Pathway Research

Private Market Environment

2ND QUARTER 2022

CONTENTS

2Q22 Market Review

Market turmoil escalated during the second quarter as the specter of high inflation and rising interest rates in most major economies weighed on consumer sentiment and raised fears of a potential downturn, causing steep losses in public markets globally. The S&P 500 fell by 16.1% during the quarter, which brought its first-half return to –20.0%—the worst first half of the year since 1970. The performance of fixed-income assets was equally poor: the Barclays U.S. Aggregate index generated a return of –4.7% during the quarter, which brought its year-to-date return to –10.3%—its worst half-year period since 1980. Although many factors have played into the volatile investment landscape during 2022, inflation continues to remain a core topic for both consumers and policymakers alike. U.S. consumer inflation rose at an annual rate of 9.1% in June, its highest rate since November 1981. Although prices were up broadly across the economy, the 41.6% annual increase in the energy sector far outpaced that of other industry categories. Core inflation, which excludes energy and food prices, increased at an annual rate of 5.9%, just below the 6.0% rate in May 2022. The U.S. Federal Reserve (the "Fed") has made it clear that slowing inflation is its number one priority and has taken aggressive policy stances to reel in surging prices. The Fed raised interest rates by 75 basis points in June and July—the largest rate increases since 1994—to a range between 2.25% and 2.5%. Officials have stated that additional large rate increases are likely this year, driving market speculation that rates could reach 3.0% to 3.5% by year-end. Beyond inflation, the global economy continues to grapple with the impacts of the war in Ukraine, supply chain constraints, and resurgent bouts of COVID-19 variants, which have all posed challenges to regulators seeking to stem inflation without pushing the economy into a recession.

Despite the equity market volatility during the first half of the year, M&A activity worldwide has persisted at a healthy level relative to historical standards, albeit well below the pace of 2021. According to Refinitiv, global M&A activity surpassed $1.0 trillion for the seventh-consecutive quarter, which brought year-to-date activity to $2.2 trillion—a decline of 21% from the first half of 2021. M&A activity has been supported by strong corporate earnings growth in most sectors of the economy, which propelled a number of notable corporate acquisitions during the first half of the year, including the $68.7 billion acquisition of Activision Blizzard by Microsoft in January and the $68.3 billion acquisition of VMware by Broadcom in May. Private equity firms have similarly continued

Table 1. Largest PE-Backed M&A Exits Announced in 2Q22
At June 30, 2022

Seller	Portfolio Company	Industry	Region	Value (MM)
Vista Equity Partners	Datto	Software	U.S.	$6,200
Genstar Capital	Advarra	Healthcare	U.S.	$5,000
Thoma Bravo	Barracuda Networks	Software	U.S.	$4,000
Riverstone Holdings, Goldman Sachs	Lucid Energy Group	Oil & Gas	U.S.	$3,550
Rock Springs Capital, Foresite Capital	Affinivax	Healthcare	U.S.	$3,300

Table 2. Largest PE Investments Announced in 2Q22
At June 30, 2022

Buyer	Target	Industry	Region	Value (MM)
Hellman & Friedman, Permira	Zendesk	Software	U.S.	$10,200
Thoma Bravo	SailPoint	Software	U.S.	$6,900
Kaseya (Insight Partners, TPG, Sixth Street)	Datto	Software	U.S.	$6,200
Clearlake Capital	Chelsea FC	Sports	UK	$5,300
Blackstone Group	Advarra	Healthcare	U.S.	$5,000

to find opportunities to deploy capital, although restrictive credit market conditions and an uncertain pricing environment have increasingly tapered deal volume as the year has progressed. In the U.S., announced buyout transaction value totaled $91.9 billion during the second quarter, down 11% from the prior quarter and 35% from the year-ago period. For the first half of the year, U.S. buyout transaction value totaled $195 billion—a decline of 27% from the first half of 2021 but still higher than any other first-half period since the Global Financial Crisis ("GFC"). Looking ahead to the third quarter, buyout markets appear to be in a holding pattern to some degree while general partners assess the impact of increasing interest rates and declining public market multiples on valuation expectations moving forward. Several transactions have repriced relative to terms disclosed earlier in the year. Anaplan, which agreed to be taken private by Thoma Bravo for $10.7 billion in March, announced in early June that its price had been revised downward by $300 million. Zendesk, which rejected an offer from a private equity consortium in February at a reported valuation of $16.0 billion, accepted an offer from Hellman & Friedman and Permira in June to be taken private for $10.2 billion. Take-private buyouts have been a particular area of focus for many large-cap buyout managers in recent months, driven by the narrowing spread between public and private valuation multiples. During the second quarter, take-private transactions accounted for 38% of aggregate buyout value, including five of the eight largest deals announced.

IPO activity hit a near-record low during the second quarter, hampered by continued poor aftermarket performance of recent listings. Asia remained the sole bright spot, accounting for over 80% of global IPO proceeds for the second-consecutive quarter. Public listings in the U.S. and Europe raised an aggregate amount of just $4.2 billion during the quarter, down 93% from the second quarter of 2021. Private equity firms with plans to list their portfolio companies have been forced to sit on the sidelines in hopes of more-favorable conditions later in the year. In the U.S., just two venture-backed IPOs were completed, and no buyout-backed listings were completed for the second-consecutive quarter. Post-IPO performance of recent listings remained poor: 70% of the second quarter's IPOs ended the quarter down from their listing price. The Renaissance IPO Index, which measures the performance of newly listed U.S. IPOs, fell 31.4% during the quarter—its worst quarterly decline since the index's inception in 2009. The impact of public market declines has been most pronounced in the venture capital industry, which achieved a record number of public listings in 2021 through both traditional IPOs and SPAC mergers, many of which are now trading 50% to 80% below their recent highs. Although resulting declines in private company valuations have been moderate to date, there are signs that the valuation environment has changed since 2021. Over the past several months, notable venture-backed companies Klarna, Stripe, and Instacart, which all raised capital at lofty valuations as recently as last year, have either cut internal valuations or have raised new rounds at meaningful discounts to their recent financings.

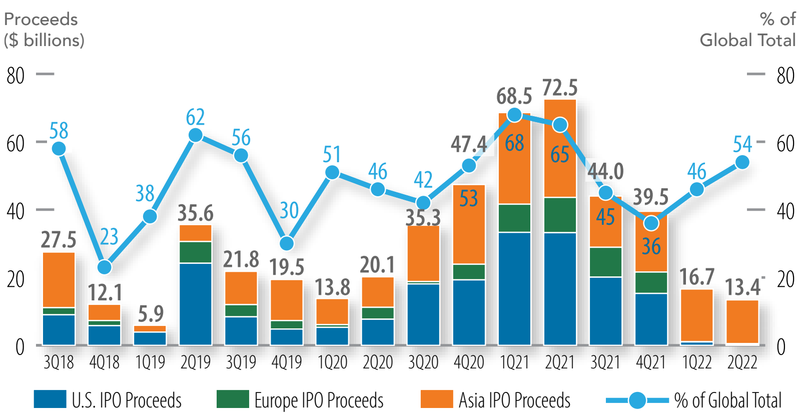
The second half of 2022 seems likely to pose challenges to investors in all asset classes and regions, private markets notwithstanding. However, we believe that private markets have several structural advantages over other asset classes that make it particularly well-suited to withstand market dislocations, as has been demonstrated in prior periods of turmoil. The long-term nature of the asset class, the stability of its capital base, and its active and control-oriented portfolio management model provide general partners the ability to take a longer-term view and move quickly and decisively. The industry is entering this period with a record amount of dry powder to both support existing investments and take advantage of new opportunities that may arise, and we expect experienced and disciplined general partners to be well-positioned to navigate the uncertainty ahead.

Global Exit Markets

Global exit market activity declined during the first half of 2022 from the record pace of the prior year, driven by stagnant IPO markets and a growing spread between buyer and seller pricing expectations that has tempered M&A deal flow. IPO markets suffered in the face of increased market volatility and the poor aftermarket performance of many high-flying 2021 listings. Global private equity–backed IPO proceeds totaled just $13.4 billion during the second quarter, down 81% from the second quarter of 2021 and the lowest quarterly amount since the first quarter of 2019. In line with first-quarter activity, Asia was the predominant force in global activity. The region accounted for over 95% of global proceeds raised, thanks in part to strong activity from China A-Share listings. Private equity–backed listings in the U.S. and Europe were nearly nonexistent, totaling just $0.5 billion in proceeds from eight total IPOs—the lowest proceeds raised in recent history. No buyout-backed listings occurred in the U.S. during the first six months of the year for the first time since 2000, and venture-backed companies completed only 10 IPOs, nearly all of which were small biotech listings. Many private equity firms continue to cite a strong pipeline of healthy companies ready to pursue an IPO when markets open, but continued market headwinds and the decline in performance of many 2021 IPOs seem likely to push that date out further, potentially into 2023. As of the end of the second quarter, the 213 private equity–backed companies that held an IPO during 2021 had generated an average return from IPO of –42%, and just 15% of those listings are currently trading above their IPO prices.

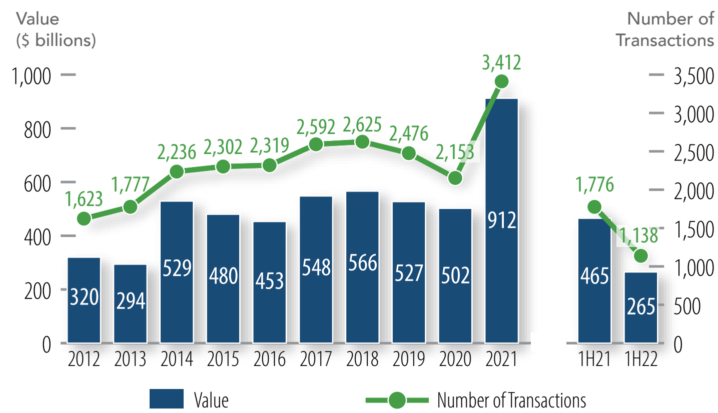
M&A exit activity worldwide totaled $133 billion from 521 transactions, according to data provided by Mergermarket—nearly even with the first quarter in terms of value but down 16% in volume. Although still strong on a historical basis, the first half of the year has posed a noted slowdown from 2021. Global M&A exit value during the first half totaled $265 billion, a decline of 43% from the year-ago period. The decline has been driven largely by a rising bid-ask spread: private equity firms are reluctant to sell performing companies at a discount to what they would have garnered just several quarters prior, and buyers are hesitant to pay the prices of the prior year. Still, many companies continue to perform well operationally, and general partners have been content to continue to execute their value-creation initiatives while waiting to see how the market settles. Notable transactions announced during the quarter include the sale of Vista Equity–backed Datto to Insight Partners–owned Kaseya ($6.2 billion), the sale of Genstar-backed Advarra to Blackstone ($5.0 billion), and the sale of Thoma Bravo–backed Barracuda Networks to KKR ($4.0 billion).

Figure 1. Quarterly Global PE-Backed IPO Activity
At June 30, 2022



Source: Bloomberg, Renaissance Capital, and Pathway Research.

Figure 2. Global PE-backed M&A Exit Value & Volume
At June 30, 2022



Source: Mergermarket and Pathway Research.

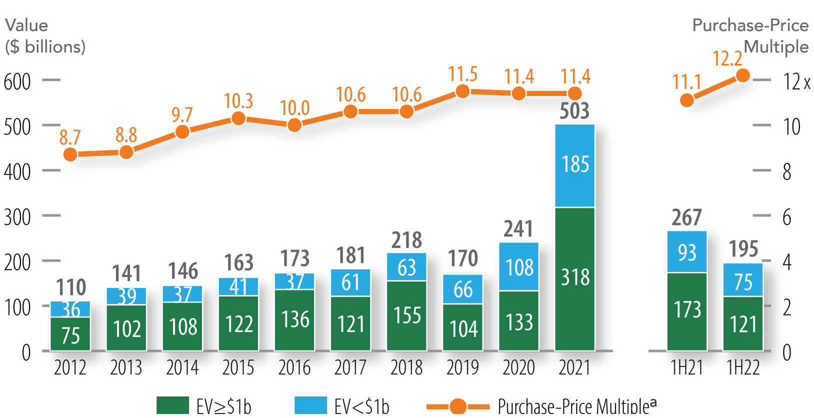
U.S. Buyout Markets

U.S. buyout investment activity tapered during the second quarter in the face of rising interest rates, persistent inflation, and looming economic uncertainty, falling below the $100 billion threshold for the first time since the third quarter of 2020. According to Refinitiv and Pathway Research, U.S. buyout activity totaled $91.9 billion during the quarter—a decline of 11% relative to the prior quarter and of 35% from the second quarter of 2021. Second-quarter activity brought the total value of U.S. buyouts announced during the first half of 2022 to $195 billion, down 27% from the first half of 2021 but still the second-largest first-half period since the GFC.

Activity during the second quarter continued to be underpinned by large-cap buyouts, which accounted for 66% of total quarterly value. Large-cap managers have increasingly turned to the public markets as a source of deal flow, seeking to take advantage of the decline in public market valuations, particularly in the technology sector. During the quarter, seven of the 17 large-cap transactions announced were take-privates, representing approximately 54% of large-market activity. Notable take-privates during the quarter included Hellman & Friedman and Permira's $10.2 billion acquisition of customer engagement software provider Zendesk, Thoma Bravo's $6.9 billion acquisition of cybersecurity software provider Sailpoint Technologies, and Insight Partners–backed Kaseya's $6.2 billion acquisition of security software provider Datto.

Although the current environment has created a myriad of challenges for buyout managers, recent activity has also demonstrated that managers are willing and able to take advantage of current market dynamics to source attractive opportunities. Alongside take-private transactions, buyout managers have continued to focus on high-quality assets and on sectors and business models that are well-positioned to withstand a prolonged inflationary environment. Technology investments showed particular strength during the quarter, accounting for 58% of total deal value despite a sharp sell-off in public market technology stocks. Private equity firms have continued to flock to the sector, highlighting their belief in the industry's secular growth trends and its ability to withstand current market pressure. The volume of technology buyouts has kept average purchase-price multiples for investments completed in the first half of 2022 high; however, the rising cost of debt has forced many general partners to remain prudent in structuring their investments, including maintaining higher interest coverage in advance of additional expected interest rate increases this year.

Figure 3. U.S. Buyout Investment Activity
At June 30, 2022



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, 2022

	2007	2021	1H22
Purchase Price/EBITDA	9.7x	11.4x	12.1x
Equity Contribution %	30.9%	45.9%	39.6%
Debt/EBITDA	6.0x	5.8x	5.9x
EBITDA/Cash Interest	2.1x	3.5x	3.6x

Source: S&P LCD.

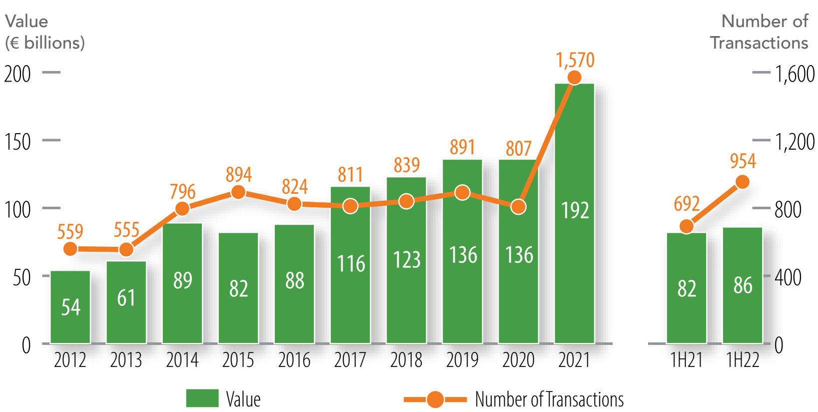
European Buyout Markets

European buyout activity was off to a slow start in the first quarter but experienced a strong increase in the second quarter: according to data provided by Refinitiv, the aggregate transaction value of European buyouts announced in the second quarter was €49.1 billion. This represents an increase of 34% from the prior quarter and is 37% above the quarterly average for the past five years. The quarter-over-quarter increase was driven by a recovery of activity in the upper end of the market: the aggregate transaction value of upper-mid-market and large-cap deals (with enterprise values in excess of €500 million) was up by 106% in the second quarter. These deals represent 52% of the aggregate transaction value of all European buyouts announced in the second quarter, up significantly from the first quarter (34%) but still somewhat below the average for the past 15 years (58%). This trend was most pronounced at the very top of the market: although no buyouts in excess of €2.5 billion were announced in the first quarter, there were four such deals announced in the second quarter.

The largest single deal of the second quarter, with an enterprise value of €5.0 billion, was the sale of Chelsea Football Club from Russian oligarch Roman Abramovich to an investor group that included Clearlake Capital and Todd Boehly. Also during the quarter, Advent International agreed to two large, simultaneous transactions: the acquisition of a 60% stake in LANXESS's high-performance materials business and the acquisition of Koninklijke DSM's engineering materials business, which was completed together with LANXESS. The aggregate value of these transactions was €6.2 billion.

European primary high-yield issuance was down quarter over quarter by 61% in the first quarter and by 58% in the second quarter, according to data from UBS. With issuance of only €4.5 billion, the second-quarter amount represents the lowest quarterly total since the fourth quarter of 2014 and is 77% below the quarterly average for that period. Notably, for 13 weeks from the middle of the first quarter to the middle of the second quarter, the European primary high-yield market stood virtually still, with only €1.4 billion in new issuance. Although activity has slowly started to increase in the middle of the second quarter, spreads on BB-rated euro-denominated bonds have continued to widen, breaking through the 500-basis-point mark at the end of the quarter (versus 336 basis points at the beginning of the quarter). Due to constrained funding from the high-yield market, general partners have increasingly turned to other sources of debt financing, including, most notably, the direct lending markets.

Figure 4. European Buyout Investment Activity
At June 30, 2022



Source: Refinitiv and Pathway Research.

Table 4. Largest European Buyouts Announced in 2Q22
At June 30, 2022

Buyer	Target	Country	Value (MM)
Clearlake Capital	Chelsea FC	UK	€4,969
Advent International, LANXESS	DSM–Engineering Materials Business	Netherlands	€3,700
EQT, Mubadala	Envirotainer	Sweden	€2,800
Advent International	LANXESS–High-Performance Materials Business	Germany	€2,500

Source: Refinitiv.

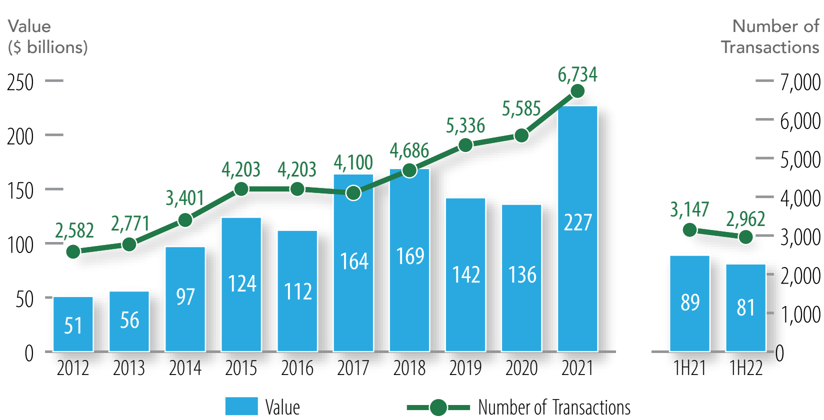
Asia Private Equity

Asia private equity investment activity fell sharply in the second quarter, hindered by a combination of global macroeconomic headwinds, regional supply chain disruptions, and fragile investor sentiment. According to *Asia Venture Capital Journal* (*AVCJ*), second-quarter transaction value fell 47% from the prior quarter to $28.0 billion—a return to levels not seen since the first quarter of 2020 when the COVID pandemic began. The drop in activity was felt across regions and financing stages, and only early-stage venture registered a meaningful increase, growing by 61% from the same time last year. In China, Japan, and Australia, private equity investments fell by more than 50% quarter over quarter, and India and Southeast Asia registered decreases of more than 20%, according to *AVCJ*. Average deal size also decreased compared with prior periods, illustrated by the decrease in average size of the top five deals to below $1.0 billion for the first time in two years.

Notably, private equity investment in China shrank by $11.1 billion, or 56%, from the first quarter, according to *AVCJ*—the largest quarterly percentage decline in five years and the main driver of Asia's reduced investment activity. This was largely due to a series of country-wide COVID lockdowns, which halted business activity, lowered consumer spending, and increased pressure on the country's logistics and supply chain operations. To contain the economic damage caused by the stringent lockdowns, the Chinese government implemented a series of economic stimuli, including tax rebates, lending support, and infrastructure spending. Although the government's response has seemingly provided some relief to individuals and corporations in the near term, the long-term economic implications of the country's COVID strategy remains to be seen.

In line with the drop in investment activity, Asia IPO activity fell in the second quarter: 182 companies raised $20.6 billion through IPOs, a decrease of 33% from the first quarter and a decrease of 57% from the same period last year. Despite the sluggish trend in the overall Asia IPO market, A-share listings reached a historic high: 62 companies raised approximately $17.3 billion in the second quarter, accounting for 60% of global volume. Recently, onshore listings have benefited from China's adoption of the registration-based IPO system, which has eased listing requirements and has expedited the A-share listing process. The Shanghai STAR Board has become an increasingly desirable exit venue for private equity investors: approximately half of private equity–backed Chinese companies went public via the STAR Board in the second quarter. As a result, proceeds from the STAR Board surpassed those of Shanghai main boards for the first time.

Figure 5. Asia PE Transaction Value & Volume
At June 30, 2022



Source: *AVCJ*.

Table 5. Largest Asia PE Investments in 2Q22
At June 30, 2022

Buyer	Target	Country	Value (MM)
Gaolin Capital	Suzhou Hongtian Medical Investment Co., Ltd.	China	$1,194
General Atlantic, Sequoia Capital China, Tiger Global Management	Shein.com	China	$1,000
Baring Private Equity Asia	IGT Solutions	India	$810
Luxor Capital Group, Sumeru Ventures	Verse Innovation	Australia	$805
Insight Partners, Apis Partners, Smash Capital	Coda Payments	Singapore	$690

Source: *AVCJ*.

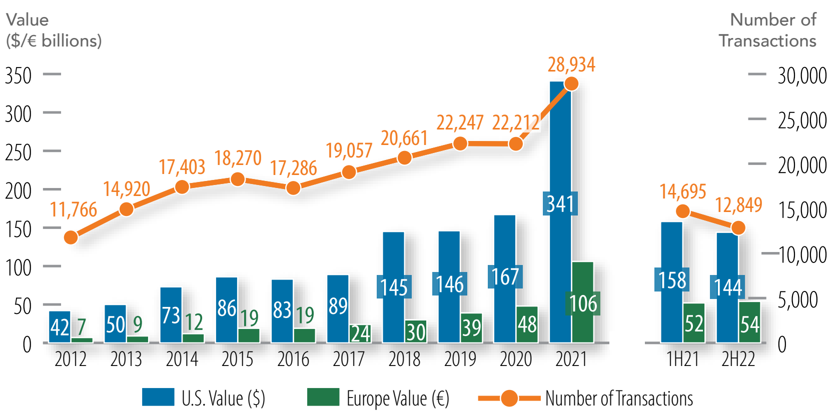
Venture Capital Markets

During the second quarter, venture capital investment activity continued to abate from the record-setting levels witnessed during 2021. According to the Pitchbook-NVCA Venture Monitor, investment activity in the U.S. reached $62.3 billion via 3,374 transactions during the second quarter, which brought the aggregate total for the first half of 2022 to $144 billion—a decline of 9% from the first half of 2021. Offsetting this decline to some degree, venture capital activity in Europe has remained strong, tallying €25.7 billion in investment activity during the second quarter and €54.4 billion in activity through the first half of the year—an increase of 4% from 2021.

The pressure mounting on the venture capital landscape has been most pronounced at the large end of the market, where the number of mega-rounds completed in the U.S. fell by 33% quarter over quarter, to 145. Many non-traditional venture capital investors, who have been a driving force in supporting these rounds over the past several years, took a more cautious approach during the quarter in the face of sharp losses from their existing public portfolios and a broad sense of uncertainty regarding the impact that public market declines will have on private company valuations. Several companies to date have been forced to raise flat or even down rounds. Swedish fintech company Klarna, for example, raised $800 million at a $6.7 billion valuation in July—a decline of 85% from the valuation ascribed last year. In response to these concerns, venture capital managers have worked closely with their portfolio companies to develop plans for managing cash burn and operating in a less favorable financing environment. Still, the industry appears well-positioned to meet these challenges. Many venture-backed businesses maintain healthy financial positions following the active financing environment over the past year, and venture capital firms raised a record amount of new capital from limited partners in the first half of 2022, which will be instrumental in both supporting their strongest investments and taking advantage of new opportunities.

In the wake of a record year for venture-backed exit markets in 2021, exit activity came to a grinding halt during the second quarter. IPO markets remained largely shuttered to new listings in the U.S. and Europe and have shown limited signs of a near-term revival. In the U.S., just two venture-backed offerings raised $338 million during the second quarter, the lowest quarterly count and value since the first quarter of 2009. In the first half of 2022, just $1.3 billion of proceeds was raised by venture-backed companies through IPOs—the lowest first-half amount since 2009. M&A exit activity followed suit, totaling just $8.0 billion in value in the U.S. during the second quarter—the lowest quarterly figure since the second quarter of 2015.

Figure 6. Venture Capital Transaction Value & Volume
At June 30, 2022



Source: PitchBook-NVCA Venture Monitor Report.

Table 6. Largest Venture Capital Deals in 2Q22
At June 30, 2022

Company	Select Investors	Region	Value (MM)
Epic Games	Newman Capital, Inertia Ventures, Align Ventures, Invicta Management,	U.S.	$2,000
Gopuff	Marcy Venture Partners	U.S.	$1,500
Trade Republic	Sequoia Capital	Germany	$1,153
Faire	Durable Capital Partners, Dragoneer Investment Group	U.S.	$816
Ramp	Founders Fund, Vista Equity Partners, General Catalyst, Redpoint Ventures, Thrive Capital, Spark Capital, ICONIQ Capital	U.S.	$748

Source: PitchBook Data, Inc.

Private Credit Markets

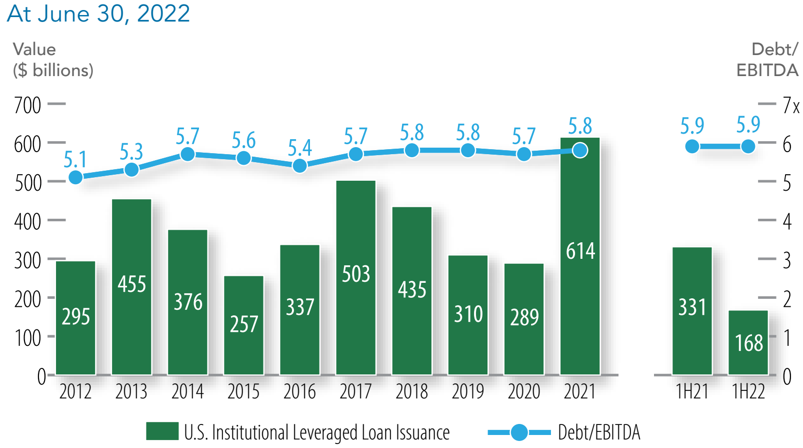
Liquid leveraged credit markets were dislocated in the second quarter, characterized by a steep decline in primary issuance, weakness in the secondary market for both high-yield bonds and leveraged loans, and a marked increase in spreads and yields across the ratings spectrum. U.S. institutional leveraged loan issuance totaled $56 billion in the second quarter, a decline of 50% from the prior quarter and the lowest quarterly total since the second quarter of 2020, according to S&P LCD. Similarly, high-yield bond issuance fell by 43% from the prior quarter, which brought the year-to-date total to $68.1 billion—a 76% decline from the first half of 2021. Borrowers that braved the new-issue market had to offer higher yields to investors to fully syndicate their debt. The average yield-to-maturity for a new-issue B-rated loan increased to 7.5% in June, compared with 5.8% in March and 4.7% at the end of 2021. Spreads widened only modestly during the quarter: most of the increase in yields came from an increase in both base rates and original issue discounts (OIDs). The average OID for single-B loans in June was nearly 5%, and some issues had to offer as much as an 8% OID. As expected, direct lenders, particularly those focused on the upper-middle-market and large-market segments, took advantage of constrained high-yield and leveraged loan markets to increase their market share over traditional debt syndication channels. There were several multibillion-dollar direct financings announced during the quarter, including a $3.7 billion unitranche loan supporting the take-private acquisition of Datto and a $5.0 billion facility supporting the take-private acquisition of Zendesk.

Non-investment-grade default rates remained at historically low levels in the second quarter, although weakness in secondary markets increased the amount of loans and bonds trading at distressed prices. The trailing 12-month U.S. high-yield default rate increased slightly to 0.8% in June from the record low of 0.5% at the end of 2021, according to Fitch Ratings. Similarly, the leveraged loan default rate ended the quarter at 0.3%, little changed from the end of 2021, according to S&P LCD. The leveraged loan distress ratio, which is a more forward-looking indicator that measures the percentage of performing loans trading below 80 cents on the dollar, ended the quarter at 3.6%, up from 1.9% in the previous quarter. Many non-investment-grade debt issuers continue to boast strong operating earnings and heathy balance sheets. Additionally, many companies took advantage of robust credit conditions in 2021 to refinance debt and extend maturities. Despite the low levels of distress in credit markets, distressed debt and opportunistic credit investors have become more active recently, taking advantage of volatility and price declines in the liquid non-investment-grade markets. Additionally, some credit investors are acquiring "hung" loans or stranded financings directly from the underwriting banks at highly discounted prices, with expected yields ranging from the mid-to-high teens.

Figure 7. High-Yield Bond Spreads over U.S. Treasuries
At June 30, 2022

Source: BofA Merrill Lynch.

Figure 8. U.S. Institutional Leveraged Loan Issuance
At June 30, 2022



Source: S&P LCD.

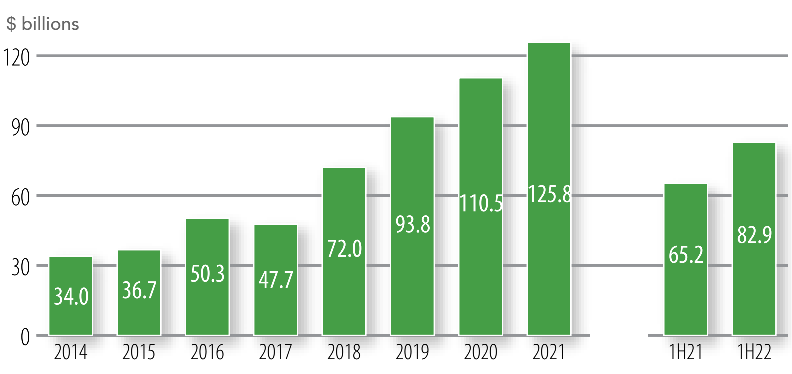
Private Infrastructure Market

Global infrastructure fundraising activity continued at a strong pace through the second quarter: the $41.8 billion raised by global infrastructure funds represents the second-consecutive quarter of record fundraising levels. The robust fundraising environment for infrastructure managers this year has resulted in $82.9 billion being raised during the first half of 2022, which already represents 66% of total activity in 2021. Activity during the second quarter was driven primarily by Brookfield Global Transition Fund ($15.0 billion) and ISQ Global Infrastructure Fund III ($15.0 billion), which collectively accounted for more than 71% of total quarterly activity. Infrastructure fundraising is anticipated to remain elevated: several large managers are expected to reenter the market in the second half of the year, supported by favorable market dynamics and continued secular tailwinds.

Global infrastructure investment activity totaled $15.5 billion during the second quarter, a moderation from the heightened levels of activity in recent quarters. Second-quarter activity brought the total transaction value through the first half of the year to $59.5 billion, a slight increase from the first half of 2021. DigitalBridge and IFM Investors' $11.0 billion acquisition of Switch—a designer, constructor, and operator of hyperscale data centers—was the primary driver behind activity, accounting for more than 70% of the quarterly total. Notably, each of the two largest deals announced during the first half of the year, Switch and the acquisition of Suez Environment, represented *club* transactions, in which multiple infrastructure firms formed a consortium to make the investments together.

The increased support of, interest in, and inflow to private infrastructure managers has created new dynamics and considerations for both managers and investors. One of which, as alluded to above, has been the increasing prevalence of infrastructure club deals. Such transactions allow managers to acquire larger assets than they would be able to acquire individually while leveraging the expertise of each firm in operating the acquired assets. Although the emergence of club deals has produced transactions that may have not otherwise occurred, they have also created a new set of considerations for investors, some of which are analogous to those facing private equity investors leading up to the GFC. With such transactions, limited partners must take their portfolio's exposure into greater consideration, given that such deals could result in exposure to a single asset or industry through multiple underlying managers. These larger transactions also inherently possess more complexity and require additional considerations related to governance. An increasing prevalence of club deals also carries the potential to produce less differentiated deal flow and overall diversification—all of which enhance the difficulty and risks in the investment decision-making process.

Figure 9. Global Private Infrastructure Capital Raised
At June 30, 2022



Source: PitchBook Data, Inc.

Table 7. Notable Infrastructure Deals in 2Q22
At June 30, 2022

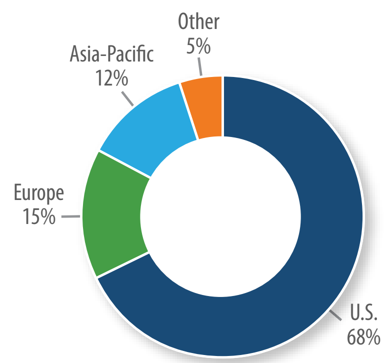
Asset/Company	Acquirer	Industry	Region	Deal Size (MM)
Switch	Digital Bridge, IFM Investor	Telecommunications	U.S.	$11,000
Mytrah Energy	JSW Group	Renewables	India	$2,000
Aces Delta	Haddington Ventures, Manulife Financial Corporation	Renewables	U.S.	$650
TagEnergy	Impala Group, Mirova, Omnes Capital	Renewables	Portugal	$495
FiberForce	InfraVia Capital Partners	Telecommunications	Poland	$409

Source: PitchBook Data, Inc.

Fundraising Market

Following a record-setting fundraising pace in 2021 which carried into the first quarter of 2022, second-quarter fundraising activity showed signs of cooling. The $185 billion raised during the quarter represents the sixth-highest quarterly total on record, according to data from Refinitiv and Pathway Research; however, it marks a decline of 11% relative to the average of the prior four quarters. Managers returning to market on accelerated timelines on the heels of record-breaking deployment in 2021 have created an ultra-competitive environment, and the volume of opportunities available to limited partners has been increasingly abundant. Mega funds (i.e., those of $5.0 billion or greater) have thrived in the competitive market, accounting for over 50% of fundraising activity in the first half of 2022, according to PitchBook Data, Inc. Software buyout firm Thoma Bravo closed on just over $20 billion in commitments through the first half of 2022 for its latest flagship fund, only to be surpassed by Advent GPE X, which held a final close at $25.0 billion in commitments during the period. As a result of the accelerated pacing in recent quarters, fundraising processes have lengthened on average, and many funds currently in market have plans to offer a 2023 close to access a fresh year of allocation dollars from limited partners. Additionally, large institutional investors have been forced to grapple with the *denominator effect*, wherein declines in the value of their public market portfolios have resulted in swelling private equity exposure.

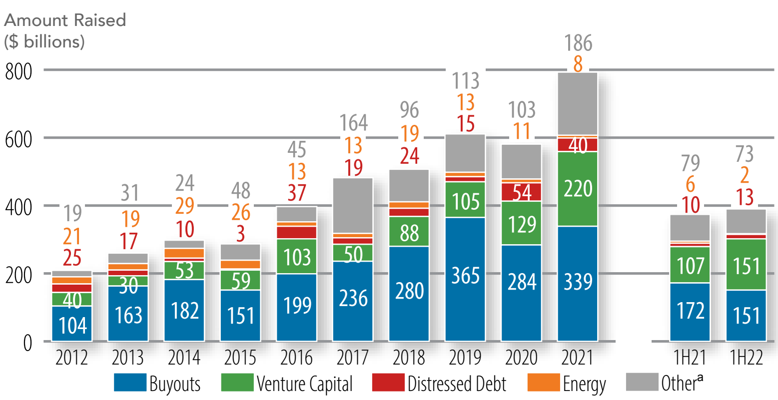
Figure 11. 1H22 Fundraising by Region



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 fundraising activity has continued to play an outsized role in total activity relative to historical averages. Venture capital fundraising reached $57.5 billion during the second quarter, the third-highest quarterly total on record. In the first half of 2022, venture capital funds raised $151 billion, which already represents the second-highest annual total on record, trailing only 2021. Notable venture funds raised during the quarter include a16z Crypto Fund 4 ($4.5 billion), Accel Leaders 4 ($4.0 billion), and ARCH Venture Fund XII ($3.0 billion). Buyout fundraising remained in line with the average over the past three years, totaling $78.2 billion during the quarter. Quarterly activity was underpinned by the aforementioned fundraisings of Advent GPE X and Thoma Bravo XV—the first two of at least nine buyout funds expected in market during 2022 targeting $20 billion or greater.

Figure 10. Global Fundraising by Strategy
At June 30, 2022



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 2Q22
At June 30, 2022

Fund	Strategy	Region	Amount (MM)
Advent Partners GPE X	Buyouts	U.S.	$25,000
Thoma Bravo Fund XV	Buyouts	U.S.	$20,200
Nordic Capital XI	Buyouts	Nordic	$8,000
a16z Crypto Fund 4	Venture Capital	U.S.	$4,500
Primavera Capital V	Special Situations	China	$4,000

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.

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