

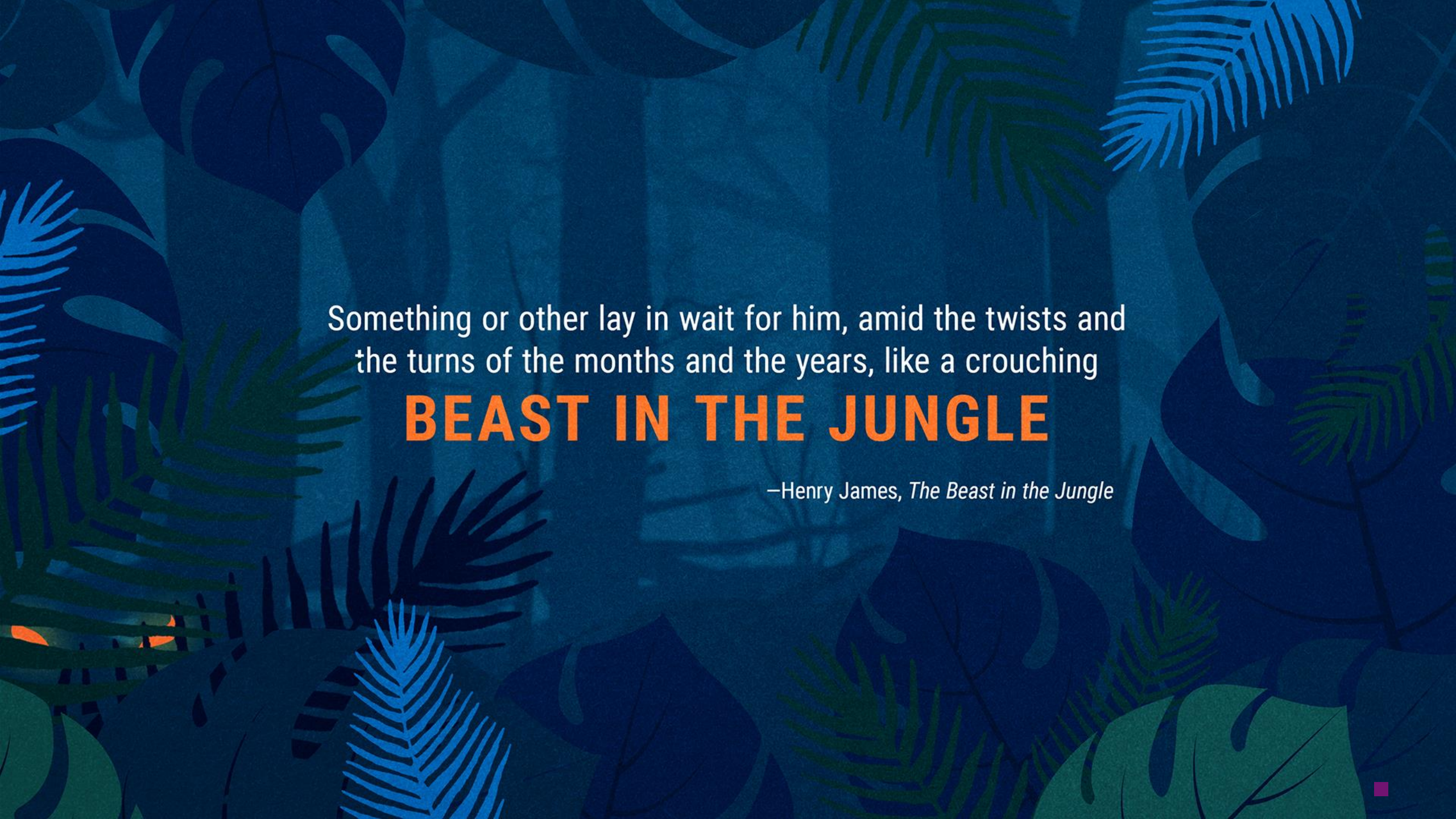


Hamilton Lane®

# Market Overview







Something or other lay in wait for him, amid the twists and  
the turns of the months and the years, like a crouching

## **BEAST IN THE JUNGLE**

—Henry James, *The Beast in the Jungle*



# Performance

Tony Stark: "I love you tons."

Morgan Stark: "I love you three thousand."

Tony Stark: "Wow. Three thousand. That's crazy."

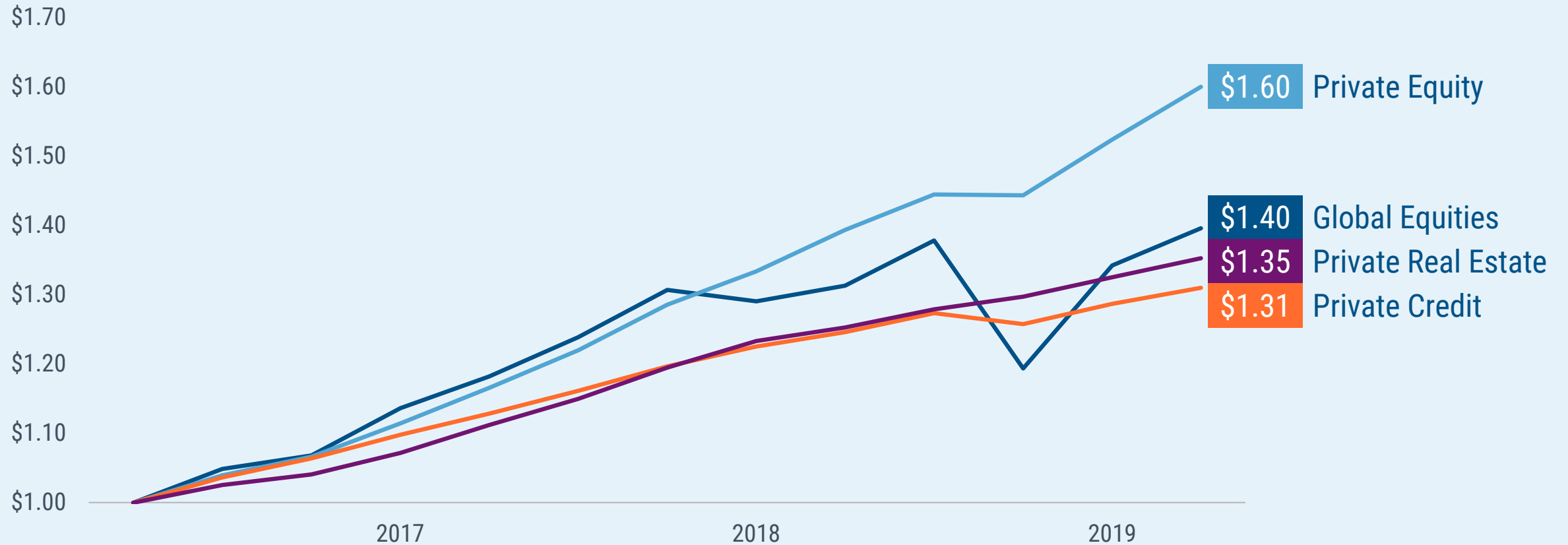
*-Avengers Endgame*

A close-up shot of Tony Stark (Robert Downey Jr.) from the movie Avengers: Endgame. He has a mustache and goatee, and his expression is one of deep emotion, looking slightly off-camera with a furrowed brow.

**I LOVE YOU**  
**3000**

# What the Markets Have Done

## Growth of \$1



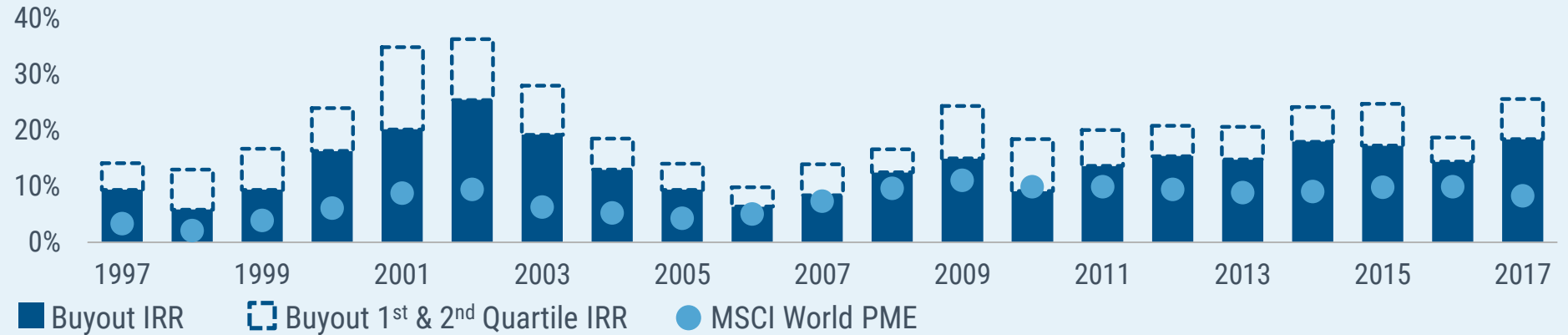
Source: Bloomberg, Hamilton Lane Data via Cobalt (October 2019)

- Over the last three years, public markets have generated strong returns
- Private equity has delivered even stronger performance over the same period

# Pooled Returns by Vintage Year

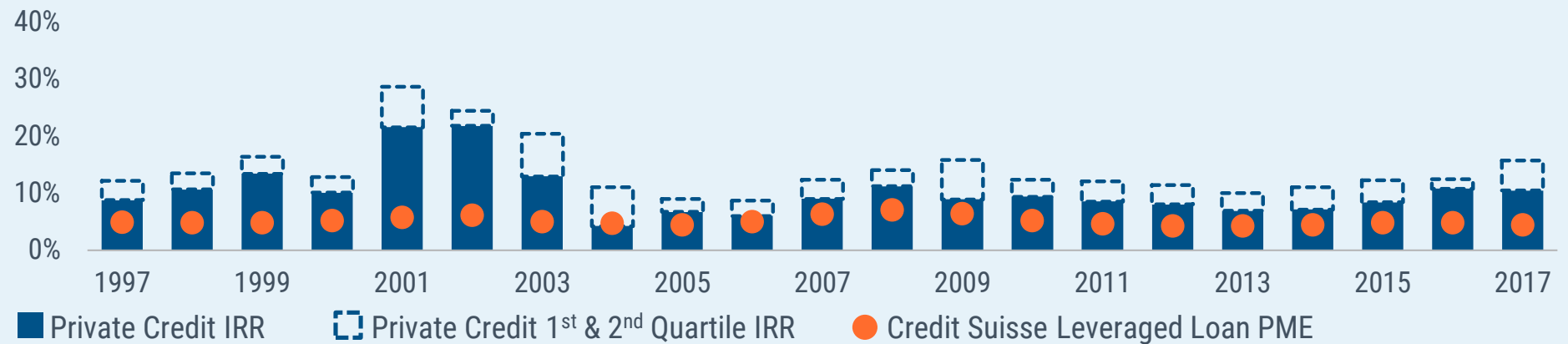
## Buyout IRR vs. PME

By Vintage Year



## Private Credit IRR vs. PME

By Vintage Year

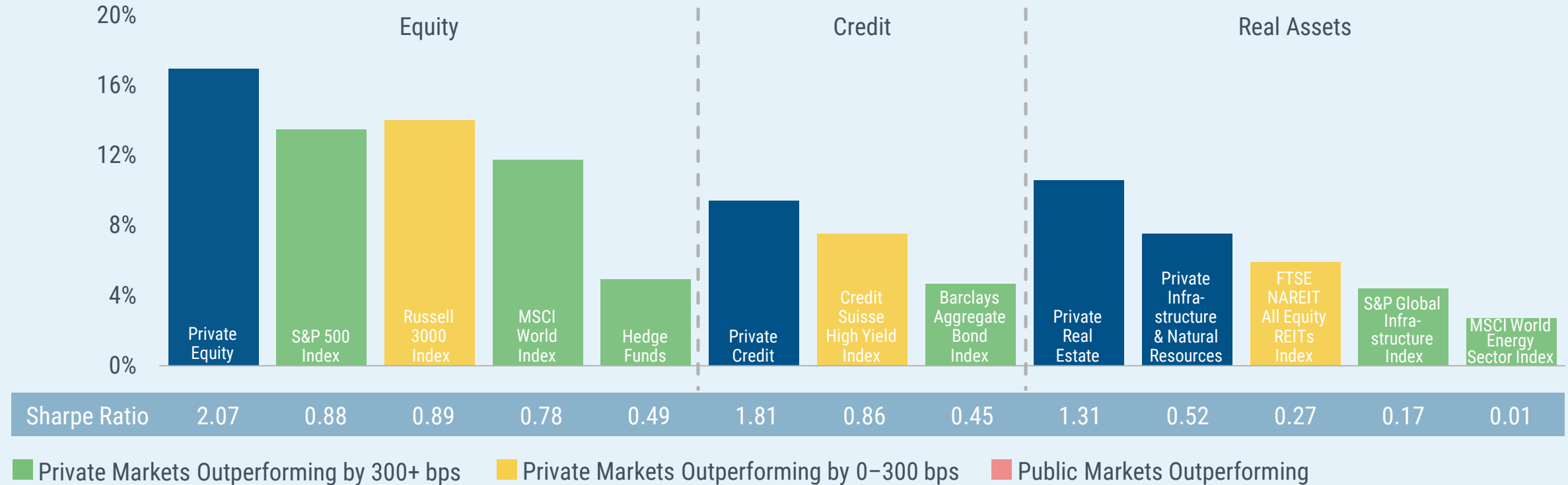


- Buyout has outperformed the MSCI World in 19 of the last 20 vintages
- Private credit has outperformed its public counterpart in 19 of the last 20 vintages
- Top quartile has outperformed, sometimes providing double the return of public markets

# Risk-Adjusted Returns

## 3-Year Asset Class Risk-Adjusted Performance

Annualized Time-Weighted Return as of 6/30/2019

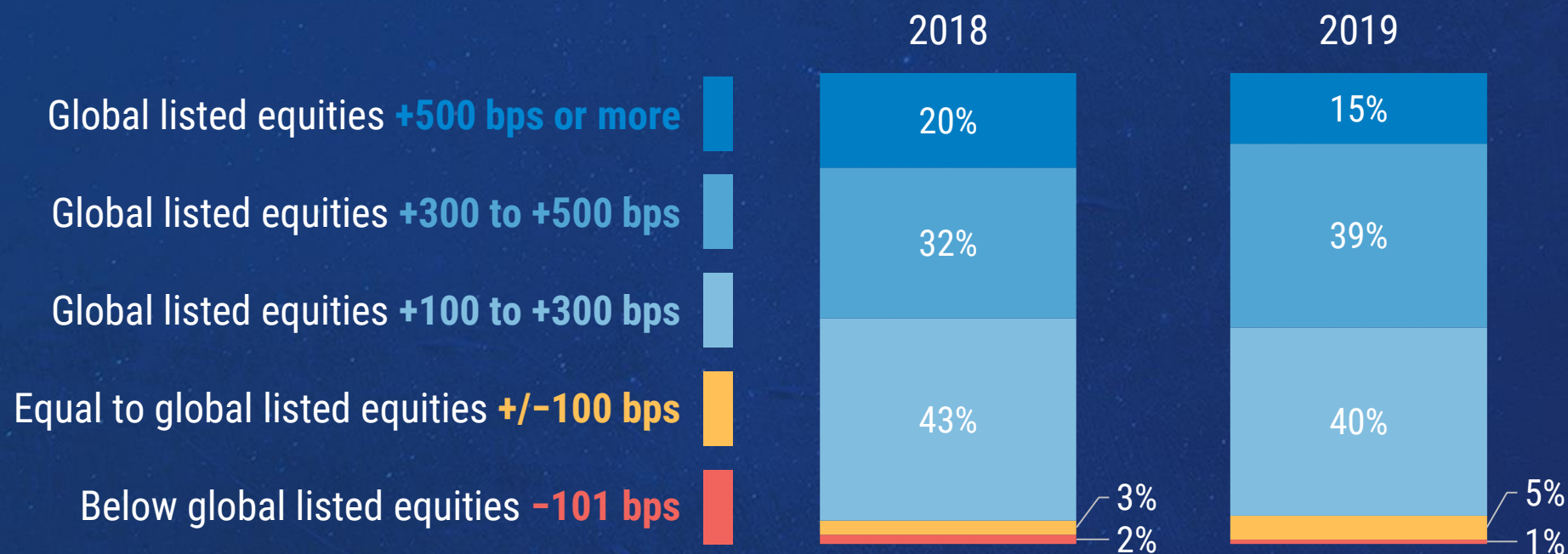


Indices used: Hamilton Lane All Private Markets with volatility desmoothed; Hamilton Lane All Private Equity ex. Credit and Real Assets with volatility desmoothed; S&P 500 Index; Russell 3000 Index; MSCI World Index; HFRI Composite Index; Hamilton Lane Private Credit with volatility desmoothed; Credit Suisse High Yield Index; Barclays Aggregate Bond Index; Hamilton Lane Private Real Estate with volatility desmoothed; Hamilton Lane Private Real Assets with volatility desmoothed; FTSE/NAREIT Equity REIT Index; S&P Global Infrastructure Index; MSCI World Energy Sector Index. Geometric mean returns in USD. Assumes risk free rate of 2.4%, representing the average yield of the ten-year treasury over the last three years. Source: Hamilton Lane Data via Cobalt, Bloomberg (October 2019)

- Over a long-term horizon, private equity and private credit outperform on an absolute and risk-adjusted basis (even after desmoothing volatility)
- Private markets underperform on a 10-year basis, but consider the time period
- Private markets outperform in shorter time periods
- The benchmark you use matters

# GP VIEW NET RETURNS

Net returns for all private markets for the next three vintages will be...



Source: Hamilton Lane General Partner Survey (July 2019)

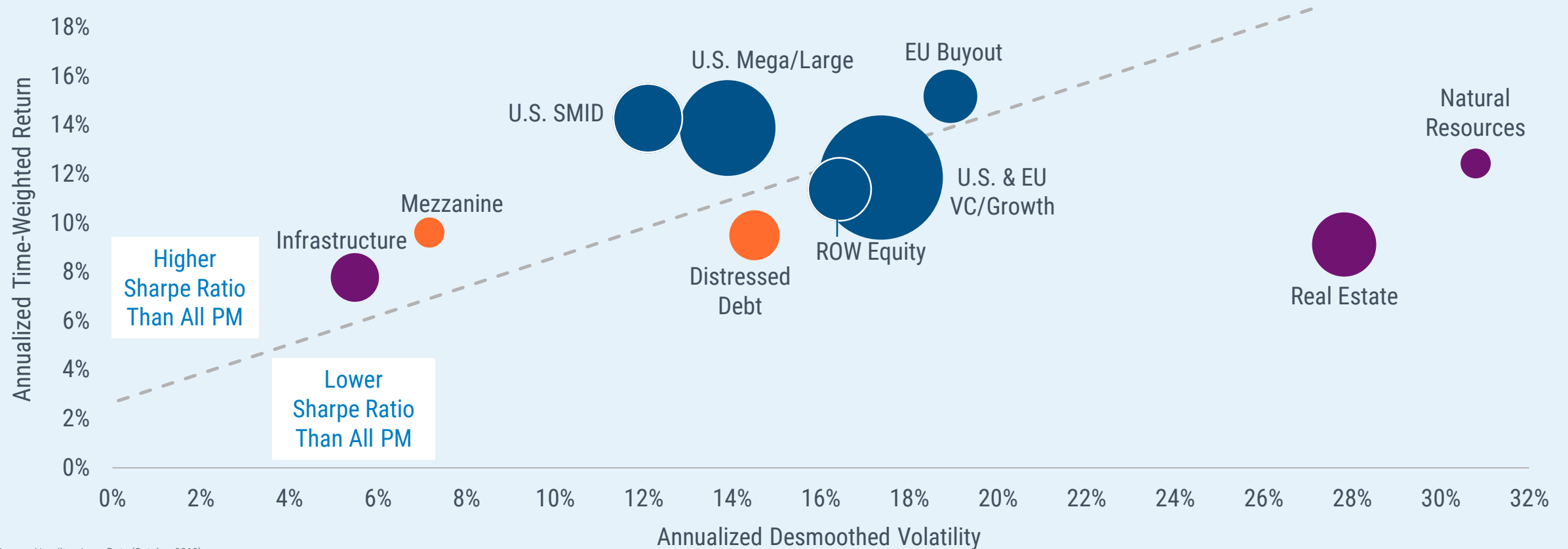
Please be aware that the information contained herein is based upon results of a survey conducted by Hamilton Lane Advisors, L.L.C. (the "Firm") of a number of private markets participants. The results of the survey may not necessarily represent the opinions of the Firm or its employees, officers or 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.

- More than half of GPs surveyed believe the private markets will outperform public equities by more than 300 bps

# Strategy Risk & Return

## 15-Year Strategy Returns & Volatility

Bubbles Sized by NAV



Source: Hamilton Lane Data (October 2019)  
Please refer to endnotes in Appendix

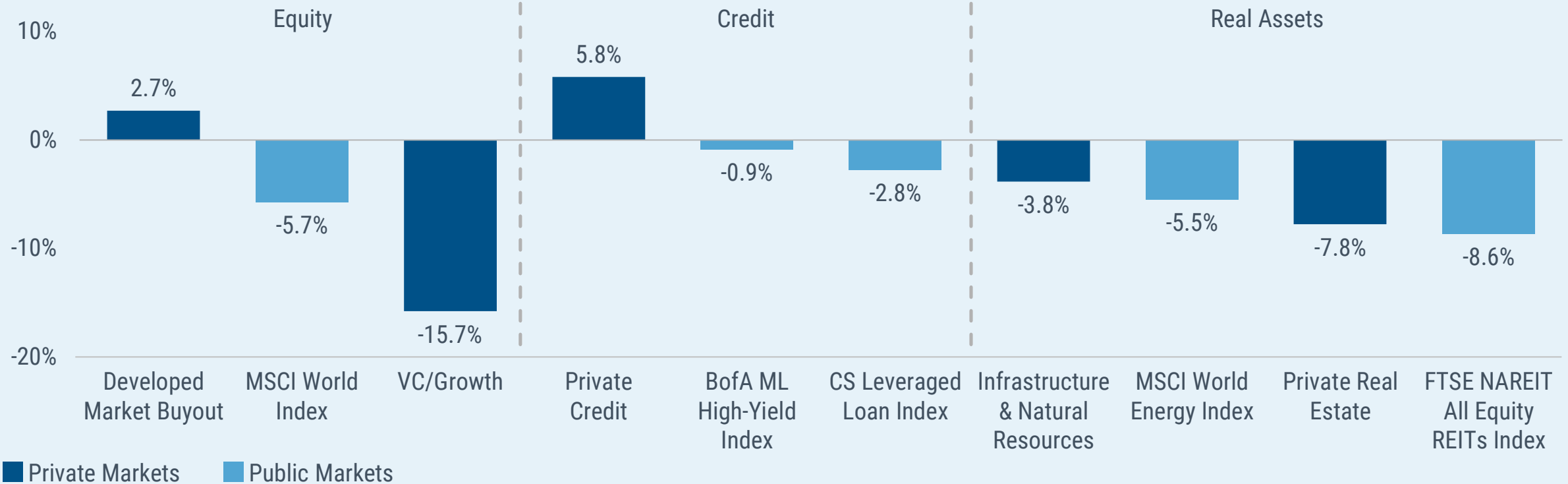
- The risk/return tradeoff among strategies is a key consideration during portfolio construction
- Not all strategies are created equal



# Worst Case Performance

## Lowest 5-Year Annualized Performance


1995–2019



Note: Infrastructure & Natural Resources from 1998–2019  
Source: Hamilton Lane Data via Cobalt, Bloomberg (October 2019)

- The worst five-year period for private credit and developed markets buyout produced positive returns
- VC/growth strategies exhibit greater downside risk
- Too much attention may be paid to downside risk when LPs invest in private markets. There has not been as much risk of loss as some may think.

Back to Our  
Regularly Scheduled  
Performance  
Discussion

A person is wearing a dark grey crewneck sweatshirt. The sweatshirt features a white text graphic that is a popular internet meme. The text is arranged in five lines: 'EDUCATION', 'IS IMPORTANT', '# BUT #', 'FORTNITE' (which is enclosed in a white rectangular box), and 'IS IMPORTANTER'. The person is standing with their hands in their pockets.

**EDUCATION**  
**IS IMPORTANT**  
**# BUT #**  
**FORTNITE**  
**IS IMPORTANTER**

# Periodic Table of Returns

## Pooled IRR by Vintage Year

1999	2000	2001	2002	2003	2004	2005	2006	2007
							Late Stage VC 14.3%	
						Growth Equity 19.1%	Distressed Debt 8.7%	Growth Equity 14.3%
EU Buyout 13.3%						Seed/Early VC 13.9%	Growth Equity 8.4%	U.S. SMID 11.8%
Real Estate 12.5%						EU Buyout 10.5%	Multi-Stage VC 7.4%	U.S. Mega/Large 10.4%
ROW 9.8%	Real Estate 23.2%	EU Buyout 36.4%			Natural Resources 25.4%	Infrastructure 10.0%	U.S. SMID 7.1%	Multi-Stage VC 10.3%
Mezzanine 9.7%	EU Buyout 21.0%	Mezzanine 22.2%	EU Buyout 32.5%	EU Buyout 21.4%	EU Buyout 19.3%	U.S. SMID 9.8%	U.S. Mega/Large 7.1%	Seed/Early VC 9.4%
U.S. SMID 8.3%	U.S. Mega/Large 16.8%	Real Estate 21.9%	Distressed Debt 22.1%	Distressed Debt 16.5%	Real Estate 16.4%	U.S. Mega/Large 9.0%	Mezzanine 6.4%	Distressed Debt 9.4%
U.S. Mega/Large 6.9%	U.S. SMID 12.8%	Distressed Debt 21.4%	Real Estate 21.6%	U.S. SMID 15.4%	U.S. Mega/Large 12.7%	Distressed Debt 8.2%	EU Buyout 5.5%	Mezzanine 8.1%
<b>All PM 5.9%</b>	<b>All PM 10.7%</b>	<b>All PM 18.7%</b>	<b>All PM 21.5%</b>	<b>All PM 15.4%</b>	<b>All PM 12.3%</b>	<b>All PM 7.9%</b>	<b>All PM 5.4%</b>	<b>All PM 7.2%</b>
Late Stage VC -1.7%	Growth Equity 10.6%	ROW 18.1%	U.S. SMID 19.6%	Mezzanine 10.1%	ROW 11.5%	ROW 7.1%	Infrastructure 4.6%	ROW 5.9%
Multi-Stage VC -4.2%	Mezzanine 10.4%	Growth Equity 17.7%	Late Stage VC 17.2%	Real Estate 8.7%	U.S. SMID 10.9%	Mezzanine 7.0%	ROW 3.4%	Infrastructure 5.2%
Seed/Early VC -7.2%	ROW 9.5%	U.S. SMID 16.6%	Multi-Stage VC 6.1%	Late Stage VC 2.4%	Seed/Early VC 8.3%	Multi-Stage VC 6.5%	Seed/Early VC 3.2%	EU Buyout 4.3%
	Multi-Stage VC 2.1%	U.S. Mega/Large 12.8%	Seed/Early VC -2.6%	Seed/Early VC 0.1%	Multi-Stage VC 8.2%	Real Estate 0.1%	Real Estate -0.4%	Real Estate 1.4%
	Late Stage VC 1.0%	Multi-Stage VC 3.6%			Distressed Debt 4.3%		Natural Resources -4.4%	Natural Resources 1.0%
	Seed/Early VC -3.7%	Seed/Early VC 1.6%						
		Late Stage VC -3.3%						

 Negative returning strategy

Source: Hamilton Lane Data (October 2019)

- Different strategies have driven overall returns in different vintage years
- Some strategies show consistent, average returns and no obvious pattern – an important consideration for portfolio construction
- Few instances of loss



# Periodic Table of Returns

## Pooled IRR by Vintage Year

2008	2009	2010	2011	2012	2013	2014	2015	2016
Growth Equity 20.2%								
Seed/Early VC 17.8%								
U.S. SMID 14.5%			Seed/Early VC 23.9%	Seed/Early VC 27.3%	Multi-Stage VC 25.1%	Multi-Stage VC 22.0%	Seed/Early VC 32.3%	
U.S. Mega/Large 14.1%		Seed/Early VC 25.0%	Multi-Stage VC 23.4%	Infrastructure 17.6%	Seed/Early VC 19.0%	U.S. Mega/Large 21.5%	Growth Equity 23.8%	
Distressed Debt 13.1%		Multi-Stage VC 15.1%	Growth Equity 19.6%	U.S. Mega/Large 17.3%	U.S. SMID 16.0%	Late Stage VC 18.9%	U.S. SMID 19.3%	
Late Stage VC 12.4%	U.S. SMID 21.7%	U.S. SMID 12.9%	Real Estate 16.7%	Growth Equity 17.3%	U.S. Mega/Large 15.7%	EU Buyout 18.5%	Multi-Stage VC 18.7%	Seed/Early VC 25.6%
Multi-Stage VC 12.1%	Multi-Stage VC 15.7%	Mezzanine 10.6%	U.S. SMID 16.5%	U.S. SMID 16.9%	Growth Equity 15.5%	ROW 16.5%	Late Stage VC 18.3%	Multi-Stage VC 24.3%
EU Buyout 12.0%	Seed/Early VC 12.9%	Real Estate 9.0%	U.S. Mega/Large 16.5%	Multi-Stage VC 15.7%	Real Estate 13.5%	U.S. SMID 15.8%	U.S. Mega/Large 17.0%	Growth Equity 22.7%
Mezzanine 10.9%	EU Buyout 11.5%	EU Buyout 8.7%	EU Buyout 14.8%	Real Estate 14.4%	ROW 12.8%	Seed/Early VC 13.9%	EU Buyout 15.2%	ROW 20.2%
<b>All PM 10.7%</b>	<b>All PM 10.9%</b>	<b>All PM 8.4%</b>	<b>All PM 13.5%</b>	<b>All PM 13.8%</b>	<b>All PM 11.8%</b>	<b>All PM 13.7%</b>	<b>All PM 14.8%</b>	<b>All PM 14.4%</b>
Infrastructure 8.2%	Real Estate 9.9%	Distressed Debt 8.1%	Mezzanine 9.9%	EU Buyout 12.0%	EU Buyout 11.7%	Real Estate 13.2%	Real Estate 13.4%	EU Buyout 14.2%
Real Estate 6.9%	Distressed Debt 8.9%	ROW 6.1%	ROW 9.1%	ROW 11.3%	Mezzanine 10.2%	Infrastructure 12.8%	ROW 13.0%	U.S. Mega/Large 14.2%
ROW 6.0%	ROW 6.5%	Natural Resources -11.8%	Distressed Debt 8.1%	Late Stage VC 10.6%	Distressed Debt 6.5%	Growth Equity 8.4%	Infrastructure 11.7%	U.S. SMID 12.7%
Natural Resources 0.6%	Natural Resources -8.0%		Infrastructure 4.2%	Mezzanine 9.4%	Infrastructure 6.2%	Mezzanine 8.0%	Mezzanine 10.7%	Mezzanine 12.1%
			Natural Resources 1.8%	Distressed Debt 7.4%	Natural Resources 5.0%	Distressed Debt 7.1%	Natural Resources 9.2%	Real Estate 11.9%
				Natural Resources 3.4%		Natural Resources 6.2%	Distressed Debt 7.6%	Natural Resources 11.3%
								Distressed Debt 10.7%
								Infrastructure 9.4%

 Negative returning strategy

Source: Hamilton Lane Data (October 2019)

- Different strategies have driven overall returns in different vintage years
- Some strategies show consistent, average returns and no obvious pattern – an important consideration for portfolio construction
- Few instances of loss

# Periodic Table of Distributions

## Pooled DPI by Vintage Year

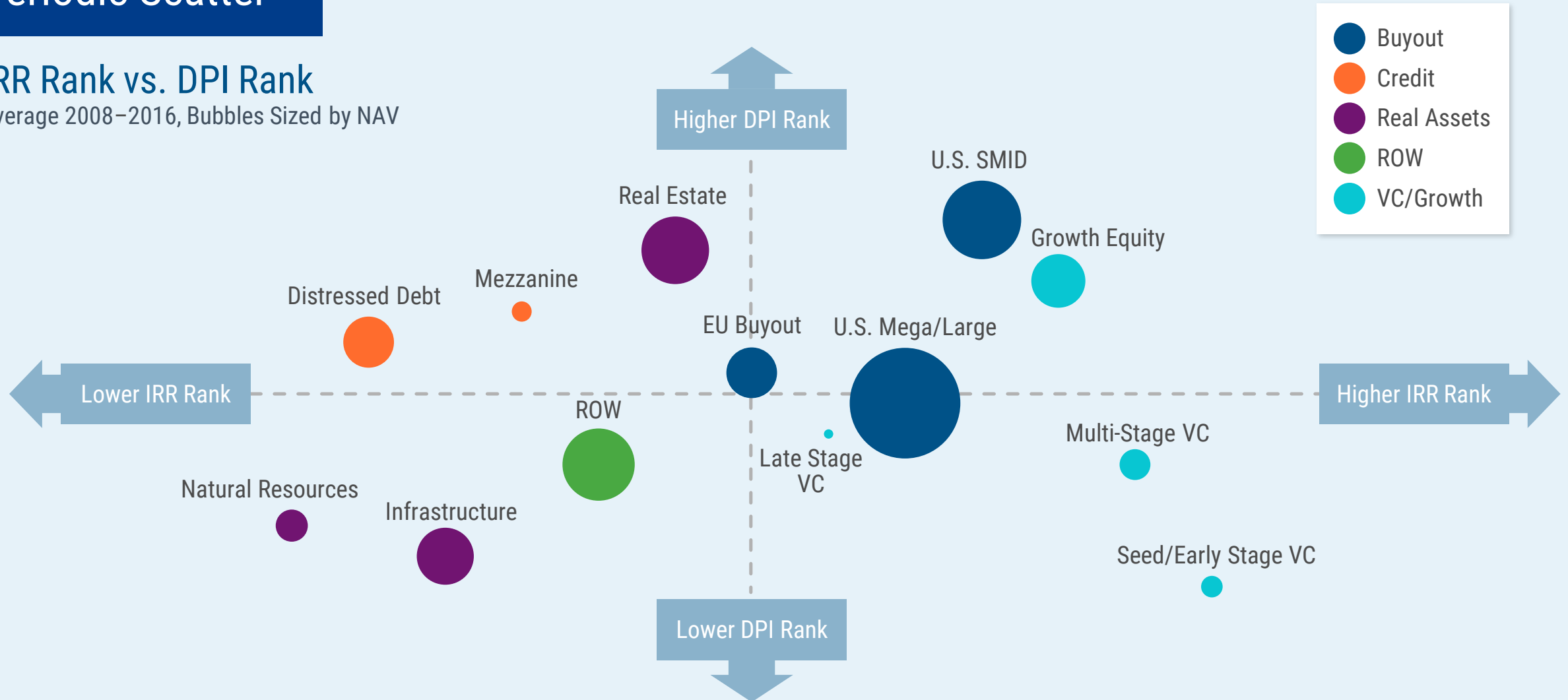
2008	2009	2010	2011	2012	2013	2014	2015	2016
Growth Equity 1.9x			Real Estate 1.2x					
EU Buyout 1.5x			U.S. SMID 1.2x					
U.S. SMID 1.5x		Seed/Early VC 2.1x	Growth Equity 1.1x	Late Stage VC 1.2x			Natural Resources 0.5x	
Late Stage VC 1.5x		Mezzanine 1.3x	EU Buyout 1.1x	Real Estate 1.1x	Real Estate 0.8x		Real Estate 0.5x	Mezzanine 0.4x
Seed/Early VC 1.5x		Real Estate 1.2x	Multi-Stage VC 1.1x	U.S. SMID 1.0x	U.S. SMID 0.7x	Real Estate 0.7x	Mezzanine 0.4x	Natural Resources 0.4x
U.S. Mega/Large 1.4x		U.S. SMID 1.2x	Mezzanine 1.0x	Growth Equity 1.0x	Distressed Debt 0.7x	Distressed Debt 0.7x	Infrastructure 0.4x	Growth Equity 0.4x
Mezzanine 1.3x		Distressed Debt 1.1x	Distressed Debt 1.0x	Distressed Debt 1.0x	Multi-Stage VC 0.7x	Mezzanine 0.6x	U.S. SMID 0.4x	Distressed Debt 0.3x
Distressed Debt 1.3x	U.S. SMID 1.8x	EU Buyout 1.1x	U.S. Mega/Large 1.0x	EU Buyout 0.9x	Growth Equity 0.7x	U.S. Mega/Large 0.5x	Growth Equity 0.3x	ROW 0.2x
<b>All PM 1.3x</b>	<b>All PM 1.3x</b>	<b>All PM 1.0x</b>	<b>All PM 1.0x</b>	<b>All PM 0.9x</b>	<b>All PM 0.6x</b>	<b>All PM 0.5x</b>	<b>All PM 0.3x</b>	<b>All PM 0.2x</b>
Multi-Stage VC 1.3x	Distressed Debt 1.2x	ROW 0.7x	Seed/Early VC 0.9x	Mezzanine 0.9x	Mezzanine 0.6x	EU Buyout 0.5x	U.S. Mega/Large 0.3x	Infrastructure 0.2x
Infrastructure 1.3x	ROW 1.2x	Multi-Stage VC 0.6x	Infrastructure 0.7x	U.S. Mega/Large 0.8x	ROW 0.5x	U.S. SMID 0.4x	ROW 0.3x	U.S. SMID 0.2x
Real Estate 1.2x	Real Estate 1.2x	Natural Resources 0.4x	Natural Resources 0.5x	Multi-Stage VC 0.8x	EU Buyout 0.5x	ROW 0.4x	Distressed Debt 0.3x	Real Estate 0.2x
ROW 1.1x	EU Buyout 1.2x		ROW 0.5x	Infrastructure 0.7x	Natural Resources 0.4x	Infrastructure 0.4x	Multi-Stage VC 0.2x	U.S. Mega/Large 0.1x
Natural Resources 0.8x	Multi-Stage VC 1.2x			ROW 0.6x	U.S. Mega/Large 0.4x	Growth Equity 0.3x	Seed/Early VC 0.2x	Seed/Early VC 0.1x
	Seed/Early VC 1.1x			Natural Resources 0.6x	Seed/Early VC 0.4x	Multi-Stage VC 0.3x	EU Buyout 0.2x	EU Buyout 0.0x
	Natural Resources 0.5x			Seed/Early VC 0.6x	Infrastructure 0.4x	Natural Resources 0.2x	Late Stage VC 0.1x	Multi-Stage VC 0.0x
						Seed/Early VC 0.2x		
						Late Stage VC 0.1x		

- Recent vintages have attractive performance, but they remain largely unrealized, particularly in venture capital

# Periodic Scatter

## IRR Rank vs. DPI Rank

Average 2008–2016, Bubbles Sized by NAV



Source: Hamilton Lane Data (October 2019)

- Multi-stage and seed/early stage venture capital have generated strong IRRs
- Real estate and U.S. SMID are the top-performing strategies by DPI

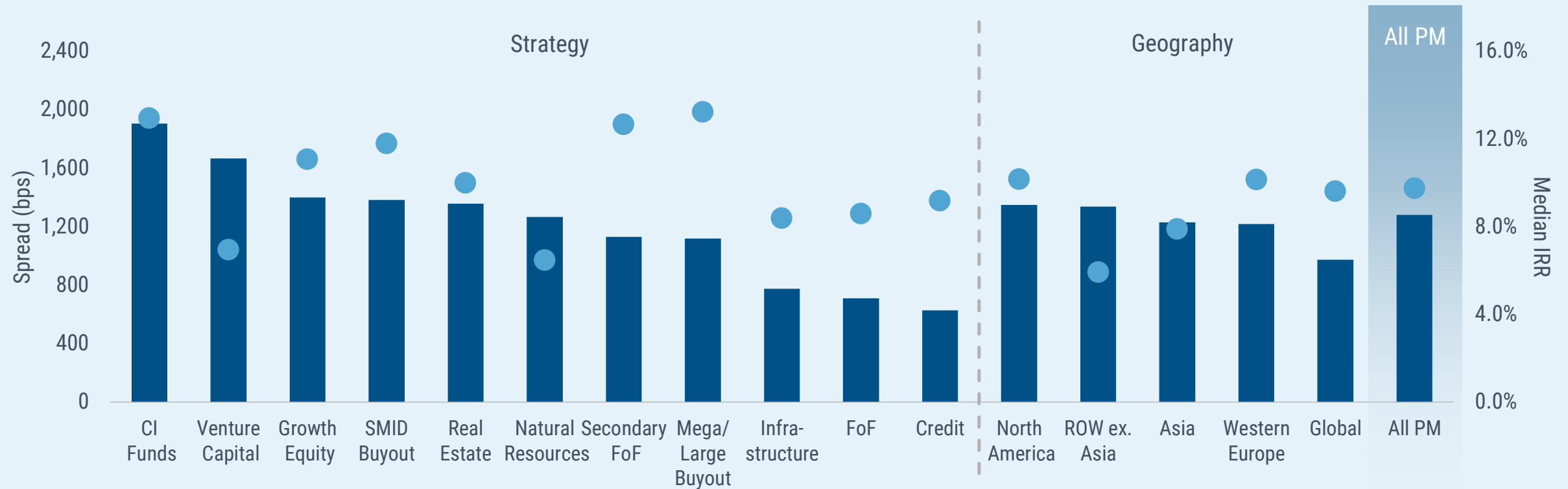


# Spread of Returns

## Dispersion of Returns by Strategy & Geography

Vintage Years: 1979–2016, Ordered by Spread of Returns

■ Dispersion of Returns ● Median IRR



Source: Hamilton Lane Data via Cobalt (October 2019)  
Please refer to endnotes in Appendix

- Risk and return profiles vary meaningfully by strategy and geography
- Wide spreads between top- and bottom-performing managers provide opportunities, as well as risks

# Sector Ranks by Deal Year

## Sector Median Gross IRR by Deal Year

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
				Materials 27.8%						
	Consumer Staples 18.9%			Telecom Services 21.0%				Industrials 22.9%		
Consumer Staples 17.6%	Healthcare 16.9%	Consumer Staples 19.7%		Information Technology 20.7%	Materials 35.7%		Information Technology 28.1%	Telecom Services 22.8%	Materials 27.7%	
Healthcare 16.2%	Materials 14.0%	Healthcare 18.6%		Healthcare 19.8%	Consumer Staples 22.9%	Healthcare 30.2%	Materials 27.9%	Healthcare 21.7%	Financials 23.5%	
Financials 15.7%	Information Technology 10.0%	Consumer Discretionary 18.2%		Industrials 19.0%	Healthcare 22.7%	Information Technology 23.0%	Consumer Staples 26.9%	Information Technology 20.3%	Industrials 22.1%	Industrials 22.2%
Telecom Services 13.3%	Energy & Utilities 7.1%	Energy & Utilities 16.5%	Telecom Services 40.9%	Consumer Staples 17.3%	Information Technology 21.1%	Materials 19.7%	Healthcare 24.8%	Consumer Staples 19.6%	Information Technology 20.8%	Information Technology 20.4%
Industrials 12.9%	Industrials 5.0%	Materials 14.5%	Industrials 30.1%	Consumer Discretionary 17.2%	Telecom Services 18.5%	Industrials 19.3%	Industrials 21.7%	Materials 18.1%	Healthcare 20.1%	Energy & Utilities 18.4%
<b>All Deals 12.3%</b>	<b>All Deals 3.9%</b>	<b>All Deals 14.5%</b>	<b>All Deals 28.6%</b>	<b>All Deals 16.4%</b>	<b>All Deals 16.2%</b>	<b>All Deals 17.5%</b>	<b>All Deals 20.5%</b>	<b>All Deals 15.8%</b>	<b>All Deals 18.6%</b>	<b>All Deals 17.0%</b>
Energy & Utilities 12.1%	Financials 2.4%	Information Technology 13.0%	Information Technology 26.0%	Financials 11.7%	Consumer Discretionary 15.8%	Telecom Services 17.5%	Financials 19.5%	Consumer Discretionary 13.0%	Consumer Staples 17.2%	Healthcare 15.9%
Consumer Discretionary 11.6%	Consumer Discretionary 0.5%	Financials 9.1%	Healthcare 24.6%	Energy & Utilities 4.8%	Industrials 12.6%	Financials 14.1%	Telecom Services 18.5%	Financials 12.0%	Consumer Discretionary 17.0%	Telecom Services 14.4%
Information Technology 11.3%	Telecom Services -14.9%	Industrials 8.5%	Consumer Discretionary 23.7%		Financials 9.5%	Consumer Staples 13.4%	Consumer Discretionary 16.1%	Energy & Utilities 6.7%	Energy & Utilities 12.6%	Consumer Discretionary 12.5%
Materials 10.7%		Telecom Services -0.1%	Consumer Staples 23.5%		Energy & Utilities 4.9%	Consumer Discretionary 13.1%	Energy & Utilities 6.0%		Telecom Services 11.3%	Materials 12.5%
			Financials 20.6%			Energy & Utilities -9.5%				Financials 11.1%
			Materials 7.1%							Consumer Staples 10.6%
			Energy & Utilities 4.9%							

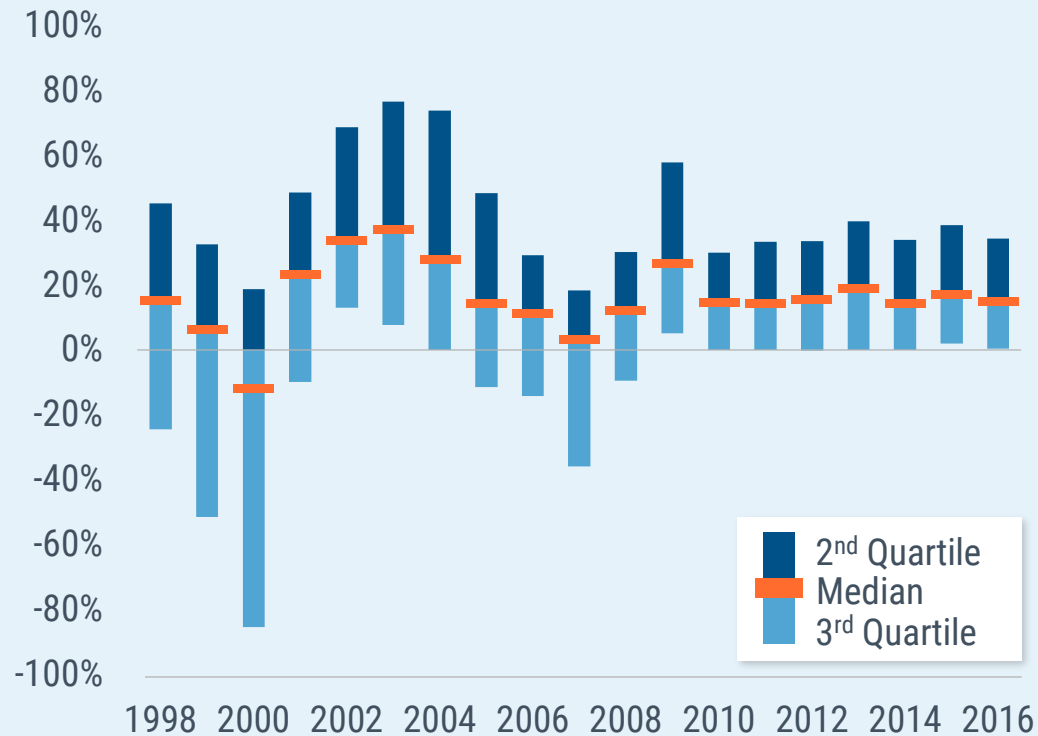
Source: Hamilton Lane Data (July 2019)

- Diversified GPs can add value through industry selection
- LPs investing in sector-specific funds take significant responsibility for timing
- These returns show why you want to be a GP: significant gains across all industries and time periods. Great industry or great skill?

# Gross Deal Return Spreads

## Gross Buyout Deal IRR Quartiles

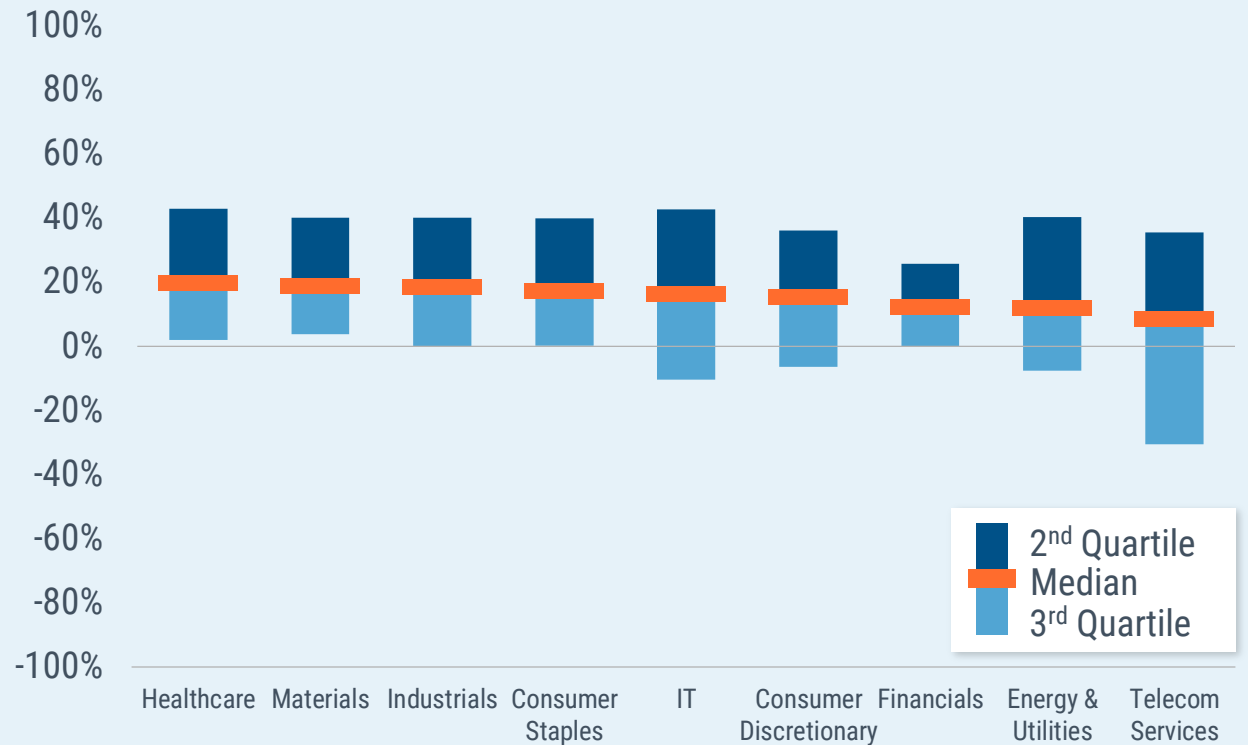
By Deal Year



Source: Hamilton Lane Data (July 2019)

## Gross Buyout Deal IRR Quartiles

By Sector, Sorted by Median Return, Deal Years 1998–2016



Source: Hamilton Lane Data (July 2019)

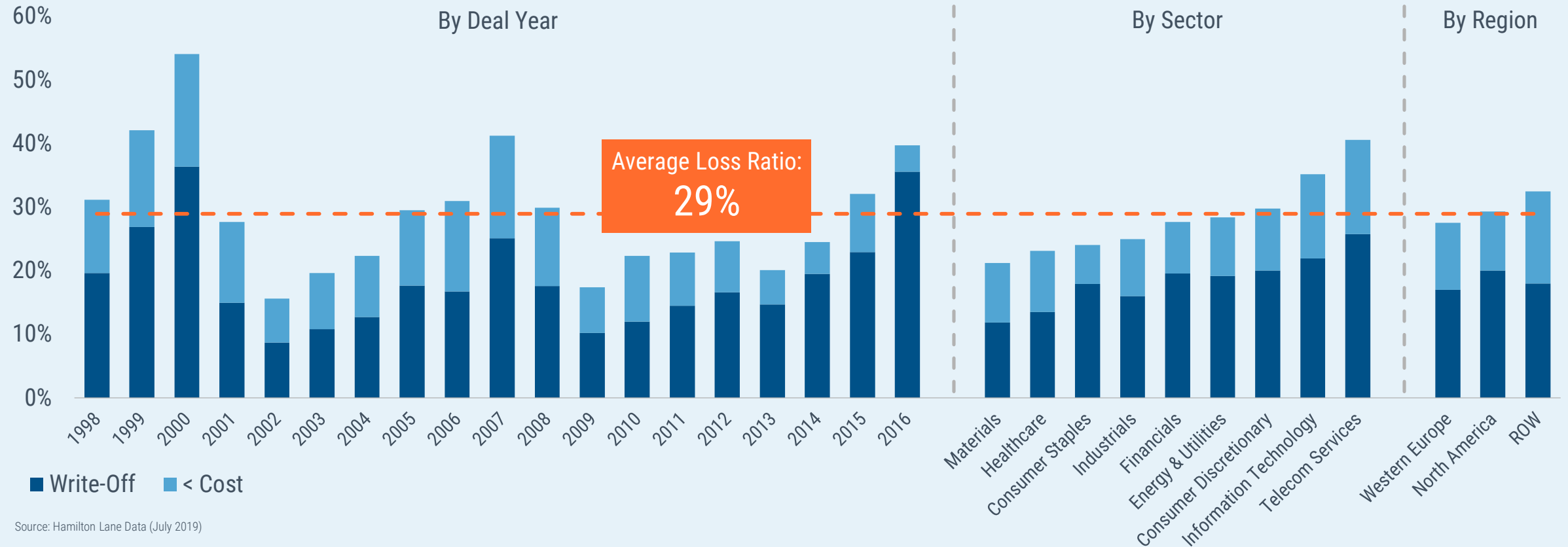
- Portfolio allocation decisions are important before recessions due to amplified downside risk



# Company Loss Ratio

## Loss Ratio of Realized Buyout Deals

% of Deal Count



- Risk of loss can vary greatly by deal year and sector, with nearly 30% of deals losing some amount of capital

# Fundraising

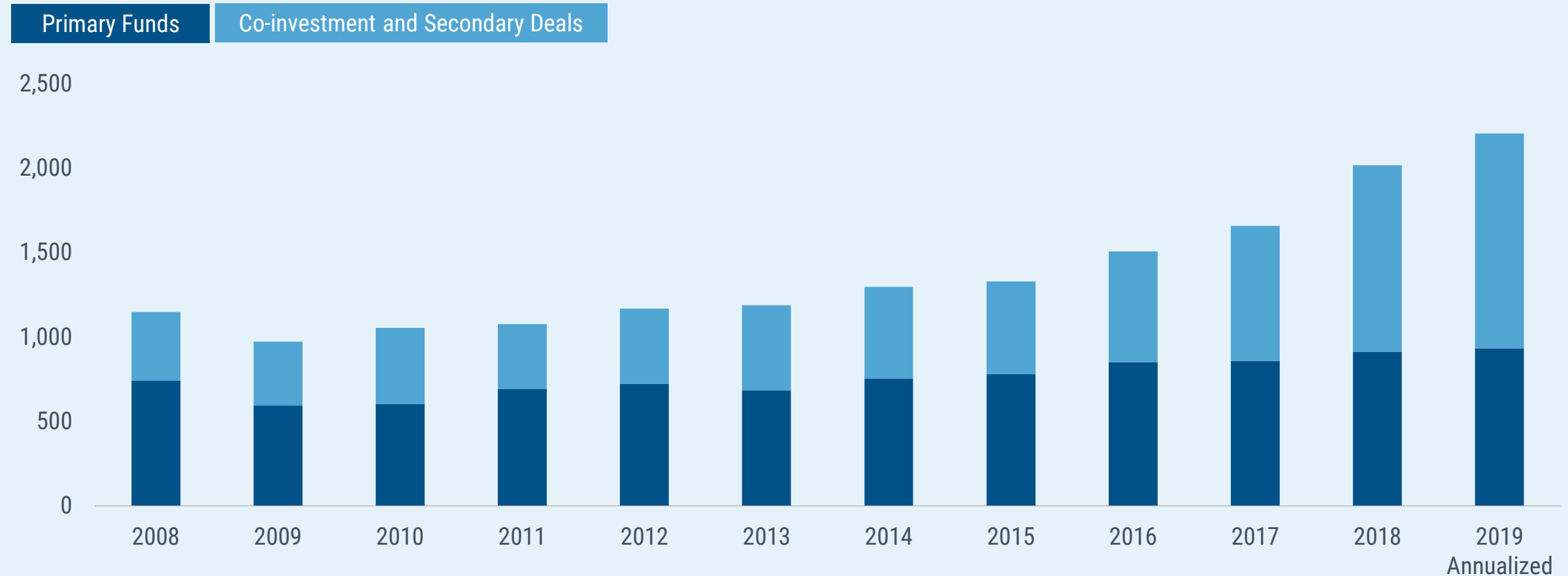
“And there is only one thing we say to death:  
‘not today.’”

-Syrio Forel to Arya Stark, *Game of Thrones*



# Private Market Opportunities

## Opportunities Received by Hamilton Lane



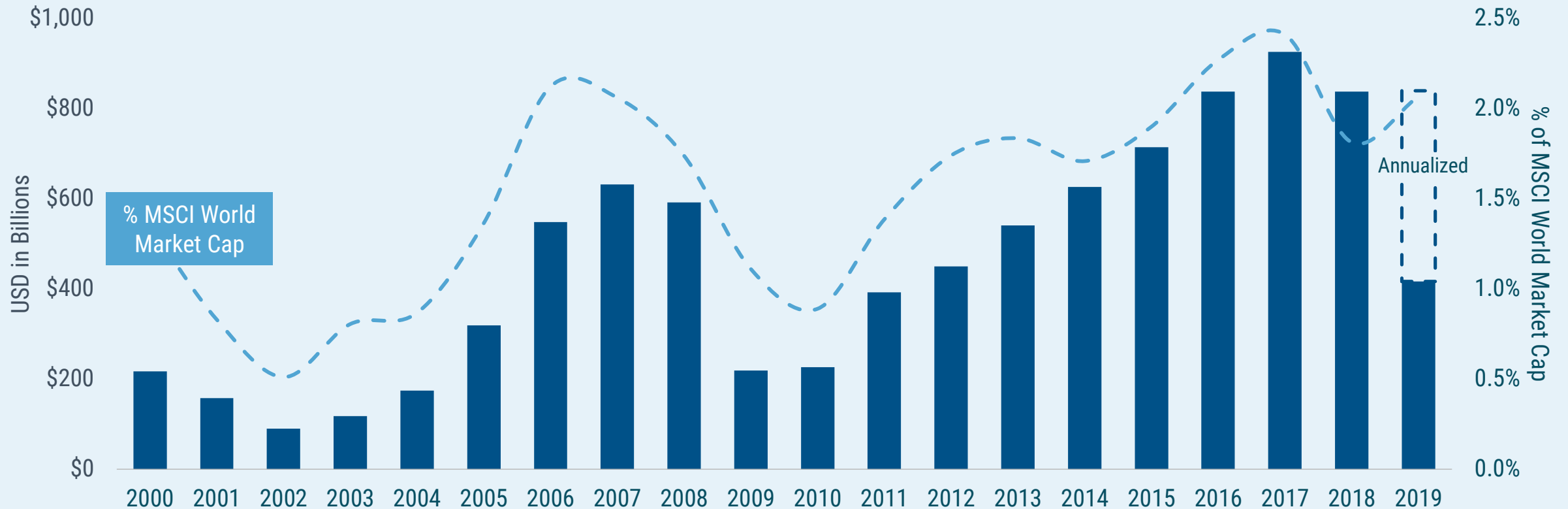
Source: Hamilton Lane Diligence (October 2019)

- 2019 is on pace to be another record year of opportunities received



# Fundraising

## Global Private Markets Fundraising



Source: Bison Data via Cobalt, Preqin, Bloomberg (October 2019)

- Fundraising in 2019 is on pace to be in line with 2018
- Multiple mega fund managers raising in the same year can drive fundraising totals
- Shadow capital increases total fundraising numbers

# Fund Concentration

## Capital Raised by 10 Largest Commingled Closed-End Funds

% of Respective Fundraising by Vintage Year



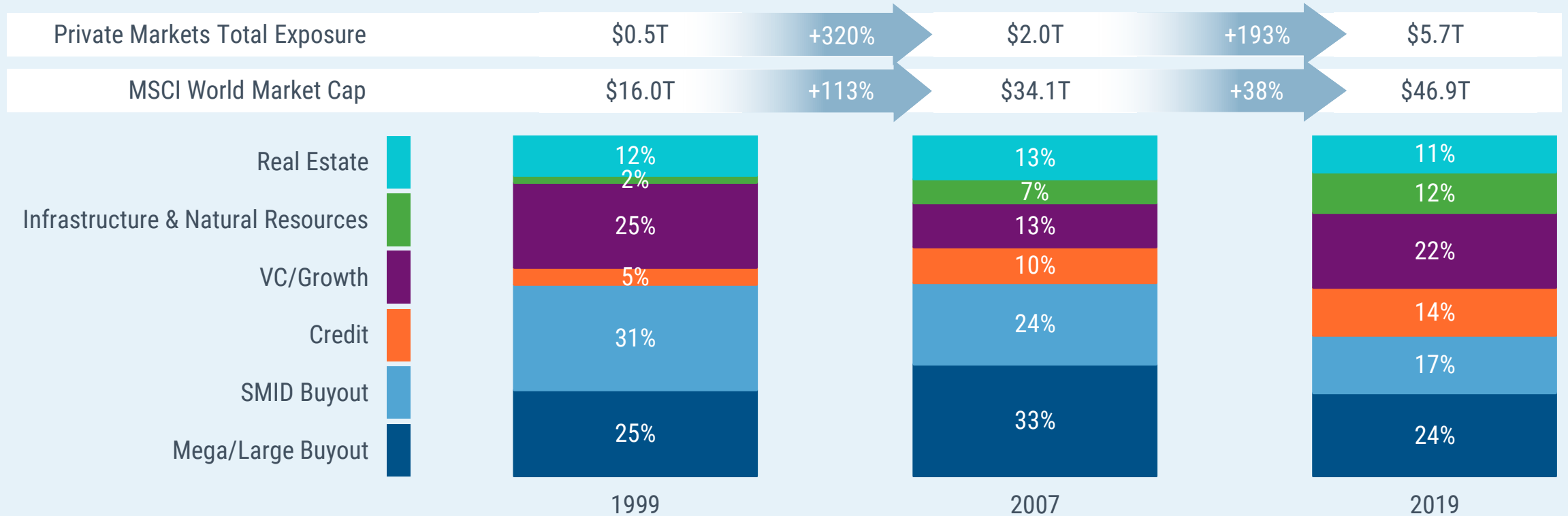
Source: Bison Data via Cobalt, Preqin (October 2019)

- Capital raised by the 10 largest funds has become a smaller portion of overall fundraising but is still a significant portion of capital raised

# Total Exposure

## Total Exposure by Strategy

% of NAV + Unfunded



Note: Total exposure and market cap as of year end for 1999, 2007. For 2019, as of 6/30/19.  
Source: Hamilton Lane Data via Cobalt, Bloomberg (October 2019)

- Private markets have meaningfully expanded into strategies like credit and infrastructure & natural resources
- GPs are expanding into new product lines to follow flow of funds into non-traditional strategies
- Private markets have grown significantly faster than public markets over the last 20 years
- Private markets are still only one-eighth the size of the global public markets

# What is Peak Private Markets?



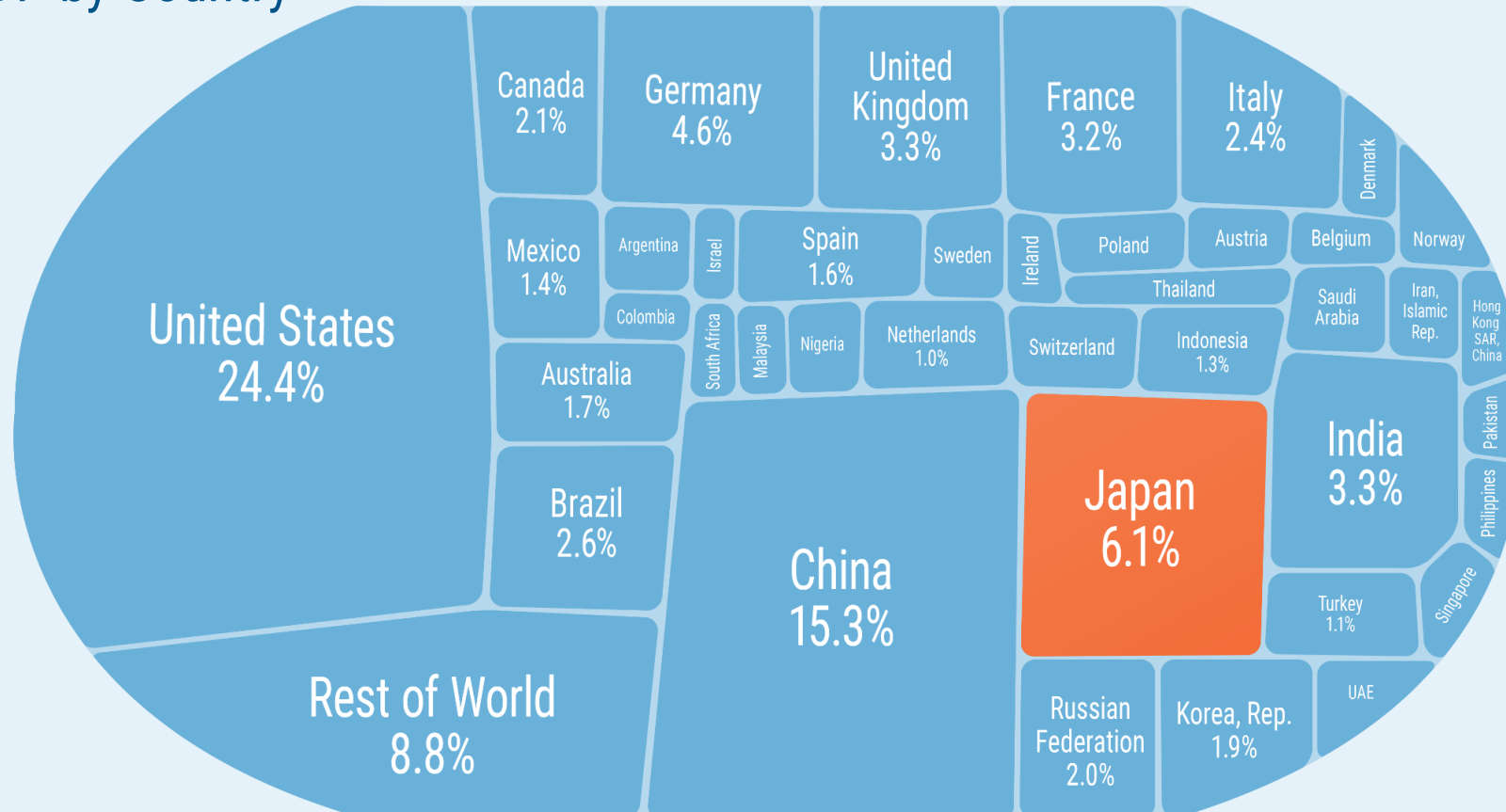
**Seriously, how long have we been driving?**



# Private Markets in Context

## Share of Global GDP by Country

As of 2017



Source: World Bank (August 2019)

- Total private markets AUM represents \$5.5T or 6.7% of all global listed equities and non-financial debt
- This proportion is approximately the size of Japan's economy relative to all global GDP in 2017

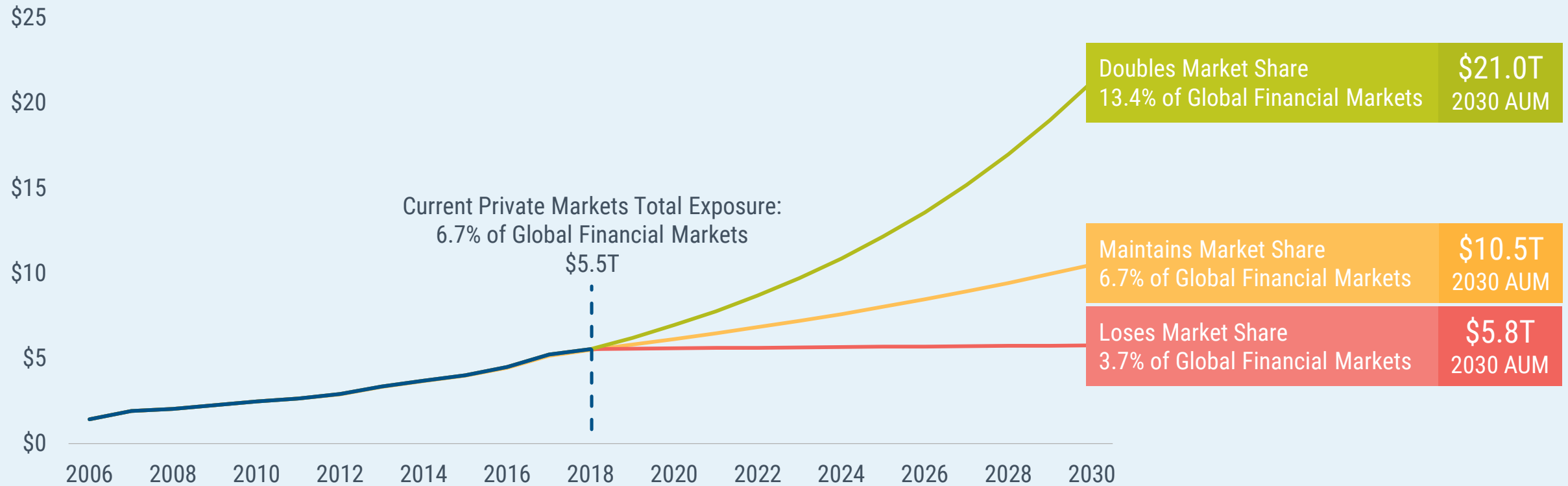
Source: The World Bank (July 2019)

Source: Hamilton Lane Data via Cobalt, Bank for International Settlements (March 2019)

# How Big Could Private Markets Get?

## Estimated Private Markets AUM

USD in Trillions



Source: World Bank, Hamilton Lane Data via Cobalt, Hamilton Lane calculations (June 2019)  
Please refer to endnotes in Appendix

- Private markets doubling market share could mean more than \$21 trillion in AUM by 2030
- Even if market share remains constant, private markets could nearly double in size by 2030

# Why We Think Private Markets Will Continue to Grow

Well...have you been paying attention?

## Outperformance

Private equity outperforms other equity-focused assets on an absolute and risk-adjusted basis

## Downside Protection

The worst five-year period for private credit and developed markets buyout produced positive returns

## Interest Rates

Low interest rate environment makes private credit strategies more attractive relative to publicly traded debt

## Opportunity Set

Given the declining number of public companies and continued concentration of capital in the largest public companies, the private markets offer the opportunity to access businesses not currently available in public markets

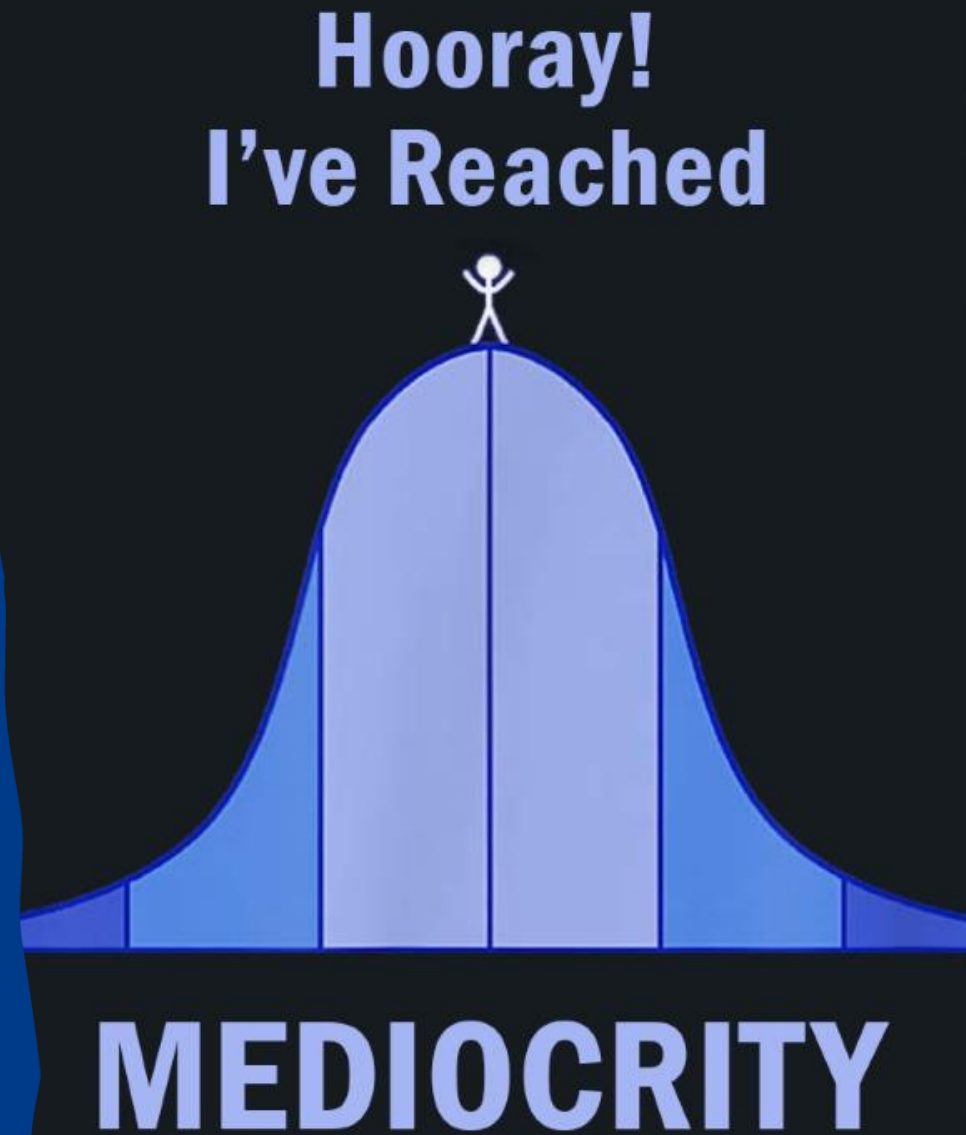
## Familiarity

More LPs understand the risk/return characteristics of illiquid assets

# Investment Activity

“Mediocrity is contextual.”

-David Foster Wallace, *Infinite Jest*

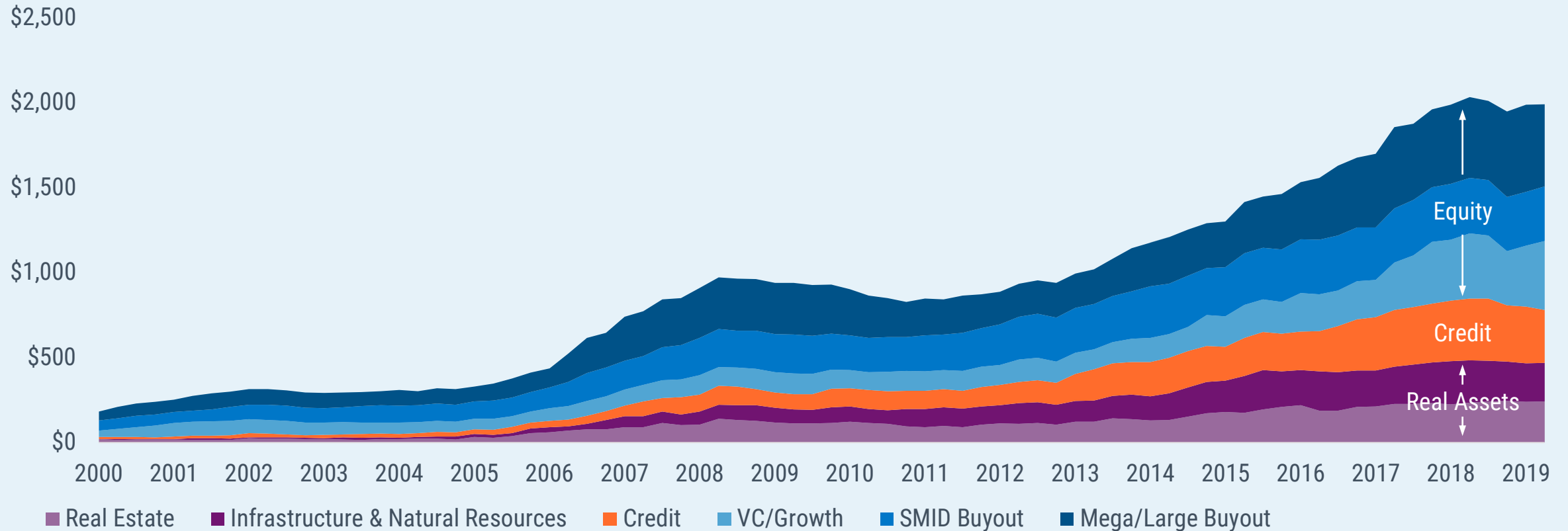




# Capital Overhang

## Private Markets Unfunded Capital

USD in Billions



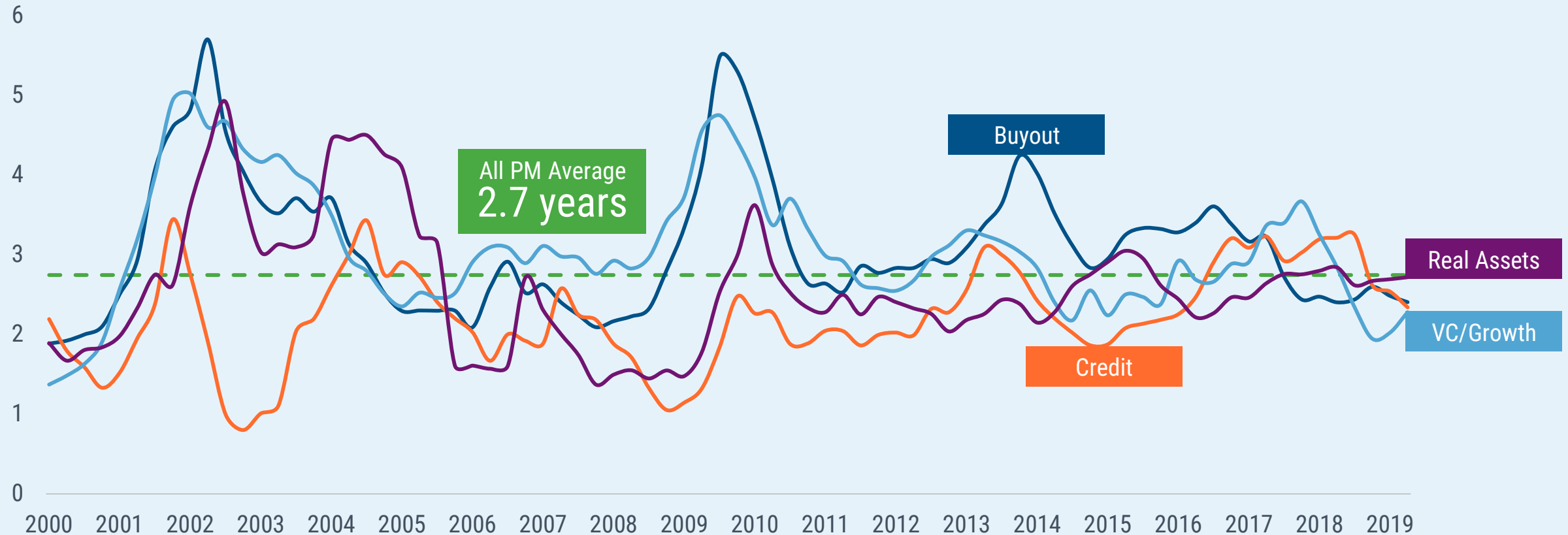
Source: Hamilton Lane Data via Cobalt (October 2019)

- Overall levels of dry powder continue to be slightly below peak level
- 18% of dry powder is from the pre-2015 vintage years. Will this dry powder ever be used in any meaningful amount?

# Deploying Capital Overhang

## Time to Deploy Capital Overhang

Years at LTM Pace

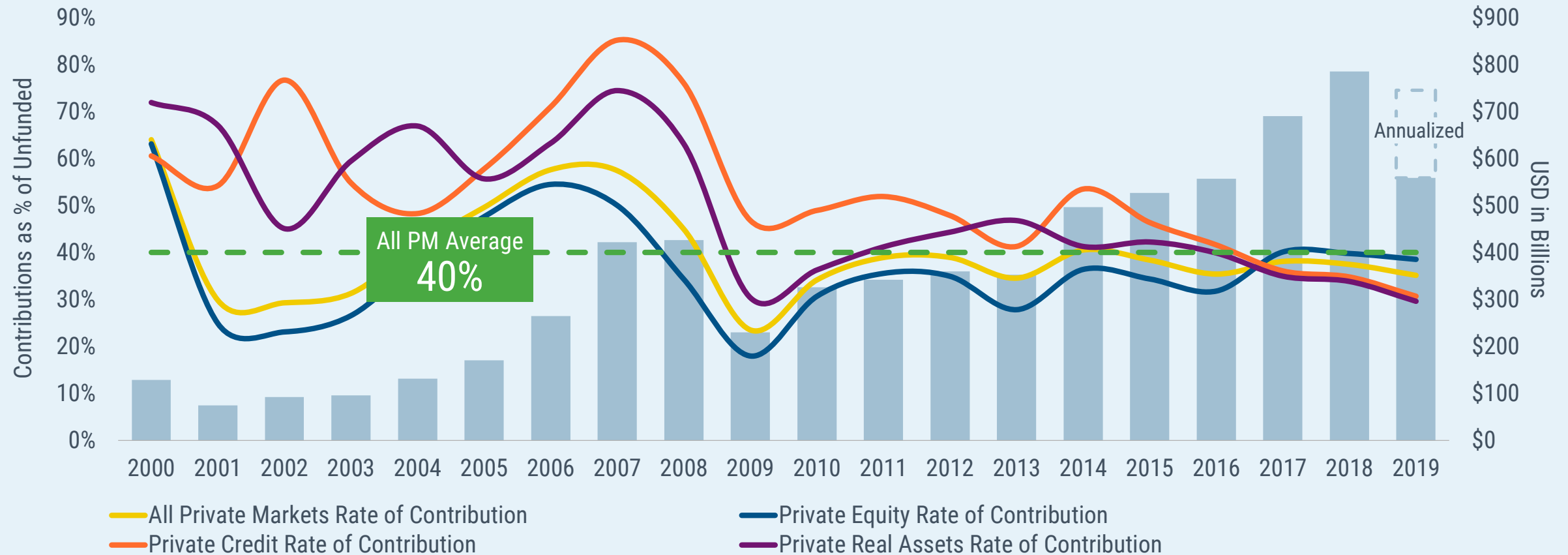


Source: Hamilton Lane Data (October 2019)

- Time to deploy capital overhang is slightly under the long-term average across strategies
- Historically, the best time to invest is when capital overhang is greatest and investment pacing is slowest (2002 and 2009)

# Contributions

## Annual Private Markets Contributions



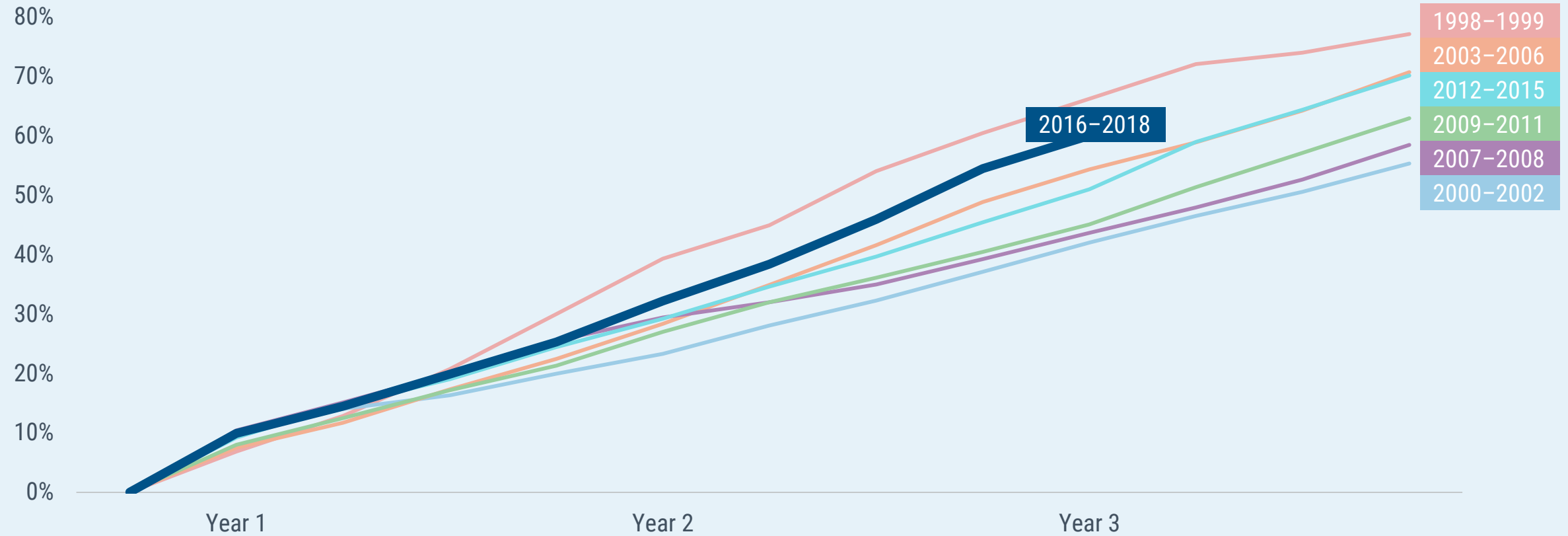
Source: Hamilton Lane Data via Cobalt (October 2019)

- Annual contributions set a record in 2018
- Across all markets, GPs continue to exhibit caution relative to other peak market periods (2000 and 2007)

# Contribution Pacing

## Median Buyout Percent Called by Fund Age

Vintage Years 1998–2018



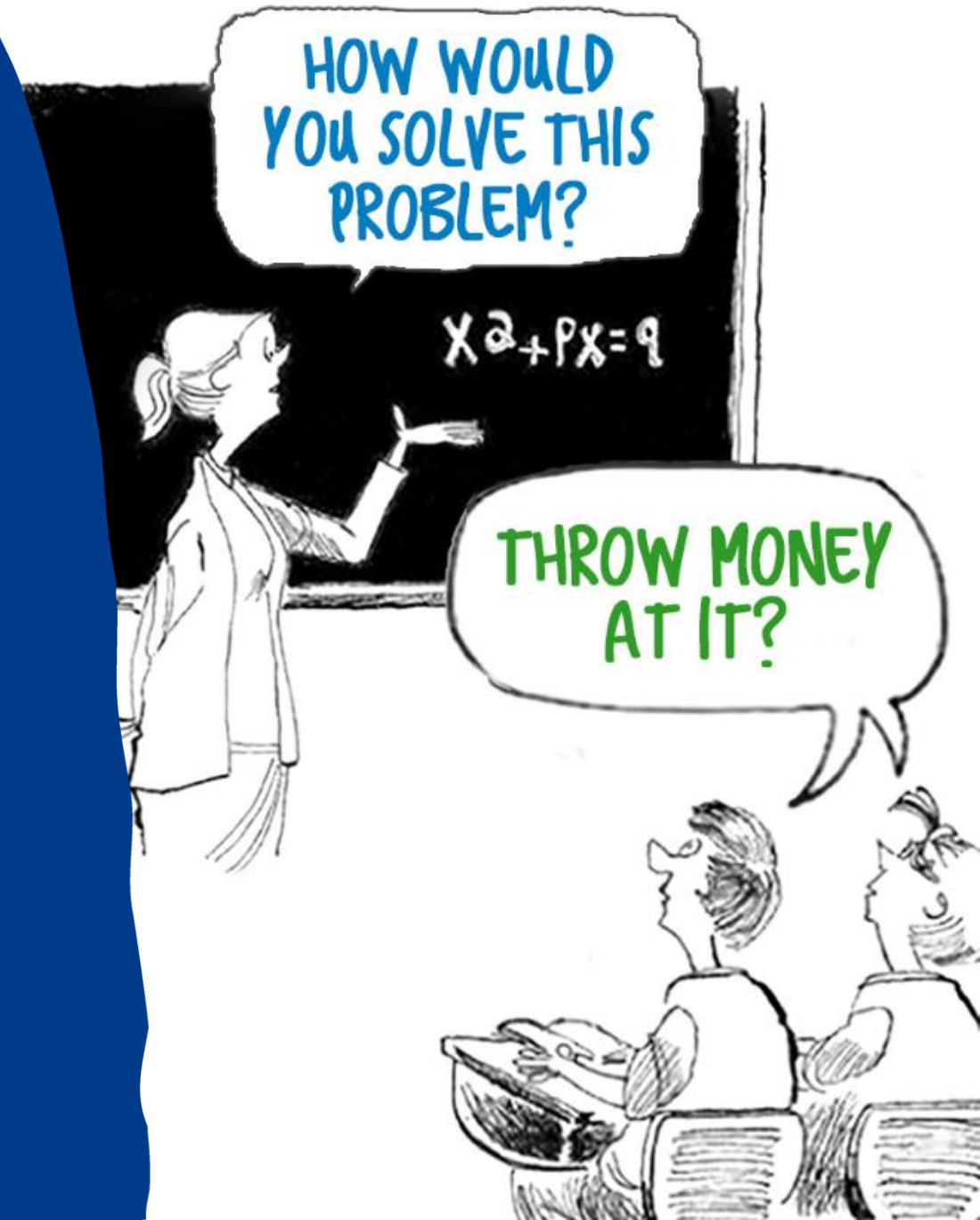
Source: Hamilton Lane Data via Cobalt (October 2019)

- Contrary to anecdotal chatter regarding slower contributions, pacing for recent vintage years remains close to historic norms

# Let's Turn to the Most Talked About Topic

“Too many bottles of this wine  
we can't pronounce  
Too many bowls of that green  
no Lucky Charms”

-Frank Ocean, “Super Rich Kids”

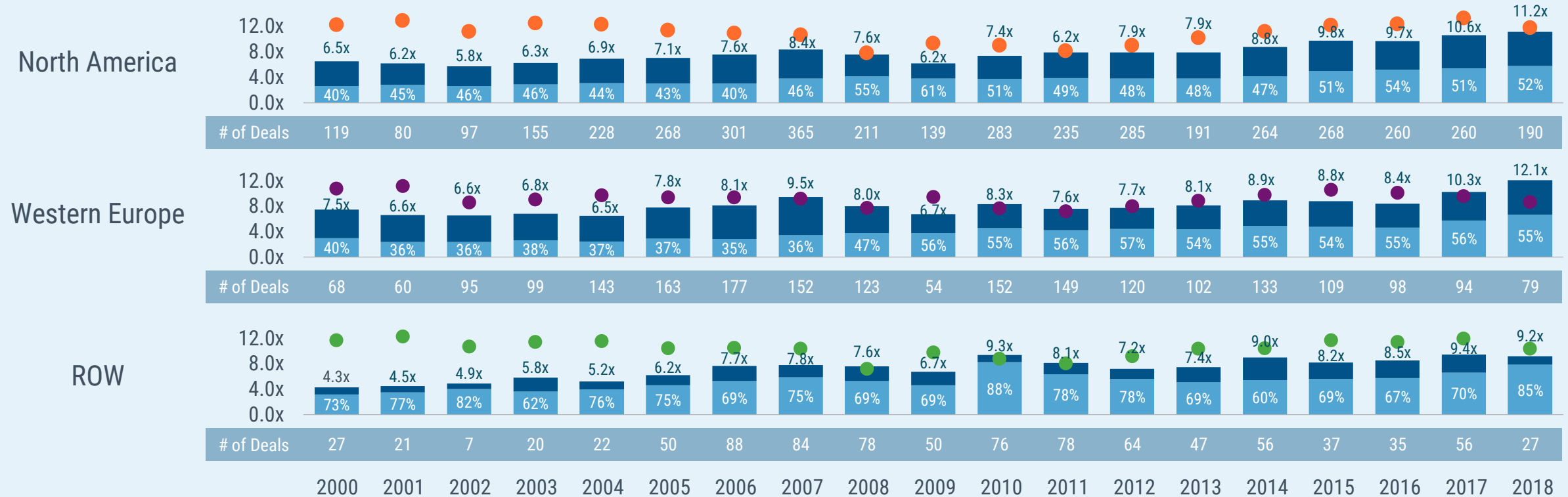




# Purchase Price Multiples at Acquisition

## Purchase Prices

EV/EBITDA and % Equity, Median by Deal Year



Source: Hamilton Lane Data, Bloomberg (July 2019)

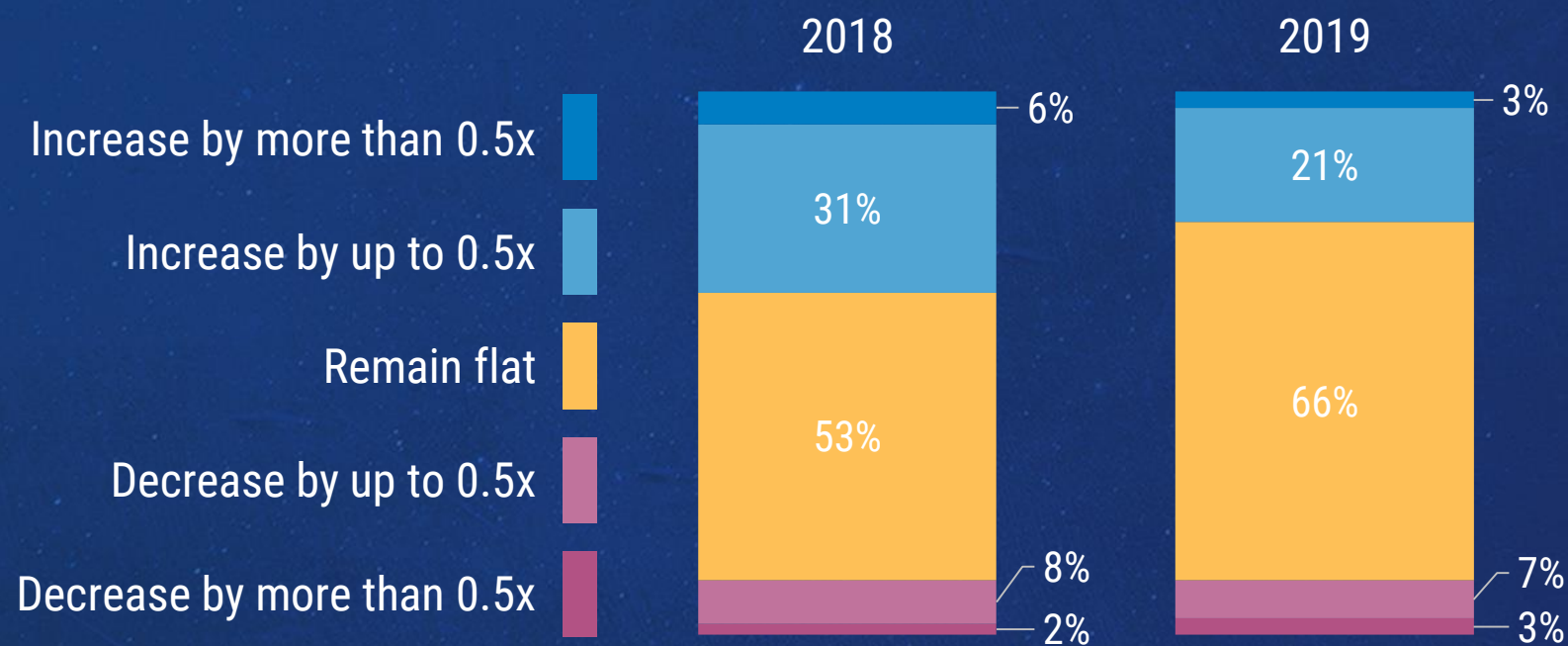
- Purchase prices remain on par with record levels across all markets; there is no debating that, on average, private markets are expensive
- Decline in prices for public equities is a function of the Q4 2018 dip in equity markets, which have since rebounded
- Equity contributions have remained above pre-crisis lows

# GP VIEW



# PURCHASE PRICES

Purchase prices over the next 12 months will...



Source: Hamilton Lane General Partner Survey (July 2019)

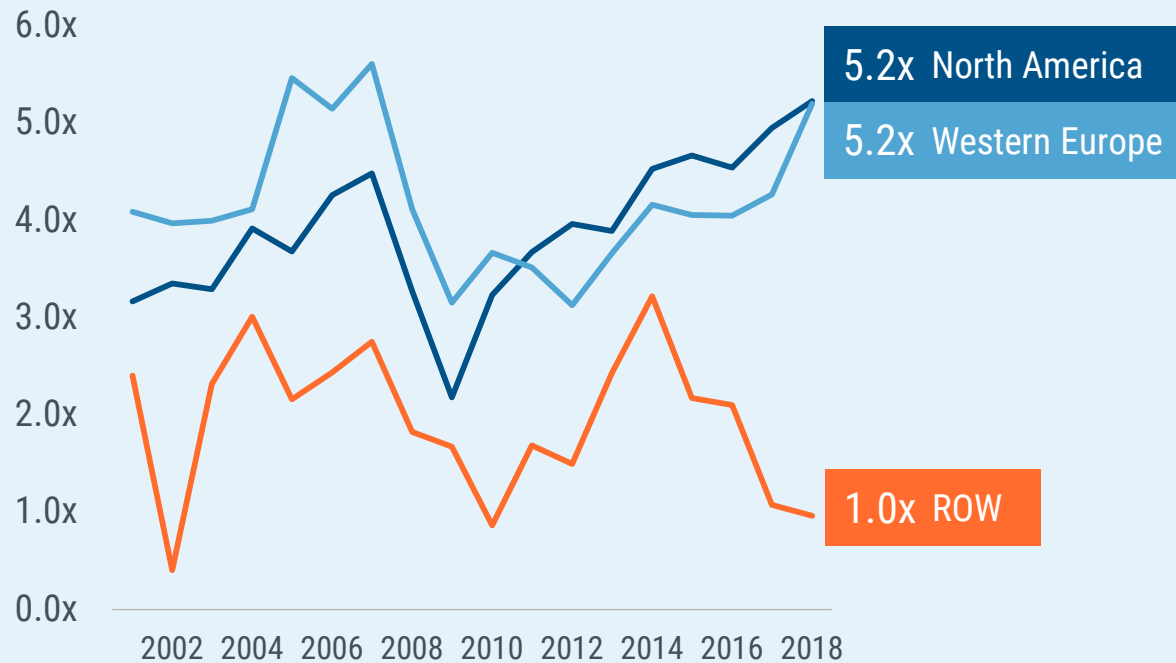
Please be aware that the information contained herein is based upon results of a survey conducted by Hamilton Lane Advisors, L.L.C. (the "Firm") of a number of private markets participants. The results of the survey may not necessarily represent the opinions of the Firm or its employees, officers or 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.

- Most GPs think purchase prices won't change much over the next year

# Leverage Multiples & Coverage Ratios

## Leverage Multiples at Acquisition

Net Debt/EBITDA



Source: Hamilton Lane Data (July 2019)

## Coverage Ratios at Acquisition

EBITDA/Cash Interest Expense



Source: S&P LCD (September 2019)

- Developed markets' leverage ratios continue to trend higher
- U.S. debt coverage levels are beginning to creep toward worrisome levels
- ROW leverage ratios, completely contrary to developed market indicators, are trending to record lows

# Liquidity

“Cash, Rules, Everything, Around, Me  
C.R.E.A.M.  
Get the money  
Dolla, dolla bill y’all”

-Wu-Tang Clan, “C.R.E.A.M.”

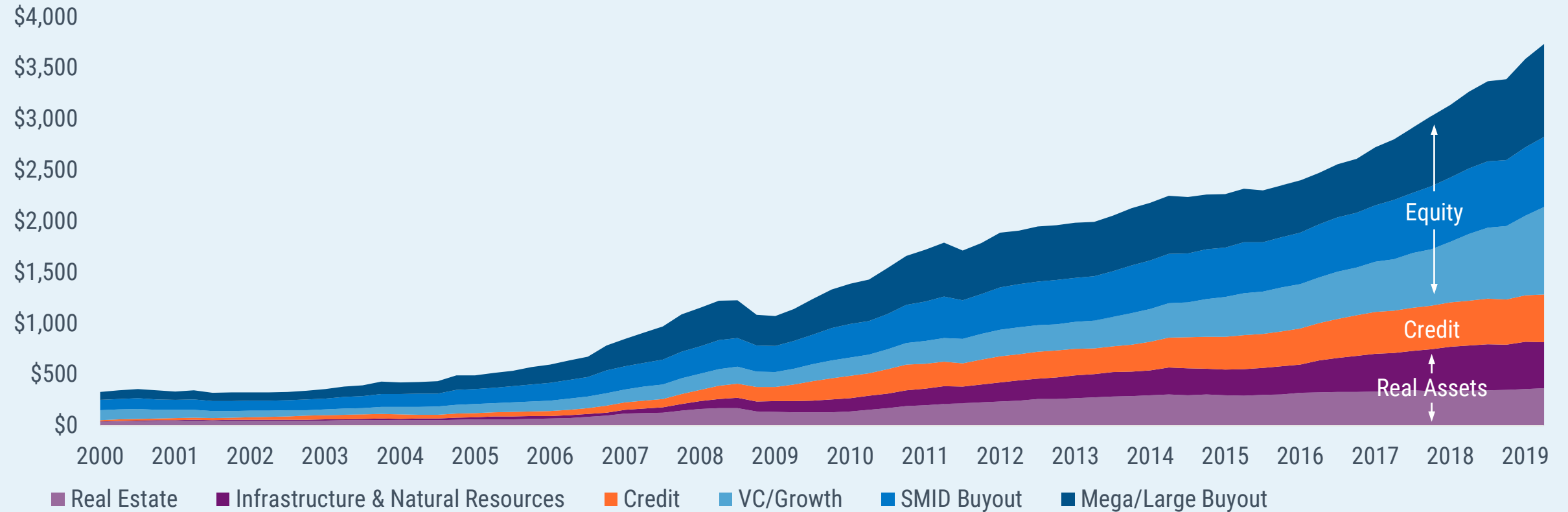


**Dolla, dolla,  
bills y’all**

# Amount of NAV

## NAV by Strategy

USD in Billions



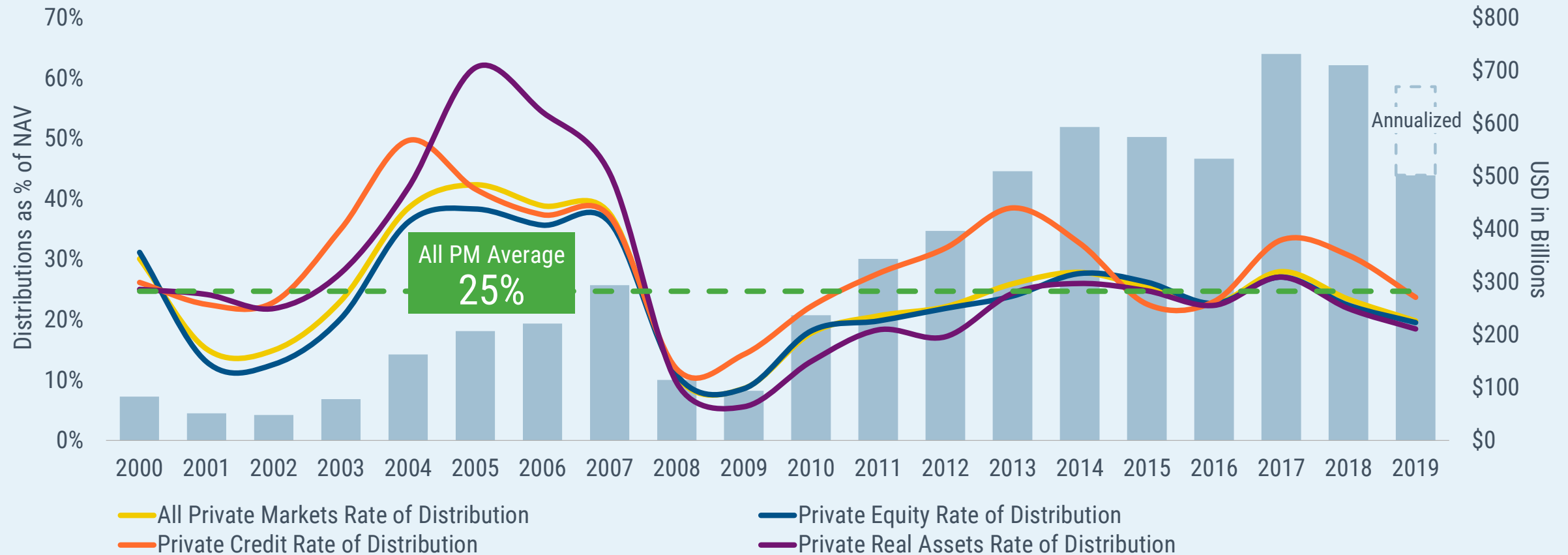
Source: Hamilton Lane Data via Cobalt (October 2019)

- NAV growth has been driven by longer hold periods, rising asset prices and healthy deployment in an asset class that is raising more capital
- Largest NAV growth over last five years was seen in VC/growth



# Distributions

## Annual Private Markets Distributions



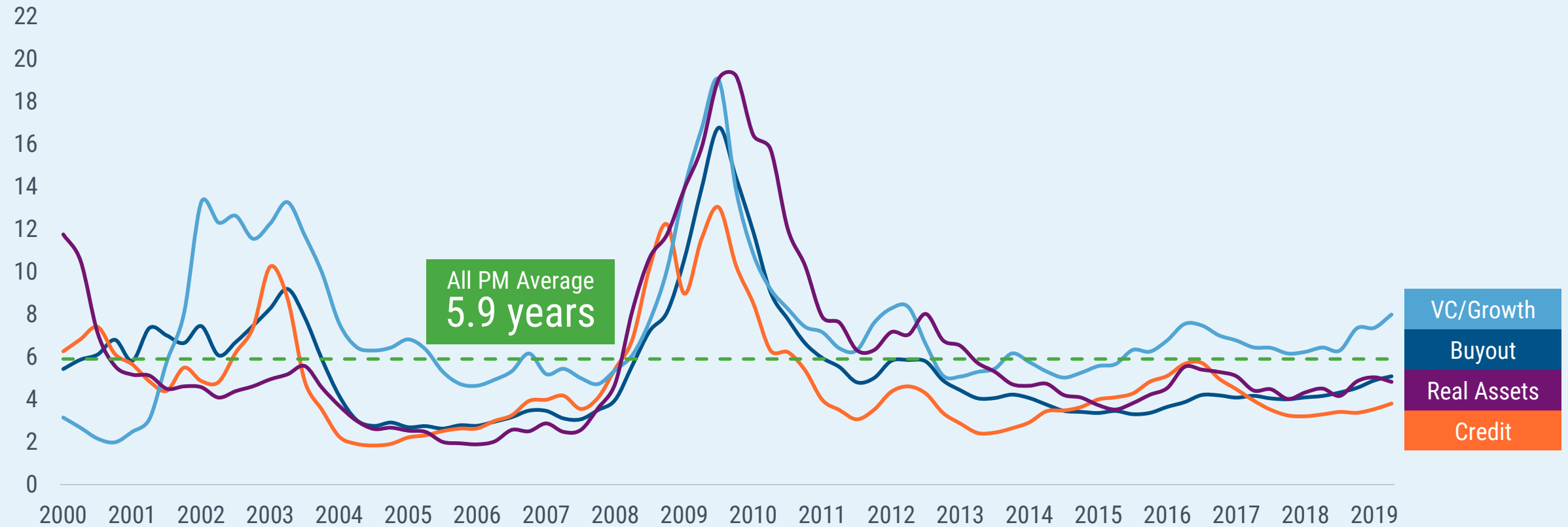
Source: Hamilton Lane Data via Cobalt (October 2019)

- Distributions in 2019 expected to be slightly below 2018 levels
- Private equity and private real assets continue trend to below average levels of distributions

# Time to Liquidate NAV

## Time to Liquidate NAV

Years at LTM Pace



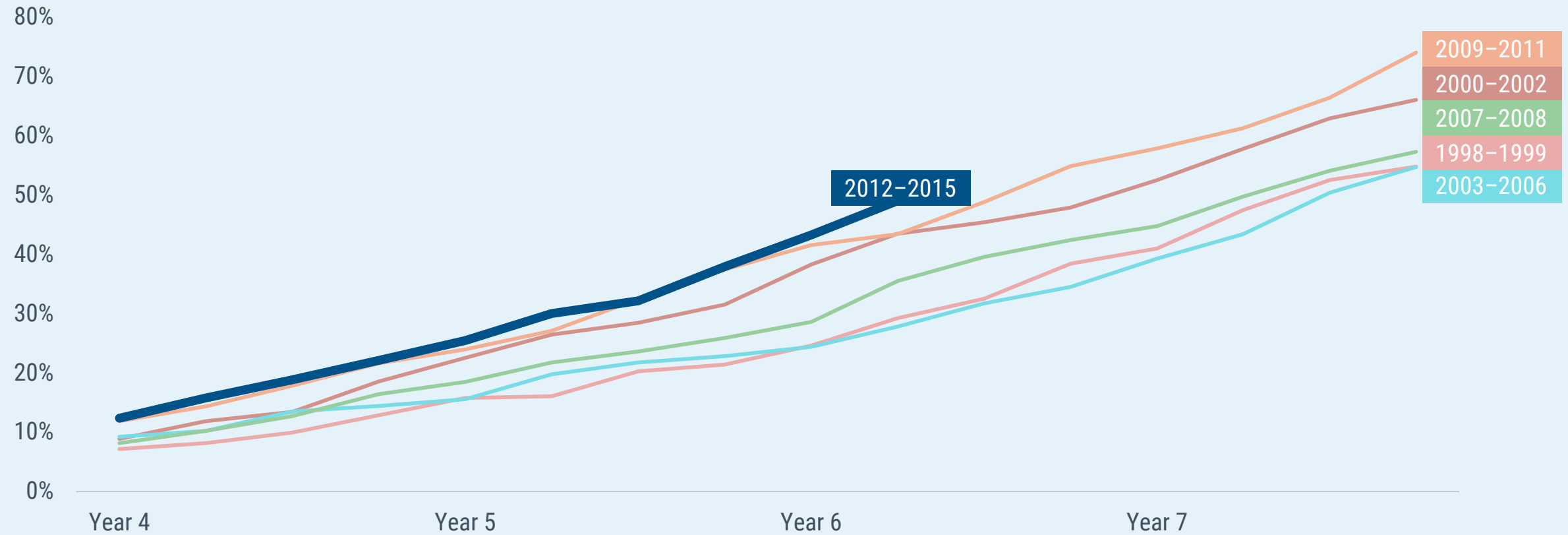
Source: Hamilton Lane Data (October 2019)

- VC/growth continues to liquidate more slowly than other private markets strategies

# Distribution Pacing

## Median Buyout DPI by Fund Age

Vintage Years 1998–2015



Source: Hamilton Lane Data via Cobalt (October 2019)

- Recent vintages have distributed capital back to investors more quickly than previous vintages

# Sentiment Indicators

Titanic

Megan 8 min. ago

Im not sure i know what you mean

7 min. ago

Sorry, not a great icebreaker.  
My bad.

Megan 7 min. ago

Well I never saw that coming

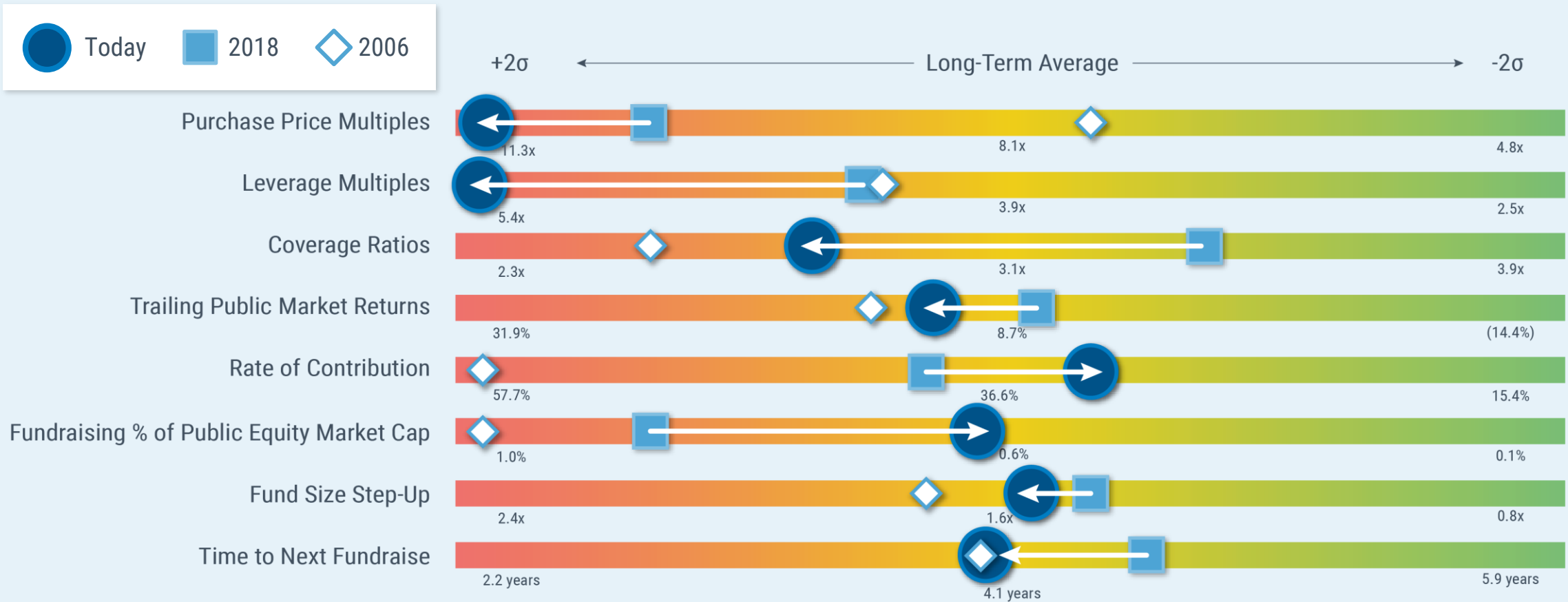
5 min. ago

Neither did the engineer.

Megan 5 min. ago



# Hamilton Lane Sentiment Indicators: Buyout

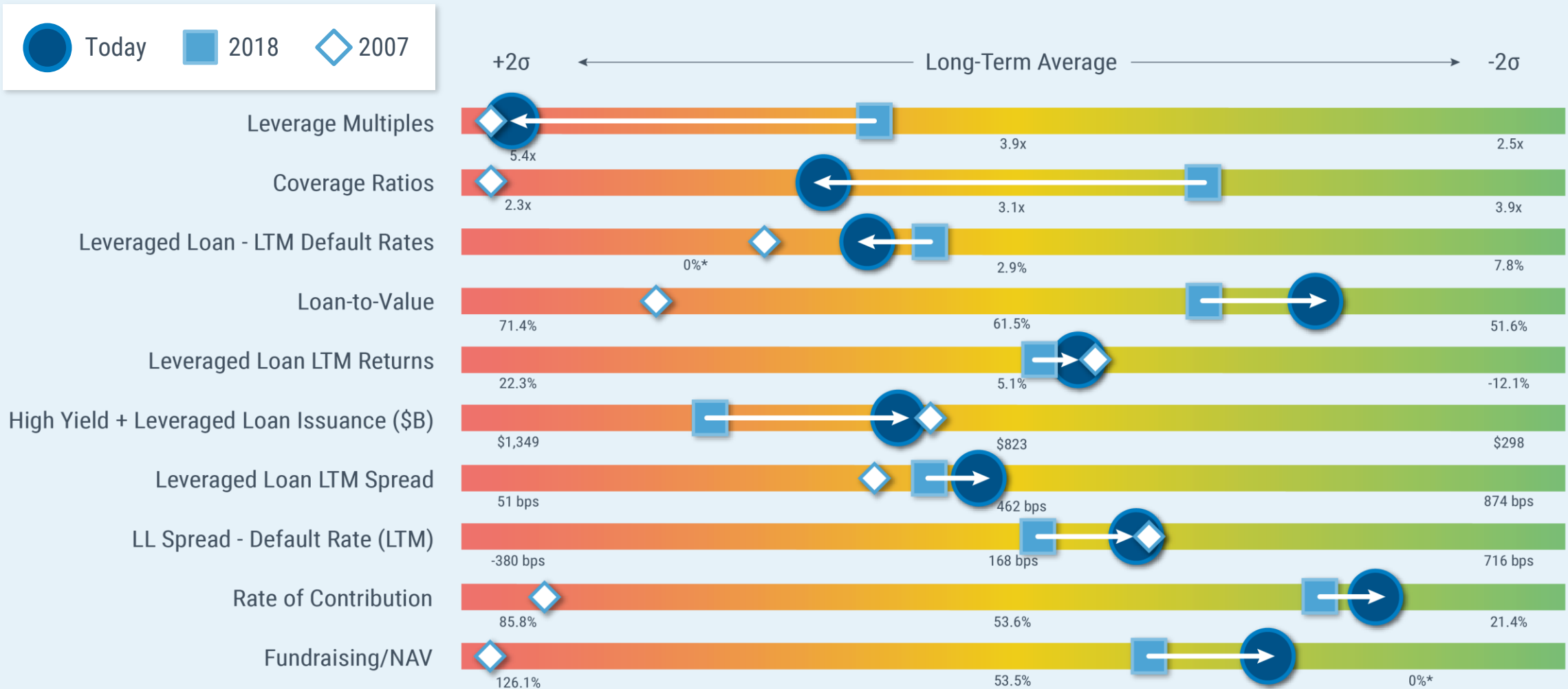


Source: Hamilton Lane Data, Bloomberg, Bison, Preqin, S&P (October 2019)  
Please refer to endnotes in Appendix

- The buyout market has moved into negative territory



# Hamilton Lane Sentiment Indicators: Credit

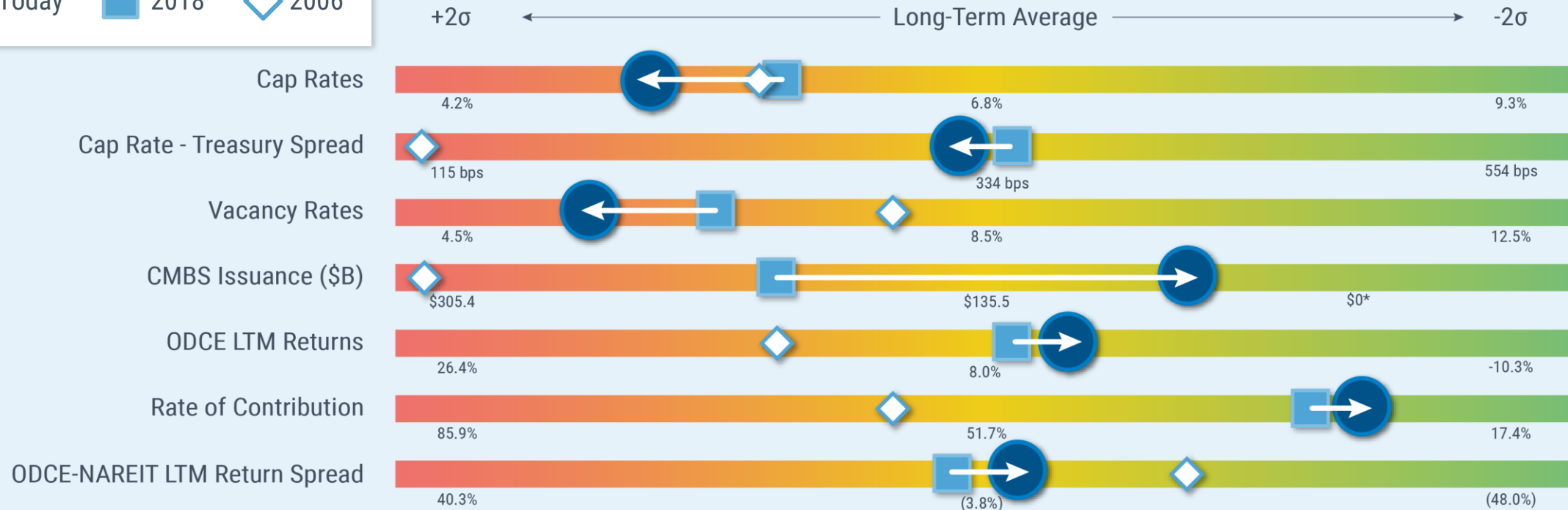


\*Asterisk indicates zero used as floor for indicators that cannot be negative  
 Source: Hamilton Lane Data, Bison, Preqin, S&P (October 2019)  
 Please refer to endnotes in Appendix

- The credit market is neutral and has no consistent trend

# Hamilton Lane Sentiment Indicators: Real Estate

● Today
 ■ 2018
 ◇ 2006



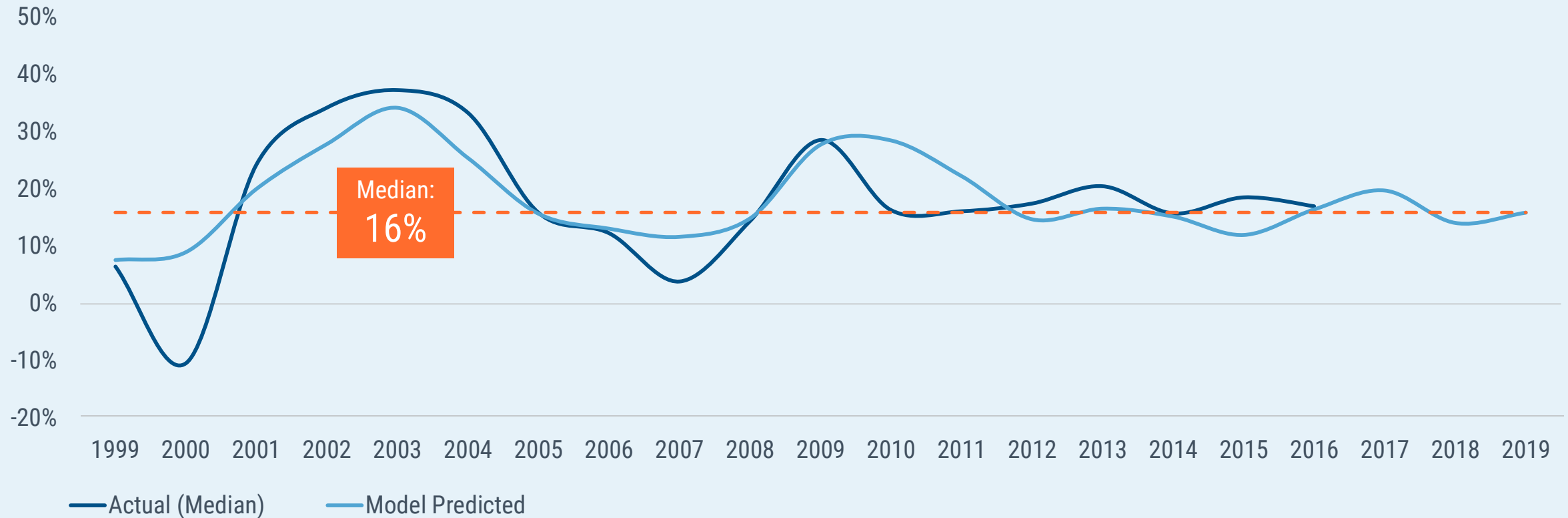
\*Asterisk indicates zero used as floor for indicators that cannot be negative  
 Source: Hamilton Lane Data, Bloomberg, NCREIF (October 2019)  
 Please refer to endnotes in Appendix

- The real estate market also is neutral

# Market Indicators

## Deal Vintage Year IRR vs. Predictive Model

Provides Indication of Current Cycle's Returns Relative to Average Deal Returns



Source: Hamilton Lane Data, S&P, Bloomberg (October 2019)

- 2019 deal returns are expected to be near historical median levels

# THE FANTASTIC FOCUS FACTORS 5

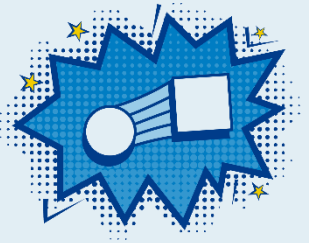
*How to Build  
a Portfolio for  
Today's Market*





## THE FANTASTIC **5** FOCUS FACTORS

1



Strategy  
Shape Shifting

2



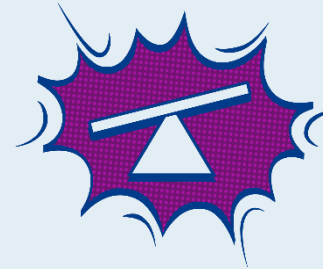
Governance

3



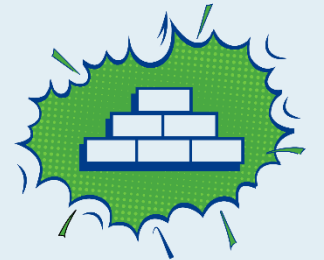
Resources

4



Managing  
Leverage

5



Portfolio  
Construction





Hamilton Lane®

# Market Overview



# Appendix

# Definitions

## 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.

**CI Funds** – Any fund that either invests capital in deals alongside a single lead general partner or alongside multiple general partners.

**Co/Direct Investment Funds** – Any PM fund that primarily invests in deals alongside another financial sponsor that is leading the deal.

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

**Credit**- This strategy focuses on providing debt capital.

**Distressed Debt**- Includes any PM fund that primarily invests in the debt of distressed companies.

**EU Buyout** – Any buyout fund primarily investing in the European Union.

**Fund-of-Funds (FoF)** – A fund that manages a portfolio of investments in other private equity funds.

**Growth Equity** – Any PM fund that focuses on providing growth capital through an equity investment.

**Infrastructure** – An investment strategy that invests in physical systems involved in the distribution of people, goods, and resources.

**Late Stage VC** – A venture capital strategy that provides funding to developed startups.

**Mega/Large Buyout** – Any buyout fund larger than a certain fund size that depends on the vintage year.

**Mezzanine** – Includes any PM fund that primarily invests in the mezzanine debt of private companies.

**Multi-Management CI** – A fund that invests capital in deals alongside a lead general partner. Each deal may have a different lead general partner.

**Multi-Stage VC** – A venture capital strategy that provides funding to startups across many investment stages.

**Natural Resources** – An investment strategy that invests in companies involved in the extraction, refinement, or distribution of natural resources.

**Origination** – Includes any PM fund that focuses primarily on providing debt capital directly to private companies, often using the company’s assets as collateral.

**Private Equity** – A broad term used to describe any fund that offers equity capital to private companies.

**Real Assets** – Real Assets includes any PM fund with a strategy of Infrastructure, Natural Resources, or Real Estate.

**Real Estate** – Any closed-end fund that primarily invests in non-core real estate, excluding separate accounts and joint ventures.

**ROW** - Any fund with a geographic focus outside of North America and Western Europe.

**ROW Equity** – Includes all buyout, growth, and venture capital-focused funds, with a geographic focus outside of North America and Western Europe.

**Secondary FoF** – A fund that purchases existing stakes in private equity funds on the secondary market.

**Seed/Early VC** – A venture capital strategy that provides funding to early-stage startups.

**Single Manager CI** – A fund that invests capital in deals alongside a single lead general partner.

**SMID Buyout** – Any buyout fund smaller than a certain fund size, dependent on vintage year.

**U.S. Mega/Large** – Any buyout fund larger than a certain fund size that depends on the vintage year and is primarily investing in the United States.

**U.S. SMID** – Any buyout fund smaller than a certain fund size that depends on the vintage year and is primarily investing in the United States.

**VC/Growth** – Includes all funds with a strategy of venture capital or growth equity.

**Venture Capital** – Venture Capital includes any PM fund focused on any stages of venture capital investing, including seed, early-stage, mid-stage, and late-stage investments.

## INDEX DEFINITIONS

**Barclays U.S. Corporate Aggregate Index** – Tracks the performance of U.S. fixed rate corporate debt rated as investment grade.

**BofAML High Yield Index** – The BofAML High Yield index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

**Credit Suisse High Yield Index** – The Credit Suisse High Yield index tracks the performance of U.S. sub-investment grade bonds.

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

**FTSE/NAREIT Equity REIT Index** – The FTSE/NAREIT All Equity REIT Index tracks the performance of U.S. equity REITs.

**HFRI Composite Index** – The HFRI Composite Index reflects hedge fund industry performance.

**MSCI Emerging Markets Index** – The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

**MSCI Europe Index** – The MSCI Europe Index tracks large and mid-cap equity performance across 15 developed market countries in Europe.

**MSCI World Energy Sector Index** – The MSCI World Energy Sector Index measures the performance of securities classified in the GICS Energy sector.

**MSCI World ex U.S. Index** – The MSCI World ex U.S. Index tracks large and mid-cap equity performance in developed market countries, excluding the U.S.

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

**Russell 3000 Index** – The Russell 3000 Index is composed of 3000 large U.S. companies, as determined by market capitalization.

**Russell 3000 Net Total Return Index** – The Russell 3000 NTR Index is composed of 3000 large U.S. companies, as determined by market capitalization with net dividends reinvested.

**S&P 500 Index** – The S&P 500 Index tracks 500 largest companies based on market capitalization of companies listed on NYSE or NASDAQ.

**S&P Global Infrastructure Index** – The S&P Global Infrastructure Index tracks the performance of 75 companies from around the world that represent the infrastructure industry.

## OTHER

**Desmoothing** – A mathematical process to remove serial autocorrelation in the return stream of assets that experience infrequent appraisal pricing, such as private equity. Desmoothed returns may more accurately capture volatility than reported returns. The formula used here for desmoothing is:

$$\text{Where } rD(t) = \frac{\text{the desmoothed return for period } t, r(t) = \text{the return for period } t, \rho = \text{the autocorrelation}}{(r(t) - r(t-1) * \rho) / (1 - \rho)}$$

**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.

**Sharpe Ratio** – The Sharpe Ratio is the average return earned in excess of the risk-free rate per unit of volatility or total risk.

**Time-weighted Return** – Time-weighted return is a measure of compound rate of growth in a portfolio,

**Total Exposure** – Total Exposure is equal to NAV + Unfunded Commitment.

**Volatility** – Volatility is a statistical measure of dispersion of return, specifically standard deviation.

# Endnotes

**Page 8:**

Bubbles sized by relative market NAV as of 6/30/19.

**Page 15:**

All PM includes fund-of-funds and secondary fund-of-funds.

**Page 26:**

The Private Markets AUM was calculated using Hamilton Lane Data via Cobalt and represents the sum of dry powder and NAV as of December 31, 2018 for all private markets styles/focuses with the exceptions of fund-of-funds and secondary fund-of-funds. Global Financial Markets consists of the “market capitalization of listed domestic companies” as of December 31, 2018 per the World Bank plus “outstanding global non-financial corporation debt” as of December 31, 2018 per Bank for International Settlements. The Maintains Market Share scenario assumes that both Private Markets AUM and Global Financial Markets each continue to grow at the 15-year CAGR for Global Financial Markets. The Doubles Market Share scenario assumes that Global Financial Markets continue to grow at 15-year CAGR while Private Markets AUM steadily gains market share each year until 2030 when it would represent twice the 2018 share of Global Financial Markets. The Loses Market Share scenario assumes that Global Financial Markets continue to grow at the 15-year CAGR while Private Markets AUM maintain a “steady state” growth rate.

**Pages 43–45:**

If a data set is distributed normally, about 95% of all data points will lie within two standard deviations of the mean.

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