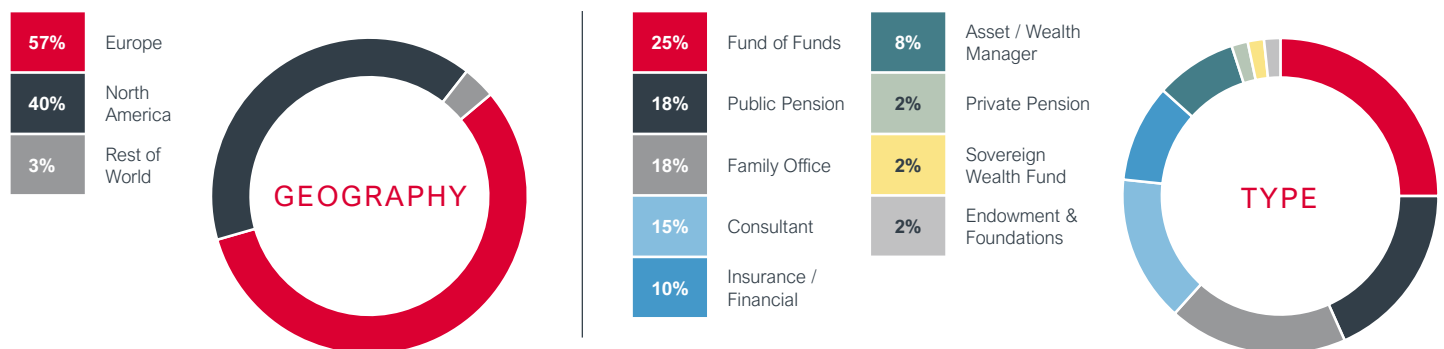


Rede Partners COVID-19 PULSE REPORT

ISSUE FOUR
7th MAY 2020

The Rede Partners COVID-19 Pulse Report is a regular publication aggregating *short term* feedback from LPs on their response to the unfolding Coronavirus crisis. This issue of the Pulse Report is based on a series of questions addressed in conversations with approximately 60 institutional investors from 21st April – 4th May, representing > €6.5 trillion in AUM. Note that not all conversations addressed each question. Additional data on the respondents by LP type and geography is depicted below.

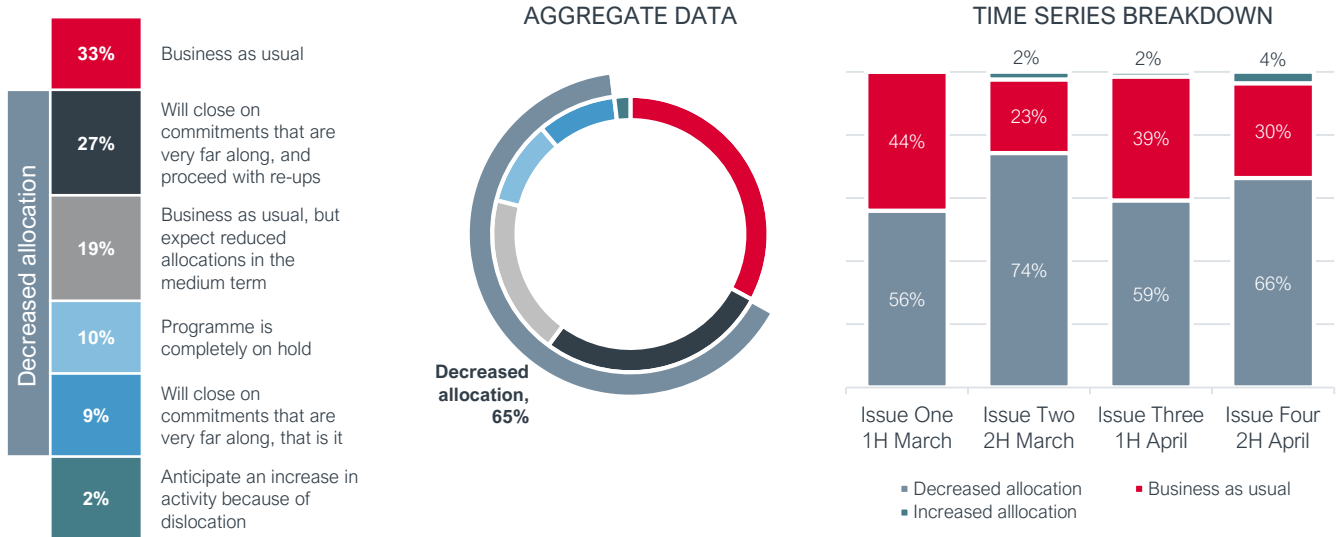
BREAKDOWN OF LIMITED PARTNERS SURVEYED



KEY FINDINGS FOR ISSUE FOUR

- ▶ As the impact of the pandemic solidifies, our data depicts a clear trend amongst LPs toward reduced deployment - **with 65% of LPs expecting to reduce deployment to private equity in the near to medium term**. That said, only a small minority of programmes report being completely on hold (10% of total), with LPs in Europe more likely than those in North America to report this (12% vs. 7%).
- ▶ Over recent weeks we have seen an intense focus on the impact of COVID-19 on quarterly valuations. Most LPs are modelling for a two-step write-down process across the first and second quarters, with more modest haircuts in Q1 followed by a steeper decline for Q2. **Between 31 December 2019 and 30 June 2020 62% of LPs expect valuations to dip by 11-25% while an additional 28% of LPs expect a more severe adjustment**. Many LPs suggested further nuance depending on the balance of venture, growth and buyout and the mix of sector exposure.
- ▶ We see a **clear squeeze on 'new money commitments.'** Reduced allocations, combined with logistical diligence challenges and a more conservative mindset are restricting appetite to commit to new GP relationships across the board. **Where LPs are willing to commit to new GPs, 49% would only commit capital if they had already built a strong relationship face-to-face prior to the pandemic's onset**. Another 23% suggested that they could commit to new relationship GPs with 'exceptional, cycle-tested' performance, which corroborates our polling that **65% of LPs expect to make no commitments at all to first time funds in 2020**.
- ▶ We note a clear shift in dialogue between LPs and GPs regarding fund terms and conditions. In order to attract a more limited pool of capital, GPs are providing increased flexibility around fundraise timing and target fund size. **62% of LPs have witnessed an uptick in first close fee discount incentives**. In the majority of these cases, LPs are reporting a fee discount of 5-10 bps, typically on the full duration of the fund investment.
- ▶ With fundraising success expected to bifurcate sharply between 'winners' and 'losers', GPs are seeking ways to stack the odds in their favour. High on the list is retaining a high-quality fundraising adviser. **72% of LPs expect to see a significant increase in GP engagement of placement advisers**, including many well-established, high performing managers who may previously have taken a more hands-off approach to fundraising.
- ▶ Perhaps due to the global nature of this pandemic, we are seeing signs of an increased focus on sustainability and ESG. **34% of LPs expect to see an increased focus on ESG implementation** across their GP relationships, with accelerated take-up of more sophisticated "ESG 3.0" frameworks. Another **31% (most prominently from European LPs) indicated an uptick in interest to allocating to top performing GPs with a sustainability/impact angle**.

Q1: HOW HAVE YOUR INVESTMENT PROCESS AND ALLOCATION PLANS BEEN IMPACTED BY RECENT EVENTS? ¹



Q2: WHAT CHANGE IN AGGREGATE PRIVATE EQUITY PORTFOLIO VALUATION DO YOU EXPECT FROM 12/31 TO 3/31?



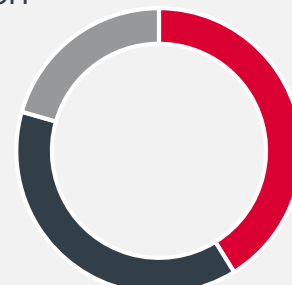
Q3: WHAT CHANGE IN AGGREGATE PRIVATE EQUITY PORTFOLIO VALUATION DO YOU EXPECT FROM 12/31 TO 6/30?



SPOTLIGHT ON FEES AND INCENTIVES

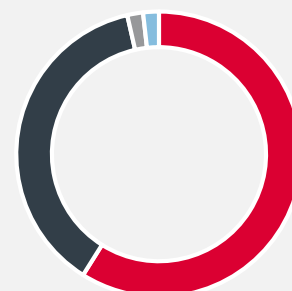
Q4: HAVE YOU SEEN FUNDS INTRODUCE FIRST CLOSE INCENTIVES SUCH AS MANAGEMENT FEE DISCOUNT?

41%	Yes, but it's the rare exception
38%	No
21%	Yes, with increasing frequency



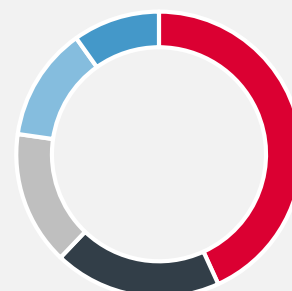
Q5: IF YOU HAVE SEEN FUNDS INTRODUCE MANAGEMENT FEE DISCOUNTS, WHAT DO THEY LOOK LIKE?

59%	5 – 10bps off for duration of investment
37%	5 – 10bps off for first year of investment / until capital is invested
2%	11 – 20bps off for duration of investment
2%	11 – 20bps off for first year of investment / until capital is invested



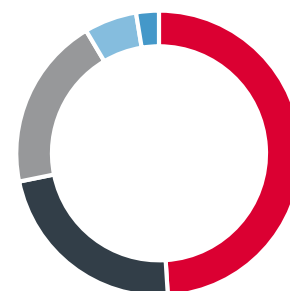
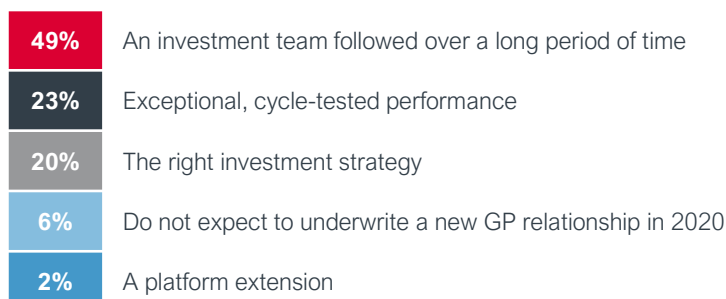
Q6: ARE THERE OTHER FUND TERMS THAT YOU ARE SEEING NEGOTIATED?

43%	Close timing
19%	First close management fee incentives
15%	No
13%	Fund Size
10%	Other

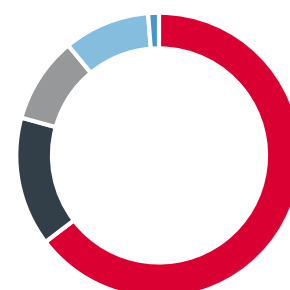
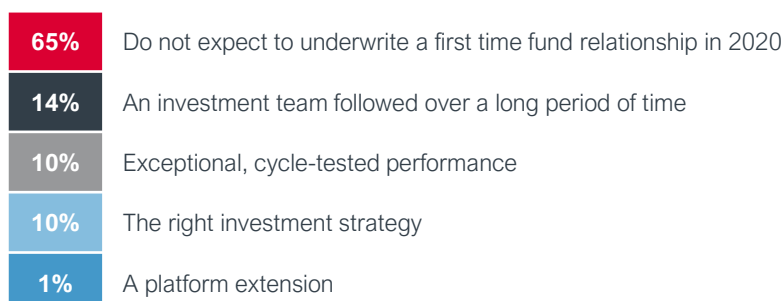


- ▶ LPs are demonstrating flexibility in order to provide GPs with runway to deliver successful outcomes via fundraising extensions, flexibility on concentration limits and, in some cases, supporting creative liquidity solutions.
- ▶ Meanwhile, in order to attract the more limited pools of available capital, we are seeing GPs provide flexibility as well. Although there are a few rare exceptions of accelerated closing timelines, **43% of LP respondents reported seeing more flexibility on this front.**
- ▶ **Approximately 62% of LPs have witnessed fee discount incentives to participate in a first close,** most prevalent at larger fund sizes. Discounts are usually in the range of 5-10 bps, typically on the full duration of the LP's investment.
- ▶ Finally, there seems to be more measured expectations around fund size, with the focus on **securing the right amount of capital in order to successfully capitalize on an opportunity set.** In some cases we see LPs actively pushing back on this point, while in other cases GPs are pro-actively making more conservative decisions.

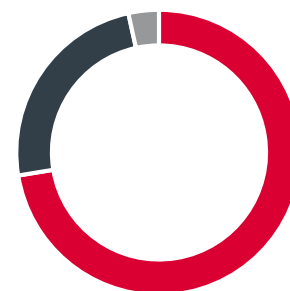
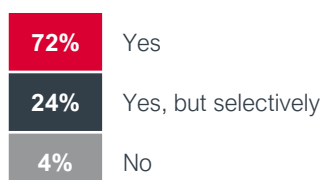
Q7: WHAT WOULD YOU REQUIRE IN ORDER TO UNDERWRITE A NEW GP RELATIONSHIP IN 2020?



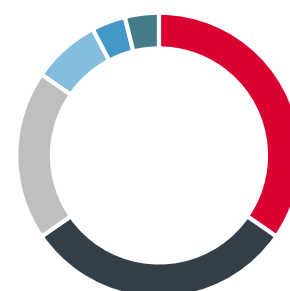
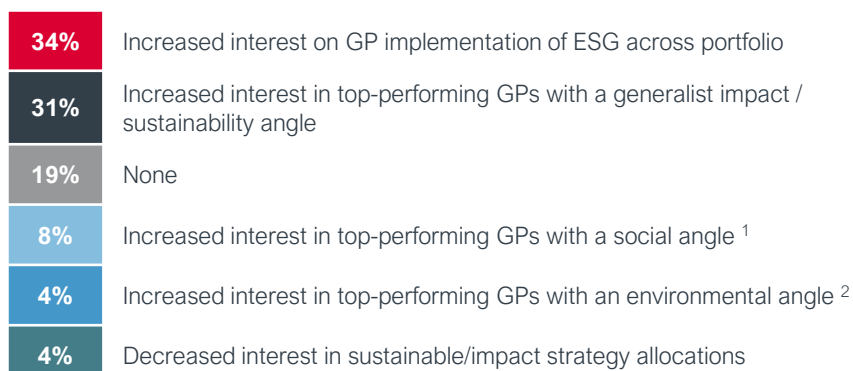
Q8: WHAT WOULD YOU REQUIRE IN ORDER TO UNDERWRITE A FIRST TIME FUND RELATIONSHIP IN 2020?



Q9: DO YOU ANTICIPATE INCREASED GP INTEREST IN WORKING WITH PLACEMENT AGENTS?



Q10: WHAT IMPACT WILL THIS CRISIS HAVE ON INTEREST IN SUSTAINABLE/IMPACT INVESTMENT STRATEGIES?



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