Pathway Research

Private Market Environment

2ND QUARTER 2023

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2Q23 Market Review

Risk assets rallied in the second quarter, defying persistent worries about the impact of aggressive central bank monetary tightening on the global economic outlook and capping a strong first half for most major public equity and non-investment-grade credit indices. The MSCI All Country World Index returned 6.3% in the second quarter, bringing its total return for the first half of the year to 14.3%. Other equity indices fared even better: the Nasdaq Composite generated a first-half return of 32.3%—erasing all its losses from 2022—fueled by strong earnings results for large-cap technology companies and a surge of interest in artificial intelligence (AI) technology and the companies poised to benefit from its rapid growth and adoption. Computer chip maker Nvidia, whose graphics processing units are essential to AI platform companies, gained a near-record $184 billion in market cap in one day following its blowout earnings report. During the quarter, investors welcomed economic data supporting the view that central banks can engineer a soft landing while reining in inflation. In the U.S., GDP grew at an annualized rate of 2.4% in the second quarter, following a 2.0% increase in the first quarter—both well exceeding prior market forecasts. The latest CPI report showed that inflation decelerated to an annualized rate of 3.0% in June, the lowest level since April 2021. Nevertheless, there remains a strong undercurrent of uncertainty and worry across financial markets, and many investors continue to anticipate a slowdown in the economy in the coming quarters. After pausing its interest rate hike campaign in June, the U.S. Federal Reserve raised rates by an additional 25 basis points in July, bringing its benchmark federal funds rate to a range of 5.25% to 5.5%—a 22-year high.

The private equity industry remained in a holding pattern of sorts during the second quarter, hamstrung by continued economic uncertainty, constrained financing markets, and still-wide bid-ask spreads. Deal activity has been on a steady path of retreat since the start of 2022 and reached a post-pandemic low in most major segments of the private equity market during the second quarter. U.S. buyout activity totaled just $31.3 billion during the quarter, bringing its first-half total to $87.6 billion, down 48% from the first half of 2022. Buyout activity in Europe and Asia demonstrated a similar trend, falling 61% and 54%, respectively, during the same period. The decline in activity has been most prominent in the large-cap and upper-middle-market segments, driving the average deal size of announced U.S. buyouts to a 3-year low during the second quarter. Many managers have instead turned toward smaller

Table 1. Notable PE-Backed M&A Exits Announced in 2Q23
At June 30, 2023

Seller	Portfolio Company	Industry	Region	Value (MM)
Thoma Bravo	Adenza	Software	U.S.	$10,500
Vista Equity Partners	Apptio	Software	U.S.	$4,600
Encap Investments LP	Black Swan Oil & Gas, PetroLegacy Energy, and Piedra Resources	Energy	U.S.	$4,300
Warburg Pincus, ArchiMed	PolyPlus	Healthcare	France	$2,620
General Atlantic	OneOncology	Healthcare	U.S.	$2,100

Table 2. Notable PE Investments Announced in 2Q23
At June 30, 2023

Buyer	Target	Industry	Region	Value (MM)
Veritas Capital, Patient Square Capital	Syneos Health	Healthcare	U.S.	$7,100
EQT	Dechra Pharmaceuticals	Healthcare	UK	$6,200
Apollo Global Management	Arconic	Industrials	U.S.	$5,200
Advent International, Warburg Pincus	Baxter Oncology	Healthcare	Germany	$4,250
Bain Capital	Evident	Healthcare	Japan	$3,108

acquisitions and, in particular, add-on acquisitions for existing investments, which are typically easier to finance and stand to benefit from existing credit facilities available to the platform acquirer. Despite the slowdown in new deal activity, many large-cap buyout managers have continued to enjoy success in the fundraising market and stand ready to take advantage of opportunities that may arise as markets stabilize. In July, CVC Capital Partners announced that it had raised €26.0 billion for its ninth flagship buyout fund, the largest buyout fund on record.

The decline in transaction activity worldwide has placed a strain on private equity managers' ability to exit investments, which has resulted in steady declines in distributions to limited partners since the end of 2021. During the first quarter of 2023, private equity distributions totaled just $48.0 billion worldwide, according to data from Burgiss Private i, down nearly 50% from the quarterly average during 2022. Exit activity during the second quarter showed limited signs of revival. Global M&A exit activity totaled $102.1 billion, up notably from a sluggish first quarter but still 60% below the same period in 2022. Additionally, IPO markets remain largely shut: in the U.S., just six private equity–backed IPOs raised a combined $1.9 billion in proceeds during the quarter, marking the sixth-consecutive quarter of negligible activity. The IPO market did gain some positive momentum during late June, however, when a handful of private equity–backed companies completed new medium-sized offerings, including growth equity–backed fast-casual restaurant chain Cava, EQT-owned Kodiak Gas Services, and CVC-owned Fidelis Insurance. The IPO of Cava was particularly well-received by the market, pricing above its most recent private valuation and ending the quarter 80% above its IPO price. Although the success of these listings is notable given the near-18-month lapse in significant private equity–backed IPOs, there are likely additional steps needed before the markets re-open to a wider degree. For the private equity industry specifically, the continued absence of technology IPOs, which typically account for a meaningful portion of overall activity, remains a roadblock for many buyout and venture capital firms evaluating when and how to exit their strongest-performing investments.

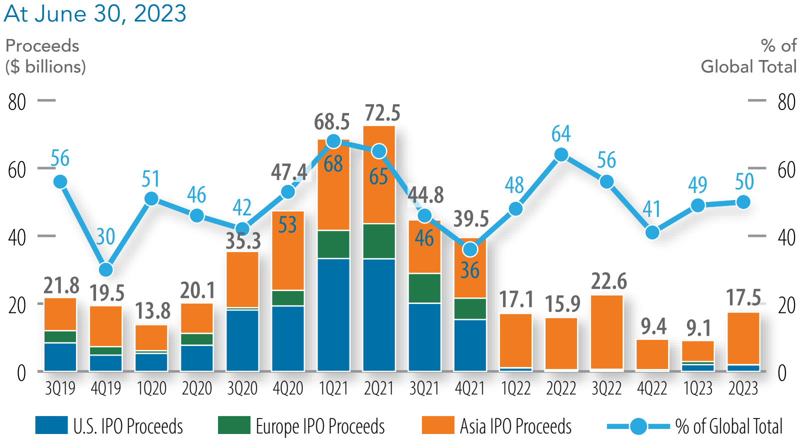
Although private equity investment activity remains muted, private credit and multistrategy investors have enjoyed a more fertile opportunity set in the first half of the year. The regional banking crisis in March precipitated a number of asset sales by banks and finance companies seeking to bolster their balance sheets and address rising funding costs. PacWest Bank sold $2.6 billion of construction loans to Kennedy-Wilson and $3.5 billion of specialty finance loans to Ares during the quarter. In May, Castlelake announced an agreement to acquire up to $4.0 billion in consumer installment loans from marketplace lender Upstart. In June, KKR agreed to purchase up to €40 billion in buy now, pay later loans originated by PayPal in Europe. Market participants anticipate a continued flow of opportunities driven by the high-interest-rate environment, stress in the commercial real estate markets, and lower risk-appetite from traditional bank lenders. U.S. bank regulators are expected to soon release their proposal to conform current regulatory standards to the Basel III accord, which was established following the global financial crisis (GFC). Among other things, the proposal is expected to include higher risk-weightings for certain assets and a lower threshold for banks to face enhanced liquidity requirements (from $250 billion to $100 billion in total assets), potentially further boosting demand for alternative, non-bank lenders. The increasing importance and growth of the private credit industry since the GFC has spurred many private equity firms to establish their own private credit platforms, either organically or through acquisitions. In the latest example, TPG announced in May that it had agreed to acquire private credit and real estate manager Angelo Gordon for $2.7 billion.

Global Exit Markets

Global M&A exit activity demonstrated moderate improvement during the second quarter after a sluggish start to the year. During the quarter, M&A exit activity worldwide totaled $102.1 billion, an increase of 54% from the prior quarter, according to Mergermarket data. Despite the quarter-over-quarter increase, the 2023 first-half total of $169 billion still represents a decrease of 59% from the same period last year. Deal volume also continued to slide from the highs of 2021: the 389 exits announced globally during the quarter amounted to the lowest such figure since the second quarter of 2020 and marked the sixth-consecutive quarterly decline. Driven by continued volatility and uncertainty in the market, many private equity firms continue to hold on to healthy portfolio companies and focus on operational growth rather than force an exit at an inopportune time. Despite low overall levels of activity, there were a few bright spots. The largest deal announced during the quarter was the sale of Thoma Bravo–backed financial software provider Adenza for $10.5 billion to Nasdaq. Other notable transactions included the sales of Vista Equity Partners–backed Apptio to IBM ($4.6 billion), a portfolio of Permian assets owned by EnCap Investments to Ovintiv ($4.3 billion), and Warburg Pincus–backed PolyPlus to Sartorius ($2.6 billion).

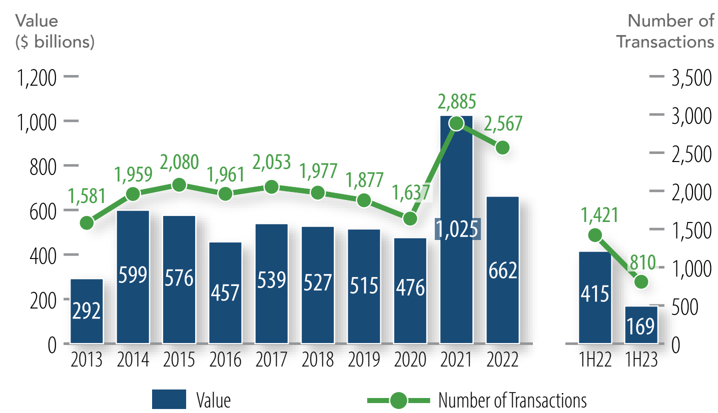
IPO market activity remained muted during the second quarter despite a recovery in global public equity markets from the lows of 2022. Global activity continues to be driven by Asia, which accounted for 88% of total global private equity–backed proceeds, largely as a result of the China A-Share market. In the U.S., just six private equity–backed companies held IPOs during the quarter, raising $1.9 billion—a decline of 5% from the previous quarter. The largest contributor to the total was venture-backed ACELYRIN, which raised $621 million in early May. This was followed by an additional five private equity–backed IPOs in the final three weeks of June, including the $365 million IPO of growth equity–backed restaurant chain Cava and the $401 million IPO of Ares-owned thrift store operator Savers Value Village, which both produced strong aftermarket performance. Performance of recently listed companies during 2023 has been strong and has well outpaced the recovery of the broader market. The Renaissance IPO Index, which measures the performance of companies that have gone public in the U.S. in the past three years, increased by 11.3% during the quarter and by 31.8% from the start of the year. Looking forward, there are signs that IPO market conditions may be making small strides toward a broader re-opening, although much still depends on the trajectory and stability of the global economic recovery. We continue to expect a healthy backlog of private equity–backed companies ready to access the public markets when conditions become more accommodative.

Figure 1. Quarterly Global PE-Backed IPO Activity
At June 30, 2023



Source: Bloomberg, Renaissance Capital, and Pathway Research.

Figure 2. Global PE-backed M&A Exit Value & Volume
At June 30, 2023

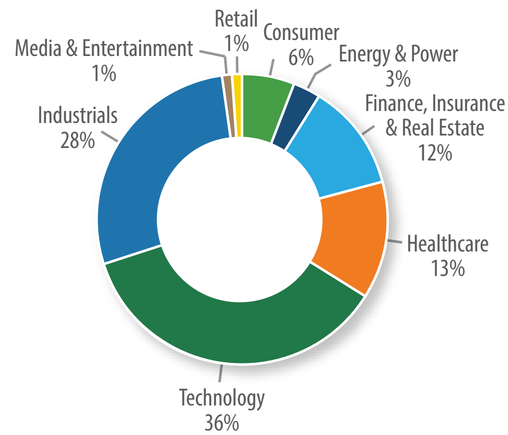


Source: Mergermarket

U.S. Buyout Markets

U.S. buyout investment activity stalled during the second quarter, totaling just $31.3 billion—the lowest quarterly total since the onset of the COVID-19 pandemic and around 50% of the trailing 5-year quarterly average. In a sharp reversal of the trend seen in recent quarters, the decline in value during the second quarter was most pronounced at the top end of the market. Driven by constrained financing markets and a still-wide gap between buyer and seller pricing expectations, market conditions have not been conducive for completing large acquisitions. In response, many sponsors have turned their attention to smaller add-on acquisitions, which are easier to finance and close. According to research by PitchBook Data, Inc., add-on acquisitions have grown in importance for private equity managers, accounting for nearly 80% of total buyout transactions during the first half of the year. During the second quarter, large-cap transactions (i.e., transactions with enterprise values of $1.0 billion or greater) accounted for just $16.2 billion of total value, the lowest level on a dollar basis and as a percentage of total activity since the second quarter of 2020. Just two deals greater than $2.0 billion in enterprise value were completed during the second quarter: Patient Square Capital, Veritas Capital, and Elliott Management's $7.1 billion take-private of clinical trial services provider, Syneos Health, and Apollo Global Management's $5.2 billion take-private of rolled steel manufacturer, Arconic. As noted, both deals were take-private transactions, which have accounted for the predominate share of large-cap deals since the sell-off in public markets during 2022 and for roughly two-thirds of total transaction value in the first half of 2023.

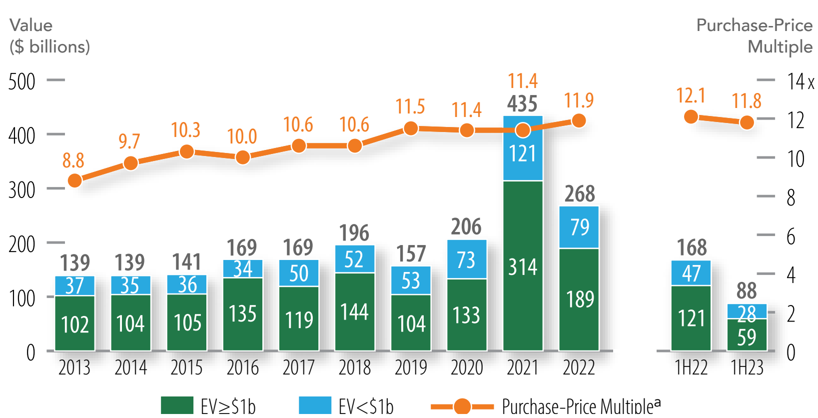
Figure 4. 1H23 U.S. Buyout Transaction Value By Sector



SOURCE: Refinitiv and Pathway Research.

The average purchase-price multiple for transactions completed in the second quarter was 11.3x EBITDA, according to PitchBook LCD preliminary data, down from 12.4x in the first quarter of 2023 and from 11.9x in 2022. The decline in purchase-price multiples coincided with a shift in the sectors with the most deal activity: healthcare deals surpassed technology as the most active sector in terms of deal value during the quarter. Deal structures have also begun to reflect the more challenged financing environment: the average leverage ratio for completed buyouts during the first half of 2023 fell to 5.2x EBITDA, whereas the average equity contribution rate reached a recent peak of 53.5%.

Figure 3. U.S. Buyout Investment Activity
At June 30, 2023



SOURCE: Refinitiv, PitchBook 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, 2023

	2007	2022	1H23
Purchase Price/EBITDA	9.7x	11.9x	11.8x
Equity Contribution %	30.9%	45.8%	53.5%
Debt/EBITDA	6.2x	5.9x	5.2x
EBITDA/Cash Interest	2.1x	2.9x	2.6x

SOURCE: PitchBook LCD.

European Buyout Markets

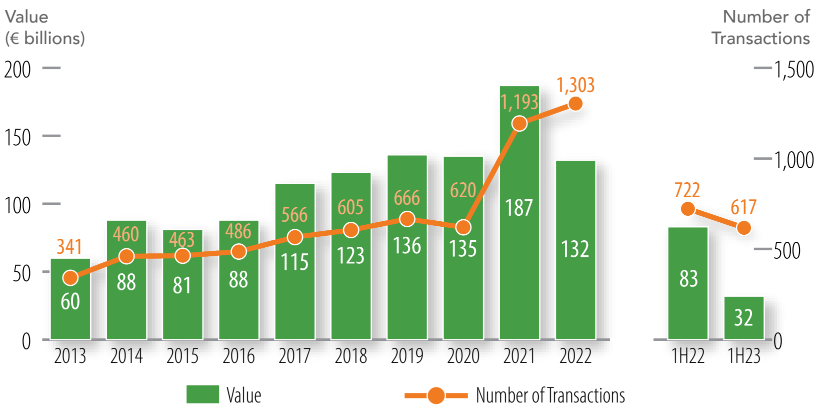
European buyout activity remained moderate in the second quarter but experienced a meaningful recovery from the 13-year low witnessed in the first quarter. According to data provided by Refinitiv, the aggregate transaction value of European buyouts announced in the second quarter was €24.4 billion. This represented a 217% increase from the first quarter, primarily as a result of a revival of activity in the upper end of the market. Six deals with an enterprise value exceeding €500 million were announced in the second quarter—an aggregate transaction value of €12.3 billion, up from zero in the previous quarter. Despite this significant increase from the first quarter, European buyout activity in the second quarter was 49% below the same period last year and 30% below the quarterly average for the past five years. As a result, the first half of the year, with €32.1 billion in aggregate transaction value, represents the slowest start of any year since 2012.

Second-quarter activity was driven by three large-cap deals. The largest was the take-private of Dechra Pharmaceutical, a UK-based developer of veterinary products, by EQT Partners at an enterprise value of £4.9 billion. This was followed by two deals in Germany: Advent and Warburg Pincus's acquisition of biopharma solutions business Baxter Oncology ($4.3 billion) and Silver Lake's take-private of enterprise software developer Software AG (€2.2 billion). As highlighted by the three largest transactions, the UK and Germany were the busiest markets during the quarter, recording transaction values of €8.7 billion and €6.5 billion, respectively.

The take-private transactions of Dechra Pharmaceuticals and Software AG are representative of a broader trend in the private equity market. Many publicly listed companies have faced tighter financing and headwinds to their trading environment. As such, private equity firms with significant dry powder can provide valuable capital and acquire businesses at multiples well below their record highs. This has led to a growing number of take-private attempts in 2023. In addition to Dechra Pharmaceuticals and Software AG, three notable take-private transactions were agreed upon in the first half of the year—Sureserve, Medica Group, and Hyve—all of which are based in the UK.

According to UBS, European primary high-yield issuance totaled €14.4 billion in the second quarter, up 14% from the previous quarter. Despite the recent improvement in activity, high-yield issuance remains significantly below the average levels from 2018 to 2021. Private credit has taken advantage of the reduced activity and has continued to expand its foothold in the upper end of the market. During the quarter, private credit served as the primary source of financing for each of the four UK-based take-privates mentioned.

Figure 5. European Buyout Investment Activity
At June 30, 2023



Source: Refinitiv and Pathway Research.

Table 4. Notable European Buyouts Announced in 2Q23
At June 30, 2023

Buyer	Target	Country	Value (MM)
EQT	Dechra Pharmaceuticals	UK	£4,900
Advent International, Warburg Pincus	Baxter Oncology	Germany	$4,250
Silver Lake	Software AG	Germany	€2,249

Source: Refinitiv.

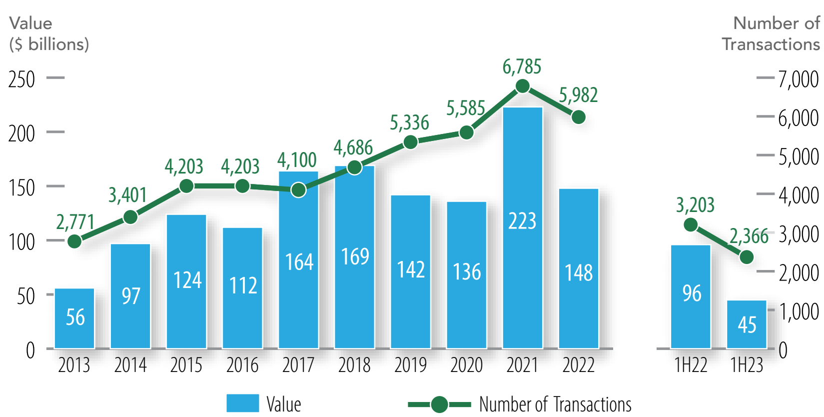
Asia Private Equity

Asia private equity investment totaled $22.7 billion from 1,266 transactions during the second quarter, largely flat from the prior quarter but down 42% year on year, according to *Asia Venture Capital Journal* (*AVCJ*). China recorded a moderate increase in transaction value during the quarter and once again represented the primary driver of the region's private equity activities. RMB-denominated investments accounted for more than 75% of China's transaction value during the first half of the year, broadly in line with 2022 but noticeably higher than 2021, when the country's investment activity was split roughly evenly between USD and RMB capital. This reflects the shifting of foreign investor sentiment away from the Chinese market due to the rise of geopolitical and regulatory uncertainty. Contrarily, the economy and market conditions in Japan have remained relatively healthy and accommodative for private equity investments. The country saw the announcement of several mega deals, including the ¥2.8 trillion (~$19.6 billion) take-private of Toshiba in March and the ¥909 billion (~$6.2 billion) take-private of JSR in June, which will boost overall investment levels meaningfully upon close. However, despite a general improvement in Asian market sentiment, some companies have experienced a more challenging operating environment and have seen cash positions deteriorate, forcing them to return to market at often depressed valuations. For example, Shein, a private equity–backed fast-fashion e-commerce platform, raised $2.0 billion in May at a valuation 34% lower than its prior round.

IPO activity in Asia experienced meaningful growth during the second quarter: 213 companies raised $24.0 billion via IPOs on Asia-based exchanges, a 71% increase from the prior quarter and a 17% increase from the prior year. Private equity–backed companies accounted for 65% of the proceeds raised and for the top three IPOs during the quarter. In line with prior quarters, the China A-Share market remained the driver of the region's IPO activity, accounting for 74% of new proceeds. The positive momentum was not limited to China: other Asian markets, particularly India, Southeast Asia, and Japan, also reversed the downward trends seen in recent quarters.

Although the investment and IPO landscape has improved, the fundraising environment continues to be challenging, particularly for Chinese private equity managers. Potential regulatory restrictions on outbound U.S. investment in China's technology sectors have continued to depress U.S. investors' appetite, forcing Chinese managers to consider delaying fundraising, seeking fundraising extensions, rebalancing their limited partner base, or turning to RMB capital. Perhaps as further evidence of the growing chasm between the U.S. and China, Sequoia Capital announced during the second quarter its plan to spin off its China and India/Southeast Asia businesses from its core U.S. platform.

Figure 6. Asia PE Transaction Value & Volume
At June 30, 2023



Source: *AVCJ*.

Table 5. Notable Asia PE Investments in 2Q23
At June 30, 2023

Buyer	Target	Country	Value (MM)
Bain Capital	Evident	Japan	$3,108
General Atlantic, Sequoia Capital China, Mubadala Investment Company	Shein	China	$2,000
MBK Partners, Hillhouse Capital	SK On	South Korea	$1,214
Blackrock	Airfirst	South Korea	$849
CICC Capital, Zhongping Capital	Anhui YOFC Advanced Semiconductor Company	China	$452

Source: *AVCJ*.

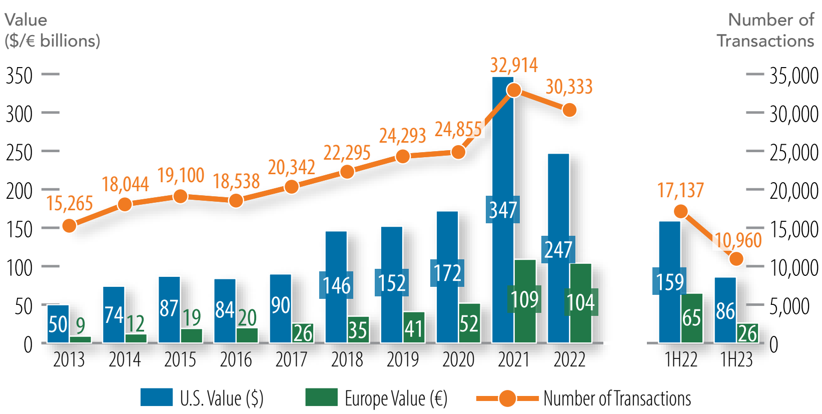
Venture Capital Markets

During the second quarter, the venture capital markets showed limited signs of a potential recovery, despite the rally in the public markets. The impact of the recent SVB collapse in March undermined any optimism that may have been building, and activity remained sluggish as investors grappled with continued concerns over inflation, a higher cost of capital, and the ramifications of an asset bubble in 2021 that appears obvious in hindsight. According to data from PitchBook-NVCA Venture Monitor, second-quarter investment activity in the U.S. totaled $39.8 billion. This was a 13% decline from the prior quarter and a 48% drop from the second quarter of 2022. Deal volume has leveled off on par with 2021 figures, particularly in the early-stage markets, in which venture capitalists are placing an emphasis on businesses that have clear paths to profitability and efficient business models. Meanwhile, down rounds have become more widespread: over 14% of second-quarter financings were completed at a lower valuation than in the prior round. Likewise, European venture has been characterized by an uncertain macroeconomic environment, challenging fundraising conditions, and closed exit markets. Second-quarter deal value declined by 7% from the prior quarter and by 60% from the second quarter of 2022.

Capital scarcity has impacted all stages of funding, according to data from PitchBook-NVCA Venture Monitor. Seed- and early-stage U.S. deal value fell 9% during the second quarter from the prior quarter and 54% from the same period in 2022. The decline was driven by a number of likely factors, including investors exercising greater selectivity around new opportunities, investments taking longer to close, and startups conserving capital to delay the need to fundraise. The drop in dealmaking further highlights the trickle-down effect of tighter liquidity and fundraising challenges on the earliest stages of the venture cycle. Late-stage activity fell even further, down 42% in the second quarter to its lowest level since 2018. Depressed activity in the late-stage segment reflects ongoing headwinds, including a shuttered IPO market and a value mismatch between prior investors and prospective investors in new rounds of financing. In addition, activity has been hurt by the diminished involvement of nontraditional investors (e.g., corporate venture capitalists, sovereign wealth funds, crossover funds), which have historically been an important source of funding in the venture ecosystem.

Exit markets were listless for most of the second quarter, resulting in only $5.5 billion of exit value for venture-backed companies—the lowest quarterly level of activity in the past decade. The majority of exit activity was once again driven by sales to strategic and financial buyers; late- and growth-stage startups remained unable to access the public markets. Although the recent IPO of Cava, a Mediterranean restaurant chain, provided some optimism that it could help to re-open the markets, most investors agree that the backlog of venture-backed IPOs is unlikely to be meaningfully addressed until late 2023 or 2024.

Figure 7. Venture Capital Transaction Value & Volume
At June 30, 2023



Source: PitchBook-NVCA Venture Monitor Report.

Table 6. Notable Venture Capital Deals in 2Q23
At June 30, 2023

Company	Select Investors	Region	Value (MM)
Anthropic	Menlo Ventures, Spark Capital	U.S.	$450
ElevateBio	EcoR1 Capital	U.S.	$401
PacketFabric	Exponential Partners	U.S.	$373

Source: PitchBook Data, Inc.

Private Credit Markets

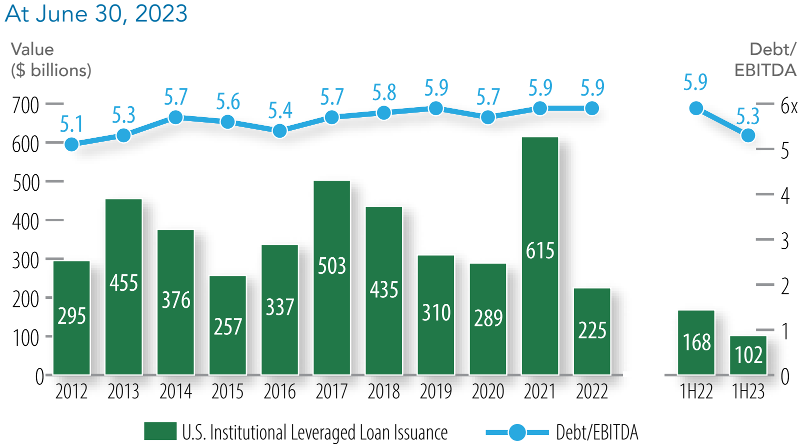
Leveraged credit markets remained constrained in the second quarter, though there were signs of improving sentiment in both the leveraged loan and high-yield bond markets. U.S. institutional leveraged loan issuance totaled $50.0 billion in the second quarter, bringing the first-half total to $102.4 billion—a decline of 39% from the prior year and the lowest first-half total since 2010, according to PitchBook LCD. New-issue yields for B-rated loans declined from 11.3% at the end of the first quarter to 10.6% at the end of the second quarter, primarily as a result of a combination of lower spreads and upfront fees. The weighted average bid price for the Morningstar LSTA Leveraged Loan index ended the quarter at 94.2, up nearly a point from the prior quarter. After a year-long stretch of dominance by the direct lending market in financing large buyouts, the leveraged loan market clawed back some market share in the second quarter, successfully placing three multibillion-dollar facilities that supported the acquisitions of Qualtrics, Univar, and Copeland by private equity firms. Still, the inroads made by the direct lending market in what has traditionally been the sole domain of the syndicated markets appear unlikely to reverse given the advantages that direct lenders can offer to financial sponsors, including certainty of close, flexibility, and privacy. Market conditions in the direct lending market remain favorable overall, although the significant decline of private equity–backed M&A activity in the first half of 2023 has led to lower lending activity and stronger competition among direct lenders to agent new facilities. Pricing (measured as the spread over base rates) in the core middle market, based on market observations, has compressed by 25 to 50 basis points since the beginning of the year, although it remains at notably higher levels than in the pre-2022 period.

High-yield bond and leveraged loan default rates continued their upward trend in the second quarter, highlighting the challenging operating environment facing many non-investment-grade companies. The trailing 12-month U.S. leveraged loan default rate increased to 1.7% at the end of the second quarter, up from 1.3% at the end of the first quarter and just below the 2% long-term average, according to PitchBook LCD. However, the more-forward-looking distress ratio, which measures the percentage of the loan market trading below 80% of par, decreased from 6.3% to 6.0% during the quarter, primarily as a result of firmer secondary market prices and improved investor sentiment. The opposing indicators are illustrative of the high level of uncertainty over the economic outlook. Many investors continue to anticipate a meaningful increase in default rates and distressed opportunities due to economic headwinds mounting as a result of aggressive monetary tightening. Highly levered companies are experiencing significantly higher debt-servicing costs and weakening balance sheets, leaving them particularly vulnerable to a slowdown in the economy or deterioration in business conditions. However, most non-investment-grade companies are not facing imminent debt maturities: the amount of U.S. institutional leveraged loans maturing before the end of 2024 is just $32.6 billion, less than 3% of the total amount outstanding.

Figure 8. High-Yield Bond Spreads over U.S. Treasuries
At June 30, 2023

Source: BofA Merrill Lynch.

Figure 9. U.S. Institutional Leveraged Loan Issuance
At June 30, 2023



Source: PitchBook LCD.

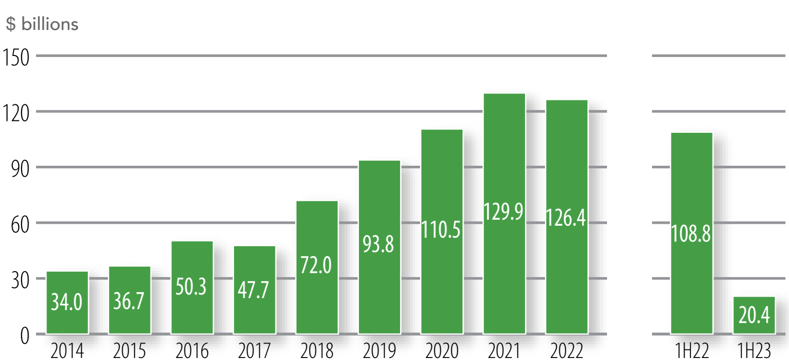
Private Infrastructure Market

Global infrastructure fundraising activity ramped up significantly during the second quarter, during which 10 funds raised a combined $16.8 billion, according to PitchBook Data, Inc., and Pathway Research. This is an increase of over 360% from the prior quarter but still down from the record fundraising levels seen in the first half of 2022. Activity was driven primarily by an initial close of EQT Infrastructure VI, which closed on approximately $12 billion for its latest flagship infrastructure fund, accounting for 71% of the quarter's total. Fundraising activity is expected to remain strong through the second half of the year: several large infrastructure funds are actively fundraising and targeting closes in 2023.

Global infrastructure investment value totaled $7.1 billion during the second quarter, a continuation of the slowed pace of deal activity that began in the second half of 2022. Notable deals in the second quarter included EQT's $2.2 billion acquisition of the telecom network assets of Italy-based Wind Tre and Blackstone's $1.0 billion investment in Invenergy, a U.S.-based developer and operator of sustainable energy projects in America, Europe, and Asia. Despite some macroeconomic headwinds that have overshadowed the recent uptick in the public markets, many private infrastructure managers have remained opportunistic during this period of market uncertainty.

Over the past several years, the development and implementation of artificial intelligence (AI) among businesses globally has caused increasing demand for supporting infrastructure assets, particularly in the digital infrastructure sector. Given the amount of computing power used by AI technologies, a significant investment in both data centers and broadband infrastructure is required to take full advantage of its capabilities. This trend has begun to materialize, as managers have increased their investment activity in digital infrastructure. Notably, according to data sourced from PitchBook Data, Inc., investments related to digital infrastructure accounted for approximately 20% of the infrastructure deals conducted in 2022. As more digital assets come online, worldwide computing power is poised to increase. Additionally, if AI technology continues to develop and become more widely available to individual consumers, the demand for supporting digital infrastructure will increase rapidly. This represents a significant and emerging opportunity set for infrastructure managers that could drive deal flow over the next several years.

Figure 10. Global Private Infrastructure Capital Raised
At June 30, 2023



Source: PitchBook Data, Inc.

Table 7. Notable Infrastructure Deals in 2Q23
At June 30, 2023

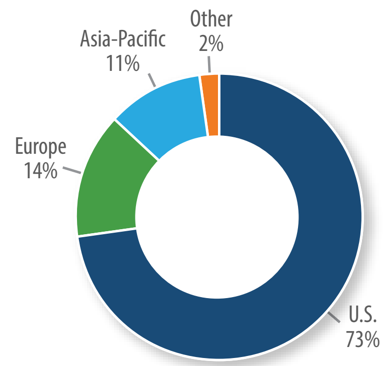
Asset/Company	Acquirer	Industry	Region	Deal Size (MM)
Wind Tre (Network Assets)	EQT	Telecom	Europe	$2,248
Invenergy	Blackstone	Renewables	U.S.	$1,000
AirFirst	BlackRock, IMM Private Equity	Oil & Gas	Asia	$944
Opdenergy	Antin Infrastructure Partners	Renewables	Europe	$932
RPower	I Squared Capital	Energy Related	U.S.	$400

Source: PitchBook Data, Inc.

Fundraising Market

Following five consecutive quarters of declining fundraising activity, worldwide private equity fundraising stabilized in the second quarter of 2023, totaling $161 billion. This represents a 12% increase from the prior quarter but still remains 18% lower than the second quarter of 2022, according to data from Refinitiv and Pathway Research. For the first half of 2023, the total fundraising value of $305 billion marks the lowest half-year total since the first half of 2020, down 25% from the same period last year. The moderation in global fundraising activity during 2023 comes as no surprise given the frenetic pace of activity during much of the past two years and the impact of a sharp decline in investment activity on fundraising timelines for many private equity managers. Some limited partners have also tapered targeted allocations for the year, primarily as a result of their overexposure to the asset class and the slowdown in exit activity, which has reduced both recent and projected distributions from their private equity portfolios. The fundraising market overall continues to remain highly competitive: many funds in market have been forced to extend targeted fundraising timelines, lower expectations for target fund sizes, and search for new ways to differentiate their offering from the pack, including offering co-investment to limited partners on top of their fund commitments.

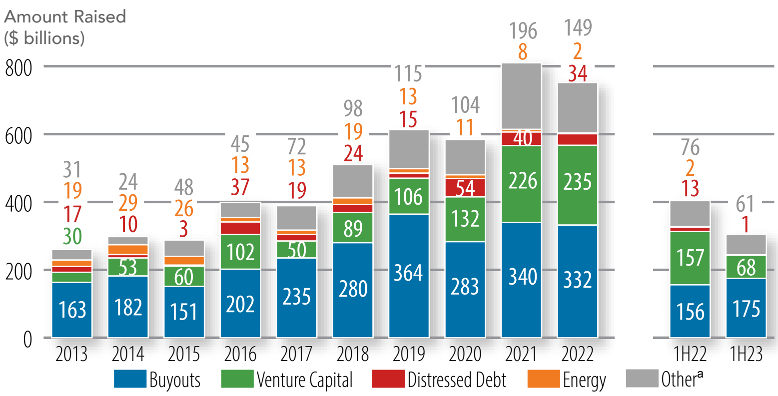
Figure 11. 1H23 Fundraising by Region



Source: Refinitiv and Pathway Research.
Notes: Percentages are based on net amounts raised, which are adjusted for fund-size reductions.

Venture capital fundraising rebounded during the second quarter following a lackluster first quarter that was heavily affected by the declining pace of investment and market instability following the collapse of Silicon Valley Bank, a key player in the venture capital ecosystem. Second-quarter activity totaled $43.7 billion, an increase of 81% from the prior quarter. Buyout fundraising totaled $97.2 billion, a 26% increase from the prior quarter. Despite slowing deal activity in the large-cap market, many prominent buyout managers have continued to be successful raising large funds. During the second quarter alone, four buyout funds raised greater than $10.0 billion: Silver Lake Partners VII ($19.0 billion), Genstar Capital Partners XI ($12.6 billion), GTCR XIV ($11.5 billion), and Platinum Equity Capital Partners VI ($10.6 billion). Following the end of the quarter, CVC Capital Partners IX announced its final close at a whopping €26.0 billion, the largest buyout fund on record.

Figure 12. Global Fundraising by Strategy
At June 30, 2023



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 2Q23
At June 30, 2023

Fund	Strategy	Region	Amount (MM)
Silver Lake VII	Buyouts	U.S.	$19,160
TA XV	Special Situations	U.S.	$16,500
Genstar XI	Buyouts	U.S.	$12,600
GTCR XIV	Buyouts	U.S.	$11,500
Platinum Equity VI	Buyouts	U.S.	$10,590

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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