

HAMILTON LANE'S 2022 MARKET OVERVIEW: PRIVATE MARKETS REPORT STRONG PERFORMANCE; ROBUST FUNDRAISING MARKET; AND EXPANDING INVESTOR BASE

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-Private market assets continued to outperform public markets in 2021, with pooled average buyout returns outperforming the MSCI World PME in each of the past 20 vintage years and by an average of more than 1,000 basis points

-Fundraising marked a historical high, with an estimate that just 15 buyout managers may collectively raise upwards of \$300 billion in 2022

-Access to the asset class continues to expand; report finds that a 1% increase in the capital high-net-worth individuals invest would lead to a 10% increase in the size of the private markets

CONSHOHOCKEN, Pa., Feb. 24, 2022 /PRNewswire/ -- Hamilton Lane (NASDAQ: HLNE), a leading private markets investment management firm, published its 2022 Market Overview today.

The report is a comprehensive, data-driven review and analysis of private markets industry activity in 2021 as well as predictions for 2022, underscored by Hamilton Lane's industry-leading database encompassing \$15+ trillion in assets, 50 vintage years and 45,000 funds.

The report arrives at a time of major global market shifts, with inflation sharply increasing, interest rates on the rise and growing volatility in the public markets. Against this backdrop, both institutional and private wealth investors around the world are reexamining their portfolio composition in search of longer-term return potential.

"The global financial markets continue along a trend of rapid change that we've experienced during the last two years of the pandemic," said Mario Giannini, CEO of Hamilton Lane. "This year's Market Overview demonstrates the value of private markets to-date during such an environment - particularly compared to public markets. We're

examining what's driven outperformance of late, what factors are disrupting and transforming the private markets, as well as what the investor experience could be going forward – particularly as the asset class continues to expand its investor base into the private wealth market."

Private Markets Continue to Outperform Public Markets

2021 saw private equity's continued outperformance of public equity, generating an extra 83 cents per dollar invested since 2017. Private real estate and credit, with significantly lower risk profiles than equity strategies, have also done remarkably well in this environment.

In a longer-term picture of private equity's performance vis a vis public markets, the chart below shows pooled average buyout returns, which have outperformed in every single one of the past 20 vintage years and by an average of more than 1,000 basis points. Private credit also outperformed in every vintage year over the last 20. These charts show vintage years and public market equivalent (PME) – a measurement accepted by investors as the most appropriate way to benchmark returns.

Pace of Fundraising Demonstrates Investor Demand for Private Markets

Growth in the opportunity set for the private markets, together with strong performance potential, has driven fundraising for private market funds to record levels, on pace for a 25% jump from 2020 to 2021. Hamilton Lane identified a trend for 2022 dubbed the "15/15 club" - an estimation that at least 15 buyout managers are looking to raise \$15 billion or more in the coming year. Taking into account the fact that the managers may outpace their stated targets and the previous fund sizes of these managers, this number could top roughly \$300 billion. This is a 50% increase from 2020 - the next best fundraising year for the top 15 funds - and the equivalent of 60% of buyout fundraising last year and 20% of all fundraising in 2021.

The report examines potential implications for emerging managers, small and mid-sized general partners, as well as their limited partners. While data trends suggest investors are increasingly concentrating their assets with larger organizations and familiar fund managers, appetite and interest in emerging and diverse managers remains. When it comes to emerging managers, it becomes even more important to pick well —and for those who do, the upside performance potential is there.

Private Markets Investor Base Continues to Expand

Analysis in this year's Market Overview shows that the trend of increasing accessibility to private markets continues. Smaller institutional and high-net-worth investors participating in private markets increased again in 2021 as investors searched for yield, recognizing that public holdings alone may not be enough to garner targeted

investment returns in the future. Nearly \$2 trillion of private assets were held by high-net-worth investors in 2021 with most of this coming from larger family offices and ultra-high net worth investors. Additionally, with more flexible liquidity arrangements and evergreen or open-ended investment vehicles, private markets are more available to a broader set of investors.

Hamilton Lane estimates that a 1% increase in high-net-worth allocation increases the size of private markets by 10% - a dynamic that could dramatically expand the amount of capital flowing into the private markets.

A Look Ahead

Against the backdrop of historic inflation and broader public market volatility juxtaposed with a strong 2021 for the private markets industry across nearly any metric, the report highlights several areas industry participants should focus on in the year ahead. Some of these include:

- Investors will have to be more ruthless in selecting where to allocate their capital. They will also need to be better at understanding how performance is being generated.
- Fund managers will need to be more strategic about how many funds they expect to raise and how big they expect all those funds to become.
- Both general partners and limited partners should take careful stock of their investment and commitment pacing, and should embrace technology and information to better understand and react to portfolio shifts.

For the full list or to request Market Overview data, please contact Kate McGann: kmcgann@hamiltonlane.com or +1-240-888-4078.

End Note: In "Growth of \$1" chart, MSCI World used as proxy for public equities.

Definitions:

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

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

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.

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.

About Hamilton Lane

Hamilton Lane (NASDAQ: HLNE) is a leading private markets investment management firm providing innovative solutions to sophisticated investors around the world. Dedicated exclusively to private markets investing for 30 years, the firm currently employs more than 520 professionals operating in offices throughout North America, Europe, Asia Pacific and the Middle East. Hamilton Lane has \$851 billion in assets under management and supervision, composed of over \$98 billion in discretionary assets and nearly \$753 billion in advisory assets, as of December 31, 2021. Hamilton Lane specializes in building flexible investment programs that provide clients access to the full spectrum of private markets strategies, sectors and geographies. For more information, please visit www.hamiltonlane.com or follow Hamilton Lane on LinkedIn: <https://www.linkedin.com/company/hamilton-lane/>.

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