Pathway Research

Private Market Environment

3RD QUARTER 2021

CONTENTS

3Q21 Market Review

Global equity markets ran out of steam in September, resulting in the first quarterly loss for many of the major equity indices since the pandemic-driven sell-off in the first quarter of 2020. The MSCI All Country World Index fell by 4.1% in the last month of the quarter, bringing the index's third quarter return to –1.0%. Earlier in the quarter, it appeared that equity markets would continue to climb a wall of worry, but concerns about the risk of contagion from the potential bankruptcy of Evergrande, one of China's largest property developers, uncertainty about the outlook for economic growth and inflation, and political brinkmanship over the U.S. debt ceiling proved insurmountable. The liquidity crisis at Evergrande, the most prolific high-yield bond issuer in Asia, added to worries about the health of the world's second-largest economy and further weighed on Chinese equities, which have significantly underperformed other equity markets so far this year. In the U.S., economic output reached pre-pandemic levels in the second quarter, but persistent inflationary pressures and a rise in Delta variant COVID infections raised concerns about the go-forward outlook. Additionally, ongoing supply chain bottlenecks, labor shortages, and rising energy commodity prices further clouded the global economic outlook and dampened investor sentiment. In Europe, natural gas prices have more than quadrupled since the beginning of the year due to a confluence of factors, which has led to a surge in electricity prices and has strained the region's still-recovering industrial sector.

The torrid pace of deal-making activity that began in the second half of 2020 showed no signs of slowing during the summer months. Global M&A activity totaled $1.6 trillion in the third quarter, surpassing the prior quarter as the most active quarter on record and bringing the year-to-date total to $4.4 trillion—already higher than any prior full-year total, according to data from Refinitiv. As we have seen all year, the high velocity of activity during the quarter was driven by the ongoing global economic recovery from pandemic lows, accommodative credit markets, strategic and financial buyers flush with cash, and, in the U.S., an influx of sellers seeking to stay ahead of potential changes in tax rates. Private equity firms worldwide accounted for over $800 billion in buyside M&A activity in the year-to-date period, already surpassing the prior full-year record set in 2007. Technology-related M&A activity accounted for 20%, or nearly $900 billion, of transaction value in the first nine months of the year, also a record high. The proportion of technology-related deals in sponsor-backed U.S. M&A transactions was even higher, accounting for 41%—by far the largest sector of interest for private equity firms. Technology companies frequently provide mission-critical software or services to their customers, have wide competitive moats, and maintain pricing power, which make them attractive acquisition targets for private equity firms and well-suited to withstand a potential economic downturn and/or an inflationary environment.

Table 1. Largest PE-Backed M&A Exits Announced in 3Q21

At September 30, 2021

Seller	Portfolio Company	Industry	Region	Value (MM)
CD&R	Solenis	Chemicals	U.S.	$5,250
Carlyle Group	Atotech	Chemicals	Germany	$5,100
Advent International	Allnex	Chemicals	Germany	$4,750
Platinum Equity	Multi-Color	Manufacturing	U.S.	$4,600
KPS	DexKo	Manufacturing	U.S.	$3,400

Credit market conditions remained highly accommodative in the third quarter, fueling the M&A frenzy and supporting record levels of non-investment-grade debt issuance and refinancing activity. U.S. institutional leveraged loan issuance totaled $157 billion in the third quarter, bringing the year-to-date total to $488 billion—just $15 billion away from the full-year record set in 2017, according to S&P LCD. Similarly, in Europe, high-yield issuance totaled €97.4 billion in the first nine months of the year, surpassing the prior full-year record set in 2017. The global search for yield in a low-interest-rate and low-default-rate environment has driven significant demand for non-investment-grade debt, including high-yield bonds, leveraged loans, and private credit. CLOs, the primary buyer of leveraged loans, have raised $130 billion so far this year, greater than the prior full-year record set in 2018. Borrowers took advantage of favorable conditions to raise debt financing at historically low yields, refinance existing debt to lower interest costs and extend maturities, and execute dividend recapitalizations. Dividend recapitalization activity totaled $67.2 billion for the first three quarters of 2021, outpacing the prior annual record of $61.0 billion in 2013. Sponsor-backed companies accounted for over 80% of the total, highlighting the different ways that private equity firms are generating liquidity for their investors in the current environment.

Reports of record-high 1-year returns for pension plans and endowments made the headlines throughout the summer, surprising many with the magnitude of gains and quick turnaround since the first quarter of 2020. The record gains more than offset pandemic-driven losses, alleviated funding and budget shortfalls, and, for pension plans, decreased the gap between assets and promised benefit payments. In the U.S., state pension plans are expected to show an average funding ratio (plan assets as a percentage of liabilities) of 84% in fiscal year 2021, a significant improvement over the 69% average in 2020 and the 71% average in 2019, according to data from The Pew Charitable Trusts. Public equities likely provided the largest contribution margin (allocation percentage times return) to portfolio returns for most plans due to their high weighting, but it was private equity that had the strongest performance over the past year. The global private equity asset class (all strategies) generated a 1-year return of 52.1%, as of June 30, 2021, headlined by a 49.8% return for buyout funds and an 82.1% return for venture capital funds, according to data from Burgiss Private iQ. In comparison, the MSCI All Country World Index, S&P 500 index, and Nasdaq Composite generated returns of 39.8%, 40.8%, and 45.3%, respectively, over the same period. Although this extraordinarily high level of performance was generated in a unique market environment and will be difficult to sustain, private equity has consistently outpaced other asset classes over long-term horizons, even prior to the pandemic.

Table 2. Largest PE Investments Announced in 3Q21

At September 30, 2021

Buyer	Target	Industry	Region	Value (MM)
EQT	Parexel International	Healthcare	U.S.	$8,500
Apollo	Lumen Technology ILEC Assets	Telecommunications	U.S.	$7,500
Nordic Capital, Insight Partners	Inovalon	Technology	U.S.	$7,300
Thoma Bravo	Stamps.com	Technology	U.S.	$6,600
Thoma Bravo	Medallia	Technology	U.S.	$6,400

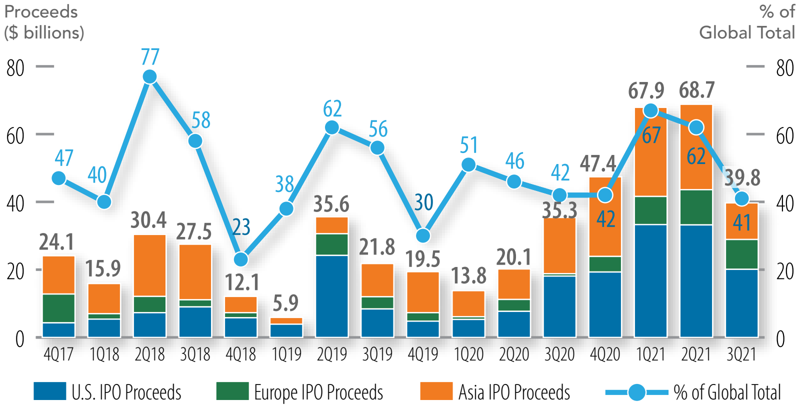
Global Exit Markets

2021 is on track to be a banner year for private equity exits. Market dynamics remain favorable for sellers, underpinned by competitive sales processes and strong post-IPO performance for new listings. During the third quarter, global M&A exit activity for PE-backed companies totaled $196 billion from 798 transactions, trailing only the two prior quarters as the third-highest quarterly amount on record, according to data from Mergermarket. Activity was particularly strong in Europe, which accounted for $74.2 billion in M&A exit value. European activity was driven by the sales of two German specialty chemicals companies, Carlyle-backed Atotech and Advent-backed Allnex, to strategics for $5.1 billion and $4.8 billion, respectively. Through September 30, 2021, year-to-date global M&A exit value totaled $655 billion, already 16% higher than the previous annual record.

In the IPO markets, rich public market valuations have supported a healthy pace of activity across all major exchanges. Third-quarter IPO value lagged the pace of the prior two quarters (which is common in the typically slower summer months) but still amounted to $39.8 billion raised by PE-backed companies worldwide—an increase of 13% from the same period last year. In the U.S., 48 PE-backed listings raised $20.1 billion in proceeds, the largest third-quarter figure since 2014. The quarter was headlined by three notable IPOs of venture-backed technology unicorns—Robinhood ($2.3 billion), Freshworks ($1.1 billion), and Toast ($1.0 billion)—which each posted double-digit increases in share price by quarter-end. In Europe, $8.8 billion was raised through 31 PE-backed IPOs, led by EQT-backed specialty chemicals distributor Azelis Group ($1.8 billion). Europe was also host to the direct listing of venture-backed money-transfer app Wise—the first-ever direct listing of a technology company on the London Stock Exchange—which valued the company at £8.0 billion. SPACs continue to play a prominent role as a method of accessing the public markets: during the quarter, 39 PE-backed companies announced mergers with SPACs at a combined exit value of $106 billion. Although SPAC merger activity has declined in each of the past two quarters—in part due to broad declines in the share price of many companies that previously went public via a SPAC—the sector has continued to remain relevant as an alternative exit method for PE-backed companies.

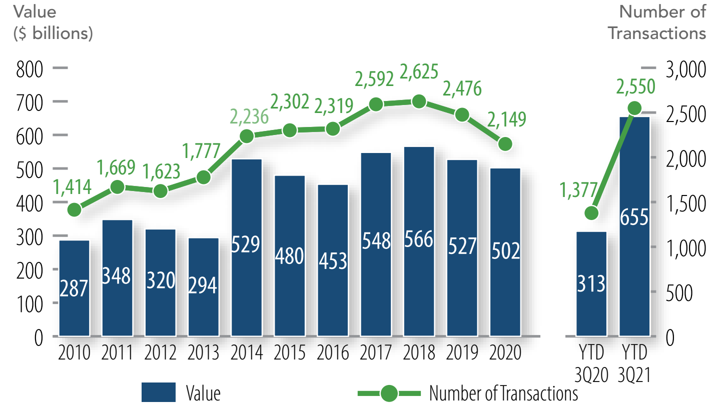
Private equity managers have taken full advantage of the beneficial exit market conditions to monetize gains and generate a record pace of distributions to limited partners. According to data from Burgiss Private iQ, through the first half of 2021 (the latest available data), private equity managers worldwide distributed $301 billion to limited partners. The total outpaces first-half 2021 contribution activity by $19.3 billion and puts 2021 on pace to surpass the prior annual distribution record by nearly 50%.

Figure 1. Quarterly Global PE-Backed IPO Activity
At September 30, 2021



Source: Bloomberg, Renaissance Capital, and Pathway Research.

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

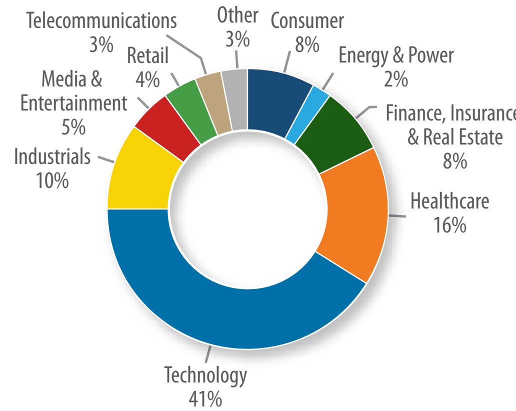


Source: Mergermarket and Pathway Research.

U.S. Buyout Markets

Buyout market activity in the U.S. remained elevated during the third quarter, firmly positioning 2021 to be the most active year on record. During the quarter, U.S. buyout investment activity totaled $118 billion, according to Refinitiv and Pathway Research—the fourth-consecutive quarter of greater than $100 billion in value. Although the total represented a decline of 16% from the prior quarter, it was still 74% higher than in the year-ago quarter and represents the largest third-quarter total on record. The quarterly total brought year-to-date U.S. buyout activity to $385 billion, already well above the full-year 2020 total and just 11% below the record-setting $434 billion in 2007.

Figure 3. YTD 3Q21 U.S. Buyout Transaction Value by Sector
As a % of Transaction Value

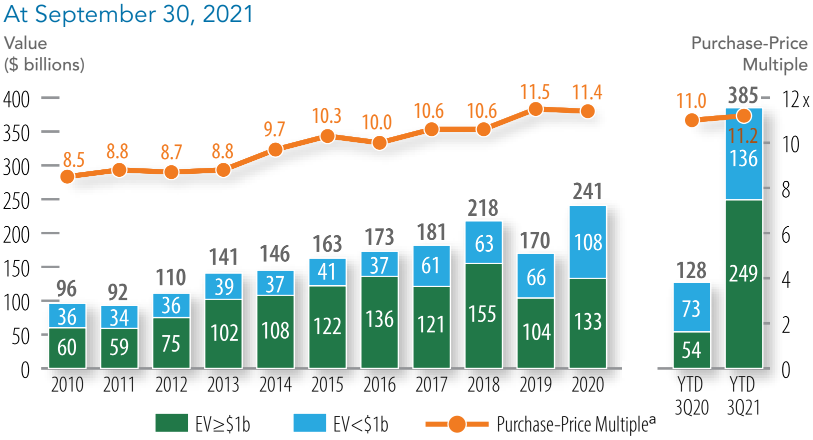


Source: Refinitiv and Pathway Research.

The strong pace of activity in 2021 has been driven by a multitude of factors, including strong economic growth, accommodative debt financing markets, and a high level of dry powder. Large-market activity continued to be a significant contributor during the third quarter: 22 large-cap buyouts (i.e., transactions with enterprise values of $1.0 billion or greater) were announced, accounting for $75.3 billion in value, or 64% of the quarterly total. The largest buyout announced during the quarter was the $8.5 billion acquisition of Massachusetts-based contract-research firm Paraxel International by EQT and Goldman Sachs. Public-to-private transactions also stayed relevant at the large end of the market, accounting for three of the five largest buyouts announced during the quarter. This included a pair of take-privates by software-focused buyout manager Thoma Bravo, which acquired Stamps.com and Medallia for $6.6 billion and $6.4 billion, respectively.

The average purchase-price multiple for buyouts completed during the third quarter rose to 12.3x EBITDA, which brought the year-to-date average to 11.2x EBITDA, just slightly below the full-year 2020 figure. Despite the elevated pricing environment, buyout managers have continued to remain prudent in their deal structuring in many ways. The average equity contribution percentage for completed buyouts through the first three quarters of 2021 was 47.2%, compared with an average of 30.9% in 2007. Similarly, the average cash interest coverage ratio—a measure of a company's ability to pay interest on its debt—was 3.6x year to date, compared with 2.1x in 2007. Buyout managers and bankers both continue to cite robust pipelines of investment opportunities, which has led to the expectation that buyout activity will remain heightened throughout the remainder of 2021 and potentially beyond.

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

	2007	2020	YTD 3Q21
Purchase Price/EBITDA	9.7x	11.4x	11.2x
Equity Contribution %	30.9%	46.8%	47.2%
Debt/EBITDA	6.0x	5.7x	5.7x
EBITDA/Cash Interest	2.1x	3.4x	3.6x

Source: S&P LCD.

European Buyout Activity

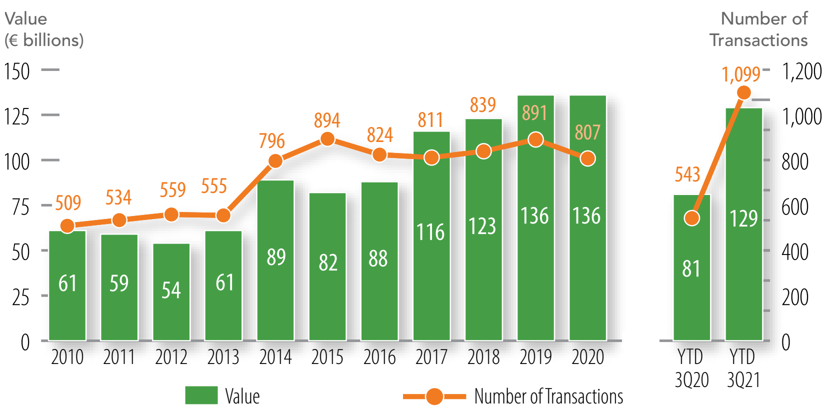
European buyout activity increased in the third quarter: according to data provided by Refinitiv and Pathway Research, the aggregate transaction value of European buyouts announced in the quarter was €47.1 billion, up 16% from the prior quarter. The overall momentum has been high since the fourth quarter of 2020, and the aggregate transaction value for the past 12 months was €184 billion—more than in any other 12-month period since the Global Financial Crisis ("GFC"). As such, 2021 is well on track to mark a new post-GFC record.

The increase in the aggregate transaction value in the third quarter was the result of a recovery of activity in the large-cap market (i.e., deals with enterprise values in excess of €1.0 billion). The value and volume of these deals had dropped by more than 40% in the prior quarter but returned to their first-quarter levels in the third quarter. Despite this recovery, the large-cap market still represented only 42% of the aggregate transaction value in the third quarter, meaningfully below its 5-year average of 53%.

The largest deal of the quarter was the acquisition of T-Mobile Netherlands by Apax and Warburg Pincus at an enterprise value of €5.1 billion. This was followed by the EQT- and Hellman & Friedman–led public-to-private transaction of Zooplus, a German pet store operator, at an enterprise value of €3.7 billion, and by CVC's investment in Spanish football association LaLiga at a valuation of €2.7 billion. Driven by this investment, Southern Europe represented an uncharacteristically high share of the aggregate European transaction value at 18%, which put the DACH region in third place with 17%. Similar to the prior quarter, the United Kingdom represented the largest market, accounting for 28% of the European total.

Following record-breaking high-yield issuance in the first half of the year, activity in the European credit markets slowed during the traditionally quieter third quarter. According to data from UBS, European primary high-yield issuance totaled €26.0 billion in the third quarter—a decrease of 21% from the second quarter but 32% above the average third-quarter total for the previous five years. Despite this slowdown, 2021 is already a record year: its aggregate primary issuance of €97.4 billion in the first nine months exceeds all full-year totals since the GFC. The high activity has in part been driven by increased use of debt in financing structures: the average leverage in European buyouts has moved up from 5.85x in 2020 to 5.98x in the year to date, according to data from S&P LCD.

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



Source: Refinitiv and Pathway Research.

Table 4. Largest European Buyouts Announced in 3Q21
At September 30, 2021

Buyer	Target	Country	Value (MM)
Apax, Warburg Pincus	T-Mobile Netherlands	Netherlands	€5,100
EQT, Hellman & Friedman	Zooplus	Germany	€3,700
CVC	Liga Nacional de Fútbol Profesional	Spain	€2,700
Hellman & Friedman, BlackRock, GIC	Belron International	UK	€2,236
Permira	Adevinta	Norway	€1,900

Source: Refinitiv.

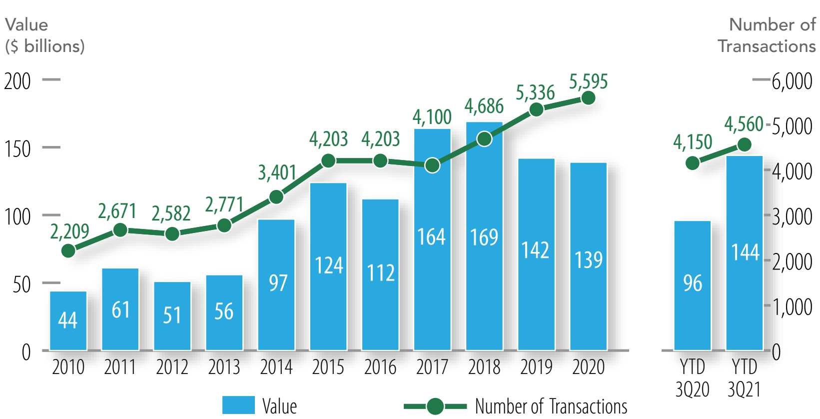
Asia Private Equity

China dominated regional headlines in the third quarter as a result of the introduction of sweeping regulatory reforms and Evergrande's debt crisis taking center stage. As part of plans to improve social stability and national security, Chinese regulators ushered in education reforms, which have upended the $100 billion private tutoring sector, and drafted new rules to tighten up cybersecurity. For-profit curriculum-tutoring companies are now required to re-register as non-profit organizations, adversely affecting some of China's largest education companies, including PE–backed TAL Education, Yuanfudao, and Zuoyebang. Additionally, companies with more than one million users must undergo a cybersecurity review prior to pursuing an overseas public listing, which has led to many Chinese companies putting their IPO plans on hold. These policy moves, in combination with the tightening of the Anti-Monopoly Law, have been used to target large digital platform companies, which has led to investors shifting their focus from B2C to B2B technology-focused companies, such as in the artificial intelligence, semiconductor, and autonomous driving sectors. According to *Asia Venture Capital Journal* (*AVCJ*), China's non-services share of technology investing increased from 40% in the fourth quarter of 2020 to 70% in the third quarter of 2021.

Due to the uncertain regulatory environment, listing volumes in Hong Kong dipped to $6.0 billion in the third quarter—the lowest level since the onset of the pandemic—and only one Chinese company went public in the U.S. However, Asian exchanges experienced a strong third quarter: 262 companies raised $46.5 billion from IPOs, a decrease of less than 2% from the prior quarter and from the third quarter of 2020. This was driven partially by a number of blockbuster deals in South Korea and India, which accounted for $10.2 billion and $3.9 billion, respectively, in proceeds raised. The largest IPOs completed in these two countries during the quarter were Krafton, KakaoBank, and Zomato. Notably, South Korean, Indian, and Southeast Asian technology startups have enjoyed particularly strong momentum, raising $7.8 billion in 2021—more than in the past three years combined.

Asia private equity investment activity amounted to $55.4 billion from 1,577 transactions in the third quarter—an increase in value of 28% quarter over quarter and of 53% year over year, based on data provided by *AVCJ*. China was responsible for the largest share of investment activity at 37% of total investment value and was followed closely by India at 30%. Investment activity in India increased by 76% quarter over quarter and by 200% year over year to $16.9 billion as a result of the easing of lockdown restrictions and the rapid pace of investment by Indian venture capital groups. This growth was driven primarily by the technology sector, which includes the largest PE–backed investment in Asia in the quarter, a $3.6 billion pre-IPO round for Flipkart led by a consortium of investors that included Walmart, SoftBank Vision Fund, and Tiger Global.

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



Source: *AVCJ*.

Table 5. Largest Asia PE Investments in 3Q21
At September 30, 2021

Buyer	Target	Country	Value (MM)
SoftBank, Walmart, Tiger Global Management	Flipkart	India	$3,600
SoftBank	Yanolja Corp.	South Korea	$1,707
Bank of China Group Investment, China Renaissance, IDG	SVOLT Energy Technology	China	$1,586
SoftBank, Accel, Wellington Management	Bundl Technologies (Swiggy)	India	$1,250
Insight Partners, Lightspeed Venture Partners, NEA, Sequoia Capital China, Thoma Bravo	FTX Exchange	Hong Kong	$900

Source: *AVCJ*.

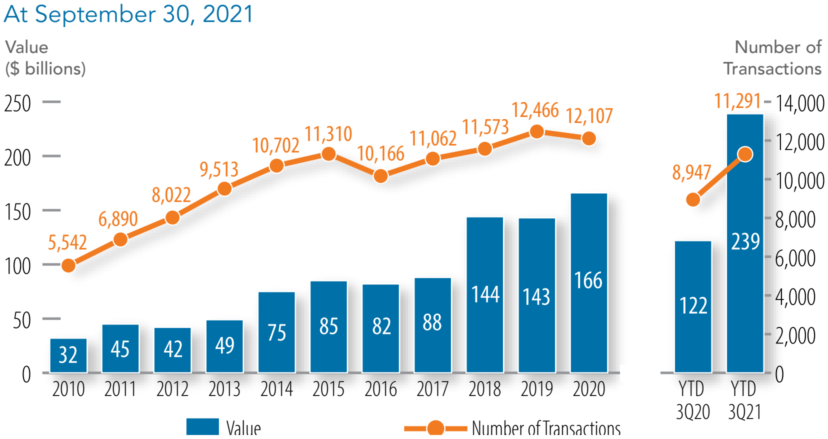
U.S. Venture Capital

Venture capital investment activity continued its blistering pace during the third quarter, setting a new record of $82.8 billion invested via 3,518 transactions, according to the PitchBook-NVCA Venture Monitor. The significant uptick in investment activity during 2021 brought the year-to-date total to $239 billion, priming 2021 to surpass $300 billion in annual activity. Late-stage investment activity exceeded $56 billion for the third-consecutive quarter and was bolstered by the increased presence of crossover investors such as Tiger Global and SoftBank. The prominence of these investors has also pushed mega-round financings (i.e., financing rounds of greater than $100 million) to new heights: a record 207 mega-round financings raised $49.5 billion of capital in the third quarter. Year-to-date crossover investment activity reached $102 billion, which outpaced crossover capital deployed during 2019 and 2020 combined. According to Bloomberg, SoftBank is investing Vision Fund 2 at twice the pace of the previous Vision Fund: through September 2021, it had completed 115 deals, thus quintupling the existing number of Vision Fund 2 portfolio companies in less than nine months.

Buoyed by rising valuations and the positive performance of many recent listings, venture capital–backed IPO activity remained healthy during the third quarter: 28 IPOs raised $10.5 billion of proceeds. Third-quarter activity contracted from the highly active second quarter but still marked the fifth-consecutive quarter in which proceeds eclipsed $10.0 billion. After raising $3.4 billion of emergency funding earlier in the year, Robinhood ($2.3 billion) debuted on the Nasdaq at a $32 billion valuation in early August—the largest IPO of the quarter. Mirroring the second quarter, the technology sector was well-represented, constituting over 50% of IPO proceeds raised. The third quarter was also host to the direct listings of Amplitude and Warby Parker, which had previously raised capital from a mix of traditional and non-traditional venture capital investors and enjoyed favorable first-day trading pops. Warby Parker's share price increased by 36% on its first day of trading over its $40.00 reference price, which pushed the company's valuation north of $6.0 billion.

M&A exit activity for venture capital companies decreased by 8% during the third quarter to $25.0 billion. Despite the slight decline, exit activity remains strong: the year-to-date total of $68.9 billion represents a 97% increase from the pandemic-impacted year-ago period. Notable deals announced during the quarter include the sale of Accel- and Shasta Ventures–backed Frame.io to Adobe for $1.3 billion and the sale of General Catalyst– and Summit Partners–backed Clarabridge to Qualtrics for $1.1 billion. After the announcement of several record SPAC mergers in the second quarter, third-quarter SPAC merger activity cooled, partially as a result of the losses sustained by many previously completed SPAC mergers, particularly in the green energy and sustainability sectors. The largest SPAC merger of a venture capital–backed company in the third quarter was the $11.0 billion merger of self-driving vehicle technology company Aurora Innovation with Reinvent Technology Partners Y.

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



Source: 3Q21 PitchBook-NVCA Venture Monitor Report.

Table 6. Largest U.S. Venture Capital Deals in 3Q21
At September 30, 2021

Company	Select Investors	Value (MM)
Rivian	D1 Capital Partners, Dragoneer Investment Group, Third Point Ventures, Coatue Management	$2,500
Articulate	General Atlantic, ICONIQ Capital	$1,500
Devoted Health	Andreessen Horowitz, SoftBank, Maverick Ventures, General Catalyst	$1,200
Chime	Sequoia Capital, SoftBank, General Atlantic, Dragoneer Investment Group, Tiger Global	$1,105
Gopuff	SoftBank, Hedosophia	$1,000

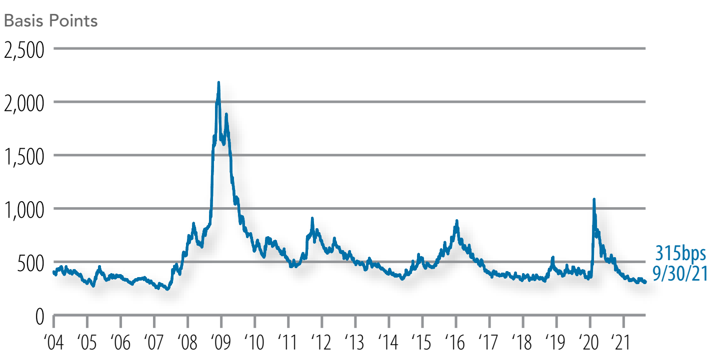
Source: PitchBook Data, Inc.

Private Credit Markets

Indicators of distress in the leveraged credit markets fell to multi-year lows in the third quarter, continuing the trend of steady improvement since the pandemic-driven dislocation in the first half of 2020. The trailing 12-month U.S. high-yield default rate fell to 1.0% at the end of the third quarter, down from 2.0% at the end of June and the lowest level since 2013, according to Fitch Ratings. There were only two defaults in the third quarter, totaling $1.2 billion in par value—an increase from the prior quarter but less than 10% of the default volume in the year-ago period. Similarly, the leveraged loan default rate fell to 1.0% at the end of the third quarter, the 10th-consecutive monthly decline and well below the 4.5% rate at the end of 2020. Market conditions have 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, a rebound in energy commodity prices, and accommodative credit markets, which have allowed many companies to access liquidity and extend maturities. The leveraged loan distress ratio—the percentage of performing loans trading below 80% of par—fell to less than 1% in September, down from 2.2% at the end of 2020, according to S&P LCD.

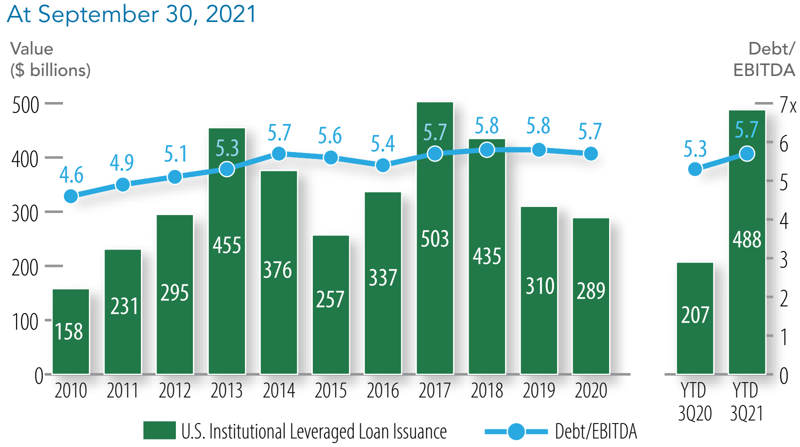
Primary issuance in the leveraged loan and high-yield bond markets remained robust in the third quarter, which helped to fuel the strong pace of M&A and refinancing activity across the marketplace. U.S. institutional leveraged loan issuance totaled $157 billion in the third quarter, which brought the year-to-date total to $488 billion, just $15 billion away from the full-year record set in 2017, 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 driven by strengthening economic conditions. The average yield for a new single-B-rated leveraged loan was 4.75% at the end of September, down from 5.2% at the end of 2020. The direct lending markets were similarly accommodative during the third quarter, characterized by robust new financing activity and borrower-friendly pricing and terms. The capacity of direct lending funds to underwrite large-scale financings that were previously only possible in the syndicated markets continues to grow. There were several billion-dollar unitranche financings executed in the direct lending markets during the quarter, including the $1.8 billion financing to support the acquisition of software company Medallia and the $2.6 billion financing to support the acquisition of e-commerce shipping company Stamps.com, both sponsored by Thoma Bravo.

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



Source: BofA Merrill Lynch.

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



Source: S&P LCD.

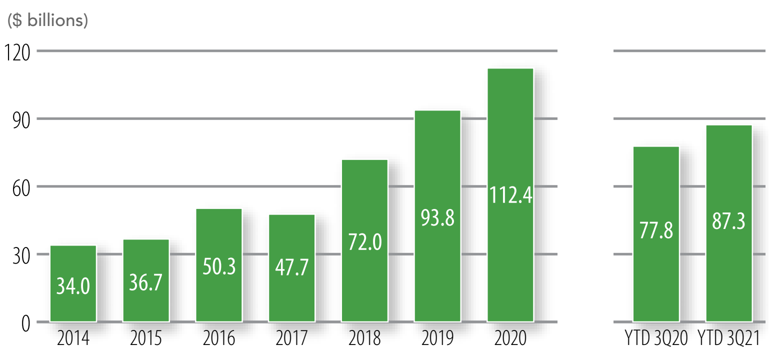
Infrastructure

Through the third quarter, global infrastructure fundraising activity maintained its recent strong pace: eight private infrastructure funds raised $30.1 billion during the quarter, an increase of 2% from the prior quarter and exceeding the historical 3-year quarterly average of $25.4 billion. Activity during the quarter was driven primarily by KKR Global Infrastructure IV ($14.2 billion), which accounted for nearly 50% of total quarterly activity. Through the first three quarters of 2021, infrastructure funds have raised $87.3 billion—a 12% increase from the same period in 2020.

Global infrastructure investment activity during the third quarter totaled $33.8 billion across 47 transactions, a decline in value of 16% from the prior quarter. Despite the quarterly decline, activity remained historically robust: the third-quarter aggregate transaction value represented a 54% increase compared with the quarterly average over the past three years and brought aggregate 2021 activity to $91.8 billion—nearly 140% of the 2020 annual total. During the quarter, there were four deals greater than $2.0 billion in size, which accounted for 50% of total transaction value. The Blackstone Group's $6.7 billion acquisition of Quality Technology Services, an owner and manager of U.S. data centers, and EQT's $5.3 billion acquisition of Covanta, a U.S. waste-to-energy company, represented the largest transactions during the quarter and accounted for 35% of total activity.

Supply chain disruptions, most recently evidenced by the port and cargo bottlenecks at the ports of Los Angeles and Long Beach, have underscored the importance of infrastructure relative to the broader economy. The numerous vessels and hundreds of thousands of containers stuck at these ports demonstrate the need for greater infrastructure investment and improvement. The G20's Global Infrastructure Hub forecasts a $15 trillion gap between global infrastructure investment needs and spending, and the Americas are estimated to have the largest gap at $6.5 trillion. Such a gap leaves infrastructure managers well-positioned to deploy private capital across infrastructure assets—including in ports, airports, logistics, and storage—that have reemerged as economically critical areas in need of further investment and development. Infrastructure managers have been increasingly active in these asset verticals, as demonstrated by several recent logistics-related investments in areas such as ports, warehouses, and railroads. Although the supply chain disruptions have strained such assets, they have also served to illuminate the spectrum of infrastructure opportunities available to high-quality managers.

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



Source: PitchBook Data, Inc.

Table 7. Notable Infrastructure Deals in 3Q21
At September 30, 2021

Asset/Company	Acquirer	Industry	Region	Deal Size (MM)
Quality Technology Services	Blackstone	Telecommunication	U.S.	$6,700
Covanta	EQT	Waste Management	U.S.	$5,300
EXA Infrastructure	I Squared Capital	Telecommunication	UK	$2,961
Generate	Harbert Management, QIC, CBRE Caledon, AP Fonden 2	Services	U.S.	$2,000
PSEG (Fossil Generating Portfolio)	ArcLight Partners	Power Generation	U.S.	$1,920

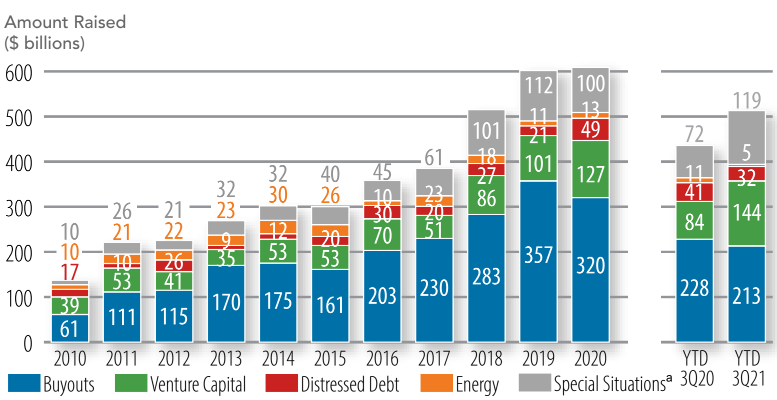
Source: PitchBook Data, Inc.

Fundraising Market

Worldwide private equity fundraising totaled $178 billion raised from 524 funds during the third quarter, according to data from Refinitiv and Pathway Research. The total represented a decline of 3% relative to the record-setting $183 billion raised in the prior quarter but still finished as the third-largest quarterly total on record. Mega funds (i.e., those of $5.0 billion or greater) continued to play a leading role: although the total number of funds raised decreased by 18% from the prior quarter, six funds raised $5.0 billion or more, accounting for 30% of capital raised during the quarter. U.S.-focused funds continue to make up the bulk of capital raised, accounting for $120 billion during the quarter, or 67% of the global total. The third quarter represented the fifth-consecutive quarter that more than $100 billion was raised in the U.S., placing annual U.S. fundraising on pace to surpass $400 billion for only the second time in history. Notable U.S.-focused funds raised during the quarter include KKR North America Fund XIII ($18.5 billion), Summit Partners Growth Equity XI ($8.4 billion), and TPG Rise Climate ($5.4 billion). Fundraising activity in Europe also remained strong: the $30.8 billion raised in the region during the quarter constituted an increase of 11% from the prior quarter and fell squarely in line with the region's quarterly average over the past year.

Fundraising activity by investment strategy was broadly based during the quarter: each core strategy fell generally in line with recent trends. Buyout funds worldwide raised $82.0 billion, flat from the prior quarter and just 2% above the quarterly average of the past two years. Venture capital fundraising continued its frenetic pace, raising $40.5 billion globally during the quarter, which brought the year-to-date total to $144 billion. Impelled by record investment and exit activity, venture capital managers are marketing new fund offerings on accelerated time lines. Based on current pacing, venture capital fundraising in 2021 is expected to far exceed the $148 billion raised during the dot-com bubble of 2000. Excluded from the data, but still relevant for limited partners' overall capital allocations, is the continued momentum in the market for continuation funds, or general partner–led secondaries. These vehicles, often raised around a single asset or a select number of assets, provide private equity managers the ability to retain ownership in high-performing portfolio companies, reset the investment hold period, and generate optional liquidity for existing investors. Notable continuation funds raised during the third quarter alone include the General Atlantic Continuation Fund ($3.0 billion), The Resolute II Continuation Fund ($1.3 billion), and the Kohlberg & Co Continuation Fund ($1.1 billion). Looking forward, the strong performance, high level of distributions, and active deployment pace achieved in most private equity strategies during 2021 will likely continue to generate significant interest in the asset class from investors and create a receptive fundraising environment for general partners.

Figure 11. Global Private Equity Fundraising by Strategy
At September 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 3Q21
At September 30, 2021

Fund	Strategy	Region	Amount (MM)
KKR North America XIII	Buyout	U.S.	$18,500
Summit Partners Growth Equity XI	Special Situations	U.S.	$8,350
TPG Rise Climate	Buyout	U.S.	$5,400
Strategic Value Special Situations V	Distressed Debt	U.S.	$5,000
Providence Strategic Growth V	Buyout	U.S.	$4,500

SOURCE: Refinitiv and Pathway Research.

About Pathway Capital Management, LP

Founded in 1991, Pathway provides private market portfolio 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 $100 billion to more than 1,000 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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