

TRENDGIVING 2021: WHAT TAILWINDS ARE YOU THANKFUL FOR

Private Funds

- **Best:** Performance resurges
- **Biggest:** Assets at all time highs
- **New:** Robust launch landscape

Capital Markets

- **Record:** IPO volumes rise
- **Booming:** M&A topping previous high
- **Milestone:** Sustainable bonds break records

Ingenuity & Innovation

- **Accelerate:** Investment in digital asset ecosystem
- **Innovate:** Healthcare investment rising
- **Elevate:** Global bar to compete rises higher

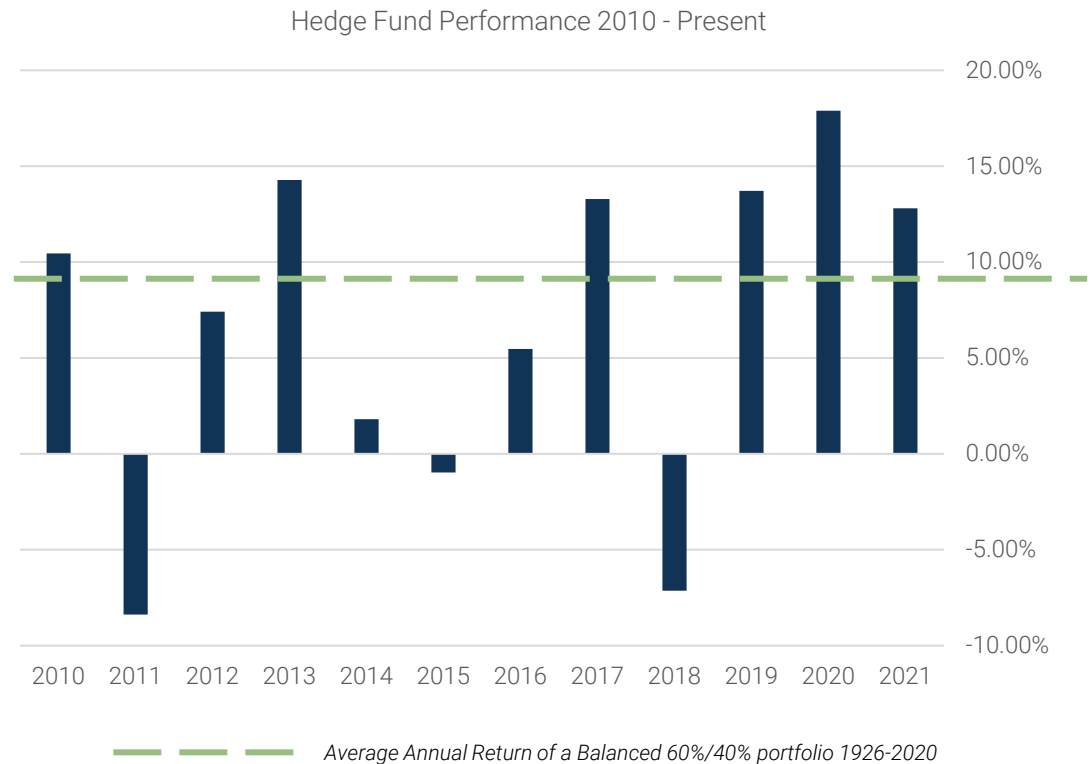
Best: Powering Ahead for the 3rd Year Running

Key Points

- Average hedge fund performance:
2019 - present: +14.80%
1990 – present: +12.10%
- Mid-decade, many headlines were decrying perceived muted performance
- Notably, more than **a third of all hedge fund allocators don't use a benchmark** to evaluate performance
- Due to material uptick in the convergence of firms investing in **both public and private markets**, this may be a decade of looking at “blended performance” across vehicles to understand and **model better returns**

Source: HFR, Jefferies

Performance Resurges Following Mid-Decade Doldrums



Source: HFR, Vanguard, Jefferies

*2021 returns as of September 30, 2021

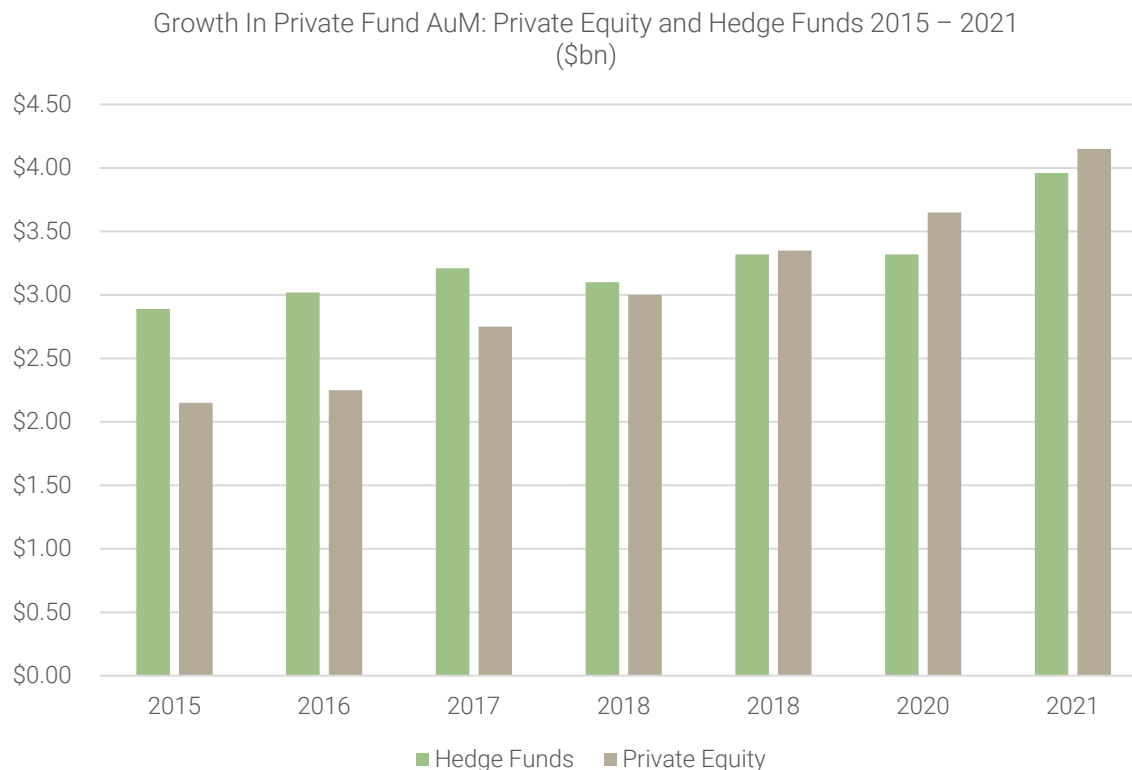
Biggest: Private Equity and Hedge Funds Continue Their March Past Asset Highs

Key Points

- Hedge Funds reversed three years of outflows with **five consecutive quarters of net inflows** (\$40 bn)
- Private Equity funds continue to reap considerable fundraising wins, with **near linear asset growth** since 2015
- As more Private Equity funds offer hedged products, and more Hedge Funds offer a private or hybrid vehicle, we expect **exponential growth of private capital** overall in the coming decade
- Allocators report enduring, if not elevated appetite for **longer duration products**

Source: HFR, Jefferies

AuM Grinds Higher Despite Remote Fundraising Challenges



Source: HFR, PitchBook, Jefferies

*As of March 31, 2021 for Private Equity and September 30, 2021 for Hedge Funds

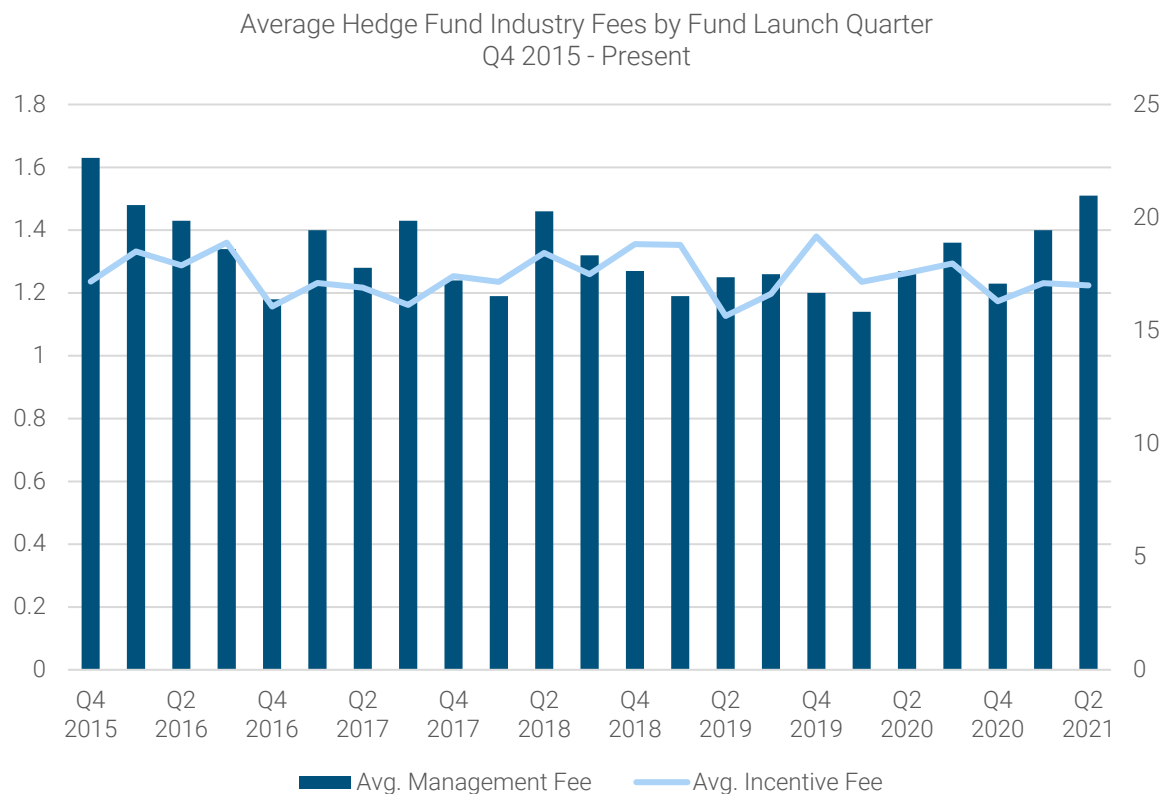
New: New Launch Landscape Shined in 2020 and Continues to Support Talent Across Strategies

Key Points

- Net new capital flowing into emerging managers has rebounded materially
- After seeing \$650 mm in outflows during the first half of 2020, sub \$100mm AUM funds have raised nearly **\$4 bn over the past 18 months**
- Funds are coming to market with more resources. The average management fee for a fund that launched in 2Q21 was 1.51%, the **highest since 4Q2015**
- We are also seeing an increase in funds **launching hybrid vehicles**, or including language in their PPMs that allow for investment across public and private markets
- Looking at share classes of Evergreen, Hybrid, & Private funds: Management fees ranged from **5%-17% higher** than 'Traditional HF structures', and Incentive fees saw **premiums of 7%-12%**

Source: HFR, Jefferies

New Launches Emerging With Stronger Fee Support



Source: HFR, Jefferies

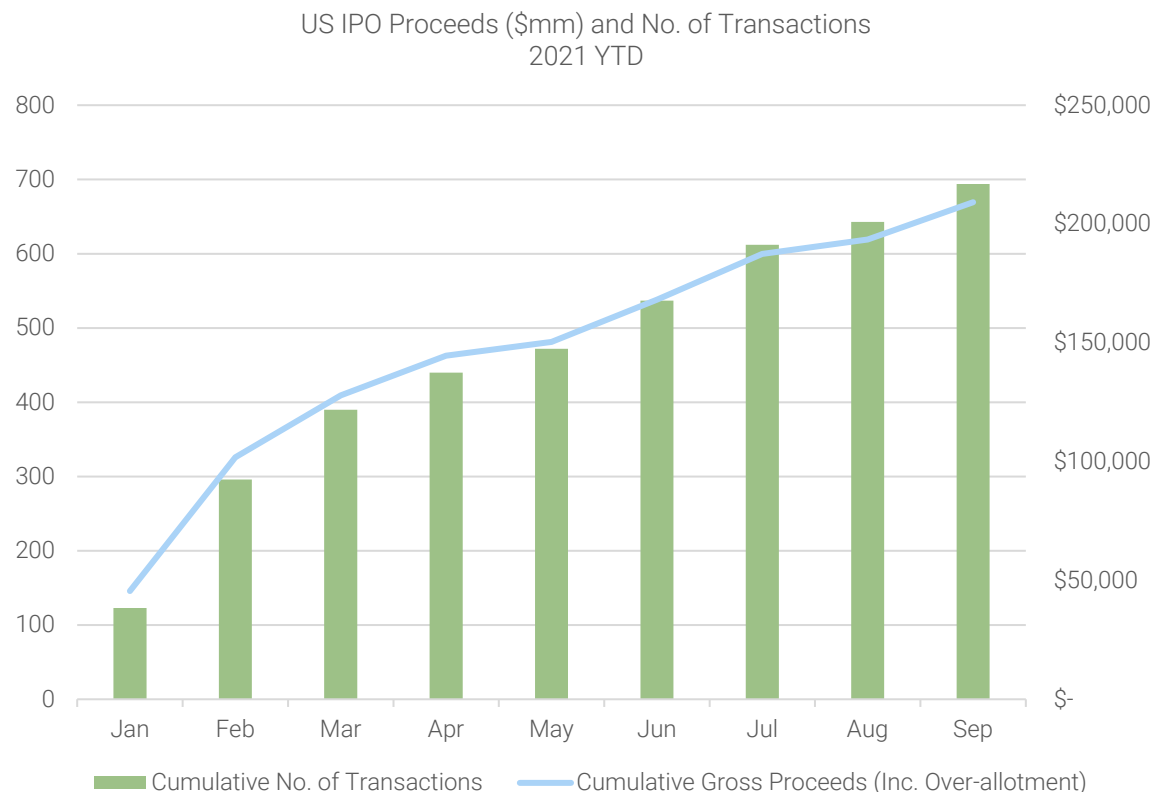
Record: IPO Volumes On Track for Blockbuster Year

Key Points

- Given headlines around languishing **lows in number of publicly traded companies in the U.S.** – this is a highly watched corner of capital markets
- Year to date **IPO activity has reached new records** – last set in 1996. Through 3Q21, 694 companies went public on U.S. exchanges
- This bests 2020's 555 offerings for the full year
- Previous high was 664 IPOs in 1996
- Proceeds YTD through Q3 are estimated at \$210bn

Source: Factset, Pitchbook, Jefferies

Explosive First Quarter Carries Capital Markets Towards Annual Records



Source: Factset, Pitchbook, Jefferies

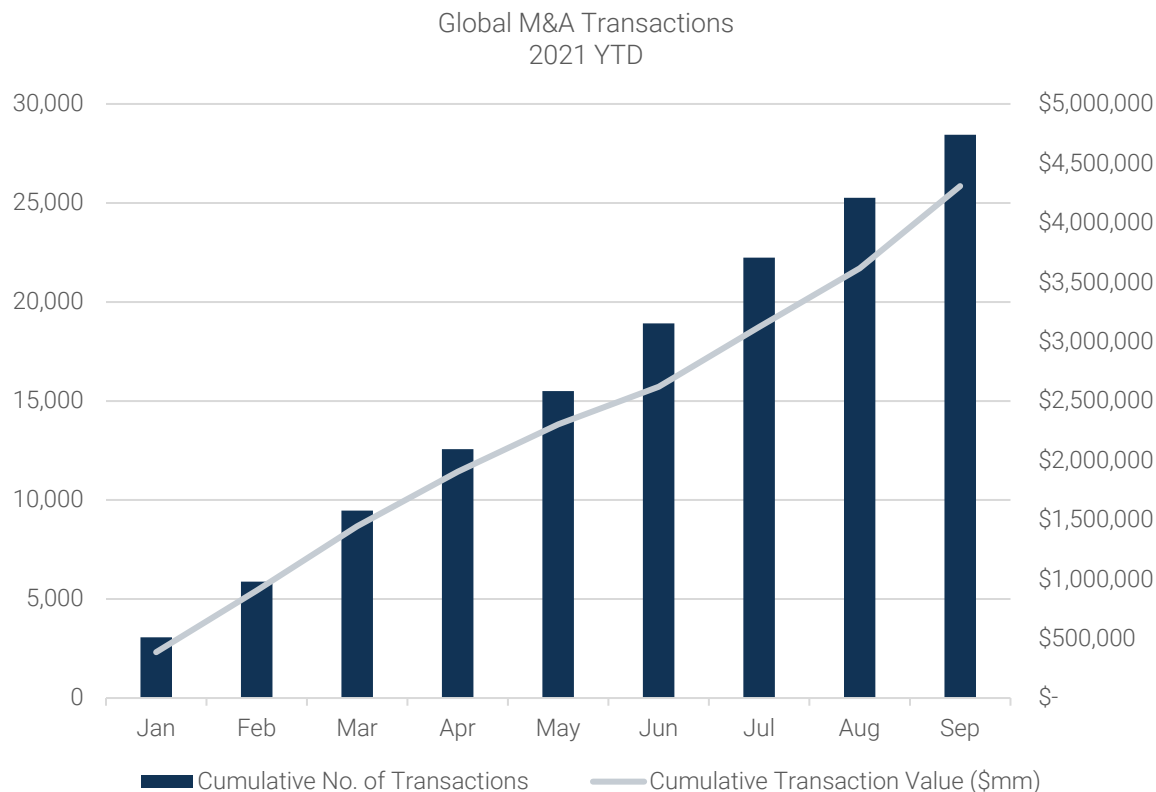
Booming: M&A Activity Hits Unprecedented Highs

Key Points

- Cheap financing is spurring **considerable M&A activity** across sectors and regions
- Year to date M&A activity through 3Q21 reached \$4.3 trillion globally
- The last annual peak was pre-crisis in 2007, at \$4.1 trillion
- Third quarter activity was up across regions, **with Europe seeing a doubling in activity**, and the U.S. and Asia up 32% and 21%, respectively
- KPMG estimates 2021 deal making activity could reach \$6 trillion by year end

Source: Refinitiv, Pitchbook, KPMG

M&A Activity Picks up Across Regions



Source: Factset, Pitchbook, Jefferies

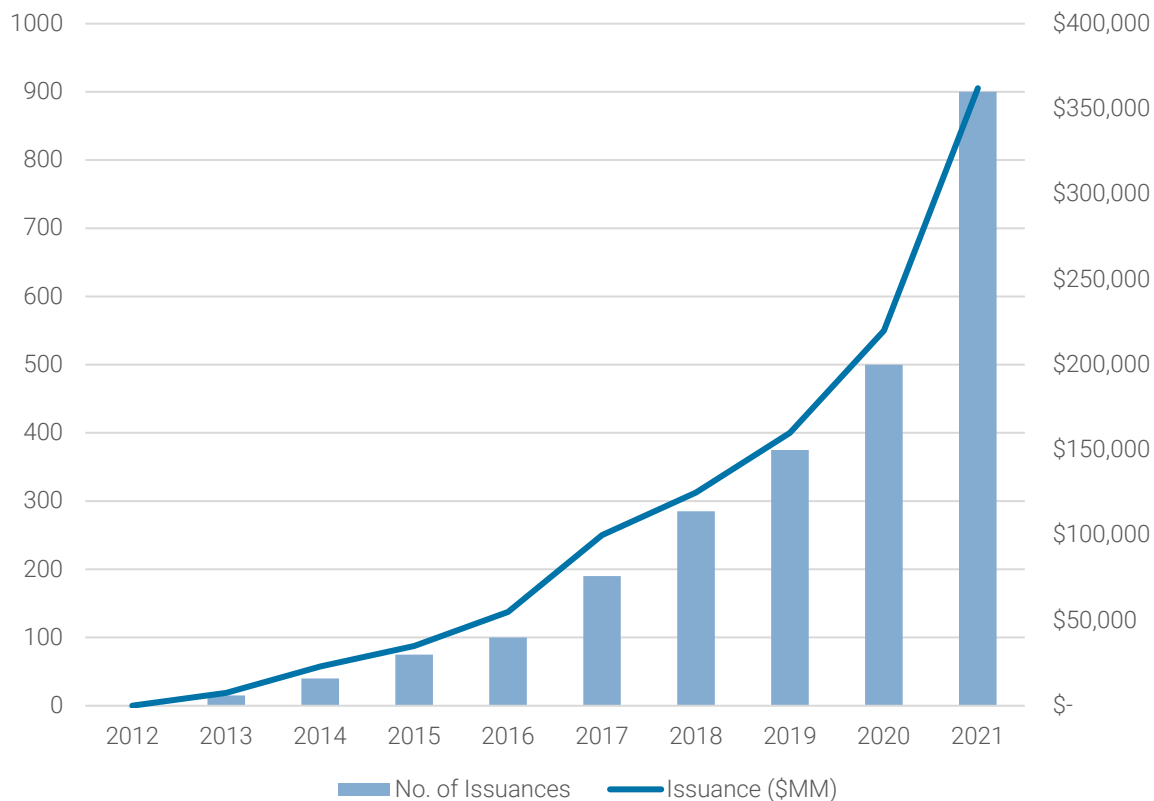
Milestone: Sustainable Bonds Issuance Surges

Key Points

- Global issuance of **sustainability bonds surged to a record high** in the first nine months of this year
- Sustainable bond issuance through 3Q21 reached \$777 billion
- This is **up more than 50%** compared with the same period a year earlier
- As investors' appetite for ESG, sustainable or climate bonds grows, we **expect this issuance to climb** substantially in the coming decade

Source: Reuters

Global Issuance of Green Bonds in the First Three Quarters of the Year






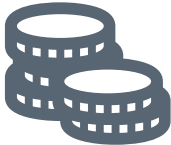
Source: Refinitiv, Reuters, Jefferies

Accelerate: Investment in Digital Asset Ecosystem

Key Points

- Appetite for exposure to digital markets is growing exponentially
- Ways to gain this exposure have diversified, allowing investors more **options for playing the digital space** without having to invest in assets with higher volatility
- We see an increasing number of investors looking at the crypto-adjacent or crypto-ecosystem space, from **index funds or ETFs** to longer-locked **venture funds** focused on the broad crypto/digital asset ecosystem
- Institutional appetite largely remains in the **earlier stage, private company space**, while retail more frequently focuses on the currencies themselves or index products

Source: Jefferies

			
<p>Custody</p> <ul style="list-style-type: none"> • Digital asset custodying solutions are on the rise, giving greater assurance to buyers and sellers about the security of their assets, given the still novel nature • This will be increasingly important as more institutions seek to add the new asset class to portfolios 	<p>Cold Storage</p> <ul style="list-style-type: none"> • A type of custodying crypto assets. Growing in importance for digital asset owners who seek other methods of security • Improves optionality for owners who want 'off the grid' options 	<p>Payments & Donations</p> <ul style="list-style-type: none"> • One of the most interesting areas of growth but still in the very early stages • Save the Children and the National Republican Congressional Committee both welcome cryptocurrency donations • Payments even slower to market but with considerable global upside • Volatility makes this among the hardest opportunity set to solve for 	<p>Debt and Collateral</p> <ul style="list-style-type: none"> • It's still in early days but we are increasingly hearing of senior and subordinated debt collateralized by digital assets • At the same time, leveraged loans collateralized by digital assets are on the rise

Source: Jefferies, "Both Sides of the (Bit)coin", 2021

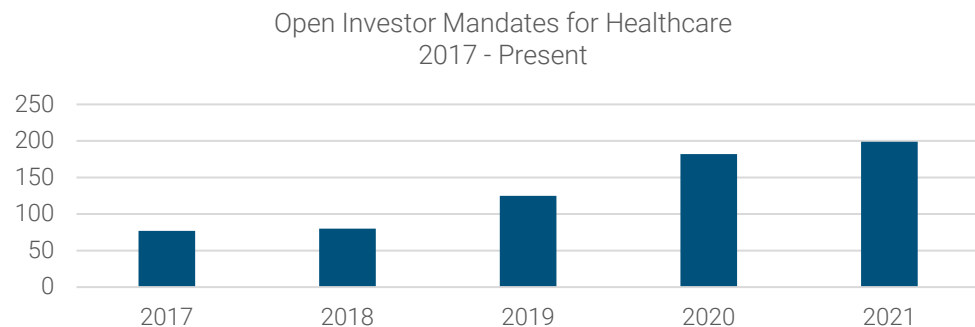
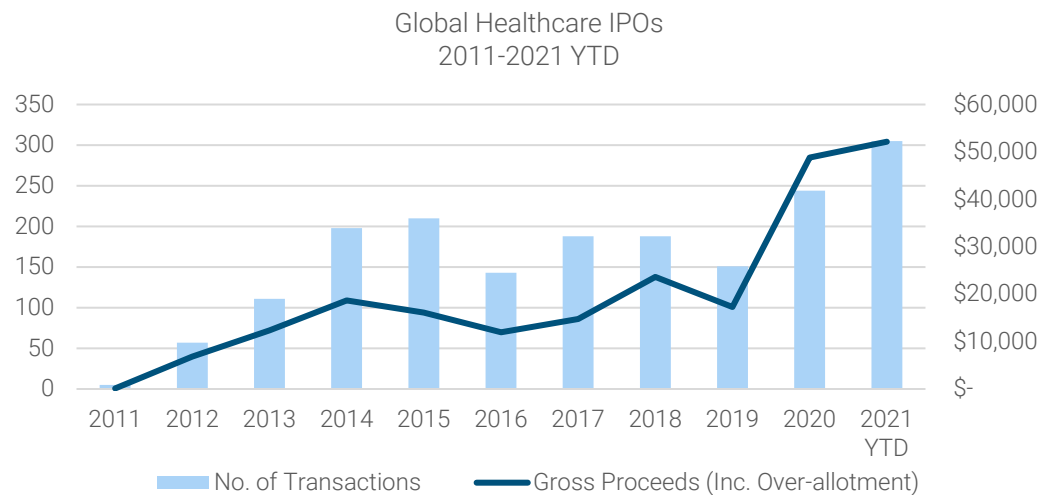
Innovate: Healthcare investment continuing to grow

Key Points

- With health on everyone's minds more than ever, investors are putting capital to work alongside their attention
- Healthcare IPO's are reaching all time highs** this year, in terms of proceeds and number of transactions
- Looking at total VC, PIPE, IPO and secondary funding from investors, **Healthcare funding doubled from 2010 to 2017** (from \$20bn in 2010 to \$40Bn in 2017)
- 2019 saw over \$50bn in healthcare funding, 2020 saw \$87bn, and **2021 is on pace to match 2020**
- Institutional investors are still interested in the space – we're seeing **open mandates for Healthcare-focused products** outpacing 2020 numbers

Source: Jefferies, Bloomberg

Optimistic healthcare investors continue to pour capital in the space



Source: Factset, Jefferies

Elevate: Global bar to compete rises higher

Key Points

- Many report competition for talent near all time highs
- A record number of Americans quit their jobs in September 2021, breaking the previous record set in August
- Movement between firms is steady, as managers look to diversify their employee base and add talent from different specialties
- In the alternatives industry, the pattern seems to be less about retirement, but rather, leaving one job to accept another across the global landscape
- Sector PMs, business development professionals, and sustainability and data experts are all in demand as firms look to build for the coming decade



Attract	Train	Retain
<ul style="list-style-type: none">• Sourcing talent has spread to draw from a broader talent pool across disciplines and geographies• Efforts to identify candidates extend to social media and new outreach programs	<ul style="list-style-type: none">• Professional development now integral across firms of all strategies and sizes• Cross disciplinary efforts to idea share and generate new ideas and initiatives are on the rise	<ul style="list-style-type: none">• Firms working harder to keep key employees• Suite of benefits offered keeps expanding – as firms work to balance remote and onsite needs

Source: Jefferies, Odyssey Search Partners

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