Hamilton Lane®

GP Dashboard 2021

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We are pleased to present Hamilton Lane's 2021 GP Dashboard.

As a significant investor and allocator of private markets capital around the world, Hamilton Lane sits in a unique position in the asset class, giving us access to many of the premier general partners across the private markets spectrum. Each year, the GP Dashboard captures the opinions and expectations of a broad group of these general partners, offering insight into where the global GP community believes the markets are headed. This year's survey features responses from 170 of the most well-known and top-performing general partners from around the world, who share their views on the broader global markets as well as their specific private markets portfolios.

HIGHLIGHTS

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Compared to last year's responses, GPs are forecasting stronger private markets performance.

PAGE 4

GPs expect purchase prices to head higher in the coming year. How high can they go?

PAGE 6

Exactly 0% of GPs named SPACs as the most likely exit option in the next 12 months, and rank SPACs as the third least likely exit option in that timeframe.

PAGE 8

Respondents report almost identical percentages of companies either positively or negatively impacted by COVID-19.

PAGE 10

Today, less than half the GPs surveyed track and report on KPIs or UN SDGs at the portfolio company level. What is impressive, though, is the number of groups that have heard from LPs and investors about the importance of this.

GP SNAPSHOT

Hamilton Lane surveyed a cross-section of GPs regarding their views on their portfolios and the global market.

170 GPs Interviewed

Of GPs Surveyed

9,600+ Portfolio Companies Managed

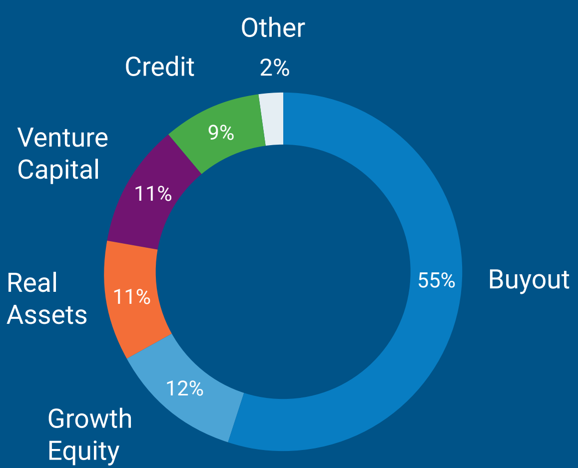
$3.8T Reported AUM

Since 2019

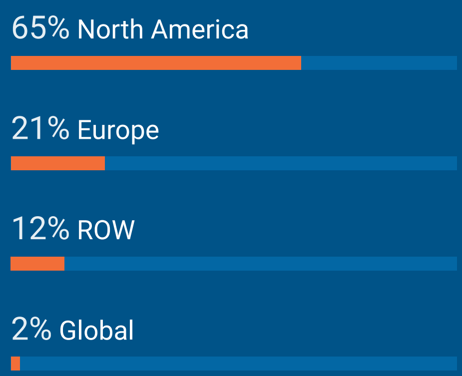
19% Increase in GP respondent base

34% Increase in reported AUM

STRATEGY



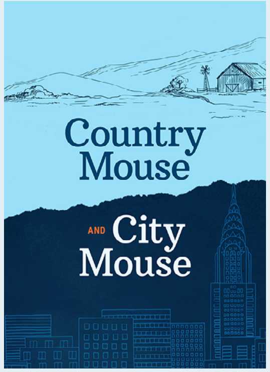
GEOGRAPHY In which the GP invests



For our 2021 Market Overview, we selected a theme inspired by the fable *The Town Mouse and the Country Mouse*.

This fable, a story of two mice – one living a simple, contented life in the country; yet on some level, he envies his cousin's glamorous lifestyle in the city – reminds us of the investment environment of 2020. Of the bifurcated realities caused by the events of the past year.

Consider what you wished you owned over the last year. Was it a downtown office building or a data warehouse space? A healthcare company or a cruise ship company? Keep those in mind as we check in with our general partner group to see how they're feeling in our 2021 GP Dashboard.

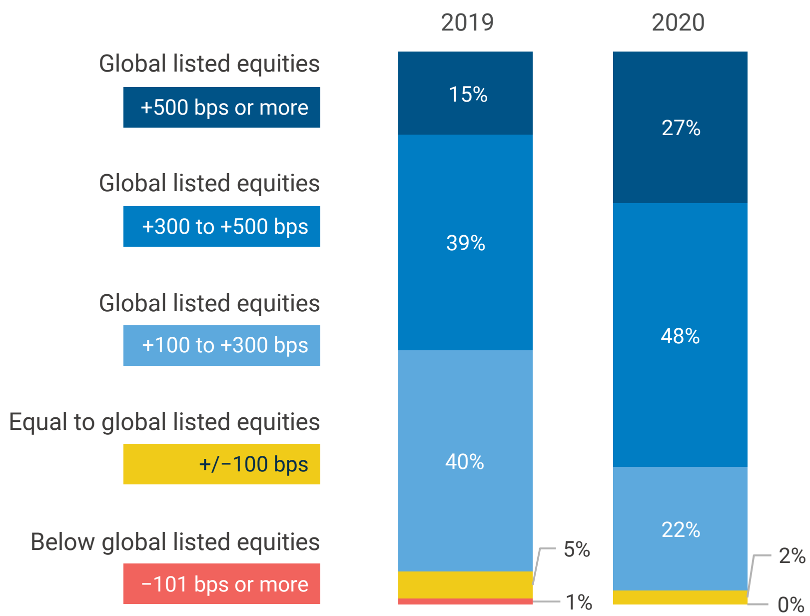


Read the 2021 Market Overview [here](#).

Net Returns

A Rosy View

Net returns for all private markets for the following vintages will be...



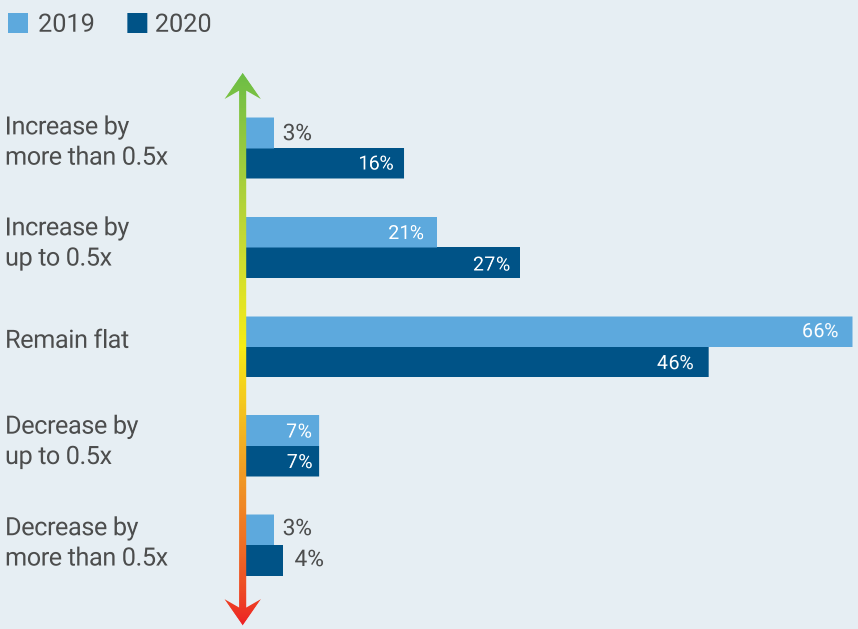
GPs are clearly more bullish than they were last year, despite coming off of a year of an unprecedented global crisis coupled with strong public market performance. Could this reflect a collective belief that the recession is behind us and that investments perform well coming out of recessions? A view that there are great value and growth investment opportunities in the market? Or, does it merely suggest that GPs are an overly optimistic lot?

Source: Hamilton Lane General Partner Survey 2020, 2019 (December 2020)

Purchase Prices

Should've, Could've, Would've

Purchase prices over the next 12 months will...



GPs believe prices are headed higher. We know what you're thinking: "This won't end well."

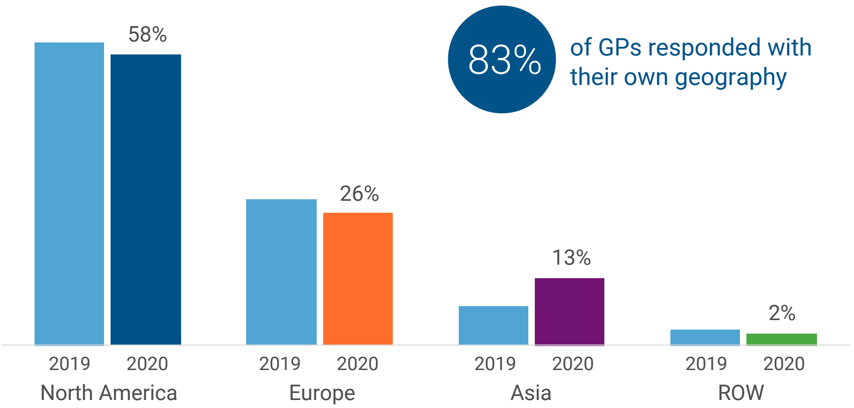
It might actually end really well. We had this same worry five years ago and, in hindsight, you should have bought everything you could then because prices are higher now. In a world where interest rates stay low for an extended period of time and monetary and fiscal policy remain supportive, why can't multiples increase 50% from here? The short answer is they can. Are we saying they will? No, but we're saying basing investment decisions solely on high prices is an incorrect — or at least, incomplete — response.

Source: Hamilton Lane General Partner Survey 2020, 2019 (December 2020)

Most Attractive Geographies

And the award for least-shocking response goes to…

Which of the following private equity markets do you see as providing the best risk/reward trade off over the next 12 months?



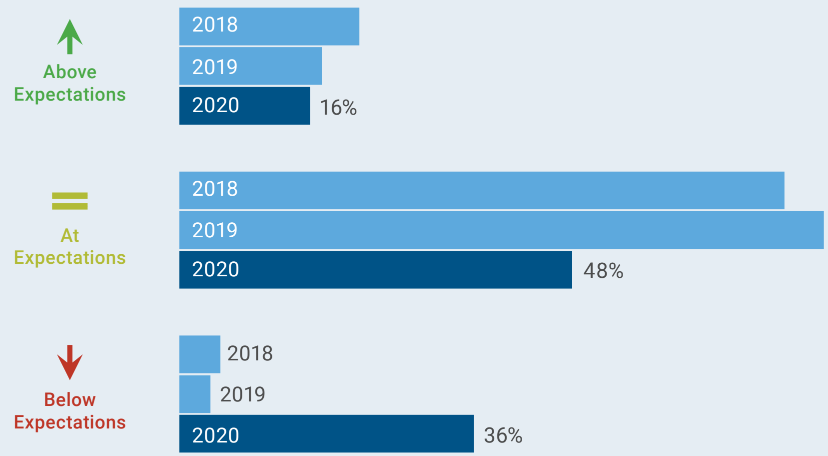
Where are managers seeing the most opportunities from an investing perspective? For the fourth year in a row, North America claims the top spot for most attractive geography. As always, we advise interpreting this question with a "grain of salt" mentality, as 83% of GPs in the survey selected their home geography. Still, there continues to be declining interest in ROW, which received 2% of the votes in this year's survey, down from 3% in 2019 and 7% in 2018.

Source: Hamilton Lane General Partner Survey 2020, 2019 (December 2020)

Revenue Growth

A Mixed Bag

How would you describe your revenue growth across your portfolio over the past year?



We've tracked revenue growth for several years, and in our latest batch of GP responses, we see that the COVID-19 pandemic shifted portfolio company performance substantially.

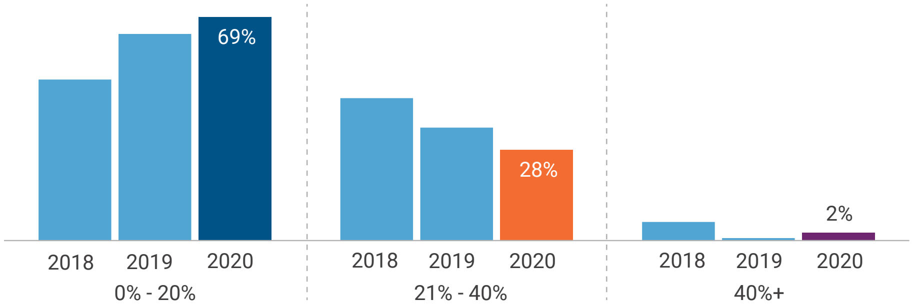
However, when you consider how well the private markets performed in a year when more than one-third of GPs reported portfolio companies with revenue below expectations, we'd argue that general partners delivered on what they are paid to do.

Source: Hamilton Lane General Partner Survey 2020, 2019, 2018 (December 2020)

Exits

To SPAC or Not to SPAC

What % of your current portfolio is actively pursuing an exit process with expected closings in the next 12 months?



Source: Hamilton Lane General Partner Survey 2020, 2019, 2018 (December 2020)

The reduced exit trend continues, with fewer GPs expecting increased exit activity in the coming year. You wonder if this will prove accurate should capital markets remain strong through 2021 (which, by the way, is one of our expectations).

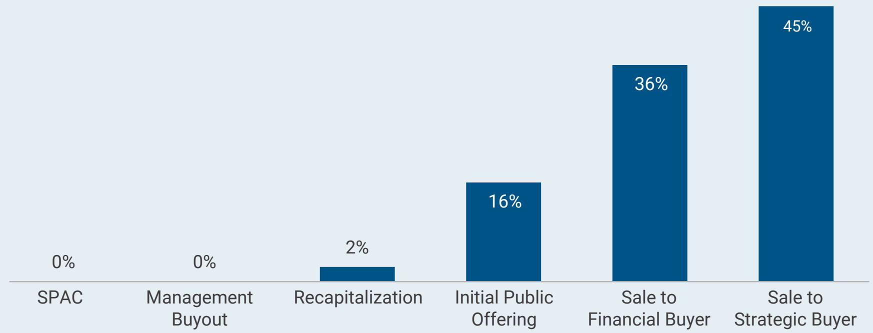
It's worth sitting with these charts for a moment, then juxtaposing them against our view of this market:

> *The dry powder in SPACs issued in 2020 represents about half of all North American venture and growth distributions. That is an exceptionally high figure and gives some idea of the potential exit scenarios for quite a number of portfolio companies. If SPAC activity continues at its 2020 pace (it won't, these things ebb and flow, but it's still likely to remain high), we can expect this to be a routine way for NAV to be liquidated, particularly on the growth and venture side of portfolios.*

So, do GPs agree with our view? Absolutely not. They think we are completely wrong. In fact, 0% named SPACs as the *most* likely exit option in the next 12 months, and they rank SPACs as the third *least* likely exit option in that timeframe.

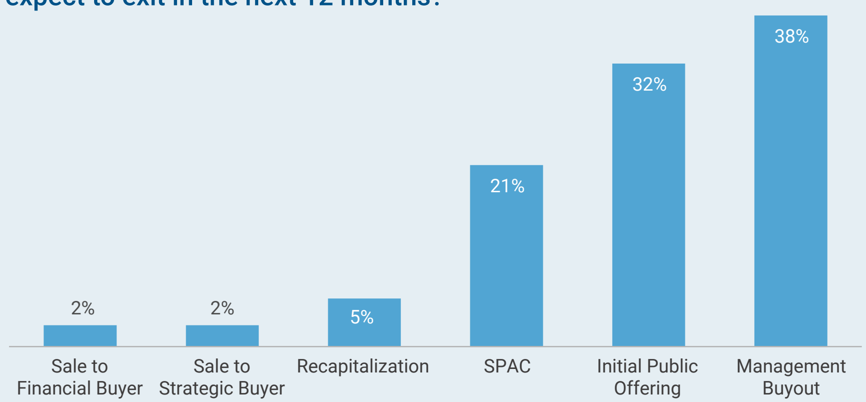
MOST LIKELY

What is the most likely exit option for the portfolio companies you expect to exit in the next 12 months?



LEAST LIKELY

What is the least likely exit option for the portfolio companies you expect to exit in the next 12 months?



Source: Hamilton Lane General Partner Survey 2020 (December 2020)

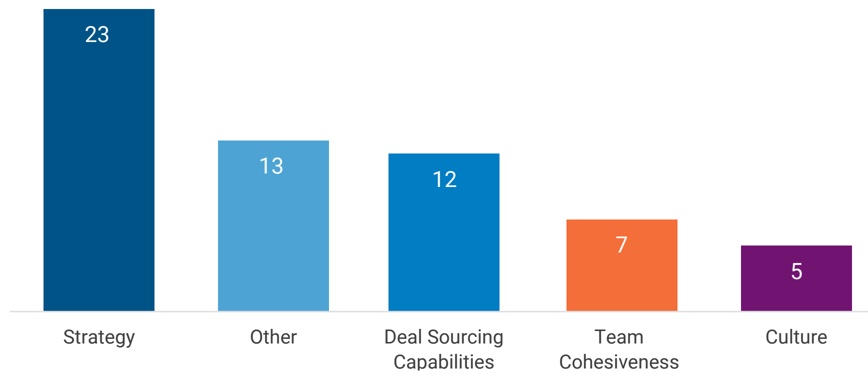
Differentiator

Emphasis on “Different”

Other than track record / investor performance, what is your firm’s most important differentiator relative to your peers?

60 points	Other
36 points	Strength of Operating Partner Network
22 points	Availability of Co-Investment Opportunities
21 points	Transparency and Reporting
6 points	Thought Leadership Publication of Research/Articles/Videos
5 points	Diversity & ESG Policies
4 points	Offer Separate Accounts / Custom Investment Structures
4 points	Risk Management Policies
3 points	Investment in Technology & Back Office
3 points	LP Friendly Fund Terms
3 points	Investment Disciple/Value Creation Plan

Breakdown of “Other”



We’ve asked this question in the past and the top answers have remained consistent with responses in prior years. What stands out this year is the relative decrease in the importance of operating partners. Have we hit a point where pitch books are saturated with this concept? Is this differentiator no longer, well, different? While we are still believers in the value add of operating partners, not all models are created equal and this may be a sign that GPs need to focus on how they can reposition these groups to ensure investors understand the value add.

Clearly, our intrepid group of GPs believes that it’s the strategy they each employ that sets them apart. Perhaps we’ll endeavor to take a closer look at exactly how unique those strategies are in next year’s survey.

Source: Hamilton Lane General Partner Survey 2020 (December 2020)

COVID Impact

The Elephant in the Room

General partners report almost identical percentages of companies positively and negatively impacted by COVID-19. These results reflect a stark and remarkable reality, one of those instances where a "picture is worth [more than] a thousand words."

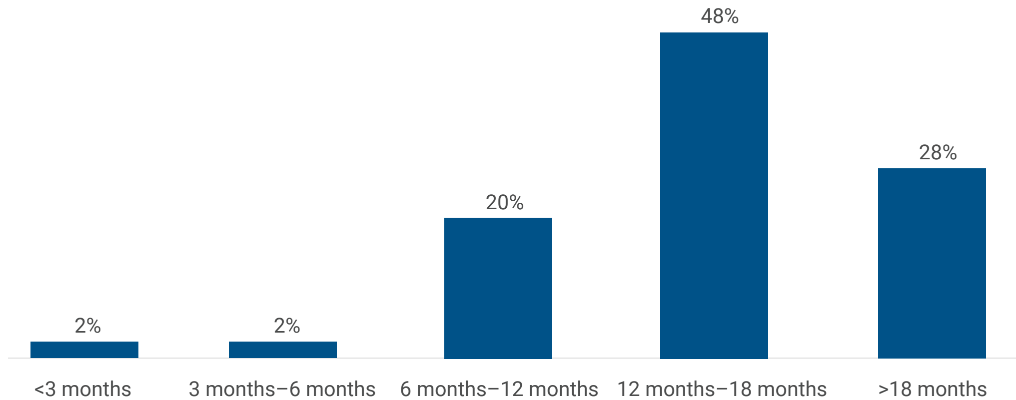
Of course, no one knew there was a global pandemic on the horizon – and that that pandemic would impact investments randomly, further exacerbating the bifurcated experience of investors around the world.

You could own the best company with the best management and the best capital structure, but if that company was in entertainment, hospitality, travel or a variety of other impacted industries, your investment was going to struggle. The converse was also true, and owning a home delivery company, however poorly run, was going to prove a good investment.

Just how long do GPs think we have until we return to pre-COVID levels of GDP growth? A little over half of respondents believe their portfolio will be feeling the impact of COVID-19 through the end of this 2021.*

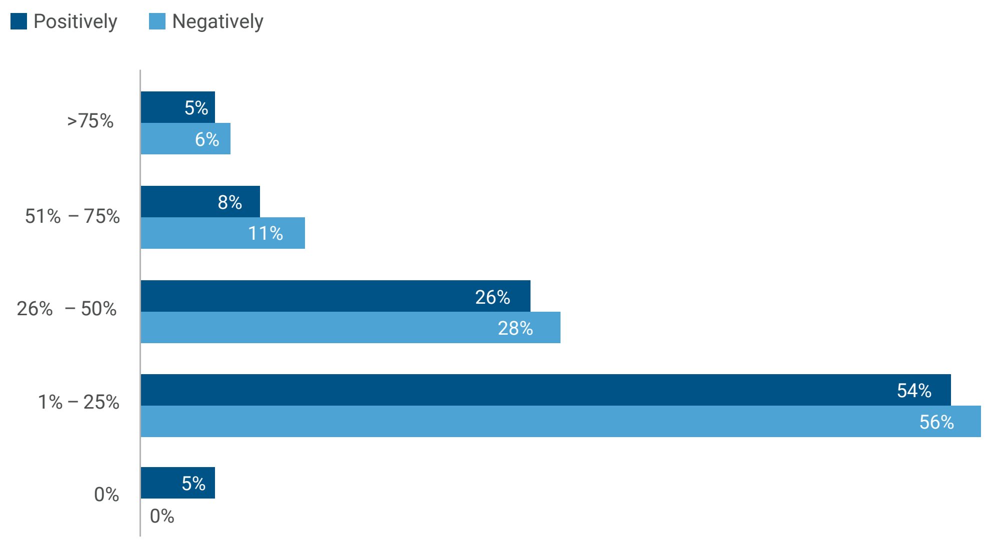
*Note this survey was conducted in December 2020.

How long until we will return to pre-COVID levels of global GDP growth?



Source: Hamilton Lane General Partner Survey 2020 (December 2020)

What percentage of your portfolio was impacted by COVID-19?



Source: Hamilton Lane General Partner Survey 2020 (December 2020)

ESG & Diversity

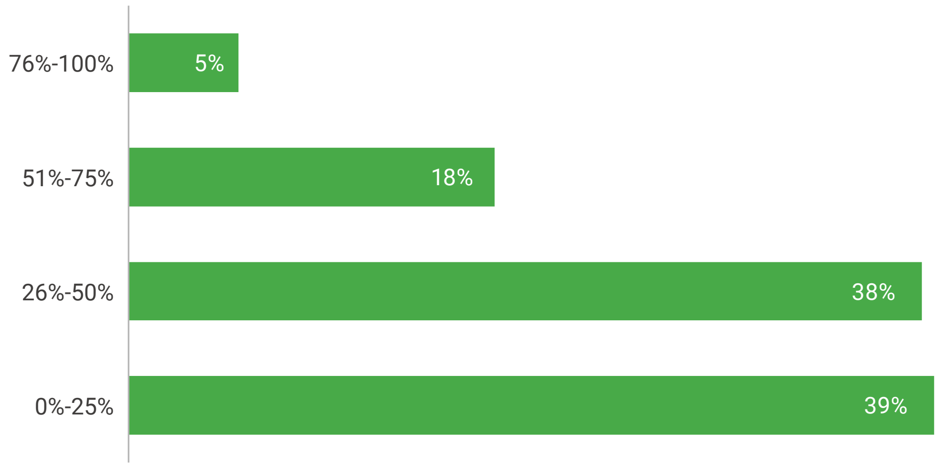
Who will walk the walk?

The responses to these questions surprised us. Thirty-nine percent report that less than a quarter of LPs request information about their ESG initiatives, and a whopping 73% report that less than a quarter of LPs inquire about diversity statistics.

What do we make of this? We'll say what investors hate to hear: Lots of talk and a lot less action from the LP side. This is not universally true, of course, as we know LPs in certain regions – particularly throughout Europe and Australia, for instance – are keenly focused on ESG considerations. The challenge remains for many in the implementation of ESG monitoring & reporting, which is complicated by everything from lack of data consistency and reporting standards to inadequate systems and resources dedicated to tracking ESG information.

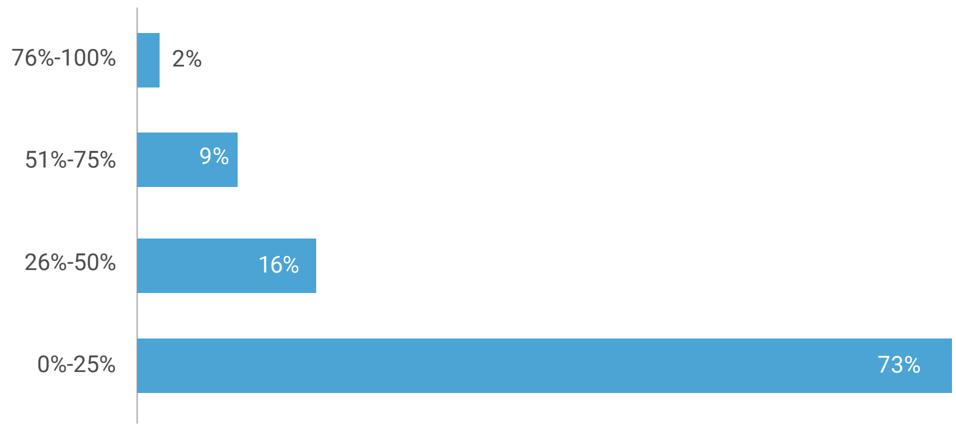
Nevertheless, we'll make a prediction: ESG will become one of the most important considerations for both LPs and GPs over the next five years.

What percentage of LPs request information on your ESG initiatives?



Source: Hamilton Lane General Partner Survey 2020 (December 2020)

What percentage of LPs request information on your diversity statistics?

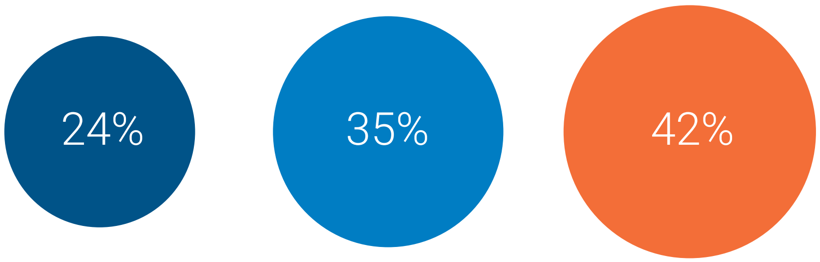


Source: Hamilton Lane General Partner Survey 2020 (December 2020)

KPI and UN SDG Tracking

The Road to Sustainability

Do you identify and report on KPIs and/or UN SDGs?



No, we do not track and report on KPIs or SDGs at this time

Yes, we monitor and plan to start reporting on KPIs and/or SDGs over the next 12 months

Yes, we monitor and report portfolio company performance against KPIs and/or SDGs

Today, less than half of the GPs surveyed track and report on KPIs or UN SDGs at the portfolio company level. What is impressive, though, is the number of groups that have heard from LPs and investors about the importance of this – and the key question will be whether this chart looks meaningfully different next year. It should, as over one-third of GPs plan to take action on this during 2021, but we'll have to wait and see.

Source: Hamilton Lane General Partner Survey 2020 (December 2020)

Technology Spend

#WFH

Has your technology spending increased materially in 2020?

As you will have undoubtedly heard from us before, we believe our asset class needs to invest in its technology and infrastructure. This has been a theme for us for years and we called out what felt like a limited adoption in our survey last year, when 47% of respondents claimed to spend relatively little on technology infrastructure/data annually. We interpreted those results as saying the industry had some work to do and we're happy to report that the 2020 responses feel somewhat more promising.

In a year when everyone had to shift to a virtual work environment, we believe GPs did a nice job of upping their game in terms of reporting and transparency – and managed to do it faster than ever before. How do we know? Well, prior to 2020, we never talked about quarterly performance a week after the quarter ended. Our hunch is that GP upgrades to technology and infrastructure spend helped support this through 2020, and we hope the industry will continue to embrace and adopt technology advancements well into the future.

Source: Hamilton Lane General Partner Survey 2020 (December 2020)

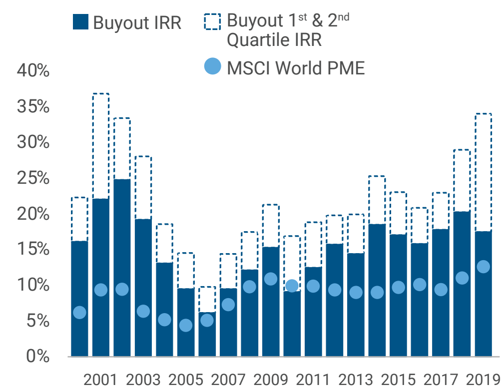
Conclusion

So there you have it: Another edition of Hamilton Lane's GP Dashboard. The past year has been what you may or may not have heard described as "unprecedented" once or twice. As we work toward returning to a new normal, it will be interesting to see if this group of GPs' predictions will come to fruition.

And, finally, we leave you with a look at private markets performance across a number of strategies. Every year, without fail, we're asked whether that particular year is a good year to invest in the private markets. The undertone is unmistakable: The markets have done well, valuations are high, etc. and so forth, so it can't be a good time to invest. So let's turn to the data. What we find is that private equity and private credit have each outperformed their public benchmarks in 19 of the last 20 years. Private infrastructure has performed nearly as well, albeit with some mixed results, as has private real estate, which only underperformed during the GFC at a time when real estate was arguably the epicenter of the crisis. Never hurts to combat anecdote with actual analysis.

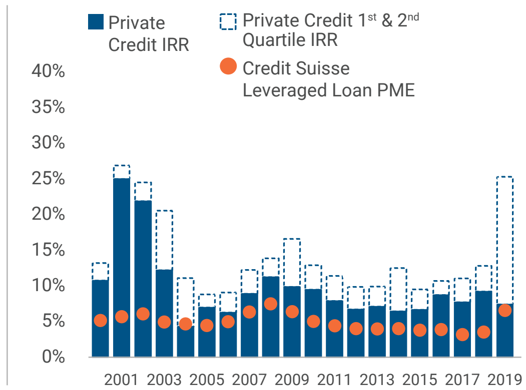
Thank you for reading this seventh edition of the Hamilton Lane GP Dashboard. We hope this year's findings were of interest. As always, we welcome the opportunity to discuss any reactions or questions you may have about the GP Dashboard or the private markets more broadly.

Buyout IRR vs. PME



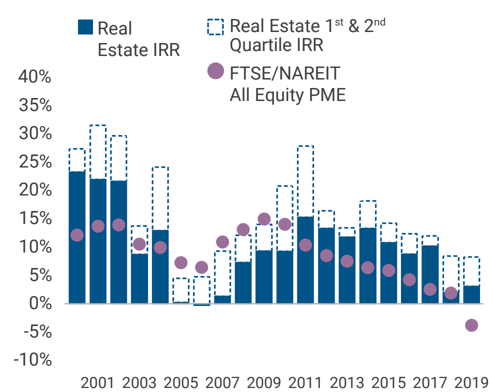
Source: Hamilton Lane Data, Bloomberg (January 2021)

Private Credit IRR vs. PME



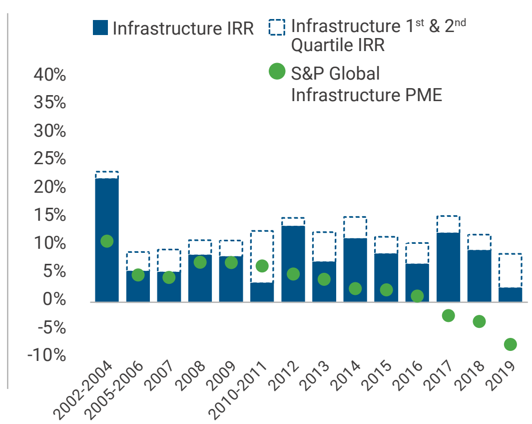
Source: Hamilton Lane Data, Bloomberg (January 2021)

Real Estate IRR vs. PME



Source: Hamilton Lane Data, Bloomberg (January 2021)

Infrastructure IRR vs. PME



Source: Hamilton Lane Data, Bloomberg (January 2021)

Endnotes

Please be aware that the information contained herein is based upon results of a survey conducted by Hamilton Lane Advisors, L.L.C. (the "Firm") of a number of private markets participants. The results of the survey may not necessarily represent the opinions of the Firm or its employees, officers or directors. Publication of this report does not indicate an endorsement by the Firm of the results included herein and should not be relied upon when making investment decisions.

Definitions

Index Definitions

Credit Suisse Leveraged Loan Index – The CS Leveraged Loan Index represents tradable, senior-secured, U.S. dollar-denominated non-investment-grade loans.

The MSCI World Index tracks large and mid-cap equity performance in developed market countries.

Strategy Definitions

All Private Markets – Hamilton Lane's definition of "All Private Markets" includes all private commingled funds excluding fund-of-funds, and secondary fund-of-funds.

Corporate Finance/Buyout – Any PE fund that generally takes a control position by buying a company.

Credit – This strategy focuses on providing debt capital.

PME (Public Market Equivalent) – Calculated by taking the fund cash flows and investing them in a relevant index. The fund cash flows are pooled such that capital calls are simulated as index share purchases and distributions as index share sales. Contributions are scaled by a factor such that the ending portfolio balance is equal to the private equity net asset value (equal ending exposures for both portfolios). This seeks to prevent shorting of the public market equivalent portfolio. Distributions are not scaled by this factor. The IRR is calculated based off of these adjusted cash flows.

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The following hypothetical example illustrates the effect of fees on earned returns for both separate accounts and fund-of-funds investment vehicles. The example is solely for illustration purposes and is not intended as a guarantee or prediction of the actual returns that would be earned by similar investment vehicles having comparable features. The example is as follows: The hypothetical separate account or fund-of-funds consisted of $100 million in commitments with a fee structure of 1.0% on committed capital during the first four years of the term of the investment and then declining by 10% per year thereafter for the 12-year life of the account. The commitments were made during the first three years in relatively equal increments and the assumption of returns was based on cash flow assumptions derived from a historical database of actual private equity cash flows. Hamilton Lane modeled the impact of fees on four different return streams over a 12-year time period. In these examples, the effect of the fees reduced returns by approximately 2%. This does not include performance fees, since the performance of the account would determine the effect such fees would have on returns. Expenses also vary based on the particular investment vehicle and, therefore, were not included in this hypothetical example. Both performance fees and expenses would further decrease the return.

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