




Hamilton Lane®

PRIVATE MARKETS SURVEY

2019  2020



AT HAMILTON LANE, WE'RE ALWAYS THINKING ABOUT AND PREPARING FOR WHAT'S COMING NEXT.

Considering our latest Market Overview is chock-full of our own predictions for the year ahead ([take a look if you haven't already](#)), we ventured off the beaten path a bit to take the pulse of the rest of the industry. In this year's edition of the Private Markets Survey, we asked some of the most prominent private markets players – a GP base with \$1.5T in AUM and an LP group with \$4.8T in AUM – what they're thinking about the current investment landscape and where they foresee it going in the near-term. This year, against a backdrop of an increasingly polarizing political environment, the future may seem a bit hazy. One could almost liken it to being stranded on a deserted island with nothing but our own wits and the lint in our pockets, and being told only the strongest survive. If that's the case, then think of this as your survival guide for venturing through this next year. And with that, we're pleased to present our 2019/2020 Private Markets Survey. 

We are a significant investor and allocator of capital to many of the premier general partners across the private markets spectrum. Additionally, because we work with some of the world's largest and most sophisticated LPs, we have a unique ability to gather and share market intel. Here's a look at our survey respondent base.

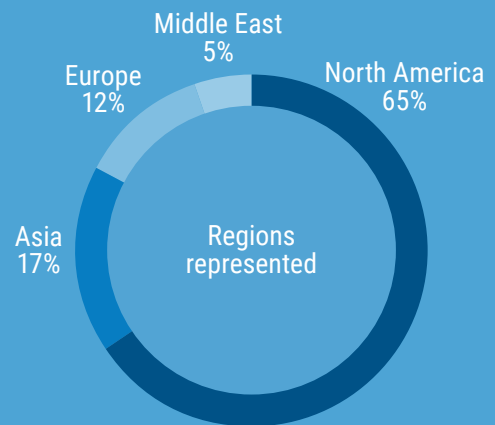
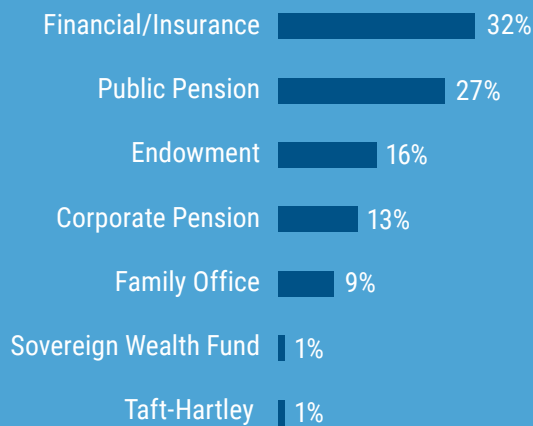
PARTICIPANT RUNDOWN



LPs

75
LPs

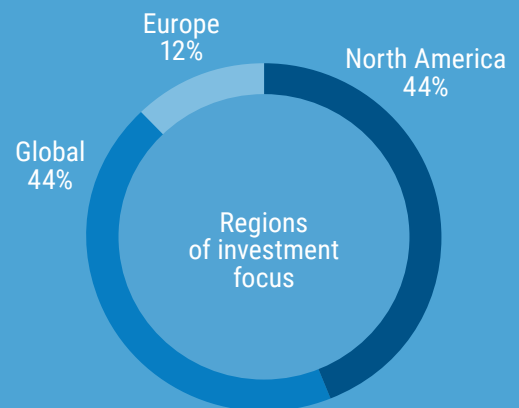
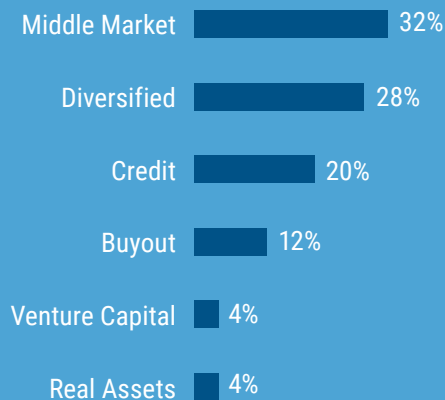
\$4.8T
AUM



GPs

25
GPs

\$1.5T
AUM



47% of respondents expect
U.S. public equity returns
to be in the 0-5% range
over the next 3 years

If LPs are increasing their allocation
to private credit, 39% are doing so
because they believe
**private credit is a
better opportunity set
than public credit**

SURVIVAL GUIDE SNAPSHOT



60%

of respondents expect to
see European public equity
returns only in the 0-5%
range over the next 3 years



56%

of respondents believe
the U.S. will generate
the strongest returns
over the next 3-5 years

Private credit and other buyout

are the top areas LPs would
increase allocation to the most
over the next 2 years

47% of LPs plan to allocate to

**private
credit**

from their public credit
allocations

The respondent base is nearly
split on whether or not



will happen in 2020*

91%

of respondents believe
private equity returns
will be in the 5-15%
range over the next
5 years



95%

of LPs surveyed believe
their allocation to private
equity will either increase
or stay the same in 2020

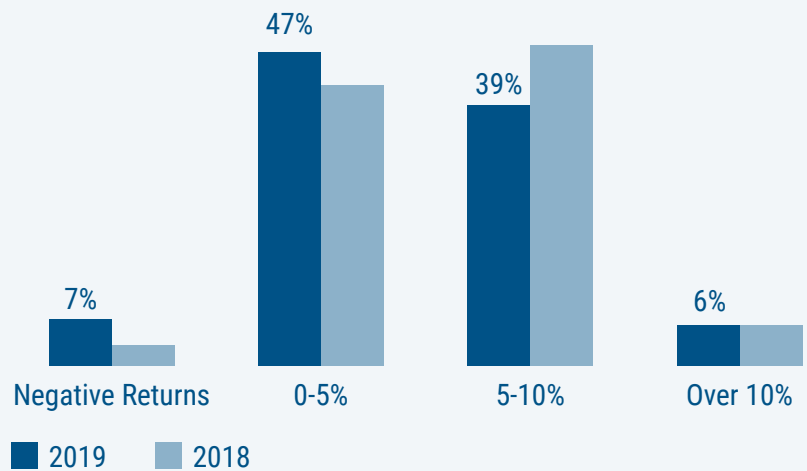


Survey the Area

EXPECTATIONS FOR THE NEXT THREE YEARS

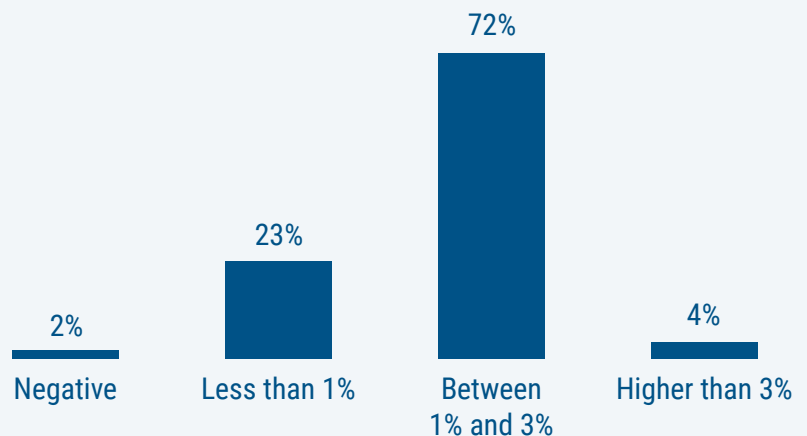
- Most respondents (47%) expect U.S. public equity returns to be in the 0-5% range
 - » We're seeing a downward trend as respondents continue to lower their expectations. Two years ago, 60% believed it would be in 5-10% range, and last year, 48% believed it would fall in that range. This year, only 39% still believe that will hold true.

I expect public equity returns in the U.S. over the next 3 years to be:



- The majority of the respondent group (72%) believes the U.S. Treasury rate will fall between 1% and 3% in the next three years.
 - » Although the ranges in last year's survey were different, we can see a significant downward shift from last year's results, where more than half of respondents expected the Treasury rate to fall between 3 and 4%.

The 10-year U.S. Treasury rate, currently around 1.83%*, in three years will be:

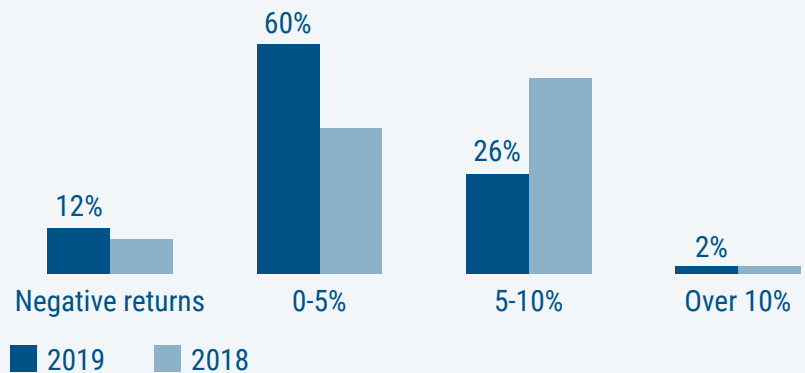


*As of October 2019 when survey was conducted.

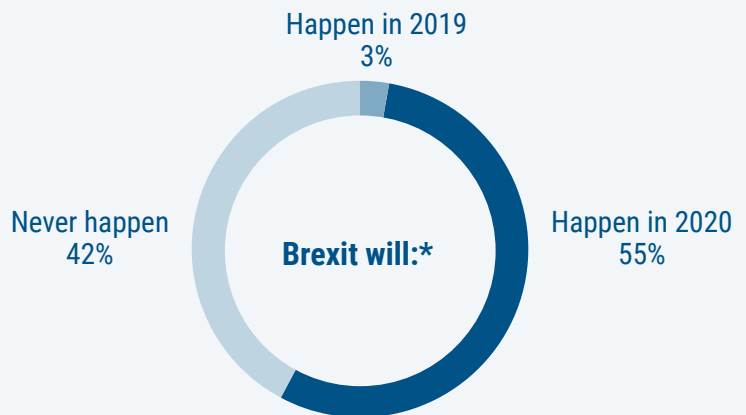


- Expectations for European public equity returns continue to fall, with 60% of respondents expecting to see returns only in the 0-5% range.
- » Respondents this year are less bullish about Europe's public markets compared to last year, when only 38% expected returns in the 0-5% range.

I expect public equity returns in Europe over the next 3 years to be:

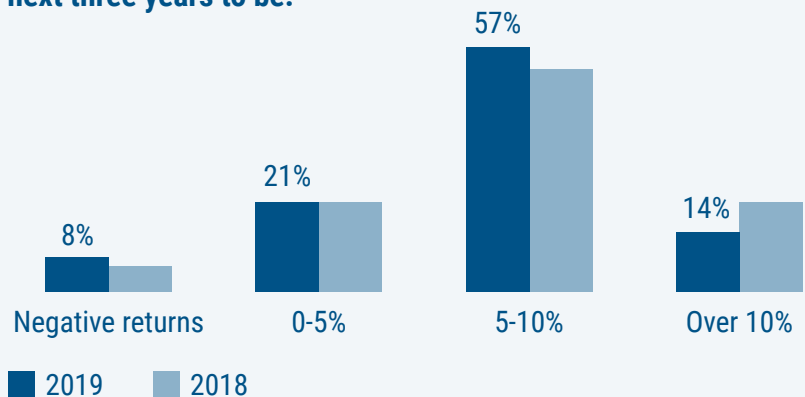


- This year's respondent base is split on the topic of Brexit. More than half – 55% – believe it will happen in 2020, while 42% think the UK will never leave the EU.



- Like last year, a majority of respondents (57%) believe public equity returns in emerging markets will be in the 5-10% range in the next three years.
- A lower percentage – just 14% compared to 21% last year – think returns will be 10% or higher.

I expect public equity returns in emerging markets over the next three years to be:



*Please Note: This survey was administered prior to the UK parliament's approval of the Withdrawal Agreement Bill.

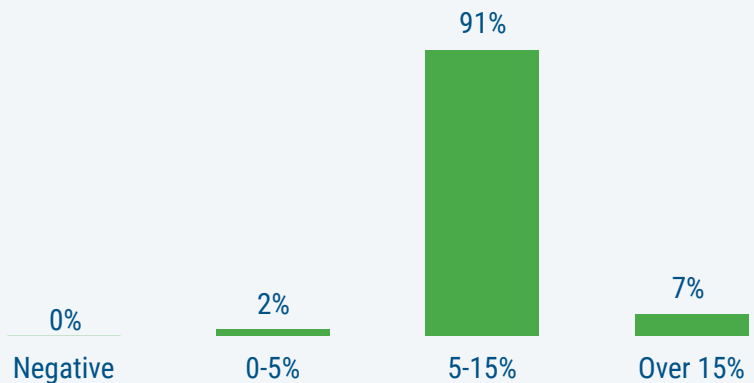


Fortify Your Position

PRIVATE MARKETS PERFORMANCE & ALLOCATION

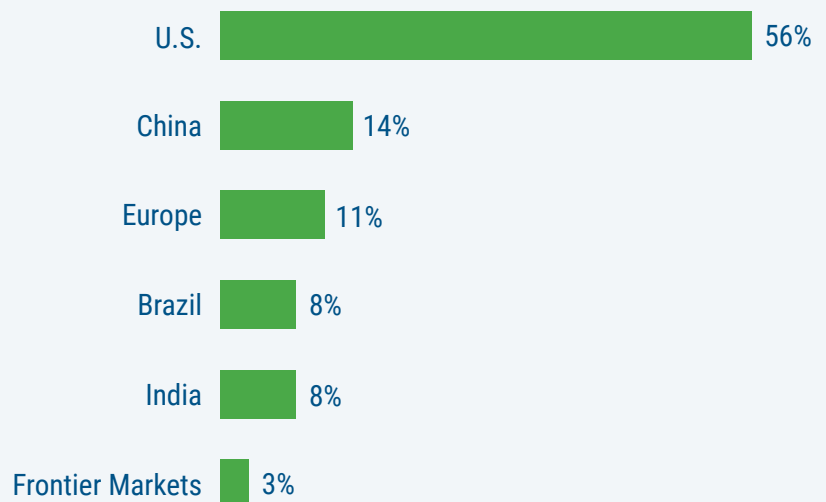
- Again this year, more than 90% of respondents believe private equity returns will be in the 5-15% range over the next five years.

What is your expectation for private equity returns over the next five years, assuming public equity returns average 5 percent?



- New this year, we asked which geography would generate the strongest returns over the next 3-5 years. The overwhelming response was the U.S. – despite an increasingly polarizing political environment and it being an election year.
- Still, this is in line with our GP Dashboard survey, where 60% of respondents agreed that North America would provide the strongest risk/reward trade off in the next year.
- Interesting to note that China, even as an emerging market, edged out Europe for the second spot.

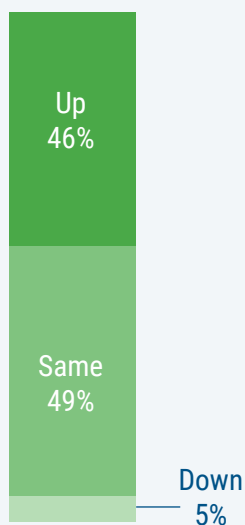
Deals done in which geography will generate the strongest returns over the next three to five years (regardless of fund geography)?





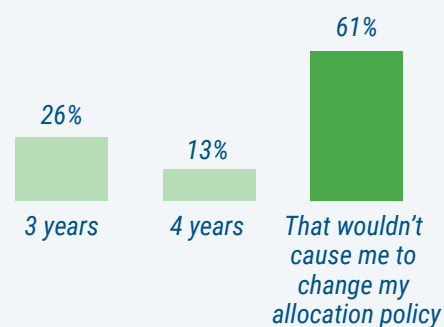
- Not surprisingly, nearly all LPs (95%) believe their allocation to private equity will either increase or stay the same in 2020.
- It's interesting to note that last year, 61% of LPs stated that they would not change their allocation targets if their private markets portfolio underperformed, even if that occurred for three to four years.

LP – Your allocation to private equity for 2020 will be:



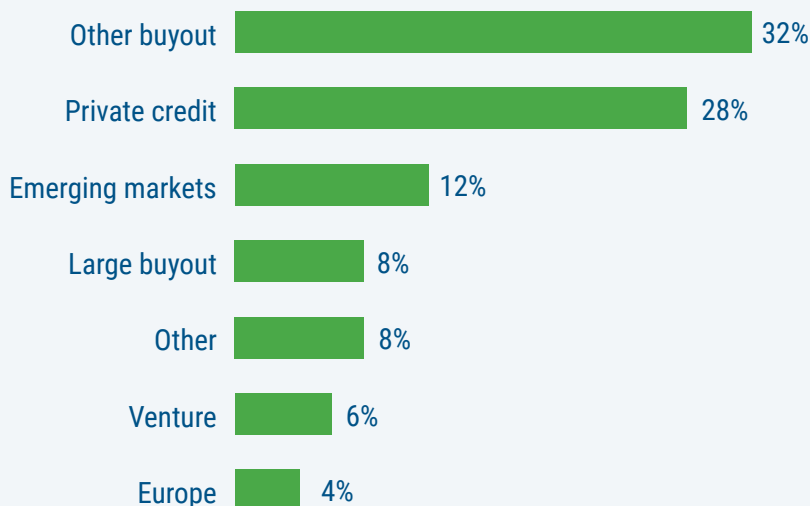
2018/2019 Survey:

If my private markets portfolio underperforms the public markets for this many years, I will begin to change my allocation targets:



- Other buyout (32%) and private credit (28%) are virtually tied for the area LPs said they would increase allocation to the most over the next two years, which brings us to our next survival tip...

LP – To which private equity area will your allocation increase the most over the next two years?



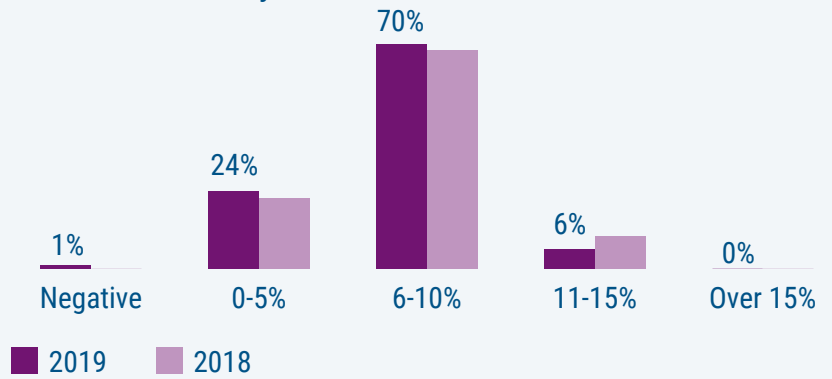


Build Your Toolkit

PRIVATE CREDIT PERFORMANCE & ALLOCATION

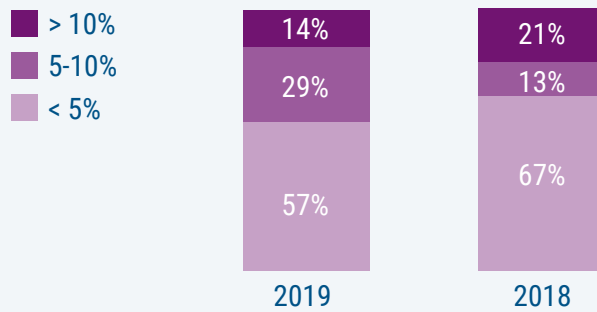
➤ Expectations for private credit returns mirror last year's results almost exactly, with the vast majority of respondents expecting private credit returns to land in the 6-10% range, and little to no expectations for negative returns – or on the flipside, for returns over 15%.

What is your expectation for private credit returns over the next three years?



➤ More than half of LPs are allocating less than 5% to private credit, while current allocation of 5-10% more than doubles from last year to 29%.

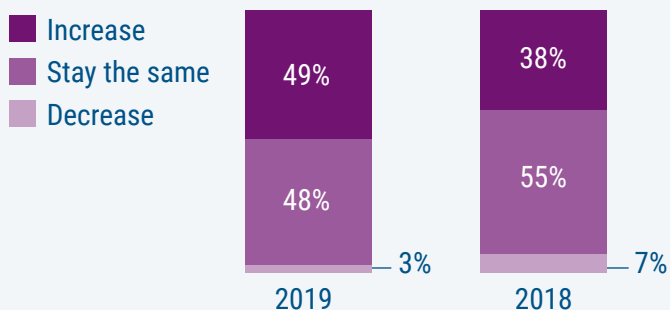
LP – My current allocation to private credit is:



➤ 48% of LPs expect to allocate the same percentage, and a full 49% expect to allocate more to this strategy in the next year or two.

➤ Last year, just 38% expected to increase allocation in the 1-2 year timeframe, and this year a smaller percentage (7% vs 3%) plan to decrease allocation.

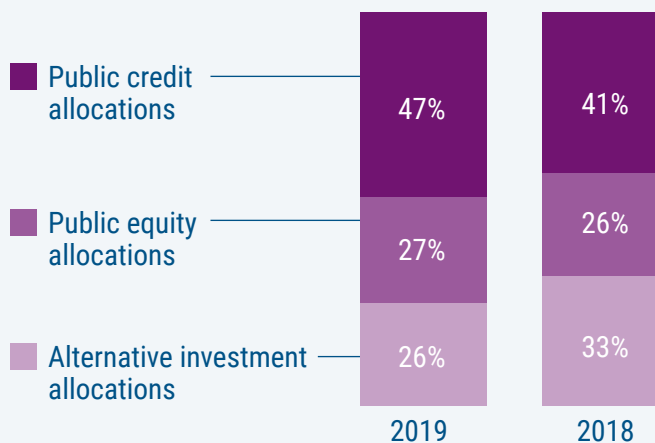
LP – My allocation to private credit strategies in the next year or two will:





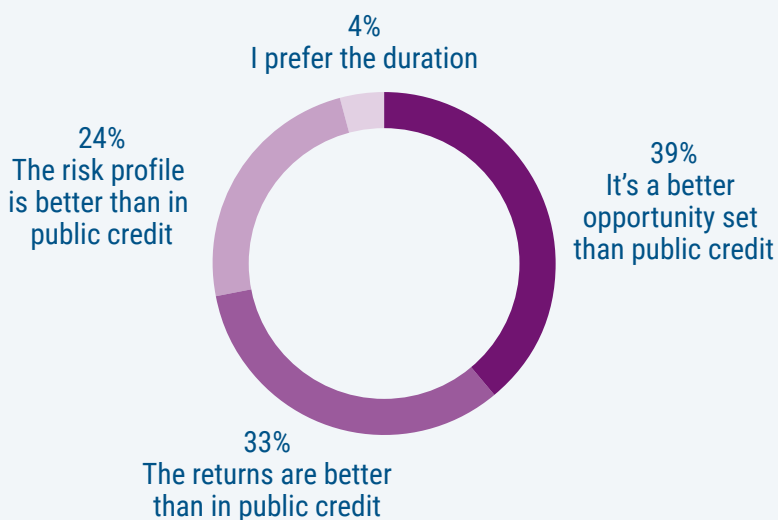
➤ LPs answered this similarly to last year. If they're increasing their allocation to private credit, it's mostly coming from public credit allocations (47%, compared to 41% last year.)

LP – If I am increasing my allocation to private credit, that allocation is coming from:



➤ While some LPs are increasing allocations to private credit because returns are better than in public credit (33%), others are doing so because the risk profile is better than in public credit (24%). Still, the majority (39%) say they are increasing their allocation because it's a better opportunity set than public credit.

LP – If I am increasing my allocation to private credit, I am doing so because:





Thank you for reading the 2019/2020 Private Markets Survey. We hope this proves an informative and useful reference tool, and we would encourage you to contact anyone at Hamilton Lane should you have questions or feedback.

WHO WE ARE*

Hamilton Lane is an alternative investment management firm providing innovative private markets services to sophisticated investors around the world. The firm has been dedicated to private markets investing for 28 years and currently has more than 390 employees operating in 16 offices around the world. We're proud to have been named a Best Place to Work by Pensions & Investments for eight consecutive years.

OUR MISSION & VALUES

We enrich lives & safeguard futures

- ▶ Do the right thing
- ▶ Integrity, candor and collaboration
- ▶ The pursuit of excellence
- ▶ A spirit of competition that inspires innovation

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