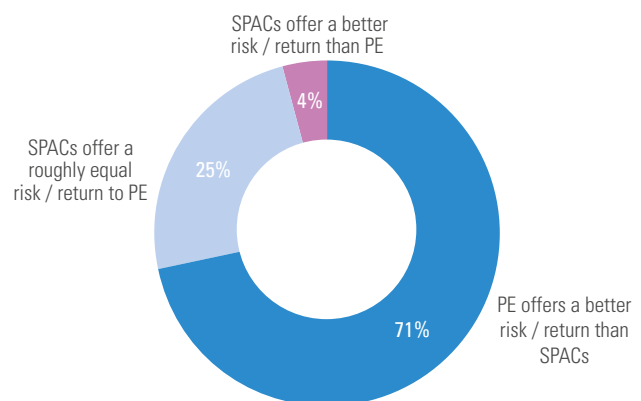


PE offers a better risk/return profile than SPACs, LPs say

Seven out of ten LPs believe that private equity offers a better risk/return profile than SPACs. Just one in twenty five PE investors sees SPACs' risk/return profile as superior to private equity's.

Fig 15

The comparative risk/return profiles of PE and SPACs – LP views

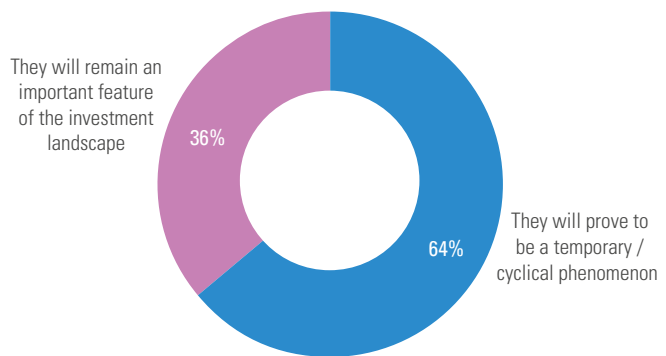


SPACs are a cyclical phenomenon, LPs believe

Around two thirds of LPs believe that SPACs will prove to be a temporary, cyclical phenomenon. This proportion rises to almost three quarters among North America-based investors.

Fig 16

Longevity of the SPACs phenomenon – LP views



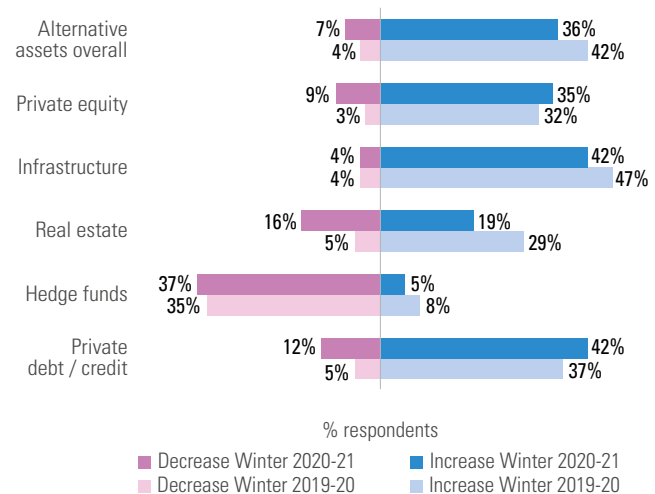
LPs retain enthusiasm for alt assets – but become cautious about real estate

Investors plan to increase their target asset allocations to alternative assets over the next year – as they have done annually for many years. However, they are significantly more cautious about real estate than twelve months ago.

LPs' planned increases to their allocations to private equity and private credit largely mirror last year's intentions. By the same token, investor appetite for hedge funds continues its apparently relentless decline.

Fig 17

Change to LP allocations to alternatives in the next 12 months

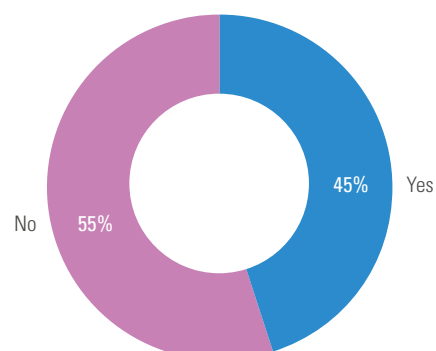


Almost half of LPs plan to increase their industry sector focus

Many LPs plan to increase the sector focus of their private equity programmes in the coming years. Almost two thirds (64%) of Asia-Pacific investors say that they intend to do this.

Fig 18

LP plans to increase industry sector focus in the next few years



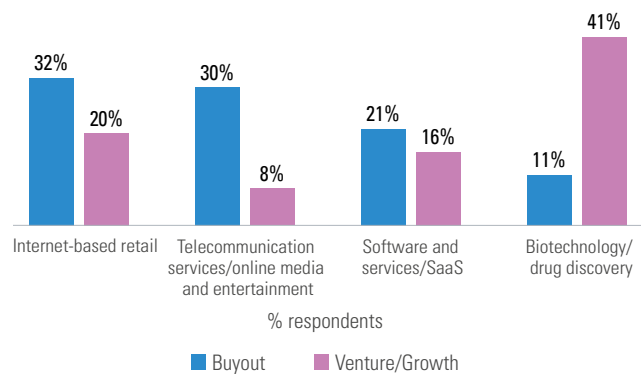
LP plans to boost sector focus vary by target industry

Overall, investors prefer buyout funds to venture/growth ones in seeking a higher exposure to online retail and to telecoms services/online media/entertainment (though there is clear Limited Partner appetite for both strategies).

However, almost four times as many investors plan to boost exposure to biotech and drug discovery via venture/growth funds than via buyout funds.

Fig 19

LPs' preferred strategies for boosting exposure to target sectors in the next few years

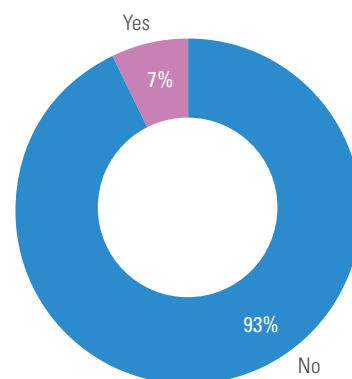


Sports-focused PE funds will remain a niche LP interest

Only 7% of LPs are likely to commit to a private equity fund focused significantly on sports franchises and leagues in the next few years.

Fig 20

Likelihood of LPs committing to a sports-focused PE fund in the next few years

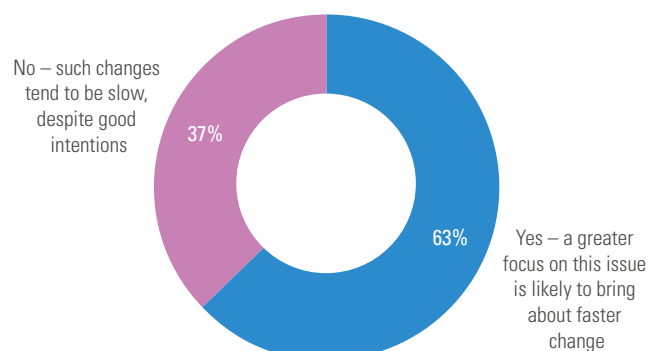


Ethnic diversity within the PE industry will accelerate, LPs say

Two thirds of LPs expect ethnic diversity within the private equity industry to accelerate over the next few years, saying that an increased focus by the industry is likely to bring about faster change.

Fig 21

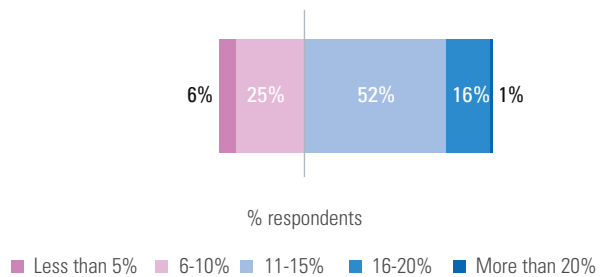
Likely progress of ethnic diversity within the PE industry – LP views



Over two thirds of LPs expect today's distressed debt funds to achieve returns of 11%+

Seven out of ten LPs expect to achieve annual net returns of more than 11% from distressed debt funds that are currently investing. 17% of investors are forecasting net returns of over 16%.

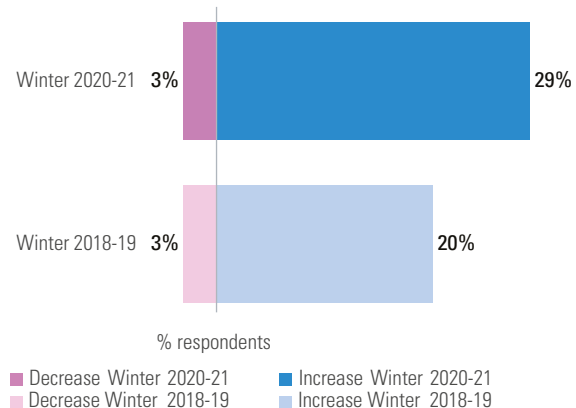
Fig 22 LPs' annual net return expectations for 'current vintage' distressed debt funds



LP appetite for turnaround / distressed strategies has accelerated

Almost one third of investors are planning to increase their exposure to private equity turnaround and distressed strategies in the next two to three years. This compares with fewer than one in five (20% of) LPs who were planning to do so in the *Barometer of Winter 2018-19*.

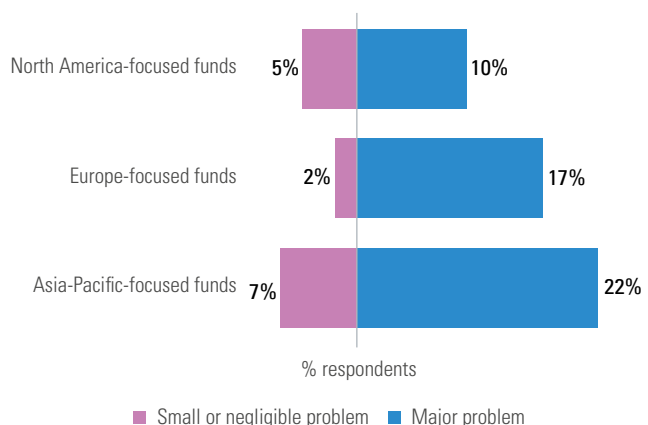
Fig 23 LP plans for exposure to turnaround/distressed strategies in the next 2-3 years



One in five LPs sees rising default rates as problematic for Asia-Pacific private debt

Overall, investors believe higher default rates will be a manageable problem for the world's private debt funds. Only 10% of LPs believe higher defaults will be a major problem for North American debt funds, but this figure rises to 22% of LPs for Asia-Pacific funds.

Fig 24 Likely impact of higher default rates on private debt funds by region – LP views



Coller Capital's Global Private Equity Barometer

Research methodology

Fieldwork for the Barometer was undertaken for Coller Capital from 14 September to 16 October 2020 by Arbor Square Associates, a specialist alternative assets research team with over 50 years' collective experience in the private equity field.

Respondent breakdown – Winter 2020-21

The *Barometer* researched the plans and opinions of 113 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

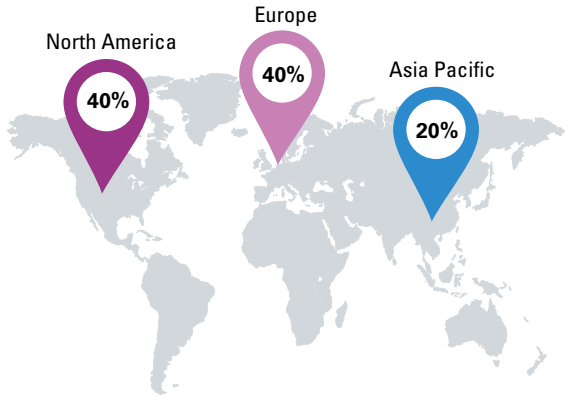


Fig 26 Respondents by total assets under management

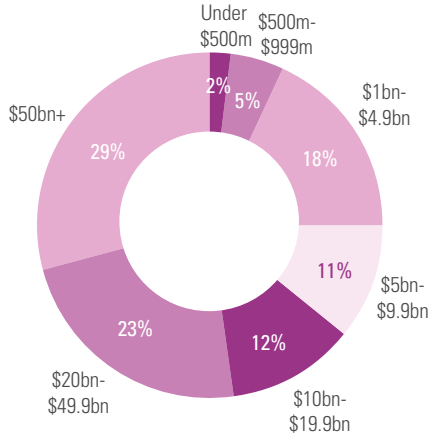


Fig 27 Respondents by year in which they started to invest in private equity

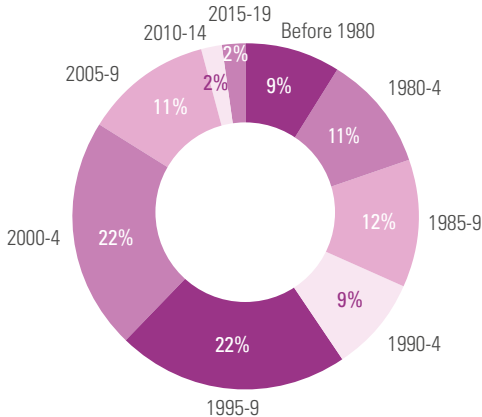
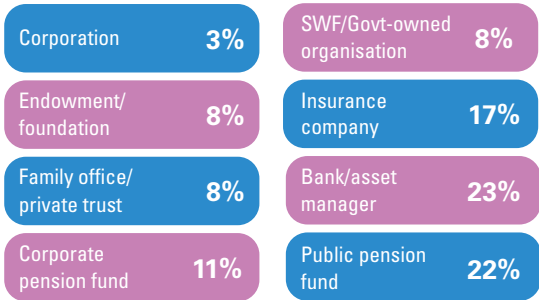


Fig 28 Respondents by type of organisation



About Collier Capital

Collier Capital is one of the world's leading investors in private equity's secondary market – widely acknowledged as an innovator at the complex end of secondaries.

The firm provides liquidity solutions to private equity investors worldwide, acquiring interests in private equity funds, portfolios of private companies, and other private equity-related assets. Headquartered in London, and with offices in New York and Hong Kong, Collier Capital's multinational investment team has a truly global reach.

In December 2015, the firm closed Collier International Partners VII, with capital commitments of \$7.15 billion and backing from approximately 170 of the world's leading institutional investors.

Notes

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