



Probitas Partners' 2024 Institutional Investors Private Equity Survey

December 2023



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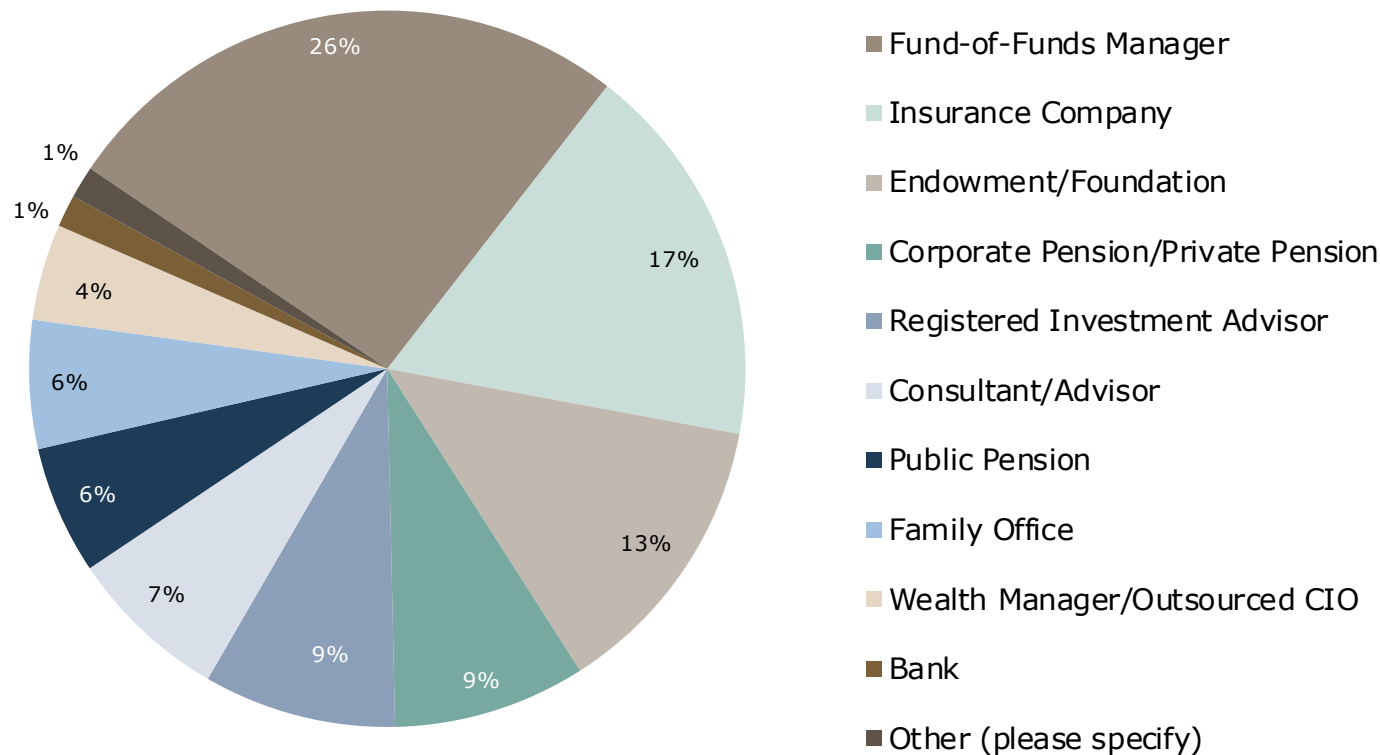
Survey Background and Highlights

- Probitas' latest annual institutional investor survey was taken over the last three weeks of October and many of the underlying private market trends for 2024 were set in investor's minds at that point.
- We received responses from 69 institutional investors, including insurance companies, endowments & foundations, funds-of-funds and pension plans.
- 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 China over the last three years continued, with those respondents saying they targeted funds investing in China hitting an all-time low.
 - There was also a decline of interest in investing in Asia overall, though nowhere near as deep as the China decline.
 - On the other hand, interest in the U.K. rebounded sharply this year due to a return of North American interest.
 - Investor allocations to private equity were not as stressed as they were last year.
 - Investor interest in ESG and Sustainability fell notably, driven by a large fall in the number of North American respondents targeting these sectors.
 - Though there is still strong interest in co-investments, there was a steep decline in respondents looking to work with fundless sponsors.

Respondents by Type of Institution

- Over 50% of the responses came from Funds-of-Funds, Insurance Companies and Endowments/Foundations, with another 19% coming from Pension Plans.
- We specifically targeted Registered Investment Advisors for the first time this year, and they make up 9% of respondents.

Chart I Respondents by Institution

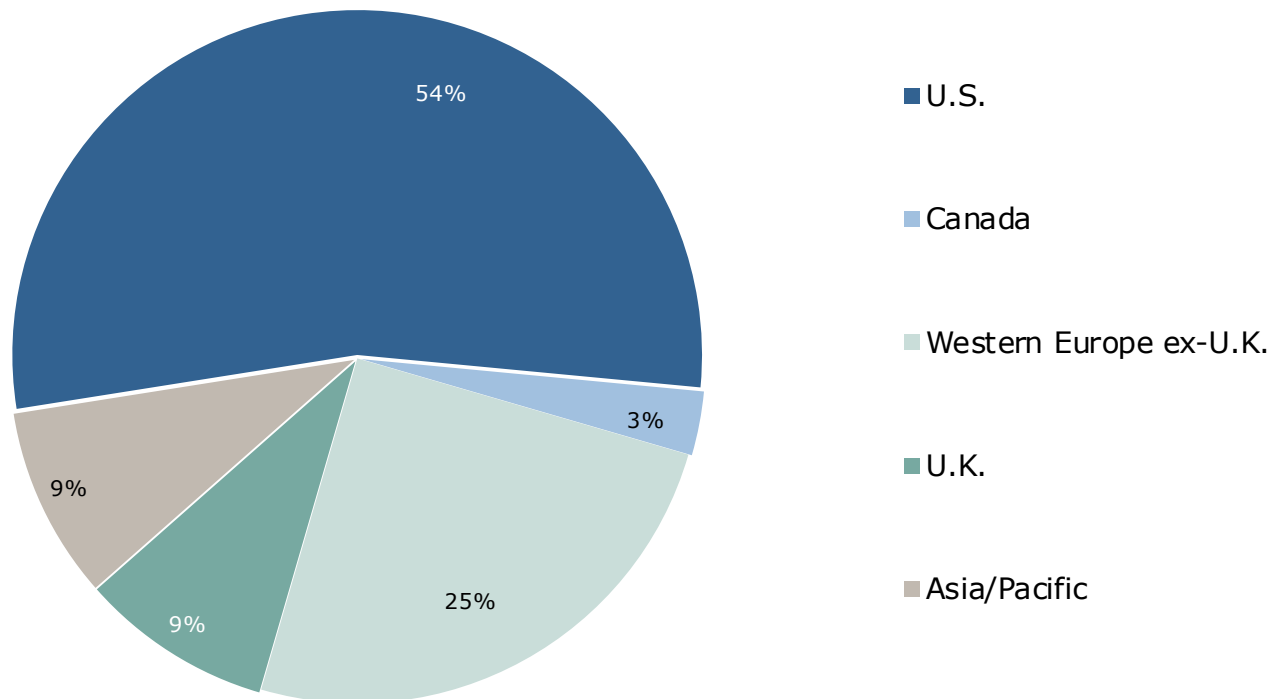


Source: Probitas Partners' Private Equity Investor Trends: 2024 Survey Results

Respondents by Firm Headquarters

- 57% of the respondents were from North American headquartered firms while 34% were from Western Europe and 9% from Asia/Pacific.
- Most of the Asia/Pacific responses were from Japan.

Chart II Respondents by Firm Headquarters



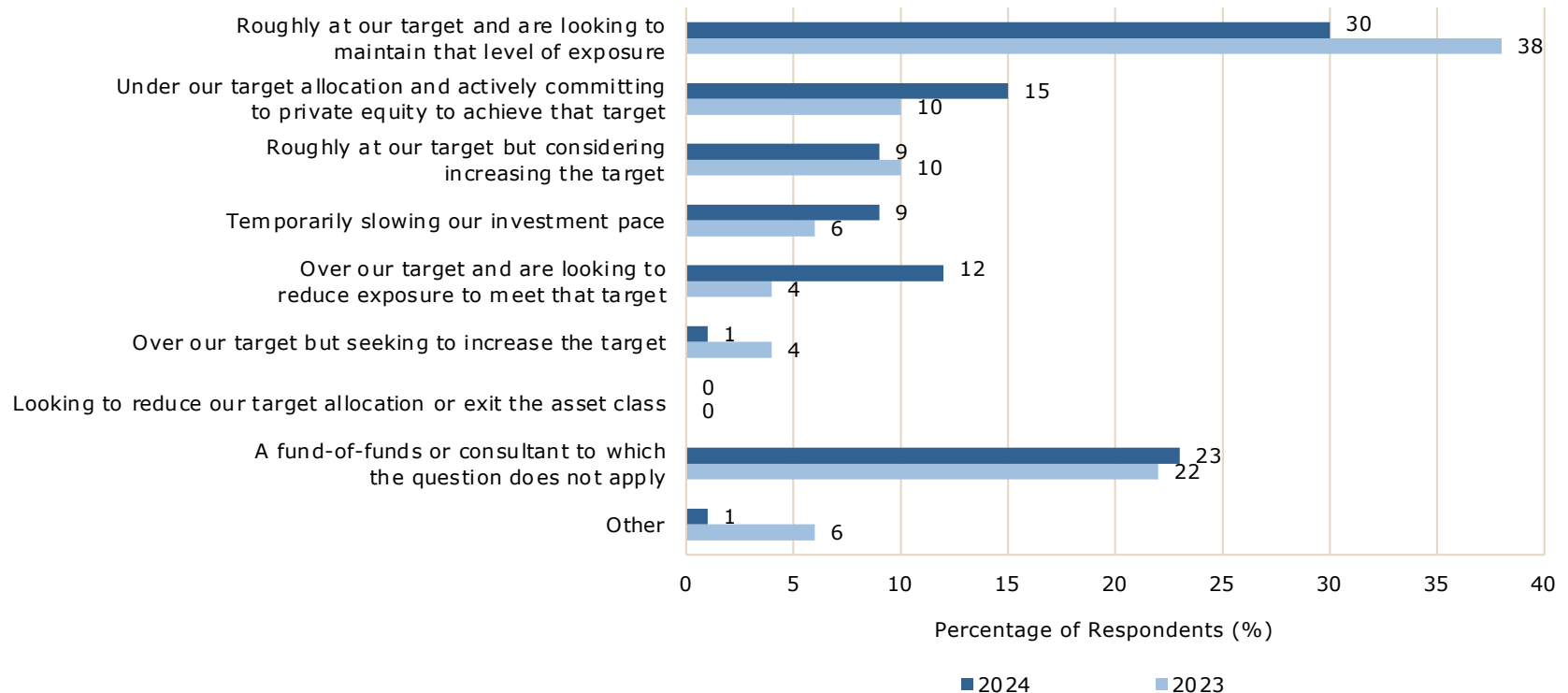
Source: Probitas Partners' Private Equity Investor Trends: 2024 Survey Results

Current and Target Allocations

- 42% of respondents were roughly at or over their target allocation but are looking to maintain or decrease their allocations, while another 9% are temporarily slowing their investment pace.
- The percentage of respondents who were under target and actively committing to private equity fell from 28% going into 2021 to 18% in 2022, and to 15% this year.

Chart III – Current and Target Allocations

As far as our private equity allocation, we are:



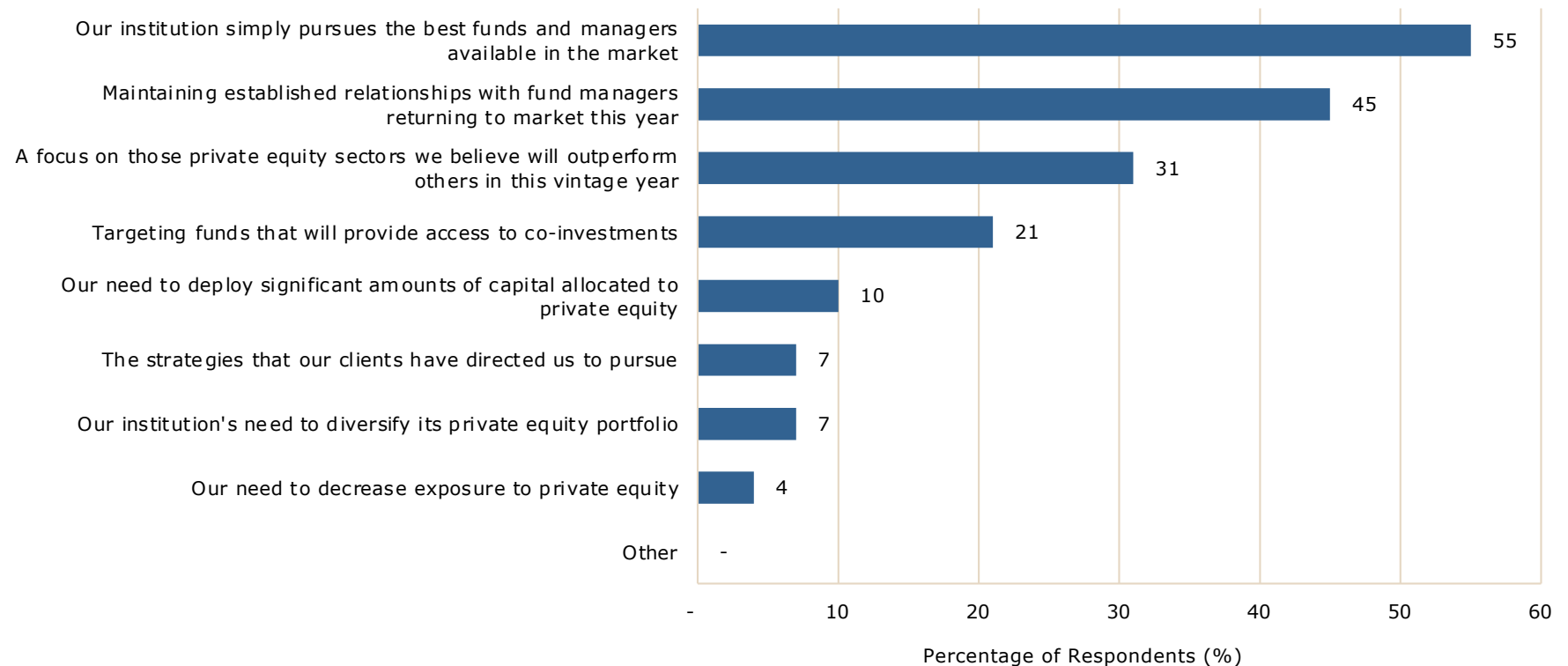
Source: Probitas Partners' Private Equity Investor Trends: 2024 & 2023 Survey Results

Drivers of Sector Investment

- The drivers of sector investment remained similar to last year, with the leading response being simply pursuing the best funds and managers available.
- Maintaining established relationships remained the second ranked driver; what is more remarkable is that is significantly higher than the 10% this option was at only three years ago.

Chart IV Drivers of Sector Investment

Our sector investment focus in 2024 will be driven by (choose no more than two):



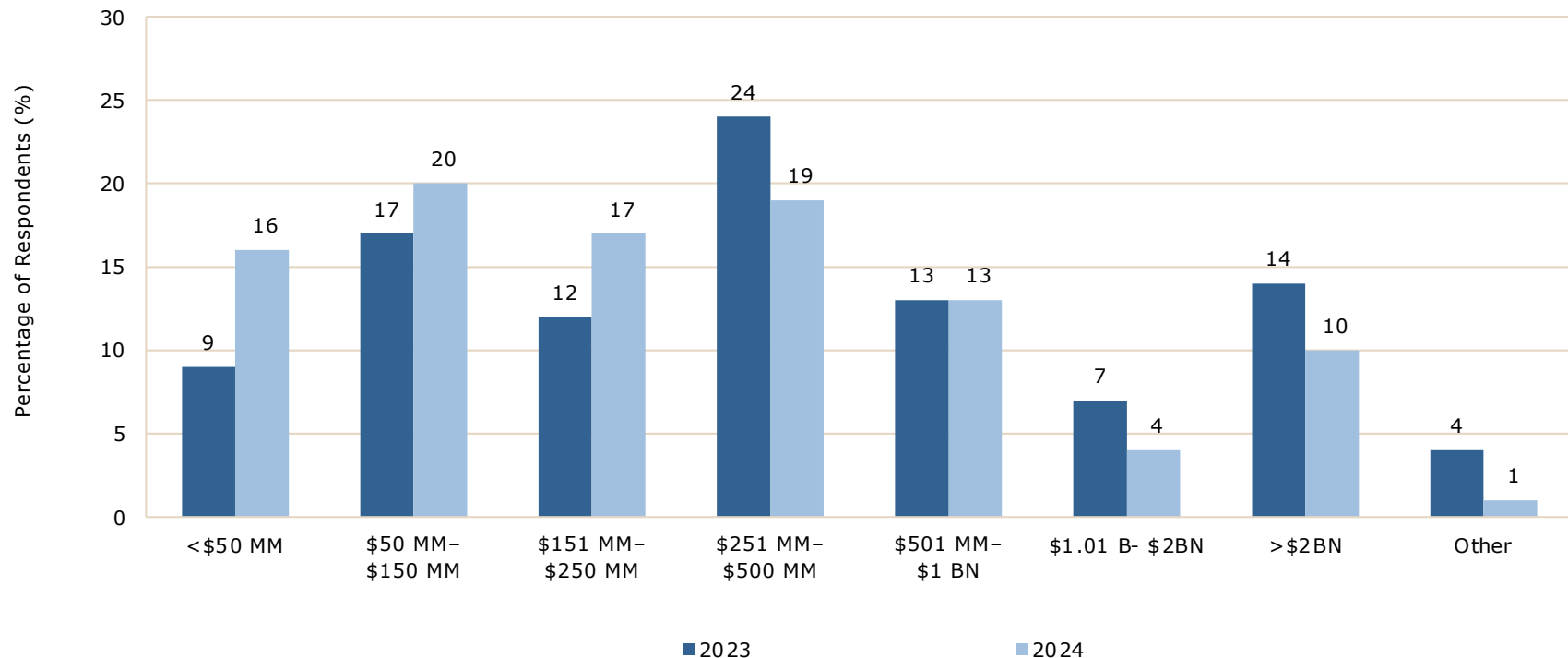
Source: Probitas Partners' Private Equity Investor Trends: 2024 Survey Results

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 interest in funds-of-funds.
- Respondents to the survey varied significantly in the size of their potential allocations for 2024 but skewed slightly lower than last year.

Chart V Private Equity Allocations

For 2024, we or the clients we advise are looking to commit across all areas of private equity (in USD):



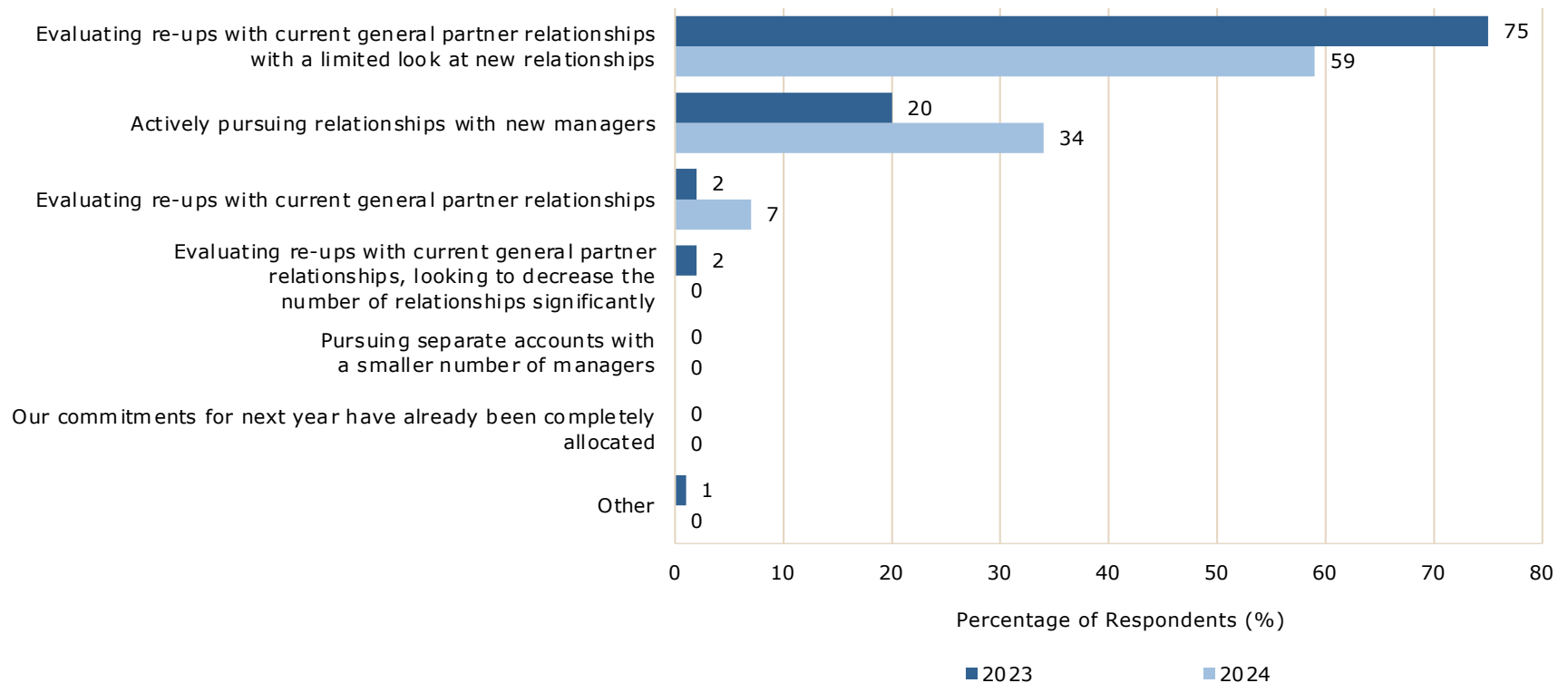
Source: Probitas Partners' Private Equity Investor Trends: 2023 & 2024 Survey Results; other responses had no target

Manager Relationships

- There has been an increase in those respondents saying that they are actively pursuing relationships with new managers, moving from 20% to 34%.
- However, 65% of respondents are more heavily focused on current fund manager relationships.

Chart VI Manager Relationships

During 2024, we would expect our primary focus to be:



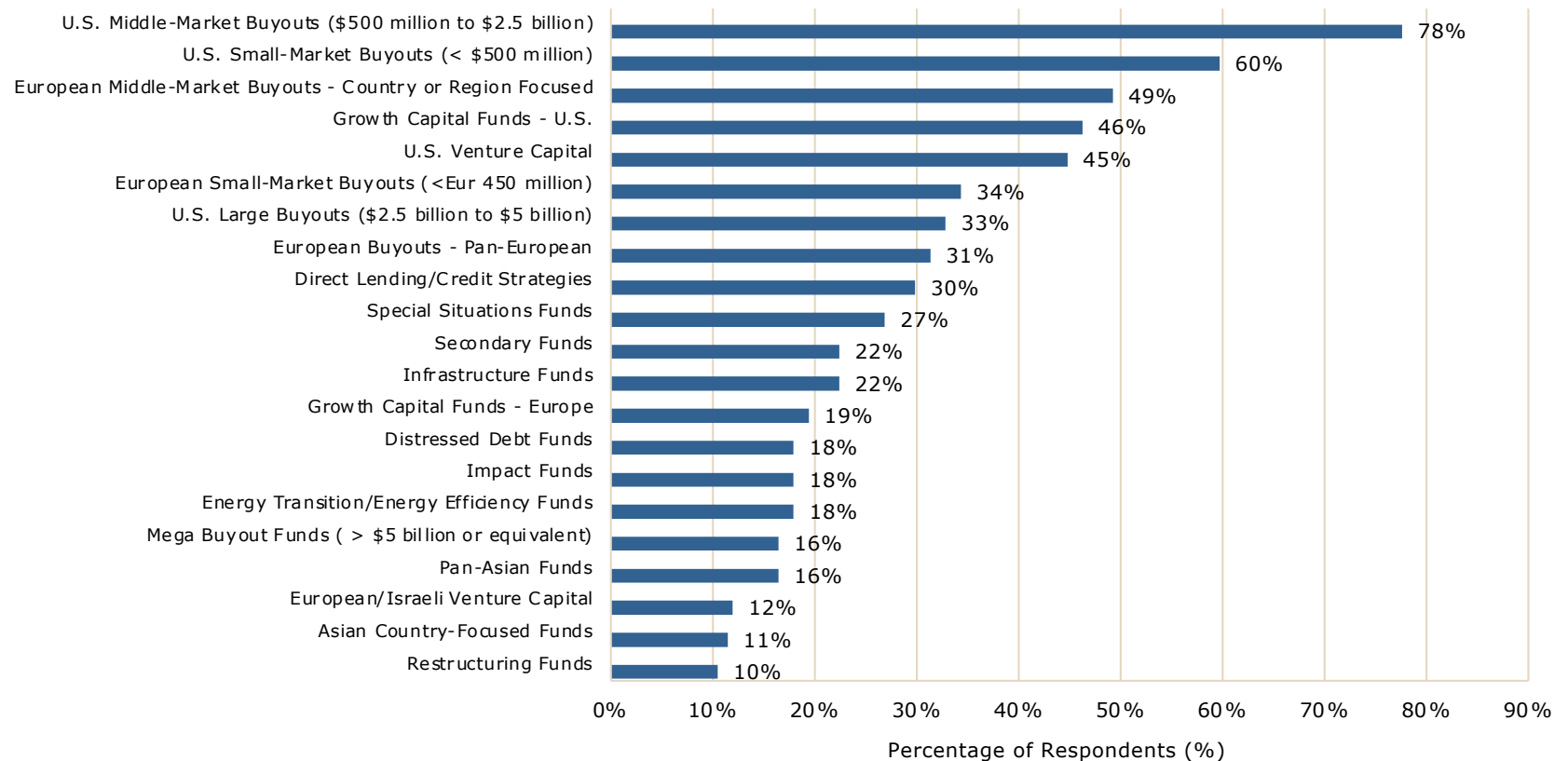
Source: Probitas Partners' Private Equity Investor Trends: 2023 & 2024 Survey Results

Private Equity Sectors of Interest

- Respondents were limited to selecting eight sectors: U.S. Middle-Market and Small-Market Buyouts, and European Country-Focused MMBO funds topped the responses.
- This list only includes sectors that attracted the interest of at least 10% of respondents.

Chart VII Private Equity Sectors of Interest

During 2024, 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: 2024 Survey Results

Private Equity Sectors of Interest: Commentary and Niche Sectors

- Mega-Buyout Funds (ranked 17th 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 significant amounts to meet their targets.
- Interest in Asian Country-focused funds and Asian VC funds fell significantly this year.
- The list below breaks out those niche funds that scored fewer than 10% of respondent interest; Sustainable/Renewable and Cleantech/Green-focused funds fell into this category this year.

Table I: Sectors Attracting Fewer Than 10% of Overall Respondents	
Fund Type	Percent
Mezzanine Funds	9%
Sustainable/Renewable Focused Funds	7%
Fund-of-Funds	6%
Cleantech/Green-Focused Funds	6%
Evergreen Funds	6%
Timber Funds	6%
Oil & Gas Funds	6%
Agriculture Funds	4%
Funds investing in other general partners	3%
Asian Venture Capital	1%
Mining Funds	1%
Emerging Markets (ex-Asia)	0%
Long-dated funds	0%
Other Niche Sectors (please specify)	0%

Source: Probitas Partners' Private Equity Investor Trends: 2024 Survey Results

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Sector Interest Changes Since Last Year

- U.S. Middle-Market Buyouts remained the leading sector, as it has in most of our surveys, among North American, European and Asia/Pacific respondents.
- European Small-Buyouts were entered as a new option this year and scored well.
- Special Situations fell out of the top seven sectors of interest, with 27% of respondents targeting it compared to 37% last year.

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

2023		2024	
Sector	% Targeting	Sector	% Targeting
U.S. Middle-Market Buyouts (\$500 million to \$2.5 billion)	66%	U.S. Middle-Market Buyouts (\$500 million to \$2.5 billion)	78%
U.S. Small-Market Buyouts (<\$500 million)	56%	U.S. Small-Market Buyouts (<\$500 million)	60%
Growth Capital Funds — U.S.	47%	European Middle-Market Buyouts — Country or Region Focused	49%
U.S. Venture Capital	38%	Growth Capital Funds — U.S.	46%
European Middle-Market Buyouts — Country or Region Focused	38%	U.S. Venture Capital	45%
European Buyouts - Pan-European	38%	European Small-Market Buyouts (<Eur 450 million)	34%
Special Situations	37%	U.S. Large Buyouts (\$2.5 billion to \$5 billion)	33%

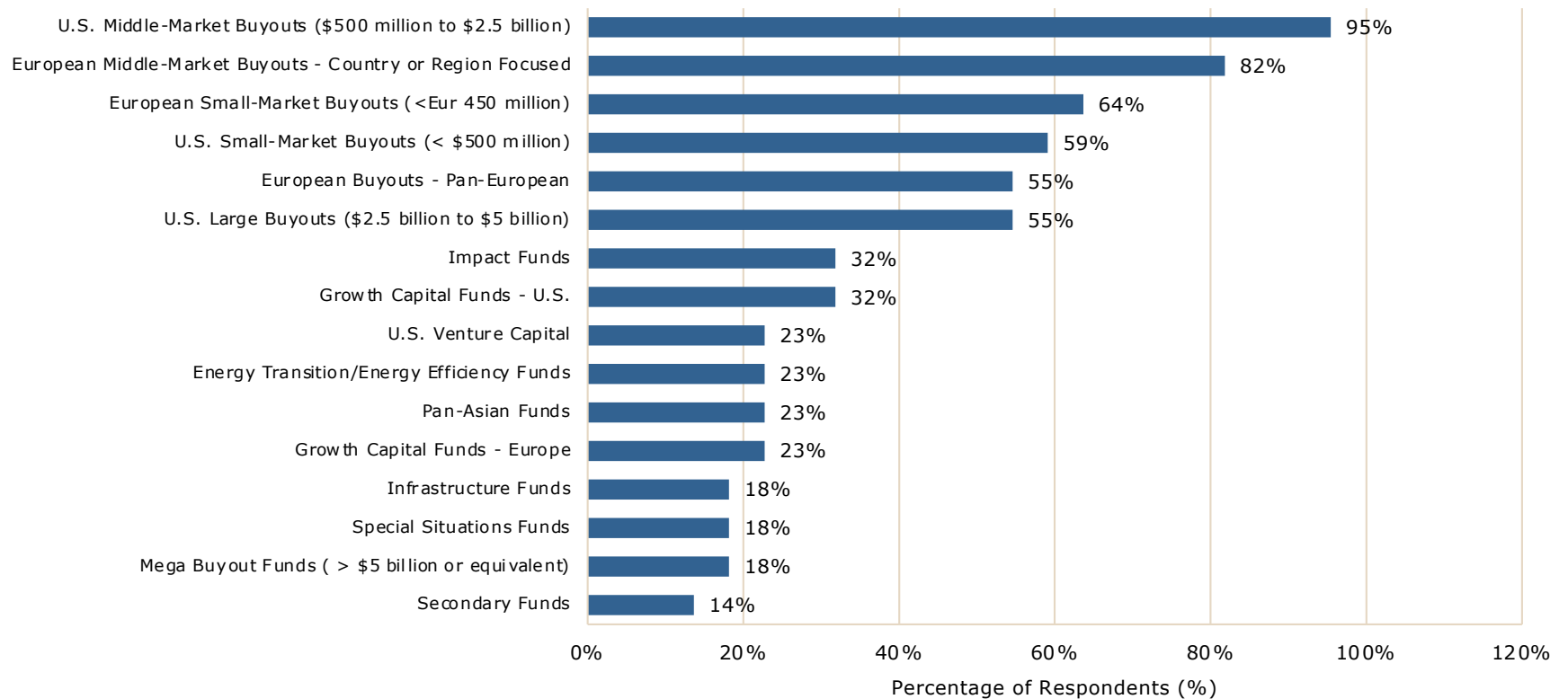
Source: Probitas Partners' Private Equity Investor Trends for 2024 and 2023 Survey

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 Impact funds and Energy/Transition funds compared to other respondents.

Chart VIII Private Equity Sectors of Interest; European Respondents

During 2024, 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: 2024 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 or no interest in.
- Notably, Oil & Gas funds, Funds investing in other general partners and Long-dated funds attracted no interest.

Table III: Sectors Attracting Less Than 10% of Responses	
Fund Type	Percent
Asian Country-Focused Funds	9%
Distressed Debt Funds	9%
Direct Lending/Credit Strategies	9%
Sustainable/Renewable Focused Funds	9%
Timber Funds	9%
Cleantech/Green-Focused Funds	9%
Restructuring Funds	5%
Mining Funds	5%
European/Israeli Venture Capital	5%
Mezzanine Funds	0%
Agriculture Funds	0%
Oil & Gas Funds	0%
Asian Venture Capital	0%
Emerging Markets (ex-Asia)	0%
Funds investing in other general partners	0%
Long-dated funds	0%
Evergreen funds	0%
Fund-of-Funds	0%
Other Niche Sectors (please specify)	0%

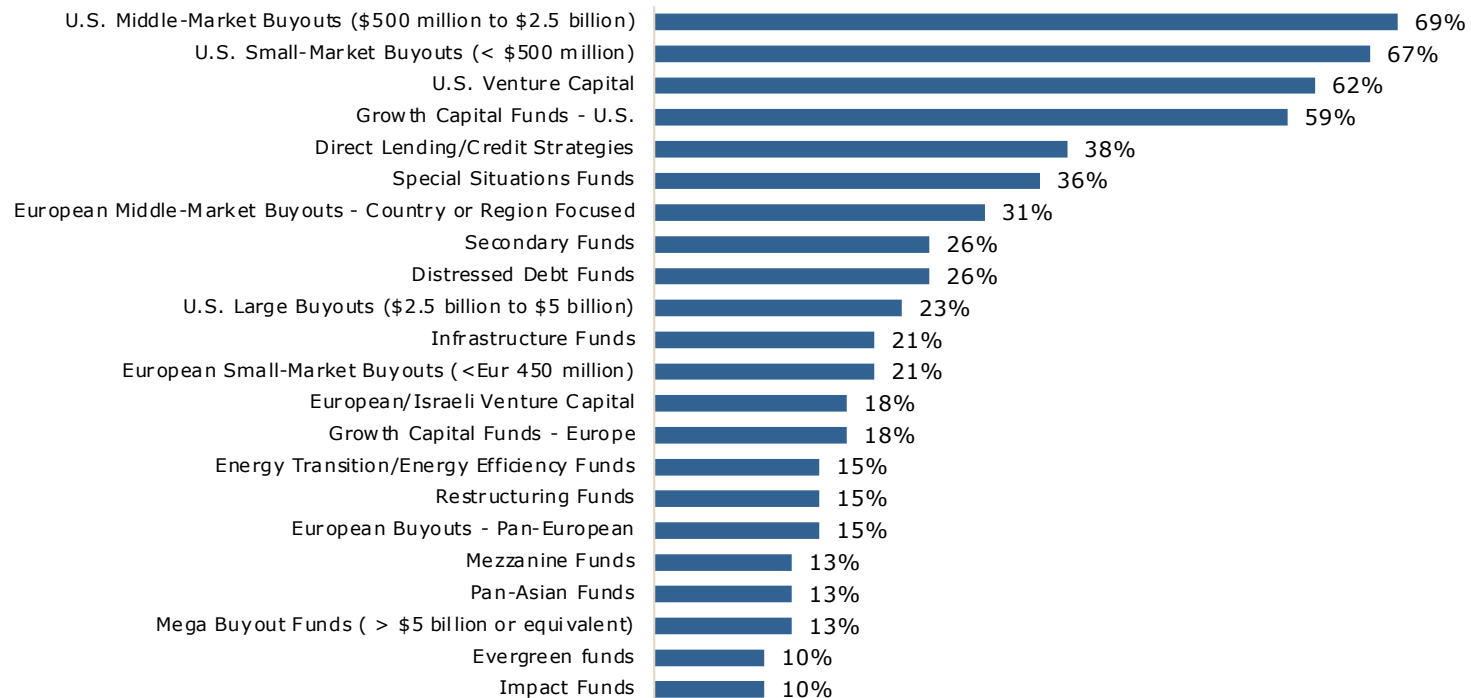
Source: Probitas Partners' Private Equity Investor Trends: 2024 Survey Results

Private Equity Sectors of Interest: North American Respondents

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

Chart IX Private Equity Sectors of Interest; North American Respondents

During 2024, my firm or my clients plan to focus most of their attention on investing in the following sectors (choose no more than eight):



Percentage of Respondents (%)

Source: Probitas Partners' Private Equity Investor Trends: 2024 Survey Results

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

- North American interest in niche sectors was broader than European respondents.
- Oil & Gas funds were of more interest to North Americans, but they did not break the 10% level.
- Interest in Emerging Markets outside of Asia has never been strong, but this year no North American respondent targeted it as a key area of focus.

Table IV Sectors Attracting Less Than 10% of Responses	
Fund Type	Percent
Oil & Gas Funds	8%
Asian Country-Focused Funds	5%
Sustainable/Renewable Focused Funds	5%
Agriculture Funds	5%
Funds investing in other general partners	5%
Fund-of-Funds	5%
Timber Funds	3%
Cleantech/Green-Focused Funds	3%
Asian Venture Capital	3%
Mining Funds	0%
Emerging Markets (ex-Asia)	0%
Long-dated funds	0%
Other Niche Sectors (please specify)	0%

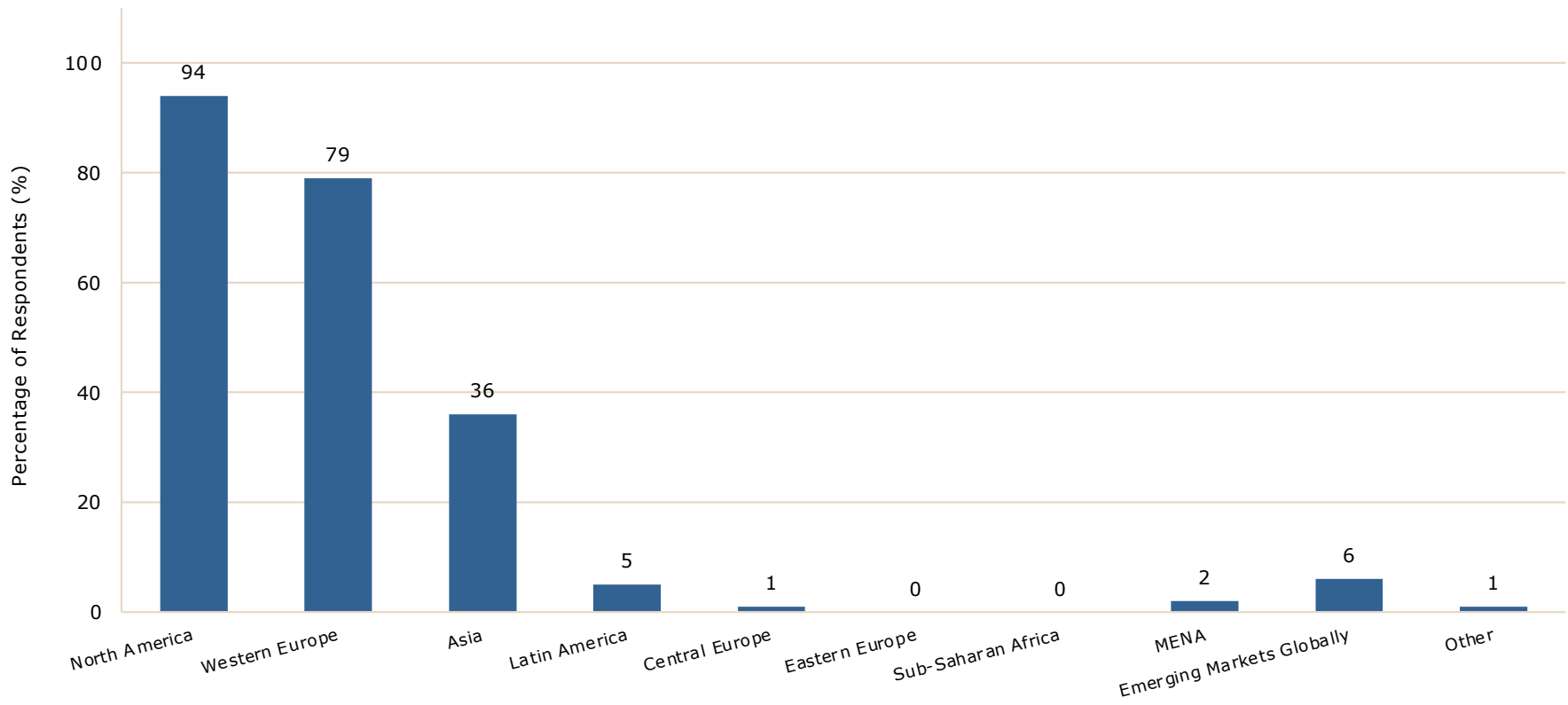
Source: Probitas Partners' Private Equity Investor Trends: 2024 Survey Results

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, though interest in Asia fell from 54% two years ago to 36% this year.
- Interest in emerging markets has never been strong, and that was again the case this year.

Chart X Private Equity Geographical Focus

Choose no more than three:



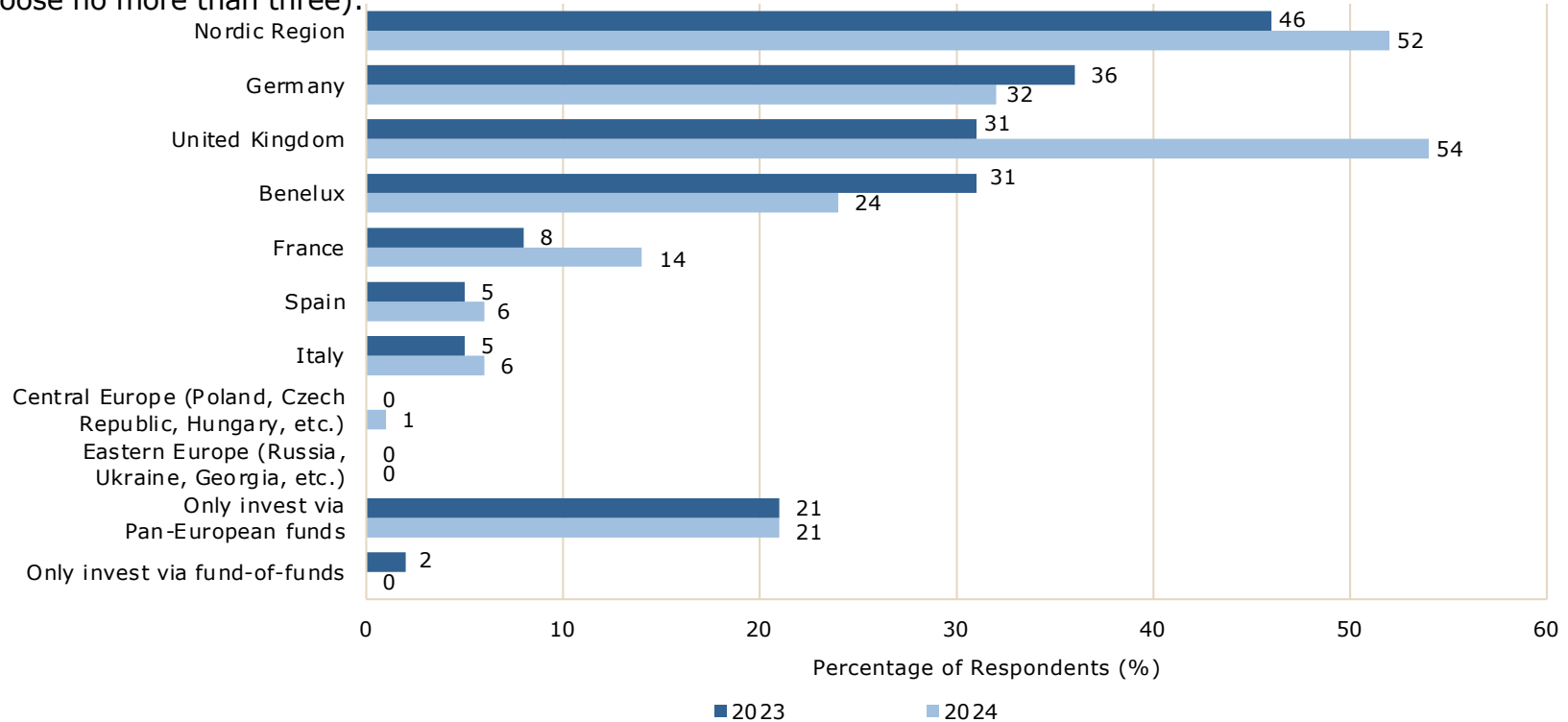
Source: Probitas Partners' Private Equity Institutional Investor Trends for 2024 Survey

Most Attractive European Markets

- The biggest shift in geographic interest within Europe was the dramatic increase of interest in the UK, rising from 31% of respondents to 54%; this was driven by a return to UK interest from North American investors.
- Focus on the Nordic region remained strong, though the UK this year just overtook it.
- There is still little attention on Central or Eastern European funds, and there has not been for a while.

Chart XI Most Attractive European Markets

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



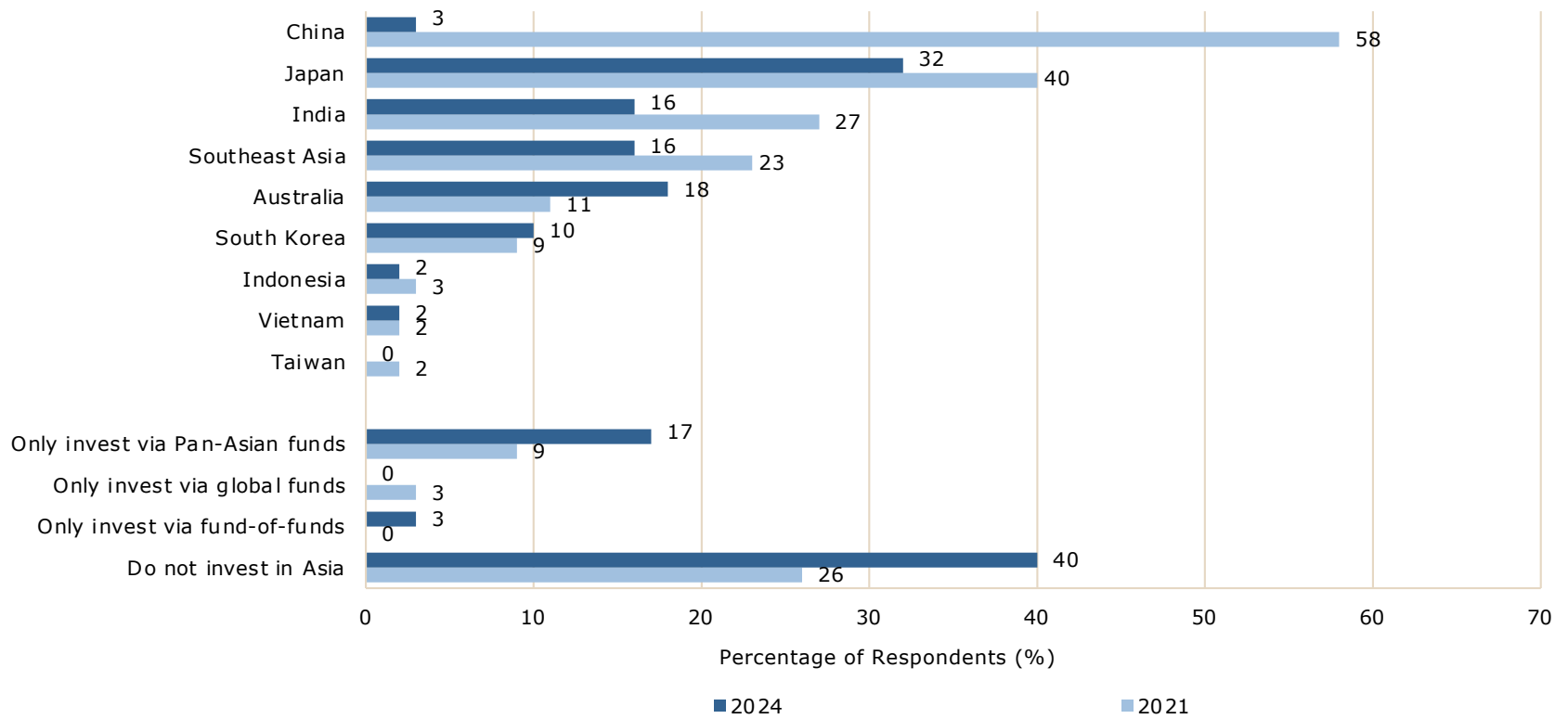
Source: Probitas Partners' Private Equity Investor Trends: 2024 & 2023 Survey Results

Most Attractive Asian Markets

- This chart compares interest in specific Asian markets going into 2021 compared to this year's survey; this timeline is used to compare the dramatic fall in interest in China, falling from 58% to 3% over that period due to increasing trade and political tensions and burgeoning weakness in China's domestic real estate market.
- Respondents reporting that they did not invest in Asia rose sharply to 40% from 26%.

Chart XII Most Attractive Asian Markets

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



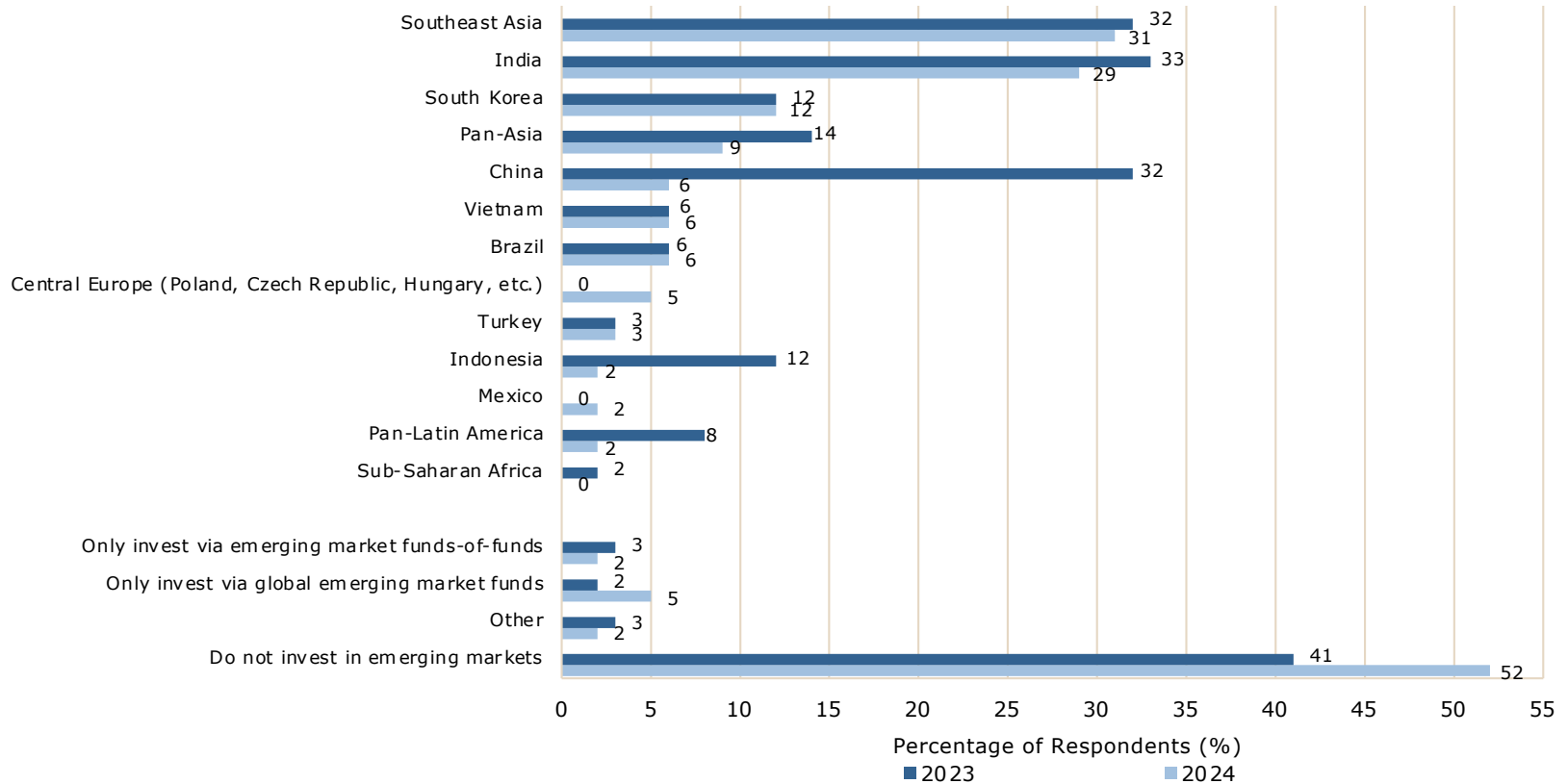
Source: Probitas Partners' Private Equity Investor Trends: 2021 & 2024 Survey Results

Emerging Markets of Interest

- The chart below focuses on changes over the past year, highlighting the continued decline of interest in China.
- The list below only includes countries or regions that at least one investor selected.
- 52% of respondents said that they did not invest in emerging markets, driven by the 61% of North Americans who said that they were not interested.

Chart XIV Most Attractive Emerging Markets

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



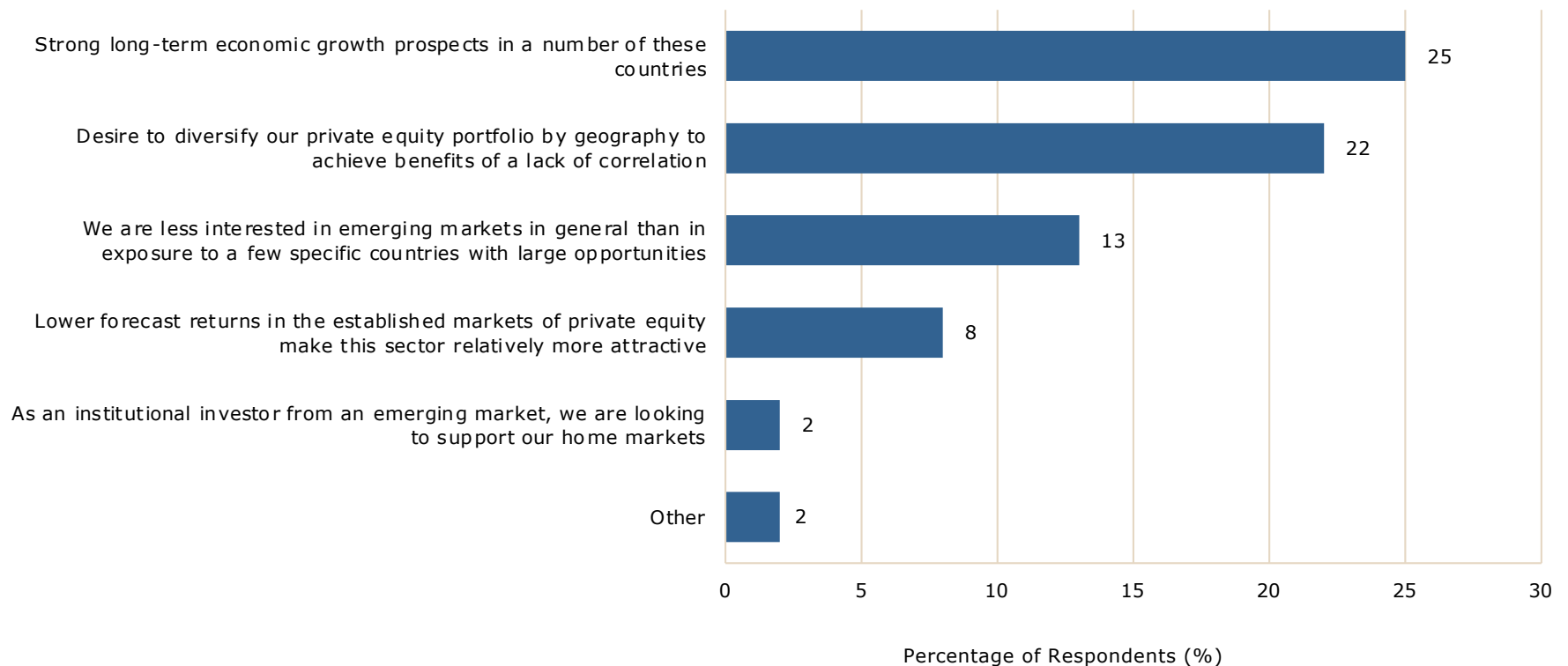
Source: Probitas Partners' Private Equity Investor Trends: 2024 & 2023 Survey Results; only geographies that attracted at least 3% interest

Interest in Emerging Market Private Equity

- The ranking of the reasons why respondents were targeting emerging markets remained the same as last year.
- There was an interesting comment from a U.S. Endowment/Foundation:
 - ***"Our interest is driven by the ability to access 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: 2024 Survey Results

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Why Are Other Respondents Not Interested In Emerging Markets?

- The rationale of respondents not investing remained similar to last year, with 65% preferring the risk/return profile in developed markets.
- The number of respondents who said that they were uncomfortable with the degree of political, currency or economic risk increased from 41% last year to 57% this year.

Chart XVI Disinterest in Emerging Market Private Equity

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



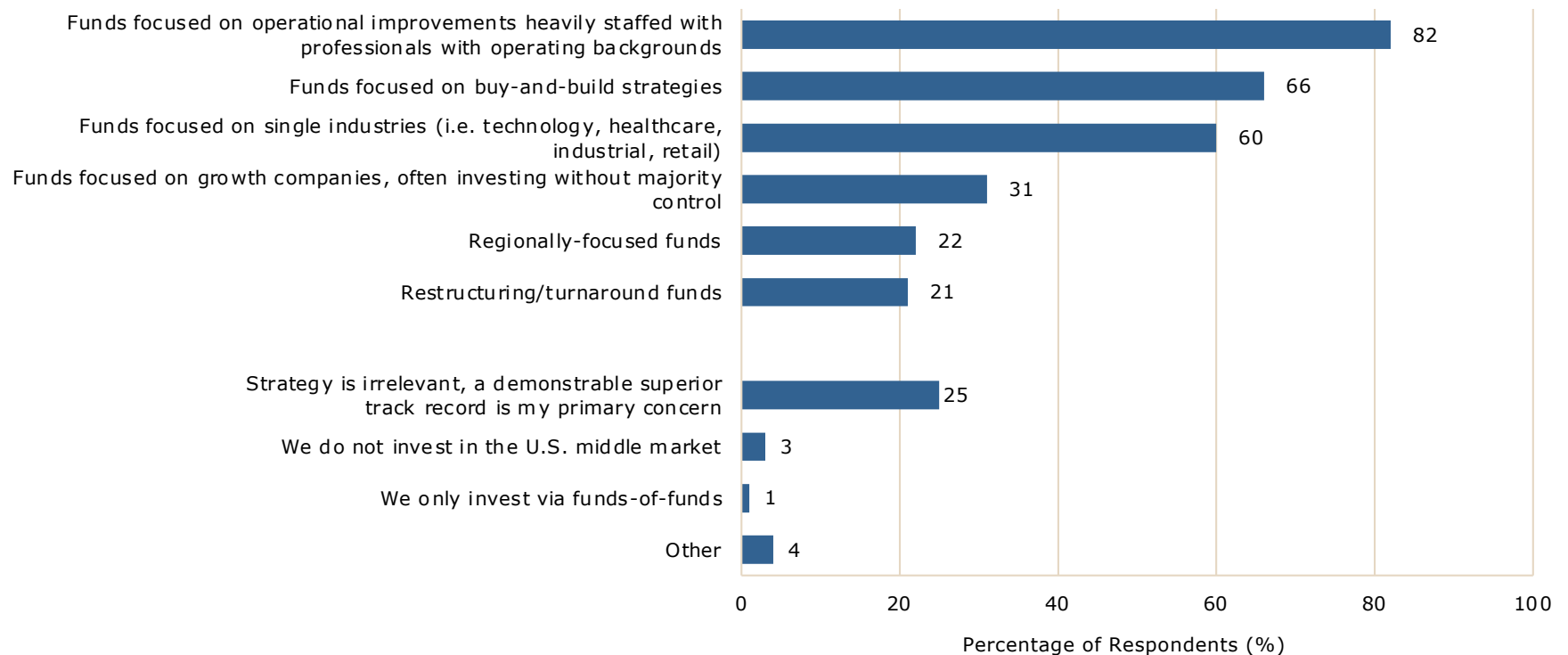
Source: Probitas Partners' Private Equity Investor Trends: 2024 Survey Results

Most Attractive U.S. Middle-Market Strategies

- Key changes since last year:
 - Interest in funds focused on operational improvements – already the most popular last year – surged from 62% to 82%; 95% of European respondents selected it.
 - Only 41% of European respondents were interested in industry sector-focused funds compared to 74% of North Americans.

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):



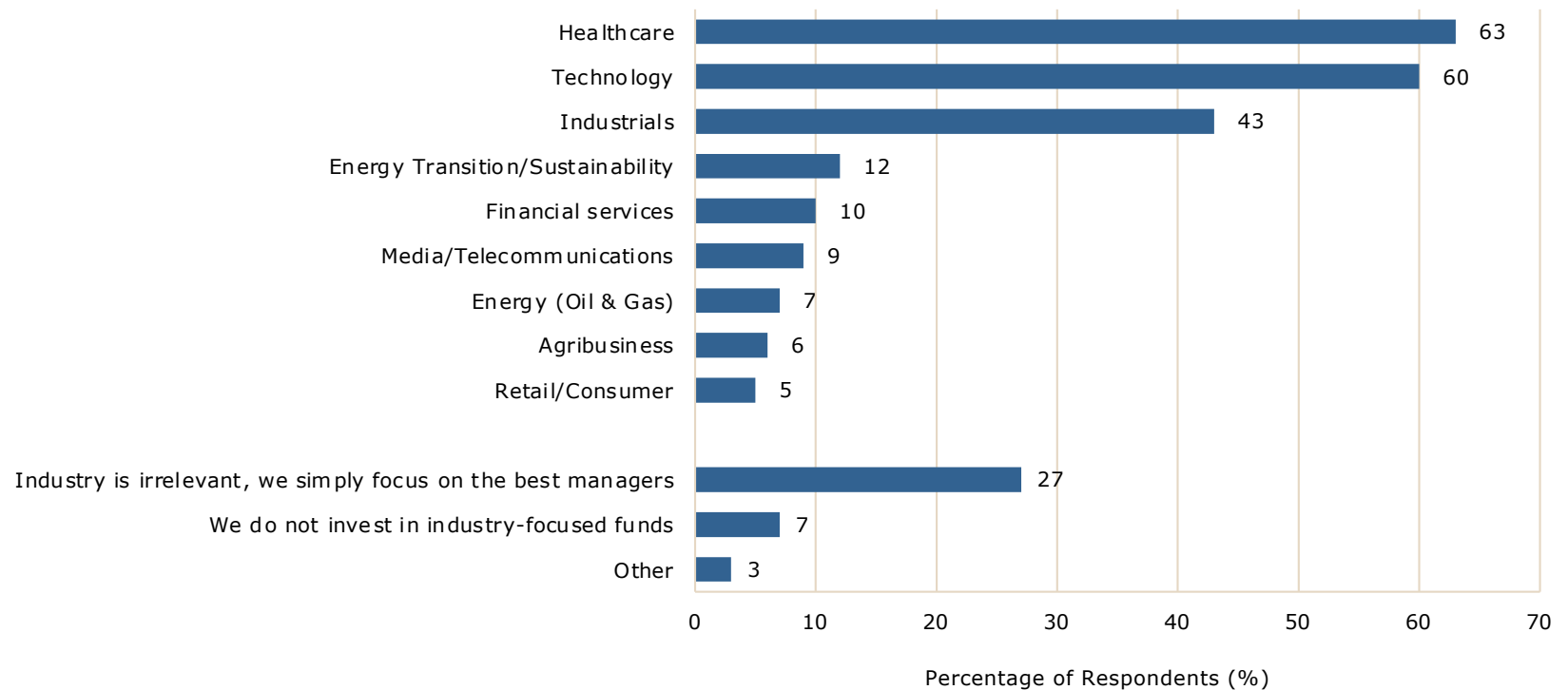
Source: Probitas Partners' Private Equity Investor Trends: 2024 Survey Results

Interest in Industry-Focused Funds

- Healthcare and Technology focused Buyout and Growth Capital funds remained investors' largest industry sectors of focus.
- The biggest difference from last year's results was an increase in interest in Industrials, from 26% to 43%, though they remained in third place.
- Interest in Retail/Consumer fell from 15% last year to 5% this year.

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):



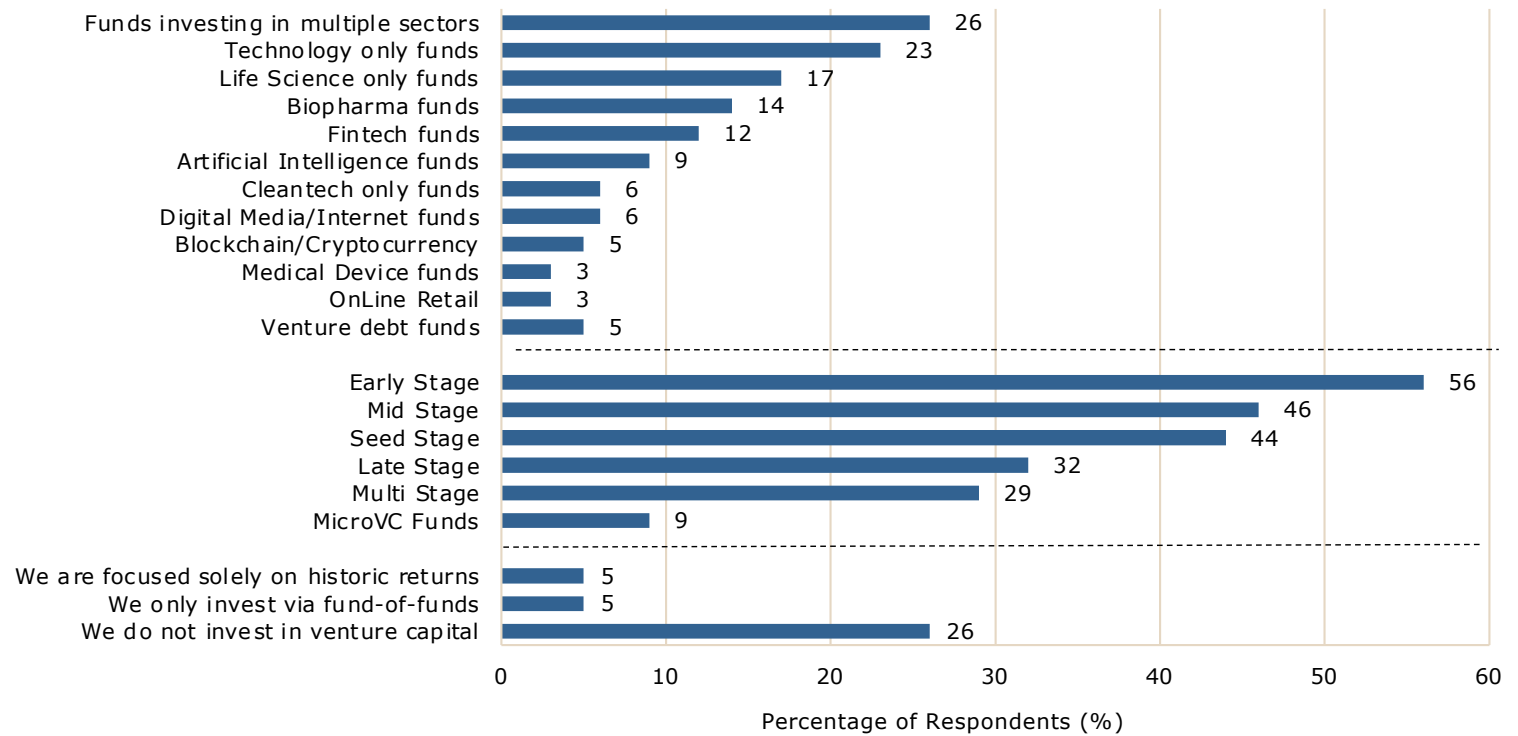
Source: Probitas Partners' Private Equity Investor Trends: 2024 Survey Results

Venture Capital Interest

- In this year’s survey multi-sector funds were of the most interest, as they were last year when they overtook technology-only funds for the first time.
- As far as investment stage, early-stage funds continued their long-term lead.
- Interest in focused industry sector funds remained very fractured, and European respondents were not interested in them at all.

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: 2024 Survey Results

Venture Capital Interest by Geography

- Interest in U.S. Venture Capital rebounded a bit this year on the back of renewed focus by North American respondents.
- Interest in Asian Venture Capital has continued its recent fall, driven by concerns about the political impact on technology investing in China as well as concerns regarding China's economy.
- 27% of respondents stated that they do not invest in venture capital compared to 28% last year – hardly any change at all.

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

2023		2024	
Sector	% Targeting	Sector	% Targeting
U.S. Venture Capital	38%	U.S. Venture Capital	45%
European/Israeli Venture Capital	13%	European/Israeli Venture Capital	12%
Asian Venture Capital	9%	Asian Venture Capital	2%

Source: Probitas Partners' Private Equity Investor Trends for 2024 and 2023 Survey

Interesting Venture Capital Comments

- There were two interesting comments offered by respondents on the venture capital market:
 - ***“I expect that 2018-2022 will be some really tough VC vintages and that 23-24 should be great vintages with the caveat that it always matters much more in VC that you're an LP of the right managers than market timing because there is real persistence of returns in the top VCs.”***
- ***“I do not find the current market attractive or unattractive; but I believe that it may become very attractive in the next 6 - 18 months.”***

-U.S. Registered Investment Advisor

-U.S. Fund-of-Funds Manager

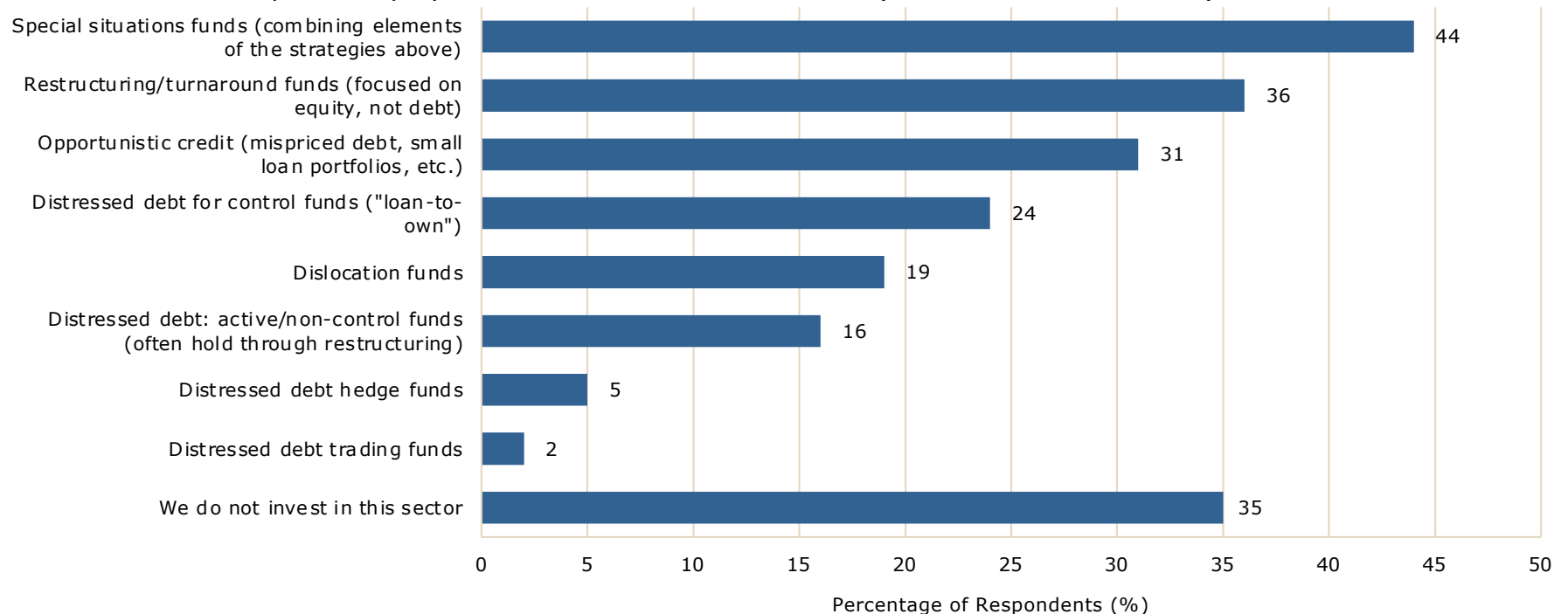
Focus on Distressed Investing

- Interest in Opportunistic Credit more than doubled from 12% from last year to 31%, moving up to the 3rd ranked strategy, driven by 43% of North American respondents targeting it.
- Two thirds of Asia/Pacific respondents do not invest in Distressed.
- There was one interesting comment on market timing:
 - “Even when you think you nailed the timing you probably didn’t”***

-U.S. Insurance Company

Chart XX Distressed Investments

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



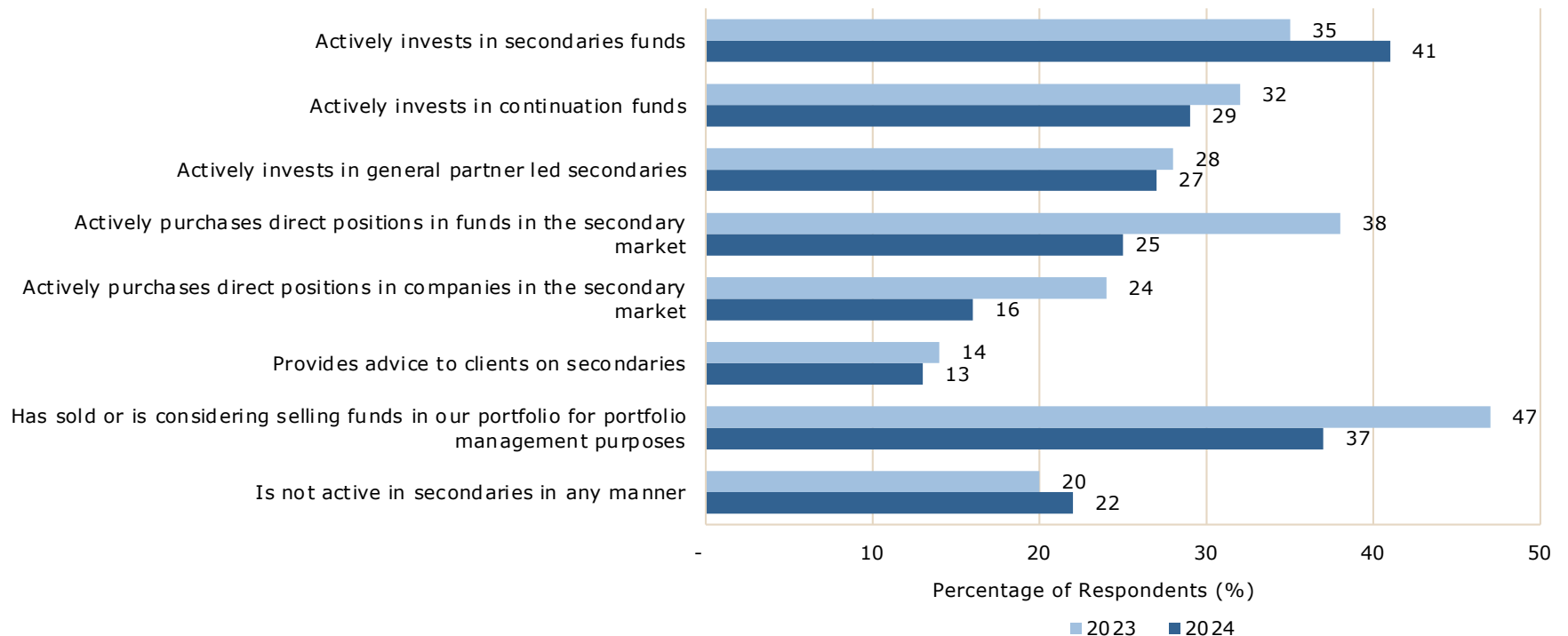
Source: Probitas Partners' Private Equity Investor Trends: 2024 Survey Results

Secondary Market Investing

- The leading response for investors purchasing secondaries was that they did so though committing to secondary funds, though responses were quite varied.
- There was a large drop in respondents stating they were looking to sell positions.
- One individual comment was of particular interest:
 - ***"Continuation funds and some GP-leds are problematic."***

-U.S. Insurance Company

Chart XXI Secondary Market Investments
 In the secondary market, my firm (choose all that apply):



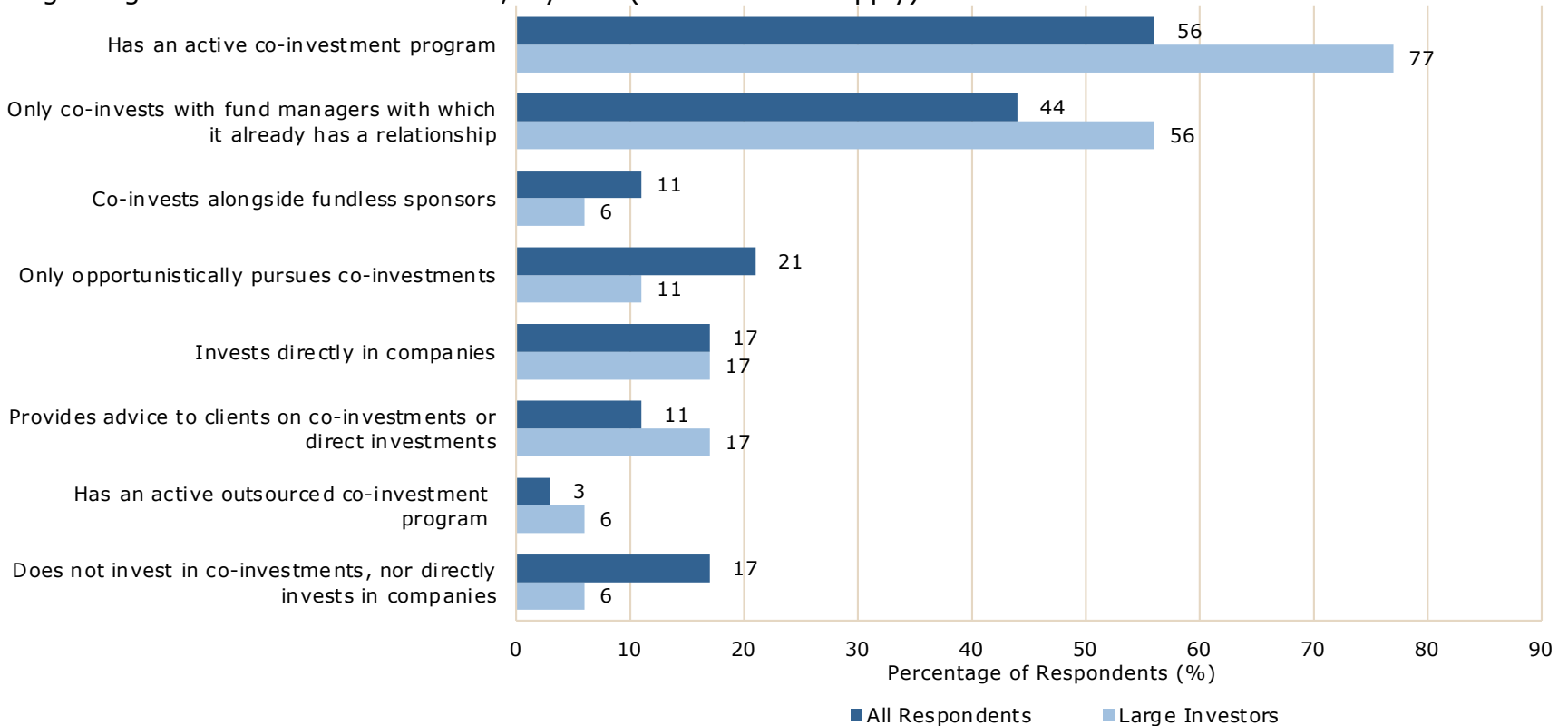
Source: Probitas Partners' Private Equity Investor Trends: 2023 and 2024 Survey Results

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.
- Both overall and large respondents are significantly less interested in dealing with fundless sponsors and are more focused on dealing with fund managers with whom they have a fund relationship, with overall respondents' interest dropping from 24% last year to 11% this year.

Chart XXII Directs and Co-Investments

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



Source: Probitas Partners' Private Equity Investor Trends: 2024 Survey Results

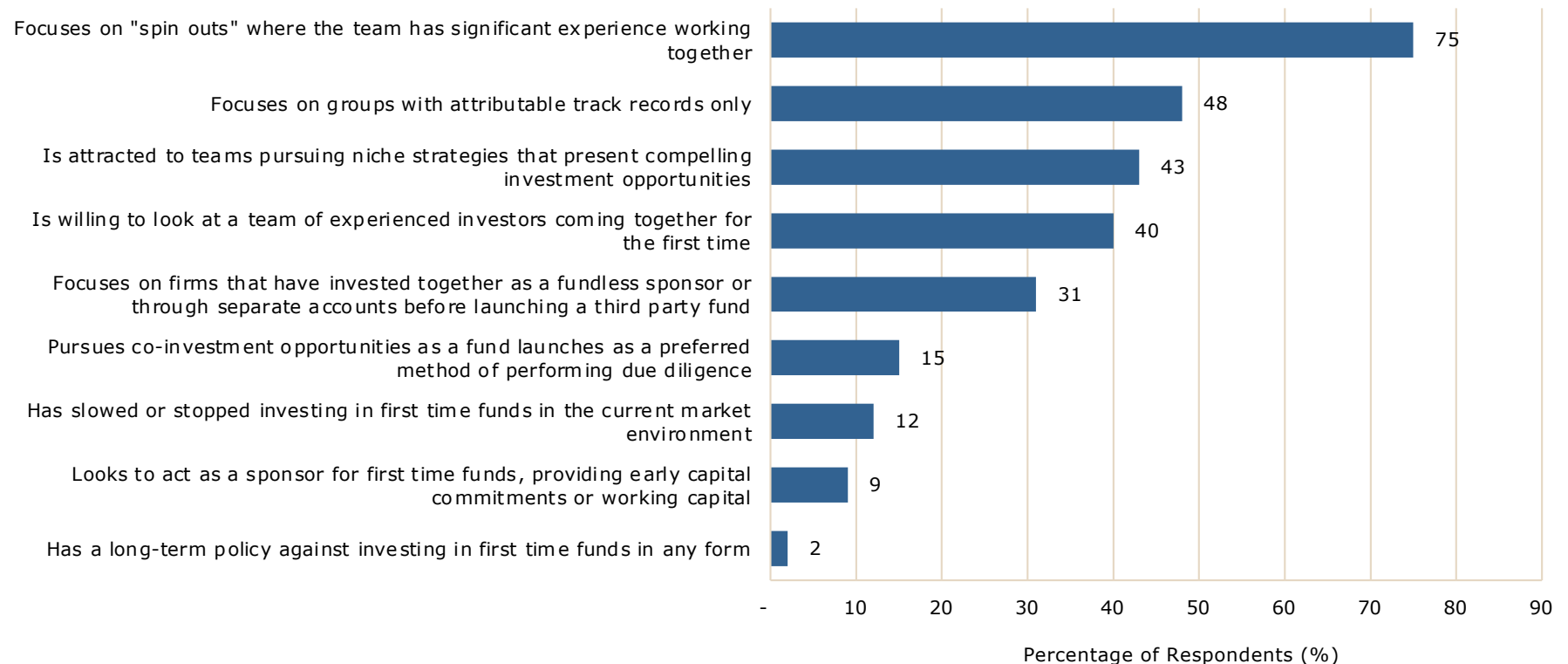
Note: "Large Investors" denotes those survey respondents who plan to commit \$500 million or more to private equity

First-Time Funds

- Even with the turmoil in the fundraising market over the last 18 months, 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):

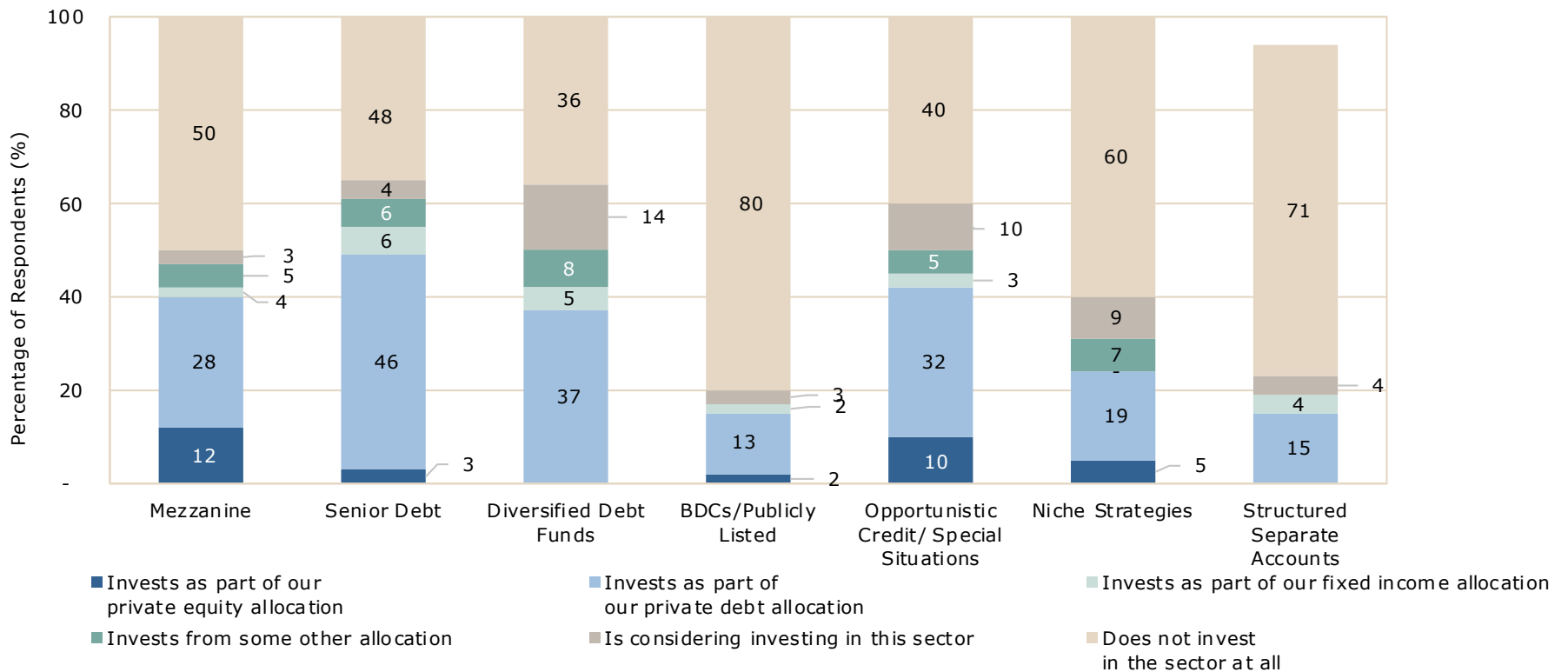


Source: Probitas Partners' Private Equity Investor Trends: 2024 Survey Results

Private Credit Interest and Allocations

- Most private debt investments are made through specific debt allocations.
- Overall, senior debt funds are the most favored sector.
- Certain 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.
- Niche strategies include sectors such as litigation finance and insurance viaticals.

Chart XXIV Credit
In the credit sector, my firm:



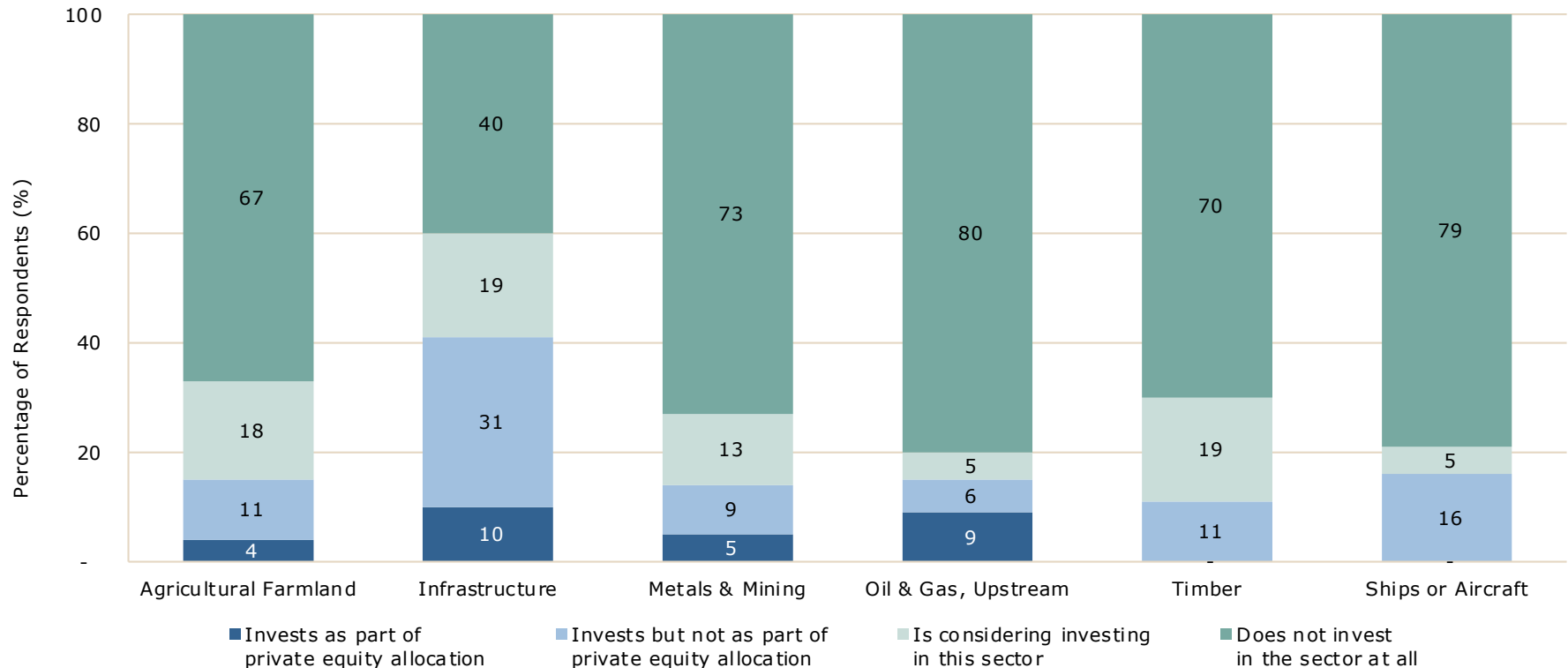
Source: Probitas Partners' Private Equity Investor Trends: 2024 Survey Results

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: 2024 Survey Results

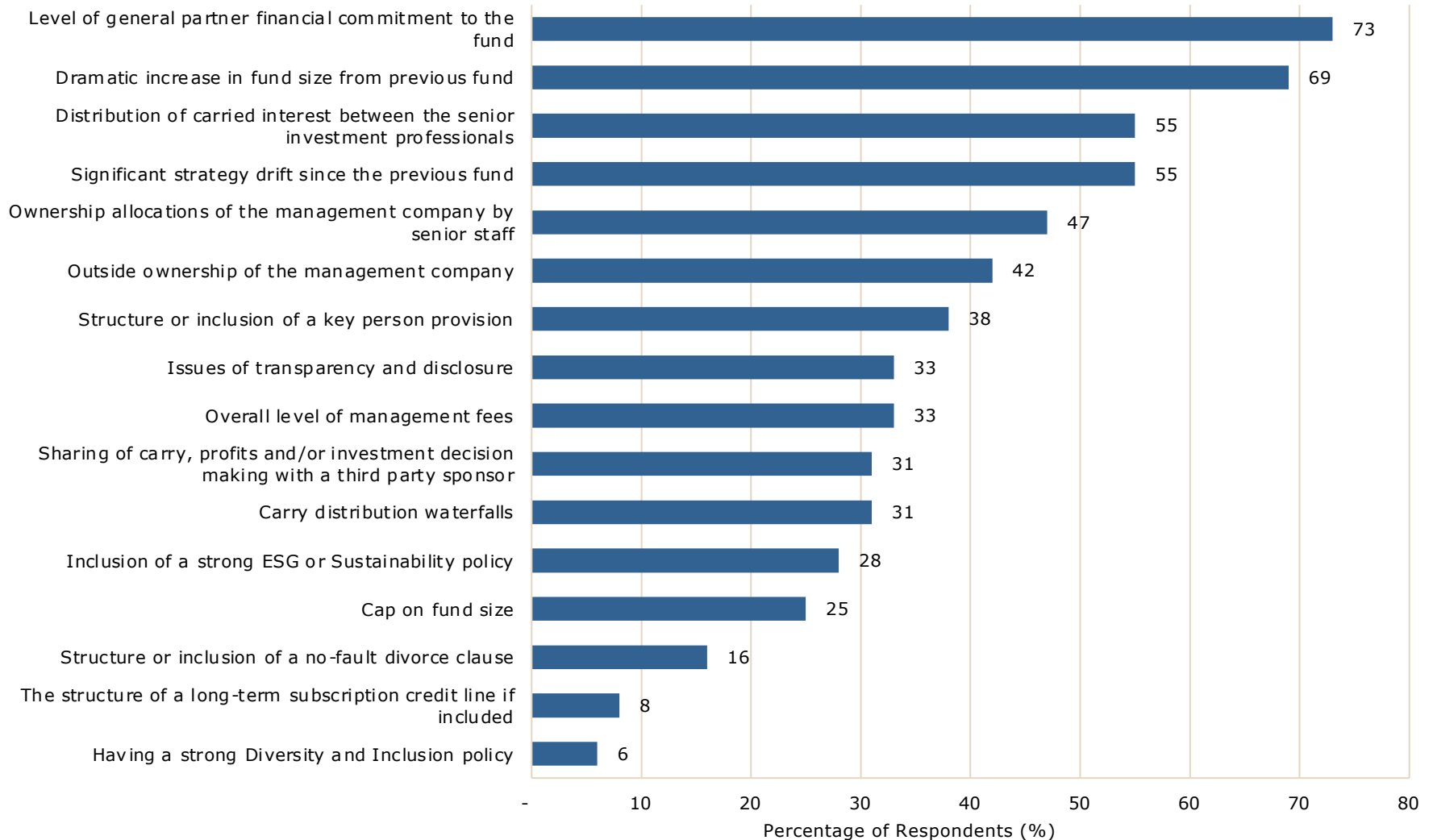
Further Commentary on Real Assets

- 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.
- Upstream Oil & Gas and Ships & Aircraft are the least favored sectors.
- Interest in Upstream Oil & Gas investing, formerly a leader in the Real Assets sector, continued to be weak, even during the past year where Oil & Gas prices increased notably.
- There was one interesting comment from a respondent:
 - ***"We focus on clean energy infrastructure only."***
- 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: 2024 Survey Results

Key Issues Regarding Fund Structure

- The level of general partner financial commitment to a fund remains the top issue, with the four top ranked concerns remaining in the same order as last year.
- ESG and Sustainability fell significantly in interest, falling out of the top 7 responses, with 28% targeting them this year compared to 40% last year; only 8% of North Americans thought they were key.

Table VI: Key Issues For LPs Regarding Fund Structure			
2023		2024	
Issue	% Targeting	Issue	% Targeting
Level of general partner financial commitment to the fund	75%	Level of general partner financial commitment to the fund	74%
Dramatic increase in fund size from previous fund	63%	Dramatic increase in fund size from previous fund	69%
Significant strategy drift since the previous fund	60%	Significant strategy drift since the previous fund	55%
Distribution of carried interest between the senior investment professionals	56%	Distribution of carried interest between the senior investment professionals	55%
Issues of transparency and disclosure	49%	Ownership allocations of the management company by senior staff	47%
Inclusion of a strong ESG or Sustainability policy	40%	Outside ownership of the management company	42%
Structure or inclusion of a key person provision	35%	Structure or inclusion of a key person provision	38%

Source: Probitas Partners' Private Equity Investor Trends for 2024 and 2023 Survey

Commentary on Issues Regarding Fund Structure

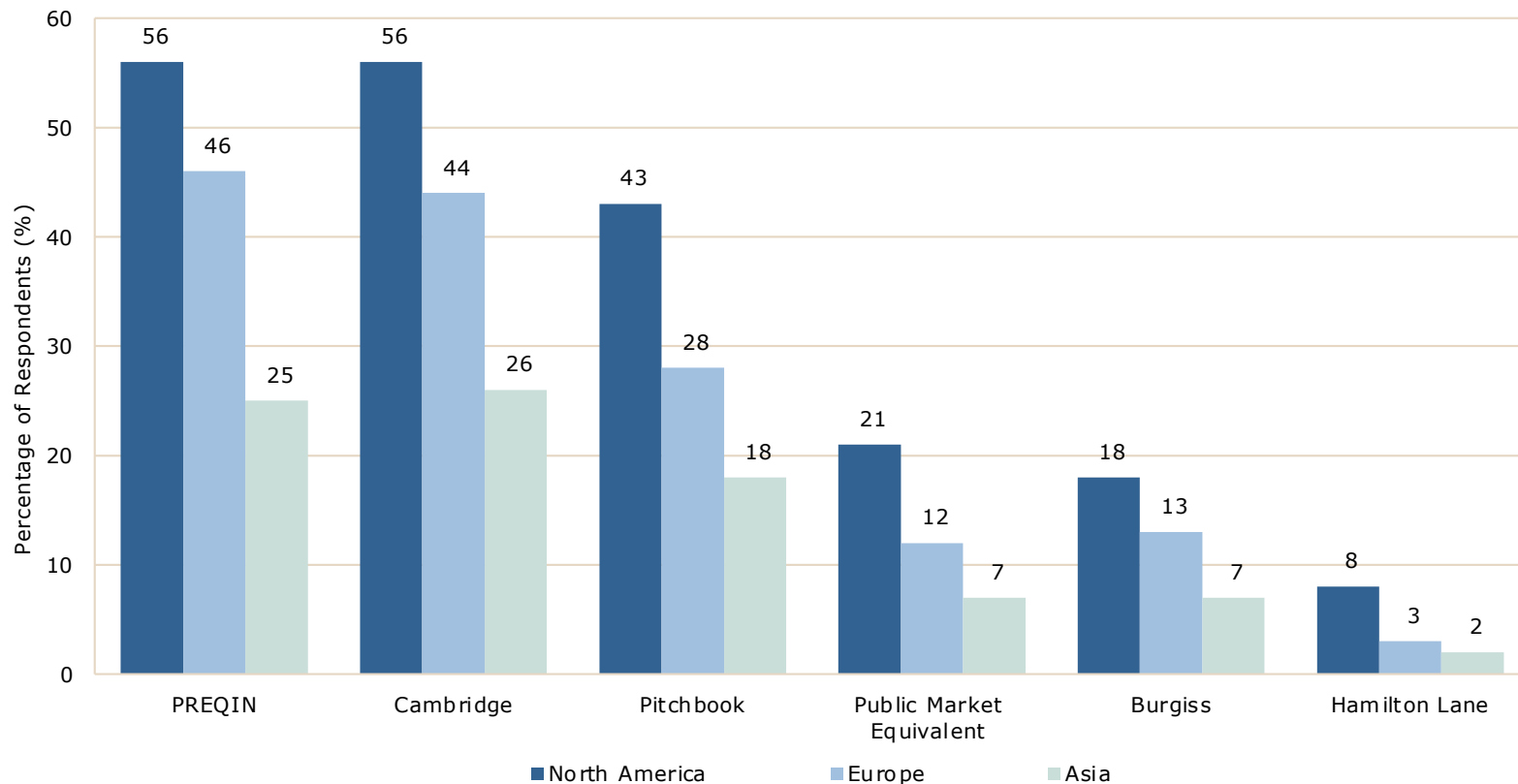
- Geography had a strong impact on feelings about the inclusion of a strong ESG and Sustainability policy:
 - European respondents: 62%, ranking 3rd among their concerns.
 - North American respondents: 8%, ranking 14th overall, significantly lower than 23% last year.
 - Asia/Pacific respondents: 33%, driven by the concerns of Japanese respondents.
- Issues of transparency and disclosure were targeted by 50% of Asia/Pacific respondents.
- Respondents were limited to choosing six options to this question; one respondent stated:
 - ***Really need more than six key options here.***
- *Japanese Wealth Manager*

Most Used Benchmarking Databases or Tools

- Many investors use multiple databases or tools for benchmarking.
- The number of investors using these databases or tools declined across the board this year, indicating a consolidation among investors using multiple databases.
- The chart only includes 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 tools in different fund geographies (please choose all that apply):



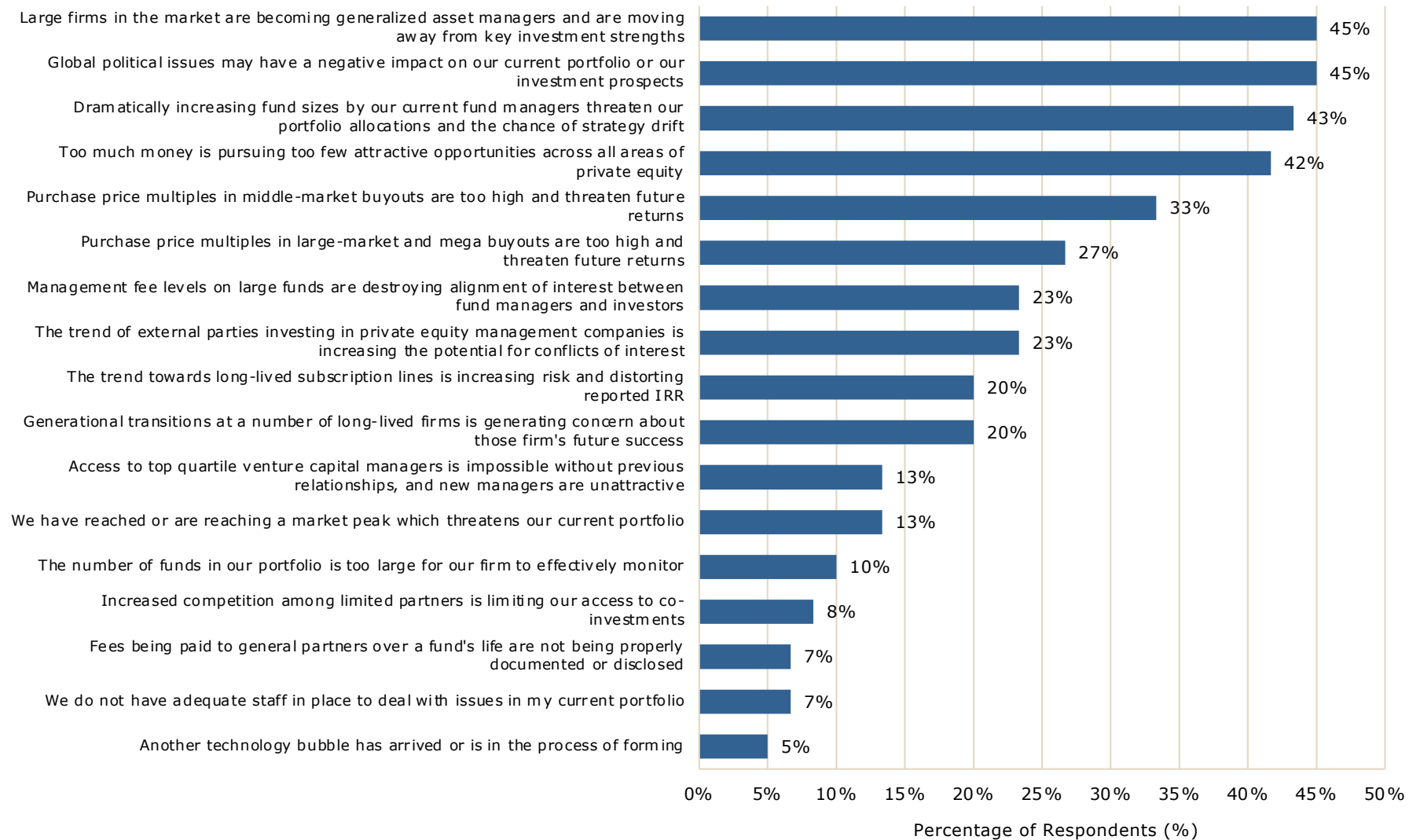
Source: Probitas Partners' Private Equity Investor Trends: 2024 Survey Results

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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 (responses greater than 5%):



Source: Probitas Partners' Private Equity Investor Trends: 2024 Survey Results

Key Investor Fears: 2023 vs. 2024

- The potential negative impact of global political issues remained ranked first this year, with 45% of respondents selecting it.
- The largest change from last year is the increase in concern that large firms in the market are becoming generalized asset managers, moving away from key investment strengths; that fear rose from 32% to 45%.

Table VII: What Keeps You Up At Night?			
2023		2024	
Issue	%	Issue	%
Global political issues may have a negative impact on our current portfolio or our investment prospects	49%	Global political issues may have a negative impact on our current portfolio or our investment prospects	45%
Purchase price multiples in middle-market buyouts are too high and threaten future returns	44%	Large firms in the market are becoming generalized asset managers and are moving away from key investment strengths	45%
Too much money is pursuing too few attractive opportunities across all areas of private equity	43%	Dramatically increasing fund sizes by our current fund managers threaten our portfolio allocations and the chance of strategy drift	43%
Dramatically increasing fund sizes by our current fund managers threaten our portfolio allocations and the chance of strategy drift	40%	Too much money is pursuing too few attractive opportunities across all areas of private equity	42%
Large firms in the market are becoming generalized asset managers and are moving away from key investment strengths	32%	Purchase price multiples in middle-market buyouts are too high and threaten future returns	33%

Source: Probitas Partners' Private Equity Investor Trends for 2024 & 2023 Survey

Key Investor Fears by Geography

- Asia/Pacific and European respondents are more concerned about global political issues than are their North American counterparts.
- European respondents were also more concerned about large firms, with 47% concerned that purchase price multiples funds these firms were paying were too high.
- There were fewer Asia/Pacific respondents, so their fears had less impact on the overall numbers.

Fear	Overall	North America	Europe	Asia/Pacific
Global political issues may have a negative impact on our current portfolio or our investment prospects	45%	39%	47%	80%
Large firms in the market are becoming generalized asset managers and are moving away from key investment strengths	45%	44%	37%	80%
Dramatically increasing fund sizes by our current fund managers threaten our portfolio allocations and the chance of strategy drift	43%	32%	48%	60%
Too much money is pursuing too few attractive opportunities across all areas of private equity	42%	36%	47%	60%
Purchase price multiples in middle-market buyouts are too high and threaten future returns	33%	39%	26%	20%
Purchase price multiples in large-market and mega buyouts are too high and threaten future returns	27%	17%	47%	20%

Source: Probitas Partners' Private Equity Investor Trends for 2024 Survey

Selected Individual Commentary on Investor's Fears

- ***"Looks as if the market has turned due to higher interest rates leading to more expensive leverage loans and hence lower purchase multiples — this implies that the market is sitting on overvalued portfolios, multiple contraction might become the new normal, and so heading into a time of lower returns."***

– Western European Public Pension

- ***"With interest rates at elevated levels, this is a risk to current PE valuations, and we believe that many managers are not properly recognizing this in their valuation marks."***

– Canadian Public Pension

- ***"The word of the GP means much less than ever before. Trust is a lost concept and, with that, much of what made PE special and relationship-driven no longer applies."***

– U.S. Insurance Company

- ***"Will Private Equity continue to deliver attractive returns in this higher rate, inflationary, slower growth environment? How accurate are the NAVs in Venture Capital?"***

– U.K. Private Pension

- Global political and economic turmoil over the last three and a half years has created investment uncertainty and a dramatically fluctuating group of industry-sector winners and losers that has affected both private and public markets.
- This has all resulted in a number of investment issues and trends:
 - Rising inflation and the resulting increase in interest rates has negatively impacted merger & acquisition activity and the IPO market over the last 18 months. That has had continuing knock-on effects on the ability of private equity firms to exit investments in their portfolios and distribute cash to investors. For limited partners, this has caused a redefinition of the causes of the “denominator effect” and has stressed their portfolio allocations — though it has not resulted in a wholesale abandonment of interest in private equity but rather an adjustment of investment strategy in various ways to keep a level of exposure to a sector many believe can still outperform.
 - The higher interest rates over the last two years have also increased interest in the core private debt markets as bank lending remains constrained. And this trend is continuing — though the debt markets are also facing a coming wave of refinancings.
 - Ongoing political tensions between the U.S. and China, continued weakening in the domestic Chinese real estate markets and regulatory steps by China’s government targeting certain entrepreneurs and industries have led to a significant decline in interest by all overseas investors in China’s private markets. The fall in interest has been dramatic over the past three years, with no sign of reversing.

Summary (continued)

- As fund managers and limited partners have both been seeking liquidity in a private market with constrained exits, interest has increasingly turned to secondaries. The execution of deals has been slowed over the past year as sellers' expectations are still catching up with falling market pricing, but that shift is beginning to happen, with expectations of increasing activity.
- In our previous surveys, there has always been a large gap between the interest in ESG and Sustainability between North American and European respondents, with Europeans much more focused on these sectors. The past trend, however, has been for North American interest to increase and to narrow the gap, even as European focus continued to increase. However, this year North American interest plummeted, likely in response to political blowback on both climate change and ESG in general.
- There is a continuing fear among limited partners, especially among Europeans and Asians, that both current and unforeseen global political tensions will have negative impacts on both their current portfolios and their future investment prospects. That is matched by a growing fear that large firms in the private equity market are becoming generalized asset managers and are moving away from their key investment strengths.



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