Pathway Research

Private Market Environment

3RD QUARTER 2019

CONTENTS

3Q19 Market Review

Global equity markets were largely flat in the third quarter of 2019, belying the high level of volatility experienced by most major indices during the period. The MSCI All Country World Index returned 0.1% during the quarter, increasing its year-to-date return to 16.7%. Stocks traded higher early in the quarter due in part to expectations of lower interest rates in both the EU and the United States. Market sentiment soured in August when the U.S. announced an additional 10% tariff on $300 billion of Chinese goods—escalating the trade war between the world's two-largest economies—and a number of economic reports showed a continued slowdown in the global economy. During the month, the S&P 500 index experienced three separate 1-day declines of more than 2.5%. Stocks rebounded in September, buoyed by reports that the U.S. and China would hold a new round of trade talks in October. Most government bond yields fell during the quarter, driven by safe-haven buying and ongoing concerns over the global macroeconomic outlook, which increased the value of negative-yielding debt globally to an estimated $15 trillion. In August, the yield on the 30-year U.S. Treasury bond fell below 2% for the first time ever before recovering and ending the quarter at 2.12%, down 41 basis points from the end of June.

Venture Capital–Backed IPO Activity On Track to Reach Record High in 2019

Venture capital–backed IPOs raised $5.6 billion on U.S.-based exchanges during the third quarter, which brought the year-to-date total to $25.6 billion—less than $2 billion shy of the full-year record of $27.1 billion set in 2000. The strong showing this year has been driven by a high number of *unicorn* IPOs, including Peloton, CloudFlare, and Medallia in the third quarter alone. Notably missing from the quarter's offerings is co-working startup WeWork, which was reportedly seeking to raise up to $4 billion in its IPO. Since filing its S-1 prospectus in mid-August, WeWork has been under intense scrutiny for its rapid growth, spiraling losses, and weak corporate governance, culminating in the company pulling its IPO filing and the resignation of its CEO-cofounder in September. WeWork is now reportedly facing a cash crunch and is seeking new financing, likely at a significant decline in the company's valuation. The recent stumbles of WeWork, as well as the mixed post-IPO performance of several recently public unicorns, are being viewed as a cautionary tale for venture capital investors, many of whom are reiterating the importance of startup companies striking a balance between growth and profitability.

Table 1. Largest PE-backed M&A Exits Announced in 3Q19

At September 30, 2019

Seller	Portfolio Company	Industry	Region	Value (MM)
Rhone Capital	Garda World	Commercial Services	Canada	$3,960
Bain Capital	Waystar	Healthcare	U.S.	$2,700
KKR	Webhelp	Technology	France	$2,690
Vista Equity	Advanced	Software	UK	$2,400
KKR	Kokusai	Manufacturing	Japan	$2,200

U.S. Treasury Releases Proposals to Implement FIRRMA Regulations

In September, the U.S. Treasury Department released its proposed rules to implement the Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA), which was signed into law in August 2018. The primary purpose of FIRRMA is to expand the jurisdiction of the Committee on Foreign Investment in the United States (CFIUS), which has historically focused on control investments by foreign parties into U.S. businesses, to include non-control investments in U.S. businesses that operate in certain critical technology, infrastructure, and data (TID) industry sectors, as defined in the proposed regulations, and certain real estate transactions (together, "covered transactions"). FIRRMA, which received bipartisan support as a means to more effectively address potential national security concerns, does not single out any individual foreign party, but many observers believe that the regulations were targeted primarily at China. Prior to the passage of FIRRMA, the majority of proposed acquisitions that were publicly known to have been blocked by CFIUS involved a Chinese buyer, such as the acquisition of Moneygram by Ant Financial, the acquisition of Xcerra by Sino Capital, and the acquisition of Lattice Semiconductor by Canyon Bridge Capital.

The expanded scope of CFIUS may limit the ability of U.S.-based PE-backed TID companies to sell to, or accept investment from, a foreign party. To date, however, there does not appear to be a significant impact on the overall U.S. private equity market, likely due to the diverse array of exit paths and capital sources available in the current environment. For example, through the third quarter of 2019, U.S.-based M&A exit activity for PE-backed companies totaled $157 billion, little changed from the same period in 2018, according to Mergermarket. Another initial concern was that the presence of foreign limited partners in most U.S. private equity funds would potentially subject some private equity investments in TID companies to CFIUS approval. However, in the final version of FIRRMA, the regulations clarified that an indirect investment by a foreign person in a U.S. TID business through an investment fund would not be a covered transaction as long as certain requirements were met, including (i) the fund is managed by a U.S. general partner or managing member; (ii) the fund's advisory board, if it includes a foreign person, does not have the ability to approve, disapprove, or control investment decisions of the fund; and (iii) the foreign person does not have access to material nonpublic technical information as a result of its participation on the fund's advisory board or other committee. There is some concern that this safe harbor may provide impetus for some private equity firms to attempt to weaken limited partner rights under their funds' limited partnership agreements, although this has not been apparent to date. The rules for FIRRMA implementation are expected to be finalized no later than February 2020.

Table 2. Largest PE Investments Announced in 3Q19

At September 30, 2019

Buyer	Target	Industry	Region	Value (MM)
Advent International	Cobham	Aerospace & Defense	UK	$5,000
Bain Capital	Kantar	Media & Information Services	UK	$4,000
Apollo	PK AirFinance	Financial Services	Luxembourg	$4,000
BC Partners	Garda World	Commercial Services	Canada	$3,960
Bain Capital, The Carlyle Group	Osram Licht AG	Manufacturing	Germany	$3,800

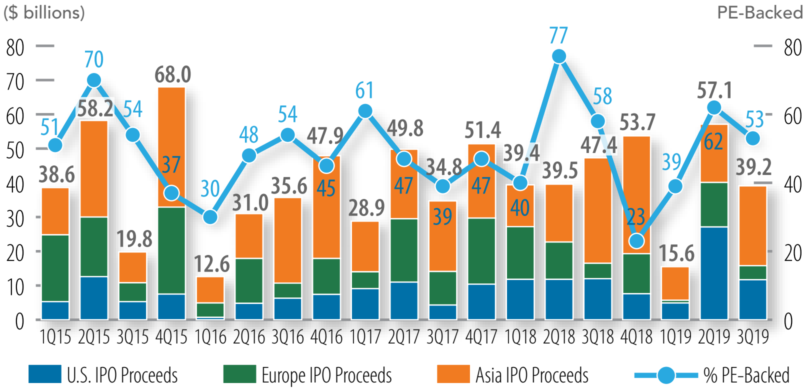
Global IPO and M&A Exit Markets

IPO activity was tepid overall in the third quarter, with most major exchanges reporting declines in both the number of new offerings and total proceeds raised. In the U.S., there were 39 IPOs that raised $11.7 billion during the quarter, down 25% and 2%, respectively, from the year-ago period. Buyout- and venture capital–backed companies accounted for 23 of the quarter's IPOs and 72% of total proceeds raised, including the two largest IPOs—SmileDirectClub and Peloton—which each raised over $1 billion. Both companies have performed poorly since going public. SmileDirectClub closed its first day of trading down 28% and ended the quarter down 40% from its IPO price. Overall, however, the quarter's buyout- and venture capital–backed IPOs generated an average return of 7% from their IPO price to quarter-end, compared with –6% for non-private-equity-backed IPOs.

In Europe, there were 16 IPOs that raised €3.8 billion in the third quarter, slightly higher than the amount raised in the year-ago period but a significant decline from the €11.4 billion raised in the second quarter. Notably, two large listings raised 87% of the total quarterly proceeds: Permira-backed TeamViewer, a provider of remote connectivity software, raised €2.0 billion through a listing in Frankfurt, and private equity firm EQT completed its listing in Stockholm, raising €1.2 billion. IPO activity in Europe continues to be weighed down by concerns over the global macroeconomic outlook and Brexit: UK-based IPOs raised just £332 million in the third quarter, the lowest quarterly total since the third quarter of 2016. Asia-based IPO activity also declined year over year, by 25% based on value, but showed strong sequential quarterly growth (37% increase to $23.3bn), partly as a result of several large IPOs of Chinese, state-owned enterprises. Quarterly global IPO activity through September 30, 2019, is shown in figure 1.

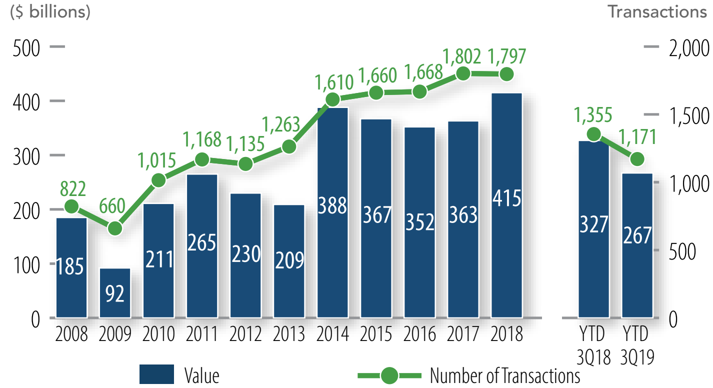
M&A exit markets for PE-backed companies remained active in the third quarter, albeit below last year's record-setting pace. Worldwide M&A exit activity totaled $71.8 billion in the third quarter, down 23% from the prior quarter and 35% from the year-ago period. Through the first three quarters of 2019, M&A exit activity totaled $267 billion, down 18% from the first three quarters of 2018. The largest PE-backed M&A exit during the quarter was the sale of Canadian security services company Garda World by the company's management and Rhone Capital to BC Partners for CAD 5.2 billion. Other notable M&A exits announced during the quarter include the sale of KKR-backed French call center operator Webhelp to Groupe Bruxelles Lamber for €2.4 billion and the sale of Thoma Bravo–backed cloud software provider iPipeline to Roper Technologies for $1.6 billion. Global PE-backed M&A exit value and volume are shown in figure 2.

Figure 1. Quarterly Global IPO Activity
At September 30, 2019



SOURCE: Bloomberg, Renaissance Capital, PwC, and Pathway Research.

Figure 2. Global PE-Backed M&A Exit Value & Volume
At September 30, 2019

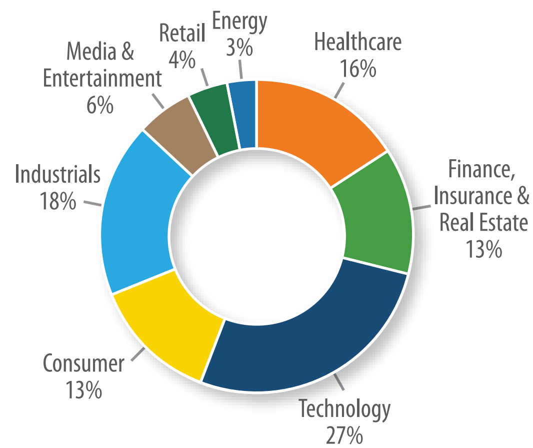


SOURCE: Mergermarket.

U.S. Buyout Markets

U.S. buyout investment activity declined for the second-consecutive quarter during the third quarter, totaling $41.3 billion in transaction value, according to Thomson Reuters and Pathway Research. The quarterly total fell 5% below the $43.4 billion invested in the second quarter and represented the lowest quarterly buyout figure in more than three years. Similar to second-quarter activity, the modest quarterly total stemmed from the lack of activity in the large-cap market. Twelve buyouts of greater than $1.0 billion were announced during the quarter and accounted for just 51% of deal value (relative to an average of 66% over the prior three years). The two largest of these transactions were the $2.6 billion take-private of pharmaceutical product manufacturer Cambrex Group by Permira and the $2.5 billion buyout of financial technology provider Promontory Interfinancial by The Blackstone Group. Large-market investors instead focused elsewhere during the third quarter: each of the six largest buyouts announced globally occurred outside the U.S., despite four of them being made by U.S.-headquartered private equity firms. Buyout activity in the small and middle market (i.e., deals with enterprise values of less than $1.0bn) remained more robust. Through the first three quarters of 2019, buyout activity in this size range totaled $60.9 billion, just 9% below the year-ago period total and on pace for the third-highest annual figure since the Global Financial Crisis (GFC). U.S. buyout investment activity, through September 30, 2019, is illustrated in figure 3.

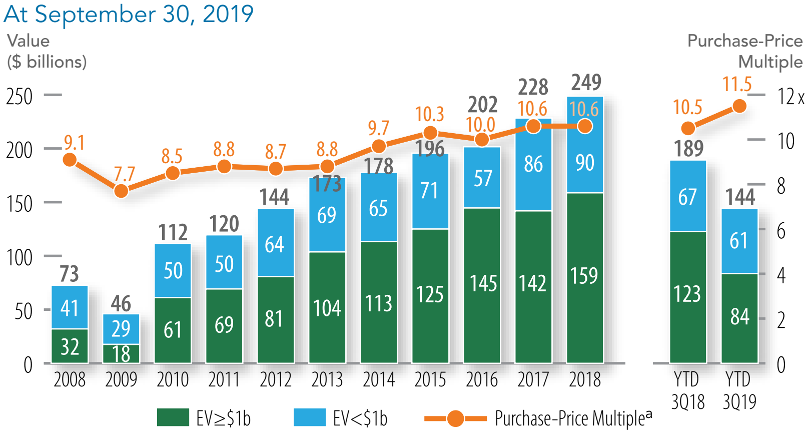
Figure 4. U.S. Buyout Transaction Value by Sector
At September 30, 2019
As a % of Transaction Value



Source: Thomson Reuters and Pathway Research.

Purchase-price multiples continued to rise during the third quarter, driven by strong competition from both strategic and financial buyers and a high-level of activity in the technology and healthcare sectors (see figure 4). The average purchase-price multiple for year-to-date 2019 totaled 11.5x EBITDA, as of September 30, 2019, up from 10.6x EBITDA in 2018. As a result, general partners have focused primarily on investments with strong competitive positioning and high-conviction value-creation plans, which can both serve as means of mitigating the potential negative impacts of multiple contraction or tapering economic growth during the life of an investment. Many general partners have also been active in pursuing add-on acquisitions as a method of buying down an investment's average purchase-price multiple, developing its scale, or enhancing its capabilities. According to PitchBook Data, Inc., add-ons have accounted for 68% of 2019 deal volume through September 30, 2019—the largest annual figure in more than a decade.

Figure 3. U.S. Buyout Investment Activity
At September 30, 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 September 30, 2019

	2007	2018	YTD 3Q19
Purchase Price/EBITDA	9.7x	10.6x	11.5x
Equity Contribution %	30.9%	40.5%	44.5%
Debt/EBITDA	6.0x	5.8x	5.9x
EBITDA/Cash Interest	2.1x	2.7x	2.5x

Source: S&P LCD.

European Buyout Markets

European buyout activity has decreased further from an already slow pace in the first half of the year. The aggregate value of European buyouts completed in the third quarter was €18.2 billion, according to data provided by CMBOR. This represents a decrease of 13% from the prior quarter and is 28% below the third quarter of 2018. European buyout transaction value and volume through September 30, 2019, are illustrated in figure 5.

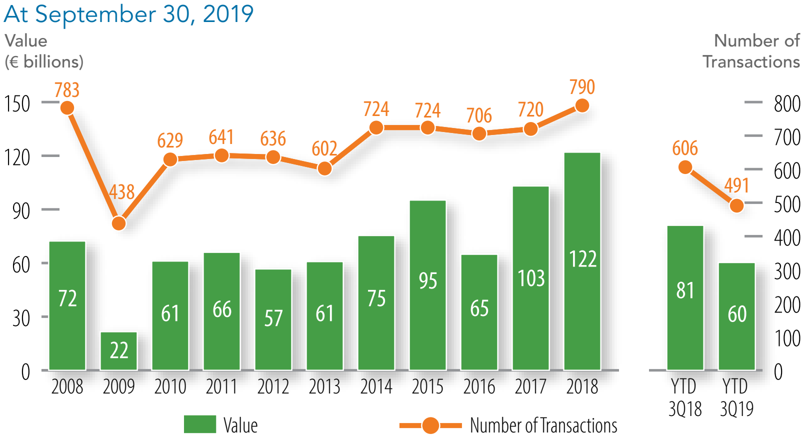
The quarter-on-quarter decrease in aggregate deal value (down €2.8bn) can be attributed largely to a slowdown of activity in the UK (down €3.4bn). In 2019 to date, the UK buyout market has reflected the overall uncertainty about the timing and shape of Brexit. In the first quarter, with the original Brexit date looming (March 31st), the aggregate value of UK buyouts dropped to a post-GFC low. In the second quarter, following the postponement of the Brexit date to October 31st, UK buyout activity experienced a brief surge. In the third quarter, however, against the backdrop of the revised deadline nearing without clear progress in the exit negotiations, the aggregate value of UK buyouts experienced a decrease of 42% to €2.5 billion, which represents the second-lowest quarterly total since the GFC.

Germany and the Netherlands generated high aggregate deal values in the third quarter, exceeding the UK total by significant margins. Together, these two countries accounted for 39% of the European total. For Germany, the high quarterly total was driven by a single deal, which was also the largest buyout of the third quarter: Advent International's carve-out of Röhm from Evonik Industries. This deal valued the producer of methacrylate chemicals at €3.0 billion, making it the second-largest European buyout in the year to date.

In general, however, activity in the upper-mid-cap and large-cap market was slow in the third quarter: the aggregate value of these deals was down 21%. The small-cap and lower-mid-cap market did better: deals with enterprise values of up to €250 million showed an increase in aggregate value of 12% in the third quarter.

Activity in European credit markets also decreased somewhat in the third quarter: according to UBS, primary high-yield issuance totaled €17.3 billion, down 13% from the prior quarter. Spreads on BB-rated euro-denominated bonds experienced little change during the third quarter and remained close to 250 basis points. The cost of debt remains low compared with long-term averages, and credit market conditions continue to be conducive to leveraged buyout activity.

Figure 5. European Buyout Transaction Value & Volume
At September 30, 2019



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

Table 4. Largest European Buyouts That Closed in 3Q19
At September 30, 2019

Buyer	Target	Country	Value (MM)
Advent International	Röhm (Evonik Methacrylates)	Germany	€3,000
Thomas H. Lee Partners	AutoStore	Norway	€1,600
PAI Partners	Areas	Spain	€1,542
Intermediate Capital Group	Doc Generici	Italy	€1,100
The Carlyle Group	Forgital Group	Italy	€1,000

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

Asia Private Equity

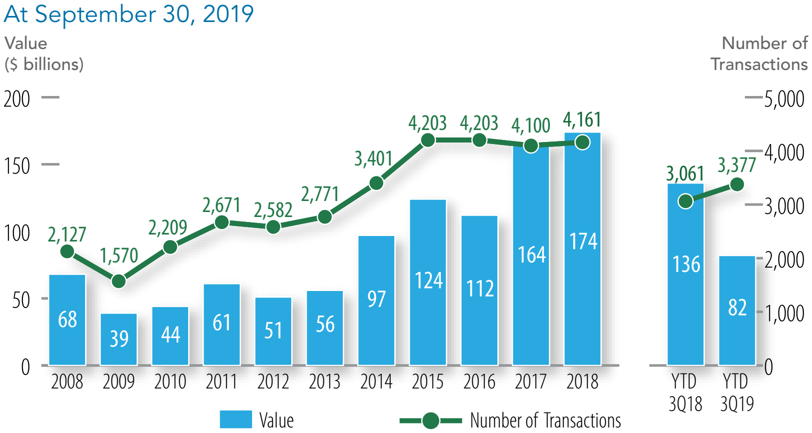
Ongoing protests and social unrest in Hong Kong, triggered in opposition to a now-withdrawn bill that would have permitted extradition to mainland China, have continued unabated since June and have taken a toll on the financial hub's economy. With no solutions in sight to the crisis and little progress to the Sino-American trade dispute, Hong Kong's Hang Seng index fell 8.6% during the third quarter and was the worst-performing major Asian public equity index. The Sino-American trade war continued to escalate when the U.S. imposed additional tariffs on $112 billion of Chinese imports and China retaliated with its own set of tariff increases, with a promise of more to come in December. The Chinese economy also continued to show signs of slowing: industrial output growth weakened to 4.4% in August—the slowest rate in 17 years and down from around 7% since early 2018.

Overall private equity investment activity in Asia decreased for a third-consecutive quarter amid political and economic uncertainty in the region. According to *Asia Venture Capital Journal* (*AVCJ*), Asia-based private equity investment activity totaled $20.5 billion from 1,094 transactions, which represents a 32% quarter-over-quarter decrease and a 44% year-over-year decrease in transaction value. Investments in Japan, South Korea, and Australia, historically three of the five most active countries in Asia, each totaled just over $1 billion in investment value this quarter. Moreover, year-to-date private equity investment volume in China decreased by 60% versus the same period in 2018. Asian private equity transaction value and volume as of September 30, 2019, are illustrated in figure 6.

Notably, only two deals that closed during the third quarter had deal values that exceeded $1 billion: Brookfield's $2.2 billion investment in Vodafone New Zealand and the $1.2 billion investment in China's Ke.com by a consortium led by Tencent, Hillhouse, and Redview. Private equity fundraising was also relatively quiet during the quarter. Notable private equity fundraising closings during the quarter include CITIC Capital China Partners IV ($1.5bn), Xiang He Fund II ($425m), and Joy Capital III ($325m).

Despite dampened growth and slower activity in the private markets, the IPO market picked up during the third quarter. Asian exchanges saw 195 companies completing IPOs, which raised $23.3 billion—an increase of 37% over the prior quarter and a decrease of 25% year over year. China continued to account for a majority of the IPO volume, with several state-owned enterprises driving IPO activity. PE-backed IPOs accounted for an aggregate of $4.3 billion, and the four largest IPOs were all from China, including the IPO of Sequoia Capital China–backed Douyu.com.

Figure 6. Asian PE Transaction Value & Volume
At September 30, 2019



Source: *AVCJ*.

Table 5. Largest Asia PE Investments in 3Q19
At September 30, 2019

Buyer	Target	Country	Value (MM)
Brookfield Asset Management	Vodafone New Zealand	New Zealand	$2,243
Tencent, Hillhouse, Redview, China Renaissance, Source Code	Ke.com	China	$1,200
Alibaba, Yunfeng	Netease Cloud Music	China	$700
PAG	Zhejiang Hisun Pharmaceutical	China	$540
Bytedance, Matrix Partners China, Future Capital	Chehejia	China	$530

Source: *AVCJ*.

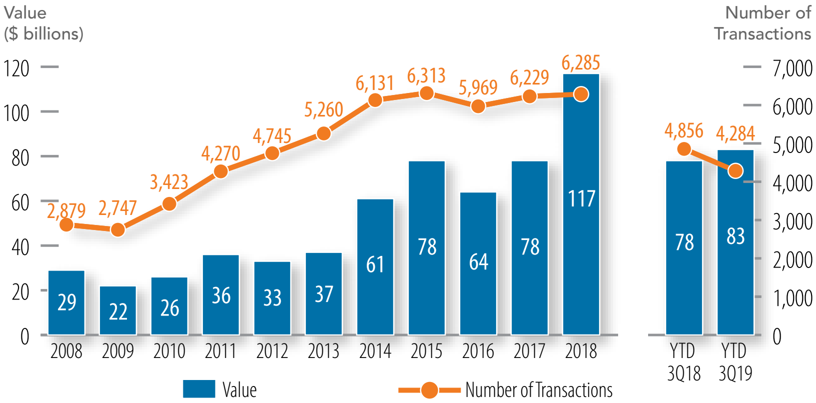
U.S. Venture Capital

Venture capital investment activity in the U.S. slowed during the third quarter following a monumental second quarter that was the most active since 2000. Third-quarter activity totaled $26.0 billion in 1,304 transactions, according to the PwC/CB Insights MoneyTree™ Report, which brought the year-to-date total to $82.8 billion—the second-highest year-to-date third-quarter total since 2000. Investment value and volume decreased by 15% and 16%, respectively, during the quarter; deal volume reached its lowest level since the first quarter of 2013. Despite the decline in volume, mega-round investment activity (i.e., financing rounds of greater than $100m) remained elevated, constituting 49% of all funding during the quarter, up from 46% in the prior quarter. In total, 55 mega-rounds were completed, matching the previous record set in the third quarter of 2018 and increasing the year-to-date mega-round total to $38.7 billion. U.S. venture capital transaction value and volume through September 30, 2019, are illustrated in figure 7.

Similar to investment activity during the quarter, venture-backed IPO exits also declined from a brisk second quarter. According to Renaissance Capital, venture-backed IPO proceeds totaled $5.6 billion through 16 listings, a decline of 66% and 57%, respectively, from the prior quarter. Headlining the quarter was TCV-backed unicorn Peloton Interactive, which raised over $1 billion in its IPO—one of two offerings to do so during the quarter. Peloton closed its first day of trading down 11% and ended the quarter 13% below its IPO price, joining an ignominious group of former unicorns that have not performed well following their IPOs, such as Uber and Lyft. Overall, however, the 16 venture-backed IPOs during the quarter had an average return from their IPO price to quarter-end of 6%, outpacing the average return for non-venture-backed IPOs.

Microsoft's $1 billion investment in OpenAI, a provider of artificial intelligence services created to advance digital intelligence, was the largest single investment of the quarter, highlighting the continued scale of participation of non-traditional venture capital investors in the industry. Similar to the second quarter, the third quarter lacked an outsized investment from SoftBank's Vision Fund, which is reportedly close to being fully invested. Early in the third quarter, however, SoftBank announced that it had obtained memorandums of understanding (MOUs) from more than a dozen investors to commit a combined $108 billion to a second Vision Fund. It is still unclear whether the recent stumbles of WeWork and its potential impact on the performance of the first Vision Fund will derail Softbank's fundraising plans.

Figure 7. U.S. Venture Capital Transaction Value & Volume
At September 30, 2019



Source: PwC & CB Insights MoneyTree™ Report.

Table 6. Largest U.S. Venture Capital Deals in 3Q19
At September 30, 2019

Company	Select Investors	Value (MM)
OpenAI	Microsoft	$1,000
Authentic Brands Group	BlackRock Private Equity Partners	$875
Radiology Partners	Starr Investment Holdings	$700
Allied Pacific of California	Northern Light Venture Capital	$545
Unity Technologies	D1 Capital Partners, Sequoia Capital & Silver Lake Partners	$525

Source: PwC & CB Insights MoneyTree™ Report.

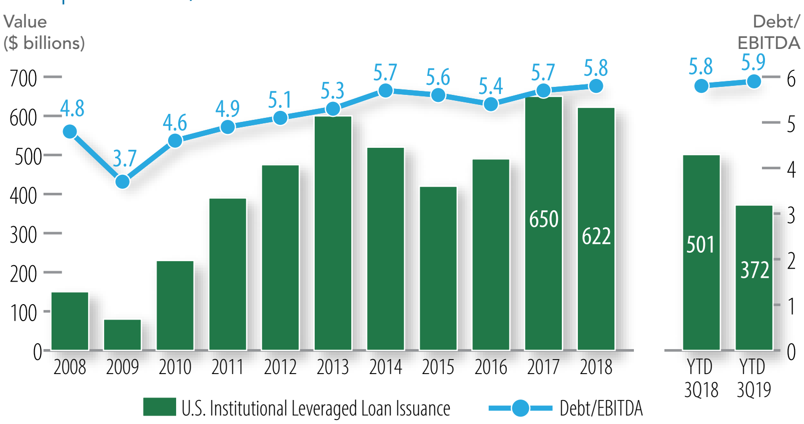
Private Credit

Leveraged credit markets remain accommodative overall, although volatility in the secondary loan markets have allowed loan investors to selectively push back on new issues with terms that are perceived to be too borrower friendly. U.S. leveraged loan issuance (institutional and pro rata) totaled $133 billion in the third quarter, up 19% from the prior quarter and 11% from the year-ago period, according to S&P LCD. However, leveraged loan issuance in 2019 remains on track to fall well below 2018's levels due in part to a slowdown in M&A activity so far this year. Despite the lower primary issuance levels, a high level of outflows from loan mutual funds have allowed loan investors to remain selective overall: over the past year, retail loan funds have experienced net outflows of $47.8 billion. Additionally, although CLO issuance has held up well thus far in 2019, many CLOs have been reluctant to increase their exposure to debt carrying the lowest credit ratings. During the quarter, there were several notable leveraged loan financings that were held up or "hung" as a result of investors demanding better terms and stronger creditor protections. The yield to maturity for the S&P Leveraged Loan 100 index was 6.06% at the end of the third quarter, down from 6.26% at the end of the second quarter. U.S. leveraged loan issuance through September 30, 2019, is shown in figure 8.

Distressed Debt: Indicators of Distress Remain at Low Levels

Indicators of distress in the U.S. high-yield and leveraged loan markets remain at low levels overall due to a relatively benign economic environment, accommodative credit markets, and solid operating performance across most industry sectors. The trailing 12-month high-yield default rate in the U.S. was 2.2% at the end of the third quarter, up from 1.8% at the end of the second quarter, according to Fitch Ratings. The energy sector continues to drive default activity, accounting for 41% of the par value of defaulted debt over the past year and a sector-specific default rate of 5.9%. Additionally, energy issuers accounted for 26% of Fitch Ratings' *Top Bonds of Concern* at the end of the quarter. In the leveraged loan market, the trailing 12-month default rate was 1.5% at the end of the third quarter, unchanged from the prior quarter. The average bid for leveraged loans on the secondary market was 96.5%, little changed from the prior quarter. Without a significant supply of defaulted debt or widespread distress in the current market environment, distressed debt investors continue to focus on idiosyncratic opportunities to deploy capital.

Figure 8. U.S. Institutional Leveraged Loan Issuance
At September 30, 2019



Source: S&P LCD.

Figure 9. High-Yield Bond Spreads over U.S. Treasuries
At September 30, 2019

Source: BofA Merrill Lynch.

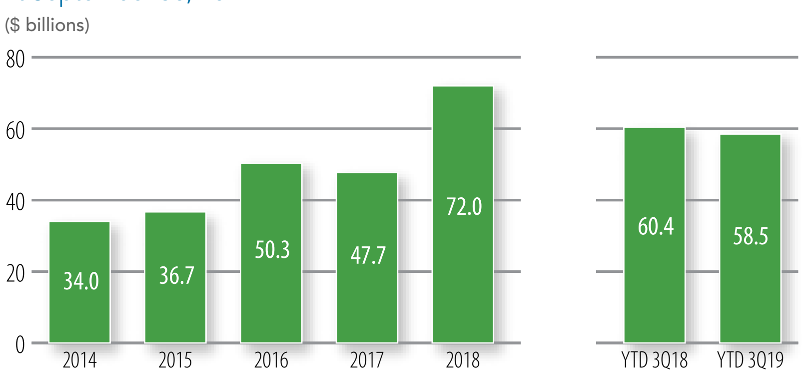
Infrastructure

A strong fundraising pace persisted during the third quarter: four private infrastructure–focused funds raised $20.4 billion, which brought total capital raised in 2019 to $58.5 billion. Third-quarter fundraising activity was driven primarily by Blackstone Infrastructure Partners, which raised $14 billion and accounted for 69% of total capital raised during the quarter; other funds raised during the quarter include European Diversified Infrastructure Fund II (€2.6bn), Carlyle Global Infrastructure Opportunity Fund ($2.2bn), and Actis Long Life Infrastructure Fund ($1.2bn). Fundraising is on pace to meet or exceed the record achieved last year: several large infrastructure managers are expected to wrap up their latest flagship investment vehicles, including Global Infrastructure Partners and Brookfield Infrastructure Partners.

Investment activity moderated during the third quarter: 13 private infrastructure deals were completed for an aggregate value of $9.0 billion. Aggregate infrastructure deal value in the first three quarters of 2019 of $61.1 billion represents a 12% increase over the same period in 2018. The largest investment during the quarter was Brookfield Asset Management's acquisition of Reliance Jio Infocomm—a portfolio of optical fiber and telecommunications tower assets in India—which at a deal size of $3.7 billion represented 40% of the total capital deployed during the quarter. Other investments in the telecommunication space, such as EQT's investment in inexio—a provider of fiber-based internet-access services in Germany—contributed to the telecommunication sector's leading spot in private infrastructure deals during the third quarter. In total, $4.9 billion was deployed in the asset class during the quarter.

One infrastructure strategy that has seen a recent slow down is public-private partnerships ("PPPs"). Recently, many large investors have moved away from PPP projects due to the risks associated with these typically fixed-price, time-certain contracts, which often experience cost overruns or construction delays. As an example, in August, Denver International Airport severed a PPP project after it had fallen behind schedule and started amassing cost overruns. Despite these concerns, industry participants remain optimistic about the long-term prospects of the PPP industry. In its most recent report, the American Society of Civil Engineers estimates that the U.S. alone needs to spend $4.6 trillion on infrastructure by 2025. Looking forward, a number of PPP projects are in various planning stages. For example, in October, the Port Authority of New York and New Jersey approved the use of PPP funding for ongoing renovations to its high-profile John F. Kennedy airport.

Figure 10. Global Private Infrastructure Capital Raised
At September 30, 2019



Source: PitchBook Data, Inc.

Table 7. Notable Infrastructure Deals in 3Q19
At September 30, 2019

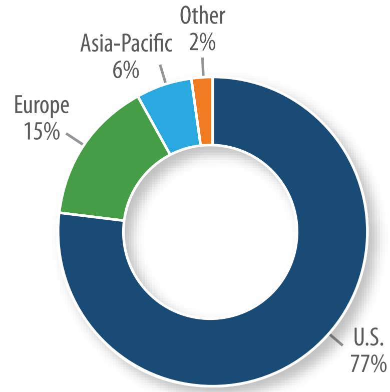
Asset/Company	Acquirer	Industry	Region	Deal Size (MM)
Reliance Jio Infocomm	Brookfield Asset Management	Telecom	India	$3,652
Veolia Energy North America	Antin Infrastructure Partners	Other Energy	North America	$1,250
inexio	EQT	Telecom	Germany	$1,103
AltaGas	Brookfield Asset Management	Power–Diversified	U.S.	$720
Patriot Rail Company	Colonial First State Global Asset Management	Transportation	U.S.	$600

Source: PitchBook Data, Inc.

Fundraising Market

Private market fundraising activity continued its record-setting pace in the third quarter, totaling $177 billion, according to data from Thomson Reuters and Pathway Research (see figure 11). This was the second-largest quarterly fundraising total ever, falling just 5% shy of the record-high $187 billion raised in the first quarter of 2019. In the first three quarters of the year, private market funds worldwide raised $528 billion, which brought the annual record of $582 billion set in 2018 well within reach. As in the second quarter, the U.S. drove fundraising activity, raising a record $136 billion; however, as opposed to the prior quarter, fundraising surged for U.S. buyout-focused funds (by 95%) and declined for U.S. venture-focused funds (by 16%). U.S.-based managers raised 22 funds larger than $1.0 billion in size, led by the $26.8 billion close of Blackstone Capital Partners VIII—the largest U.S. buyout fund ever—which surpassed the previous record of $24.6 billion raised by Apollo Fund IX in the third quarter of 2017. Fundraising activity in each of the other major regions fell during the quarter; most notably, Asia-Pacific funds posted a 29% quarter-over-quarter decline in the total amount raised.

Figure 12. Global Fundraising By Region
At September 30, 2019
As a % of Amount Raised



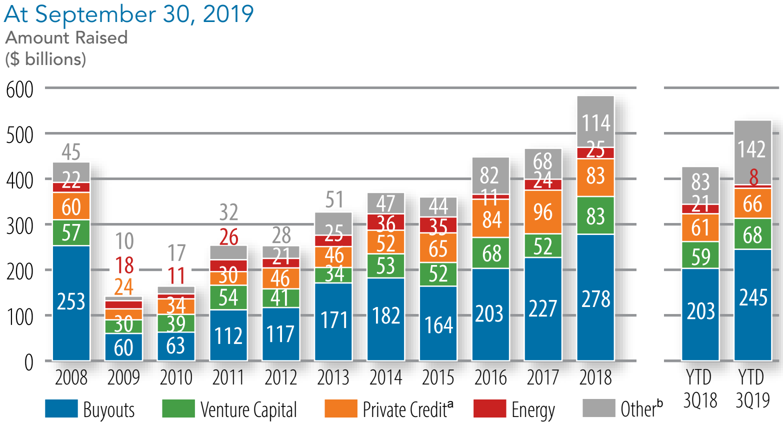
SOURCE: Thomson Reuters; PitchBook Data, Inc.; and Pathway Research.

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.

Fundraising activity in each core investment strategy remained elevated in the third quarter. Global buyout fundraising reached a high of $103 billion during the quarter, up 46% from the second quarter and 36% from the year-ago quarter. The surge in buyout fundraising activity was driven by three funds that raised greater than $10 billion: the aforementioned Blackstone VIII, TPG Partners VIII ($14bn), and Permira VII (€11bn). Global venture fundraising exceeded $20 billion for the sixth-consecutive quarter, even though the quarterly total decreased 18% from the record-breaking $26.1 billion raised in the second quarter. Notable venture funds raised during the quarter include Oak HC/FT III ($800m) and DCM Ventures' ninth fund ($760m). Other private equity strategies accounted for $25.4 billion of capital, spurred largely by the $14 billion raised by Blackstone Infrastructure Partners for its open-ended, inaugural infrastructure fund, which constituted 55% of the strategy's quarterly total. Direct-lending fundraising during the quarter was led by the €5.5 billion raised by Clareant European Direct Lending Fund III, propelling the year-to-date total to $41.0 billion—on pace to exceed the $45.1 billion raised by the category in 2018.

Figure 11. Global Fundraising by Strategy
At September 30, 2019



SOURCE: Thomson Reuters; PitchBook Data, Inc.; 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 3Q19
At September 30, 2019

Fund	Strategy	Region	Amount (MM)
Blackstone Capital Partners VIII	Buyout	U.S.	$26,800
Blackstone Infrastructure Partners	Infrastructure	U.S.	$14,000
TPG Partners VIII	Buyout	U.S.	$14,000
Permira VII	Buyout	UK	€11,000
Platinum Equity Capital Partners V	Buyout	U.S.	$7,444

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 $85 billion to more than 700 private market investments.

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