

The MUFG View **The 2022 Private Funds Leaders Survey confirms the strength of sentiment in the private markets, despite the challenging macro conditions**



Expert view by **Dan McNamara**, chief strategy officer at MUFG Investor Services

The last time we conducted this survey was around the 12-month mark post the pandemic outbreak. During that time, most locations and companies were still 100 percent remote, inflation had started to appear but was still considered by many to be “transitory” – primarily driven by supply-chain disruption and direct government intervention in labor markets through schemes like furlough in the UK and the stimulus and relief packages in the US, both direct results of the pandemic.

We felt that now was a good time to revisit the survey as we find ourselves in a very different phase of the pandemic and a world that feels quite different from March 2021. In this phase of “living with”

covid-19, many companies like ourselves have moved to a fully-hybrid business model. Inflation has dramatically increased since the last survey – it is looking more entrenched and having an impact on monetary policy and, more recently, on asset prices, requiring asset owners and managers to consider their allocations and strategies and asset service providers to respond to these changes.

This made it the right time for MUFG Investor Services to partner with *Private Funds CFO* to survey managing partners, CFOs, COOs and CIOs to assess the current state of the private funds industry and how managers are seeking to navigate challenges.

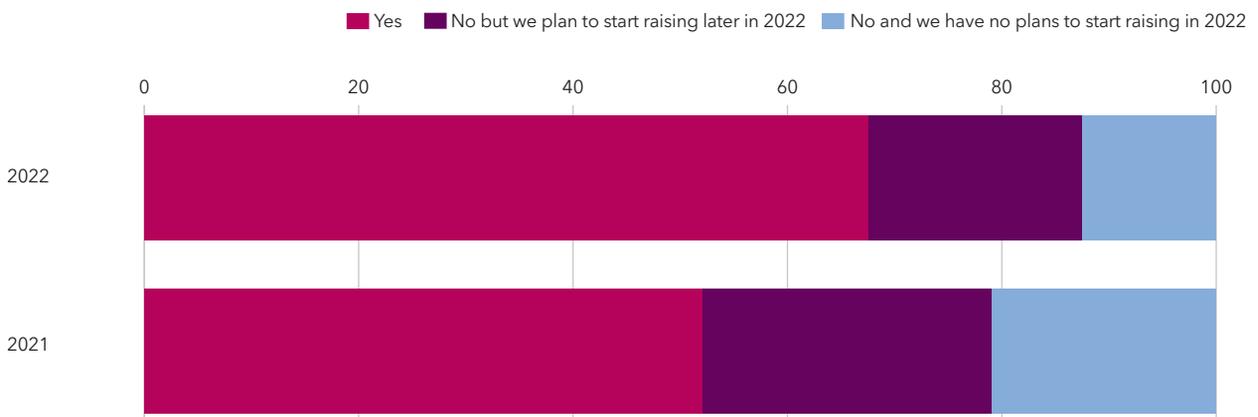
The survey results confirm what we are seeing from our clients at MUFG Investor Services and other

market indicators, namely that the private markets continue to grow, with over two-thirds of participants currently raising a private market-focused fund – an increase from just over 50 percent a year ago. At the same time, another fifth plan to begin fundraising later in 2022, with the survey indicating the highest-ever level of growth in private debt, venture capital and real estate strategies.

My colleague Treabhor Mac Eochaidh, head of debt services at MUFG, discusses in this supplement why we predict managers should expect to see returns upwards of the high single digits and high growth levels in the private debt market over the next five years, especially in Asia.

The survey also reveals that, compared with public markets,

Are you raising a fund now? (%)



positivity surrounding the private market operating environment remains high even though performance expectations have fallen slightly compared with last year’s study. The consensus among participating managers was that inflation and interest rates are the economic and political factors that will have the largest impact on returns over the next 12 months over private markets.

It is worth noting that the survey was launched prior to the start of the Russian invasion of Ukraine and its compounding impact on the global economy. Despite the timing of the survey collection, many would argue that the outlook for alternatives remains strong.

The right time to outsource

Outsourcing as a method of scaling an asset management business has continued to gain momentum. Our conversations with clients about outsourcing are increasing as an investor services provider as our clients look to become more efficient post-pandemic. Many of our clients also saw how resilient our service provision was during the pandemic and how we were able to expand our support for them when they needed it most.

We believe this has contributed to

“ The private markets continue to grow, with over two-thirds of participants currently raising a private market-focused fund ”

the rise in confidence and appetite for outsourcing. More than half of respondents to the survey - 58 percent - say outsourcing allows firms to focus on their core strengths of generating alpha for their investors.

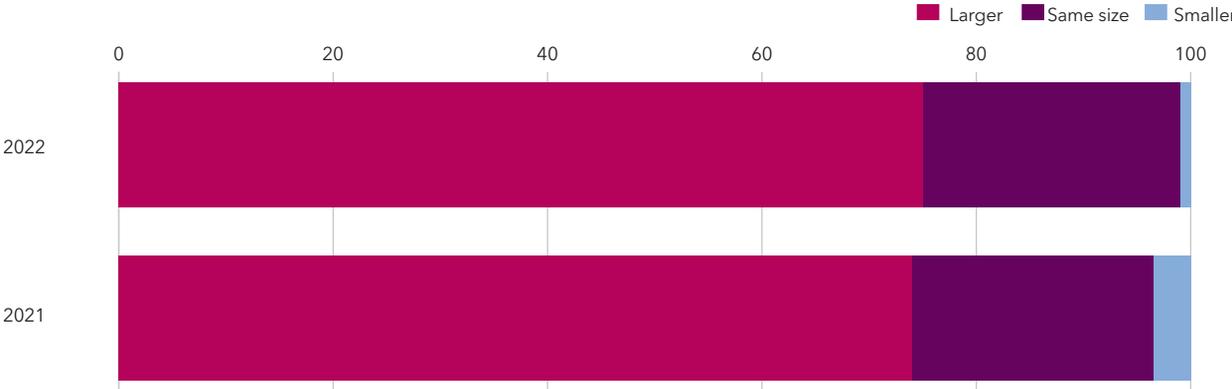
It is also worth mentioning that a higher percentage of respondents - 47 percent in 2022 vs 28 percent in 2021 - indicated a lack of internal capability and expertise as a driving factor in outsourcing decisions. Given the demand for talent throughout the industry, this statistic highlights the importance of being able to focus on developing talent and how outsourcing supports building a scalable business. That’s why MUFG Investor Services has focused heavily on learning and development both to retain talent and respond to the rapid growth

in demand for private market expertise. Our “PE Academy” is now educating its third tranche of staff and both ourselves and our clients see the benefits.

Taking a deeper look into areas participants expect to outsource in the upcoming years, over 40 percent of survey respondents are expected to increase IT outsourcing over the next two years. Further, like 2021’s findings, portfolio management and fund operations are the overwhelming areas where technology investment will have the most impact over the next five years.

Becoming embedded in more of our client’s operational functions is a trend that is expected to rise. As an investor services provider, we see and understand these trends and constantly invest in new products and services. With this trend, we also see a shift in the mindset from clients relying on standard industry vendor solutions to solve their operational problems to requesting a more flexible and bespoke solution, combining services and new technology. What has worked for the past 20 years will not remain sustainable for future growth. Our clients are starting to see that, and we are building our solutions around that. ■

Q2 How does your current or planned fund compare with previous iterations? (%)



Source: Private Fund Leaders Survey 2022