6 Private Equity Trends to Watch in 2022

The private markets have finally embraced ESG, deal activity is hitting new highs, and the private equity environment continues its surge.

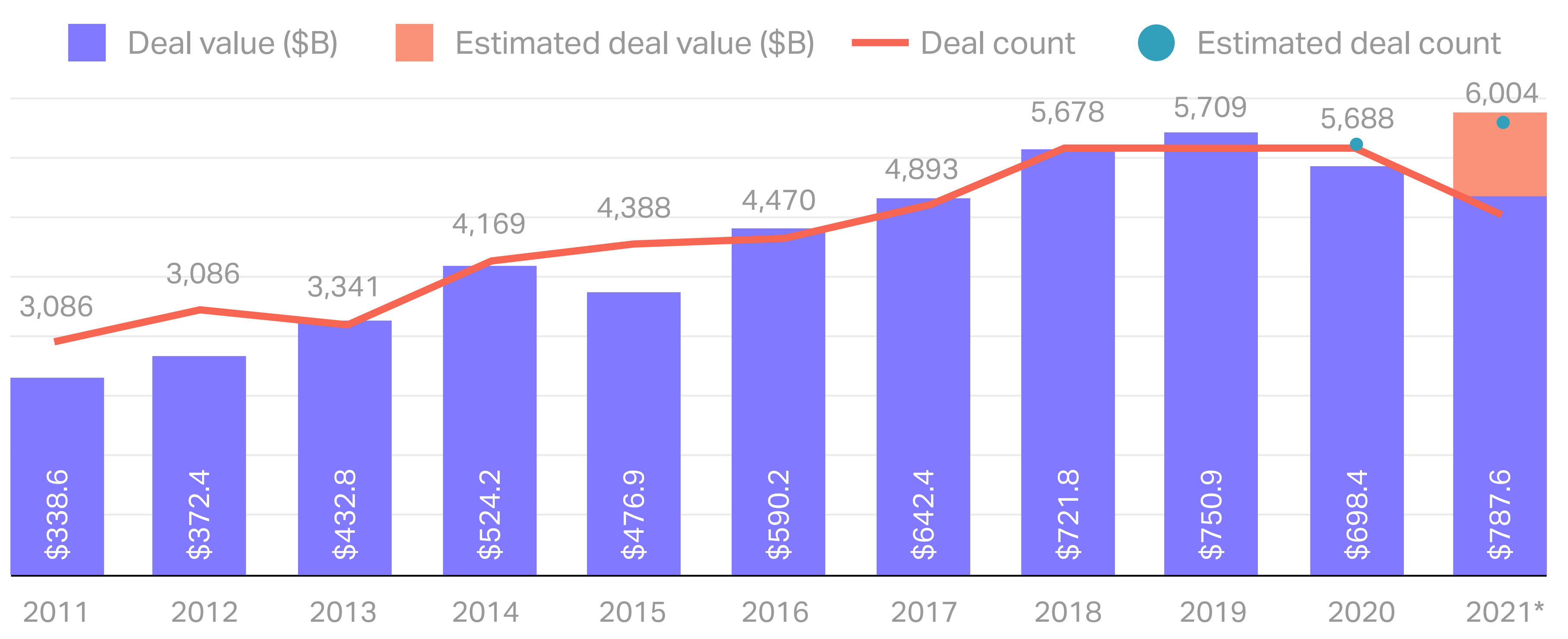
#1 As private equity finally embraces ESG, more managers are linking carry to impact

ESG is, clearly, here to stay. And as managers figure out how best to embrace it, LPs will start looking for ways to ensure that their practices back up their speaking points. Linking carried interest to impact is one of the increasingly popular ways to make sure managers aren't merely "greenwashing."

> "I see a time when LPs will be looking for an ESG hurdle rate as well as a financial one."
>
> *- Laurent Bénard, CEO, Capza*

#2 Deal activity is set to top 2019 levels

After a pandemic-driven setback in 2020, deal activity popped back up in 2021, with estimated deal value in Q3 looking to set new records. The trend provides a strong tailwind heading into 2022.

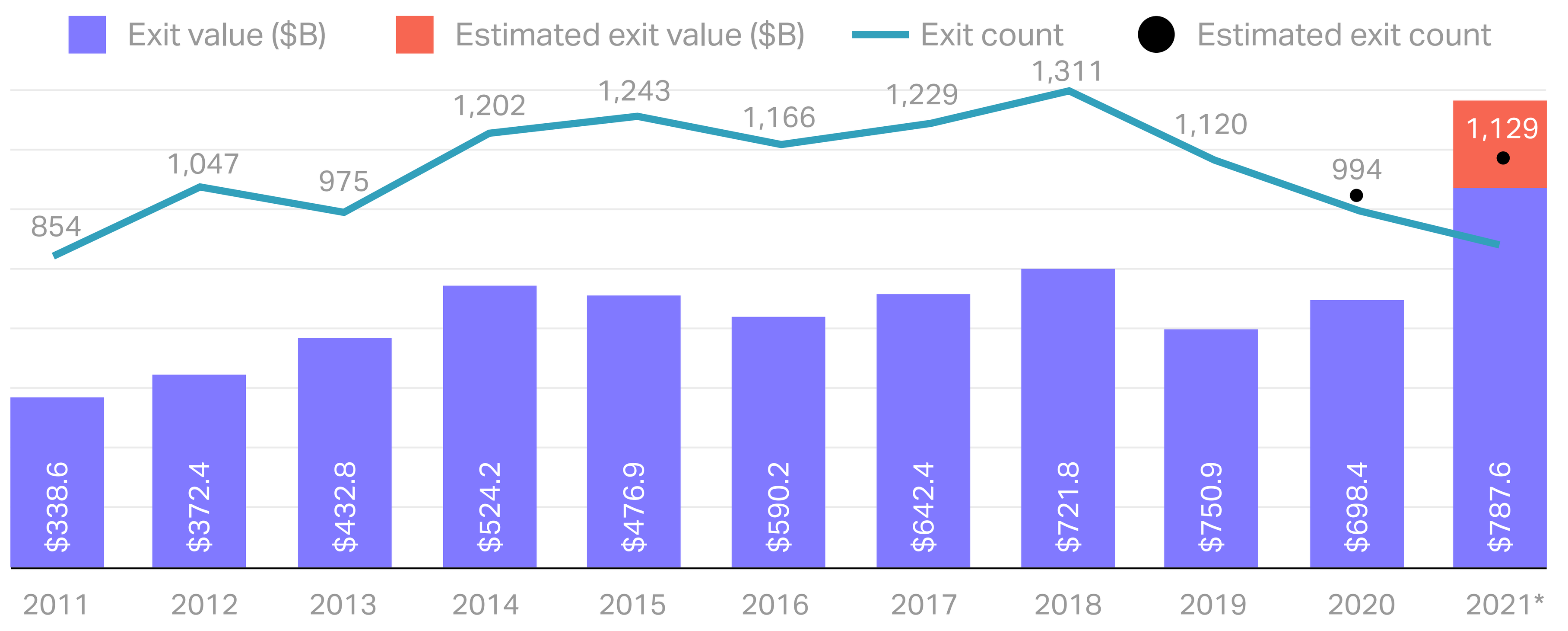


Source: PitchBook | Geography: US

** As of September 30, 2021*

#3 Not to be outdone, PE exits are sailing past the previous record

With Q3 2021 levels topping the previous 2018 record by nearly 50%, PE exits have been on a recent tear as managers look to take advantage of the attractive valuations in the market and the record-setting amount of dry powder at sponsors' disposal.



Source: PitchBook | Geography: US

** As of September 30, 2021*

#4 MACs are becoming a must-include in contracts

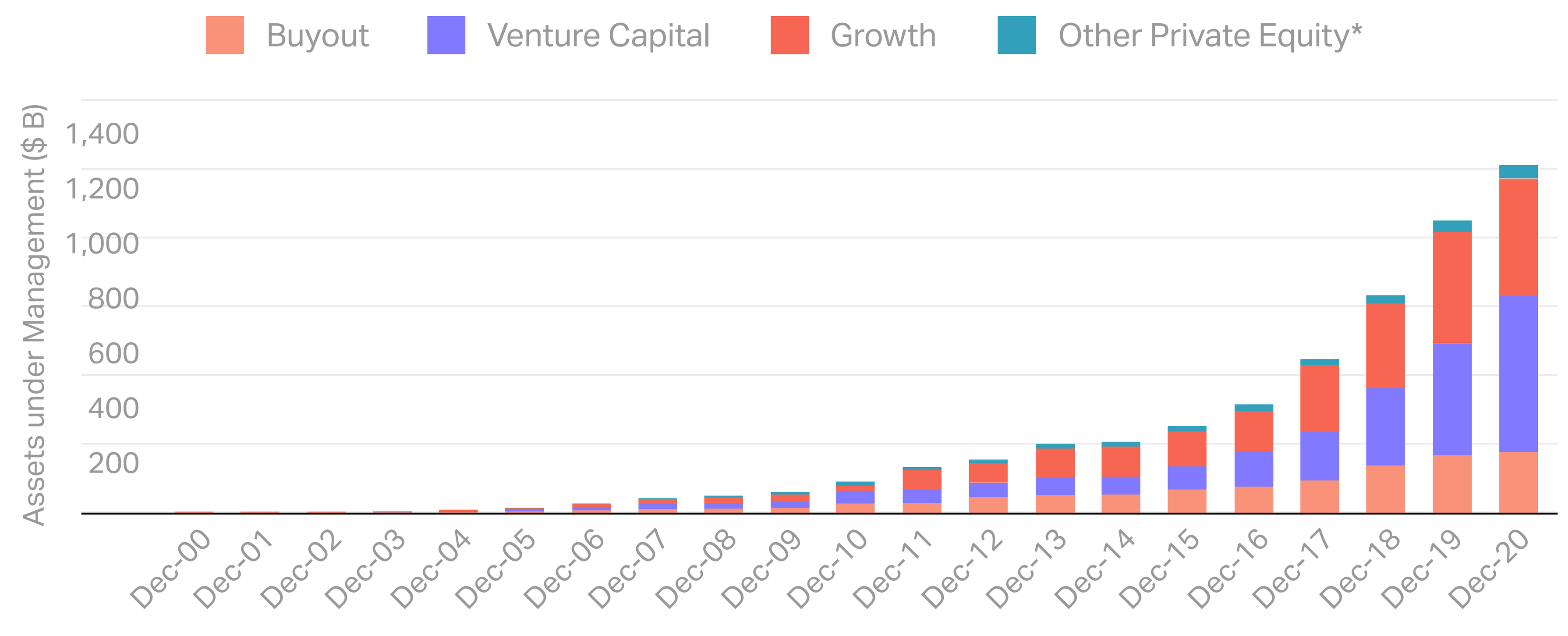
The material adverse clause ("MAC") has become significantly more common in the wake of the pandemic, with 73% of North American survey respondents noting they'd seen an increased use of it, according to one PEI poll.

73%

North American survey respondents seeing increased use of MACs

#5 Private equity AUM is taking off in Asia

Private equity AUM has been ratcheting up in Asia over the last decade, with venture capital taking the lion's share. The trend in general is set to continue, and buyout in particular – the largest PE strategy globally – has significant room to grow.



** 'Other Private Equity' includes Balanced, Co-investment, Co-Investment Multi-Manager, Direct Secondaries, and Turnaround funds.*
Source: Preqin Pro

#6 Disruptive technology is transforming how GPs do business

Automated workflows, straight-through processing, streamlined data aggregation, and four-eye review agreements – these and other technological innovations are radically changing how GPs work day in and day out. GPs are leveraging technology to de-risk and streamline their workflows, so they can spend more time on higher-value work that empowers superior investment decision making.

> "Implementing Allvue allowed us to launch a new fund in a modern fund accounting setup as well as have the infrastructure in place to launch a new strategy **without requiring additional back-office headcount."**
>
> *- Joachim Satchwell, Associate Director, Polaris*

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