Coller Capital First in Secondaries

41ST EDITION

Global Private Capital Barometer

Winter 2024-25

Coller Research Institute

Coller Capital's *Global Private Capital Barometer*

Welcome to the Winter 2024-25 edition of the *Global Private Capital Barometer*, Coller Capital's landmark survey of private market investor sentiment now in its 20th anniversary year. The Barometer explores the current dynamics of private markets, examining private market trends, the competitive landscape and how LPs are navigating the evolving environment amid an improving macroeconomic backdrop.

We seek to better understand and uncover how LPs view the current opportunities emerging within private markets generally, as well as across asset classes and regions.

Fieldwork for the Barometer was undertaken for Coller Capital from 12 September 2024 to 30 October 2024 by Arbor Square Associates, a specialist, independent research consultancy that has operated within the alternative assets industry since 2006.

Contents

Key Findings

1 New and established managers equally capable of originating interesting investment propositions

2 LPs are looking to streamline their credit programmes

3 Nearly half of LPs view secondaries as a core pillar of their alternative assets strategy

Notes:
Some charts may not add up due to rounding.
Limited Partners (or LPs) are investors in private equity funds.
General Partners (or GPs) are private capital fund managers.
In this Barometer report, the term private capital is a generic term encompassing the following asset classes: private equity, private debt, venture capital and real assets.

Contact:
Andrew Kelly
Barometer@collercapital.com

Private capital opportunities

LPs equally open to both established players and new entrants with innovative fund propositions

Eager to find out where some of the most exciting investment opportunities emerged from over the past 12 months, we discovered that established players and newly formed managers launching new strategies were equally capable of generating interesting fund opportunities.

Given that new managers will make up a significantly smaller proportion of funds that will cross LPs' desks, it is noteworthy that they are the source of 50% of the most interesting propositions, particularly among the North American investor base.

Investors able to commit to debut funds from newly formed managers indicated that the biggest factor behind such a decision would be the presence of one or more individuals with an outstanding investment track record at the firm, with 98% of respondents citing this as a factor. The emergence of a new manager through the spin-out of a robust captive team was also a key consideration, capturing the vote of nearly three-quarters of respondents.

Fig 1: In the last 12 months, where do you think the most interesting fund propositions that have crossed your desk have originated from?

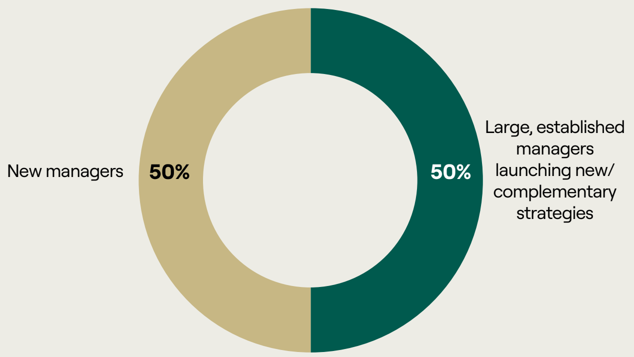
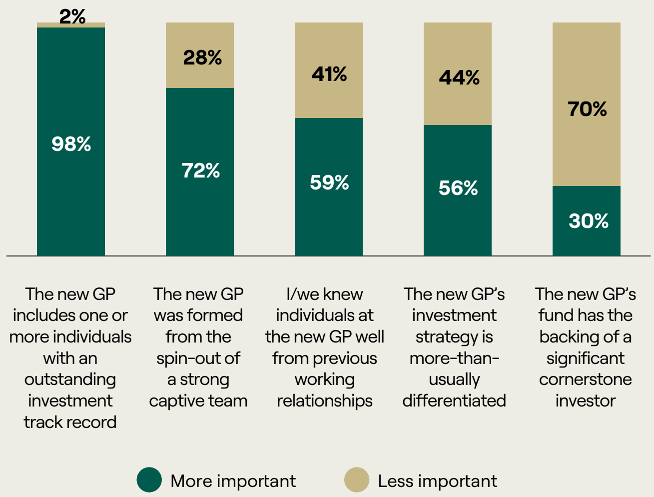


Fig 2: If you are able to invest in debut funds from newly formed GPs, how influential are the following factors in your investment decision?



Private capital opportunities

M&A-based growth – leading value driver within portfolio companies

Among respondents, 41% of LPs surveyed expected M&A-based growth and add-on acquisitions to be the leading driver of value within their GPs' portfolio companies in the next two to three years.

The majority of investors considered this approach an effective pathway to unlocking future growth, recognising its potential to achieve strategic objectives, scale efficiently, and deliver other key benefits.

Operational improvements, whilst commanding second place overall, was viewed by European LPs as the primary avenue for managers to add value, whilst top of mind for APAC investors was organic growth in revenues.

Digitalisation emerged as the top pick of areas offering the greatest potential for PE firms to bolster their portfolio companies' performance over the next five years. 73% of LPs believe that technology, along with AI developments, presents the most promising opportunities for driving value creation out of the three options.

Fig 3: What do you expect to be the primary driver of value within your GPs' portfolio companies over the next two to three years?

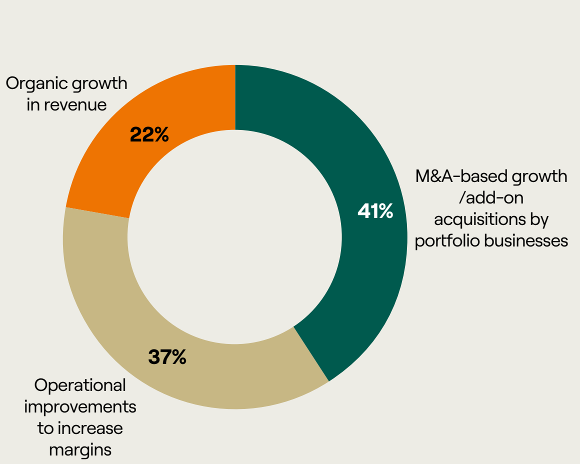
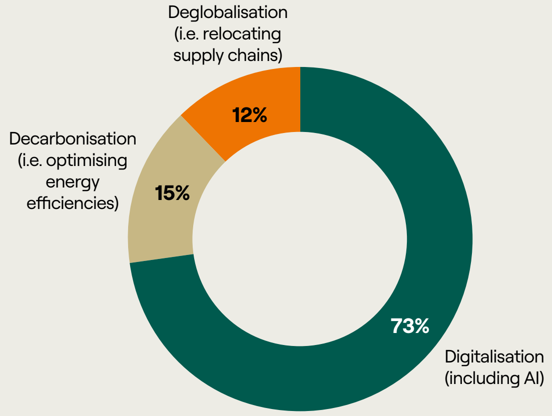


Fig 4: Which one of the following themes do you believe will present the greatest opportunity for PE firms to add value to their portfolio companies over the next five years?



Private capital opportunities

Sports franchises and entertainment seen as risky by most

Sentiment towards investing in sports and entertainment remains cautious. For over four-fifths of respondents, the risks involved in committing to PE funds focused significantly on sports franchises, music rights or gaming are simply too great. The top-cited risk consideration associated with investing in any of these sectors was high/unproven valuations. LPs also viewed unproven track records or unclear value creation plans as significant risk factors.

Despite this, nearly one in five investors is either already invested in funds focused on sports, music or gaming, or plans on doing so in the near future. Public pension funds, endowments and asset managers displayed greatest appetite towards these areas.

Of the three areas we asked about, sports attracted the most investment interest, with North American LPs exhibiting the strongest inclination towards the sector. Nearly 20% of investors from the region are already invested in sports-focused funds, whilst a further 14% are planning to do so in the next few years.

We also asked LPs for their thoughts on investment in women's sport specifically and found that 63% see this sector as a significant investment opportunity for the future. In fact, 16% consider it as a viable investment opportunity today. When looking at the opinions of US LPs, this number increases to one in four.

Whilst it might be too early to tell where these sectors are headed, it is evident that exciting investment opportunities may come from anywhere.

Fig 5: Do you/are you likely to commit to a PE fund focused significantly on any of the following?

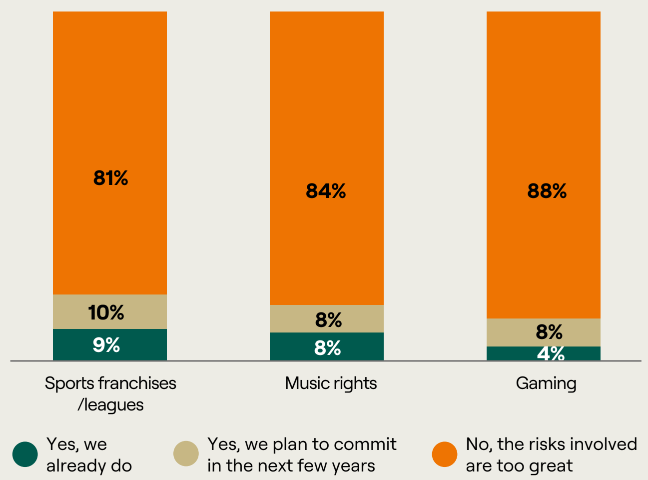


Fig 6: When do you anticipate women's sport will represent a significant investment opportunity for private equity?

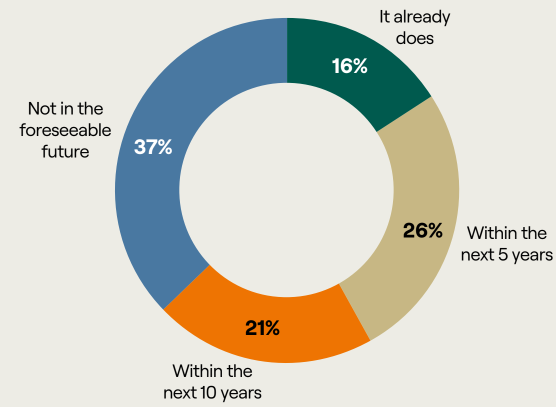
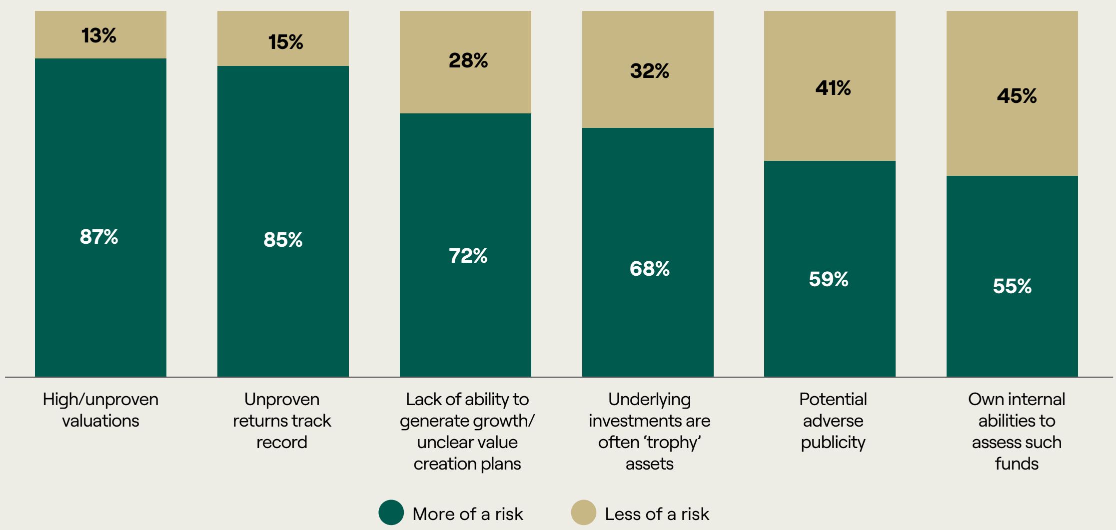


Fig 7: To what extent do you consider each of these factors to be a risk associated with an investment in a sports/music/gaming focused PE fund?



Note: Gaming refers specifically to video gaming.

Manager experience

90% of LPs experience fundraising extension requests

Given the tight liquidity environment, the vast majority of respondents have received fundraising extension requests from their GPs in the past 12 months. Nearly two-thirds have also observed funds closing below target over the same period. The views expressed were consistent across regions.

Fund sizes have been on a steady upward trajectory, with managers launching funds larger than their predecessors in recent years, though not all have succeeded in meeting their target size. Perhaps we might be approaching an inflection point, as there has been a high level of scrutiny on fund size increases by LPs for a number of years.

Nearly four-fifths of LPs feel comfortable with their GPs' current alignment. Out of those, 32% believe that most of the GPs they are invested with currently demonstrate adequate commitment to the funds. That sentiment was prevalent among the North American investor base with 38% of respondents holding such a view. In contrast, European LPs exhibited the lowest level of confidence in this regard, with only 26% sharing that perspective, the smallest proportion of all regions.

Fig 8: To what extent have you experienced any of the following in your private equity portfolio over the last year?

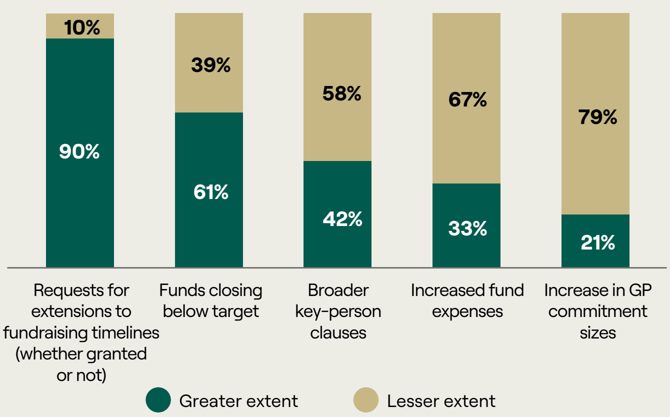
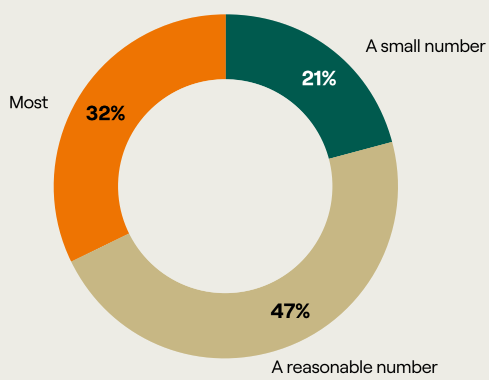


Fig 9: In what proportion of your GP relationships do you feel that the level of GP commitment to the firm's funds is currently adequate?



Manager experience

In an environment characterised by low distributions, LPs are capital constrained from re-investing with a current manager

Operating in a negative cash flow environment has become a familiar experience for LPs and perhaps it is not a surprise that nearly 80% of respondents have declined the opportunity to reinvest with one or more of their current manager(s) in the last 12 months.

When asked why re-ups have been refused, we discovered a relatively balanced distribution between reasons attributed to GPs and LP-associated ones.

On balance, performance was cited as the top factor and LP views were unanimous across all regions except Rest of World (RoW). For investors from this region, the availability of capital emerged as the main reason for opting not to reinvest.

When looking to the next 12 months, more re-up refusals can be expected. However, almost two-thirds of LPs intend to do so with only a small number of their current GPs and a further 12% don't expect to decline reinvestment opportunities at all. This could be indicative of an improving sentiment and investor confidence across private markets.

Fig 10: In the last 12 months, have you declined to re-up/ re-invest with any of your current GPs?

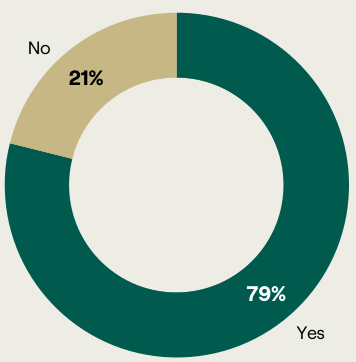


Fig 11: If you answered 'Yes' to the previous question, what on balance, was the reason the majority of re-ups were rejected?

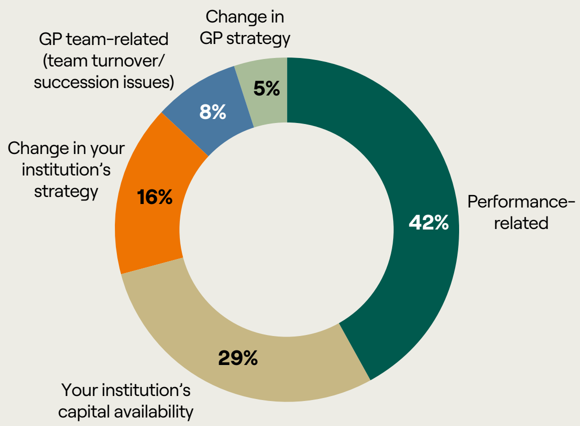
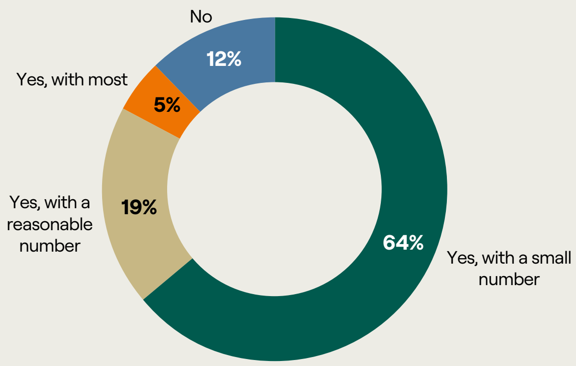


Fig 12: Over the next 12 months do you expect to refuse a re-up with any of your existing managers?



Manager experience

LPs would like greater transparency across future call and distribution activities

'Future call and distribution activity' was outlined as the area in which LPs felt GPs can introduce greater transparency. Regional views varied with European and RoW LPs expressing the strongest support for the notion, whilst North American and Asia Pacific (APAC) investors showed a greater interest in understanding 'details of key transactions'.

91% of LPs were supportive of introducing 'Exit committees' to help make decisions on exit timing and overall portfolio strategy. With 63% of investors stating that current exit timelines communicated to them by their GPs feel "optimistic", this idea might add a further layer of objectivity to the process in the eyes of investors.

Fig 13: Overall, in which of the following areas do you feel that transparency from your GPs could be improved? (Please select all that apply)

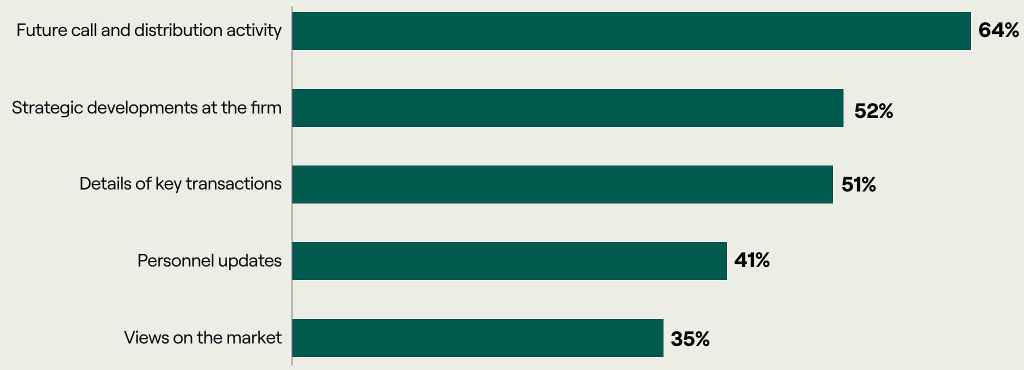


Fig 14: Do you think it's a good idea for GPs to have exit committees (ie. an internal group that decides on exit timing and strategy for the whole portfolio)?

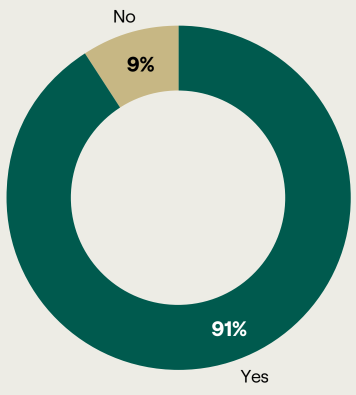
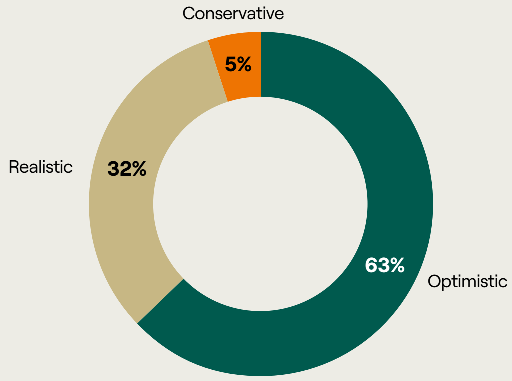


Fig 15: Overall, how realistic do you feel the current exit timelines communicated to you by your GPs are?



Allocations & LP observations

Nearly half of LPs view secondaries as a core pillar of their alternative assets strategy

When looking at the year ahead, 37% of LPs plan to increase their allocation to alternatives overall. Delving into the nuances in responses across various strategies, 37% of LPs stated that they plan on increasing their allocation to private debt, reflecting the growing enthusiasm for this segment. Private equity and infrastructure followed closely, capturing investor interest, with LPs intending to increase allocations by 34% and 33% respectively.

Secondaries continues to further cement their place in the alternatives landscape with 45% of LPs telling us that the strategy now represents a core pillar of their alternative assets programme.

We also examined continuation vehicles (CVs) from the viewpoint of investors. Recent trends point towards greater acceptance and understanding, accompanied by robust demand, as CVs firmly establish themselves as a viable exit strategy and a path to liquidity.

Many market participants have gained deeper understanding and exposure to continuation funds and we expect a sustained increase in appetite for these vehicles.

Over half of LPs believe they represent an opportunity to maximise value for strong performing assets or retain them for longer in order to extend the investment horizon and capture additional upside.

The remainder of respondents believe CVs serve as a means of providing GPs with an alternative to selling at a low valuation. Although the material difference lies in whether a lower valuation is a reflection of the state of the market or the state of where the asset is at.

Fig 16: In the next 12 months, how do you expect your target allocation to alternative assets to change?

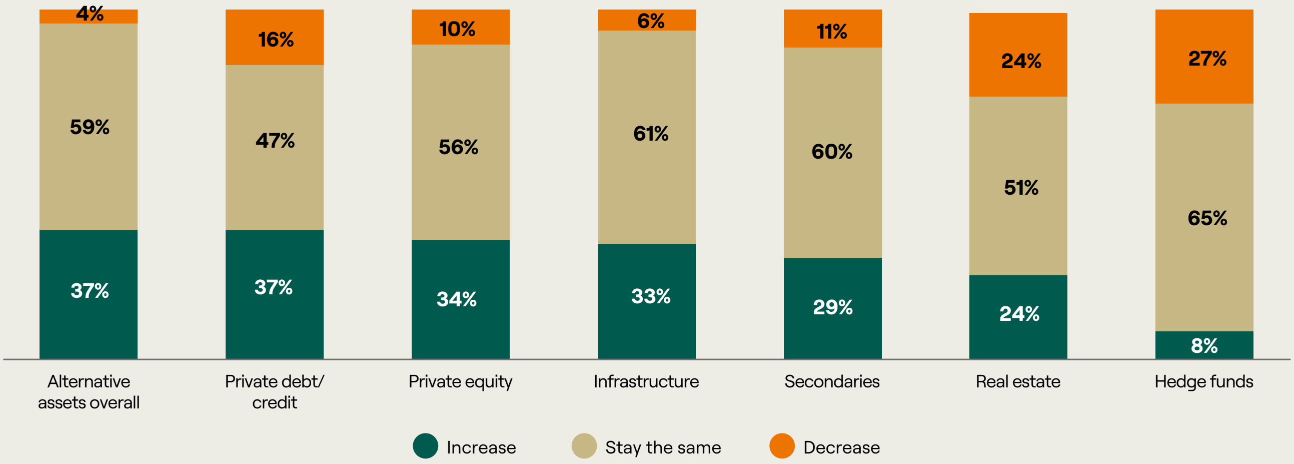


Fig 17: Which of these statements best reflects your view of your institution's secondary fund investments?

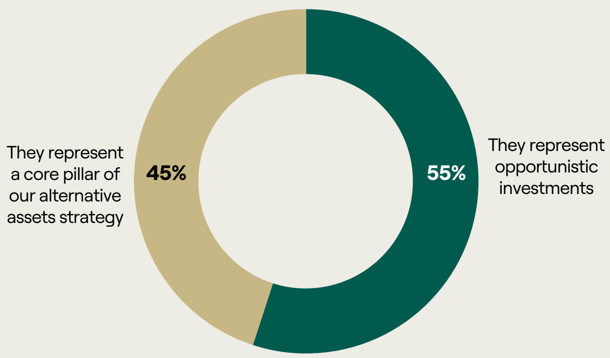
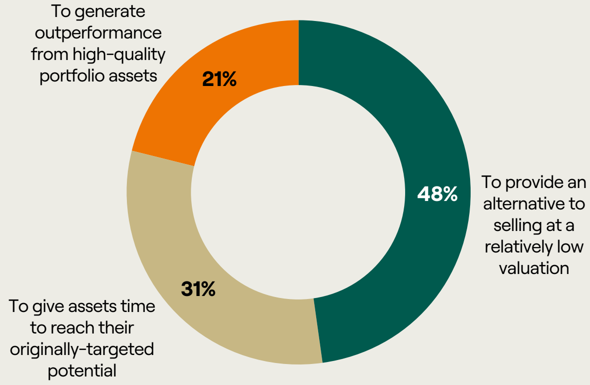


Fig 18: What is the primary purpose of continuation vehicles today?



Credit

Two-thirds of LPs are looking to invest in a smaller number of credit managers and back a limited number of credit strategies in the next two to three years

Private credit has been one of the most dynamic areas of the alternative assets market over the last decade. It is not only one of the fastest-growing segments of private markets, but it also continues to expand into an increasingly diverse array of assets.

Against this backdrop, around two-thirds of investors are expecting to focus their credit programmes and concentrate on a smaller number of credit managers in the next two to three years. At the same time, a similar proportion of respondents are also likely to back a more limited number of credit strategies.

Given the abundance of options and continued diversification, it is likely that many have gained ample experience across the strategy, identified their ideal niches, and are content to channel their investment capabilities within these specific areas.

North American LPs exhibited the strongest inclination towards achieving a concentration with a smaller number of credit managers, whilst investors from the RoW showed the greatest tilt towards backing a more limited range of credit strategies.

Fig 19: How do you expect your private credit programme to develop over the next two to three years, in terms of the number of credit managers backed?

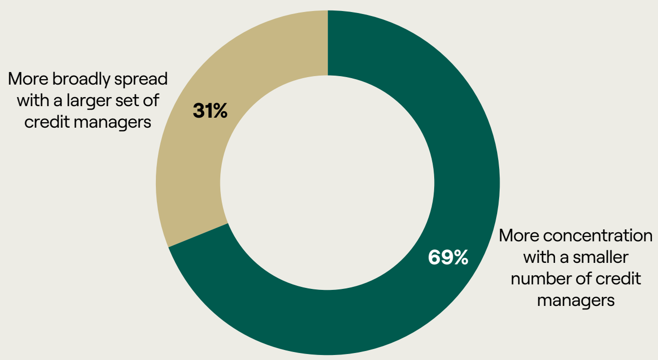
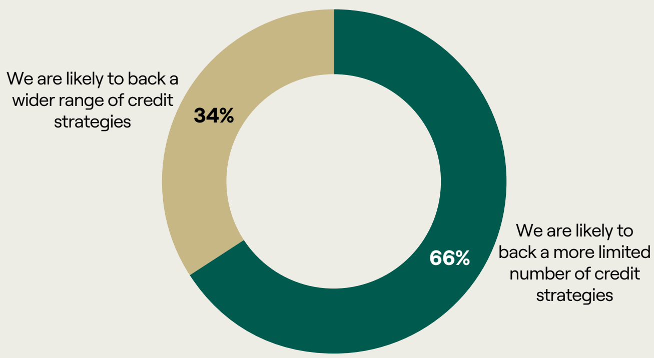


Fig 20: How do you expect your private credit programme to develop over the next two to three years, in terms of the range of strategies backed?



India, Japan and South Korea – improving attractiveness in the eyes of LPs

India topped the list of emerging private markets in Asia, where two-thirds of respondents feel that the attractiveness of the risk/reward equation for private equity is improving, followed by Japan and South Korea.

Exploring some of the key considerations of investing in the region further, we found that limited number of established GPs and PE talent overall was perceived by LPs as a key obstacle to PE investment across all three countries in the next three years. Japan and South Korea exhibited a relatively similar profile, with investors acknowledging that escalating competition for deals and hesitance to share ownership in companies could influence private equity investment prospects in these markets.

Opinions on India showed that scarcity of PE talent and competition for deals are at the forefront of LPs' concerns. However, investors also identified a challenging exit environment as an investment hurdle.

It is perhaps not surprising that pan-Asian funds have emerged as the most important avenue for investment in Asia (ex-China), as they are likely to offer an optimal balance between risk and exposure.

Fig 21: Overall, how do you think the attractiveness of the risk/reward equation for PE is changing in the following markets?

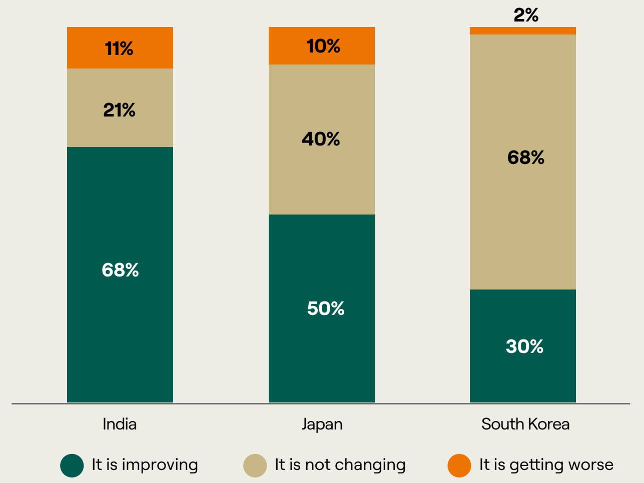


Fig 22: Which routes do you expect to be most important for your investment in Asia (ex-China) in the future? (Please select all that apply)

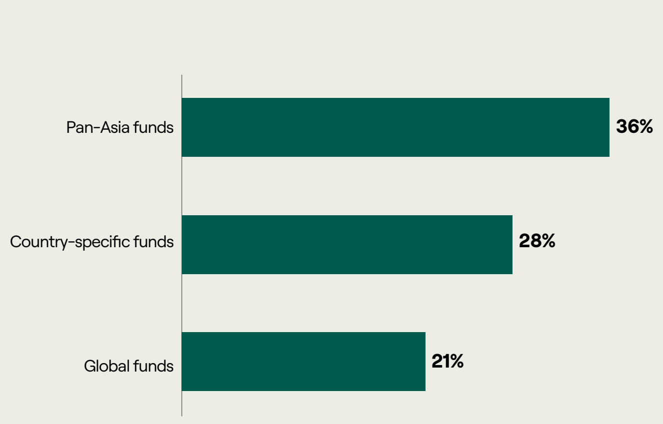
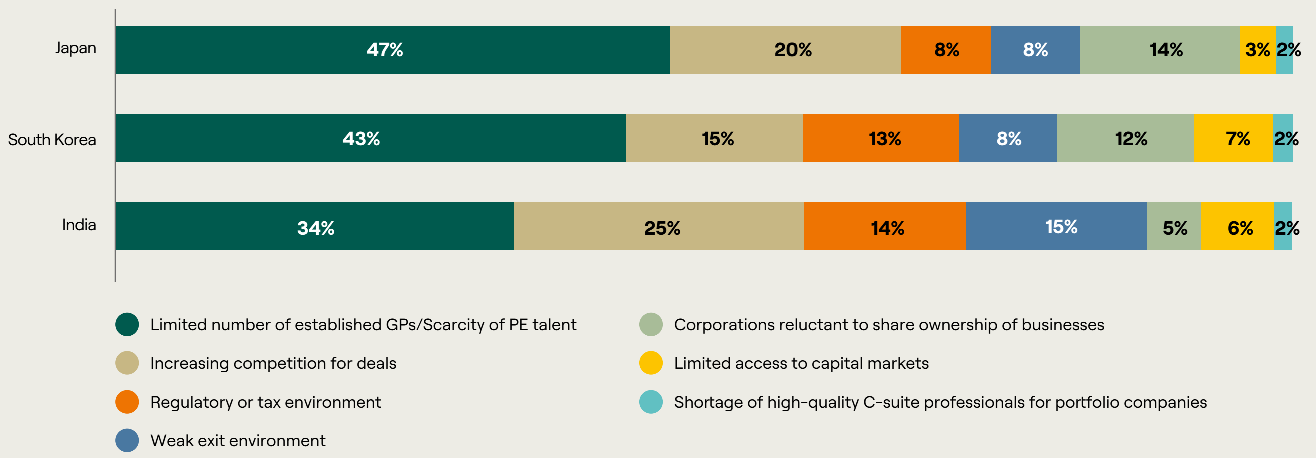


Fig 23: Which of the following will be significant obstacles to PE investment in Japan/South Korea/India in the next three years? (Please select one for each country)



Methodology/demographics

Respondent breakdown

The Barometer researched the plans and opinions of 110 investors in private capital funds. These investors, based in North America, Europe, Asia-Pacific and Rest of the World (RoW) including Middle East and North Africa (MENA), comprise a representative sample of the LP population worldwide. In total, the investors surveyed oversee an aggregate minimum of $1.9 trillion in assets under management.

Fig 24: Respondents by region

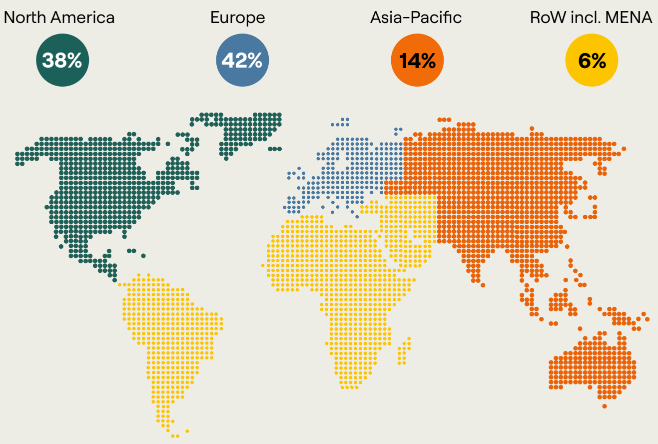


Fig 25: Respondents by total assets under management

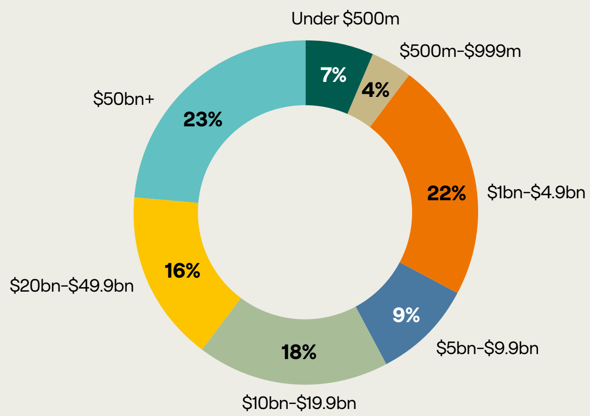


Fig 26: Respondents by year in which they started to invest in private equity

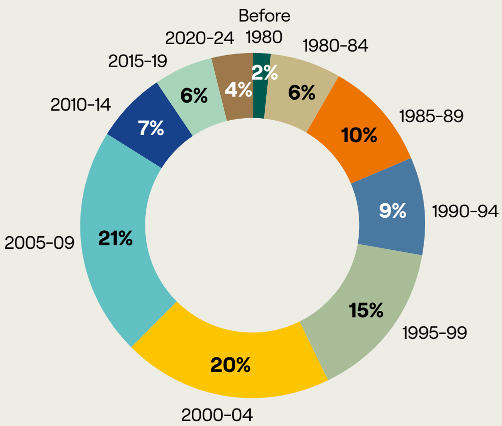
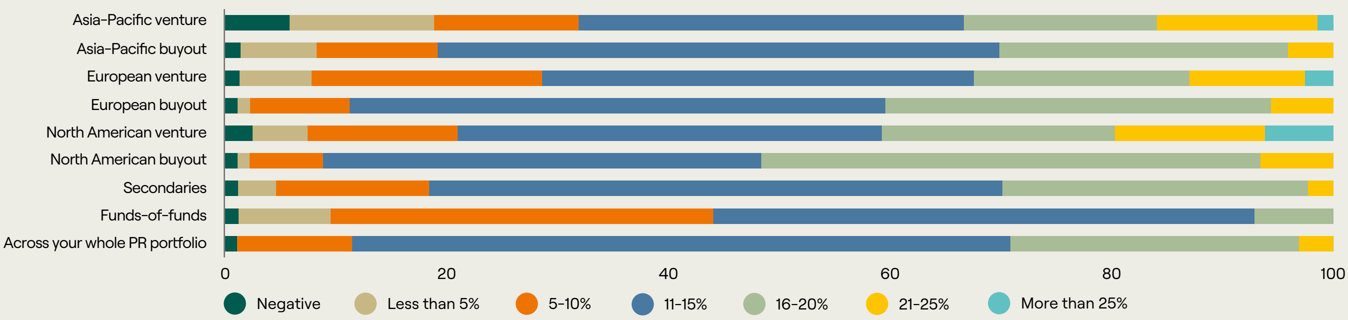


Fig 27: Respondents by type of organisation

Bank – investing the bank's own capital only	2%	Pension fund – public	18%
Bank/Asset manager – investing third party funds only	16%	Endowment/ foundation	7%
Bank/Asset manager – investing the bank's own capital & third party funds	6%	Family office/ private trust	19%
Corporation	2%	Government-owned organisation/SWF	4%
Pension fund – corporate	11%	Insurance company	16%

Fig 28: Expected annual net returns in the next three to five years



About Coller Capital

Coller 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 in 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, Seoul, Luxembourg, Zurich, Melbourne and Montreal, Coller's multinational investment team has a truly global reach.

In January 2021, the firm closed Coller 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 Coller 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, Coller 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.

Disclaimer and other important terms:

Contact us using
the QR code below.

collercapital.com