



PALICO

Secondary Pricing Report

Q2 2022



Secondary market shows resilience as GPs face fundraising headwinds

PE secondary market pricing showed impressive strength in Q2. Three months ago, there was a greater emphasis among buyers on picking up discounted opportunities. That trend has reversed and the average and median price that buyers have been paying for LP fund positions has inched upwards.

The mean price to net asset value (NAV) in the second quarter came to 99%, up one percentage point, while the median hit squarely at par (100%), a three percentage point gain on Q1. The biggest development, however, is the fact that 60% of the 65 fund interests that changed hands recently did so above par, at an average price of 105% over NAV. This left 40% of trades at an average discounted price of 91%.

For comparison, only three months ago as much as 58% of deal volume was discounted and 42% was priced at a premium.

Appetite for liquidity

The PE secondary market is proving to be robust in spite of mounting macro challenges. This is in large part due to today's fiercely competitive private equity fundraising market coupled with weakened public equity markets, which is prompting investors to consider their liquidity options.

On Blackstone Group's recent Q2 earnings call, president Jonathan Gray noted how crowded the primary fundraising market has become. Institutional investors are spoilt for choice as new funds return to the market at an accelerated pace amid a period of equity market underperformance.

"[There is an] over-allocation to private equity that makes fundraising more challenging for many firms [and] means that [LP] institutions are now thinking more and more about selling in secondaries," observed Gray. A greater willingness among LPs to sell should keep a lid on prices while sustaining high levels of deal volume. It is no coincidence that Blackstone is currently on schedule with a record-breaking \$20bn secondaries fundraising, as it seeks to seize upon this opportunity.

There is still potential for deal volume to ease off in the latter half of the year after a challenging few months. The inherent lag in the PE secondary market, which relies on quarterly NAV recalculations, means that weakness could follow as potential sellers become reluctant to divest assets if meaningful markdowns come through. However, the market has so far proven to be remarkably robust. And as Blackstone's current fundraising shows, ever more liquidity is pouring in.

Secondary pricings based on successful bids over the last quarter

Fund	Pricing (% of NAV)	Vintage
A&M Capital Partners I	104%	2012
ABRY Partners VIII	91%	2014
Accel-KKR Capital Partners V	101%	2015
Accel-KKR Structured Capital Partners II	102%	2014
American Industrial Partners Capital Fund VI	104%	2015
Angeles Equity Partners I	103%	2015
Aquiline Financial Services Fund III	110%	2015
ArcLight Energy Partners VI	85%	2015
Ardian LBO Fund VI	101%	2016
Ares Corporate Opportunities Fund V	104%	2015
Astorg VI	107%	2015
Blackstone Capital Partners VII	108%	2016

Fund	Pricing (% of NAV)	Vintage
Blackstone Real Estate VII	101%	2011
Carlyle Partners VII	106%	2017
Carnelian Energy Capital II	92%	2017
Carnelian Energy Capital III	101%	2019
Catalyst Fund V	94%	2015
Charlesbank Equity Fund VII	92%	2009
Chatham Asset Private Debt and StrategiCapital Fund I	107%	2017
Commonfund I	89%	2013
CVC Capital Partners VI	105%	2014
CVC Capital Partners VII	111%	2017
Dyal Capital Partners III	100%	2014
FirstMark Capital Fund IV	108%	2017
FountainVest China Growth capital Fund II	88%	2012
Francisco Partners IV	114%	2015
GSO Capital Opportunities Fund II	93%	2012
H.I.G. Capital Partners V	103%	2013
Harbourvest Partners VIII	87%	2006
Investindustrial VI	97%	2015
J.H. Whitney VII	95%	2010
Khosla Ventures IV	100%	2011

Fund	Pricing (% of NAV)	Vintage
Knightsbridge Fund VI	87%	2004
KSL Capital Partners II	89%	2005
KSL Capital Partners IV	93%	2015
LBC Credit Partners IV	95%	2016
Lexington Capital Partners VII	86%	2009
Linden Capital Partners III	112%	2016
Long Wharf Fund V	98%	2016
Marlin Equity IV	90%	2013
MHR Institutional Partners IV	94%	2014
New Enterprise Associates 15	100%	2015
Nordic Capital Fund VIII	97%	2013
Oaktree Opportunities Fund X	102%	2015
Ocean Avenue II	103%	2013
Ocean Avenue III	105%	2016
Onex Partners IV	100%	2014
OrbiMed Private Investments IV	96%	2009
Paladin III	96%	2007
Pantheon Global Secondary Fund IV	84%	2008
Pathway 8	110%	2015
Paulson Real Estate Fund II	104%	2013
Red Kite Mine Finance Fund I	97%	2011

Fund	Pricing (% of NAV)	Vintage
Tailwind Capital Partners II	100%	2013
The Baring Asia Private Equity Fund V	100%	2011
Thoma Bravo Fund XII	105%	2016
Thomas H. Lee Equity Fund VIII	109%	2018
TPG Growth IV	102%	2017
TPG Partners VI	69%	2008
TPG Real Estate Partners II	100%	2015
Union Square Ventures 2014	111%	2014
Vista Equity Partners Fund IV	102%	2011
Warburg Pincus Private Equity Fund XI	92%	2011
Weathergage Venture Capital IV	106%	2016
Wellspring Capital Partners VI	105%	2016

Overview

All Funds	Pricing (% of NAV)
Mean/Average	99%
Median	100%
Number of Funds	65

Breakdown by Premiums/Discounts

	Below Par	Par and Above
Average Pricing as % of NAV	91%	105%
Number of Funds	26	39
% of Total Funds	40%	60%

Breakdown by Vintage

	Early Secondary (3 years old or less)	Prime Secondaries	Tail Ends (10 Years or more)
Average Pricing as % of NAV	101%	102%	93%
Number of Funds	1	45	19
% of Total Funds	2%	69%	29%

Breakdown by Strategy

FUND STRATEGIES	AVERAGE PRICING AS % of NAV
Venture Capital / Growth Equity	100%
Buyout / Corporate Private Equity	101%
Distressed / Turnaround / Special Situations	98%
Fund of Funds/ CoInvestment	98%
Mezzanine/ Debt	97%
Secondaries	85%
Energy & Natural Resources	93%
Real Estate	101%