



PALICO

# 2020 Year End

## Palico Secondary Pricing Report

Prepared by Palico

Based on Q2/Q3 2020 reporting

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## PROMINENT FUNDS KEEP IT TOGETHER IN SPIITE OF 2020 DISRUPTION

Palico's latest survey of limited partners who purchased stakes in closed funds over the last six months generated pricing for 35 funds. This selection of funds showed an average valuation of 101 percent of net asset value (NAV). Measured in terms of median, typical pricing has held steady since last year at 101 percent of NAV. However, this points to a trend that we saw a year ago of intense competition for top-tier funds, which is likely skewing pricing upwards.

In 2020, as uncertainty swept the globe, many investors retreated from the secondaries market which saw transaction volume fall for the first time in over ten years. While momentum looks to be picking up in Q4 2020, it is clear that there was a flight to quality — a trend that we already saw gaining momentum in late 2019. Our report follows this trend, featuring many prominent funds and a very heavy skew towards buyout funds, which brought transaction volume to the market but also showed incredible resilience in terms of pricing.

There are a number of factors at play here, but the greatest influence comes from the dynamics of depressed supply and increased demand in 2020. On the one side, secondary funds have (and are) raising record amounts of capital with over \$140 billion in dry powder — capital that investors naturally need to put to work. As noted already, sell side supply dried up as potential sellers stepped back waiting for the dust to settle.

This is probably why we see indications of an uptick in funds coming to market in Q4 with investors seeing opportunities to capture favorable pricing. Especially as more and more investors see secondaries as an effective tool to actively manage their PE portfolio, maximize returns, and optimize funds.

# Secondary pricing based on successful bids over the last 6 months\*

| Fund   | Pricing (% of NAV) | Vintage |
|--|--------------------|---------|
| Advent International GPE VIII                | <b>104%</b>        | 2016    |
| Advent International GPE VII                 | <b>102%</b>        | 2012    |
| AG Asia Realty Fund III                      | <b>95%</b>         | 2016    |
| AG Realty Fund IX                            | <b>97%</b>         | 2018    |
| Apax IX - USD                                | <b>105%</b>        | 2016    |
| Baring Asia Private Equity Fund V            | <b>98%</b>         | 2011    |
| Blackstone Capital Partners VI, L.P.         | <b>98%</b>         | 2012    |
| Carlyle Partners VI, L.P.                    | <b>99%</b>         | 2013    |
| CDH Fund IV, L.P.                            | <b>91%</b>         | 2010    |
| Chatham Fund, LP                             | <b>97%</b>         | 2014    |
| Cinven Fifth Fund, L.P.                      | <b>102%</b>        | 2013    |
| CVC Capital Partners VI                      | <b>103%</b>        | 2013    |
| EnCap Energy Capital Fund IX-C               | <b>84%</b>         | 2013    |
| FountainVest China Capital Partners Fund III | <b>98%</b>         | 2016    |
| Francisco Partners IV                        | <b>112%</b>        | 2015    |
| Green Equity Investors VI, L.P.              | <b>104%</b>        | 2012    |
| IK Fund VIII                                 | <b>104%</b>        | 2016    |

\*Through November 2020

# Secondary pricing based on successful bids over the last 6 months\*

| Fund                                     | Pricing (% of NAV) | Vintage |
|--|--------------------|---------|
| Khosla Ventures IV, L.P.                 | <b>100%</b>        | 2012    |
| KKR Lending Partners III                 | <b>101%</b>        | 2018    |
| New Mountain Partners IV                 | <b>106%</b>        | 2013    |
| Nordic Capital Fund IX Beta              | <b>114%</b>        | 2018    |
| Prudential Capital Partners V            | <b>100%</b>        | 2017    |
| Riverside Capital Appreciation Fund VI   | <b>96%</b>         | 2013    |
| Roark Capital Partners III L.P.          | <b>101%</b>        | 2012    |
| Silver Lake Partners IV                  | <b>110%</b>        | 2013    |
| Sterling Group Partners III              | <b>92%</b>         | 2010    |
| Summit Partners Growth Equity Fund IX    | <b>113%</b>        | 2016    |
| Thoma Bravo Fund XI                      | <b>110%</b>        | 2014    |
| Thomas H. Lee Equity Fund VII            | <b>108%</b>        | 2016    |
| TPG Partners VII                         | <b>100%</b>        | 2015    |
| TPG Real Estate Partners II, L.P.        | <b>97%</b>         | 2015    |
| Trident VII                              | <b>105%</b>        | 2017    |
| Vista Equity Partners Fund V, L.P.       | <b>106%</b>        | 2014    |
| Warburg Pincus Private Equity XI         | <b>100%</b>        | 2013    |
| Welsh, Carson, Anderson & Stowe XI, L.P. | <b>93%</b>         | 2008    |

\*Through November 2020

# Secondary Pricing Report - *by the numbers\**

## Overview

| All funds       | Pricing (% of NAV) |
|-----------------|--------------------|
| Mean/Average    | 101%               |
| Median          | 101%               |
| Number of funds | 35                 |

## Breakdown by premium/discounts

| Pricing (% of NAV) | Below Par | Par and above |
|--------------------|-----------|---------------|
| Average            | 95%       | 105%          |
| Number of funds    | 13        | 22            |
| % of total funds   | 37%       | 63%           |

## Breakdown by vintage

| Pricing (% of NAV) | Early Secondary<br>(3 years old or less) | Prime<br>Secondaries | Tail Ends<br>(10 years old or more) |
|--------------------|--|----------------------|-------------------------------------|
| Average            | 104%                                     | 102%                 | 92%                                 |
| Number of funds    | 3  | 29                   | 3                                   |
| % of total funds   | 9%                                       | 83%                  | 9%                                  |

\*Through November 2020 • All averages are unweighted

# Secondary Pricing Report - *year over year pricing comparison\**

## A closer look at pricing for major fund strategies

| Major fund strategies             | Pricing (% of NAV)<br>December 2018 | Pricing (% of NAV)<br>December 2019 | Pricing (% of NAV)<br>December 2020 |
|-----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Venture Capital / Growth Equity   | 111%                                | 94%                                 | 104%                                |
| Buyout / Corporate Private Equity | 103%                                | 101%                                | 103%                                |

## Focus on buyout & corporate private equity funds

| Buyout & Corporate PE strategies | Pricing (% of NAV)<br>December 2018 | Pricing (% of NAV)<br>December 2019 | Pricing (% of NAV)<br>December 2020 |
|----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Average Above PAR                | 109%                                | 108%                                | 106%                                |
| Average Below PAR                | 91%                                 | 94%                                 | 95%                                 |
| Total Average                    | 103%                                | 101%                                | 103%                                |

## Focus on venture capital & growth equity funds

| VC & Growth Equity strategies | Pricing (% of NAV)<br>December 2018 | Pricing (% of NAV)<br>December 2019 | Pricing (% of NAV)<br>December 2020 |
|-------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Average Above PAR             | 117%                                | --                                  | 114%                                |
| Average Below PAR             | --                                  | 92%                                 | 98%                                 |
| Total Average                 | 111%                                | 94%                                 | 104%                                |

\*Through November 2020 • All averages are unweighted