TIFF 2024 Private Markets Survey

TIFF completed a survey across our clients and network specifically focused on private markets strategies. The survey was sent to a wide cross section of investor types, and responses were received from: foundations, endowments, family offices, and asset management organizations. The results offered some interesting insights into how LPs are viewing opportunities in the private markets currently, and expectations for the markets overall.

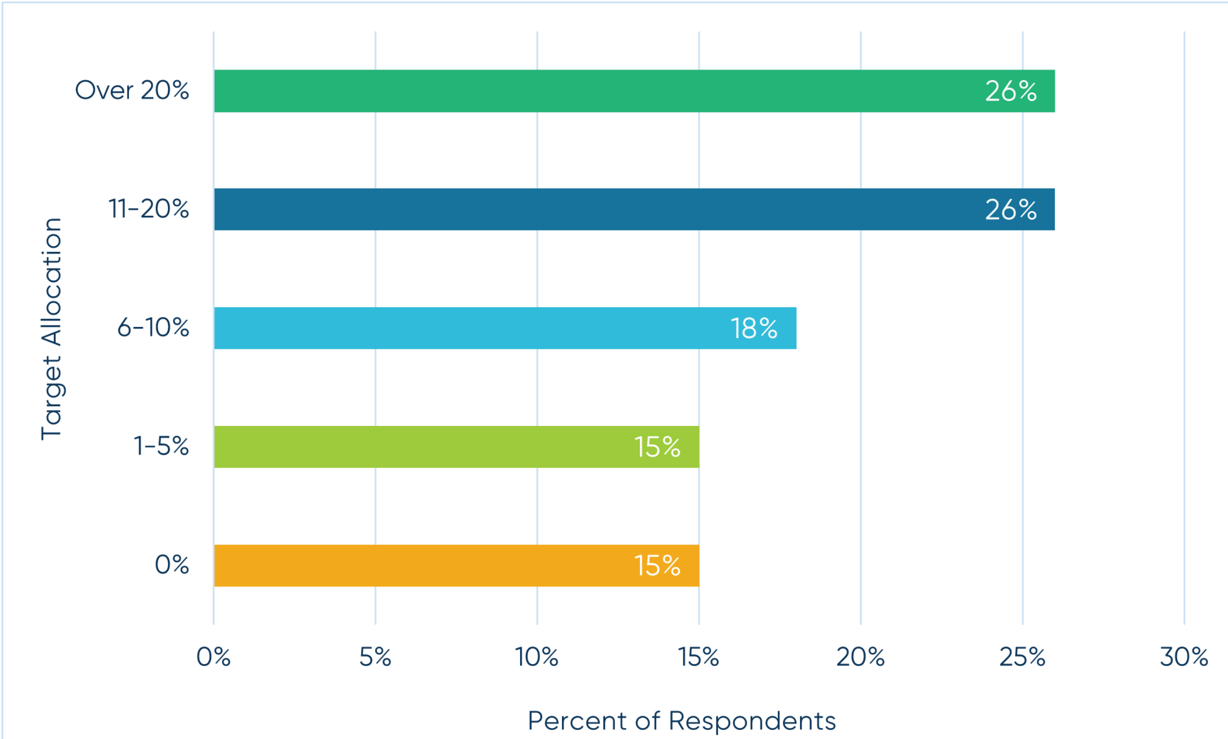
Key Takeaways

- LPs expect their private markets allocation to remain consistent or grow against a backdrop of being at or under their target
- Mega funds are seen as performance detractors by a large percentage of respondents, while Lower Middle Market Buyout/Growth Equity and Venture Capital strategies seem more interesting relative to the larger end of the private equity market
- Secondaries and Private Credit remain in favor with LPs, despite some mixed signals on their performance outlook
- Access and illiquidity dominate the worries of LPs about the asset class overall, reinforcing the importance of investment expertise, manager selection, and the ability to drive access to the best opportunities

Respondent Profile

First, a bit about the respondents. Surveyed organizations varied significantly in terms of their allocation to the private markets, from less than 5% exposure to greater than 20%, as shown in the table below. Foundations and endowments were heavily represented in the response universe and other investor types provided their insights as well. The data came entirely from US-based organizations.

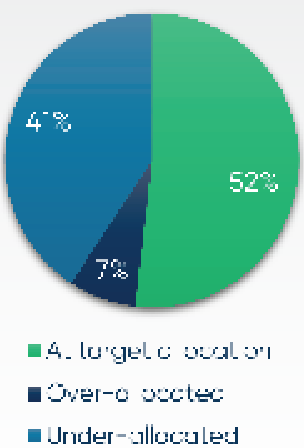
Allocation to Private Markets



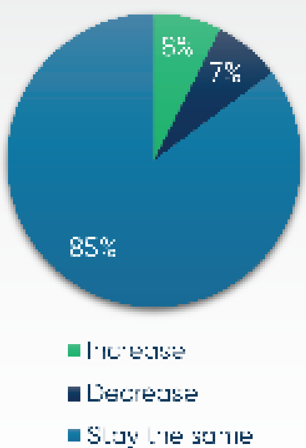
Exposure and Return Expectations in the Private Markets

Survey respondents were fairly split between being at or under their current target allocation and did not expect any significant changes to that allocation in the coming year. Similarly, a majority of these LPs are planning to maintain annual dollars committed to Private Markets at current levels, however a noticeable percentage (26%) plan to decrease commitment volume in the coming year.

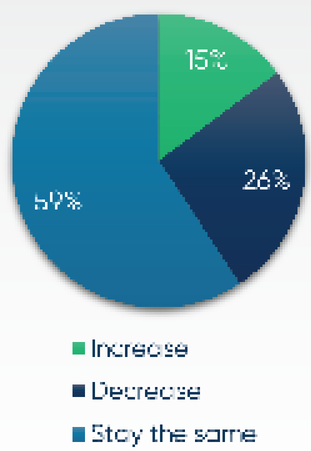
Specific to Private Markets, currently my organization is:



Over the next twelve (12) months I expect my target allocation to Private Markets will:

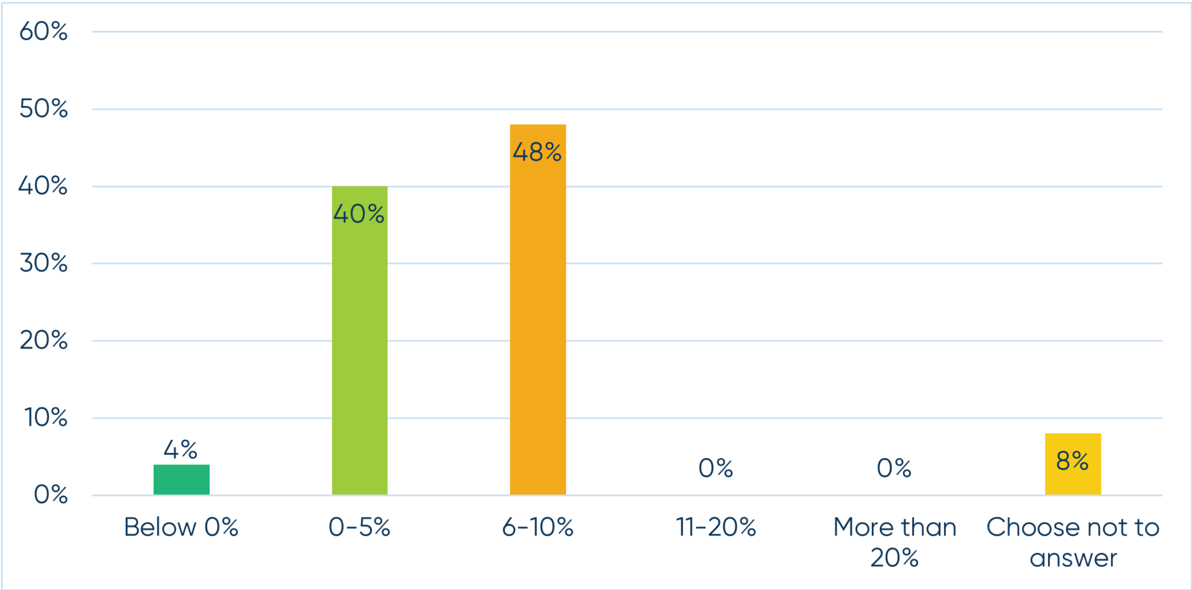


Over the next twelve (12) months I expect our annual commitment pace will:



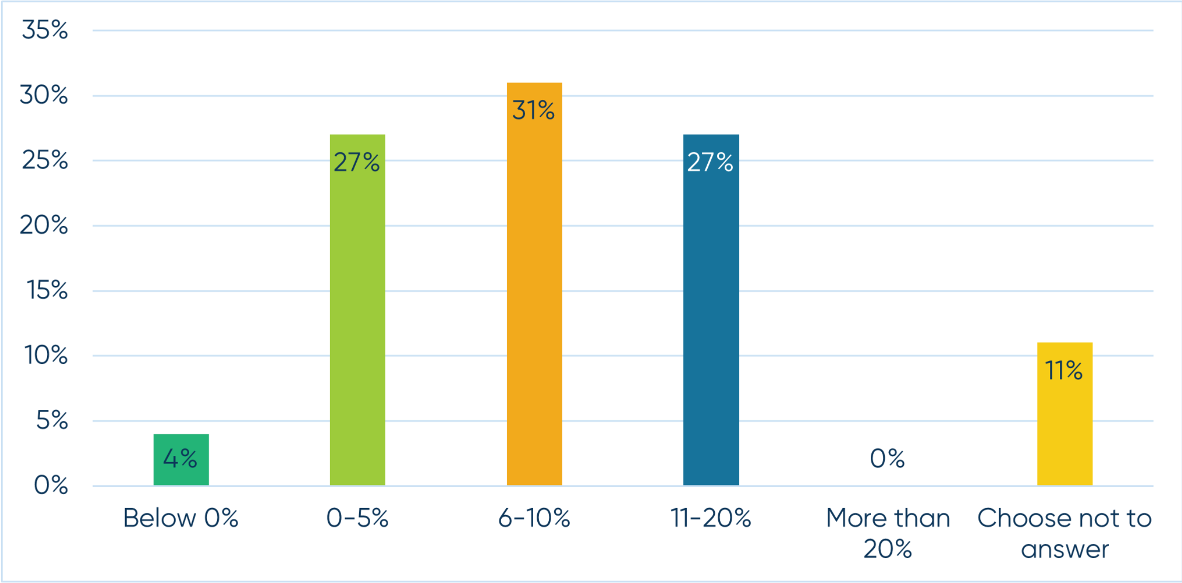
Another set of key data insights comes from respondents' return expectations, as shown below. Responses surrounding public markets returns were split between a modest return level (6-10%), and a lower return level (0-5%), with only a limited percentage of LPs expecting very bad (negative) or very strong (11% or higher) returns for the public markets.

Expected Public Markets Return Over the Next Twelve (12) Months
(as represented by the S&P 500 Index)



Private market return expectations proved to be a bit more bullish. Most respondents expect private market IRRs to exceed 6% in the coming year, and in fact more than a quarter expect returns of between 11 and 20%.

Expected Private Markets Portfolio IRR Over the Next Twelve (12) Months

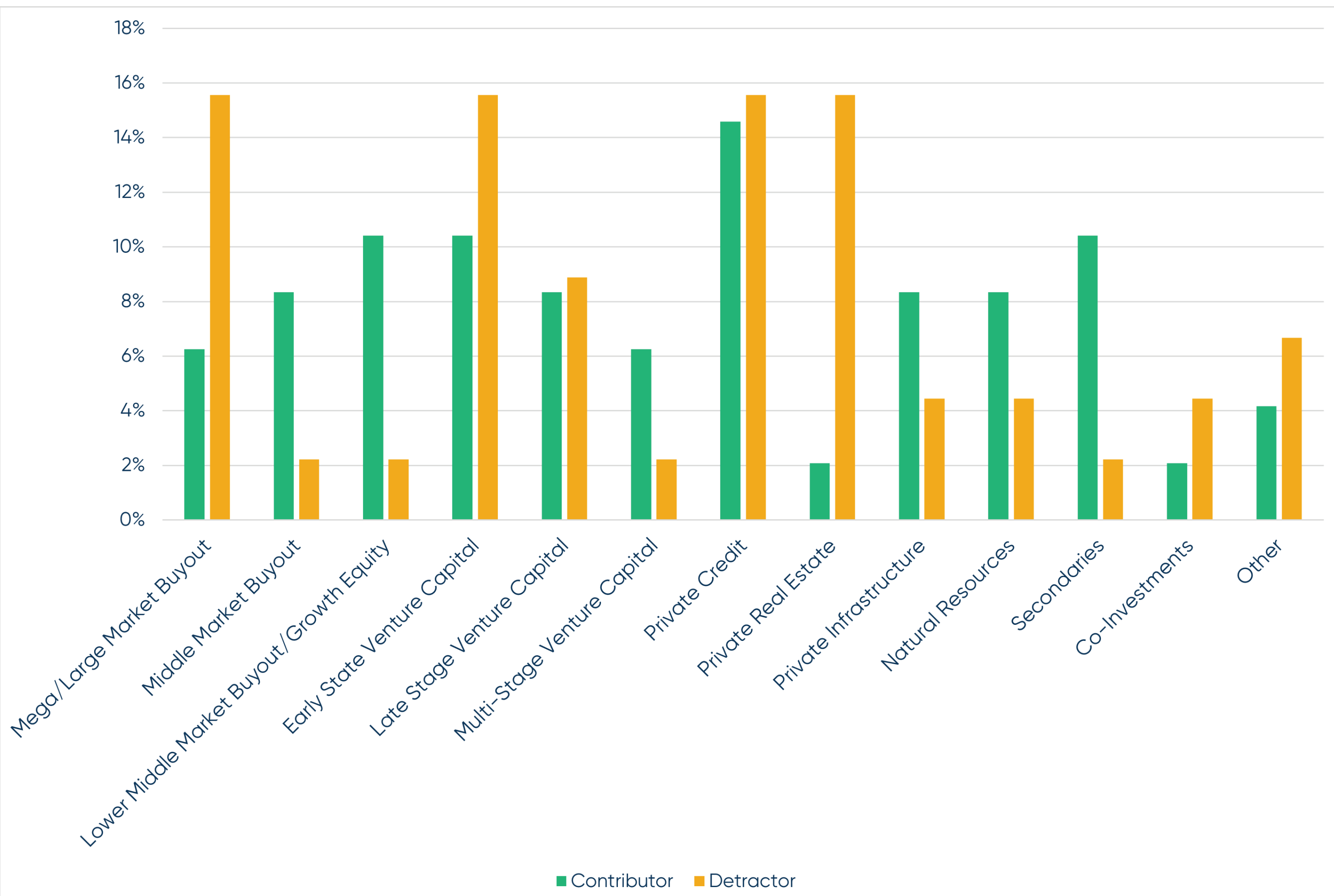


It's All About the Sectors

Some of the more interesting observations came when respondents were asked about sectors. In particular, LPs were asked to identify the private market sectors they expect to commit the most to over the next year as well as identify two sectors that they expect to contribute to or detract from returns for the coming year.

On the buyout and venture capital side, smaller seemed better, with VC strategies and Lower Middle Market Buyout/Growth Equity favored as potential contributors over larger buyout strategies. Another interesting element surrounded Private Credit, as the same percentage of survey participants selected it as a potential contributor as detractor, perhaps an indication of disagreement on cycle timing or interest rate expectations over the next twelve months. Finally, looking at other sectors – Secondaries show decidedly as an expected contributor, while Private Real Estate was expected to detract from returns.

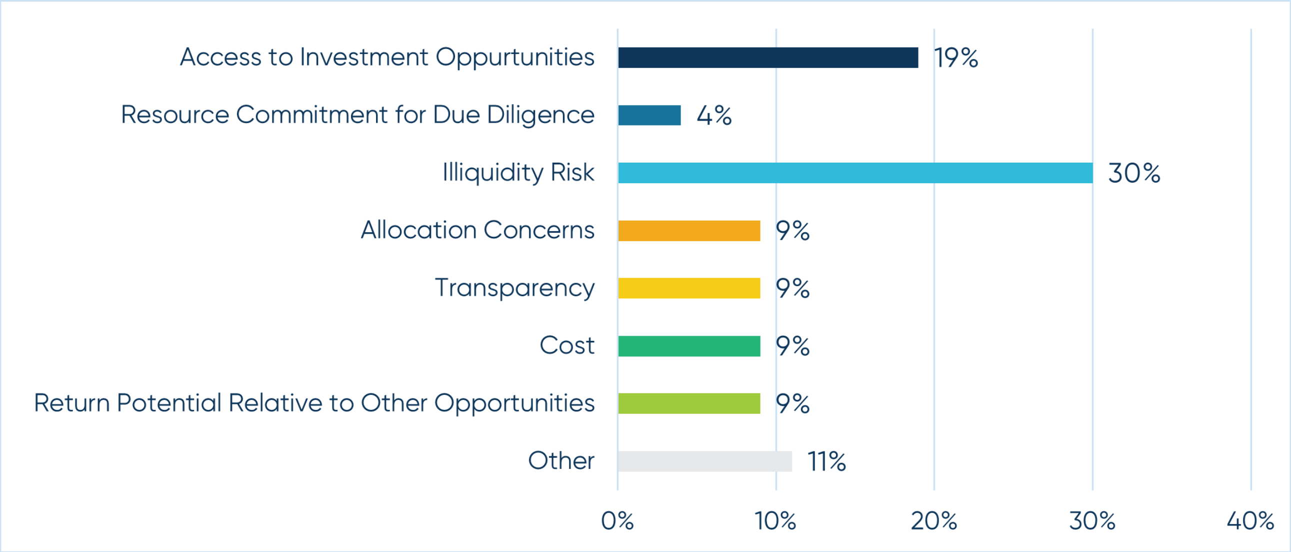
Contributors and Detractors by Sector
(based on percentage of respondents)



What's Holding You Back?

Finally, participants were asked to identify two primary barriers to their private markets' investment program. No surprise that illiquidity leads the league here with LPs still worried about locking their capital up for longer, but access continues to be a concern as well. LPs remain focused on finding the best opportunities and as the private markets have grown with new LP entrants and more choice than ever getting access to the best investment opportunities remains a focus.

Primary Barriers to Investing in Private Markets



What Does This All Mean?

The response to the survey provided a series of individual insights that are telling about where LPs are focused, their expectations and worries. Taking a step back and examining the bigger picture, it tells us that private markets remain in favor and based on the responses to this survey a majority plan to maintain or increase their allocations and annual commitment pace to Private Markets. We think that makes sense given strong performance in the private markets, and the recognition that consistent allocations to private markets strategies can be additive overall. This fact is reinforced by the survey's depiction of generally higher expected private market returns relative to public markets.

Market participants remain a little split at the sector level. Secondary strategies seem to be a clear winner in terms of LPs level of interest for commitment in the coming year, and accordingly respondents expect that sector to contribute to returns. Another sector where respondents expect a return contribution is Lower Middle

Market Buyout/Growth Equity, potentially a signal of that segment being viewed as a bit more "all weather" going into the coming year. Private Credit on the other hand has drawn interest from survey participants as a spot to allocate to, but was identified equally as both a contributor and a detractor to return. One assessment may be that the continued uncertainty in the path for the economy and interest rates show up in respondents mixed view on private credit performance, as the sector is generally viewed as more responsive to those considerations in the shorter-term.

Finally, respondents clearly identify their barriers to investing in Private Markets: illiquidity and access. While illiquidity seems a constant consideration for LPs, more worry about access compared with cost or transparency is interesting to us. The market is showing greater recognition for the importance of sourcing the best managers and gaining access.

TIFF

INVESTMENT MANAGEMENT

610-684-8200 | info@tiff.org