



PALICO

Q4 2021

PE Fund Secondary Pricing Report

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Pricing ends 2021 on a high note as clouds gather on the horizon

Pricing in the LP-led private equity secondary market remained tight through the end of 2021. Our latest survey of limited partners who purchased stakes in closed funds over the past six months shows that, across the 66 funds that changed hands, the mean valuation was 98.92% of net asset value (NAV), a minuscule drop of 93 basis points on the previous quarter. The median price of 100% remained unchanged quarter-on-quarter.

The past year has been busy, to say the least. As we predicted in the previous Secondary Pricing report, deal volume surpassed the \$100bn mark in 2021, bolstered by increasing LP-led and GP-led activity. By some estimates, activity blew through this threshold. According to Jeffries, the aggregate value came to as much as \$132bn last year, a new high watermark.

Whether last year's tight pricing and deal volume can be sustained is debatable. The economic restart and upward

march of stock markets last year gave investors the confidence to transact. Growth is expected to normalize this year and stocks have fallen year-to-date in anticipation of base rate hikes, as investor sentiment tilts towards risk-off.

If volatility persists in anticipation of monetary policy tightening, we could see growth in secondaries deal activity ease off somewhat. Pricing discounts may also widen as buyers seek to build in headroom to counter any potential NAV markdowns. However, in the first year of the pandemic, what played out was pricing remained tight as deal supply temporarily dried up and there was a flight to quality among buyers. We don't expect anything like the market anxiety of H1 2020, but these dynamics make the coming months more difficult to predict.

What is certain, however, is that there is plenty of secondary dry powder (\$127bn as of September, according to Preqin), the ecosystem continues to grow to include more fund strategies, such as private credit, and LPs have never been more comfortable trading out of funds early to raise liquidity, provided market conditions support their price expectations.



Secondary pricings based on successful bids over the last quarter

Fund	Pricing (% of NAV)	Vintage
Abry Partners VIII	98%	2014
Actis Global IV	93%	2012
Advent Global Private Equity VII	104%	2012
Advent Global Private Equity VIII	111%	2016
AG Asia Realty Fund III	97%	2016
Alta Partners VIII	98%	2006
American Securities Partners VII	100%	2016
Apollo Investment Fund VII	83%	2008
Ardian Secondary Fund VI	94%	2013
Astorg VI	103%	2015
Blackstone Energy Partners	85%	2011
Blue Sea Capital Fund 1	104%	2013

Fund	Pricing (% of NAV)	Vintage
Boston Timber Opportunities	91%	2012
Carlyle Asia Growth Partners IV	80%	2008
Charlesbank Equity Fund VIII	105%	2014
Charterhouse Capital Partners IX	81%	2008
Coller International Partners VI	94%	2011
Cressey and Company Fund V	107%	2014
CVC Capital Partners VI	105%	2013
CVI Credit Value Fund IV	100%	2017
DFJ Growth 2013	108%	2013
Energy Capital Partners III	85%	2014
Equistone European Fund V	101%	2015
Fairview Special Opportunities Fund	106%	2011
FS Equity Partners VIII	104%	2018
GHUM Trailhead Fund	103%	2012
Gilde Buyout Fund IV	89%	2011
Glendon Opportunities Fund	93%	2014

Fund	Pricing (% of NAV)	Vintage
Global Infrastructure Partners II	100%	2010
Global Infrastructure Partners III	102%	2015
Gridiron Capital Fund III	115%	2015
Grove Street Partners Buyout	84%	2006
GSO Capital Solutions Fund II	92%	2012
GTCR Fund X	90%	2010
Hamilton Lane Venture Capital (Series 2010)	94%	2010
Hamilton Lane Venture Capital (Series 2014)	100%	2014
Healthcare Royalty Partners III	101%	2013
High Road Capital Partners Fund II	97%	2013
Industry Ventures Partnership Holdings III	110%	2014
Kelso Investment Associates IX	100%	2015
KKR 2006 Fund	90%	2006
Kohlberg Investors VII	101%	2012
KPS Special Situations Fund IV	106%	2014
Madison Dearborn Capital Partners VII	107%	2015

Fund	Pricing (% of NAV)	Vintage
Montreux Equity Partners IV	78%	2007
Nautic Partners VI	90%	2007
NGP Natural Resources XII	98%	2017
Orion Mine Finance Fund II	94%	2016
Permira V	111%	2012
Platinum Equity Capital Partners III	96%	2012
Polaris Partners VIII	108%	2016
Roark Capital Partners IV	102%	2016
Siris Partners III	100%	2014
Sorenson Capital Partners III	103%	2014
SSG Capital Partners III	99%	2014
SSG Capital Partners IV	102%	2017
Summit Partners Growth Equity Fund IX	116%	2015
Thoma Bravo Fund XIII	118%	2018
TPG Fund VI	77%	2008
Trident VI	103%	2013

Fund	Pricing (% of NAV)	Vintage
Varde Fund XI	91%	2013
Vista Equity Partners Fund V	111%	2014
Warburg Pincus China	106%	2016
Welsh Carson Anderson & Stowe XII	113%	2014
Wynnchurch Capital Partners IV	114%	2015
Yucaipa American Alliance Fund II	88%	2008

Secondary Pricing Report by the numbers

Overview

All Funds	Pricing (% of NAV)
Mean/Average	99%
Median	100%
Number of Funds	66

Breakdown by Premiums/Discounts

	Below Par	Par and Above
Average Pricing as % of NAV	90.3%	105.7%
Number of Funds	29	37
% of Total Funds	44%	56%

Breakdown by Vintage

	Early Secondary (3 years old or less)	Prime Secondaries	Tail Ends (10 Years or more)
Average Pricing as % of NAV	111%	102.13%	88.65%
Number of Funds	2	47	17
% of Total Funds	3%	71%	26%

Focus on Buyout / Corporate PE

	Average Pricing as % of NAV on:				
Buyout & Corporate Private Equity	Dec 2017	Dec 2018	Dec 2019	Dec 2020	Dec 2021
Average Above PAR	108%	109%	108%	106%	107%
Total Average	101%	104%	101%	103%	99%
Average Below PAR	93%	91%	95%	95%	88%

Focus on Venture Capital and Growth

	Average Pricing as % of NAV on:				
Venture Capital and Growth	Dec 2017	Dec 2018	Dec 2019	Dec 2020	Dec 2021
Average Above PAR	110%	117%		113%	108%
Total Average	97%	111%	94%	104%	98%
Average Below PAR	92%		92%	98%	88%

Breakdown by Strategy

Fund	Pricing (% of NAV)
Venture Capital / Growth Equity	98%
Buyout / Corporate Private Equity	99%
Distressed / Turnaround / Special Situations	98%
Secondaries	94%
Fund of Funds / Co-Investments	108%
Credit Products	94%
Infrastructure	101%
Energy & Natural Resources	95%
Real Estate	97%