PATHWAY®
CAPITAL MANAGEMENT

Pathway Research

Private Market Environment

1ST QUARTER 2019

CONTENTS

1Q19 Market Review

Global equity markets rallied sharply in the first quarter of 2019, reversing much of their losses from the prior quarter. The MSCI All Country World Index gained 12.3%, the strongest quarterly performance for the index in nearly nine years. The rally was fueled by expectations that global central banks would adopt a more accommodative monetary stance following continued signs of weakening global growth and optimism that trade talks between the world's two largest economies were progressing well. At its meeting in late January, the Federal Reserve left its benchmark interest rate unchanged and signaled a pause in its campaign to raise rates, citing increased uncertainty in the global economy and still-low inflationary pressures in the United States. Energy commodity markets also performed well during the quarter, driven by output cuts initiated by OPEC late last year. The Brent crude and West Texas Intermediate benchmarks gained 34% and 33%, respectively, in the first quarter. Government bond yields generally declined during the first quarter: the yield on the U.S. 10-Year Treasury note fell 28 basis points to 2.41%, its lowest level since the end of 2017.

Global IPO Activity Declined in the First Quarter

IPO activity fell markedly during the quarter, despite the strong performance of most public equity markets: each major geographic region posted declines in new equity offerings. In Europe, 32 IPOs raised an aggregate €715 million during the first quarter, the lowest quarterly number of IPOs since the GFC and the lowest quarterly amount raised since the third quarter of 2012. In the United States, there were only 18 IPOs in the first quarter, the lowest quarterly number since the first quarter of 2016. PE-backed companies accounted for just 18% of total IPO proceeds raised globally in the first quarter, down significantly from an average of 49% over the past three years. The largest PE-backed IPO during the quarter was that of ride sharing company Lyft, which raised $2.3 billion on the Nasdaq. Despite falling below its IPO price on its second day of trading, Lyft remained a significant success—at its quarter-end valuation—for its venture capital backers, including Mayfield and Andreessen Horowitz. In late April, two additional venture capital–backed *unicorns*, Pinterest and Zoom, completed their IPOs, ending their first day of trading up 28% and 72%, respectively. Investors are now awaiting the IPO of Uber, the world's second-most valuable unicorn, which is expected to be completed in the second quarter.

Table 1. Largest PE-backed M&A Exits Announced in 1Q19

At March 31, 2019

Seller	Portfolio Company	Industry	Region	Value (MM)
KKR	First Data	Financial Services	U.S.	$22,000
Apax Partners	AssuredPartners	Financial Services	U.S.	$5,100
Lux Capital, Mithril Capital	Auris Health	Healthcare	U.S.	$3,400
Kelso, NGP Energy Capital	Tallgrass Energy	Oil & Gas	U.S.	$3,350
CVC Capital Partners	Parex	Manufacturing	France	$2,550

Secondary Market Activity Reaches Record High

Secondary market transaction value reached a record high in 2018, driven by the increasing utilization of secondary sales as a portfolio management tool by limited partners, the high level of dry powder held by both traditional and non-traditional secondary buyers, and the surge in general partner–led (GP-led) secondary transactions in the marketplace. Transaction value in the secondary market for alternative assets totaled $74 billion in 2018, surpassing the prior record set in 2017 by 28%, according to Greenhill. Limited partner–driven portfolio sales continue to account for the majority of secondary transactions (approximately two-thirds in 2018), but much of the year-over-year increase in transaction value was driven by a significant uptick in GP-led transactions. These GP-led transactions, which are structured by GPs to provide liquidity to limited partners in existing funds while allowing the GP to continue to manage the assets, accounted for $24 billion of transaction value in 2018, compared with $14 billion in 2017. Notable recent GP-led secondary transactions include the $2.5 billion sale of assets managed by Nordic Capital and the $1 billion sale of assets managed by TPG Asia.

Secondary pricing levels remained elevated in 2018 due to the increasing efficiency of the secondary market, the lack of distressed- or liquidity-driven transaction activity, and the significant amount of available capital in the marketplace. In particular, the average high bid for a buyout fund was 97% of net asset value (NAV) in 2018, down slightly from the record high of 99% in 2017. Additionally, many "brand name" private equity funds continue to trade at a premium to their most recently reported NAVs. Secondary fund managers are addressing the high-valuation environment in a variety of ways, including utilizing seller financing or third-party leverage in their transactions and initiating and structuring GP-led secondary transactions. One variant of a GP-led secondary transaction that Pathway has seen recently involves the sale of a preferred equity interest in a fund (or subset of a fund) to a secondary investor. The proceeds from the sale of the preferred equity are used to finance a distribution to the fund's investors. The secondary investor receives its payout, which may be levered to enhance returns, according to a predetermined waterfall up to the value of the preferred equity, plus accumulated interest. This structure is an example of the novel ways that secondary buyers are seeking to deploy capital and also highlights the increasing complexity and competitiveness of the secondary market.

Table 2. Largest PE Investments Announced in 1Q19

At March 31, 2019

Buyer	Target	Industry	Region	Value (MM)
Hellman & Friedman, Blackstone Group, JMI Equity	Ultimate Software	Software	U.S.	$11,000
Hellman & Friedman, Blackstone Group	Scout24	Communications	Germany	$6,400
GTCR	AssuredPartners	Financial Services	U.S.	$5,100
Apollo Global Management	RPC Group PLC	Manufacturing	UK	$4,300
Thoma Bravo	Ellie Mae	Software	U.S.	$3,700

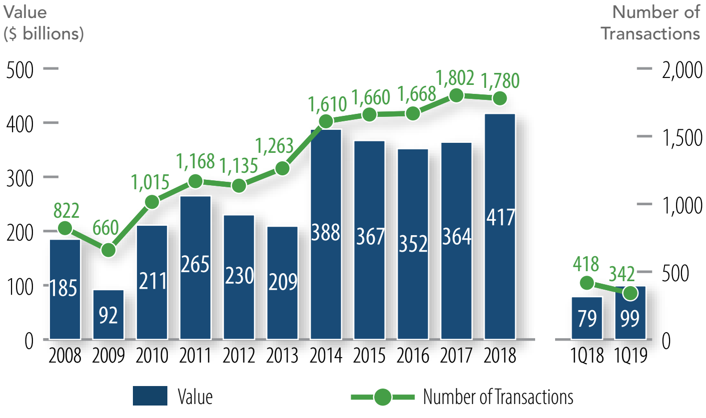
Global IPO and M&A Exit Markets

IPO market activity in the United States, Europe, and Asia declined during the first quarter, although several large IPOs late in the quarter helped to mitigate the low number of new listings globally. The slow pace of activity during the first quarter was largely a result of increased volatility stemming from the sell-off in the public markets in December 2018 and continued political uncertainty, including the U.S. government shutdown and the lack of clarity surrounding the United Kingdom's exit from the European Union. In total, just 18 IPOs listed on U.S. exchanges during the first quarter—the lowest number in three years—raising $4.9 billion in aggregate proceeds. Activity was underpinned by the $2.3 billion IPO of Lyft, which accounted for 47% of total proceeds. The remaining activity was largely concentrated in the healthcare sector, which accounted for two-thirds of the quarter's total IPOs. Despite the relatively muted first quarter, the IPO market outlook for the remainder of 2019 remains positive due to several highly anticipated listings: Pinterest and Zoom priced in mid-April, and a host of unicorns, including Uber, Slack, and Postmates, are expected to IPO later in the year.

In Europe, the fourth quarter's uptick in IPO activity was short lived: only 32 IPOs were completed in the first quarter, raising aggregate proceeds of €715 million. The number of IPOs represents the lowest quarterly total since the GFC by a wide margin, and the aggregate proceeds represent the second-lowest quarterly amount since that time. In Asia, after three consecutive quarters of growth, IPO value declined by 38% in the first quarter to $21.2 billion; the largest IPO in the region was the $4.2 billion IPO of Huaxia Bank. Private equity managers in both regions largely avoided the public markets, which resulted in just 12 PE-backed IPOs that accounted for 5% of total proceeds raised.

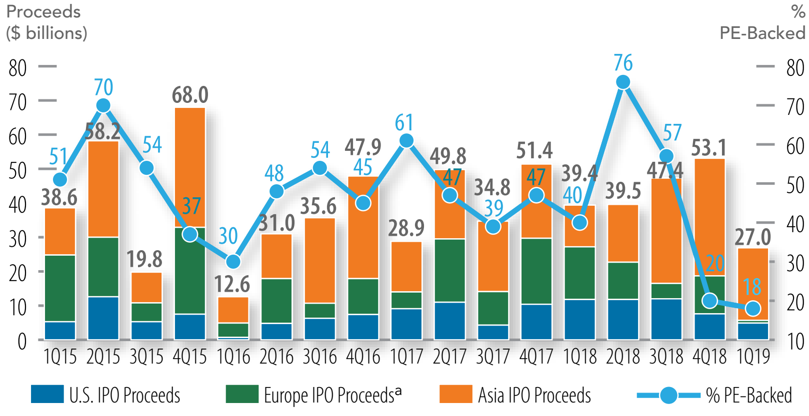
Similar to the activity in the IPO markets, M&A exit market activity experienced a decline in deal volume during the first quarter but overall transaction value was lifted by several large exits. According to Mergermarket, global M&A exit value for PE-backed companies totaled $99.0 billion during the first quarter, an increase of 12% over the prior quarter. First-quarter activity was led by Fiserv's $22 billion acquisition of KKR-backed First Data—a company that KKR originally purchased in 2007 for $29 billion. Despite the decline in deal volume, M&A market activity remains on track to match the record-setting total of 2018, driven by still-high private company valuations and a strong demand for high-quality assets from both strategic and financial buyers.

Figure 1. Global PE-Backed M&A Exit Value & Volume
At March 31, 2019



Source: Mergermarket.

Figure 2. Quarterly Global IPO Activity
At March 31, 2019



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

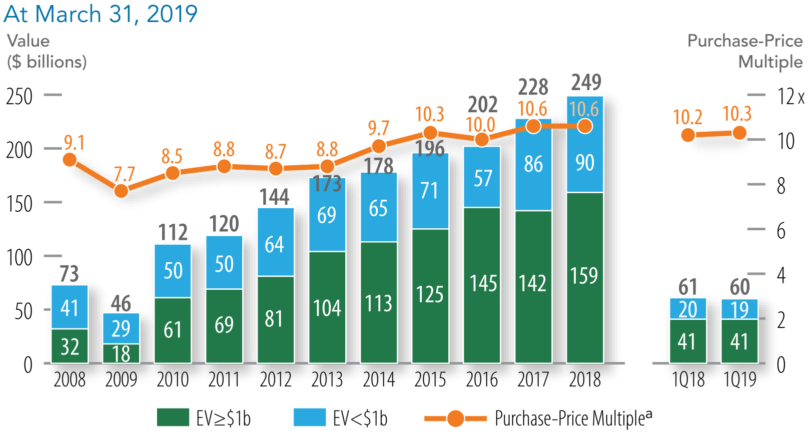
U.S. Buyout Markets

In the first quarter, buyout investment activity in the United States totaled $59.7 billion, according to Thomson Reuters and Pathway Research. The quarterly figure falls in line with both the prior quarter and the quarterly average over the past two years. Growth in buyout investment activity in the United States has remained steady, increasing in value in each year since 2010, yet moderate, growing by an annualized rate of just 9% over the same period. In contrast, during the lead-up to the GFC, investment activity in the United States increased year over year by 87% in 2006 and by 45% in 2007. Current cycle growth has been buoyed by high levels of investor interest and dry powder, accommodative credit markets, and steady economic growth; however, GPs have continued to remain wary of rising valuations and late-market cycle behavior. U.S. buyout investment activity, through March 31, 2019, is illustrated in figure 3.

Following a dip in public market performance during the fourth quarter of 2018, public-to-private transactions played a significant part in first-quarter activity. This category was driven primarily by three notable deals: Hellman & Friedman's $11.0 billion acquisition of Ultimate Software, Thoma Bravo's $3.7 billion acquisition of Ellie Mae, and Platinum Equity's $2.5 billion acquisition of Multi-Color Corporation. These deals combined accounted for 28% of the quarter's total deal value and represented three of the five largest buyouts announced during the quarter. The take-private of Ultimate Software, a provider of human resources management software, followed a 24% decline in the company's stock price during the fourth quarter of 2018 and priced at $331.50 per share, just slightly below the company's prior trading peak of $332.44 per share in September 2018. Take-private transactions are innately focused on the larger end of the market (median deal size of $1.1 billion in 2018, compared with $175 million for non-take-privates) and are expected to remain an active contributor to overall deal activity as buyout fund and deal sizes continue to grow.

The average purchase-price multiple for investments that closed in the first quarter remained elevated at 10.3x EBITDA (see table 3), due in large part to the high volume of technology-related buyouts during the quarter. According to S&P LCD, technology-related buyouts accounted for 36% of transaction volume in the first quarter, compared with just 25% in 2018 and 8% in 2007. General partners continue to focus on opportunities with strong value-creation theses in order to help mitigate the potential for multiple contraction over the life of an investment.

Figure 3. U.S. Buyout Investment Activity
At March 31, 2019



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 March 31, 2019

	2007	2018	1Q19
Purchase Price/EBITDA	9.7x	10.6x	10.3x
Equity Contribution %	30.9%	40.1%	40.8%
Debt/EBITDA	6.0x	5.8x	5.7x
EBITDA/Cash Interest	2.1x	2.7x	2.4x

Source: S&P LCD.

European Buyout Markets

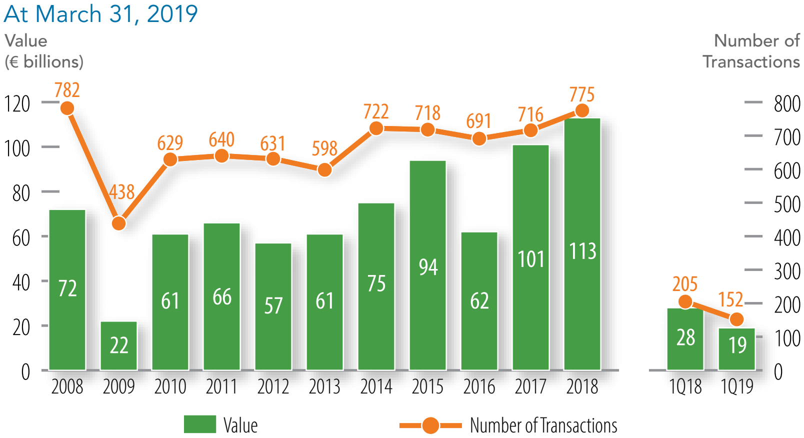
The aggregate value of European buyouts completed in the first quarter was €19.0 billion, according to data provided by CMBOR. This represents a decrease of 51% from the prior quarter (which set a new post-GFC record) and is 15% below the quarterly average for the past five years. European buyout transaction value and volume through March 31, 2019, are illustrated in figure 4.

The high total in the fourth quarter of 2018 was driven by several large-cap deals valued at or above €1 billion. In the first quarter of 2019, however, activity in the upper end of the market decreased from the elevated levels prevalent in the prior year. In the first quarter, five European large-cap deals were completed, led by the €3.0 billion acquisition of United Group by BC Partners. However, this number of large deals was down from an average of 7.5 for the preceding four quarters, resulting in an aggregate large-cap value that was 39% below the average for 2018. The middle market, comprising deals valued between €100 million and €1 billion, also experienced a decline in activity (although less markedly than the large-cap market): the aggregate value of mid-cap deals was down 22% in the first quarter of 2019 compared with the quarterly average for 2018.

The decline in European buyout activity can at least partly be attributed to the approaching of the original Brexit deadline at the end of the first quarter. Consequently, the slowdown in buyout activity was most striking in the UK. Already in 2018, UK buyout activity was down 31%, and this decrease continued into 2019: in the first quarter, the aggregate value of UK buyouts dropped by 72% to only €1.6 billion—the lowest quarterly total since the GFC. At only 9% of the European total, the UK—traditionally the main driver of European buyout activity—was overtaken by Sweden, the Netherlands, France, Germany, and Spain, which each hosted one of the five largest European deals of the quarter (as shown in table 4).

Against the backdrop of declining buyout activity, European credit markets have been somewhat muted in early 2019: according to UBS, European primary high-yield issuance totaled €9.4 billion in the first quarter, which is 46% below the quarterly average for the past three years. Following their widening throughout 2018, spreads on BB-rated euro-denominated bonds peaked at around 380 basis points in early 2019 and have tightened since, ending the quarter at 293 basis points. Overall, credit market conditions continue to be conducive to leveraged buyout activity.

Figure 4. European Buyout Transaction Value & Volume
At March 31, 2019



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

Table 4. Largest European Buyouts That Closed in 1Q19
At March 31, 2019

Buyer	Target	Country	Value (MM)
BC Partners	United Group	Netherlands	€3,000
CVC	Ahlsell	Sweden	€2,300
EQT	SUSE	Germany	€2,172
AIMCo	Eolia Renovables de Inversiones	Spain	€1,400
Astorg	Nemera Development	France	€1,050

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

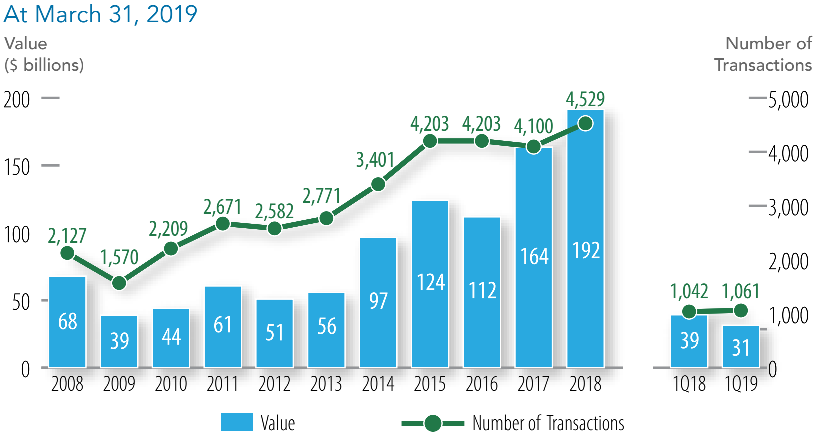
Asia Private Equity

The Asian public markets were off to a strong start in 2019, particularly in China and Hong Kong. Market gains were supported by a shift in the U.S. Federal Reserve's outlook, constructive progress in Sino-American trade talks, and policy stimulus from Beijing. Despite the strong public markets, Asia IPOs fell 38% quarter over quarter, mainly as a result of the large offering from SoftBank Group's domestic telecom unit in the fourth quarter of 2018. PE-backed IPOs in particular had a subdued quarter, raising only $927 million in the first quarter, according to data provided by *Asian Venture Capital Journal (AVCJ)*. Cstone Pharmaceuticals, a Chinese biopharma company backed by GIC, Boyu Capital, WuXi Healthcare Ventures, and other private equity investors, was the largest PE–backed IPO of the quarter, raising $285 million. On the fundraising front, the two most notable closings during the quarter were TPG Asia VII ($4.6 billion) and Boyu Capital IV ($3.6 billion).

During the first quarter, Asia private equity investment amounted to $31.5 billion from 1,061 transactions, which represents a 22% quarter-over-quarter transaction value decrease and a 13% quarter-over-quarter transaction number decrease, according to data provided by *AVCJ*. China and India were responsible for 29% and for 20% of total value, respectively; South Korea and Japan constituted 15% and 9%, respectively. During the first quarter, the largest PE investments were spread evenly across the region and included KKR Asia's $1.6 billion investment in LCY Chemical, a Taiwanese polypropylene producer; Softbank's $1.5 billion investments in both Chehaoduo, a Chinese online car-trading platform, and Grab, a Singaporean ride-hailing transport services company; the STIC-led consortium's $1.5 billion investment in Coway, a South Korean home appliance group; and BGH's $1.5 billion investment in Navitas, an Australian educational provider.

Expansion/growth capital investments accounted for the largest share of first-quarter PE investments, totaling $15.2 billion, or 48% of total invested capital; nearly one-half of the amount came from China. Buyout transactions followed at $12.0 billion (37% of invested capital). Venture capital investments accounted for 7%, and other transaction types (PIPEs, turnaround/restructuring, mezzanine) accounted for the remaining amount. Information technology led all industries at $13.9 billion (44% of invested capital) as a result of the many large expansionary/growth capital investments in the technology space across the region during the quarter. This was followed by non-financial-related services companies, which accounted for 69 deals and 9% of total invested capital during the quarter.

Figure 5. Asia PE Transaction Value & Volume
At March 31, 2019



Source: *AVCJ*.

Table 5. Largest Asia PE Investments in 1Q19
At March 31, 2019

Buyer	Target	Country	Value (MM)
KKR Asia	LCY Chemical	Taiwan	$1,560
SoftBank	Chehaoduo	China	$1,500
STIC-Led Consortium	Coway	South Korea	$1,479
BGH	Navitas	Australia	$1,479
SoftBank	Grab	Singapore	$1,460

Source: *AVCJ*.

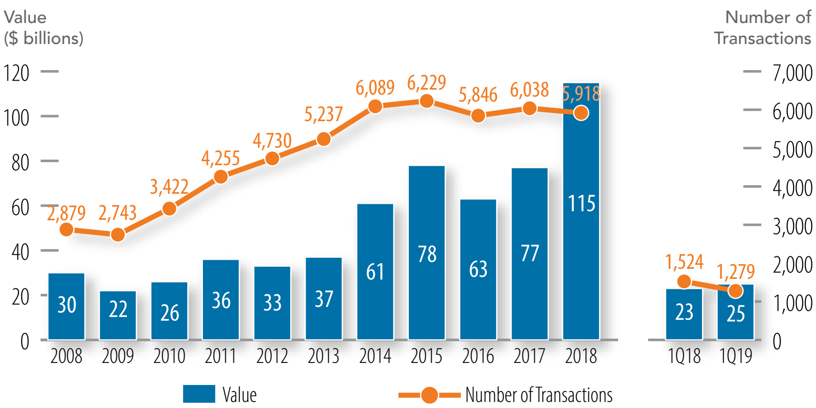
U.S. Venture Capital

Venture capital investment activity in the United States totaled $24.7 billion in the first quarter of 2019, according to the PwC/CB Insights MoneyTree™ Report. Despite being the third-largest quarterly total since 2000, the first-quarter total represented a sharp decline from the record-setting $38.7 billion invested during the fourth quarter of 2018. Activity continued to be propelled by investment size as a result of deal count having fallen for the third-consecutive quarter. In total, 1,279 investments were completed during the quarter, 4% below the prior quarter and the lowest quarterly figure since the first quarter of 2013. U.S. venture capital transaction value and volume through March 31, 2019, are illustrated in figure 6.

Venture capital investment by stage was driven by later-stage companies, which drew $10.1 billion in investment, or 41% of the quarterly total. The category saw continued growth in median deal size, which rose to $40.0 million in the first quarter—an increase of 11% relative to the quarterly average during 2018. Later-stage companies accounted for four of the six largest financings during the quarter, led by the $1.0 billion rounds raised by WeWork and Flexport. Both deals were backed by SoftBank Group, which additionally funded the entire round of the third-largest investment during the quarter: the $940 million raised by autonomous vehicle developer Nuro. SoftBank and other non-traditional venture capital investors continue to play a growing role in the venture landscape. According to Pitchbook, non-traditional venture capital investors participated in financing rounds that accounted for 60% of deal value during the first quarter—well above the average over the past decade.

Exit market activity for venture-backed companies similarly continued at a strong pace. According to Pitchbook, venture-backed companies accounted for $46.7 billion in exit value during the quarter, the largest quarterly total in four years. This included several prominent exits, led by the $3.4 billion sale of Lux Capital– and Mithril Capital-backed Auris Health to Johnson & Johnson and the $2.3 billion IPO of Lyft at a valuation of $24 billion. Lyft's IPO was the first in what many investors expect to be an active year for unicorn IPOs. Notable companies considering an IPO include Uber, Palantir, and Slack. Should these listings occur, it would channel billions back to venture capital firms and their investors and help allay ongoing concerns over the industry's ability to successfully monetize unicorn investments.

Figure 6. U.S. Venture Capital Transaction Value & Volume
At March 31, 2019



Source: PwC & CB Insights MoneyTree™ Report.

Table 6. Largest U.S. Venture Capital Deals in 1Q19
At March 31, 2019

Company	Select Investors	Value (MM)
WeWork	SoftBank Group	$1,000
Flexport	SoftBank Group, Founders Fund, Cherubic Ventures	$1,000
Nuro	SoftBank Group	$940
Aurora	Greylock Partners, Index Ventures, Lightspeed Venture Partners, Sequoia Capital	$530
Clover Health	Greenoaks Capital Management	$500

Source: PwC & CB Insights MoneyTree™ Report.

Private Credit

Performing Credit: Leveraged Loan Issuance Declined Sharply in 1Q19

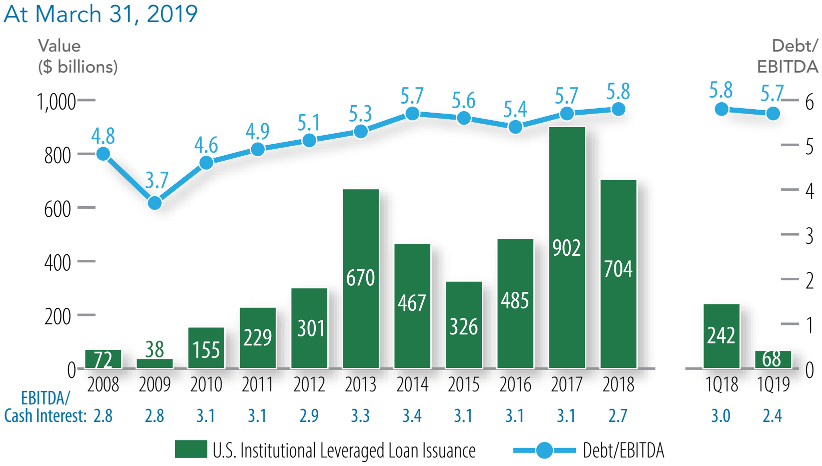
U.S. leveraged loan issuance declined sharply in the first quarter of 2019 compared with the year-ago period, due in large part to a slow start to the year following the spike in credit market volatility last December. Institutional leveraged loan issuance totaled $67.5 billion in the first quarter of 2019, a decline of 72% from the year-ago period, according to JP Morgan. Primary market activity in the bank loan market is expected to accelerate given the decline in both volatility and yields since the end of 2018. The yield to maturity (YTM) for the S&P Leveraged Loan 100 index ended the first quarter at 6.15%, down from 6.95% at the end of 2018. Despite also having a slow start to the year, quarterly CLO issuance remained relatively strong: there was nearly $30 billion in new issuance in the first quarter, down just 8.7% from the prior year, according to S&P LCD.

In the middle market (i.e., borrowers with less than $50 million in annual EBITDA), conditions remained generally favorable for borrowers during the first quarter. Global fundraising activity for direct-lending funds totaled $17.2 billion, more than twice as much as was raised in the first quarter of 2018. Europe-focused direct-lending funds accounted for 63% of the quarterly total, headlined by the €6 billion fund raised by BlueBay. Despite the active fundraising market for direct-lending funds, 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.

Distressed Debt: Indicators of Distress Remain at Low Levels

Indicators of distress in the leveraged credit markets remained at low levels at the end of the first quarter. The trailing 12-month high-yield default rate in the United States was 1.4%, down from 2.4% at the end of 2018 and the lowest level since the first quarter of 2014, according to Fitch Ratings. The retail and broadcasting/media industry sectors had the highest sector default rates, at 9.5% and 18.3%, respectively. Similarly, the leveraged loan default rate fell to 1.1% at the end of March, down from 1.8% at the end of 2018 and the lowest level since 2001. 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.

Figure 7. U.S. Institutional Leveraged Loan Issuance
At March 31, 2019



Source: JP Morgan and S&P LCD.

Figure 8. High-Yield Bond Spreads over U.S. Treasuries
At March 31, 2019

Source: BofA Merrill Lynch.

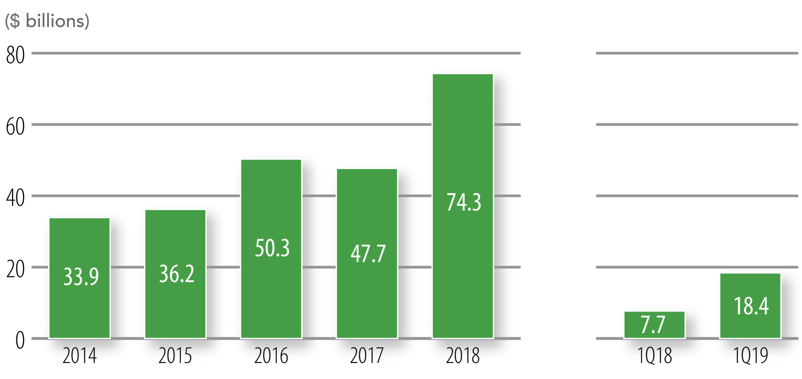
Infrastructure

Investor demand for infrastructure opportunities continues to increase. During the first quarter of 2019, four private infrastructure funds raised $18.4 billion in aggregate capital commitments—an increase of 59% from the prior quarter and of 141% from the first quarter of 2018. Fundraising totals continue to be driven by a limited number of large funds: during the first quarter, EQT Infrastructure IV (€9.0 billion) and Ardian Infrastructure V (€6.1 billion) represented 93% of the total infrastructure fund commitments. Although 2018 represented a record high for infrastructure fundraising (see figure 9), several of the largest global infrastructure managers, including Global Infrastructure Partners and Brookfield Infrastructure Partners, are expected to close on their latest flagship investment vehicles in 2019, which may position the asset class for another record fundraising year.

After a particularly active 2018, during which infrastructure-related deal flow reached an all-time high, investment in the sector moderated slightly heading into 2019 but remains on a long-term upward trend: capital deployed in the sector has grown at a compounded annual growth rate of 56% over the past five years. Seventy-five private infrastructure deals were completed in the first quarter, representing an aggregate value of $10.7 billion—a decrease of 60% from the prior quarter and of 52% from the the first quarter of 2018. Investments in midstream energy projects represented 13% of the total deals completed during the quarter and 47% of the total capital deployed. BlackRock and KKR's $4.0 billion investment in Abu Dhabi National Oil Company's pipeline unit and Blackstone's $3.3 billion acquisition of Tallgrass Energy, LP—a midstream energy partnership—represented two of the three largest investments completed by financial buyers during the quarter.

Once considered a peripheral area of the infrastructure space, renewables have taken a much more prominent role in institutional infrastructure portfolios over the past several years. Accompanying the rapid development of new renewable power generation and storage technologies has been a rise in the use of power purchase agreements (PPAs)—contracts between power generators and power consumers to purchase/sell electricity over a fixed time frame according to predetermined terms and often in a take-or-pay capacity. This long-term cost certainty can reduce price volatility for end users, allow companies to more effectively plan for the future, and grant companies access to valuable Renewable Energy Credits. The use of PPAs has grown at a compounded annual growth rate of 46% over the past decade and is expected to continue to grow over the next several years as renewables become a greater portion of the global energy production landscape.

Figure 9. Global Private Infrastructure Capital Raised
At March 31, 2019



Source: Pitchbook.

Table 7. Notable Infrastructure Deals in 1Q19
At March 31, 2019

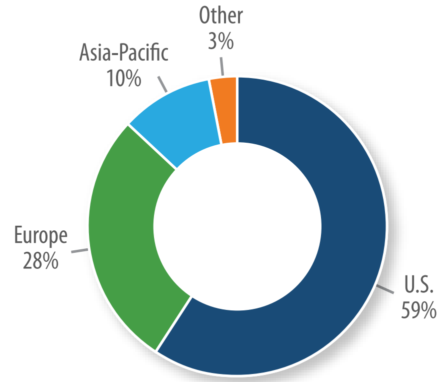
Asset/Company	Acquirer	Industry	Region	Deal Size (MM)
ADNOC Oil Pipelines	BlackRock, KKR	Midstream Energy	Saudi Arabia	$4,000
Veja Mate Wind Farm	Commerzbank	Wind Power	Germany	$2,583
Tallgrass Energy	Blackstone	Midstream Energy	U.S.	$3,300
Bharti Infratel Limited	Nettle Infrastructure	Telecommunications	India	$1,410
GMR Airports	SSG Capital, GIC	Airports	India	$1,155

Source: Preqin.

Fundraising Market

Private market funds worldwide raised $140.7 billion during the first quarter, according to Thomson Reuters and Pathway Research. The quarterly total represented a continuation of the strong pace of activity generated during 2018, finishing nominally below the quarterly average of the prior year. Similar to 2018, fundraising activity during the quarter was driven by a wide range of investment strategies and geographic regions. Highlighting this during the first quarter was the diverse and active fundraising levels exhibited in France. Not typically a driver of private market activity, French managers raised five funds of greater than $1.0 billion during the quarter, led by infrastructure-focused Ardian Infrastructure V (€6.1 billion), buyout-focused Astorg VII (€4.0 billion), and credit-focused Tikehau Direct Lending IV (€2.1 billion). Largely as a result of this, Europe-focused fundraising achieved its third-largest quarterly total on record, and Europe was the only major region to generate an increase in value over the prior quarter. First-quarter fundraising by region is illustrated in figure 11.

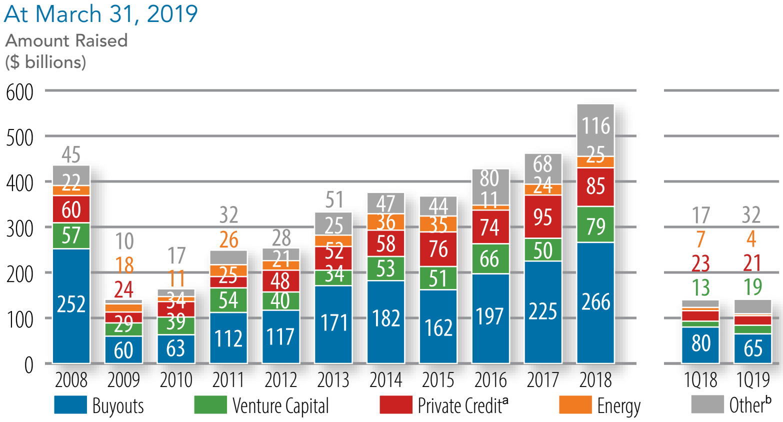
Figure 11. 1Q19 Fundraising By Region
As a % of Amount Raised



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.

Consistent with the global trend, the total amount raised in each core investment strategy remained elevated in the first quarter, although most strategies experienced a small decline from the prior quarter (see figure 10). Buyout funds worldwide raised $64.5 billion, a decline of 2% from the fourth quarter of 2018 and of 19% from the year-ago quarter. The quarterly decline in buyout fundraising came despite a 24% increase in the amount raised in the United States, which was driven by the final close of Thoma Bravo XIII at $12.6 billion and by the $5.5 billion raised by Genstar Capital IX. Similarly, global venture capital fundraising fell to $19.0 billion during the first quarter, down 9% from the $20.9 billion raised in the fourth quarter of 2018. The only two investment strategies that saw meaningful quarter-over-quarter growth were infrastructure and direct lending, which collectively accounted for 25% of the global private market total. Infrastructure funds raised $18.4 billion during the first quarter, an increase of 59% from the prior quarter. The strategy was driven by two funds that collectively accounted for 93% of the quarterly total. Direct-lending fundraising was equally strong: the strategy raised $17.2 billion—the largest quarterly total since the fourth quarter of 2017 and a more than 150% increase from the prior quarter.

Figure 10. Global Fundraising by Strategy
At March 31, 2019



Source: Thomson Reuters, Preqin, and Pathway Research.
Notes: Fundraising amounts are based on net amounts raised, which are adjusted for fund-size reductions. • Data is continuously updated and is therefore subject to change. • Amounts may not foot due to rounding. • [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.

Table 8. Notable Funds Raised in 1Q19
At March 31, 2019

Fund	Strategy	Region	Amount (MM)
Thoma Bravo XIII	Buyout	U.S.	$12,600
Ardian Infrastructure V	Infrastructure	France	€6,100
Genstar IX	Buyout	U.S.	$5,500
Summit Partners Growth Equity X	Generalist	U.S.	$4,900
Astorg VII	Buyout	France	€4,000

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.

Pathway is registered as an investment adviser with the SEC in the United States and as a portfolio manager and exempt market dealer in Ontario, Quebec, and Saskatchewan, Canada. Pathway's wholly owned UK subsidiary is regulated in the UK by the Financial Conduct Authority. Pathway's wholly owned Hong Kong subsidiary is regulated in Hong Kong by the Securities and Futures Commission.

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