



**COVID-19**  
IN 12 SLIDES

# Manager outlook on 2020 in light of covid-19

# How we conducted the Covid-19 Study

This is a turbulent time for the private equity market, so understanding GP opinions and changes in sentiment is more important than ever.

For this study, *PEI* surveyed fund managers which have raised a private equity fund in excess of \$100 million over the past five years.

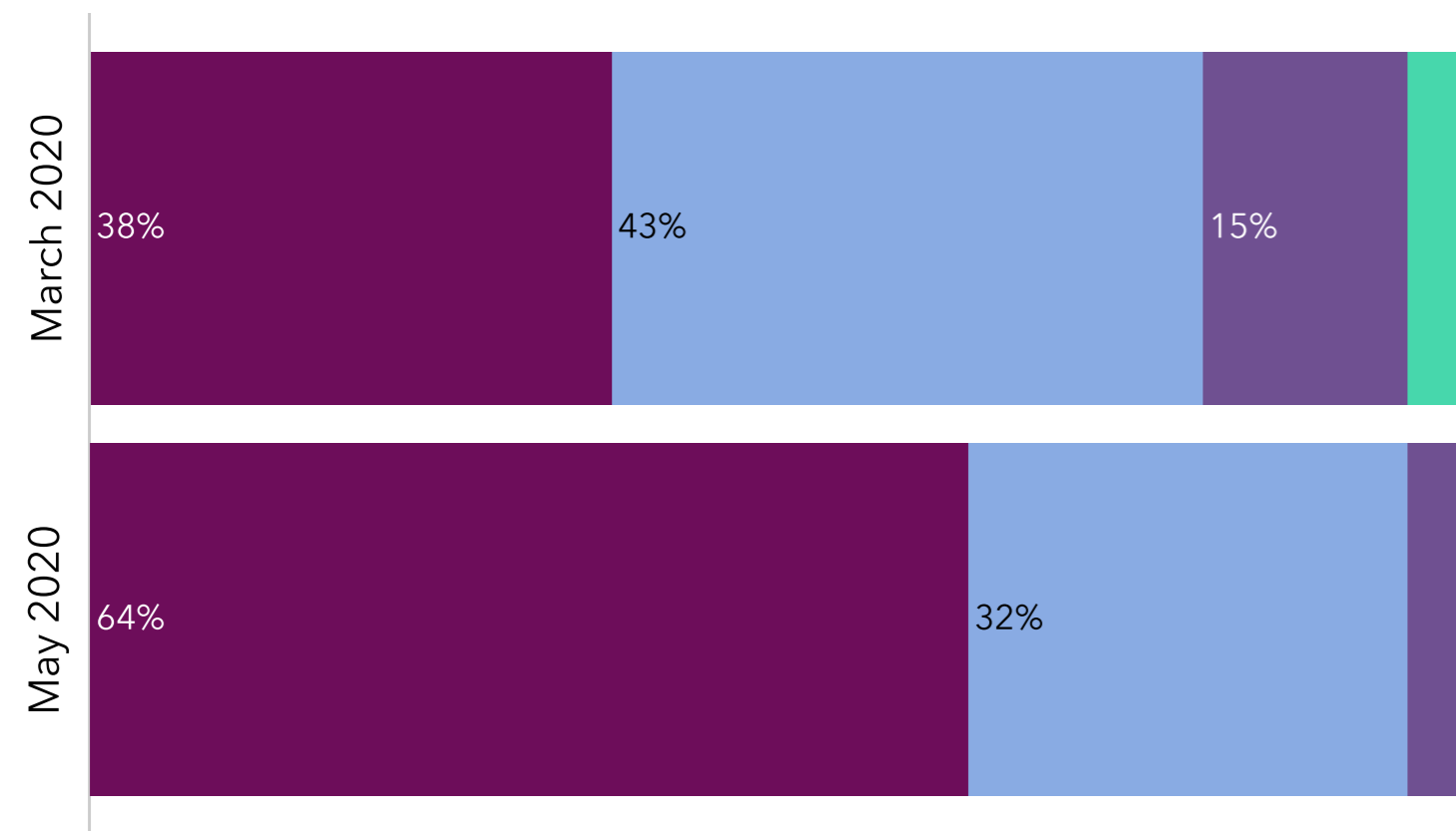
Fieldwork was carried out in March (120 responses) and May (40 responses) 2020. Participation in the study was anonymous, with the findings amalgamated and presented in this special report.

*PEI* recognises that investors and fund managers may be facing personal and professional challenges given covid-19, and we appreciate respondents taking the time to share their thoughts with us.

# Fundraising is getting back on track

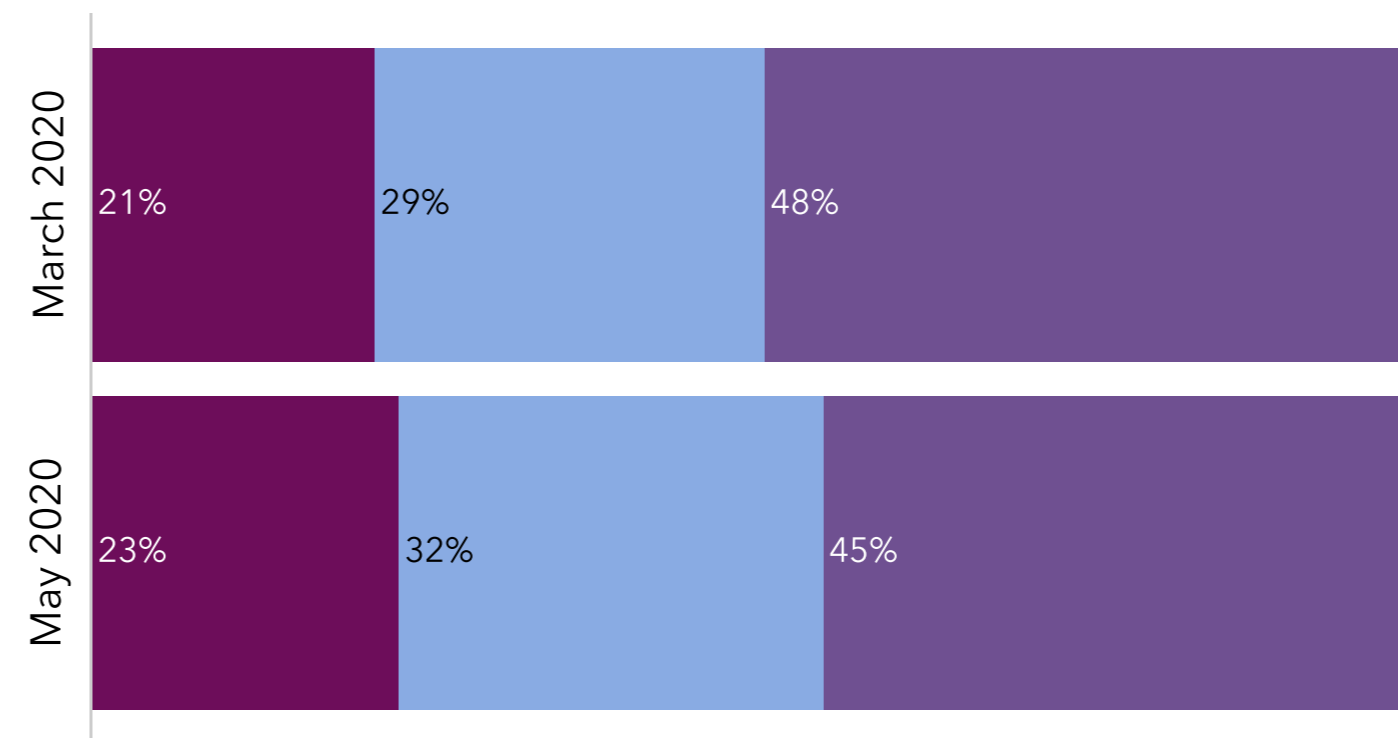
Two months on from *PEI's* first fund manager covid-19 study, it is clear that firms are getting used to current market conditions. Two-thirds of respondents were looking to carry their fundraise to an initially planned timetable, up from 38 percent of respondents in March. Also, none of the GPs we spoke to in May will be abandoning their fundraise due to covid.

**If you are in the process of raising a fund, please explain the impact of the current situation:**



- We are carrying on the fundraise to the same timetable
- We are extending the fundraising period
- We are pausing the fundraise
- We are abandoning the fundraise

**If you are currently raising a fund, what delay to the fundraising process do you expect?**



- We expect no delay to the expected final close
- We expect a delay to the final close of less than three months
- We expect a delay to the final close of more than three months
- We don't expect ever to hold a final close

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to read more on how managers are dealing with fundraising during the covid pandemic



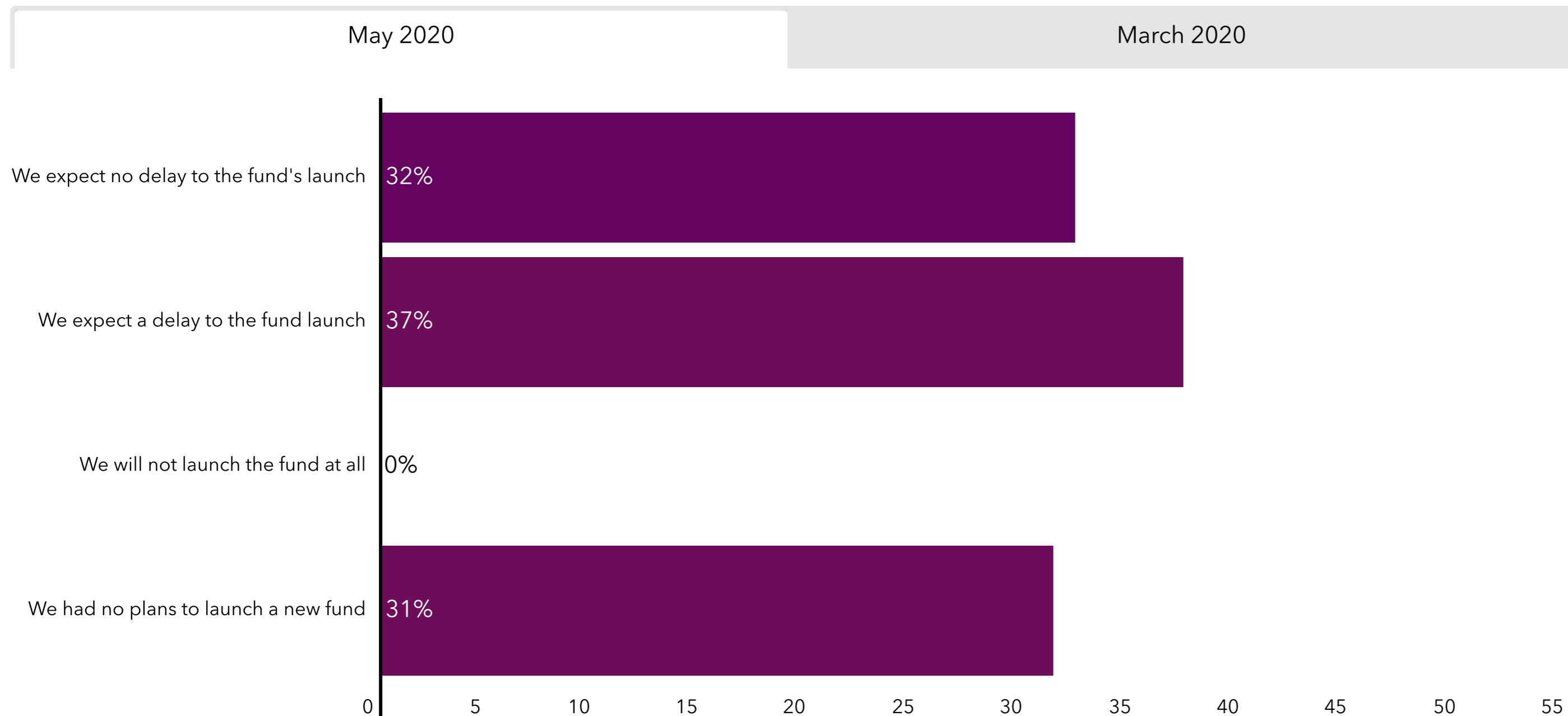
**The best GPs are still very much aware that they still have the upper hand in that [investors] want to get in these funds. In some instances, they are ramping up momentum, which is exactly what I would do**

Unnamed LP

# Managers are becoming more confident about future fundraising activity

Almost a third of managers surveyed in May expected no delay to a future fund launch, up from only 17 percent in March.

## If you were planning to launch a new fund:



Source: Private Equity International's Covid-19 Study

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to read more on what LPs are expecting from their GPs



**These LPs will not be committing the same amount as they were in 2019 and 2018 and I think they're going to be highly selective in what they do**

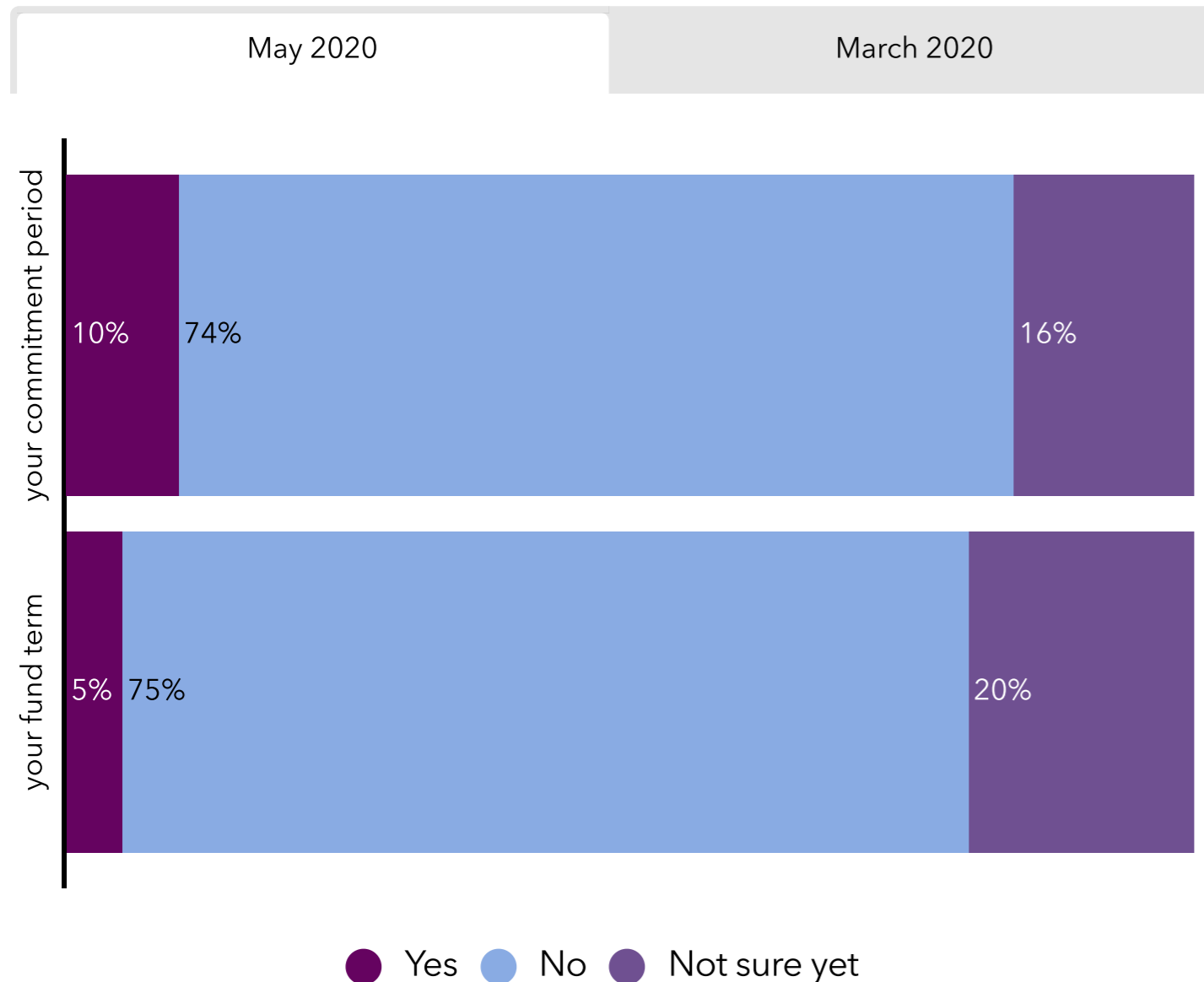
Joncarlo Mark, founder, Upwelling Capital Group

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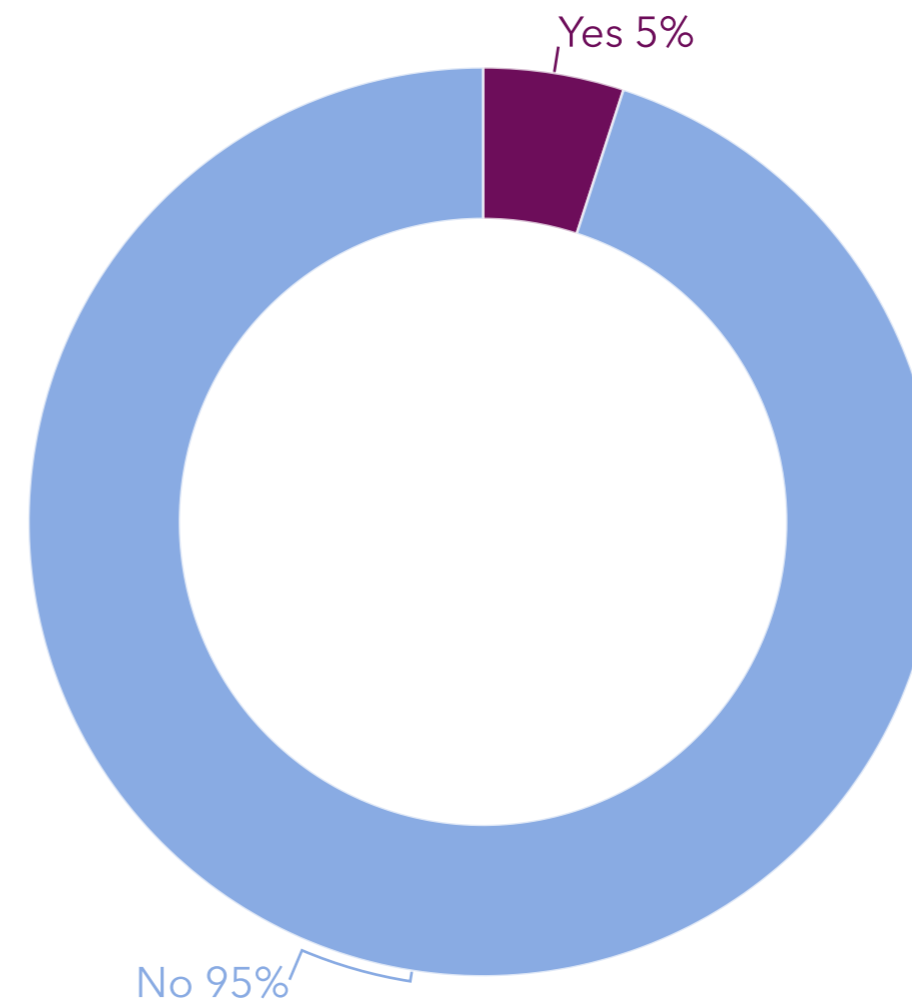
# Investments going full steam ahead

The majority of managers in the process of investing fund capital remain confident they will not require extensions to commitment periods or fund terms, and only 5 percent of those surveyed in May have had issues with investors providing cash for capital calls.

## If you're currently investing a fund, do you expect to seek extensions to:



## If you're currently investing a fund, have you had issues with investors providing cash for capital calls?



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to read more on how Ares Management is dealing with its investment portfolio during covid-19



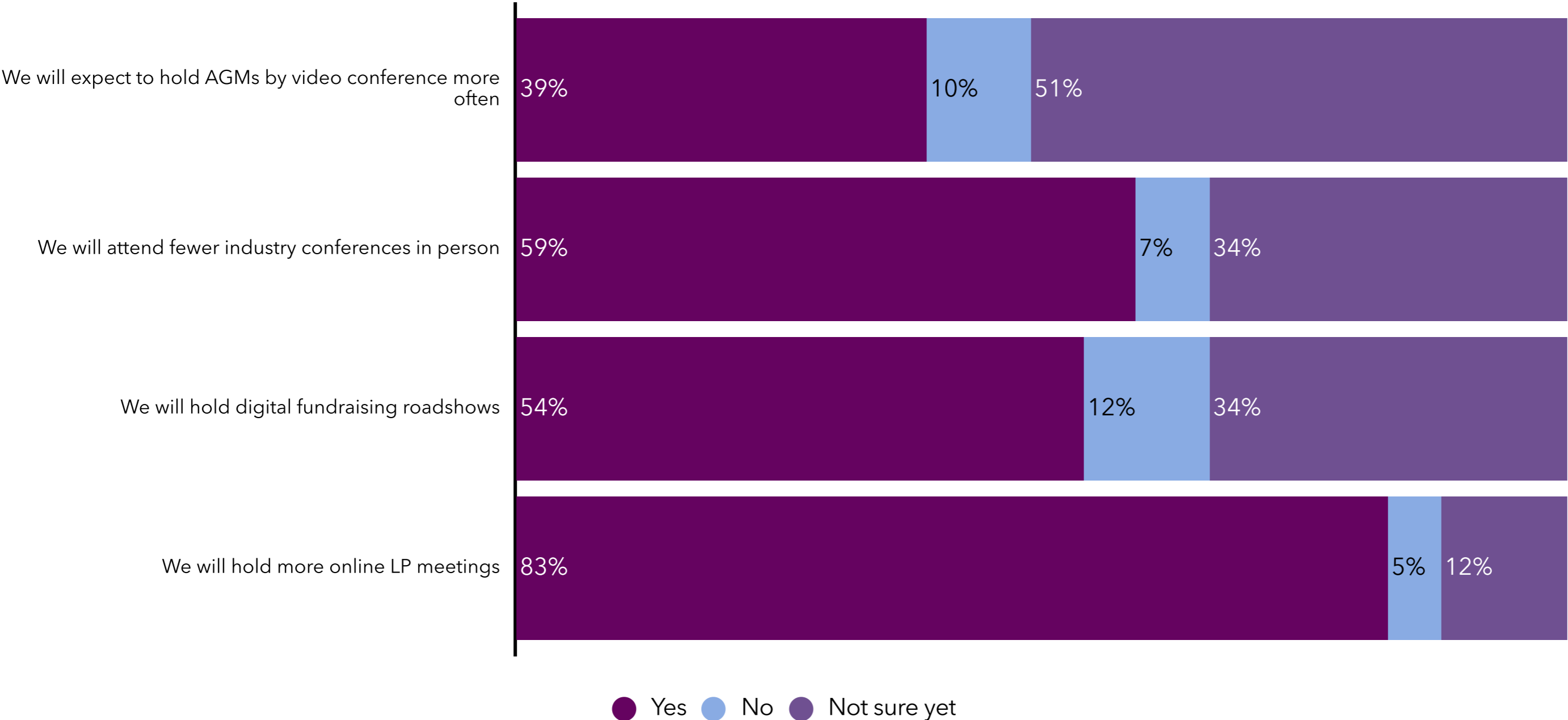
**We began actively using our dry powder to invest in and trade to stressed assets, while retaining significant dry powder to what we believe would be a long drawn out recessionary environment**

Michael Arougheti, co-founder, Ares Management

# The new normal

Managers are getting used to new ways of working, and with this comes more online interaction. The majority of firms surveyed in May expect to continue to hold more online LP meetings and digital fundraising shows, with 39 percent of respondents also expecting more video conference AGMs.

## Which of the following do you expect to do once 'normal' business life returns?



Source: Private Equity International's Covid-19 Study

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to read about what the industry will look like after the pandemic



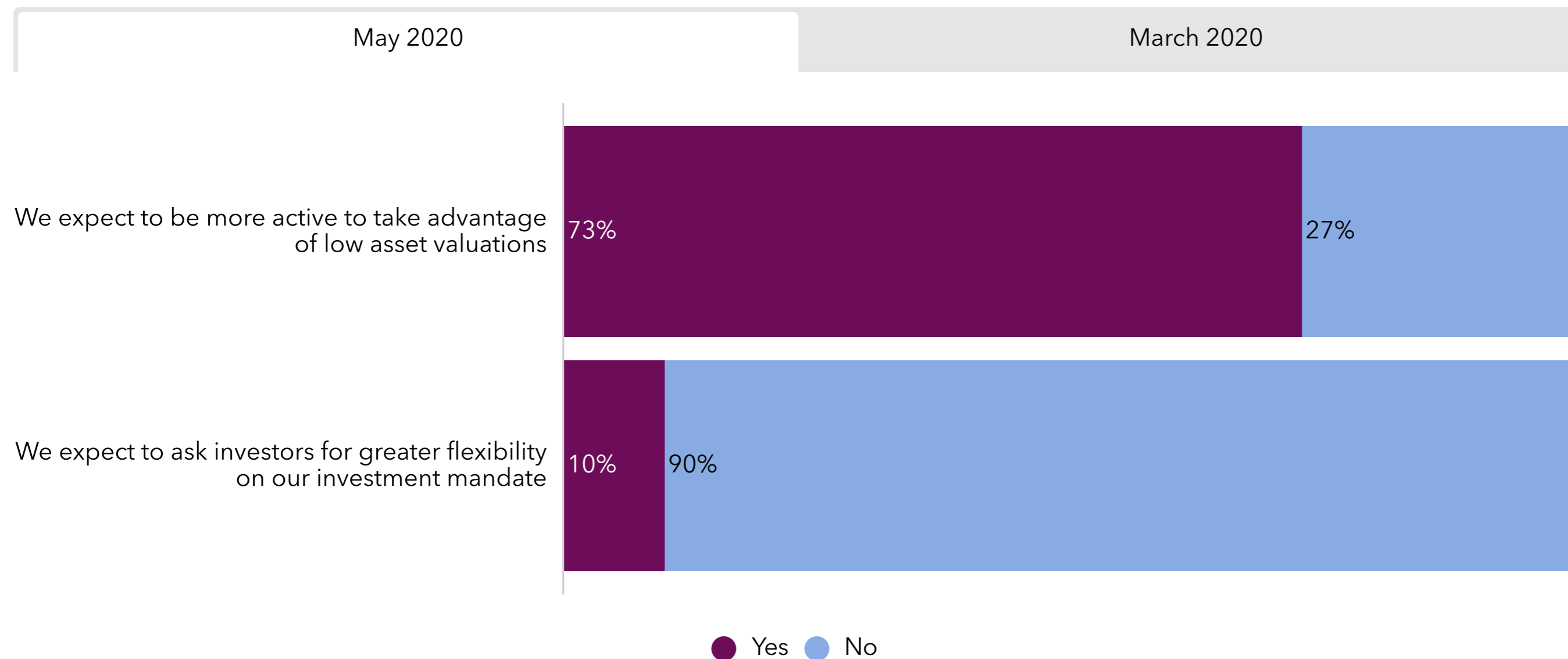
**The demand for virtual board meetings and digital signatures is huge and accelerating the digitisation of our business**

Ian Lynch, chief compliance officer, Intertrust Group

# Low asset valuations still of interest

Compared with *PEI's* March study, proportionately fewer managers surveyed in May were looking to be more active to take advantage of low asset values (73 percent as compared with 83 percent) and expecting to ask investors for greater flexibility on investment mandates (10 percent as compared with 32 percent).

## What effects does covid-19 have on your firm's dealmaking?



Source: Private Equity International's Covid-19 Study

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to read more on current market conditions, and how managers are making the best of a bad situation



**Historically, our strategy improves in effectiveness as markets weaken**

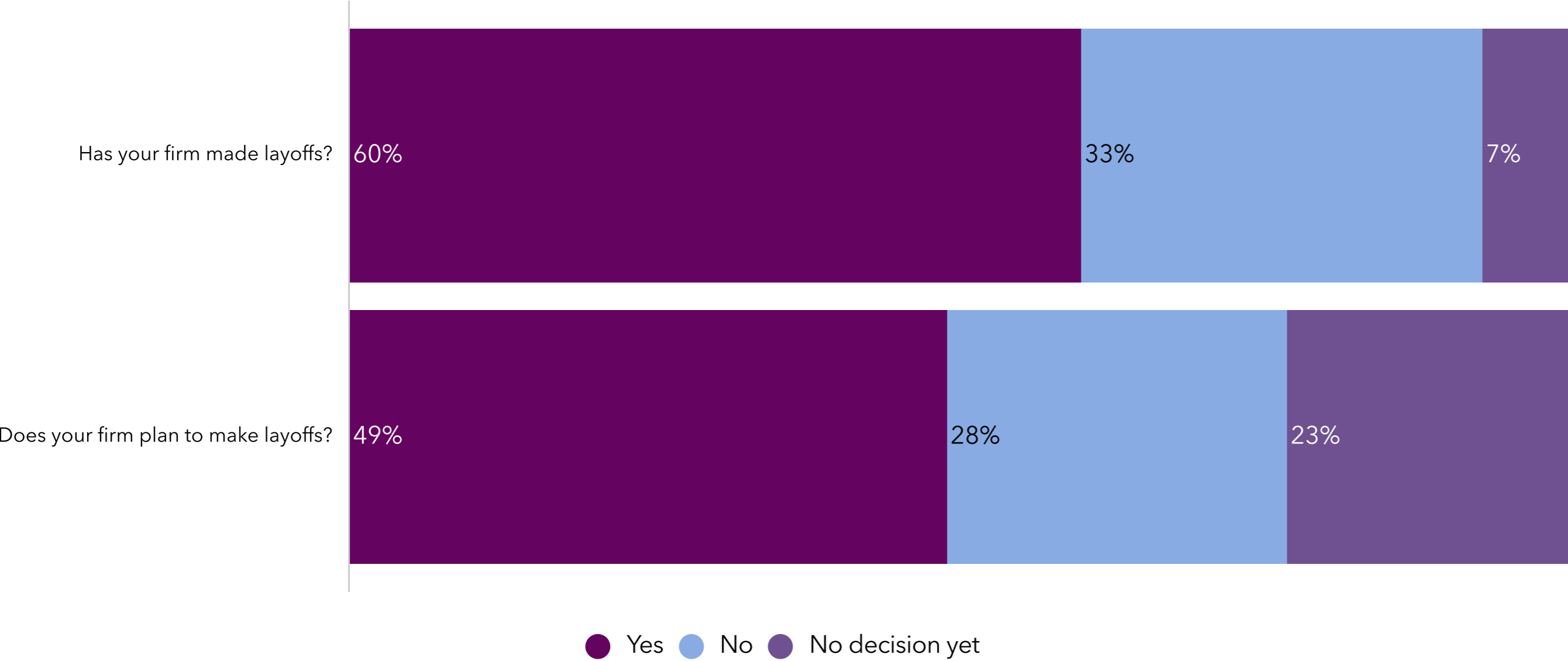
Mike Stewart, co-founder, Stellex Capital Management

**Private Equity International**

# Layoffs are happening, and there's more to come

60 percent of respondents to *PEI's* May survey had made layoffs at portfolio companies since the covid-19 pandemic started. Around half of the respondents have plans to make further layoffs.

## In terms of personnel at portfolio companies, due to the current situation...



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to read ACG's prediction on potential job losses in the US



**Up to 5 million US jobs across the middle market could be at risk if private equity-backed businesses remain excluded from the Payment Protection Program**

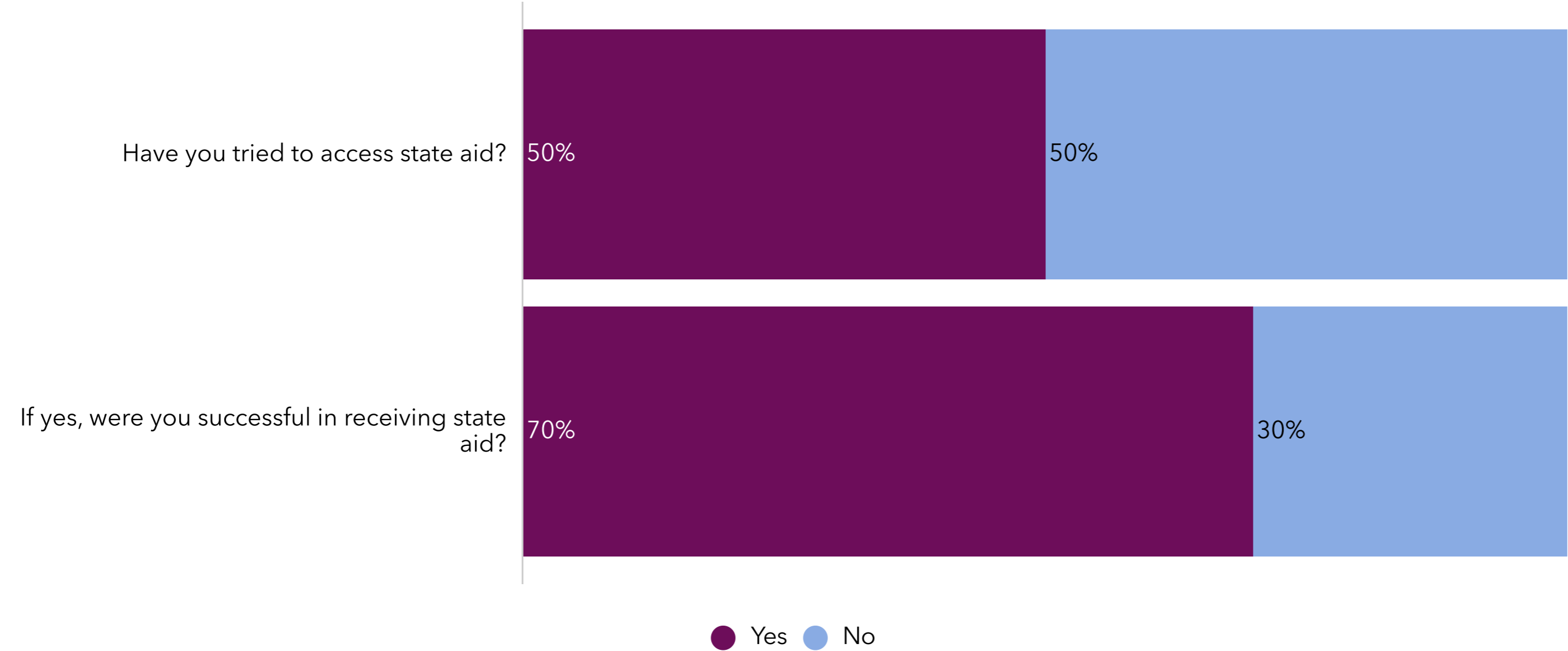
The Association for Corporate Growth

Source: Private Equity International's Covid-19 Study (May 2020)



# Only half of respondents have taken action on state aid

Of the managers that did seek state aid, only 70 percent were successful in receiving it.



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to read about why EQT thinks governments should help PE-backed companies



**If you think about who are the investors in EQT's funds, they are pension funds and insurance companies from around the world. The owners of the companies we are talking about in PE is not EQT, it's actually our investors who own these companies**

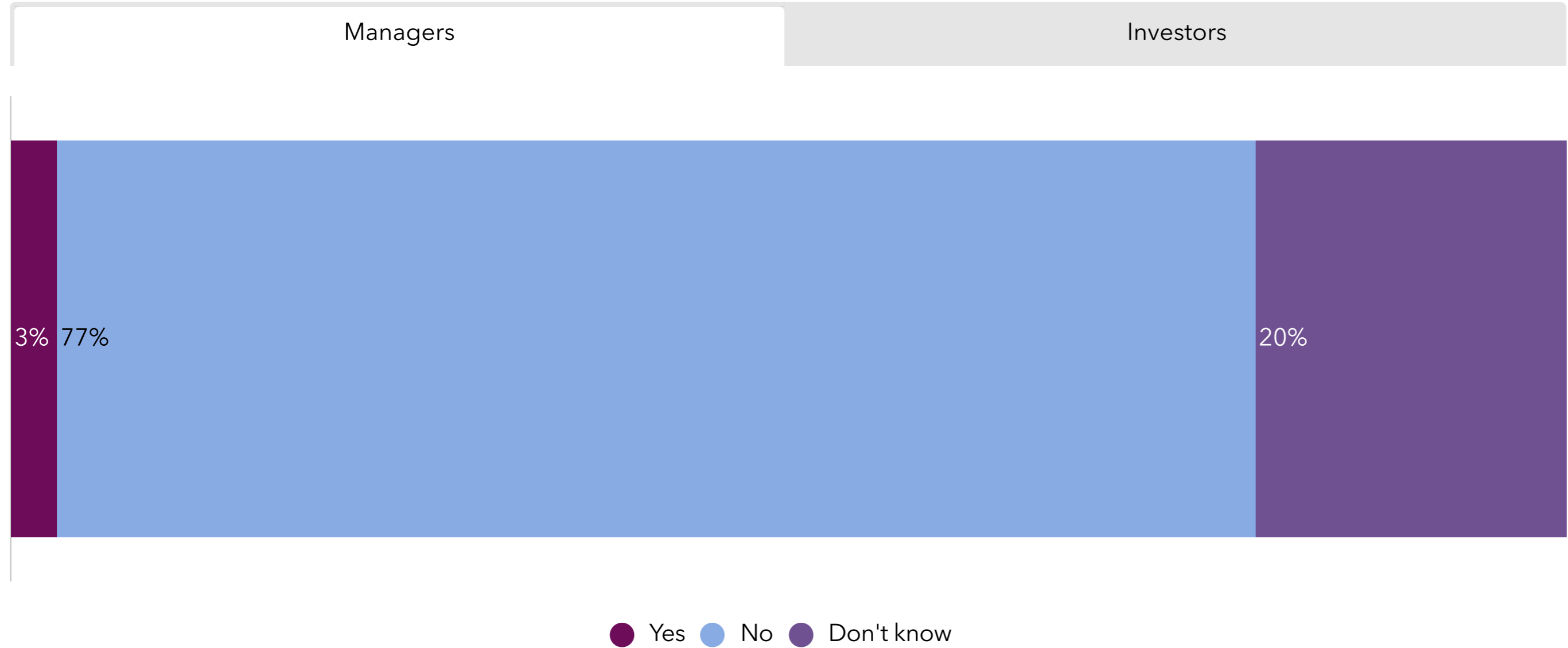
Christian Sinding, chief executive, EQT

Source: Private Equity International's Covid-19 Study (May 2020)

# ESG is non-negotiable for fund managers

PEI asked both managers and investors the same ESG question in May. ESG remains front of mind for the majority of managers: 77 percent said they would not relax policies for private equity fund investments. Only half the investors saw this as essential.

**In light of the impact of covid-19, is your institution prepared to relax its ESG policy as it relates to private equity fund investments?**



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to read more about how covid-19 could impact private equity's commitment to ESG moving forward.



**We see a lot of variability across the board on ESG, but it looks like the experience of coronavirus is going to put many of these topics even further up the agenda**

Anthony DeCandido, partner and financial services senior analyst, RSM

Source: Private Equity International's Covid-19 Study (May 2020)

# The impact of covid-19 on fundraising is clear

The investors surveyed by *PEI* in May remained more confident about the future of private equity fundraising than their fellow managers. Where managers expected an average drop of around 13 percent in fundraising levels for the next 12 months as compared with the past 12 months, investors only expected an 8 percent drop.

## How do you think private equity fundraising will fare in in the next 12 months as compared with the previous 12 months?



Source: Private Equity International's Covid-19 Study (May 2020)

[CLICK HERE](#)

to see how private equity fundraising has fared in the months running up to covid



**First-time managers, especially those that are yet to hold in-person meetings with LPs, are being forced to postpone capital-raising plans**

Carmela Mendoza, senior reporter, *Private Equity International*

# Private Equity International

This report was compiled from data collected for PEI's **Covid-19 Study** published in June 2020.

**Dan Gunner**

Director of Research & Analytics  
Private Equity International  
dan.g@peimedia.com  
+44 (0)207 566 5423

**Daniel Humphrey Rodriguez**

Head of Fund Manager Research  
Private Equity International  
daniel.r@peimedia.com  
+44 (0)207 566 5451

