Pathway Research

Private Market Environment

1ST QUARTER 2024

CONTENTS

1Q24 Market Review

Global equity markets continued their rally in the first quarter, supported by resilient corporate profits and market optimism regarding the trajectory of the global economic recovery. The MSCI All Country World Index ended the quarter at a record high, gaining 8.3% during the quarter, which brought its trailing 1-year return to 23.8%. Although gains were seen across most market sectors, enthusiasm around artificial intelligence (AI) developments continued to boost companies providing the infrastructure to support the surging demand. Chipmaker Nvidia, one of the largest beneficiaries of the current surge, gained 82% during the quarter, growing its market cap by over $1.0 trillion. Despite the positive overall quarter, market ebullience was tempered somewhat by three consecutive months of higher-than-expected inflation readings in the U.S., highlighting the challenging task remaining for policymakers to bring inflation the final steps down to its long-term target. The news widely reduced market expectations for both the timing of the first interest-rate cut and the number of cuts to be made this year. Treasury yields also reacted sharply to the news: the yield on the 10-year U.S. Treasury note rose to 4.20% at the end of March, up from 3.88% at the end of 2023. The market outlook for the remainder of 2024 continues to present a cloudy picture, contrasting resilience and enthusiasm with still-looming macroeconomic and geopolitical risks. High interest rates have begun to take a larger toll on both consumers and corporations, which has slowed economic growth. U.S. GDP growth slowed significantly in the first quarter to 1.6%, down from 3.4% in the prior quarter. We expect 2024 to continue to feature bouts of volatility and idiosyncratic stress, which should provide both challenges and opportunities for investors.

Private equity activity remained muted during the first quarter, reflecting many of the same trends that weighed heavy throughout 2023. High interest rates, uncertainty regarding the macroeconomic outlook, and a continued spread between buyer and seller pricing expectations have limited deal flow to largely high-quality assets. In the U.S., buyout activity totaled $58.1 billion during the quarter, an increase of 49% from the prior quarter but still just 7% above the quarterly average of the past two years. Buyout activity in Europe featured a sharper slowdown, totaling just €14.1 billion, down 12% from the prior quarter. Despite the low overall figures, the market has shown clear signs of evolving, which may serve as a catalyst for increasing activity in the coming quarters.

Table 1. Notable PE-Backed M&A Exits Announced in 1Q24
At March 31, 2024

Seller	Portfolio Company	Industry	Region	Value (MM)
Leonard Green, Berkshire Partners	SRS Distribution	Materials	U.S.	$18,250
Permira	Alter Domus	Software	Luxembourg	$5,310
New Mountain Capital	ILC Dover	Industrial	U.S.	$2,350
Weatherford Capital, Andreessen Horowitz, Emerson Collective	OpenGov	Software	U.S.	$1,800
Insight Partners, Madrona Ventures	Jama Software	Software	U.S.	$1,200

Table 2. Notable PE Investments Announced in 1Q24
At March 31, 2024

Buyer	Target	Industry	Region	Value (MM)
Clayton, Dubilier & Rice, Stone Point	Truist Insurance Holdings	Financial Services	U.S.	$15,500
KKR	Cotiviti	Healthcare	U.S.	$11,000
Silver Lake Partners	Vantage Data Centers	Information Technology	U.S.	$6,400
Cinven	Alter Domus	Software	Luxembourg	$5,310
KKR	Broadcom (End-User Computing Division)	Software	U.S.	$4,000

Purchase-price multiples have continued to decline, helping to narrow the bid–ask spread. The average purchase-price multiple for buyouts closed during the first quarter fell to 10.5x EBITDA in the U.S., the lowest level since 2016. Private equity managers have also continued to take advantage of opportunities presented by current market dynamics. In the first quarter, growing pressure on large corporations managing elevated interest expense led to a number of sizable corporate carveouts. Notable deals included the $15.5 billion acquisition of Truist Financial's insurance brokerage business by Clayton, Dubilier & Rice and Stone Point Capital and the $4.0 billion acquisition of Broadcom's end-user computing business by KKR. We believe that pockets of stress in the current environment will continue to provide attractive opportunities for private equity managers in the coming quarters.

Another positive development during the first quarter was the improvement shown in the leveraged credit markets, which experienced their most active quarter since the third quarter of 2021. U.S. institutional leveraged loan issuance totaled $143 billion, already over 60% of the full-year 2023 total of $234 billion, according to PitchBook Data, Inc. The strength of the leveraged credit market is not only a positive for new buyout transactions but also for companies looking to refinance existing facilities and push out debt maturities. Refinancings accounted for 60% of total leveraged credit value during the quarter and reached their second-highest quarterly value on record. Although the high-interest-rate environment has created operational challenges for many companies—which has resulted in an increase in the number of amendment, consent, and waiver requests from borrowers—overall indicators of distress in the leveraged credit markets continue to remain at relatively low levels. The leveraged loan distress ratio, a forward-looking indicator that measures the percentage of performing loans trading below 80% of par, ended the quarter at 3.5%, down from 4.5% at the end of 2023.

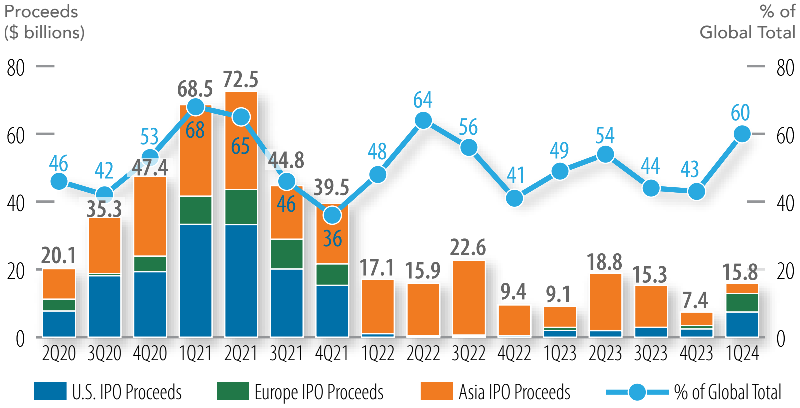
Constrained exit markets, and the resulting decline in distributions, continue to remain a core topic of concern for many investors in the private equity asset class. During 2023, distributions from private equity firms totaled just $309 billion, the lowest level since 2019, according to data from Burgiss. During the first quarter, exit markets remained slow, although a handful of notable exits prompted renewed optimism that conditions may be close to improving. Global M&A exit value totaled $80.4 billion, according to Mergermarket, a decline of 23% from the prior quarter but up 7% from the first quarter of 2023. The quarter was headlined by the $18.3 billion sale of building materials distributor SRS Distribution to Home Depot—one of the largest PE-backed M&A exits in recent history and a significant win for its private equity owners Leonard Green and Berkshire Partners. In the IPO markets, while total activity remained moderate, a number of successful PE-backed IPOs sparked hope that markets have become more receptive to new listings. Thirteen PE-backed IPOs raised $7.4 billion during the quarter, the largest figure since the fourth quarter of 2021. Aftermarket performance for new listings was attractive, including strong showings from Reddit and Astera Labs, two prominent venture-backed companies that have been closely monitored as signals for future IPOs. One additional tool that private equity managers have leveraged in the current environment to offset the slowdown in traditional exits is the GP-led secondaries market. These transactions, which can include single- or multi-asset portfolios, provide private equity firms the opportunity to double down on their highest-conviction companies while typically offering limited partners the option to roll alongside the new investment or sell at the set price. The GP-led market has grown quickly in a short period of time, reaching $52 billion in value during 2023, according to Jefferies, nearly half of the overall secondaries market during the year.

Global Exit Markets

Exit market activity remained low in the first quarter, although a handful of notable exits prompted some degree of hope that conditions may turn following the slowest year for private equity–backed exits in more than a decade during 2023. During the first quarter, global M&A exit activity totaled $80.4 billion—a decline of 23% from the prior quarter and the lowest quarterly total since the first quarter of 2023, according to data from Mergermarket. The decline was particularly sharp in non-U.S. markets: non-U.S. M&A exit activity totaled just $24.9 billion, down 48% from the prior quarter. In the U.S., activity remained flat quarter over quarter, primarily as a result of the sale of Leonard Green– and Berkshire Partners–backed building products company SRS Distribution to Home Depot for $18.3 billion. The transaction marks a notable achievement in a period of otherwise tepid exit activity, ranking as the fourth-largest U.S. private equity exit of all time, according to PitchBook Data, Inc. Broader market activity has continued to be impacted by a spread between buyer and seller pricing expectations, which has limited the scope of transactions largely to the highest-quality assets. The lack of traditional M&A exits has kept interest in GP-led secondaries high as a potential way for private equity firms to deliver liquidity to their limited partners. Several notable continuation vehicles were formed during the quarter, including a $3.0 billion single-asset vehicle raised by KSL Partners for Alterra Mountain Company. The decline in distributions has shifted many LPs to being sellers in the GP-led market, where we are seeing upwards of 80% of LPs electing to sell in many recent transactions.

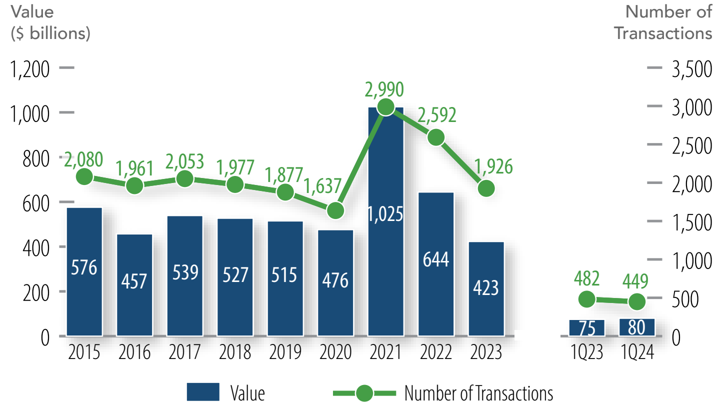
IPO markets experienced an improved start to 2024, boosting market sentiment about the potential for a revival in activity during 2024. Thirteen PE-backed IPOs raised $7.4 billion in proceeds in the U.S. during the first quarter, the strongest quarter since 2021 and already more than 80% of the full-year 2023 total. The total included five IPOs of buyout-backed companies, headlined by the $1.6 billion listing of Finnish sporting equipment company Amer Sports, the largest PE-backed IPO since 2021. In the venture capital markets, the IPOs of Reddit and Astera Labs in late March were met with much enthusiasm, viewed as potential points of evidence regarding the market's receptiveness for highly valued technology companies. Both companies fared well following their IPOs: Astera Labs finished the quarter up 98% from its IPO price, and Reddit finished up 40%. Although further evidence is likely needed before we see a resounding change in IPO market conditions, market optimism today is higher than it has been since late 2021, which is likely to spur a steady trickle of new listings in the coming months.

Figure 1. Quarterly Global PE-Backed IPO Activity
At March 31, 2024



Source: Bloomberg, Renaissance Capital, and Pathway Research.

Figure 2. Global PE-backed M&A Exit Value & Volume
At March 31, 2024

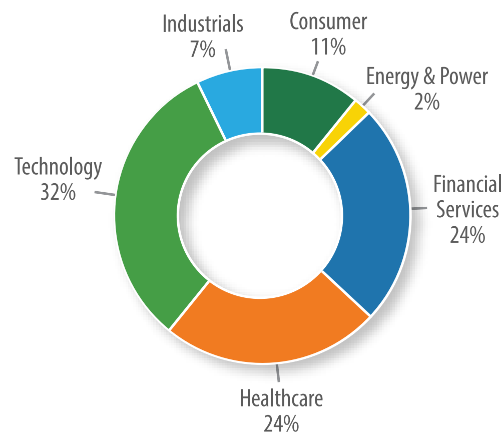


Source: Mergermarket, Dealogic, and Pathway Research.

U.S. Buyout Markets

U.S. buyout activity bounced back moderately during the first quarter, totaling $58.1 billion, according to data from Refinitiv and Pathway Research. Although still well below the pace seen in 2021, the first-quarter total represented a 49% increase from the prior quarter and the largest quarterly total since the second quarter of 2022. The increase in activity was driven primarily by two outsized transactions: the $15.5 billion carveout of Truist Financial Corp.'s insurance brokerage business by Clayton, Dubilier & Rice and Stone Point Capital and the $11.0 billion acquisition of healthcare technology company Cotiviti by KKR. The impact of a higher-rate environment remained apparent during the first quarter: purchase-price multiples continued to fall, reaching an average of 10.5x EBITDA, down from 10.8x EBITDA in full-year 2023 and the lowest level since 2016. General partners also continued to structure their investments prudently: the average equity contribution rate for U.S. buyouts reached an all-time high of 52.7%, while average leverage multiples totaled just 5.0x EBITDA, roughly in line with the average during 2023.

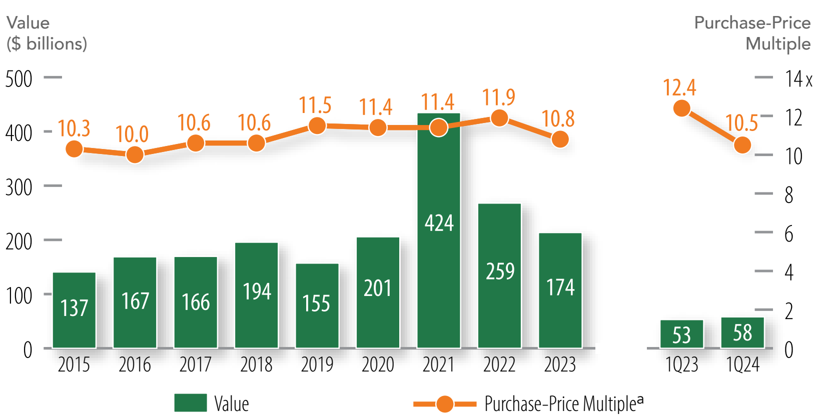
Figure 3. 1Q24 U.S. Buyout Transaction Value by Sector
At March 31, 2024



SOURCE: Refinitiv and Pathway Research.

While current market conditions have largely had a dampening effect on the buyout markets, they have also presented unique opportunities for buyout managers to take advantage of. Many buyout managers moved quickly following the decline in public equity markets in 2022 to capitalize on take-private opportunities, which accounted for more than 40% of buyout deal value in the prior two years. General partners have also remained active sourcing add-ons for their existing companies, using the time to strengthen company product offerings, increase scale, and buy down purchase-price multiples paid prior to the market disruption. Over the past year, private equity managers in the U.S. have closed 4,036 add-ons for their portfolio companies, which account for 75% of total buyout deal count during the period. More recently, pressure on large corporations struggling to manage heavy debt loads has driven a revival in corporate carveouts. The first quarter featured a number of significant such transactions, including the acquisition of Truist Financial's insurance brokerage business, the $4.0 billion acquisition of Broadcom's end-user computing business by KKR, the $1.4 billion acquisition of Carrier Global's industrial fire business by Sentinel Capital Partners, and the $1.2 billion acquisition of Alight's payroll and professional services business by H.I.G. Capital.

Figure 4. U.S. Buyout Investment Activity
At March 31, 2024



SOURCE: Refinitiv, PitchBook LCD, and Pathway Research.
NOTES: Amounts may not foot due to rounding.
[a]Average PPM (as a multiple of trailing EBITDA) of all LBOs.

Table 3. U.S. Buyout Investment Statistics
At March 31, 2024

	2022	2023	1Q24
Purchase Price/EBITDA	11.9x	10.8x	10.5x
Equity Contribution %	45.8%	51.1%	52.7%
Debt/EBITDA	5.9x	4.8x	5.0x
EBITDA/Cash Interest	2.9x	2.4x	2.6x

SOURCE: PitchBook LCD.

European Buyout Markets

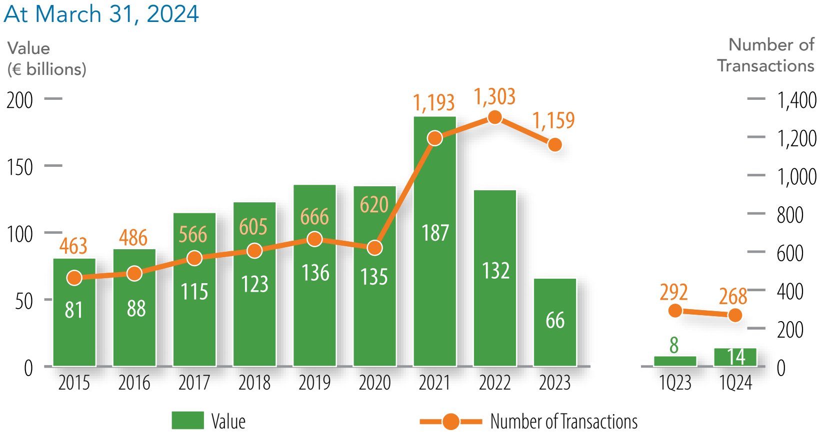
European buyout activity in the first quarter remained subdued, similar to the levels observed in the latter half of 2023. Persistent concerns surrounding the macroeconomic environment and the enduring valuation gap between buyers and sellers continued to impact the market. According to data provided by Refinitiv, the aggregate transaction value of European buyouts announced in the first quarter was €14.1 billion—a 12% decrease from the prior quarter—while the total number of transactions remained flat. Despite the absence of a significant rebound in dealmaking, activity levels remain higher than the record lows witnessed in early 2023: first-quarter activity reflected an 83% increase from the same period last year.

The largest and only large-cap transaction announced during the quarter was Redbird IMI's acquisition of All3Media, a UK-based TV production company, from Warner Brothers, at an enterprise value of £1.15 billion. As such, the aggregate large-cap transaction value fell significantly below the 5-year quarterly average of €15.1 billion. Meanwhile, the mid-market segment (deals with enterprise values between €250 million and €1 billion) saw a total transaction value of €2.8 billion—a 36% decrease from the prior quarter but well above the post-GFC low point in activity of €1.0 billion in the first quarter of 2023.

The divestment of All3Media by Warner Brothers reflects a broader trend in the private equity industry. Amid a tighter financing environment, tempered expectations for multiple expansion, and challenging market conditions, private equity firms are increasingly targeting corporations looking to review their portfolio mix and shed non-core assets. Divestitures and carveouts generally represent less expensive targets and offer attractive opportunities for private equity firms to create value. Consequently, three of the five largest transactions in the past two quarters have been divestitures or carveouts from corporates, including Apax's acquisition of WGSN from Ascential and Inflexion's acquisition of IMSM from Marlowe.

Despite a level of uncertainty around the environment, some macroeconomic indicators have improved, and expectations for rate cuts grew in the first quarter. This culminated in a strong rebound in the European primary loan market. According to UBS, high-yield issuance totaled €22.1 billion during the first quarter, more than three times the issuance in the prior quarter and half the amount for full-year 2023. During the quarter, the spread of BB-rated euro-denominated bonds began at 295 basis points and tightened further to 231 basis points. This tightening is conducive to loan issuance activity, which is currently being driven by extensions and refinancing. Despite the relatively subdued activity in M&A transactions, the moderation in average purchase-price multiples, coupled with improved activity in the loan market, may signal an encouraging trend for the industry going forward.

Figure 5. European Buyout Investment Activity
At March 31, 2024



Source: Refinitiv and Pathway Research.

Table 4. Notable European Buyouts Announced in 1Q24
At March 31, 2024

Buyer	Target	Country	Value (MM)
Redbird, International Media Investments	All3Media	UK	£1,150
EQT	Believe	France	€831
Inflexion	IMSM	UK	£430
Pollen Street	Mattioli	UK	£388
Pacific Avenue	Sogefi Filtration	France	€374

Source: Refinitiv.

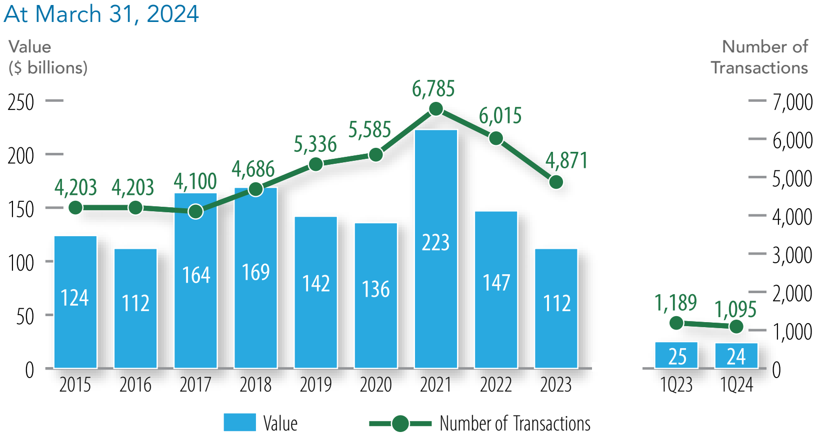
Asia Private Equity

Asian private equity investments amounted to $24.3 billion from 1,095 transactions during the first quarter, a decrease in value of 33% from the prior quarter. Investment activity remained sluggish as a result of market volatility, an uncertain economic outlook, and disparate expectations between buyers and sellers, which all contributed to the continued stall in capital deployment. Notably, a small number of large-cap transactions drove the bulk of investment activity: the top ten deals accounted for over half of total transaction value for the quarter. Additionally, the cautious approach taken by investors has led to a decline in entry multiples, contributing to the reduction in transaction values observed over the past few quarters. According to data from S&P Capital IQ, the median purchase-price multiple for transactions completed in 2023 was 10.1x EBITDA, significantly below the median figure of 14.8x EBITDA in 2022.

Japan continues to be one of the few bright spots in Asia amid a tepid investment environment: the country accounted for three of Asia's five largest transactions during the first quarter. Driven by favorable structural shifts—including a series of corporate governance reforms aimed at improving domestic productivity, global competitiveness, and shareholder value—private equity has become an increasingly attractive option for addressing various business needs, such as succession, shareholder activism, and divestiture of non-core assets. The combination of structural tailwinds and ongoing investment momentum has fueled strong demand for exposure to the Japanese market, resulting in significant fund size increases for Japanese managers compared with previous vintages. Japan has also stood out as one of only two major markets in Asia, alongside Korea, to achieve a year-on-year increase in fundraising in 2023.

Asia-Pacific IPO activity experienced a significant downturn in the first quarter, recording 187 deals and $9.8 billion in proceeds—the lowest level since 2016 and a stark contrast to the 2021 quarterly average of $46.6 billion. The decline was especially pronounced in mainland China, which had been the major driver behind Asian and global IPO activity for nearly two years. China, excluding Hong Kong, recorded a 21% quarter-on-quarter decrease and a 56% year-on-year decrease in IPO proceeds, likely exacerbated by the China Securities Regulatory Commission's publishing of stricter rules to enhance oversight of stock listings and slow down domestic IPO approvals. Although Japan and India witnessed strong public equity performance—as evidenced by the record highs in the Nikkei 225 and Nifty 50 indices—IPO activity did not experience a similar surge and continued at a pace consistent with previous-quarter averages in both markets.

Figure 6. Asia PE Transaction Value & Volume
At March 31, 2024



Source: Mergermarket.

Table 5. Notable Asia PE Investments in 1Q24
At March 31, 2024

Buyer	Target	Country	Value (MM)
Bain Capital	Outsourcing	Japan	$2,484
BPEA EQT	Benesse Holdings	Japan	$1,393
Paine Schwartz Partners	Costa Group Holdings	Australia	$1,391
CVC Asia	Sogo Medical	Japan	$1,173

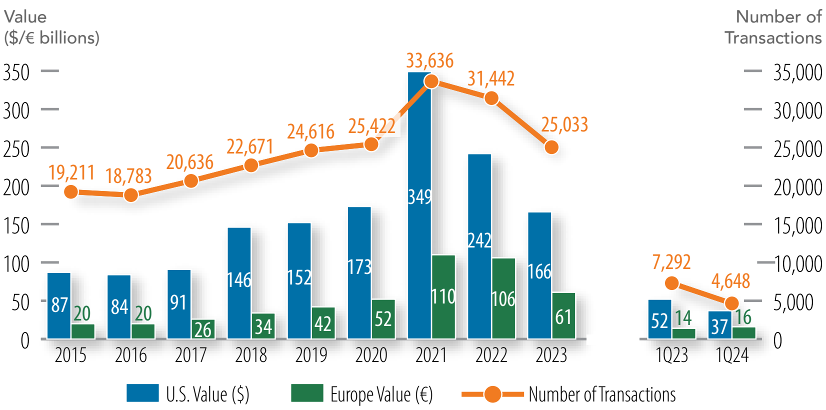
Source: Mergermarket.

Venture Capital Markets

Venture capital markets remained quiet during the first quarter, echoing many of the same trends seen in 2023: slow fundraising, slumping deal activity, and a turbulent financing market for startups. In the U.S., investment activity totaled $36.6 billion during the quarter, down 9% from the prior quarter and 29% from the first quarter of 2023. Activity in Europe showed a slight bounce-back, totaling €16.4 billion, up 17% from the prior quarter. Although a handful of larger rounds propelled overall investment value, the number of investments remained quite low. In aggregate, the U.S. and Europe accounted for 4,648 deals—the lowest mark since the fourth quarter of 2016. Quarterly activity was supported by interest in the AI sector, which included $2.8 billion invested in Anthropic by Amazon and a $675 million round raised by robotics company Figure AI. Following the dealmaking frenzy of 2021 and early 2022, we have seen a clear transition to venture capitalists becoming more selective, focusing on the highest-quality companies and founders. In turn, founders have pivoted to trimming budgets and becoming more efficient with their capital. Despite the continued sluggish overall market figures, conversations with venture capital managers in recent months have reflected a decidedly more optimistic outlook, noting a revival in deal activity and improving market sentiment. Now nearly two years into the current lull in activity, we expect more venture-backed companies to be faced with shrinking cash balances and a need to raise capital in the coming quarters, which should provide more opportunities for investors and more evidence regarding which companies have emerged from this period in the strongest positions.

Exit market activity for venture-backed companies remained low during the first quarter but showed signs of life. U.S. venture-backed exit activity totaled $18.4 billion in value, an increase of 11% from the quarterly average during 2023. The most notable development was the positive performance of a pair of large technology IPOs—social media platform Reddit and chipmaker Astera Labs—which listed in late March, raising an aggregate of $1.7 billion in proceeds. Both companies were well-received in the public markets: Reddit ended the quarter 40% above its IPO price, and Astera Labs, boosted by market enthusiasm for AI technologies, ended the quarter up 98%. The momentum of the first quarter has at least carried through April, which hosted the $577 million IPO of digital marketing platform Ibotta and the $752 million IPO of cloud data and security company Rubrik, the largest software IPO since 2021. Although it remains too early to determine if the IPO window is truly open, should performance hold, it appears likely that 2024 will far surpass the levels seen in the past two years.

Figure 7. Venture Capital Transaction Value & Volume
At March 31, 2024



Source: PitchBook-NVCA Venture Monitor Report.

Table 6. Notable Venture Capital Deals in 1Q24
At March 31, 2024

Company	Select Investors	Region	Value (MM)
H2 Green Steel	European Innovation Council	Europe	$5,211
Anthropic	Amazon, Apex Ventures	U.S.	$2,750
Epic Games	The Walt Disney Co., Dualcore	U.S.	$1,500
Ascend Elements	BHP Ventures, Fifth Wall	U.S.	$704
Figure AI	ARK Venture Fund, Microsoft, Nvidia	U.S.	$675

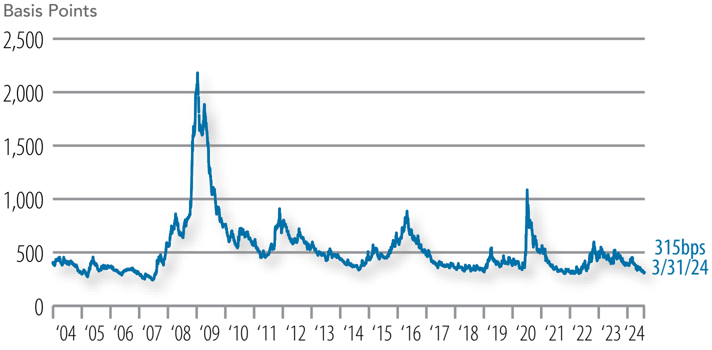
Source: PitchBook Data, Inc.

Private Credit Markets

Leveraged credit markets had a standout first quarter, boosted by surging demand from leveraged loan and high-yield bond buyers, a benign economic outlook, and a constructive secondary market marked by healthy secondary prices and relatively low default volume. U.S. institutional leveraged loan issuance totaled $143 billion in the first quarter, more than three times greater than the total from the same period last year and the highest quarterly total since the third quarter of 2021, according to PitchBook LCD. The reopening of the syndicated debt markets spurred a wave of repricing and refinancing activity from borrowers seeking to reduce their debt financing costs and/or extend maturities. Refinancing volume totaled $86 billion during the quarter, the second-highest quarterly total on record. As part of this wave of refinancing activity, $11.8 billion in sponsor-backed loans issued in the direct lending market were refinanced in the broadly syndicated loan market, partly reversing last year's record $20 billion in public-to-private debt refinancings. The return of leveraged credit markets as a viable financing option, coupled with still-low M&A activity, resulted in heightened competition and spread compression in the direct lending markets. Although credit spreads in the core middle market have been on a downward trend since reaching a current cycle peak early in 2023, the decline accelerated in the first quarter of 2024, during which sponsor-backed loans priced from 475 basis points to 550 basis points over SOFR—a decrease of approximately 50 to 100 basis points since the end of 2023. Nevertheless, with base rates remaining at elevated levels, the low double-digit all-in yields for first-lien middle-market loans remain attractive.

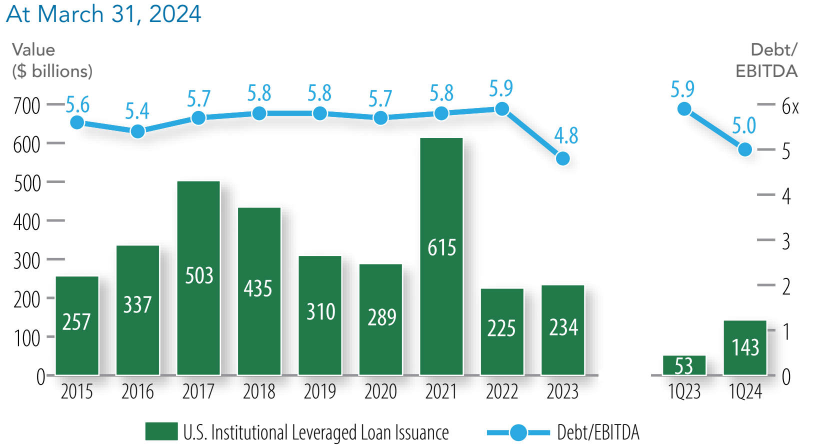
High-yield bond and leveraged loan default rates held steady in the first quarter of 2024 compared with year-end 2023. The trailing 12-month (TTM) U.S. high-yield default rate was 3.0% at the end of the first quarter, up slightly from 2.9% in the prior quarter, according to Fitch Ratings. Approximately 62% of the high-yield default volume over the past year was accounted for by distressed debt exchanges (DDE) rather than by missed payments or bankruptcy filings. In a DDE, the borrower offers to exchange existing debt for newly issued debt, typically at a lower total par value than the original debt and often with other changes, such as conversion of cash interest to payment-in-kind or an extension of maturities. Lenders may agree to a DDE when they view the alternative—a bankruptcy filing or restructuring—as potentially resulting in a lower recovery rate than the DDE. One implication of the high proportion of DDEs in high-yield default volume is that the actionable opportunity set for distressed debt investors could be even lower than what the TTM default rate indicates. In the direct lending market, default and non-accrual rates also remained steady at relatively low levels, although direct lenders are reporting increases in the number of amendment, consent, and waiver requests from borrowers seeking flexibility and time to manage through the high-interest-rate environment and idiosyncratic operational challenges. The Proskauer Private Credit Default Index showed a 1.8% default rate in the first quarter of 2024, compared with 1.6% in the fourth quarter of 2023.

Figure 8. High-Yield Bond Spreads over U.S. Treasuries
At March 31, 2024



SOURCE: BofA Merrill Lynch.

Figure 9. U.S. Institutional Leveraged Loan Issuance
At March 31, 2024



SOURCE: PitchBook LCD.

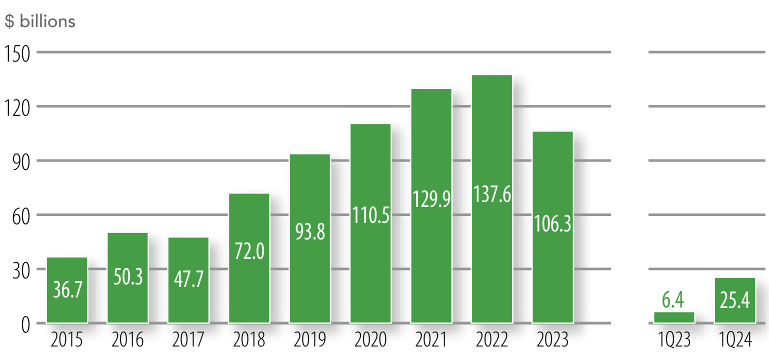
Private Infrastructure Market

In the first quarter, $25.4 billion was raised across 11 global infrastructure funds, a 297% increase year over year. The quarterly fundraising total was supported by the strong performance of public markets, which further mitigated the denominator effect experienced by many limited partners. The first-quarter fundraising total was driven primarily by KKR, which raised $6.4 billion for its second Asia-Pacific Infrastructure Investors fund, as well as by Stonepeak, which raised $3.3 billion for its Stonepeak Asia Infrastructure Fund. Fundraising activity is expected to remain strong throughout 2024 as a result of improved investor sentiment in the asset class.

Global infrastructure investment value totaled $3.2 billion during the first quarter—the lowest total since the fourth quarter of 2022 and the second-lowest quarterly deal volume since the start of 2019. Notable first-quarter deals include Sosteneo's $1.2 billion significant minority investment in Enel Libra Flexsys, a portfolio of 23 battery energy storage systems and three renovation projects for gas-fired power plants, which aims to reduce the net debt of parent company Enel. Additionally, BlackRock's Climate Finance Partnership completed a $673 million investment in Ditrolic Energy, the leading pure-play energy transition company in Malaysia. The capital injection will be used to develop more than 1 gigawatt of commercial and industrial, and utility-scale solar assets across emerging markets in the Asia-Pacific region.

The prospect of growing energy demand needed to support emerging technologies, such as AI, combined with geopolitical uncertainty and interest in energy security, has resulted in increased support for an "all-of-the-above" approach to energy. This viewpoint includes the use of renewable and non-renewable sources in concert. Within the renewables space, a number of key pieces of legislation are poised to unlock additional greenfield developments both in the U.S. and globally, while calls for energy security have brought both traditional energy and "transition fuels" into favor with investors. Within the U.S., large transactions—including Exxon's acquisition of Pioneer, Chevron's acquisition of Hess, and Diamondback's acquisition of Endeavor—indicate continued demand for upstream assets, even at fulsome valuations. While exploration and production M&A activity has centered on the Permian Basin, the U.S. Gulf Coast has remained a hotbed for private infrastructure deal activity. Several managers have invested in liquified natural gas facilities along the coast, all of which are poised to bridge the gap between renewables and traditional energy sources.

Figure 10. Global Private Infrastructure Capital Raised
At March 31, 2024



Source: PitchBook Data, Inc.

Table 7. Notable Infrastructure Deals in 1Q24
At March 31, 2024

Asset/Company	Acquirer	Industry	Region	Deal Size (MM)
Enel (Battery Business)	Sosteneo	Energy Storage	Europe	$1,187
Ditrolic Energy	BlackRock	Renewables	Asia	$673
Chenani Nashri Tunnelway	Cube Highways & Infrastructure	Transportation	Asia	$470
NineDot Energy	Manulife, Carlyle	Energy Storage	U.S.	$225
ENVIRIA Energy	BlackRock	Solar	Europe	$200

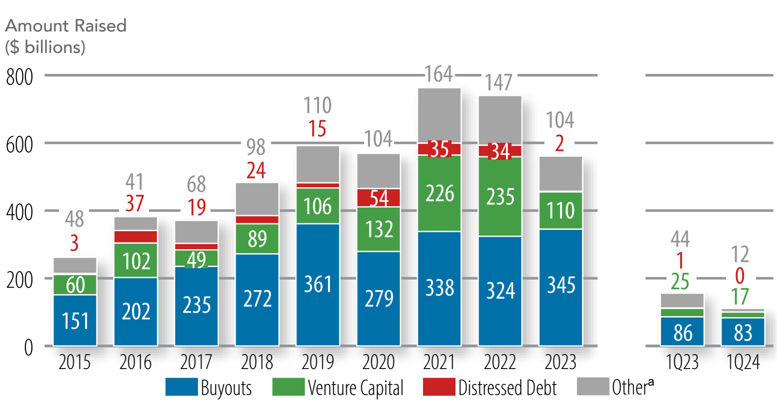
Source: PitchBook Data, Inc.

Fundraising Market

Worldwide private equity fundraising remained flat during the first quarter, totaling $111.9 billion—an increase of just 1.5% from the prior quarter—according to data from Refinitiv and Pathway Research. The recent stagnation in activity is indicative of a challenging fundraising environment that has begun to more acutely reflect broader macroeconomic uncertainty and the slowing pace of transaction activity across the private equity markets. Constrained exit markets, in particular, have slowed the pace of distributions to limited partners, thus impacting the capital available to re-invest in the asset class. Limited partners have responded by taking a highly selective approach to new commitments, concentrating on core private equity relationships and on managers with proven experience navigating prior market disruptions. This has resulted in more capital being concentrated in fewer funds: according to PitchBook Data, Inc., the average private equity fund size in the first quarter was $1.3 billion, up from $957 million in 2023 and $607 million in 2022. The selective market has also extended average fundraising timelines, providing limited partners more time to conduct diligence and less urgency to enter a fund's initial closing. The average fundraising period for funds that closed during the first quarter reached 16.9 months, the highest figure in more than a decade and a far cry from the 11.9-month average seen in 2020.

The fundraising market continued to be underpinned by buyout funds during the first quarter, which raised $83.1—an increase of 20% from the prior quarter. The increase was driven by a handful of large funds raised around the globe, including Eighth Cinven Fund ($14.5 billion), Resolute VI ($6.9 billion), and CVC Asia VI ($6.8 billion). In addition to the funds that closed during the quarter, a number of mega buyout funds remain in market, including Silver Lake Partners VII and Thoma Bravo XVI, which are both targeting upwards of $20 billion in commitments. In contrast, venture capital fundraising has continued to decline, totaling just $16.5 billion in the first quarter—the lowest amount since the fourth quarter of 2017. The combination of a slower investment pace and market uncertainty in the wake of declining valuations has dampened activity in the venture capital market. With record amounts of dry powder still available to be deployed by managers globally, we expect venture capital fundraising to remain muted during 2024 until a greater acceleration in investment activity brings more funds back to market.

Figure 11. Global Fundraising by Strategy
At March 31, 2024



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 subordinated debt, infrastructure, special situations, and other fund strategies not classified as buyout-, venture capital–, or credit-focused.

Table 8. Notable Funds Raised in 1Q24
At March 31, 2024

Fund	Strategy	Region	Amount (MM)
Eighth Cinven Fund	Buyouts	Europe	$14,500
Resolute Fund VI LP	Buyouts	U.S.	$6,850
CVC Capital Partners Asia VI	Buyouts	Asia	$6,800
Wynnchurch Capital Fund VI	Buyouts	U.S.	$3,500
EQT Future Fund	Buyouts	Europe	$3,257

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 $120 billion to more than 1,400 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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