Global Limited Partner Survey Report 2015

BRIGHT HARBOR ADVISORS

Introduction

As we go to press on this suvey, the volatilty in the public markets, commodities and emerging-market currencies spiked over the last few weeks primarily in reaction to China's unexpected devaluation of its currency earlier in August, which amplified worries about a slowdown in the world's second-largest economy. In addition, investors also contended with the prospect of the U.S. Federal Reserve pushing ahead with raising rates from low levels, which have provided support for financial markets across the globe in recent years. That all being said, the results of our 2015 survey suggests that support for the private equity asset class hasn't been stronger as valuations rise and distributions continue to flow in. Of course, there is concern from our respondents that at least the US public markets are overvalued and also an overwhelming agreement that there will be some type of correction in the US Credit markets within the next two years.

To take the pulse of the private equity industry and identify key opportunities and constraints for global private equity investors, Bright Harbor Advisors conducted its 2015 LP (Limited Partner) Survey, collecting data from a diversified base of qualified investors who are located in over 25 countries with a combined private equity allocation exceeding $500 billion. This is the third survey the research team at Bright Harbor Advisors has conducted and we continue to maintain a core set of questions such that we can understand the trends over time. It should be noted that the responses to this survey were collected in August and months prior to the recent global macro changes and related market volaility. Our previous Global Limited Partner Survey Report was done in August of 2013 and is available on our website. Some of the notable findings from our current 2015 survey include:

Overall, we found that 44% of global respondents that we define as Traditional Investors (excluding secondary funds and fund of funds) allocate more than 10% of their AUM to private equity. Coincidentally, also 44% of those same respondents were underallocated to private equity based on their actual versus target exposures.

Investors universally continue to find the US as the most attractive region for making private equity investments, with a strong interest in growth equity and lower/middle market buyout. Interestingly, distressed debt jumped four positions since the last survey. While an astounding 69% of Traditional Investors believe the US markets are overvalued and 17% believe that there will **not** be a correction in the US Credit Market in the near term.

Investing in Other European (non-Western) countries has increased in favor with the UK and Europe (ex. Scandinavia, Central and Eastern Europe, Spain) ranking one and two after the US as the most desirable geographies.

There has also been a shift in interest within emerging markets since the 2013 survey. China jumped one place to position itself as the most attractive region, while Southeast Asia lost three positions and went from first to fourth. India gained dramatic positive sentiment growing six positions from eighth to second place.

Global private equity investors continue to realize the importance of establishing relationships with new GPs (General Partners). The 2015 survey results show continued interest by LPs to increase their exposure to new GP relationships. 84% of Traditional Investors and 96% of Non Traditional Investors (secondary funds and fund of funds) expect some percent of their allocation to go to new GP relationships, a 9% growth from our 2013 survey.

Similar to our last survey, this year's results show a continued positive sentiment for first-time funds from both Traditional and Non Traditional Investors. Moreover, Traditional Investors surveyed that would invest in a first-time fund increased to 65% from 44% in our last survey.

In creating the 2015 survey, we wanted to better understand LP's appetite towards co-investments, as we see a trend of growing interest in this investment strategy. Accordingly, the results show that more than half of investors surveyed are either actively or opportunistically co-investing. Only a fifth of investors showed no interest towards co-investments. Not surprisingly, lower fees and higher returns were ranked as the two main reasons for LPs to pursue a co-investment opportunity.

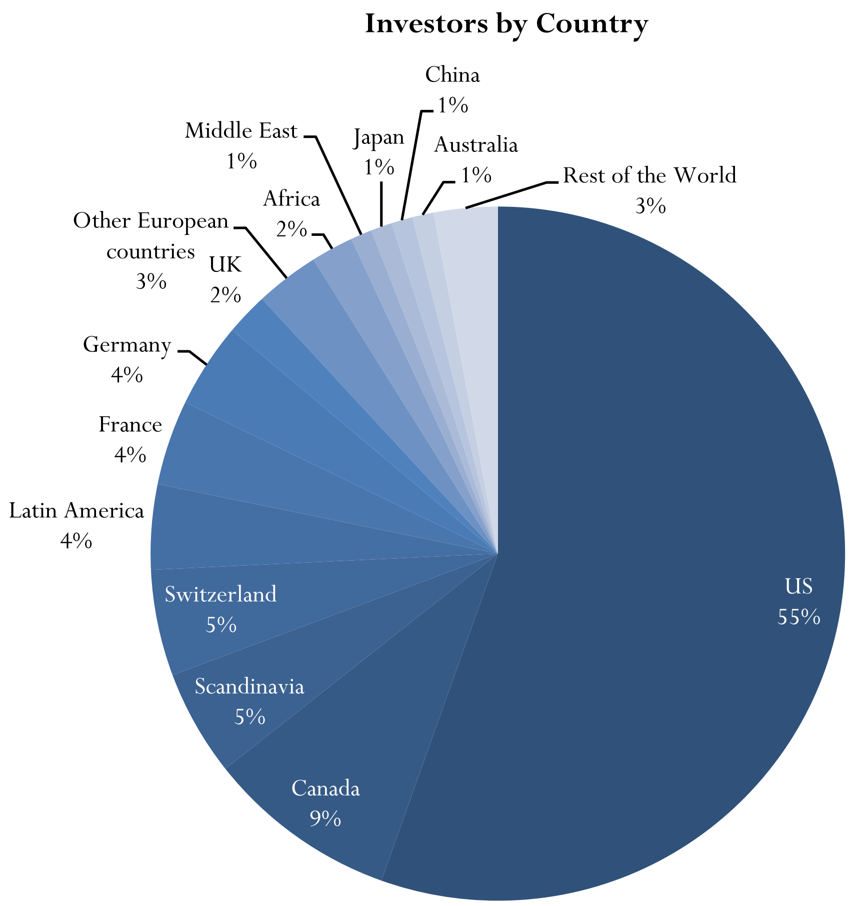
We hope this report provides an interesting view into the current global private equity market. The team at Bright Harbor would like to thank the survey respondents for taking the time to share their perspectives. As always, we welcome any feedback you may have.

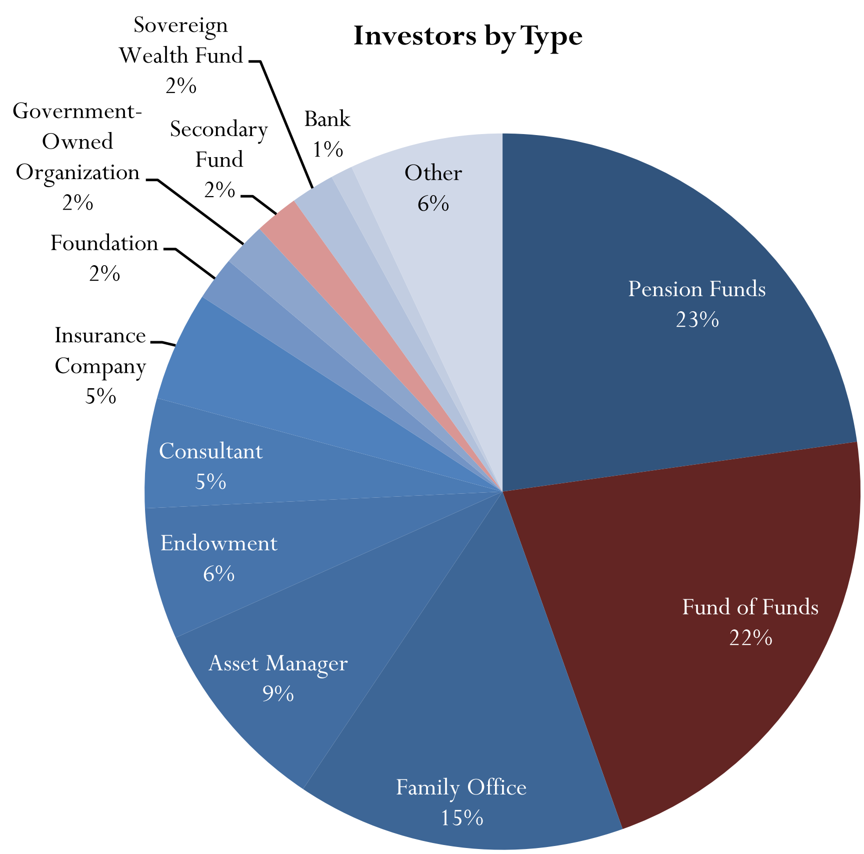
Respondent Overview

The 2015 Bright Harbor LP Survey collected data from a diversified base of 101 institutional investors and large family offices that are located in over 25 countries with a combined AUM exceeding $1.8 trillion.

Consistent with the geographical allocation in our past surveys, the majority of the respondents were North American and European. Only 13% of investor responses come from outside these regions.

Pension funds make up the largest portion of the survey respondents, followed by fund of funds and family offices.



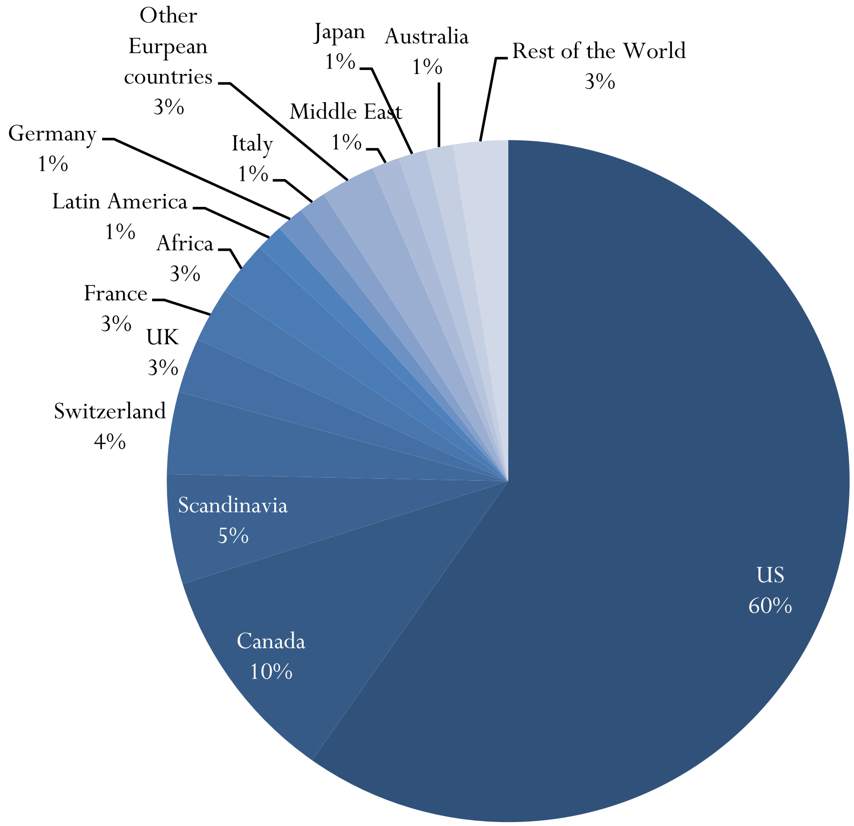


Traditional and Non Traditional Investors

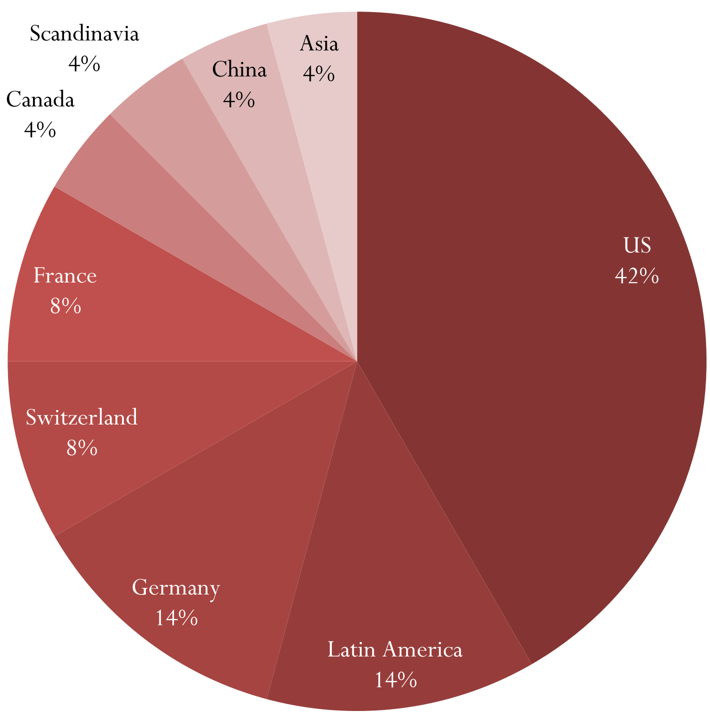
Similar to our past surveys, we split investor responses into two categories: Traditional and Non Traditional Investors (the latter consists of only those identified as secondary funds and/or fund of funds). We believe this distinction is important given the different objectives, constraints and investment styles of these groups.

The mix of respondents was consistently more heavily weighted towards Traditional Investors in 2015 (at 76%), similar to the percentage of 75% in 2013. While Non Traditional Investors made up 24% of respondents, compared with 25% in 2013. This is relevant when we reference the 2013 survey to identify trends.

Traditional Investors by Location



Non Traditional Investors by Location



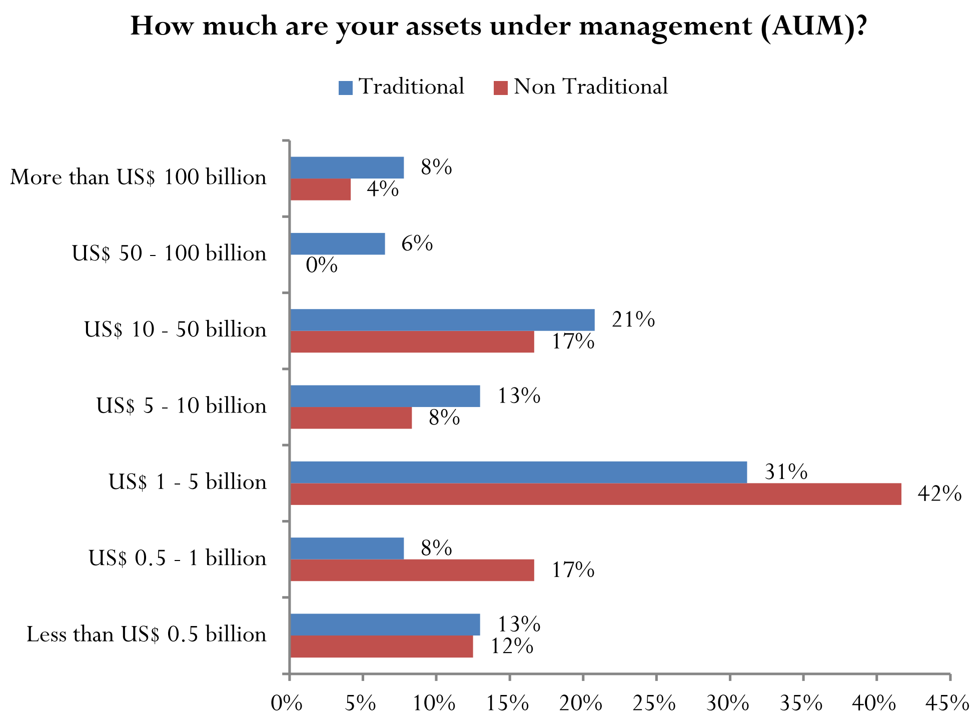
Assets Under Management

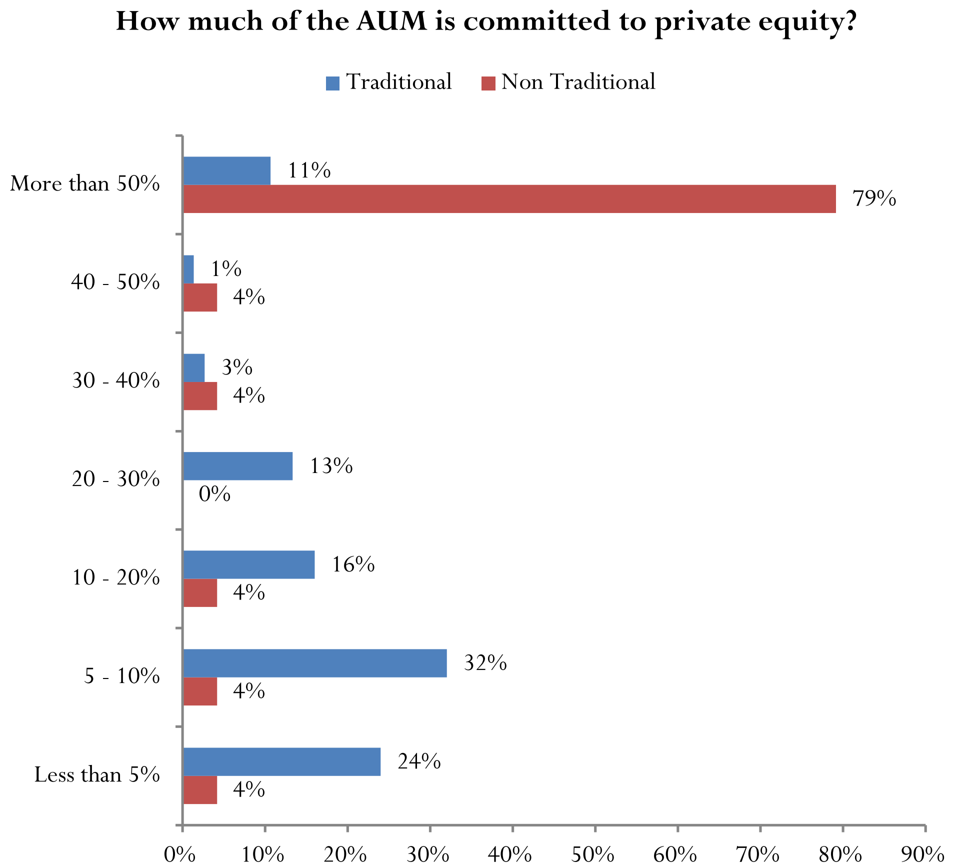
The 2015 survey includes data from many different sized investors, providing a broad perspective.

Private Equity Allocations

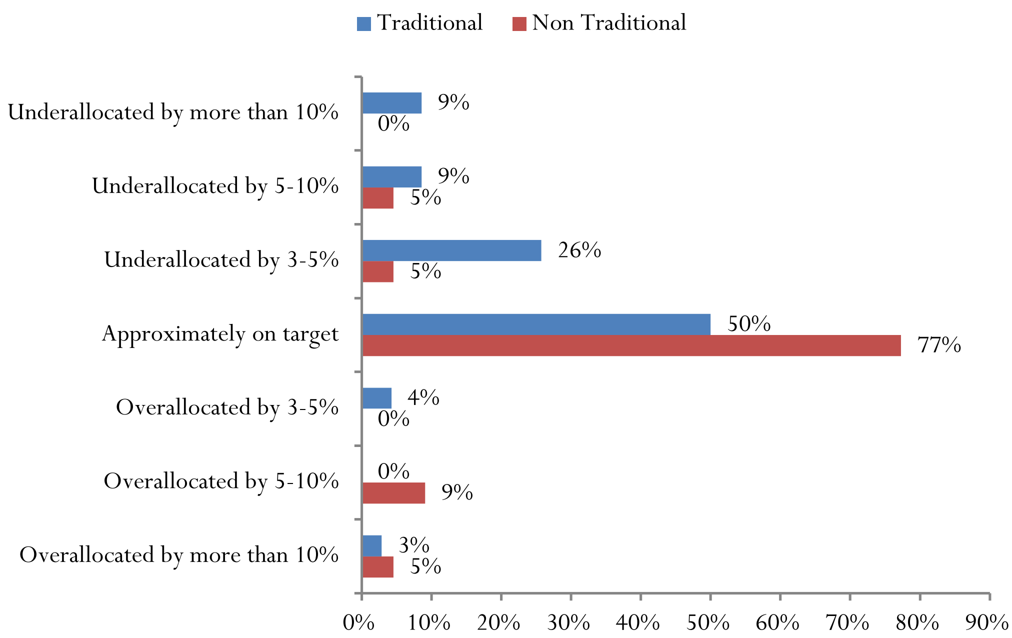
In 2013, we saw a noticeable decrease in the allocation of Traditional Investors to private equity from the previous survey. In 2015, we see an increased allocation for Traditional Investors. Although the respondents that allocate more than 20% of their assets to private equity only grew slightly from 25% to 28% since our last survey, the respondents that allocate more than 10% to private equity increased from 37% to 44%.

Non Traditional Investors generally have most of their overall allocation to private equity.

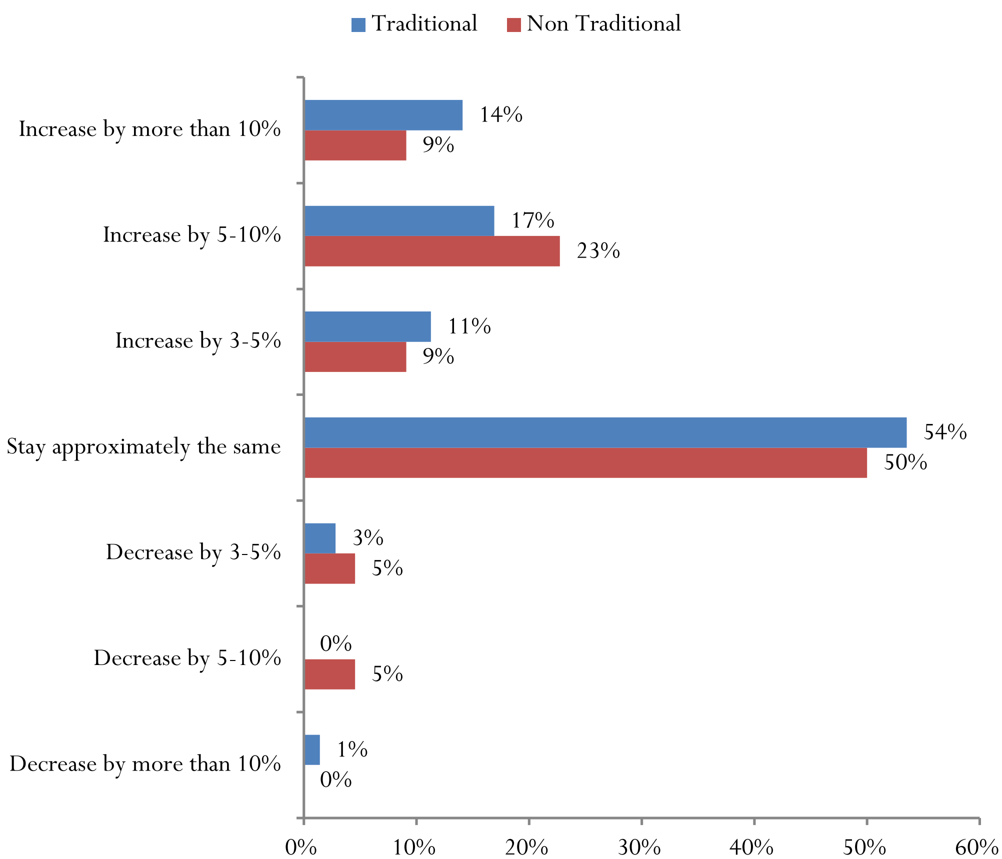




What is your actual allocation versus your target allocation for private equity?



What do you believe the amount you allocate to private equity in 2015 relative to 2014 will be?



Current and Expected Allocations

Consistent with the trend that we saw in our last survey, we continue to see an overall drop in the percentage of Traditional Investors who are on target with their private equity allocation and an increase in those that are under-allocated. Traditional Investors who were under-allocated to private equity increased from 28% to 44% since our last survey, and Traditional Investors who are over-allocated decreased by 53%.

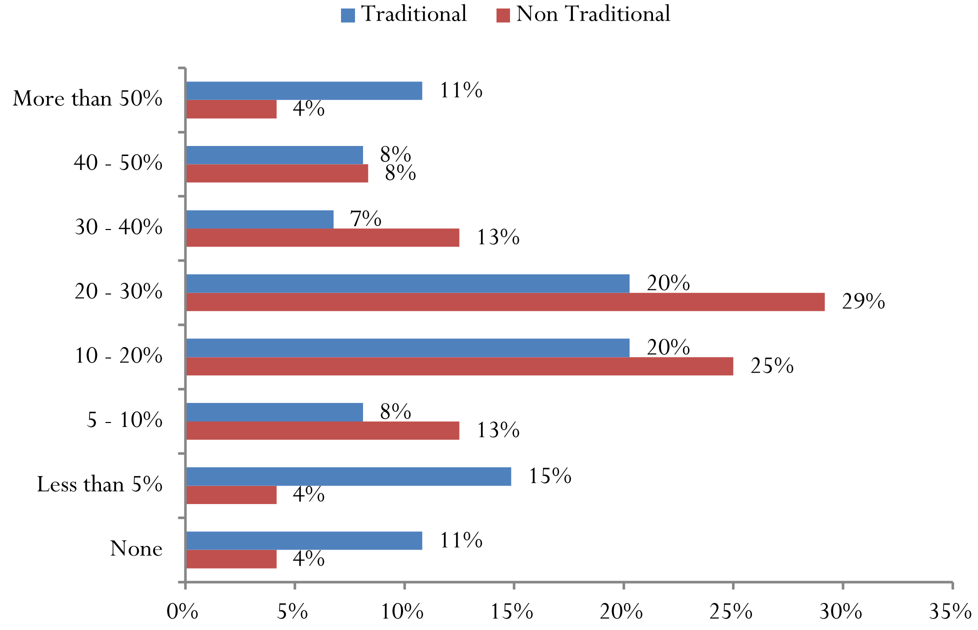
Given that over 40% of Traditional Investors and Non Traditional Investors expect their private equity allocation to increase in 2015, this further supports our positive outlook on the asset class.

Allocation to New GPs

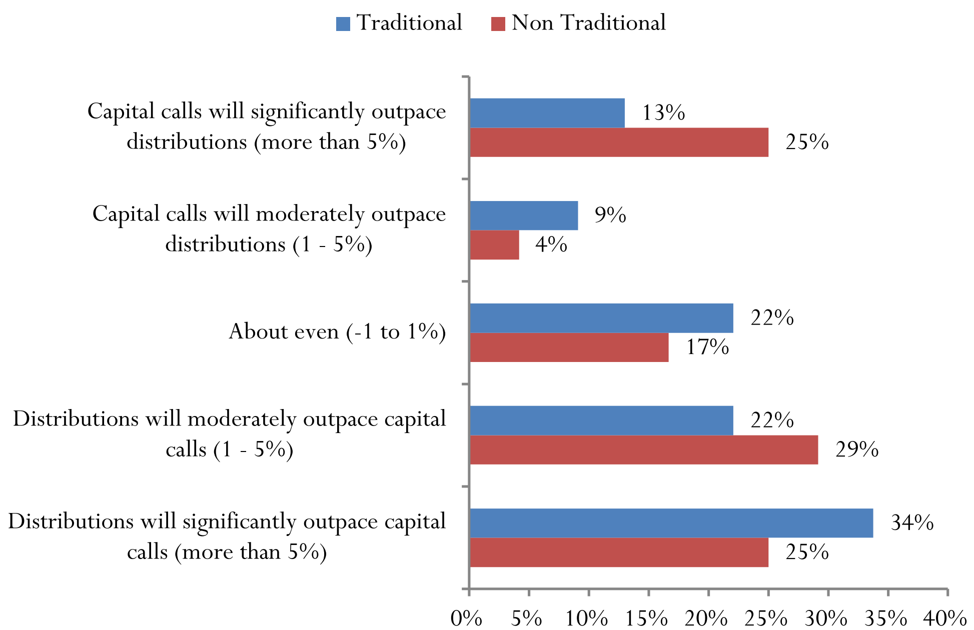
The 2015 survey results suggest the continued interest of LPs to increase their exposure to new GP relationships. 89% of Traditional and 96% of Non-Traditional Investors expect some percent of their allocation to go to new GP relationships. For Traditional Investors, this represents a 12% growth from our 2013 survey.

Over the next twelve months, more than half of Traditional and Non Traditional Investors see distributions outpacing capital calls. The biggest shift however since our 2013 survey is that 56% of Traditional Investors believe distributions will outpace capital calls compared to 46% in 2013, suggesting a higher level of confidence in the pace of distributions.

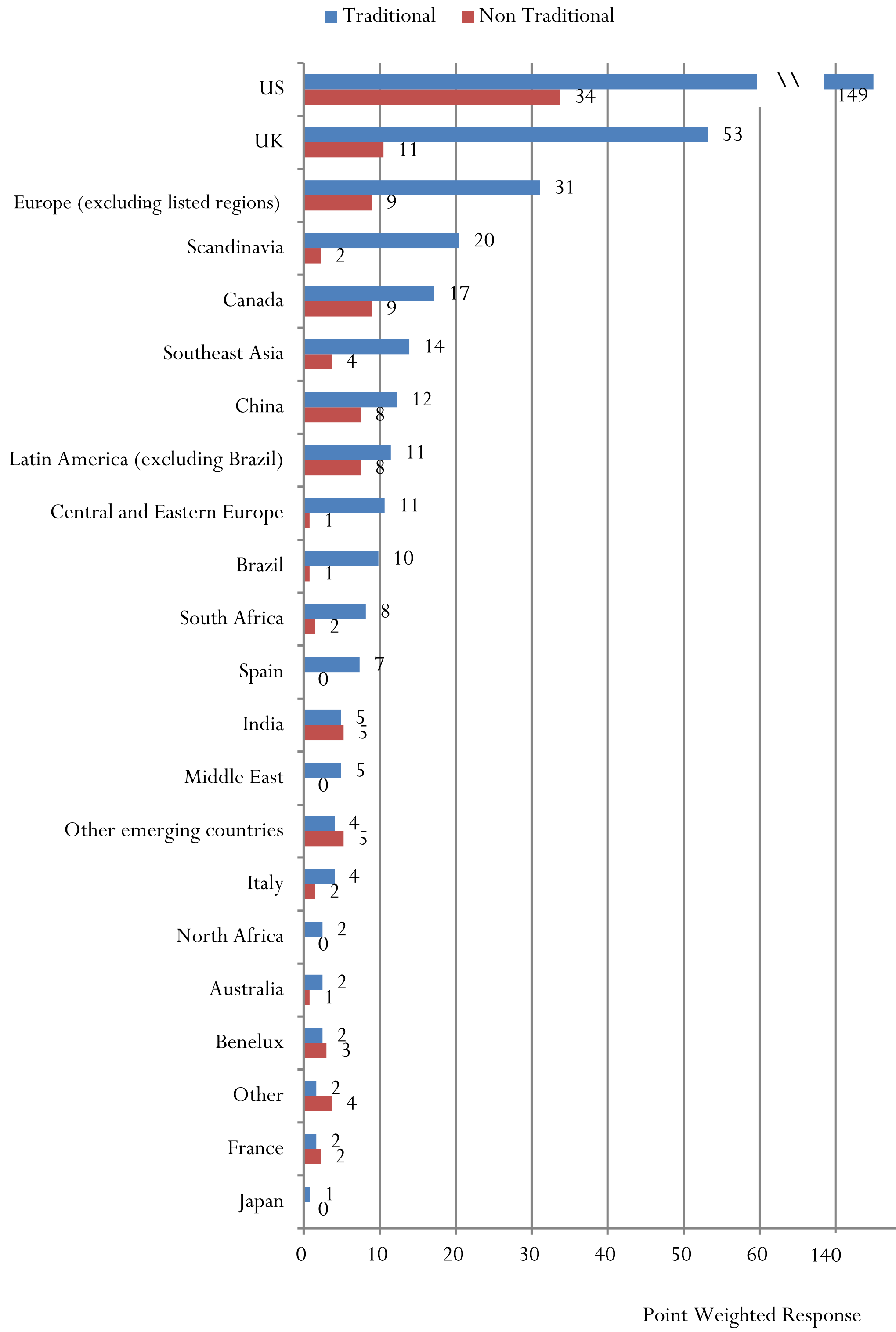
Of your private equity allocation in 2015, what percent do you expect to be new GPs?



In the next twelve months, how do you expect the relationship between capital calls and distributions to evolve with regard to your portfolio?



Which of the following geographies do you find most attractive for private equity allocation? (Rank top 3)



Regional Appeal

Consistent with our past surveys, the US remains the most attractive region for Traditional and Non Traditional Investors to allocate for private equity. This year, the UK jumped to second place from third place in our previous survey. The following geographies that gained the most investor attention were Europe (excluding listed countries) and Scandinavia.

Overall, Canada gained 5 positions from tenth to fifth, and we saw China and Brazil continue to lose favor as attractive geographies for private equity investing.

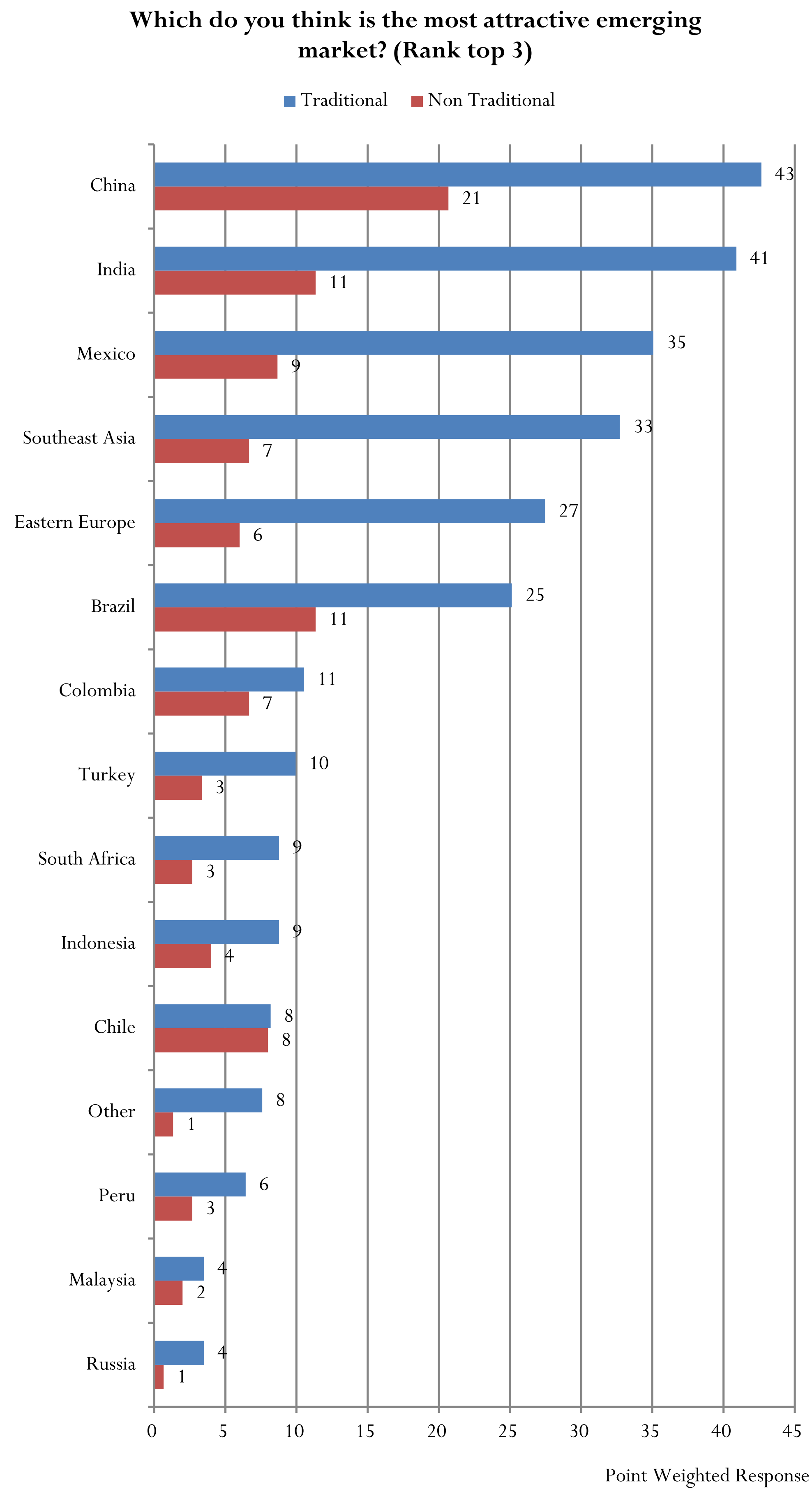
Emerging Markets

There has been a shift in interest within emerging markets since the 2013 survey. China jumped one place to position itself as the most attractive region, while Southeast Asia lost three positions and went from first to fourth. Keep in mind that this survey went out prior to the market correction.

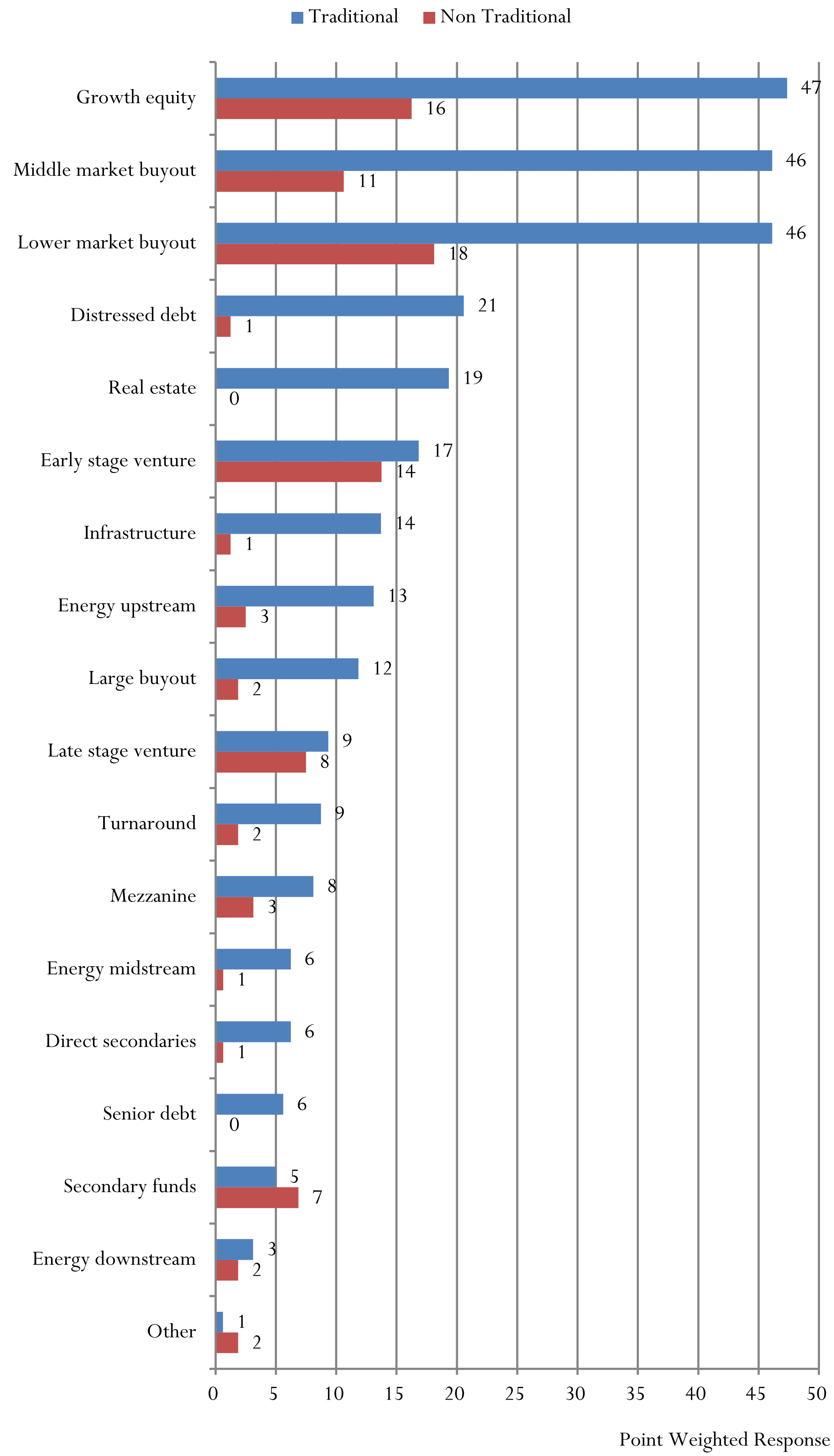
India gained dramatic positive sentiment growing six positions from eighth to second place.

In Latin America, Mexico made it to the top three, while Brazil lost three places to become sixth.

Investors showed more interest towards Eastern Europe, as it has jumped to number 5, from number 12 in 2013. Russia coming in last might not be surprising.



Regarding North America, which private equity strategy do you find most attractive? (Rank top 3)



North American Private Equity

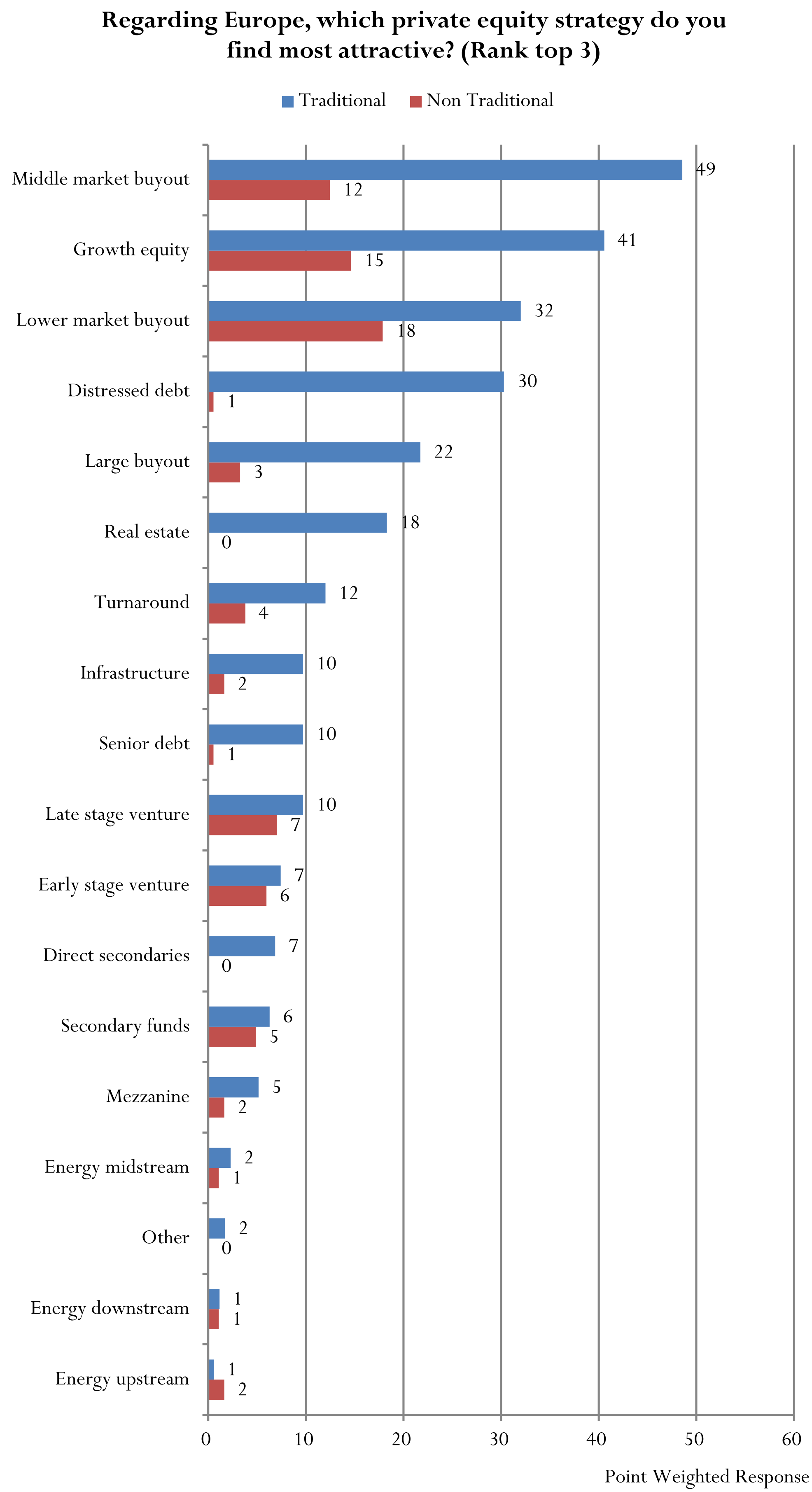
Regarding North American private equity, our findings continue to list the same top three most desired strategies for global LPs. In 2015, growth equity, middle market buyout and lower middle market buyout are almost tied in attractiveness, whereas in 2013, middle market buyout was the clear favorite.

Distressed debt jumped four positions since the last survey, which is consistent with respondents overwhelming view that there will be a correction in the Credit Markets in the near term. Early and late stage venture continues to be viewed positively by LPs. However, since the last survey, early stage venture switched positions with late stage venture as more desirable.

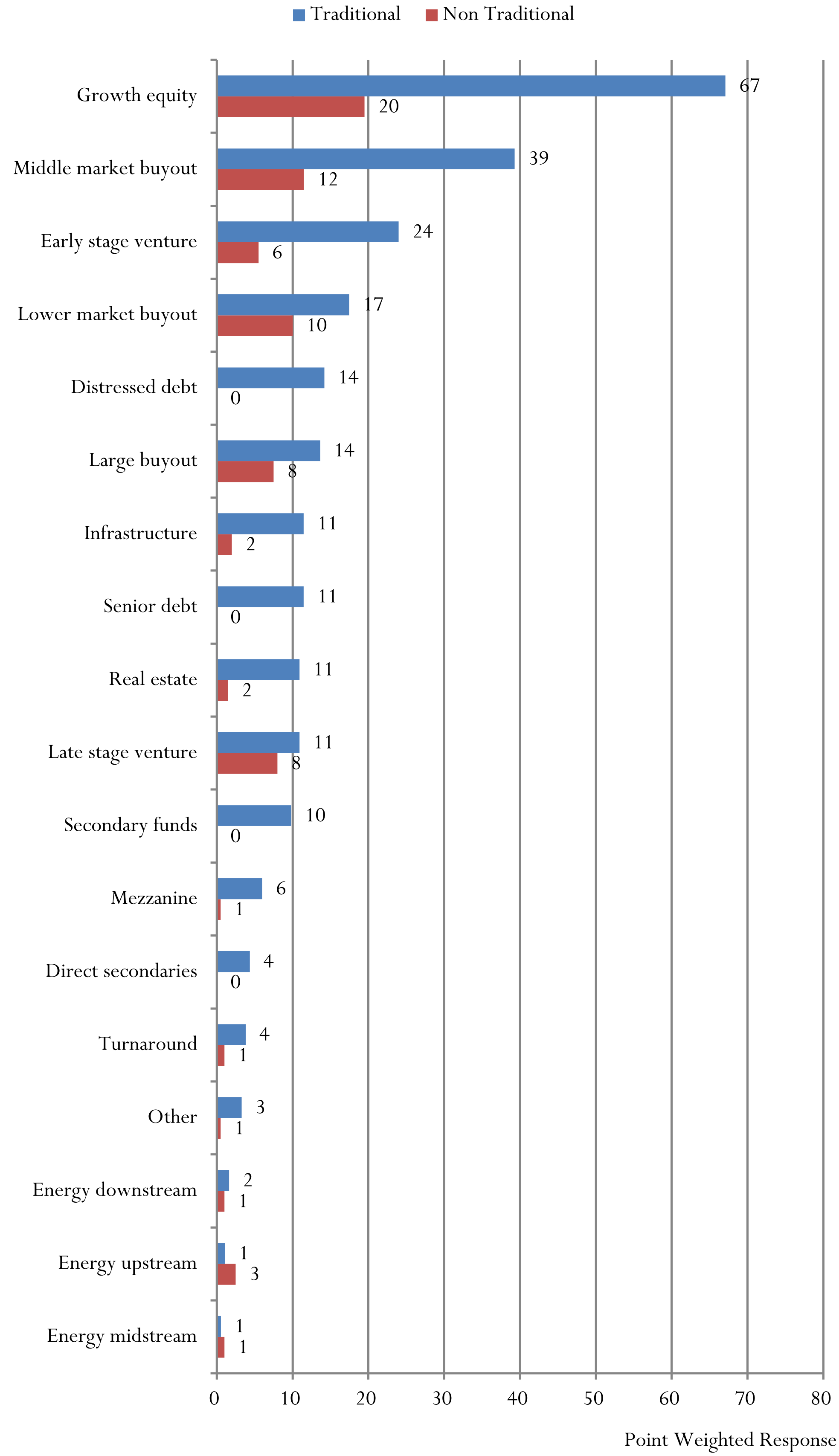
European Private Equity

European middle market buyout continues to be the most attractive strategy for global LPs. Growth equity jumped three positions to second place since our last survey.

Furthermore, distressed debt opportunities in Europe continue to position itself as one of the most popular European private equity strategies, while Turnaround strategies have lost favor.



Regarding Asia, which private equity strategy do you find most attractive? (Rank top 3)



Asian Private Equity

Similar to our last survey, growth equity and middle market buyout continue to be the most popular private equity strategies in Asia.

Early stage venture gained positive sentiment and jumped six positions and now ranks as the third most attractive investment category.

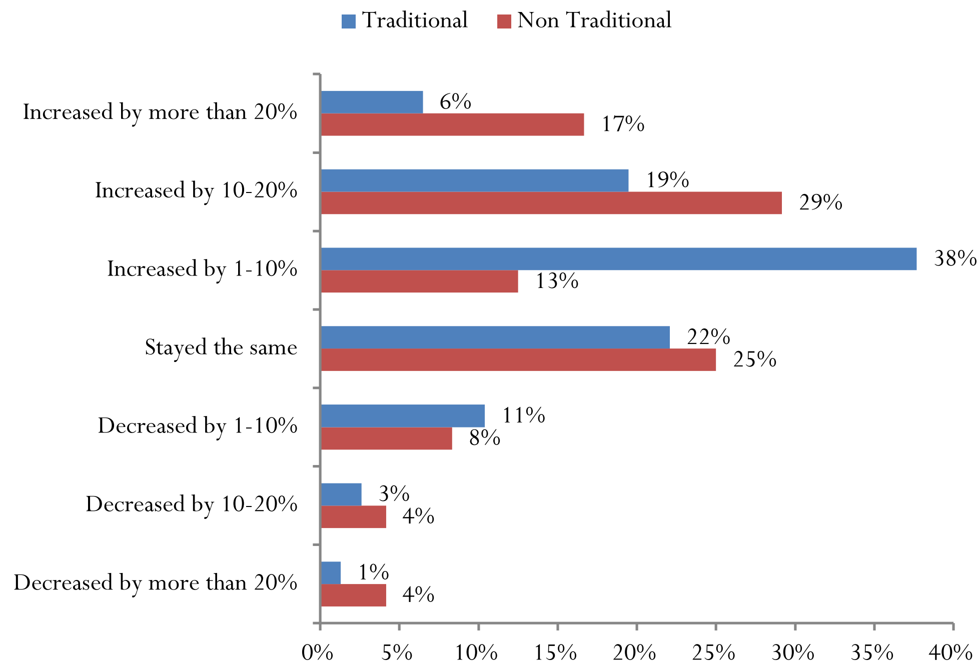
Late stage venture took a negative turn since our last survey, dropping from the fifth to the tenth most attractive Asian strategy.

Private Equity Relationships and Values

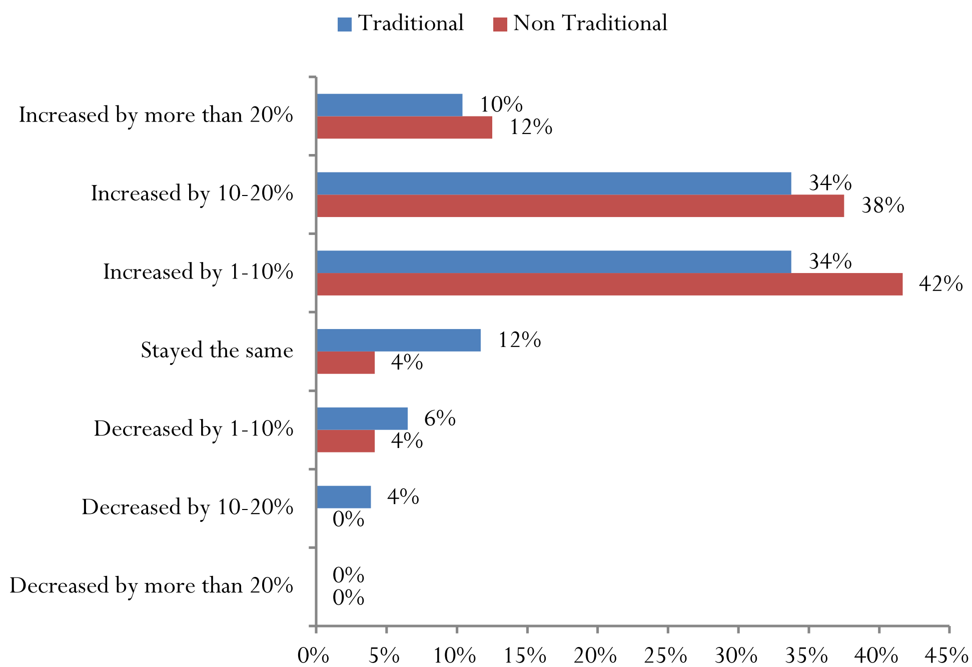
There has been a dramatic shift in the number of private equity relationships managed by Traditional Investors. 63% of Traditional Investors increased their number of private equity relationships in the last year, compared to 33% from our last survey. Surprisingly, there is less consolidation even as the secondary market continues to provide price support.

Given the large allocation to the US markets and the performance of the public markets, the vast majority of Traditional and Non Traditional Investors have positive paper performance for 2015. Moreover, it is interesting to note that almost a half of Traditional and more than half of Non Traditional Investors saw NAV increases of greater than 10% YTD.

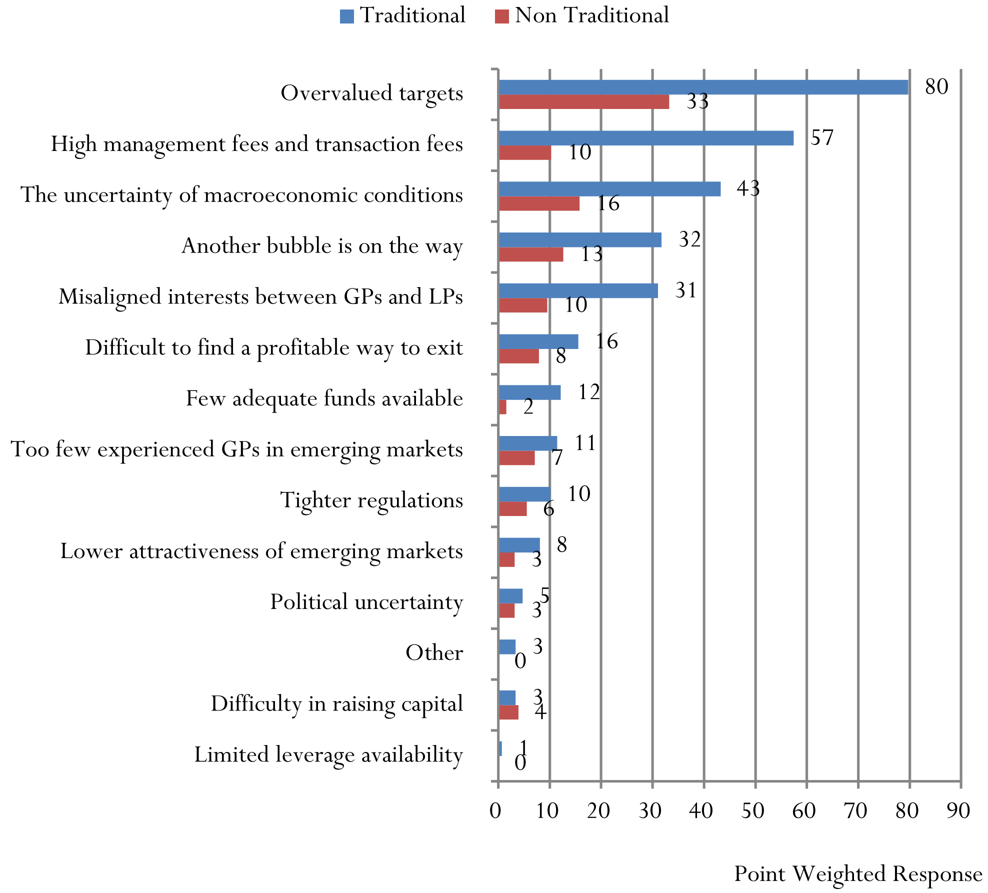
How has the number of private equity relationships you manage changed relative to this time last year?



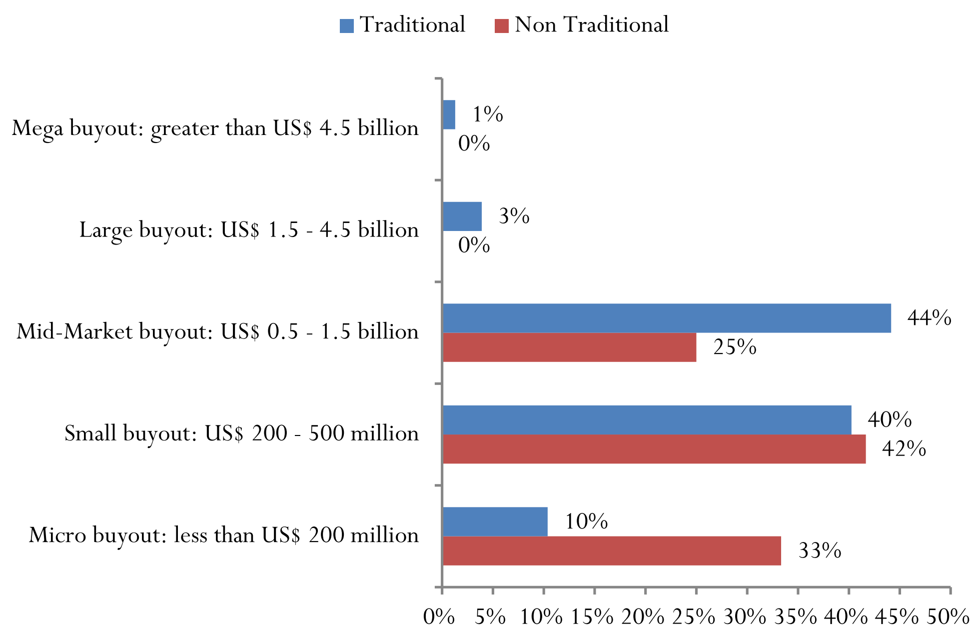
How has the value of your private equity assets changed in 2015?



From your perspective, what are the major challenges facing investing in private equity? (Rank top 3)



Regarding US buyout, which part of the market do you find most compelling?



Challenges Facing Private Equity

This is the second time we asked investors their perspective on the major challenges facing investing in private equity. Overvalued targets and global macroeconomic conditions switched positions, as the latter was given the highest rank in our previous survey.

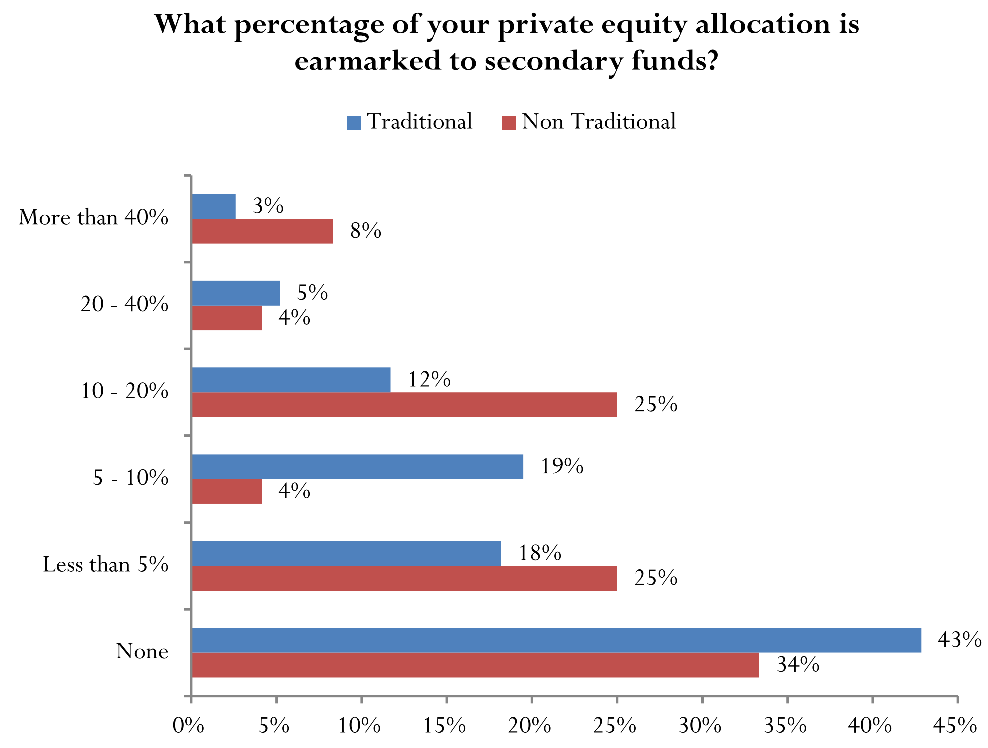
US Buyout Market

We wanted to get LP's perspective regarding the US buyout market. 84% of Traditional Investors and 67% of Non Traditional Investors found small buyout and mid-market buyout as the most compelling segments.

That 33% of Non Traditional Investors found the micro buyout segment most compelling, compared to only 10% of Traditional Investors could be a function of a few smaller dedicated fund of funds included as respondents.

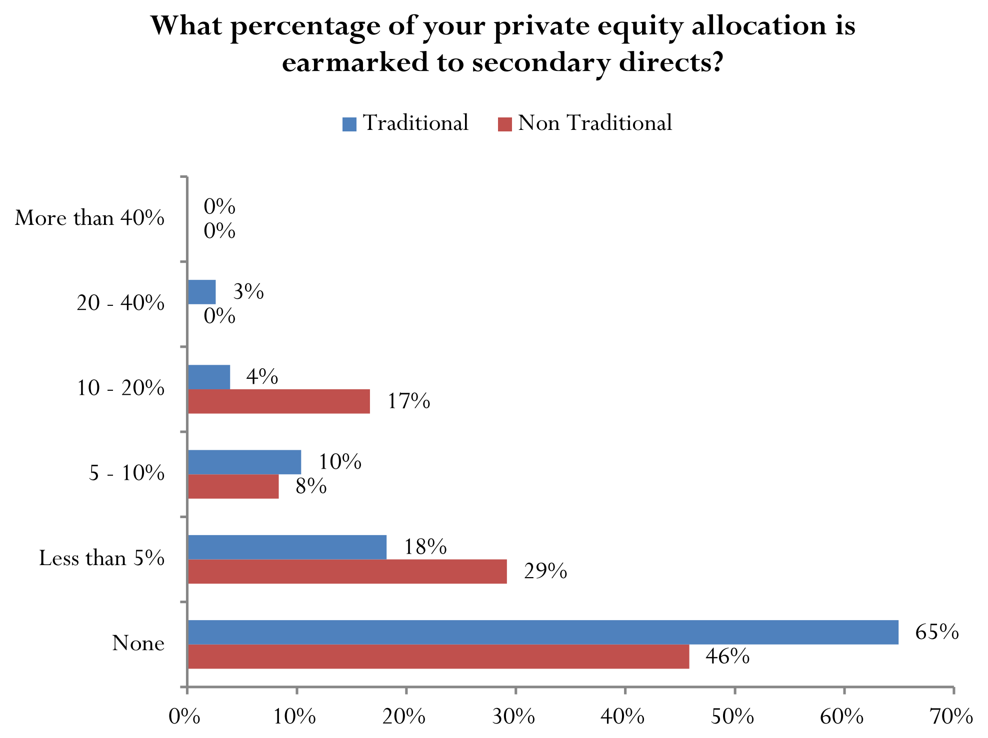
Secondary Allocations

We see a dramatic decrease in the percentage of Traditional Investors that have an allocation earmarked for secondary funds. 61% of Traditional Investors have less than 5% earmarked compared with 36% in 2013.

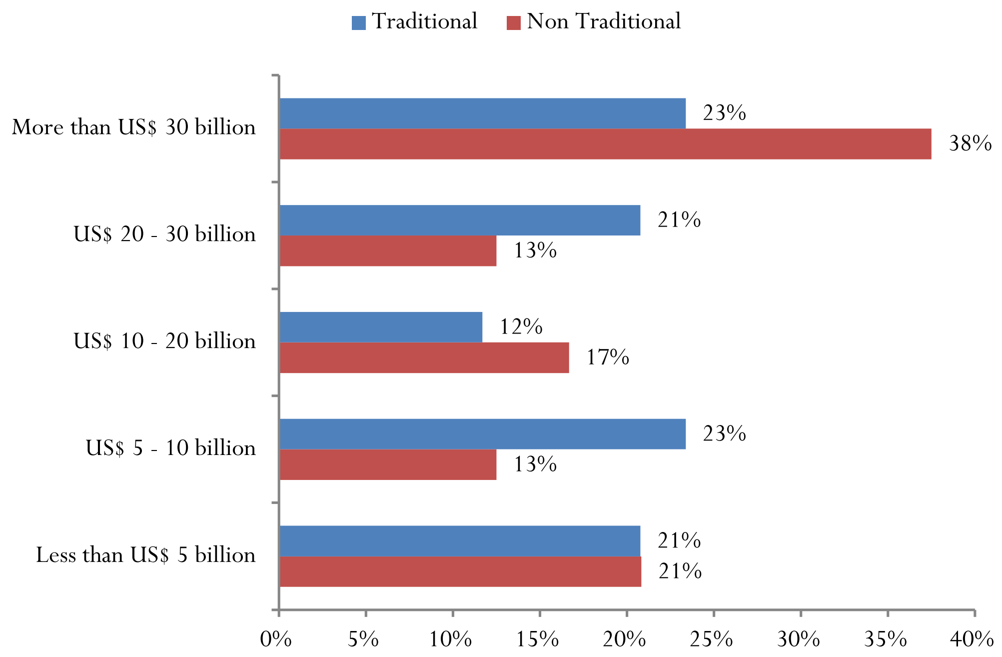


Inconsistent with our last survey, Traditional and Non Traditional Investors have earmarked less for secondary directs.

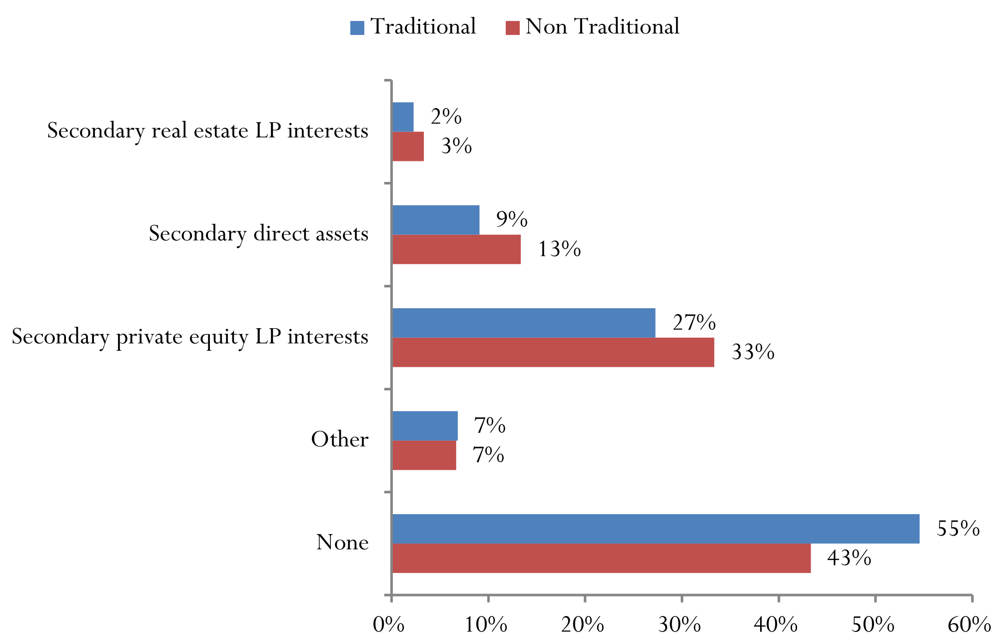
Traditional Investors that have none, or up to 5% earmarked grew to 83%, as compared to 64% previously. Non Traditional investors jumped to 75% from 52%.



What is your estimation of total secondary deal volume for 2015?



What type of secondaries have you purchased in 2015? (Tick all that apply)



Secondary Deal Volume

Our 2015 LP Survey indicates that investors estimate a significantly large total secondary deal volume.

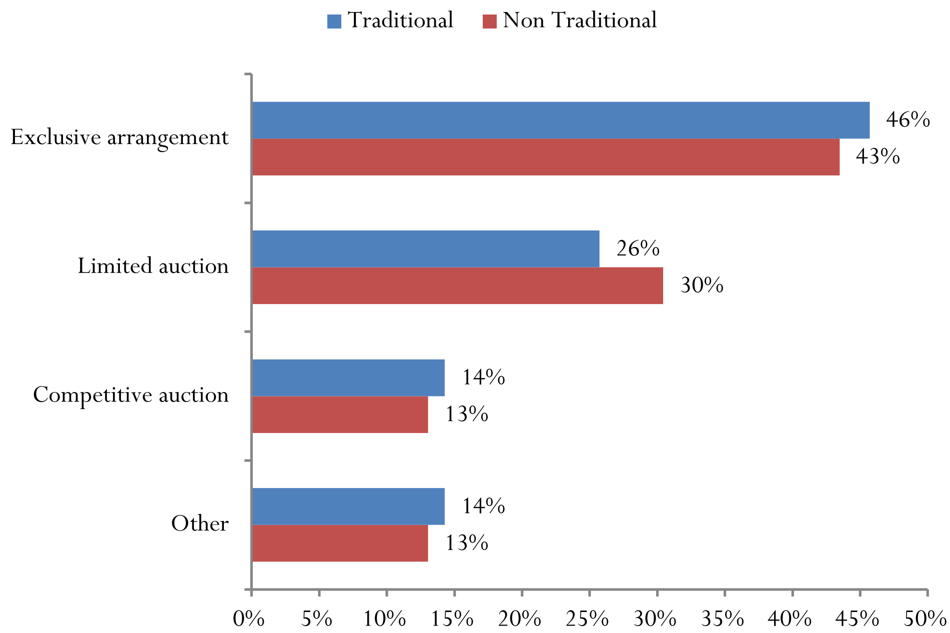
44% of Traditional Investors and 51% of Non Traditional Investors surveyed estimate the secondary deal volume over US$ 20 billion versus 21% and 20%, respectively, compared to our last survey.

Purchased Secondaries

Both Traditional and Non Traditional investors surveyed indicate low interest levels, similar to 2013, in terms of purchasing secondary LP interests, direct assets and real estate interests. Secondary private equity LP interests remain the most popular instrument among investors investing in secondaries.

How secondary purchases are executed among investors surveyed varies with the majority of transactions taking place through exclusive arrangements, followed by limited auctions.

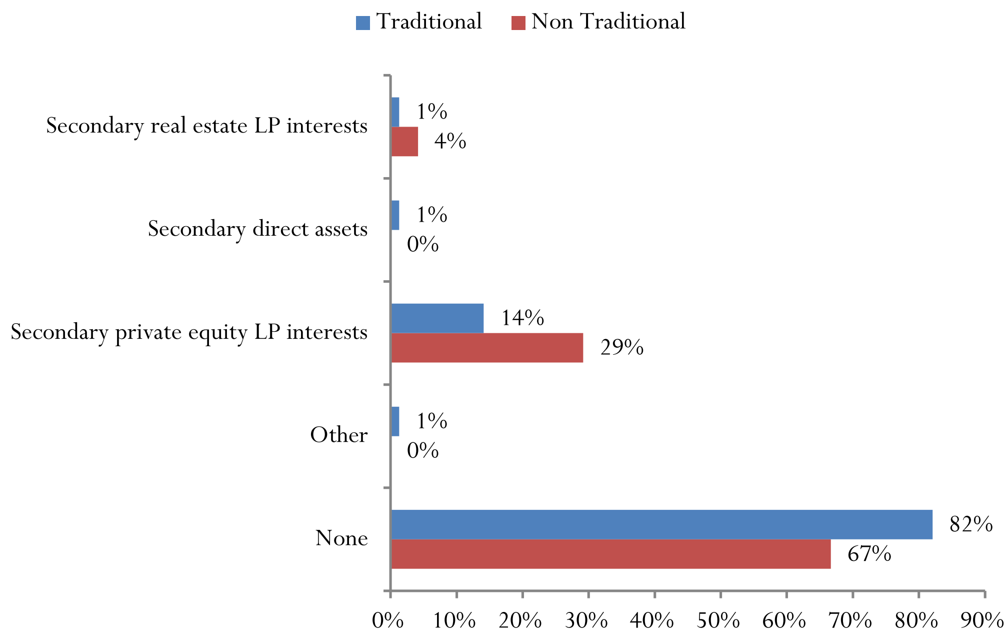
Follow above, how were the secondaries executed? (Tick all that apply)

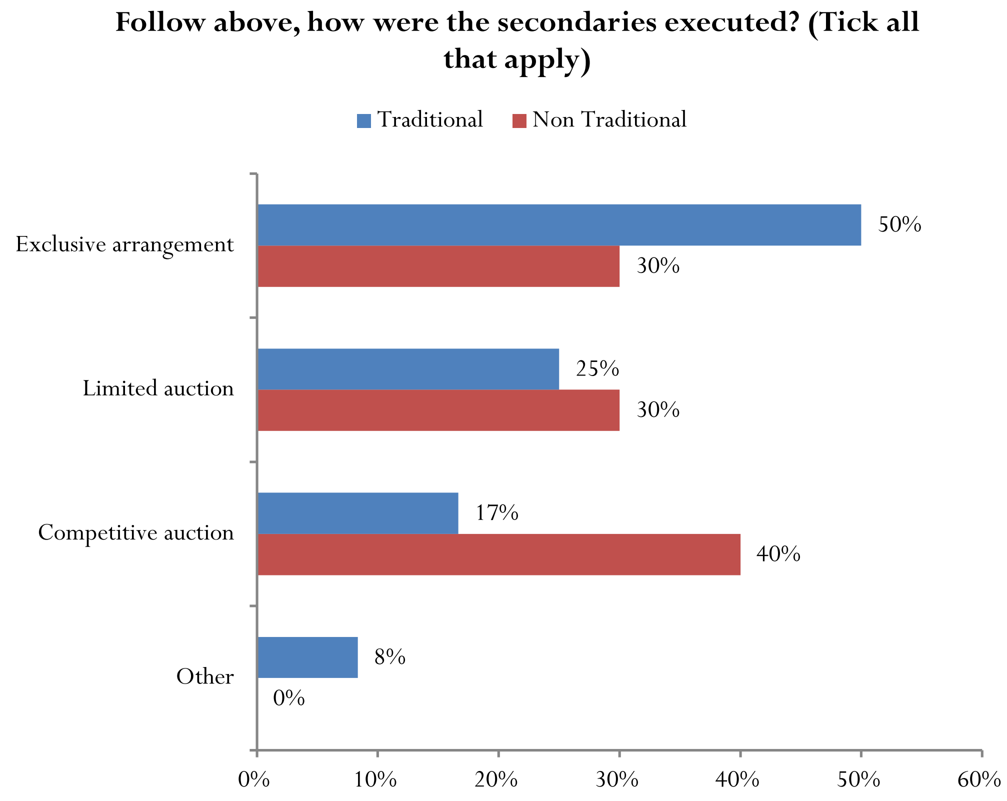


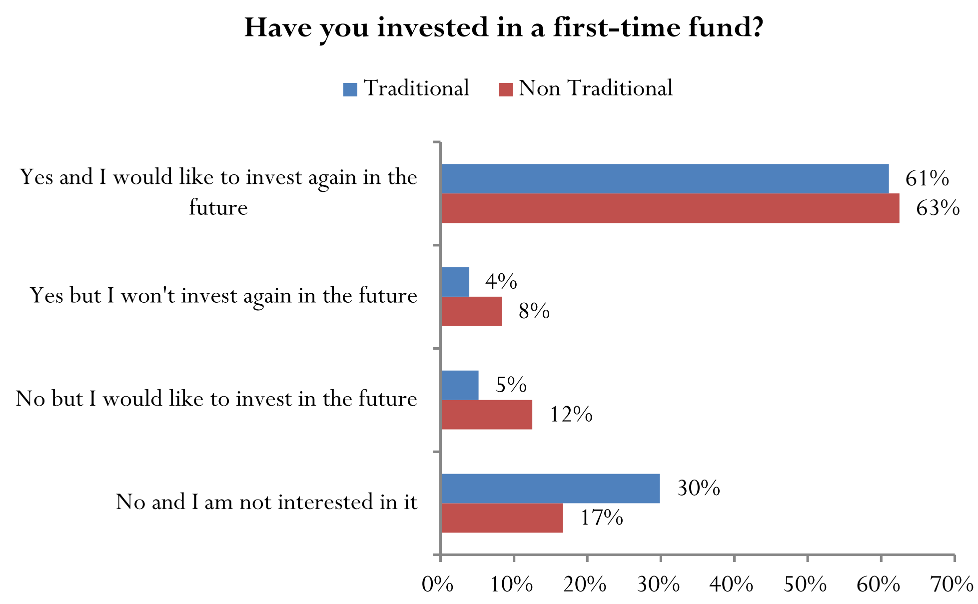
Secondaries on the Sell-Side

The percentage of investors surveyed who sold secondary LP interests is recovering from the significant drop we saw in our last survey – where figures were only 5% for Traditional Investors and 4% for Non Traditional.

What type of assets have you sold on the secondary market in 2015? (Tick all that apply)







For sellers, competitive auction ranked as the most popular choice for secondary execution for Non Traditional Investors, unlike in our previous survey where exclusive arrangement ranked first.

It is interesting to note that the percentage of Non Traditional Investors that sold secondary stakes through competitive auction is much larger than through which they have bought secondaries.

First-Time Funds

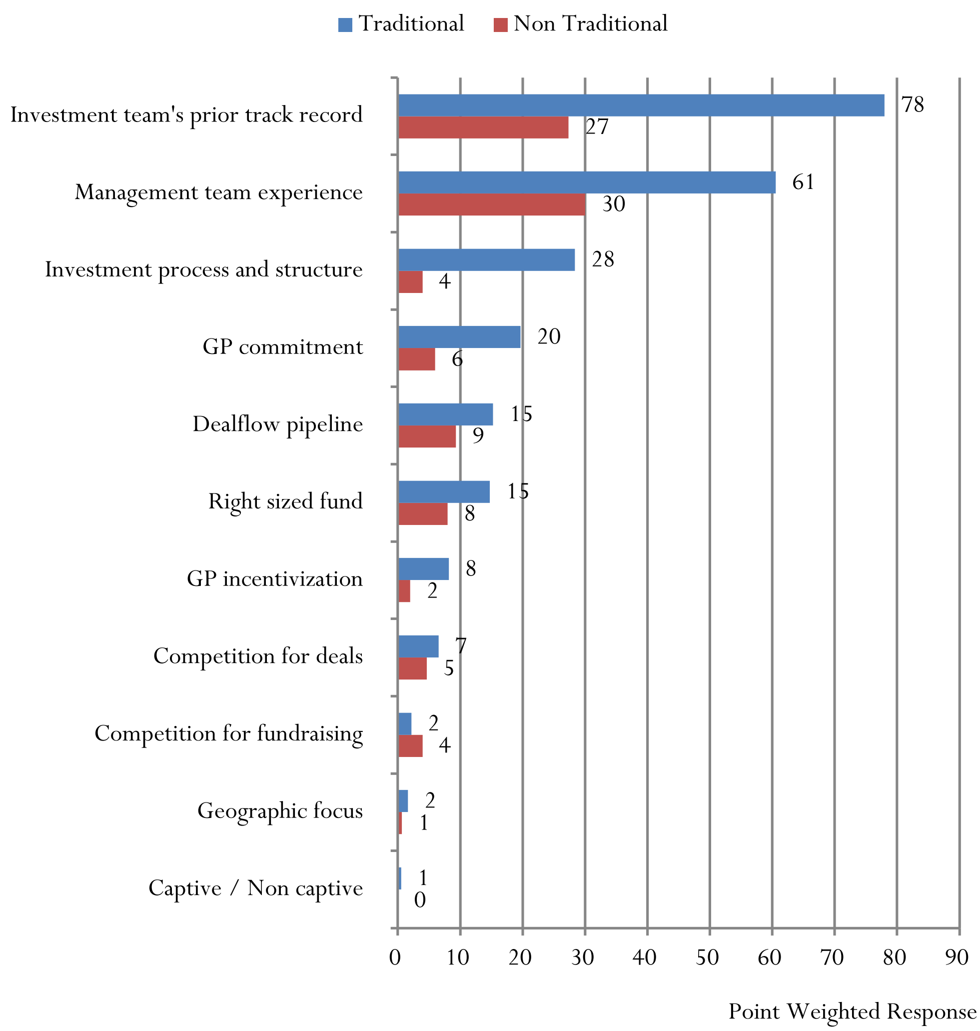
Similar to our last survey, this year's results show a continued positive sentiment for first-time funds from both Traditional and Non Traditional Investors. The number of Traditional Investors surveyed that have made first time fund investments increased from 43% to 65% since our last survey.

Due Diligence

Both Traditional and Non-Traditional Investors continue to rank the investment team's prior track record and experience as the most important factors when performing due diligence on first time funds.

Investment process and structure jumped two positions versus our last survey, and ranked as the third most important factor in making an investment decision.

Regarding first-time fund, what are the important factors in making an investment decision? (Rank top 3)

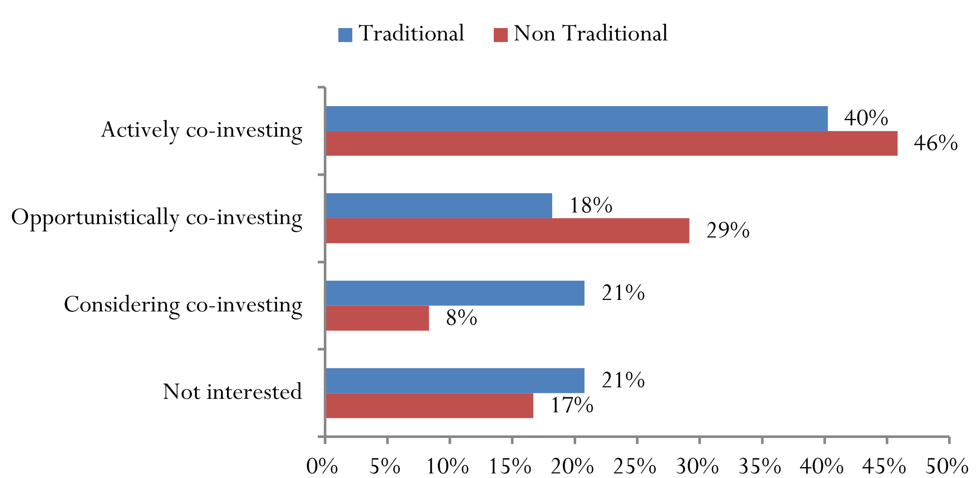


Co-Investments Allocation

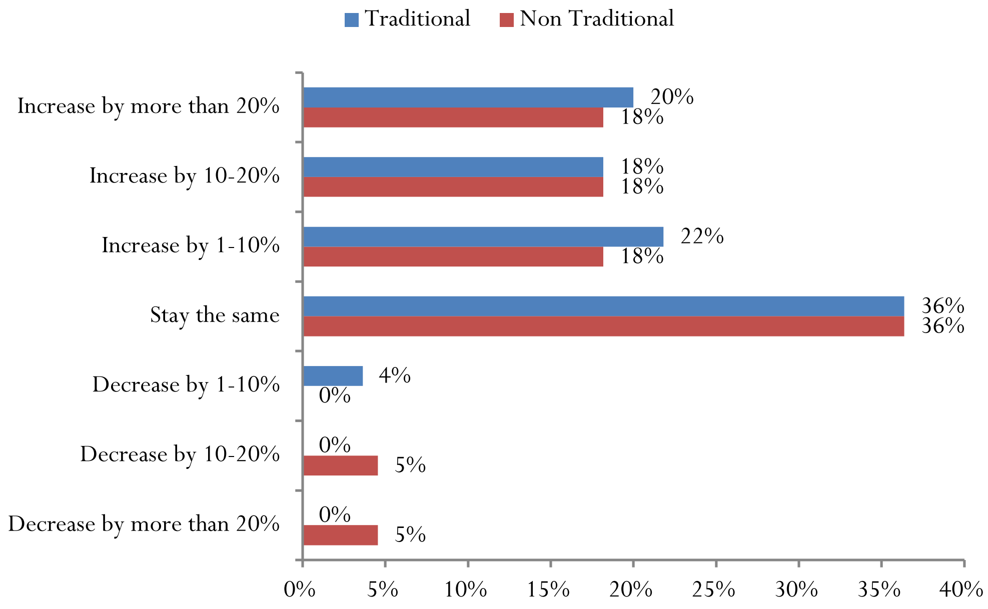
In creating the 2015 survey, we wanted to better understand LP's appetite towards co-investments as we see a trend of growing interest in this strategy.

Accordingly, the results show that more than half of investors surveyed are either actively or opportunistically co-investing. Only a fifth of investors showed no interest towards co-investments.

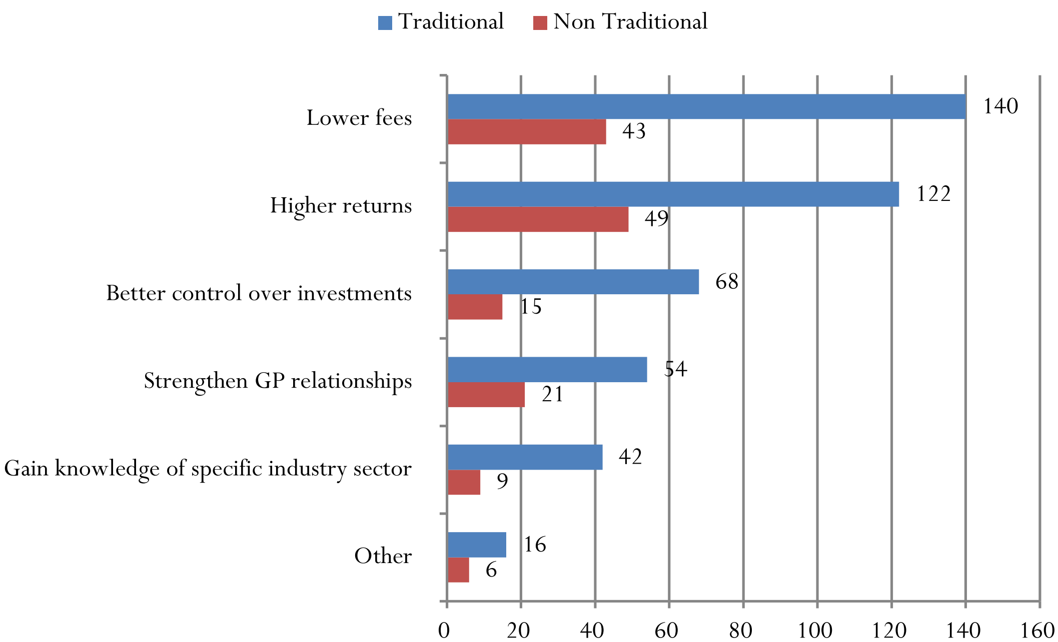
Which of the following best describes your appetite towards co-investments?



What do you believe the amount you allocate to co-investments in 2015 relative to 2014 will be?



From your perspective, what are the major reasons to pursue a co-investment? (Rank top 3)



Furthermore, 60% of Traditional Investors and 54% of Non Traditional Investors expect to increase their allocation towards co-investments.

Only 4% of Traditional Investors expect their allocation in co-investments to decrease.

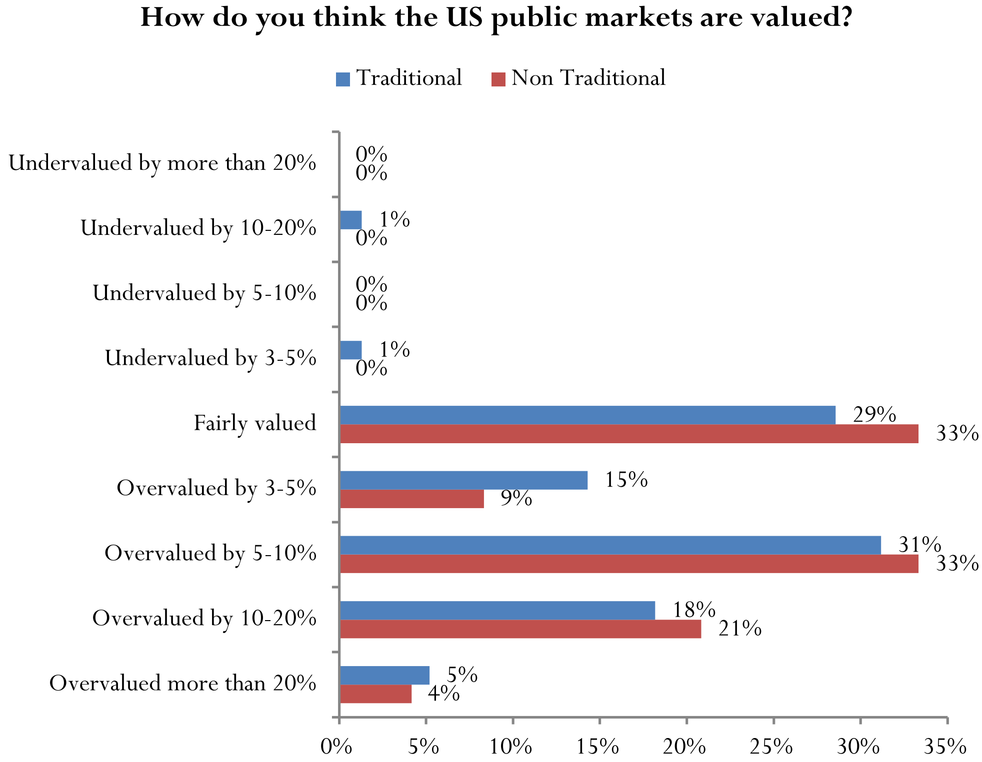
Factors for Co-Investments

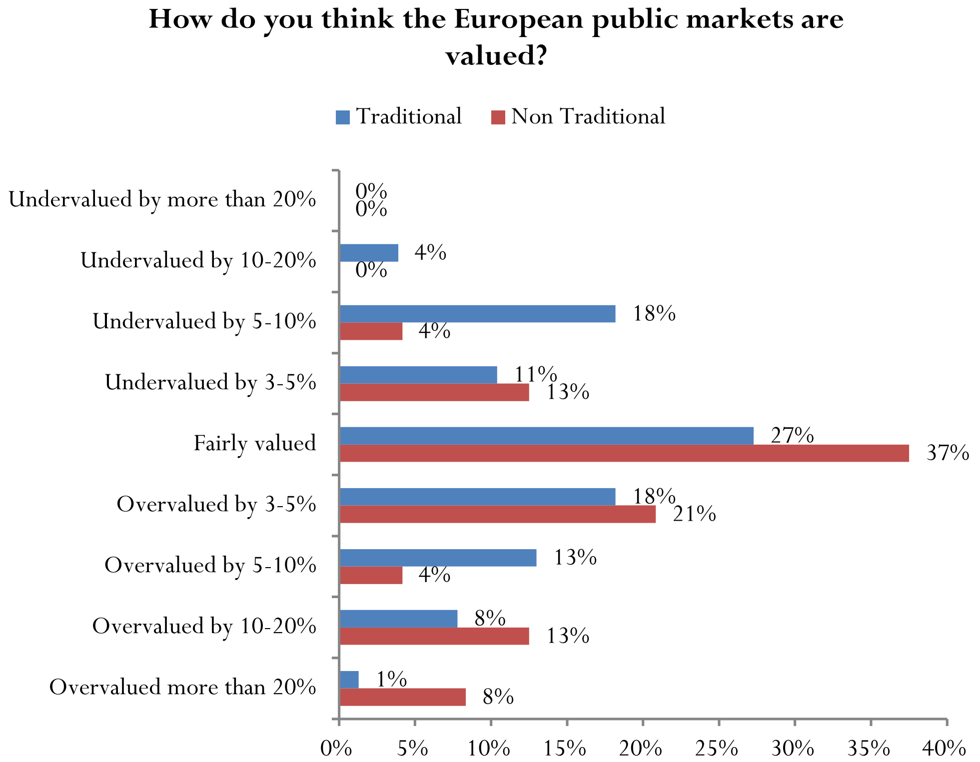
Not surprisingly, lower fees and higher returns were ranked as the two main reasons for LPs to pursue a co-investment.

US and European Public Markets

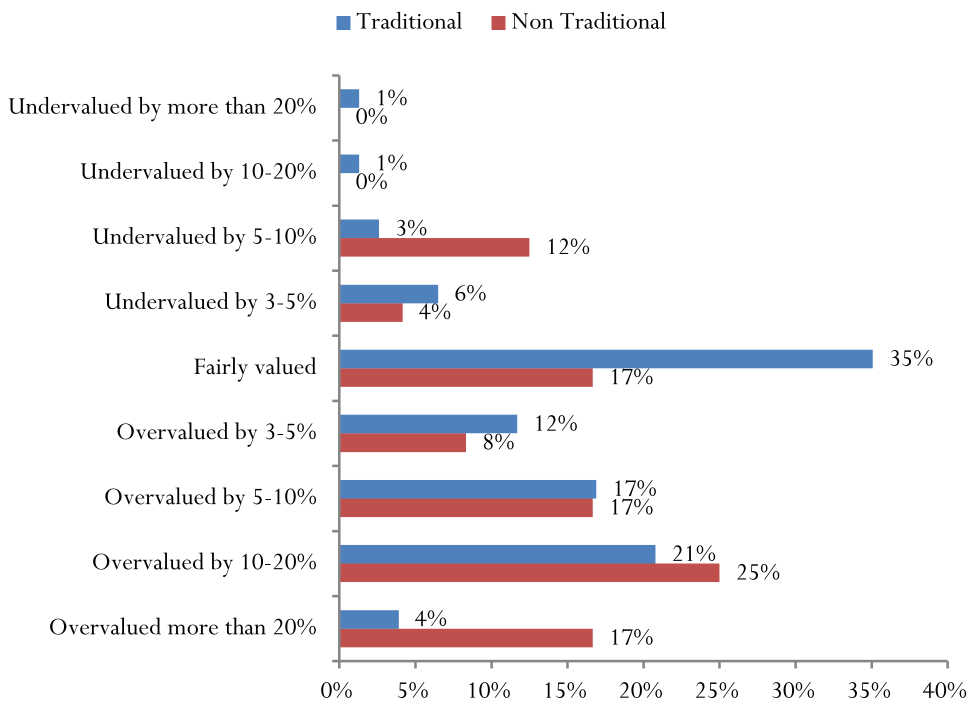
Similar to our last survey, the results show a consistent opinion from participants that the US public equity markets are currently between fairly valued and overvalued. It is interesting to note, however, the degree of overvaluation. In 2013, 35% of Traditional Investors thought the public markets were overvalued, in 2015 it's 69%.

Not surprisingly, in contrast to the US markets, only 40% of Traditional Investors thought the European markets were overvalued.

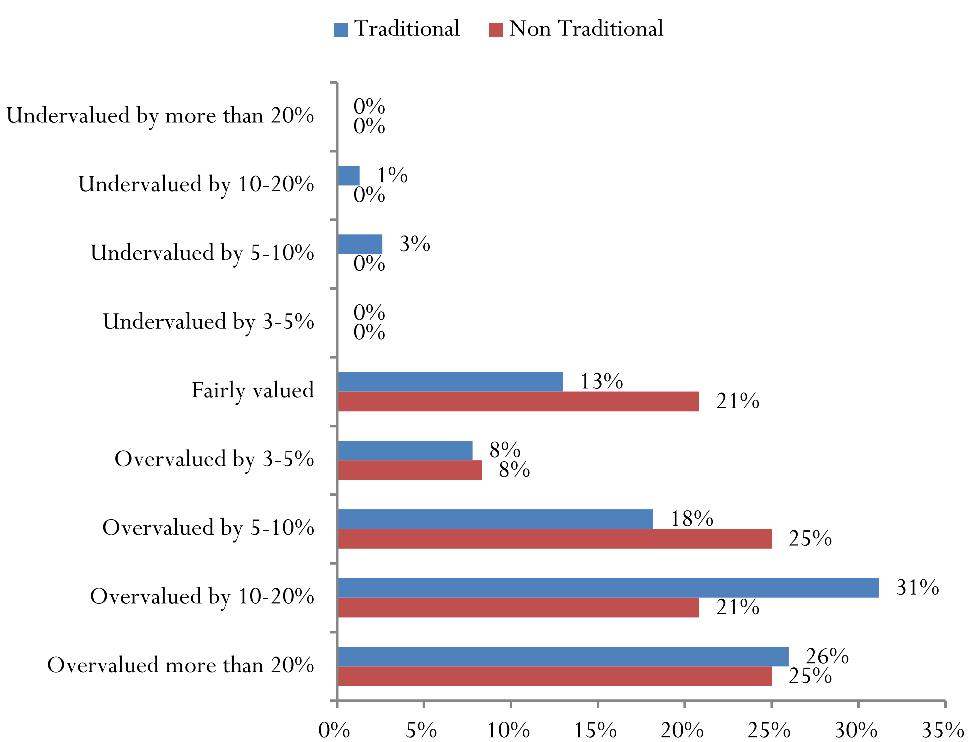




How do you think the Asian public markets are valued?



In general, how do you think privately-held Technology companies are valued in the US?



Asian Public Markets

Overall, Asian public equities are perceived to be more overvalued than European, but less than North American. More than twice as many respondents believe the Asian markets are overvalued relative to 2013.

Privately-held Technology Companies

We wanted to get LP's perspective on valuations regarding privately-held technology companies.

Results were fairly similar across Traditional and Non Traditional Investors. Less than 21% of respondents believe the sector to be between fairly valued and undervalued. On the other hand, one quarter of respondents believe the sector to be overvalued by more than 20%.

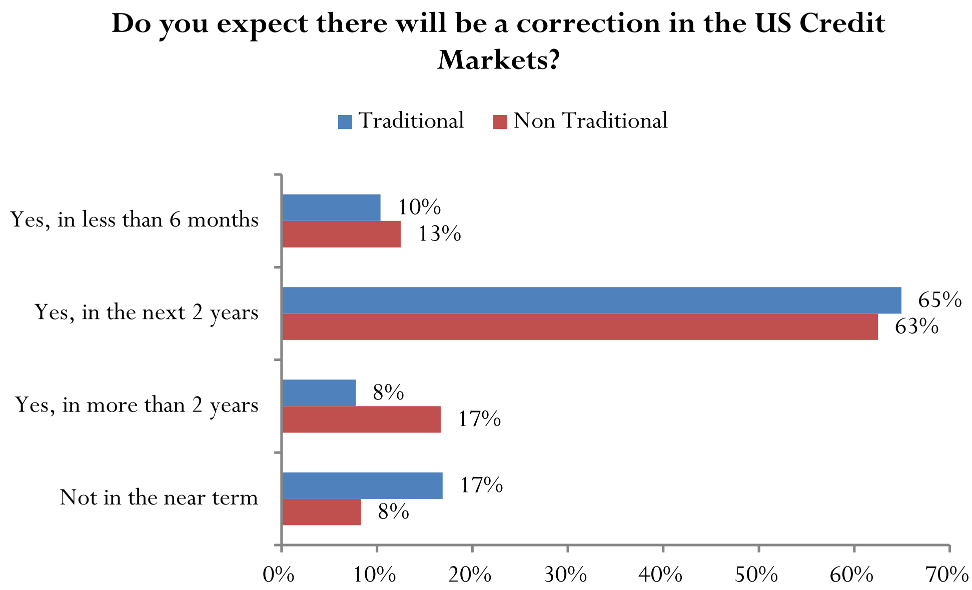
US Credit Markets

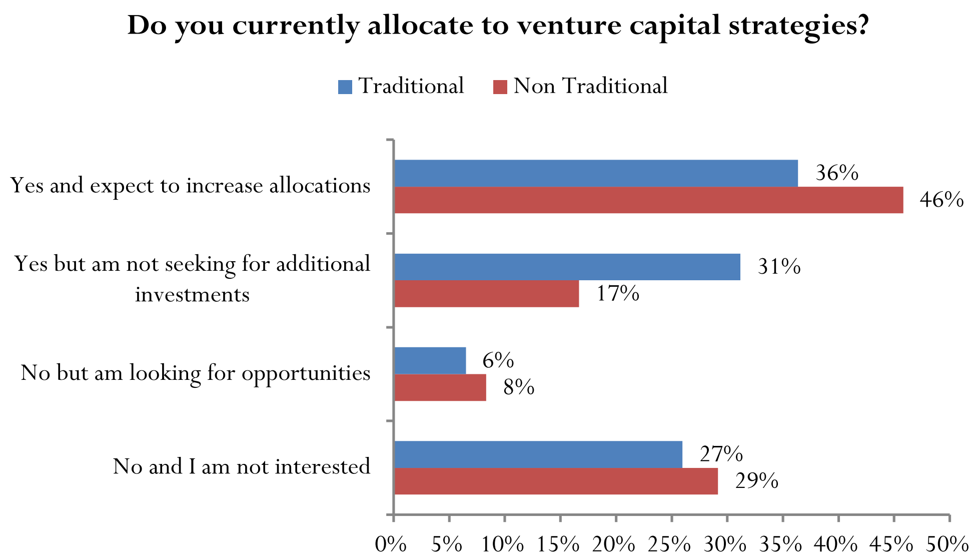
We polled participating LPs regarding the possibility of a correction in the US Credit markets.

Surprisingly, the results show that the vast majority of investors do expect a correction. Moreover, at least three quarters of the respondents expect the correction in the next two years.

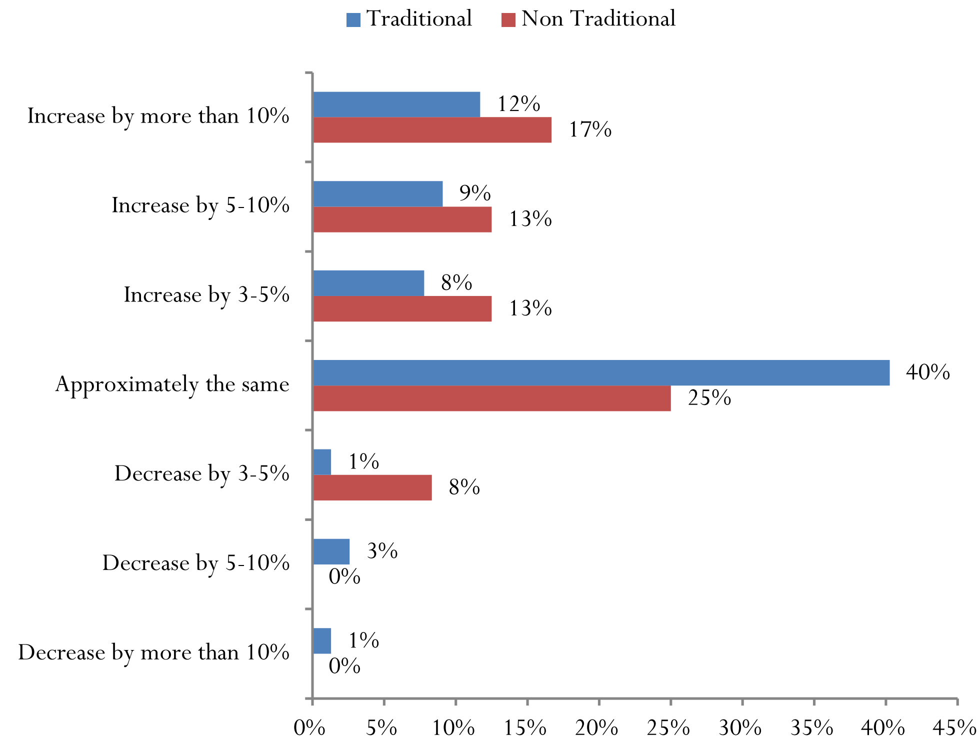
Allocations to Venture Capital

The 2015 LP Survey shows a large increase of investors currently allocating to Venture Capital strategies. With 67% and 63% of Traditional Investors and Non Traditional Investors allocating in 2015 versus 41% and 44% of Traditional Investors and Non Traditional Investors for 2013. Interestingly, today 36% of Traditional Investors expect to increase their allocation, while only 9% did in 2013.

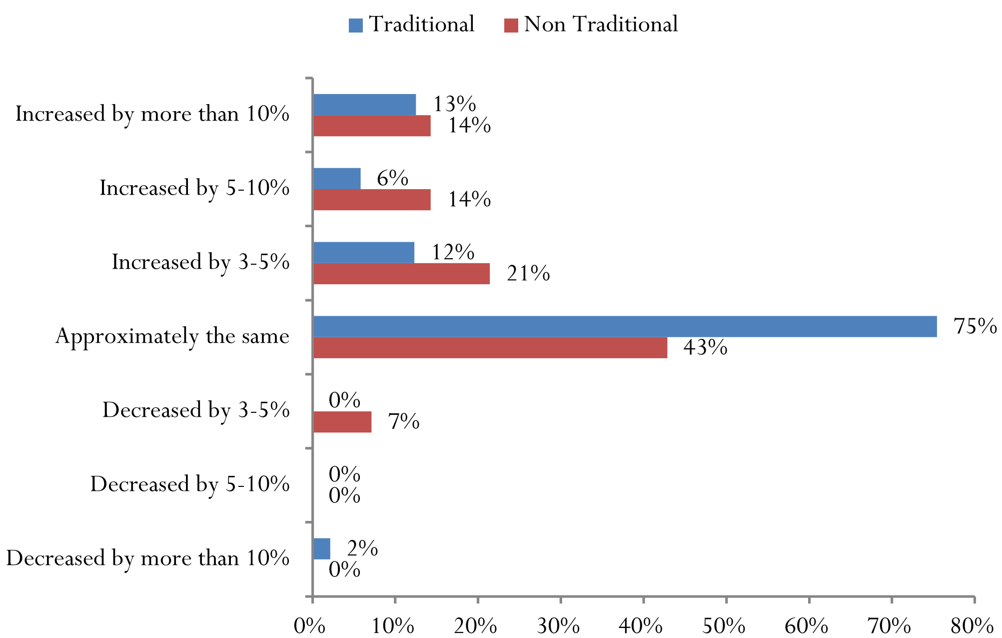




What do you believe the amount you allocate to venture capital in 2015 relative to 2014 will be?



Regarding Energy, how has your allocation changed relative to this time last year?



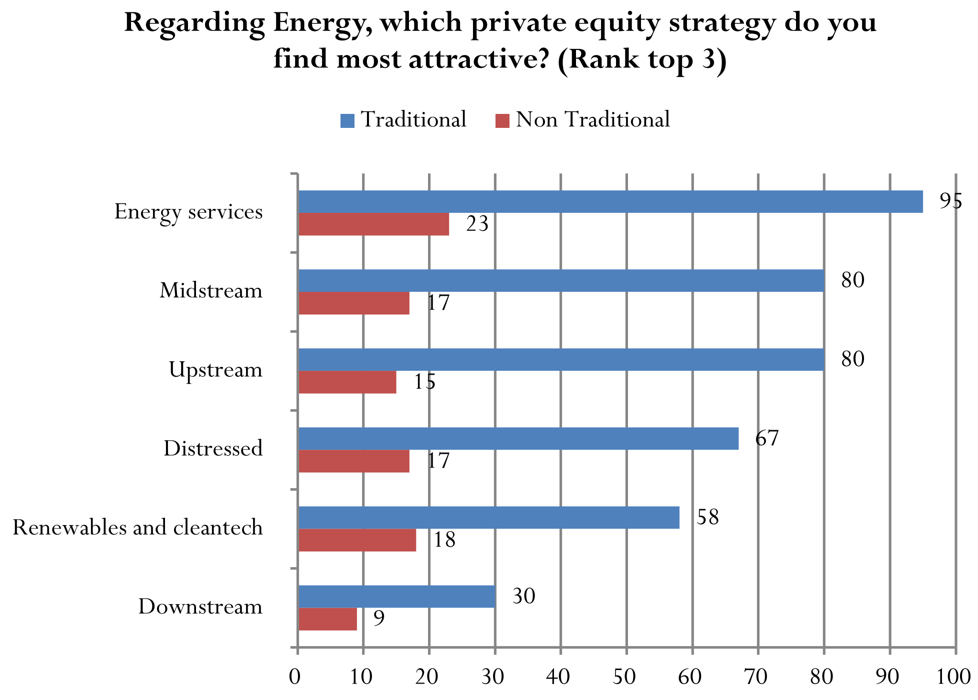
Within the increase of Venture Capital allocations, in 2015, a dramatic 12% of Traditional Investors expect to increase their allocation to Venture Capital by more than 10%, as compared with only 1% in 2013.

Overall, only a small percentage of surveyed respondents will decrease their Venture Capital allocation.

Allocation to Energy

Not surprisingly, given the energy market has corrected since our last survey and oil prices are hitting six-year lows, the percentage of Traditional Investors have increased their allocation to energy from 20% to 31% and Non Traditional Investors have increased it twofold from 24% in 2013 to 49% in 2015.

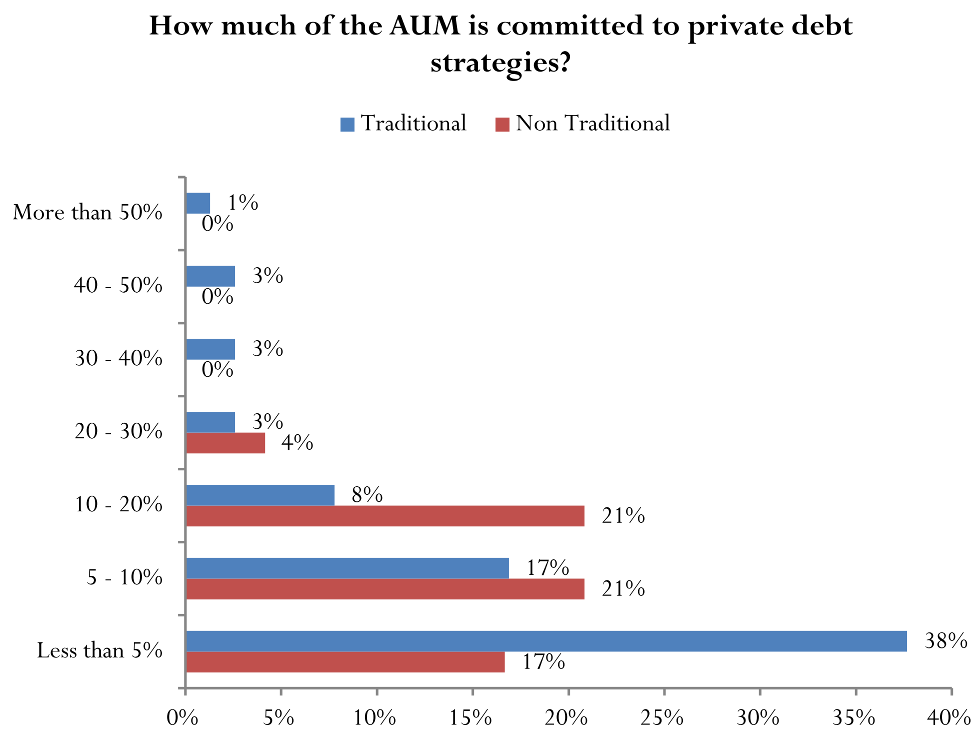
We see a fairly consistent responses across strategies. It's surprising to see the relative attractiveness of renewables and cleantech given the low oil prices.



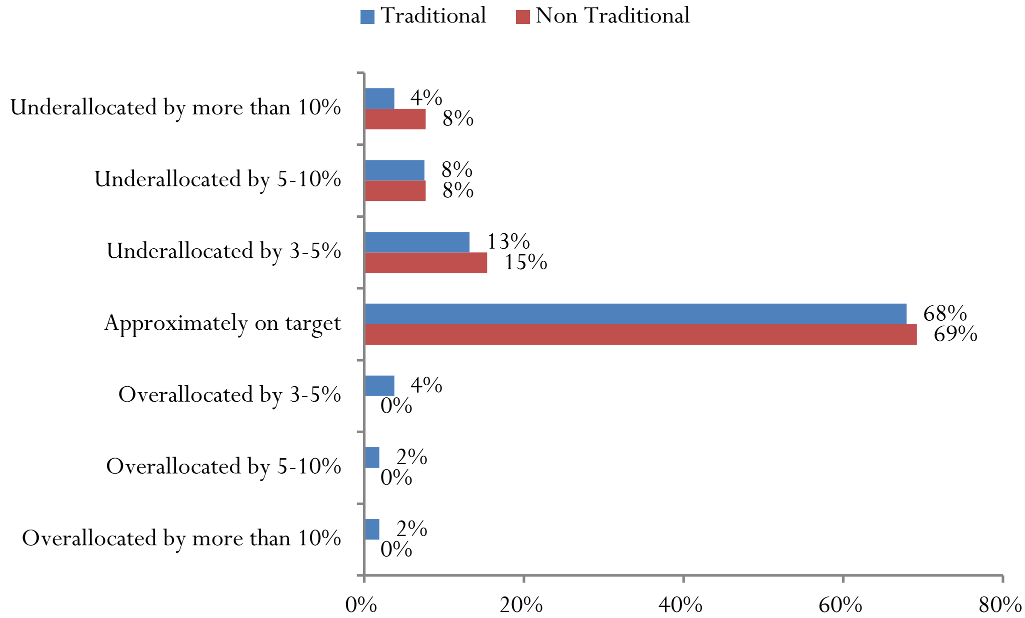
Allocation to Private Debt Strategies

While creating the 2015 survey, we wanted to get a perspective from LPs regarding their allocation to private debt.

We found that close to three quarters of Traditional Investors and more than two thirds of Non Traditional Investors, have an allocation for this strategy.

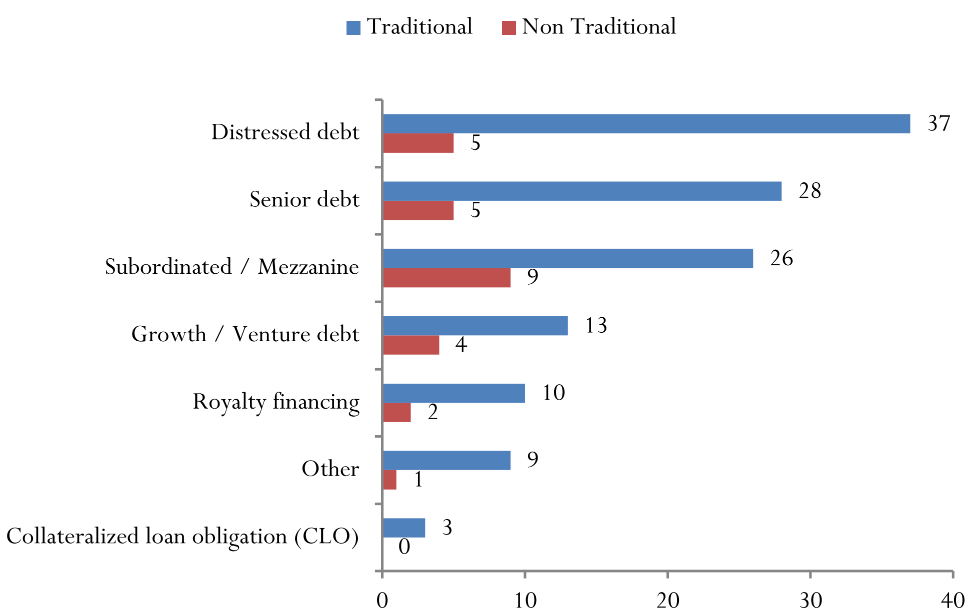


What is your actual allocation versus your target allocation for private debt strategies?



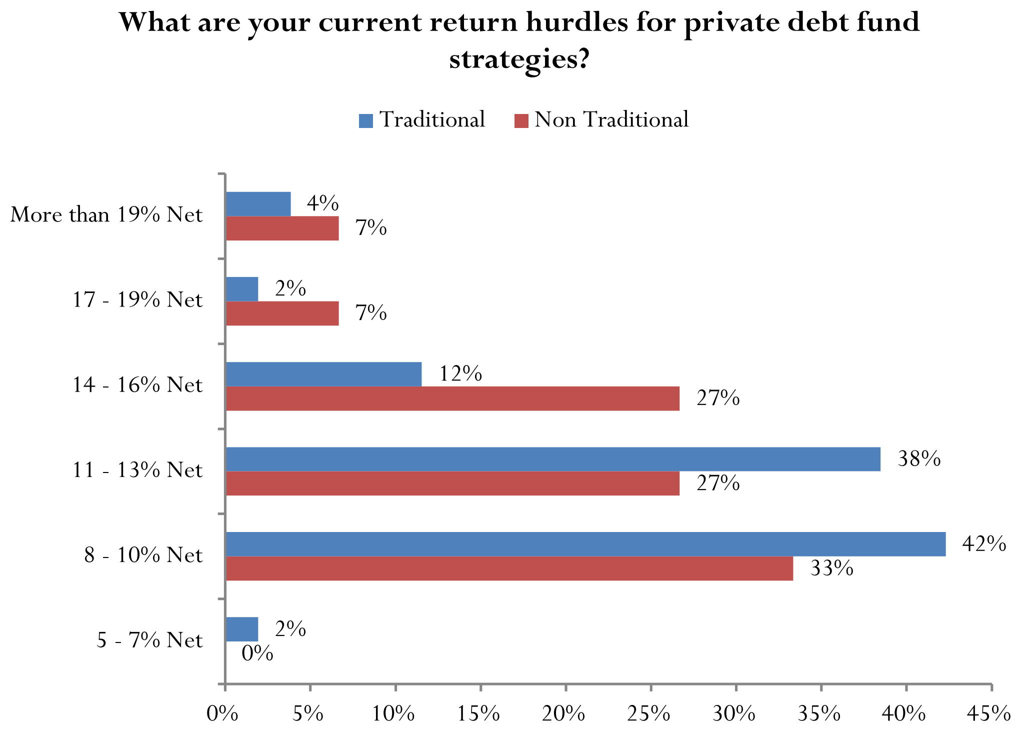
Approximately 25% of the surveyed Traditional Investors are currently below their target allocation for private debt. On the other hand, only 8% of Traditional Investors are overallocated.

Which types of private debt strategy do you find most attractive? (Tick all that apply)



Consistent with the view on the correction in the credit markets in the near term, Traditional Investors ranked distressed debt as the most attractive private debt strategy, while Non Traditional Investors ranked subordinated/mezzanine as most attractive. Senior debt ranked second for all respondents.

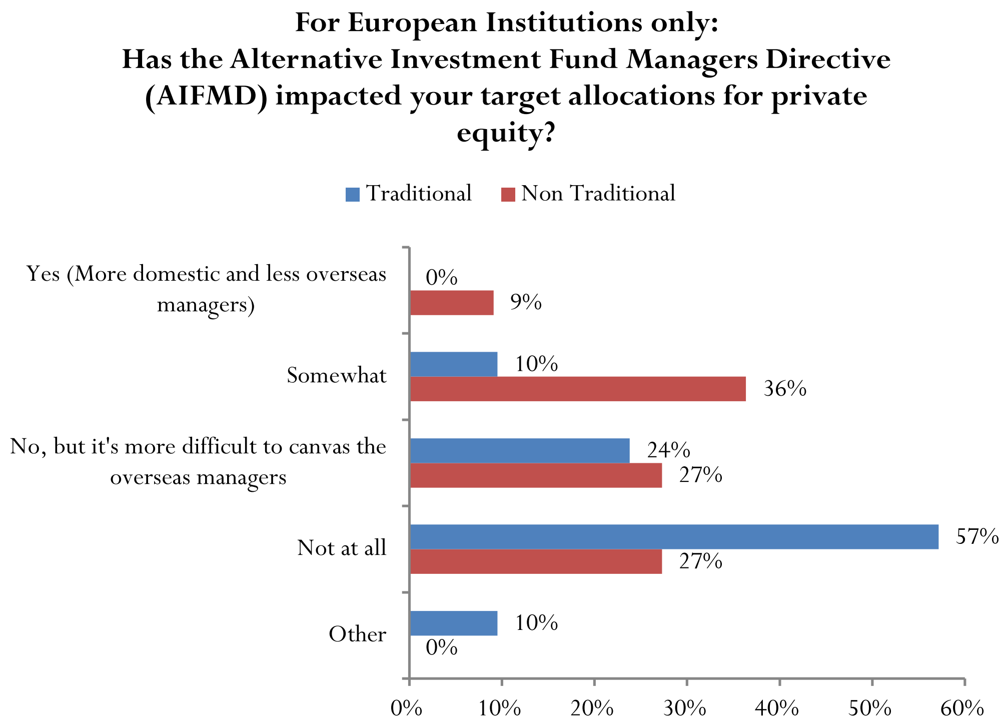
The survey results established 8% net as the minimum return hurdle for most LPs. It is surprising to see 18% of Traditional Investors requiring a 14% net return hurdle in this environment.



Alternative Investment Fund Managers Directive (AIFMD)

The AIMFD is a directive in European Union law that regulates European fund managers and seeks increasing transparency as well as tighter supervision.

We wanted to assess the impact of the AIFMD in the allocation to private equity in our European LP respondents and found that overall, Non Traditional Investors were more impacted than Traditional Investors.



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