Adams Street

2023 GLOBAL INVESTOR SURVEY

Navigating Private Markets in 2023: Rethinking Risk, Resilience, and Returns

LEADING WITH FORESIGHT™

INSIDE THE REPORT

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Finding Opportunity During Change

A key finding in our third Global Investor Survey is that investors are prioritizing partners that they know and trust. This would seem to be driven by market turbulence, risks from inflation and rising interest rates, and geopolitical tension.

As markets surged in 2021, many investors caught FOMO (fear of missing out). The most severe cases led to the deployment of capital at elevated valuations into subscale and unprofitable private companies that may struggle to produce positive returns for investors.

Now that the outlook is less certain, some of these "investment tourists" have moved on. That largely leaves the private equity and credit landscapes to seasoned investors who rely on rigorous diligence and fundamental analysis as they seek to deliver attractive risk-adjusted returns across market cycles.

There have been dramatic changes to the global economy over the three years we have conducted our survey. COVID, supply chain interruptions, transformation in workplace practices, and the war in Ukraine have created dislocations that continue to influence how investors are navigating opportunities and risks.

Surging global inflation, to levels not seen in a generation, brought a sudden end to more than a decade of stimulus and near-zero interest rates. Central banks have quickly raised interest rates to rein in liquidity, demand, and prices, risking near-term recession and causing a significant pullback in global public equity and bond markets.

In combination, the events of recent years show the importance of acting with foresight and a long-term perspective. We believe that private markets are particularly well suited to navigate short-term dislocations and long-term changes. The results of our global survey suggest that investors agree.

Private markets typically focus on innovative, entrepreneurial companies in growing sectors that stand to benefit from long-term secular trends. This positions them well to withstand short-term disruption. It is also one reason why private valuations tend to decline less than those in public markets in a downturn.

As our research in the following pages shows, risks notwithstanding, institutional investors believe that private markets will continue to outperform their public market equivalents. Respondents are placing trust in investors that undertake meticulous diligence and fundamental analysis, have strong sector expertise, and deep relationships that are expected to create exceptional access to deal flow. These are the partners they trust to put capital behind innovative founders who are more likely to drive shareholder value and build enduring businesses.

Short-term corrections are seldom – if ever – powerful enough to upend long-term secular themes. Uncertainty and dislocation ultimately lead to change and growth. Indeed, history tells us that corrections can often be a catalyst for opportunity, so that some of the best private market vintages are those born in uncertain times.

All it takes is short-term fortitude to stick with the long-term plan.

Jeff Diehl
Managing Partner & Head of Investments
Adams Street Partners

Adams Street

Navigating Private Markets in 2023

Worries about recession and geopolitical risk are shaping the private markets investment outlook in 2023. But short-term dislocations can trigger longer-term change and growth, just as when opportunities emerged as the world grappled with COVID-19, labor shortages, and supply bottlenecks.

Private markets investors navigating this year's uncertainties have become more discerning. FOMO – fear of missing out – is dissipating. Investors can no longer rely on return tailwinds generated by rising valuation multiples or inexpensive leverage. Instead, we believe investors should focus on identifying resilient companies in large markets that address critical customer needs while simultaneously delivering profitable growth.

In times of dislocation, investors believe that private markets are well suited to provide this exposure, given their perceived structural advantages. But selecting the right opportunities will require careful diligence, following a period when every arrow seemed to hit a bullseye.

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How Investors Are Rethinking Risk and Returns

Adams Street's third annual global survey of institutional investors found:

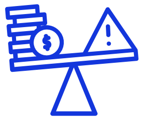
- Institutional investors believe that private markets will continue to outperform public markets (86% "somewhat" or "strongly" agree).
- Technology and healthcare (40%) are seen as offering the greatest investment opportunities for private markets in 2023, followed by impact and/or environmental, social, and governance (ESG), and venture capital opportunities (both 33%).
- The greatest expected challenges in private markets are rising interest rates/ inflation: 55% of respondents identified this among their top three challenges, followed by market volatility (46%) and geopolitical tensions (29%).
- 58% expect inflation to have a "high impact" on their private markets investment strategy in 2023.
- 63% of investors "strongly agree" that sector expertise is critical to private equity performance, up 14 percentage points from last year's survey.
- Investors believe North America offers the best private market investment opportunities.
- Private companies offer superior governance to their public counterparts, believe 85% of respondents.
- ESG considerations are viewed as less of an investment challenge, dropping 7 percentage points to 22% this year.

SURVEY HIGHLIGHTS

86%
believe private markets will outperform their public market equivalents over the long term

85%
believe private market companies offer superior governance to their public market counterparts

Technology and healthcare sectors seen as best investment opportunities



Inflation and rising rates are the risks that are top of mind for investors

Private Markets Show Resiliency Amid Uncertainty

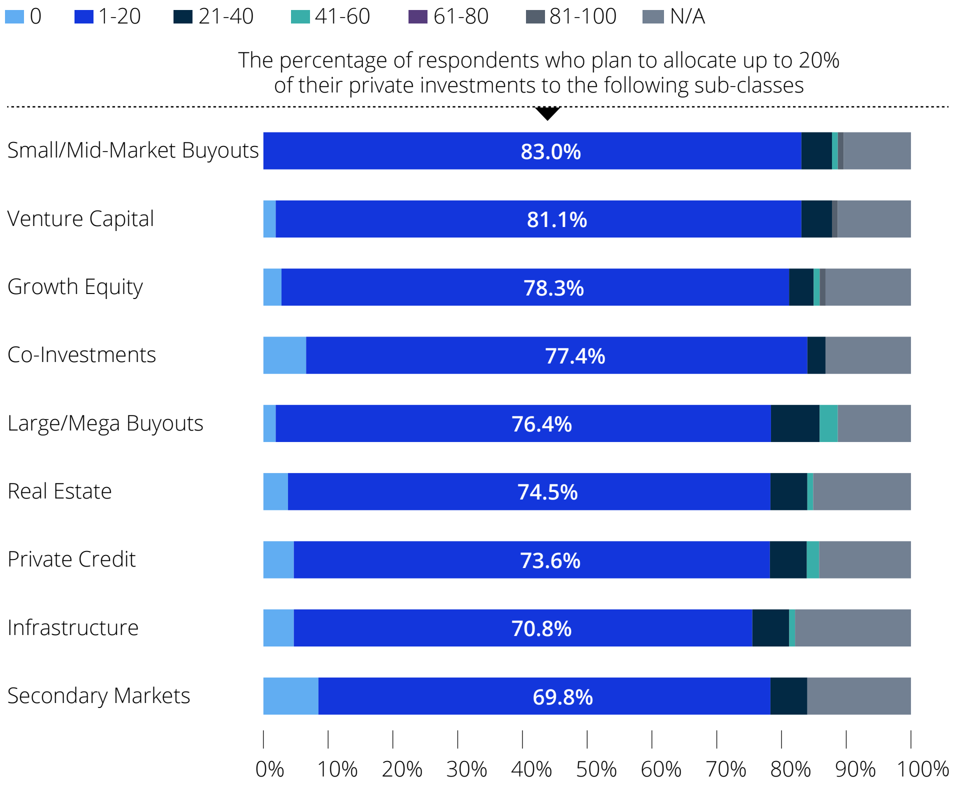
Investor confidence in private markets held steady in 2022 even as central banks around the world began raising interest rates to tame inflation, ending more than a decade of monetary stimulus. Adams Street believes that short-term headwinds and uncertainty ultimately accelerate the development of innovative technologies that lower operating costs and improve efficiency. This should provide patient and committed investors with an opportunity to optimize returns during turbulent times.

Investors see opportunity across private markets sub-classes in 2023. Those surveyed expect to add more exposure over the next five years to small- and mid-market buyouts (83% chose to allocate up to 20% to this sub-class), venture (81%) and growth equity (78%). The appetite for large and mega-buyouts is largely unchanged at 76%, even as debt financing becomes more costly and as investors shift focus to strategies with multiple paths for valuation creation and exits.

Short-term uncertainty has made capital raising more difficult. Some long-term investors have become over-allocated after public market valuations declined by more than their private holdings – the so-called denominator effect. Private equity capital raising fell to $481 billion in 2022, from $810 billion in 2021, and a record $928 billion in 2020, according to Preqin data.

Strong Interest Across Private Markets Subclasses[1]

Respondents anticipated allocations of private investments to the following sub-classes over the next five years



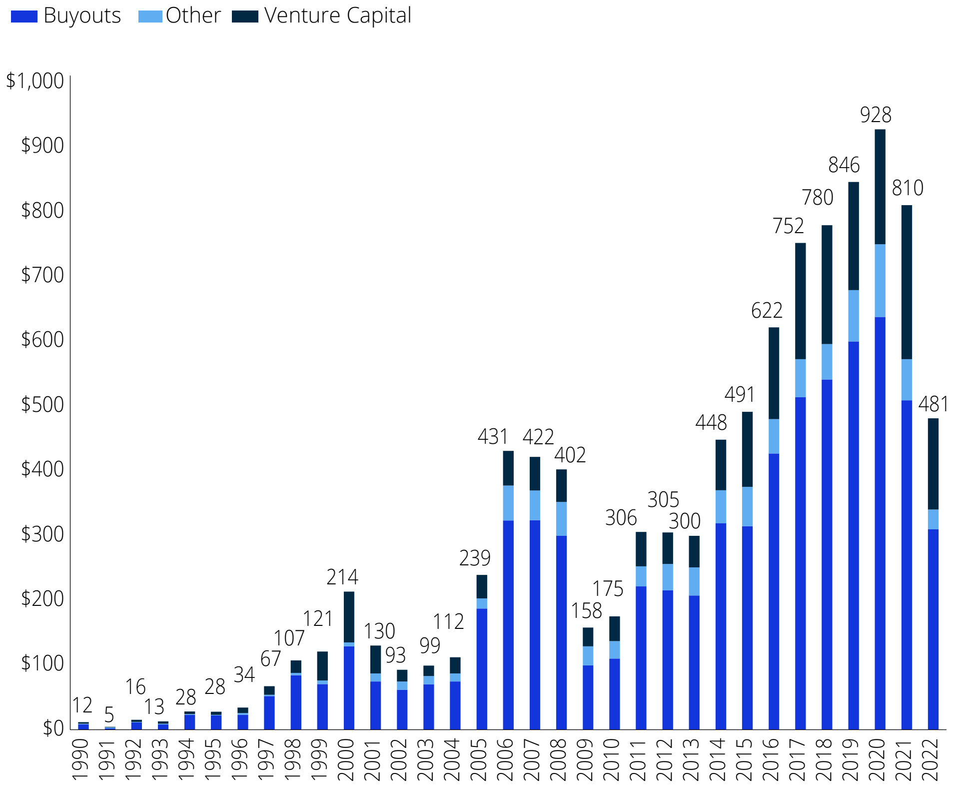
This year's survey reflects the shift in sentiment. 71% of respondents say they intend to increase commitments to existing private markets managers, a dip of over 7 percentage points from last year. Investors are also more cautious about adding new managers, with 60% saying they will do so, down from 64% in 2022. Additionally, 14% of respondents indicate they will not increase commitments to new or existing managers, up from 6% last year.

Private equity capital raising fell to $481 billion in 2022, from $810 billion in 2021, and a record $928 billion in 2020[2]

While rising rates have made investors more wary about highly leveraged strategies, there is continued interest in private credit, which generates most of its returns from contractual cash yields.

Private Equity Capital Raised Globally[2]

Through September 30, 2022, US $ in billions



> **“An unusual combination of higher yields, improving deal terms, lower leverage, tighter underwriting, and stricter credit selection could make this an attractive vintage period.”**
>
> **– Bill Sacher,** Partner & Head of Private Credit, Adams Street Partners

“Private credit holds the potential for investors to earn attractive returns while positioning themselves more defensively,” says Bill Sacher, Partner & Head of Private Credit at Adams Street. “An unusual combination of higher yields, improving deal terms, lower leverage, tighter underwriting, and stricter credit selection could make this an attractive vintage period.”

Banks used to dominate the market for lending to buyout transactions. But today, private credit funds have become a formidable force. Some 30% of institutional investors surveyed chose private credit as one of the three best investment opportunities in private markets in 2023, up from 23% last year.

Jennifer Neppel, Vice President & Chief Investment Officer of Pinnacol Assurance in Denver, Colorado, also sees opportunity in private credit.

“Private credit will be a strong performer in the near term and a lot of funds will attract investor capital. The asset class is not as widely invested in from an institutional standpoint, but it’s gaining a lot of traction now that institutional investors have had good experience,” she says.

Compressed valuations and an effectively closed IPO window are causing companies to reassess their capital needs. GP-led solutions in the secondaries market have become a favored route to generate liquidity as exit options narrow. A driver of this trend is private equity firms choosing to hold on to well-performing portfolio assets instead of selling at lower prices. Secondaries transactions reached $103 billion in 2022, the second highest on record, according to Evercore.[4]

As distributions slow, some investors are selling into the secondary market to maintain their desired exposure to newer private market vintages. Ai Ning Wee, Chief Investment Officer at AIA Investment Management, believes that the secondaries market is a promising private equity strategy in the current environment.

"The denominator effect means that many asset allocators have to rebalance their portfolios because the public markets have fallen so much," she says. "These sellers are likely to turn to secondaries. We are actually looking at secondaries not only for private equity, but also for private credit and real estate."

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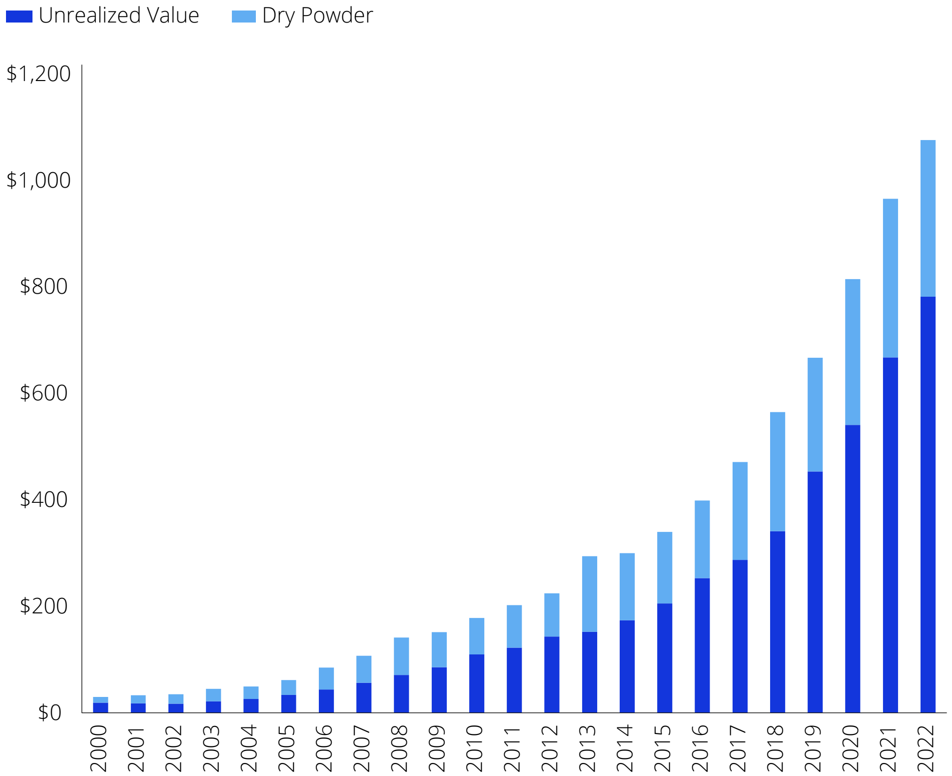
Private Credit AUM Has Grown Significantly[3]

Assets Under Management, US $ in billions



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Recession Risk – How Soft is the Landing?

Interest rates have risen significantly and quickly to curtail inflation, which more than half of respondents agree is the top challenge facing private markets. Inflation and rising rates are also ranked as having the biggest impact on investors' private markets strategies.

The World Bank forecasts a deceleration in global growth from 2.9% in 2022 to 1.7% in 2023, which would represent the third-weakest pace in nearly three decades.[5]

In the US, the Federal Reserve forecasts economic growth of 0.5% in 2023[6] – the slowest rate since 2020, when output shrank 2.8% – while unemployment is projected to rise to 4.6%, from 3.5% in December 2022.[7]

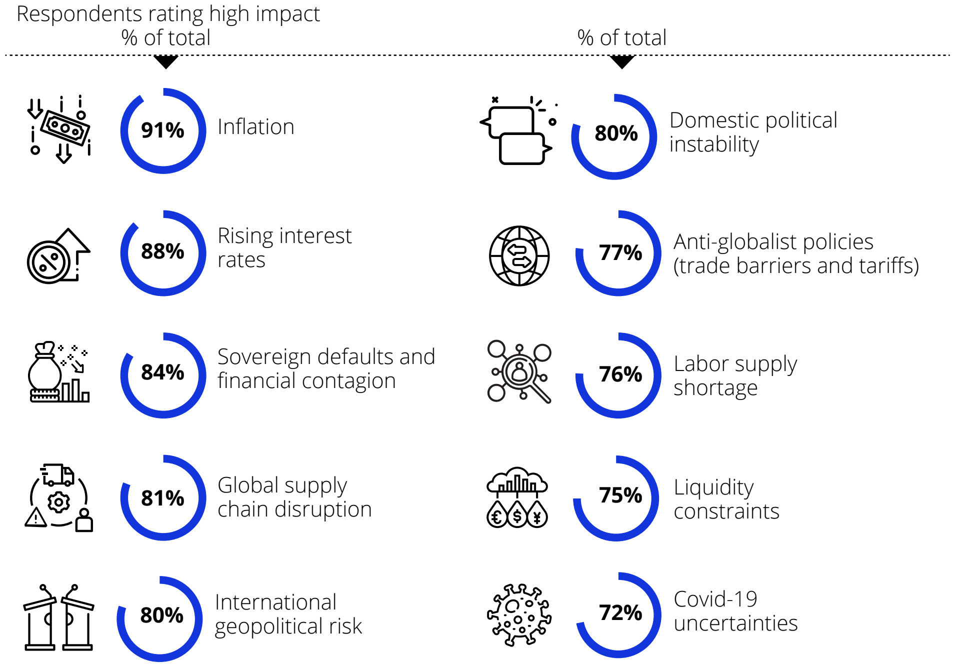
Heightened concern about a possible near-term recession is partly responsible for the decline in deal volume and value last year. A total of 16,487 private equity and venture-backed deals worth $705 billion were recorded in 2022, compared with 20,511 worth $1.15 trillion in announced and completed transactions in 2021, according to S&P Global Market Intelligence.[8]

> **"Investors cannot just sit on cash and obtain negative real returns in a high inflation environment. This is an interesting time to deploy capital in the private markets space."**

– **Philippe Lopategui**, Chief Executive Officer, Lumyna Investments Limited

Top Global Risks for Private Markets in 2023[1]

Inflation and rising interest rates pose the biggest risk to investments



Uncertainty is driving investors to seek out more resilient companies that provide mission-critical products or services, and that are less directly correlated to economic growth. Other important traits include pricing power, significant share of large and growing markets, good revenue visibility, and a path to profitability.

Recent indications of slowing inflation are encouraging investors that a recession may be avoided. Continuing improvements in supply-side disruption could also boost growth over coming quarters. Job gains in the US, the world's largest economy, remain robust.

Diversification will be crucial during these uncertain times. This year's survey shows that respondents believe diversification by vintage year, geography, and sector are among the most important considerations for investors to protect their private markets investments against risk scenarios.

Tom Joy, Chief Investment Officer of the Church Commissioners for England, says that thinking holistically about portfolio diversification will be essential.

"What investors need to think about at a total portfolio level is resilience through genuine diversification. If you allow overallocation in a particular asset class, when the tide turns, you're likely to come unstuck," Mr. Joy says.

This difficult environment can create opportunities for private markets investors, who have become a lot more mindful of capital preservation, says Lumyna Investments CEO, Philippe Lopategui.

"Investors cannot just sit on cash and obtain negative real returns in a high inflation environment," he says. "This is an interesting time to deploy capital in the private markets space."

Mr. Lopategui adds, "Private credit in my view will provide opportunities for discerning and experienced managers with rising yields, deal terms and leverage parameters improving and better pricing power for the lender. This could lead to an attractive vintage period."

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Investors Focused on Tech Sector, Despite Volatility

Public markets took a beating in 2022. The NASDAQ Composite index lost a third of its value last year, wiping $9 trillion from valuations since its record high in November 2021. This was the fourth-worst annual decline of the index since it was created in 1971.[9] But private markets investors remain bullish about the long-term potential of the tech sector.

Driving optimism is the digital transformation of the global economy, which accelerated during the pandemic. The trend is still in its infancy. Technology is changing virtually every sector worldwide and will do so for decades as more businesses are created, devices become connected, and more processes are automated.

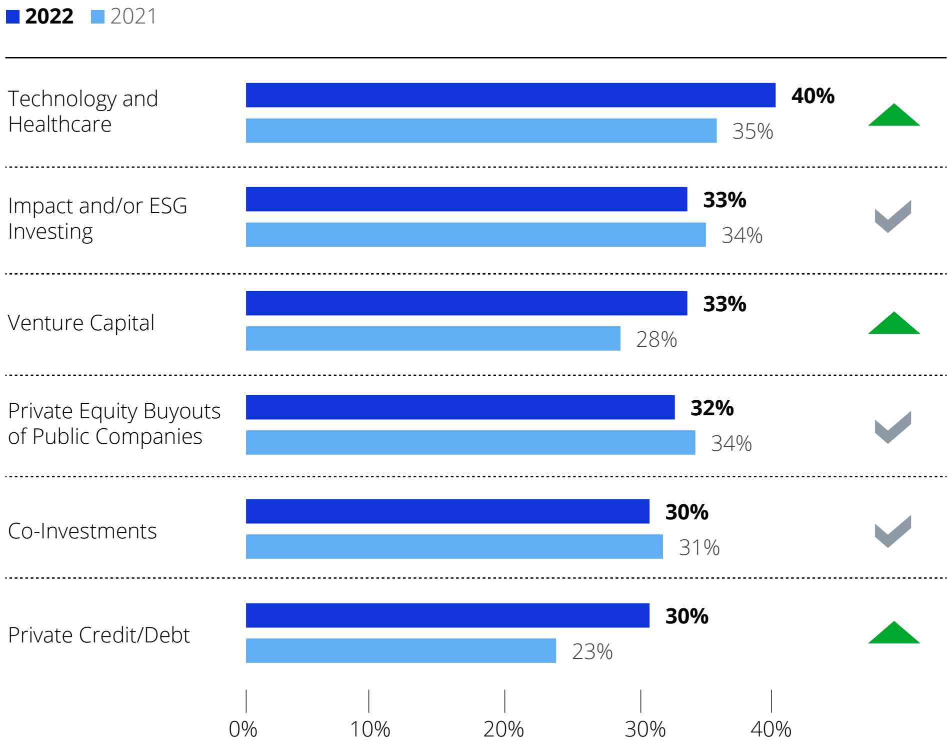
For the third straight year, survey respondents identified tech and healthcare as the most attractive sectors, with 40% saying they present the greatest investment opportunities during 2023, up almost 5 percentage points from last year's survey

In healthcare, investors see opportunities in robotics, devices, and automation as buyout firms eye solutions that help to deliver a higher standard of care more efficiently, according to Bain & Company.[10]

The focus of digital health investments will fundamentally change from topline growth to profitability in 2023, says Boston Consulting Group (BCG).[11]

Best Investment Opportunities in 2023[1]

Respondents see the greatest investment opportunities for private equity/private markets in the following areas in 2023



"In the coming year, many of these solutions will fail if they have not sufficiently reduced business-model risks and demonstrated a path to profitability," BCG says. "On the flip side, investors will double down on solutions that satisfy these requirements, as healthcare in general – and healthtech in particular – is recession resistant."

Expectations for opportunities in software rose 13 percentage points to 33% in our survey. A BCG report on the software sector points to growth and consolidation in human resources, marketing and analytics.[12] Cybersecurity solutions continue to be in demand as the risk of cyberattacks on businesses and governments increases.

Fundraising in this sector reflects continued optimism, with five of the 10 largest closings in 2022 being tech focused. These include the $24.3 billion Thoma Bravo Fund XV and the $17.2 billion Insight Partners XII, according to *Private Equity International*.[13]

"The challenge in the tech sector is that big firms are cutting back on hiring and are rightsizing as economic growth slows," says Pinnacol Assurance's Ms. Neppel. "We might see a softening in the sector, but investor appetite will remain. Healthcare investment opportunities meanwhile will be more focused, particularly in medical devices and biotech."

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Geopolitical Risk is Driving Change

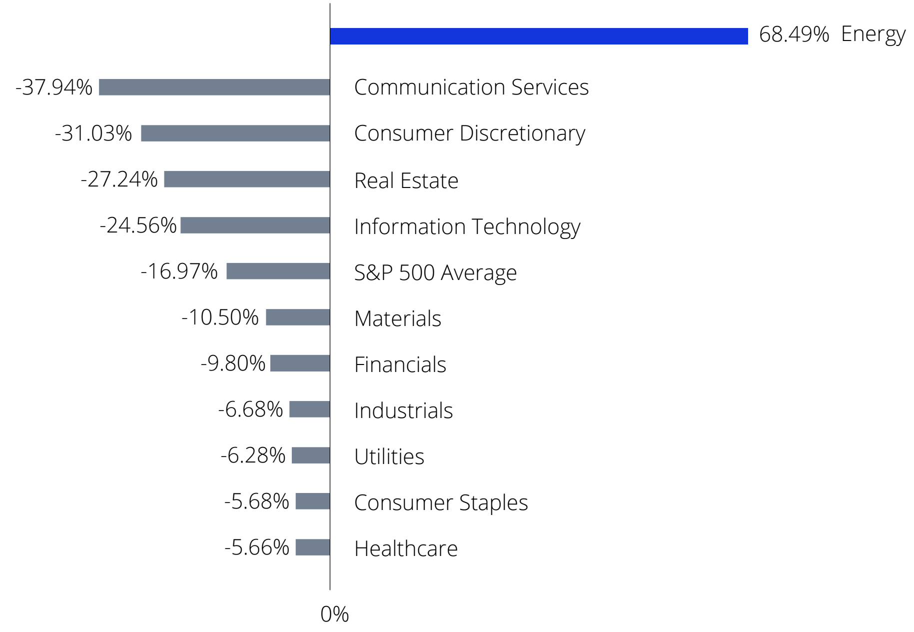
Russia's invasion of Ukraine caused the biggest commodity shock since the 1970s, leading to a warp-speed reshaping of the global energy system. Governments accelerated a rethinking of the production of technologies and goods critical to their national and economic security, a process begun after the COVID-19 pandemic snarled supply chains worldwide.

These dynamics are creating opportunities, especially in technology and the energy security ecosystem. A positive sentiment is reflected in the survey, with enthusiasm for energy and utilities rising 9 percentage points from 2022, to 34%.

Governments are creating policies and earmarking significant investment in response to concerns. Much of the US Inflation Reduction Act's[15] $485 billion in proposed spending is earmarked for domestic production in the area of renewable energy – in particular electric vehicles, solar panels and batteries. Research firm Wood Mackenzie[16] forecasts that the Inflation Reduction Act will generate more than $1.2 trillion of renewable energy private investments by 2035, with annual investments doubling to $80 billion over the next decade.

Energy was the Outperformer in 2022[14]

Energy stocks led the S&P 500 while other sectors saw steep declines



The Creating Helpful Incentives to Produce Semiconductors and Science (CHIPS) Act is aimed at boosting US production of advanced semiconductors, which are seen as critical to national security and economic growth. Since August 2022, the CHIPS Act has led to the announcement of $200 billion of private investments across 16 US states, creating a potential 40,000 jobs.[18]

The US is not the only country reshoring raw inputs, supplies, and manufacturing. France wants to bring back production of renewable energy and green industries,[19] and the European Commission's REPowerEU plan outlines the European Union's path to energy independence from Russia by 2027.[20]

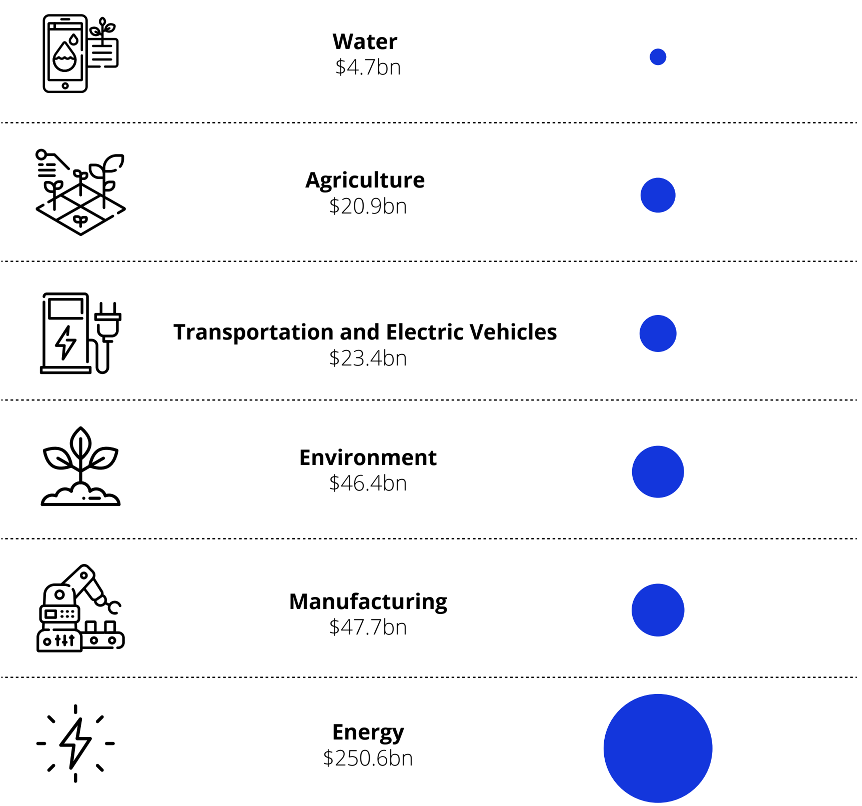
The potential decoupling of the US and Chinese economies may be a defining feature of the investment landscape in coming years

China is taking similar measures. Its president, Xi Jinping, emphasized self-reliance in science, high-tech industries, and energy production at the 20th Party Congress in October 2022. The potential decoupling of the US and Chinese economies may be a defining feature of the investment landscape in coming years.

"As China's decoupling accelerates, this will actually be positive for the country, in that there will be local winners, especially in renewable energy," AIA Investment Management's Ms. Wee says. "I see opportunities for wind, solar, and hydro power players in China."

US Inflation Reduction Act By Sector[17]

Investments by sector, US $ in billions



No More FOMO as Fundamental Values Retake Center Stage

As noted, FOMO is being replaced by a focus on investing in high-quality companies with a visible path to profitable growth. Growth at all costs has fallen from favor as investors focus closely on business fundamentals.

Our survey found that investors are increasingly prioritizing private markets investment managers with a strong record – cited as important by 32% of respondents, up 6 percentage points from 2022. Creating value in companies over debt leveraging continues to be prized by investors at 33%, unchanged from last year.

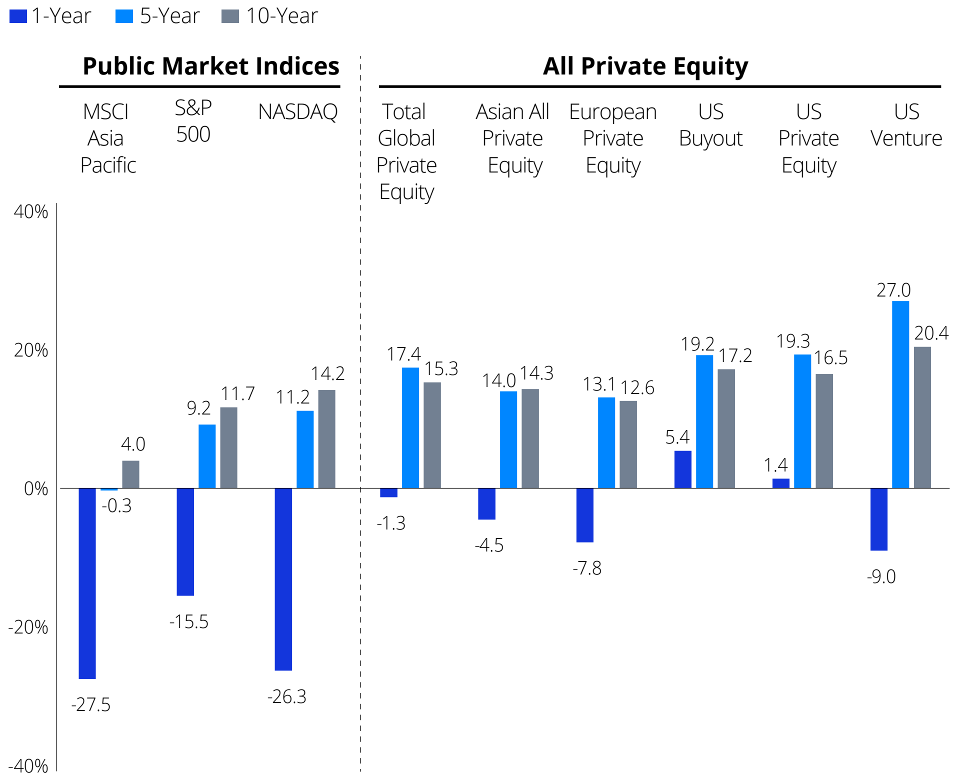
"GP selection is key more than ever in this environment. We believe GPs that have experience through cycles, focus on deals that employ lower leverage, intrinsic growth, revenue and operational improvement, rather than exit multiples will be the winners," Lumyna Investments' Mr. Lopategui points out.

More expensive debt financing should mean less competition for larger companies, and more opportunities for value creation in mid-sized businesses that have the potential to scale through acquisitions. Investors may benefit by allocating to managers who are able to make accretive acquisitions of high-quality assets at attractive entry multiples.

There was a 14 percentage point increase in respondents who strongly agree that sector expertise is critical to performance (63%). Top managers with in-depth knowledge about their niche and significant operational resources within their firms are better placed to outperform, according to the survey.

Industry Annualized Pooled IRRs: Public vs. Private Markets[21]

As of September 30, 2022, %



> **"We already experienced several market cycles in over 20 years. Every time the situation is different, but the downturns have provided a good entry point to [the asset class] and to vintage diversification."**
>
> – **Shuzo Takahashi**, Head of Private Equity, Pension Fund Association

"Deep domain expertise in certain sectors is extremely important to us. In these areas, we think this gives GPs an inherent advantage over generalists," says Church Commissioners for England's Mr. Joy. "We will continue to execute on healthcare and information technology strategies, which I believe is the right approach to private markets investing. We believe in a disciplined and repeatable execution of our investment strategy."

Mr. Joy adds that FOMO has led some investors to get sucked into overvalued assets. "We watch prices very closely because the price we pay for assets has a profound impact on our long-term returns."

Shuzo Takahashi, Head of Private Equity at the Pension Fund Association in Tokyo, Japan, believes that investors are more focused on the quality of both the GP and the asset. In fact, a GP's experience investing through a downturn is likely to be an additional diligence requirement for the pension fund, he says.

"We already experienced several market cycles in over 20 years," Mr. Takahashi adds. "Every time the situation is different, but the downturns have provided a good entry point to [the asset class] and to vintage diversification."

This shift towards seasoned managers is reflected in fundraising. Bigger pools of capital are being gathered by the largest, most established firms. The 10 biggest funds closed between the first and third quarters of 2022 raised almost $150 billion between them, representing about 30% of total capital raised during the period, according to *Private Equity International*.[23] That compares with the 10 largest funds closed in Q1-Q3 2021, which made up roughly 27% of total fundraising volume.[24]

Dry powder in private markets remains sizeable. Private equity's war chest stood at a record $1.96 trillion as of December 2022, according to Preqin,[25] which also noted that private credit providers have an estimated $408 billion to deploy as of February 2023. Inflows are only expected to increase as newer sources of capital from private wealth and retail channels are anticipated to grow.[26]

Burgiss Global Private Capital Performance by Calendar Year[22]

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 YTD
Venture Capital 26%	Venture Capital 26%	Venture Capital 15%	Natural Resources 22%	Buyout 23%	Venture Capital 21%	Venture Capital 20%	Venture Capital 57%	Venture Capital 49%	Natural Resources 16%
Buyout 20%	Real Estate 13%	Expansion Capital 10%	Buyout 12%	Infra 18%	Buyout 9%	Buyout 17%	Expansion Capital 25%	Buyout 37%	Infra 4%
Expansion Capital 19%	Expansion Capital 11%	Real Estate 10%	Distressed 10%	Expansion Capital 15%	Infra 8%	Expansion Capital 14%	Buyout 24%	Natural Resources 31%	Real Estate 3%
Distressed 18%	Mezzanine 11%	Buyout 9%	Senior 9%	Venture Capital 15%	Mezzanine 7%	Mezzanine 10%	Mezzanine 9%	Real Estate 26%	Mezzanine 1%
Real Estate 14%	Buyout 10%	Infra 6%	Expansion Capital 8%	Real Estate 14%	Real Estate 7%	Infra 8%	Infra 7%	Expansion Capital 25%	Distressed 1%
Senior 13%	Distressed 9%	Mezzanine 5%	Mezzanine 8%	Mezzanine 13%	Senior 6%	Real Estate 8%	Distressed 7%	Distressed 22%	Senior -1%
Mezzanine 11%	Infra 8%	Senior 3%	Infra 8%	Senior 11%	Expansion Capital 6%	Senior 7%	Senior 7%	Mezzanine 16%	Buyout -5%
Infra 9%	Senior 5%	Distressed -1%	Real Estate 7%	Distressed 10%	Distressed 3%	Distressed 5%	Real Estate 1%	Infra 14%	Venture Capital -14%
Natural Resources 8%	Natural Resources 1%	Natural Resources -15%	Venture Capital 1%	Natural Resources 6%	Natural Resources 3%	Natural Resources 5%	Natural Resources -9%	Senior 8%	Expansion Capital -14%

Abbreviation: "Infra", Infrastructure.

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North America is the Most Favored Region

North America is again the preferred region for investment opportunities, with 26% of investors surveyed ranking it first. A report from Preqin[28] found that private capital assets under management in North America are expected to grow at a rate of 12.7% annually between 2021 and 2027. Growth is also expected to be strong in Asia-Pacific and European markets, where assets are forecast to increase about 10% annually during the period.

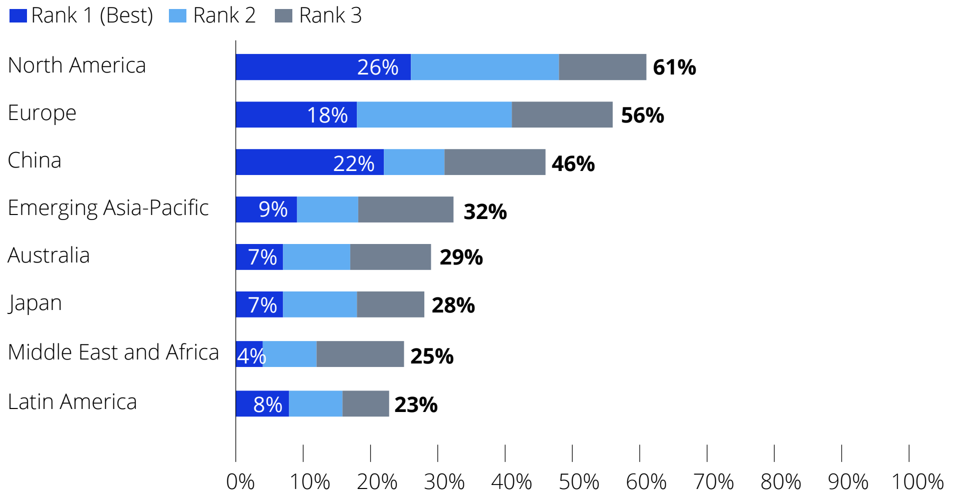
Pinnacol Assurance's Ms. Neppel notes that the outlook for private markets in the US is favorable, particularly private credit, which will benefit from higher interest rates. She adds, "Private equity will continue to generate favorable returns due to innovations in technology and healthcare."

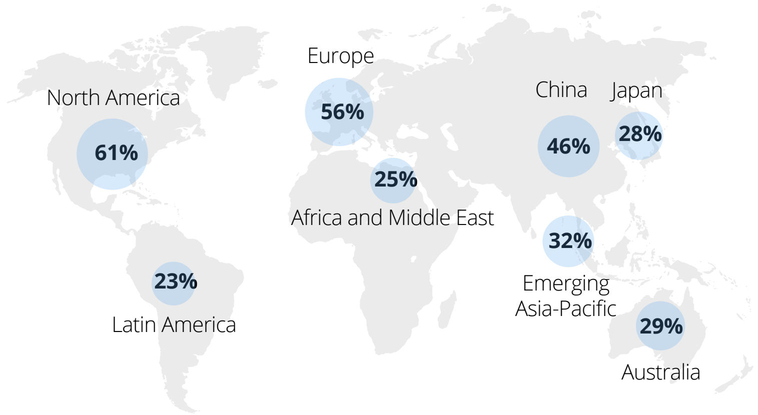
Enthusiasm for Asia-Pacific is mixed. China's slow dismantling of its zero-COVID policy at the time the survey was conducted may have clouded appetite for the market. Despite lingering pandemic fears and slower growth, China-focused private markets are growing. Funds gathered $28.1 billion in assets last year through September, a slight uptick from the same period in 2021, according to the Global Private Capital Association.[29]

Several factors contributed to China's slowdown, including a crackdown on the internet, strict COVID-19 controls, and economic uncertainty. Our latest survey shows more investors ranking China first in terms of investment opportunities (22%), while fewer rank it second. Investors appear to be taking a wait-and-see attitude on China's recovery while sharing optimism about the long-term prospects of the world's second-biggest economy.

Opportunities by Geography[1]

Investors continue to prefer North America. Respondents ranked the top three geographic regions they expect to offer the best investment opportunities in 2023.





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Japan and Southeast Asia are showing strength amid caution over China. Buyout deal value was $19.9 billion in the first three quarters of 2022 in Japan, exceeding the $16.5 billion recorded in the whole of 2021, according to Dechert.[30] Southeast Asia's manufacturing industry also benefited from hesitation over China.[31]

AIA Investment Management's Ms. Wee notes that China's reopening presents an interesting opportunity for investors.

"China has its own macro cycle and reopening is a necessary condition to get consumers to start spending and for consumer confidence to improve after nearly three years of lockdown, a reasonably tight monetary policy, and a property crisis. It remains to be seen how robust the country's recovery will be," she says.

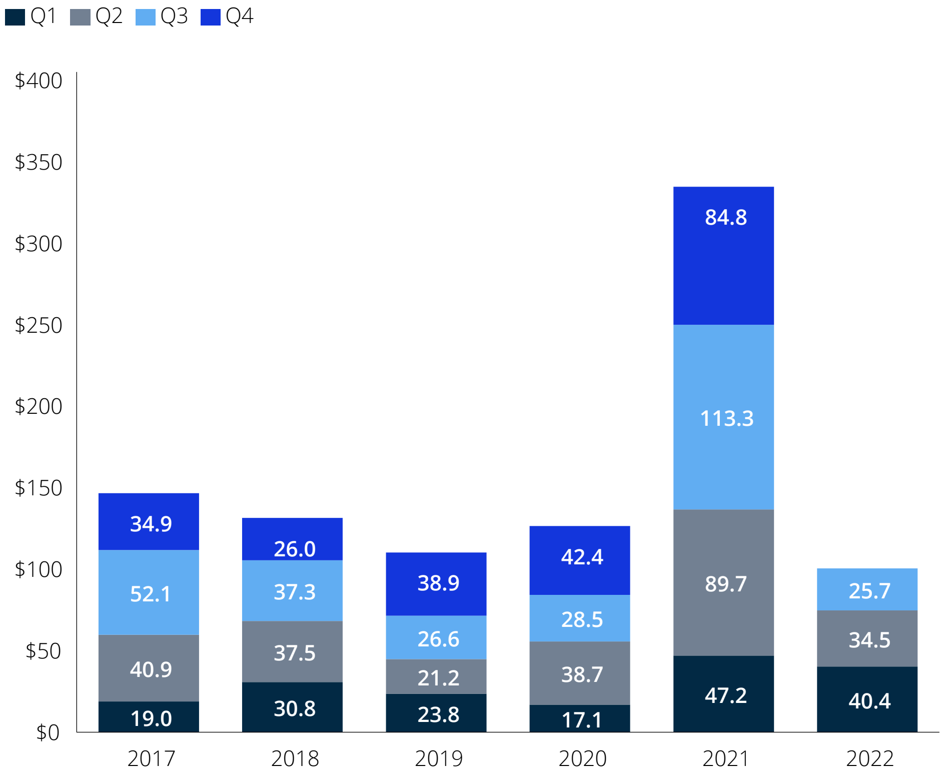
Southeast Asia and Japan are new areas of deployment for investors, adds Ms. Wee.

Fewer investors rank Europe first (18%) in our survey, and more place it second as the region holding the most potential this year. Despite the energy crisis and the uncertainty stemming from war in Ukraine, Europe's buyout market showed a degree of resilience in 2022, with 707 buyouts completed, worth €117.5 billion ($128.4 billion), according to the Centre for Private Equity and MBO Research.[32]

Total buyout value and the number of transactions for 2022, however, slid from 2021, which recorded €153 billion across 827 deals as activity rebounded from pandemic disruptions, the research shows. The technology, media, and telecommunications sector saw the most deals last year, with 177 valued at about €30 billion taking place.[33]

APAC Buyout Deals Saw a 60% Decline in Value in 2022[30]

2017 through September 30, 2022, US $ in billions



Investors Seek Greater Transparency and Measurement

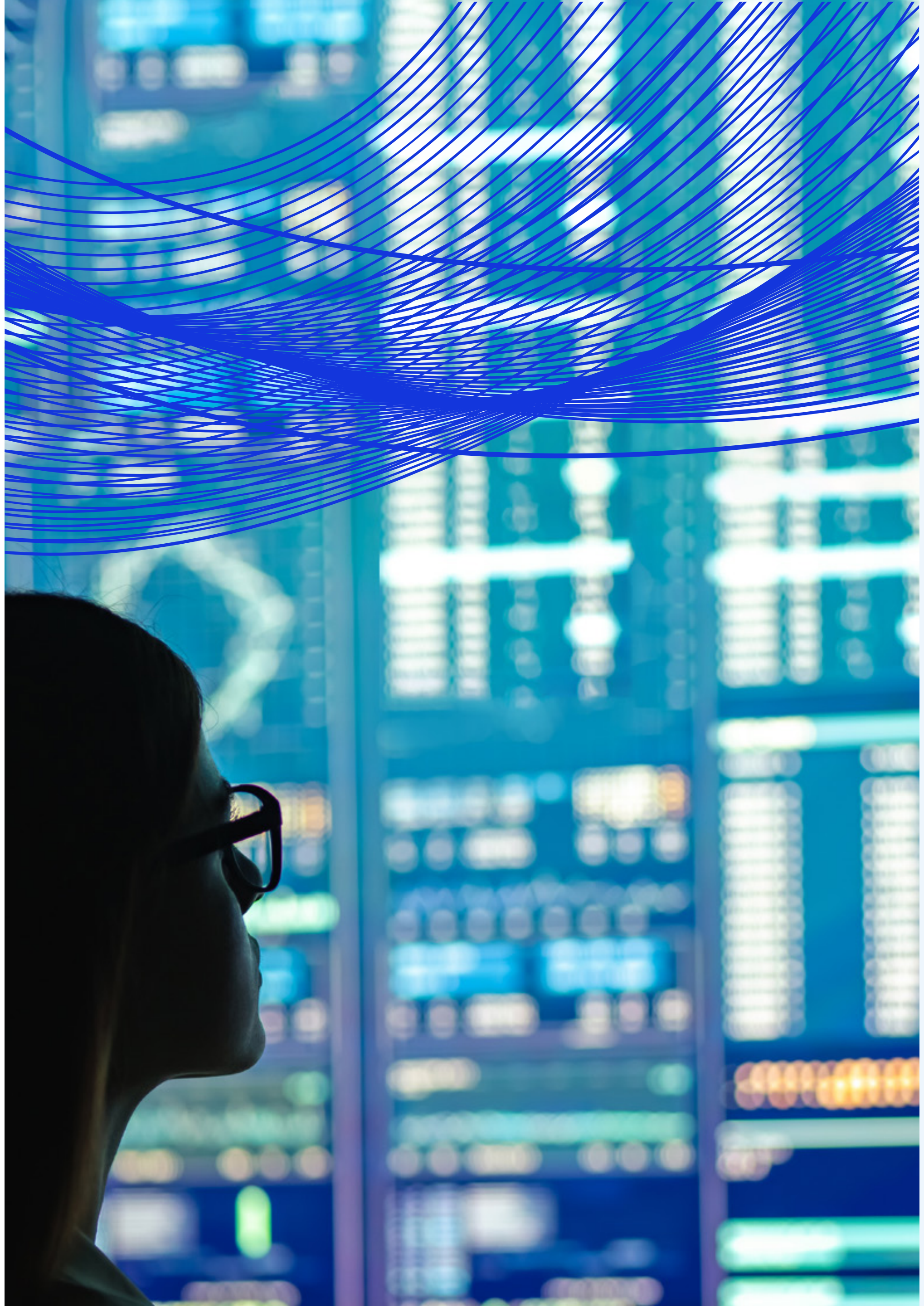
ESG considerations continue to have significant implications for how industries operate, and investors are responding positively. As many as 93% of respondents agree that investment returns are enhanced by incorporating ESG factors into decision making.

The survey also points to the importance of the "G" in ESG. Private companies offer superior governance to their public market counterparts, according to 85% of survey respondents. Private companies better align executive incentives with innovation, long-term shareholder value creation and job growth, according to respondents.

"A constant edge of private markets is better governance and alignment between management incentives and shareholder interests," says Jeff Diehl, Managing Partner & Head of Investments at Adams Street. "Public company boards have to devote considerable resources to the many essential requirements of being a public company. Unfortunately, that has little to do with generating growth and shareholder value. Private companies don't face these constraints."

There was an 11 percentage point drop in investors that say ESG considerations are a determining factor in their investment strategy (56% in 2023, down from 67% last year). A potential reason could be macroeconomic disruption, in particular the impact on global energy markets of Russia's invasion of Ukraine.

A key challenge for investors in 2023 is how to back up ESG claims with clear evidence and reporting, to avoid accusations of "greenwashing." Accurately measuring and communicating ESG progress is becoming more important to investors.



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A Positive Outlook Amid Turbulence

According to survey respondents, short-term challenges are unlikely to significantly impact the positive long-term outlook for economic growth in general, and private markets in particular. Investors remain bullish about the performance of their private markets portfolios and the long-term trajectory of the asset class.

Investors with a long-term focus can seek to navigate short-term turbulence by allocating to trusted private markets managers with a demonstrated track record across market cycles

Most respondents (86% somewhat or strongly agree) believe that private markets will continue to outperform their public market peers, in line with 2022's findings. Investors also believe that private markets are less susceptible to short-term volatility than their public markets equivalents, especially through down cycles (79%).

Adams Street is optimistic about investment opportunities in private markets worldwide. In times of change and dislocation, the long-term focus of private markets investing is likely to be beneficial to investment returns. Investors with a long-term focus can seek to navigate short-term turbulence by allocating to trusted private markets managers with a demonstrated track record across market cycles.

Powerful secular tailwinds will create opportunities for decades to come. Private markets are helping to support the digital transformation of the economy, advances in healthcare, and the automation of industries worldwide – and these are all driving job creation, economic growth, and prosperity. ■

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1. Source: Adams Street Partners 2023 Global Investor Survey.
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6. Source: Federal Reserve "Summary of Economic Projections" December 14, 2022
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10. Source: Bain & Company, "Healthcare Private Equity Market 2022: The Year in Review and Outlook", January 9, 2023.
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21. Source: The Burgiss data presented here includes a set of funds, which are invested on a primary basis in venture capital and buyout and excludes secondary investments. Numbers are subject to updates by Burgiss. Burgiss is a recognized source of private equity data, and the Burgiss Manager Universe includes funds representing the full range of private capital strategies; however, it may not include all private equity funds, and is included for illustrative purposes only as a reference point for certain sectors of the private market. Data and calculations by Burgiss, sourced on February 8, 2023.
22. Source: Burgiss Manager Universe: Q3 2022 Global Private Capital Review. Data and calculations by Burgiss and are subject to update. Burgiss is a recognized source of private equity data, and the Burgiss Manager Universe includes funds representing the full range of private capital strategies; however, it may not include all private equity funds. Sector returns are presented for illustrative purposes only. Past performance is not a guarantee of future results. As of September 30, 2022.
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30. Source: Dechert, "2023 Global Private Equity Outlook", November 2022.
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ABOUT THE RESEARCH

Over six weeks leading into 2023, Adams Street Partners surveyed 106 limited partners for their views on a variety of topics that were a cause for optimism or concern. Participants included pension funds, institutional accounts, and portfolio managers located in the US, Europe, and APAC.

The findings of this research are shared across a variety of media to effectively highlight key conclusions on geopolitical risk, ESG trends, and the outlook for select strategies, sectors and geographies. Included in the research are insights into the factors that institutional investors report they are considering in order to best seize opportunities in the future.

LEADING WITH FORESIGHT™

Adams Street Partners is a global private markets investment manager with investments in more than thirty countries across five continents. The firm is 100% employee-owned and over $52 billion in assets under management. Adams Street strives to generate actionable investment insights across market cycles by drawing on 50 years of private markets experience, proprietary intelligence, and trusted relationships. Adams Street has offices in Austin, Beijing, Boston, Chicago, London, Menlo Park, Munich, New York, Seoul, Singapore, Sydney, and Tokyo. **adamsstreetpartners.com**