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Investor sentiment towards private equity rises with LPs bullish about the year ahead – Rede Liquidity Index (RLI)

- **Overall 1H2018 RLI score of 65 indicates LPs expect to deploy more capital to private equity over the next twelve months**
- **Bias towards new relationships, with LPs in general expecting to deploy more to new groups in 2018 compared to 2017 which for many was dominated by re-ups**
- **Strongest scores by geography shown by Nordic, UK, Benelux and US LPs, all with scores above 65**
- **Sentiment powered by distribution expectations which are up for third half in a row (62 in 1H2018 versus 57 in 2H2017 and 55 in 1H2017)**
- **Co-investments remain popular amongst LPs with a strong score of 70 – 96% of LPs said they expect to deploy the same or more through co-investments in 2018**
- **Secondaries score remains consistent with 2H2017, showing expected flat deployment on the back of a record fundraising year in 2017**
- **Index represents views of LPs with over €6.4 trillion in assets under management and over €1.3 trillion in capital allocated to Private Equity**

Strong momentum in the private equity industry is set to continue, as LPs expect to allocate even more to the asset class over the next 12 months, according to the 1H2018 edition of the Rede Liquidity Index (RLI), an industry benchmark assessing investor sentiment towards the asset class.

95% of LPs surveyed by Rede Partners said they expect to increase or maintain their existing allocations to primary funds over the next year, leading to an overall RLI score of 65 vs 62 in 2H2017.

This is on the back of a record fundraising year in private equity in 2017 and clearly implies the strong market is set to continue into 2018.

The findings are based on the views of 166 global institutional LPs, representing over €6.4 trillion in assets under management and approximately €1.3 trillion in capital allocated to private equity.

Similar to the Purchasing Managers Index (PMI), a baseline score of 50 represents no change, whilst a score above 50 indicates an expectation to increase private equity commitment over the next 12 months. A score beneath indicates an expectation to deploy less.

LPs' expectations for receiving capital back through distributions continues to rise

LPs are expecting to receive significantly more back from managers via distributions over the next 12 months compared to when asked last year – 52 in 1H2017, 57 in 2H2017 and 62 in 1H2018. This is on the back of a continued strong market, high multiples and significant dry powder looking for a home.

Commenting Adam Turtle, Partner and Co-founder at Rede Partners said: *"On the back of another record year for fundraising, investor sentiment towards private equity has gone from strength to strength. Global investors continue to reap the benefits of strong performance over the past few years and this is leading to increased allocations to private equity.*

"That is the good news. The bad news is that it is fiercely competitive and investors are time poor. GPs looking to raise new funds must focus on articulating a clear, compelling and distinctive investment case in order to gain attention and be successful."

Strongest scores by geography shown by Nordic, UK, Benelux and US LPs, all with scores above 65

LPs across US and Europe are looking to deploy more to private equity in 2018, with the strongest sentiment shown by Nordic, UK, Benelux and US LPs.

US-based LPs are significantly more confident about investing in primary funds in comparison to 2H2017, as the RLI score jumped to 67 from 51. This represents a higher score than Europe, where the latest RLI for primary funds is 66. This is a marked change compared to sentiment in 2017, where European investors had a score that was 14 points higher than their US counterparts in 1H2017 and 18 points higher in 2H2017.

Commenting Scott Church, Partner and Co-founder at Rede Partners said: *"The positive sentiment towards private equity surged ahead in the US where the asset class has been producing exceptionally strong results in recent years. Through a year of tax reform, buoyant equity markets and political uncertainty, investments in the asset class have outperformed and LPs plan to deploy more capital in the year ahead. As equity volatility has been reintroduced to the market in 2018, we can expect institutional investors to continue to allocate to private equity over the coming months to anchor more stable returns."*

Co-investments remain important amongst LPs with further demand anticipated

Co-investments remain a key and increasing area of deployment for LPs investing in private equity. Last year, the 2H2017 RLI revealed a score of 69 for co-investments with the latest data revealing an increase to 70. Notably, 96% of LPs said they intend to deploy the same or more through co-investments in 2018, with 45% indicating an increase on last year.

Secondaries score remains consistent with 2H2017, showing expected flat deployment on the back of a record fundraising year in 2017

With a score of 45, the RLI is marginally up vs the score of 43 in 2H2017, but still showing that LPs expect to deploy slightly less to secondaries in the 12 months ahead. This follows a record year in 2017 with $38bn raised for secondaries funds, up 33% from 2016 which was also a record year at $29bn raised.

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. 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. 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 respondents expected 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 €19 billion for its clients. With a well-resourced 40 person team based in London and New York, 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 client’s objectives, helping them tackle the challenges and opportunities of today’s capital raising environment.