



The Rede View

The current state of private markets

October 2024
rede-partners.com

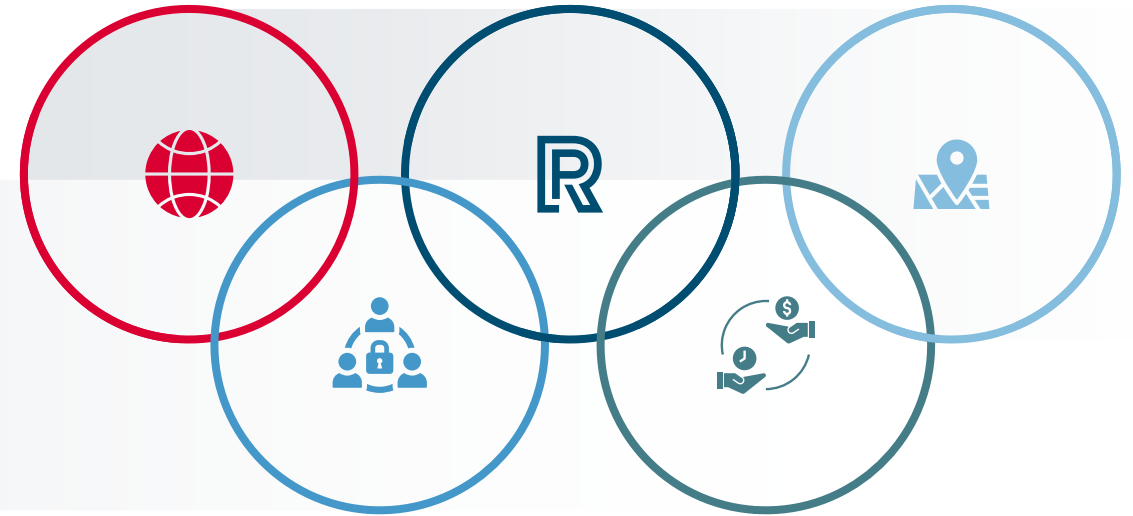
RedeConnect 2024:

Olympian insights

Global Capital Flows

The Rede Impact
Survey 2024

The Asia GP Landscape



Private IPOs

Credit Where It's Due



1063

Registrations

6

Webinars

25

Rede GPs

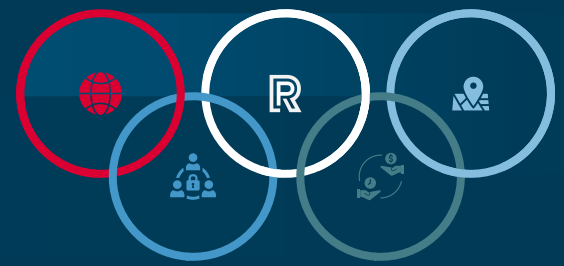
51

Small group
LP-GP meetings

305

LP-GP meeting
seats allocated

The RedeConnect Webinar Series



Wednesday, 9 October

Global Capital Flows

Where are the new pockets of capital to be found and accessed?

14:00 - 14:45 (BST)
9:00 - 9:45 (ET)

Rede Moderator: Scott Church



Scott Church
Senior Partner, North America



Alexandra Bazarewski
Partner, Americas



Kristina Widegren
Partner, Europe



Charles Wan
Partner, APAC



James Varela
Partner, Middle East

The Impact Survey

Discussing the results of our latest Impact LP survey

15:00 - 15:45 (BST)
10:00 - 10:45 (ET)

Rede Moderator: Etienne Ekpo-Utip



Etienne Ekpo-Utip
Head of Climate & Impact



Sophie Robé
Co-Founder, CEO
FIND Impact



Carlos Garcia Rivas
Managing Director, APG Asset
Management



Marleen Dijkstra
Managing Director, Primary Fund
Investments, Alpinvest Partners

The Asia GP Landscape

What are the evolving trends in Asia PE?

9:00 - 9:45 (BST)
16:00 - 16:45 (HKG)

Rede Moderator: Charles Wan



Charles Wan
Partner, APAC



Kenta Shima
Partner, J-STAR



Donghoon Jeon
Partner, Premier Partners



Renee Song
Executive Director, Primavera
Partners

Thursday, 10 October

Private IPOs

The best of both worlds?

14:00 - 14:45 (BST)
9:00 - 9:45 (ET)

Rede Moderator: Riccardo Villa



Riccardo Villa
Co-Head of Capital Solutions



Luke Finch
Partner & Head of Client Services,
Hg



Roxana Mirica
Partner, Capital Markets, Apax
Partners



Charlie Walker
Deputy CEO, London Stock
Exchange

Credit Where It's Due

Where are the most attractive private credit opportunities right now?

15:00 - 15:45 (BST)
10:00 - 10:45 (ET)

Rede Moderator: Brendan Foley



Brendan Foley
Director



Emma Bewley
Partner & Head of Credit,
Partners Capital



John Stake
MD & Head of Portfolio Management
Group, Hamilton Lane



Hans-Jörg Baumann
Partner, StepStone Group

The last 12 months on the road to Rede Connect 2024



3 First-time funds

€24bn

Total raised including...

...€9bn

new money...

1,501

LPs met in the past 12 months

...from **22** countries...

...€40m

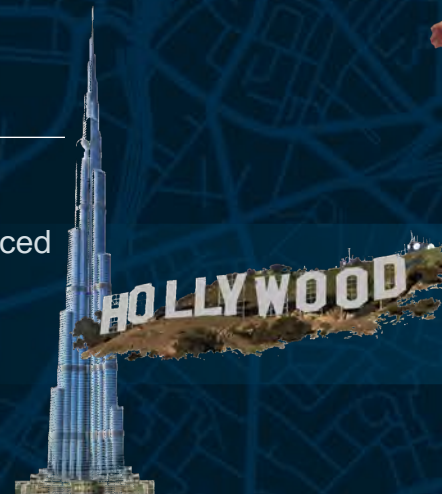
Average ticket size

+49% Average scaling on prior fund size

14 Funds closed in the last 12 months

6 Key strategic hires & promotions

2 New global offices announced



Key trends for this year



LP sentiment is improving faster than deployment

Creating a mixed picture for GPs



DPI is a key bellwether

With notably different experiences across segments



Strong desire for change and novelty

LPs churning portfolio will result in high-profile winners and losers



The road less travelled

Underexplored LP sub-segments are the name of the game



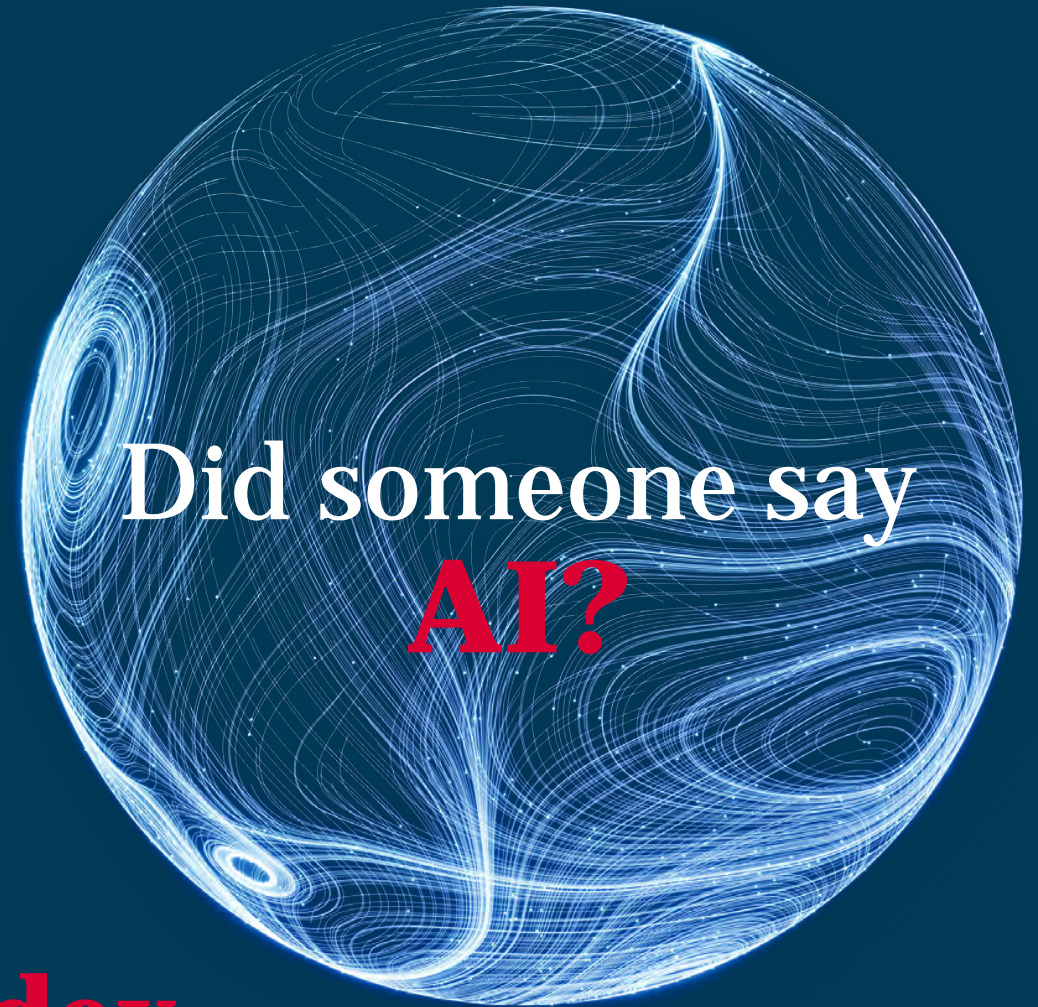
Continued march of industry innovation

For both offensive and defensive reasons

Speaking of increased sophistication...

...how would you analyse **26,633**
LP conversations (LTM) to generate real
insights?

Introducing
The Rede Sentiment Index



Training your AI: a boring Rocky montage



1,796

LPs covered



10,000

Conversations analysed



10

Iterations of the AI model



700

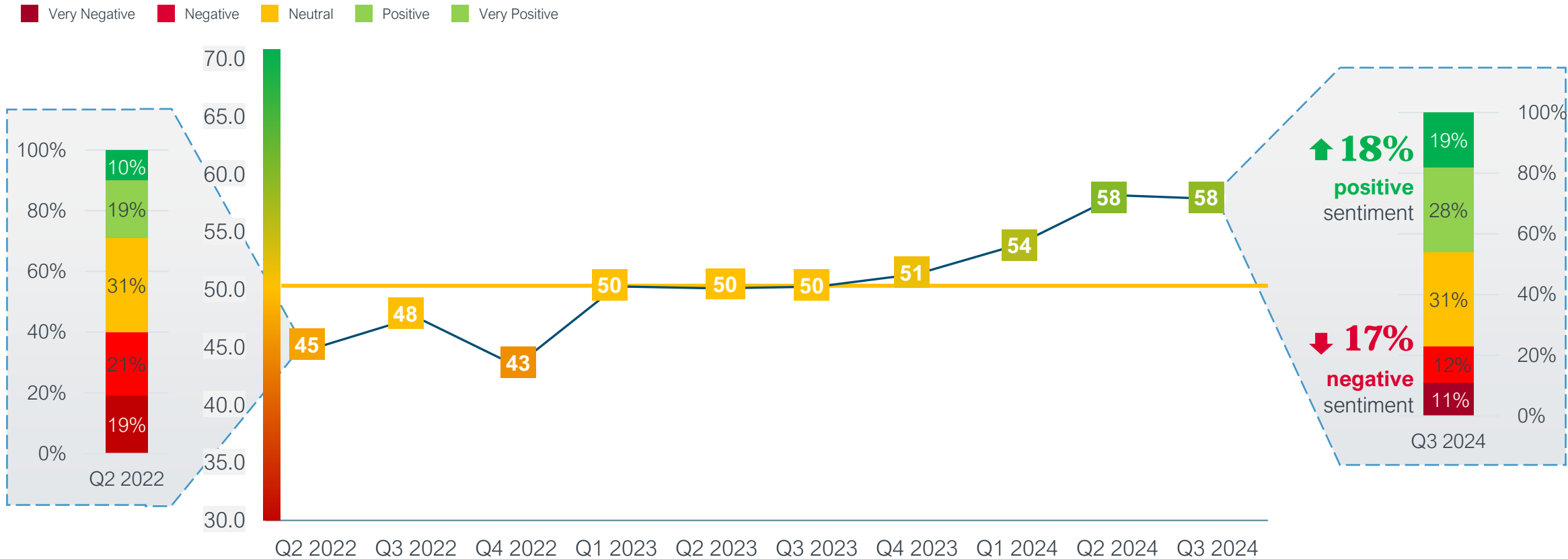
Manual spot-checks carried out



The results indicate that conditions are (slowly) improving

The Rede Sentiment Index

Rede CRM General Note AI Sentiment Index by Quarter



Source: Rede conversations with LPs, April 2022 – September 2024



Private Markets in 2020 – 2024 | The Eras Tour



2020 COVID era

Fundraising via zoom
(primarily re-ups), lots of
uncertainty



2021 (Massive) recovery

Lots of capital, quick
fundraises, mainly re-ups



2022 Liquidity squeeze

Denominator effect, re-ups
only, smaller tickets



2023 Transition era

Denominator effect replaced by
numerator effect, re-ups not
guaranteed, increasing interest in
new GPs



2024+

Continued softness but
more risk-on and increasing
interest in the new



“Will likely only have money
in 2023 / 2024”

“No new commitments
for at least 2 years”

“Denominator effect will make
this a very tough year”

“A lot of markdowns in
the portfolio but solvency
remains fine”

“We’re only looking to re-up”

“Unclear how our
strategy will play out”

“Frozen new
commitments”

“Not getting anything new approved by our
CIO”

“Decreasing ticket size given
pressure on allocations”

“Never stop looking
for new managers”



2022

“Any new GP needs to be an upgrade or complementary to an existing”

“We need to assess liquidity a lot more when deciding to commit”

“Re-ups no longer a given, we might also reduce tickets”

“We see PE as dependent on micro picture and not macro”

“Want to start looking at smaller funds as they’re doing a great job”

“Currently having discussions to increase our budget”

“While have capital, we’re being very picky”

“We have been underallocated to PE and need to make up for the lost decade”



2023

“Continuing programme but being more selective”

“Will be a longer burn on the PE side, but good LT prospect”

“New fund investments are limited at the moment”

“Happy to back punchy, emerging managers who are high-alpha”

“Adding new people to the team as we have capital to deploy”

“50% of what we do is new”

“Deployment levels increasing again”

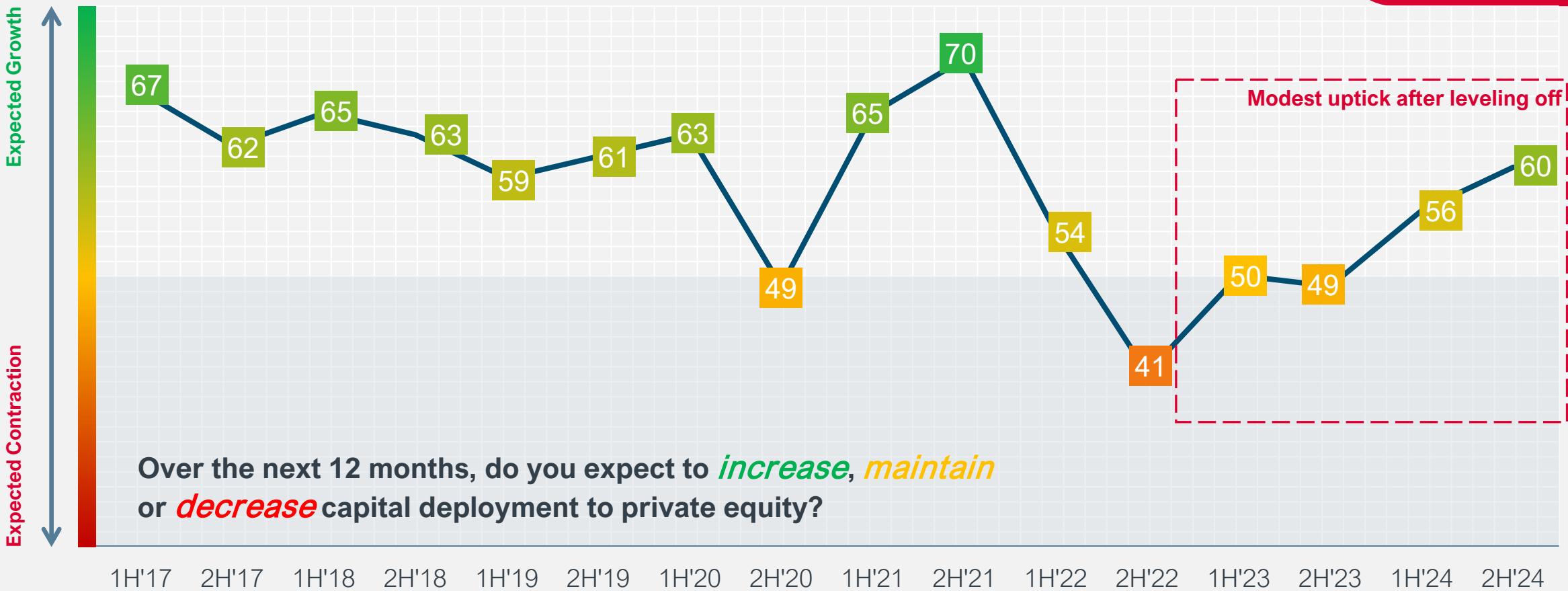
“There is capital to be put to work so want to get moving quickly”

“Growing very rapidly, so will start investing directly instead of using feeders”

2024

And for those who don't trust AI

2H 2024 RLI Score: Clear improvement in 2024 after 2023 levelling off



Source: Rede RLI survey, September 2024





So
fundraising
must be easy,
right? Wrong!

Indicators of poor momentum are still prevalent



Much more common

GPs asking for
fundraise extensions



Much more common

Multiple seed assets
at final close



Much more common

Funds **failing to**
reach target



Much more common

Fundraise **launches**
being delayed or
pulled



More common

Funds **sizes being**
revised downwards



More common

Offers of **preferential**
coinvest rights



More common

Management **fee**
discount for large
tickets



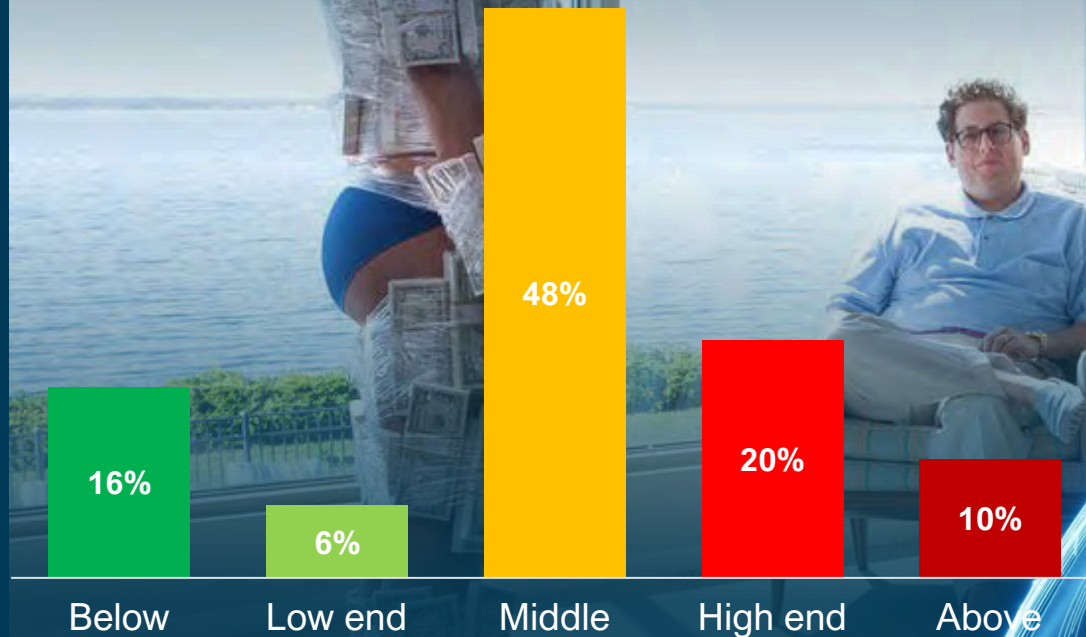
R LIQUIDITY
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In aggregate, LPs are more over allocated than before

Where is your portfolio valuation today versus your target private markets allocation?

R LIQUIDITY INDEX

2H 2023



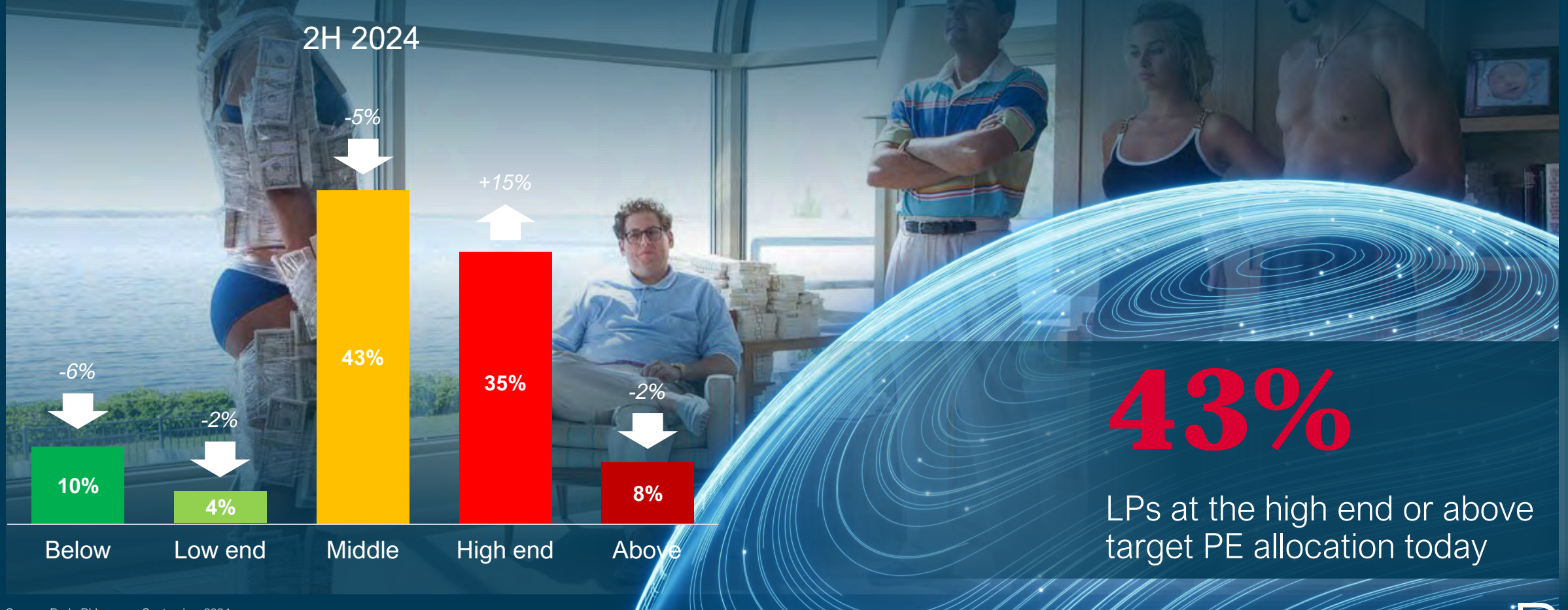
30%

LPs at the high end or above target PE allocation today

In aggregate, LPs are more over allocated than before

Where is your portfolio valuation today versus your target private markets allocation?

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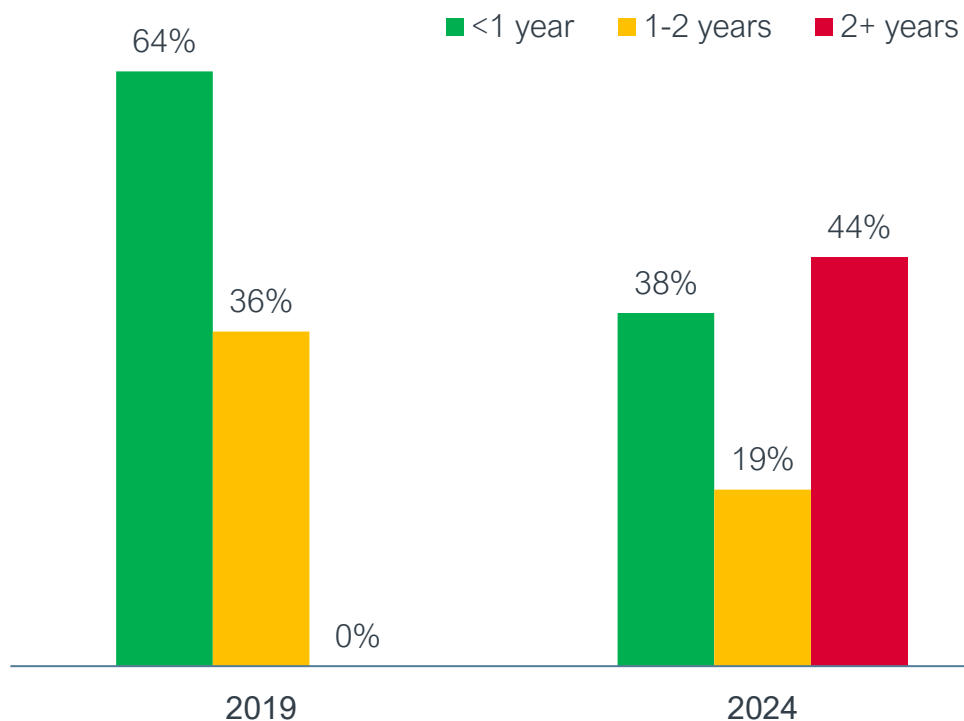


Source: Rede RLI survey, September 2024

Fundraises remain long, with multiple closes required to get to target

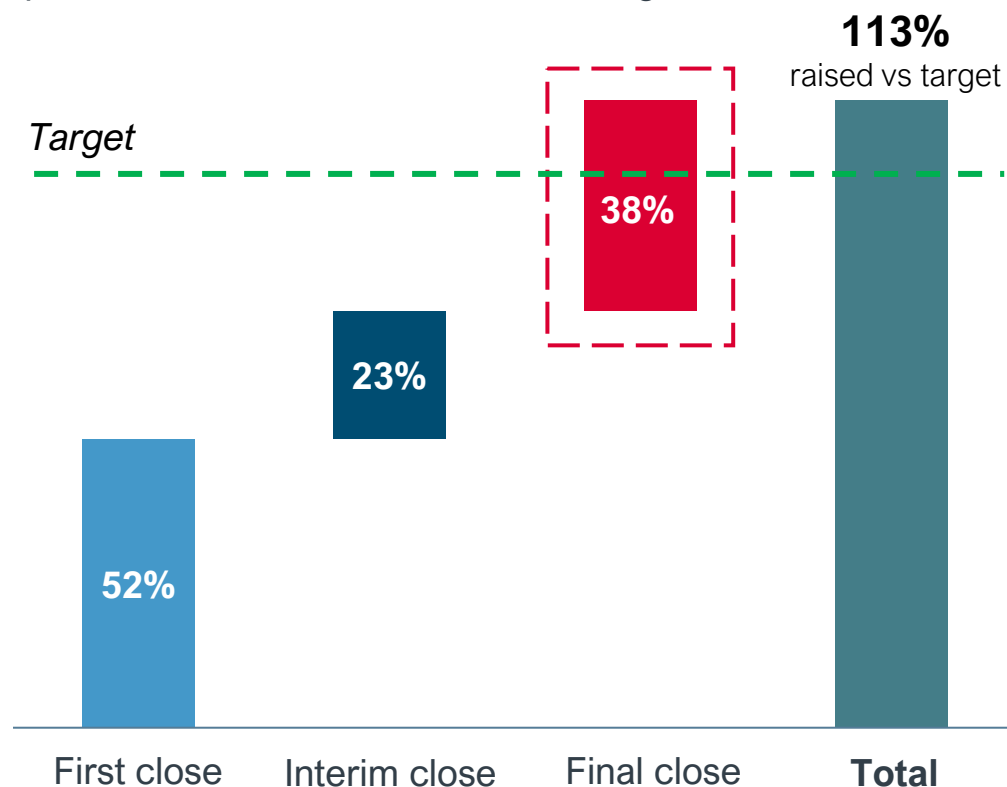
Nearly half of fundraises continue to spend 2+ years in the market...

PE funds closed by time spent in market¹



...and we have seen an emerging pattern of momentum stalling post-first close

Capital breakdown of Rede funds holding final closes LTM²



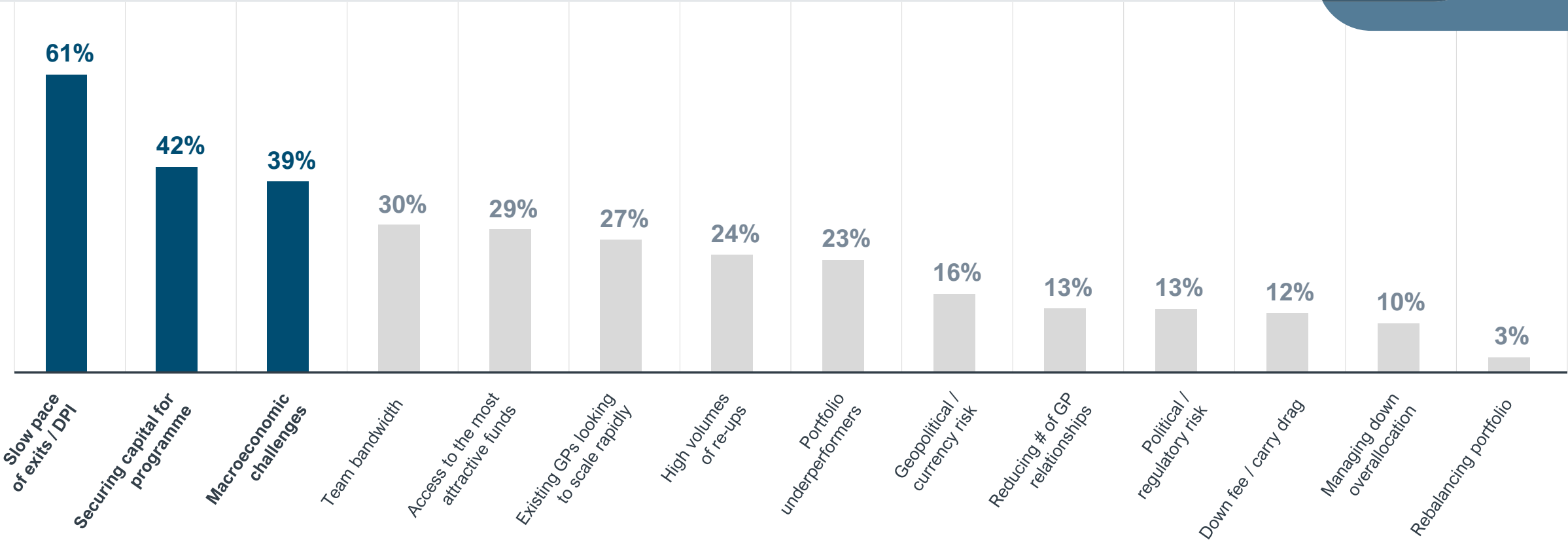
1. Source: Preqin. Global private capital funds which held a final close in 2019 and 2024
2. Average % capital raised versus target across closes amongst funds holding final closes over the LTM

Significant changes in LP concerns over the last six months



“What are the key concerns for your deployment programme?”

2H 2023



Source: Rede RLI survey, September 2024

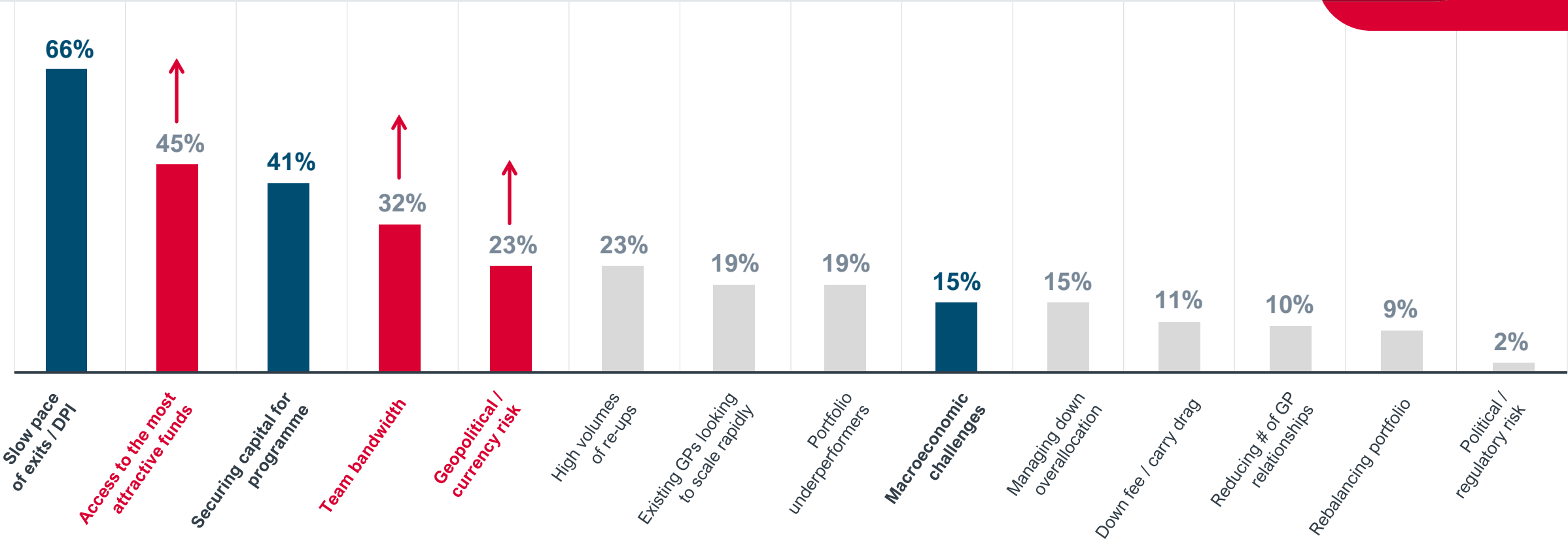


Significant changes in LP concerns over the last six months



“What are the key concerns for your deployment programme?”

2H 2024



Source: Rede RLI survey, September 2024



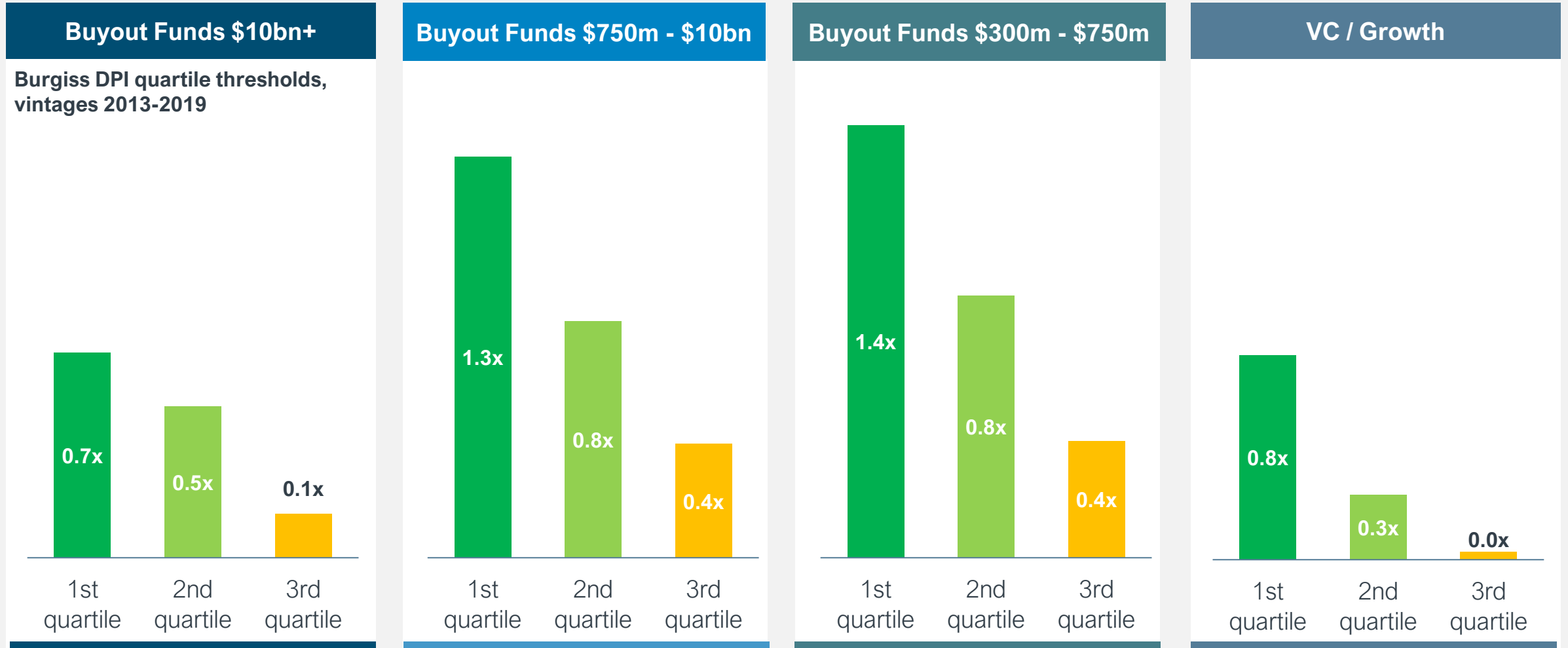


66%

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LPs cited lack of distributions as a key challenge affecting their portfolio

The DPI problem is biggest in Mega Cap and VC funds



Source: Burgiss data across vintages 2013-2019 for each segment as at 30 June 2024

So what DPI should you aim for?



0.999x DPI

Rede average for penultimate fund



8 years

Market average to reach 1.0x DPI

LPs are looking for you to manage DPI, actively seeking early liquidity and not holding on to assets too long

1. Source: Rede funds raised between 2022 and 2024
2. Cambridge Associates benchmarking, Europe Developed Private Equity

Performance of prior funds at launch has worsened, raising more questions for LPs during DD

Burgiss quartile thresholds as at Q2'21 (2018 vintages) and Q2'24 (2021 vintages)

2021

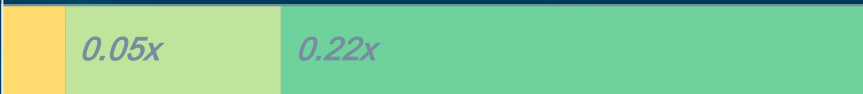
Successful fundraises on the back of 2018 predecessors

2024

Longer fundraises on the back of 2021 predecessors

DPI

2018
In 2021



2021
In 2024



TVPI

2018
In 2021

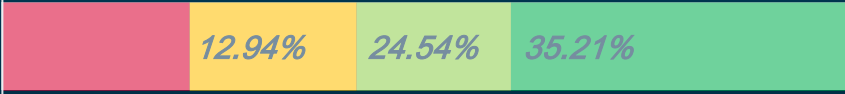


2021
In 2024

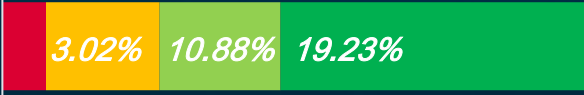


IRR

2018
In 2021



2021
In 2024



Source: Burgiss. Private equity funds vintages 2018 and (as at 30 June 2021) and 2021 (as at 30 June 2024)



Team bandwidth within LPs continues to be a challenge

What's keeping LPs so busy?



Pro-active GP origination



Heightened diligence across the board



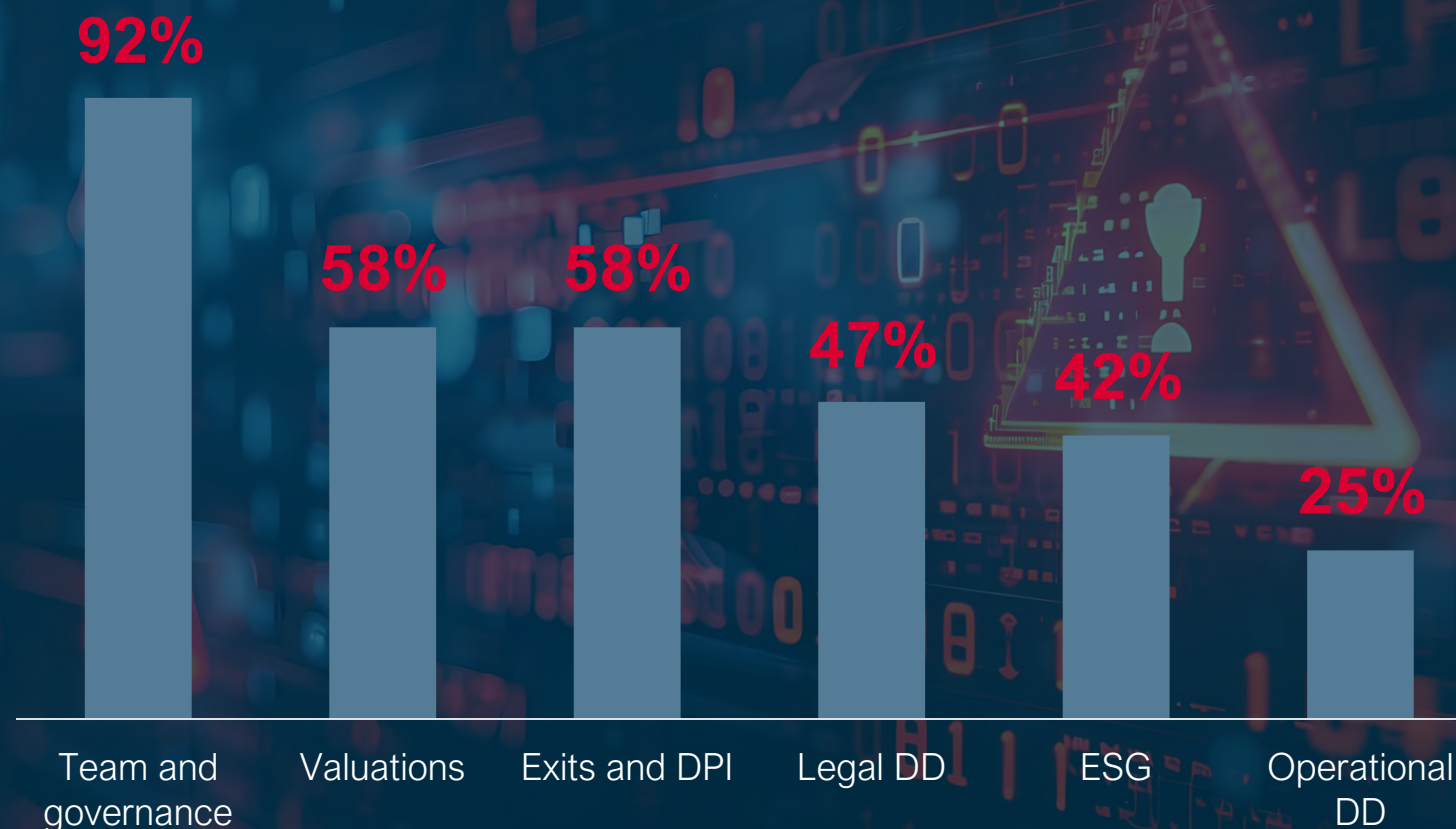
In-person interactions (conferences, AGMs)



ODDs

Heightened LP scrutiny across key diligence areas

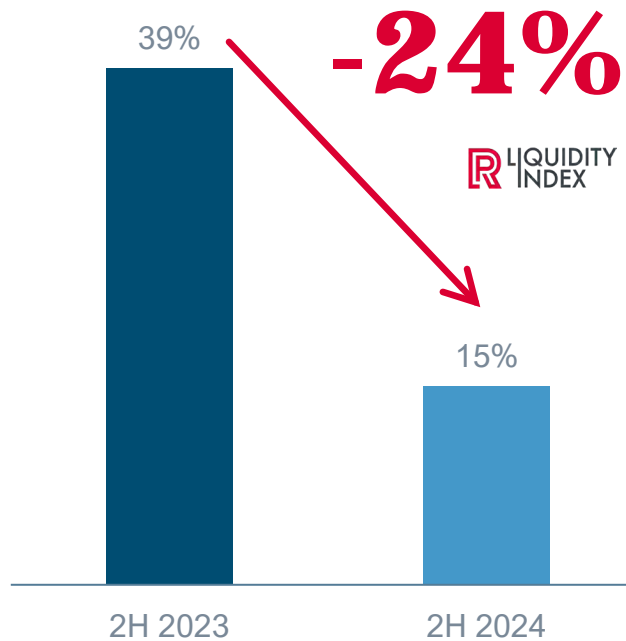
% occurrence of DD topic across fundraises



Concern about geopolitics has replaced concern about macro

Macroeconomic worries have abated...

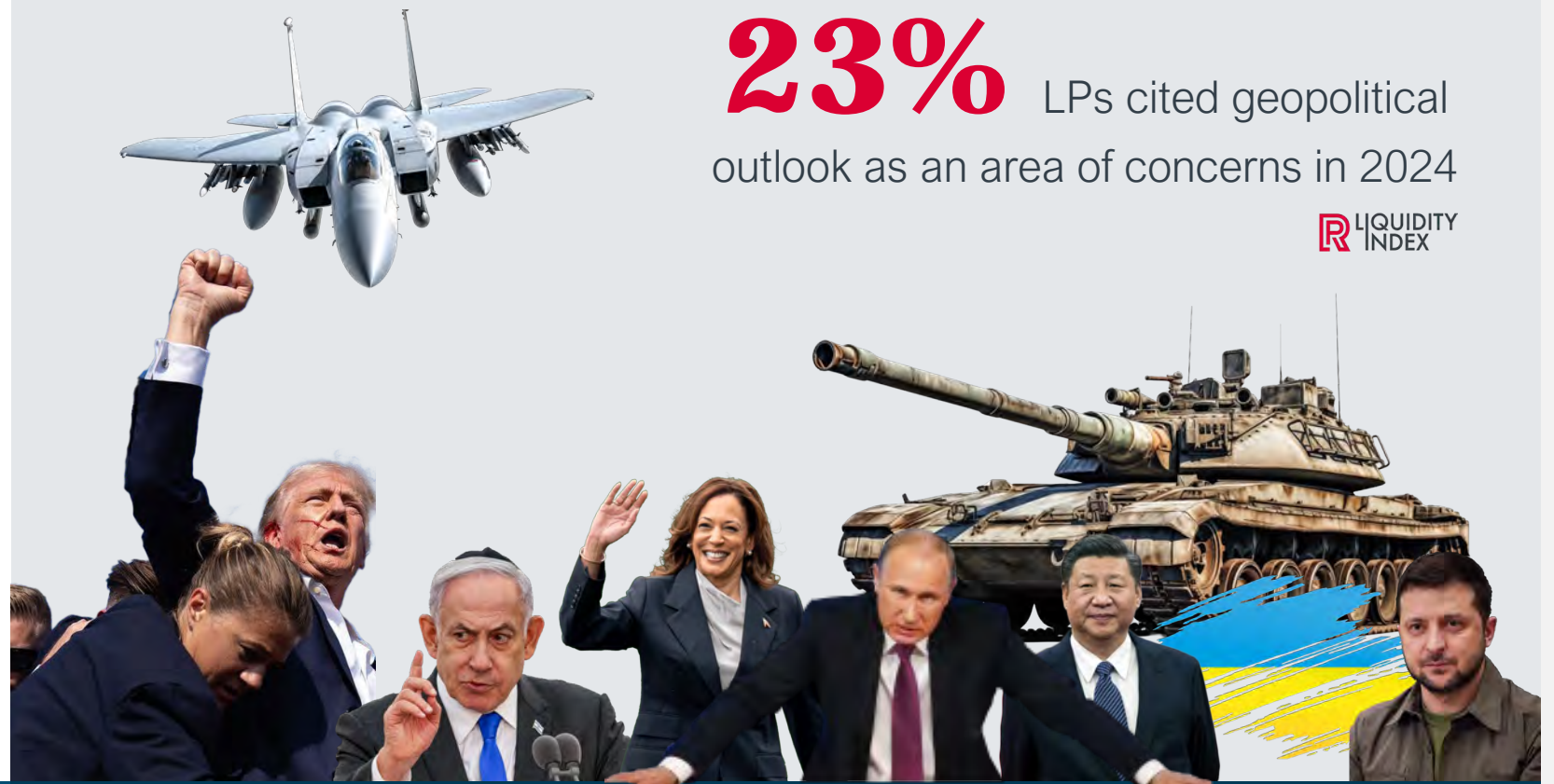
% LPs citing macro environment as a key area of concern



...but LPs are now much more worried about the turbulent geopolitical environment

23% LPs cited geopolitical outlook as an area of concerns in 2024

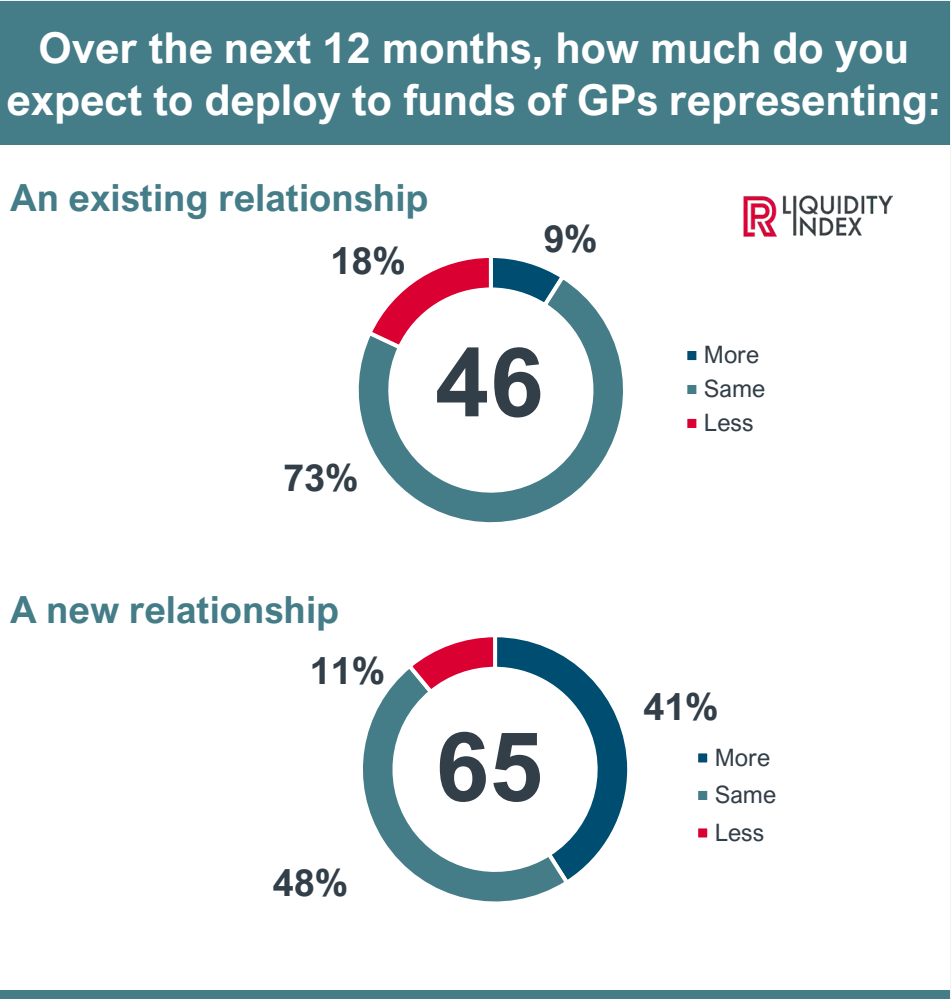
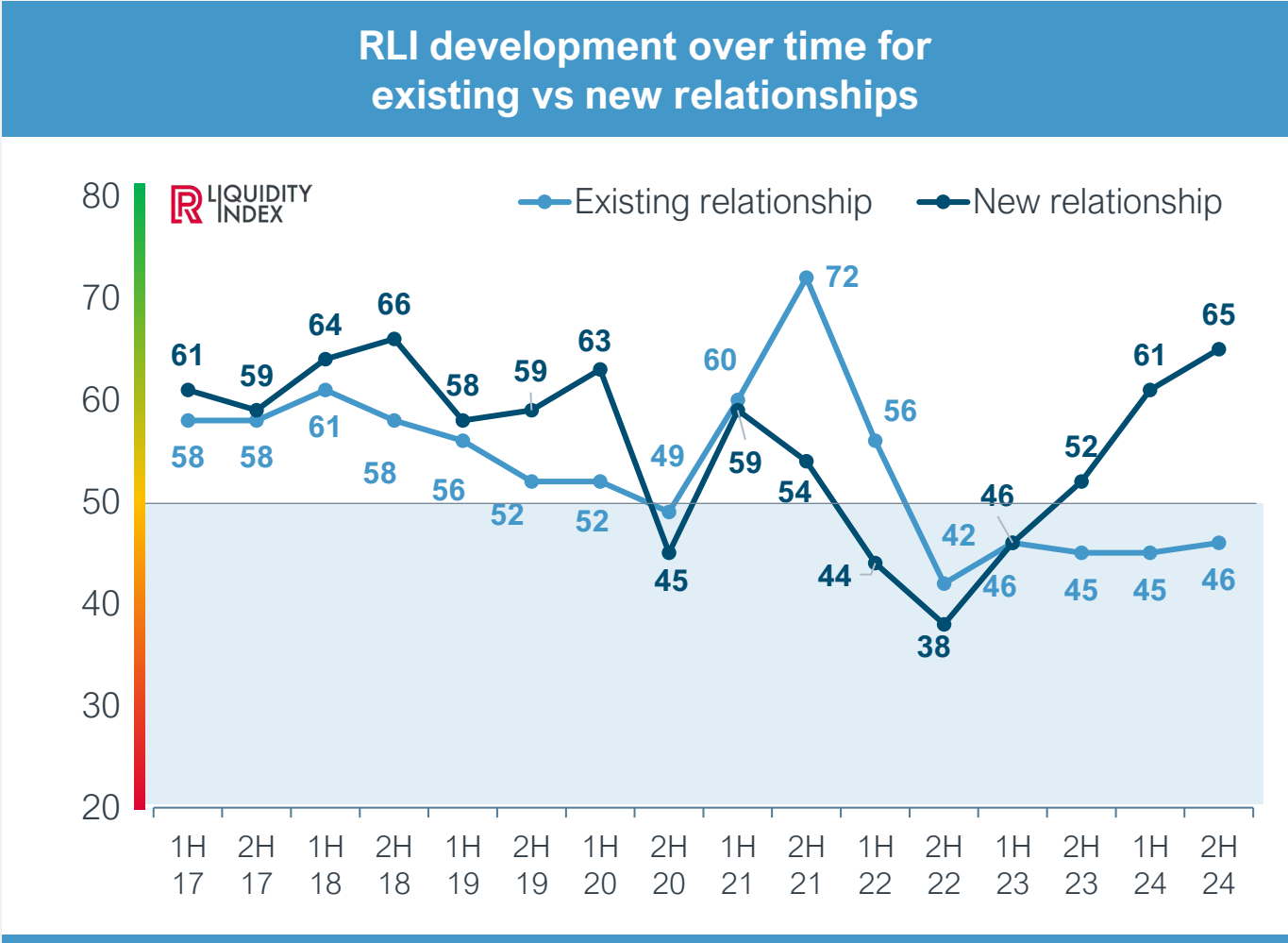
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That's gloomy.
So where is the positive
LP interest going?

Notable gap between appetite for new versus existing relationships



The era of undying loyalty is over

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Next year's capital expected to be allocated to re-ups:

70%

in 2H 2022



58%

in 2H 2024

LP spotlight | Shiny new toys



LPs are looking for 'shiny toys' – but these can take several forms



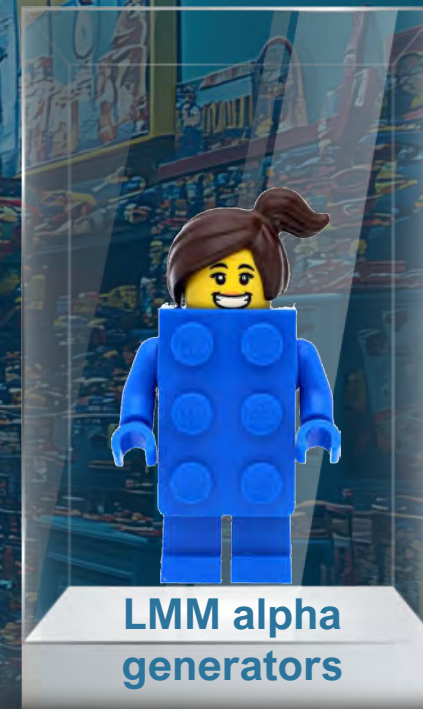
'I like to pick my spots – I know exactly where growth and value will be coming from'



'I like guys that have something to prove, and are able to redefine and reinvent themselves to do whatever it takes to stay at the top'



'We like to back the best people with the best track records. Big organizations only hold back the raw talent of the individuals'



'Just show me a good lower mid-market fund that isn't going to grow'

The rise and rise of opportunity-led specialisms has been mirrored by LP interests

+74%

Mentions of specialists in Rede / LP conversations over the last two years

Some compelling opportunity-led specialisms we have seen lately:

Opportunity



Underinvested SME market and search for low entry prices



Technology meets industrials, a historically underinvested segment



Huge growth of GP-led secondaries, with relatively constrained supply of capital



Decarbonisation imperative across the whole economy (beyond power generation)

Specialism

Ground up micro-buy and build

Advanced industrials

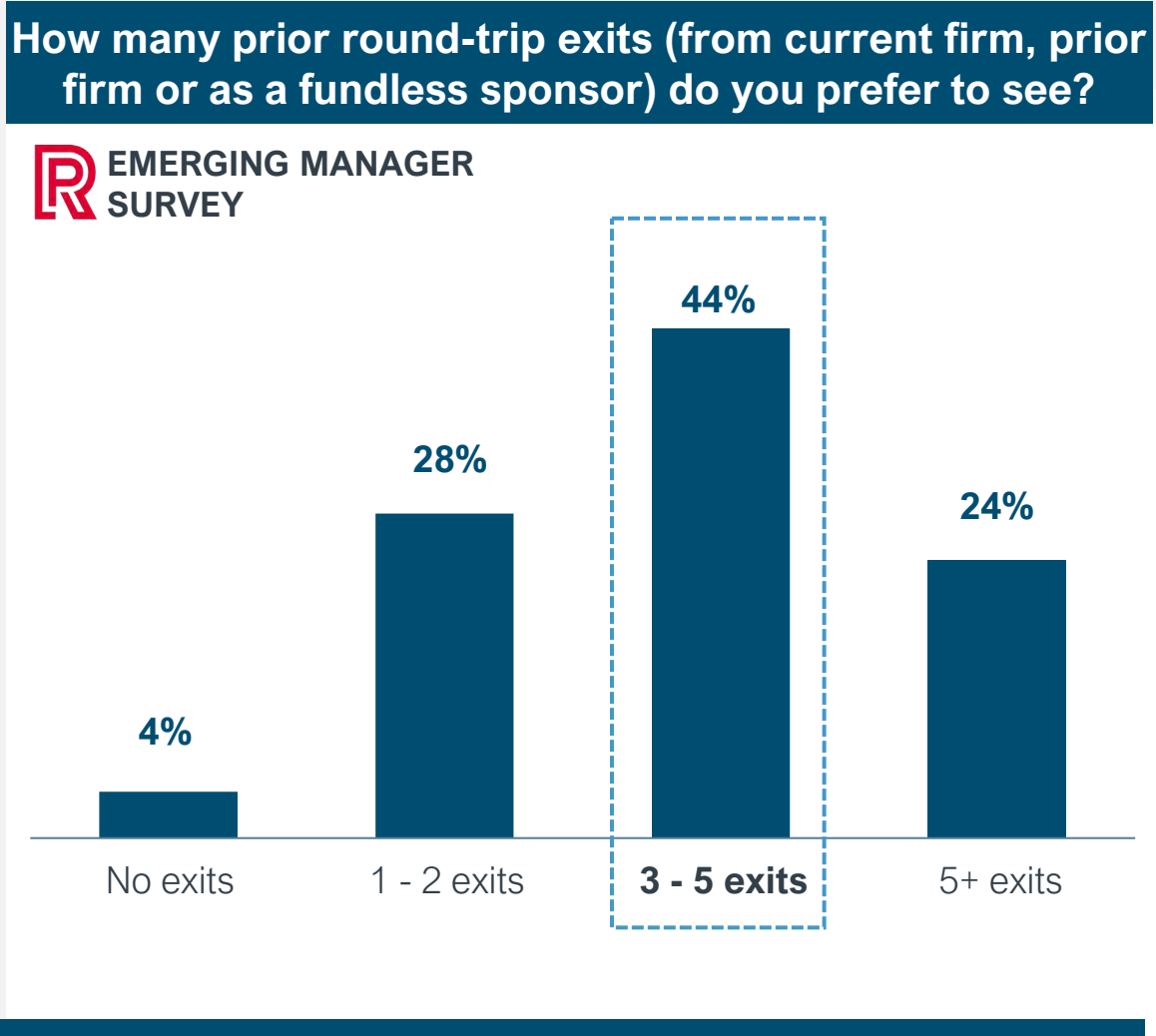
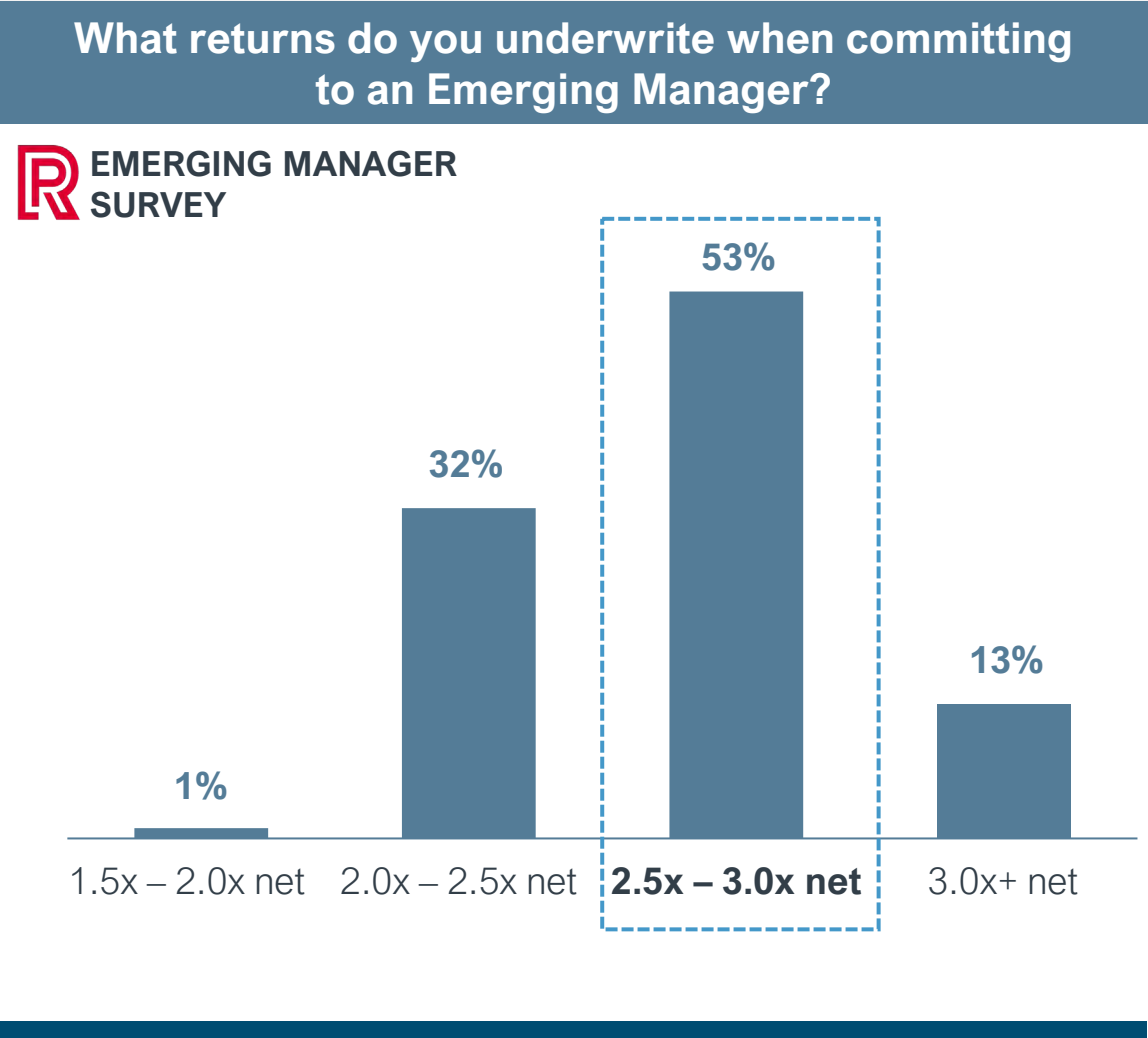
Dedicated fund of single-asset CVs

Decarbonising value chains



While emerging managers are more in vogue than they have been, it's definitely no free-for-all...

...with an ambitious bar for Emerging Manager track record and expected performance



Source: Rede Partners, Emerging Managers survey, September 2024. Data as a % of total 68 LPs surveyed.





With a blank sheet of paper, new GPs are focused on building firms that are fit for the future...

Culture as important as strategy

Diversity and purpose from top to bottom

Enhanced **knowledge-captured** around **decision-making**

Proprietary sourcing engines and **slick tech stacks** driving efficiency & insight

Firm infrastructure built around specialist approach, often with **integrated value creation services**

...but you don't necessarily need to be new to be seen as a 'shiny toy'

Constant
improvement culture



Flexibility and
innovation



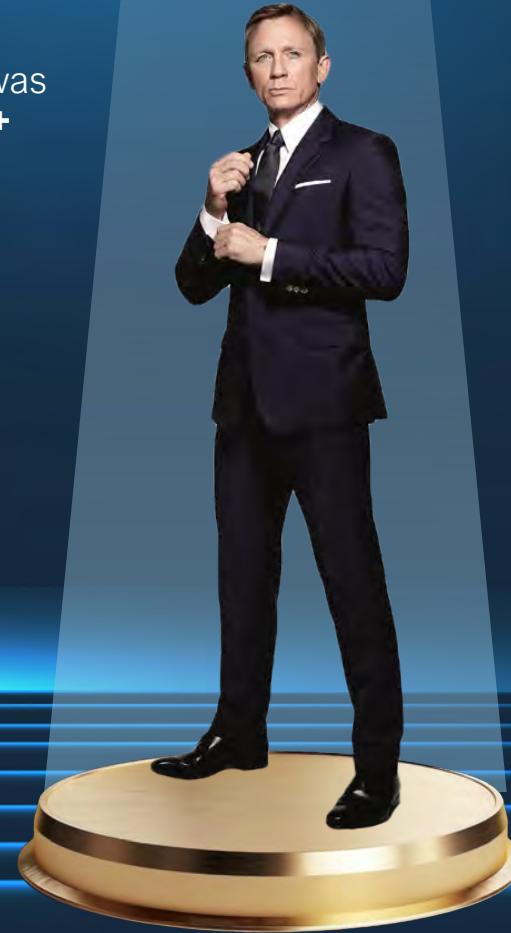
↑ 49%

Global capital raised was
allocated to €5bn+
funds in 2023

vs

36%
in 2018

Timeless brand



Consistent
outperformance





The demand for smaller cap has overtaken mega...

...in the search for alpha

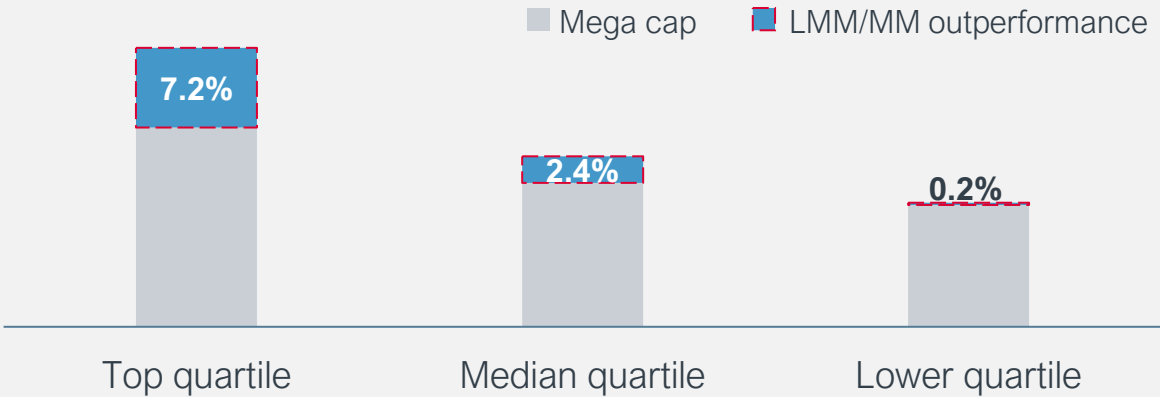
Lower mid-market and mid-market strategies are in strong demand right now

% LPs indicating interest to increase allocation, by asset class¹



| | | ppt change |
|--------------------------|-----|------------|
| Lower mid-market buyouts | 60% | +2% |
| Mid-market buyouts | 52% | +16% |
| Growth equity | 14% | -5% |
| Private credit | 12% | -9% |
| Distressed / turnaround | 10% | -4% |
| Venture Capital | 10% | -2% |
| Infra | 8% | -7% |
| Large buyouts | 6% | -4% |

LMM / MM outperformance against mega-cap funds²



“

We want to maintain our returns so are looking to drop down in size

“

We will maintain our large-cap relationships, but in terms of new investments will only add smaller managers

“

Larger names only have IPO as exit route... that's not different to a public equity book so we will be looking at the LMM

1. Source: Rede RLI survey, September 2024
2. Source: Preqin database, pooled net IRR from Private Equity funds closed between 2013 and 2021



A new raison-d'être for mega-caps: *delivering private equity to a wider audience?*



**A different risk /
return profile?**

- ▶ **Solid annualised returns:**
11% pooled net IRR between
2013 and 2023¹ (avg across
\$15bn+ funds)



**Exit creativity
needed**

- ▶ Slower IPO activity require
mega cap managers to
become **more creative with
exit planning**



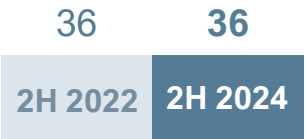
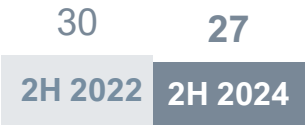
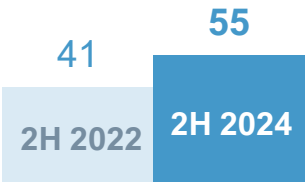
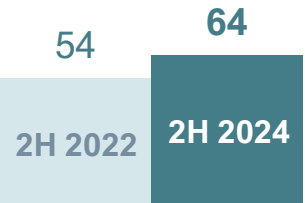
**Funding base
transitioning**

- ▶ Opening to a **wider LP base**
through penetration of **the
retail segment**

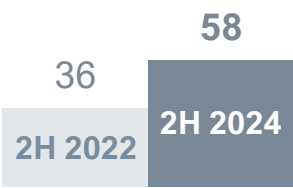
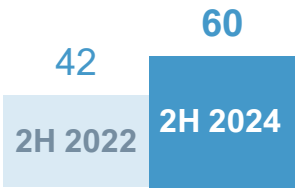
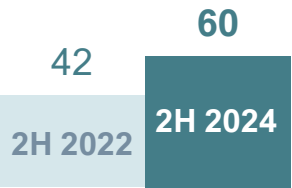
Appetite for America abounds, the European freeze is thawing out, while Asia remains cold



In-bound RLI: global LP expectations for investments into the region over the next 12 months



Out-bound RLI: local LP expectations for investments into any PE fund over the next 12 months

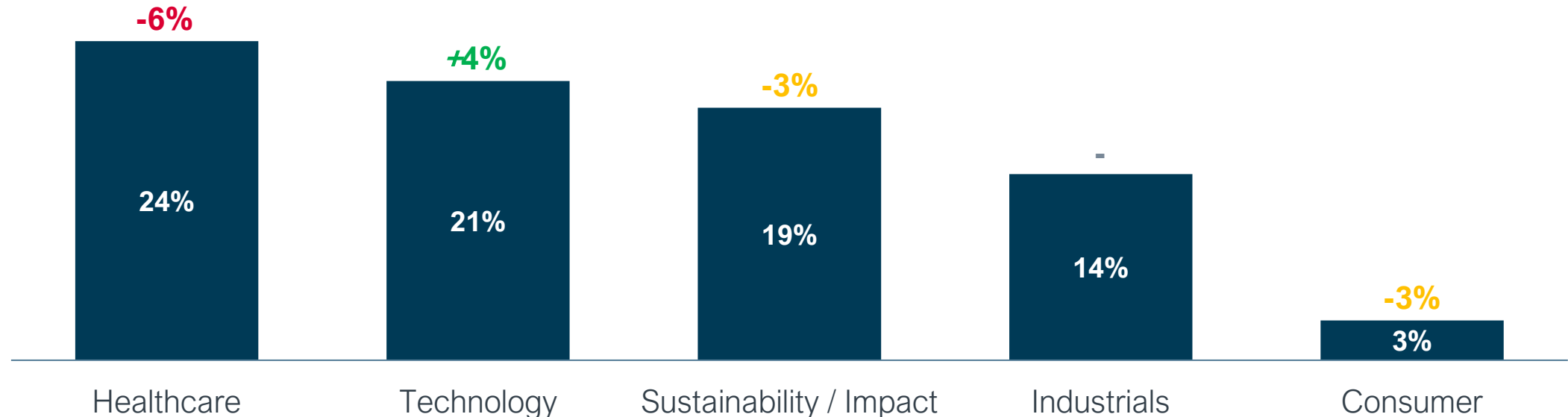


Source: Rede 2H 2024 RLI survey, September 2024



LP sector interests remain fairly evenly spread, with limited movement recently

To which sectors do you plan to increase allocations (vs 2H 2022)

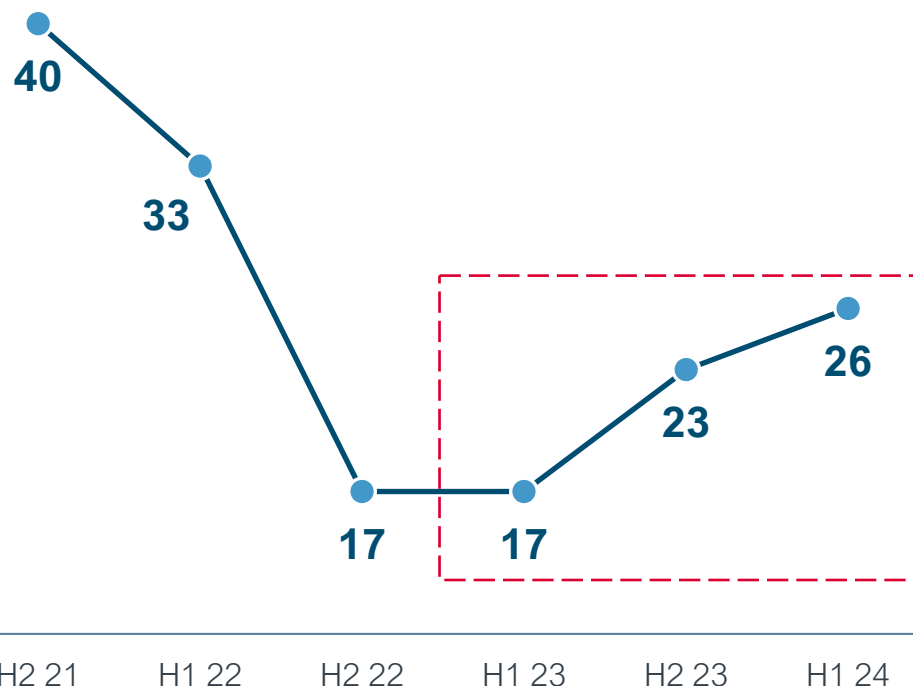


Rumours of the demise of tech are greatly exaggerated

Recovery in LP demand for tech, particularly tech buyouts...

% LPs planning to increase their
allocation to technology

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...with over half of LPs expecting to add more in tech in 2024

39% Actively adding

“We have seen **tech buyouts remain robust** through this environment, but are **shying away from growth**

LP (European Financial Institution)

26% Selectively adding

“Can still invest in software but we’re **more stringent** when assessing, clearly **less easy than before**

LP (NAM Public Pension)

20% Opportunistic

“**For the right manager** we will look to add in tech, but the **bar is very high** right now

LP (European Fund of Funds)

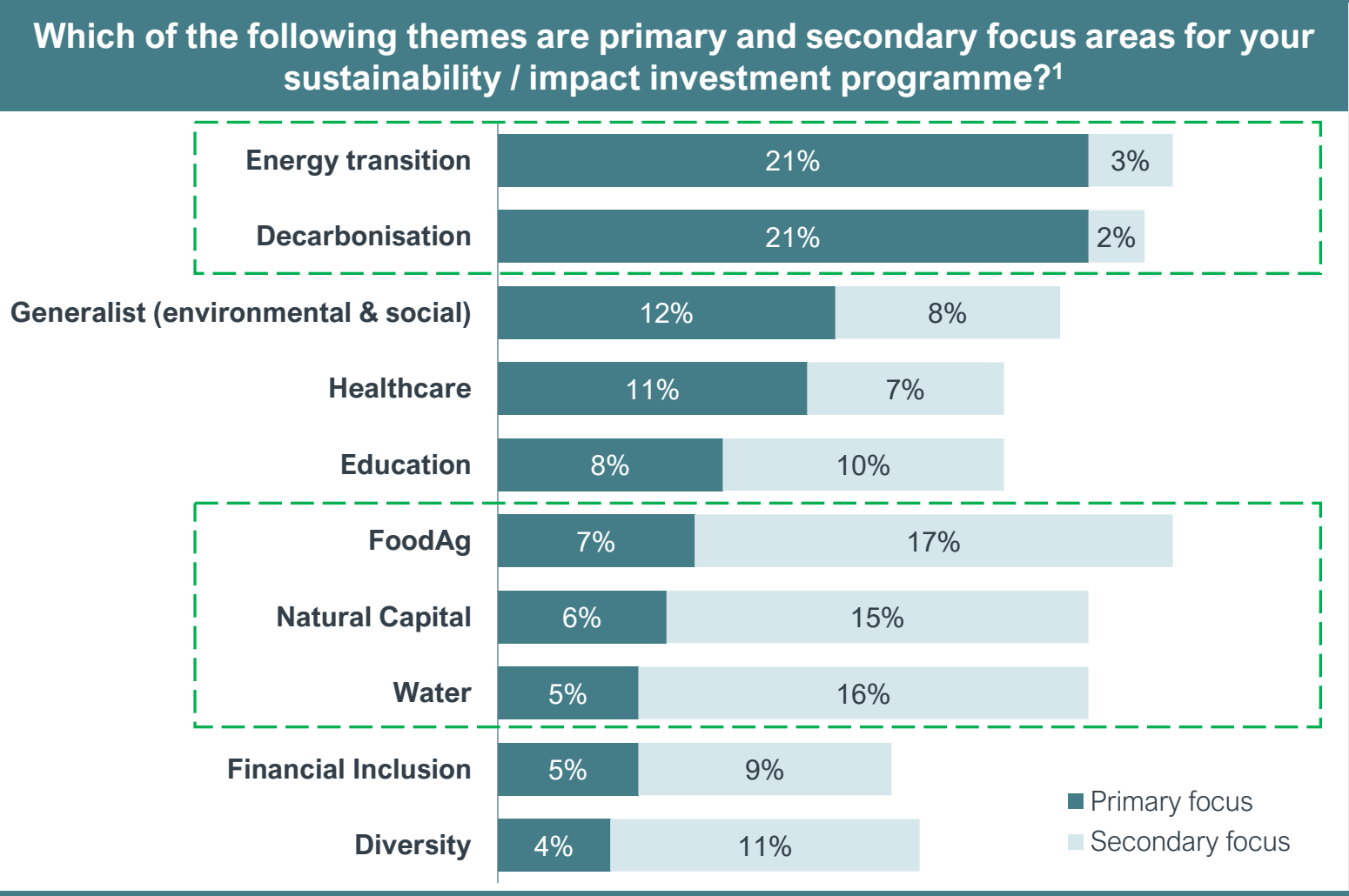
15% No appetite to add

“We have **turned cautious on tech and growth** equity since the last correction

LP (Asian Financial Institution)

Data Set: 50 Rede conversations with LPs in 2024

Within Sustainability, climate is eating the world



60%

of LPs focus primarily on climate related strategies for their sustainability investment programme

47%

of LPs want a decarbonisation strategy that combines both asset light and asset heavy

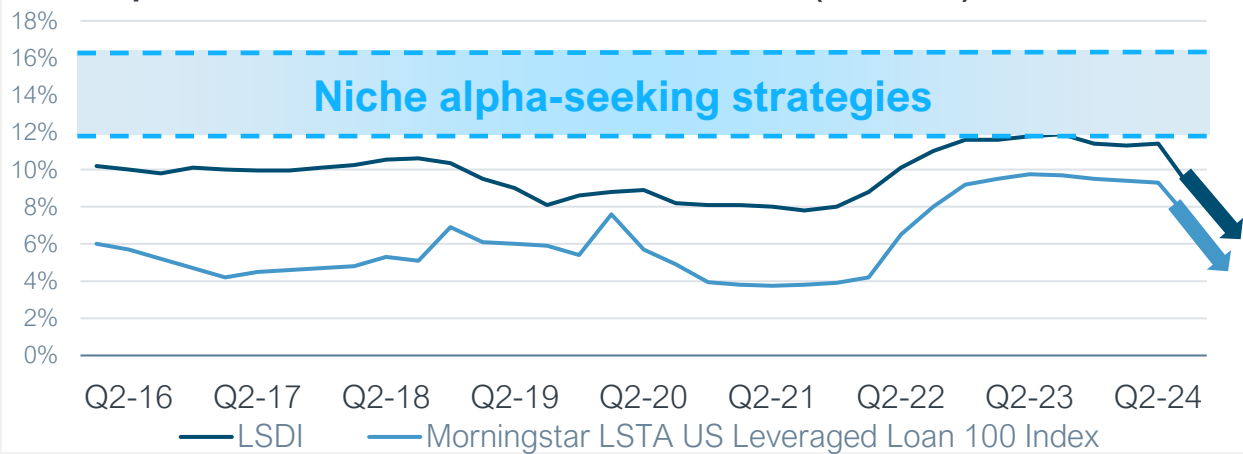
Source: Rede Impact Whitepaper 2024



In Credit, the future is bright for niche alpha-seeking players in the space

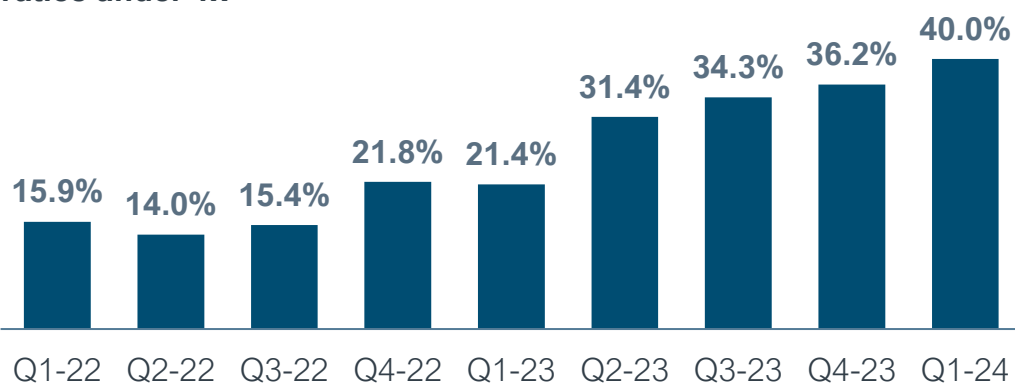
We see declining compensation for locking up liquidity in Private Credit at the top end of the market...¹

Comparison of Yields – Lincoln Senior Debt Index (All Loans) to B Market

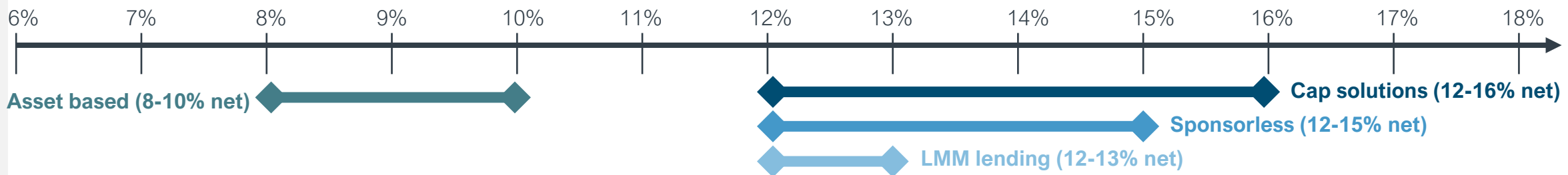


...while an increasing percentage of borrowers are entering cashflow danger zones

% of private credit borrowers with fixed charge coverage ratios under 1x



Key areas of opportunity





Where is liquidity
coming from today?

Getting LP commitments across the line continues to take serious legwork



New capital raised in
the LTM



RM-LP conversations
held per fundraise per
year



Average number of
roadshows per manager

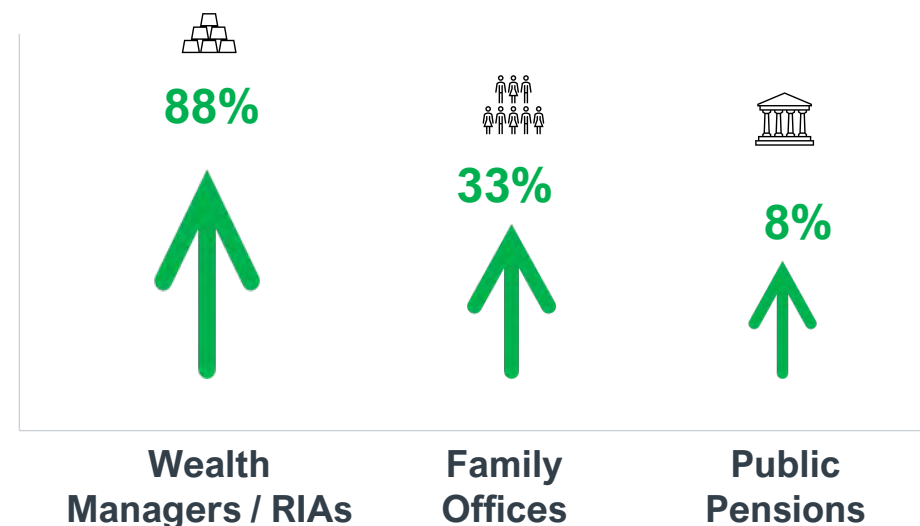


Average LP / GP
meetings to convert

The good news is we're seeing some exciting new areas of LP liquidity emerging

Several LP types rising in significance this year...

% increase in Rede capital raised by LP type against 2023



► Noticeable absence in recent fundraises


Corporate pensions

...with continued growth in APAC, Middle East and LatAm capital pools

60

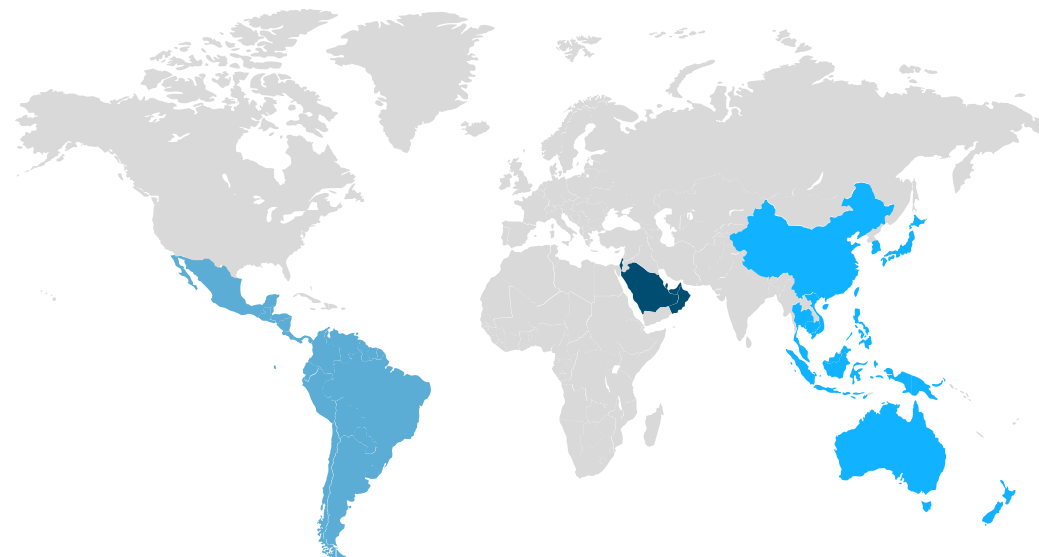
Accounts covered
in LatAm

100

Accounts covered
in the Middle East

500

Accounts covered
in APAC



€1.3bn

Raised across the regions in LTM

Latin America: an emerging market with substantial and growing capital



Young populations with significant inflows coming into pension schemes, sophisticated FOs and FOs

α

Increased sophistication underpinning growing interest for the MM



Growing underlying investment team sizes



Most active institutional markets



Chile



Mexico



Select Activity



Colombia



Brazil



Peru



Uruguay



Panama

Meanwhile, we've seen the (continued) rise of family offices...

73% AUM
growth by 2030¹

630+
Covered since 2019

90% Increase in Rede
tickets raise since 2019

Proliferation

A surge in start-up creation and unicorns, combined with other PE success stories (and successful PE executives themselves) is **driving a wave of new family offices**

10
Unicorns
in 2013



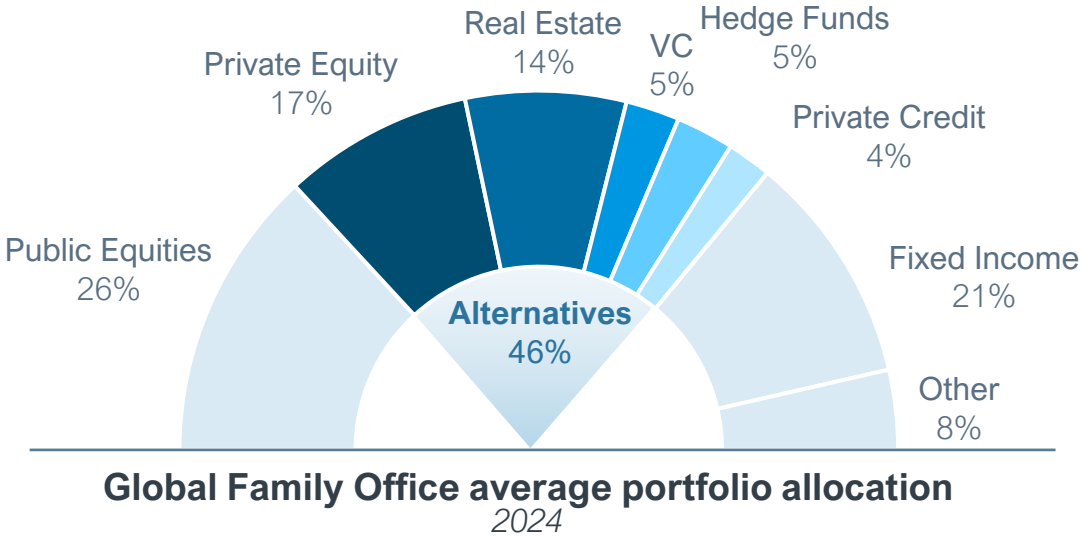
1,200+
Unicorns
today²



Increased sophistication

Accelerated sophistication through asset diversification and professionalised board structures

+10%
Allocation to
alternatives
since 2022



1. Source: Deloitte, Family Offices Insights Series – Global Edition
2. Source: Cbinsight, Unicorn worldwide tracker, September 2024



...and it seems that PE may finally be ready for the retail revolution

**Clearer framework to
accommodate retail capital**

Retail-friendly legal vehicles

Semi-liquid structures

Expanding distribution
channels

Intermediaries

10% Year-on-year
increase in RIA AUM

In-house private wealth teams

60% Of large managers have
or plan to have private wealth units

20 Average wealth team
size across large cap GPs

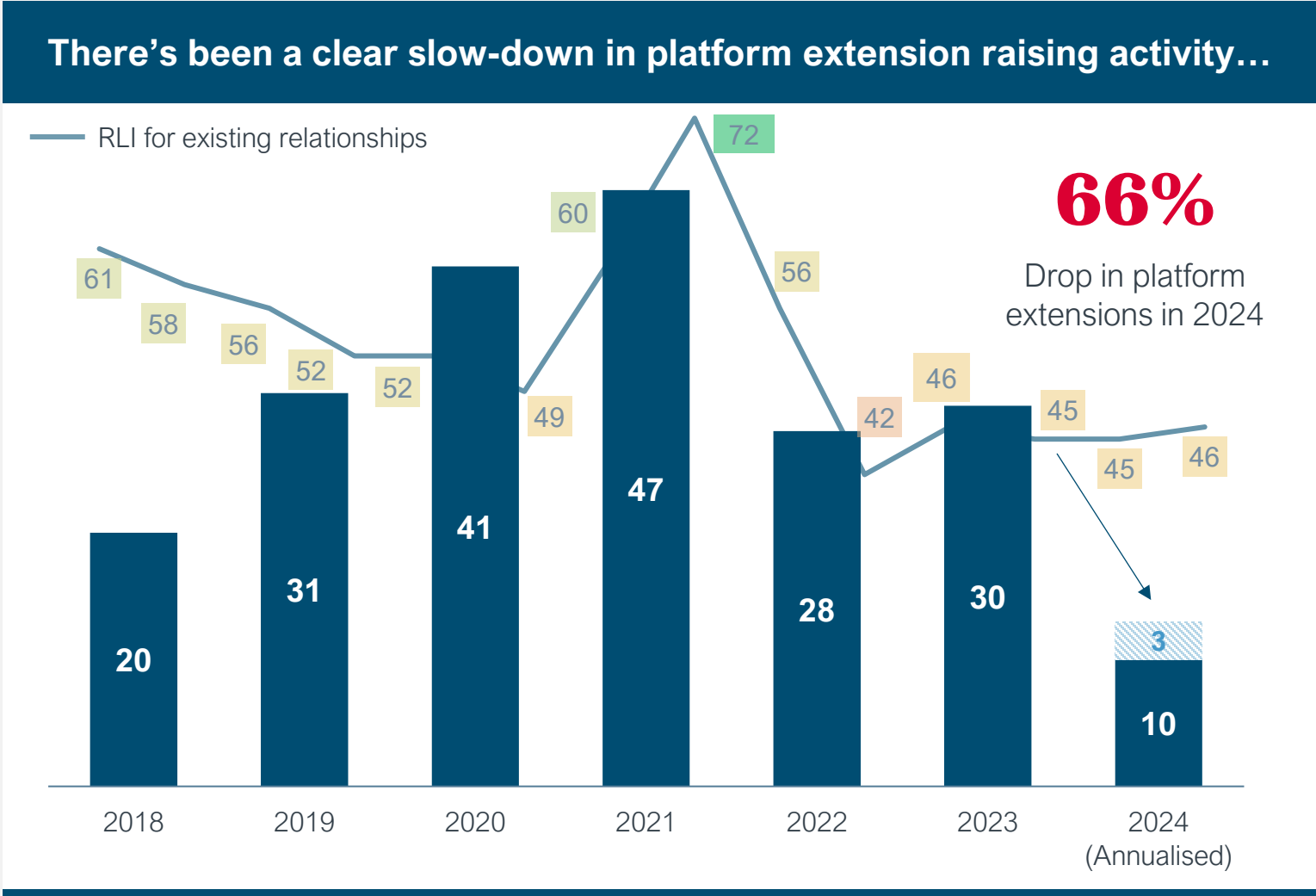


GPs: Managing your
business requires
increased creativity

Choices, choices, choices



Platform extensions are no-longer a slam-dunk...



...but some strategies still garner interest

- Small Cap funds
- Climate and Impact
- GP-led transaction funds
- Credit extensions

Source: Preqin. Platform extensions raised and announced by North American and European managers from 2018, September 2024



...as GPs consider M&A as an alternative to organic platform extension

Consolidation within the GP world is accelerating, particularly in relation to lower risk segments

Secondaries

CVC



Glendower
Capital

Infrastructure and real assets

GENERAL
ATLANTIC



actis

Credit platforms

BlackRock



KREOS CAPITAL

What's next?

- ▶ Acquisition of capabilities vs AUM
- ▶ Development of GP 'corporate holdings' (multi brand)



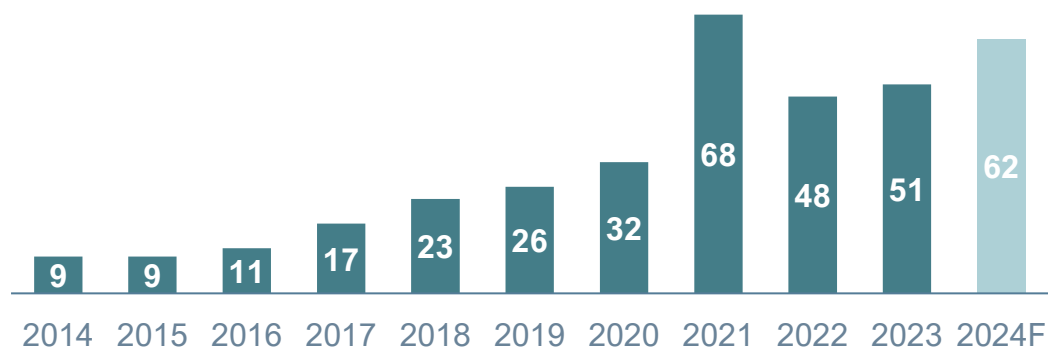
GP mergers /
restructurings



Creative approaches to liquidity: GP-led transactions

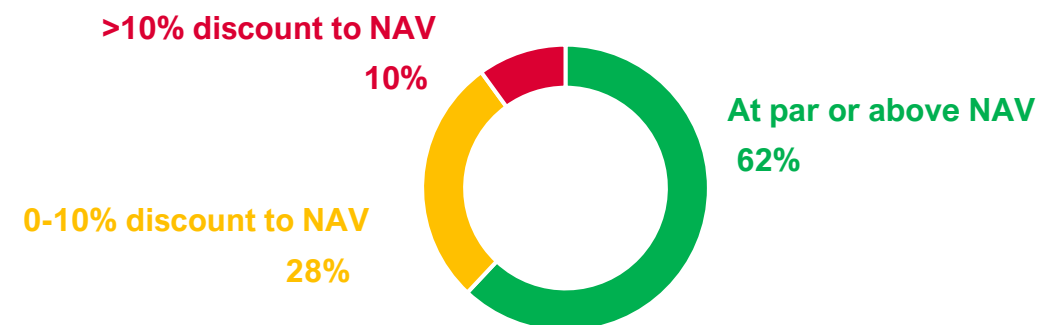
GP-leds are now a staple part of the market...

Annual GP-led transaction volume



...and current pricing trends mean they continue to be an attractive exit route for GPs

Single asset GP-led pricing in H1 2024 as % of NAV



While 'star asset' type transactions are currently favoured, this may not last forever



Supply-demand imbalance: not enough capital for all CVs thereby largely favouring star assets



The primary market slowdown will underpin a growth in restructuring-oriented transactions

While NAV financing has had its detractors this year, it remains an important tool for portfolio management

The recent high-rate environment triggered important questions about the use of NAV facilities



LP perception improvement following publication of ILPA guidelines



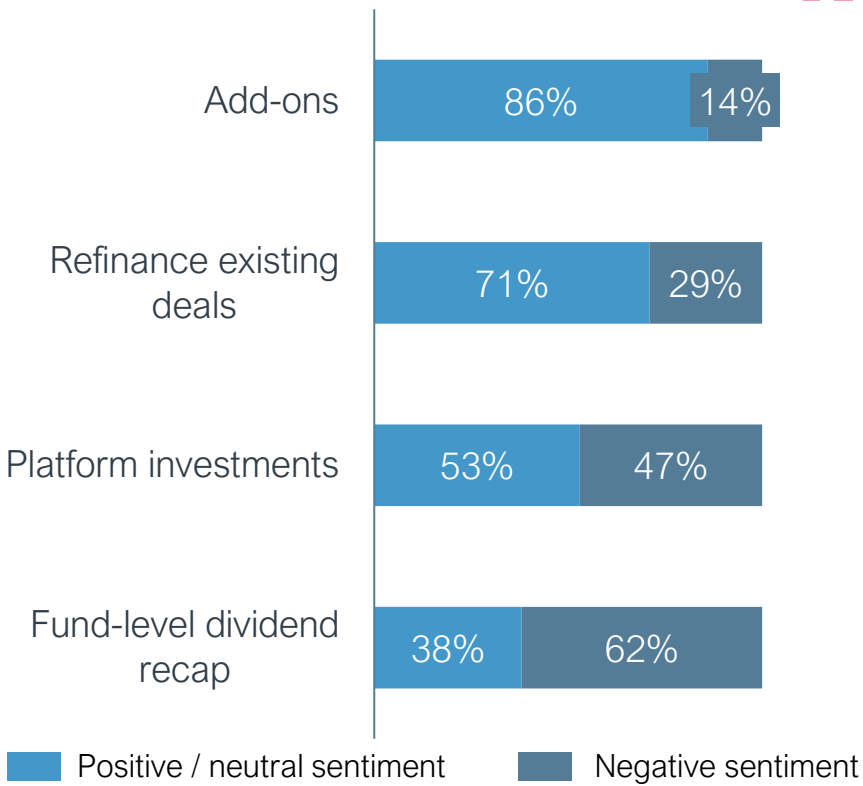
Requires thoughtful considerations of all stakeholders' needs, with the spotlight now firmly on use of proceeds



Expected to remain an important element of GP toolkit for optimising fund management

LPs are much more supportive of NAV financing when it is used as a 'money-in strategy'

LP sentiment on the use of NAV facilities¹



1. Rede Partners NAV Financing Report 2024



GP Equity solutions continue to gather pace

Activity moving to the MM



Accelerating penetration, with trend toward stakes **coming with a substantive staple of primary** fund commitments

Shifting LP interest



LPs are increasingly keen to **participate directly in GP equity**, seeking stronger alignment and closer relationships

Exit routes starting to take shape



IPOs



Strip sales



Dividend recap



The future: secondary sales of individual stakes?

46%

Increase in mentions of GP stakes in 2024 in LP conversations



Predictions for next year



Our predictions for next year



No rapid return to glory days, but somewhat of a tipping point for some



Return of 'one and done' fundraises for most attractive groups alongside high-profile failures



Era of creative destruction generating the new brands of tomorrow



Megacaps get increasingly creative on funding sources



Fundraising trail takes you further afield than ever



Questions?



rede /rēd/

Chiefly British dialect, old English

-verb (used with object)

1.to counsel; advise

2.to explain; interpret

-noun

3.counsel; advice

4.a plan

5.a story

rede-partners.com