PENDLEBURY HALL ADVISORS, LLC

ABOUT

Pendlebury Hall Advisors, LLC is a management consulting and capital placement firm partnering with investment managers focused on private market strategies.

Pendlebury Hall Advisors, LLC leverages its deep experience with institutional and private wealth investors to better partner with investment manager clients offering private market strategies for distribution and ongoing client servicing.

CONTACT

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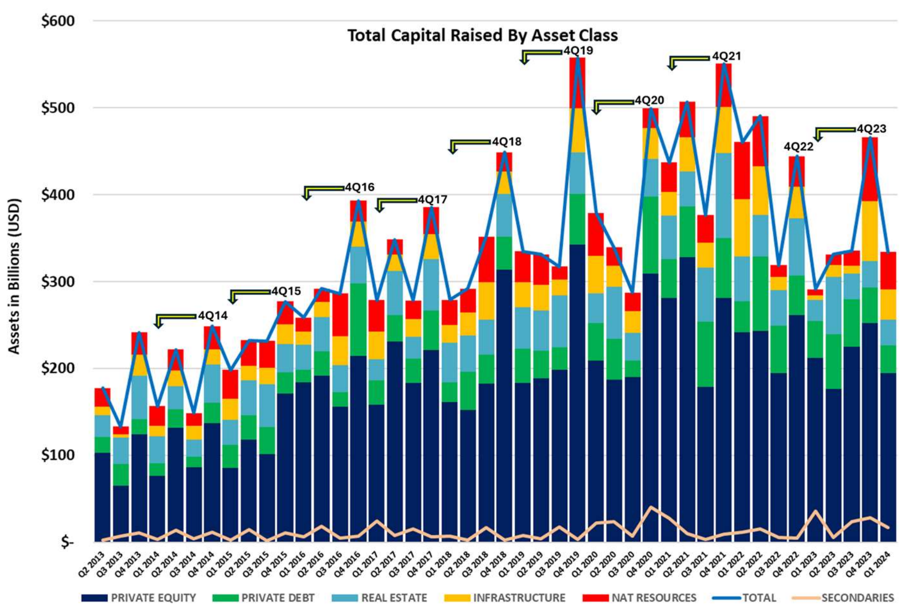
MARKET INSIGHTS – 2Q2024

Welcome and thank you for taking the time to read Market Insights. Market Insights has been created to assist allocators, investment managers as well as other industry providers and participants. Our mission is to provide commentary on marketplace trends in private markets investing to create greater awareness and enable industry participants to make more informed investment decisions.

MARKET SNAPSHOT – Interesting trends are in place for private investments. We begin with a historical perspective of fundraising activity:

- Over the last 10 years, with the notable exception of 2022, fourth quarter fundraising activity each year has handily outpaced the previous three quarters
- Over this same time period, the robust fundraising activity in the fourth quarter is followed by a precipitous decline in fundraising for the first quarter of the new year
- Fundraising for 1Q24 followed this pattern, but with a YOY increase compared to 1Q23 – headlines noted the unfavorable environment for capital raises, however, the largest GPs countered the trend



Source: Data sourced from Preqin Ltd.

- For 1Q24, there were a number of important observations for fundraising activity for individual asset classes:
  - Continued resurgence in infrastructure and natural resource activity as investors pursued inflation-hedging investments
  - Secondaries dipped slightly but remained above historical levels with a notable surge in direct secondaries funds
  - Private debt was at its lowest level since 3Q2020 in the backdrop of a recent slew of noteworthy criticism from select market participants concerning fundraising activity over the last three years

BEHIND THE NUMBERS – Digging a bit deeper, perhaps the biggest trend in place is a theme where the “large are getting larger” as both experienced and new entrant investors are favoring large, established GPs with “name brand” recognition:

PENDLEBURY HALL
PRIVATE FUND ADVISORS

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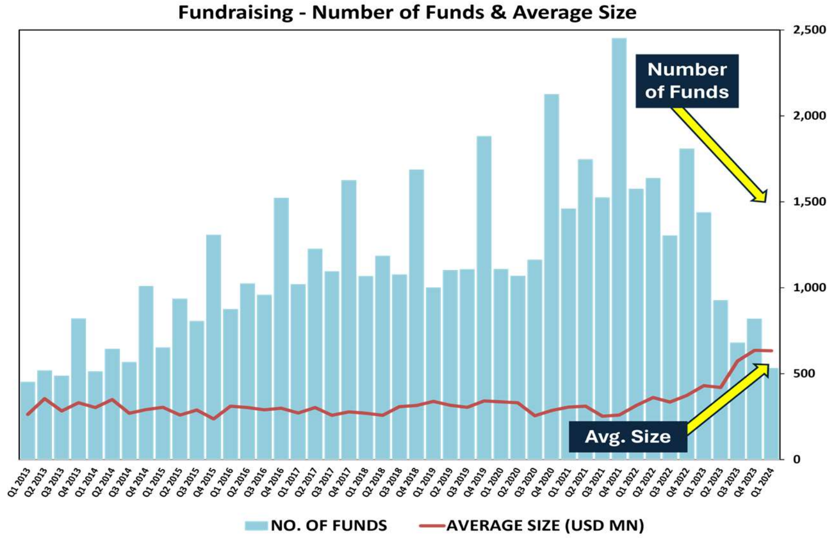
BEHIND THE NUMBERS, CONT'D.

- Historical highs were achieved for 4Q23 and 1Q24 where the average private fund size for each quarter surpassed the $630 million level
- Since peaking in 4Q21, the number of private funds raising capital has steadily declined to levels today not seen since 2014

Fundraising - Number of Funds & Average Size



Source: Data sourced from Preqin Ltd.

- Interestingly, the numbers excluded "mega raises" in US public and private closed-end funds such as BDCs and Interval funds particularly with private debt funds
- We see several reasons for investors currently favoring large funds:
  - Further "democratization" of private funds driven by private wealth appetite and evolving distribution channels where perceived safety of brand names, particularly in times of economic uncertainty, are more marketable to HNW clientele
  - Negotiated economics for investors aggregating assets across investment mandates with single investment providers
  - Growing desire by some large, institutional investors and gatekeepers to better manage and consolidate GP relationships
  - Some allocators have paused placement activity given their specific situations coupled with liquidity and exit environment concerns
  - Concerns with return and liquidity expectations from VCs
- Can these mega funds deliver on performance expectations? Many experienced LPs and gatekeepers are skeptical. We predict rising demand on the horizon for small- and mid-size private funds.

As always, we welcome constructive dialogue and feedback that will benefit industry participates as a whole. Thank you for reading! -Troy