



Probitas Partners 2023 Institutional Investors Private Equity Survey

December 2022



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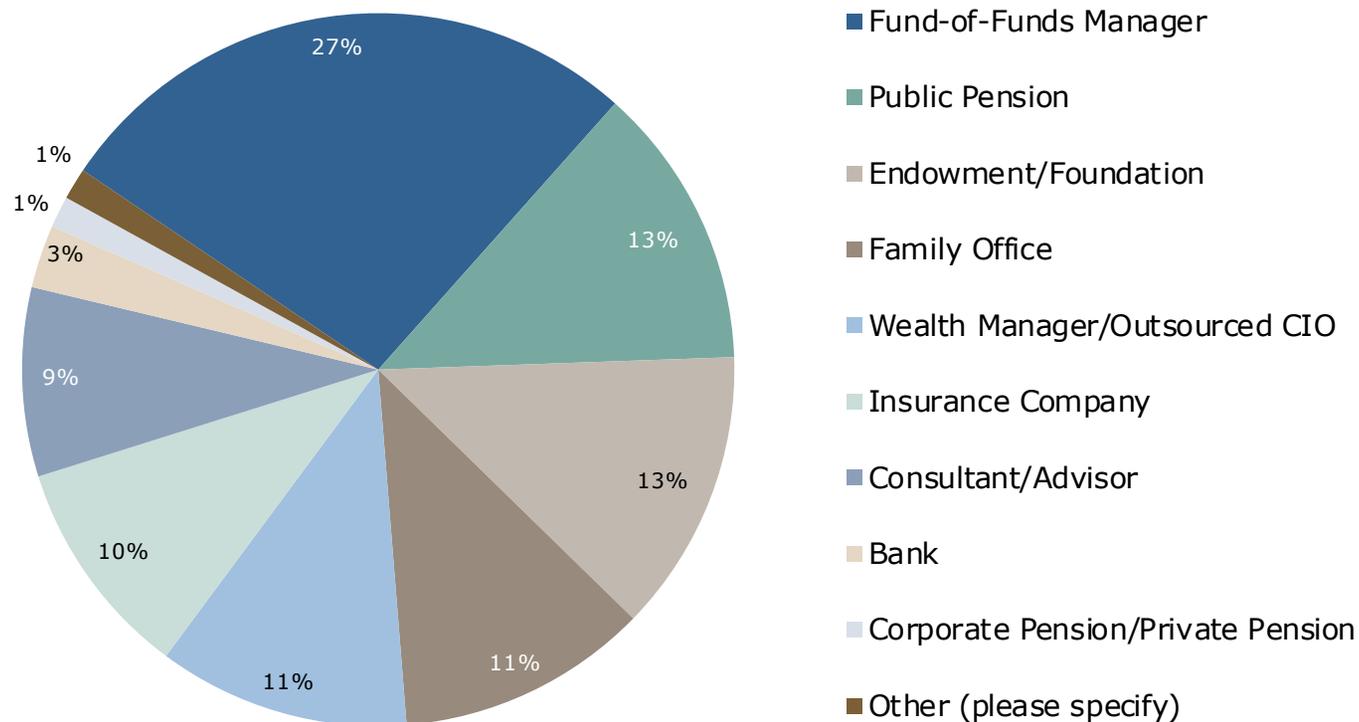
Survey Background and Highlights

- Probitas' latest annual institutional investor survey was taken over the last three weeks of October and many of the underlying private market trends for 2023 were set in investor's minds at that point.
 - However, the survey was completed before the situation with FTX and cryptocurrency occurred; those events might that might have had an impact on investor's perceptions on Venture Capital.
- We received responses from 70 institutional investors, including pension plans, endowments & foundations and funds-of-funds. We did not contact investment managers focused on the retail market. Our analysis of the results was also informed by our ongoing conversations with a larger number of limited partners as part of our normal activities.
- The largest number of responses came from investors in North America and Western Europe, the two deepest private equity markets, with a few from Asia-Pacific as well.
- Among the most notable results compared to our past surveys:
 - A steep decline in interest in Venture Capital since last year and a steeper fall in interest in China over the last two years.
 - An increase in focus on Special Situations funds.
 - Little rebound in focus in Oil & Gas funds even with the turmoil in the energy market caused by Russia's invasion of Ukraine.
 - Continued growing interest in ESG and Sustainability, especially in Europe.

Respondents by Type of Institution

- Over 50% of the responses came from Funds-of-Funds, Public Pensions and Endowments/Foundations.
- There were a significant number of responses from Family Offices, Wealth Managers, Insurance Companies and Consultants.

Chart I Respondents by Institution

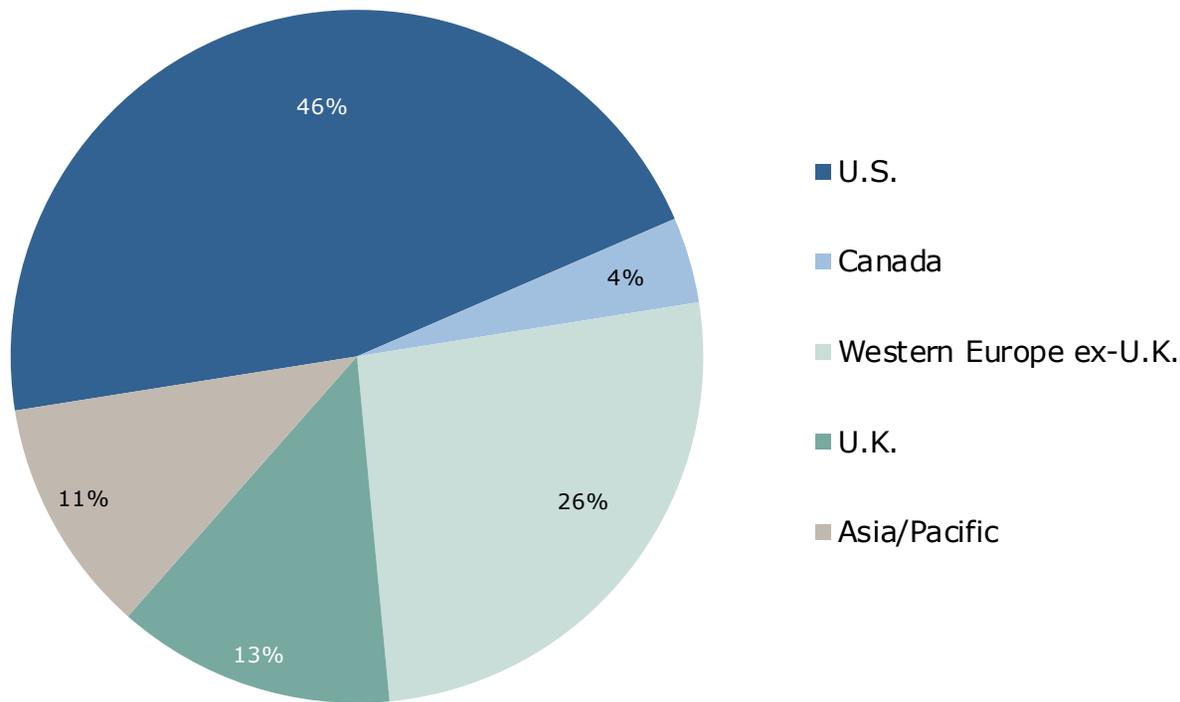


Source: Probitas Partners' Private Equity Investor Trends: 2023 Survey Results

Respondents by Firm Headquarters

- 50% of the respondents were from North American headquartered firms while 39% were from Western Europe and 11% from Asia Pacific.
- Within Europe, 13% of respondents were from firms headquartered in the U.K.

Chart II Respondents by Firm Headquarters



Source: Probitas Partners' Private Equity Investor Trends: 2023 Survey Results

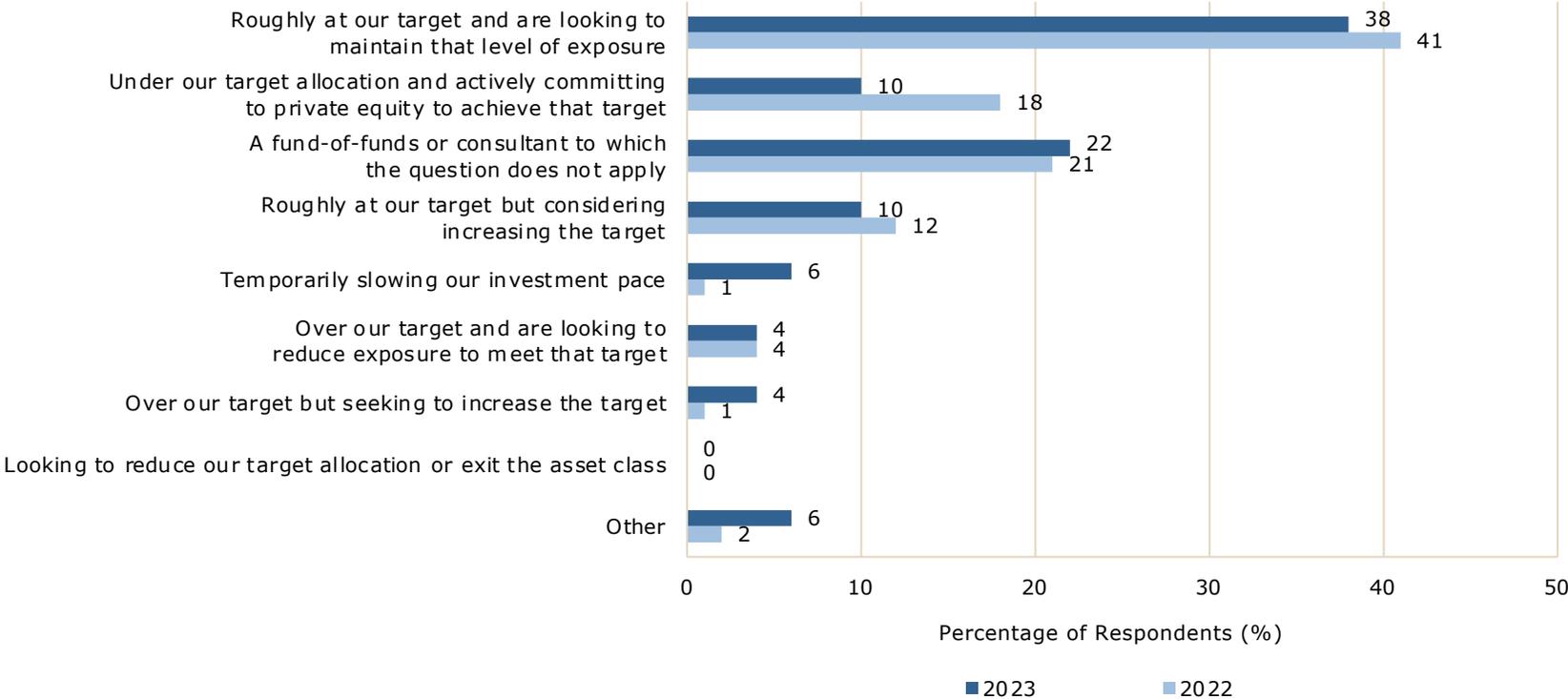


Current and Target Allocations

- 53% of respondents were roughly at or over their target but are still looking to maintain or increase their allocations, a similar result to last year.
- However, the percentage of respondents who were under target and actively committing to private equity fell from 28% going into 2021 to 18% in 2022, falling further to 10% this year; 6% are currently temporarily slowing their investment pace.

Chart III Current and Target Allocations

As far as our target allocation, we are:



Source: Probitas Partners' Private Equity Investor Trends: 2022 & 2023 Survey Results

Respondent Commentary on Allocations

- The Survey allows respondents to comment on certain questions; the following comments were varied but interesting:

"Over our target and not seeking to change anything."

- U.S. Endowment/Foundation

"Our 2022 PE allocation is fully identified, and we are experiencing pressure from a legal resource point of view to close funds through year-end. Our 2023 private equity allocation will not be identified until February 2023 - however, we are expecting the 2023 allocation may be smaller by 10-20%."

- U.S. Insurance Company

"Over our target but within guidelines; no change to historical fiscal year pacing."

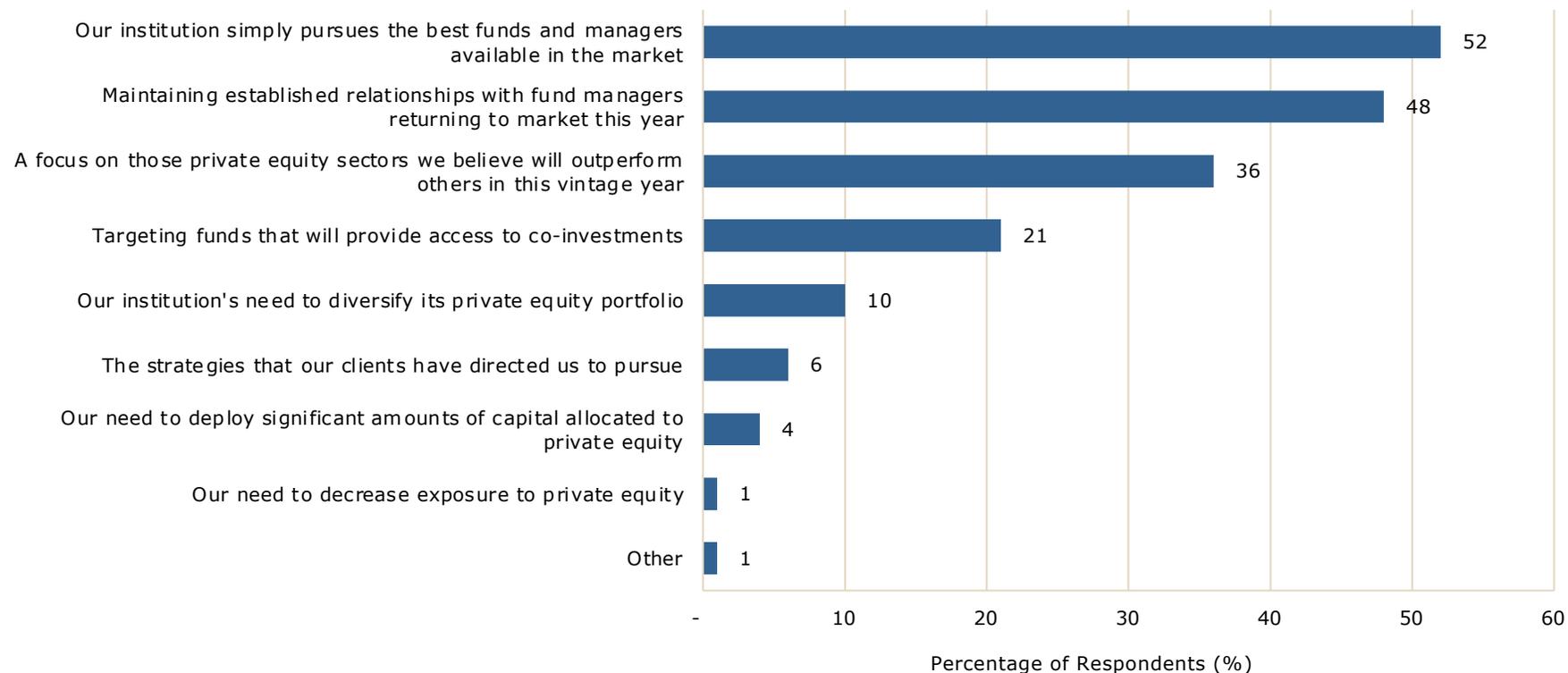
- U.S. Public Pension

Drivers of Sector Investment

- The drivers of sector investment remained similar to last year, though in 2023 simply pursuing the best funds and managers available regained the number one rank, increasing from 46% to 52%.
- Maintaining established relationships slipped slightly to rank as number two, falling from 51% last year; what is more remarkable is that is still significantly higher than the 10% this option was at only two years ago.

Chart IV Drivers of Sector Investment

Our sector investment focus in 2023 will be driven by (choose no more than two):



Source: Probitas Partners' Private Equity Investor Trends: 2023 Survey Results

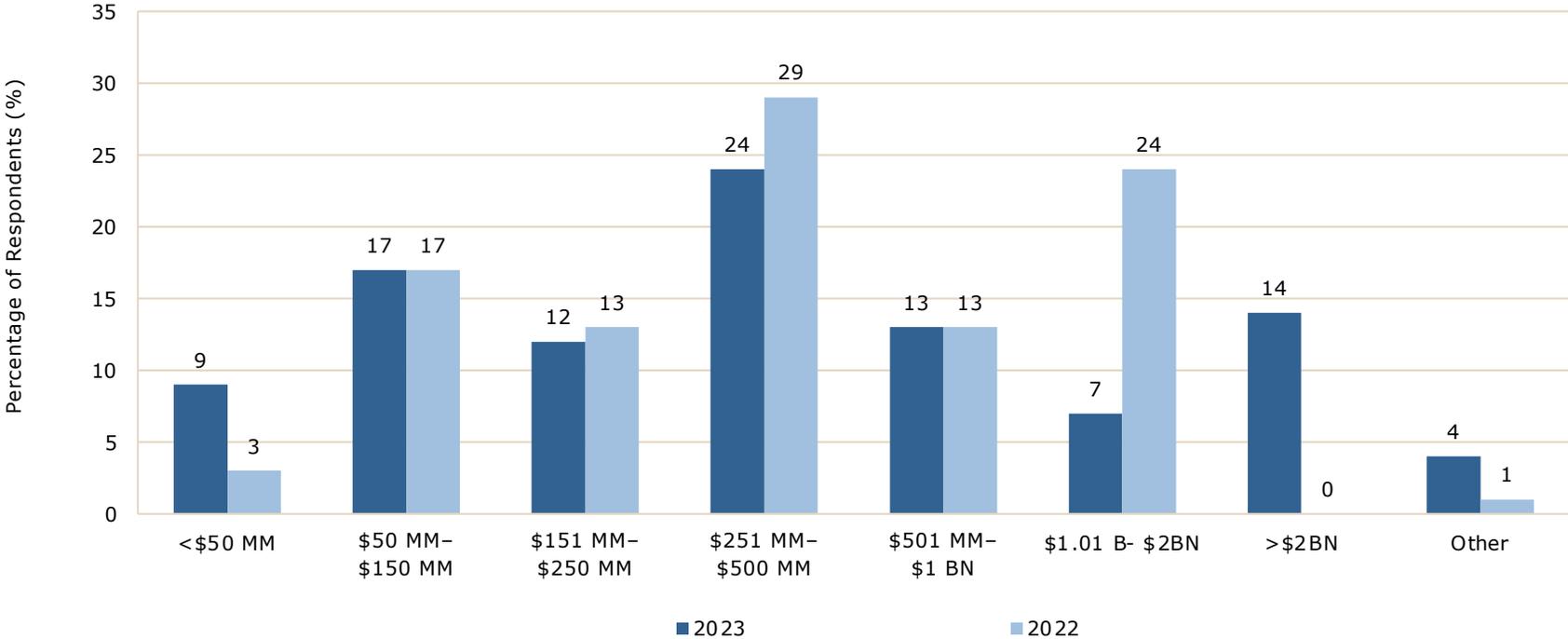


Size of Respondent Allocations

- The size of respondents' allocations often have an impact on their views of the market, especially in such areas as co-investments, secondaries and funds-of-funds.
- Respondents to the survey varied significantly in the size of their potential allocations for 2023.

Chart V Private Equity Allocations

For 2023, we or the clients we advise are looking to commit across all areas of private equity (in USD):



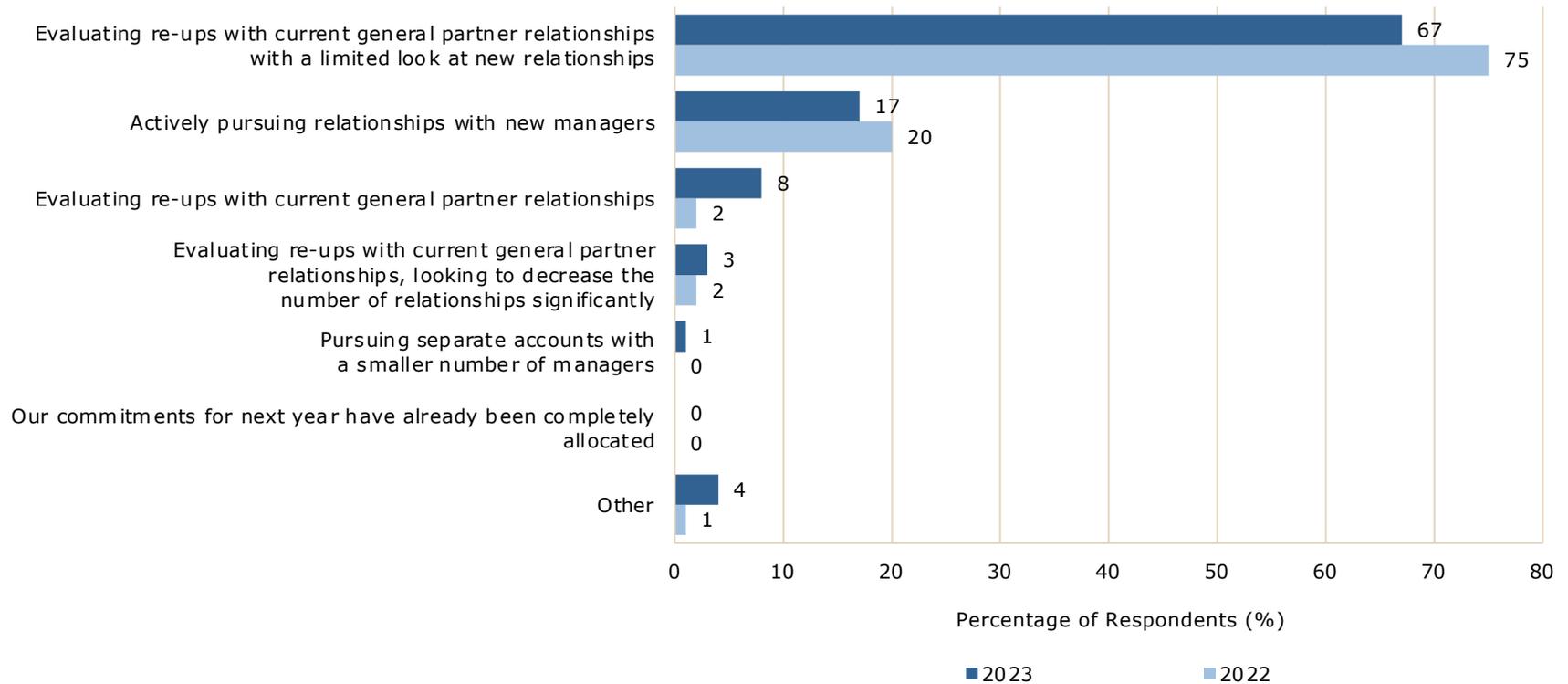
Source: Probitas Partners' Private Equity Investor Trends: 2023 & 2022 Survey Results; other responses had no target. The separate category of > \$2BN was added in 2023.

Manager Relationships

- Even though it slipped a little this year, respondents were still heavily focused on re-ups with current general partner relationships with a limited look at new relationships.
- 17% of respondents were actively pursuing new managers – though that number is somewhat skewed by funds-of-funds, 42% of whom were targeting new managers.

Chart VI Manager Relationships

During 2023, we would expect our primary focus to be:



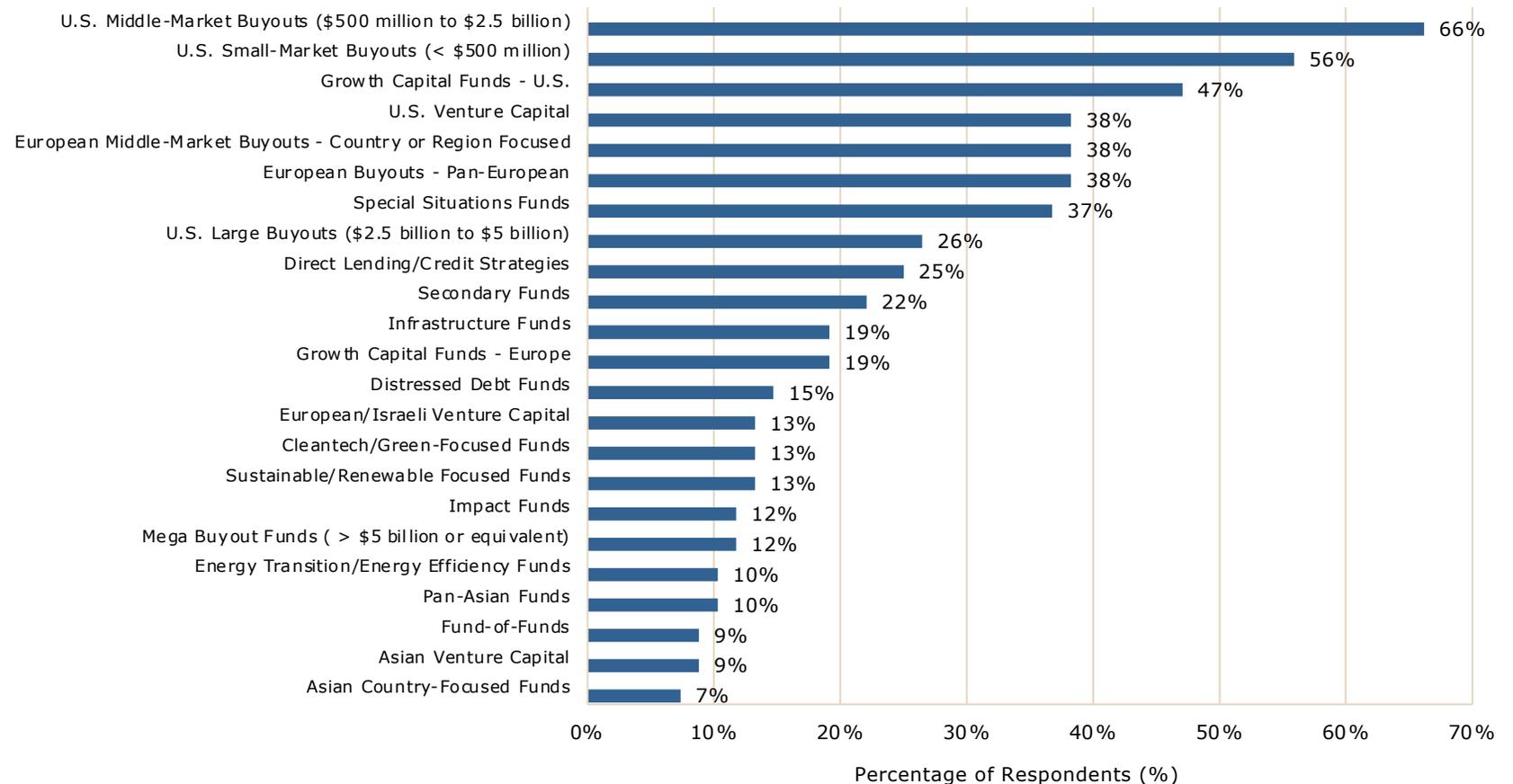
Source: Probitas Partners' Private Equity Investor Trends: 2023 & 2022 Survey Results

Private Equity Sectors of Interest

- Respondents were limited to selecting eight sectors: U.S. Middle-Market and Small-Market Buyouts, and U.S. Growth Capital funds topped the market.
- This list only includes sectors that attracted the interest of at least 7% of respondents.

Chart VII Private Equity Sectors of Interest

During 2023, my firm or my clients plan to focus most of our attention on investing in the following sectors (choose no more than eight):



Source: Probitas Partners' Private Equity Investor Trends: 2023 Survey Results

Private Equity Sectors of Interest: Commentary and Niche Sectors

- Mega-Buyout Funds (ranked 18th on the overall list) have never been a strong focus of limited partner investment staffs – but they are a core holding of many large investors who need to deploy capital in large amounts to meet their overall commitment targets.
- Interest in Asian-focused funds fell significantly as noted on the overall list.
- The table below breaks out those niche funds that scored 6% or less in respondent interest; Emerging Markets (ex-Asia), Oil & Gas, and Funds investing in Other General Partners among others did not garner significant support.

Table I: Sectors Attracting 6% or Fewer of Responses	
Fund Type	Percent
Restructuring Funds	6%
Mezzanine Funds	6%
Timber Funds	3%
Agriculture Funds	3%
Emerging Markets (ex-Asia)	3%
Long-dated funds	3%
Mining Funds	1%
Oil & Gas Funds	1%
Funds Investing in Other General Partners	1%
Other Niche Sectors (please specify)	3%

Source: Probitas Partners' Private Equity Investor Trends: 2023 Survey Results

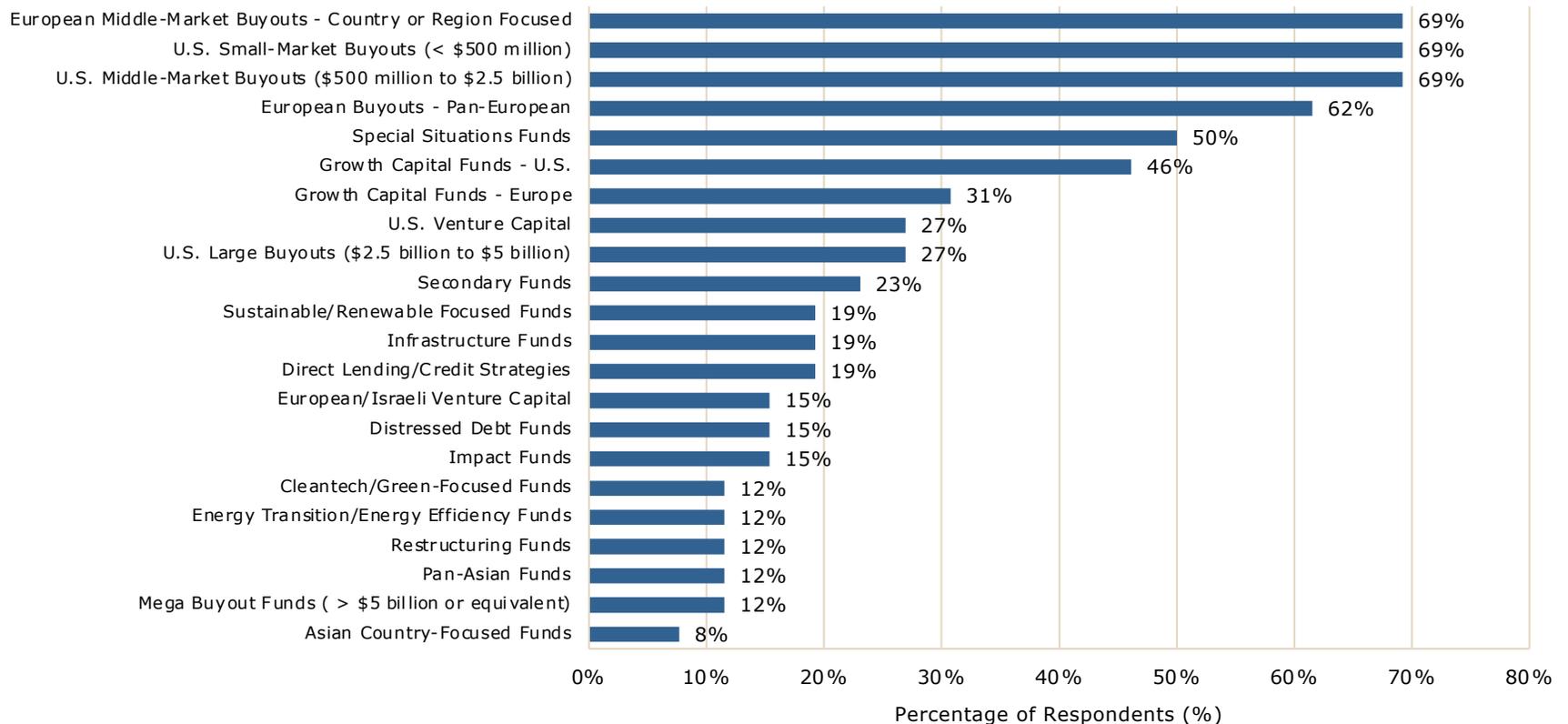


Private Equity Sectors of Interest: European Respondents

- Europeans were more interested in their home markets and less focused on niche strategies, but were also strongly interested in a variety of funds focused on the U.S.
- They also had the strongest interest in Special Situations funds and Sustainable/Renewable funds compared to other respondents.

Chart VIII Private Equity Sectors of Interest; European Respondents

During 2023, my firm or my clients plan to focus most of our attention on investing in the following sectors (choose no more than eight):



Source: Probitas Partners' Private Equity Investor Trends: 2023 Survey Results



Private Equity Sectors of Interest: European Respondents and Niche Sectors

- As detailed below, there were more niche fund sectors that European respondents have little interest in.
- Notably, Oil & Gas funds, Funds investing in other general partners and Long-dated funds attracted no interest.

Table II: Sectors Attracting Less Than 6% of Responses

Fund Type	Percent
Mezzanine Funds	4%
Timber Funds	4%
Agriculture Funds	4%
Mining Funds	4%
Asian Venture Capital	4%
Emerging Markets (ex-Asia)	4%
Fund-of-Funds	4%
Oil & Gas Funds	0%
Funds investing in other general partners	0%
Long-dated funds	0%
Other Niche Sectors (please specify)	4%

Source: Probitas Partners' Private Equity Investor Trends: 2023 Survey Results

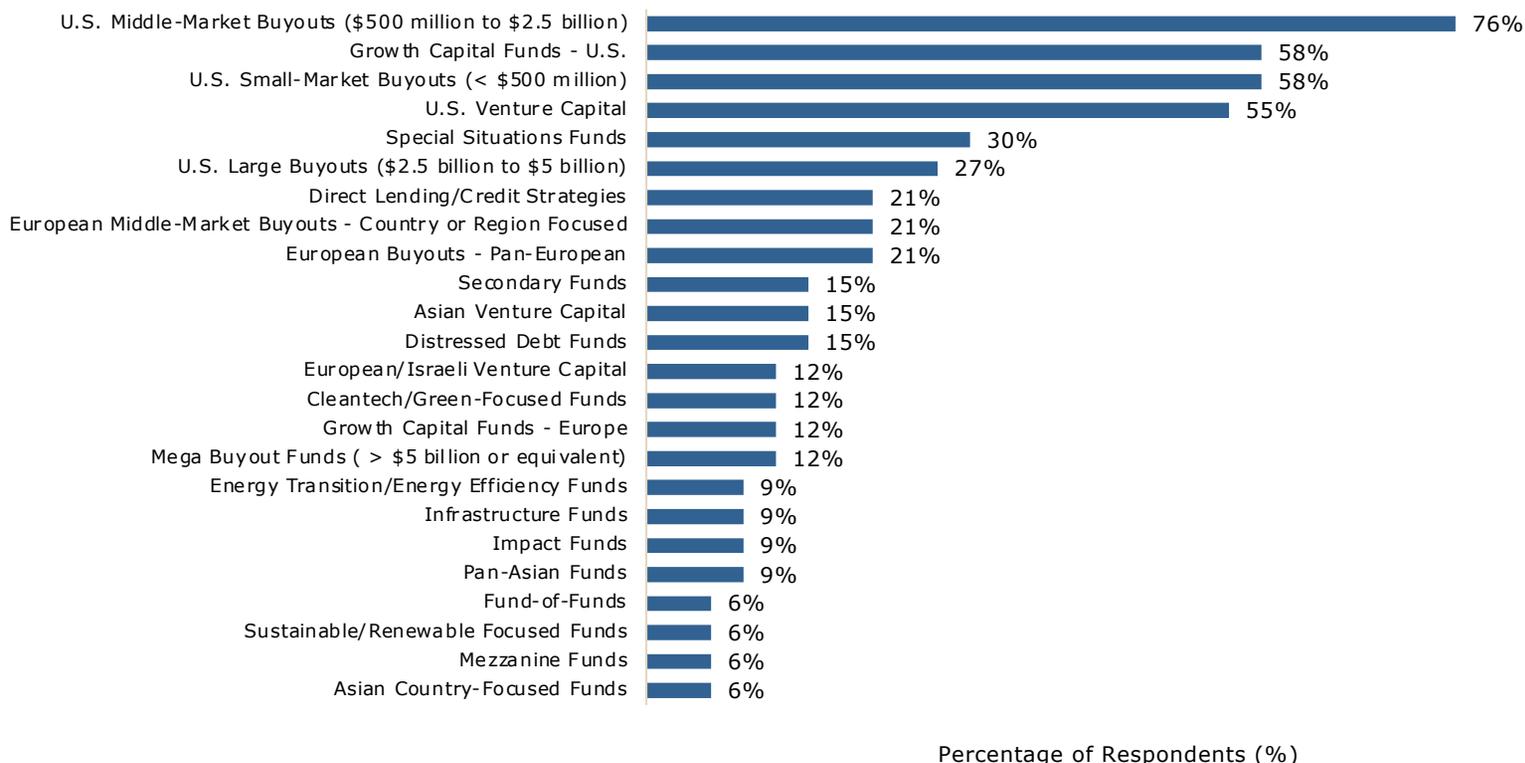


Private Equity Sectors of Interest: North American Respondents

- Unsurprisingly, North Americans were more heavily focused on their home markets with the top four choices all U.S. focused.
- Interest in European strategies declined slightly this year, while interest in Asia tumbled significantly.
- Special Situations funds also attracted strong interest.

Chart IX Private Equity Sectors of Interest; North American Respondents

During 2023, my firm or my clients plan to focus most of their attention on investing in the following sectors (choose no more than eight):



Source: Probitas Partners' Private Equity Investor Trends: 2023 Survey Results

Private Equity Sectors of Interest: North American Respondents and Niche Sectors

- Even with energy shortages this year driven by the Russian invasion of Ukraine and resulting sanctions, interest in Oil & Gas funds remained very low for North American respondents.
- Interest in Emerging Markets outside of Asia also remained weak.

Table III: Sectors Attracting Less Than 5% of Responses	
Fund Type	Percent
Timber Funds	3%
Agriculture Funds	3%
Oil & Gas Funds	3%
Emerging Markets (ex-Asia)	3%
Long-dated funds	3%
Restructuring Funds	0%
Mining Funds	0%
Funds investing in other general partners	0%
Other Niche Sectors (please specify)	3%

Source: Probitas Partners' Private Equity Investor Trends: 2023 Survey Results

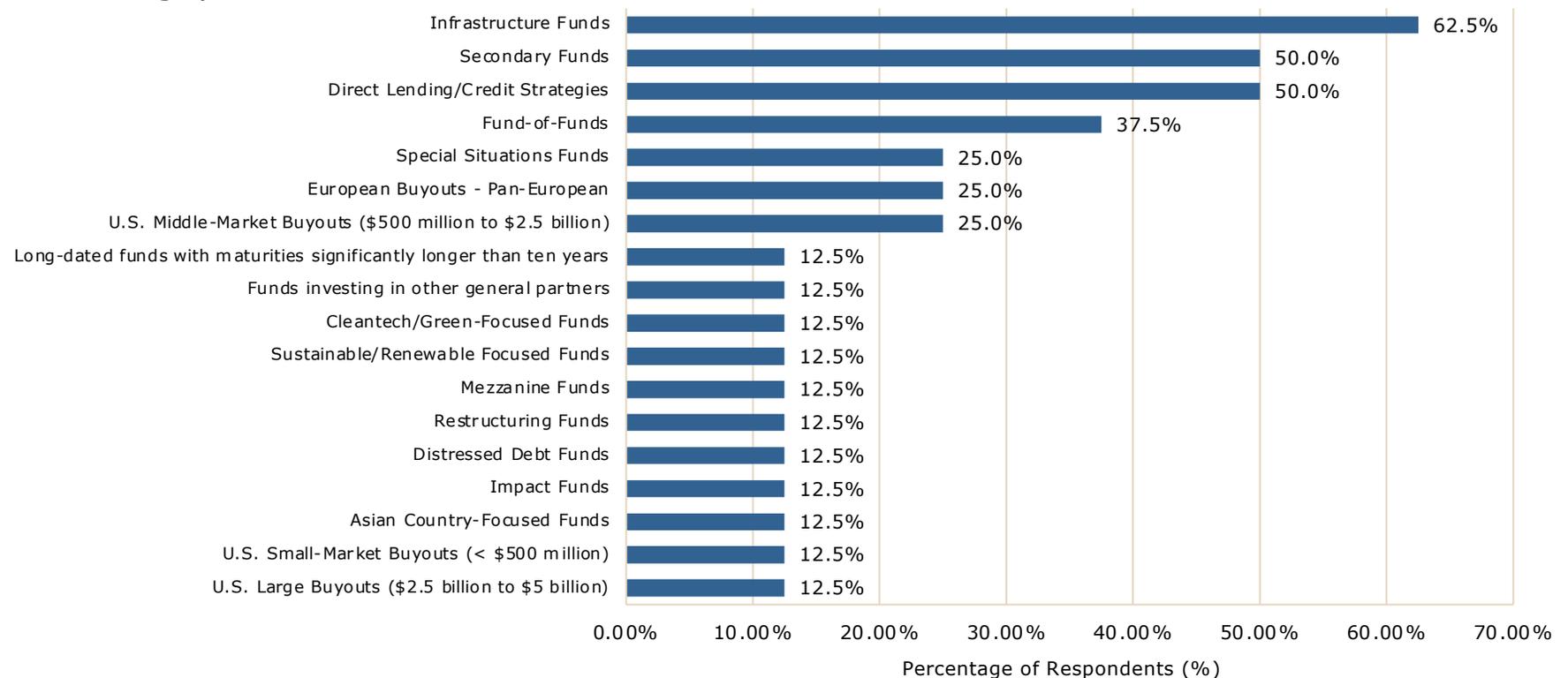


Private Equity Sectors of Interest: Asian Respondents and Niche Sectors

- Fewer Asian investors responded to the survey this year and many of those were from Japan, so these results are somewhat skewed.
- Infrastructure funds are a heavy focus as some of these respondents include them in private equity allocations.
- There are a number of sectors that Asian respondents did not target at all.

Chart X Private Equity Sectors of Interest; Asian Respondents

During 2023, my firm or my clients plan to focus most of their attention on investing in the following sectors (choose no more than eight):



Source: Probitas Partners' Private Equity Investor Trends: 2023 Survey Results

Overall Sector Interest Changes Since Last Year

- U.S. Middle-Market Buyouts remained the leading sector.
- Interest in U.S. Venture Capital fell from 54% last year to 38%, driven by turmoil in the public markets in technology.
- Special Situations broke into the top seven sectors of interest, with 37% of respondents targeting it compared to 15% last year.

Table IV: Institutional Investors Focus of Attention Among Private Equity Sectors

2022		2023	
Sector	% Targeting	Sector	% Targeting
U.S. Middle-Market Buyouts (\$500 million to \$2.5 billion)	71%	U.S. Middle-Market Buyouts (\$500 million to \$2.5 billion)	66%
Growth Capital Funds – U.S.	63%	U.S. Small-Market Buyouts (<\$500 million)	56%
U.S. Venture Capital	54%	Growth Capital Funds – U.S.	47%
U.S. Small-Market Buyouts (<\$500 million)	47%	U.S. Venture Capital	38%
European Middle-Market Buyouts – Country or Region Focused	43%	European Middle-Market Buyouts – Country or Region Focused	38%
U.S. Large Buyouts (\$2.5 billion to \$5 billion)	39%	European Buyouts - Pan-European	38%
European Buyouts - Pan-European	36%	Special Situations	37%

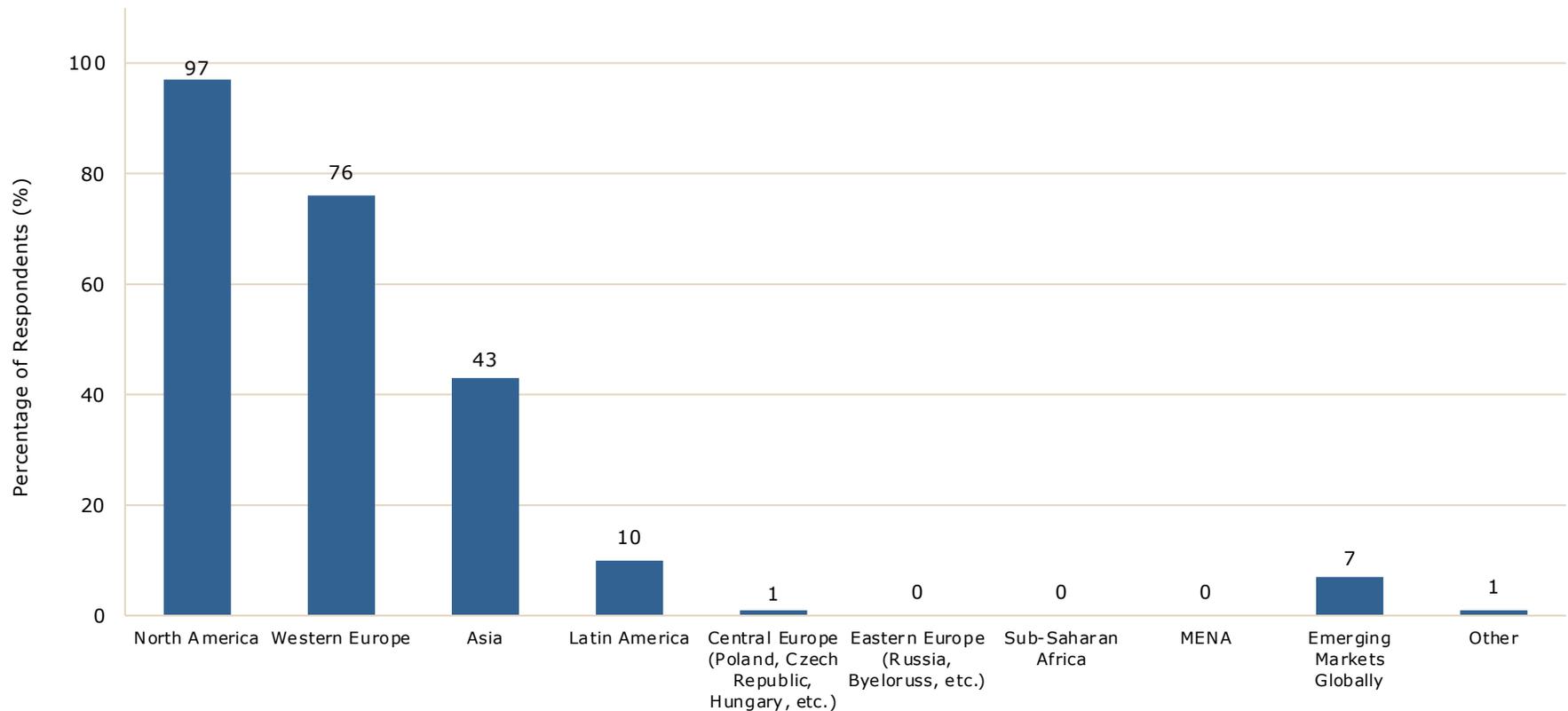
Source: Probitas Partners' Private Equity Investor Trends for 2022 and 2023 Survey

Overall Geographic Interest of Respondents

- The ranking of geographies of interest in the top three spots remained the same as they have been in all our past surveys, with some interesting changes in percentages.
 - North America increased as a key focus from 91% to 97%.
 - Interest in Asia fell from 54% to 43%.

Chart XI Private Equity Geographical Focus

Choose no more than three:



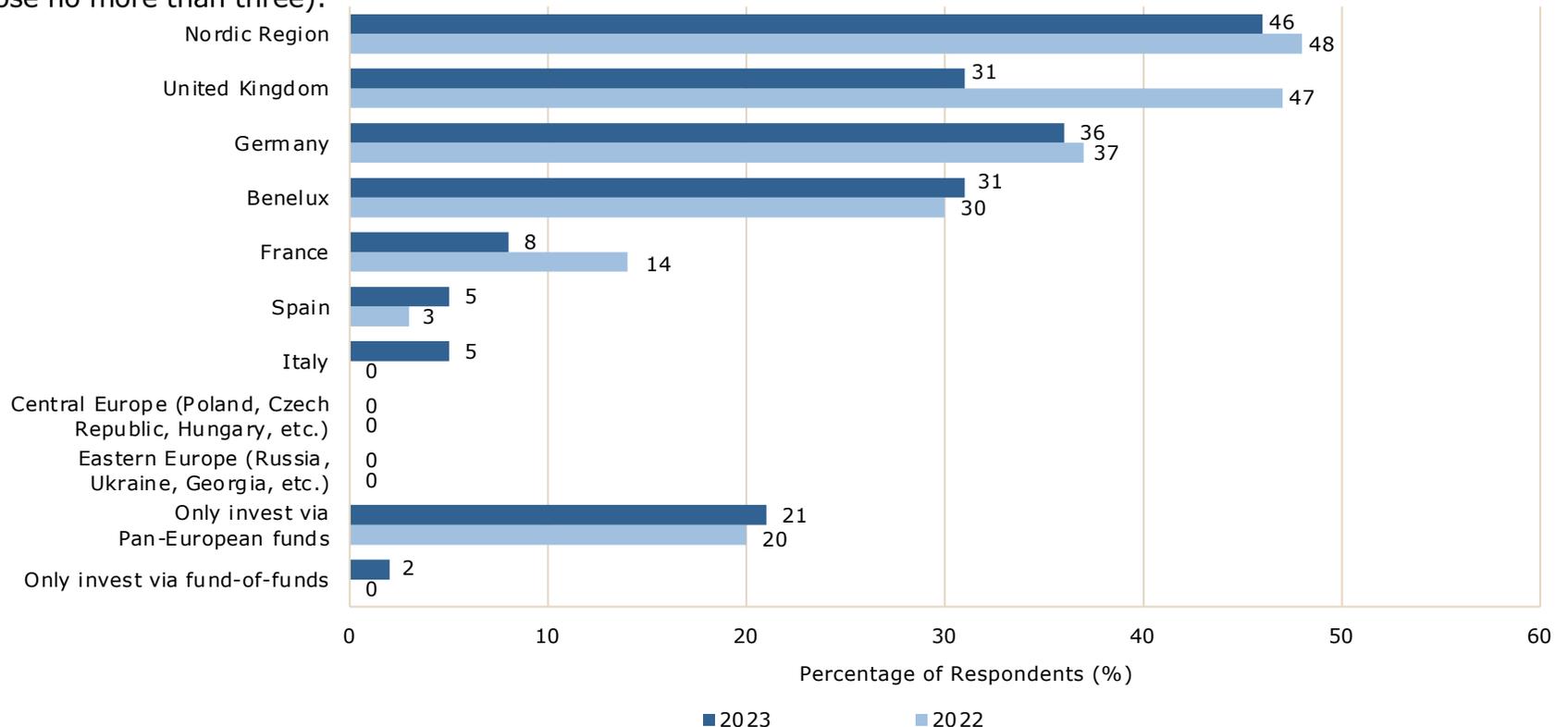
Source: Probitas Partners' Private Equity Institutional Investor Trends for 2022 Survey

Most Attractive European Markets

- The biggest shift in geographic interest within Europe was the fall of interest in the UK, declining from 47% of respondents to 31%.
 - This fall was driven by a dramatic decline of interest from North American respondents, who had been more supportive of the U.K. since Brexit cooled interest from continental European investors.
 - North American interest in the U.K. fell sharply from 53% last year to 25% this year.

Chart XII Most Attractive European Markets

For European Country/Regionally Focused Funds, we find the most attractive markets to be (choose no more than three):



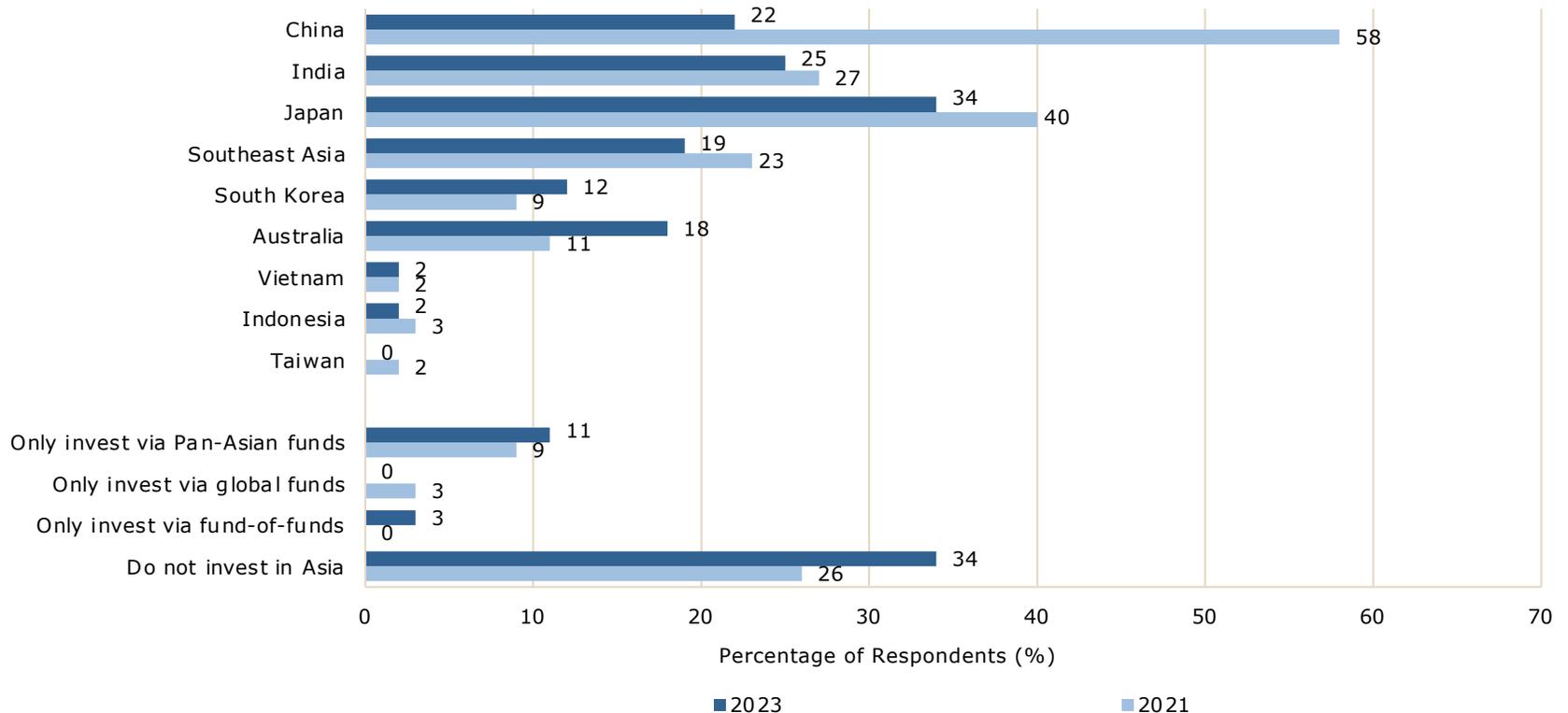
Source: Probitas Partners' Private Equity Investor Trends: 2022 & 2023 Survey Results

Most Attractive Asian Markets

- This chart compares interest in specific Asian markets going into 2021 compared to this year's survey as we move into 2023.
- This timeline is used to compare the dramatic fall in interest in China over this two-year period – respondents targeting China fell from 58% to 22% over that period.
- Respondents reporting that they did not invest in Asia rose to 34% from 26%.

Chart XIII Most Attractive Asian Markets

For Asian Country/Regionally Focused Funds, we find the most attractive markets to be (choose no more than three):



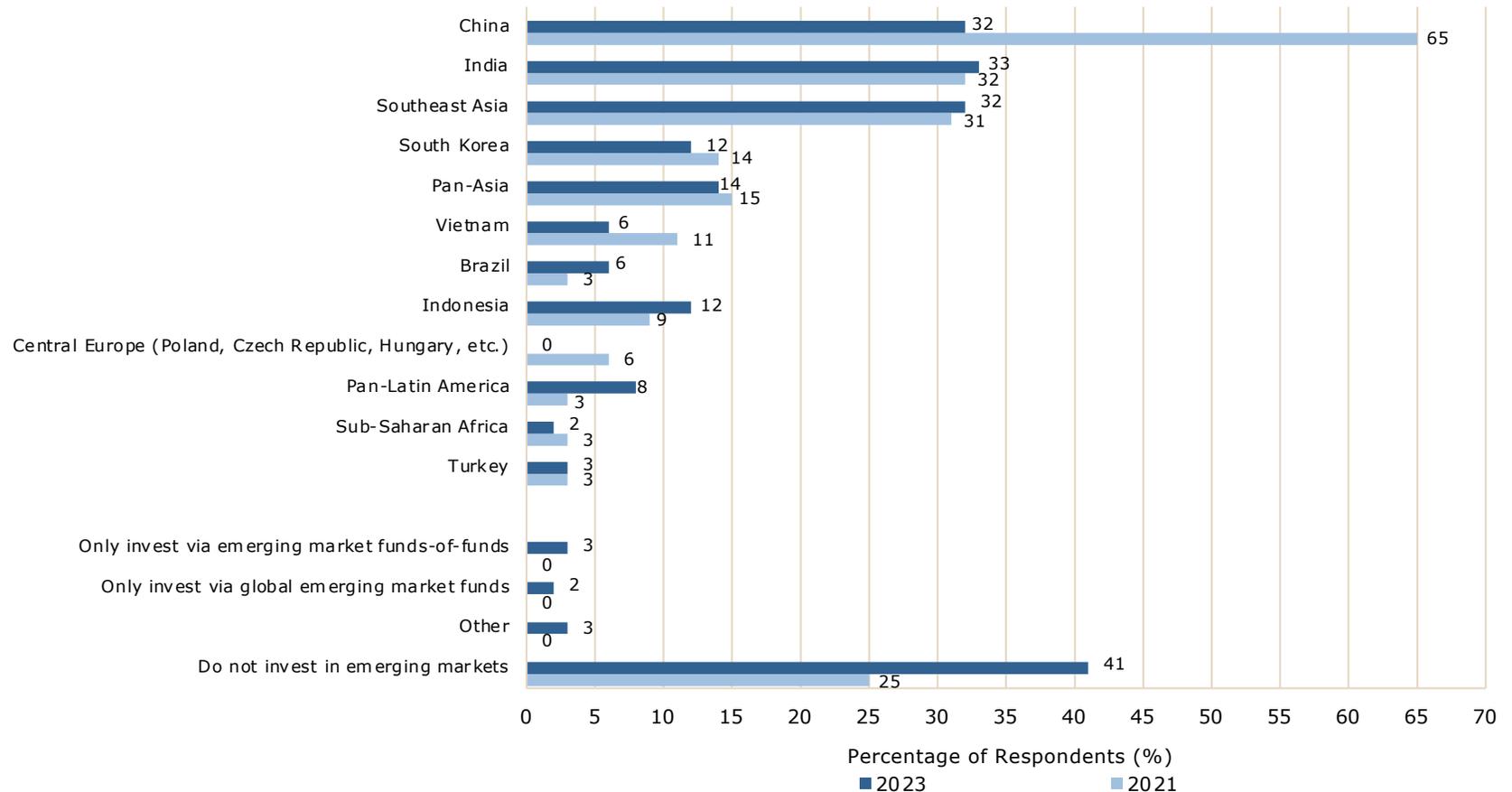
Source: Probitas Partners' Private Equity Investor Trends: 2021 & 2023 Survey Results

Emerging Markets of Interest

- The chart below again focuses on changes over the past two years, highlighting the steep decline of interest in China when compared to all emerging markets.
- The one other significant change was the rise of investors responding that they were not investing in emerging markets, rising to 41% from 25%.

Chart XIV Most Attractive Emerging Markets

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



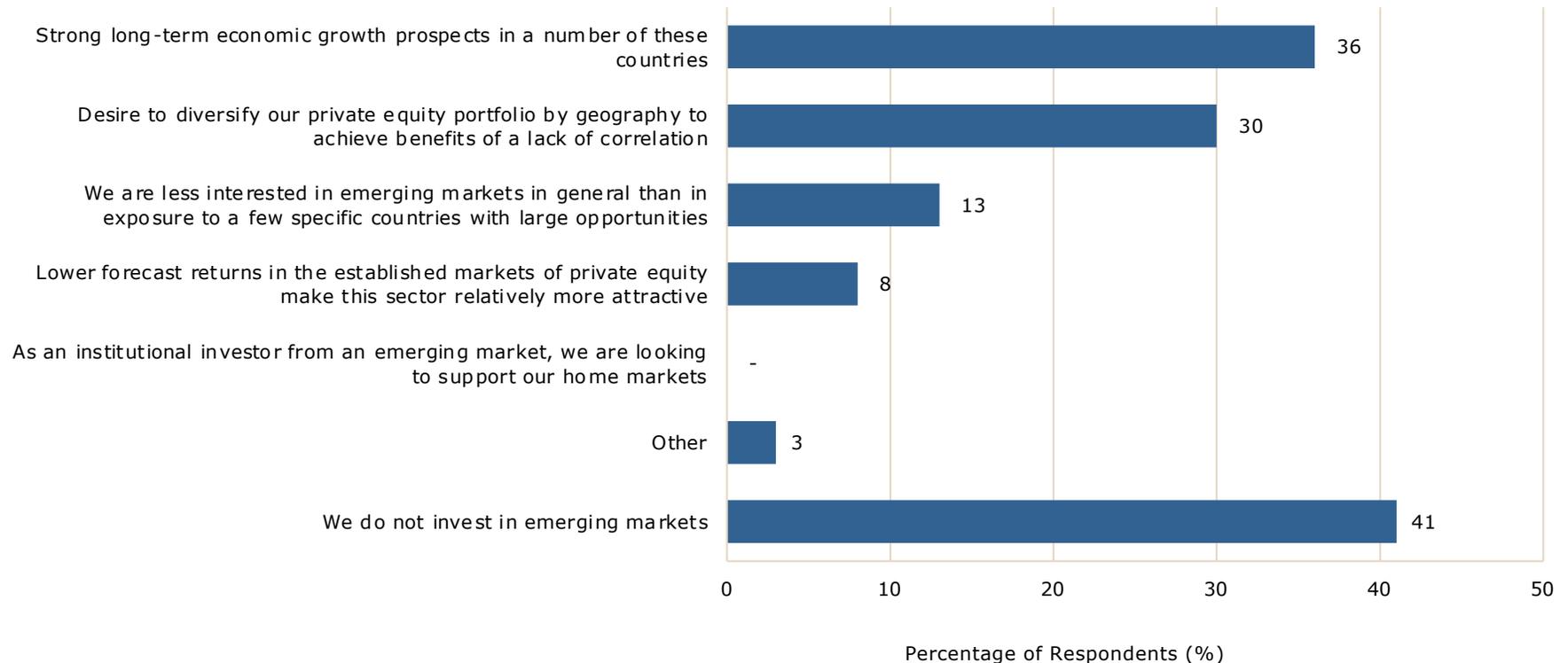
Source: Probitas Partners' Private Equity Investor Trends: 2021 & 2023 Survey Results; only geographies that attracted at least 3% interest are included

Interest in Emerging Market Private Equity

- The ranking of the reasons why respondents were targeting emerging markets remained the same as last year, with the biggest difference being the increase of those not investing in emerging markets
- There was an interesting comment from a U.S. Endowment/Foundation:
 - ***"Access to less efficient markets."***

Chart XV 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: 2023 Survey Results



Why Are Other Respondents Not Interested In Emerging Markets?

- The rationale of respondents not investing remained similar to last year, with 69% preferring the risk/return profile in developed markets.
- A Western European Public Pension had an interesting response:
 - ***"We have invested for more than 20 years in emerging markets but never got a decent return."***

Chart XVI Disinterest in Emerging Market Private Equity

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



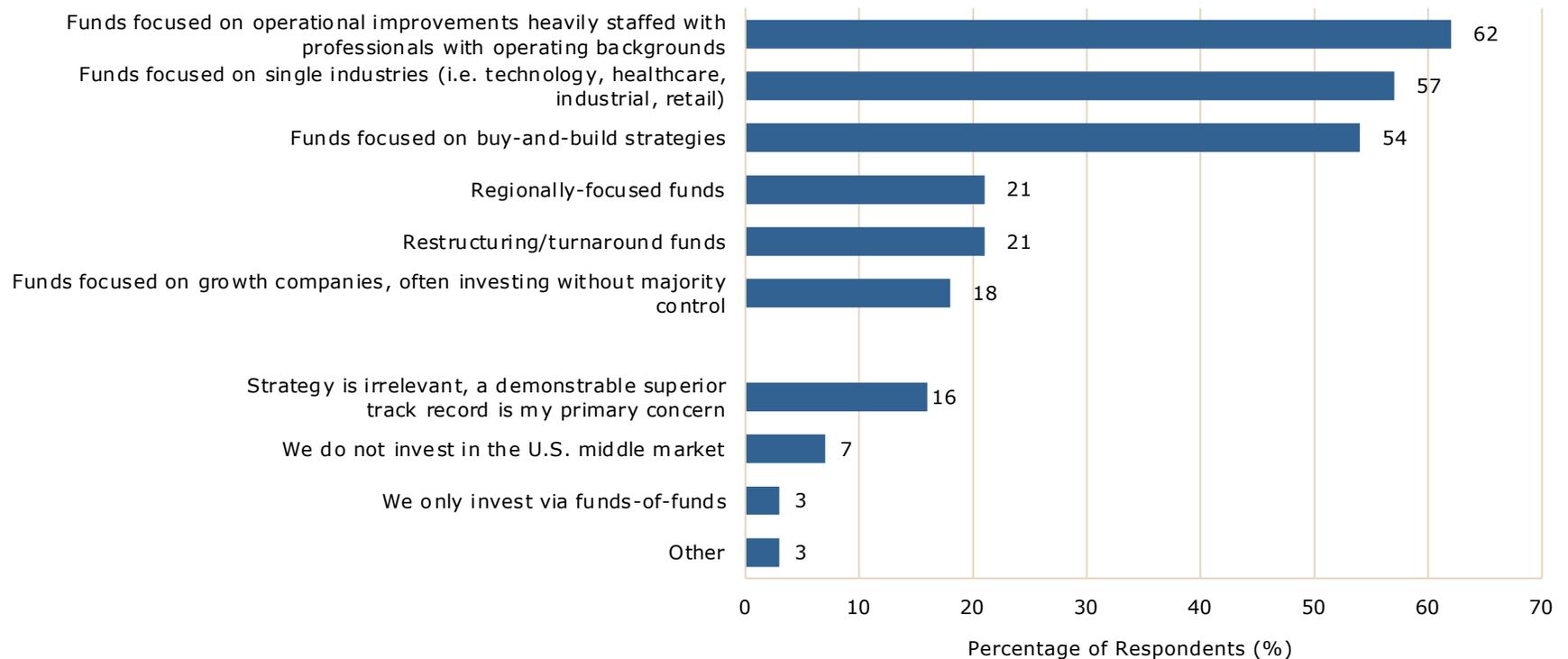
Source: Probitas Partners' Private Equity Investor Trends: 2023 Survey Results

Most Attractive U.S. Middle-Market Strategies

- Key changes since last year that were mainly driven by public market turmoil:
 - Interest in funds focused on single industries fell from 69% to 57%.
 - Those targeting growth companies fell from 32% to 18%.
 - However, those stating that strategy was irrelevant compared to demonstrably strong track record fell from 28% to 16%.

Chart XVII 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):



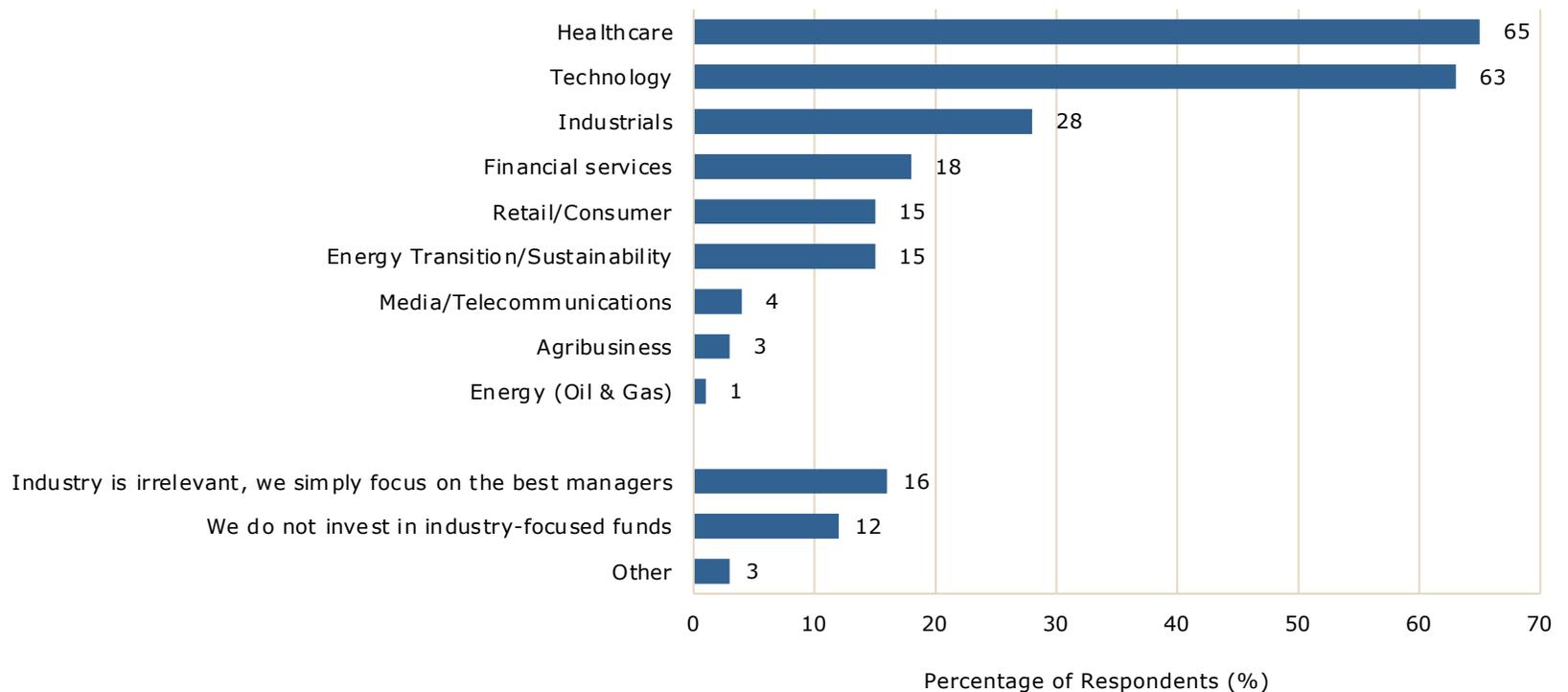
Source: Probitas Partners' Private Equity Investor Trends: 2023 Survey Results

Interest in Industry-Focused Funds

- Healthcare and Technology focused Buyout and Growth Capital funds remained investors largest sectors of focus, though interest in both was down this year.
- Eight years ago, Oil & Gas funds were targeted by 30% of respondents; interest has steadily declined, hitting 1% this year even with stress in the energy markets that could provide investment opportunities.

Chart XVIII Interest in Industry-Focused Funds

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



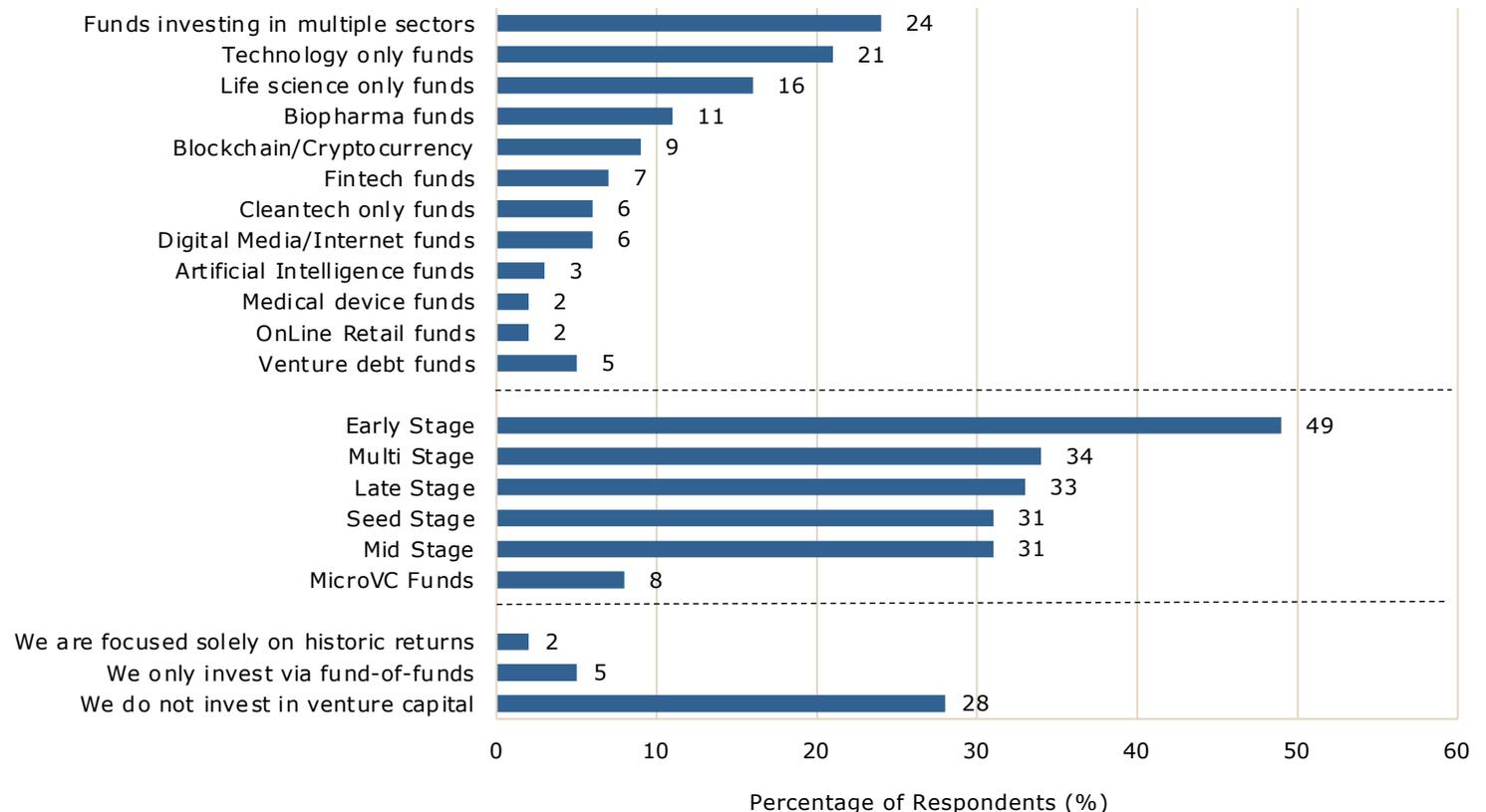
Source: Probitas Partners' Private Equity Investor Trends: 2023 Survey Results

Venture Capital Interest

- This year’s survey was the first in which multi-sector funds were of the most interest, overtaking technology only and life science only funds; as far as investment stage, early-stage funds continued to lead.
- 28% responded that they do not invest in venture capital compared to 22% last year.

Chart XIX 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: 2023 Survey Results

Venture Capital Interest in Major Geographies

- There are different levels of interest in Venture Capital investing in the major geographic markets as detailed in the table below.
- Turbulence in the publicly traded technology markets have significantly impacted Venture Capital valuations in a number of sectors.
- Interest in U.S. and Asian Venture Capital were the most impacted compared to interest levels last year.

Table V: Institutional Investors Focus of Attention Among Venture Capital Sectors

2022		2023	
Sector	% Targeting	Sector	% Targeting
U.S. Venture Capital	54%	U.S. Venture Capital	38%
Asian Venture Capital	21%	European/Israeli Venture Capital	13%
European/Israeli Venture Capital	16%	Asian Venture Capital	9%

Source: Probitas Partners' Private Equity Investor Trends for 2022 and 2023 Survey

Focus on Distressed Investing

- The relative rankings in the distressed private equity sector remain similar to last year
- There were a couple of interesting comments:

- *“Not enough opportunities at this time. Maybe next year?”*

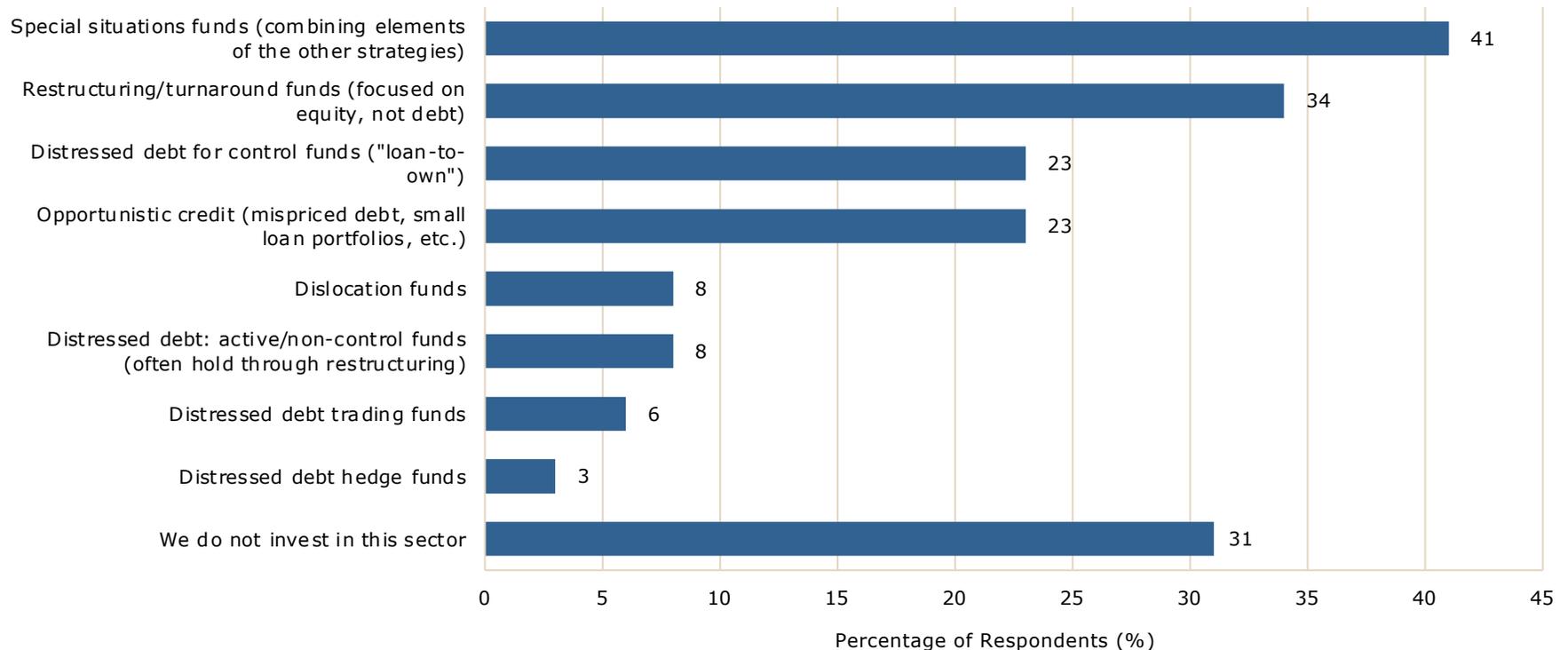
- U.S. Fund-of-funds Manager

- *“Looking at distressed opportunities in Venture Debt”*

- U.S. Consultant

Chart XX 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: 2023 Survey Results

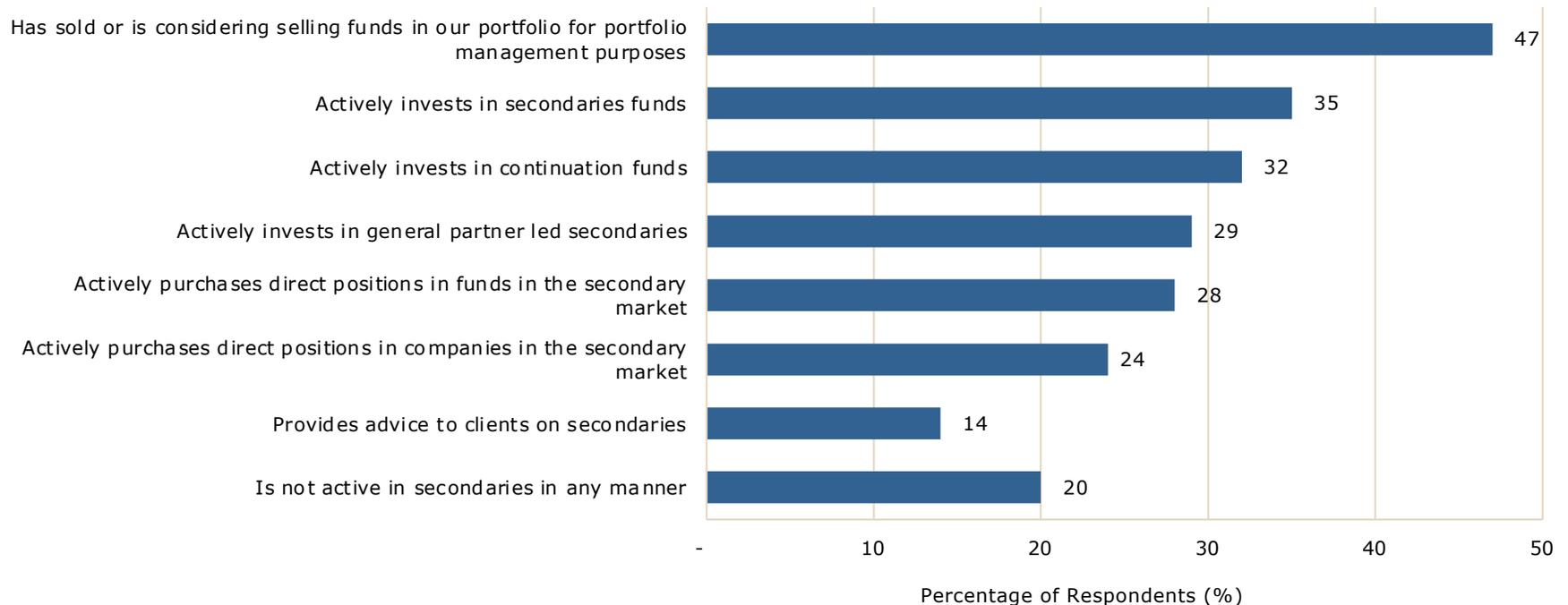
Secondary Market Investing

- The leading response was that investors were focusing on selling or considering selling fund positions – up to 47% from 39% last year – as more investors under stress were looking to generate liquidity.
- One key comment that illuminates many of the other answers:
 - ***"In the medium term, we see attractive buying opportunities with discounts."***

Western European Fund-of-Funds Manager

Chart XXI Secondary Market Investments

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



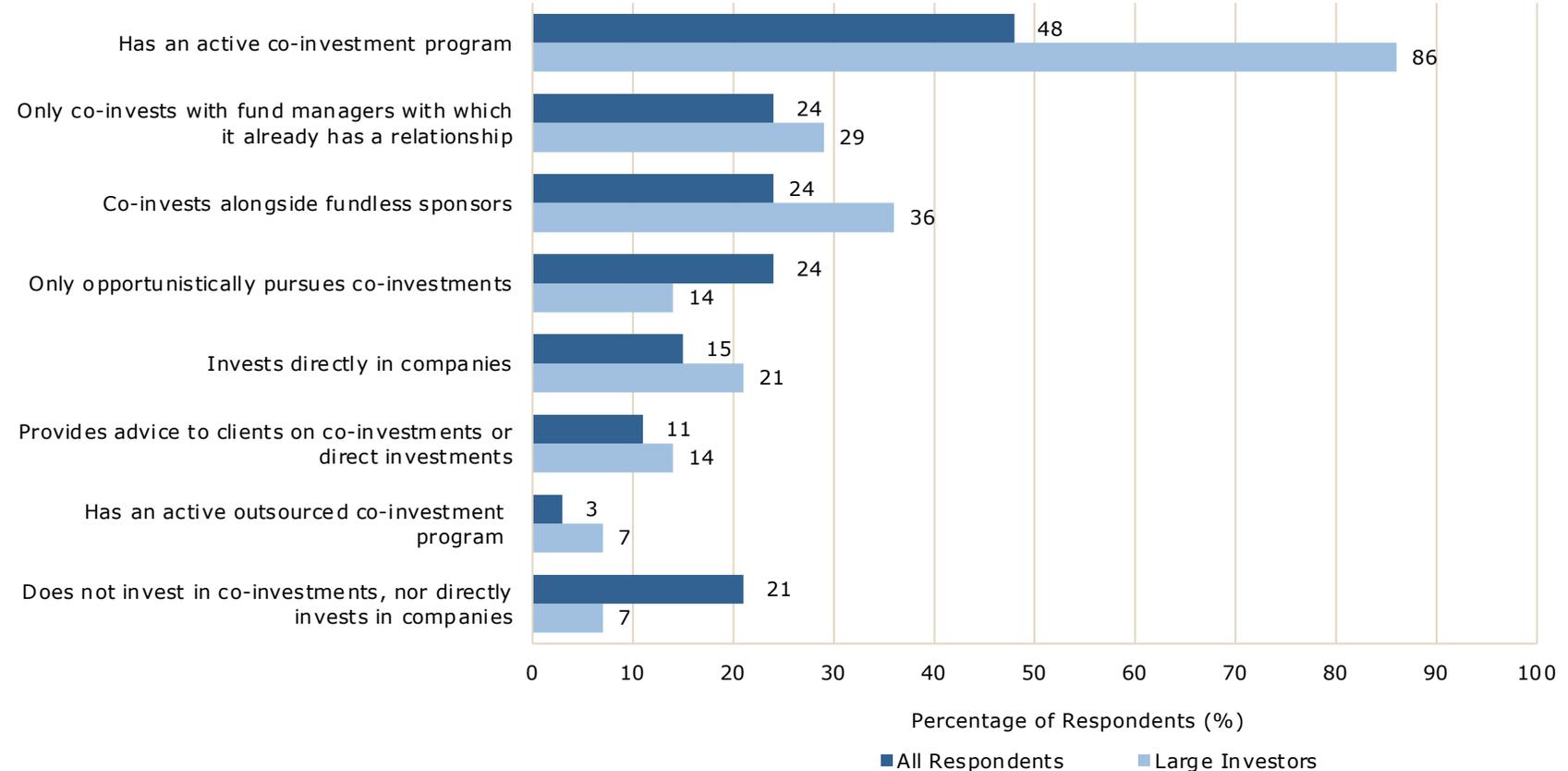
Source: Probitas Partners' Private Equity Investor Trends: 2023 Survey Results

Direct Investments and Co-Investments

- Co-investments remain popular, but as they have been in the past, large investors are much more actively interested in the sector.
 - 86% have active co-investment programs.
 - 21% of them invest directly in companies.

Chart XXII Directs and Co-Investments

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



Source: Probitas Partners' Private Equity Investor Trends: 2023 Survey Results

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

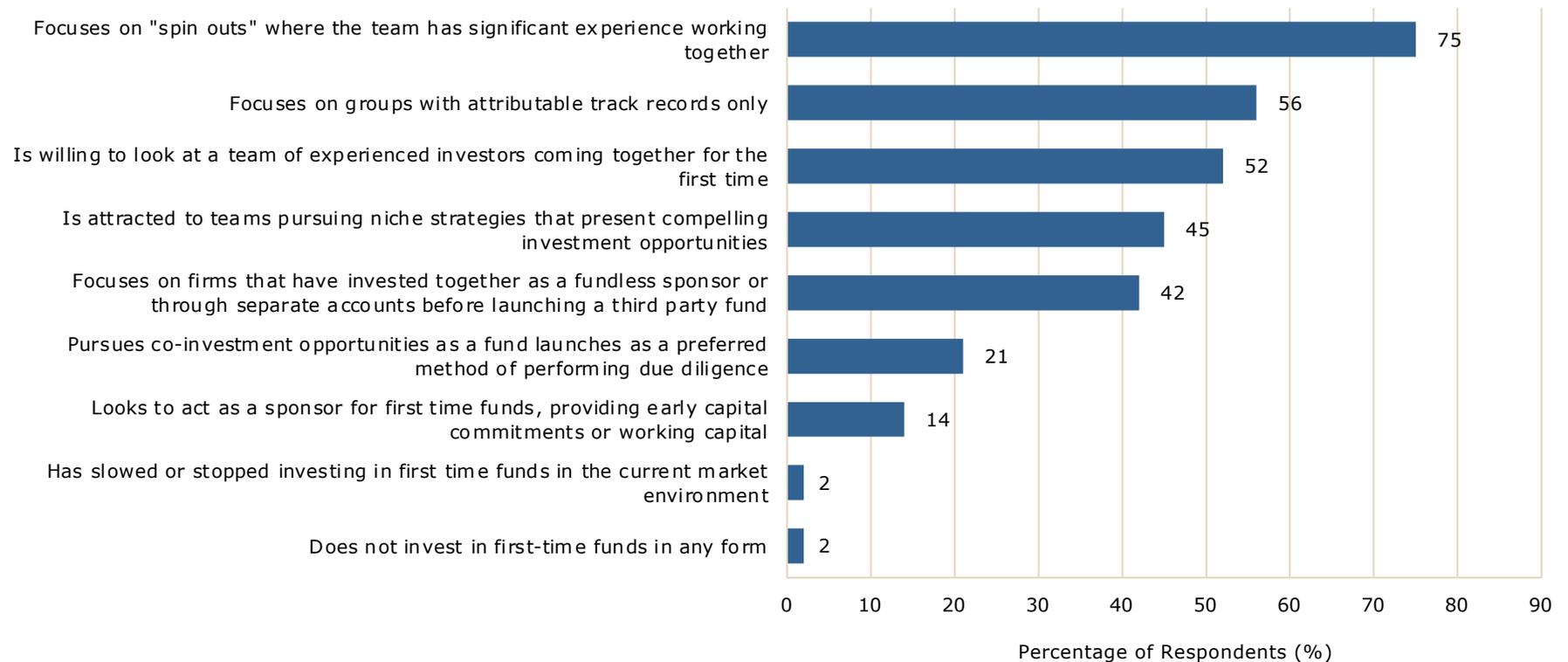
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First-Time Funds

- Even with the turmoil in this year's fundraising market, many respondents were still interested in looking at first-time funds, with only 2% of investors responding that they did not invest in them at all.
- As in our previous surveys, the biggest area of focus was on team "spin outs" with 75% of respondents targeting these situations.

Chart XXIII First-Time Funds

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



Source: Probitas Partners' Private Equity Investor Trends: 2023 Survey Results

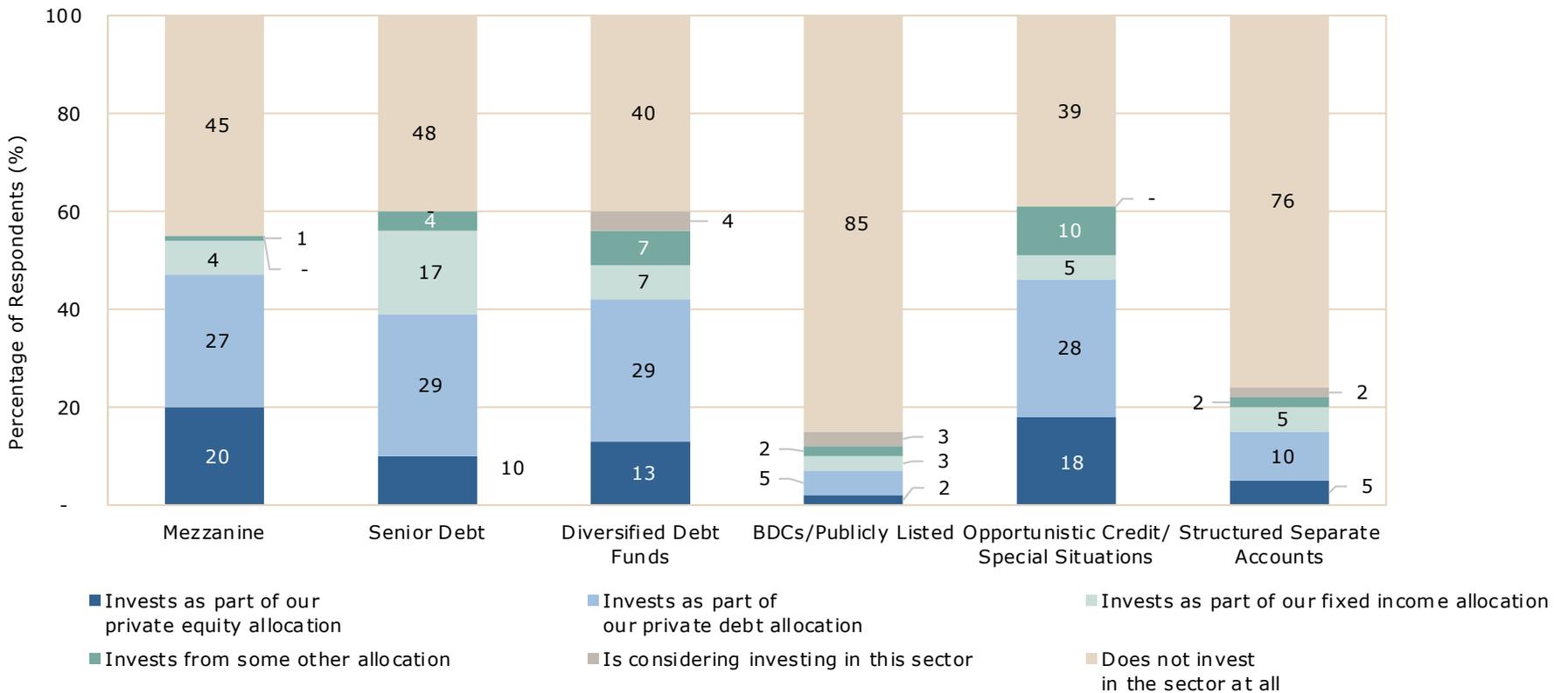


Private Credit Interest and Allocations

- Investments in private credit are made from various allocations, including private equity; however, specific private debt allocations are the most important.
- A number of smaller respondents, such as focused funds-of-funds that only target buyouts or venture capital, as a matter of policy do not invest in private debt.

Chart XXIIV Credit

In the credit sector, my firm:



Source: Probitas Partners' Private Equity Investor Trends: 2023 Survey Results

Commentary on Private Credit

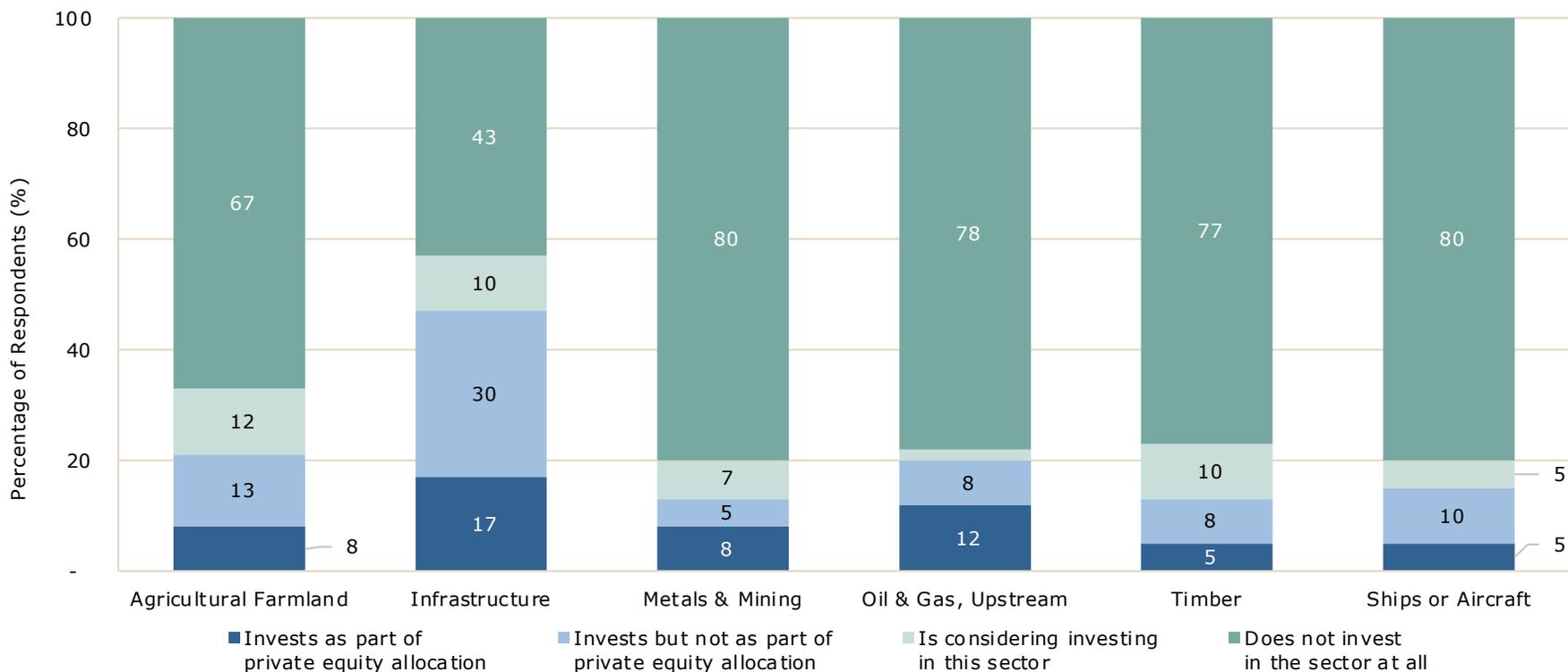
- The area of least interest to respondents are BDCs and other publicly listed vehicles; this sector has always been of least interest as investments in this area are usually handled by the department in charge of publicly traded investments instead of alternative investments.
- We also received additional detailed viewpoints from certain respondents:
 - ***"This could be a more traditional distress cycle that last for a couple of years, unlike the very short windows that have occurred over the past decade or so, because easy monetary policy seems to be at an end or at least on pause for a while."***
- Canadian Public Pension
 - ***"We are just targeting higher return strategies within private debt now , such as specialty lending."***
- Western European Fund-of-Funds Manager
 - ***"We do not like the private debt market from a risk/return viewpoint."***
- U.S. Fund-of-Funds Manager

Real Assets Interest and Allocations

- Infrastructure is the area of most interest, though most of those commitments come from dedicated infrastructure or real asset allocations.
- As with Private Credit, a number of smaller respondents such as targeted funds-of-funds have specialized portfolios targeting, for example, middle-market buyouts or venture capital, with no allocation to Real Assets for policy reasons.

Chart XXV Real Assets

In the real asset sector, my firm:



Source: Probitas Partners' Private Equity Investor Trends: 2023 Survey Results

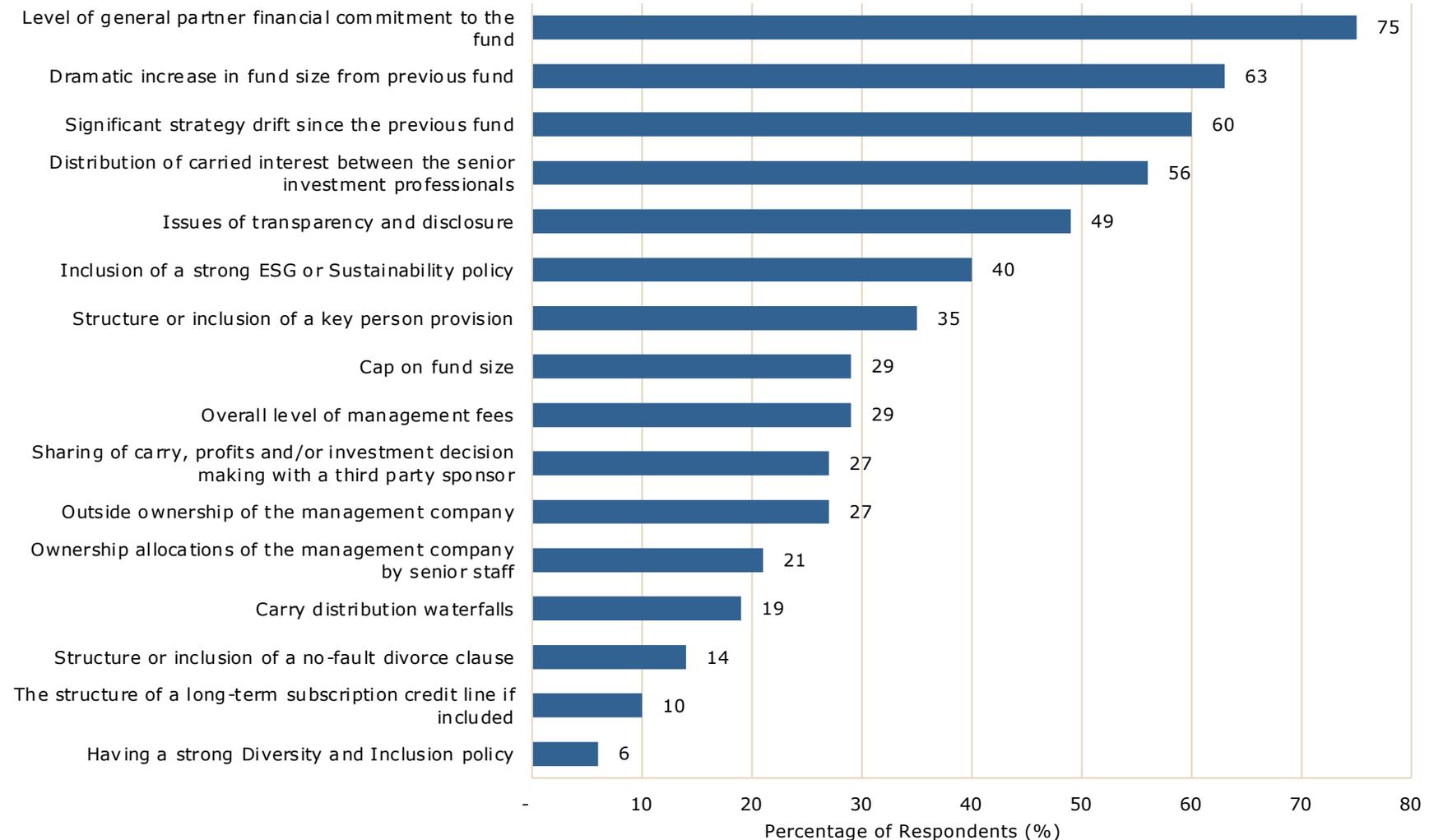
Further Commentary on Real Assets

- Though certain investors include Real Estate under a Real Assets allocation, nearly all of those commitments come from a dedicated Real Estate allocation that pre-dates Real Assets allocations; for that reason, we did not include them here as an option.
 - Metals & Mining, Timber and Ships & Aircraft are the least favored sectors; it should be noted that Timber investments are most often structured as separate accounts.
 - Interest in Upstream Oil & Gas investing, formerly a leader in the Real Assets sector, continued to be weak, even during the past year where energy prices increased substantially
 - There was one interesting comment from a respondent:
 - ***"Our interest is driven by the use of real assets as a potential inflation hedge."***
- Western European Fund-of-Funds Manager***

Key Issues Regarding Fund Structure

Chart XXVI 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 six):



Source: Probitas Partners' Private Equity Investor Trends: 2023 Survey Results

Fund Structure Trends

- The level of general partner financial commitment to a fund remains the top issue.
- However, two new options added this year to the survey took 2nd and 3rd place – dramatic increases in fund size and strategy drift.
- ESG and Sustainability also rose in interest, from 30% last year to 40% this year.

Table V: Key Issues For LPs Regarding Fund Structure			
2022		2023	
Issue	% Targeting	Issue	% Targeting
Level of general partner financial commitment to the fund	66%	Level of general partner financial commitment to the fund	75%
Distribution of carried interest between the senior investment professionals	58%	Dramatic increase in fund size from previous fund	63%
Cap on fund size	52%	Significant strategy drift since the previous fund	60%
Issues of transparency and disclosure	47%	Distribution of carried interest between the senior investment professionals	56%
Structure or inclusion of a key person provision	45%	Issues of transparency and disclosure	49%
Overall level of management fees	45%	Inclusion of a strong ESG or Sustainability policy	40%
Carry distribution waterfalls	41%	Structure or inclusion of a key person provision	35%

Source: Probitas Partners' Private Equity Investor Trends for 2022 and 2023 Survey

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Commentary on Issues Regarding Fund Structure

- There were some distinct differences depending upon respondents' geography
 - European respondents top concern was the level of general partner financial commitment but more heavily than others, with 88% selecting it.
 - Asian investors were more focused on issues of transparency and disclosure, with 67% selecting that as a targeted issue.
- Geography also had a strong impact on feelings about the inclusion of a strong ESG and Sustainability policy:
 - European respondents: 60%, ranking 4th overall.
 - North American respondents: 23%, slightly larger than 21% last year.
 - Asian respondents: 50%, in part because of the concerns of Japanese respondents.
- There were also some interesting comments:

"Appropriate investment period and maturity that matches investment strategy and market environment. Reasonable fee structure that reflects costs and complexity of transactions. Performance fee should be based on target return."

– Japanese Wealth Manager

"After a number of years of GPs having more bargaining power, we are hopeful that things might tilt back towards LPs."

– Canadian Public Pension

"Almost everything listed, and more."

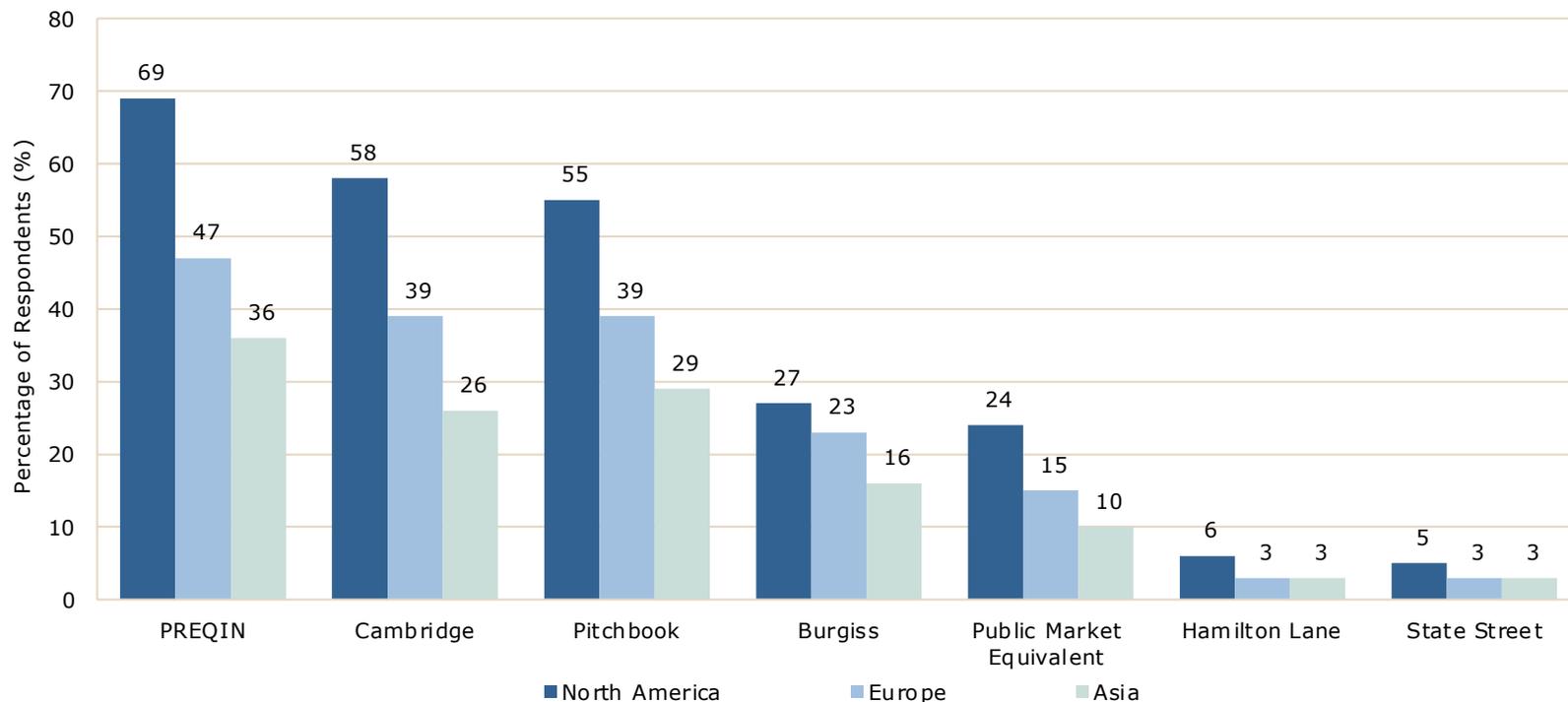
– U.S. Wealth Manager

Most Used Benchmarking Databases or Tools

- Many investors use multiple databases or tools for benchmarking.
- PREQIN moved into the lead position across all geographies, though Cambridge and Pitchbook also scored well and Burgiss had an increasing number of adherents.
- The chart only includes those databases that were of interest to at least 5% of respondents for at least one geography

Chart XXVIII Benchmarking

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



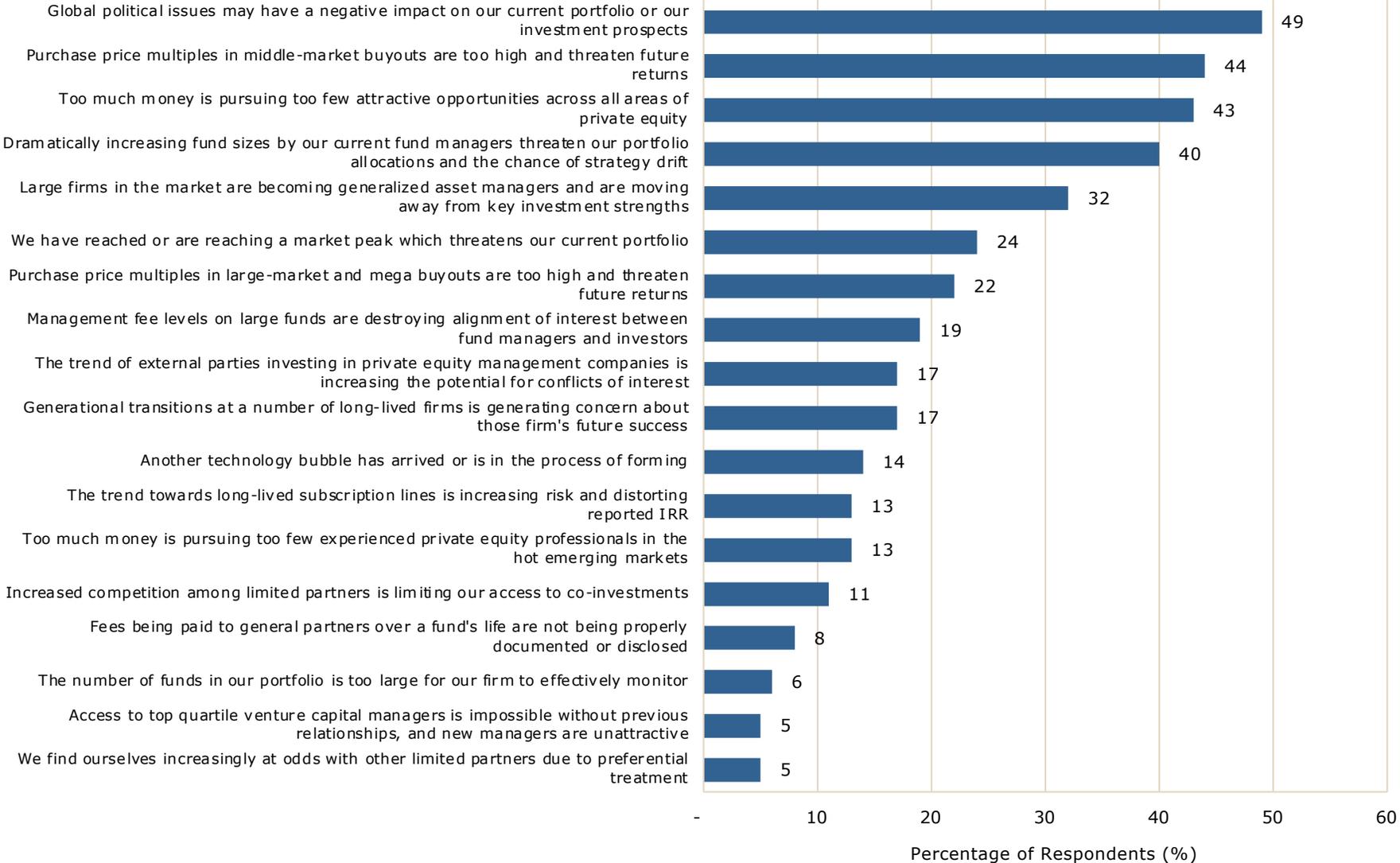
Source: Probitas Partners' Private Equity Investor Trends: 2023 Survey Results



Key Investor Fears

Chart XXIX Greatest Fears Regarding the Private Equity Market

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



Source: Probitas Partners' Private Equity Investor Trends: 2023 Survey Results

Key Investor Fears: 2022 vs. 2023

- The potential negative impact of global political issues was a new option that ranked first this year, with 49% of respondents selecting it.
- Issues regarding dramatically increasing fund size were another added option and was ranked 4th overall.

2022		2023	
Issue	%	Issue	%
Too much money is pursuing too few attractive opportunities across all areas of private equity	65%	Global political issues may have a negative impact on our current portfolio or our investment prospects	49%
Purchase price multiples in middle-market buyouts are too high and threaten future returns	56%	Purchase price multiples in middle-market buyouts are too high and threaten future returns	44%
Purchase price multiples in large-market and mega buyouts are too high and threaten future returns	54%	Too much money is pursuing too few attractive opportunities across all areas of private equity	43%
Another technology bubble is in the process of forming	32%	Dramatically increasing fund sizes by our current fund managers threaten our portfolio allocations and the chance of strategy drift	40%
Large firms in the market are becoming generalized asset managers and are moving away from key investment strengths	29%	Large firms in the market are becoming generalized asset managers and are moving away from key investment strengths	32%

Source: Probitas Partners' Private Equity Investor Trends for 2022 & 2023 Survey

Key Investor Fears by Geography

- Asian and European respondents are much more concerned about global political issues than are their North American counterparts.
- European respondents were also more concerned about large firms, with 28% fearing that management fees on large funds were destroying alignment of interest and 24% concerned that purchase price multiples funds were paying were too high.

Fear	Overall Respondents	North American	European	Asian
Global political issues may have a negative impact on our current portfolio or our investment prospects	49%	38%	56%	83%
Purchase price multiples in middle-market buyouts are too high and threaten future returns	44%	44%	52%	17%
Too much money is pursuing too few attractive opportunities across all areas of private equity	43%	41%	48%	33%
Dramatically increasing fund sizes by our current fund managers threaten our portfolio allocations and the chance of strategy drift	40%	41%	44%	17%
Large firms in the market are becoming generalized asset managers and are moving away from key investment strengths	32%	31%	36%	17%
We have reached or are reaching a market peak which threatens our current portfolio	24%	25%	20%	33%

Source: Probitas Partners' Private Equity Investor Trends for 2023 Survey

Individual Commentary on Investor's Fears

- ***"Rising interest rates will cause a repricing that has not occurred yet. We are wondering and worried about the extent of the repricing. Inflation and higher funding costs hitting the bottom lines of our portfolio companies is also a very big concern at the moment. Expecting weaker and highly leveraged companies to fail more in the next year which should present pain and opportunity. Also expecting more LPs to be forced to sell given the pain they are experiencing in their overall portfolio. It is a very notable fact that fixed income assets have also been hammered in this cycle unlike 2008-09."***

– Japanese Bank

- ***"Again, many of the above concerns are on our mind - the biggest risk is, however, a growing disconnect between GPs and LPs, with GPs all investing too fast, not observing the issues early re-up requests pose to LPs"***

– Western European Endowment/Foundation

- ***"Uncertainty of global peace and stable long-term growth. Fear of nationalism."***

– Japanese Wealth Manager

- ***"Many of these options are dated because the market has changed dramatically in the last 3 months."***

– U.S. Pension Plan

- The turmoil of the past three years – the Pandemic, resulting logistical issues and inflation, rising interest rates, war and sanctions in Europe, political instability in the United Kingdom and political tensions in Asia – have combined to create economic uncertainty and rising recession fears globally.
- Cryptocurrency volatility in 2022 – crowned by the FTX bankruptcy which occurred after our survey closed – increased economic tension as well.
- This has all resulted in a number of trends in private equity:
 - A significant drop in interest in private equity funds focused on investing in China over the last two years.
 - Significant declines in interest in U.S. and Asian Venture Capital over the last 12 months.
 - An increase in investor focus on Special Situations funds, especially among European investors, looking to benefit from disruptions.
 - A decline in focus on investing in the United Kingdom, especially by North American respondents.
 - Even with increasing oil and gas prices during the year, there was little interest in funds focused on oil and gas investing.
 - A growing fear among respondents, especially among Europeans and Asians, that global political tensions will have negative impacts on their portfolios and investment prospects.



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