Rede PARTNERS

LIQUIDITY INDEX

2H 2022

November 2022

SUMMARY

HEADLINE FIGURES

"Over the next 12 months do you expect to:

INCREASE (>) MAINTAIN (=) DECREASE (<)

capital deployment to private equity?"

1H 2022		2H 2022
> 26%	55	> 17%
= 57%	41	= 48%
< 17%		< 35%

The overall Rede Liquidity Index score for 2H 2022 of 41 means that on average, LPs expect a decrease in deployment of capital to PE funds over the next 12 months. This has dropped from a score of 55 in the previous RLI survey conducted six months ago.

KEY FINDINGS

1 LOWEST RLI SCORE ON RECORD INDICATES A LIKELY SLOWDOWN IN LP DEPLOYMENT TO PE

Against a backdrop of macroeconomic uncertainty and volatility, the RLI score for 2H 2022 has dropped 13 points to 41 - the lowest RLI score on record – indicating that LPs on average expect to reduce commitments to new funds over the next 12 months.

2 SHARP DROP IN EXPECTED DISTRIBUTION VOLUMES IS A KEY AREA OF CONCERN FOR LPS

With many exit processes on hold or delayed, the RLI for distributions has fallen sharply to a record low of 11. 84% of LPs now expect a reduction in capital returning to them via distributions over the next 12 months. A slow pace of exits was most commonly cited by LPs asked to identify their concerns as they plan their deployment programme for 2023.

3 DESPITE A CONTINUED SQUEEZE ON COMMITMENTS TO BOTH NEW AND EXISTING GP RELATIONSHIPS, LPS STILL HAVE CAPITAL TO ALLOCATE

Despite the liquidity squeeze, it is clear that LPs do still have capital to allocate – two thirds of investors reported their private markets portfolio sitting at the middle or lower end of their target allocation. However, with the fundraising market continuing to be crowded, we expect to see fierce competition for LP commitments. A record low RLI of 39 for new money commitments highlights the limited capital available for new GP relationships, while the steep drop in the RLI for existing GP relationships from 56 to 42 indicates a significant raising of the bar to secure re-ups.

4 LOWER MIDMARKET AND MIDMARKET BUYOUTS REMAIN FAVOURED ROUTE

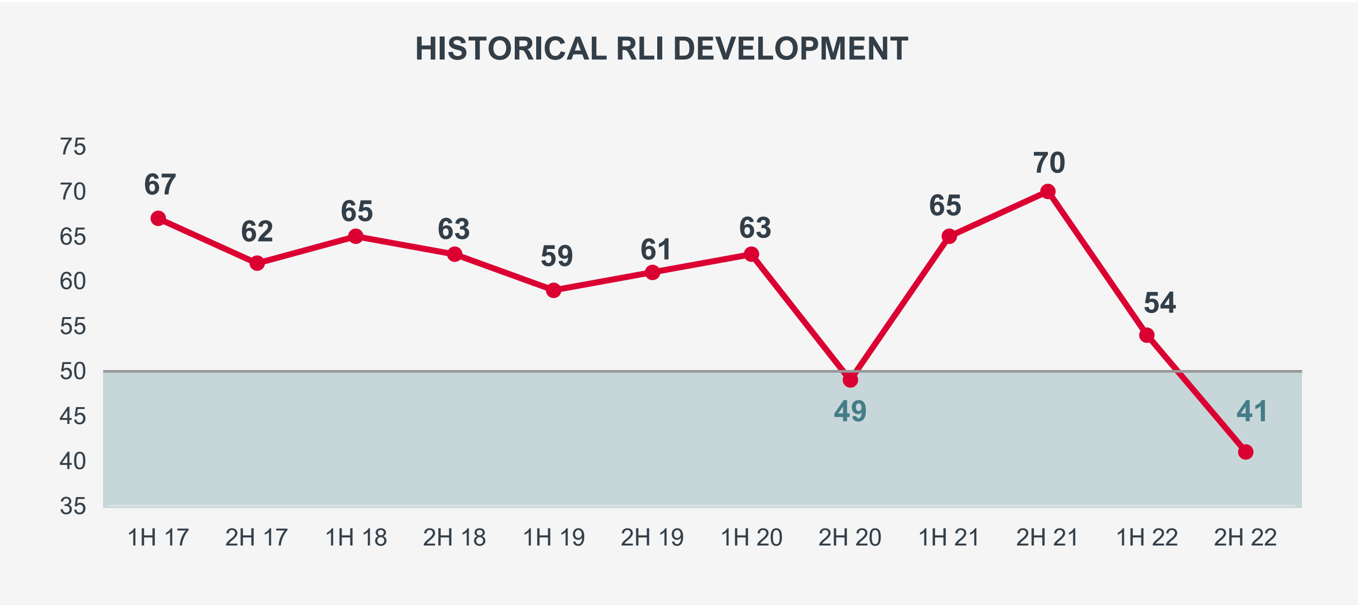
Around a third of LPs are planning to increase exposure to Lower Midmarket and Midmarket buyouts over the next year. Investors' recent interest in minority strategies has slipped, with only 15% of LPs planning to increase allocations to venture capital in 2023 and 14% expanding their growth equity exposure.

5 LPS FAVOUR HEALTHCARE, WHILE INTEREST IN SUSTAINABILITY/IMPACT AND TECHNOLOGY PERSISTS

30% of LPs plan to expand deployment to healthcare-focused funds in 2023, while LP enthusiasm for sustainability and impact has now overtaken technology.

SUMMARY

RLI DEVELOPMENT OVER TIME



RLI SUBINDICATORS

Subindicator	1H 2022 Result	2H 2022 Result
Existing Relationships	56	42
New Relationships	44	39
Distributions	33	11
Co-Investment	69	60
Secondary Funds / Purchases[1]	54	46
GP-Led Transactions	54	46

■ 1H 2022 Result ■ 2H 2022 Result

[1]For the first time, this edition splits the RLI for secondaries deployment into secondaries funds / purchases and GP-led transactions. For both of these new subindicators we show the 1H 2022 score for 'Secondaries Deployment' as a comparator.

KEY FINDINGS FOR 2H 2022

INTRODUCTION

Rede Partners is delighted to publish the 10th edition of the Rede Liquidity Index (RLI), looking at institutional investor sentiment towards private equity (PE) in the second half of 2022 and into 2023. Against a volatile macroeconomic and geopolitical backdrop, our research uncovers a challenging picture for private markets fundraising. After several years of growth, we believe that the PE fundraising market is now entering a period of reduced liquidity, with LP capital constraints contributing to a slowdown in fundraising momentum.

Despite this, our survey identifies several bright spots for our asset class. Many investors are planning to increase exposure to Lower Midmarket and Midmarket buyout strategies, while sector strategies focused on healthcare, sustainability/impact and technology remain favoured by LPs. Meanwhile, we expect to see continued growth in LP deployment to funds focused on North America and to their co-investment programmes.

1. Lowest RLI score on record indicates a likely slowdown in LP deployment to PE

Against a backdrop of macroeconomic uncertainty and volatility, the RLI score for 2H 2022 has dropped 13 points to 41 - the lowest RLI score on record – indicating that LPs on average expect to reduce commitments to new funds over the next 12 months.

Over a third (35%) of the LPs surveyed by Rede plan to decrease their capital deployment to PE in the next 12 months. The unprecedented convergence of factors impacting the economy would be reason enough for LPs' U-turn regarding their investment appetite, but we believe that there are also some specific industry-level challenges that are adding to this.

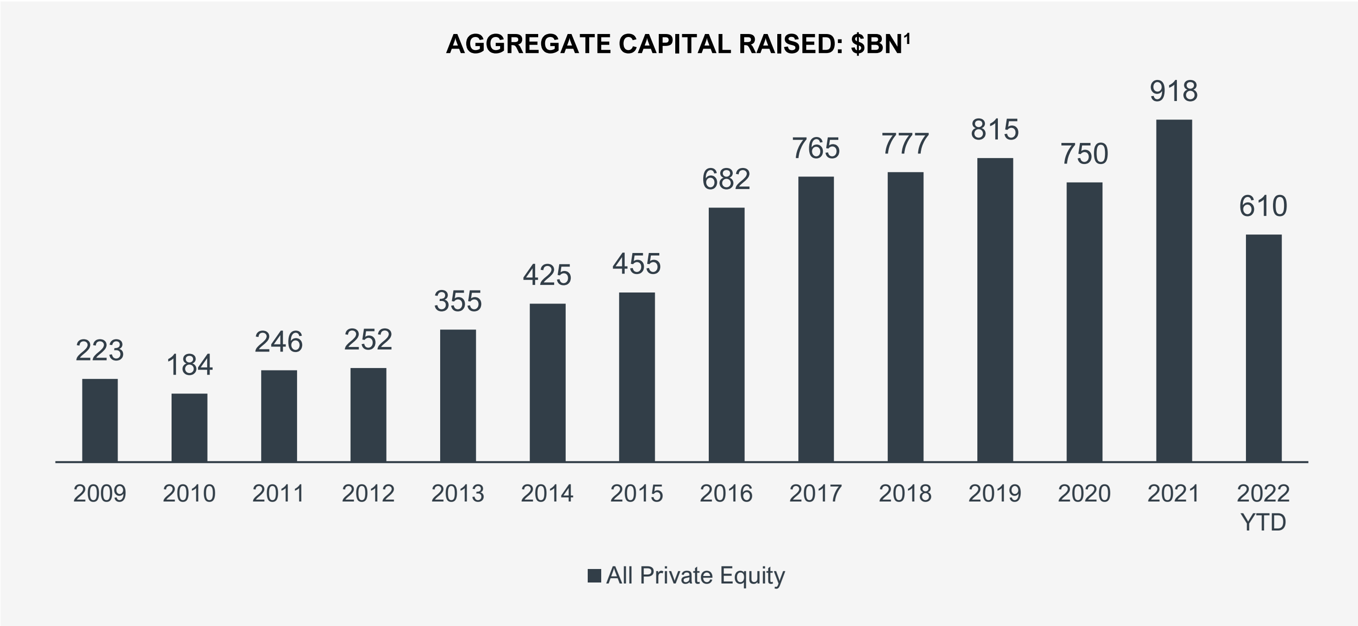
Twelve months prior to the latest RLI, in 2H 2021, Rede reported the highest RLI score on record, representing soaring investment appetite for PE. Now, however, the RLI has dropped to a record low, indicating that LPs are taking a small step back to re-evaluate.

This is the second time that the RLI has dropped below 50, indicating a reduction in liquidity; the first time being during the early part of the pandemic in 2H 2020 following a short-lived pause in the markets. While a year ago LPs expressed caution in the context of unprecedented levels of competition for capital, investors are now more focused on the effects of macroeconomic volatility on the asset class, which is slowing the pace of deployment.

Rede's report finds that 50% of LPs surveyed cited the slow pace of exits/DPI as a key concern for 2023, rising from 13% in 2H 2021. While investors anticipated a slowdown in distributions in 2021, this did not materialise and instead we saw a bounce back in the market. Now, however, with an RLI that is significantly lower than what we saw in 2020, macro conditions have caught up with the asset class.

With only two months to go in 2022, capital raised in the calendar year is significantly lower than totals recorded in the last five years, as evidenced by Preqin[1] data. Following a bumper year in 2021, where the industry experienced one of the best fundraising years in the industry's history, 2022/23 is set to be slightly more subdued. According to the latest RLI data, the next 12 months will see 32% of LPs lessen their capital deployment to existing relationships, in comparison to 51% and 17% of LPs planning to deploy the same and more to existing relationships, respectively. This suggests that even for established relationships, GPs fundraising in the next 12 months may struggle to secure capital. At present, we are already seeing a marked shift including: extended fundraising processes, fundraising cycles widening, more modest fund size targets and a slowdown in the launch of platform extensions.

KEY FINDINGS FOR 2H 2022



Source: Preqin. Includes all private equity categories. Does not include private credit, infrastructure or real estate.

> *When compared with the more dramatic swings seen in recent months across other asset classes including those in the public markets, the fact that the RLI continues to remain above 40 should be viewed as an indication of the overall robustness of PE as an asset class.*

Nonetheless, we cannot forget that past experience has taught PE investors about the risks of slamming on the breaks during a market adjustment. Despite the RLI indicating a cooling among LPs in PE fundraising momentum, it does not suggest a dramatic contraction. When compared with the more dramatic swings seen in recent months across other asset classes including those in the public markets, the fact that the RLI continues to remain above 40 should be viewed as an indication of the overall robustness of PE as an asset class.

WHAT THE NUMBERS MEAN

The RLI is a twice-yearly measure of liquidity across the PE LP universe, comprising a composite index with five sub-indicators. It is based on liquidity projections for the year ahead, with participating LPs asked if they were expecting to deploy more, the same or less to PE during the upcoming 12 months compared to the previous 12 months.

If 100% of respondents reported an increase, the index would be 100. If 100% reported a decrease, the index would be zero. If 100% saw no change, the index would be 50. So, an index score of over 50 indicates an improvement and, therefore, positive sentiment.

KEY FINDINGS FOR 2H 2022

2. Sharp drop in expected distribution volumes is a key area of concern for LPs

With many exit processes on hold or delayed, the RLI for distributions has fallen sharply to a record low of 11. 84% of LPs now expect a reduction in capital returning to them via distributions over the next 12 months. A slow pace of exits was most commonly cited by LPs asked to identify their concerns as they plan their deployment programme for 2023.

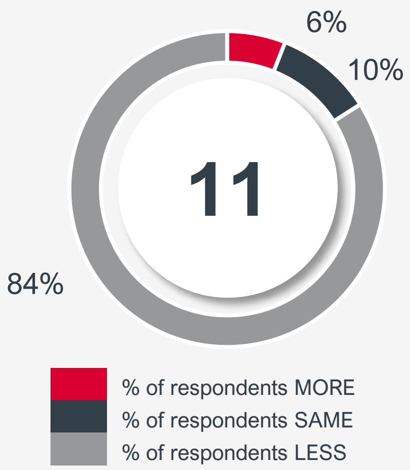
The record low score for distribution expectations is likely to have played a decisive role in the overall drop in the headline RLI.

Given the unprecedented nature of the boom in distribution capital returned to investors in 2021, the fact that LPs expect a decline in distribution volumes could be viewed as somewhat unremarkable – even if the economic environment remained strong, there are simply fewer unrealised investments remaining in portfolios after the recent rush to exit. In this context, the fall in distribution expectations could be viewed as simply a return to 'business as usual.'

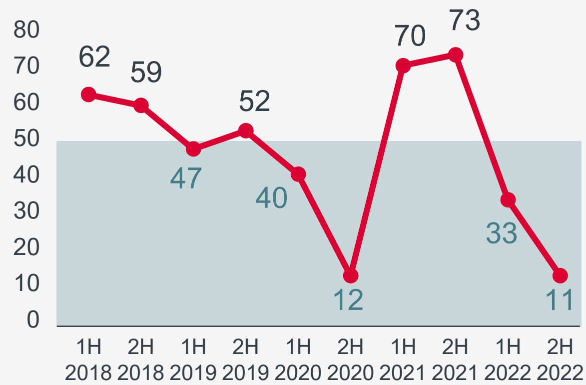
However, our survey results suggest a more serious picture. Firstly, macro uncertainty has led to a considerable closing of the IPO and SPAC markets, both of which are direct routes to exit, as well as catalysts driving M&A exit processes. Meanwhile, we have seen anecdotal evidence of GPs increasingly putting sale processes on hold. In some cases, the pause is a specific response to poor short-term trading, but in others, it is simply a bid to time the market. These delays to individual processes are now, in aggregate, contributing to a significant reduction in exit momentum, beyond the natural contraction expected after a record year such as 2021.

Secondly, our survey makes clear that the slowdown in exits will be a significant factor for LPs as they plan their deployment programmes for 2023. We know that distribution velocity has a direct effect on fundraising liquidity: typically, the more capital that is returned to LPs via distributions from exits, the more they can commit to new funds. When we asked LPs to list their most pressing considerations as they plan their 2023 investments, 50% cited a slow pace of exits / DPI as a key worry. With exits continuing to be subdued in the latter half of 2022 and likely into 2023, LPs may encounter a liquidity bottleneck, with insufficient capital flowing back to their programmes.

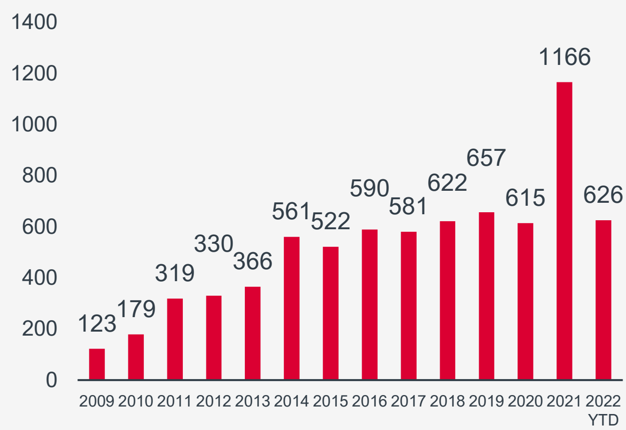
HOW MUCH CAPITAL DO YOU EXPECT BACK THROUGH DISTRIBUTIONS?



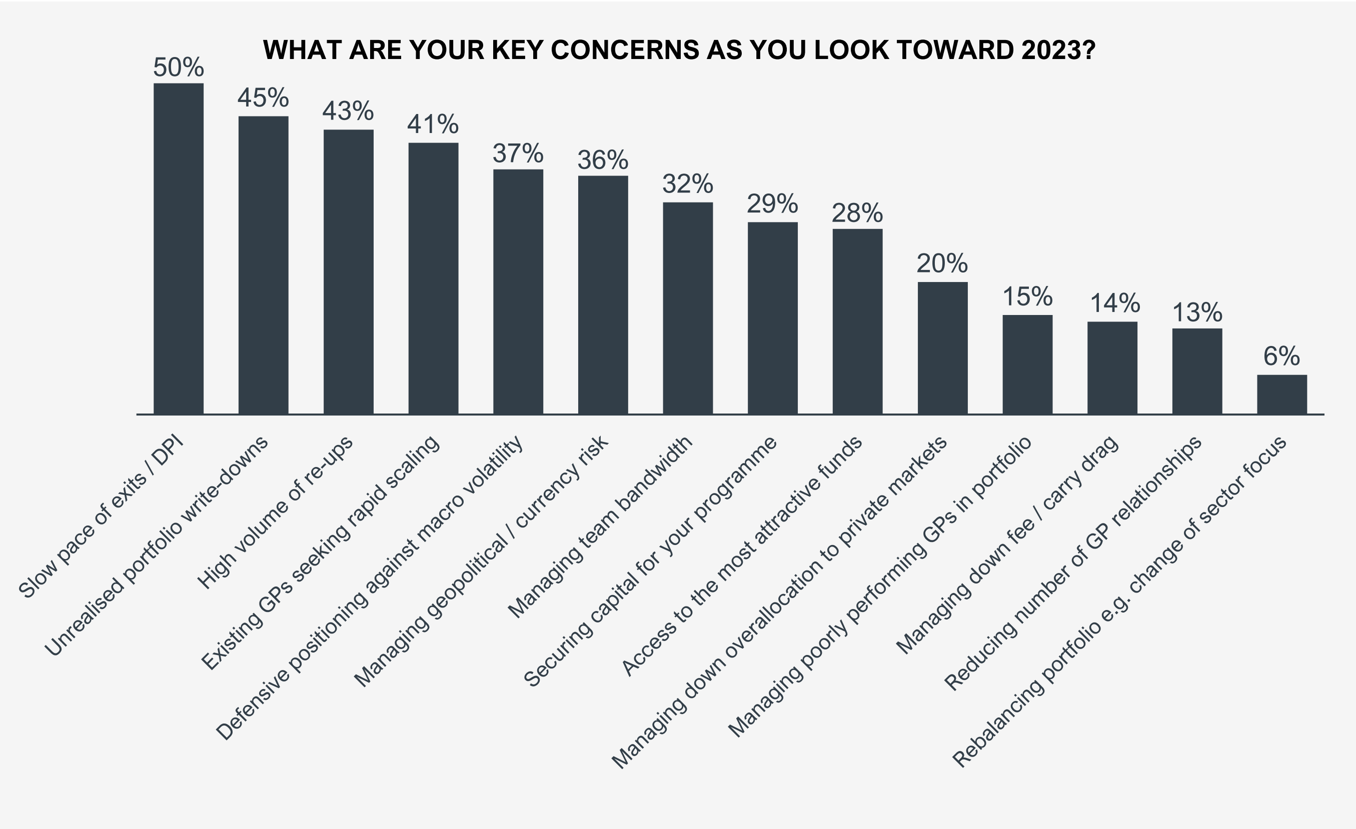
RLI FOR DISTRIBUTIONS OVER TIME



AGGREGATE CAPITAL DISTRIBUTED: $BN



KEY FINDINGS FOR 2H 2022



Source: Preqin. Includes all private equity categories. Does not include private credit, infrastructure or real estate.

The relatively modest drop in the headline RLI shows the continued strong conviction that institutional investors have in the private markets as an asset class. On the other hand, there is a real risk that a major drop in distribution flow may compromise LPs' ability to support continued growth. Over the coming months, GPs will need to focus on mitigating the 'DPI gap' to ensure the flow of capital back to LPs is not too severely interrupted. As a result, we expect to see an increase in creative approaches to boosting liquidity, such as partial exits, GP-led transactions and NAV financings.

> *50% of LPs cited a slow pace of exits / DPI as a key worry as they plan their 2023 investments.*

KEY FINDINGS FOR 2H 2022

3. Despite a continued squeeze on commitments to both new and existing GP relationships, LPs still have capital to allocate

Despite the liquidity squeeze, it is clear that LPs do still have capital to allocate – two thirds of investors reported their private markets portfolio sitting at the middle or lower end of their target allocation. However, with the fundraising market continuing to be crowded, we expect to see fierce competition for LP commitments. A record low RLI of 39 for new money commitments highlights the limited capital available for new GP relationships, while the steep drop in the RLI for existing GP relationships from 56 to 42 indicates a significant raising of the bar to secure re-ups.

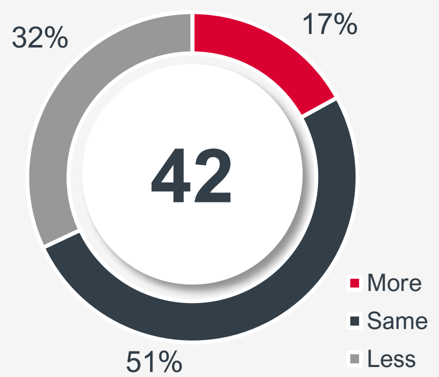
The data indicates that LPs are not currently suffering from major allocation constraints. In total, the RLI finds that only 18% of LPs feel that they are above their allocation targets to private equity. On the other hand, over half, 61%, of LPs noted that their portfolio valuation versus their target private markets allocation ranges at the middle to below. Specifically, 41% of LPs answered "middle", 8% at the "low end" and 4% "below". This suggests that while there is a squeeze on new and existing money, the denominator effect is not biting.

Nonetheless, our data highlights that there are some pockets of overallocation. For example, 34% of North American LPs reported being overallocated to PE, compared with just 10% of European LPs.

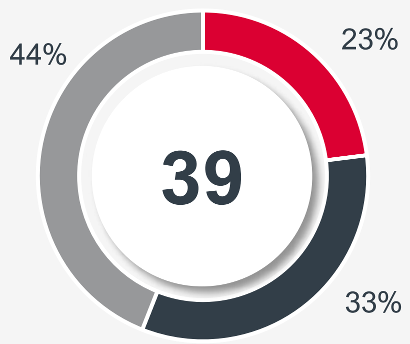
Furthermore, only 20% of LPs noted that managing down overallocation to private markets was a key concern for 2023. LPs are aware that funds invested under challenging economic conditions have historically yielded strong returns and have made clear that they do not want to miss out on the 2022/23 vintages - so it is reassuring that they still have capital to allocate.

On the other hand, digging deeper into the RLI, we see that there has been an overall fall in the RLI scores for both existing and new LP commitments. Where the RLI for existing relationships has fallen more rapidly since 2021, investors' deployment plans are still tilting in favour of existing relationships, rather than increasing commitments to new managers. A squeeze on 'new capital' tends to have a chilling effect on fundraising momentum, often causing GPs to spend longer periods on the road or tone down their fund size scale-up ambitions.

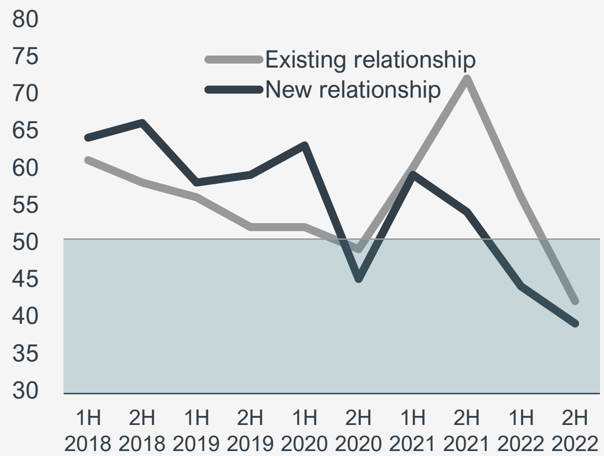
OVER THE NEXT 12 MONTHS HOW MUCH CAPITAL DO YOU EXPECT TO DEPLOY TO PE FUNDS MANAGED BY EXISTING GP RELATIONSHIPS?



OVER THE NEXT 12 MONTHS HOW MUCH CAPITAL DO YOU EXPECT TO DEPLOY TO PE FUNDS MANAGED BY NEW GP RELATIONSHIPS?



RLI DEVELOPMENT OVER TIME FOR EXISTING VS NEW RELATIONSHIPS



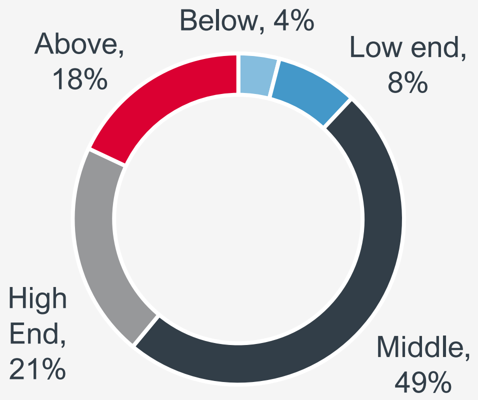
KEY FINDINGS FOR 2H 2022

Nonetheless, the sharp fall in RLI for existing relationships from 56 to 42 is suggestive of LPs becoming more selective in their re-up programmes. As one LP recently noted, "in the current market, LPs are extra critical of all investments including re-ups. Previously, the bar for re-ups was 'good', but now even re-ups have to be 'excellent' and not all are passing that bar". Against the current macro backdrop, investors are taking a more cautious approach, seeking to re-underwrite each relationship – and showing an increasing willingness to rotate out underperforming GPs within their portfolios.

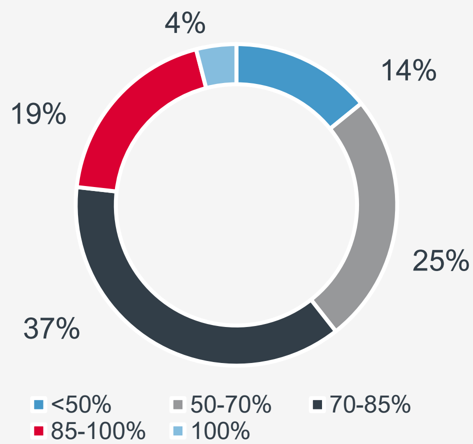
A rise in GP 'churn' may have profound effects on the private markets landscape – with 'creative destruction' taking place as out-of-favour established managers struggle and opportunity opens up for spin-outs and emerging managers to gain significant ground.

> *A squeeze on 'new capital' tends to have a chilling effect on fundraising momentum, often causing GPs to spend longer periods on the road or tone down their fund size scale-up ambitions.*

WHERE IS YOUR PORTFOLIO VALUATION TODAY VERSUS YOUR TARGET PRIVATE MARKETS ALLOCATION?



HOW MUCH OF YOUR 2023 BUDGET DO YOU EXPECT TO BE TAKEN UP BY RE-UPS?



KEY FINDINGS FOR 2H 2022

4. Lower Midmarket and Midmarket buyouts remain favoured route

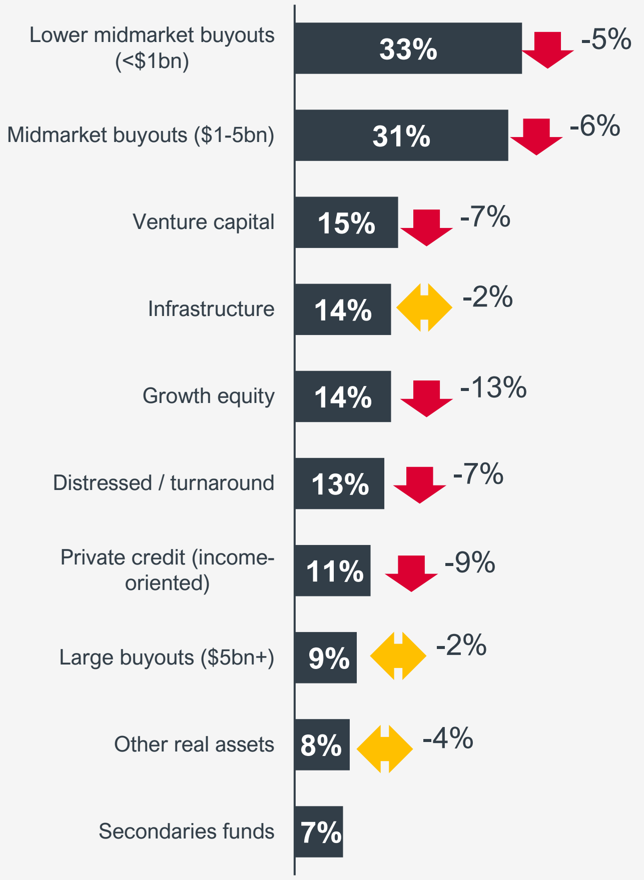
While LP deployment to the asset class overall will likely lose pace in coming months, certain areas remain in higher demand. Around a third of LPs are planning to increase exposure to Lower Midmarket and Midmarket buyouts over the next year. Investors' recent interest in minority strategies has slipped, with only 15% of LPs planning to increase allocations to Venture Capital in 2023 and 14% expanding their Growth Equity exposure.

A total of 33% of LPs expressed an intention to increase their exposure to Lower Midmarket buyout funds, and a further 31% plan to add more to Midmarket buyouts in the next 12 months. While many large cap funds across Europe and North America have already completed fundraises this year, LPs' focus for 2023 is shifting toward smaller players. LPs are likely gearing up for market turbulence too - the focus on the smaller end of the control buyout market may be a sign that LPs believe these strategies to be their best bet for bucking broader market trends through the value-building operational influence a GP can exert on these types of businesses during the holding period.

On the other hand, LP appetite for minority strategies such as Growth Equity and Venture Capital has slipped somewhat. Only 14% of LPs plan to increase commitments to growth funds, a fall of 13 percentage points since the 1H 2022 edition of the RLI. Similarly, the proportion of investors planning to add more VC exposure fell from 22% in the first half of the year to 15% now. Although this segment has not completely lost LP attention, a slowdown in LP interest will likely cause a tightening up in an area of the market that has undergone rapid expansion over recent years.

Interestingly, Infrastructure appears to be slowly rising up LPs' agendas. Over the last 10 years, Infrastructure has gradually gained attention from LPs, and the current macroeconomic turbulence may add fuel to this growth as LPs seek resilient, inflation-protected investment opportunities.

TO WHICH ASSET CLASSES DO YOU PLAN TO INCREASE ALLOCATIONS FOR 2023?



> *While many large cap funds across Europe and North America have already completed fundraises this year, LPs' focus for 2023 is shifting toward smaller players.*

5. LPs favour healthcare, while interest in sustainability and technology persists

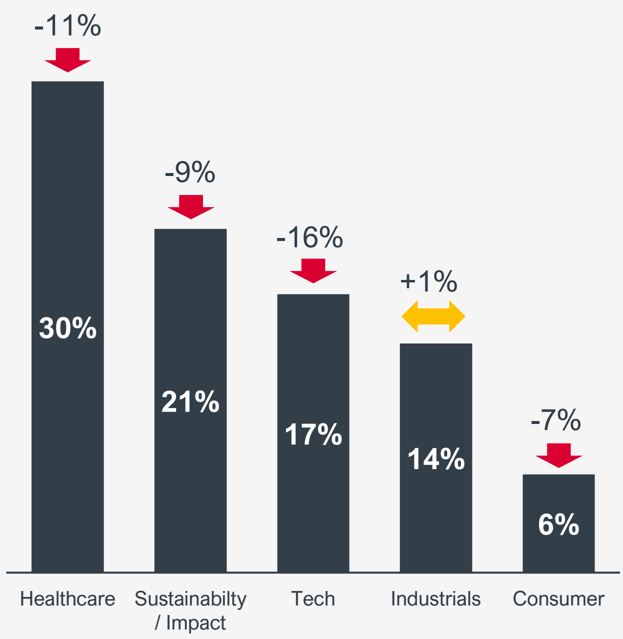
30% of LPs plan to expand deployment to healthcare-focused funds in 2023, while LP enthusiasm for sustainability and impact has now overtaken technology.

After a two-year global pandemic, followed by a high level of economic uncertainty, our survey reveals continued strong LP appetite for healthcare investments. Healthcare offers a unique combination of both offensive and defensive opportunities for private markets investors at this time. Overall, this sector benefits from relative insulation from market cycles, steady cashflow and revenue streams, while retaining strong upside potential through technology-led and scientific innovations. Despite this strong LP sentiment toward the sector, there are far fewer dedicated healthcare-focused GPs than GPs focused on other sectors such as technology. We therefore expect to see high quality healthcare-focused GPs achieving strong fundraising results over coming months, bucking the trends of a generally tougher fundraising market.

Second to healthcare, LPs are increasingly focused on expanding their exposure to impact and sustainability-focused funds. For many years, LPs expressed concerns that impact strategies might not deliver the same level of returns as other specialist funds – but attitudes are now changing rapidly. Mitigating climate change is now increasingly seen as a mainstream concern, while the conflict in Ukraine has highlighted the vulnerabilities of economic dependence on imported fossil fuels. Taken together, we are seeing a growing appetite from LPs to invest behind the decarbonisation megatrend, with investors seeing this as both a moral and a financial opportunity.

At the same time, strong performance from existing impact funds is reinforcing the view that these strategies can result in top tier returns. The emergence of a group of highly credible specialist impact fund managers has now 'legitimised' impact as an investment strategy on a par with other sector specialist funds, and we expect to see a continued growth in LP demand for high quality funds in this area. In particular, we note that LP deployment to impact is more developed in Europe than in North America, creating an opportunity for further acceleration of the trend as North American LP programmes catch up with their European peers.

TO WHICH SECTORS TO YOU PLAN TO INCREASE ALLOCATIONS FOR 2023?



Our survey data shows that, for the first time, LP appetite for technology funds has slipped below impact. For 2H 2022, only 17% of LPs indicated that they plan to increase exposure to tech funds in 2023, down 16 percentage points from the 1H survey. However, against the context of the extraordinary growth in LP deployment to technology over recent years, this could be seen as a levelling out of demand. Many technology funds, especially those focused on the more resilient enterprise software segment, are still posting impressive performance, and even with fewer LPs actively seeking to expand their tech portfolio, the sector is still likely to represent a healthy proportion of successful fundraises in 2023. LPs located in North America showed a particular commitment to the sector with 29% of North American investors still planning to increase their exposure to tech funds in 2023.

Taking these sector preferences together, we can also identify some interesting opportunities for crossover or hybrid strategies. For example, "impact tech": technology businesses that address the United Nations' Sustainable Development Goals. This is an area that has gained considerable investor interest in recent years and may benefit from a coming together of LP interests over coming months.

SPOTLIGHT ON VALUATIONS

Spotlight on Valuations

The broad market volatility seen this year has not yet resulted in significant reductions in private equity valuations. Our survey data shows that LPs' portfolio valuations have remained broadly flat during the first half of 2022 – 69% of investors surveyed reported valuation swings between -10% and +10% between 31st December 2021 and 30th June 2022, with only 16% experiencing a valuation swing worse than -10%.

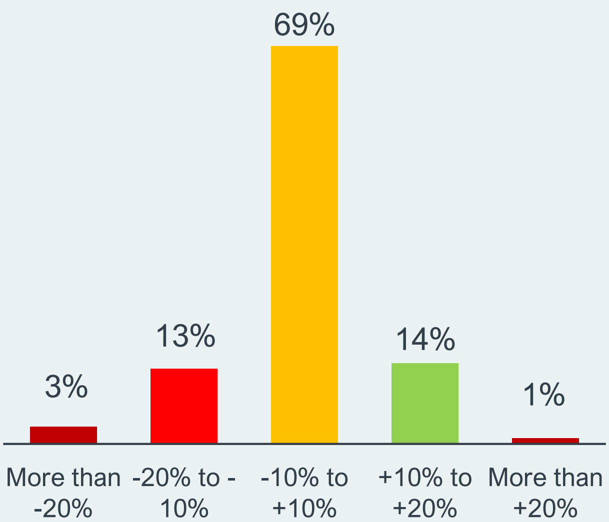
Given the challenging macro background, this is an encouraging indication of resilience. On the other hand, six months of flat valuations are a real departure from the rapidly escalating valuations that were recorded following the pandemic. Furthermore, it is common for private markets valuation changes to lag public markets, so this flattening out in performance could be viewed as a prelude to a decline in valuations in future quarters.

Our survey data would suggest that this is indeed likely to be the case. Our research suggests that the macro impact will start to bite in the second half of 2022, with LPs on average expecting to see write-downs of around 7-8% within their unrealised portfolios. 41% of LPs expect write downs of 10-20% during 2H, with a further 46% expecting valuations to remain broadly flat. On the other hand, it is heartening to note that only 5% of LPs expect to see valuations fall by more than 20%.

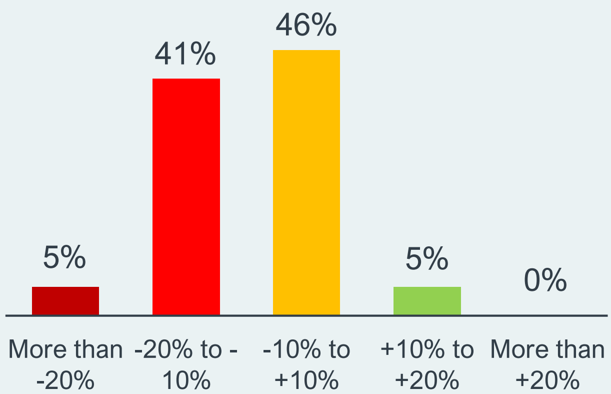
These expectations for portfolio valuations may be viewed as evidence of the overall robustness of PE as an investment strategy, benefiting from a degree of insulation from the vagaries of the wider market. Several factors contribute to this resilience including: an overall bias across the PE universe towards more strongly performing sectors like software and healthcare; the positive selection effect of skilled, specialist dealmakers meaning that LP portfolios should be overweight higher quality assets; and the ability to influence, course-correct and protect investments during challenging times, for example via equity cures, close operational support and direct strengthening of management teams.

The more resilient nature of the asset class is further supplemented by the patient and long-term outlook of the investor base. The structure and dynamics of a PE fund investment, by its nature, is focused on a long-term horizon and allows GPs to navigate short-term volatility with a firm eye on the final prize.

ACTUAL CHANGE IN UNREALISED PORTFOLIO VALUATIONS 1H 2022



EXPECTED CHANGE IN UNREALISED PORTFOLIO VALUATIONS 2H 2022

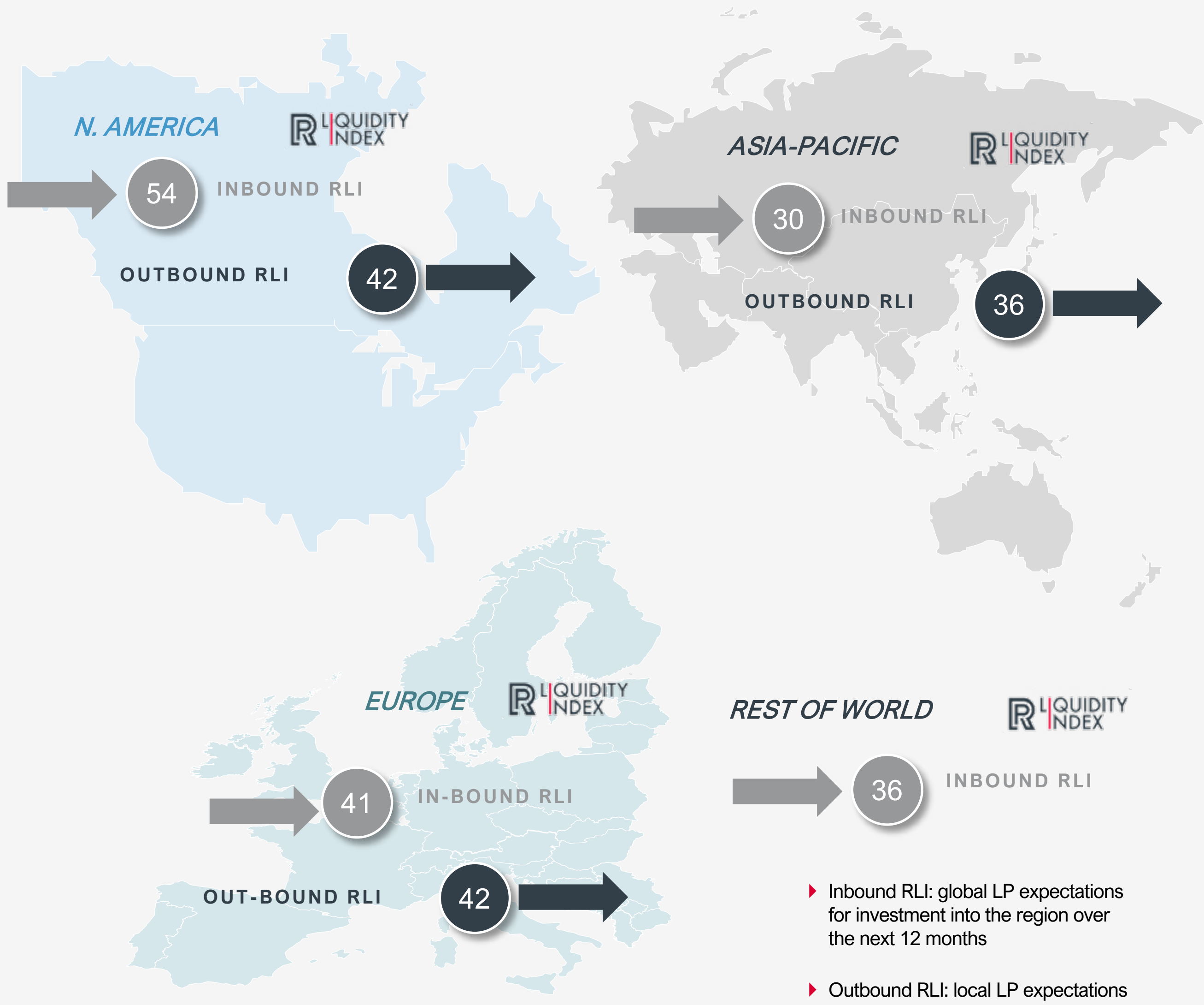


FURTHER RLI ANALYSIS

RLI by Geography

- Similar to the RLI in 1H 2022, there has been a continued downward trend across all regions, suggesting slowing LP appetite both inbound and outbound
- The RLI score for investment into Europe-focused funds fell significantly by 16 points from 57 to 41 since the beginning of the year. With geopolitical tensions and the war in Ukraine, it is likely that global investors will hedge their portfolio by allocating less capital to the continent.

RLI BY GEOGRAPHY

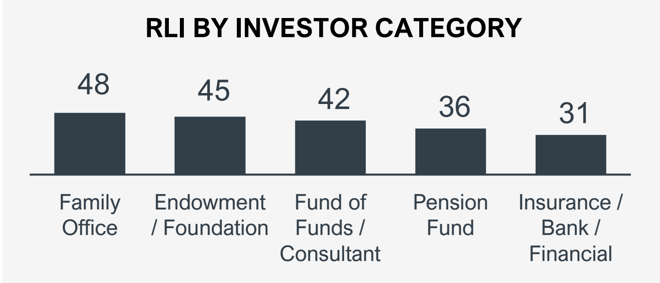


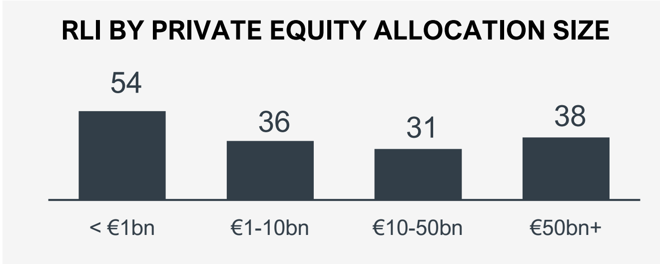
- Inbound RLI: global LP expectations for investment into the region over the next 12 months
- Outbound RLI: local LP expectations for investment into any PE funds over the next 12 months

FURTHER RLI ANALYSIS

RLI by Investor Type and Size

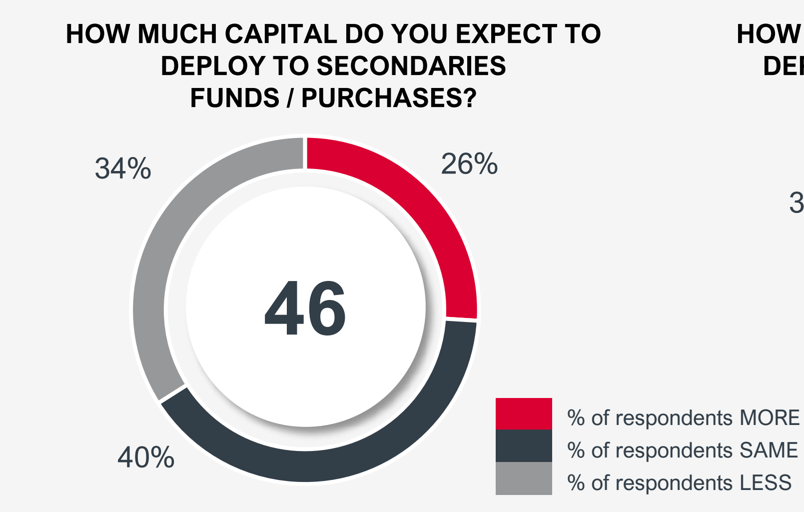
- RLI scores have dropped across all investor types. Notably, the RLI for pension funds has decreased from 54 in 1H 2022 to 36, indicating a significant reduction in Pension Funds deploying to new private equity funds over coming months
- Contrary to previous predictions that the RLI for Endowments and Foundations would fall, the score has remained at 45 since the first half of the year, perhaps suggesting this investor group's conviction in private equity
- In terms of RLI by allocation, there has been a significant shift in RLI score since 1H. Only investors with allocations below €1bn plan to increase their commitments to private equity. In contrast, in 1H, the €1-10bn allocation size category was the only segment that planned to decrease its commitments.

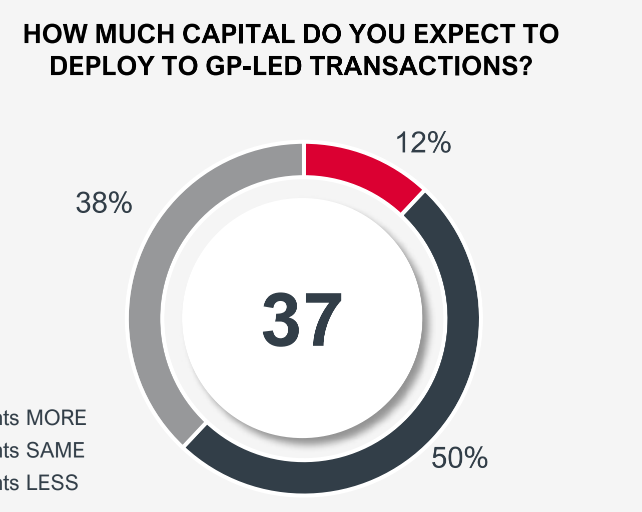




RLI for Secondaries Deployment

- The RLI for secondaries deployment fell by 8 points to 46, in line with the overall trend of this edition of the RLI
- Nonetheless, LPs continue to see secondaries as a useful (and in some cases, counter-cyclical) pillar of their private markets strategy, especially during periods of economic disruption. Secondaries deployment remains at steady levels with a majority (40%) of LPs planning to maintain their allocations to secondaries funds
- There is a significant geographic divide in attitudes towards this asset class, with North American and European LPs holding opposing views. The secondaries RLI score for North American LPs rose from 28 to 66, indicating a dramatic uplift in appetite. Conversely, in Europe, the score decreased from 48 to 32, suggesting some cynicism toward the market
- Overall, we expect continued interest in a variety of secondaries strategies in the current environment. In particular, we believe that GP-led transactions will be an important weapon to counter the slowdown in exit momentum and help to close the 'DPI gap'.

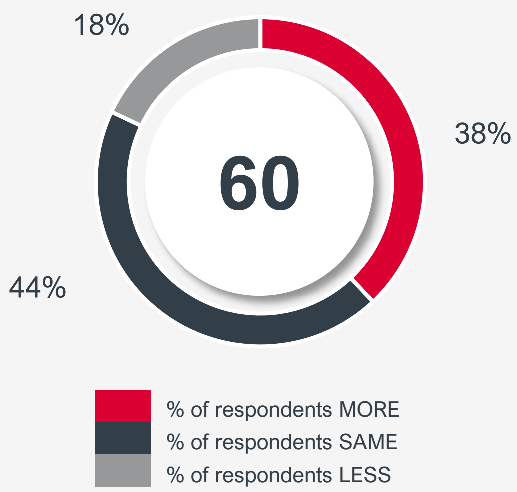




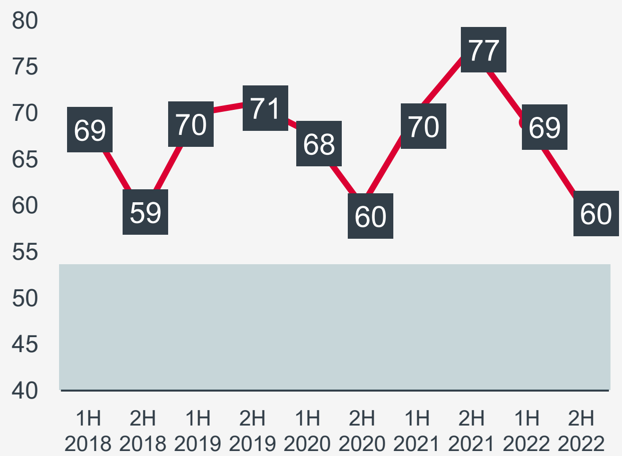
RLI for Co-Investments

- Although the RLI for co-investments has dropped slightly, falling 6 points to 60, this score indicates a continued growth in LP appetite for co-investment. The number of investors planning to deploy less capital to co-investments rose by only 2% on 1H, while a healthy 82% plan to deploy the same or more to these investments
- Where there is LP pressure on GPs to deliver co-investment to their investor base; now, there is also pressure on LPs to execute on the co-investment involvement that they had previously indicated. A clear improvement for this investment type since the asset class' earlier beginnings is that there is now a much more sophisticated investor cohort that have dedicated co-investment teams with dry powder ready to be deployed
- As the fundraising market tightens, GPs would do well to note the continued LP enthusiasm for co-invest – with opportunities and agreements over co-invest rights likely to be viewed as attractive 'carrots' to drive fundraising success.

HOW MUCH CAPITAL DO YOU EXPECT TO DEPLOY TO CO-INVESTMENTS?



RLI FOR COINVESTMENT OVER TIME



BACKGROUND AND METHODOLOGY

When Rede Partners launched the RLI in the first half of 2017, the objective was to create an index/numerical value which would reliably show investor sentiment across the PE LP universe for the 12 months ahead and which could be tracked quantitatively over time.

To achieve this, we assembled the 'RLI Panel' – a stable of leading institutional investors from across the globe who consistently respond to the RLI survey every six months.

It is the RLI Panel's quality and consistency that lies behind the robustness of the index. For each edition, we look to maintain the integrity of the panel while selectively adding additional high-quality institutional investors in particular areas. We would like to thank all our RLI panelists and survey participants for their time and insights.

Undertaken twice yearly, the RLI is assessed through six basic questions. LPs are asked to project if their liquidity for the upcoming 12 months will increase, decrease or remain the same compared to the previous 12 months across six sub-indicators – all primary funds deployment; existing relationships deployment; new relationships deployment; co-investments; secondaries deployment (both funds and direct); and distributions.

METHODOLOGY

The RLI is based on the same concept as the Purchasing Managers' Index – an indicator of the economic health of the manufacturing sector.

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. In the more detailed analysis, we have only included the categories which had enough respondents to be statistically relevant.

For each question, LPs were asked if they were expecting to deploy MORE (>), the 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

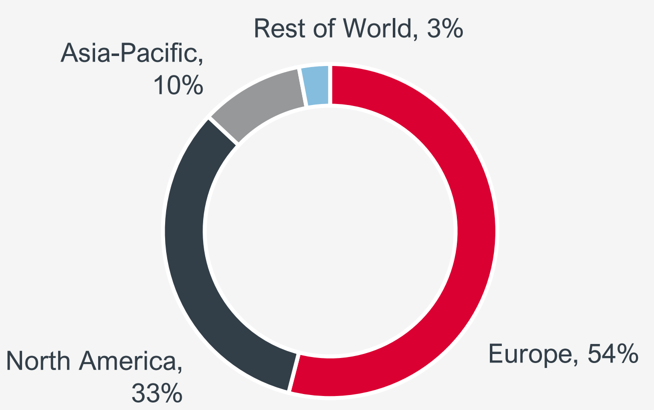
P_3 = Percentage number of answers that reported a decrease

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.

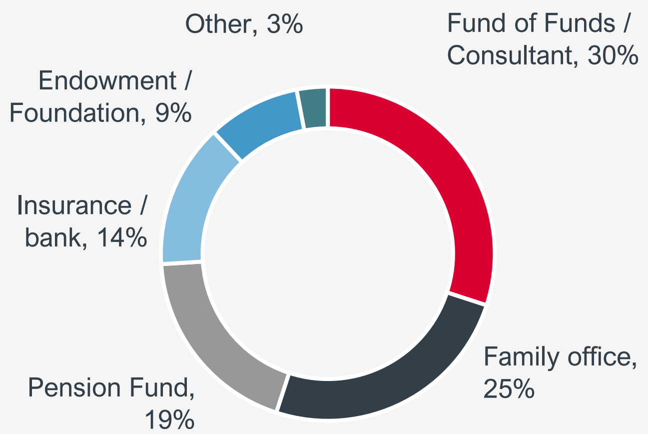
THE RLI PANEL

We surveyed 115 institutional LPs from across the globe, representing a broad range of investor categories, geographic locations and allocation sizes.

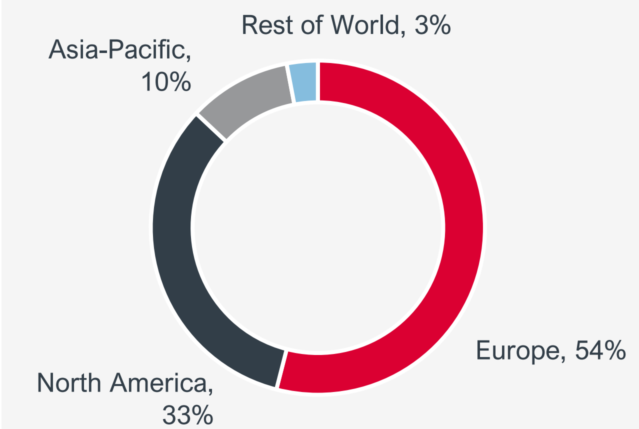
LP REGION



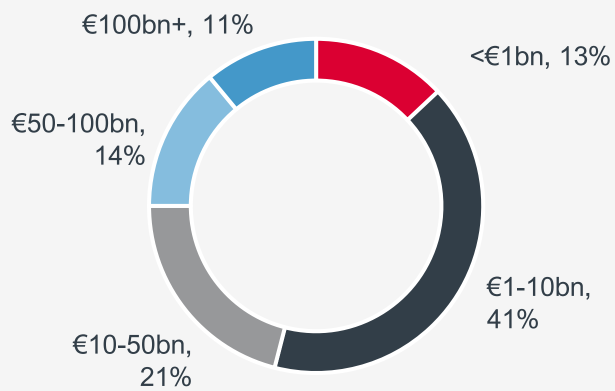
LP CATEGORY



PRIVATE EQUITY ALLOCATION SIZE



TOTAL AUM



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