PATHWAY®
CAPITAL MANAGEMENT

Pathway Research

Private Market Environment

4TH QUARTER 2018

CONTENTS

2018 Year in Review

The final quarter of 2018 brought to the surface simmering concerns and unease in the financial markets over the global macroeconomic outlook, the ongoing reduction in monetary stimulus by global central banks, late-cycle valuations, and an escalating trade war between the world's two largest economies. Early in the fourth quarter, volatility spiked as investors weighed still-strong corporate earnings and economic data, particularly in the United States, against growing unease over rising interest rates and the potential knock-on effects of China's slowing economy. Sentiment grew increasingly bearish as the quarter progressed—further fueled by a government shutdown in the United States—which led to the worst quarterly performance for global equities since the third quarter of 2011. The MSCI All Country World Index fell by 12.7% in the fourth quarter, which brought the index's annual return to –8.9%—its worst showing since 2008. It is unclear whether equity markets are foreshadowing an impending global economic slowdown, but most investors are bracing for continued volatility in 2019.

Record M&A Exit Activity for PE-Backed Companies

Notwithstanding the recent volatility in financial markets, the private market industry enjoyed another productive year in 2018, marked by record-high M&A exit market activity for PE-backed companies, attractive overall performance, and a dynamic investment environment that presented both opportunities and challenges for private market firms. In 2018, global M&A exit activity for PE-backed companies totaled $417 billion—a 15% increase over the prior year and 8% higher than the prior annual record set in 2014, according to Mergermarket. M&A activity was buoyed by strong demand for high-quality assets from both strategic and financial acquirers, healthy balance sheets, and accommodative credit markets during most of the year. The robust pace of M&A exit activity has been a key driver of private equity's strong performance and high level of distributions over the past several years. Notable M&A exits during the year include the sale of survey software company Qualtrics to SAP for $8.0 billion and the sale of aircraft maintenance provider StandardAero for $5.0 billion (see table 1).

Venture Capital Investment Activity Reaches 18-Year High

Venture capital experienced a standout year in 2018, driven by a rapid pace of innovation and technological advancement across multiple disciplines and by a healthy exit environment for venture-backed companies. Capital flows during the year were robust: both investment and fundraising activity reached their highest levels since 2000. Non-traditional investors, such

Table 1. Largest PE-Backed M&A Exits Announced in 4Q18

At December 31, 2018

Seller	Portfolio Company	Industry	Region	Value (MM)
Accel, Insight Venture Partners, Sequoia Capital	Qualtrics	Technology	U.S.	$8,000
Veritas Capital	StandardAero	Industrials	U.S.	$5,000
BC Partners	Antelliq Group	Healthcare	France	$3,700
Blackstone Group	DJO Global	Healthcare	U.S.	$3,150
Platinum Equity	Blueline Rental	Industrials	U.S.	$2,100

as sovereign wealth funds and SoftBank's Vision Fund, participated in over half of all financing rounds during the year, helping to boost overall investment activity. The trend of fewer but larger financing rounds continued in 2018: there were a record 184 mega-round financings (financing rounds greater than $100 million in size) during the year, which accounted for over 40% of invested capital. Despite a marked slowdown in new offerings in the fourth quarter, venture-backed IPO activity increased significantly in 2018 over the prior year, which contributed to a strong increase in exit activity for the asset class. Fundraising activity for U.S. venture capital funds in 2018 reached $42.2 billion, an increase of 30% over the prior year but still well below the record-high of $100 billion raised by the sector in 2000.

Global Buyout Investment Activity Increased Moderately in 2018

Buyout firms maintained a healthy dose of skepticism and caution in 2018, wary of the relatively high level of valuations in the marketplace, strong competition from both strategic and financial buyers, and uncertainty over the global macroeconomic outlook. Global buyout investment activity increased moderately in 2018 over the prior year, and overall transaction value remains well below the prior cycle high set in 2007. General partners deployed their capital across a multitude of sectors and transaction structures. In particular, public-to-private buyouts and corporate carve-outs accounted for a significant proportion of buyout activity during the year. Average purchase-price multiples were flat in 2018 from the prior year but remain at relatively high levels. General partners have responded by focusing on opportunities with strong competitive positioning and valuation-creation theses that can withstand potential multiple compression or a slowdown in economic growth. Additionally, general partners are continuing to structure their transactions prudently overall: the average equity contribution rate and interest coverage ratio for buyout transactions in 2018 remain well above the prior-cycle peak highs.

Looking ahead, the market environment appears likely to remain dynamic and uncertain in 2019, which should create opportunities as well as challenges for the private market industry. General partners will seek to navigate late-cycle dynamics and an uncertain global macroeconomic outlook while continuing to drive value across their portfolios. Pathway believes that the most-talented and most-experienced general partners will continue to perform well in the prospective market environment.

Table 2. Largest PE Investments Announced in 4Q18

At December 31, 2018

Buyer	Target	Industry	Region	Value (MM)
KKR	Magneti Marelli	Automotive	Italy	$7,100
Veritas Capital	Athenahealth	Healthcare	U.S.	$5,700
Carlyle Group	StandardAero	Industrials	U.S.	$5,000
Siris Capital, Elliott Management	Travelport Worldwide	Technology	UK	$4,400
Hahn & Company	SK Shipping	Transportation	South Korea	$3,700

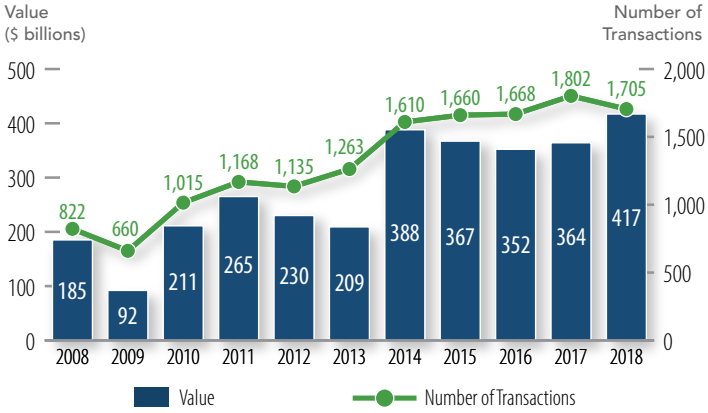
Global IPO and M&A Exit Markets

Global exit market activity remained robust during 2018, driven by continued strength in the M&A markets and an increase in overall IPO activity, notwithstanding a slowdown in new offerings in the fourth quarter. M&A activity has been buoyed over the past several years by strong demand for high-quality assets, healthy corporate balance sheets, and generally accommodative credit markets. Private equity firms took advantage of these conditions, selling their portfolio companies at a brisk pace and returning capital to investors. Global M&A exit value for PE-backed companies totaled $417 billion during 2018, according to Mergermarket, an increase of 15% from the prior year and the largest annual total on record (see figure 1). The strong annual figure was led by sharp increases in activity in Asia and in the technology sector, which both more than doubled their 2017 totals. Technology-related buyouts accounted for 30% of global PE-backed exit value, including the $8.0 billion sale of Qualtrics to SAP and the $7.5 billion sale of Github to Microsoft.

Global IPO activity increased overall in 2018, although trends among regions differed significantly and investor sentiment continued to be impacted by volatility and uncertainty. In the United States, 2018 exhibited the strongest IPO market for both proceeds and number of issuances since 2014, with 190 total IPOs and $43.3 billion raised during the year. Activity was underpinned by buyout-backed and venture capital–backed IPOs, which collectively accounted for 66% of total IPOs and included several notable listings, including Pinduoduo ($1.6 billion) and ADT ($1.2 billion). Performance among new listings remained strong for much of the year until a global sell-off in the fourth quarter led the average IPO return to drop to –2% by year-end.

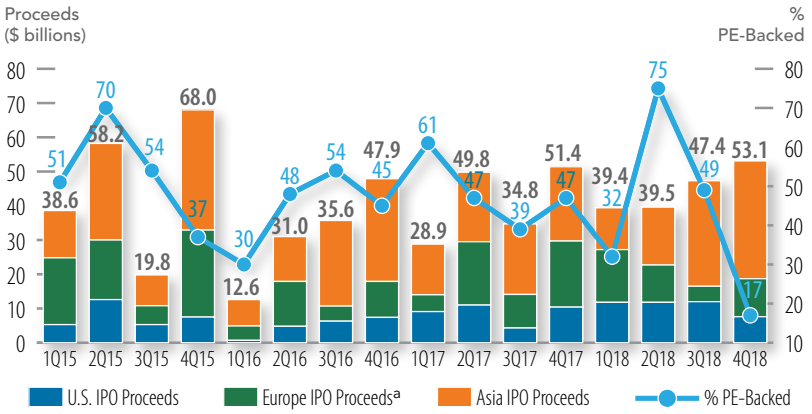
IPO activity in Europe experienced a revival in the fourth quarter after three consecutive quarters of decline, posting aggregate proceeds of €9.7 billion. The quarter brought total proceeds for the year to €35.4 billion, a decline of 22% from 2017. In Asia, however, IPO markets remained active in 2018, raising $94.2 billion in total proceeds—an increase of 22% over the prior year. Fourth-quarter activity included the $23.5 billion IPO in Tokyo of SoftBank Corp., the mobile business unit of SoftBank Group, which represented the second-largest global IPO ever. The largest private equity–backed IPO during the fourth quarter was the €1.2 billion offering from carmaker Aston Martin Lagonda. Quarterly IPO activity through December 31, 2018, is illustrated in figure 2.

Figure 1. Global PE-Backed M&A Exit Value & Volume
At December 31, 2018



Source: Mergermarket.

Figure 2. Quarterly Global IPO Activity
At December 31, 2018



Source: Bloomberg, Renaissance Capital, PwC, and Pathway Research.
[a]Proceeds have been converted using the quarter-end exchange rate.

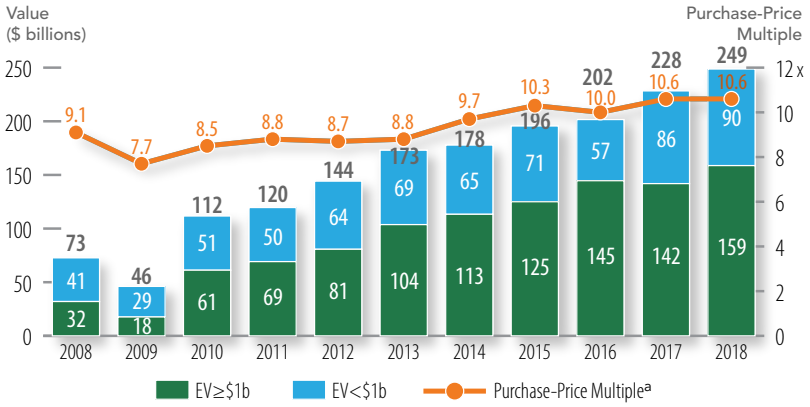
U.S. Buyout Markets

U.S. buyout investment activity totaled $59.4 billion during the fourth quarter, finishing 6% below the average during the first three quarters of the year, according to data from Thomson Reuters. Following a decline in the public markets, fourth-quarter activity was driven by a string of take-private transactions announced late in the quarter that included four of the quarter's eight largest deals. Among these were Thoma Bravo's $2.1 billion acquisition of Imperva and Vista Equity's $1.9 billion acquisitions of Apptio and Mindbody.

The fourth quarter brought annual U.S. buyout activity for 2018 to $249 billion, an increase of 9% from the prior year (see figure 3). Although the 2018 total represents the largest annual figure since the Global Financial Crisis (GFC), it remains meaningfully below the $460 billion in deal value recorded in 2007 at the height of the prior market peak. The year-over-year increase in transaction value in 2018 was driven by several large deals, most notably Blackstone's carve-out of Thomson Reuters' Financial & Risk division (now Refinitiv) for $17.0 billion. The deal is the largest buyout transaction since the GFC; however, it remains below the size of the largest pre-crisis mega-buyouts and would have ranked just seventh-largest in 2007 alone. The transaction also contributed to an active year for technology-related buyouts, which accounted for 30% of the annual total with $73.5 billion in deal value, up 67% from the prior year.

Despite a small decline in valuations during the fourth quarter (10.3x EBITDA), average purchase-price multiples during the year remained even with the 2017 average of 10.6x EBITDA, according to S&P LCD. As a result, general partners have been forced to focus on opportunities with strong competitive positioning and valuation-creation theses that can withstand potential multiple compression or a slowdown in economic growth. For example, many firms have increasingly pursued a buy-and-build approach, allowing them to buy down all-in entry multiples through add-on acquisitions of smaller companies that often come at lower prices and can provide cost savings and synergies. According to Murray & Devine, add-on acquisitions accounted for 65% of all deals during 2018—their highest percentage ever. General partners have additionally continued to structure transactions prudently, as seen in table 3. In 2018, the average equity contribution rate for buyout transactions was 40.1%, while the average interest coverage ratio was 2.7x; both figures represent meaningful improvements from the corresponding figures during 2007.

Figure 3. U.S. Buyout Investment Activity
At December 31, 2018



Source: Thomson Reuters, S&P LCD, and Pathway Research.
Notes: Amounts may not foot due to rounding.
EV=Enterprise Value.
[a]Average PPM (as a multiple of trailing EBITDA) of all LBOs.

Table 3. U.S. Buyout Investment Statistics
At December 31, 2018

	2007	2017	2018
Purchase Price/EBITDA	9.7x	10.6x	10.6x
Equity Contribution %	30.9%	41.3%	40.1%
Debt/EBITDA	6.0x	5.7x	5.8x
EBITDA/Cash Interest	2.1x	3.1x	2.7x

Source: S&P LCD.

European Buyout Markets

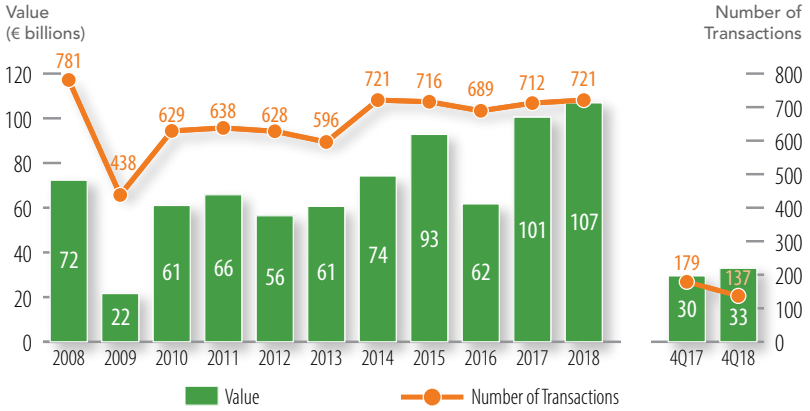
In the fourth quarter, the aggregate value of completed buyouts in Europe was €32.9 billion, according to data provided by CMBOR. This represents an increase of 33% from the prior quarter and the highest quarterly total since the GFC. European buyout transaction value and volume through December 31, 2018, are illustrated in figure 4.

The high quarterly transaction value was driven principally by two mega deals: Carlyle's acquisition of Nouryon, the former AkzoNobel specialty chemicals business, and CVC's acquisition of Recordati, an Italian pharmaceutical group, which together accounted for €16.0 billion, or 48% of the quarterly total. A further seven deals valued at or above €1 billion were completed in the fourth quarter. Together, these nine large-cap buyouts represented 75% of the aggregate transaction value for the fourth quarter—the highest total and share for large deals since the GFC. This was in stark contrast to the mid-market (i.e., enterprise values of €100 million to €1 billion), which typically represents the backbone of overall buyout activity but accounted for just 19% of aggregate transaction value in the fourth quarter. The quarterly mid-market total represented a 4% drop from the prior quarter and the lowest quarterly total in five years.

Driven by the large end of the market, the aggregate buyout value for full-year 2018 was €107 billion, up 6% from 2017 and the highest annual total since the GFC. Individual European markets, however, exhibited mixed levels of activity. In the UK, the aggregate value of buyouts was down 31% year over year, and activity in the larger end of the market decreased as bigger businesses were generally seen as more vulnerable to Brexit shocks. Despite this decrease in aggregate deal value to €21.6 billion, the UK remained the largest European buyout market in 2018. It was followed closely by France, which experienced an increase of 35% to an aggregate value of €20.1 billion. The Nordic region contributed €14.6 billion to the European total, an increase of 45% from the prior year.

The high level of activity in the European buyout market was achieved against the backdrop of a continued increase in the cost of debt financing. Following a downward trend of almost two years, spreads on BB-rated euro-denominated bonds reached a low of 185 basis points in January 2018 and rose throughout the year, ending 2018 at around 380 basis points. Although this represents a significant increase, the current spread is broadly in line with the average for the five prior years. Overall, credit market conditions continue to be conducive to leveraged buyout activity.

Figure 4. European Buyout Transaction Value & Volume
At December 31, 2018



Source: CMBOR, Ernst & Young, and Equistone Partners Europe.

Table 4. Largest European Buyouts Closed in 4Q18
At December 31, 2018

Buyer	Target	Country	Value (MM)
Carlyle Group	Akzo Nobel Specialty Chemicals	Netherlands	€10,100
CVC	Recordati	Italy	€5,860
EQT	Azelis	Belgium	€2,000
Bain Capital	Esure Group	UK	€1,352
Cerberus	Worldwide Flight Services	France	€1,200

Source: CMBOR, Ernst & Young, and Equistone Partners Europe.

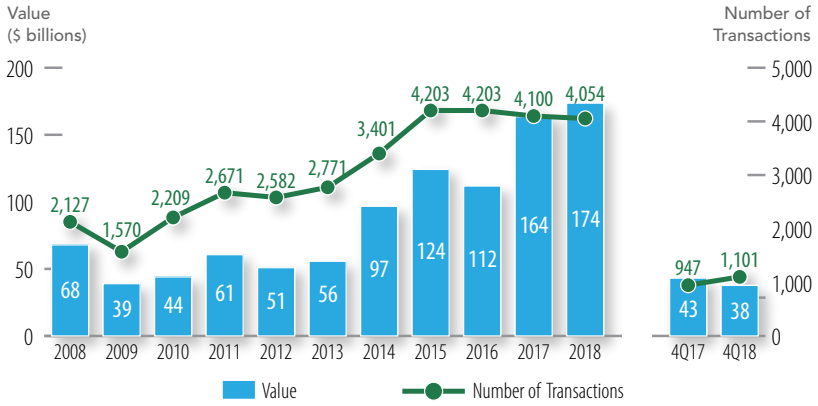
Asia Private Equity

Private equity activity in Asia experienced a strong 2018 despite ongoing concerns stemming from geopolitical and macroeconomic uncertainty, high valuations, and increased competition in the market. Throughout the year, U.S.–China trade tensions remained a headwind affecting markets across the region. With the exception of India's BSE Sensex 30, each major Asian public index posted an annual loss during 2018; particularly large losses were seen in mainland China. China reported GDP growth of 6.5%, the lowest level since the GFC, and lower-than-expected industrial production growth rates, heightening concerns about the Chinese economy. Despite these concerns, Asia as a whole posted record annual values for both private equity fundraising ($71.1 billion) and investment activity ($174 billion). The annual investment total represented a 6% increase from 2017, the prior record year, led by the $14.0 billion growth round raised by Ant Financial in the second quarter of 2018—the region's second-largest investment in the past five years. Annual private equity transaction value and volume in Asia through December 31, 2018, are illustrated in figure 5.

During the fourth quarter, Asia private equity investment activity amounted to $37.7 billion from 1,101 transactions, which represents a 4% quarter-over-quarter increase and a 13% year-over-year decrease in value, according to data provided by *Asian Venture Capital Journal* (*AVCJ*). China was once again responsible for the largest share of activity at $13.6 billion, or 36% of invested capital, followed by South Korea at $10.6 billion (28%), India (11%), and Australia (10%). During the fourth quarter, the largest private equity–backed investments in Asia were Hahn & Company's $3.7 billion investment in South Korea's SK Shipping, the SoftBank and KKR–led consortium's $3.0 billion investment in China's ByteDance, and SoftBank's $2.0 billion follow-on investment in Korea's Coupang Corporation (see table 5). Notably, South Korean deals accounted for six of the 20 largest investments in Asia during the fourth quarter—a record quarter for Korean private equity investment activity.

The majority of fourth-quarter private equity investments were once again expansion/growth capital investments, which totaled $21.9 billion, or 58% of total invested capital. This was followed by buyout transactions at $6.7 billion (18% of invested capital) and turnaround/restructuring investments at $3.8 billion (10%); other transaction types (venture capital, PIPEs, and mezzanine/pre-IPO) accounted for the remaining amount. Information technology investments led all industries at $19.5 billion (52% of invested capital) as a result of both a large volume of transactions and a number of high-profile deals valued at over $1.0 billion. This was followed by transportation/distribution investments, which had 34 deals that accounted for over 13% of total invested capital during the quarter.

Figure 5. Asia PE Transaction Value & Volume
At December 31, 2018



Source: AVCJ.

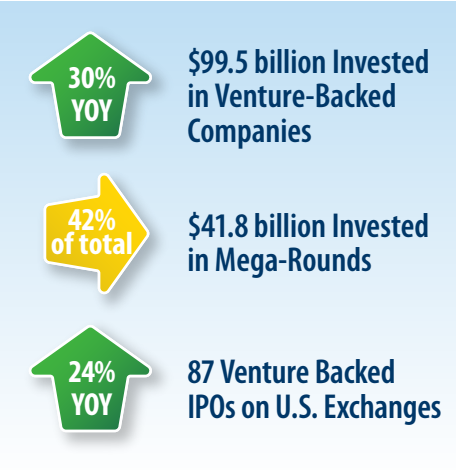
Table 5. Largest Asia PE Investments in 4Q18
At December 31, 2018

Buyer	Target	Country	Value (MM)
Hahn & Company	SK Shipping	South Korea	$3,700
SoftBank, KKR, General Atlantic	ByteDance	China	$3,000
SoftBank	Coupang	South Korea	$2,000
Primavera Capital–Led Consortium	Lufax	China	$1,330
KKR	MYOB	Australia	$1,128

Source: AVCJ.

U.S. Venture Capital

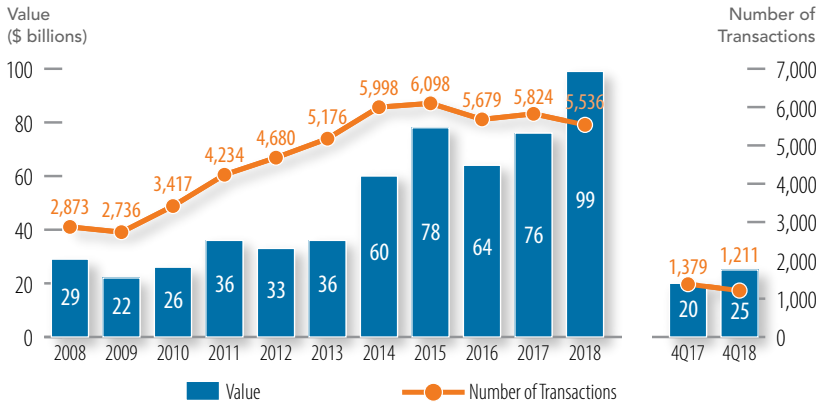
The U.S. venture capital industry experienced a strong and active year during 2018, driven by rising valuations for late- and growth-stage companies and increased investment interest from both traditional- and non-traditional venture capital investors. During the year, venture capital investment activity totaled $99.5 billion, according to the PwC/CB Insights MoneyTree™ Report, an increase of 30% over the prior year and the largest annual figure since the dot-com boom peak of $120 billion in 2000. The fourth quarter represented the sixth-consecutive quarter that venture capital investment exceeded $20.0 billion, despite a continued decline in the number of deals completed. The 5,536 transactions during 2018 represented the lowest total in five years and finished 33% below the corresponding figure during 2000. U.S. venture capital transaction value and volume through December 31, 2018, are illustrated in figure 6.



The strong annual investment total during 2018 was driven largely by the high number of mega-rounds (i.e., financing rounds of greater than $100 million), which reached 184 and accounted for 42% of invested capital. The 184 mega-rounds represented the second-consecutive record-setting year for the industry and an increase of 53% from the 120 raised in 2017. The fourth quarter alone saw 49 such rounds, led by the $1.25 billion financing of Epic Games by a consortium of venture capital firms and the $1.1 billion financing of View by SoftBank's Vision Fund (see table 6). The quarter also saw 21 new companies achieve *unicorn* status (privately held venture-backed companies valued at greater than $1.0 billion), which brought the full-year total to 53 new unicorns and the aggregate valuation of all U.S.-based unicorns to a record-setting $526 billion.

The venture capital industry also benefited from strong exit market activity during 2018. According to Pitchbook, venture-backed exit value totaled $122 billion in 2018, up 33% from 2017. Notable exits during the year included the $8.0 billion sale of Accel– and Insight Venture Partners–backed Qualtrics to SAP, the $7.5 billion sale of Andreessen Horowitz– and Sequoia Capital–backed Github to Microsoft, and the $756 million IPO of Dropbox, which valued the company at just over $9.0 billion. Despite a sell-off late in the year that hurt annual performance and fourth-quarter IPO activity, the U.S. IPO market was receptive overall to venture-backed IPOs during the year. Venture-backed companies accounted for 87 listings in 2018 (46% of total IPOs) and raised $14.6 billion, an increase of 26% relative to 2017.

Figure 6. U.S. Venture Capital Transaction Value & Volume
At December 31, 2018



Source: PwC & CB Insights MoneyTree™ Report.

Table 6. Largest U.S. Venture Capital Deals in 4Q18
At December 31, 2018

Company	Select Investors	Value (MM)
Epic Games	ICONIQ Capital, KPCB, KKR, Lightspeed Venture Partners	$1,250
View	SoftBank Group	$1,100
Instacart	D1 Capital Partners	$600
Snowflake Computing	Altimeter Capital, Madrona Venture Group, Meritech Capital	$450
Zymergen	SoftBank Group, True Ventures	$400

Source: PwC & CB Insights MoneyTree™ Report.

Private Credit

Distressed Debt: Indicators of Distress Remain at Low Levels

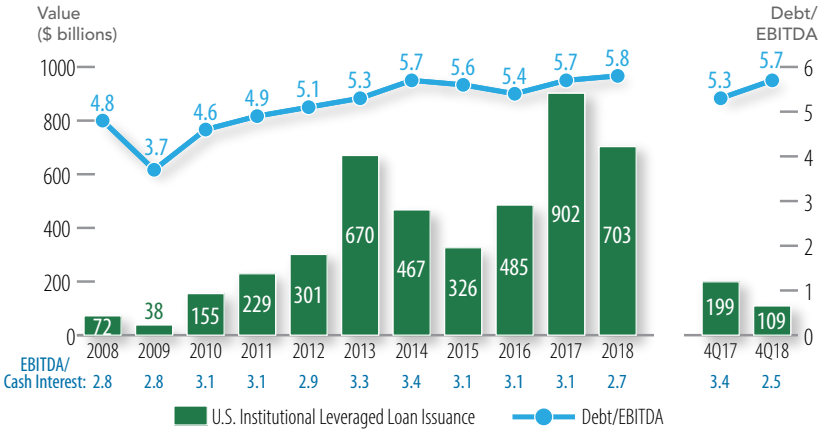
Notwithstanding recent volatility in the financial markets and increasing concerns about the global macroeconomic outlook, indicators of distress in the leveraged credit markets remained at low levels at the end of 2018. The trailing 12-month high-yield default rate in the United States was 2.4%, slightly higher than the 1.8% rate at the end of 2017 but well below the long-term average, according to Fitch Ratings. Similarly, the leveraged loan default rate was 1.7% at the end of the year, in line with the industry's non-recessionary average. The high-yield distress ratio (percentage of high-yield market trading at spreads of greater than 1,000 basis points over U.S. Treasuries) spiked in the fourth quarter to end the year close to 10% but is well below the recent peak reached in early 2016. Although distressed debt investment activity has been relatively light over the past several years, many distressed debt investors believe that accommodative credit markets are masking weaknesses for many companies that are vulnerable to rising interest rates or a slowdown in economic growth.

Performing Credit: Primary Markets Remain Accommodative Overall

Primary credit markets were accommodative during most of the year, but an increase in volatility in the fourth quarter dampened new issue activity, which led to an overall decrease in issuance compared with the prior year. In particular, U.S. leveraged loan issuance totaled $703 billion in 2018, a 22% decline from the prior, record-setting year, according to data from J.P. Morgan (see figure 7). Nevertheless, the U.S. leveraged loan market surpassed $1 trillion in outstanding value in 2018, driven in large part by a surge in CLO issuance. The CLO market, which is a primary buyer of new bank loans, raised $128 billion in 2018, surpassing the prior record set in 2014 by nearly $5 billion, according to Thomson Reuters LPC.

In the middle market (i.e., borrowers with less than $50 million in annual EBITDA), conditions were generally favorable for borrowers throughout the year. Middle-market borrowers have benefited from the growth of the direct-lending asset class over the past several years, which has increased the supply of debt capital available to this segment of the market. However, most directly originated middle-market loans continue to enjoy a healthy yield premium over large-market loans. Additionally, most middle-market loans continue to feature financial covenants and are structured more conservatively than large-cap loans. In a welcomed sign of moderation, global direct-lending fundraising fell by 29% to $37.8 billion in 2018 compared with the prior year, according to data provided by Preqin.

Figure 7. U.S. Institutional Leveraged Loan Issuance
At December 31, 2018



Source: JP Morgan and S&P LCD.

Figure 8. High-Yield Bond Spreads Over U.S. Treasuries
At December 31, 2018

Source: BofA Merrill Lynch.

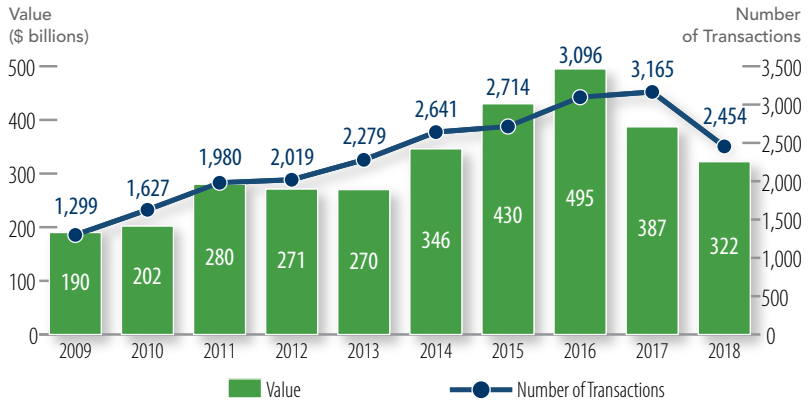
Infrastructure

The infrastructure asset class continues to grow at a healthy pace, driven by a combination of factors, including an expanding universe of investment opportunities and strong demand from institutions seeking to diversify their portfolios. During the fourth quarter, 13 infrastructure-focused funds closed on $22.6 billion of aggregate capital commitments according to data from Preqin and Pathway Research; this raised total 2018 fundraising to $77.0 billion, a 36% increase over the total capital raised in 2017. The average unlisted fund size raised during 2018 was $2.0 billion, which exceeded the average fund size raised in 2017 by 83% and represented an all-time high for the asset class. This trend is expected to continue because of the number of large infrastructure funds currently in the market that are expected to close early in 2019. Over the year, Europe-focused infrastructure funds received $32.3 billion across 25 funds; North America–focused funds raised $23.0 billion across 15 funds.

Global infrastructure deal flow moderated during the fourth quarter: the aggregate value of infrastructure deals amounted to $47.5 billion, a decline of 43% when compared with the $82.9 billion recorded during the prior quarter. The full-year 2018 aggregate infrastructure deal value amounted to $322 billion, which represents a decline of 17% from the $387 billion aggregate deal value reported for 2017. The total number of infrastructure deals completed during 2018 amounted to 2,454, compared with 3,165 in 2017, predominantly as a result of a decline in the volume of natural resource and pipeline-related deals. Annual infrastructure transaction value and volume through December 31, 2018, are illustrated in figure 9.

The year saw continued strong interest in renewable energy, which represented 57% of total infrastructure deal activity in 2018—an increase from 50% in 2017 and from 45% in 2016. Renewable energy platforms have become increasingly cost competitive with traditional gas- and coal-fired power generation, even when excluding the benefit of government subsidies. This trend, combined with increased pressure from regulators to have a greater percentage of power-generation capacity produced by clean energy production, has led to a strong interest in the industry by private investors. Notably, the two largest infrastructure investments announced in 2018, Innogy (€20.4 billion) and Direct Energie (€14.0 billion), were renewable energy platforms in France and Germany. Overall, the largest deals during the year were completed in a wide variety of strategies, regions, and industries. Notable infrastructure deals during the year are shown in table 7.

Figure 9. Global Infrastructure Transaction Value & Volume
At December 31, 2018



Source: Preqin.

Table 7. Notable Infrastructure Deals in 2018
At December 31, 2018

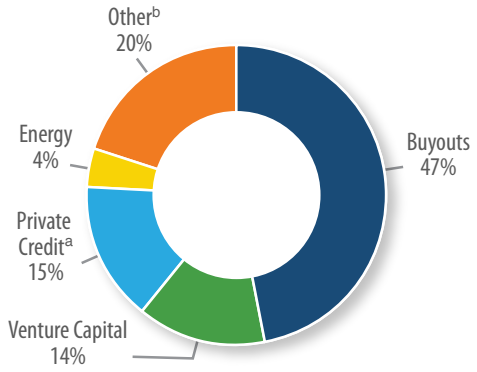
Asset/Company	Acquirer	Industry	Deal Size (MM)
WestConnex Motorway	Abu Dhabi Inv. Authority	Toll Roads	A$9,260
Hornsea Project One	GIP	Wind Power	£4,500
Techem	Partners Group, CDPQ	Power Distribution	€4,600
SFR TowerCo	KKR	Telecommunications	€1,800
Brazos Midstream	North Haven	Midstream Energy	$1,750

Source: Preqin and Pathway Research.

Fundraising Market

Worldwide fundraising activity continued along its brisk pace during the fourth quarter, totaling $138 billion in commitments, according to data from Thomson Reuters and Pathway Research. The quarterly figure drove the annual fundraising total for 2018 to $542 billion, an increase of 20% from the prior year and the largest annual total on record (see figure 10). Despite the top-line growth in fundraising, most core fundraising strategies have seen more-moderate growth in the current market cycle than in prior peaks; the increase in capital raised overall has instead stemmed from the continued expansion of the asset class, both in terms of strategy and geographic focus. One primary example of this has been the continued emergence of the direct-lending and private infrastructure asset classes as major components of the private market investment landscape. These two categories accounted for $115 billion in capital raised during 2018 (21% of the total), which represents an increase of nearly 250% from the amount raised in 2007. In comparison, buyout funds, which have traditionally accounted for the majority of private equity capital raised, accounted for just 47% of the fundraising total during 2018, down from a 61% share in 2007 (see figure 11).

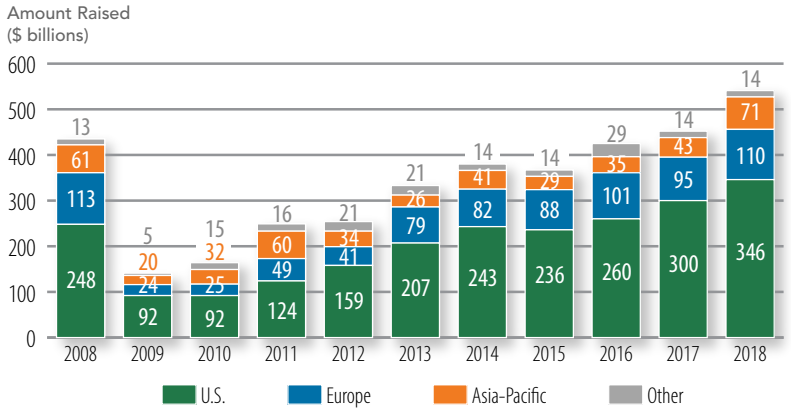
Figure 11. 2018 Fundraising By Strategy
As a % of Amount Raised



Source: Thomson Reuters, Preqin, and Pathway Research.
Notes: Percentages are based on net amounts raised, which are adjusted for fund-size reductions. • Data is continuously updated and is therefore subject to change.
• [a]Comprises distressed debt, subordinated debt, and senior direct lending strategies. • [b]Comprises infrastructure, special situations, and other fund strategies not classified as buyout-, venture capital–, credit-, or energy-focused.

In line with the global total, fundraising value in each major global region grew by at least 15% during 2018. In the United States, the $346 billion raised during the year represented the largest annual total on record. The total was driven by year-over-year increases of 30% for venture capital and 111% for *other* private strategies (e.g., infrastructure, generalist, and special situations). Fundraising in the Asia-Pacific region saw the largest annual increase in activity, rising 66% to a record $71.1 billion during 2018. This total includes the $10.6 billion raised by Hillhouse Capital Fund IV in the third quarter, the largest Asia-focused fund on record. Similarly, in Europe, fundraising activity increased to $110 billion during 2018, which falls just short of the record $113 billion raised in the region in 2008. The growth in European fundraising was largely concentrated in the buyouts category, which accounted for 55% of capital raised during the year and was driven by several mega-buyout fundraisings, including EQT VIII (€10.8 billion) and BC Capital X (€7.0 billion).

Figure 10. Global Fundraising by Region
At December 31, 2018



Source: Thomson Reuters, Preqin, and Pathway Research.
Notes: Fundraising amounts are based on net amounts raised, which are adjusted for fund-size reductions. • Comprises buyout, venture capital, private credit, energy, infrastructure, and other fund strategies. • Data is continuously updated and is therefore subject to change.
• Amounts may not foot due to rounding.

Table 8. Notable Funds Raised in 4Q18
At December 31, 2018

Fund	Strategy	Region	Amount (MM)
Brookfield Capital Partners V	Special Situations	North America	$6,500
PAG Asia III	Buyout	Asia	$6,000
Bain Asia IV	Buyout	Asia	$4,650
ICG Europe VII	Mezzanine	Europe	€4,000
Tiger Global XI	Venture	Global	$3,750

About Pathway Capital Management, LP

Founded in 1991, Pathway provides private market fund solutions for institutional investors worldwide. Pathway manages capital on behalf of some of the largest corporate and public pension plans, government entities, and financial institutions around the globe. Since its formation, the firm has committed more than $80 billion to more than 650 private market investments.

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