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# SEI Survey: Private Equity Liquidity Constraints Are Easing, but Investors' Needs Are Still Unmet

## Institutional Demands, Secondary Market Growth Have Been "Transformational"

OAKS, PA -- (Marketwired) -- 02/12/15 -- A sizable share of private equity investors believe the asset class has become more liquid, but few believe the advances are sufficient to meet current needs, according to the survey, "Solving the Private Equity Liquidity Challenge: a Work in Progress," released today by SEI (NASDAQ: SEIC). SEI's Investment Manager Services division is a global supplier of customized operating infrastructure and services to investment organizations representing more than $13 trillion in assets under management.

Among the 212 individuals surveyed:

- Nearly half (47 percent) of general partners (GPs), 36 percent of limited partners (LPs), and 33 percent of consultants agreed that the private equity market is "more liquid than it used to be and will continue to become more so."

- Still, only 22 percent of GPs, 19 percent of LPs, and 17 percent of consultants said the industry's liquidity needs are currently being met.

"In the past, investors accepted a lack of liquidity as part of the price they paid to access private equity opportunities, but attitudes and expectations are changing," said Jim Cass, Senior Vice President and Managing Director of SEI's Investment Manager Services division. "The expansion of private equity trading venues, escalating institutional demands, and broadening market participation have combined to transform the face of the industry."

***Secondary market growth has been key***

According to the survey, the growing secondary market for private equity investments has played a major role in the easing of liquidity constraints. Once associated with the sale of troubled assets at deep discounts, the secondary market has become mainstream, with 2014 global transaction volume expected to surpass $30 billion, according to Private Equity International. Fifty-eight percent of LPs and investors in the survey said they have bought or

sold assets on the secondary market, and a majority of all respondents said participating in the secondary market is "no longer taboo" for investment professionals.

Rising valuations have been a key factor in the growth of the secondary market, the report states. A majority of all respondents said the market is fairly valued, however, more than half of the LPs surveyed saw the market as overvalued. Only 1 in 10 respondents said the market is currently undervalued. Most respondents expressed concern with the valuation process, with only 8 percent agreeing that it is "generally fair and accurate." Survey results show 4 in 5 respondents described the quality of valuations as "variable."

***New vehicles and platforms arising***

Other key factors in the improving liquidity picture addressed in the survey include:

- ***The growth of publicly traded entities with underlying private equity investments***. Though most respondents saw this trend as ongoing, they expressed concern that the exposure provided by such listed entities may differ from that of traditional private equity investments. Eighty-two percent agreed that publicly traded private equity firms "are not a good proxy" for the asset class.

- ***The development of private equity mutual funds and Exchange Traded Funds for retail investors***. While a majority of respondents said they expect these to remain "niche products," 32 percent predicted they will gain importance in the private equity landscape.

"The rapid evolution of private equity vehicles and trading venues only adds to the complexity of the operating environment for asset managers," said Cass. "Many private equity managers are already struggling with escalating compliance, transparency, and reporting demands, all of which can distract investment organizations from their core mission. To be competitive in the years ahead, managers will need to adapt their operating infrastructure to meet a more challenging business climate."

Download the complete report at: www.seic.com/PELiquidity

***About SEI's Investment Manager Services Division***
SEI's Investment Manager Services supplies investment organizations of all types with advanced operating infrastructure they must have to evolve and compete in a landscape of escalating business challenges. SEI's award-winning global operating platform provides asset managers with customized and integrated capabilities across a wide range of investment vehicles, strategies and jurisdictions. Our services enable investment managers to gain scale and efficiency, keep pace with marketplace demands, and run their businesses more strategically. SEI presently partners with more than 300 traditional, alternative and sovereign wealth managers representing $13 trillion in assets, including 28 of the top 100 managers worldwide. For more information, visit www.seic.com/ims.

***About SEI***
SEI (NASDAQ: SEIC) is a leading global provider of investment processing, investment management, and investment operations solutions that help corporations, financial institutions, financial advisors, and ultra-high-net-worth families create and manage wealth. As of December 31, 2014, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages or administers $625 billion in mutual fund and pooled

or separately managed assets, including $253 billion in assets under management and $372 billion in client assets under administration. For more information, visit www.seic.com.

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