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PRESS RELEASE

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INVESTMENT INTO PRIVATE EQUITY SET FOR FURTHER GROWTH AS REDE PARTNERS LAUNCHES NEW LIQUIDITY INDEX

- **New industry benchmark provides unique insights into LP sentiment for 2017**
- **Across the board, LPs are expecting to deploy more capital to Private Equity over the coming twelve months, this on the back of an already record year in 2016**
- **Index represents the views of LPs with over €5 trillion in assets under management and ~€1 trillion in capital allocated to Private Equity**
- **European investors are the most bullish, indicating increasing allocations to the asset class**
- **Distributions expected to remain strong in line with 2016, but UK LPs more bearish**
- **Appetite from LPs to continue building new GP relationships**
- **Pension funds the most bearish in 2017, expecting to focus on existing relationships and allocate less to new GP relationships**
- **Strong appetite by secondary fund buyers to deploy capital, while LP commitments to secondary funds expected to decrease**

The private equity industry is set for further growth in 2017 with leading investors globally planning to increase commitments to both primary and secondaries markets, as the outlook on distributions remains positive despite wider economic uncertainty.

These findings come as leading fundraising adviser Rede Partners, today unveils its new industry benchmark, the Rede Liquidity Index (RLI), which aims to assess underlying investor sentiment as an indicator of the health of the private equity industry.

Utilising the same methodology as the Purchasing Managers' Index (PMI), an indicator of the economic health of the manufacturing sector, the research was conducted with a select group of global institutional LPs, chosen to provide geographic and source of capital diversification. Similar to the PMI, a baseline score of 50 represents no change, whilst a score above 50 indicates an expectation to increase private equity commitments over the next 12 months. Respondents to the inaugural survey represent over €5 trillion in assets under management and approx. €1 trillion in capital allocated to private equity.

The results clearly demonstrate that investor appetite towards the private equity industry remains strong with an overall RLI score of 67, as 44% of LPs intend to deploy more capital in 2017 than they did in the previous twelve months, with only 11% indicating less. Furthermore, these findings come on the back of record fundraising volumes in 2016.

Commitments to primary funds set to increase with European LPs particularly bullish

European LPs were much more bullish (71) than their North American counterparts (56) in regard to their anticipated commitments to primary funds. Notably, investors in the DACH (77) and Nordic (76) regions had the strongest scores, with 62% of DACH investors looking to deploy more in 2017 and no Nordic investors expecting to deploy less. UK LP sentiment (59) was more in line with that seen in the US.

Sentiment varied significantly by type of investor with asset managers (72) and insurance firms (71) the most likely to be increasing commitments to the primary market whilst pension funds (50) indicated their commitments would remain stable compared to 2016 levels.

Commenting Scott Church, Partner and Co-founder at Rede Partners said "It's clear that investor appetite towards private equity remains strong and that major institutional investors view the asset class as an attractive place to put their capital to work.

"The long-term nature of the asset class provides a degree of insulation from widespread economic and political uncertainty while providing significant market opportunities in which investors can generate attractive returns. While not all LP groups are equally bullish, the fact remains that the industry looks set to continue to attract significant inflows throughout 2017."

LPs looking to continue to add new GP relationships

Against this positive outlook, today's data also highlights strong appetite from LPs to develop new GP relationships with an RLI score of 61 as 40% of LPs intend to increase commitments to new managers. Notably this trend is primarily being driven by fund of funds (75) whilst LPs such as pension funds expect to focus on existing relationships (58) and allocate less to new GP relationships (48).

Commitments to existing GP relationships are expected to remain stable, with 57% of LPs reporting no change from 2016 levels resulting in an RLI score of 58 primarily driven by asset managers (69) and family offices (68).

Commenting Adam Turtle, Partner and Co-founder at Rede Partners said: "The on-going maturation of the industry, coupled with its strong performance, means that most LPs continue to look for strong new manager relationships best positioned to address the market environment of today. It is not surprising that fund of funds lead this charge, although we see this trend across other investor groups, as allocations to the asset class continue to increase."

"However, you also see a consolidation of relationships in the pension community, which represents a large portion of the market. Therefore, for GPs looking to attract new LPs it becomes even more important to clearly articulate their differentiation and carefully plan their investor roll-out strategy as part of their fundraise efforts."

Expectations around future distributions vary across investor groups

Overall expectations of future distributions remain stable with an RLI score of 52. However, the drivers of this score showed significant variation amongst investors with roughly equal numbers expecting distributions to decrease as increase.

Distribution expectations varied significantly by investor type with pension funds (70) the most optimistic in terms of future distributions increasing whilst several investor groups such as consultants (41), insurance firms (41) and family offices (47) expect distributions to decrease.

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Once again, there was a divergence of opinion amongst different geographies. Investors from the UK (30) were the least optimistic with 52% of LPs expecting distributions to decrease relative to last year, a trend which was also seen in the Benelux (44). LPs from France (63) were the most bullish with those in the DACH (59) and Nordic (55) regions also expecting distributions to increase.

Commenting Kristina Widegren, Principal at Rede Partners said "LPs' distribution expectations are typically shaped by a combination of confidence in their existing investment portfolios, as well as their views on wider market conditions. Despite global political and economic uncertainty, equity markets have performed well, providing GPs with a healthy environment for realisations not just in terms of valuation but also in terms of the exit routes available to them.

"In this context, the bearishness of UK-based LPs is unsurprising given the long-term uncertainty being driven by on-going Brexit discussions and the wide-spread impact this could have on existing investments."

Strong appetite by secondary fund buyers to deploy capital, while LP commitments to secondary funds expected to decrease

The inaugural Rede Liquidity Index also demonstrated the continued appetite for deployment of capital into the secondaries market with an RLI score of 55 for the secondaries deployment sub-indicator.

Crucially however, it is useful to note the bifurcation between those investors that tend to deploy capital in the secondaries market directly through their own managed vehicles (fund of funds and consultants) and those that tend to deploy capital in the secondaries market through commitments to secondary vehicles managed by third party managers (rest of respondents). The former have a secondaries deployment RLI score of 71, while the latter have a respective score of 44.

This is understandable, given that many direct secondary market participants now have substantial dry powder that they are eager to deploy, at least in the short term.

Commenting, Yaron Zafir, Head of Secondaries at Rede Partners said: "The secondary market continues to provide a strong source of capital with investors becoming more creative as there is significant dry powder in the market and it is becoming highly competitive.

We expect this to continue and in particular in the GP-led secondaries space. There has been a growing sophistication in transaction structuring coming into this end of the market and GPs, like LPs, increasingly recognise the valuable role secondaries can play as a portfolio management tool."

The next RLI will be released in circa six months' time.

-Ends-

Notes to Editor

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Rede Liquidity Index methodology

The survey was sent out to a select group of global institutional LPs, chosen to provide geographic and source of capital diversification. 160 LPs participated in the survey representing over €5 trillion in assets under management and approx. €1 trillion in capital allocated to Private Equity.

The overall RLI has representation from all over the world, including Europe, North America, Asia, Middle East and Australia. In the more detailed analysis, only the categories which had enough respondents to be statistically relevant were included.

For each question LPs were asked if they were expecting to deploy MORE, SAME or LESS during the upcoming 12 months compared to the previous 12 months.

RLI data is presented in the form of a diffusion index, which is calculated as follows:

$RLI = (P_1 x1) + (P_2 x0.5) + (P_3 x0)$

where:

P_1 = Percentage number of answers that reported an increase

P_2 = Percentage number of answers that reported no change

P_3 = Percentage number of answers that reported a decrease

Thus, if 100% of the respondents reported an increase, the index would be 100.0. If 100% reported a decrease, the index would be zero. If 100% of the panel saw no change, the index would be 50.0. Therefore, an index reading of 50.0 means that the variable is unchanged, a number over 50.0 indicates an improvement, while anything below 50.0 suggests a decline.

About Rede Partners

Rede Partners is a leading independent fundraising advisor to the private equity industry, which since inception in 2011 has advised on primary fundraisings and secondaries aggregating over €11 billion for its clients. With a well-resourced 28 person team based in London, Rede has a rigorously implemented approach combining focus, a comprehensive service offering across the entire spectrum of investor-facing activities, and a long term business development perspective. The Firm’s business model is underpinned by an unwavering commitment to delivering against its clients objectives, helping them tackle the challenges and opportunities of today’s capital raising environment.