Pathway Research

Private Market Environment

2ND QUARTER 2021

CONTENTS

2Q21 Market Review

Global equity markets staged a broad-based rally in the second quarter of 2021, capping a strong first half of the year for nearly all major equity indices. The MSCI All Country World Index generated a 7.5% return in the second quarter, bringing the index's year-to-date and trailing 12-month returns to 12.6% and 39.9%, respectively. Equity gains were fueled by positive economic data, strong corporate earnings results, and optimism over the accelerating rollout of COVID-19 vaccinations around the world. In the U.S., companies in the S&P 500 index reported aggregate year-over-year earnings growth of 52.5% for the first quarter, well above analyst estimates and the fastest pace since 2010, according to Factset. Similar to the prior quarter, however, the rally in equity markets was tempered by bouts of volatility driven by fears of rising inflationary pressures. The U.S. core consumer price index increased by 4.5% in June over the prior year—the highest annual increase since September 1991—fueling concerns that the Federal Reserve will have to curtail asset purchases and/or raise interest rates sooner than expected. However, many economists believe that the surge in prices is transitory and should moderate in coming months, as signaled by the marked decline in the 10-year U.S. Treasury yield during the second quarter (from 1.74% to 1.45%). Nevertheless, concerns over inflation and the economic outlook, as well as the recent surge in COVID infections caused by the Delta variant, will likely weigh on investors in the second half of the year.

Midway through 2021, the ongoing economic recovery and accommodative monetary policies worldwide have continued to sustain relatively high valuations across financial markets and an elevated level of capital markets and M&A activity. Global M&A activity totaled $1.6 trillion in the second quarter, an increase of more than 200% from the pandemic-impacted year-ago period and the highest quarterly total on record, according to data from Refinitiv. All geographic regions experienced a marked increase in deal-making activity, but none more so than the U.S., which saw M&A activity increase by more than threefold in the first half of 2021 compared with the first half of 2020. In addition to robust credit markets and a rebounding economy, U.S.-based M&A activity has also been boosted by companies seeking to sell assets ahead of the potential increase in tax rates proposed by President Biden. Private equity firms welcomed the influx of opportunities, which led to the industry's most active first half for investment activity since 2007. Announced buyout transaction value totaled $267 billion in the first half of 2021, already exceeding the full-year 2020 total and placing 2021 on track to surpass the long-standing annual buyout investment record set in 2007. In June, a consortium of private equity firms announced the $34.0 billion take-private buyout of medical supplies manufacturer Medline Industries—the largest buyout transaction since 2007.

Table 1. Largest PE-Backed M&A Exits Announced in 2Q21
At June 30, 2021

Seller	Portfolio Company	Industry	Region	Value (MM)
H&F, Carlyle	PPD	Healthcare	U.S.	$17,400
EQT, TA Associates	Aldevron	Healthcare	U.S.	$9,600
New Mountain Capital, Blackstone	Blue Yonder	Technology	U.S.	$8,200
TPG, Welsh, Carson, Anderson & Stowe (WCAS)	Kindred at Home	Healthcare	U.S.	$8,100
Apollo, Quantum Energy Partners	DoublePoint Energy	Energy	U.S.	$6,400

Table 2. Largest PE Investments Announced in 2Q21
At June 30, 2021

Buyer	Target	Industry	Region	Value (MM)
Blackstone, Carlyle, H&F	Medline	Healthcare	U.S.	$34,000
Thoma Bravo	Proofpoint	Technology	U.S.	$12,300
Bain Capital	Hitachi Metals	Manufacturing	Japan	$7,500
BDT Capital Partners	Culligan International	Industrials	U.S.	$6,000
DCP Capital, Ocean Link Partners	51Job	Business Services	China	$5,700

The venture capital industry experienced a particularly productive first six months of 2021, setting the stage for what is likely to be a record-breaking year for investment activity, distributions, and fundraising activity. U.S. venture capital investment activity totaled $75.0 billion in the second quarter, matching the prior quarter's record-setting pace, according to data from PitchBook Data, Inc., and the NVCA. Mega-round financings (i.e., financing rounds of greater than $100 million) accounted for more than half of the quarterly total, propelled by strong investor interest in companies that have scaled rapidly and are driving innovation in their market segments. During the quarter, venture capital firms enjoyed a bounty of investment gains generated through a variety of exit paths, including M&A transactions, initial public offerings, direct listings, and SPAC mergers. Forty-four venture capital–backed IPOs on U.S. exchanges in the second quarter raised an aggregate $20.8 billion, the highest quarterly total for proceeds raised by the sector on record. These figures exclude the direct listings of venture capital–backed cryptocurrency exchange Coinbase and gaming platform Roblox, which closed their respective first days of trading with a combined market capitalization of over $120 billion. Not surprisingly, given the strong performance, robust investment pace, and high level of distributions generated by the asset class in recent periods, venture capital fundraising activity reached a record high in the second quarter, and 2021 is on track to surpass the prior annual fundraising record set in 2000.

Recent pronouncements by China's regulators may make it more difficult for private equity firms that have invested offshore capital into China-based companies to exit those investments through their historically preferred path: a public listing on a U.S.-based exchange. In early July, China's Cybersecurity Review Office announced an inquiry into the data security practices of ride-sharing company Didi Chuxing and blocked the company from accepting new users, just days after the company went public on the NYSE, sending its shares tumbling nearly 20% below its IPO price. The regulator also announced that all Chinese companies seeking to go public on a foreign stock exchange must undergo a cybersecurity review and approval process prior to their IPO. China is also reportedly considering new listing regulations aimed at companies that have utilized a structure known as a *variable interest entity* (VIE). The VIE structure has been widely used over the past two decades by private equity firms to bypass restrictions on foreign ownership of companies operating in certain industry sectors, such as internet and telecommunications, but has never been explicitly approved by China's regulators. Increased scrutiny and oversight over Chinese offshore listings threaten to impede what has been a well-trodden path to liquidity for private equity firms that invest in the country: since 2000, 160 PE-backed Chinese companies have raised $63.9 billion in their IPOs on U.S.-based exchanges, according to Bloomberg.

Additionally, in late July, China announced a far-ranging set of new regulations aimed at the for-profit education sector, including a directive for companies to begin operating as non-profit organizations, a prohibition on foreign investment in the sector, and a ban on further capital raisings for already-listed companies. The education sector in China has garnered billions of dollars of private capital in recent years, and these investments are now at risk, pending further clarity from China's regulators. Following news of these directives, the share prices of listed Chinese education stocks in both the U.S. and Hong Kong plummeted, many falling more than 50%. Offshore-listed Chinese companies operating in other industry sectors also declined due to concerns over further regulatory actions. The Nasdaq Golden Dragon index, which tracks the largest Chinese companies publicly traded in the U.S., fell by 15% over a 2-day period following the announcement. These recent actions by China's regulators, along with the country's broader efforts to rein in and increase oversight of its rapidly growing technology sector, have created significant uncertainty, and private equity firms that invest in China are having to recalibrate their approach to investment structuring and exit planning, particularly with respect to companies operating in potentially sensitive industry sectors.

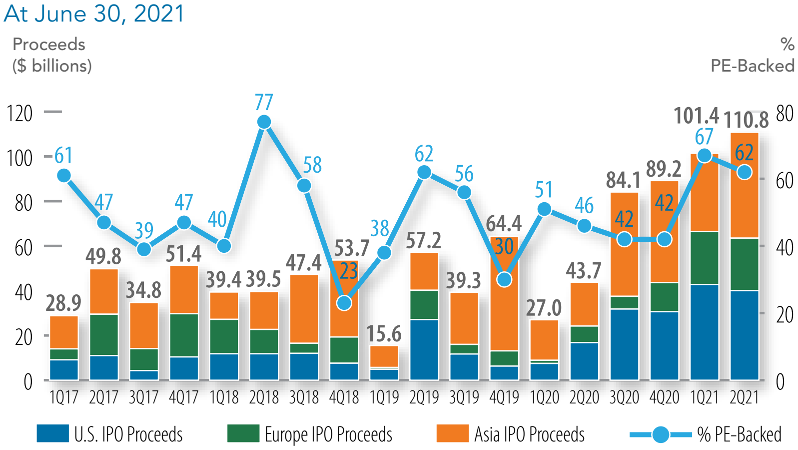
Global Exit Markets

Exit market activity surged to record heights during the second quarter as a result of private equity firms taking full advantage of the receptive conditions in the M&A and IPO markets to sell or take public their portfolio companies. Global M&A exit activity for PE-backed companies totaled $212 billion from 817 transactions during the quarter, according to data from Mergermarket and Pathway Research—a new quarterly record for both deal value and volume. Activity was led by three corporate acquisitions of PE-backed healthcare companies, each at greater than $8.0 billion in size. The largest of these was Thermo Fisher Scientific's $17.4 billion acquisition of publicly listed pharmaceutical testing company PPD, a sharp increase from its valuation of $9.2 billion in its February 2020 IPO. The company's two private equity owners, Hellman & Friedman and The Carlyle Group, had owned a controlling stake in PPD for nearly a decade, having first taken it private in 2011 for $3.9 billion. Other notable M&A exits during the quarter included Danaher's $9.6 billion purchase of Aldevron and Humana's $8.1 billion acquisition of Kindred at Home. Through the first half of 2021, worldwide M&A exit activity reached $424 billion, more than three times greater than the total for the first half of 2020 and well on track to set a new annual record during the second half of the year.

IPO market conditions remained favorable for new listings, which led to an active pace of IPOs on most exchanges globally. In the U.S., 69 PE-backed companies raised $33.2 billion in proceeds during the quarter, the largest volume and second-largest value for PE-backed listings in two decades. New listings performed well overall: PE-backed IPOs generated an average increase in share price of 28% from IPO date to quarter-end. Eight PE-backed companies raised greater than $1.0 billion during the quarter, led by Chinese ride-hailing giant Didi Chuxing, which raised $4.4 billion on the NYSE on the final day of the quarter. PE-backed IPOs in Asia and Europe raised $25.1 billion and $10.4 billion, respectively. The quarter was host to several notable listings in both regions, including the $3.2 billion IPO of JD Logistics in Hong Kong and the $2.2 billion IPO of Allfunds Bank in Amsterdam.

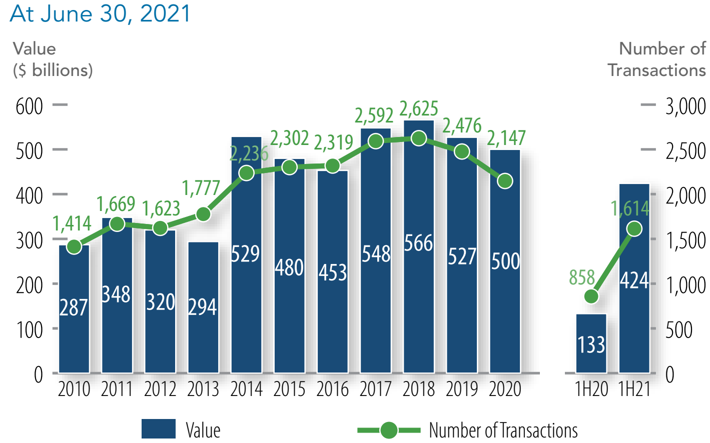
Despite a meaningful moderation in the pace of new SPAC IPOs during the second quarter, SPACs remained active acquirers of PE-backed companies. During the quarter, 51 PE-backed companies announced mergers with SPACs at an aggregate value of $151 billion. The total includes the $39.6 billion merger of Singapore-based ride-hailing service Grab with Altimeter Growth Corp.—the largest SPAC merger to date. As of late July, there were over 400 SPACs in the market still searching for an acquisition target, indicating that SPACs are likely to remain a prominent exit option for PE-backed companies moving forward.

Figure 1. Quarterly Global IPO Activity
At June 30, 2021



Source: Bloomberg, Renaissance Capital, and Pathway Research.

Figure 2. Global PE-backed M&A Exit Value & Volume
At June 30, 2021

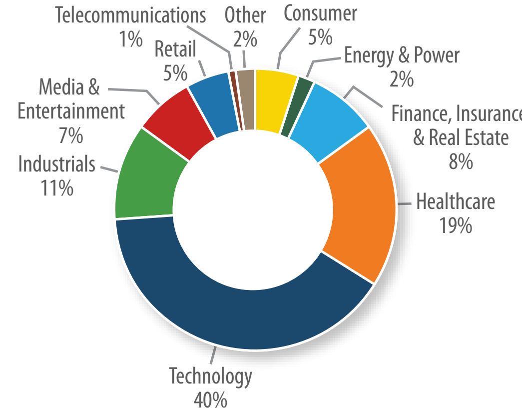


Source: Mergermarket and Pathway Research.

U.S. Buyout Markets

U.S. buyout investment activity totaled $141 billion during the second quarter, its third-consecutive quarter of greater than $100 billion in value, according to Refinitiv and Pathway Research. The quarterly total represents an increase of over 450% from the pandemic-impacted second quarter of 2020 and is the highest quarterly figure since the second quarter of 2007. Activity during the second quarter was buoyed by a resurgence in the large-cap market, which accounted for just over two-thirds of deal value, up from just 55% for all of 2020. The most notable large-cap transaction announced during the quarter was the take-private acquisition of medical supplies manufacturer Medline Industries for $34.0 billion by a consortium of investors led by The Blackstone Group, The Carlyle Group, and Hellman & Friedman. The transaction is the largest leveraged buyout announced since the take-private acquisition of power company TXU for $44.4 billion in the first quarter of 2007.

Figure 3. 1H21 U.S. Buyout Transaction Value by Sector
As a % of Transaction Value

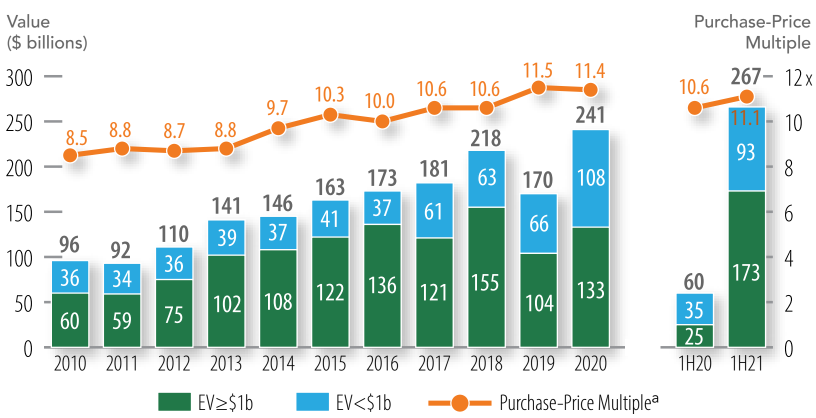


Source: Refinitiv and Pathway Research.

The second-quarter total brought U.S. buyout activity for the first half of 2021 to $267 billion, which already exceeds the annual total for 2020 as the most active year since the global financial crisis. The sharp increase in activity during 2021 was driven by a multitude of factors, including the strengthening economic outlook, accommodative debt financing markets, and growing levels of dry powder held by buyout managers globally. General partners and business owners have also closely monitored the Biden administration's proposed changes to the marginal capital gains rate, which would increase the tax from 20% to 39.6% under the latest proposal. The expectation of some change in this rate has expedited many exit processes and has created a robust pipeline of attractive opportunities as a result of business owners attempting to harvest their gains under the current tax regime.

Following a brief decline in mid-2020, buyout valuation and leverage statistics have largely returned to pre-pandemic levels (see table 3). During the first half of 2021, the average EV/EBITDA multiple for completed buyouts was 11.1x EBITDA, according to S&P LCD, down slightly from an average of 11.4x EBITDA in 2020. Similarly, the average leverage multiple was 5.9x EBITDA in the first half, up from 5.7x EBITDA in 2020. As a result of the highly competitive environment, general partners have remained focused on investments with strong competitive positioning, durable business models, and high-conviction value-creation plans.

Figure 4. U.S. Buyout Investment Activity
At June 30, 2021



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 3. U.S. Buyout Investment Statistics
At June 30, 2021

	2007	2020	1H21
Purchase Price/EBITDA	9.7x	11.4x	11.1x
Equity Contribution %	30.9%	43.0%	42.7%
Debt/EBITDA	6.0x	5.7x	5.9x
EBITDA/Cash Interest	2.1x	3.4x	3.5x

Source: S&P LCD.

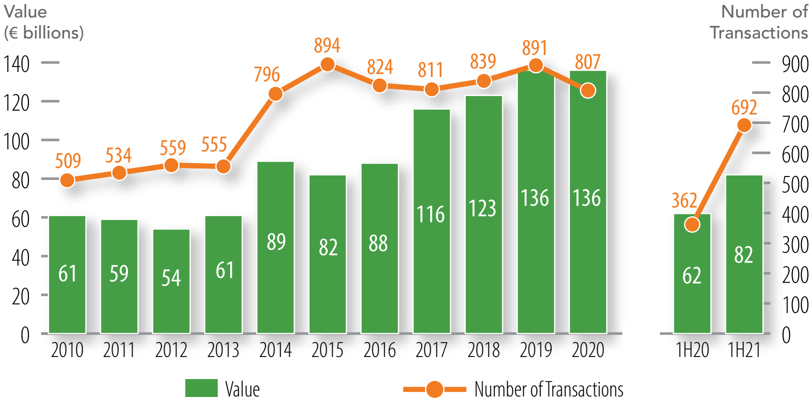
European Buyout Activity

During the second quarter, European buyout markets maintained the high level of activity of the prior quarter: the aggregate transaction value of European buyouts was down only 3%, to €40.5 billion, according to data provided by Refinitiv. As such, the second quarter was 29% above the average for the 20 prior quarters. The high activity has been maintained even though the number of large-cap deals with enterprise values in excess of €1.0 billion halved from the elevated level seen in the prior two quarters. This development was most pronounced at the very top of the market: compared with the 5-year average, the second quarter saw a decrease of only 6% in the number of large-cap buyouts but one of 36% in their aggregate value. The five large-cap deals announced in the second quarter are listed in table 4, led by CD&R's take-private of UDG Healthcare, a Dublin-based provider of clinical and commercial services to the healthcare industry, at an enterprise value of €3.3 billion.

The decrease in activity at the top of the market was almost fully compensated by a surge in upper-mid-market deals (i.e., deals with enterprise values between €500 million and €1.0 billion). In the second quarter, 14 such buyouts were announced, accounting for €9.2 billion in aggregate value, up from an average of six deals and €3.9 billion in value for the two prior quarters. As a result, upper-mid-market deals represented 23% of the aggregate transaction value of European buyouts announced in the second quarter—almost double the 5-year average of 12%.

The geographic distribution of European buyout activity in the second quarter was broadly in line with long-term averages. The United Kingdom represented the largest market, with 29% of the aggregate European transaction value, followed by the DACH region, with 21%. European credit markets continued to experience high activity in the second quarter: European primary high-yield issuance totaled €33.1 billion, according to data from UBS. Although this represents a decrease of 14% from the record-breaking first quarter, it is the second-highest quarterly total since the global financial crisis. With total issuance of €71.4 billion, the first half of 2021 is only 3% below the average of 2018–2020 full-year totals. The high primary market activity coincided with a slight decrease in the pricing of debt: spreads on BB-rated euro-denominated bonds came down from 242 basis points at the beginning of the quarter to around 230 basis points at quarter-end. These credit market conditions are seen as conducive to leveraged buyout activity.

Figure 5. European Buyout Investment Activity
At June 30, 2021



Source: Refinitiv and Pathway Research.

Table 4. Largest European Buyouts Announced in 2Q21
At June 30, 2021

Buyer	Target	Country	Value (MM)
Clayton Dubilier & Rice	UDG Healthcare	Ireland	€3,288
KKR	John Laing Group	UK	€2,469
KPS Capital Partners	Crown Holdings Food & Packaging	Switzerland	€1,900
Platinum Equity	Urbaser	Spain	€1,500
ADIA, Neuberger Berman, GIC	Constellation Automotive Group	UK	€1,161

Source: Refinitiv.

Asia Private Equity

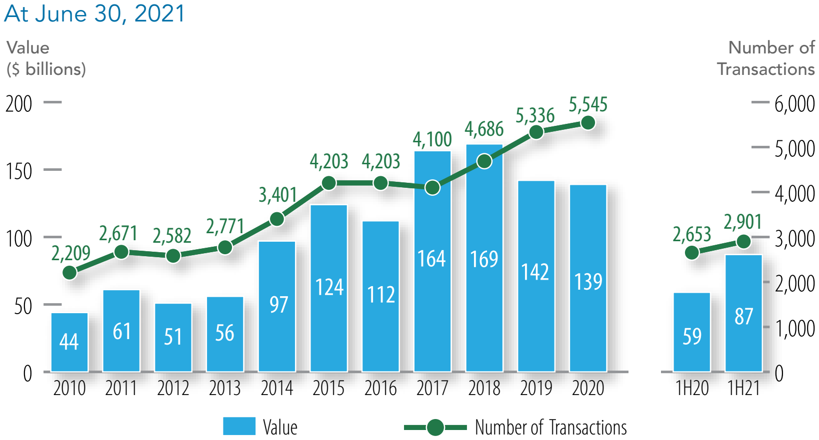
After enjoying a period of relative success combating COVID-19, many Asian countries recorded a significant uptick in cases during the second quarter as new variants of the virus and slow vaccine rollouts disrupted the region's economic recovery. In India, the number of cases surged to record highs, rising to a peak of over 400,000 cases per day in May. Although the Reserve Bank of India cut its fiscal 2021/22 GDP forecast from 10.5% to 9.5% to reflect an expected decline in economic activity, second-quarter private equity investments in India reached the highest level on record—$9.2 billion of investments—according to data provided by *Asia Venture Capital Journal* (*AVCJ*). The information technology and healthcare sectors were the primary beneficiaries of this activity as a result of investors continuing to take advantage of the digital adoption tailwinds and growth opportunities that resulted from the pandemic.

With less than 10% of its population vaccinated and facing a new wave of coronavirus infections, Japan was also forced to extend its state of emergency ahead of the Summer Olympics. Second-quarter GDP growth forecasts were slashed as a result of emergency measures dampening domestic spending, and household spending dropped 2.1% in May—the first decrease in four months. According to data provided by *AVCJ*, Japan private equity investment activity during the quarter also slowed, declining 53% quarter-over-quarter to $2.2 billion.

During the second quarter of 2021, Asia private equity investment amounted to $42.5 billion from 1,499 transactions—a 4% quarter-over-quarter decrease but a 32% year-over-year increase in value, according to data provided by *AVCJ*. Investment activity in China fell 33% quarter-over-quarter, which coincides with regulatory investigations into multiple domestic internet companies, including Alibaba, Tencent, Bytedance, JD.com, Didi Chuxing, and Meituan. However, China continued to be responsible for the largest share of investment activity at 41% of total investment value, followed by India (22%), and South Korea (11%). The largest PE–backed investment in Asia during the quarter was the $4.8 billion take-private transaction of China Biologic Products by a consortium of investors led by Centurium, CITIC Capital, and Hillhouse.

IPO market activity in the second quarter picked up from the previous quarter: 300 companies raised $47.3 billion via public offerings on Asia-based exchanges, a 36% gain on the previous quarter's proceeds. Notably, Chinese and Hong Kong companies accounted for 72% of the total proceeds raised, including China's JD Logistics, which raised $3.2 billion in proceeds and was the largest PE-backed IPO on an Asian exchange during the the quarter. In addition, two PE-backed Chinese transportation-related companies, Didi Chuxing and Full Truck Alliance, were listed in the U.S. and collectively raised $6.0 billion in proceeds.

Figure 6. Asia PE Transaction Value & Volume
At June 30, 2021



Source: *AVCJ*.

Table 5. Largest Asia PE Investments in 2Q21
At June 30, 2021

Buyer	Target	Country	Value (MM)
Centurium, CITIC Capital, Hillhouse, Temasek	China Biologic Products	China	$4,760[a]
Hillhouse, Boyu, Sequoia	J&T Express	China	$2,000
Softbank Group, DST Global, Coatue Management	Dingdong Maicai	China	$1,030
IMM Private Equity	SK Lubricants	South Korea	$970
Falcon Edge, Amansa Capital, Think Investments	Swiggy	India	$800

Source: *AVCJ*.
[a]Represents enterprise value of the transaction.

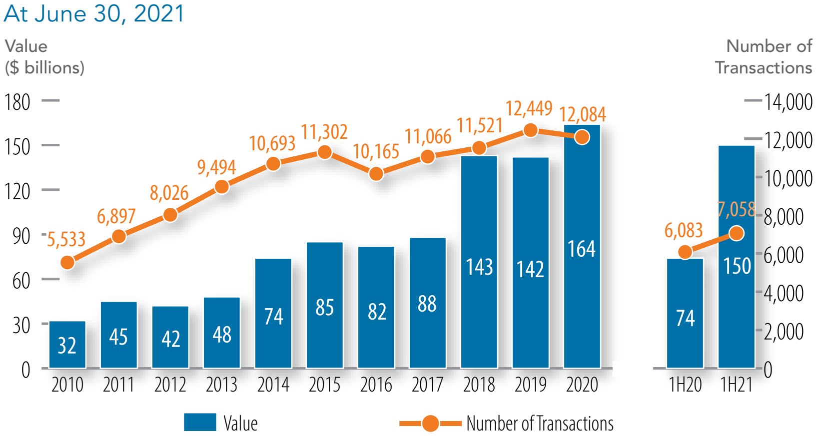
U.S. Venture Capital

U.S. venture capital investment activity surged to record levels during the second quarter, further building upon the strong momentum of 2020. During the quarter, $75.0 billion was invested via 3,296 transactions, according to the PitchBook-NVCA Venture Monitor. The outsized second-quarter total brought aggregate investment activity through the first half of 2021 to $150 billion—more than 90% of the annual investment total for 2020. Rising valuations, coupled with the increased frequency of follow-on financing rounds, have helped underpin the robust investment pace. During the second quarter, follow-on financings accounted for 94% of total activity, which led to record-high levels of mega-round financings (i.e., financing rounds of greater than $100 million). The nearly 200 mega-round financings in the second quarter generated $42.2 billion in investment value and prime 2021 to be the most active year for such financings by a wide margin. Traditional venture capital managers are facing increased competition from crossover investors such as Tiger Global Management, which continues to accumulate portfolio companies at breakneck speed. According to Crunchbase, Tiger Global led or co-led financings for 87 new or existing investments and added 110 new portfolio companies during the first half of 2021, outpacing traditional venture capital managers such as Insight Partners, Andreessen Horowitz, and Accel Partners. Crossover investment activity totaled $63.5 billion during the first half and is on track to surpass $100 billion by year-end.

Mirroring the pace of investment activity, venture capital–backed IPO activity surpassed the recent highs set just a quarter ago. During the second quarter, 44 IPOs raised $20.8 billion—a record in terms of IPO proceeds. Venture-backed IPO proceeds through the first half of 2021 exceeded the amount raised in full-year 2020 by 13%, and the pipeline remains active heading into the second half of the year. Headlining U.S. listings during the quarter were two China-based companies, Didi Chuxing ($4.4 billion) and Full Truck Alliance ($1.6 billion). The five largest offerings during the second quarter came from technology companies, and venture-backed technology companies overall raised $13.6 billion via 16 IPOs during the quarter, marking one of the most active quarters on record.

M&A exit activity totaled $24.1 billion during the second quarter, which brought activity for the first half of 2021 to $38.4 billion, excluding SPAC mergers. Several notable SPAC mergers of venture capital–backed companies were announced during the second quarter, including the $39.6 billion merger of Singapore-based Grab with Altimeter Growth Corp., the largest SPAC merger to date, and the $17.5 billion merger of Ginkgo Bioworks with Soaring Eagle Acquisition Corp. Notably, the valuation of Ginkgo Bioworks comes at a significant premium to the $4.9 billion valuation established in conjunction with the $70 million Series F round led by General Atlantic in May 2020. The merger is expected to be completed in the third quarter and includes a $775 million private investment in public equity (PIPE) placement.

Figure 7. U.S. Venture Capital Transaction Value & Volume
At June 30, 2021



Source: 2Q21 PitchBook NVCA Venture Monitor Report.

Table 6. Largest U.S. Venture Capital Deals in 2Q21
At June 30, 2021

Company	Select Investors	Value (MM)
Waymo	Andreessen Horowitz, Silver Lake & Tiger Global Management	$2,500
Epic Games	Altimeter Capital Management, KKR, & Soul Ventures	$1,000
Jellysmack	SoftBank Group	$950
Perch	SoftBank Group & Spark Capital	$775
Treeline Biosciences	ARCH Venture Partners, GV & OrbiMed Advisors	$735

Source: PitchBook Data, Inc.

Private Credit Markets

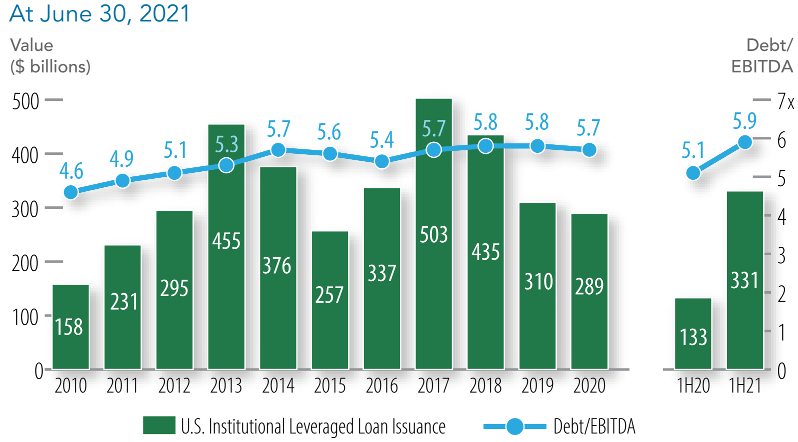
Indicators of distress in the leveraged credit markets fell in the second quarter, continuing the trend of steady improvement since the pandemic-driven selloff last March. The trailing 12-month U.S. high-yield default rate fell to 2.0% at the end of the second quarter, down from 4.9% at the end of the prior quarter, according to Fitch Ratings. High-yield default volume totaled less than $500 million in the second quarter—the lowest quarterly amount since the first quarter of 2007—which helped to drive the trailing 12-month default rate to its lowest level since March 2019. Similarly, the leveraged loan default rate fell to 1.25% in June, the ninth-consecutive monthly decline, according to S&P LCD. Market conditions improved significantly for many at-risk non-investment-grade companies over the past year, driven by the reopening of the economy, the unprecedented scale of fiscal and monetary policy support to counter the impact of the pandemic, and accommodative credit markets, which have allowed many companies to access liquidity and extend maturities. Further, the recovery in energy commodity prices helped to alleviate distress in the energy sector, which resulted in a sharp decline in defaults by energy companies in the first half of 2021 compared with the same period one year prior. The leveraged loan distress ratio—the percentage of performing loans trading at less than 80 cents on the dollar—fell to 1.0% in June, down from a current cycle peak of nearly 60% in March 2020 and the lowest level since November 2014.

Primary issuance in the leveraged loan and high-yield bond markets remained robust in the second quarter, which helped to fuel the strong pace of M&A and refinancing activity across the marketplace. U.S. institutional leveraged loan issuance totaled $147 billion in the second quarter, a decline of 21% from the record-setting volume in the prior quarter but still the fourth-highest quarterly total on record, according to S&P LCD. Leveraged loan issuance was supported by strong demand- and supply-side factors, including record CLO issuance, high inflows into bank loan funds and ETFs, and an elevated level of buyout investment activity during the quarter. Investors have been drawn to the asset class amid the global search for yield and to position their portfolios for a potential increase in interest rates due to strengthening economic conditions. CLO issuance totaled a record $42.6 billion in the second quarter, which brought the first-half total to an all-time high of $82.4 billion. Loans backing new buyouts and add-on acquisitions by private equity firms accounted for 40% of the quarter's volume, or $58.8 billion—the highest quarterly total since the third quarter of 2018. The average yield for a new single B-rated leveraged loan was 4.65% at the end of June, little changed from the prior quarter. The direct lending markets were similarly accommodative during the second quarter, with robust new financing activity and borrower-friendly pricing and terms. Additionally, the syndicated loan markets have been recently receptive to smaller-sized facilities, adding pricing pressure at the upper end of the direct lending markets.

Figure 8. High-Yield Bond Spreads over U.S. Treasuries
At June 30, 2021

Source: BofA Merrill Lynch.

Figure 9. U.S. Institutional Leveraged Loan Issuance
At June 30, 2021



Source: S&P LCD.

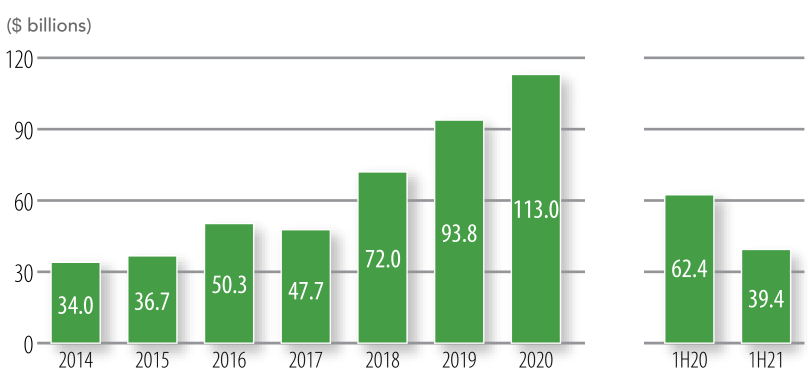
Infrastructure

Global infrastructure fundraising activity increased in the second quarter: 16 private infrastructure funds raised $26.3 billion—an increase of 102% from the prior quarter—which brought the total raised over the prior 12 months to $90.0 billion. Quarterly activity was driven by Copenhagen Infrastructure IV ($8.3 billion) and BlackRock Global Renewable Power Fund III ($4.8 billion), which accounted for 50% of total quarterly fundraising activity. Infrastructure activity is expected to remain strong through the remainder of 2021: several sizable funds are anticipating closings in the second half of the year.

Investment activity was strong during the second quarter: aggregate transaction value totaled $40.5 billion across 51 deals, an increase in value of 131% from the prior quarter. The $58.0 billion of activity in the first half of the year already represents 87% of total annual investment activity in 2020. Six deals in excess of $2.0 billion were announced during the quarter, which accounted for 62% of total transaction value. Macquarie and The Blackstone Group's $11.3 billion acquisition of Autostrade per l'Italia, an operator and constructor of toll highways in Italy, was the largest deal announced in the second quarter and accounted for 28% of total quarterly activity. Other notable deals announced during the quarter include KKR's acquisitions of Sempra LNG ($3.4 billion), a developer of natural gas liquefaction export facilities, and Atlantic Aviation ($3.3 billion), a provider of aircraft ground handling and corporate flight services.

Although inflation has been muted in the U.S. over the past decade, recent stimulative fiscal policy and loose monetary policy (largely in response to the COVID-19 pandemic), coupled with the reopening of the economy, have led to a larger-than-expected rise in inflation during the first half of 2021. The U.S. core consumer price index increased by 4.5% in June from the prior year, marking the sharpest annual increase since 1991. This has created a renewed focus by investors on the potential inflationary protections inherent in infrastructure. Often essential and monopolistic in nature, infrastructure assets may possess a high degree of demand inelasticity, insulating them from the negative impact of rising prices. This, combined with the fact that infrastructure investments typically include strong contractual payment terms that in many cases are tied to inflation, position the asset class well to weather an inflationary environment.

Figure 10. Global Private Infrastructure Capital Raised
At June 30, 2021



Source: PitchBook Data, Inc.

Table 7. Notable Infrastructure Deals in 2Q21
At June 30, 2021

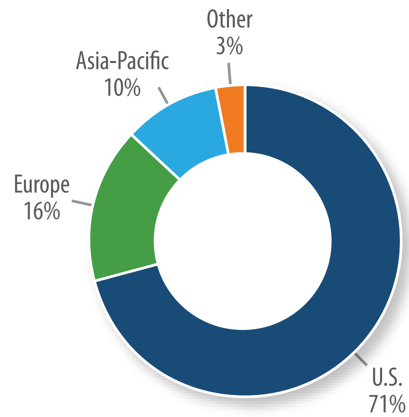
Asset/Company	Acquirer	Industry	Region	Deal Size (MM)
Autostrade per l'Italia	Macquarie, Blackstone, CDP	Transportation	Italy	$11,325
Sempra LNG	KKR	Oil & Gas	U.S.	$3,370
Atlantic Aviation	KKR	Transportation	U.S.	$3,298
Vocus Group	Macquarie, First State Super	Telecommunication	Australia	$2,683
Telstra InfraCo Towers	HRL Morrison	Telecommunication	Australia	$2,139

Source: PitchBook Data, Inc.

Fundraising Market

Worldwide private equity fundraising was robust during the second quarter, totaling $183 billion, according to data from Refinitiv and Pathway Research—a 25% increase from the prior quarter and the highest quarterly total on record. The outsized total was driven both by the volume of fundraising activity and the resurgence of mega funds (i.e., those of $5 billion or greater) following a quarter of muted large-market fundraising. The 601 funds to hold closes during the quarter marked the largest such figure on record, up 26% from the quarterly average over the past year. At the large end of the market, the four-largest funds to hold closes during the second quarter—Hellman & Friedman Capital Partners X ($24.4 billion), TA Associates Fund XIV ($12.5 billion), Genstar Capital Partners X ($10.2 billion), and Ardian LBO Fund VII ($8.8 billion)—raised a combined $55.9 billion, or 31% of the global total. The increase in activity was particularly noteworthy in the U.S, where fundraising reached a record high of $131 billion, up 28% from the first-quarter total. Fundraising activity in Europe and Asia experienced moderate quarter-over-quarter increases of 9% and 11%, respectively, although both regions fell well below their recent quarterly highs.

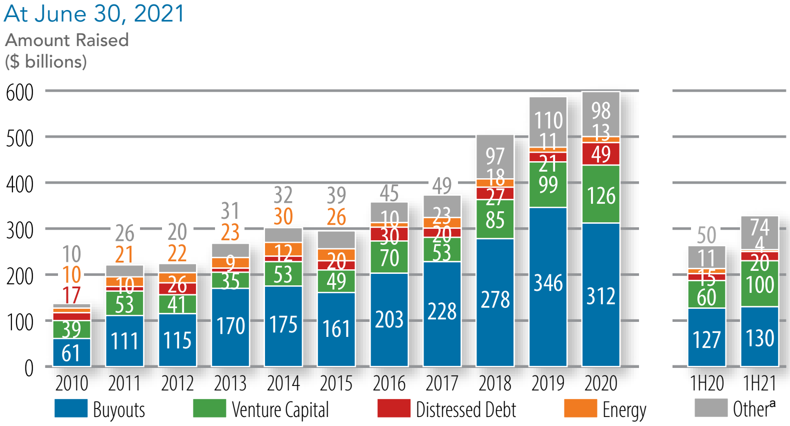
Figure 12. 1H21 Fundraising by Region
At June 30, 2021



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.

Venture capital funds raised a record $54.7 billion globally, surpassing the previous record high set during the prior quarter by 20%. Driven by a record pace of investment activity and strong performance across much of the industry, venture capital managers are returning to market on accelerated timelines, upsizing new fund offerings, and launching new fund products. The three-largest venture capital funds raised during the quarter were Flagship Pioneering Fund VII ($3.4 billion), Sequoia Capital China Growth Fund VI ($2.8 billion), and Andreessen Horowitz Crypto Fund III ($2.2 billion). Venture capital funds raised over $100 billion in the first half of 2021, which represents 80% of the 2020 annual total and primes 2021 to be the most active year on record. Buyout funds raised $81.4 billion during the second quarter, an increase of 68% from the prior quarter but in line with the quarterly average during 2020. Although the quarterly increase was driven primarily by several mega funds, activity remained strong in other segments: buyout funds below $5 billion in size raised $48.8 billion. Amid improved market conditions and low indicators of distress in the leveraged credit markets, distressed debt fundraising in the second quarter declined 23% from the prior quarter and is down 66% from its third-quarter 2020 high.

Figure 11. Global Private Equity Fundraising by Strategy
At June 30, 2021



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 8. Notable Funds Raised in 2Q21
At June 30, 2021

Fund	Strategy	Region	Amount (MM)
Hellman & Friedman Capital Partners X	Buyouts	U.S.	$24,400
TA Associates Fund XIV	Special Situations	U.S.	$12,500
Genstar Capital Partners X	Buyouts	U.S.	$10,200
Ardian LBO Fund VII	Buyouts	France	€7,500
K5 Private Investors	Special Situations	U.S.	$4,013

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.

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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