



Canterbury Consulting

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## Quarterly Asset Class Report Private Capital

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June 30, 2024

Canterbury Consulting recommends a diversified portfolio of private capital strategies. Consistently committing to private capital drives long-term asset growth, net of inflation, by taking advantage of the illiquidity premium derived from inefficient markets and superior manager selection.

- Canterbury blends strategic and opportunistic approaches to construct private capital portfolios diversified by sector, geography, and vintage year.
  - Strategic: Using various market inputs to form a baseline, we create a recommended portfolio allocation.
  - Opportunistic: We combine top-down and bottom-up analysis to target excess risk-adjusted returns through market intelligence and superior manager selection.

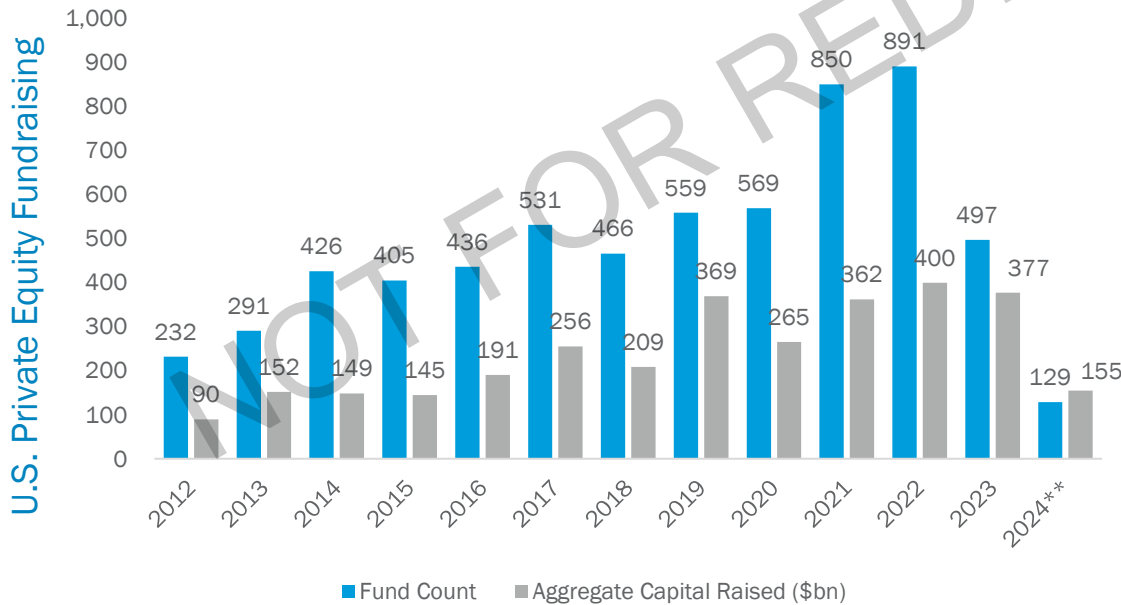
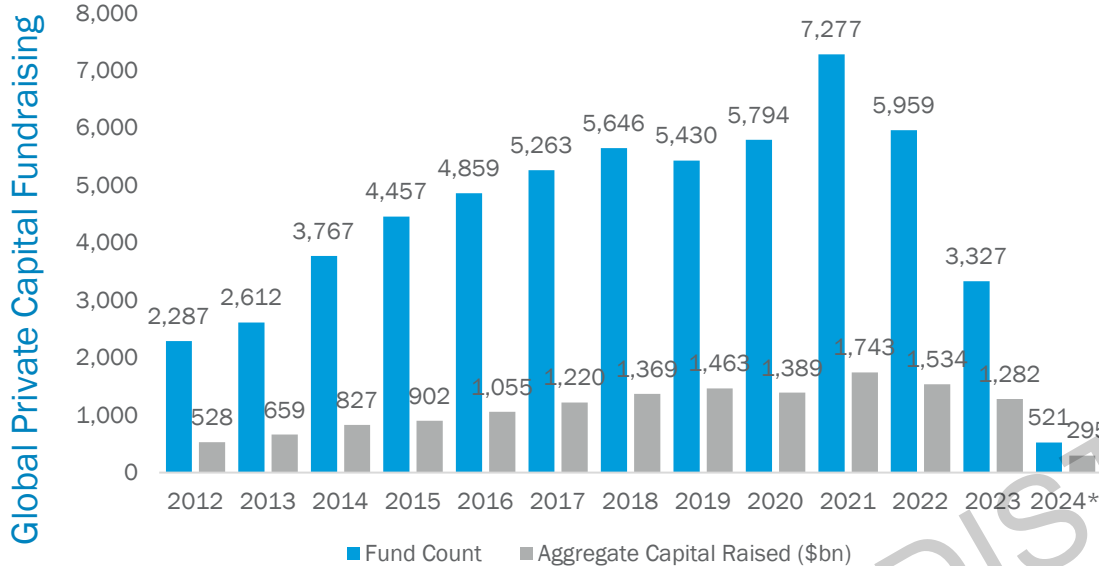
Role	Asset Categories	Risks
Growth	Public Equity and Private Capital*	Market Decline
Capital Preservation	Private Credit, Fixed Income, Hedge Funds	Rising Interest Rates, Highly Correlated Markets
Inflation Protection	Real Assets: Real Estate, Commodities	Deflation

- Over a full market cycle, private capital is intentioned to generate above-market returns commensurate with risks associated with the asset class (i.e., illiquidity, time horizon, etc.).
- Given the length of the time required to deploy capital and the constant evolution of the opportunity set, investors in private capital can commit consistently across cycles and avoid “market timing” to generate returns.

\*We define private capital as all private equity, venture capital, private debt, and private real assets (i.e., real estate, natural resources, and infrastructure) strategies.

# Private Equity Fundraising Activity

## Private Capital

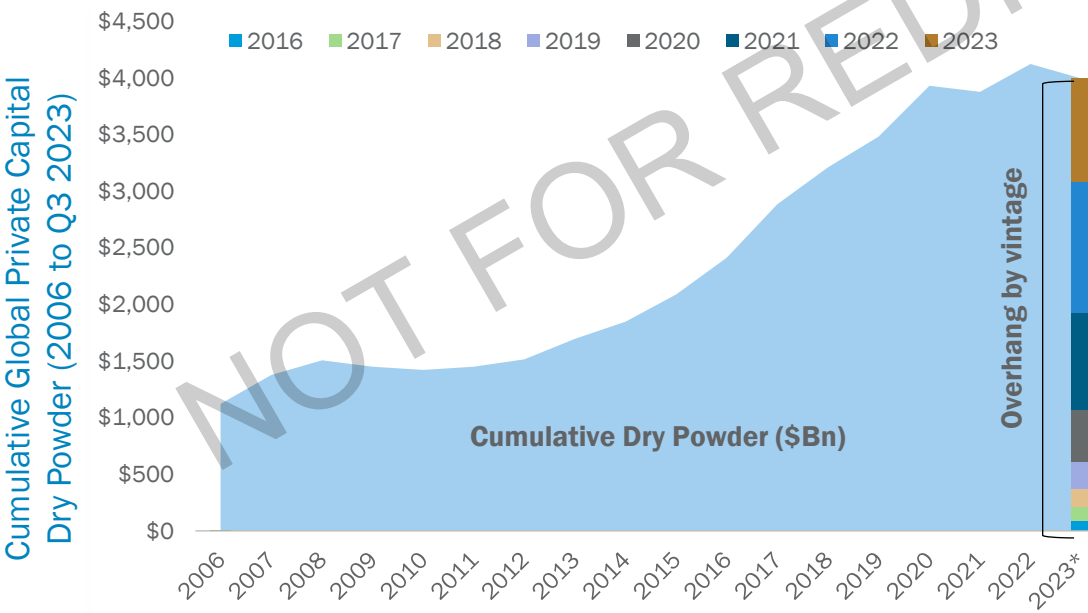
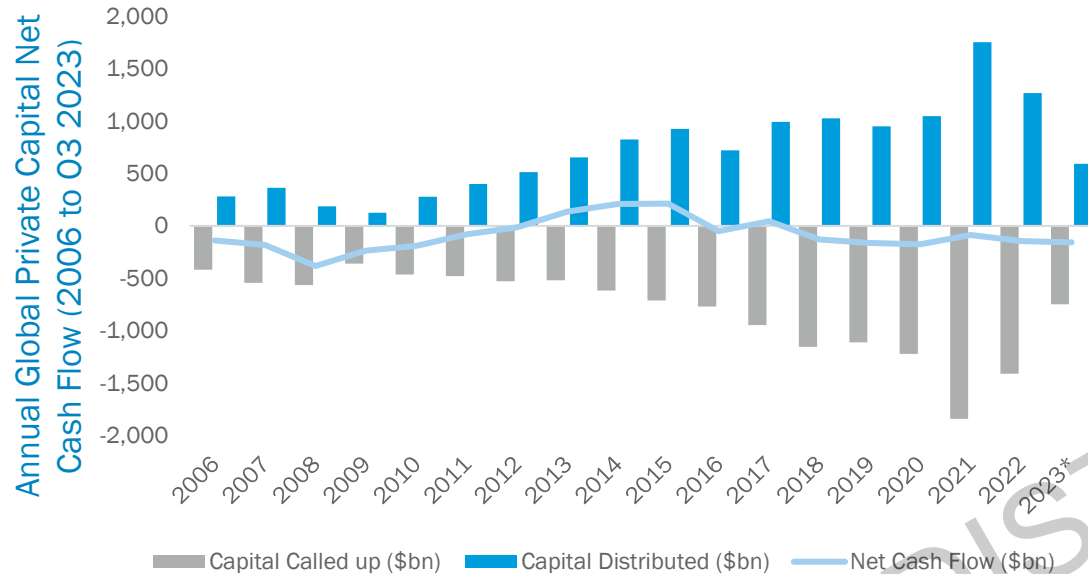


- Through the first quarter of 2024, 521 private market funds raised \$295 billion, which is consistent with the fundraising activity that took place during the first quarter of 2023. However, the number of funds that raised capital during the first quarter of 2024 is 45% lower than the number of funds that raised capital through the first quarter of 2023.
- Fundraising activity has become more concentrated towards larger funds, with 81.2% of funds raised through Q1 2024 were funds over \$1 billion in size. This is well above the six-year average of 60%.
- Private equity funds made up 52.9% of global private capital raised through Q1 2024. Secondaries funds made up 11.8% of fundraising, with Lexington Capital Partners X closing on \$22.7 billion during Q1 2024, along with four other secondaries funds that closed on a combined \$11.4 billion.
- U.S. private equity fundraising demonstrated resilient activity during the first half of 2024. To date, \$155 billion was raised across 129 distinct funds. Despite the resilience, GPs are struggling to raise funds in a timely manner with median time to close at over 18 months, up from 15 months in 2023 and 11 months in 2022.

Sources: PitchBook Q1 2024 Global Private Markets Fundraising Report; PitchBook Q2 2024 U.S. PE Breakdown.  
 Note: Private equity funds comprise buyout, growth/expansion, diversified private equity, mezzanine, secondaries, co-investment, restructuring/turnaround, capital, and private debt.  
 \*Global private capital fundraising as of March 31, 2024  
 \*\*U.S. private equity fundraising as of June 30, 2024

# Global Private Capital: Performance and Dry Powder

## Private Capital



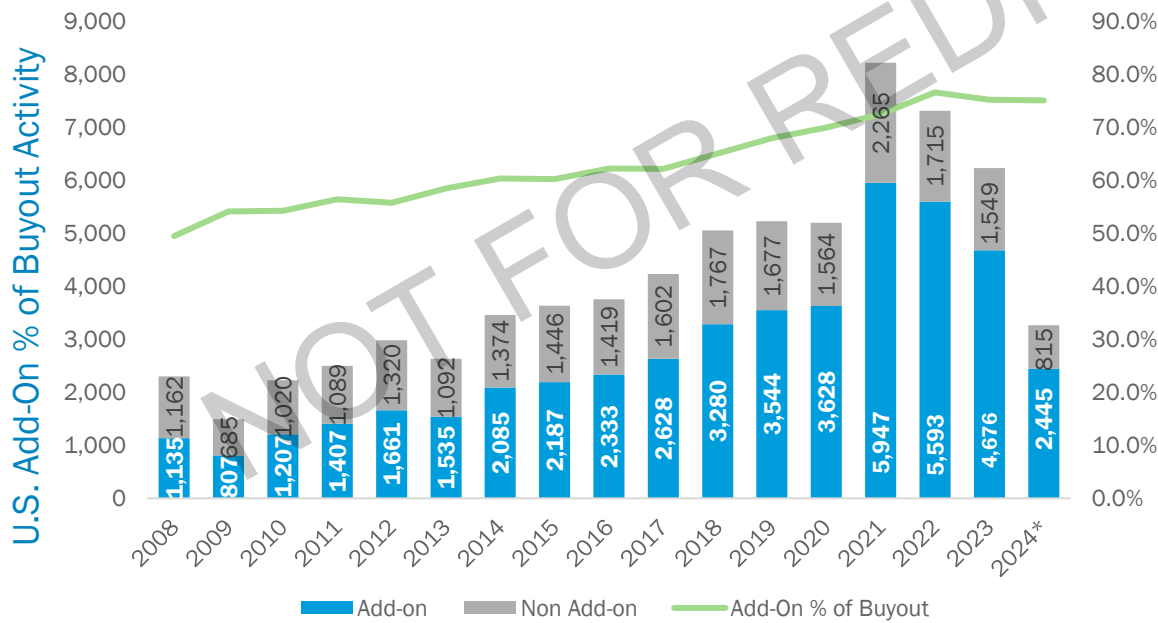
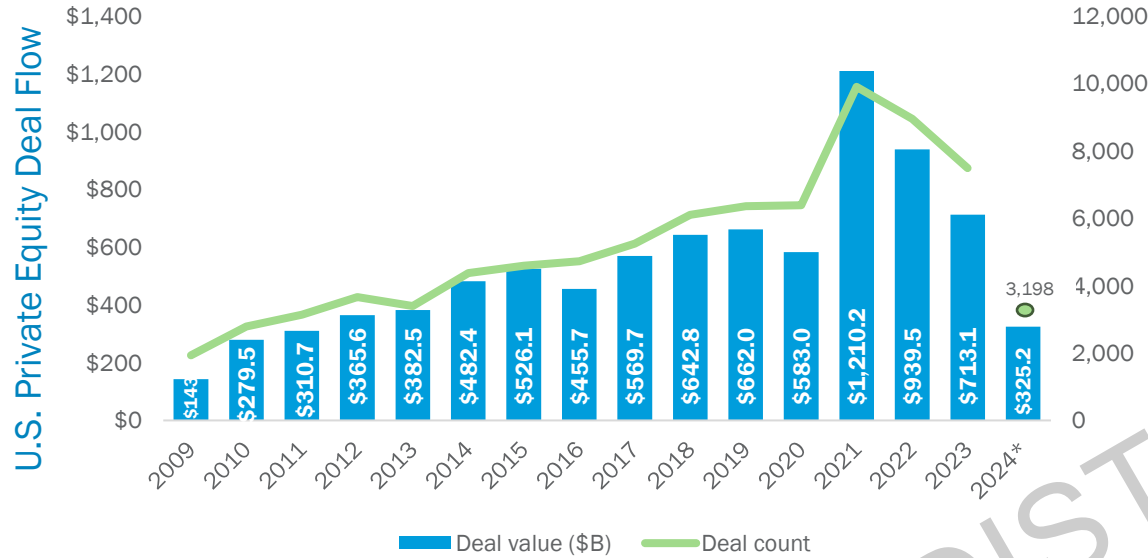
- Through the third quarter of 2023, global private capital net cash flows stood at -\$157.5 billion, driven by the negative net cash flows across venture capital, private equity, and real estate fund strategies.
- Private debt experienced a net cash inflow of \$63.6 billion through the third quarter of 2023, driven by consistent distributions from direct lending funds.
- As of the third quarter of 2023, global private capital dry powder stood at approximately \$4 trillion, slightly less than the \$4.1 trillion at the end of 2022.
- Over 67.5% of global private capital dry powder came from funds sized at \$1 billion or greater.

Source: PitchBook Q1 2024 Global Private Markets Fundraising Report; Note: Private equity funds comprise buyout, growth/expansion, diversified private equity, mezzanine, secondaries, co-investment, restructuring/turnaround, capital, and private debt.

\* Global private capital net cash flows and dry powder as of September 30, 2023

# U.S. Private Equity Deal Activity

## Private Capital

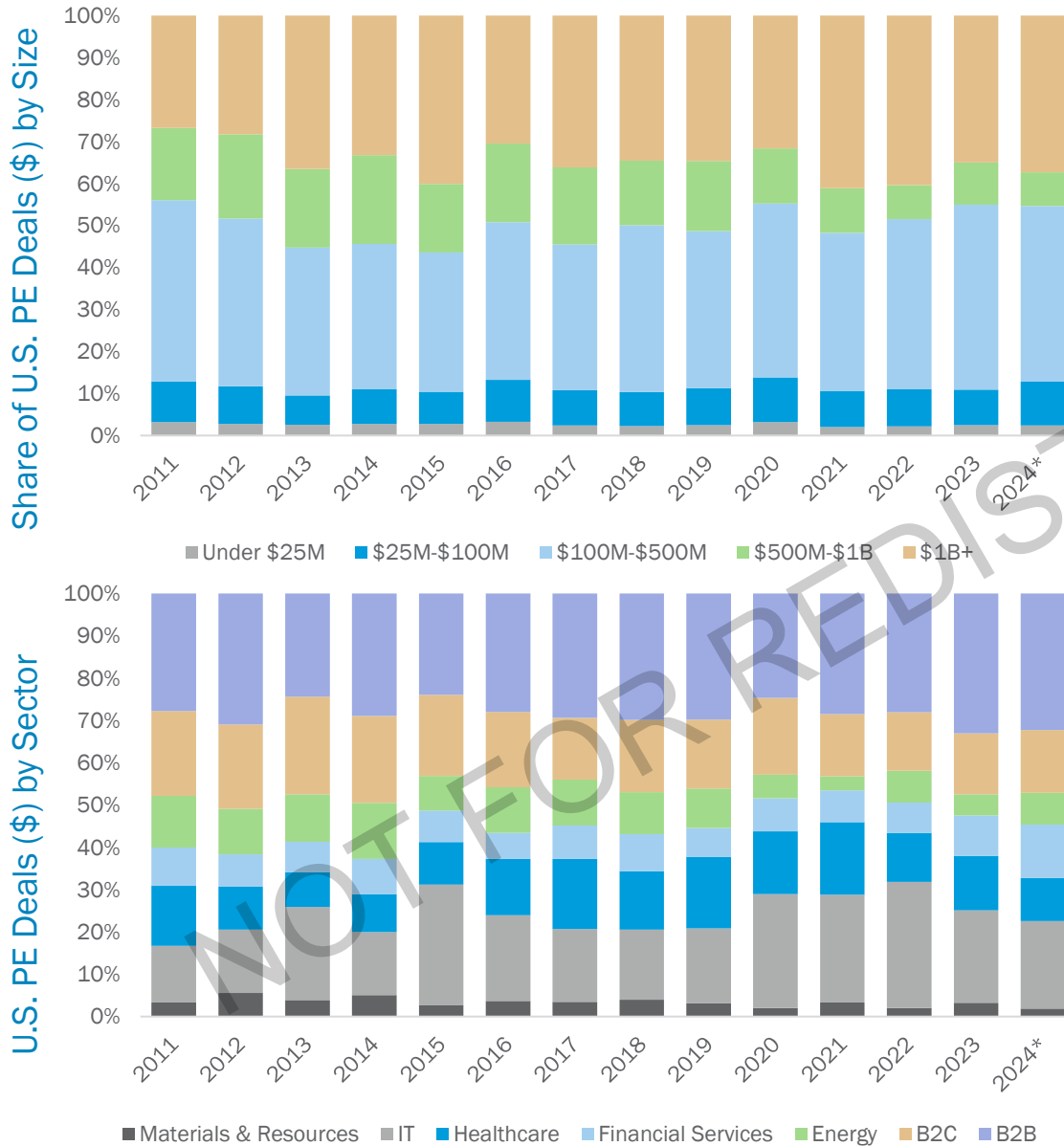


- Through the end of the second quarter of 2024, \$325 billion was transacted on across 3,196 deals. This represents a 12.1% year-over-year increase in both deal value and deal count. Quarterly deal values are still well below from what was seen in 2021 but are significantly above 2017 levels.
- PE sponsors are still facing challenges in closing platform LBO deals, which rely on debt financing. The share of platform LBO deals decreased to 19.3% during the second quarter of 2024 from 19.9% during all of 2023.
- Take-private deals experienced a strong rebound during the first quarter of 2024 with 21 deals announced or completed in North America and Europe, of which 16 were sub-\$1 billion in size. The total deal value among take-private transactions increased \$45.6 billion over the prior quarter.
- Add-on acquisitions, which have played a crucial role in accelerating value creation and bringing down the overall purchase price multiple, continued to exhibit a strong share of overall buyout activity. To date, U.S. add-on transactions constituted over three-fourths of all buyout activity.

Source: PitchBook Q2 2024 U.S. PE Breakdown  
\*As of June 30, 2024

# U.S. Private Equity Deal Activity

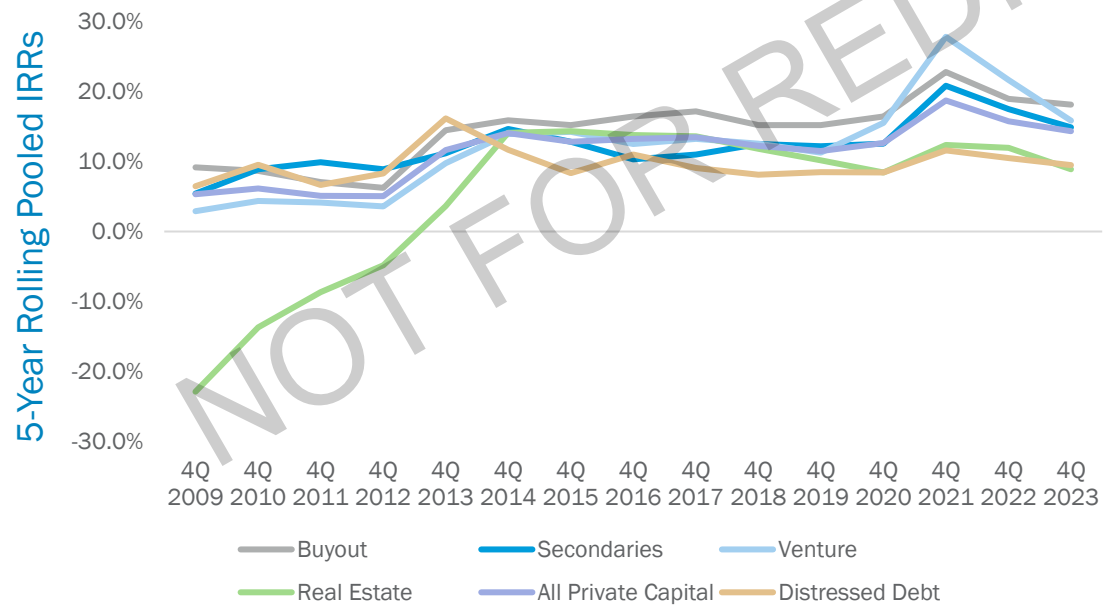
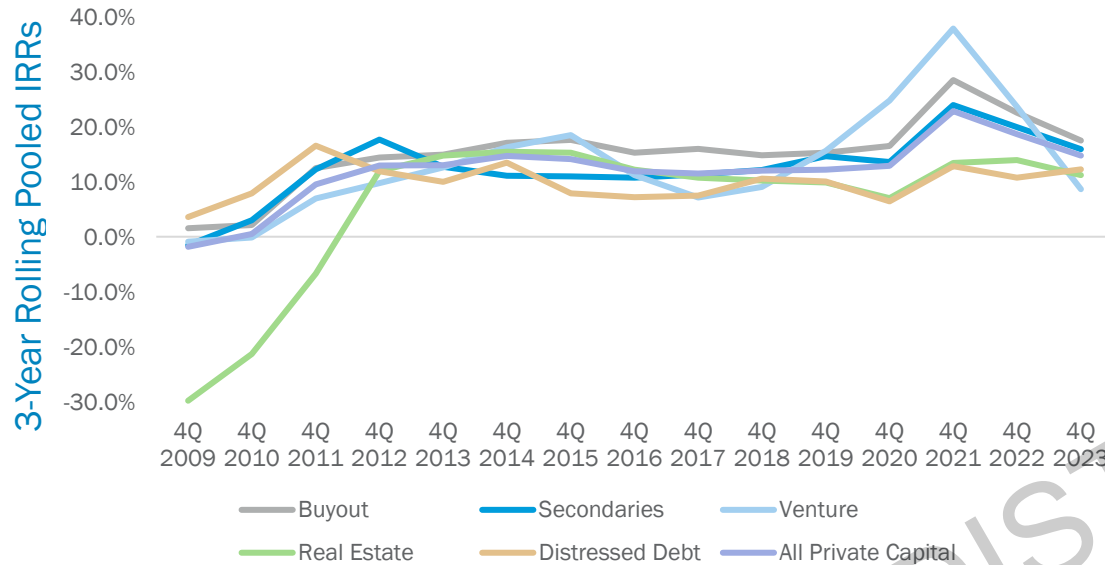
## Private Capital



- The share of deals valued at \$1 billion+ stood at 37% at the end of the second quarter. Deals valued at \$100 million to \$500 million comprised the largest share of private equity deal value at 42%.
- Through the second quarter of 2024, approximately 47.1% of private equity deal value in the U.S. has been within the business services sector. This has remained consistent over the last decade.
- The financial services sector experienced a meaningful increase in the share of deal value and currently comprises 12.6% of U.S. PE deal value, versus a 10-year historical average share of 8%.
- Technology deal activity has been mixed. During the second quarter of 2024, \$32.7 billion of deal value was transacted on in this sector, representing a 5.6% quarterly decline and an 8.2% year-over-year decline. In terms of volume of deals, there were 405 technology-related deals recorded during the quarter, an increase of 27% from the prior quarter and a 42.6% increase over the last 12 months. Software deals were the most sought-after deal type, accounting for over two-thirds of technology deal value during the quarter. The \$22.2 billion in deal value within software represents a 55% increase over the prior quarter and 7.6% over the last year.

Source: PitchBook Q2 2024 U.S. PE Breakdown  
\*As of June 30, 2024

# Horizon Performance



## Private Capital

- From Q4 2022 to Q4 2023, all private capital strategies, except for distressed debt, either remained flat or experienced a decline in performance on a three-year rolling return basis. Venture capital experienced a noticeable drop in performance as venture firms are struggling to create exit opportunities and are making material write downs to their existing portfolio holdings.
- On a five-year rolling basis, returns for all private capital strategies are down over the last year. Real estate, which exhibited a positive return profile from Q4 2020 to Q4 2022, exhibited a negative return profile as increased interest rates and asset owners struggling to recapitalize their existing properties have adversely impacted real estate valuations and returns.

Source: PitchBook, as of December 31, 2023  
 Note: Real estate consists of value-add and opportunistic funds only.