

Secondary Pricing Report

Q3 2021

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Pricing holds strong as deal volume gains pace

No news is good news in the PE secondaries market. After a strong first half we see a small softening in median pricing of two percentage points to net asset value, but this is negligible and more a function of the particular assets that have come to market than any step back on the buy-side. Indeed, the volume of transactions tracked by Palico is up by 19% in Q3 compared with the previous quarter, a clear signal that there is ample appetite for deals.

Secondary dry powder is in abundance after a record 2020 of capital raising for the strategy. Following such a bountiful year, secondaries fundraising took an inevitable dip in the first half of 2021, of around 34%. More than anything this illustrates just how much has been raised already by blue chip managers who are busy deploying.

And new players are moving into the space to capitalise on the opportunity. Credit manager Churchill Asset Management recently raised \$1bn for its first ever secondary PE fund, backed by Ardian, one of the biggest operators in the market.

The long-term outlook is also hugely positive. When the PE industry raises fresh capital for deals, this precedes elevated secondary activity once investors seek early liquidity for their positions in these closed-end funds. Global alternative investment fundraising reached \$631 billion in the first half and is on course to exceed \$1.3trn by year-end. This is more than triple the capital being raised a decade ago.

With two months to go before 2021 comes to a close, all bets are on that secondary deal volume will set a new record of \$100bn or more. Judging by the confident rebound in primary fundraising in recent months, the following years will top this.

Secondary pricings based on successful bids over the last quarter

Fund	Pricing (% of NAV)	Vintage
57 Stars Global Opportunity Fund	83%	2007
Accel-KKR Growth Capital Partners II	110%	2015
Advent International VII	100%	2012
Apollo Investment Fund VIII	98%	2013
Ares Corporate Opportunities Fund V	99%	2017
ASF VII	94%	2015
Asia Alternatives Capital Partners II	99%	2008
Athyrium Opportunities Fund II	91%	2015
Axa LBO Fund V	98%	2012
Bain Capital Fund X	90%	2008
Baring Asia Private Equity Fund VI	108%	2015
Birch Hill Equity Partners IV	97%	2011
Blackstone Capital Partners VI	100%	2011
Blackstone Tactical Opportunities Fund II	101%	2015

Fund	Pricing (% of NAV)	Vintage
Brookfield Infrastructure Fund III	102%	2016
Carlyle Partners VI	107%	2013
Cerberus Institutional Partners V	93%	2012
Centerbridge Capital Partners III	106%	2015
Charles Bank Equity Fund VII	107%	2009
Clayton, Dubilier & Rice Fund X	124%	2018
Cortec Group Fund V	105%	2012
CVC Capital Partners VI	103%	2014
EM Alternatives Investment	79%	2007
Encap Energy Capital Fund IX	90%	2013
Endeavor Capital Fund VI	94%	2011
Francisco Partners II	84%	2006
Green Equity Investors V	94%	2007
Grove Street Venture Partners II	100%	2008
Hamilton Lane Secondary Fund IV	96%	2016
Hellman & Friedman Capital Partners VII	105%	2011

Fund	Pricing (% of NAV)	Vintage
HIG Europe Capital Partners II	96%	2014
Inflexion Buyout Fund IV	104%	2014
Insight Venture Partners VIII	100%	2013
JH Whitney VII	95%	2010
Khosla Ventures III	89%	2009
KKR 2006 Fund	85%	2006
Lexington Middle Market Investors III	95%	2012
Onex Partners IV	94%	2014
RCP Advisors Fund IX	102%	2013
Riverside Capital Appreciation Fund VI	95%	2013
RRJ Capital Master Fund III	94%	2015
SAIF Partners IV	93%	2010
Silver Lake IV	108%	2013
Siris Partners IV	100%	2017
Summit Partners Growth II	123%	2017
Tailwind Capital Partners II	93%	2014



Fund	Pricing (% of NAV)	Vintage
The Rise Fund 1	100%	2016
Thoma Bravo Fund X	114%	2014
Towerbrook Structured Opportunities Fund	96%	2016
TPG Growth Fund III	106%	2015
TPG Opportunities Partners III	94%	2014
Triton Fund IV	91%	2013

SECONDARY PRICING REPORT - (BY THE NUMBERS)

Overview

All Funds	Pricing (% of NAV)
Mean/Average	98.5%
Median	98%
Number of Funds	52



Breakdown by Premiums/Discounts

	Below Par	Par and Above
Average Pricing as % of NAV	92.7%	105.9%
Number of Funds	29	23
% of Total Funds	56%	44%

Breakdown by Vintage

	Early Secondary (3 years old or less)	Prime Secondaries	Tail Ends (10 Years or more)
Average Pricing as % of NAV	124%	100%	93.38%
Number of Funds	1	35	16
% of Total Funds	2%	67%	31%



Breakdown by Strategy

Major Fund Strategies	Count of Funds	Avg. Pricing as % of NAV
Venture Capital / Growth Equity	7	103%
Buyout / Corporate Private Equity	30	99.6%
Distressed / Turnaround / Special Situations	2	94.5%
Secondaries	3	95%
Fund of Funds/ CoInvestment	5	92.6%
Credit Products	3	95.3%
Infrastructure	1	102%
Energy & Natural Resources	1	90%

