

PRESS RELEASE

Sizeable proportion of LPs expect upcoming recession to be more significant than the Global Financial Crisis

Dallas, TX, 7 December 2022: Most LPs are anticipating a global economic recession and a sizeable proportion expect it to be more significant than the Global Financial Crisis, according to a new survey conducted by global placement agent Capstone Partners, a Mizuho Company. The majority of LPs believe the impact of the recession will outweigh that of the Covid pandemic.

- › Nearly three quarters of the LPs surveyed across all regions expect a global economic recession;
- › A quarter of the LPs surveyed expect the impact of this recession to exceed that of the GFC, while two thirds expect it to be more serious than Covid.

The strong consensus among surveyed LPs from across the world is that Europe will be the most impacted region.

- › 87% of LPs expect Europe to be most impacted by the recession, with North America selected by just 7% and Asia Pacific by 6%.

For most LPs, the impact of the recession is expected to be long term. More than two thirds of those surveyed anticipate volatility in valuations for more than 12 months, while nearly 20% envisage 18 months or more of disruption.

- › 70% of North American investors expect valuation volatility to last more than 12 months, while 66% of European LPs hold the same view.
- › Expectations are more muted in Asia Pacific where 43% of participants expect valuation volatility to last less than 12 months.

The market volatility over the last 12 months has resulted in many LPs being currently overallocated to private markets. Capstone's global survey of LPs shows that nearly a quarter of global participants are now overallocated, with a further 60% more than 75% committed. Just 7% of LPs surveyed are less than 50% committed.

According to the survey, overallocation is most prominent among North American investors. It is less prevalent in Europe and Asia, but nevertheless both regions see a very high proportion of investors with more than 75% of their target allocated to private markets.

- › 40% of LPs in North America are currently overallocated to private markets and a further 45% more than 75% allocated.
- › 82% of LPs in Europe are more than 75% allocated in private markets.

While 57% of the LPs surveyed said they have no plans to change their allocations in 2023, with reups and embedded relationships in the best position and little scope for new relationships, the most impacted are LPs invested in public markets. Nearly half of those

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investors report that the denominator effect will affect their 2023 allocation to private markets, making this a key factor for the year ahead.

The economic environment has also impacted LPs' appetite for different private equity strategies, and Capstone's survey shows that Secondaries are currently the most appealing choice for the majority of LPs across the global market. Distressed debt is also popular in North America and Asia and direct lending appealing to European investors. Similarly, Impact funds stand out as being safer homes for capital in turbulent times, particularly in Europe.

Aside from allocations, the recession brings with it a range of operational pressures and Capstone's survey identifies the greatest concerns for LPs now. Higher interest rates and inflation top the ranking. These are issues that will hit portfolios at company level hardest and indicate that LPs expect them to first feel the impact of tough economic conditions.

Steve Standbridge, Managing Partner and President of Capstone Partners, a Mizuho company, commented:

"Based on the survey and our regular discussions with LPs, our sense is that the market believes this recession will have a long-term impact, potentially longer than that of the Global Financial Crisis. The GFC was largely liquidity driven and the recovery occurred relatively quickly, while the current economic situation is being driven by inflation, higher interest rates and tightening liquidity. This hasn't yet been fully reflected in corporate earnings, so may drag on for a while."

- Ends -

Notes to Editors

Capstone's LP Recession Survey was conducted among 140+ global participants.

For more information or full survey findings, please contact:

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About Capstone Partners, a Mizuho Company

Capstone Partners, a Mizuho Company, is a leading placement agent focused on fundraising and advisory services for private equity, credit, real assets, and infrastructure investment firms. It has a global network of more than 1,500 Limited Partners across the US, Europe, and Asia.

In 2022, Capstone was acquired by New York based Mizuho Americas, expanding the Firm's broader investment banking and advisory capabilities for financial sponsors. Mizuho Americas is an integral part of Japan-based Mizuho Financial Group, Inc. (NYSE: MFG). To learn more about its capabilities, visit www.mizuhogroup.com/americas/banking/industry-coverage/financial-sponsors.

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Capstone was named “Best Placement Agent” by Private Equity Wire in 2021, following a year when its clients held closes totaling more than \$10 billion in fund commitments.

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