



Probitas Partners 2020 Institutional Investors Private Equity Survey

December 2019



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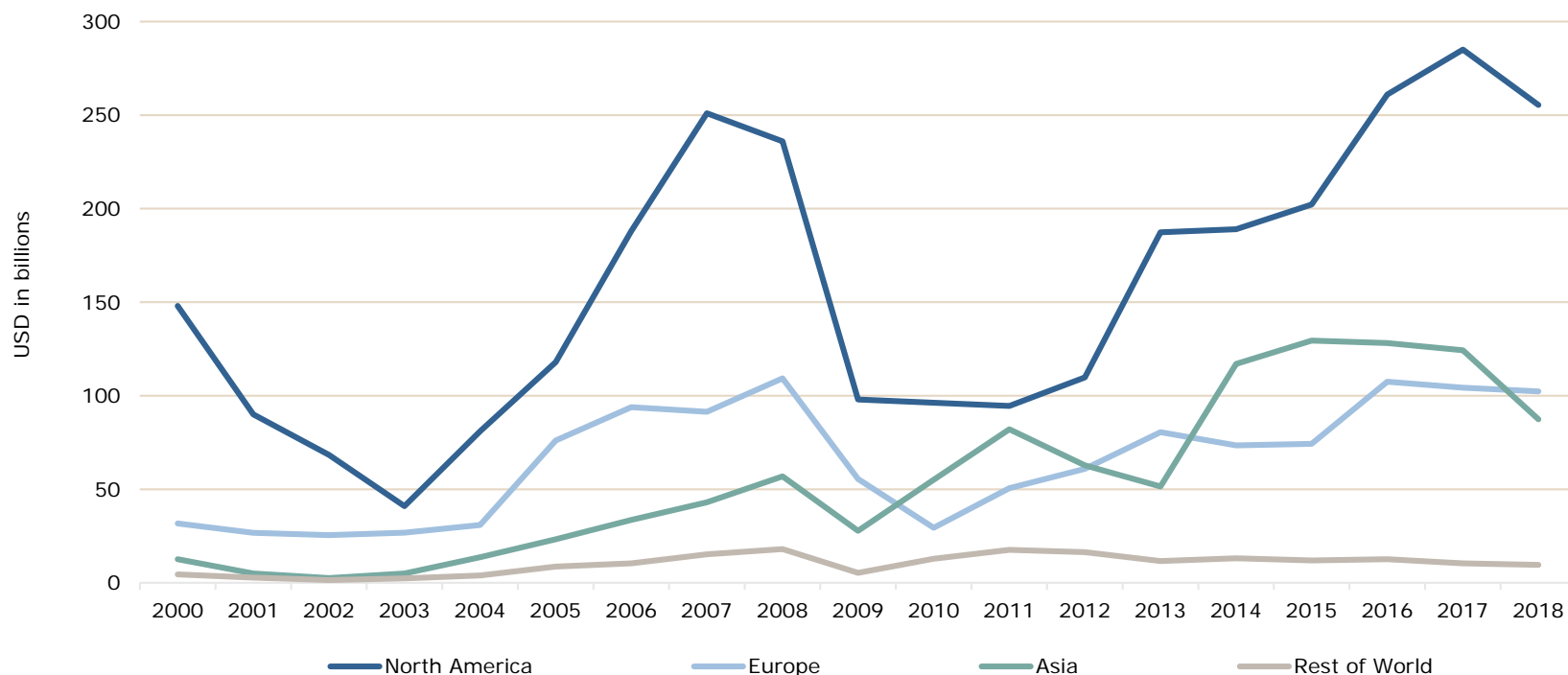
Survey Highlights

- Investors are still heavily focused on U.S. and European Middle-Market Buyouts, and U.S. Growth Capital.
- Though many respondents felt that we are near or at the top of the market cycle, interest in Distressed Debt and Special Situations funds declined this year as the investment pace for these funds has slowed.
- Though Asian-focused fundraising remains slow, respondents still expressed strong interest in China, even amid the U.S./China trade war.
- Focus on investing in the U.K. was weak among Europeans, though interest in the U.K. was buoyed by Asian and North American investors.
- Interest in Social Impact funds was weak, and Asian and North American respondents were much less focused on ESG than were European Investors.
- Venture Capital interest increased slightly in this year's survey – though the survey was completed before SoftBank was forced to rescue WeWork.
- Few investors are targeting emerging markets, and those investors are heavily focused on emerging Asia.
- The greatest fear of 64% of respondents was that we are at or near to the peak of the market cycle.

Background: Private Equity Fundraising

- After reaching an all-time high in 2017, global private equity fundraising fell in 2018 due to weakness in North America and Asia.
- Year-to-date fundraising in 2019 has rebounded strongly due to commitments going to mega funds headquartered in the US – though a few of those funds invest globally.
- Fundraising for Asian-focused vehicles has remained weak.

Chart I Commitments to Private Equity Partnerships



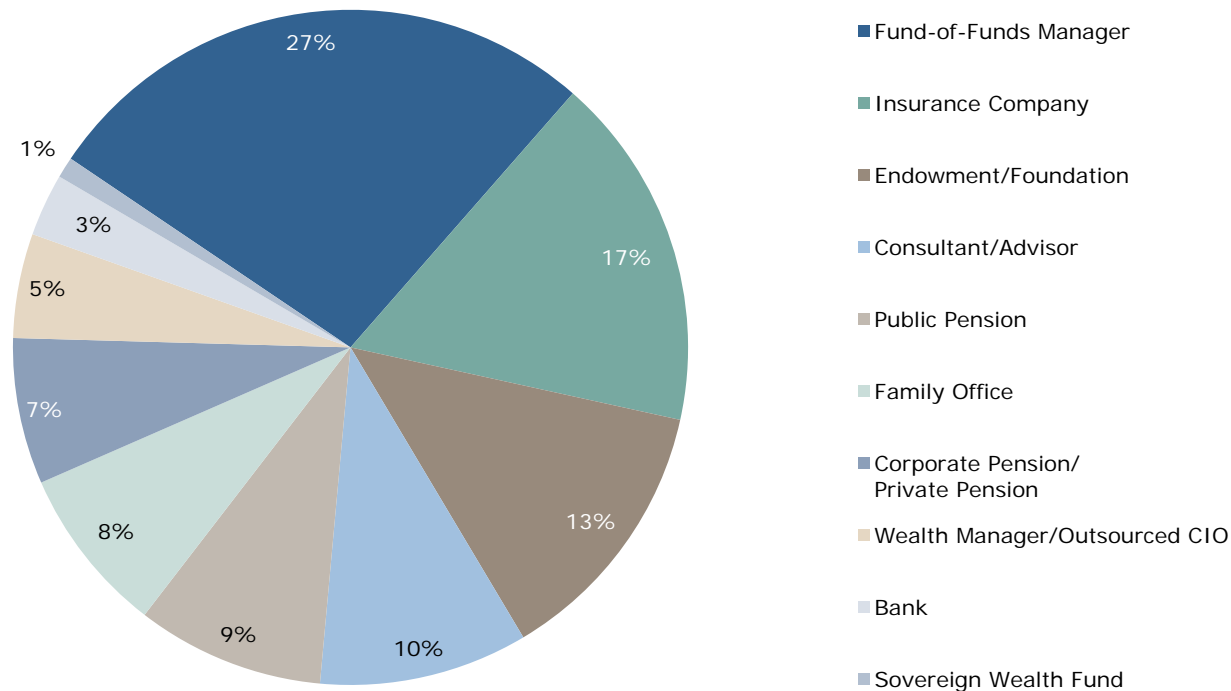
Source: PREQIN; Data as of December 31, 2018, does not include funds-of-funds

Respondents by Type of Institution

- 57% of respondents came from Funds-of-Funds, Insurance Companies or Endowments & Foundations, with another 16% coming from Public or Corporate Pension Plans.
- Family office participation at 10% was significant.

Chart II Respondents by Institution

I represent a:



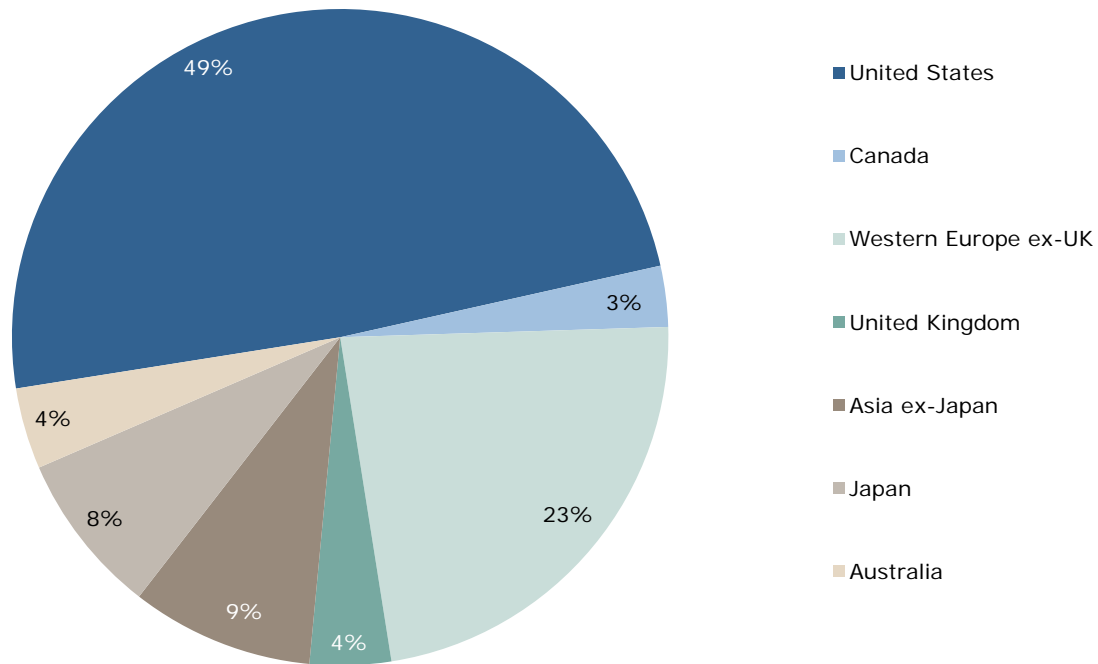
Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

Respondents by Firm Headquarters

- 52% of respondents were from North America while 27% were from Europe and 21% from Asia or Australia.
- The bulk of respondents came from developed markets which are the major source of capital for private equity.

Chart III Respondents by Firm Headquarters

My firm is headquartered in:



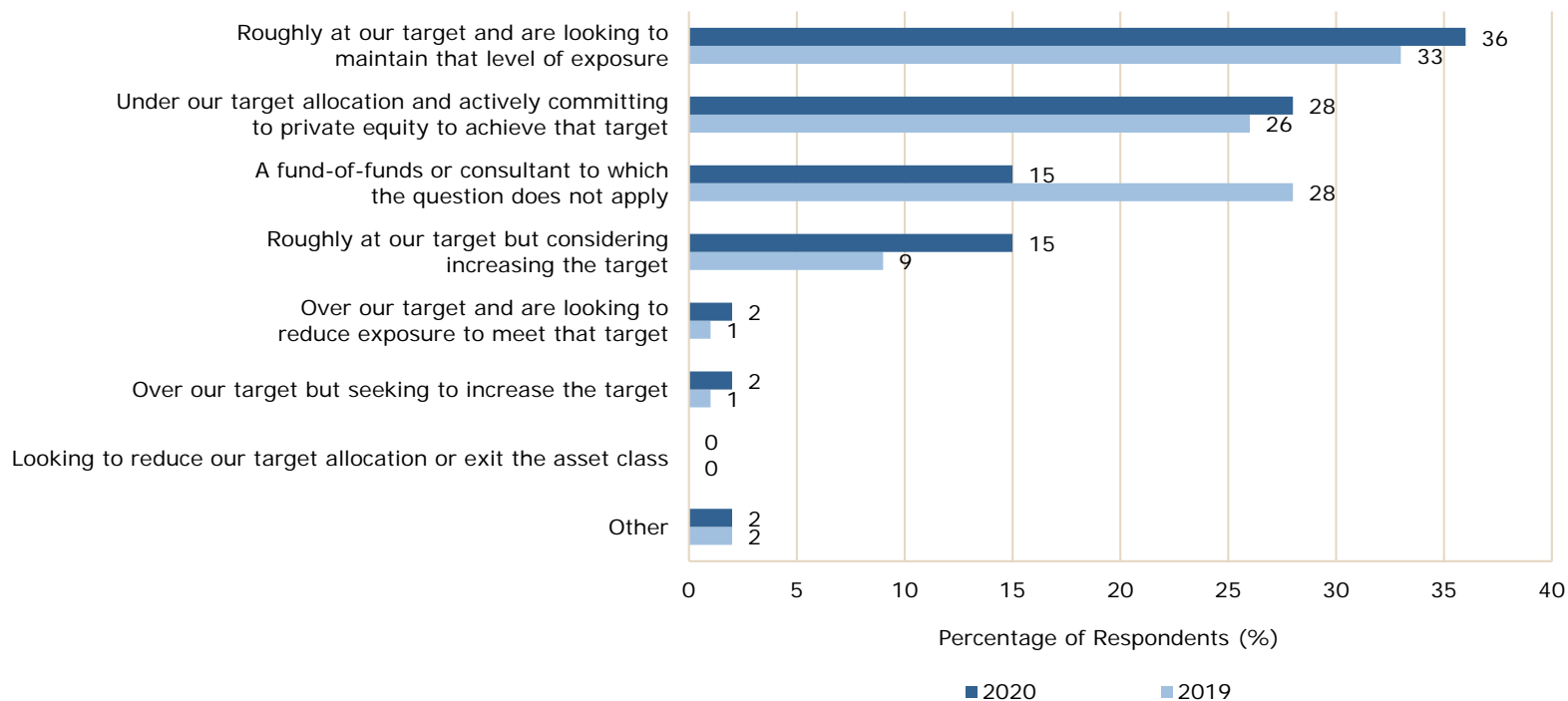
Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

Current and Target Allocations

- 53% of respondents were roughly at or over their target but are still looking to maintain or increase their allocations.
- Only 2% of respondents were over their target and looking to decrease exposure.
- 28% of respondents were under target and actively committing to reach it.

Chart IV Current and Target Private Equity Allocations

As far as our current private equity allocation, we are:



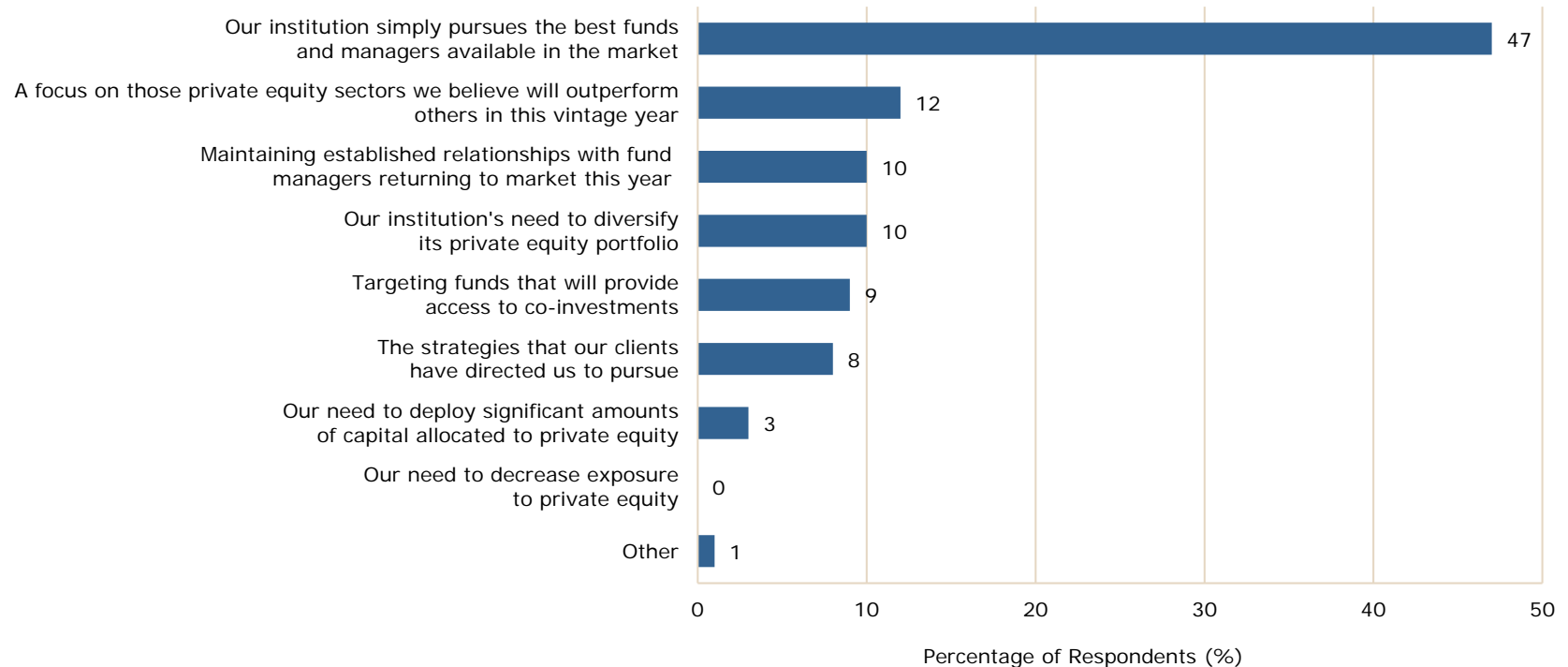
Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

Drivers of Sector Interest

- Overwhelmingly, in 2020 respondents will simply target the best funds or managers currently in market – no other reason came close, which speaks to the dominating importance of producing superior returns in a crowded market.
- European respondents felt even more strongly about this, with 58% simply targeting what they perceived to be the best funds.

Chart V Drivers of Sector Investment

Our sector investment focus in 2020 will be driven by (choose no more than two):



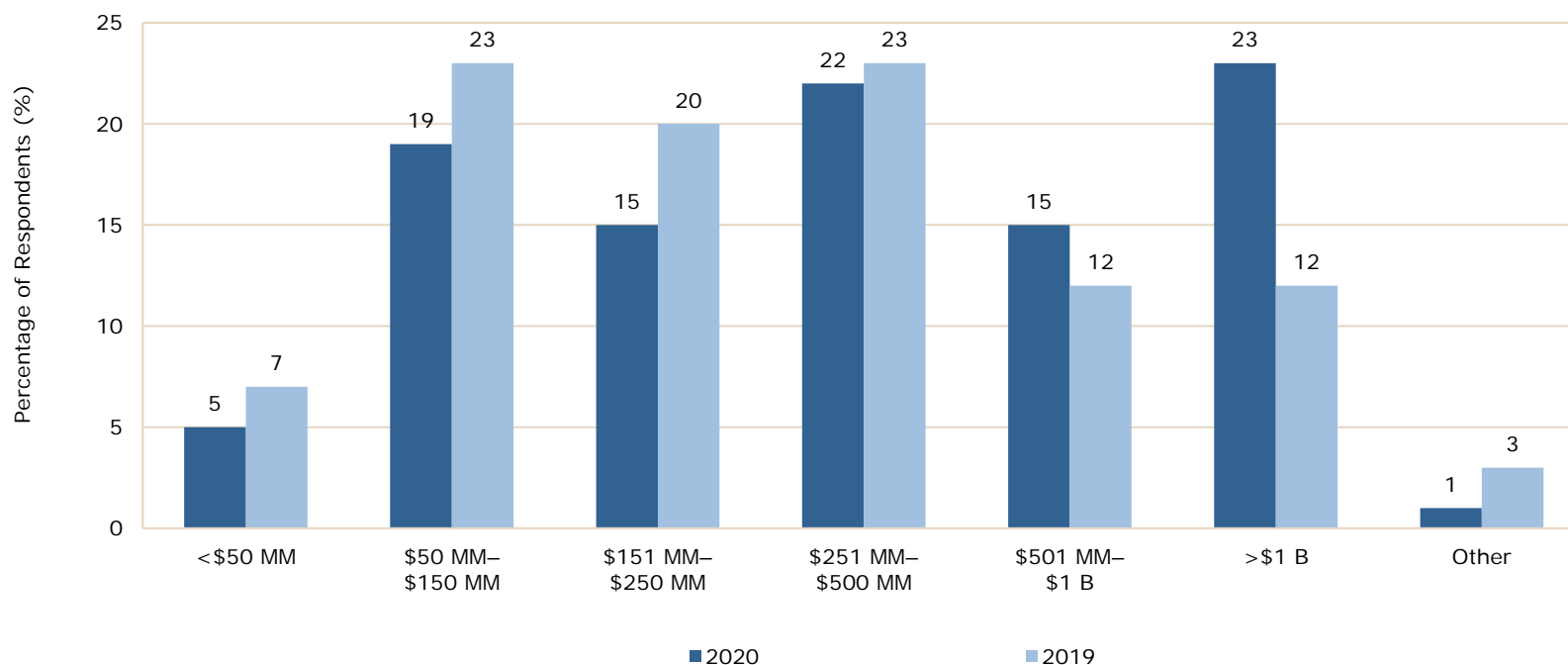
Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

Size of 2020 Allocations

- Investors of various size responded to the survey – though this year’s respondents skewed larger compared to last year’s respondents.
- Notably, 23% of respondents planned to invest \$1 billion or more in the coming year.

Chart VI Private Equity Allocations

For 2020, we or the clients we advise are looking to commit across all areas of private equity (in USD):



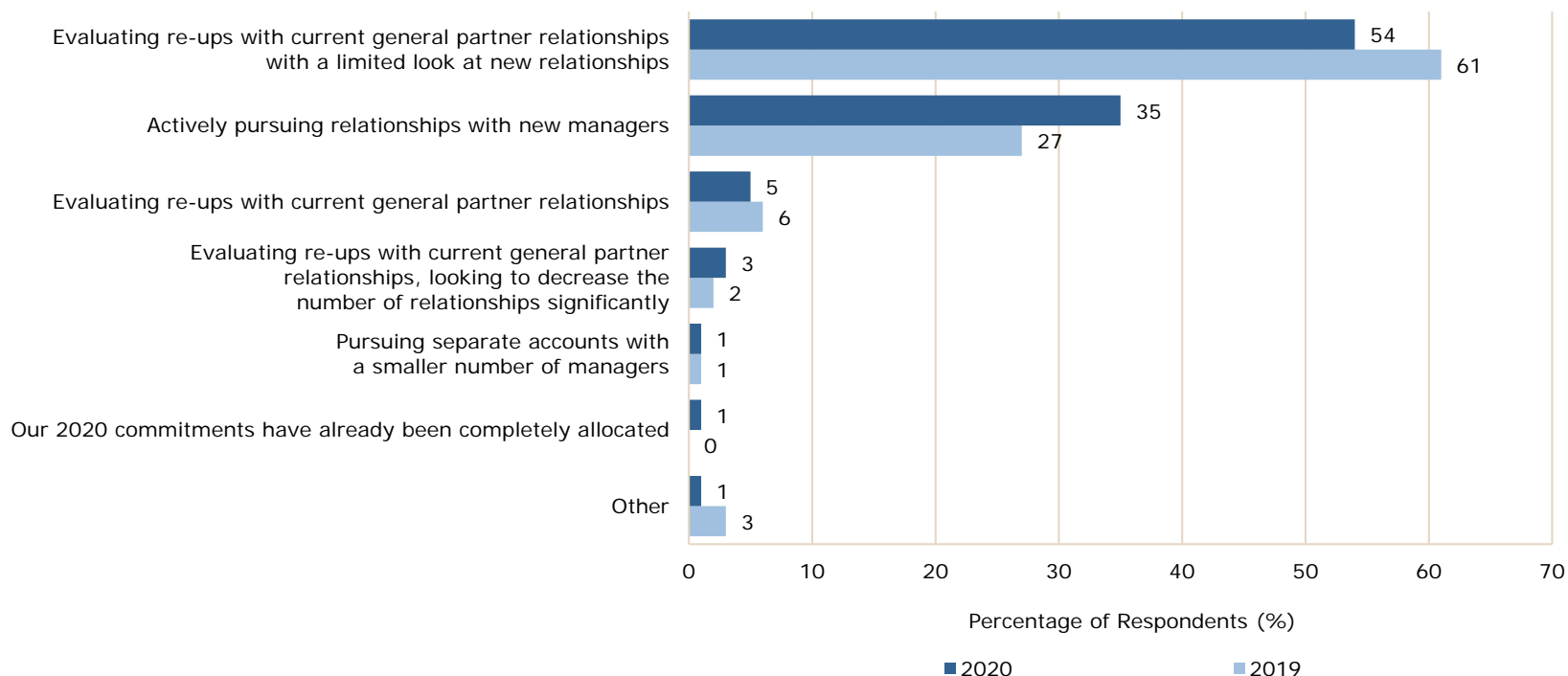
Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results; other responses were basically for respondents who had no target

Manager Relationships

- Most respondents were focused on evaluating re-ups with their current managers with a limited look at new relationships, which is similar to last year.
- Asian respondents, many of whom have smaller legacy portfolios, were more focused on pursuing new relationships, with 58% of them stating that that was the case.

Chart VII Manager Relationships

During 2020, we would expect our primary focus to be:



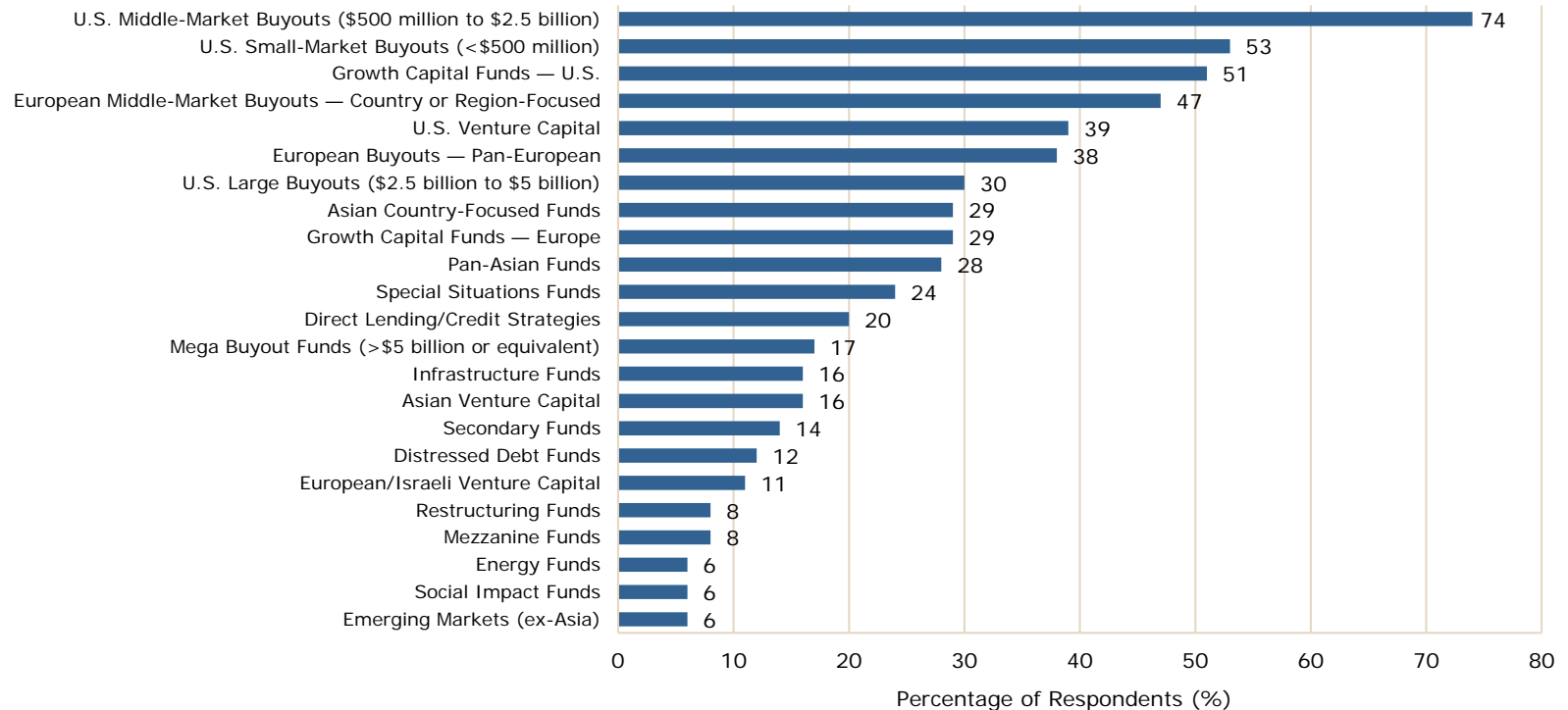
Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

Private Equity Sectors of Interest

- U.S. Middle-Market Buyouts, U.S. Small-Market Buyouts, and U.S. Growth Capital Funds were the three sectors that garnered interest from more than 50% of respondents – though European Middle-Market Buyouts were close behind at 47%.
- Interest in in Special Situations and Distressed Debt declined noticeably this year.

Chart VIII Private Equity Sectors of Interest

During 2020, my firm or my clients, plan to focus most of our attention on investing in the following sectors (choose no more than seven):



Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

P Private Equity Sectors of Interest

- Mega-Buyout Funds were not a strong focus of interest broadly among limited partner investment staffs – but they are a core holding of many large investors who need to deploy capital in large amounts.
- U.S. Venture Capital scored strongly this year as it did last year, and interest in Asian Venture continued to grow, overtaking European/Israeli Venture Capital.
- For the first time, we asked about interest in Social Impact funds; they scored at the bottom of our main list, targeted by 6% of respondents.
- Funds focused on Energy fell to a five-year low, attracting only 6% interest, and that was mainly from North American investors.
- The table below lists those funds that attracted less than 5% of respondent support.
- Funds Investing in Other General Partners, another new addition this year, were only of key interest to 1% of respondents.

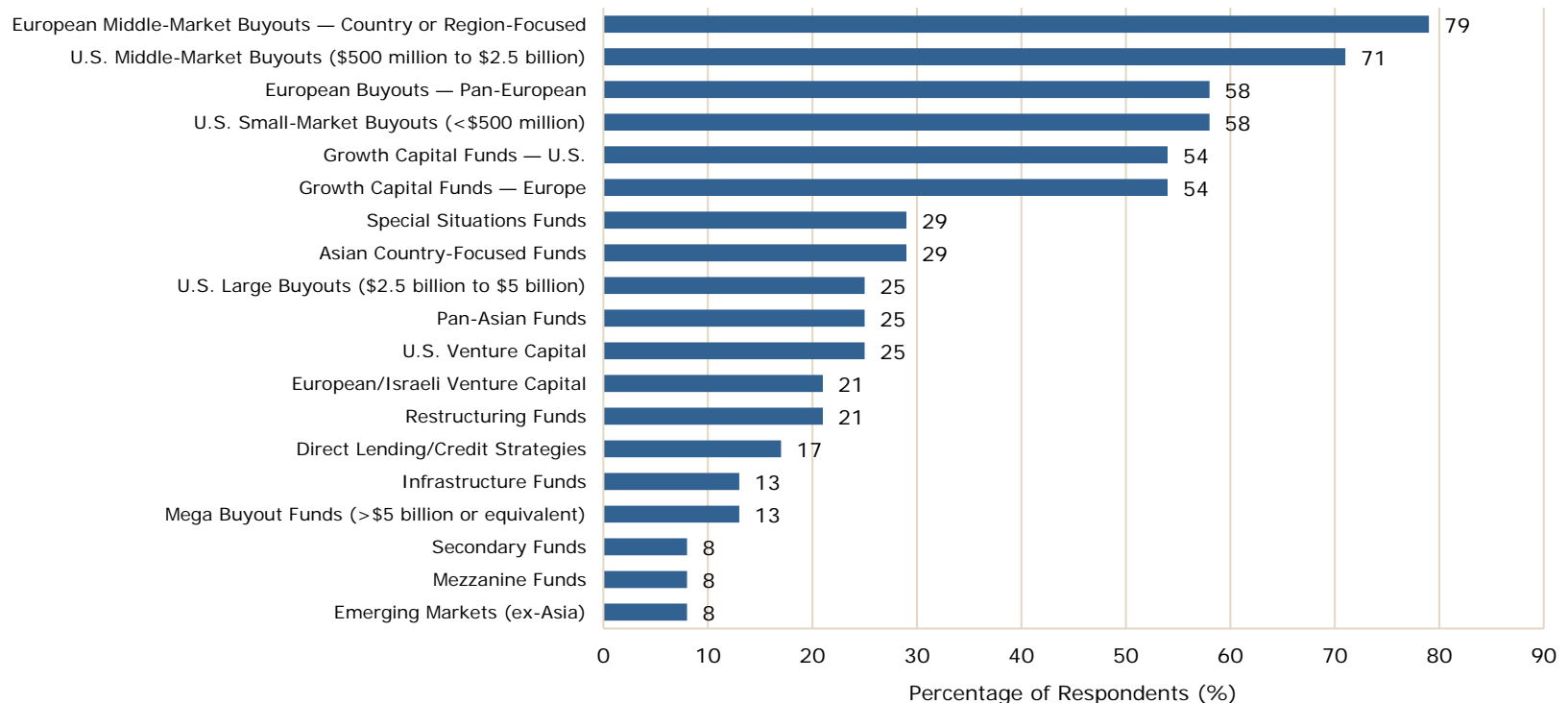
Sectors Attracting Less Than 5% of Responses	
Fund Type	Percent
Cleantech/Green-Focused Funds	3
Other Niche Sectors	2
Fund-of-Funds	2
Mining Funds	1
Funds Investing in Other General Partners	1
Agriculture Funds	1
Timber Funds	0

P Private Equity Sectors of Interest: European Respondents

- European respondents were more interested in European-focused funds – though U.S. Middle-Market Buyout, U.S. Small-Market Buyout and U.S. Growth Capital funds all scored strongly.
- Special Situations funds also scored strongly among Europeans.

Chart IX Private Equity Sectors of Interest; European Respondents

During 2020, my firm or my clients, plan to focus most of their attention on investing in the following sectors (choose no more than seven):



Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

P Private Equity Sectors of Interest: European Respondents

- As detailed in the table below, there were more fund sectors that fell below the 5% interest hurdle in Europe, with significantly more funds sectors registering no interest.
- Among European respondents, neither of the new categories of Social Impact Funds or Funds Investing in Other General Partners scored above 5%.

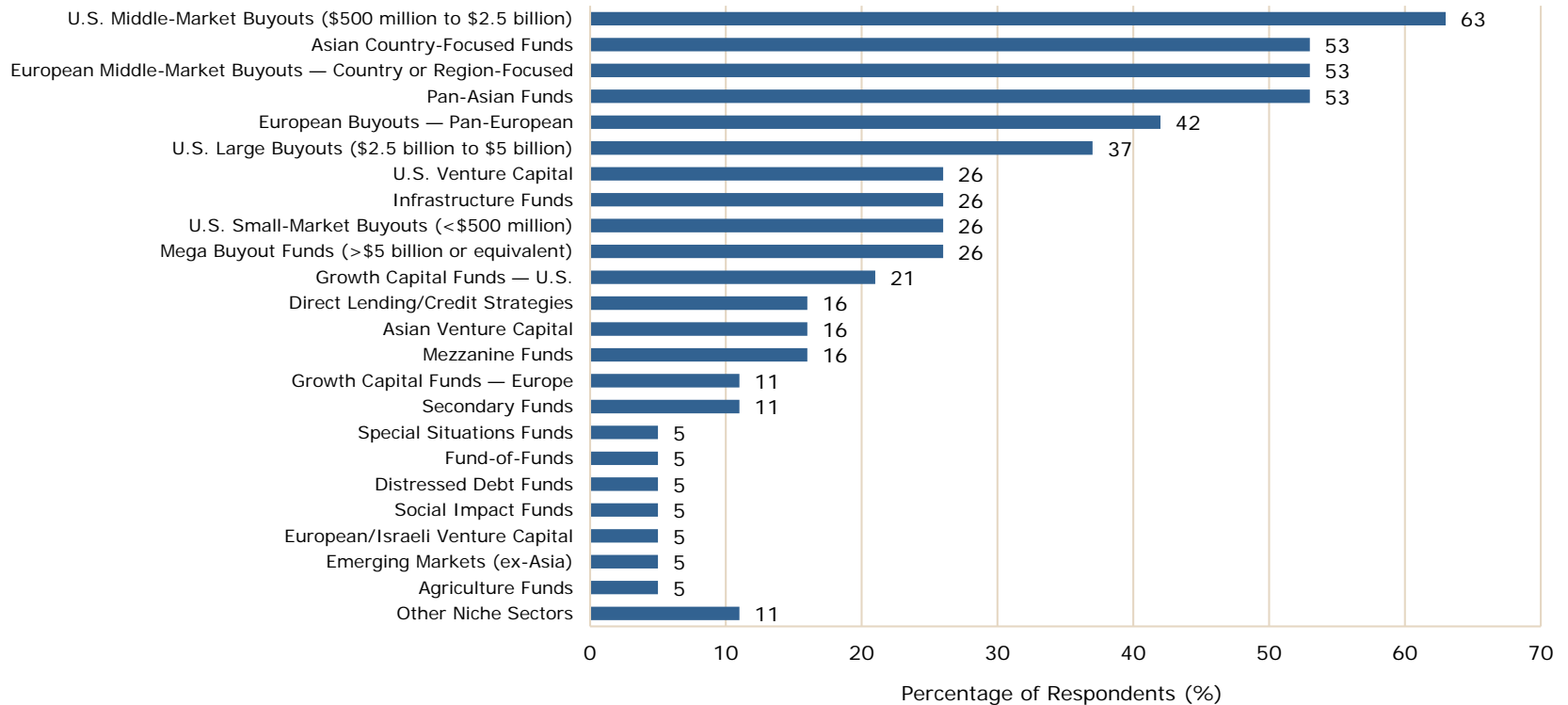
Sectors Attracting Less Than 5% of Responses	
Fund Type	Percent
Asian Venture Capital	4
Cleantech/Green-Focused Funds	4
Distressed Debt Funds	4
Social Impact Funds	4
Agriculture Funds	0
Energy Funds	0
Fund-of-Funds	0
Funds Investing in Other General Partners	0
Mining Funds	0
Shariah-Compliant Funds	0
Timber Funds	0
Other Niche Sectors	0

P Private Equity Sectors of Interest: Asian Respondents

- The leading sector of interest among Asian respondents was U.S. Middle-Market Buyout funds, with Asian Country-Focused funds, European Middle-Market Funds and Pan-Asian funds all tied for 2nd place with 53% of respondents.
- Infrastructure funds scored strongly among Asian investors as more of them include infrastructure in private equity allocations.

Chart X Private Equity Sectors of Interest; Asian Respondents

During 2020, my firm or my clients plan to focus most of their attention on investing in the following sectors (choose no more than seven):



Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

P Private Equity Sectors of Interest: Asian Respondents

- Asian Venture Capital funds scored relatively strongly among Asian respondents while Special Situations funds were not highly ranked.
- Social Impact funds just made the 5% cut-off.
- Among Asian respondents, several niche sectors scored no interest at all, including Funds Investing in Other General Partners and Energy Funds.

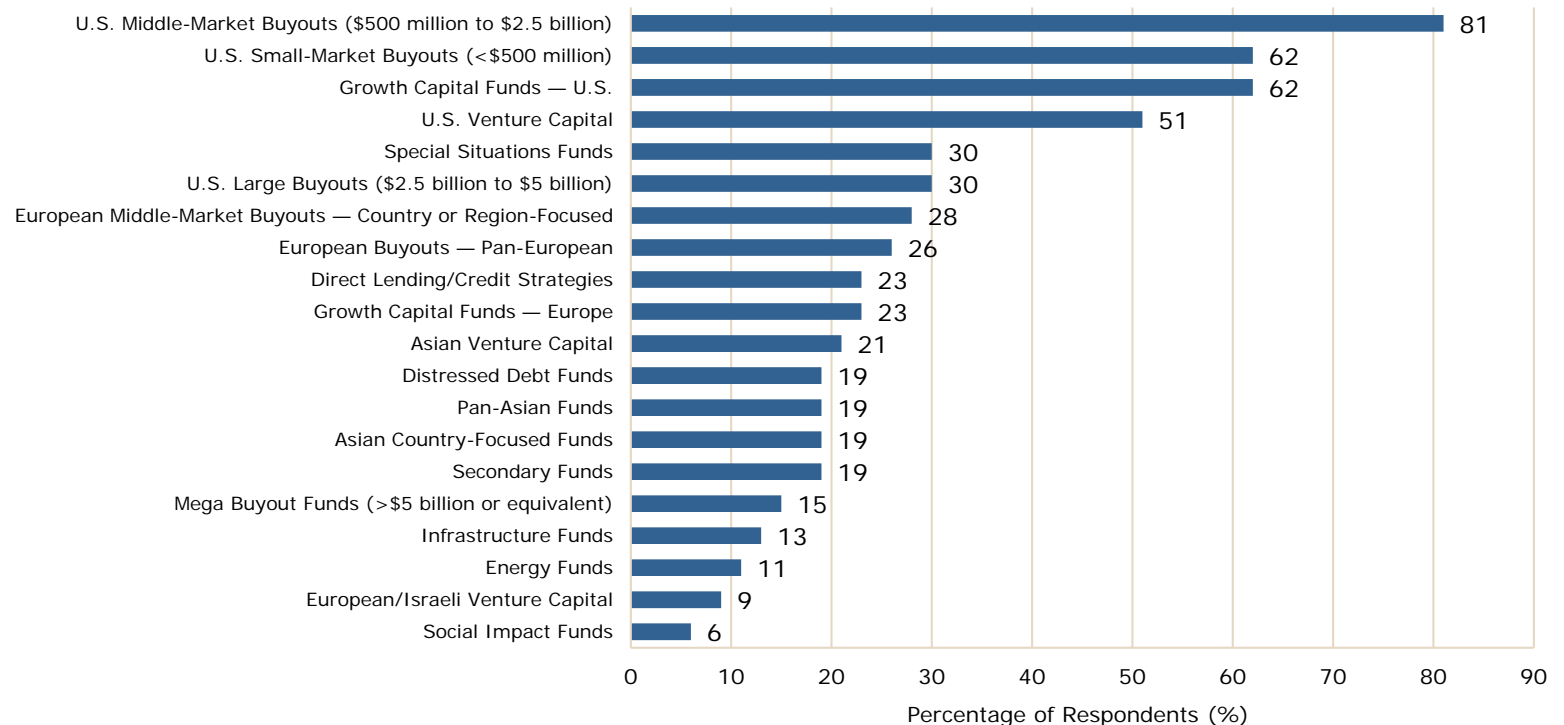
Sectors Attracting Less Than 5% of Responses	
Fund Type	Percent
Cleantech/Green-Focused Funds	0
Energy Funds	0
Funds Investing In Other General Partners	0
Mining Funds	0
Restructuring Funds	0
Shariah-Compliant Funds	0
Timber Funds	0

P Private Equity Sectors of Interest: North American Respondents

- Funds focused on North America took the top four spots for North American respondents.
- European Country-focused and Pan-European funds were also of strong interest to North Americans.

Chart XI Private Equity Sectors of Interest; North American Respondents

During 2020, my firm or my clients plan to focus most of their attention on investing in the following sectors (choose no more than seven):



Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

P Private Equity Sectors of Interest: North American Respondents

- Asian Venture Capital funds were much more highly ranked by North Americans than by Europeans.
- There were several fund types that did not reach the 5% hurdle, and interest in Emerging Markets (ex-Asia) was weakest among North American respondents.
- As with European and Asian respondents, North Americans did not express strong interest in Funds Investing in Other General Partners.

Sectors Attracting Less Than 5% of Responses	
Fund Type	Percent
Cleantech/Green-Focused Funds	4
Emerging Markets (ex-Asia)	4
Mezzanine Funds	4
Restructuring Funds	4
Fund-of-Funds	2
Funds Investing in Other General Partners	2
Mining Funds	2
Agriculture Funds	0
Shariah-Compliant Funds	0
Timber Funds	0
Other Niche Sectors	0

Sector Interest Before the GFC Compared To 2020

- There were more categories to choose from in the 2020 survey, but the results show a heavy concentration of interest in U.S. focused funds.
- Notably, the market is even more focused on U.S. Middle-Market Buyouts now, with 74% of respondents targeting them compared to 49% in 2007.
- As far as distressed investing, interest in Distressed Debt fell from 30% in 2007 to 12% this year, with Special Situations becoming the leading distressed sector, attracting 24% of 2020 respondents.
- Though only the 8th ranked strategy in 2020, 29% of respondents this year were targeting Asian Country-focused funds, and 28% targeted Pan-Asian funds.

Table I

Institutional Investors Focus of Attention Among Private Equity Sectors

Top Five Responses

2007		2020	
Sector	% Targeting	Sector	% Targeting
U.S. Middle Market Buyouts	49%	U.S. Middle-Market Buyouts (\$500 million to \$2.5 billion)	74%
European Middle Market Buyouts	42%	U.S. Small-Market Buyouts (<\$500 million)	53%
U.S. Venture Capital	34%	Growth Capital Funds — U.S.	51%
Distressed Debt	30%	European Middle-Market Buyouts — Country or Region Focused	47%
Asian Funds	25%	U.S. Venture Capital	39%

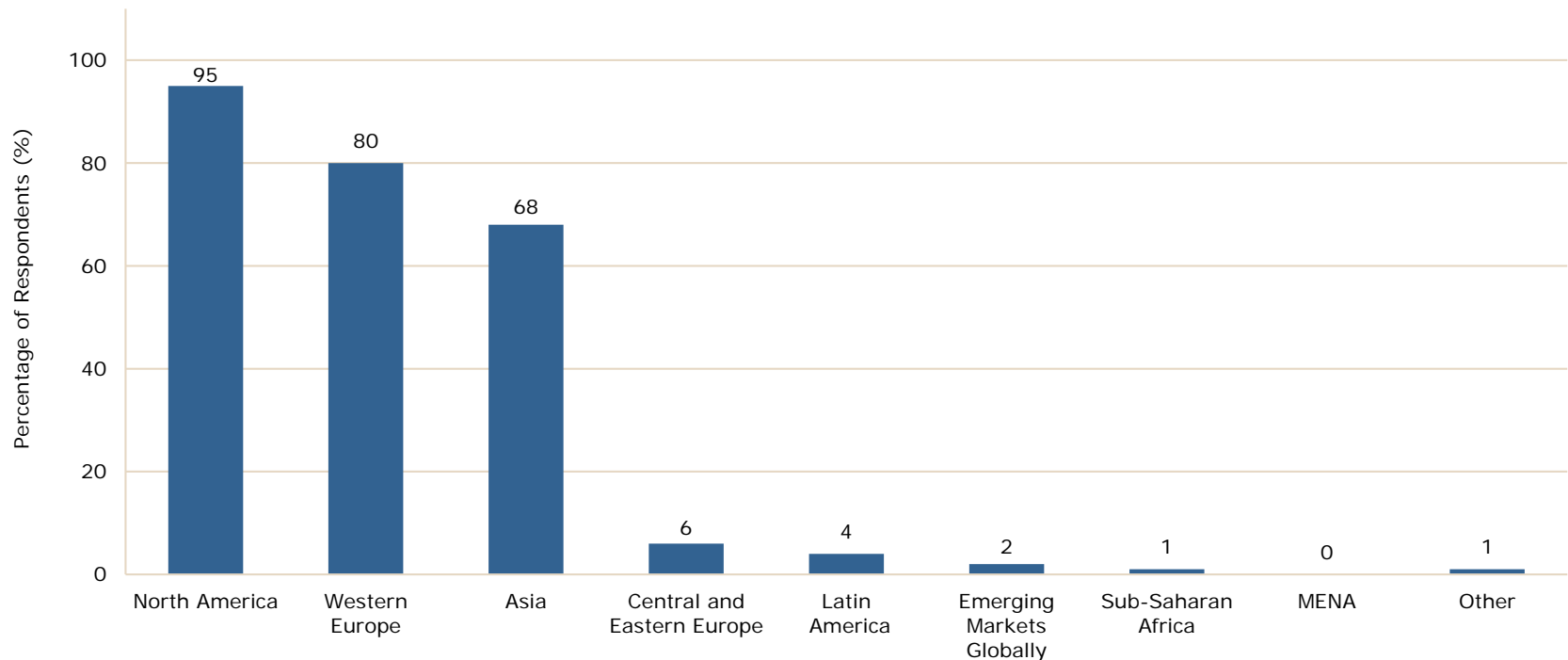
Source: Probitas Partners' Private Equity Investor Trends for 2007 Survey and 2020 Survey

Overall Geographic Focus of Investors

- As to be expected, respondents were heavily focused on the three key markets of North America, Western Europe and Asia.
- Over the last four years interest in Latin America and Sub-Saharan Africa declined notably, though it has never been truly strong.

Chart XII Private Equity Geographical Focus

During 2019, my firm anticipates that the three primary areas of geographical focus for our programs will be:



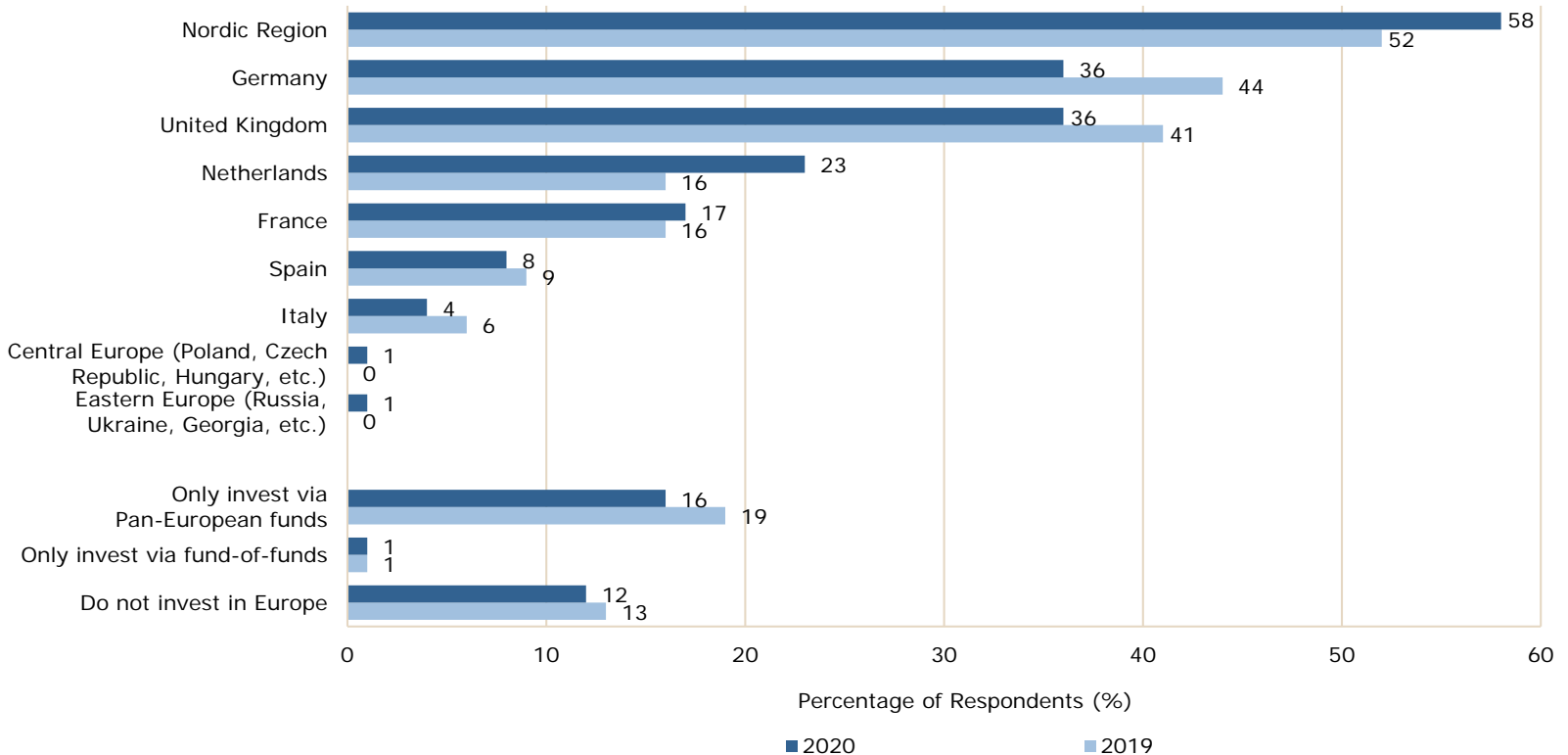
Source: Probitas Partners' Private Equity Institutional Investor Trends for 2020 Survey

Most Attractive European Markets

- The Nordic Region, Germany and the U.K. led investor interest in specific private equity markets in Europe.
- Interest in Southern and Central Europe remains weak, and interest in Eastern Europe has never been strong.

Chart XIII Most Attractive European Markets

For European country/regionally-focused funds, we find the most attractive markets to be (choose no more than three):



Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

Further Commentary On Europe

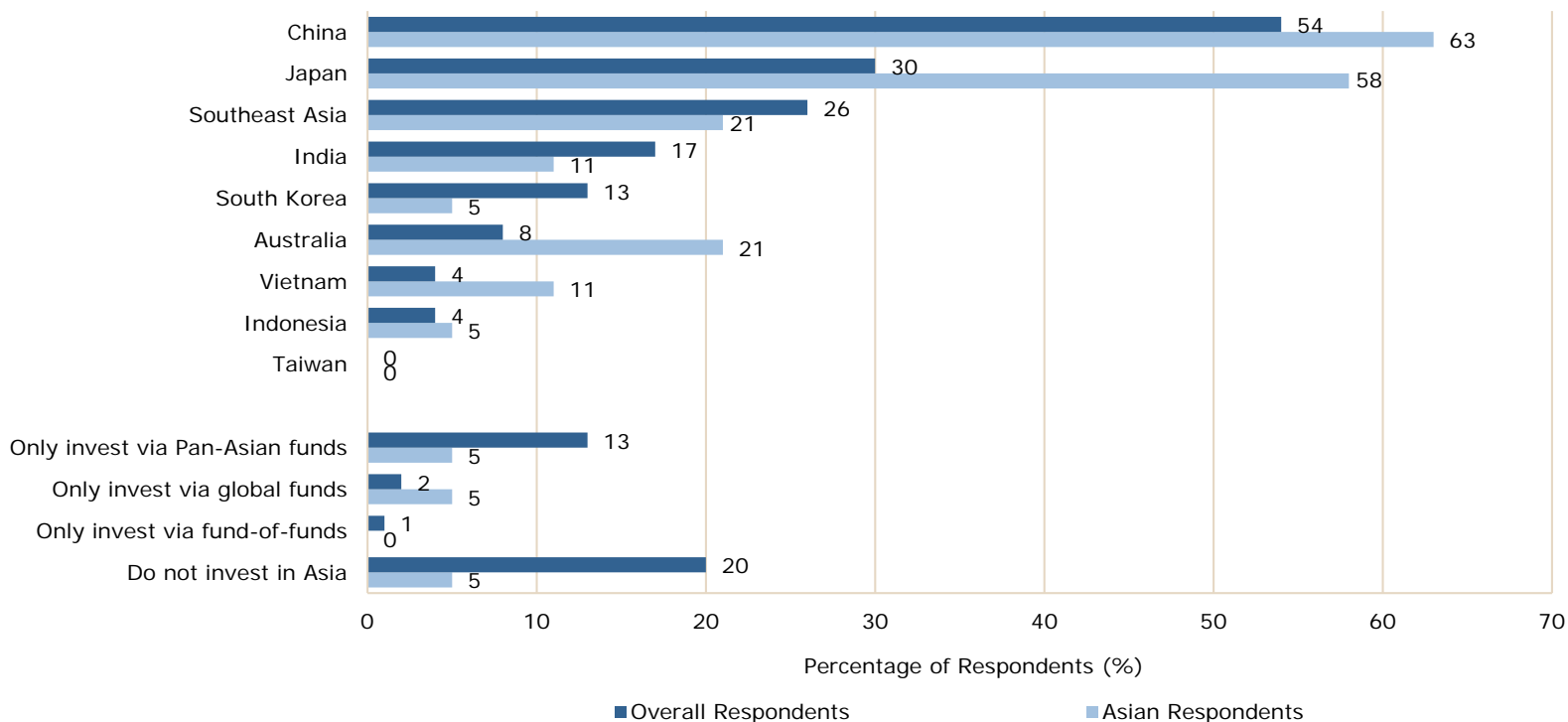
- With the Brexit situation, the U.K. has become less popular among other Europeans, where it ranks 4th among European respondent interest behind the Netherlands.
- The position of the U.K. in the overall survey was bolstered by Asian investors, 56% of whom are targeting the U.K. in 2020.
- We also received interesting comments from a couple of investors on their views of the European market:
 - *"The current dislocation of [the] U.K. is a great opportunity to increase our exposure." - U.S. Fund of Funds*
 - *"We see Europe as a low growth environment, and so focus on managers who can find specific good opportunities." - Canadian Public Pension*

Most Attractive Asian Markets

- China is the most targeted private equity market by investors, both among overall and Asian respondents alike.
- Interest among Asian respondents in Japan and Australia is likely overstated to a degree due to the relatively large number of respondents from those countries.

Chart XIV Most Attractive Asian Markets

For Asian focused funds, we find the most attractive markets to be (choose no more than three):



Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

Further Commentary on Asia

- Table II at the bottom of the page highlights differences in investor interest between 2007 and 2020.
- Only recently has Southeast Asia overtaken interest in India, not only because the focus on Southeast Asia has increased over the last three or four years, but also because the numbers of respondents targeting India has fallen, this year catching the attention of only 17% of investors.
- Even with the ongoing trade-war between China and the U.S., 52% of North American respondents targeted China.
- That overall sentiment was not unanimous among respondents as this comment makes clear: *"Will avoid China at all costs" - U.S. Wealth Manager*

Table II Which Geographies in Asia Are of the Most Interest?

Top Four Responses

2007		2020	
Country/Region	% Targeting	Country/Region	% Targeting
China	28%	China	54%
India	28%	Japan	30%
Japan	25%	Southeast Asia	26%
We do not invest in Asia	25%	We do not invest in Asia	20%

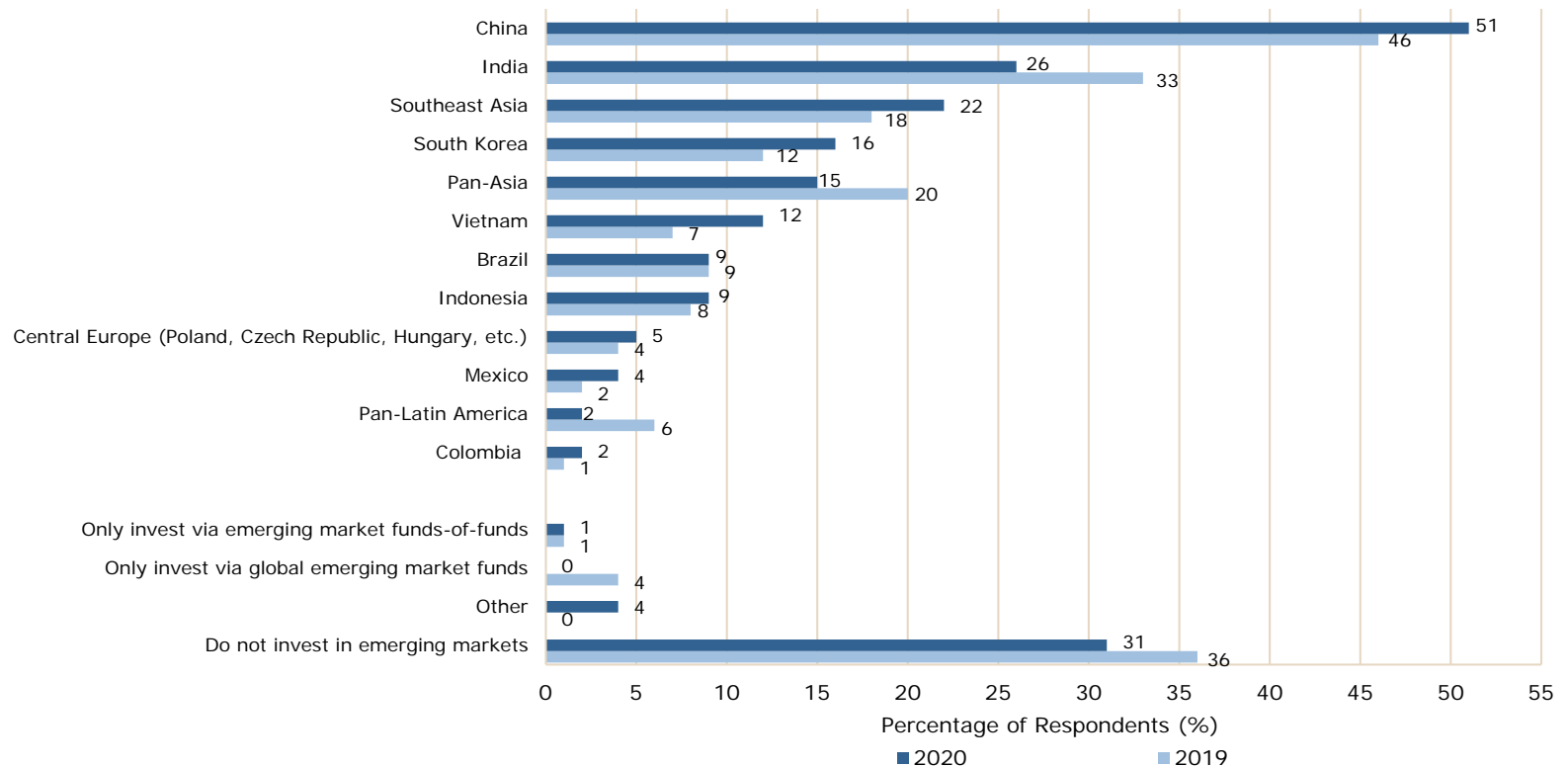
Source: Probitas Partners' Private Equity Investor Trends for 2007 Survey and 2020 Survey

Interest in Specific Emerging Markets

- Emerging Asia dominated investor interest, taking the six top spots in the rankings, though interest in India-focused and Pan-Asian funds declined from last year.
- The percentage of respondents saying that they did not invest in emerging markets declined slightly to 31%.

Chart XV Most Attractive Emerging Markets

Which emerging markets does your firm find most attractive (choose no more than four):



Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

Further Commentary on Specific Emerging Markets

- No country or region in Africa garnered the interest of more than 1% of respondents, while additionally the number of investors targeting Sub-Saharan Africa fell from 4% in 2019 to 1% in 2020.
- As detailed below, there were many more countries or regions that were not targeted by any respondents going into 2020.

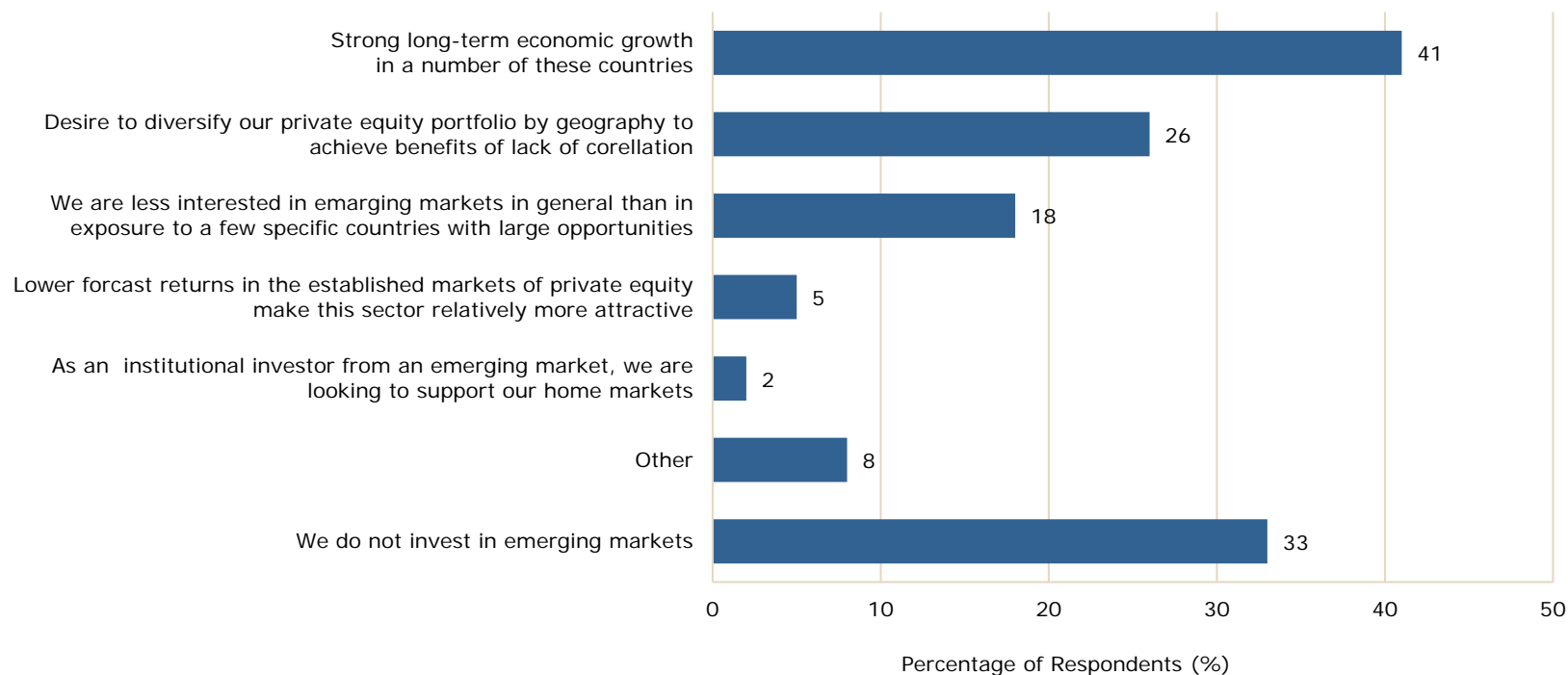
Sectors Attracting 1% or Fewer of Total Responses in 2020		
Fund Type	2019	2020
South Africa	1%	0%
Turkey	1%	0%
Peru	1%	0%
Nigeria	1%	0%
Middle East/North Africa	1%	0%
Eastern Europe (Russia, Ukraine, Georgia, etc.)	2%	0%
Russia	2%	0%
Chile	1%	1%
Sub-Saharan Africa	4%	1%

What Drives Investor Interest in Emerging Markets?

- As it has been in the past, the anticipation of strong long-term economic growth in a few emerging markets is the biggest driver of interest, while a desire to diversify their portfolio to reduce correlation also has an impact.

Chart XVI Interest in Emerging Market Private Equity

Our interest in emerging market private equity is driven by (check all that apply):



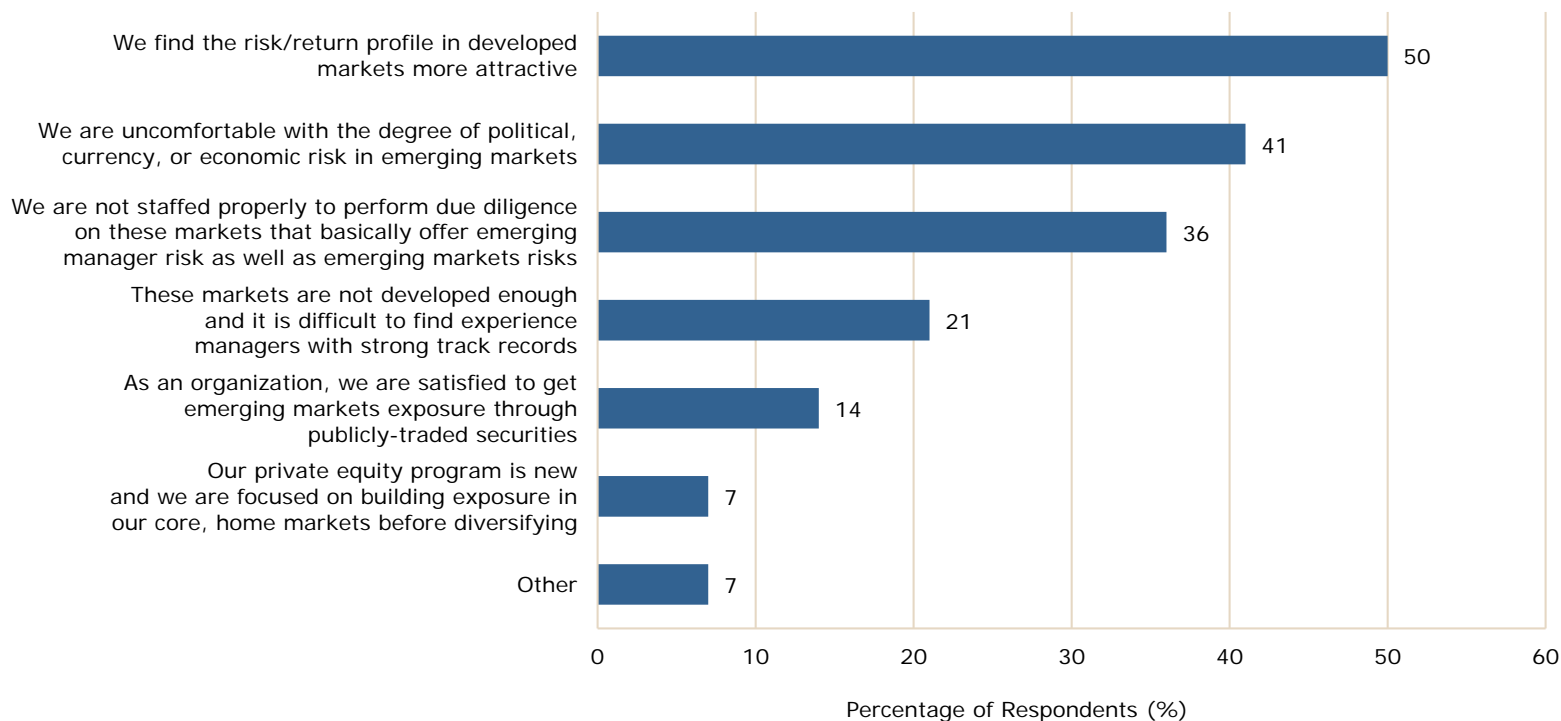
Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

Why Are Other Investors Not Interested in Emerging Markets?

- 50% of respondents felt the risk/return tradeoff in developed markets was more attractive while 41% were uncomfortable with political, currency or economic risks in emerging markets.

Chart XVII Disinterest in Emerging Market Private Equity

For those not interested in emerging markets, we are not interested because (check all that apply):



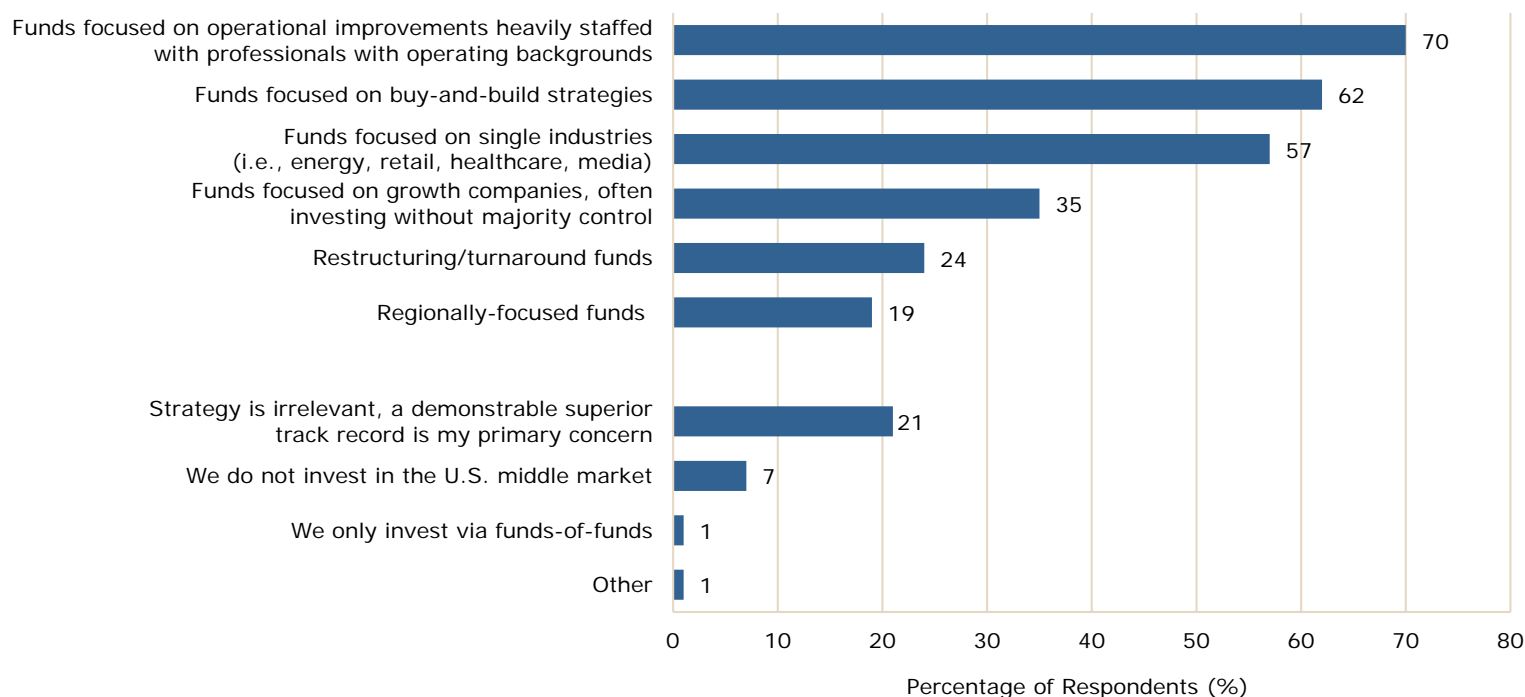
Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

U.S. Middle-Market Strategies of Interest

- There is a heavy focus on strategies looking to generate returns through operational improvements, including buy-and-build and industry-focused funds, which continues the trend over the last decade.
- Unlike Europe, regionally-focused funds are not heavily favored as a key differentiator.

Chart XVIII Most Attractive U.S. Middle-Market Strategies

Which of these sectors/strategies in the U.S. middle market does your firm find most appealing (check all that apply):



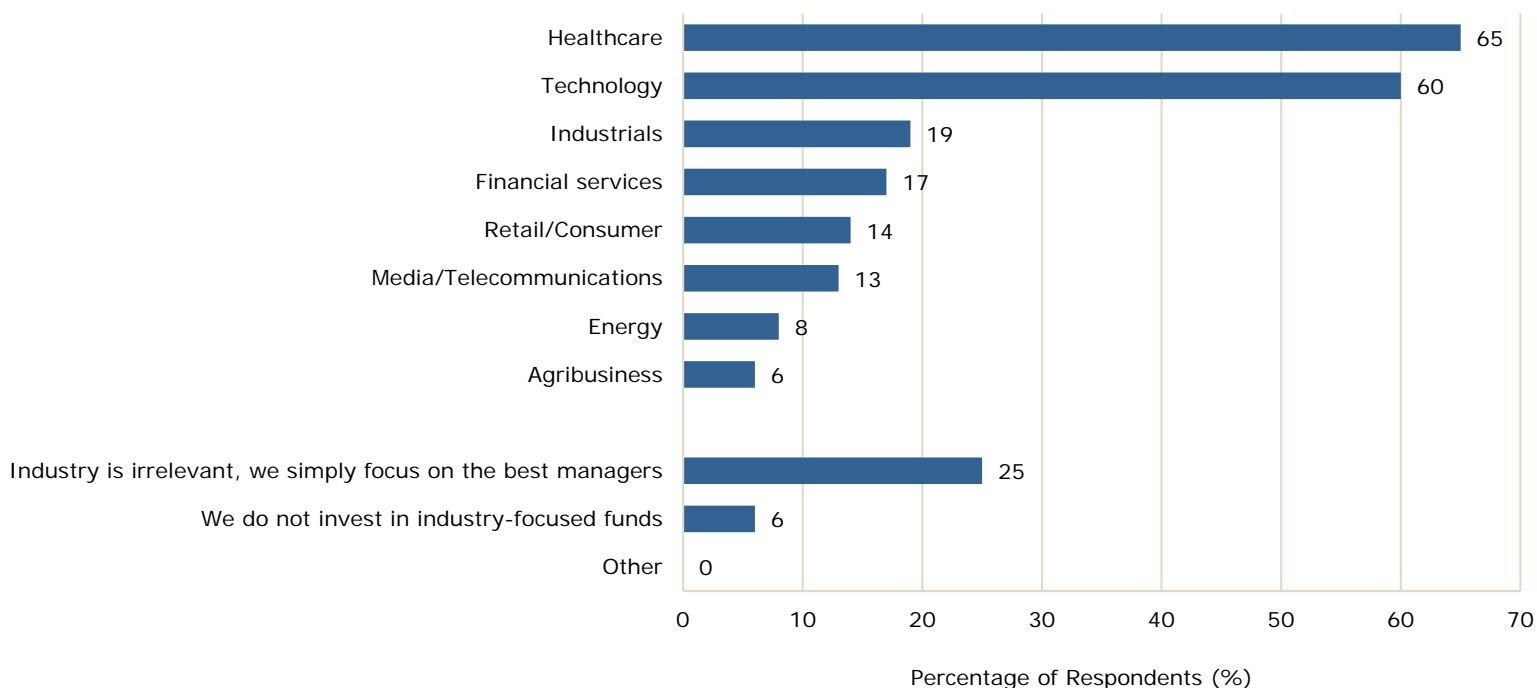
Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

Interest in Industry-Focused Funds

- As it was last year, Healthcare and Technology focused buyout and growth capital funds were the strongest area of focus.
- Energy-focused funds, which five years ago were targeted by 30% of respondents, have continued to decline, with only 8% of investors targeting them this year.

Chart XIX Interest in Industry-Focused Funds

As far as funds focused on single industries, we are most interested in (choose no more than three):



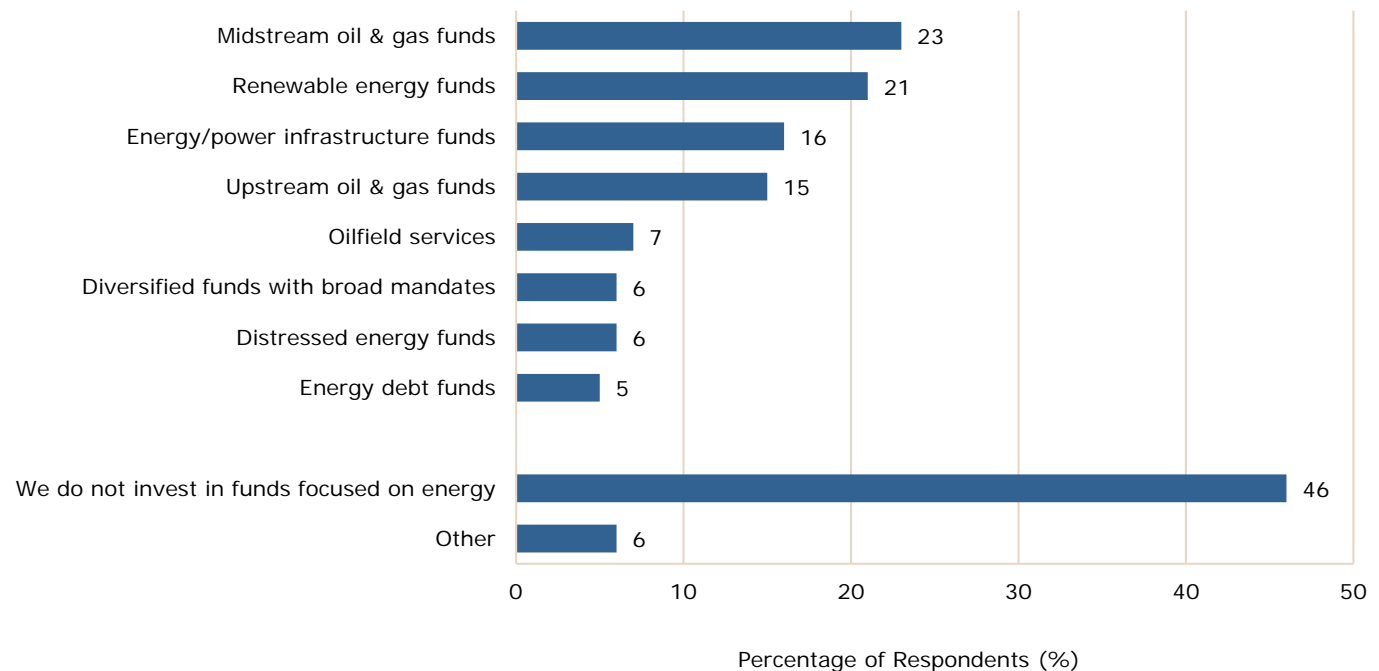
Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

Interest in Sectors Within Energy

- There are very different sector strategies within energy investing as detailed below.
- Recently, interest in renewable energy has climbed notably while other areas fell.
- Investors outside North America are much less interested in energy, with 57% of Asian respondents and 67% of European investors saying they don't invest in energy.

Chart XX Interest in Sectors within Energy

In the energy sector, we are most interested in (choose no more than three):



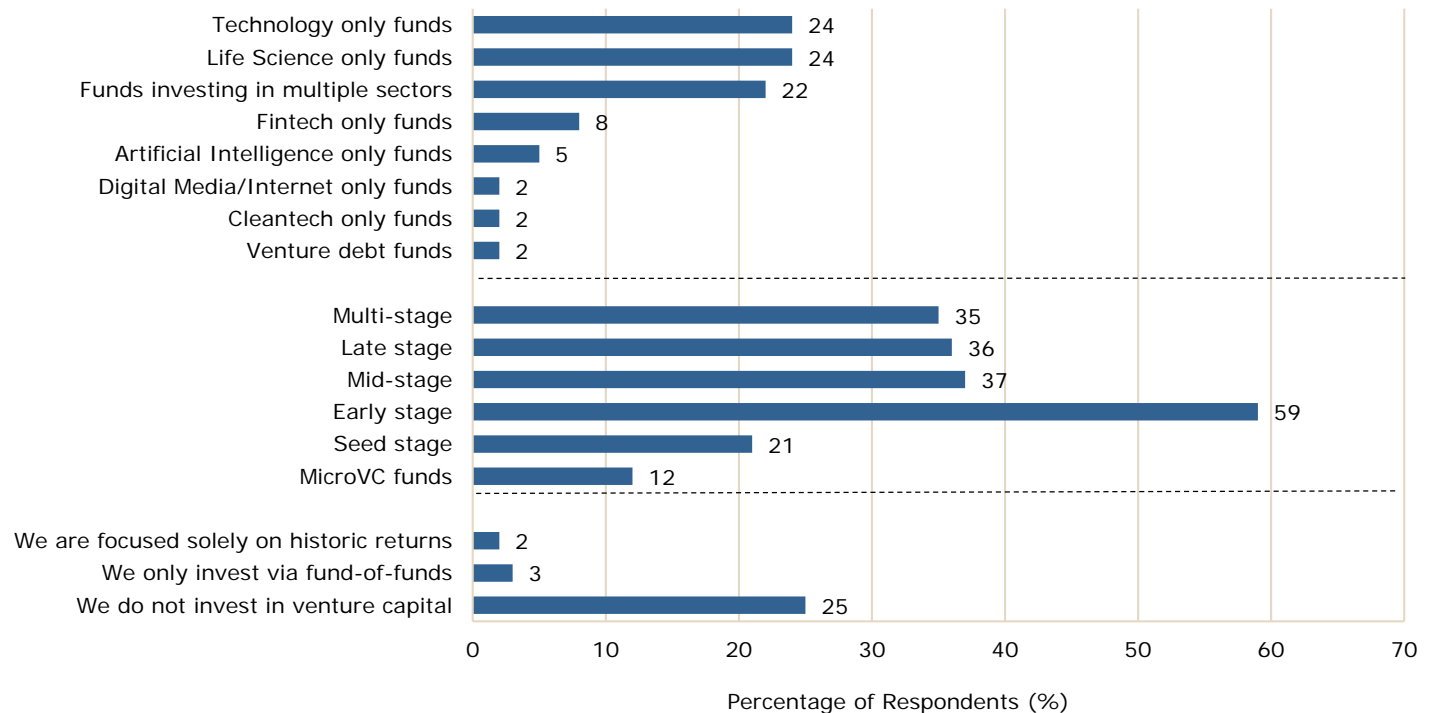
Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

Venture Capital Interest

- Early-stage venture was the strongest focus of respondents and this year there was notably less focus on niche industry sectors.
- 33% of last year's respondents stated that they did not invest in venture capital, a number that fell to 25% this year.

Chart XXI Most Attractive Venture Capital Sectors

In venture capital, we focus on funds active in the following sectors or stages (choose all that apply):



Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

Further Commentary on Venture Capital

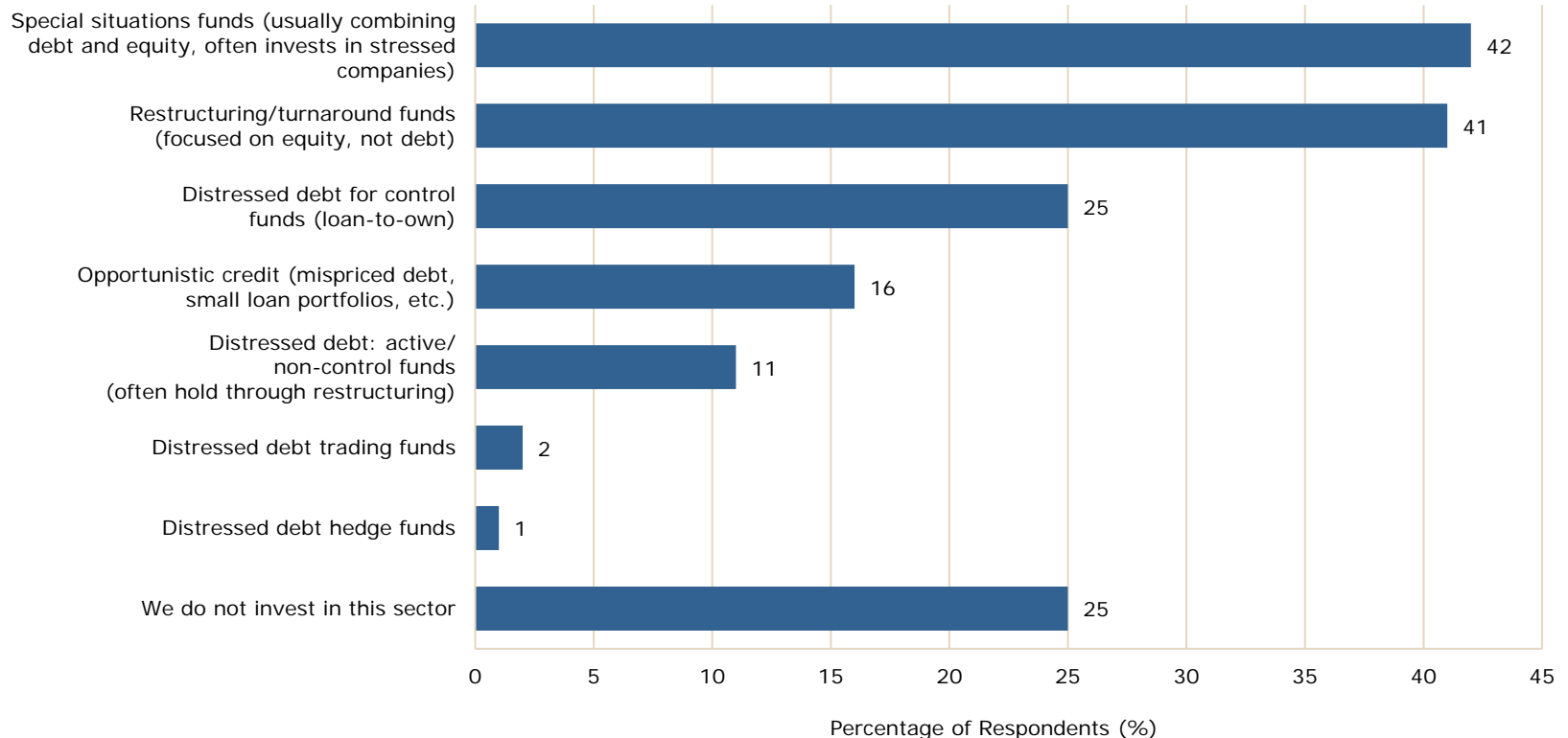
- The bulk of the survey responses were gathered after WeWork pulled its IPO, but before it was restructured by Softbank.
 - It is not possible to know whether WeWork's restructuring might have had an impact on the survey results.
- There were distinct differences in responses by investors in different geographic regions; for example, 39% of Europeans said they did not invest in Venture Capital.
- Endowments and Foundations have long been supporters of Venture Capital, which continues to hold true as only 8% of them stated that they did not invest in the sector.
- One comment left by a respondent gives more insight as to why several investors are not interested in the sector:
 - *"We don't invest because it's difficult to access the top funds that you would need to be in, and we can't invest large enough amounts of capital to make a difference in our overall portfolio" - Canadian Public Pension*

Distressed Investing Interest

- Special Situations and Restructuring/Turnaround funds led respondent interest this year as they did last year.
- Many LPs are concerned about the slow investment pace of distressed debt funds that they have backed in the recent past and are concerned about the ability of distressed debt for control funds to gain control in what is a very competitive market.

Chart XXII Distressed Investments

Within the distressed private equity sector, we are most interested in (choose no more than two):



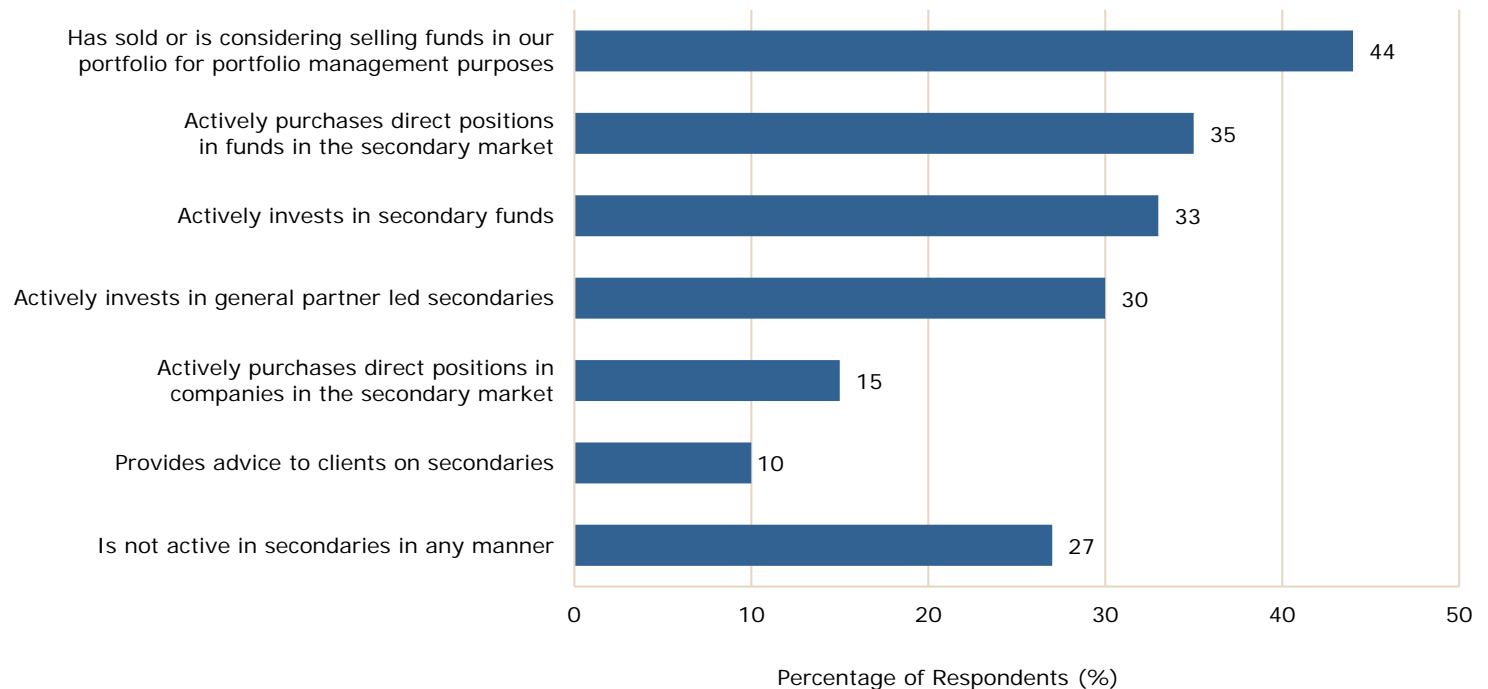
Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

Secondary Market Interest

- Since the Great Financial Crisis (“GFC”), investors have become more active in secondaries directly, either in selling positions from their portfolios or buying partnership positions.
- As a result, interest in investing in specialist secondary funds has declined, though interest is still significant.

Chart XXIII Secondary Market Investments

In the secondary market, my firm (choose all that apply):



Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

Further Commentary on Secondaries

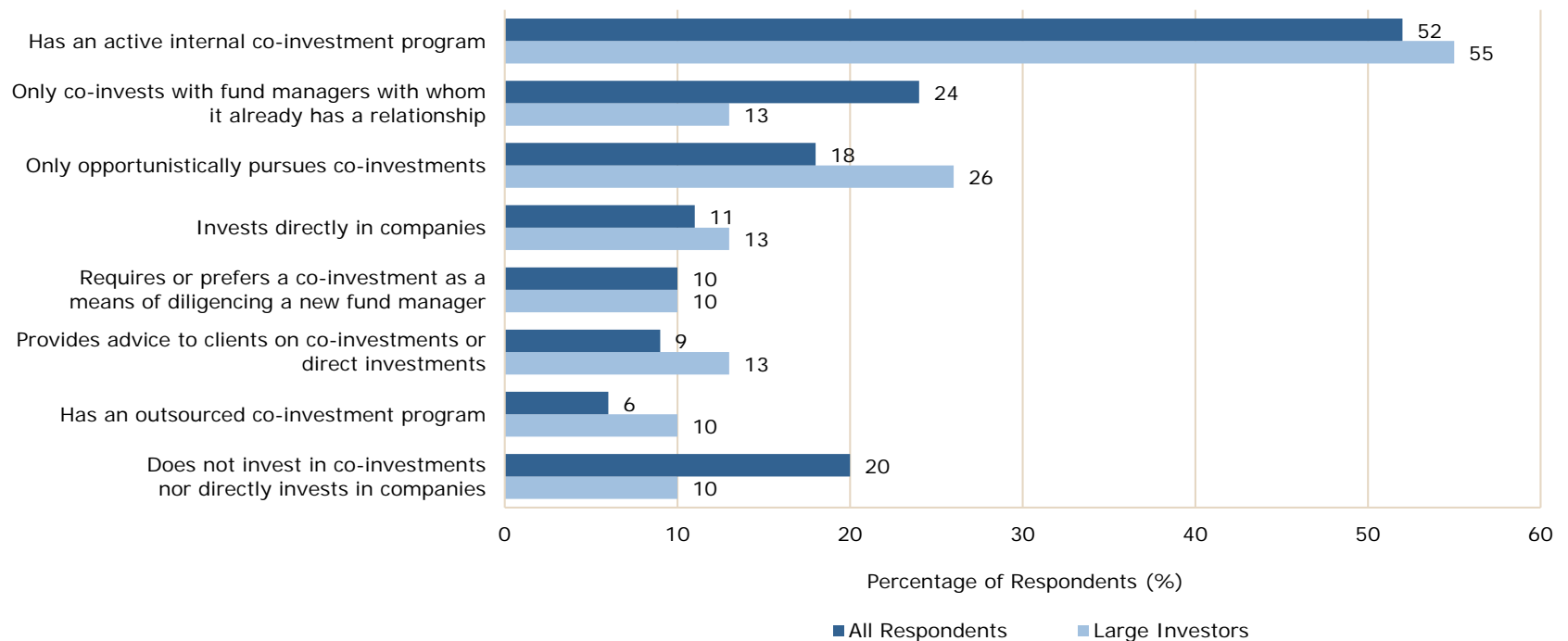
- Over the last three- or four-years activity in general partner (“GP”) led secondaries has soared, with a focus on GPs generating liquidity for current investors, most often as part the process of raising a new fund.
 - There are concerns with certain investors, however, that these processes are burdened with potential conflicts of interest between the GP and selling investors.
- Purchase prices in the secondary market are now quite high, with its impact explained by a comment from one of the respondents:
 - *“Still see it as a seller's market - as a buyer or investor, the returns would only work because of the leverage used, in many cases” - Canadian Public Pension*

Directs and Co-investments

- Investor interest in co-investments has increased steadily since the GFC, especially among large investors who can commit greater resources; 65% of larger investors have active internal or outsourced co-investment programs.
- Very few respondents are active in direct investing.

Chart XXIV Directs and Co-Investments

Regarding directs and co-investments, my firm (choose all that apply):



Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

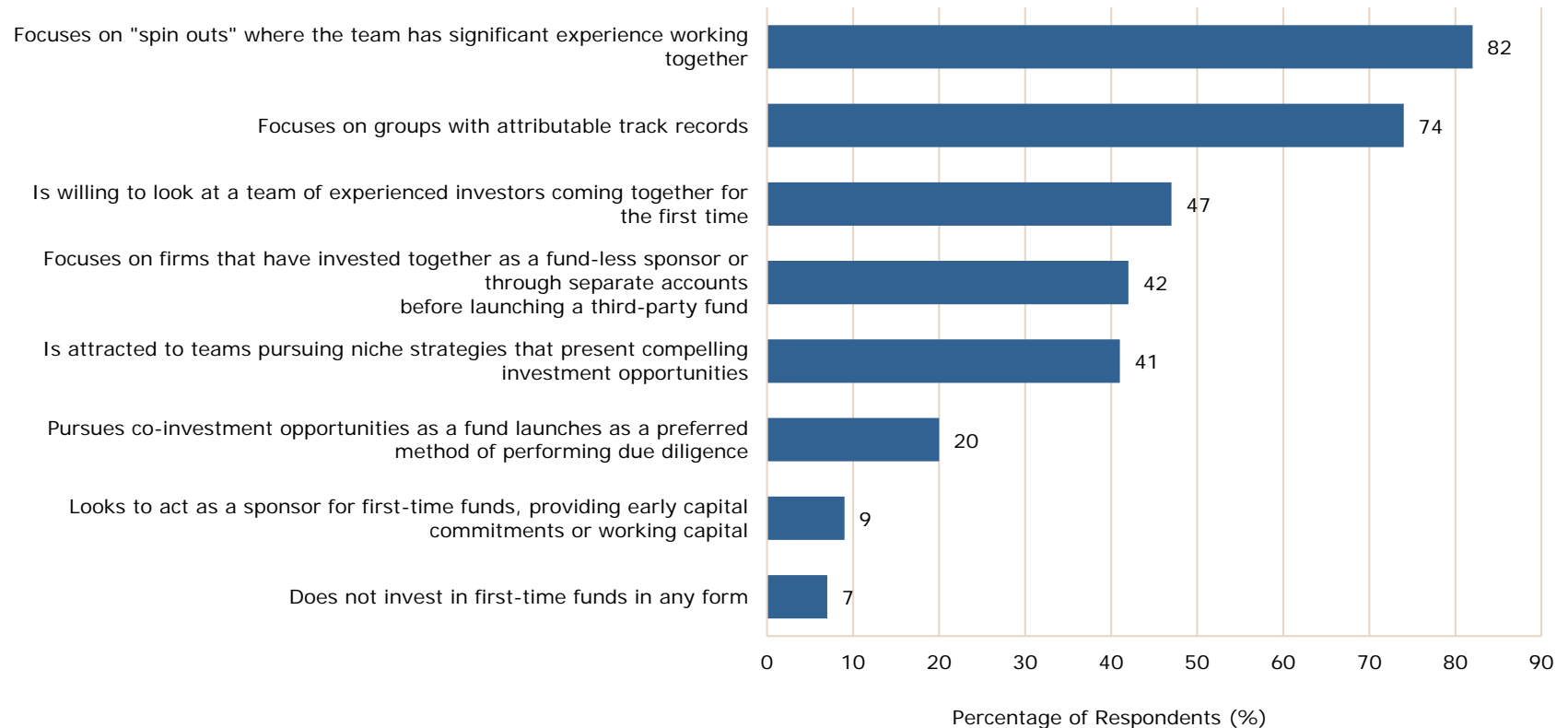
Note: "Large Investors" denotes those survey respondents who plan to commit \$500 million or more to private equity in 2019

First-Time Funds

- Many investors are interested in first-time funds but are most focused on spin-out groups with attributable track records.
- Few investors look to sponsor first-time funds.

Chart XXV First-Time Funds

As far as first-time funds are concerned, my firm (check all that apply):



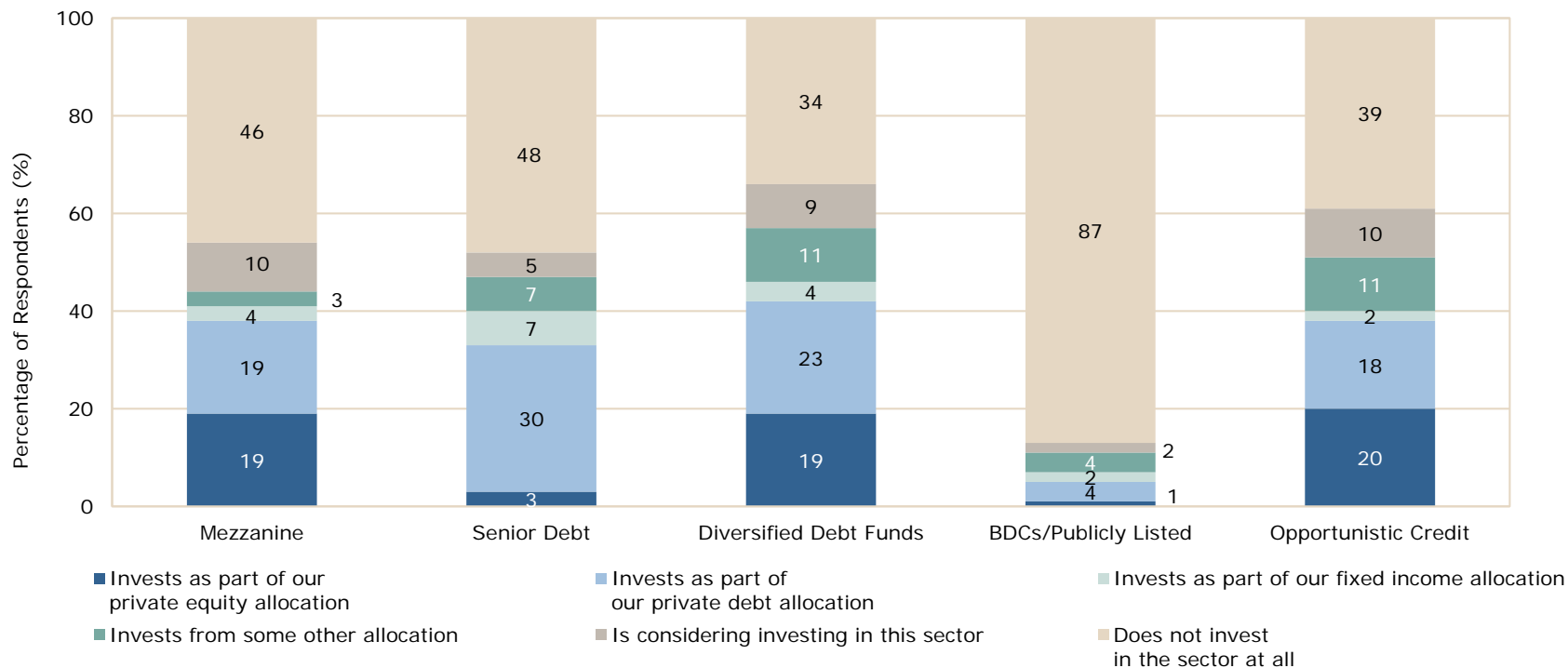
Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

Private Credit Interest and Allocations

- There is significant interest in Opportunistic Credit, Mezzanine and Diversified Debt Funds both overall and within private equity allocations.
- Investments in private credit are made from various portfolio allocations, with specific private debt allocations being the most important for pure-play debt managers.

Chart XXVI Credit

In the credit sector, my firm:



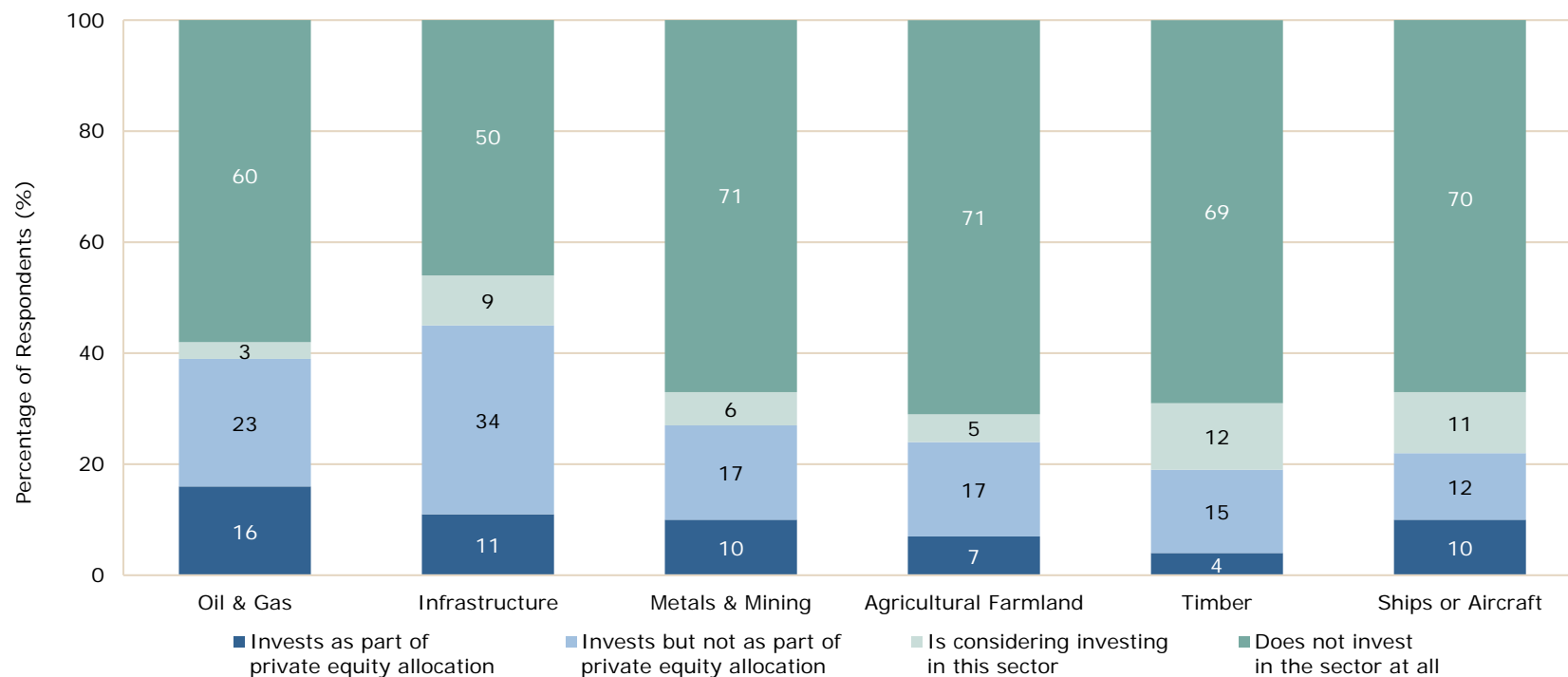
Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results
 Note: Some sectors total greater than 100% of respondents as a few investors had multiple responses

P Real Asset Interest and Allocations

- Many of these sectors attract investments from general real asset allocations or more targeted allocations such as infrastructure or timber, but there are respondents who invest in certain sectors through private equity allocations.
- Infrastructure is the area of most interest while timber is the least.

Chart XXVII Real Assets

In the real asset sector, my firm:



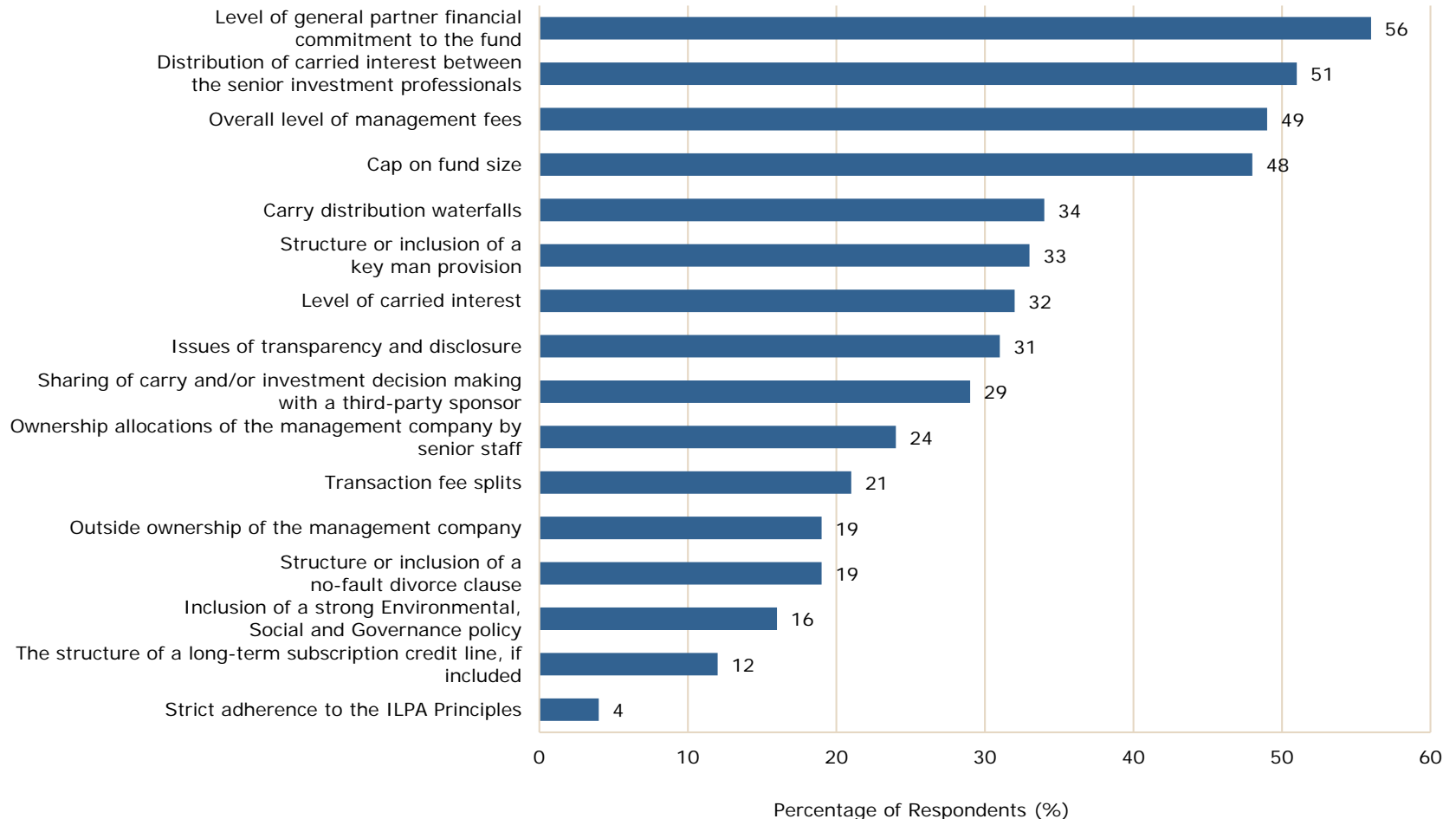
Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

Note: Some sectors total greater than 100% of respondents as a few investors had multiple responses

Key Issues Regarding Fund Structure

Chart XXVIII Issues Regarding Fund Structure

The issues we focus on most when investing or advising a client as far as terms or structure of a fund are (choose no more than four):

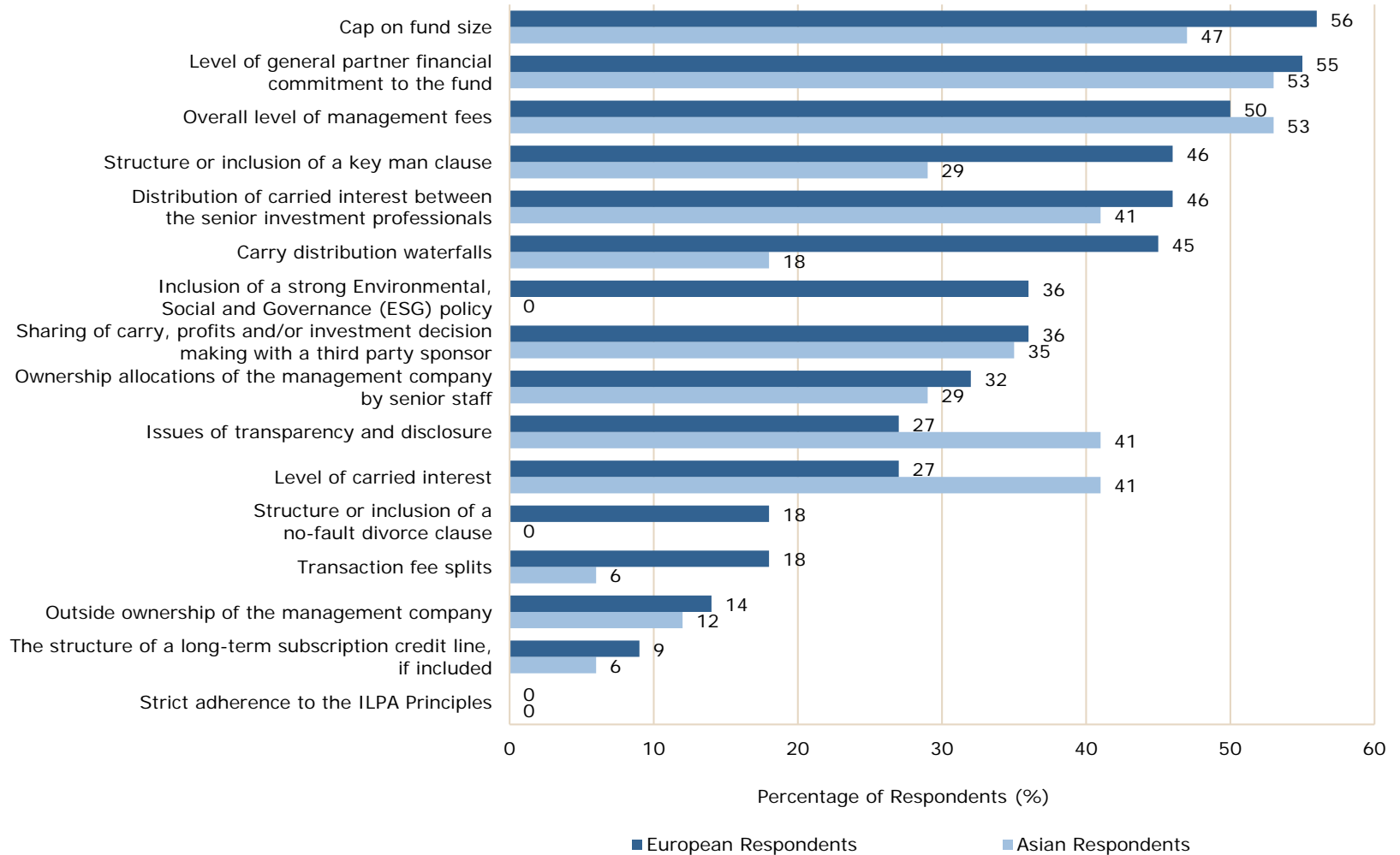


Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

Key Fund Structure Issues: Differences by Headquarters of Respondents

Chart XXIX Issues Regarding Fund Structure: European Respondents vs. Asian Respondents

The issues we focus on most when investing or advising a client as far as terms or structure of a fund are (choose no more than four):



Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

Commentary on Issues Regarding Fund Structure

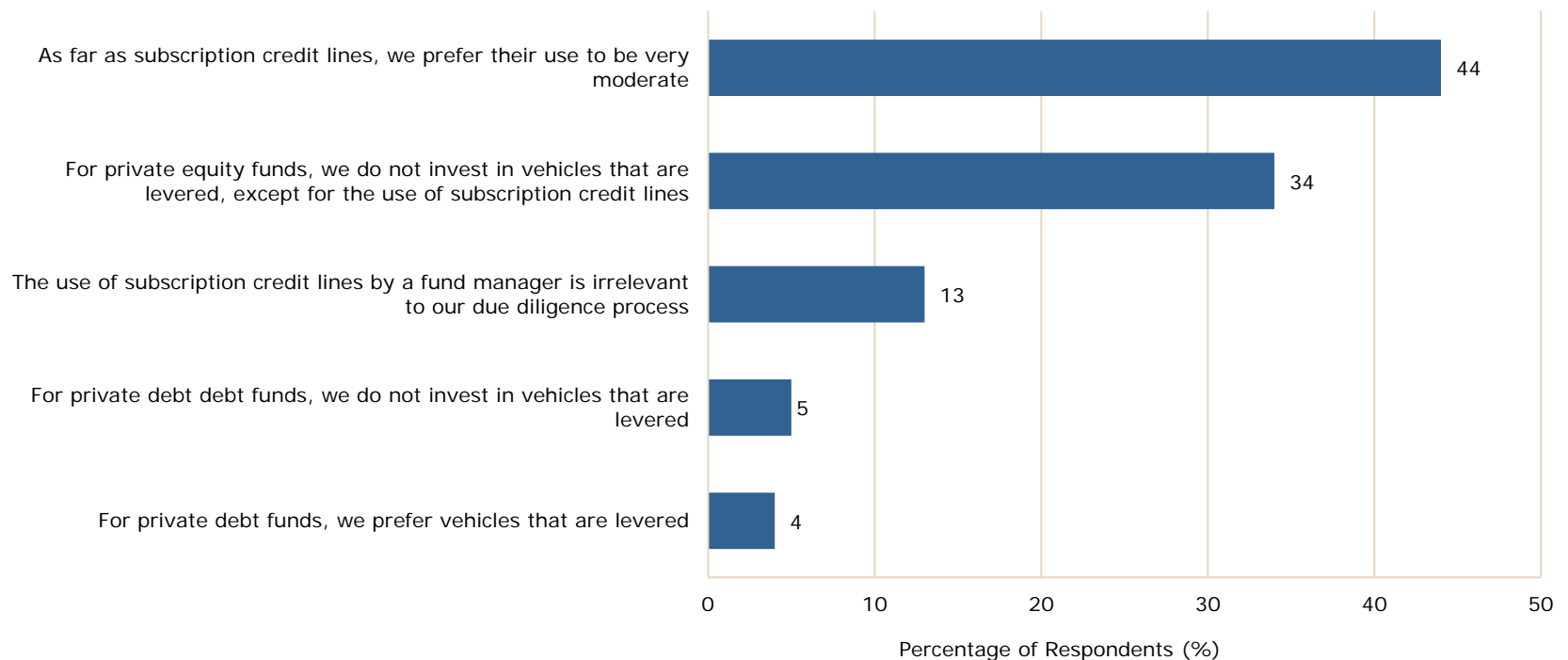
- Among respondents overall, alignment of interest was the major concern as evidenced by the number of respondents focused on the level of manager's financial commitment to the fund.
- However, there were distinct differences on investor's focus depending on where they were from; Chart XXIX in the previous slide provides details on the differences between European and Asian investors.
- Interestingly, one area of particular interest is the inclusion of a strong ESG policy:
 - It is ranked 14th among pre-identified issues among overall respondents (Chart XXVII) with only 16% of respondents focused on it among their targeted concerns.
 - However, there were large differences in responses on ESG importance geographically by firm headquarters:
 - European respondents: 36%
 - North American respondents: 12%
 - Asian respondents: 0%

Fund-level Leverage

- The increased aggressive use of subscription credit lines by certain fund managers has caused greater attention on the use of fund-level leverage.
- Many investors understand the usefulness of subscription credit lines in managing drawdowns but prefer their use to be moderate.

Chart XXX Fund-level Leverage

As far as fund-level leverage is concerned (please answer all as appropriate):



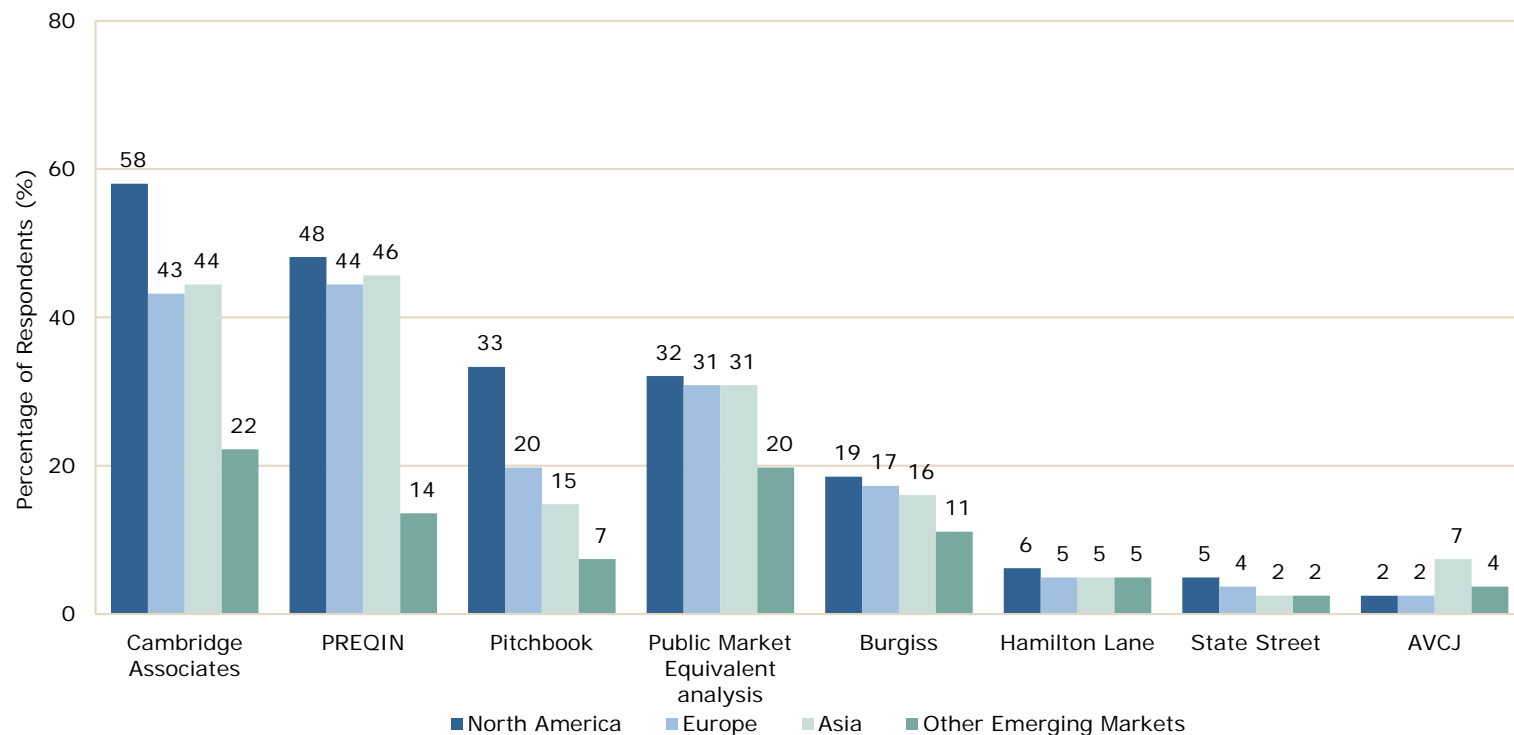
Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

Most Used Benchmarking Databases or Tools

- As is evident from the numbers, many investors use multiple databases or tools.
- Cambridge and PREQIN are the market leaders across most geographies, though Pitchbook has a number of adherents in North America; PME usage is increasing across all geographies.
- APER, Bison and PERACS were also listed but did not generate more than 5% usage for any geography.

Chart XXXI Benchmarking

As far as fund performance benchmarking, we use the following databases or tools in different fund geographies (please choose all that apply):

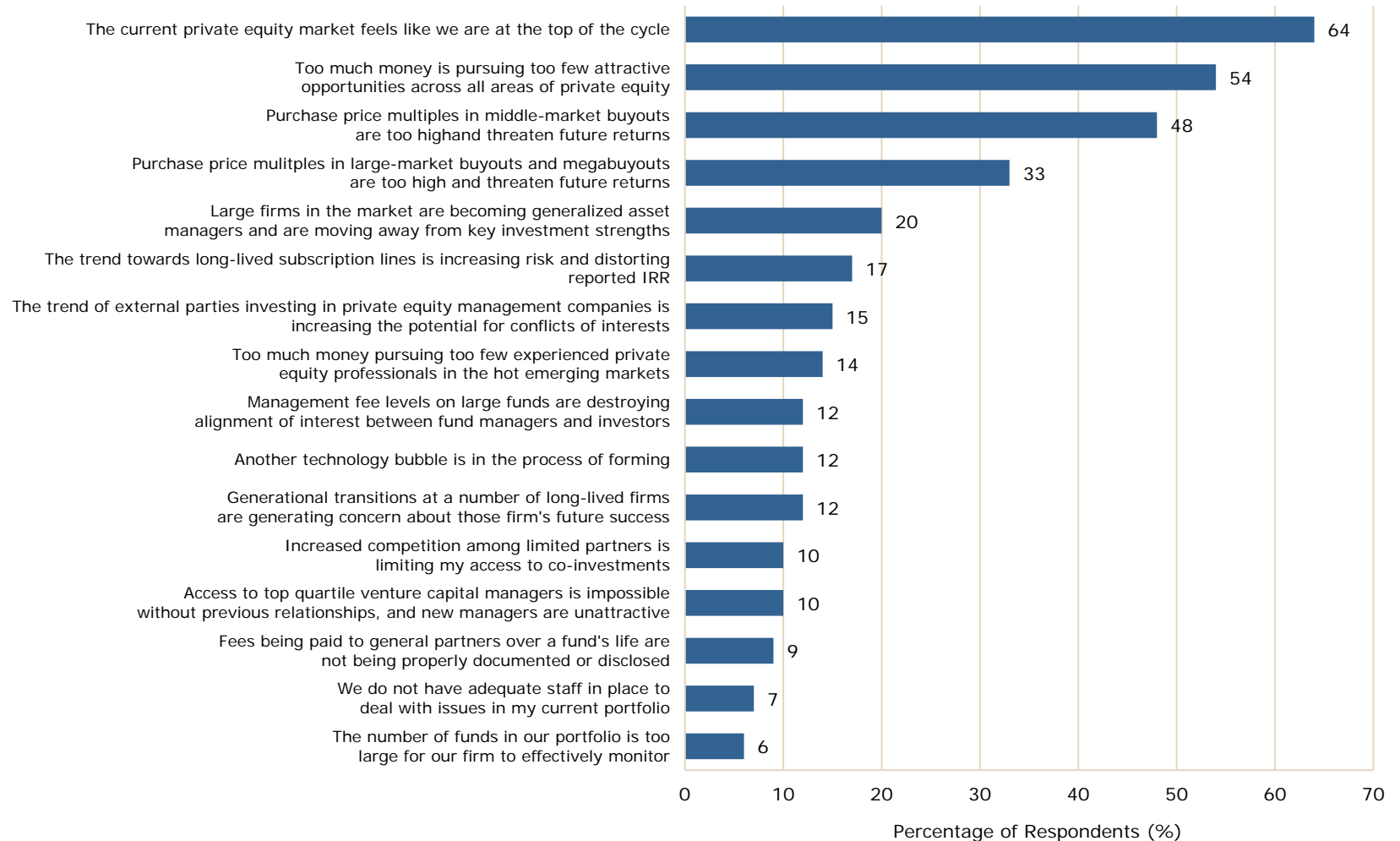


Source: Probitas Partners' Private Equity Investor Trends: 2019 Survey Results

Key Investor Fears

Chart XXXII Greatest Fears Regarding the Private Equity Market

Our three greatest fears regarding the private equity market at the moment are:



Source: Probitas Partners' Private Equity Investor Trends: 2020 Survey Results

Key Investor Fears: 2007 vs. 2020

- There is a definite shift in concerns from our pre-GFC survey to this year, with fear we are at the top of a cycle as the leading concern.
- Though investors are heavily focused on middle-market buyouts in the U.S. and Europe, they are also very concerned that purchase price multiples are too high.

Table III: What Keeps You Up At Night?

Top Five Responses:

2007		2020	
Issue	%	Issue	%
Management fee levels and transaction fees on large funds are destroying alignment of interest between fund managers and investors	51%	The current private equity market feels like we are at the top of the cycle	64%
The amount of leverage in the buyout market is unsustainable, and over the next 2 years credit problems will hurt performance of recent vintage funds	48%	Too much money is pursuing too few attractive opportunities across all areas of private equity	54%
There is too much money available in the large buyout market and that will dramatically impact future returns	39%	Purchase price multiples in middle-market buyouts are too high and threaten future returns	48%
Private equity is most effective as a niche market and too much money is being raised in all sectors of private equity	35%	Purchase price multiples in large-market and mega-buyouts are too high and threaten future returns	33%
Recapitalizations are boosting IRRs temporarily, but adding to fund risk by re-levering companies	30%	Large firms in the market are becoming generalized asset managers and are moving away from key investment strengths	20%

Source: Probitas Partners' Private Equity Investor Trends for 2007 Survey and 2020 Survey

Further Commentary on Investor Fears

- Chart XXXII on Slide 45 only lists those responses that collected 5% interest from investors
- There were differences in investor concerns by geography and fund type:
 - North American's were most worried that we were at the top of the market cycle, with 77% mentioning it.
 - European and Asian respondents were more focused on the fact that they felt that there was too much money in the market, with 73% of Europeans and 63% of Asians feeling that way.
 - The biggest fear of insurance companies was that purchase price multiples for middle market buyouts were too high, with 65% of them targeting that fear.
 - 83% of endowments and foundations felt that we were at the top of the market cycle.

Summary

- Though the largest fear among investors is that we are at or near the top of the market cycle, they are still very interested in private equity, with no one looking to decrease their exposure. That is largely because investors feel that potential risks and returns are still attractive compared to other asset classes.
- Though many investors are wary of where we are in the market cycle, there is no consensus on what may trigger a market downturn, though political risks as well as pure economic risks are of concern.
- In the past, distressed debt and special situations funds were looked at as a hedge for market down cycles, but many investors are more wary due to the extreme actions taken by central banks during the last market downturn. Evidenced by the current lack of interest for these strategies, investors are much more concerned that future government actions will mitigate against strong returns in the coming cycle, especially at the large end of the market.
- Though there is a strong interest in Middle-Market Buyouts globally, investor's third largest fear currently is that Middle-Market purchase price multiples are too high.
- Investors' are also concerned that reported purchase price multiples are in many cases being aggressively adjusted in order to seem more conservative and feel multiples overall are increasingly understated.
- In discussions with smaller limited partners, there is a growing feeling that their interests are no longer aligned with large limited partners on a number of issues as their concerns and investment strategies continue to diverge.

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