





Firm/Strategy Update: HarbourVest | Various Strategies











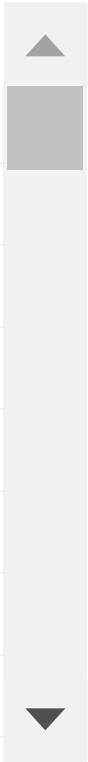
Le, Son

Analyst

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Son Le, Pat Burkett met with Conner Hayes, Justine Wilk, Mindy Lahrman, Kyle Dowd, and David Krauser via a Zoom call on March 28, 2023.

1.Key Takeaways:

- Fund X Buyout (2015 vintage, in the maturing phase): The portfolio continued to make distributions to investors during this period despite market

headwinds.

- Fund IX Combined (2011 vintage, in the maturing phase). The portfolio had value appreciation across buyout and venture primary investments despite some value retraction given the recent market volatility.
- Fund VIII Buyout (2006 vintage, in the 2nd extension ending in September 2024): The Manager is trying to wind down the remaining portfolio of \$250M.
- Fund VIII Venture (2006 vintage, in the 2nd extension ending in September 2024): The Manager is trying to wind down the remaining portfolio of \$697M.
- Dover VIII (2012 vintage, in the 1st extension ending in July 2023, 3 remaining extensions left). The Manager is looking for ways to optimize the exit of the remaining portfolio of \$502M.
- HIPEP V (2005 vintage, in the 4th extension ending in June 2023): The Manager will enter pure liquidation mode after the end of this extension. The remaining value is €49.0 Million.

2. Fund Update

- **HarbourVest Partners X Buyout Program** ("Fund X Buyout" – 2015 vintage): making primary investments in US-based buyout funds, as well as select secondary investments and direct co-investments.
 - During the first three quarters of 2022, Fund X Buyout funded a total of \$34.8 million to the portfolio, almost entirely to primary funds (\$34.4 million).
 - The portfolio generated proceeds of \$121.4 million during the nine-month period. Cumulative distributions total \$717.5 million, 0.7x funded capital at September 30, an increase from 0.6x at yearend 2021.
 - The Fund X Buyout portfolio generated a net gain of \$9.2 million during the period. Gains in the primary portfolio (total gain of \$33.5 million) were partially offset by losses across the secondary (loss of \$9.2 million) and direct co-investment portfolios (loss of \$15.1 million).
 - The total portfolio has a total value of 1.8x funded capital, of which the secondary portfolio has delivered outperformance with a total value to funded multiple of 2.1x at September 30.
 - Fund Stats (as of 9/30/22):
 - Total Fund Size: \$1.182 Billion
 - Remaining Value: \$660.4 Million

- % Called from Limited Partners Overall: 98%
 - Net LP DPI: 0.68x
 - Net LP TVPI: 1.75x
 - Net LP IRR: 24.6%
- **HarbourVest Partners IX L.P.** (“Fund IX Combined” – 2011 vintage) holding an interest across Fund IX Buyout, Fund IX Venture, and Fund IX Credit. The Fund has a fixed allocation of 60% buyout, 30% venture, and 10% credit.
 - The Fund IX Combined portfolio generated \$63.9 million in proceeds during the first three quarters of 2022. Proceeds total \$829.1 million, or 1.7x funded capital at September 30, an increase from 1.5x at year-end 2021.
 - Fund IX Combined portfolio’s total value is 2.6x funded capital and performance to date has been driven by the primary funds, which had a total value of 2.8x funded capital at September 30. The portfolio includes over 2,000 companies by current value at September 30, the largest 25 of which represent approximately 26% of current value.
 - Fund Stats (as of 9/30/22):
 - Total Fund Size: \$537.3 Million
 - Remaining Value: \$464.0 Million
 - % Called from Limited Partners Overall: 87.8%
 - Net LP DPI: 1.41x
 - Net LP TVPI: 2.52x
 - Net LP IRR: 19.6%
- **HarbourVest Partners VIII-Buyout Fund L.P.** (“Fund VIII Buyout” – 2006 vintage): a diversified portfolio of primary funds, secondary investments, and direct co-investments across multiple buyout strategies and vintage years.
 - The Fund’s initial term ended on September 30, 2020. Following the conclusion of the most recent extension on September 30, 2022, the requisite percentage of Limited Partners has approved an extension to September 30, 2024.
 - During 2022, HarbourVest signed a purchase and sale agreement to sell several of the remaining assets from the Fund VIII Program. As a result of the transaction, Fund VIII Buyout will experience accelerated liquidity, when combined with additional near-term organic liquidity.

- Following the sale, there will still be some remaining assets with value in the Fund, however HarbourVest continues to actively monitor the underlying portfolios and encourage managers to seek liquidity while investigating potential secondary sales to opportunistically divest select assets. The transfer of assets is in process, the first close on the transaction occurred on December 31, 2022 with a subsequent transfer of assets expected to occur in 2023.
 - The Manager believes that at least two additional years are necessary to seek liquidity through a combination of organic realizations and structured asset sales to optimize value for investors.
 - Fund VIII Buyout's total value is 2.0x funded capital at September 30, 2022 and performance to date has been led by the primary fund portfolio (total value of 2.1x funded capital). The secondary investments and direct co-investment portfolios have both delivered outperformance with total values of 1.7x and 1.9x cost respectively.
 - Fund Stats (as of 9/30/22):
 - Total Fund Size: \$2.937.9 Billion
 - Remaining Value: \$250.8 Million
 - % Called from Limited Partners Overall: 97%
 - Net LP DPI: 1.73x
 - Net LP TVPI: 1.82x
 - Net LP IRR: 10.7%
- **HarbourVest Partners VIII-Venture Fund L.P.** ("Fund VIII Venture" – 2006 vintage): a diversified portfolio of early and balanced venture and growth equity primary funds, secondary investments, and direct co-investments in the US.
 - The Fund's initial term ended on September 30, 2020. Following the conclusion of the most recent extension on September 30, 2022, the requisite percentage of Limited Partners has approved an extension to September 30, 2024.
 - During 2022, HarbourVest signed a purchase and sale agreement to sell several of the remaining assets from the Fund VIII Program. As a result of the transaction, Fund VIII Venture will experience accelerated liquidity, when combined with additional near-term organic liquidity.

- Following the sale, there will still be some remaining assets with value in the Fund, however HarbourVest continues to actively monitor the underlying portfolios and encourage managers to seek liquidity while investigating potential secondary sales to opportunistically divest select assets. The transfer of assets is in process, the first close on the transaction occurred on December 31, 2022 with a subsequent transfer of assets expected to occur in 2023.
- The portfolio's total value is 2.3x funded capital at September 30, 2022. Performance to date has been led by the primary early stage, balanced venture, and growth equity funds. The primary funds have a total value of 2.7x funded capital at September 30.
- Fund Stats (as of 9/30/22):
 - Total Fund Size: \$2.085 Billion
 - Remaining Value: \$696.9 Million
 - % Called from Limited Partners Overall: 98%
 - Net LP DPI: 1.79x
 - Net LP TVPI: 2.19x
 - Net LP IRR: 11.4%
- **Dover Street VIII L.P.** ("Dover VIII" – 2012 vintage): a buyout fund with a diverse allocation across consumer discretionary, healthcare, financials, technology, and etc.
 - Dover VIII completed its portfolio construction in 2016 and its initial term ended on July 1, 2022. The life of the Fund has been extended to July 1, 2023 in order to provide additional time to maximize the remaining value of the Fund.
 - During the first half of 2022, Dover VIII reached an agreement to sell a meaningful portion of its remaining holdings to a secondary buyer. A significant majority of the sale closed over the second half of 2022, resulting in multiple distributions of sale proceeds in the third and fourth quarters. HarbourVest will consider additional asset sales as secondary market conditions allow.
 - During the first three quarters of 2022, Dover VIII's cumulative portfolio performance remained strong, with a total value of 2.0x funded capital at September 30

- The Dover VIII portfolio generated net proceeds of \$320.0 million during the first three quarters of 2022. At September 30, distributions total \$5.8 billion, 1.8x funded capital, an increase from 1.7x at year-end 2021.
- Fund Stats (as of 9/30/22):
 - Total Fund Size: \$3.592 Billion
 - Remaining Value: \$502.2 Million
 - % Called from Limited Partners Overall: 92%
 - Net LP DPI: 1.56x
 - Net LP TVPI: 1.70x
 - Net LP IRR: 19.7%
- **HarbourVest International Private Equity Partners V-Partnership Fund L.P.** (“HIPEP V Partnership” – 2005 vintage): making primary fund and secondary investments in Europe, Asia Pacific, and the Rest of the World.
 - Following the end of HIPEP V Partnership’s initial term on June 30, 2019, the Fund’s Limited Partners (“LPs”) agreed to extend the life of the Fund for two additional years at a reduced management fee, and the termination date was extended to June 30, 2021.
 - In June 2021, LPs approved an additional one-year extension that expired on June 30, 2022. The Fund is currently in its fourth extension year, as agreed by the LPs, with no management fee charged. Accordingly, the termination date of the Fund has been extended to June 30, 2023.
 - During 2022, HarbourVest signed a purchase and sale agreement to sell several of the remaining assets from the HIPEP V Program. As a result of the transaction, HIPEP V Partnership will experience accelerated liquidity, when combined with additional near-term organic liquidity. Following the sale there will still be some remaining assets with value in the Fund, however HarbourVest continues to actively monitor the underlying portfolios and encourage managers to seek liquidity while investigating potential secondary sales to opportunistically divest select assets. The transfer of assets is in process, the first close on the transaction occurred on December 31, 2022 with a subsequent transfer of assets expected to occur in 2023.
 - The HIPEP V Partnership portfolio generated proceeds of €26.2 million during the first three quarters of 2022. Cumulative proceeds total €4.3 billion, 1.7x funded capital, at September 30.

- Fund Stats (as of 9/30/22):
 - Total Fund Size: €2.375 Billion
 - Remaining Value: €49.0 Million
 - % Called from Limited Partners Overall: 96%
 - Net LP DPI: 1.63x
 - Net LP TVPI: 1.66x
 - Net LP IRR: 8.0%

3. Secondary market update

- Trends in the secondary market are bullish. 2022 volume exceeded \$100 billion with over 1,000 sellers. HarbourVest was 7% of volume, given their scale/size. GP-led market share has been approximately 50% in the past three years, up from ~30%.
- Markets remain undercapitalized, and the volume of secondary transactions in 2021 was around the same level of total available capital in the secondary market.
- A combination of the massive run-up in the public markets in 2021, the enormous volume of private equity deal flow in 2021, market volatility in 2022, and the lack of distributions has presented an attractive pricing environment where high-quality buyout funds in the US and Europe are now trading for the low 80s, which is a pricing level that they haven't seen since the global financial crisis.
 - The Manager closed a transaction with two brand name US GPs for 76 cents on the dollar. Those portfolios, 18 months ago, would have traded in the 90s or par. They also had two recent deals in the low 80s with quality names like Thoma Bravo, Warburg Pincus, Hellman & Friedman.
- HarbourVest Strategy:
 - They focus on complex transactions with structured liquidity solutions, GP-led, and LP deals. They also partner with LPs to provide them with new capital to invest in new funds or distribute to their constituents through a joint venture structure.
 - Sourcing is primarily outbound from HarbourVest. In most transactions, HV is the largest investor in the transaction. Often HV co-leads with another group. They like to be one of the largest checks to allow them to structure terms.

- They focus on asset quality, GP quality, asset valuation, and alignment when underwriting deals. Alignment and GP quality are most important – they hold the keys and drive value. They want to avoid seeing GPs de-risk a trade by taking money out. GPs need to roll most of their carry and commitment into new funds. They always look at valuation and dig in on that to see if it's reasonable.
- They focus on multi-asset deals, given the inherent diversification. For single assets, the bar is higher for those deals with a 10% cap on allocation. They want to buy from the best and highest conviction managers.
- Dover XI targets 1% invested on each single asset deal vs. 1.5% on multi-asset. They aim for advisory board seats on the continuation vehicle.