Pathway Research

Private Market Environment

4TH QUARTER 2020

CONTENTS

2020 Year in Review

Global equity markets staged a strong rally in the final quarter of 2020, capping a remarkable year that few would have predicted at the depths of the pandemic-induced market selloff in March. From its low point in mid-March, the MSCI All Country World Index surged 68%, including an increase of 14.8% in the fourth quarter, which brought its full-year return to 16.8%. The surprising performance of public equities amid a global pandemic that has taken a heavy toll on society and the economy was driven by the unprecedented scale of the global fiscal and monetary policy response to the crisis, the resilient business models and attractive performance of many technology and growth-oriented companies during the pandemic, optimism over companies' future earnings prospects, and the successful development of several vaccines that have shown to be highly effective against the coronavirus. In particular, technology stocks outperformed in 2020, fueled by the acceleration of digital transformation across the global economy. Technologies such as cloud computing, cybersecurity, and fintech enabled further penetration of e-commerce, remote work, virtual learning, digital entertainment, and telemedicine and helped mitigate the impact of shelter-in-place directives during the year. The technology-heavy Nasdaq composite returned 45.1% in 2020, ending the year at an all-time high. Other asset classes also performed well during the year, most notably private equity and investment-grade corporate debt. Nevertheless, investors remain highly cautious at the start of 2021 due to the still-rampant level of coronavirus infections in many parts of the world, the uncertain path of the global economic recovery, and rich valuations across many financial markets.

The coronavirus crisis has highlighted the durable nature of the private equity model and the asset class's ability to respond to market shocks, capitalize on opportunities, and generate attractive returns for investors. In March 2020, following the World Health Organization's declaration of the pandemic, most private equity firms moved quickly to ensure the health and safety of their teams, transition to a remote work environment, and protect their portfolio companies from the unexpected and potentially massive disruption to their businesses. General partners worked closely with management teams and operating partners to implement action plans and to prioritize resources and capital. Many general partners instructed their portfolio companies to preserve liquidity and draw down on available revolvers for defensive purposes. Notably, the industry overall has benefitted from the disciplined stance to transaction structuring and underwriting that many private equity firms held prior to the pandemic. For example, in 2019, the average equity contribution rate and interest coverage ratio for new buyout transactions was 43.5% and 2.7x, respectively, compared with 30.9% and 2.1x at the prior cycle high in 2007, according to S&P LCD. Thus far, there have been relatively few defaults or bankruptcies of PE-backed companies as a result of the crisis. The trailing 12-month default rate as of November 30, 2020, for sponsor-backed leveraged loans was 2.8%, compared with 7.5% for non-sponsor-backed loans, according to Fitch Ratings.

The industry saw a decline in investment activity following the onset of the pandemic as private equity firms assessed the impact of the crisis on their existing investments and re-underwrote opportunities in their pipeline to reflect the increased uncertainty. A gap between buyer and seller expectations and constrained credit markets further impacted transaction activity. Still, there were notable areas of activity in the early months of the crisis, including a marked increase in PIPE (private investment in public equity) transactions, discounted debt investments and buybacks, and opportunistic add-on acquisitions. By late spring, overall sentiment had improved, driven by the recovery in financial markets, the reopening of many economies, and optimism over efforts to contain the pandemic. Yields in the non-investment-grade market fell sharply, helped by the Federal Reserve's asset purchase and liquidity programs. Many private equity firms strongly pursued new investment opportunities during the quarter, including take-private buyouts, large-scale growth equity investments, and corporate carveouts. By the end of summer, with the market recovery in full swing despite a resurgence in coronavirus infections, both buyout and venture capital investment activity were tracking above the prior-year period. By the end of the year, venture capital investment activity had surpassed its prior annual record, and buyout investment activity reached its highest level since 2007. The rebound in investment activity was driven by strong interest in companies that had demonstrated their resilience during the crisis, particularly technology companies. Investments in technology companies accounted for a record-high 43% of U.S. buyout transaction value in 2020. Similarly, venture capital firms rewarded emerging market leaders with substantial amounts of new capital: mega-round financings (i.e., financings of $100 million or greater) totaled a record-setting $63.0 billion and accounted for nearly half of all U.S. venture capital investment activity in 2020.

Global M&A exit activity for PE-backed companies fell sharply in the first half of 2020 but mounted a strong recovery in the second half and ended the year down less than 6% in value from 2019. Early in the crisis, many prospective sellers canceled or postponed sales processes in light of the heightened uncertainty and volatility in the marketplace, choosing to delay an exit rather than accept a discount to pricing expectations that were just weeks old. Additionally, stress in the credit markets jeopardized buyers' ability to finance new acquisitions, further dampening transaction activity. M&A exit value totaled $138 billion in the first half of 2020, down 51% from the same period in 2019. Following the strong recovery in financial markets, the floodgates opened in the third quarter, leading to the most active 6-month period for PE-backed M&A exit activity on record. In the second half of 2020, global PE-backed M&A exit activity totaled $359 billion, an increase of 48% from the second half of 2019. Similarly, IPO activity (excluding capital raised for special purpose acquisition companies, or SPACs) was constrained for much of the first half of 2020 before rebounding strongly in the second half. In the U.S., 107 PE-backed companies raised $50.3 billion in their IPOs, the highest total since 2014. Perhaps the biggest development in equity capital markets during the year was the explosion of SPAC IPO activity. In 2020, $82.0 billion was raised by 246 SPACs, far exceeding any prior year and more than six times greater than the amount raised in 2019. SPACs are impacting the private equity industry in multiple ways, including by offering an alternate exit path for a PE-backed company other than a traditional IPO or M&A transaction. There were 73 SPACs that announced a merger agreement in 2020, of which 71%, or 52 of the targets, were PE-backed companies, according to Pathway Research.

Private equity fundraising activity across all substrategies totaled $551 billion in 2020, a decline of 5% from 2019 but still the second-highest annual total on record. The strength of the fundraising market despite the crisis is reflective of the industry's attractive performance and high level of distributions over the past 10 years. Looking ahead, the private equity industry will have no shortfall of both opportunities and challenges to navigate. Although financial markets have recovered strongly since the crisis started, a shortfall in the economic recovery or in efforts to contain the pandemic may spark a correction or further volatility. High valuations in many financial markets may be particularly susceptible to a market dislocation or rising interest rates. Additionally, the new Biden administration in the U.S. is expected to make its mark on many areas that impact the industry and broader economy, including changes to the tax code, a renewed push toward clean energy and greater infrastructure spending, a potentially enhanced financial regulatory regime, and immigration and healthcare reform. As we have seen in past cycles, the private equity industry is well-suited to take advantage of uncertainty and volatility, and we expect that experienced and disciplined general partners will continue to perform well in the prospective market environment.

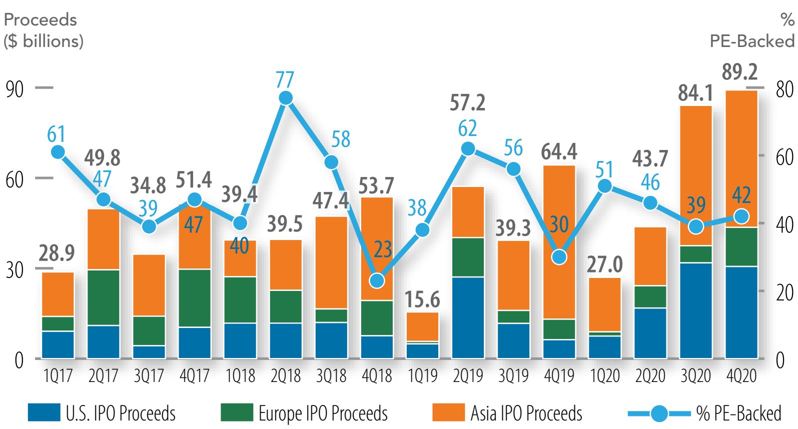
Global Exit Markets

Global M&A exit activity for PE-backed companies totaled $497 billion in 2020, according to data from Mergermarket, a decline of 6% from 2019 but still strong compared with historical standards. Activity was driven by a record-setting pace during the second half of the year: the third- and fourth-quarter totals of $177 billion and $182 billion, respectively, represented two of the three largest quarters on record. Deal volume experienced a similarly sharp recovery: following the announcement of just 318 deals in the second quarter, 499 M&A exits were announced in the third quarter and 690 in the fourth quarter—an amount surpassed only by the 709 exits announced in the second quarter of 2018. Annual M&A exit activity was led by the exits of two venture-backed companies: the $27.7 billion sale of business communication platform Slack to Salesforce and the $18.5 billion merger of digital heath company Livongo with Teladoc.

Global IPO markets closely mirrored the activity seen in the M&A markets: following a near halt in activity in March, IPO activity resumed at a healthy pace in the second half of the year, driven by strong post-IPO performance for new listings and the long-awaited debuts of several unicorn companies, particularly in the technology and healthcare sectors. In the U.S., 107 PE-backed IPOs raised $50.3 billion in proceeds, an increase of 22% from 2019 and the largest such figure since 2014. These listings generated an average increase in share price from IPO date to year-end of 77%, including increases of more than 100% for the year's two largest IPOs: Snowflake ($3.9 billion) and Airbnb ($3.8 billion). IPO activity in Europe and Asia experienced mixed results. In Europe, PE-backed IPO proceeds amounted to just €7.9 billion, a decline of 29% from 2019. In Asia, however, total proceeds raised during the year reached $44.4 billion, an increase of 53% from 2019.

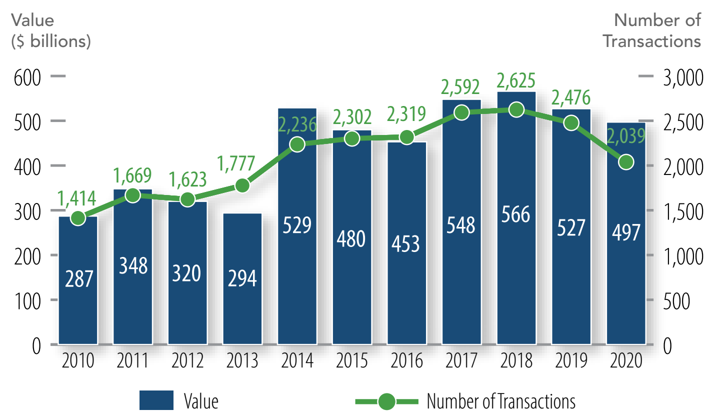
SPACs continued to play an increasingly prominent role for the private equity industry throughout the second half of 2020, serving as a method of accessing the public markets for both funding and liquidity purposes. In the fourth quarter, 30 PE-backed companies announced mergers with SPACs at a combined value of $60.3 billion, which brought full-year 2020 figures to an estimated $113 billion in value from 52 announced mergers. Although many of these transactions still remain in process and the ultimate outcome of the current SPAC frenzy remains to be seen, initial performance has shown positive momentum: the 23 PE-backed companies that did complete their transactions on U.S. exchanges and began trading in the public markets during the year produced a median increase in share price of 32% from the date the merger was announced to year-end, according to Pathway Research. Through January 20, 2021, an additional 59 SPACs held IPOs in the U.S., adding to a growing list of prospective buyers with a keen eye on the private equity markets as a source of deal flow.

Figure 1. Quarterly Global IPO Activity
At December 31, 2020



Source: Bloomberg, Renaissance Capital, and Pathway Research.

Figure 2. Global PE-Backed M&A Exit Value & Volume
At December 31, 2020



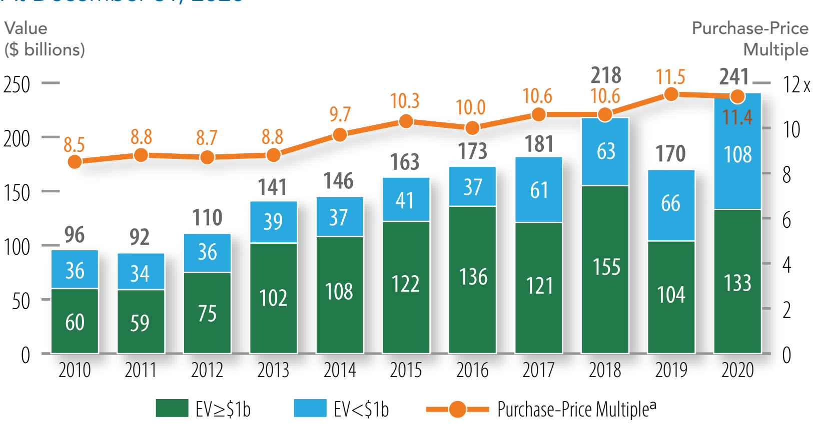
Source: Mergermarket.

U.S. Buyout Markets

U.S. buyout investment activity reached a current cycle high during 2020, totaling $241 billion, according to Refinitiv and Pathway Research. The annual total represents the largest such figure since the $434 billion invested in 2007 and comes despite significant volatility and uncertainty during the year. The initial impacts of the pandemic resulted in just $25.4 billion being invested in the second quarter—the lowest quarterly amount in more than five years—before activity rebounded strongly in the second half of the year. The fourth-quarter total of $114 billion represented the largest quarterly total since the second quarter of 2007 and included nearly $50 billion in activity in December alone. The quarter was driven by 27 transactions of $1.0 billion or greater in size, led by Roark Capital's $11.2 billion acquisition of Dunkin' Brands and Thoma Bravo's $9.5 billion acquisition of RealPage, the two largest U.S. buyouts of the year. Pricing remained relatively flat during the year, falling just moderately from an average of 11.5x EBITDA in 2019 to 11.4x EBITDA in 2020. However, general partners demonstrated a more conservative approach to deal structuring overall: the average cash interest coverage ratio, a measure of a company's ability to pay interest on its debt, for transactions that closed during 2020 improved to 3.4x, up from an average of 2.7x in 2019, according to S&P LCD.

Perhaps heeding lessons learned from the Global Financial Crisis (GFC), during which U.S. buyout investment activity fell below $30.0 billion for 12 consecutive quarters, private equity managers demonstrated a willingness to find creative avenues to source and structure investments throughout 2020. Notable areas of interest included PIPE transactions, minority growth equity financings, corporate carve-outs, and add-on acquisitions, all of which became increasingly relevant during the middle of the year when constrained credit market conditions held back large, traditional leveraged buyouts. Investors also flocked to the industries that showed the most resilience throughout the crisis, most notably the technology and healthcare sectors. Investments in technology companies accounted for 43% of deal value during the year, the largest total ever. Software investments, in particular, performed well during the year, driven by an increased reliance on software solutions necessitated by the extended work-from-home directives across much of the nation. Looking forward into 2021, many of the contributing factors to the strong pace of activity in the second half of 2020—including progress with a COVID-19 vaccine, stabilizing public and private market valuations, and ample buyout dry powder—appear likely to persist, providing an optimistic outlook for deal activity in the coming months.

Figure 3. U.S. Buyout Investment Activity
At December 31, 2020



Source: Refinitiv, 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 1. U.S. Buyout Investment Statistics
At December 31, 2020

Buyer	2007	2019	2020
Purchase Price/EBITDA	9.7x	11.5x	11.4x
Equity Contribution %	30.9%	43.5%	43.0%
Debt/EBITDA	6.0x	5.8x	5.7x
EBITDA/Cash Interest	2.1x	2.7x	3.4x

Source: S&P LCD.

European Buyout Markets

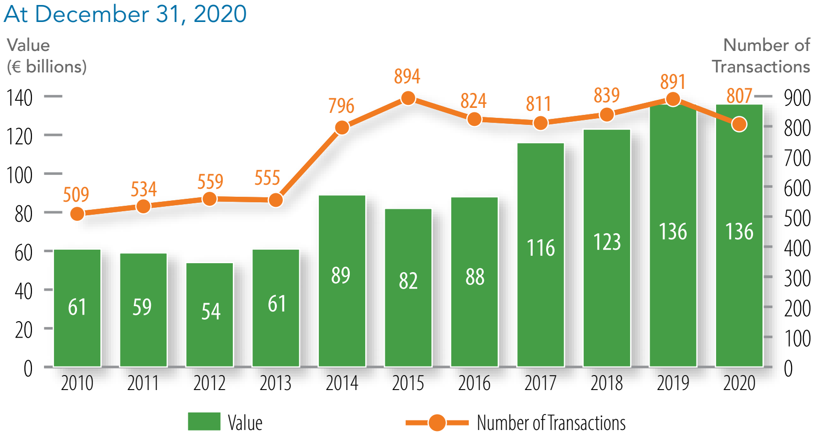
Following two quarters of relatively muted activity, European buyout markets experienced a marked revival in the fourth quarter of 2020: based on data provided by Refinitiv, the aggregate transaction value of European buyouts announced in the fourth quarter was €54.7 billion, up 187% from the prior quarter. This represents the highest quarterly total since the GFC, exceeding the €46.1 billion in the second quarter of 2018 by a significant margin. This increase in activity may be seen as a result of general partners gaining more comfort around the macroenvironment and reengaging on previously suspended investment opportunities. As a result of the strong fourth-quarter activity, 2020 was an active year overall—just below 2019, which continues to hold the post-GFC record for annual deal activity.

The rebound of activity in the fourth quarter was most pronounced in the UK, which experienced a more than tenfold increase in quarterly transaction value to €31.0 billion. This represents the highest quarterly total since the GFC—at more than double the second-highest amount (€15.0 billion in the third quarter of 2019). For the year, the UK accounted for 37% of the European total and maintained its position as Europe's most-active buyout market, followed by the DACH region, with 29% of the total. Notably, the average transaction size of UK deals was €450 million in the fourth quarter—significantly above the other European regions (€122 million). This was driven in part by several large take-private transactions of London-listed companies.

The fourth quarter saw a surge in transactions with enterprise values in excess of €1 billion: 14 large-cap buyouts were completed, compared with an average of 5.5 deals per quarter over the past five years. The largest deal of the quarter was TDR's acquisition of UK supermarket chain ASDA for €7.5 billion. The second-largest deal of the quarter, the publicly listed airport operator Signature Aviation, became the subject of a bidding war, and its board of directors signaled support for the winning bid in late December; the GIP-led take-private values the company in excess of €5 billion. Underneath the large-cap transactions, the European buyout market has demonstrated good depth: the 264 deals announced during the fourth quarter represent the highest quarterly total to date.

European credit markets followed the trend of the prior quarter: spreads continued to decline toward their pre-COVID levels, and primary high-yield issuance totaled €24.8 billion, according to data from UBS. Total issuance in 2020 was up 13% from the prior year, and credit market conditions are seen as conducive to leveraged buyout activity.

Figure 4. European Buyout Transaction Value & Volume
At December 31, 2020



Source: Refinitiv and Pathway Research.

Table 2. Largest European Buyouts in 4Q20
At December 31, 2020

Buyer	Target	Country	Value (MM)
TDR Capital	ASDA Group	UK	€7,461
Global Infrastructure Partners	Signature Aviation	UK	€5,362
BlackRock	Calisen	UK	€3,195
Towerbrook, Warburg Pincus	AA	UK	€3,191
EQT	Recipharm AB	Sweden	€2,662

Source: Refinitiv.

Asia Private Equity

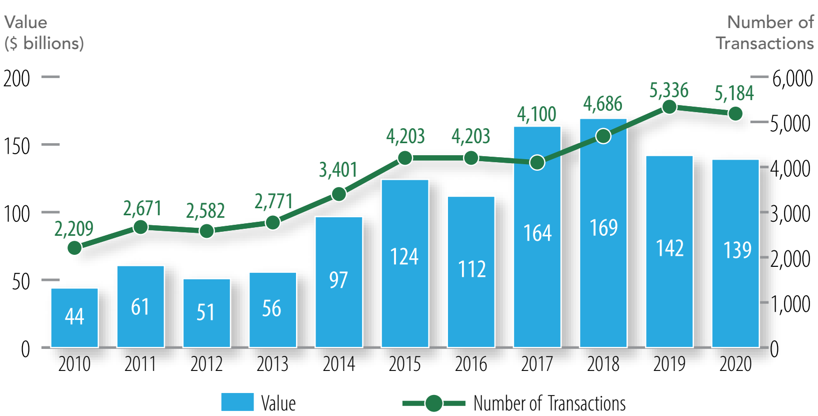
The Asia-Pacific region as a whole has largely managed to contain the spread of COVID-19 and reopen its economies, led by China's V-shaped recovery to 6.5% growth in the fourth quarter and 2.3% for the full year. The continuing economic recovery across Asia and news of successful vaccine development boosted investor sentiment in the fourth quarter and helped the major Asian public markets extend their third-quarter market rally to year-end. In particular, South Korea's, Taiwan's, and India's stock markets posted strong performance, all generating returns of more than 17% during the quarter. India's BSE Sensex 30 gained 25.7% for the quarter, and the 3-month PMI average rose from 51.6 to 57.2—the highest in more than a decade—on the back of the domestic manufacturing sector's recovery. Similarly, PMI figures jumped to a 9-year high of 52.9 in South Korea and to a 3-year high of 61.3 in Taiwan, partially as a result of high demand for their technology exports. Notably, all major public equity indices in Asia except for Hong Kong and Australia closed 2020 with double-digit percentage returns.

Despite a politically turbulent year between China and the West, optimism grew for a more collaborative relationship in 2021. In December, the European Union announced a landmark investment deal with China to allow European countries to better access the Chinese market, particularly in the automobile, financial services, and business services sectors. Meanwhile, despite the Trump administration's executive order banning U.S. investment in companies linked to the Chinese military, Joe Biden's election to the U.S. presidency provided hope to the market that a less antagonistic approach from the incoming administration will lead to a more stable U.S.–China relationship going forward.

During the fourth quarter, Asia private equity investment activity amounted to $38.5 billion from 1,178 transactions—a 6% quarter-over-quarter decrease and a 15% year-over-year decrease in value, according to data provided by *Asia Venture Capital Journal* (*AVCJ*). China was responsible for the largest share of investment activity at 56% of total investment value, followed by India (11%) and Australia (11%). Australia's active quarter was driven largely by Bain's $2.4 billion equity investment in Virgin Australia, the second-largest airline operator in Australia, which accounted for the region's largest PE-backed investment during the quarter.

The IPO market remained robust throughout the fourth quarter: 293 companies raised $45.6 billion via public offerings on Asia-based exchanges, according to Bloomberg. Asia's IPO market set a recent high in 2020, raising nearly $130 billion in capital—the highest total since 2010—despite the sizable IPO by Ant Financial being delayed due to regulatory concerns. The public listing of JD Health, the second publicly traded business unit of Chinese e-commerce giant JD.com, was the largest Asian PE-backed IPO of the quarter, raising $3.5 billion.

Figure 5. Asian PE Transaction Value & Volume
At December 31, 2020



Source: *AVCJ*.

Table 3. Largest Asian PE Investments in 4Q20
At December 31, 2020

Investors	Target	Country	Value (MM)
Bain Capital, Queensland Investment Corporation	Virgin Australia	Australia	$2,392
Boyu Capital, IDG Capital Partners, Hillhouse, Tencent	Yuanfudao.com	China	$2,200
Softbank Vison Fund, Sequoia, Permira, Fidelity Investments	The Full Truck Alliance Group (Manbang)	China	$1,700
Alibaba, SoftBank Vision Fund, FountainVest, Sequoia	Zuoyebang	China	$1,600
V Star Capital, Softfir Capital Group	Shenzhen Yunwang Wandian Technology	China	$913

Source: *AVCJ*.

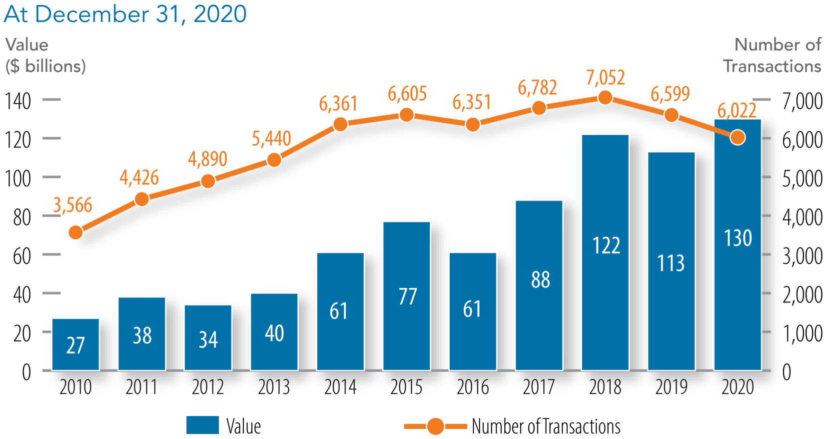
U.S. Venture Capital

Belying concerns that the COVID-19 pandemic would stifle investment activity, the venture capital industry experienced a record-setting year during 2020, and many general partners were able to adroitly navigate the pandemic to find attractive opportunities to deploy capital. During the fourth quarter, investment activity in the U.S. totaled $36.7 billion through 1,549 transactions, which brought the annual investment total to a record-breaking $130 billion invested via 6,022 transactions, according to the PwC/CB Insights MoneyTree™ Report. Underpinning the robust level of activity were 318 mega-round financings that raised $63.0 billion of capital and accounted for 49% of investment activity in 2020. Despite a 2-year decline in deal volume, the elevated level of mega-round activity during the period continued to spur venture capital investment and accounted for a staggering $113 billion in value. Consequently, the number of new unicorns accelerated: during 2020, 71 companies achieved unicorn status—a 15% increase from the prior year. Although seed- and early-stage investment activity declined slightly year over year, late-stage deals flourished, reaching $48.0 billion during 2020—an increase from the prior-year high of $40.7 billion.

Following a muted first half of 2020, venture-backed IPO activity exploded in the second half of the year, during which $25.7 billion was raised through 51 IPOs. The resurgent IPO markets during the second half of 2020 brought total VC-backed IPO value to $31.3 billion, surpassing the previous record established in 2019 by 11%. The fourth quarter was host to the long-awaited IPOs of Airbnb ($3.8 billion) and DoorDash ($3.4 billion), both backed by a number of prominent venture capital managers. The two companies experienced substantial first-day trading pops—increasing in price by 113% and 86%, respectively—which contributed to an average increase from IPO price to year-end of 93% for new venture-backed listings during the year. In addition to the proceeds raised through traditional IPO processes, one of the most prominent IPOs of 2020, Palantir Technologies, occurred via a direct listing on the New York Stock Exchange in September, which valued the company at $16.0 billion.

M&A exit markets also rebounded during the fourth quarter, spurred by Salesforce's $27.7 billion acquisition of Slack, a business communication platform. Slack had previously raised capital from venture groups, including Andreessen Horowitz, Accel Partners, and Institutional Venture Partners, prior to going public via a direct listing in June 2019. Prior to the acquisition, Slack was trading near its direct listing reference price of $26.00 per share and had experienced mixed performance in the public markets; however, the company garnered increased user demand as companies adjusted to remote working conditions, which ultimately prompted its acquisition at a price approximately 75% above its valuation at IPO.

Figure 6. U.S. Venture Capital Transaction Value & Volume
At December 31, 2020



Source: PwC & CB Insights MoneyTree™ Report.

Table 4. Largest U.S. Venture Capital Deals in 4Q20
At December 31, 2020

Company	Select Investors	Value (MM)
Resilience	New Enterprise Associates, ARCH Venture Partners & 8VC	$750
REEF Technology	Oaktree Capital Management & SoftBank Group	$700
Nuro	Greylock Partners, Fidelity Investments & SoftBank Group	$500
Relativity Space	General Catalyst, ICONIQ Capital & Tribe Capital	$500
GoPuff	Accel, D1 Capital Partners & SoftBank Group	$380

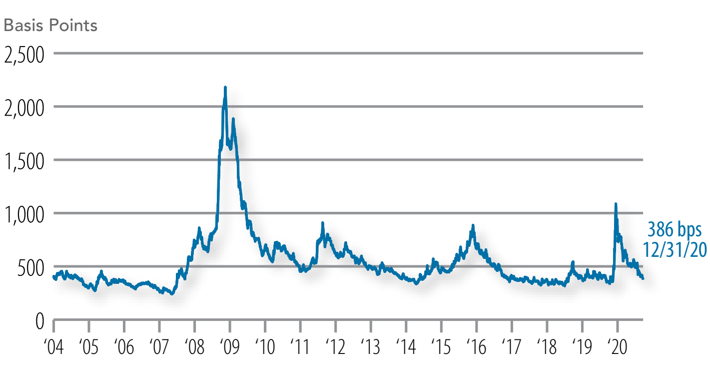
Source: PwC & CB Insights MoneyTree™ Report.

Private Credit Markets

Prior to the pandemic, the investment environment for distressed debt funds had not been favorable for most of the 10 years following the GFC. In the U.S., a record-long credit cycle characterized by steady economic growth, low interest rates, robust debt issuance, and low default rates translated into very few signs of distress outside of the energy sector. Following the selloff in financial markets in March, many investors believed that the pandemic would spark the beginning of a new distressed debt cycle. Distressed debt managers were quick to raise funds to take advantage of the anticipated wave of distressed-related opportunities. In the second and third quarters of 2020, nearly $40 billion was raised by distressed debt funds—greater than any prior full-year total for the strategy. Thus far, however, the opportunity set for distressed debt managers has been relatively limited, and the current distressed cycle appears to be much shallower than it was during the GFC, largely as a result of the significant fiscal and monetary policy response to contain the economic fallout. For example, the weighted average bid for the S&P Leveraged Loan Index hit a pandemic low of 76.2 in mid-March but increased steadily to end the year at 96.2. In comparison, average leveraged loan prices hit a low of 60.3 during the GFC (December 2008) and didn't reach pre-GFC levels for more than two years. Similarly, the trailing 12-month (TTM) high-yield default rate reached a current-cycle peak of 5.7% in July 2020, compared with 14% in December 2008, and had already declined to 5.2% at the end of December, according to Fitch Ratings. Nevertheless, many distressed debt managers believe that there are many companies and sectors that remain vulnerable to a sustained downturn and continue to anticipate an increase in distressed debt investment activity.

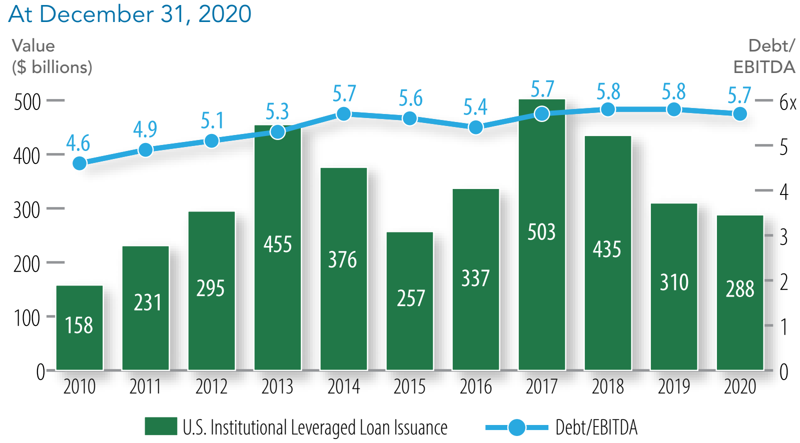
The non-investment-grade credit markets ended 2020 on a firmly accommodative footing, with financing widely available at very low yields. U.S. high-yield volume totaled $435 billion in 2020, an increase of 60% from the prior year and the largest annual total on record. The leveraged loan markets, which did not enjoy the same explicit support from the Federal Reserve as the high-yield markets, were constrained through much of the first half of 2020. However, the recovery in secondary loan prices and the increase in CLO formation paved the way for a strong finish to the year. Institutional leveraged loan issuance totaled $288 billion in 2020, down just 7% from the prior year, according to S&P LCD. The average yield for a new single-B-rated leveraged loan was 5.5% at the end of 2020, unchanged from the end of 2019. In the direct lending markets, many lenders spent the first few months of the crisis tending to their existing portfolios and working with sponsors to assess their portfolio companies' liquidity needs. During this time, direct financing activity declined in line with the slowdown in M&A activity, but new loans commanded higher spreads and stronger lender protections. With the rebound in M&A activity, direct lending activity has accelerated, but it remains to be seen if lenders can maintain the more-attractive terms they garnered earlier in the crisis.

Figure 7. High-Yield Bond Spreads over U.S. Treasuries
At December 31, 2020



Source: BofA Merrill Lynch.

Figure 8. U.S. Institutional Leveraged Loan Issuance
At December 31, 2020



Source: S&P LCD.

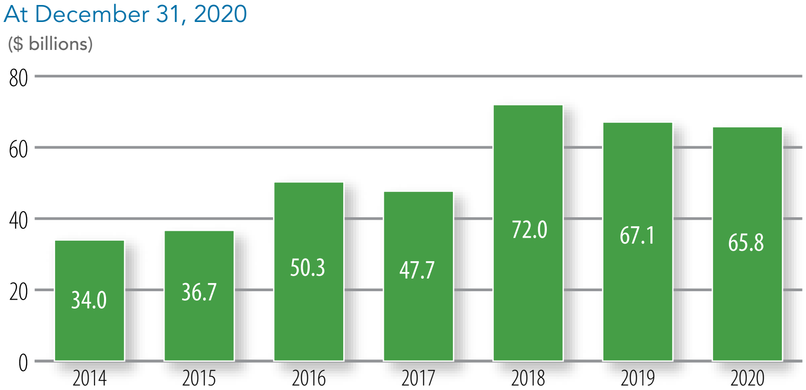
Infrastructure

Infrastructure fundraising activity maintained strength in the fourth quarter of 2020: 10 private infrastructure–focused funds raised $13.9 billion, a decline of 11% from the prior quarter but an increase of 62% relative to the fourth quarter of 2019. The quarter brought the full-year fundraising total to $65.8 billion, just 2% below the prior-year amount. The annual total was driven by the successful fundraisings of several prominent infrastructure investors. The three largest funds to hold final closes during the year—Brookfield Infrastructure Fund IV ($20.0 billion), Antin Infrastructure Fund IV ($7.4 billion), and Blackrock Global Energy and Power Fund III ($5.1 billion)—accounted for 49% of the annual total.

Following a record-setting 2019, infrastructure investment activity totaled $63.4 billion in 2020—a decline of 24% from the prior year—partly as a result of the volatility and uncertainty stemming from the COVID-19 pandemic. Annual investment activity was supported by a particularly strong fourth quarter: 60 infrastructure investments were completed at an aggregate value of $32.9 billion, marking a more than 300% increase in value from the prior quarter and surpassing the aggregate deal count for the first three quarters of the year combined. Leading the activity was Stonepeak Infrastructure's $8.1 billion acquisition of Astound Broadband, a provider of high-speed internet, cable, and phone services, which accounted for 25% of total quarterly activity.

There are numerous trends expected to drive an increasing number of infrastructure investment opportunities moving forward. The continued focus on decarbonization by countries around the globe, coupled with the Biden administration's proposed $2 trillion investment in clean energy, is expected to increase investment opportunities in the alternative energy space, particularly given the growing market competition. Digital infrastructure, an asset class that was in particularly high demand following the COVID-19 pandemic, is also expected to drive investment activity. As data usage continues to grow, driven by the transition to 5G and increased internet usage and connectivity, and as operators seek to build and scale such assets, particularly fiber assets, there will likely be an increase in investment demand. Smart cities—a framework for improving cities to be digitally connected and to sustainably address urbanization challenges—have been gaining traction among governments and local communities. Saudi Arabia recently unveiled plans for The Line, a linear city replacing cars and roads with high-speed transit and relatively limited carbon emissions, which will be supported by global investors. As other communities seek to implement similar initiatives, global infrastructure investors will have additional opportunities to deploy capital to fund such projects.

Figure 9. Global Private Infrastructure Capital Raised
At December 31, 2020



Source: PitchBook Data, Inc.

Table 5. Notable Infrastructure Deals in 4Q20
At December 31, 2020

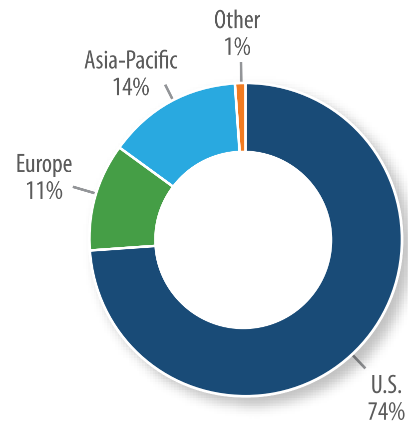
Asset/Company	Acquirer	Industry	Region	Deal Size (MM)
Astound Broadband	Stonepeak	Communications	U.S.	8,100
Multifuel Energy	First Sentier Investors	Power	UK	2,565
Queensland Curtis LNG	Global Infrastructure Partners	Midstream	Australia	2,500
Lightpath	Morgan Stanley Infrastructure Partners	Communications	U.S.	2,300
GTT Communications (Infrastructure Division)	I Squared Capital	Communications	U.S.	2,150

Source: PitchBook Data, Inc.

Fundraising Market

Following a strong third quarter, worldwide private equity fundraising continued at a brisk pace during the fourth quarter, reaching $134 billion, according to data from Refinitiv and Pathway Research. The strong pace of fundraising activity during the second half of the year brought the 2020 total to $551 billion and represented the second-consecutive year in which more than $550 billion was raised. Activity during the year was underpinned by a flight-to-quality—partly as a result of the lack of in-person due diligence due to COVID-19—and large, established managers continued to experience success in the fundraising markets. Globally, there were 100 funds larger than $1 billion in size that held closings during the year, accounting for approximately 62% of the total amount raised. The largest of these was CVC Capital Partners VIII, which raised €21.3 billion and is now the largest European buyout fund on record. Notably, only the Asia-Pacific region experienced a year-over-year increase in fundraising activity: the $77.1 billion raised in the region during 2020 marked an annual increase of 57%. The strong growth in Asia was led by buyout-focused funds KKR Asian Fund IV ($13.1 billion) and Baring Asia Private Equity Fund VII ($6.5 billion).

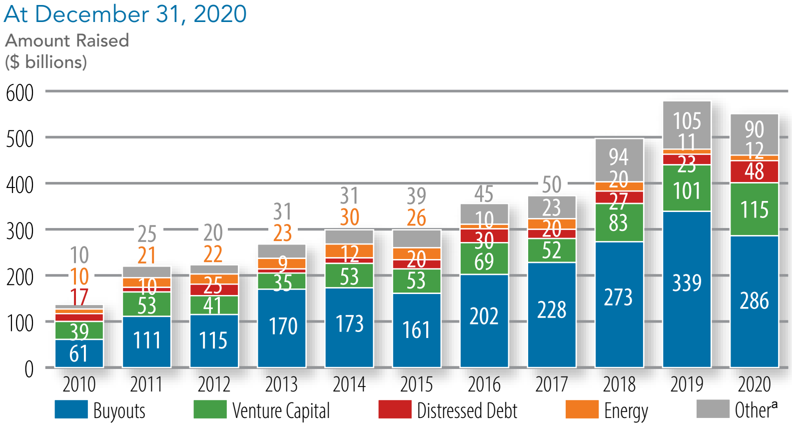
Figure 11. 4Q20 Fundraising by Region
At December 31, 2020



Source: Refinitiv 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.

Annual fundraising was driven by increased activity in the venture capital and distressed debt strategies, which offset double-digit annual declines in buyout and special situation fundraising. Venture capital fundraising totaled $115 billion, an increase of 15% from 2019 and the second-largest annual amount on record, following only the $148 billion raised during the dot-com bubble in 2000. Noteworthy venture funds raised during 2020 include Andreessen Horowitz Growth II ($3.2 billion) and IDG Breyer Capital Fund ($2.5 billion). Largely as a result of the anticipated increase in dislocation opportunities arising from COVID-19, distressed debt funds experienced a strong increase in activity: the $48.1 billion raised globally during the year represents the largest annual amount on record and a more than 100% increase from 2019. The U.S. drove annual distressed debt fundraising, accounting for 94% of the annual total. Activity was concentrated among a handful of established managers, including Oaktree Opportunities XI ($12.0 billion) and West Street Strategic Solutions I ($6.4 billion). Despite global uncertainty wrought by COVID-19, more than 1,500 funds held closes during the year—the third-highest amount on record—and total capital raised remained well above the historical annual 10-year average.

Figure 10. Global Private Equity Fundraising by Strategy
At December 31, 2020



Source: Refinitiv 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 special situations and other fund strategies not classified as buyout-, venture capital–, credit-, or energy-focused.

Table 6. Notable Funds Raised During 4Q20
At December 31, 2020

Fund	Strategy	Region	Amount (MM)
Thoma Bravo XIV	Buyouts	U.S.	$17,800
GTCR XIII	Buyouts	U.S.	$7,500
Blackstone Core Equity Partners II	Buyouts	U.S.	$7,000
Thoma Bravo Discover III	Buyouts	U.S.	$3,860
Andreessen Horowitz Growth II	Venture Capital	U.S.	$3,200

Source: Refinitiv and Pathway Research.

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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