

40<sup>TH</sup> EDITION

# Global Private Capital Barometer

Summer 2024



# Coller Capital's Global Private Capital Barometer

Since 2004, Coller Capital's Global Private Capital Barometer has provided a unique snapshot of the plans and opinions of institutional investors in private capital based in North America, Europe, and Asia-Pacific (including the Middle East).

This 40th edition of the Barometer captured the views of 110 private equity investors from around the world. Its findings are representative of the LP population by:

- Investor location
- Type of investing organisation
- Total assets under management
- Length of experience of private capital investing

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# Foreword



Jeremy Collier  
CIO and Managing Partner

For 20 years, Collier Capital's Global Private Capital Barometer has been the go-to research snapshot for our industry, a widely respected and much-used window into the priorities of LP investors everywhere.

But over those two decades, the market in which we all operate has changed almost beyond recognition. It has evolved, becoming deeper, wider, more complex and growing to encompass far more asset types than was previously the case. So this edition, our 40th, carries a new name: the Global Private Capital Barometer. We feel it better reflects the rapidly expanding nature of our industry.

Not everything is changing though: inside you'll still find the same unique and compelling insights that have been the publication's hallmark since the beginning. And this edition has a particularly good story to tell on alternative assets, as LPs stand ready to not just maintain their allocations but to actively increase them as they seek attractive, long-term risk adjusted returns. Nowhere is that clearer than in private market secondaries, where LPs have seen the diversification and liquidity on offer.

It's a huge vote of confidence for alternative assets, and an extremely positive note on which to enter this new era for the Global Private Capital Barometer.

June 2024

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**Notes:**

Limited Partners (or LPs) are investors in private equity funds. General Partners (or GPs) are private capital fund managers. In this Barometer report, the term private capital is a generic term encompassing the following asset classes: private equity, private debt, venture capital and real assets.

**Contact:**

Andrew Kelly  
Barometer@collercapital.com



# Structural change

## Consolidation among private equity managers foreseen by LPs

64% of LPs believe that at least one of the PE managers they are currently invested with will merge with, or be acquired by, another manager in the next two years. This comes as little surprise considering the flurry of deal activity in recent years, with transactions spanning a diverse set of managers by size, strategy and geographic location.

## Whilst anticipated, consolidation is also approached with caution by most

A significant majority, four-fifths of respondents, expressed some scepticism regarding whether consolidation will result in improved outcomes for LPs.

However, a fifth of LPs also recognise the potential opportunities that could arise through strategic consolidation efforts.

## Robust operational frameworks define leading managers today

An overwhelming majority, nearly 80% of LPs, affirm that the most successful managers today thrive because of repeatable, sustainable processes, complemented by extensive firm-wide networks. This underscores the pivotal role of robust operational frameworks in achieving superior performance.

In contrast, a fifth believe that star deal-makers are still the key feature of top-performing GPs.

Fig. 1 How likely do you think it is that at least one of the PE managers you are currently invested with will merge or be acquired by another manager during the next two years?

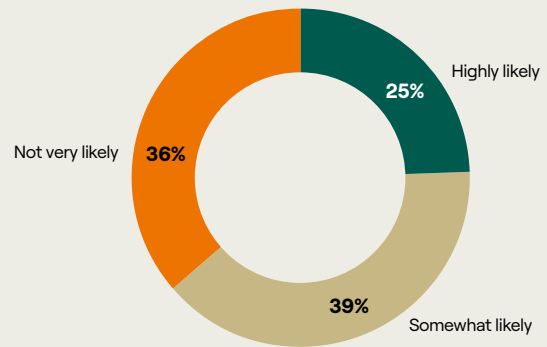


Fig. 2 Do you think the consolidation of GPs leads to a better outcome for LPs?

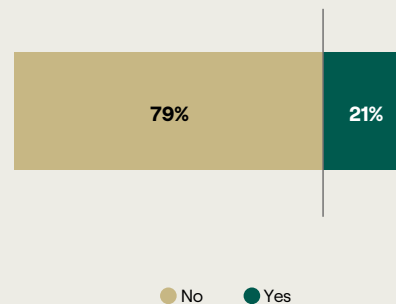
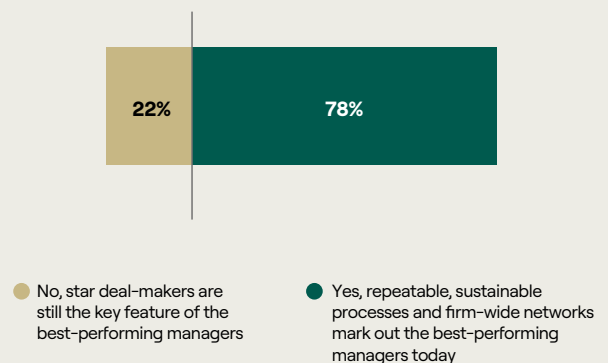


Fig. 3 As the PE industry has matured over the years, has the relative importance of the 'firm' versus the 'individual' changed, in terms of GPs' ability to generate performance?



## 'Zombie funds' – a feature within most LPs' portfolios

Three-quarters of LPs have identified 'zombie funds' as either currently present in their portfolios or likely to emerge later in the cycle. These findings, which come a few years post the Covid-19 disruption, mirror perspectives observed in the aftermath of the GFC (Winter 2011/12 edition). This underscores the enduring challenges faced by the industry at times of economic distress.

Recent years, marked by inflation and high interest rates, have no doubt had an unfavourable impact on portfolio companies' growth prospects, which could lead to an increase in 'zombie funds'.

## Private wealth

### A fifth of LPs eye semi-liquid funds

Although more than 20% of LPs have already invested in a semi-liquid fund, or are considering doing so, the vast majority show no interest at present. While semi-liquid products are tailored to the needs of private wealth investors, the benefits are also relevant for some institutional investors, which could lead to more widespread adoption over time.

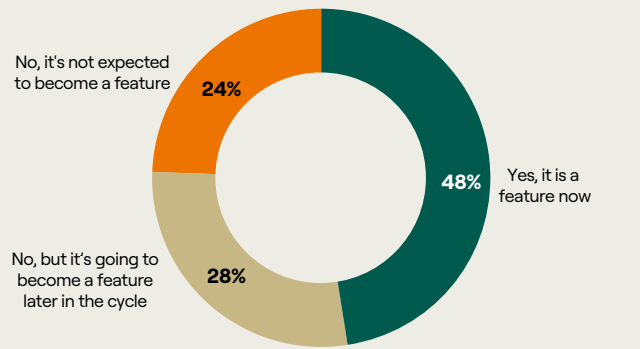
Diversification, reduced operational complexity, along with immediate capital deployment are some of the potential advantages these funds can offer, thus making semi-liquids potentially valuable components of a well-balanced investment strategy.

### Cautious scrutiny amongst LPs regarding GPs' utilisation of semi-liquid funds

Whilst semi-liquid investments are beginning to be embraced by LPs, many have displayed concern for the impact they will have on GP's operating models. Almost six out of ten respondents voiced reservations about changing investment focus and/or managing to retail investor requirements.

This view was more prevalent with North American LPs (76%) in contrast to their European (44%) and APAC (45%) counterparts. The rest of the respondents saw no concerns or were confident that GPs would be able to manage such structures without adapting their models significantly.

Fig. 4 Within your PE portfolio, do you have funds you regard as 'zombie funds'?



"Zombie funds" are defined as funds that hold assets past their expected period with limited opportunity of liquidating these assets or raising a successor vehicle.

Fig. 5 Does your institution invest in semi-liquid PE funds?

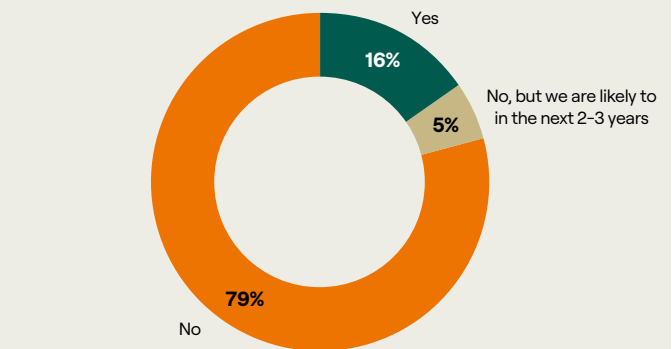
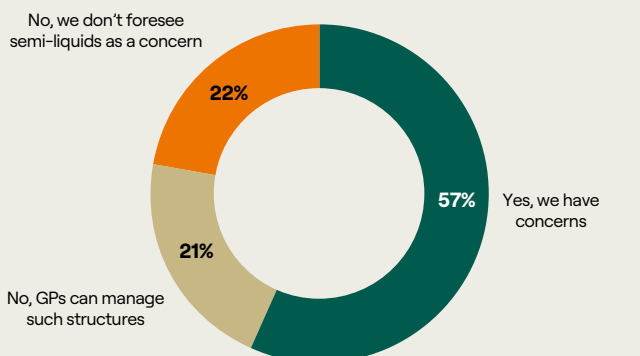


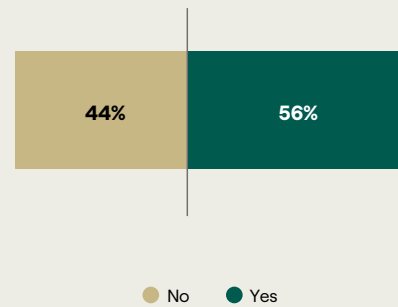
Fig. 6 Are you concerned that the use of semi-liquid funds by GPs will materially alter a manager's proven model?



## Private capital's expansion into retail set to amplify awareness among general population

LPs are confident that the expanding presence of private capital in retail will lead to broader understanding of the asset class. This shift will help democratise access to private capital and could also highlight its advantages as well as potential risks to a wider audience.

Fig. 7 Do you think private capital's push into retail will help the general population better understand the asset class?



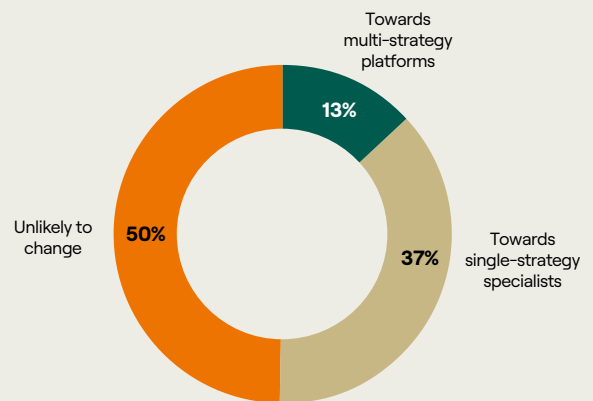
## Allocations and distributions

### Preference shift: growing interest in single-strategy specialists among LPs

Among respondents, 37% foresee a shift in the allocation of their private equity commitments towards single-strategy specialists in the coming years. This underscores the importance of specialisation and clarity of investment strategy.

Notably, North American LPs exhibited a stronger inclination towards specialists (51%) than their counterparts elsewhere. In addition, 13% of respondents anticipate a tilt towards multi-strategy platforms, whilst half of LPs anticipate no significant change in their allocation strategy.

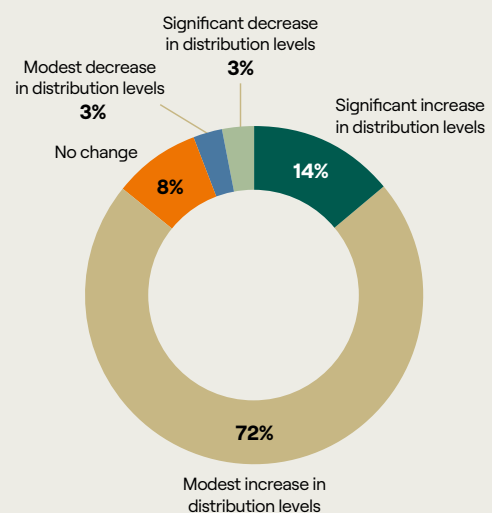
Fig. 8 In what direction do you expect the balance of your PE commitments to change in the future?



### Increased optimism among LPs regarding distributions in 2024

A notable 86% of LPs anticipate a rise in distribution levels for 2024. European LPs were the most cautious, with 77% supporting this view. Their US and APAC counterparts showcased a greater sense of optimism, with 91% and 95% respectively, expecting greater distributions.

Fig. 9 How do you expect the overall level of distributions you receive from your PE managers to change in 2024 compared with 2023?



## Private credit poised for the largest target allocation growth among alternative assets

Some 45% of LPs expect to increase their target allocation to private credit in the upcoming year, a sentiment that has remained notably consistent since we have been asking this question in recent years.

Secondaries emerged as the asset class with the second-highest anticipated allocation increase, 38% of respondents expressed intentions to bolster their allocation to the strategy. APAC LPs displayed the most appetite for the strategy, with nearly 70% planning to increase allocations. This underscores a robust interest in the strategy that may still be in its nascent stages in APAC compared to the rest of the world.

## Most LPs expect to make a first commitment to a new private equity manager

An overwhelming 86% of LPs plan on making a first commitment to a new manager relationship in any of the strategies in the next one to two years. Across the individual strategies, private equity garnered the most votes, with over three-quarters of respondents. Additionally, private credit and infrastructure emerged as stand-out strategies attracting LP interest, with 61% and 49% of respondents respectively indicating their intentions to initiate commitments with new managers across these sectors over the same period. This proactive stance highlights LPs' efforts to diversify and explore opportunities across the spectrum of alternative investment strategies.

## Private equity secondaries positioned for the most substantial growth across secondary markets – LP views

Private equity secondaries has emerged as the secondary strategy poised for the most substantial expansion over the next three years, with 73% of respondents expecting this to be the case. Additionally, private credit and infrastructure are anticipated to expand during this period with 63% and 60% of respondents respectively expressing confidence in growth.

Whilst real estate and venture strategies did not command the same level of confidence, both are expected to gain traction.

Collectively, it is evident that LPs foresee a growing and maturing secondary market.

Fig. 10 In the next 12 months, how do you expect your target allocation to alternative assets to change?

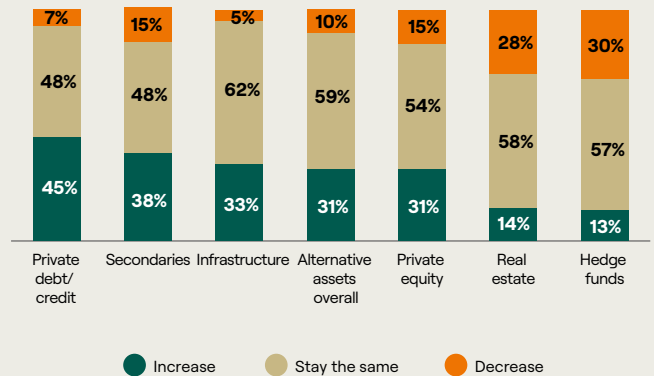


Fig. 11 Do you expect to make your first commitments to any new manager relationships over the next one to two years

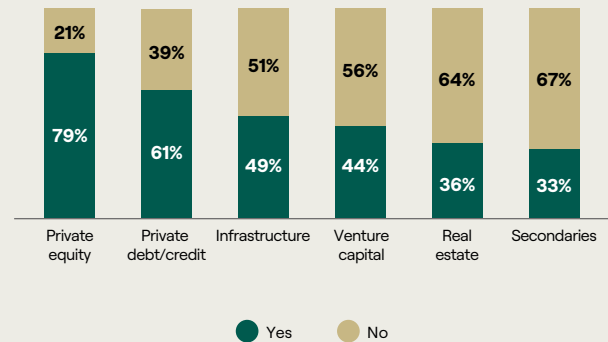
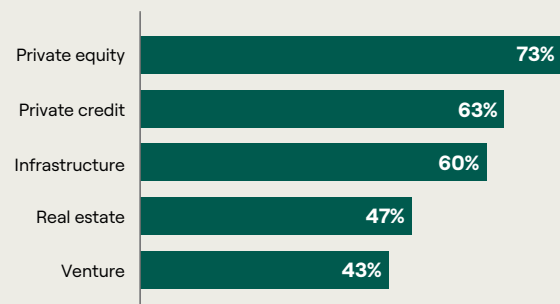


Fig. 12 Do you expect to see a significant expansion in the secondary markets for any of the following types of private assets in the next three years?

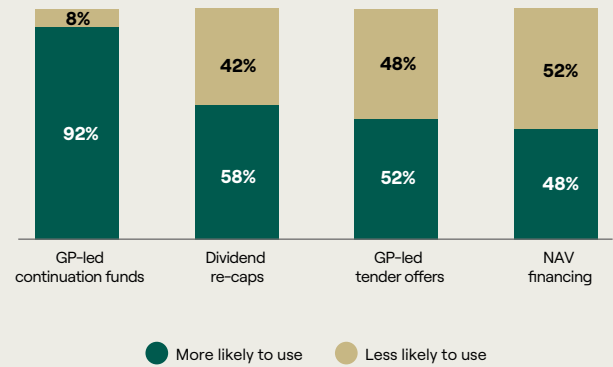


# NAV financing

## LPs expect continuation funds to be the most utilised tool for generating liquidity

LPs think that continuation funds will likely be the most common method for generating liquidity used by GPs in the coming 12-18 months. The view was more prevalent across North American LPs. Dividend recaps were the next most popular response, especially among respondents from the APAC region.

Fig. 13 Which of the following tools for generating liquidity are your GPs more likely to use in the next 12 to 18 months?

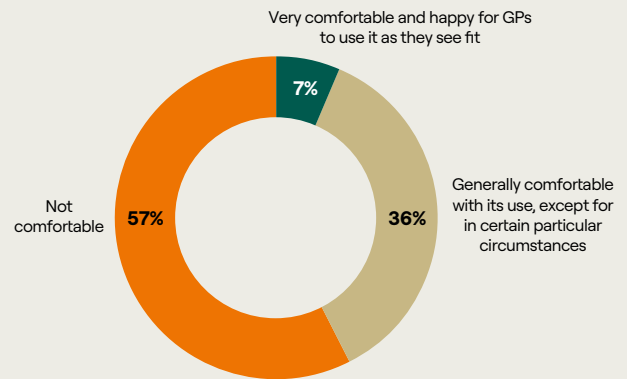


## Embracing NAV financing – increasing acceptance among LPs

Over two-fifths of LPs expressed comfort with the use of NAV finance in the private equity industry. About 36% are happy for GPs to use the facility with exceptions, whilst 7% were content with GPs employing it freely.

While many LPs exhibit unease with NAV financing, we anticipate that enhanced understanding of the strategy will likely foster greater acceptance of it.

Fig. 14 How comfortable are you with the use of NAV finance in the PE industry over recent years?

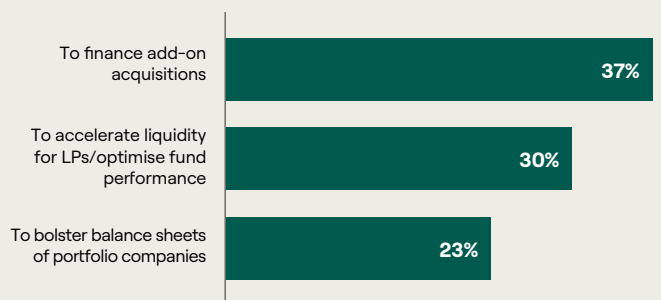


## Financing add-on acquisitions emerge as the preferred application of NAV financing

We asked LPs for their views on the purposes for which the utilisation of NAV financing by GPs is acceptable. Funding add-on acquisitions was the primary accepted purpose, but LPs also favour its use in accelerating liquidity and optimising fund performance. There was less enthusiasm for using it to bolster the balance sheets of portfolio companies, which was perceived as the least acceptable application.

While LPs recognise the potential benefits of NAV financing, there appears to be some hesitancy among them to fully embrace this approach, even for accelerating liquidity.

Fig. 15 In principle, for what purposes would the use of NAV financing by GPs be acceptable to you?



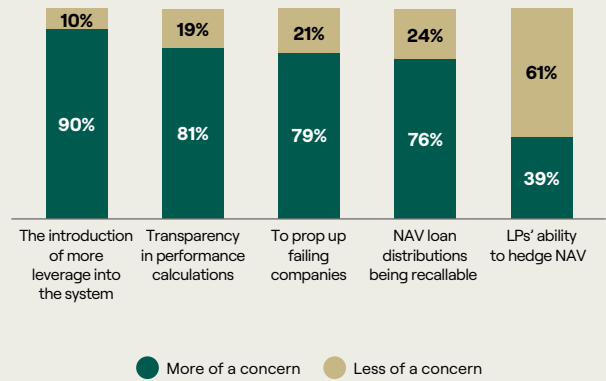


## Introduction of additional leverage – a primary concern of LPs when considering NAV financing

LPs recognise several factors when considering the implementation of NAV financing, including the infusion of additional leverage into the system, the importance of transparency in performance calculations and the potential for reviving failing portfolio companies.

The introduction of additional leverage was viewed as a key factor overall, with European LPs unanimously citing it as a top consideration. Regional views across the remaining categories were somewhat more diverse. The importance of transparent performance calculations was at the forefront of APAC LPs minds, whilst propping up failing companies was more of a concern for North American LPs than their counterparts elsewhere.

Fig. 16 How much of a concern in terms of the use of NAV finance in the PE industry are the following factors?



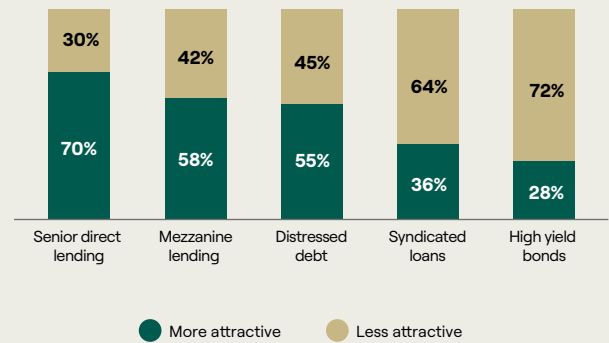
# Credit

## LPs view senior direct lending as the most attractive credit investment opportunity

The prevailing sentiment among LPs is that senior direct lending will stand out as the most attractive credit investment opportunity over the next two years. European and North American LPs were most inclined to hold this view, with 71% and 74% respectively agreeing, compared with just 58% in the APAC region.

Mezzanine lending garnered attention as an appealing opportunity, alongside distressed debt.

Fig. 17 Which of the following types of credit investment do you expect to be attractive investment opportunities in the next two years?

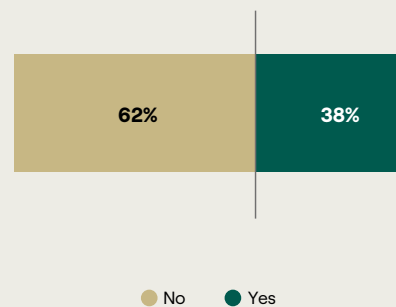


## 38% of LPs intend to boost exposure to direct lending

38% of LPs indicated their intention to increase their portfolio weighting towards direct lending. Continued retreat from traditional lending, along with a conducive interest rate environment that provides conditions for attractive returns and compelling downside protection – an attribute of the strategy – can be expected to support the strategy's growth.

This was particularly evident among APAC LPs, with over 50% planning to increase their weighting, reflecting a trend that might align with private credit's current stage of development across the APAC region.

Fig. 18 Are you planning to increase your portfolio weighting towards direct lending in the next two to three years?



# Infrastructure

## Preference towards equity-based returns in private infrastructure investing

When asked about their institution's investment focus in private infrastructure, a greater number of LPs (31%), of those that indicated a preference, focus on equity-based returns.

While yield-based returns can provide stable income, equity returns offer potential for higher capital appreciation as a result of the different risk/reward profile.

## North America leads as the most attractive region for private infrastructure investment

More than half of LPs believe that North America stands out as the most appealing region for private market infrastructure investment over the next five years.

The region's stable and mature market, coupled with a strong regulatory framework, provide attractive conditions for investors, whilst also offering a broad spectrum of infrastructure opportunities. A substantial 30% of respondents identified Europe as holding significant appeal, whilst 16% perceived the rest of the world as an attractive proposition for such investments.

Fig. 19 When investing in private infrastructure, is your institution focused more on yield-based returns or equity-based returns?

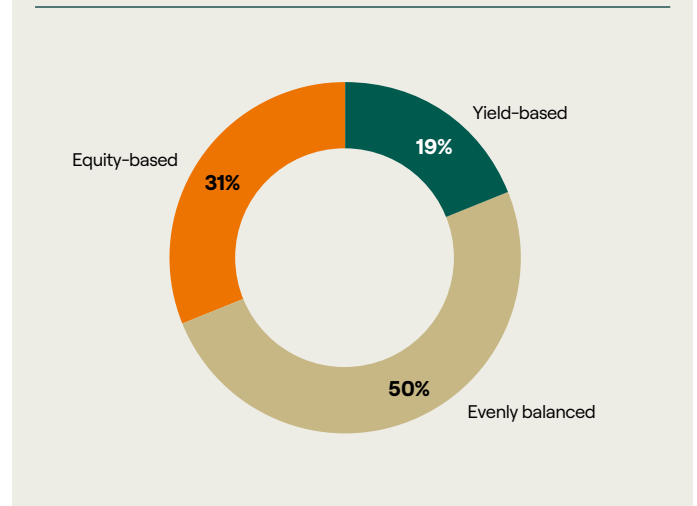
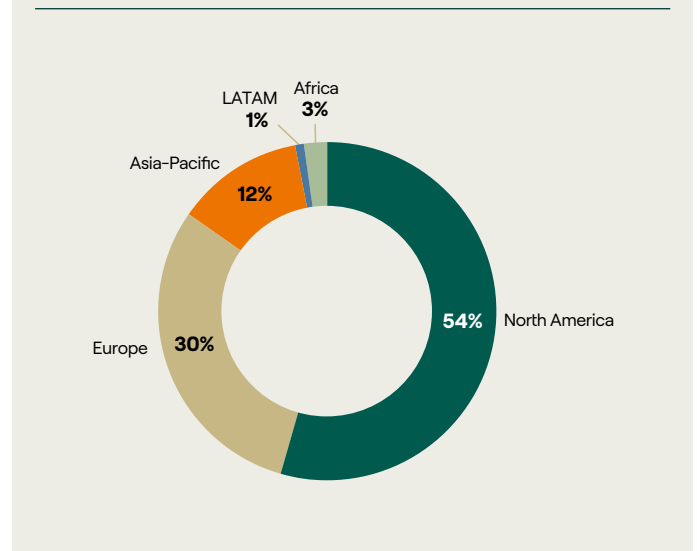


Fig. 20 Which one of the following regions do you think will be the most attractive for private market infrastructure investment over the next five years?

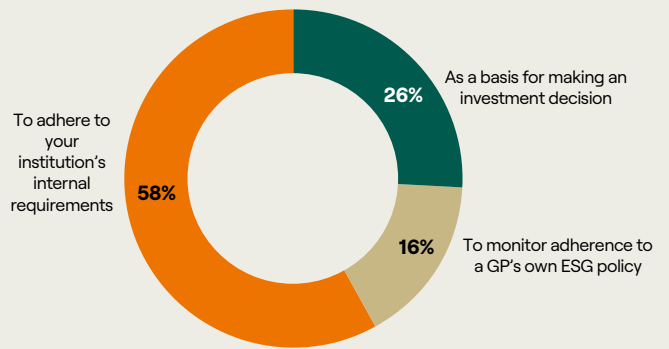


# ESG

## Satisfying internal ESG requirements – a primary reason for ESG data requests by LPs

Almost 60% of LPs indicated their requests for ESG data was primarily driven by the need to align with their organisation’s internal ESG requirements. Just over one quarter of LPs stated that such data is a decisive factor in their investment decisions, with European LPs demonstrating stronger views in this regard. Monitoring adherence to GPs own ESG policies was the principal factor behind ESG requests for 16% of LPs.

Fig. 21 What is the principal reason for you to request ESG data from your GPs during the life of a fund commitment?



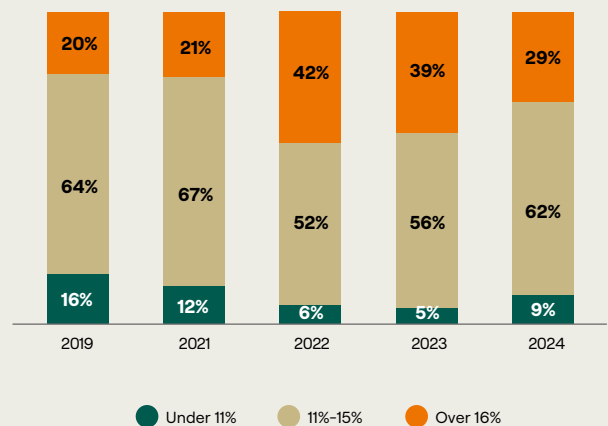
# Returns

## Most LPs achieved 11% to 15% annual net returns across their private equity portfolio since inception

Roughly two-thirds of LPs achieved lifetime portfolio returns of between 11% and 15%, whilst roughly one-third scored returns greater than 16%. Buyouts and venture capital in North America, alongside European buyouts, have been the strongest contributors to these returns.

Overall, the proportion of LPs that achieved returns greater than 11% remains at levels similar to those observed in 2023 and 2022.

Fig. 22 What have been the annual net returns across your private equity portfolio since it began?

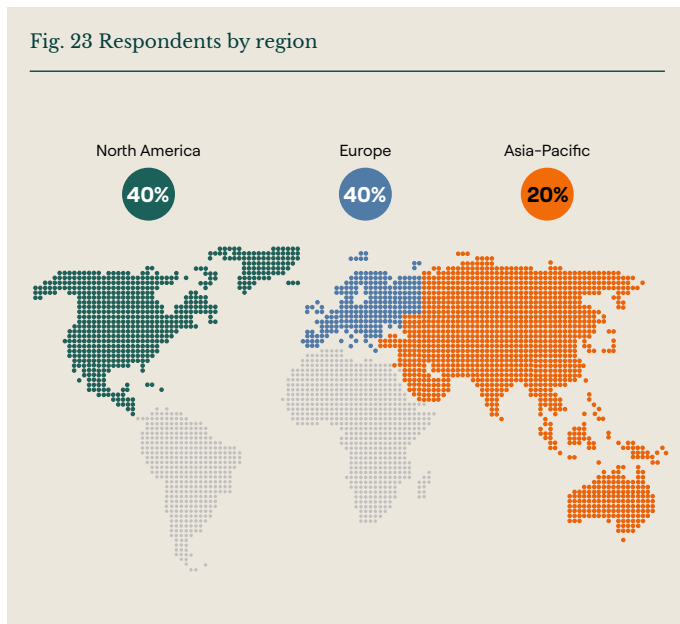


# Coller Capital's Global Private Capital Barometer

## Research methodology

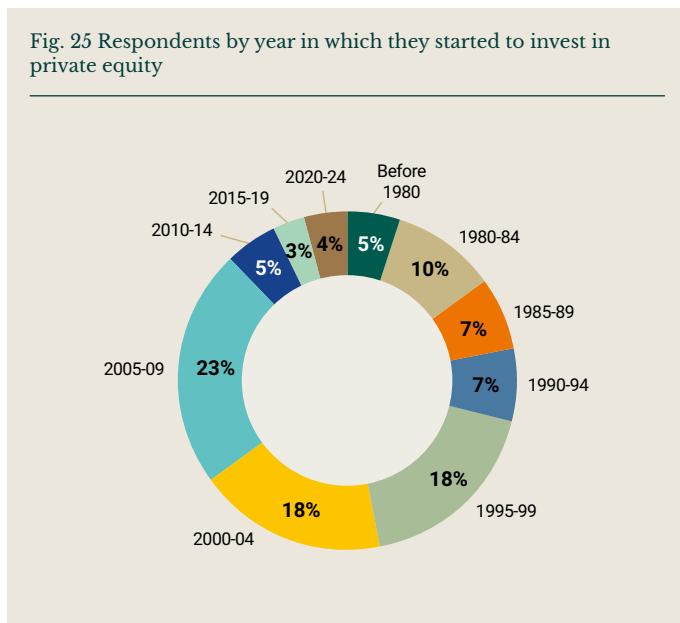
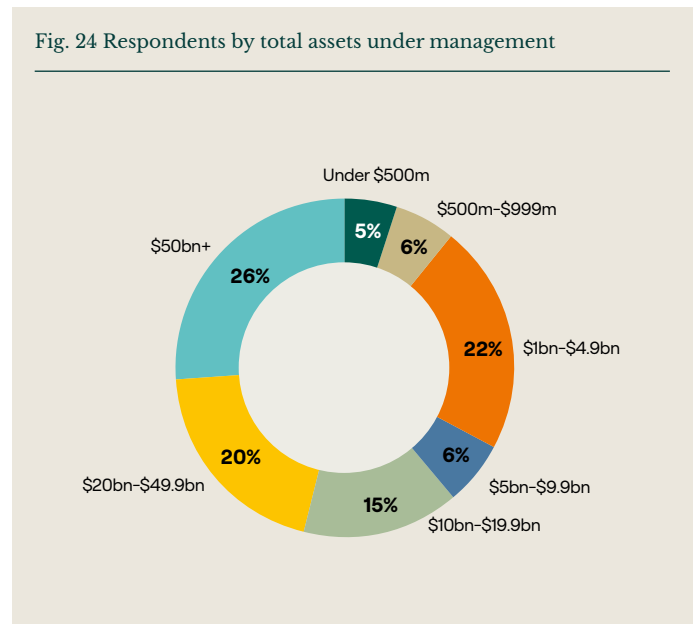
Fieldwork for the Barometer was undertaken for Coller Capital from 12 February to 29 March 2024 by Arbor Square Associates, a specialist alternative assets research team with over 50 years' collective experience in the PE arena.

Note: Some charts may not add to 100% due to rounding.



## Respondent breakdown

The Barometer researched the plans and opinions of 110 investors in private capital funds. These investors, based in North America, Europe, and the Asia-Pacific region (including the Middle East), comprise a representative sample of the LP population worldwide. In total, the investors surveyed oversee an aggregate minimum of \$2.1 trillion in assets under management.





# About Coller Capital

Coller Capital, founded in 1990, is one of the world's leading investors in the secondary market for private assets – and widely acknowledged as an innovator in secondaries.

The firm provides liquidity solutions to private markets investors worldwide, acquiring interests in private equity, private credit, and other private markets assets. With headquarters in London, and offices in New York, Hong Kong, Beijing, Seoul, Luxembourg and Zurich. Coller's multinational investment team has a truly global reach.

In January 2021, the firm closed Coller International Partners VIII, with committed capital (including co-investment vehicles) of just over \$9 billion and backing from over 200 of the world's leading institutional investors.

In February 2022, the firm closed Coller Credit Opportunities I, with committed capital (including co-investment vehicles) of c.\$1.45 billion and backing from over 40 institutional investors.

In March 2023, Coller Capital announced the creation of its global Private Wealth Secondaries Solutions ("PWSS") business to provide further access to private capital markets for high-net-worth individuals.



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