



## SEARCH

 

## Buyout pricing ends 3-year rise – Elm Capital

by **Adam Le** on 10 OCTOBER 2016 in **News, Research & Data**

Pricing for buyout fund stakes fell in the first half of this year – the first half-yearly drop since 2013 – due to volatile public markets and uncertainty surrounding Brexit and the US presidential election, according to a report by advisory firm [Elm Capital](#).

Median high bids for interests in the strategy fell to 95 percent of net asset value during the six months to 30 June, down from 100 percent in the second half of last year, according to Elm's First Half 2016 Secondary Newsletter. The firm used data from its daily activities and observations from its own dealflow.

The firm cited a volatile stock market, low commodity prices, the slowdown of activity in China and expectations of a rise in US interest rates as reasons for the drop in pricing.

Pricing for buyout stakes has risen or plateaued every six months since the first half of 2013 when it was at 89 percent of NAV, according to Elm's data.

Venture funds, on the other hand, had a sharp rise in pricing with median high bids shooting to 88 percent of NAV from 76 percent a period earlier amid a greater supply of high-quality funds coming to market. This increase in supply was driven by limited partners' fears that valuations for so-called "unicorns" have reached levels not supported by the fundamentals, the report noted.

[Elm](#) noted that actual transaction prices were around or above its median bids, with buyers willing to pay par or premiums for stakes in large and mid-cap US and European buyout funds with diverse portfolios and predictable distributions.

Despite this, the proportion of bids at par and above fell to 28 percent from 36 percent between the first half of the year and the previous period.

Sellers who brought portfolios to market were ultimately very selective about the funds they sold and only did so when they could receive 90 percent of NAV, according to the report, which noted that average pricing across all fund strategies during the first half fell to 93 percent of NAV from 98 percent.