ASANTE CAPITAL GROUP

Market Pulse Survey Results

Asante Capital is a leading independent private equity placement and advisory group focused on partnering with best-in-class managers and limited partners in both developed and emerging markets.

Asante Capital would like to thank everyone who completed our survey, which enabled us to donate a record sum to our partners at the Asante Africa Foundation. The foundation has positively impacted over 1.13 million lives in East Africa, striving to empower the region's youth by providing education programs and scholarships to the leaders of the future.

As we analyse the private equity fundraising landscape through the first quarter of 2024, we found that LPs have started to emerge from a murky 2022-23 and are signalling more activity in 2024. In particular, we have observed a greater showing of optimism in the fundraising market as investors navigate through a busy pipeline. In line with this, investor confidence has started to return, driven by an increase in liquidity expectations and the belief that 2023/2024 will yield strong vintages.

Where are we now?

There is a belief that M&A markets will come back to life in the second half of 2024. An encouraging 75% of investors we polled anticipate receiving greater distributions in 2024 compared to the previous year. Furthermore, 51% of LPs expect median returns to surpass those of 2023, underscoring the belief that we've reached a more stable and predictable economy.

Despite the optimism surrounding liquidity and returns, fundraising timelines paint a more sombre picture. 53% of respondents anticipate GPs to spend the same amount of time in the market versus the prior year, and nearly 50% foresee an extension in fundraising timelines from the 2023 average of 20 months in the market.[1]

The abundance of choice for LPs has also shifted investor focus onto top-quality managers who are able to offer a diversified set of LP-friendly solutions, including co-investments, preferential terms, and secondary opportunities. We expect a challenging fundraising environment to endure through 2024 and into 2025, at which point we expect a reversion to a more "normal" fundraising environment through 2026, as interest rates decrease, and the aftermath of the shock to the system of the global pandemic is slowly normalised.

How much capital are you expecting to receive back in distributions in 2024 relative to 2023?

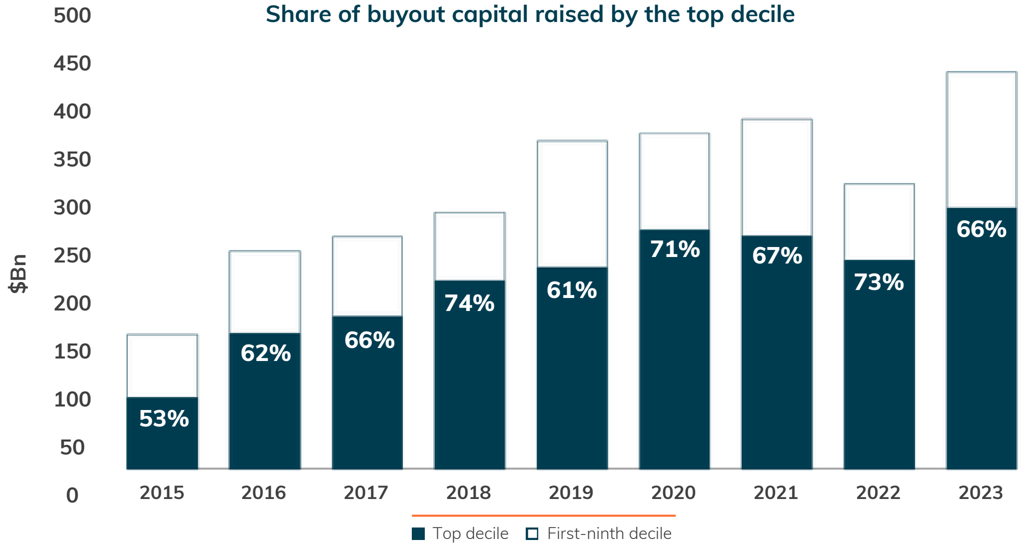
2024

3%	75%	22%
Less capital back in distributions...	More capital back in distributions...	No change

1 McKinsey Global Private Markets Review 2024: Private markets in a slower era (March 28, 2024)

Investor Sentiment

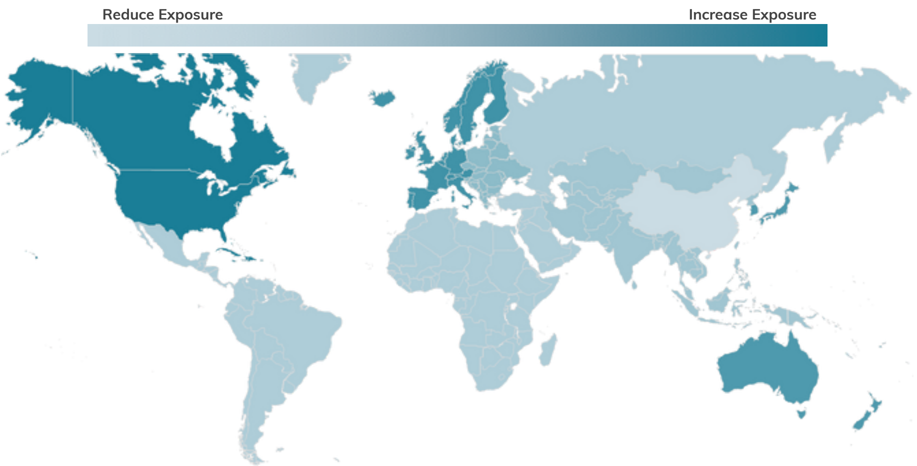
Looking ahead, 66% of LPs express relative confidence in the 2024 vintage, believing it will outperform previous vintages from 2020 to 2023 and signal conviction in the quality and potential of opportunities in the current market environment. Bifurcation remains a prominent feature, with a stark divide between industry players. Of all buyout fundraises in 2023, the top largest 10% of funds accounted for approximately 64% of all capital raised, which is in line with figures for 2022.[2] Many smaller GPs will continue to find themselves battling for LP dollars against the dominant players, highlighting the increasing need to differentiate and to offer more than capital allocation to investors.



Deployment pacing for 2024

Investors continue to focus on high quality mandates in proven geographies and sectors. Our survey revealed that 60% of respondents will maintain their attention on North America and Western Europe. Concurrently, there's been a further pullback in investments within China and the broader developing Asian markets. This is consistent with data from prior years' surveys, where LPs have indicated a shift towards developed markets – primarily North America followed by Western Europe, and single markets like Australia and Japan. However, the magnitude of the shift is lower for 2024, and the average LP is allocating to a more diverse mix of geographies than in 2023.

In an unpredictable landscape, LPs are still focused on "what's next?". 41% have already filled their pipeline for 2024, 33% for 2025, 19% for 2026, and 7% for 2027 & beyond. However, this does not mean that LPs are fully committed to the future. 43% of surveyed investors reported dedicating more time in 2023 to cultivating relationships with potential GPs compared to 2022. Allocations still exist for new relationships. Given the longer average fundraising period, it benefits GPs raising funds in 2025 and beyond to be in front of LPs now. LPs prefer to spend time getting familiar with a strategy, team, and portfolio, with most preferring to meet a GP at least one vintage before committing. GPs that are spending the time to educate prospective investors about themselves, particularly "off-cycle", will stand to benefit from the relationship built between fundraises.



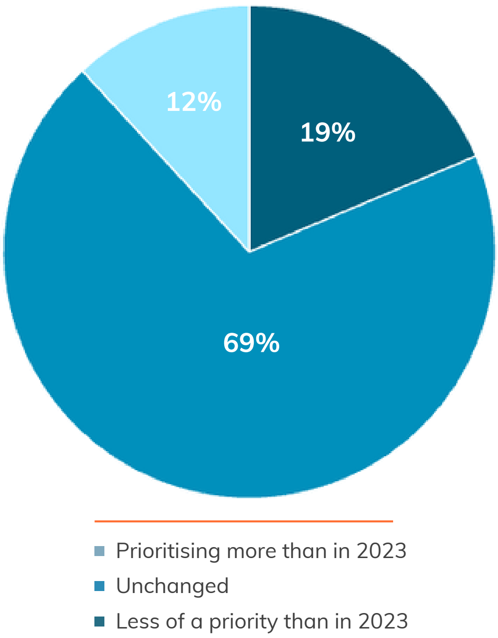
2 S&P Global Market Intelligence: Private equity fundraising plunges to 6-year low in 2024 (January 17, 2024)

Next Generation

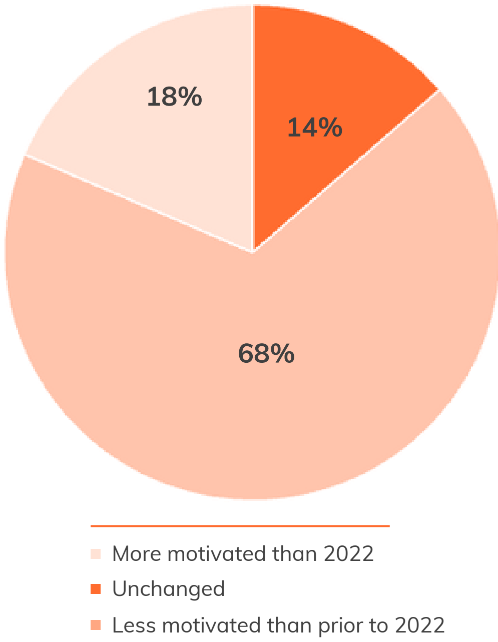
As the fundraising market remains bifurcated, several established groups have struggled to raise funds and have become “fallen angels” - once dominant firms that have lost their lustre. 35% of investors expect the trend to continue at the current rate and 43% of investors expecting bifurcation to intensify.

In turn, the next generation of emerging GPs are stepping in to fill the void. These managers are typically smaller, mid-market funds who are viewed as higher-octane than their more established, typically larger peers. Most LPs are seeking young, well-aligned teams for exposure to the lower mid-market, with 70% of surveyed LPs continuing to prioritise emerging GPs and an additional 19% making emerging groups a greater priority than last year.

How are you prioritising emerging, new GPs relative to 2023?



Has your motivation to seek emerging GPs changed since 2022?



Spin-outs

86% of LPs surveyed expect spin-out activity to remain the same or increase over the next year, an increase from 67% the year prior, suggesting greater optimism for emerging managers in the current market. For any spin-out group to be successful, a differentiated, repeatable strategy is required, in addition to a strong track record and team.

Do you expect to see more spin-out activity in the next 12 months?

2024

14%
Less spin-out activity...

36%
More spin-out activity...

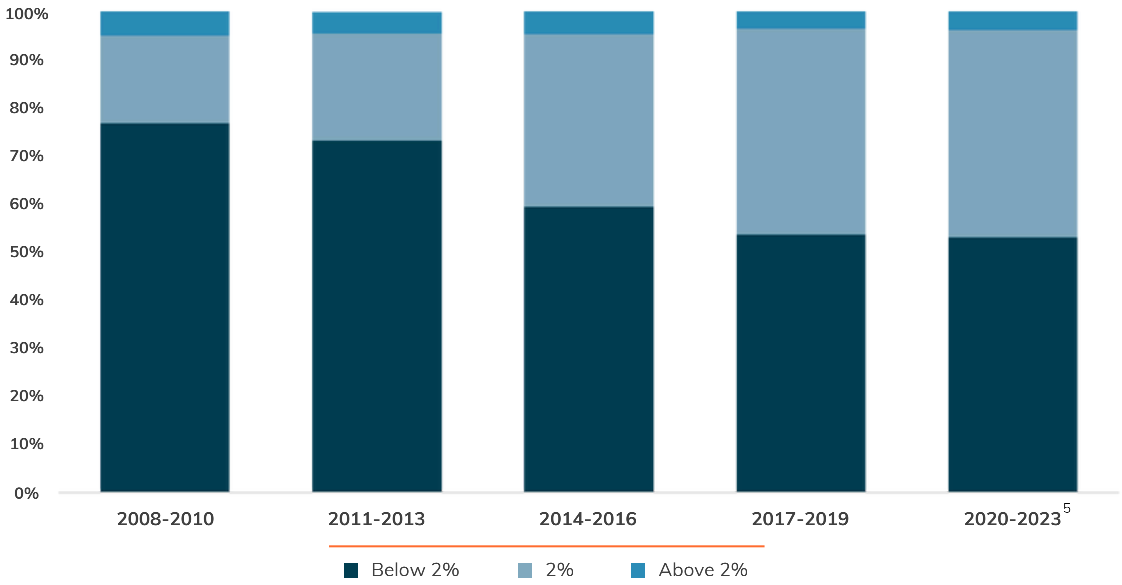
50%
No change

Investor Wishlist

Congestion in the market remains one of the biggest challenges for GPs raising new funds. Therefore, offering a transactional angle has never been more important to attract investor capital. Long gone are the days when LPs view their role as solely a capital provider. As investor processes become more sophisticated, many see a path to becoming a long-term strategic partner and expect GPs to deliver on transactional elements, including co-invests, secondaries, and other creative solutions.

The environment has also tilted legal negotiations in the favour of LPs. An increasing number of GPs are offering management fee discounts to sizeable commitments or first close participants. With the mounting pressure for lower fees, 53% of funds are charging management fees of under 2% per year.[3] Other solutions proposed by GPs include offering fee-free co-investments instead of explicit fee discounts to reduce the overall blended fee.

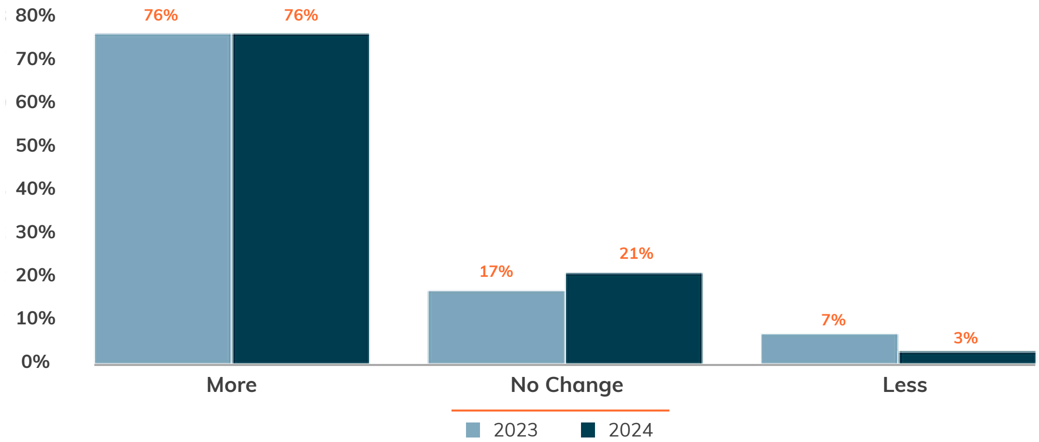
The share of private-market funds charging lower management fees remained unchanged in the past six years[4]



Co-Investments

Our survey shows that 76% of respondents anticipate more co-investment opportunities to be offered by GPs over the next two years, 21% expect no changes, and only 3% expect there to be less. Increasingly, LPs are choosing to partner with GPs who can offer a co-investment alongside a fund commitment. The benefits are clear – not only does it provide the opportunity to directly engage in specific deals alongside GPs, but it also gives LPs greater control over their investment decisions and portfolio diversification, potentially leading to increased returns and reduced fees associated with traditional fund investments. By participating in co-investments, LPs can deepen their relationships with GPs, ensuring greater transparency, trust, and alignment of interests, ultimately enhancing the overall performance and success of their partnerships.

Do you anticipate more co-invest options to be offered by GPs in the next 2 years?

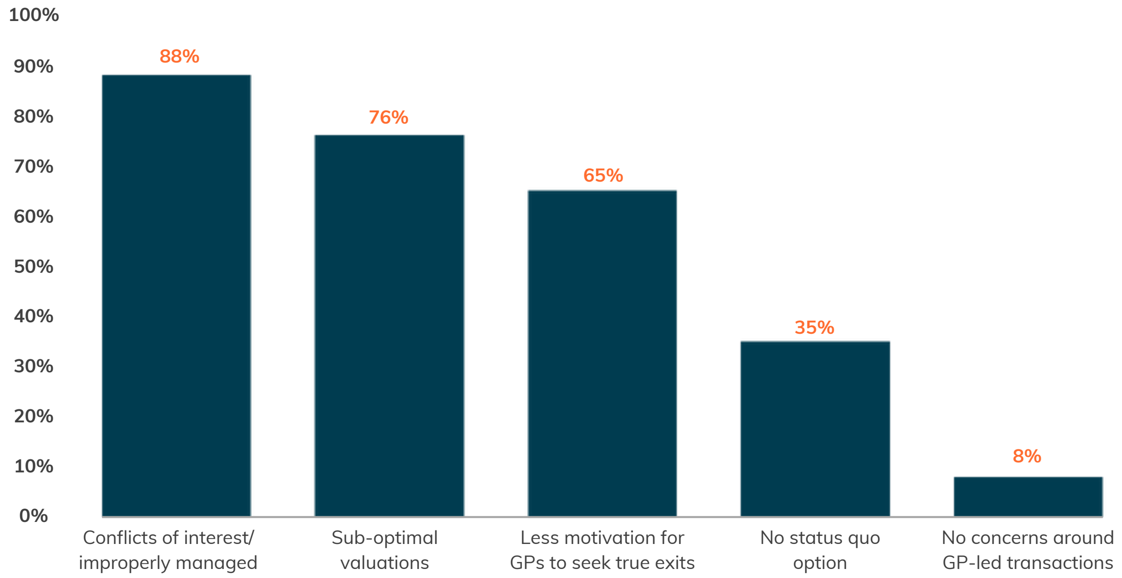


3 Pitchbook: Private fund managers report feeling a squeeze on fees (August 31, 2023)
4 Pitchbook: Private fund managers report feeling a squeeze on fees (August 31, 2023)
5 As of June 30, 2023

Secondaries

The significant growth in the secondaries market is undoubtedly one of the biggest developments in the industry. GP-led secondaries have dominated total transaction volume, and the increasing demand from both sellers and buyers continues to drive growth. Our survey shows that less than 1/3 of respondents did not participate in a secondary transaction in 2023. Furthermore, 68% of respondents expect the number of GP-led transactions to increase relative to 2023, 25% expect no changes and only 8% expect a decrease. The GP-led phenomenon has created a more flexible way of investing while providing investors with the option for earlier distributions of capital and access to star assets, so what is there not to like? Well, execution is key to success. When asked 'what is your biggest concern regarding GP-led transactions?', 88% of respondents still perceived 'Conflicts of interest/improper management' as a primary concern, followed by 'Sub-optimal valuations' (76%), 'Less motivation for GPs to seek third party exits' (65%) and 'No status quo option' (35%). Striking the right balance between offering a secondary transaction and all other funding or exit options has never been more important before riding the secondaries wave.

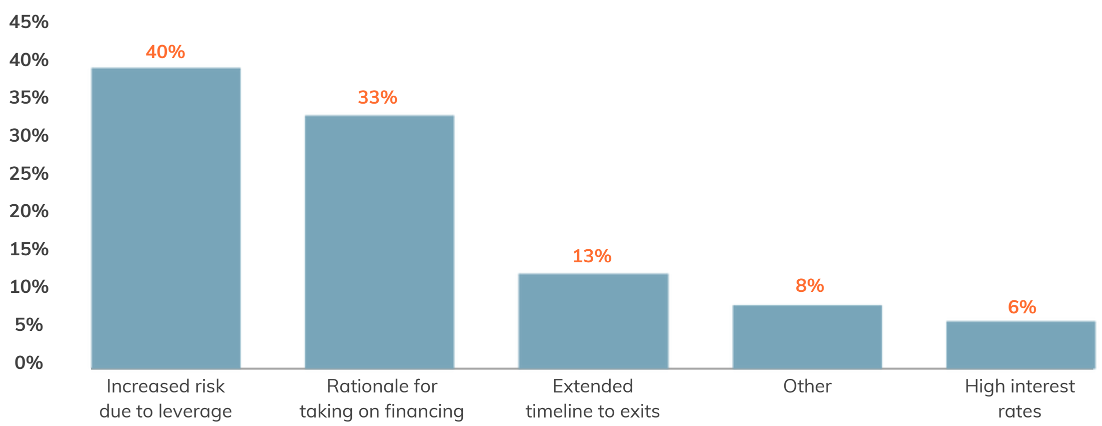
What concerns do you have regarding GP-led transactions?



NAV Financing

NAV financing has become a hot topic in the last several years, with LP support divided. Only 42% of LPs had any of their managers pursue NAV-based lending, as most LPs have not yet encountered this within their portfolio. 67% of LPs have at least some concerns about NAV loans, with key concerns being higher risk, unclear rationale, and potentially extended exit timelines. While NAV financing can provide access to capital and flexibility, investors must carefully assess and manage the associated risks to avoid potential pitfalls.

What is your biggest concern regarding NAV financing?



In the last 12 months...

$10bn
of capital raised

7.8
months to final close, on average

7
oversubscribed final closes

2
completed GP-led secondary transactions

8+
new team members

2
industry accolades achieved

ASANTE
CAPITAL GROUP

For any questions, please contact:
info@asantecapital.com

LONDON

Asante Capital Group LLP
25 Old Burlington Street, London
W1S 3AN, UK
+44 (0) 20 3696 4700

NEW YORK

Asante Capital Group Advisors LLC
10 East 53rd Street, Fl 12
New York, NY 10022
+1 646 694 9624

HONG KONG

Asante Capital Group HK Limited
Level 44, Champion Tower
3 Garden Road Central, Hong Kong
+852 2297 2849

MUNICH

Asante Capital Group Germany GmbH
Maximilianstrasse 13, 3rd Floor
Munich, Bayern 80539, Germany
+49 89 5419 5728