FOR IMMEDIATE RELEASE

Private equity still in growth mode despite dip in UK sentiment – Rede Liquidity Index (RLI®)

- **2H2018 RLI® released today – score of 63 shows private equity remains in growth mode with 90% of RLI Panellists expecting to increase or maintain levels of capital deployment in the next year**
- **However, Europe has seen a softening in sentiment – particularly the UK, which is down 18 points compared with the first half of the year (H2 2018 55 vs H1 2018 73)**
- **In the UK, investors expect a slowdown in capital returned by managers for the first time since the RLI's inception in H1 2017**
- **Investors continue to show high demand for co-investing alongside private equity managers with 93% stating that they intend to maintain or expand co-investment activity in the next year**
- **In contrast, appetite for secondaries remains subdued (44), suggesting an overall contraction in commitments over coming months**
- **Institutional investors are increasingly open to exploring new relationships with private equity managers with a growing preference for commitments to new over existing relationships**
- **Index represents views of a panel of global institutional investors with in aggregate over €5 trillion in assets under management and over €800 billion in capital allocated to private equity**

90% of LPs surveyed by Rede Partners for the **2H2018 Rede Liquidity Index (RLI®)** said they expect to increase or maintain their existing allocations to primary funds over the next year, leading to an overall RLI score of 63, down slightly from 65 in 1H2018.

Expectations for the private equity market remain strong, according to the RLI, an industry benchmark assessing investor sentiment towards the asset class. Despite this, there has been a modest cooling in investor expectations for growth in private equity commitments over the last six months.

The findings are based on the views of the RLI Panel, a group of the 144 of the world's largest institutional investors, representing in aggregate over €5 trillion in assets under management and approximately €800 billion 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.

Sharp downswing in sentiment amongst UK institutions

The decline in the overall RLI figure is driven almost entirely by an overall reduction of market sentiment in Europe (61), as the UK suffered a sharp downswing, with the local RLI score down 18 points from 73 in 1H2018 to 55 in 2H2018.

As allocation expectations have come down for UK LPs, so have their expectations of distributions from the asset class (42). This drop in sentiment has been felt across the European continent, as the region as a whole produced a score of 52 for distribution expectations, down 11 points on 1H2018.

Despite this, investment activity amongst UK panellists remains resilient. At 55, the overall RLI score for the UK continues to signify overall expectations for market growth.

Commenting Adam Turtle, Partner and Co-founder at Rede Partners said: *"While the UK is currently gripped by Brexit uncertainty, which seems to be having an impact on UK investors, the RLI demonstrates private equity's reputation as an increasingly attractive asset class for institutional investors.*

"As economic uncertainty rumbles on, many investors continue to be encouraged by private equity's resilience and ability to ride out short term volatility. It's unsurprising to see that European institutional investors are reasserting their vote of confidence, planning on upping commitments to the asset class over the next 12 months.

"The private equity industry has become used to record capital inflows from investors over recent years. Although we are still in a period of growth, if allocations begin to slow down it will be essential for private equity managers to prove they are able to add real value and deliver something unique that differentiates them from the herd if they are to remain competitive in months to come."

LPs churn relationships, replacing existing managers with new relationships

After 2017 was dominated by existing manager re-ups, much of the anticipated growth in private equity deployment is now likely to be driven by institutional investors exploring new relationships, replacing existing investee platforms with new managers. The overall RLI score for deployment to existing relationships has fallen three points to 58 for 2H2018, while the figure for new relationships has increased by 1 to 66.

Experiencing the largest swing in sentiment towards new and existing relationships were North American LPs. Investors in the region gave an RLI score of 55 for existing relationships, down 7 since 1H2018, while appetite for new relationships ticked up 4 points to 66.

Commenting Scott Church, Partner and Co-founder at Rede Partners said: *"North American LPs are preparing to branch out and explore new relationships over the coming year, which is a very positive sign of confidence in the market alongside bullish sentiment towards both allocations and distribution expectations from investors in the region."*

Appetite for co-investments remains strong across the board

Co-investments remain a key area of focus for LPs over the next 12 months, as 93% of RLI respondents plan on increasing investment or keeping allocations to the strategy the same. Both Europe and North America remain bullish about co-investments, scoring 70 and 68 respectively.

While most types of investors remain bullish, the score registered by the insurance sector fell by 13 points to 56, representing the most bearish investor category when it comes to co-investments. This is compared to high levels of confidence from fund of funds, which scored an RLI score of 81.

Secondaries set for slowdown of commitments in the next 12 months

With a score of 44, the RLI is relatively unchanged compared with the last two editions of the Index. 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.

However, while the overall RLI score for secondaries remains under 50, investors are slightly more bullish towards the asset class than they were at the beginning of 2018.

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. 144 global LPs participated in the survey representing over €5 trillion in assets under management and approx. €800 billion 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 €19 billion for its clients. With a well-resourced 38 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.