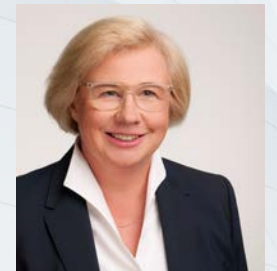


Impact of COVID-19 on Alternative Assets

Speaker: Dave Lowery, Senior Vice President, Head of Research Insights, Preqin

September 17, 2020

Annette Olschinka-Rettig
**Geschäftsführerin/
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Poppelsdorfer Allee 106
53115 Bonn
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olschinka-rettig@bvai.de

September 24, 2020
3:00 p.m. – 4:00 p.m.

Infrastructure Debt in Emerging Markets
High protection against credit risks in times of COVID-19

with  EDMOND
DE ROTHSCHILD

September 29, 2020
2:00 p.m. – 3:00 p.m.

Route to Recovery
The New Landscape of Commercial Aviation Finance

with  EnTrust Global

September 30, 2020
11:00 a.m. – 12:00 p.m.

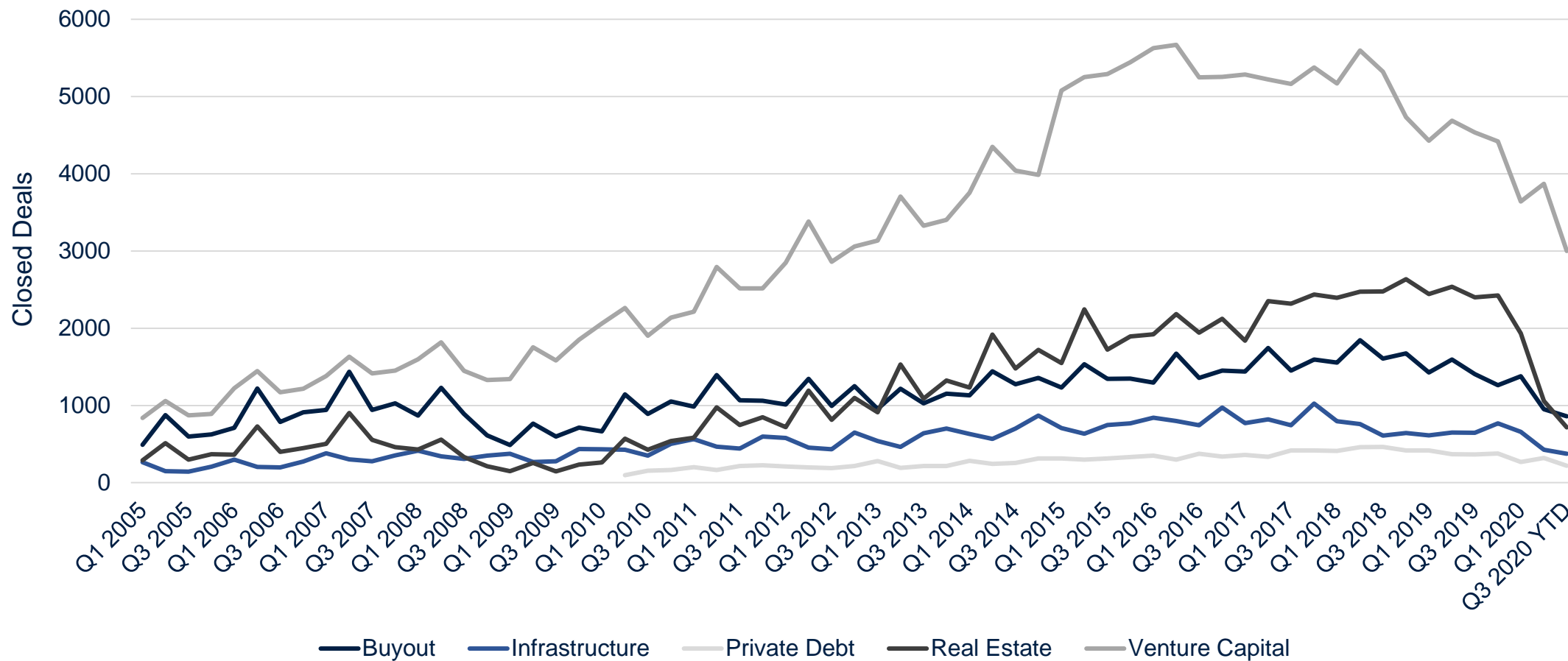
Trade Finance as an Investible Asset Class

with  PEMBERTON

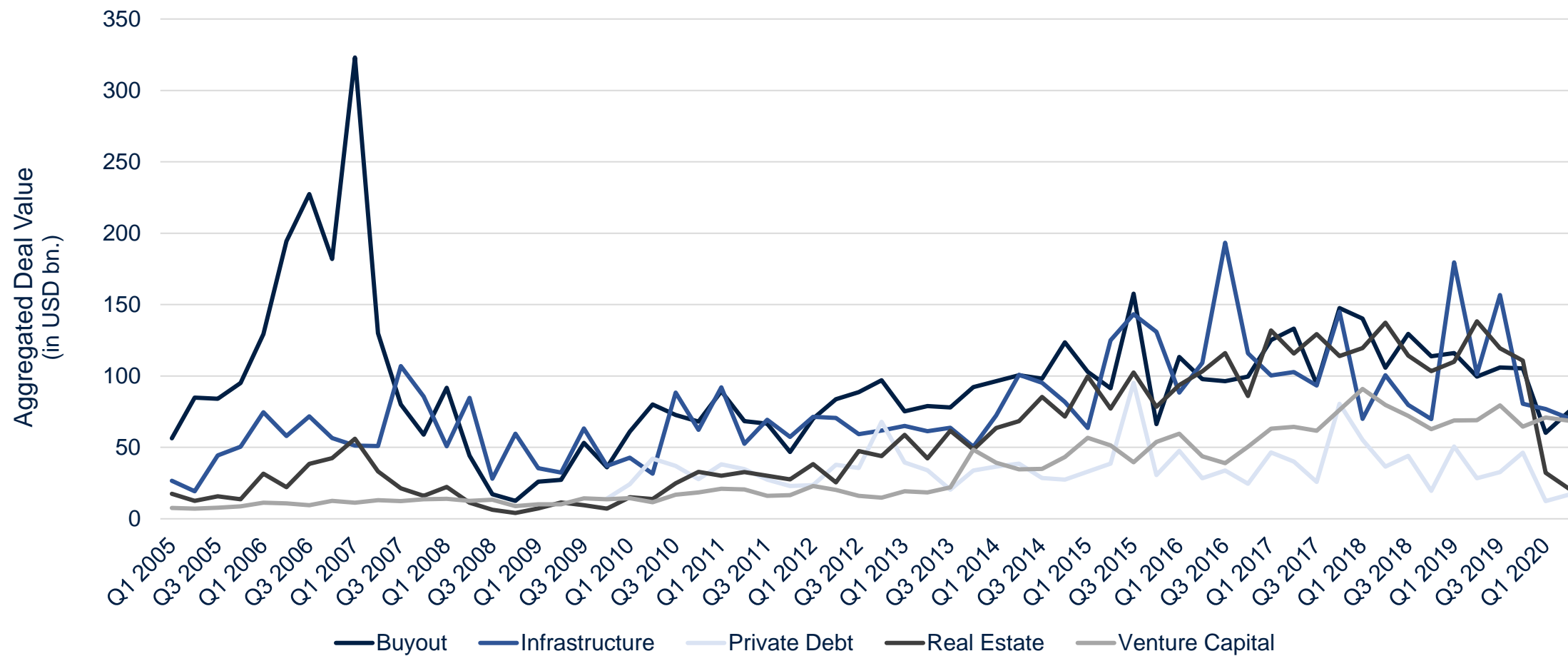
Aligning Asset Classes with Outcomes

	Stable income	Enhanced income	Capital growth
Private credit		Direct lending	Distressed debt/ special situations
			Mezzanine corporate
Infrastructure		Brownfield equity	
		Debt	Greenfield equity
Real estate	Senior debt	Subordinated debt	Opportunistic equity
		Core/Core-plus equity	Value-added equity
Private equity			Buyout
			Venture capital

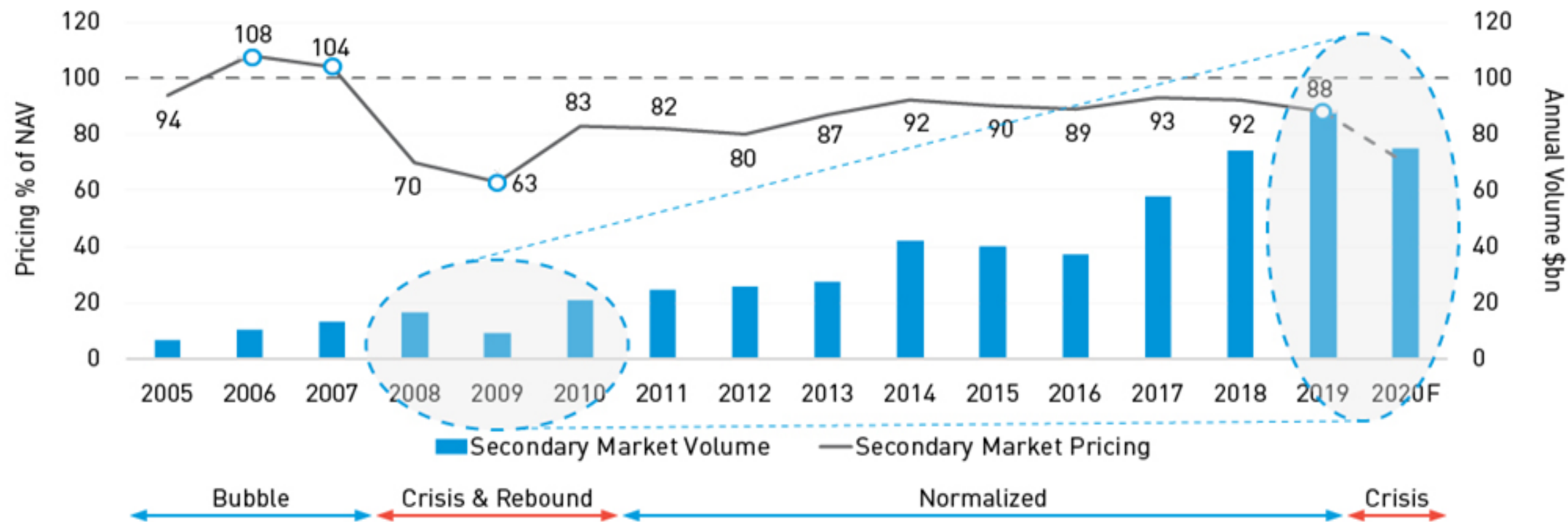
Number of Closed Deals



Aggregated Value of Closed Deals



Private Equity Secondary Transaction Volume





PREQIN MARKETS IN FOCUS: ALTERNATIVE ASSETS IN EUROPE

September 2020



MARKETS IN FOCUS: ALTERNATIVE ASSETS IN EUROPE

Key Numbers



€1.00tn

Europe-based alternative assets under management as of December 2019. The private equity (€795bn) and real estate fund (€609bn) industries make up the majority.



2.05%

2020 net return of Europe-focused hedge funds, ending from a loss of 9.58% in Q1 with gains of 1.2% in Q2.



2,018

Number of Europe-focused private capital funds in net as of July 2020, seeking an aggregate €389bn in commitments.



€126bn

Aggregate value of European private capital deals completed in H1 2020, 38% of the full-year 2019 total (€329bn).



€99bn

Aggregate capital secured by 213 Europe-focused private capital funds in H1 2020; €59bn of the total was raised by funds closed in Q2.



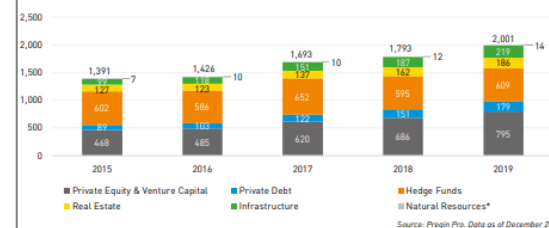
2,926

Number of Europe-based institutional investors active in alternative assets.

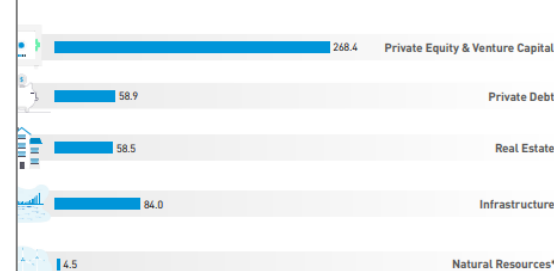
1. PROLOGUE

European Alternative AUM


1.1: Europe-Based Alternative Assets under Management by Asset Class, 2015 - 2019



1.2: Europe-Based Alternative Assets Dry Powder (Cbn) by Asset Class



* Natural Resources includes Natural Resources and Timber fund types only to avoid double counting.



Impact of COVID-19 on Alternative Assets

September 2020
Dave Lowery



About Preqin

Private Equity

Venture Capital

Private Debt

Hedge Funds

Real Estate

Infrastructure

Natural Resources

- Data, solutions and insights for alternative assets professionals.
- Over 80,000 subscribers across 26,600+ firms worldwide.
- Multi-award-winning service.
- Formed in 2003.



Global Data Coverage

Alternatives Coverage	Firms Monitored 40,809	Funds 110,619	Funds Open to Investment 24,851	Investors Monitored 18,051	Funds with Performance 35,574	Deals & Exits 494,018
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	Private Equity*	Private Debt	Real Estate	Infrastructure	Natural Resources	Hedge Funds
Investor Coverage	9,267	4,552	8,235	4,499	4,577	6,200
Fund Coverage	34,229	3,475	8,363	1,682	2,495	31,652
Active Firm Coverage	18,791	1,841	7,446	790	1,271	7,177
Performance Coverage	7,213	1,156	2,182	368	753	24,306
Cash Flow Performance	3,522	521	832	188	386	N/A
Fundraising Coverage	3,784	504	914	259	272	17,747

Preqin data collection and processes

Where do we get our data from?

Personal Relationships

- Preqin receives more than 28,000 regular submissions of data from 6,000 individual GPs annually
- On top of this, more than 2,000 hedge fund managers provide Preqin with monthly performance factsheets covering around 3,750 hedge funds
- Seventy-five percent of LPs on the Preqin platform are updated via direct conversations with our researchers

News and Press Releases

- Preqin currently tracks 60 global news sources daily to provide our clients with the latest industry trends
- We recently implemented a news automation tool which will see the number of sources reviewed daily increase to 155
- We are so confident in our data-gathering ability that we guarantee public news will be reflected on Preqin Pro within 24 hours – and we will pay our clients to catch us out

Preqin data collection and processes

Intelligent Algorithms

- Preqin's newly developed news automation tool reads and classifies alternative assets industry news
- This platform allows Preqin to expand the volume of news that is checked daily and will ensure that the latest industry trends are provided on Preqin Pro in a timely manner

How do we support our clients?

- We offer support through every available medium, from snail mail to live chat through Preqin Pro, on a 24/5 basis
- Our Client Services Team takes an average of 18 seconds to begin responding to requests for support, ensuring questions are answered as soon as possible
- In 2019 alone, we ran training sessions for more than 2,600 people to make sure that they were getting the most out of their subscriptions

1.

Content

Key Findings from the Preqin *Alternatives in Europe* Report

Global Context

How has the global market developed in recent years?

Assets Under Management

How has AUM evolved in Europe and which products are seeing the greatest growth?

Where is this Capital Going?

A closer look at the deals landscape in Europe

Markets in Focus

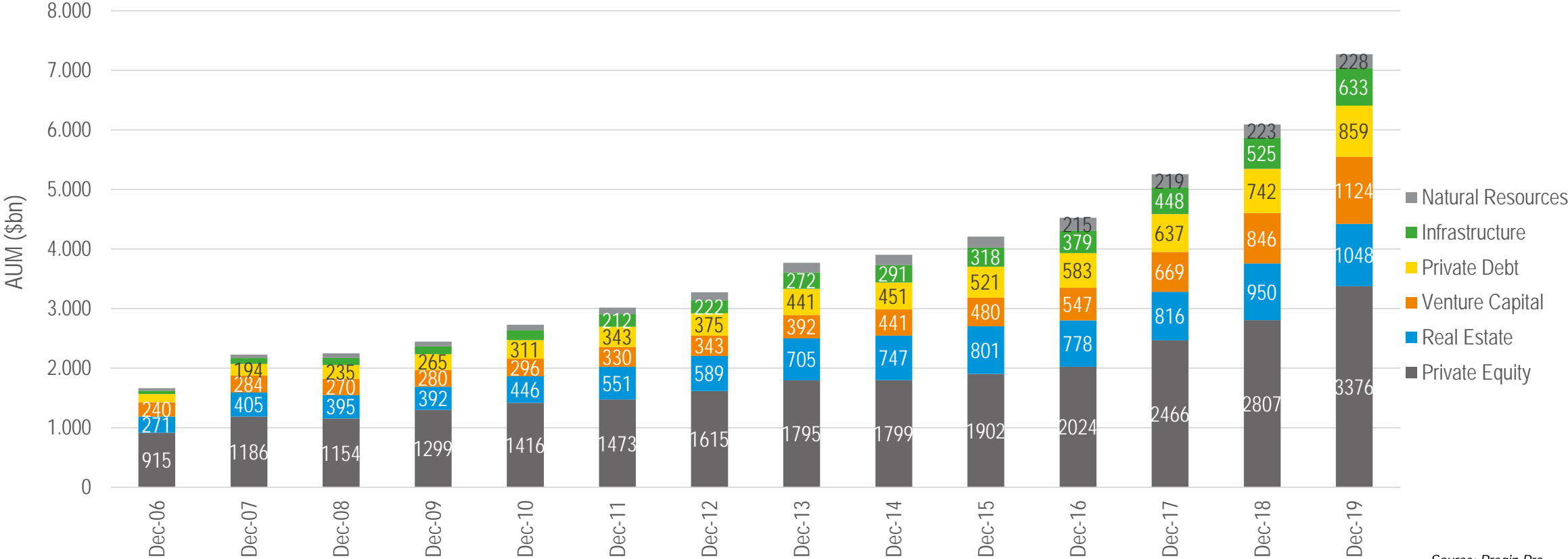
A closer look at the leading markets in Europe; UK, France, Germany and Italy

2.

Global Context

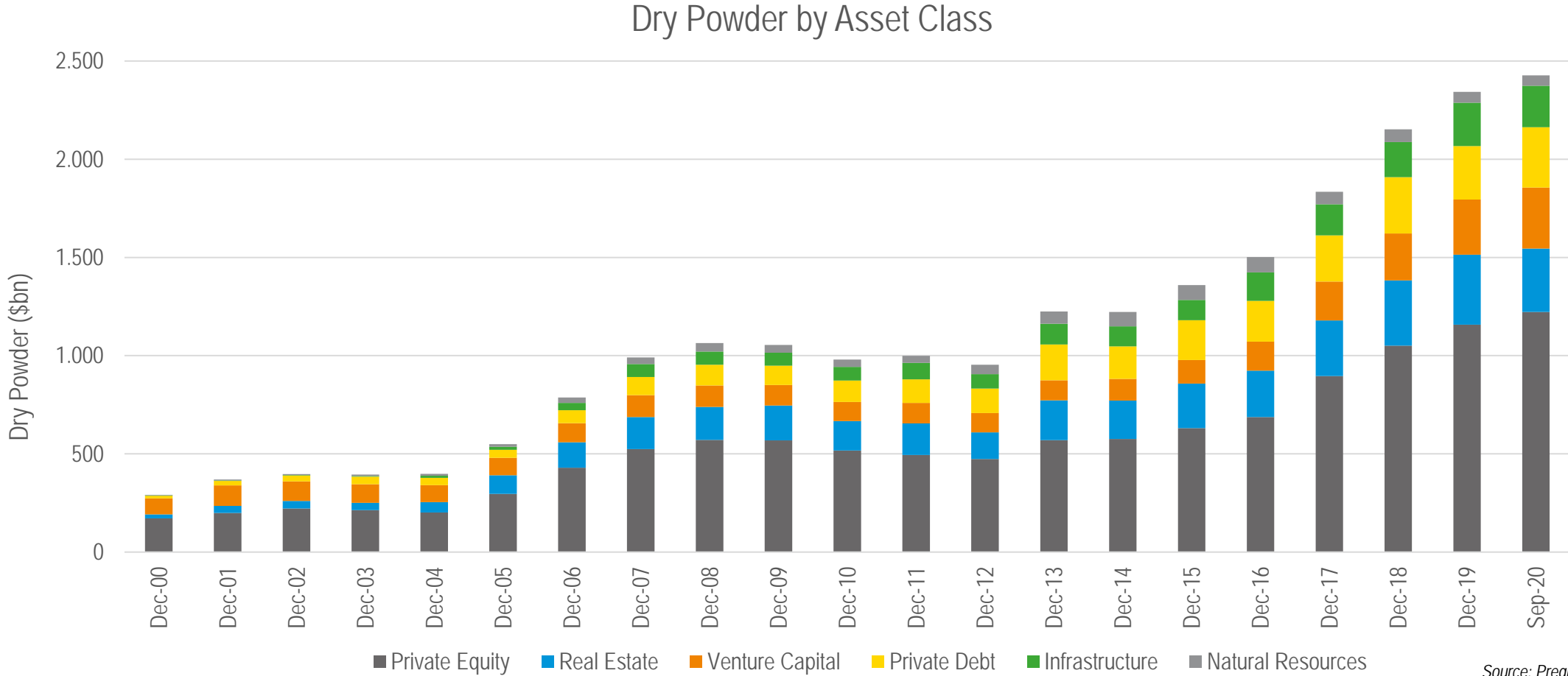
Private Capital Passes \$7tn in AUM

Private Capital AUM by Asset Class



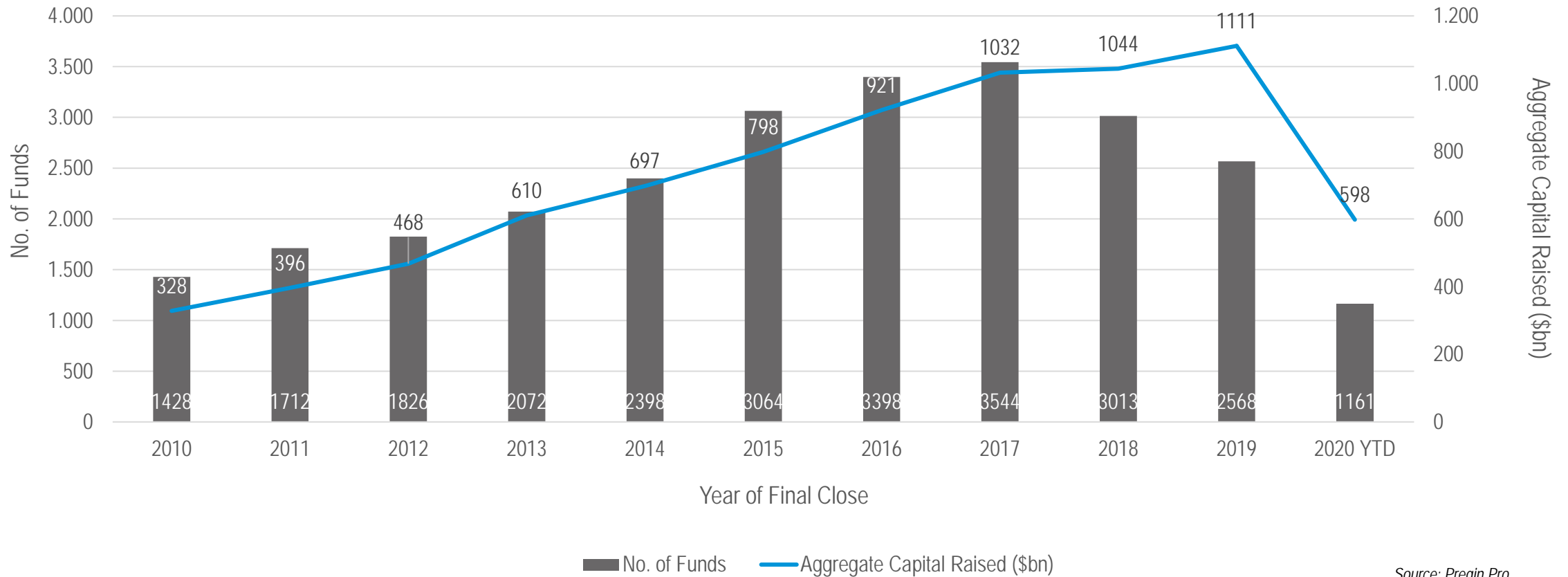
Source: Preqin Pro

Dry Powder is More than Double GFC Levels



Three Consecutive \$1tn Fundraising Years

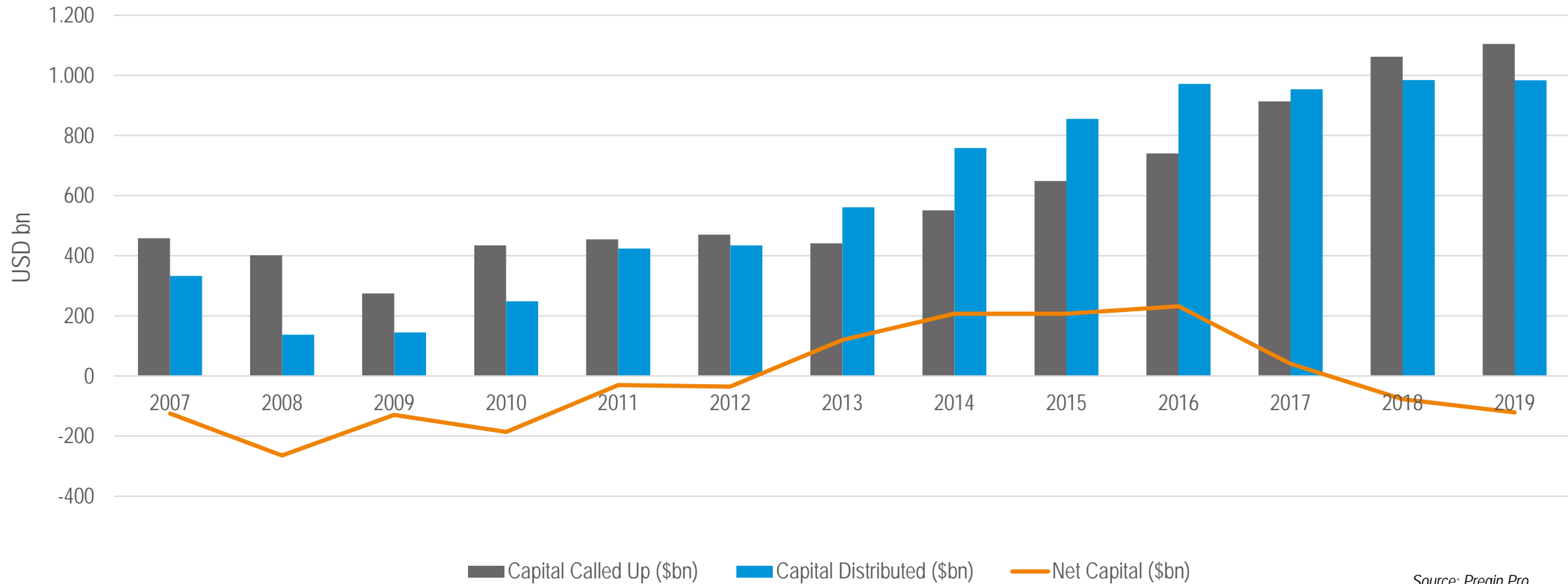
Private Capital Fundraising



Source: Preqin Pro

Net Capital Turns Negative for LPs

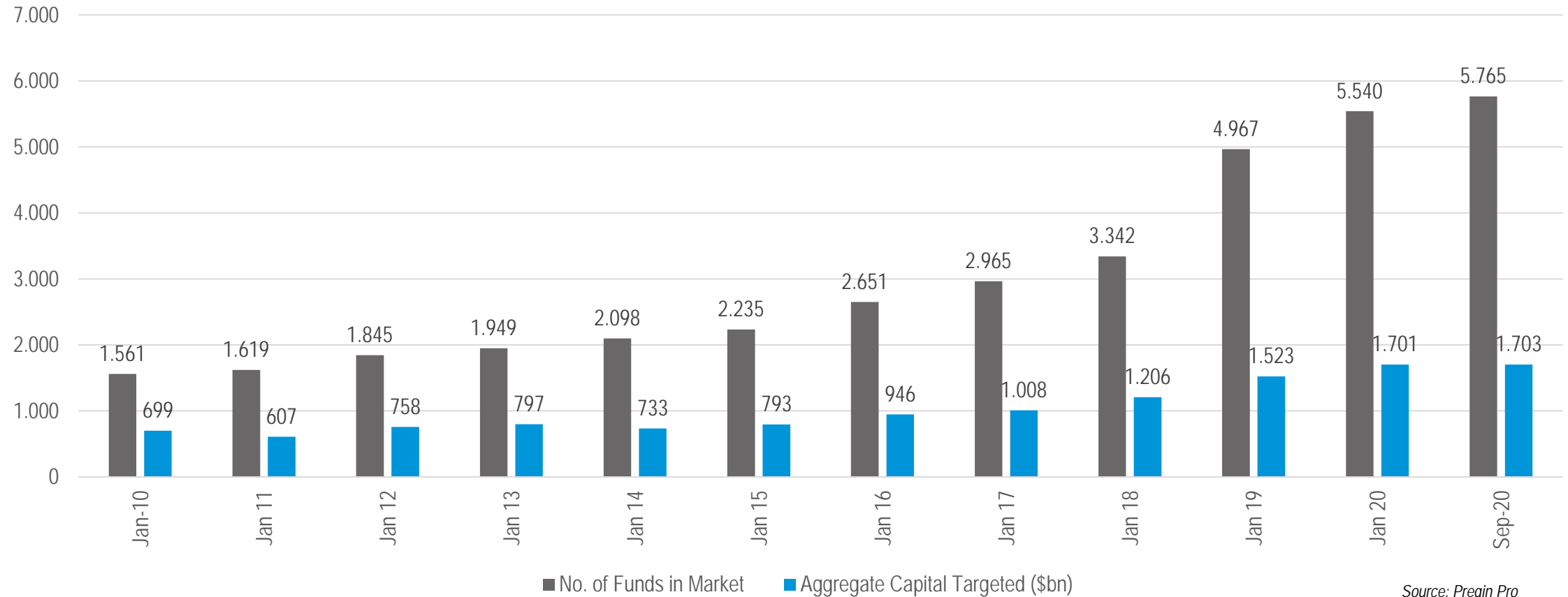
Private Capital: Annual Capital Called Up & Distributed, 2007 - 2019



Source: Preqin Pro

No Dip in Fundraising Momentum – Just

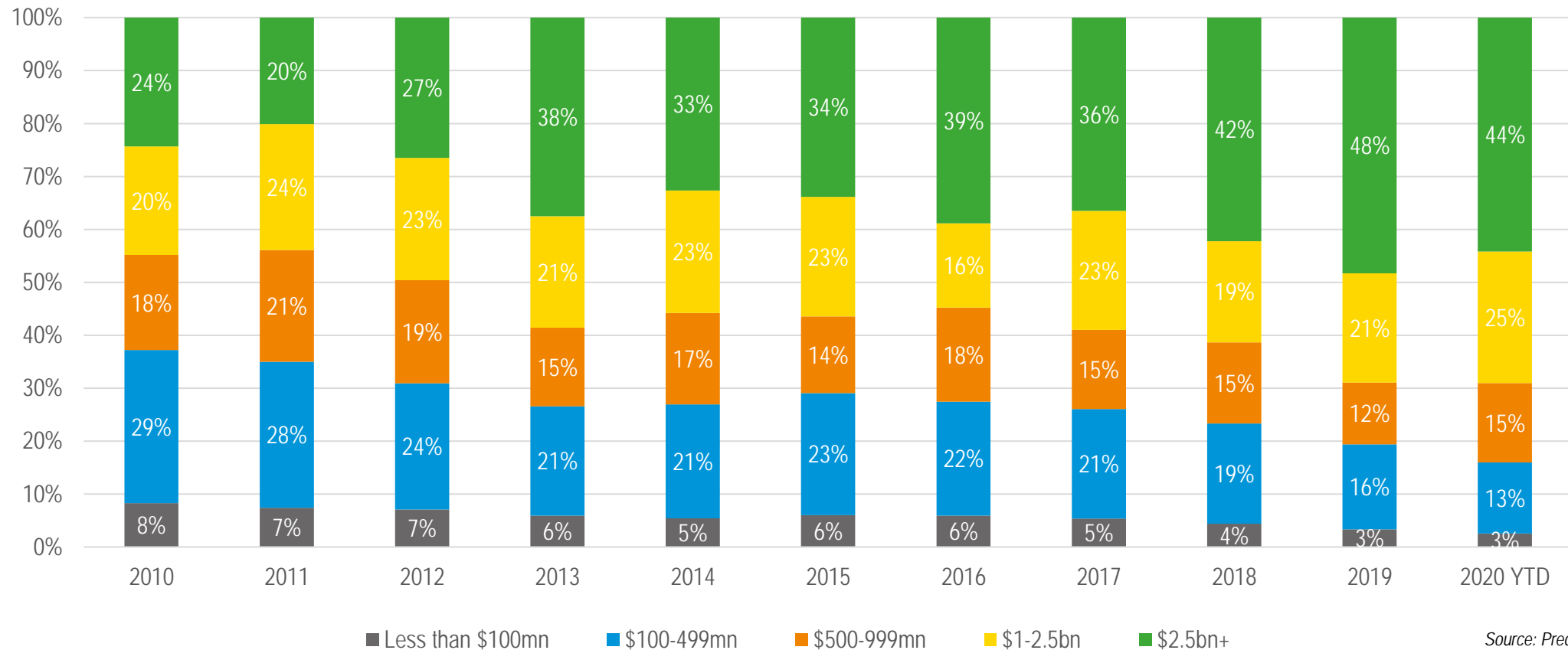
Private Capital Funds in Market



Source: Preqin Pro

\$1bn+ Funds Account for Nearly 70% of All Capital Raised

Private Capital Aggregate Capital Raised by Fund Size



Source: Preqin Pro

Summary

AUM and Dry Powder continue to increase
and are sitting at record levels

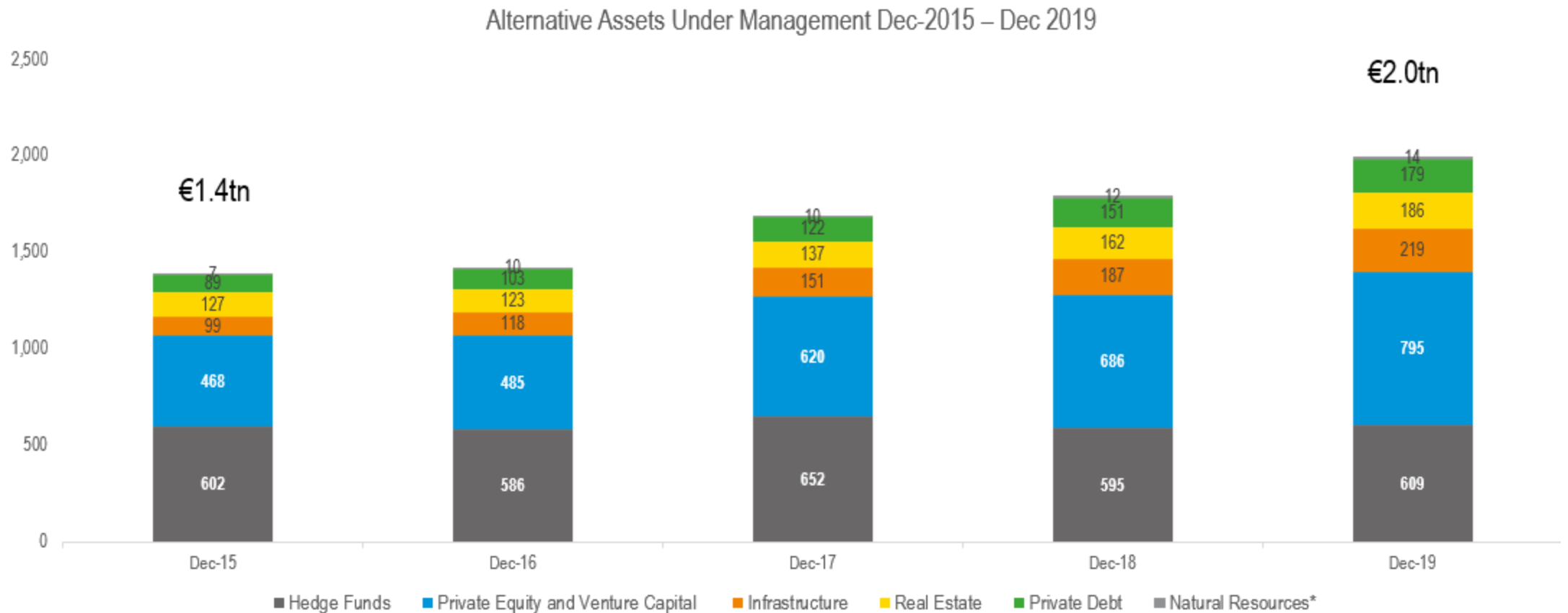
Capital is increasingly concentrated in fewer
hands

Capital calls are likely to outpace
distributions

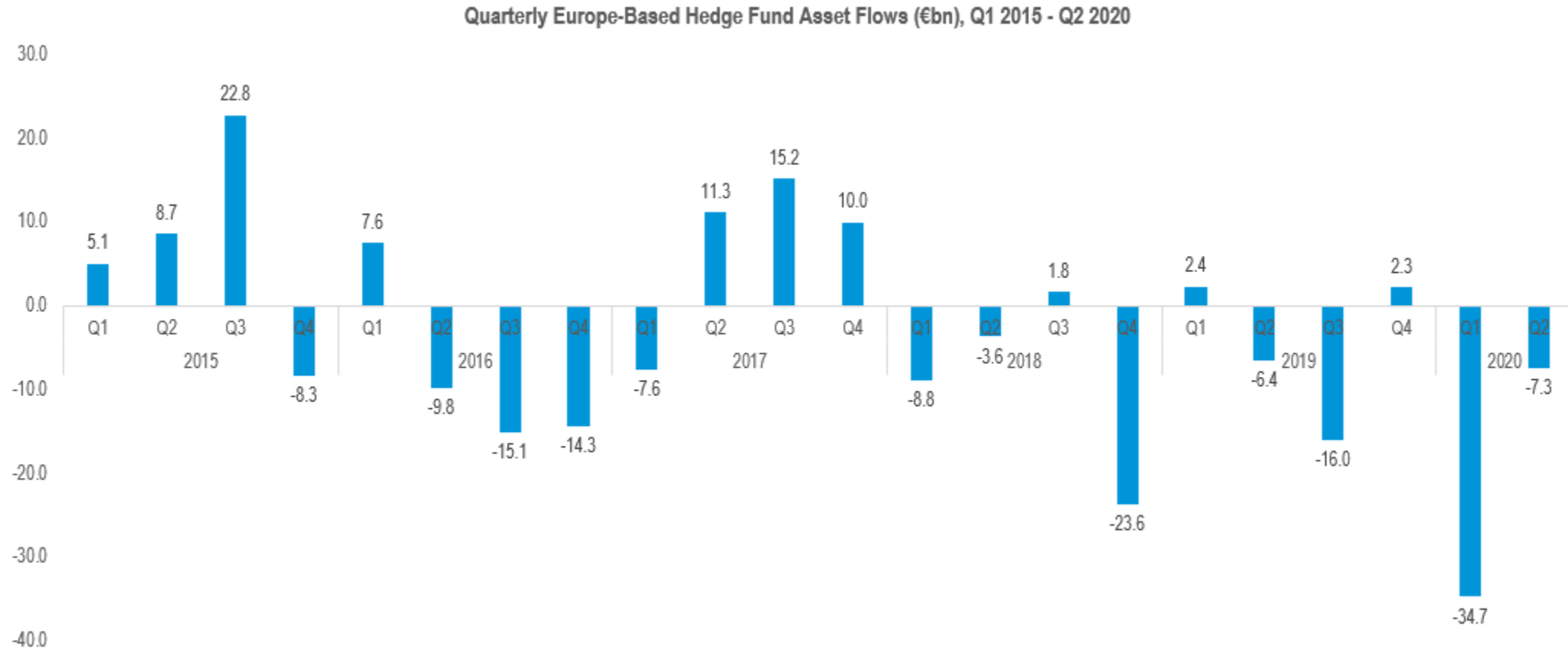
3.

Assets Under Management in Europe

European alternative assets AUM exceed €2tn for the first time

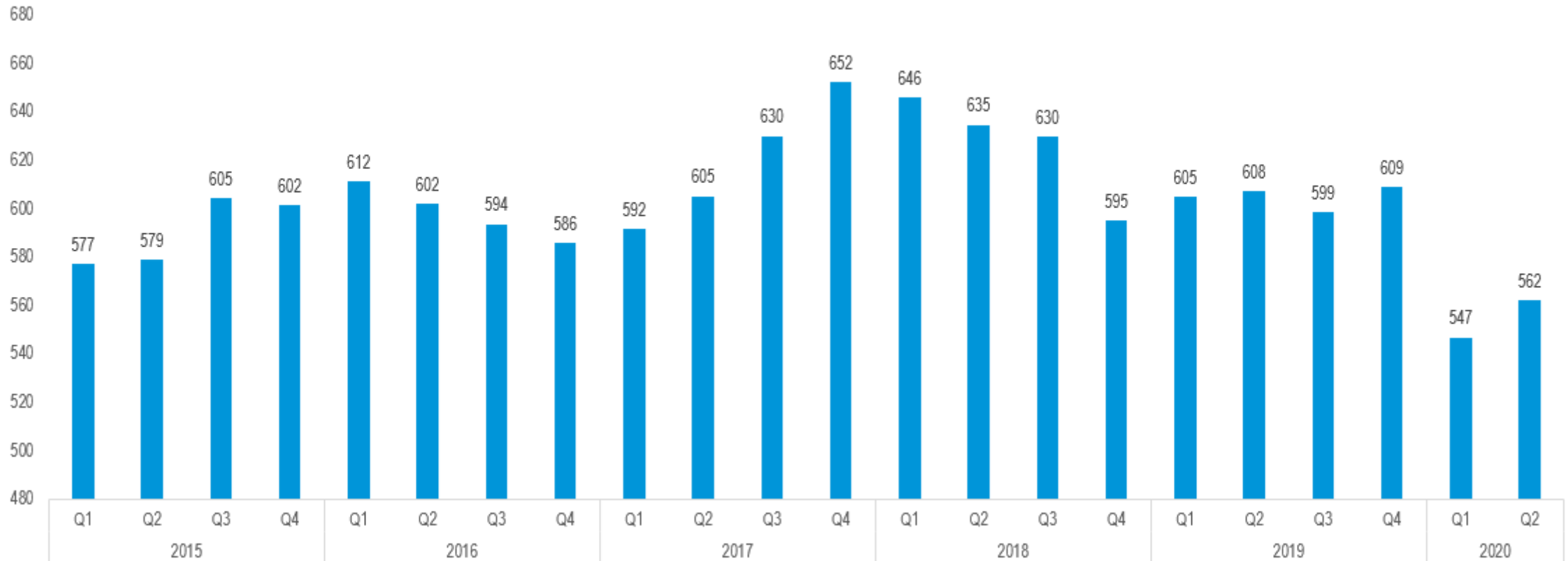


Hedge funds in Europe saw significant outflows in H1 2020: €42bn

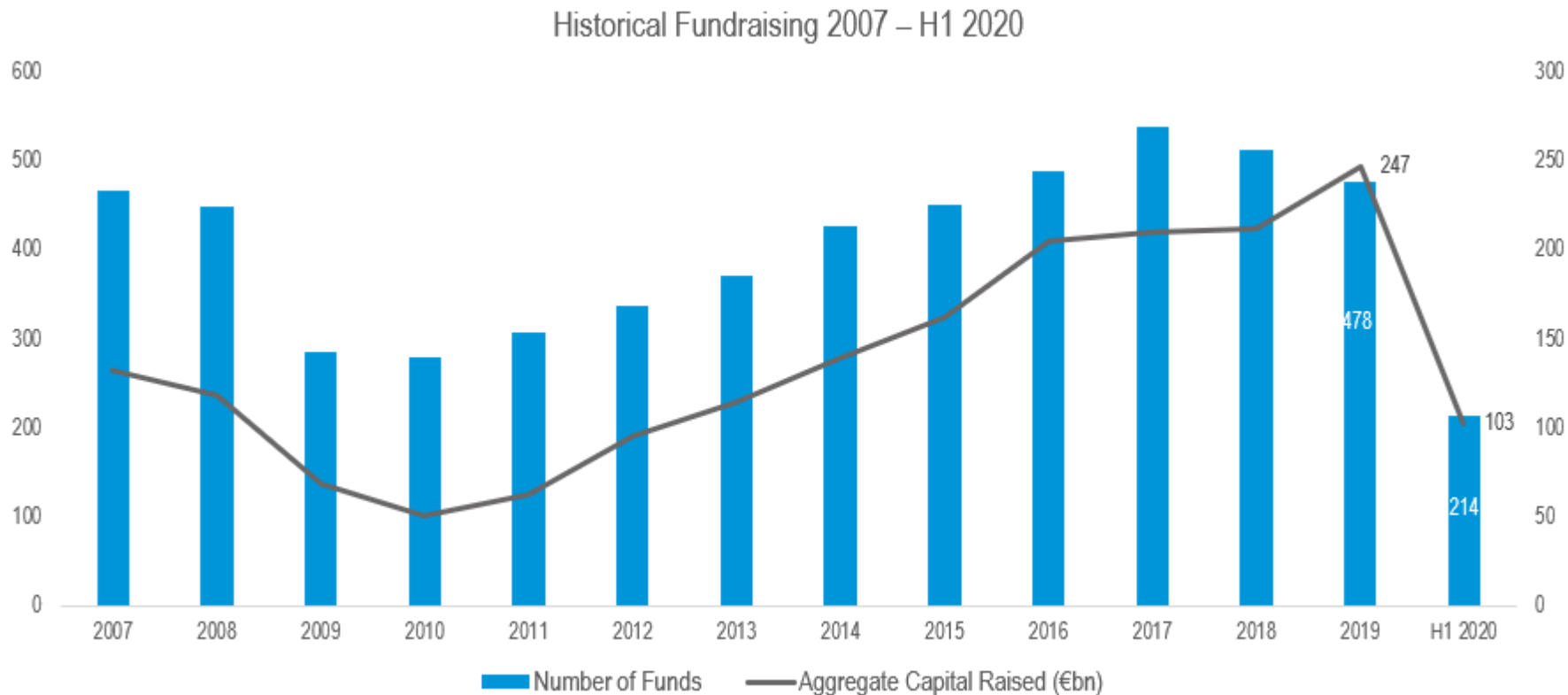


Outflows coupled with tough performance environment results in AUM contracting in H1 2020: €562bn

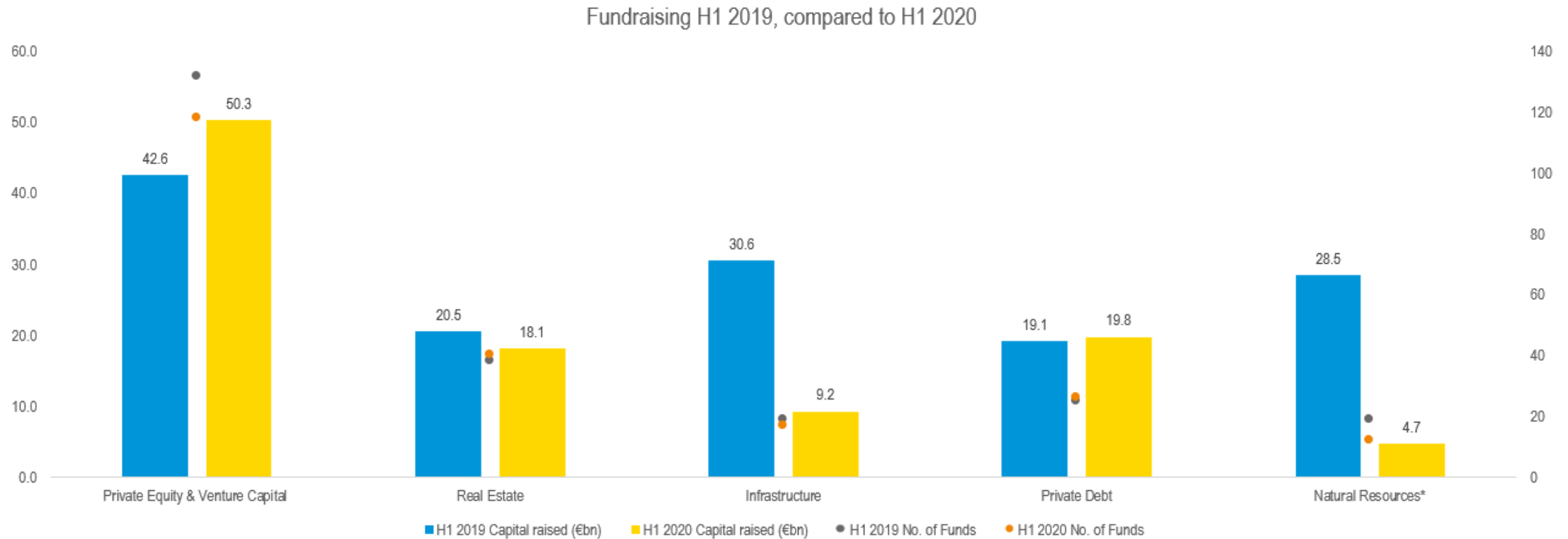
Europe-Based Hedge Fund Assets under Management (€bn), Q1 2015 - Q2 2020



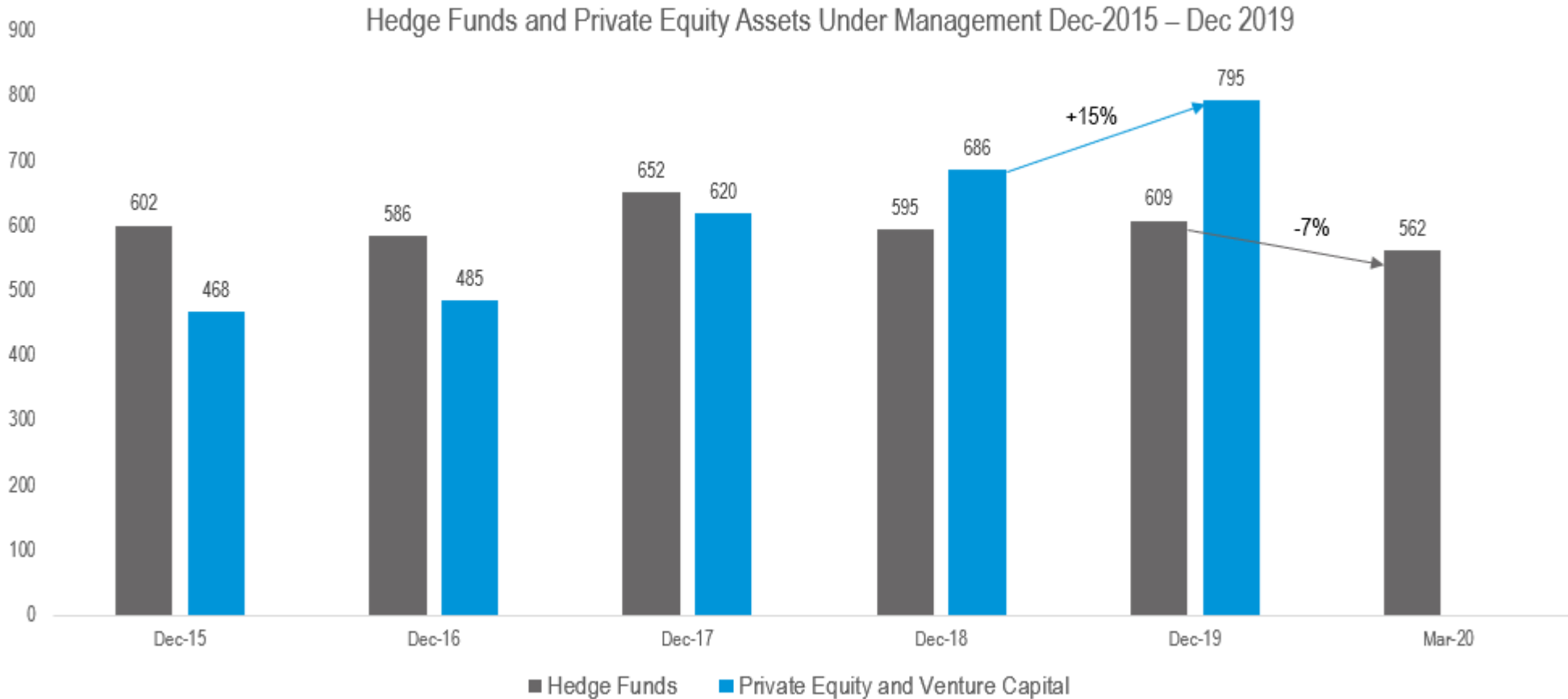
In contrast, private capital fundraising continued at a pace in 2019: but signs of slowing due to COVID-19 uncertainty



Infrastructure and natural resources funds particularly hard hit; in contrast private equity, real estate and private debt on track

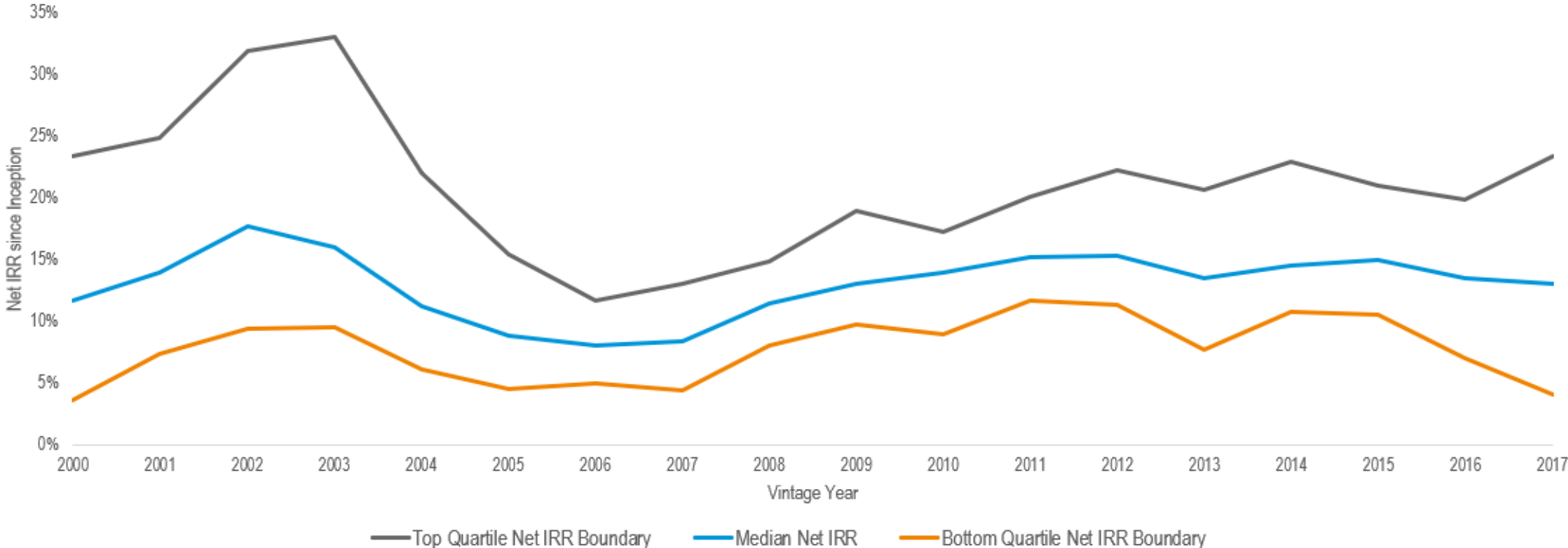


Diverging fortunes of European private equity and hedge fund sectors

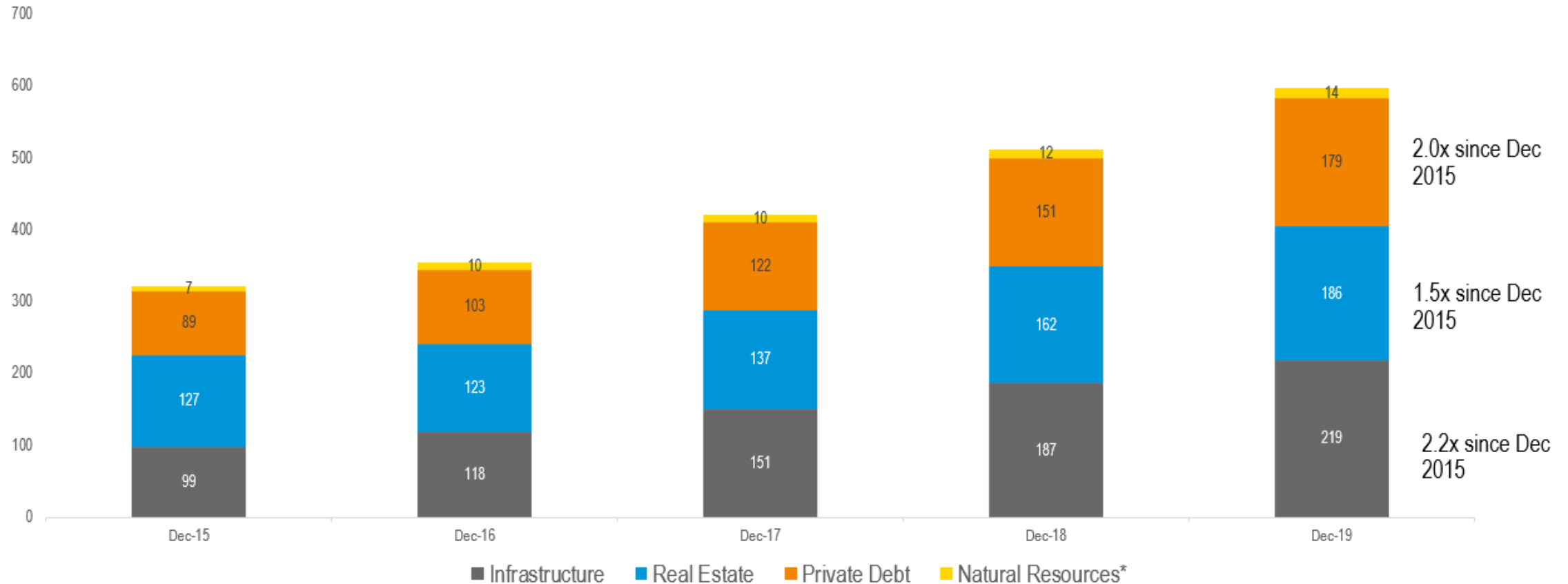


Unsurprising given performance in recent years

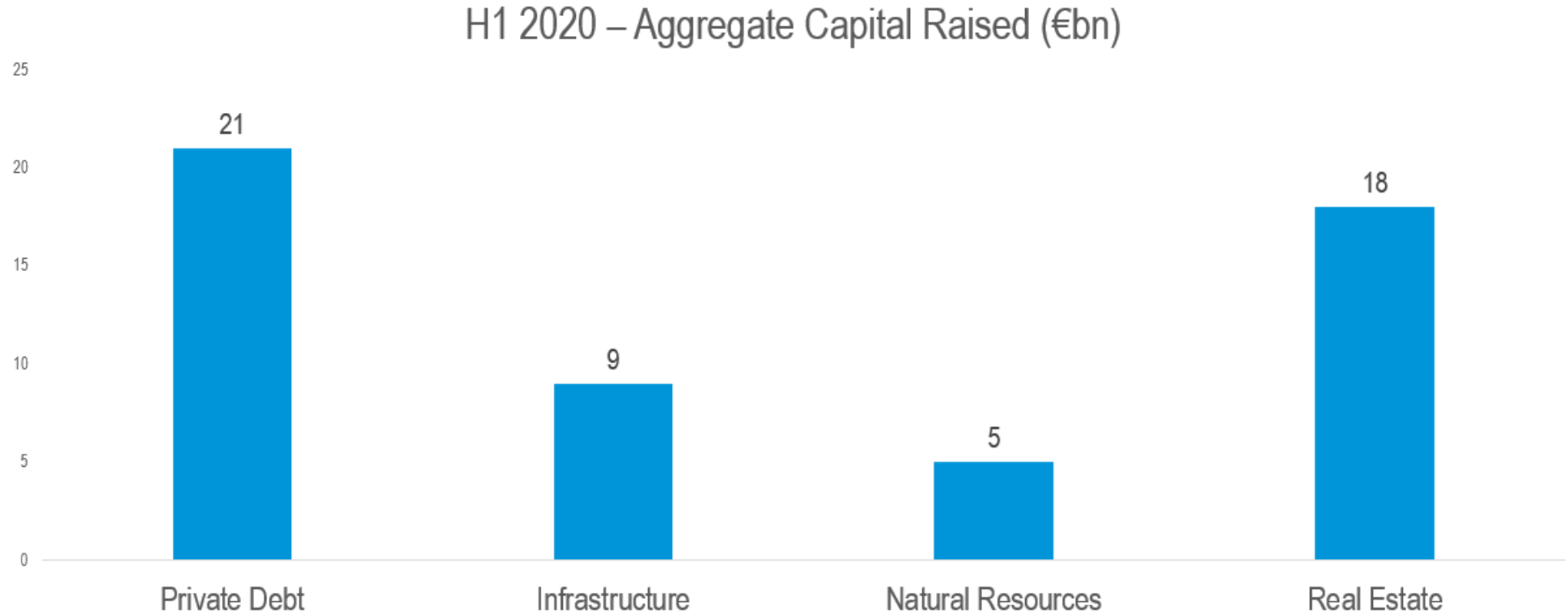
Europe-Focused Private Equity & Venture Capital Funds: Median Net IRRs and Quartile Boundaries by Vintage Year



European infrastructure and private debt have shown huge growth in the past 5 years



Signs private debt may become larger than real estate by the end of 2020?

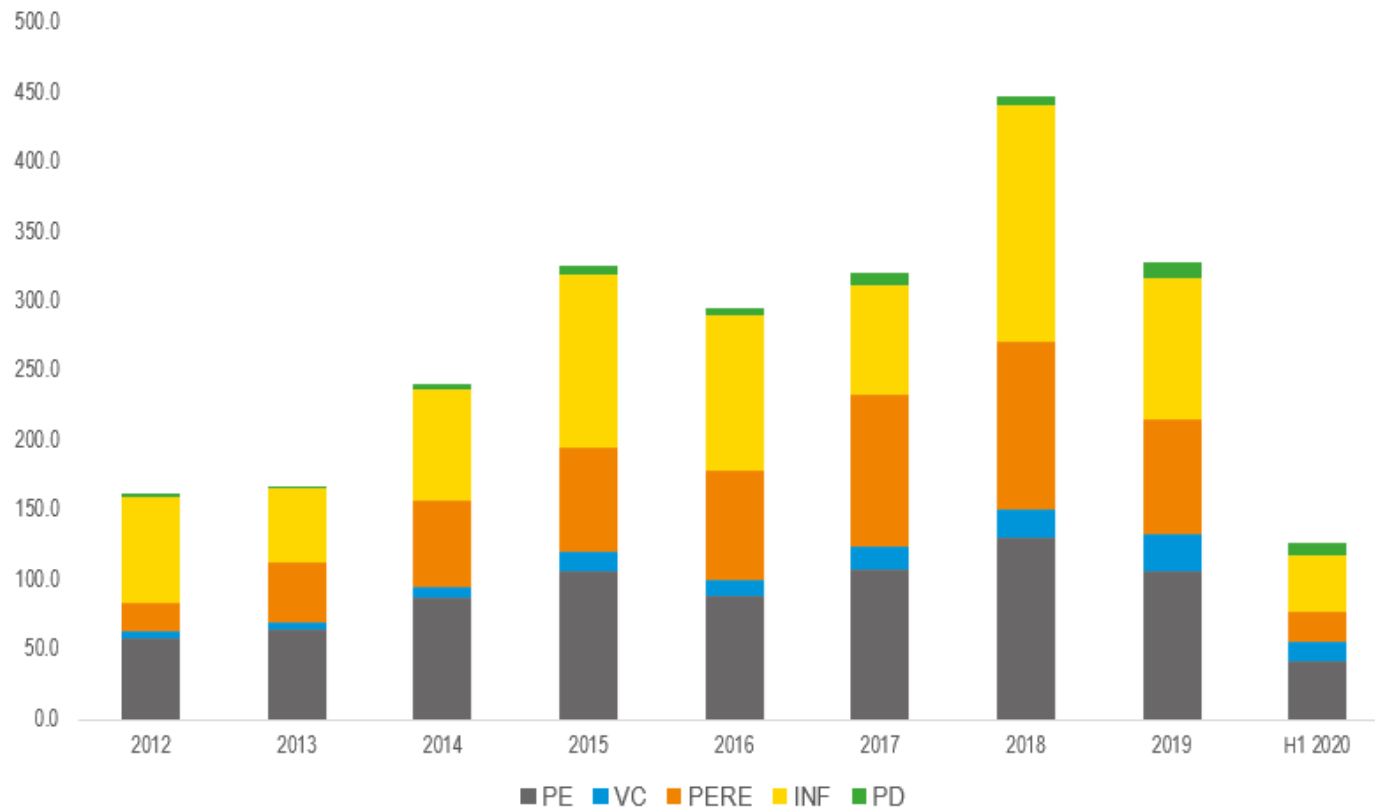


4.

Where is This Capital Going?

Following a drop in 2019, COVID-19 is being felt in terms of deal activity in 2020

Aggregate Deal Value 2012 – H1 2020



Following a strong start to 2020 buyout activity significantly impacted in Q2: just an aggregate deal value €6bn, representing the worst quarter since in at least 8 years.

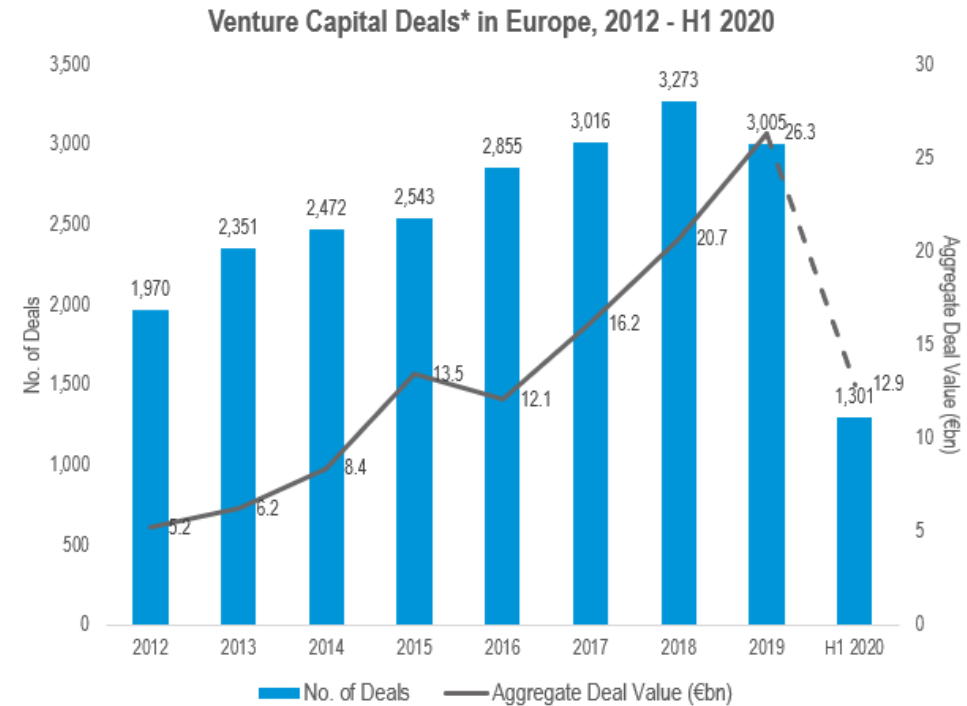
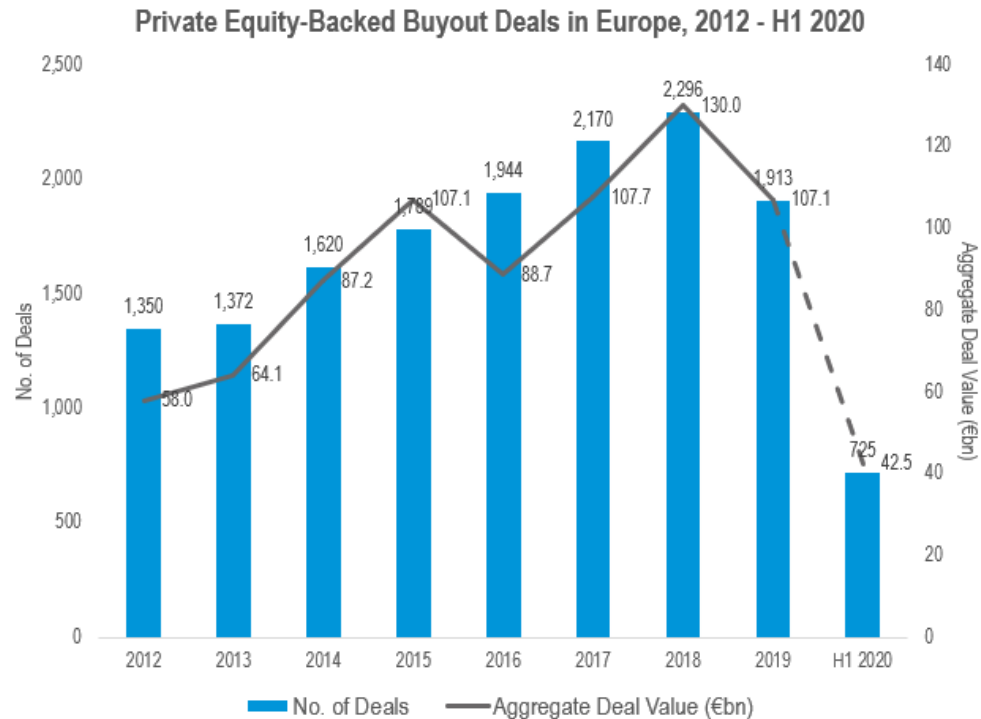
Venture capital looks more resilient – down 10% H1 2020 compared to H1 2019. However, deal numbers are down 16%

Real estate deals are significantly lower in H1 2020; - 25% and -30% in aggregate value and number respectively. With just €6.3bn invested in European in private real estate in Q2 2020, being the lowest on record since Q3 2012.

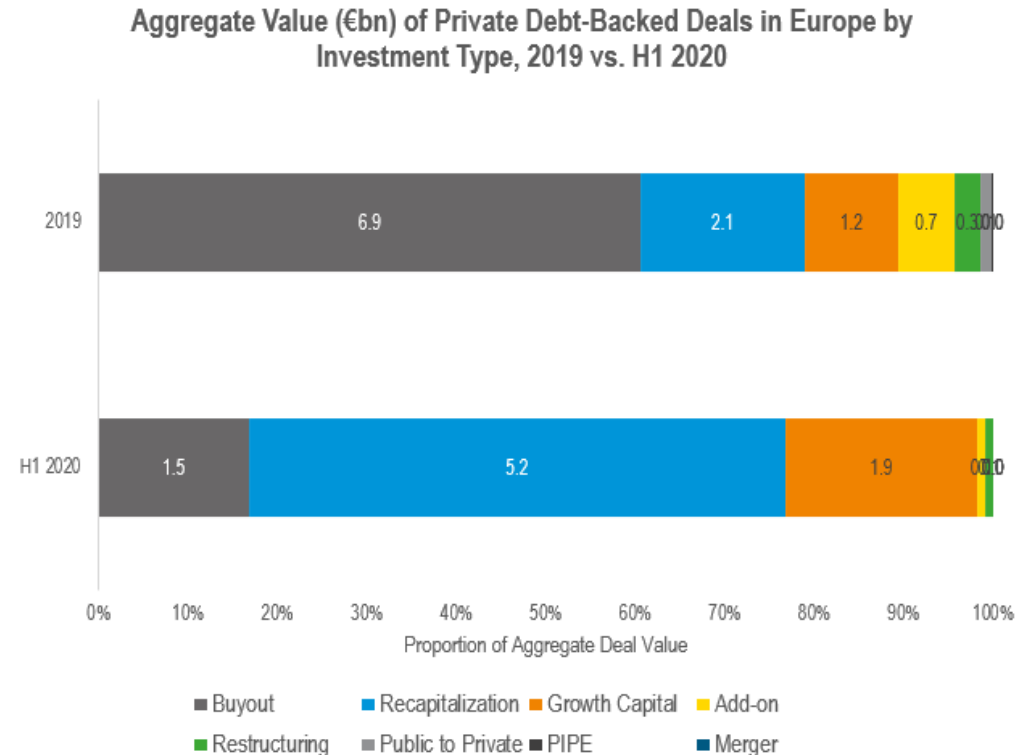
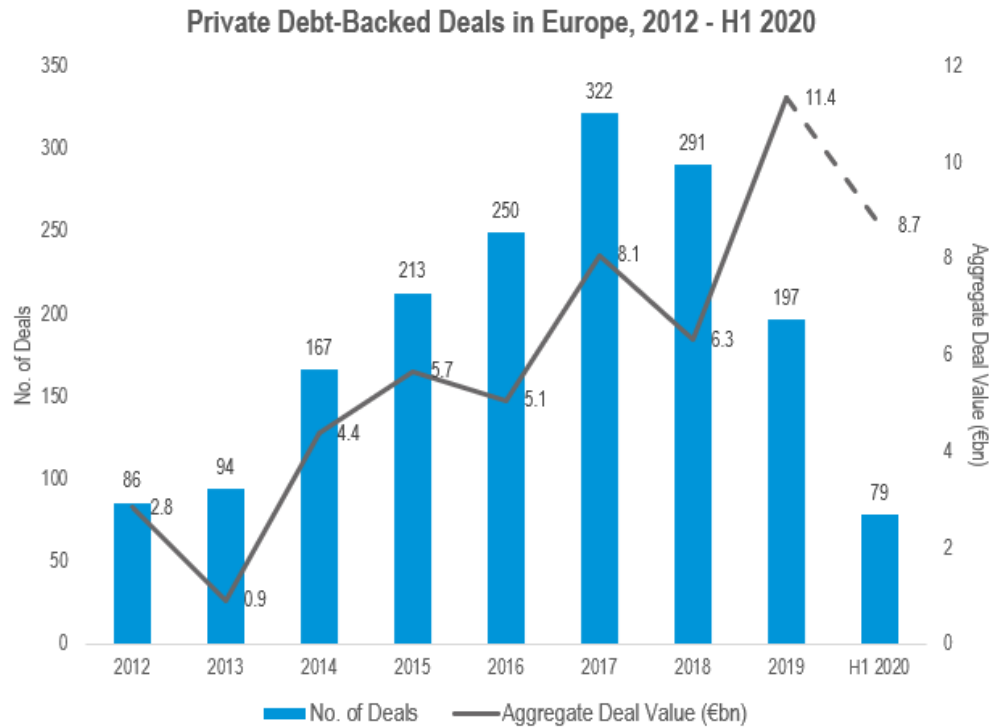
In contrast European infrastructure investment in H1 2020 (€41bn) was at higher levels to H1 2019 (€29.7bn)

Similarly European debt financed deals (€8.6bn) were higher H1 2020 compared to H1 2019 ((€8.1bn)

Both buyout and venture capital activity in Europe down in 2020

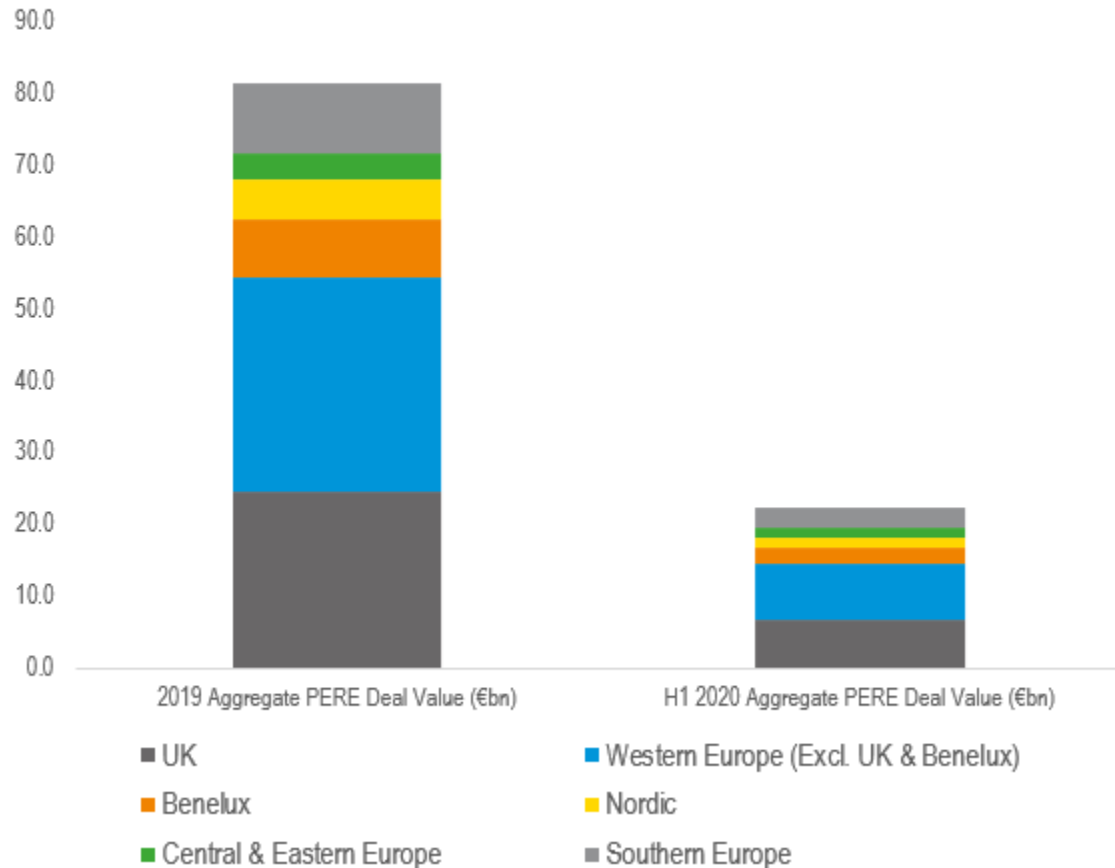


Although the number of debt-backed deals are lower than last year, the value is on track to surpass 2020

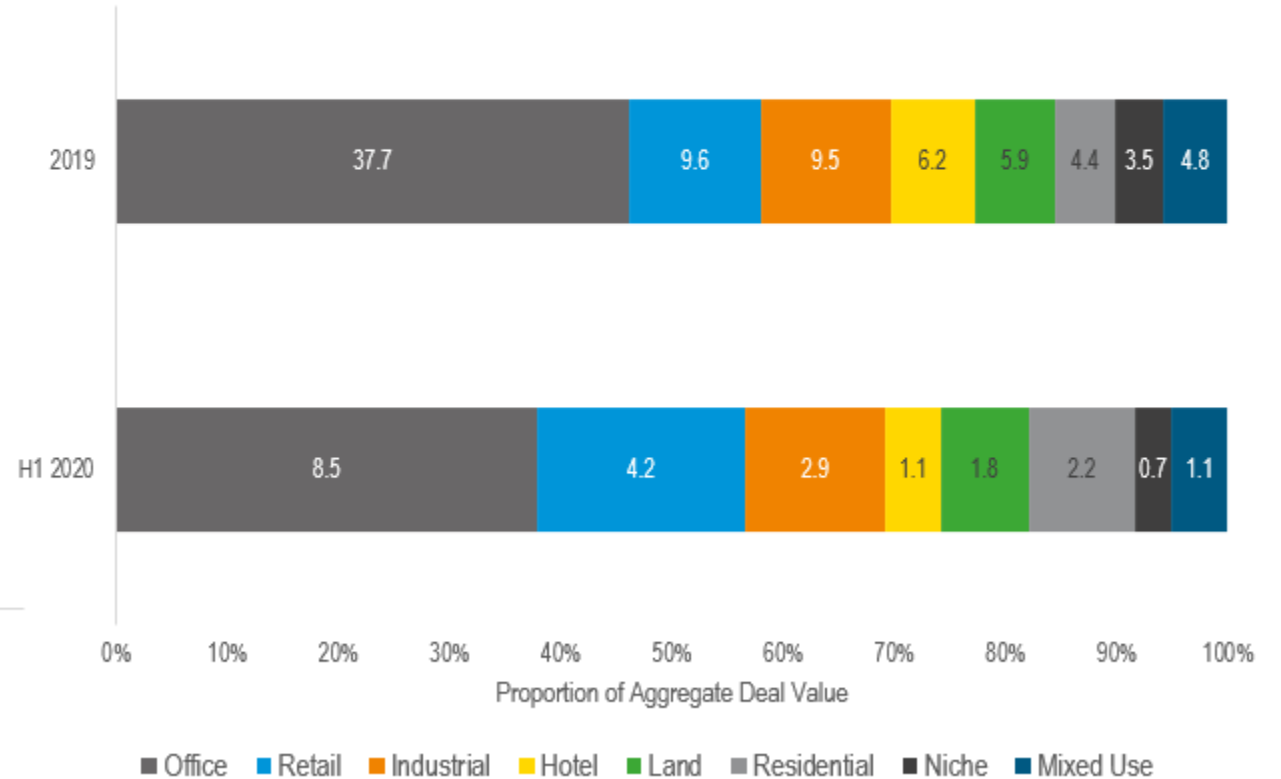


Real estate deals severely impacted: particularly in the UK and office sector

Aggregate Value of PERE Deals in Europe by Region, 2019 vs. H1 2020

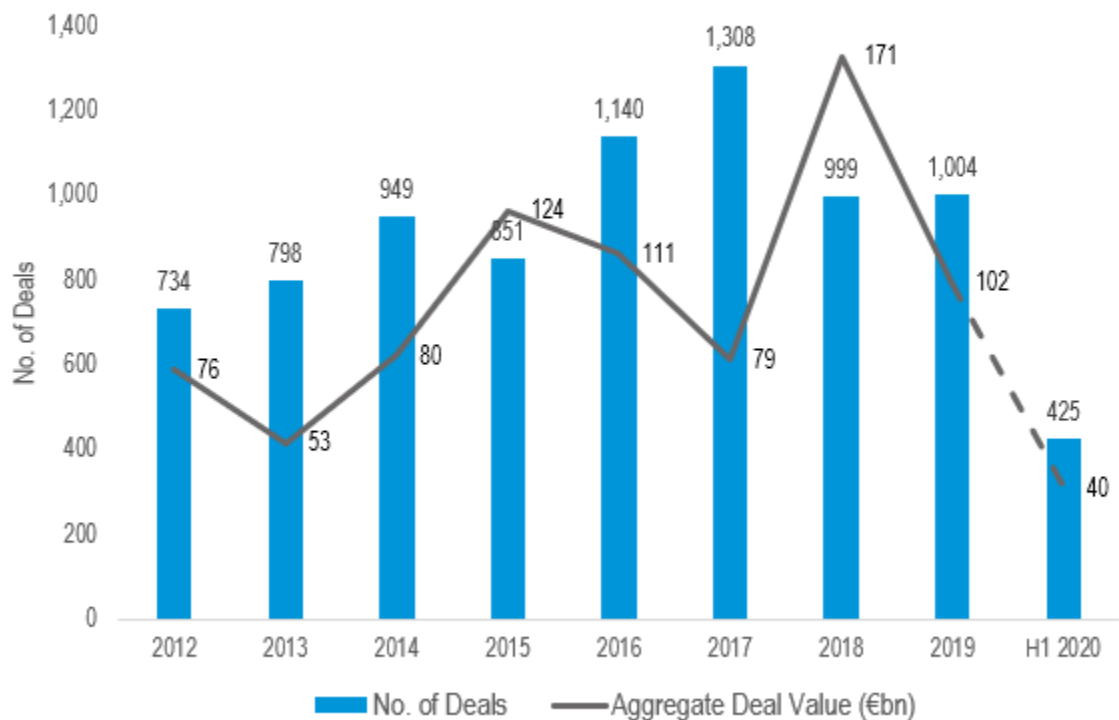


Aggregate Value (€bn) of PERE Deals in Europe by Property Type, 2019 vs. H1 2020

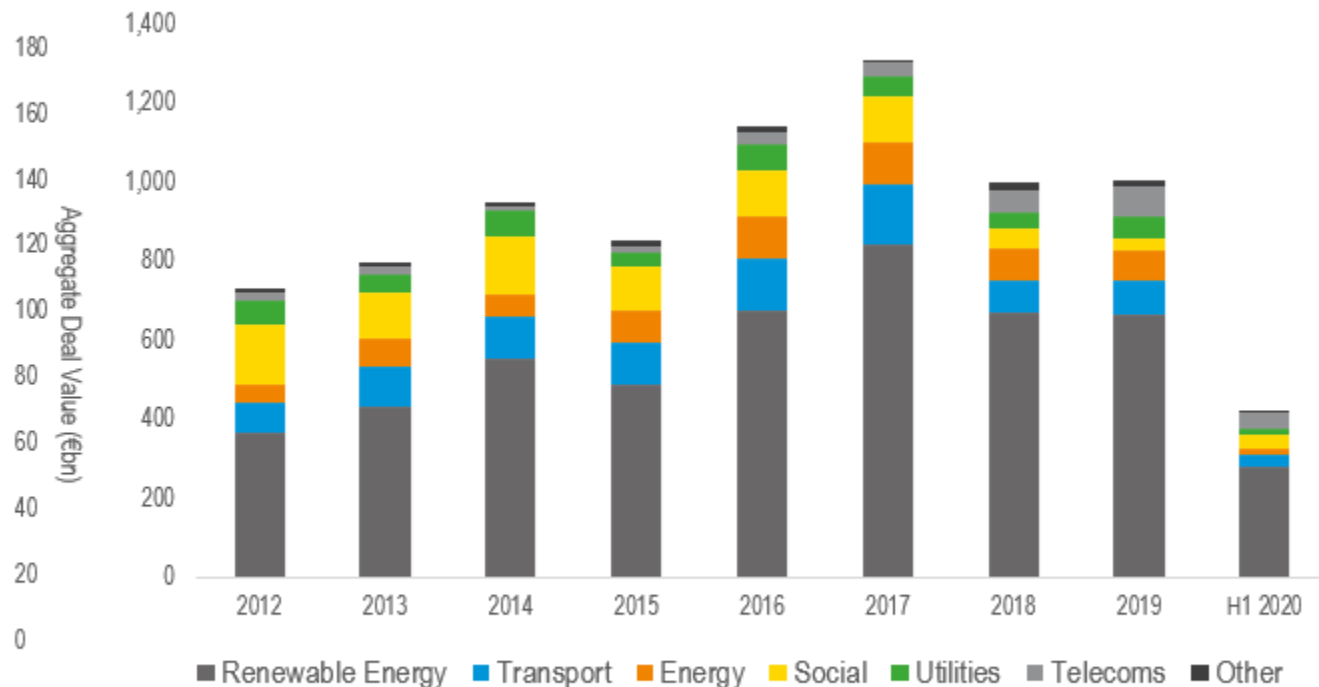


Although infrastructure deal flow has slowed, renewable energy activity still dominates the landscape

Unlisted Infrastructure Deals in Europe, 2012 - H1 2020



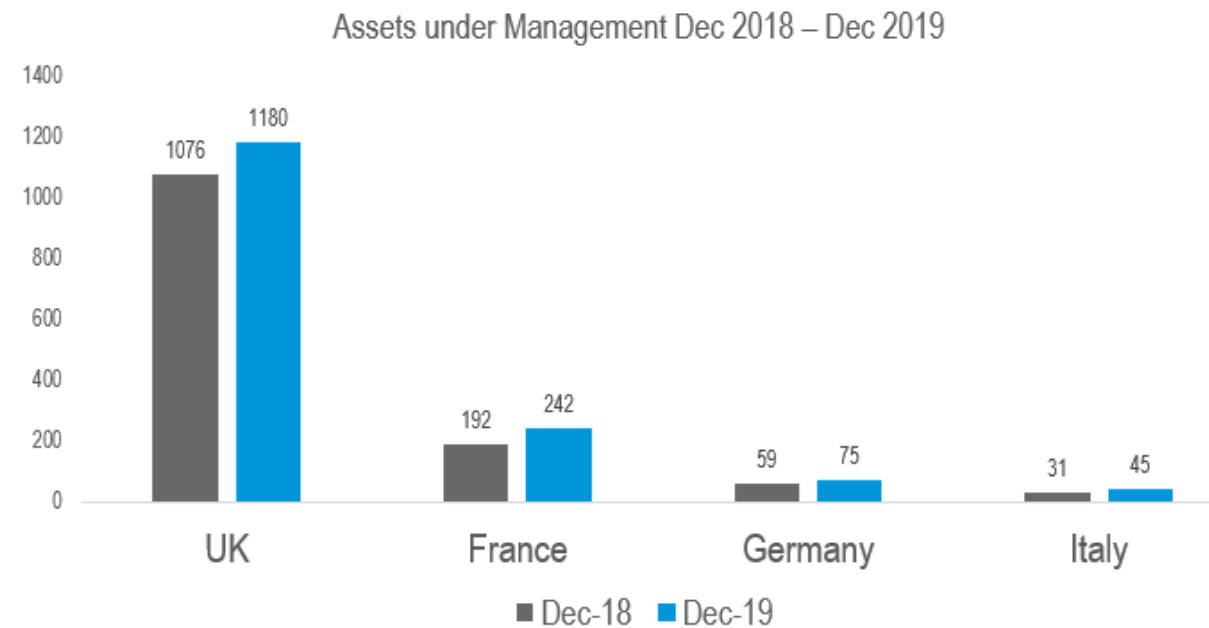
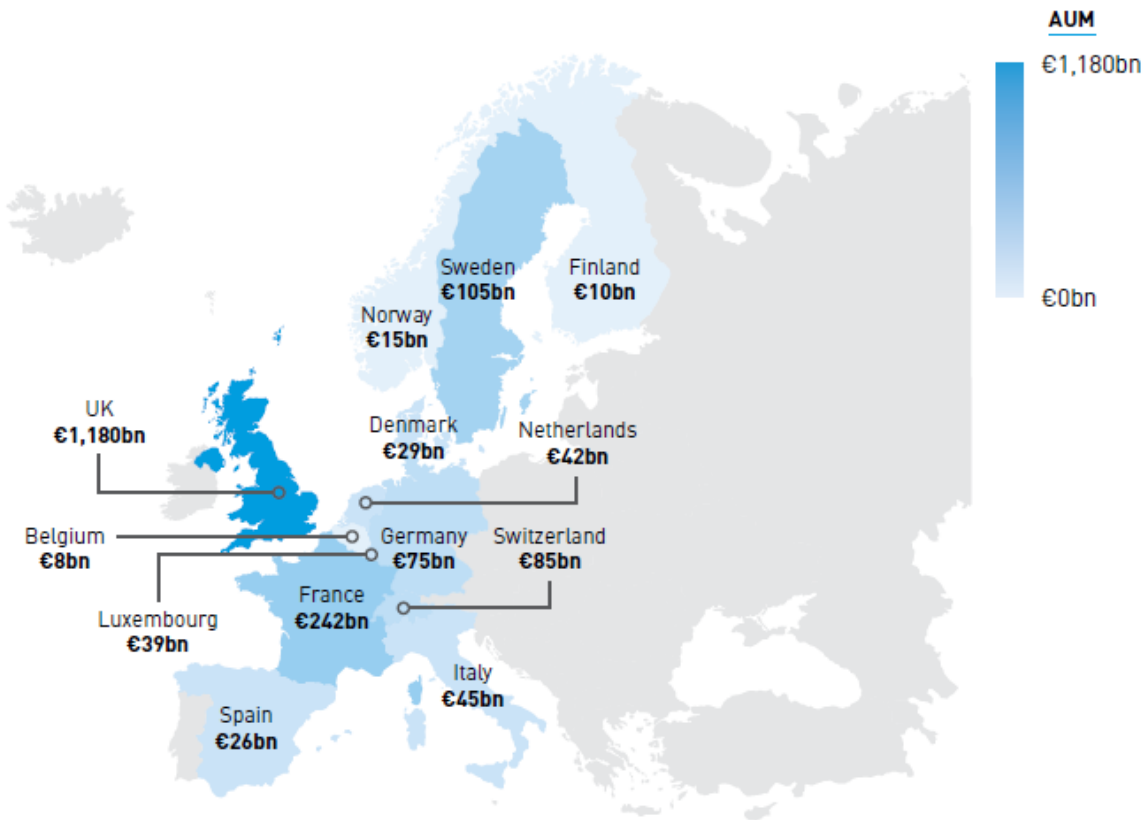
Number of Infrastructure Deals 2012 - 2020 YTD, by Sector



5.

Some Key Countries in Focus

Where are the biggest markets? A closer look at some of the leading centers for alternatives



Germany



377

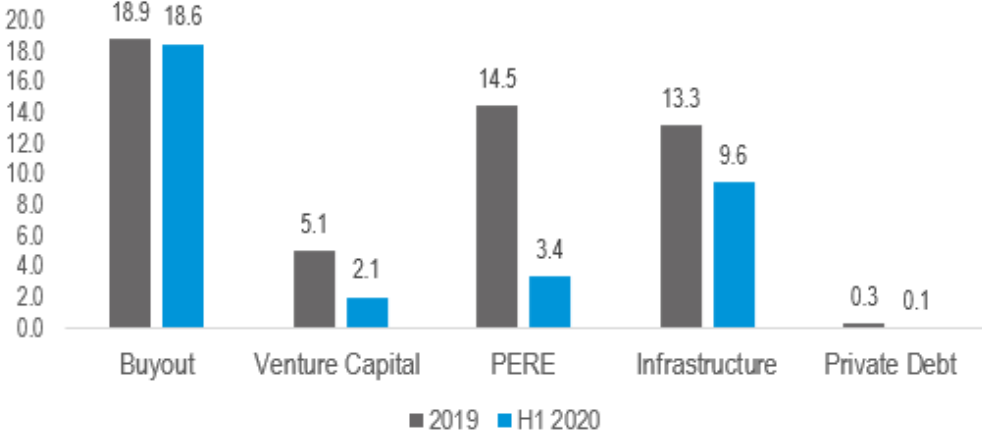
Number of Germany-based investors active in alternative assets



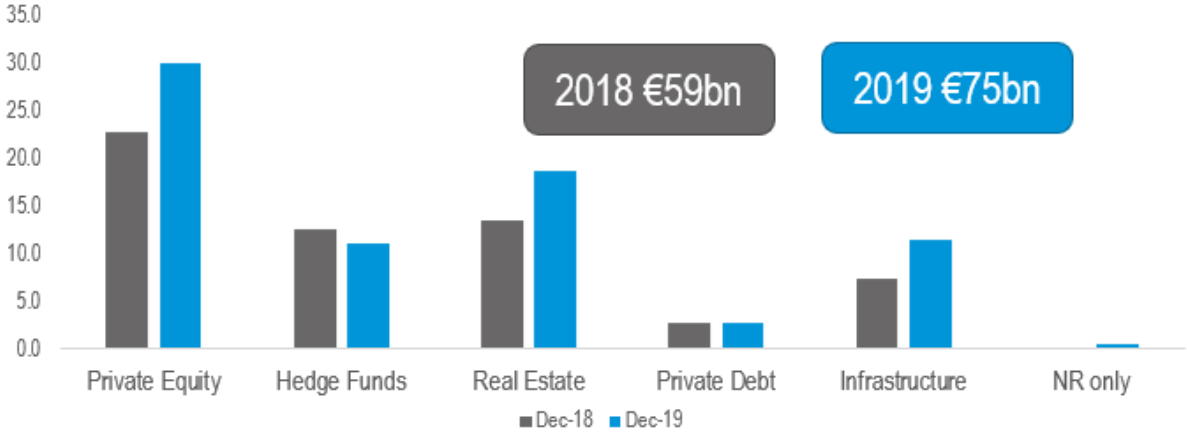
840

Number of Germany-based fund managers active in alternative assets

Aggregate Value of Private Capital Deals in the Germany by Type, 2019 vs. H1 2020



Germany Assets under Management Dec 2018 – Dec 2019



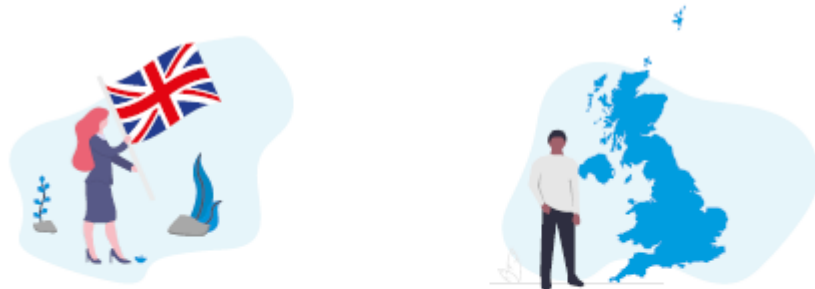
€34bn aggregate deal value recorded in H1 2020: highest of any country in Europe.

Led by €17.2bn acquisition of Thyssenkrupp Elevator AG, by Advent International and Cinven-led consortium: largest ever PE-backed deal in Europe.

Hedge fund AUM declined by 11% to just €4.2bn in 2019.

However, private equity (+32%), real estate (+ 38%) and infrastructure (+57%) assets are all expanding at a rapid pace.

UK



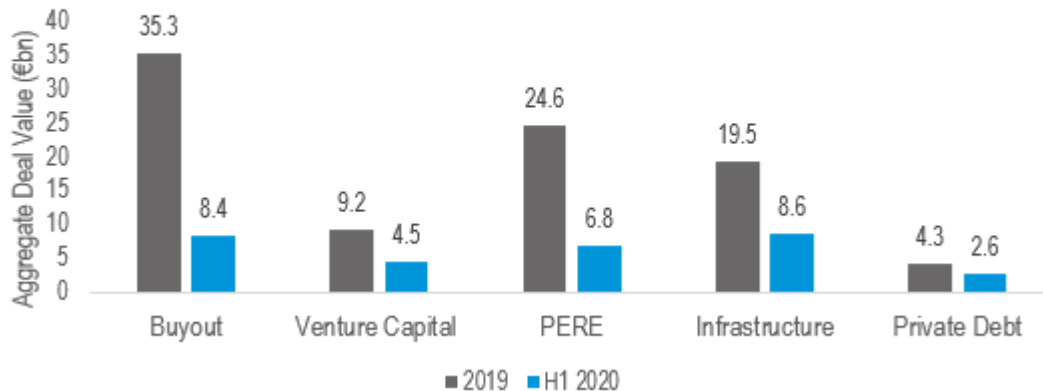
54%

The UK's share of total European alternative assets under management

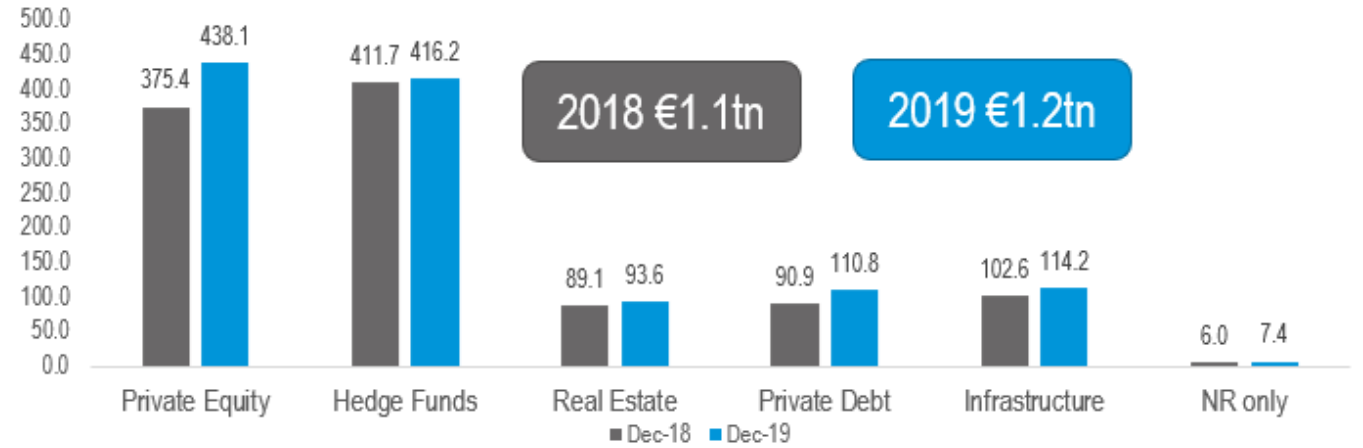
2,569

Number of UK-based fund managers active in alternative assets

Aggregate Value of Private Capital Deals in the UK by Type, 2019 vs. H1 2020



UK Assets under Management Dec 2018 – Dec 2019



UK private equity showed the greatest increase in AUM (+€63bn) but France and Germany show greater growth in percentage terms (26% and 32% respectively).

UK hedge fund AUM grew by 1% over 2019; representing €4.6bn. Both Italian and French hedge fund AUM expanded by greater amounts (€7.6bn and €5.6bn).

Buyout and private real estate deals have been hardest hit by impact of COVID; down 76% and 72% H1 2020, compared to all 2019. However, private debt likely to exceed 2019 activity.

UK fundraising has been hard hit: down 36% H1 2020 compared to H1 2019

France



166

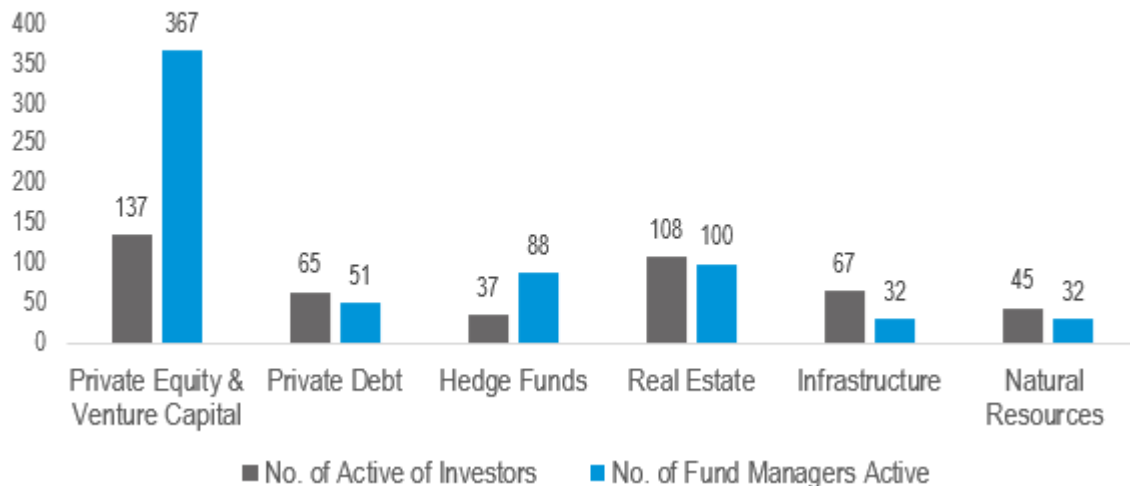
Number of France-based investors active in alternative assets



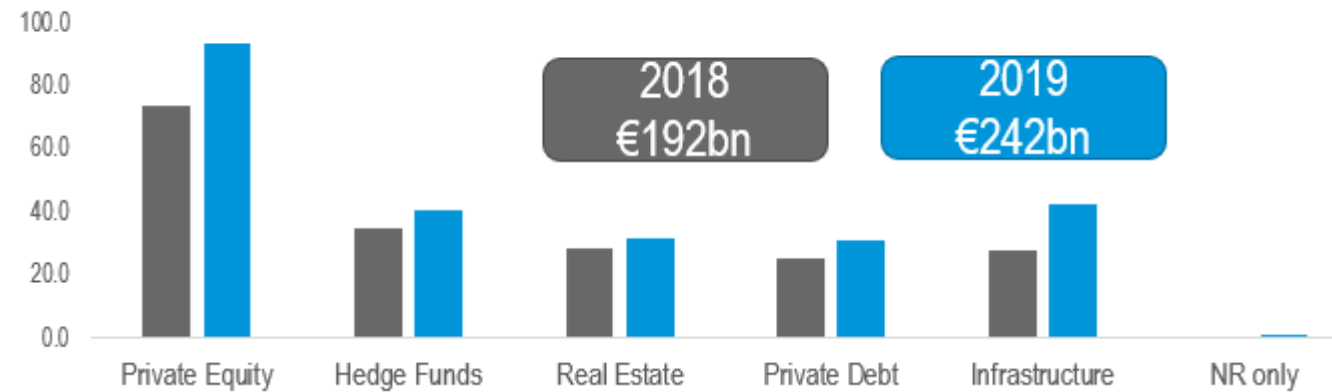
559

Number of France-based fund managers active in alternative assets

Number of Active Investors and Fund Managers in France



France Assets under Management Dec 2018 – Dec 2019



- France remains the largest alternative asset market in mainland Europe growing 26% and adding €50bn over the course of 2019.
- Infrastructure assets showed the strongest growth, climbing 51% (+ €14.3bn) taking France's share of European infrastructure AUM to 20% in 2019 up from 15% in 2018.
- Infrastructure deal making also a bright spot – already outpacing 2019, largely as a result of €4.3bn creation of Vauban Infra Fibre, by Vauban Infrastructure Partners, an affiliate of Natixis Investment Management and Axione.
- Private equity (+27%) and private debt (+24%) AUM also grew at a fast pace in 2019.

6.

Summary

Final Thoughts

Alternative managers in Europe continue to be active despite the COVID-19 crisis

Funds are continuing to raise capital and managers are putting money to work: albeit not at the record highs we have seen in recent years.

However, the crisis may exacerbate the differences between the have and have nots

With the trend to more capital in fewer funds, smaller, emerging and first-time fund managers may disappear during the crisis.

Investors should continue investing through the crisis

Although a completely different crisis; funds of vintages during the GFC had some of the best returns, so perhaps by avoiding new investments today, investors may miss the best opportunities of tomorrow

Hedge funds continue to suffer, although perhaps the after-effects of COVID-19 may see appetite return

Hedge fund AUM in Europe has contracted significantly in 2020: however there are signs investor appetite may be on the up.

European alternatives landscape is as complex and dynamic as the countries within it

Although the UK commands over half of all assets in Europe, we are seeing other countries such as France and Germany growing in dominance

Managers have responded quickly to a crisis that emerged at breakneck speed

Unlike the GFC, managers have responded to a difficult situation well, with communication, and transparency key in uncertain times. With ESG a priority for many European LPs, investors will be encouraged to see private capital playing its part by reducing rents, deferrals of interest payments and helping portfolio companies, and wider world through the crisis.

Data Sources

For more information on our data, analytics and insights, please visit: www.preqin.com



Further Information....

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David.lowery@preqin.com



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The Home
of Alternatives

