

FOR IMMEDIATE RELEASE

Capstone Partners Completes Survey with Global LPs on Virtual Underwriting

Geneva, Switzerland (November 17, 2020) - Capstone Partners, a leading independent global placement agent, completed a survey with global investors to understand how the current virtual underwriting trend impacts their ability to make fund commitments. There were over 120 LPs who participated and key findings are below. We are also attaching a presentation for more statistical information.

North America
Dallas, Texas

New York, New York

Europe
Nyon, Switzerland

London, United Kingdom

Asia
Singapore

2021 Trends and Key Considerations:

- Nearly 60% of 2021 commitments on average will go to re-ups globally, leaving 40% of capital to be allocated to new relationships. In addition, 2021 will be a vintage LPs will want to have exposure to as they expect it to perform well.
- Most LPs do not have an issue with conducting re-ups virtually.
- LPs who can virtually underwrite without a prior meeting have adapted their underwriting approach. Several investors describe similar processes to gain comfort with the opportunity by doing an enormous amount of desktop diligence, supported by doing more reference calls than they would do otherwise (with the bulk of those done as offline reference calls).
- There is a large gap in those LPs who can virtually underwrite a fund without a meeting between North America (77%) and Europe/Asia Pacific (20%).
 - o This is mostly likely due to cultural differences, with one US-headquartered asset manager stating, "We need to build relationships with our GPs and that is best done in person, but given the current environment we are comfortable with Zoom meetings". One European family office observes, "We need to feel an affinity with the managers that we back, and nothing can substitute an in-person interaction."
 - o The North American virtual underwriting percentage does not tell the full story, as several LPs in this category can only back domestic managers in this way; in-person meetings are still required to commit to international managers.

- Many LPs surveyed stated that given their longstanding presence in the market and deep network, they have not considered backing a manager they have never met before. In 2021, they are confident that they would be able to fully deploy their allocation utilizing their virtual underwriting methodology.
- Overall, an average of 96% of 2021 allocation can be deployed under their current virtual underwriting methodology. We would expect LPs to revise their virtual underwriting methodology if they cannot allocate as expected with the current underwriting parameters.
- Established GPs with a brand name and a deep LP network will benefit from the current virtual underwriting trend. Emerging managers raising a first-time fund will face an additional challenge with the lack of previous in-person meetings.

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About Capstone Partners

Founded in 2001, Capstone Partners is a leading independent placement agent focused on raising capital for private equity, credit, real assets and infrastructure firms. The Capstone team includes 40 experienced professionals in North America, Europe and Asia Pacific.

For additional information about Capstone Partners, please visit www.csplp.com

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