

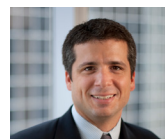
Private Markets Insights: Optimism in an Age of Change



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Dislocation, Change, and Growth

As focus shifts from fighting a pandemic to managing an endemic disease, the only safe prediction seems to be that transformational change is here to stay. New patterns of consumption, work, and human behavior are demonstrating genuine staying power, creating uncertainty for decision makers.

Although sometimes unnerving, transformational change can often be a catalyst for innovation, leading to opportunities for investors with a long-term focus and an even temperament. We believe the ability of many private companies to thrive in times of dislocation, change, and growth puts them in position to capitalize on the current environment.

2022 marks our 50th anniversary, and while private markets have grown dramatically since 1972, in our view the factors that have historically allowed them to outperform their public peers remain the same, especially in times of dislocation.

First, Adams Street thinks private company incentive systems are designed to reward executives for innovation and long-term shareholder value creation, rather than short-term financial results and stock price movements.

Second, the governance structures of private equity-backed companies more easily allow them to adapt quickly to changing market conditions.

Finally, because private markets tend to focus on sectors experiencing growth and change, we believe they are generally more comfortable navigating uncertain waters.

One significant consequence of the pandemic is that it accelerated the adoption of technology globally and across all industry sectors.

For example, because workers do not expect to return to being in-person at an office for 40 hours a week, the vast majority of companies are aggressively investing in technology to enable virtual broadcasts, conferences, breakout rooms, and social events.

In healthcare, video, artificial intelligence, and robotics are increasingly being used to diagnose and treat diseases. In addition, advances in saliva-based diagnostic kits are enabling earlier detection of treatable diseases, while corner pharmacies are also evolving from quick clinics into full-service points of primary care.

In the food service industry, mobile ordering, delivery, and payment solutions are being deployed to serve customers who prefer to place pickup and delivery orders rather than dining in.

Finally, there has been a global increase in interest in accessing blockchain technologies that promise more efficient and secure methods for transacting, exchanging, and storing information.

All these innovations are being driven by behavioral changes that, in our view, are likely permanent. Large incumbents that fail to react and change how they interact with stakeholders, including customers, employees, and suppliers, are more likely to become vulnerable to innovative disruptors.

As the following research shows, risks notwithstanding, private markets are viewed by many institutional investors as being well-positioned to drive long-term innovation, job creation, and growth on the global stage. Survey participants are bullish about the ability of private markets to outperform their public market peers over the long term, and Adams Street anticipates high-quality private investments to be a cornerstone of a global investment portfolio in the years ahead.

Jeff Diehl

Managing Partner & Head of Investments
Adams Street Partners



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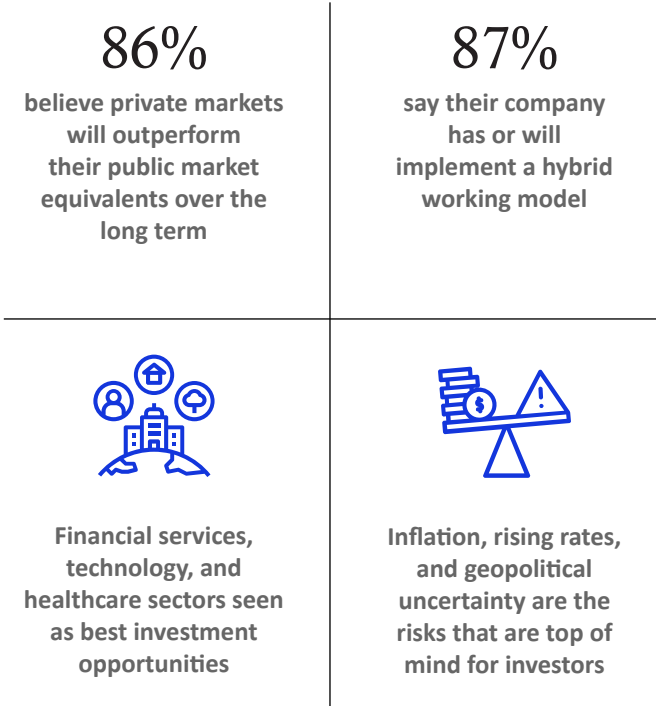
Optimism in an Age of Change

If 2020 was defined by uncertainty, the watchwords for 2021 were opportunity, growth, and innovation. Although that optimism is carried into 2022, it is underpinned by a growing appreciation of the risk posed by the twin threats of inflation and rising interest rates, an acknowledgement of the need for caution when it comes to asset valuations, and an awareness of ever-present geopolitical uncertainty.

Adams Street’s second annual global survey of institutional investors found:

- 86% of respondents believe private markets will outperform their public market equivalents over the long term.
- Technology, healthcare, and financial services are believed to be the sectors most likely to present the greatest opportunities for private markets investors.
- Buyouts of public companies are considered most likely to present significant opportunities, as are investments in Asia-Pacific and European markets.
- ESG is almost universally considered an essential and core factor influencing investor decision-making globally.
- 87% of respondents say their company has already implemented a hybrid working model or will do so in 2022.
- Nine in 10 respondents say their company is likely or very likely to invest in digital assets backed by blockchain over the next two years.
- Inflation, rising interest rates, asset valuations, and geopolitical uncertainty are among the risks that are top of mind for many institutional investors.

HIGHLIGHTS



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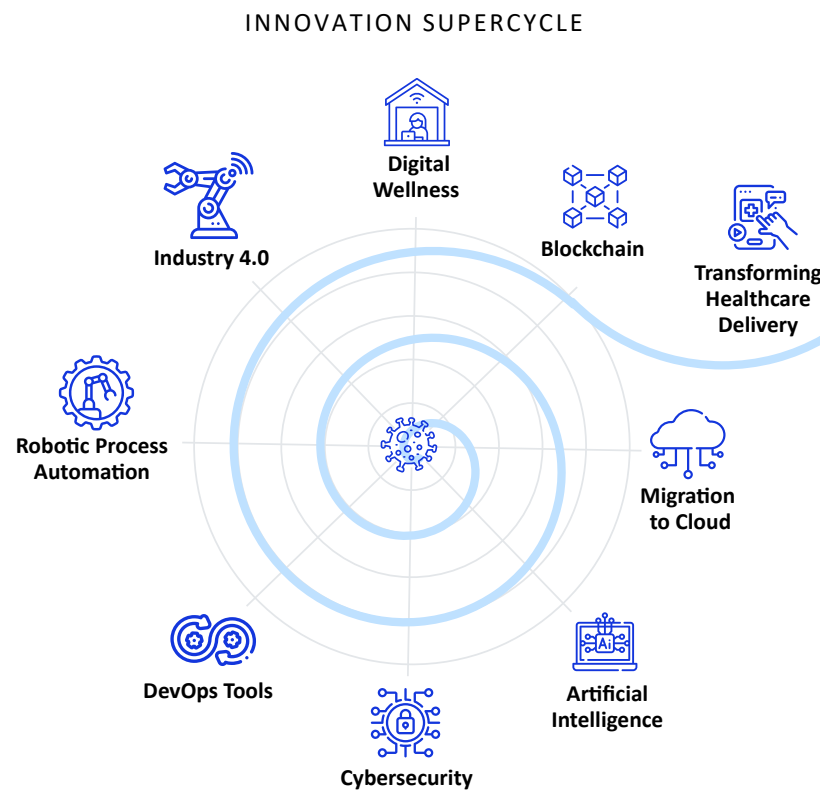
Innovation Supercycle and Megatrends Drive Rebound

With the rollout of effective vaccines and novel treatments for the coronavirus globally, the uncertainty that characterized much of 2020 turned to a sense of optimism and opportunity in 2021 as economies around the world rebounded with a force that few foresaw during the depths of the COVID-19 crisis.

In the early days of the pandemic, unprecedented levels of fiscal and monetary support helped stabilize markets, which enabled many companies to accelerate and lean into an innovation supercycle that is being driven by the decades-long digital transformation of the global economy.

Private markets investors see a future of enduring dislocation and change, led by the innovation that reshaped workplaces and industries during the pandemic. There appears to be little to no impetus to return to the “old normal”, with megatrends driving disruption in technology, healthcare, and financial services sectors in particular. These forces, when coupled with a near-universal focus on ESG factors, are reshaping institutional investors’ decisions globally.

However, institutional investors’ overriding sense of optimism and opportunity is tinged with near-term concern about how asset valuation levels and volatility may affect inflows and allocations; the potential for inflation to temper growth; and the impact of rising interest rates on more levered companies. These calculations are weighing on risk management and due diligence assessments as institutional investors consider opportunities in buyouts, venture capital and growth equity, private credit, primaries, secondaries, and co-investments.



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MARKET PERFORMANCE

As the chart on the right shows, while public equity markets registered strong returns in 2021, the performance of private markets was even more impressive.

There were 8,548 private equity deals globally during 2021 with an aggregate value of \$2.12 trillion, compared with 5,353 deals valued at \$1.02 trillion in 2020, according to law firm White & Case.¹ Fundraising also hit an all-time high in 2021, with inflows to private equity funds reaching \$733 billion, according to *Private Equity International*.²



Fundraising also hit an all-time high in 2021, with inflows to private equity funds reaching \$733 billion, according to *Private Equity International*.²

This performance is reflected in the survey, with the proportion of participants who strongly agree that private markets will outperform their public counterparts in the long run climbing 12.5 percentage points from a year ago. Further, while fully one third of respondents to last year’s survey said they would not increase private market commitments, that figure shrunk to just 5.9% this time around.

Adams Street attributes the confidence of participants in the long-term outlook for private markets partly because the number of publicly listed entities in the US is in long-term decline as companies stay private for longer, accruing more value to private investors.⁵

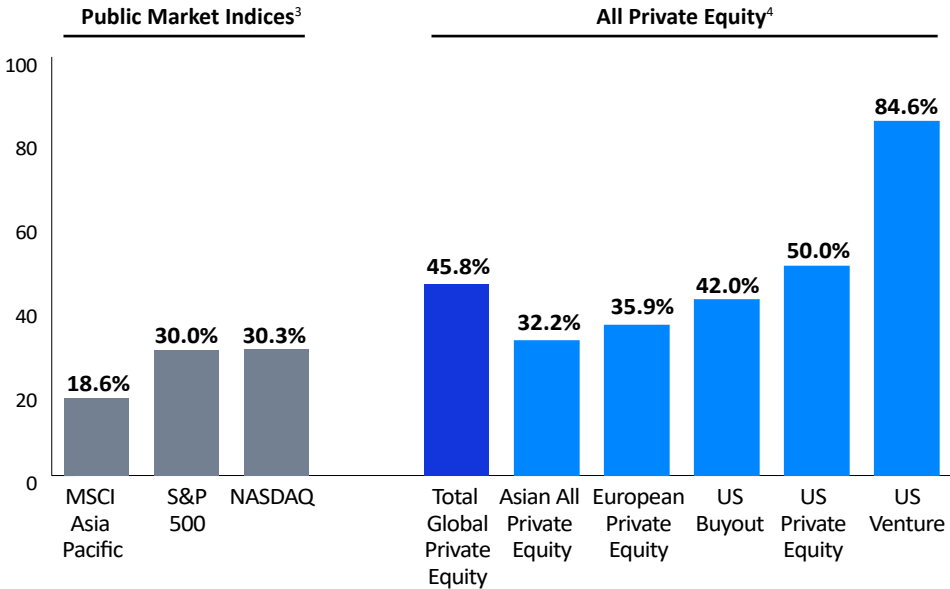
Between 1980 and 2000, the median time it took companies to go from inception to IPO was around 6.5 years.⁶ Today it is closer to 10 years, according to PitchBook.⁷ As a few examples: Spotify spent 12 years as a private company; Roblox was founded in 2004 but did not sell shares to the public until March 2021, at a valuation of \$38 billion; and Uber and Slack remained closely held for a decade.

Furthermore, the number of private financing rounds in excess of \$100 million from 2009 through to the end of 2021 totaled 820 (US companies only), far more than the 296 public listings over the same period, according to PitchBook.⁸



Strong Public and Private Markets Returns in 2021

One-Year Performance Comparison of Public vs. Private Markets Through Sept. 30, 2021



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“Microsoft now has a market capitalization of \$2.2 trillion, when it came to the [public] market it was \$600 million,” said Andreas Köster, Chief Investment Officer at Union Investment. “You will not get [the next] Microsoft anymore at \$600 million. Most of the value creation is being done in the private equity space.”

This trend of “private for longer” shows no signs of abating and indicates a clear migration of value creation from public markets to private. PwC expects private markets to grow by \$4.9 trillion between 2021 and 2025 to just under \$15 trillion, which would see the sector’s share of global assets under management (AUM) doubling to 10%— a level that implies considerable runway for growth.⁹

The survey therefore suggests that private markets have maintained their positive reputation among investors through 2021. Nine in ten respondents agreed that private companies offer superior governance compared with their public counterparts, and 86% believe that they will continue to outperform public markets in the long term.

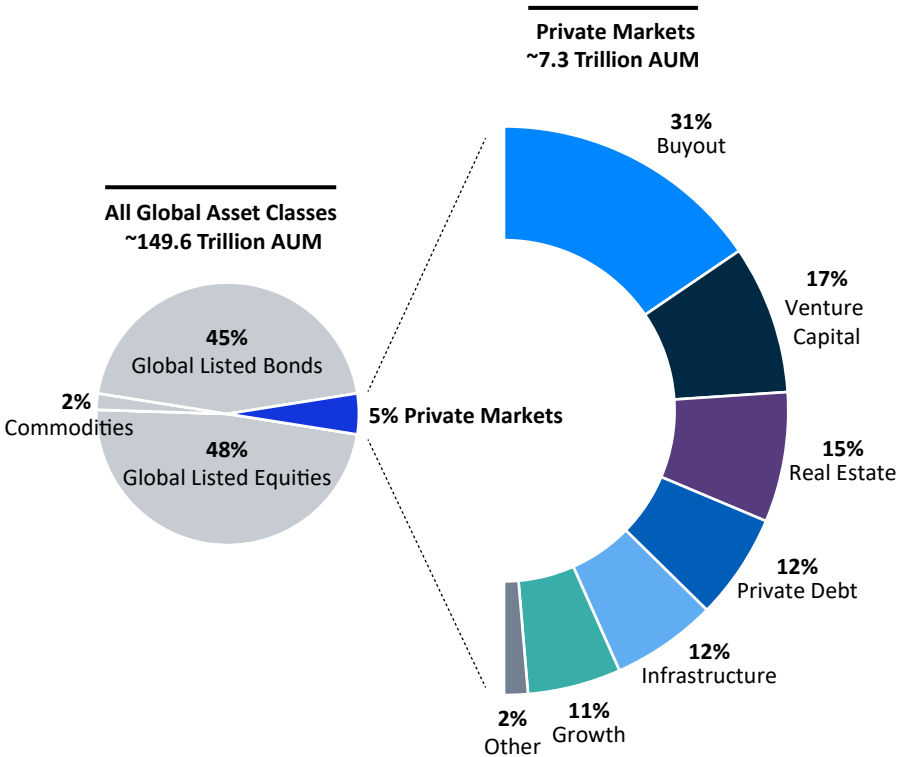
One challenge that we have seen for investors amid strong performance metrics is how to deal with the issue of reaching allocation limits as net asset values (NAV) climb, especially at a time when managers are returning to market with greater frequency and bigger fundraising targets.

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— Andreas Köster, CFA, Chief Investment Officer, Union Investment

Opportunity in Private Markets

Private markets AUM grew by 5.1% but still remains a small portion of total investible assets¹⁰



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Investors Prioritize Tech, Healthcare, and Financial Sectors

For the second year in a row, survey participants see three sectors offering the most opportunity – financial services, technology, and healthcare.

Opportunities in financial services are being driven by disruptive, rapidly scalable, asset-light fintech companies, which attracted \$102 billion in investments globally during 2021, a 183% increase year-on-year, according to Innovate Finance.¹¹



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“The way consumers and businesses choose and interact with their financial institutions remains a huge area of dislocation,” said Jeff Diehl, Managing Partner & Head of Investments at Adams Street. “If you can deliver a better and lower-cost experience or a better product with less friction, you can take share from the incumbents.”

Legacy players are taking the threat seriously, and a number of them have increasingly turned to tools such as lobbying and regulatory oversight to help protect their businesses. However, in our view, regulation is not something that many disruptors fear, as they appear to recognize that people’s money and healthcare are two areas where integrity and probity are less subject to compromise.¹⁴

Financial Services, Tech, and Healthcare Remain Top Priorities

Sectors respondents expect to offer the best private market investment opportunities¹²

Top Priorities	2021	2022	
Financial services	38.2%	39.0%	✓
Tech and tech services ¹³	33.6%	33.9%	✓
Healthcare	31.8%	26.3%	✓

Notable Movers

Software	15.5%	20.3%	▲
Telecommunications	29.1%	18.6%	▼
Travel and hospitality	20.9%	14.4%	▼

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SECTOR TRENDS

The pandemic accelerated trends in healthcare, such as the shift to telemedicine, while the sector is also benefiting from advances in robotics, artificial intelligence and applications stemming from genome technology. These developments are improving diagnostics, surgery, and novel treatment discovery, creating new standards of care that improve outcomes for patients and providers, both medically and financially.

Investors are taking note, with venture capital inflows into US-based digital health nearly doubling 2020’s \$14.9 billion former record haul, according to Rock Health.¹⁵

“We’ve seen strategies taking advantage of healthcare services, med-tech, managed care and dental in both private equity and private credit,” said Pete Keliuotis, Executive Vice President and Head of Alternatives Consulting at Callan. “Within private credit, one thing our clients are looking to do is be more targeted in terms of industry and sector exposure. It’s about finding the GP that has that domain expertise and operating experience.”

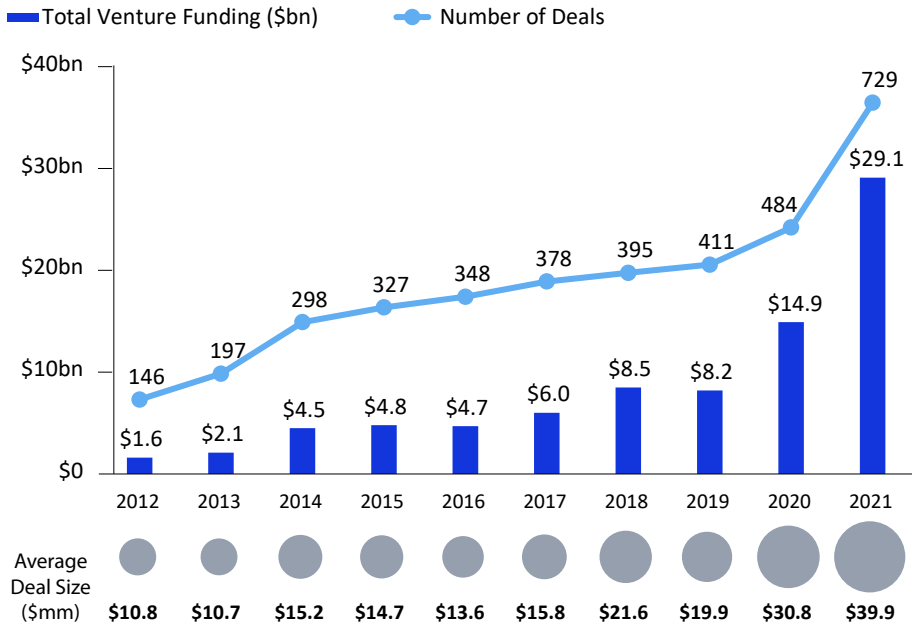
Mega themes such as cloud computing, artificial intelligence and machine learning, automation and robotics, enterprise software, mobile communications, and the Internet of Things (IoT) are also driving opportunities for tech investors.

“We’ve seen strategies taking advantage of healthcare services, med-tech, managed care and dental in both private equity and private credit.”

– **Pete Keliuotis, CFA**, Executive Vice President, Head of Alternatives Consulting, Callan

Accelerating Growth in US Digital Health

2012-2021 Funding and Deal Size¹⁵



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Valuation Levels Attract Interest in Europe, Asia-Pacific

When it comes to geographic preference, 44% of respondents said Asia-Pacific – comprising China, emerging APAC, Japan, and Australia – presents the best investment potential in 2022, in line with survey results from last year.

However, respondents expressed concern about heightened state intervention in the private sector and regulatory oversight in China, especially in the technology sector, along with slowing growth and potential contagion from over-leveraged companies, though the long-term potential of the market keeps them invested.

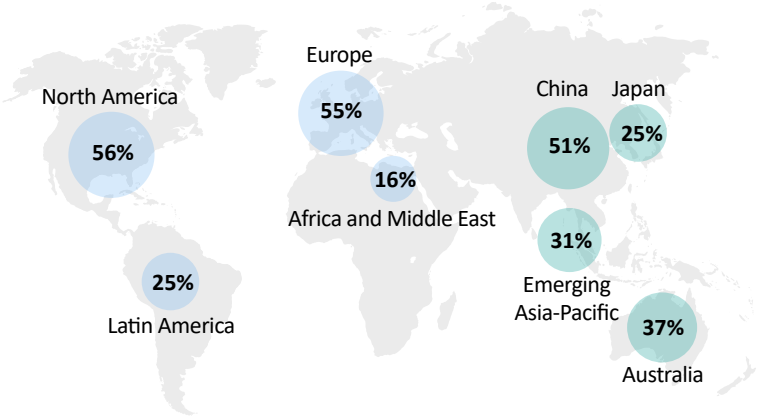
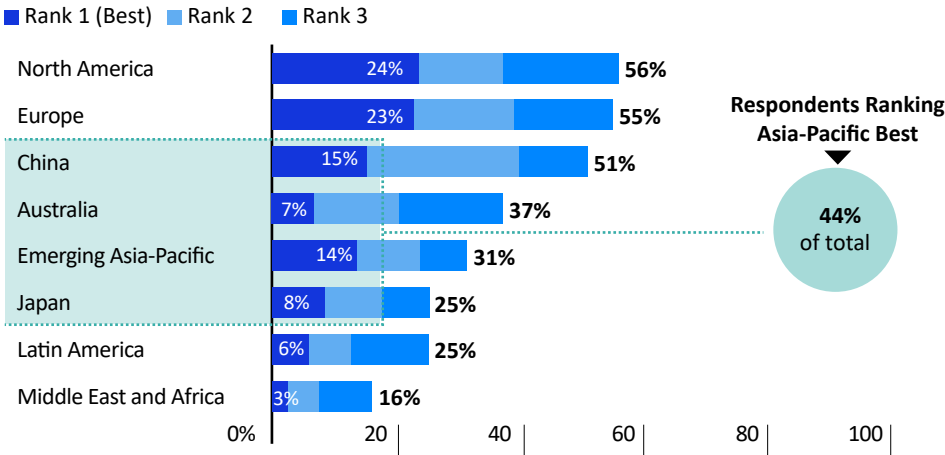
“In the past [in Asia], there were a lot of unknowns – you had opportunities and then nothing,” said Saifulbahri Hassan, Director of Private Equity for Malaysia’s public pension fund, the Retirement Fund (Incorporated) [KWAP]. “But today in APAC, the pandemic has been a catalyst for the region. Technology has unlocked the consumer, which has unlocked economic opportunities in general.”

“In the past [in Asia], there were a lot of unknowns—you had opportunities and then nothing. But today in APAC, the pandemic has been a catalyst for the region. Technology has unlocked the consumer, which has unlocked economic opportunities in general.”

– Saifulbahri Hassan, Director of Private Equity, Retirement Fund (Incorporated) [KWAP]

Lower Valuations Make Asia-Pacific and Europe More Attractive

Respondents ranked the top three geographic regions they expect to offer the best investment opportunities in 2022.¹²



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While North America was viewed as far more attractive than Europe last year, the two are now seen as roughly equal. The potential for more buyout activity and venture capital opportunities has climbed in Europe amid lower valuations compared with the US. In 2020, 28 European companies reached the \$1-billion valuation mark – particularly significant considering that by 2010 the continent had created just 22 “unicorns” in total.¹⁶

Survey participants remain optimistic about the US, even after valuations climbed sharply in 2021 on a return of confidence among consumers, who account for almost 70% of consumption.¹⁷ We believe those valuations may come under pressure in 2022 as the Federal Reserve begins an interest rate hike cycle to temper surging US growth and to bring core inflation closer to its 2% long-term target.

The prospect of tighter monetary conditions does not appear to have unduly discouraged respondents, however.

“For private equity and venture capital, the US is still the place to be,” said Mr. Hassan. “It is very stable. You can depend on it.”

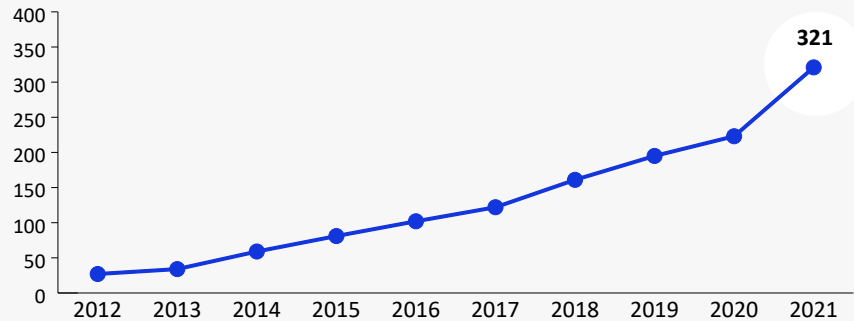
“APAC remains a key driver of alpha in the Malaysian pension fund’s portfolio,” he added.

“For private equity and venture capital, the US is still the place to be. It is very stable. You can depend on it. APAC remains a key driver of alpha in the Malaysian pension fund’s portfolio.”

– **Saifulbahri Hassan**, Director of Private Equity, Retirement Fund (Incorporated) [KWAP]

Rise of European Unicorns

Number of \$1bn+ European tech companies per year (cumulative)¹⁸



Capital availability increased at every stage of the European venture capital ecosystem in 2021,¹⁹ making it a landmark year for the creation of successful, high-growth technology companies.

Almost 100 companies across the continent reached a valuation of \$1 billion in 2021, taking the total number of so-called “unicorns” to more than 300.²⁰ In addition, 2021 was a record year for exits with merger and acquisition activity, initial public offerings, direct listings, and special-purpose acquisition companies hitting a record with exit figures implying total enterprise value of \$275 billion.

We believe these factors demonstrate that the European venture and technology landscape has reached a point of maturation. Europe’s arrival on the global venture stage signals a secular shift, and in our opinion indicates that the venture community is in its strongest position ever.

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ESG Moves Center Stage

In a significant change this year, nearly all respondents (98%) said ESG considerations affect their investment strategy, up from 81% in 2021.

“ESG is table stakes now,” said Miguel Gonzalo, Partner & Head of Investment Strategy and Risk Management at Adams Street. “We take a very proactive approach to data-driven monitoring and evaluation of ESG factors, which are core to both investment and operational due diligence.”

Participants viewed comprehensive and meaningful ESG analysis as having gone from a “nice to have” feature to an essential prerequisite for investing in private markets.

“ESG is definitely top of mind for my board and top of mind for my team. It’s not just ESG, it’s also DEI [diversity, equity, and inclusion], not only at the GP level but portfolio company level as well,” said Jeremy Wolfson, Chief Investment Officer of Los Angeles Department of Water and Power Employees’ Retirement Plan.

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However, ESG, along with DEI, is also seen as presenting significant investment challenges in 2022.

Among the issues noted by respondents are figuring out how to measure the positive impact of investments, not just at a portfolio company level but further down the supply chain. As highlighted by Mr. Gonzalo, factors to consider include engaging with GPs to improve transparency around ESG considerations; managing reputational risk through comprehensive pre-investment screening and post-investment monitoring; and developing impact strategies that target positive outcomes for society and the environment in addition to financial returns.

“Rather than just providing a negative screen, institutional investors are increasingly seeking to make investments that take the next step and have a measurable positive impact,” Mr. Gonzalo added.

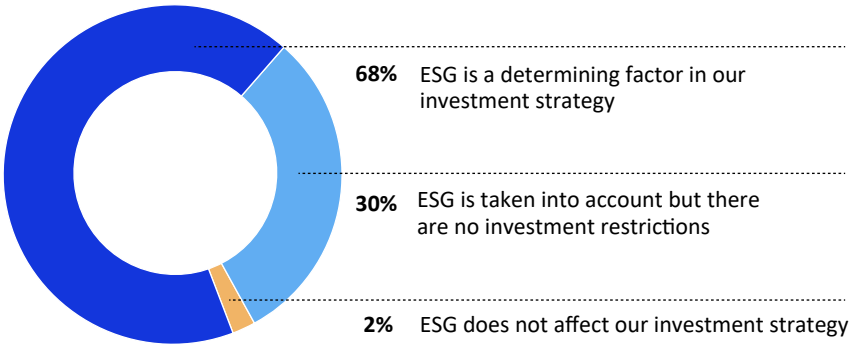
Institutional investors such as Atsushi Katayama, Senior General Manager and Head of Alternative Investments at Japan Post Insurance, are keen to make this step. He is waiting for impact investing to mature from a global strategy carried out by the largest firms to something more targeted: “In Japan, impact [investing] is small but is growing. Even though we invest in global opportunities, our business domain is mainly in Japan, so we expect more impact investment activities in the domestic market.”

“Rather than just providing a negative screen, institutional investors are increasingly seeking to make investments that take the next step and make investments that have a measurable positive impact.”

– **Miguel Gonzalo, CFA**, Partner & Head of Investment Strategy and Risk Management, Adams Street Partners

ESG Adoption Nearly Universal

In which of the following ways are ESG considerations affecting your private markets investment strategy?¹²



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Work Life is Changing Forever

Just as the pandemic boosted awareness of ESG, DEI, impact investing and sustainability issues, it also appears to have permanently altered the work environment for many millions of people globally.

As noted by Mr. Diehl, office workers do not expect to return to a 40-hour, in-person world. This has led companies to invest significant time and resources into deploying technologies that enable remote working.

This shift is illustrated in the survey, with a full 87% of respondents saying that their office already operates as a hybrid work model, or will transition to one within the next year. At least for external engagement, meeting online is regarded as more efficient than face-to-face for 83% of respondents, suggesting the transition has not necessarily been forced on businesses.

This data indicates continuing opportunities for growth for providers of innovative enterprise software products that help facilitate mobile and video communications, along with cloud-based computing and cybersecurity solutions, among others.

“Office workers do not expect to return to a 40-hour, in-person world. This has led companies to invest significant time and resources into deploying technologies that enable remote working.”

– Jeff Diehl, Managing Partner & Head of Investments, Adams Street Partners



Workplace Evolution

To what extent do you agree or disagree with the following in relation to the impact of the COVID-19 pandemic on your company’s working environment?¹²



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THE FUTURE OF WORK

A further indicator that the pandemic will result in a permanent shift in working arrangements is that 88% of respondents believe that the next generation of workers will have increased expectations for flexible work arrangements.

Eighty-six percent think that in-person meeting, conference, and event attendance will return to pre-pandemic levels by mid-2022, reflecting a desire for interpersonal connection among a significant proportion of those interviewed.

Meanwhile, 80% say that even when it is deemed safe to travel, their company will rarely use international business travel in the future. For a number of participants, this expectation is also influenced by stricter adherence to ESG and a desire to limit corporate carbon footprints.

“If you’re in a situation where a critical decision needs to be made, investors still want to meet in person,” said Mr. Keliuotis of Callan. “People feel more reticent jumping in to give their opinion in a Zoom meeting. But I think there’s still going to be more selectivity in terms of when you expect people to travel to meet you.”

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Digital Assets Gain Institutional Acceptance

Another surprise in this year’s results was that 92% of respondents said they are likely or very likely to invest in digital assets backed by blockchain technology in the next two years.

Many survey participants see opportunities emerging in areas such as decentralized finance, non-fungible tokens (NFTs), decentralized autonomous organizations (DAOs), companies that build the infrastructure needed for digital asset trading, and funds that specialize in digital asset investing.

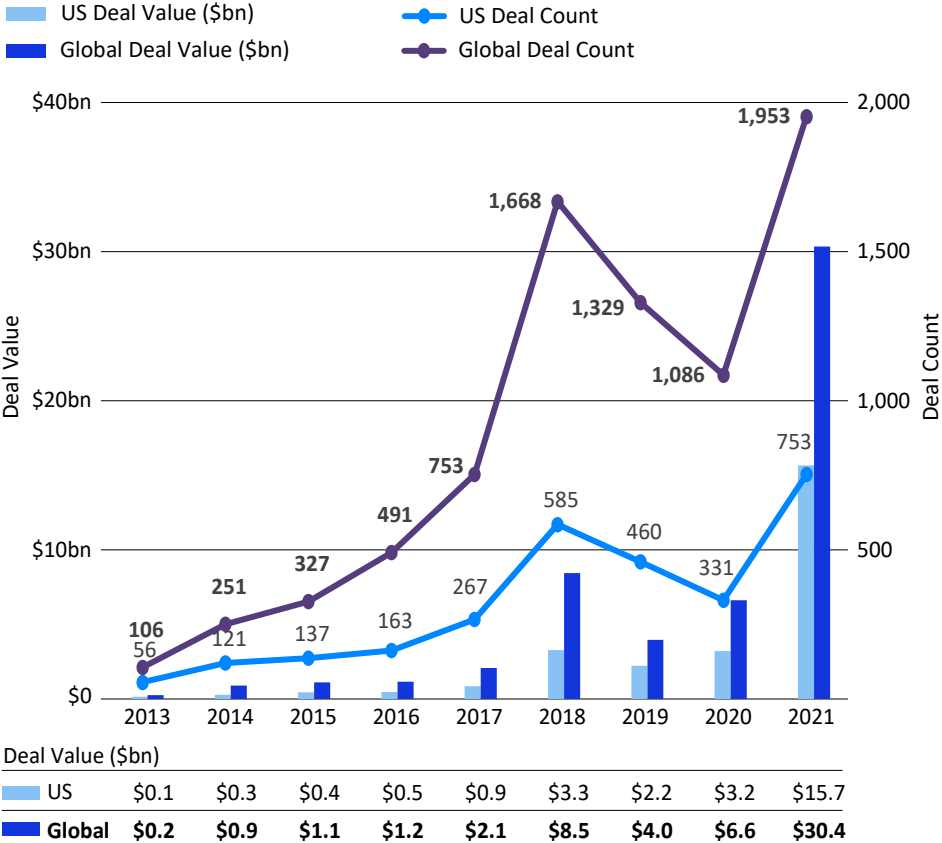
Mr. Katayama believes that blockchain could be “an indispensable technological foundation” and is monitoring this area that can be used for insurance related businesses. He also believes that NFTs and the other tokenization technology could widen investment opportunities for new investors.

“I believe that blockchain could be an indispensable technological foundation of society that can be used for insurance and financial services businesses.”

– **Atsushi Katayama**, Senior General Manager and Head of Alternative Investments, Japan Post Insurance

Digital Assets Becoming Mainstream

US and Global Cryptocurrency/Blockchain Funding and Deal Count²¹



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Inflation and Rising Rates Pose a Concern

When it comes to potential hazards, the proportion of respondents expecting a high impact from a range of risk scenarios increased from 2021 to 2022.

Inflation and interest rate rises, neither of which appeared as major risk scenarios last year, are now front of mind for many investors.

Rising input prices and a higher cost of capital are twin threats for businesses, and many expect companies – especially in non-discretionary sectors – will likely seek to pass on price increases to customers while being careful not to lose market share.

Mr. Köster believes “we have to relearn how to live with inflation and with volatility. A generation of investors hasn’t seen it, a generation of fund managers hasn’t seen it and the risk historically is that some get it wrong. It doesn’t change the overall trend that there are very attractive returns to be made in private and listed equity.”

“We have to relearn how to live with inflation and with volatility ... It doesn’t change the overall trend that there are very attractive returns to be made in private and listed equity.”

– **Andreas Köster, CFA**, Chief Investment Officer, Union Investment

Investors See Some Challenges

Anticipated biggest investment challenges in private markets in 2022¹²

35% Increased capital flows into the asset class	31% Diversity and inclusion	27% Leverage levels	25% Geopolitical tensions
	30% Environmental, Social and Governance (ESG) considerations		
34% Market volatility	29% Technology disruption	25% High valuations	23% Competition

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One potential impact of margin compression caused by higher operational costs could be an increase in the number of “zombie companies” – those that may struggle to repay debt after increasing leverage during the era of ultra-low interest rates. Between 2015 and 2019, roughly 10% of public companies and 5% of private companies were considered zombies, according to the Federal Reserve.²² The difference suggests that the governance structures and management agility of private companies puts them in a more competitive position as interest rates and prices rise.

Survey participants seem to think so. As compared with public market counterparts, 90% of respondents agreed or strongly agreed that private companies exhibit superior governance and management incentives that align more closely with long-term shareholder interests; this perhaps led 80% of respondents to agree or strongly agree that private markets are less susceptible to short-term volatility than their public market counterparts.

We believe that sectors such as subscription-based enterprise software and non-discretionary consumer may prove to be more resilient to inflation and interest rate rises, along with asset classes such as floating-rate private credit.

“I believe there is a netting effect over a long period of time. Because of the structure and the nature of private equity, we are not supposed to be reactionary like public markets,” said Mr. Hassan of Malaysia’s public pension fund, the Retirement Fund (Incorporated) [KWAP]. “If we are, the returns of the asset class will mirror public markets and we do not want that.”

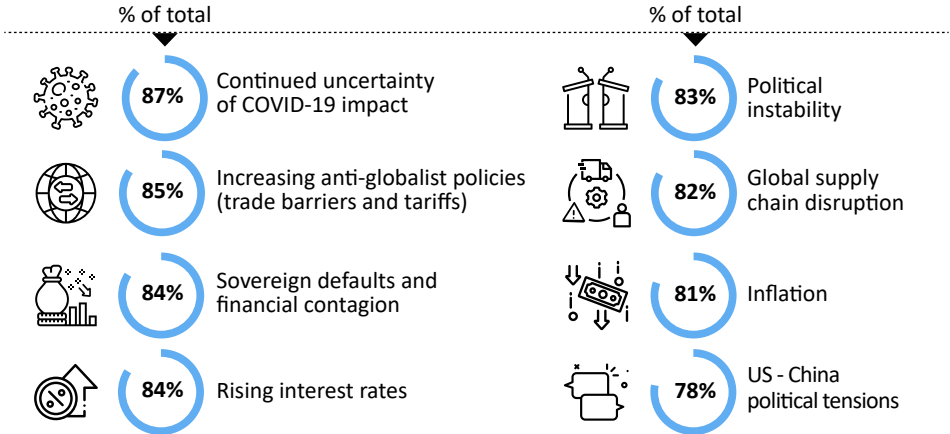
“Because of the structure and the nature of private equity, we are not supposed to be reactionary like public markets. If we are, the returns of the asset class will mirror public markets and we do not want that.”

– **Saifulbahri Hassan**, Director of Private Equity, Retirement Fund (Incorporated) [KWAP]

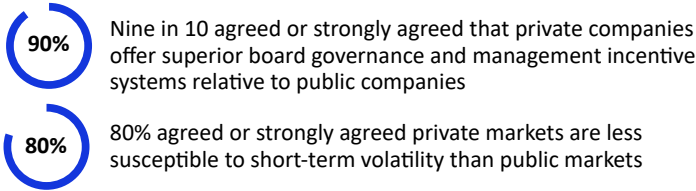
While investors see many risks...

Risk scenarios expected to impact private market investment strategy in 2022¹²

Respondents Rating High Impact



... They are confident that private companies will navigate change



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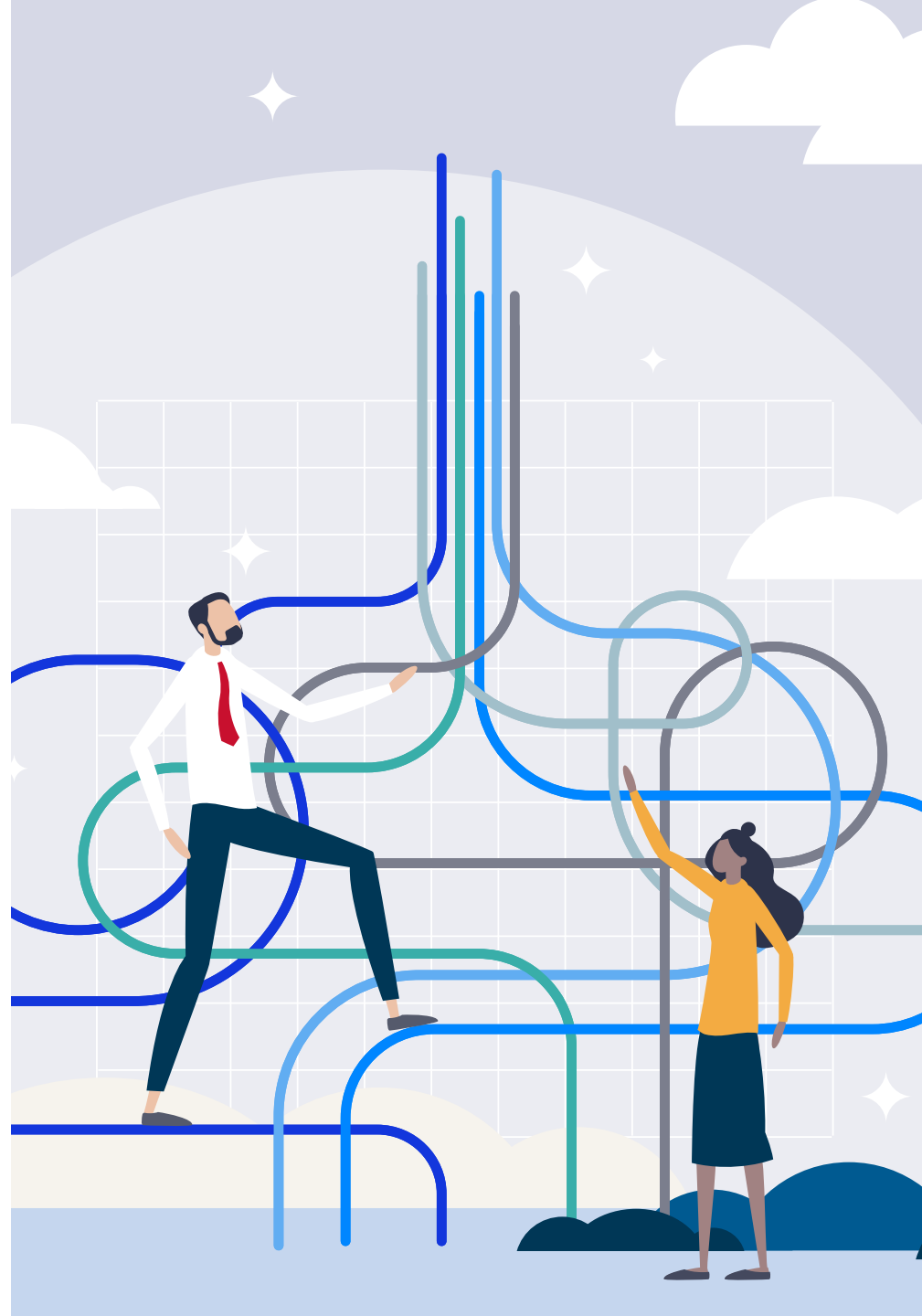
RISK LANDSCAPE & OPPORTUNITY

Rising risks notwithstanding, respondents still indicated that they favor increasing allocations to private markets. Moreover, Adams Street's data also show that many GPs are returning to market with new (and often larger) funds faster than they have in recent years. For buyout funds that Adams Street invested in on primary basis during 2020, the average time taken to return to market was 2.7 years, compared with a 10-year average of 3.8 years. The last time the duration was this short was before the financial crisis. Our data also show that new vintages of buyout funds in the Adams Street portfolio targeted 1.6x more than their predecessors in the first half of 2021, just above the 10-year average of 1.5x. However, this belies the fact that many of the largest GPs are returning with greatly increased commitment targets.²³

"We notice the pace of new investments and the time horizon to return capital are fast and some of them are too fast," said Mr. Katayama of Japan Post Insurance. "We are happy to have such investments, but you need to know we do not always aim for such a quick cashback. As an insurance company, our goal is to achieve stable long-term returns over decades."

"It's very important both in the public markets and the private markets to hire the folks that have the most expertise in different sectors so that they have the capacity to really underwrite those different companies and determine who will be the winners and losers."

— **Jeremy Wolfson**, Chief Investment Officer, Los Angeles Department of Water and Power Employees' Retirement Plan



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The recent decline in public market valuations creates an opportunity for buyouts. In February 2022, for example, Vista Equity and Elliott Management announced the acquisition of cloud computing company Citrix, taking it private in a \$16.5bn deal. However, this can create dilemmas for private market participants who are uncertain as to whether the bigger fund size genuinely reflects growth in the opportunity set or whether the GP will have to stray outside their historical areas of experience to put the money to work.

Among the most widely sought traits respondents indicated they look for in a private markets fund manager are scale and the ability to perform large, complex deals, especially where there is an opportunity to unlock a lower entry multiple, an above-expectation exit, or both. This could be through implementing operational improvements, bolt-on acquisitions, or corporate carve-outs.

“GPs that lean into complexity, have flexible capital, and have managed through these types of scenarios before are going to succeed,” said Mr. Wolfson. “They have that level of expertise, have access to that deal flow and are able to pick and choose.”

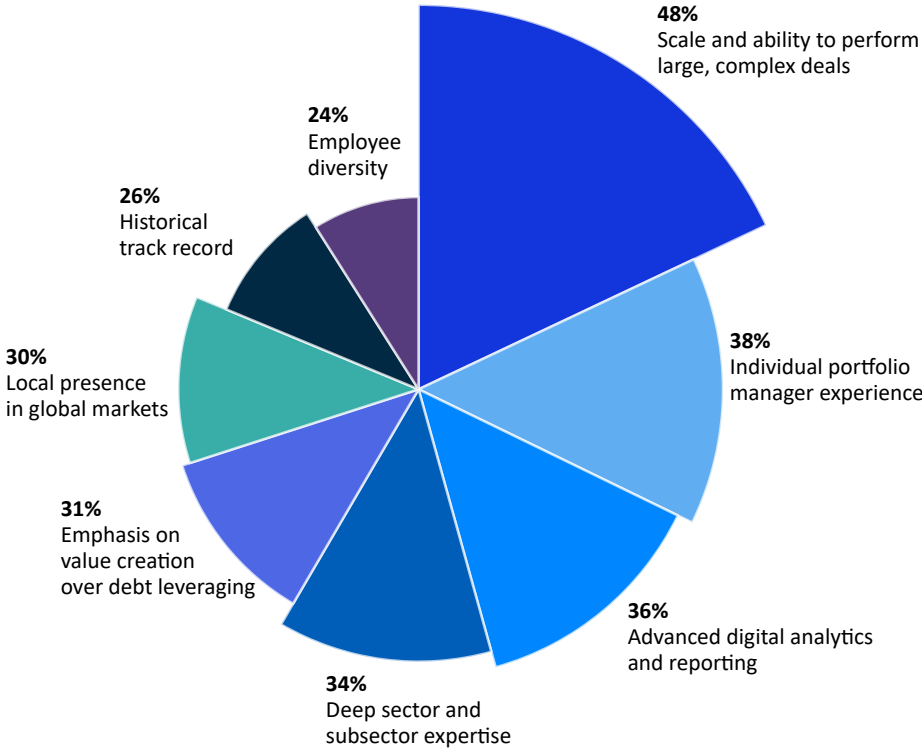
As institutional investors increasingly seek to rationalize their GP relationships, they are placing more value on managers who offer multiple products on a single platform, while also looking to the experience of portfolio managers as a key indicator of the ability to execute.

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Expertise in Complex Deals Required to Navigate Difficult Markets

Which characteristics do you value most in a private market fund?¹²



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Adaptability is Key in Disruptive Times

Perhaps the main takeaway from this year's survey is that COVID-19 seems to have changed the way people live, work, and consume, and that investors believe this change is likely permanent.

The pandemic has accelerated the adoption of change that was already under way, driving investment into already popular sectors such as healthcare, fintech, and software, and increasingly into new opportunities such as blockchain and cryptocurrency.

We think the recent drop-off in public market valuations should lead to more buyout opportunities in both the public and private markets.

While North America remains the bedrock of most portfolios, survey participants believe that Asia-Pacific's role as a driver of future returns is only slightly diminished by increased political risk. Europe, traditionally something of a laggard, is benefitting from a booming venture capital industry and being undervalued relative to the US.

Macroeconomic changes pose risks, with inflation and interest rate rises seen as likely to put pressure on portfolio companies' profitability and test the durability of their balance sheets.

As managers come back to market more quickly, it is vital to identify those with sector expertise, high-quality deal pipelines and the taste for complexity required to unlock value. Experience of managing portfolios through economic uncertainty becomes even more important.

However, Adams Street believes these risks are set against a favorable longer-term backdrop. Companies are continuing to stay private for longer, suggesting there is plenty of value to be created away from the glare of the stock exchange. Respondents continue to believe that private markets offer not just better governance and less volatility, but also better long-term performance than their public market equivalents. And that, ultimately, is the most important thing.



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Over six weeks leading into 2022, Adams Street Partners surveyed 118 limited partners for their views on a variety of topics that were a cause for optimism or concern. Participants included pension funds, institutional accounts, and portfolio managers located in the US, Europe, and APAC.

The findings of this research are shared across a variety of media to effectively highlight key conclusions on geopolitical risk, environmental, social, and governance (ESG) trends, and the outlook for select strategies, sectors, and geographies. Included in the research are insights into what institutional investors report they are considering to best seize opportunities in the future.

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