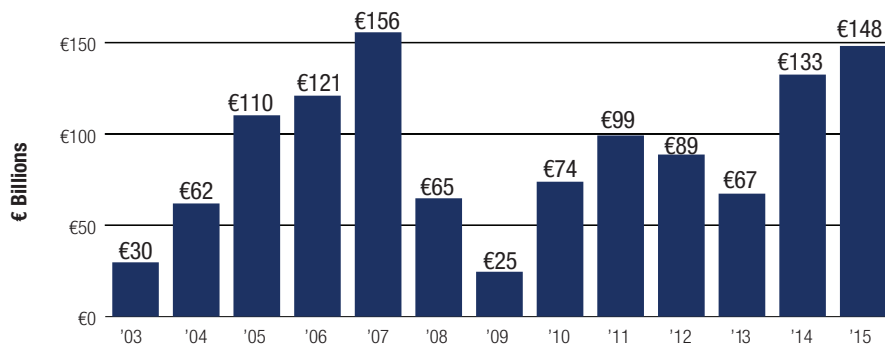


REGIONAL INSIGHTS: EUROPE

HarbourVest's London-based Managing Director David Atterbury and Analyst Angus Walker look at key macroeconomic, private markets, and manager sentiment trends in Europe.

HEALTHY EXIT, DEAL, AND FUNDRAISING ACTIVITY MARKS A GOOD YEAR

M&A Exits



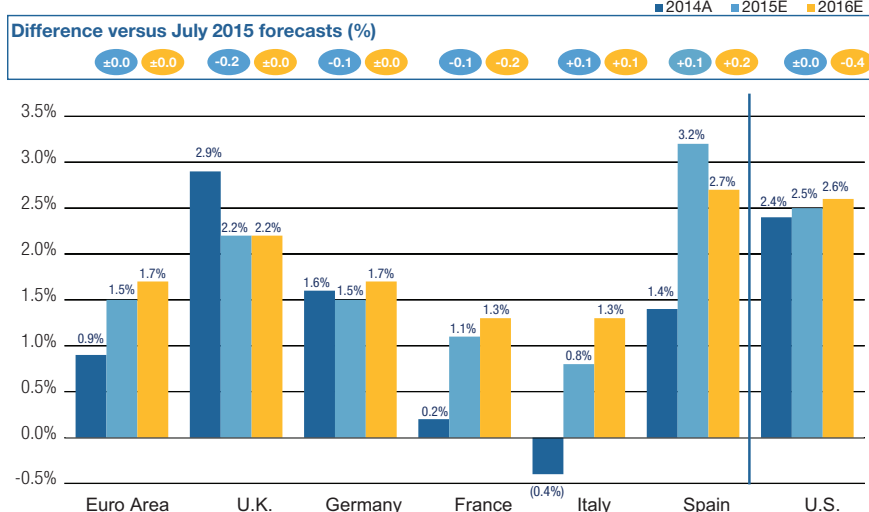
Source: Incisive Media, MergerMarket as of January 12, 2015. Selection of European IPOs distributed to HarbourVest funds.

- > The European private equity markets remained buoyant over 2015 as demonstrated by M&A activity and IPO exits (the HarbourVest portfolio benefited from exposure to 12 IPOs, including the four largest of the year).
- > Taking advantage of increased appetite, managers saw a 42% jump in fundraising over 2014 supported by a number of large-cap funds.
- > Mirroring the wider M&A space, deal activity for the year also reached a post-Global Financial Crisis high with transaction volumes up 38% over 2014, driven in large part by deals less than €1 billion which were up 75%.
- > Record levels of fundraising and an elevated pricing environment (near 2007 levels) have left managers with large amounts of dry powder heading into 2016.
- > In 2016, exit and M&A activity are expected to moderate slightly given the knock-on effect of U.S. credit markets tightening and global economic sentiment turning negative.

STABLE EURO AREA OUTLOOK

Modest Growth Continues into 2016

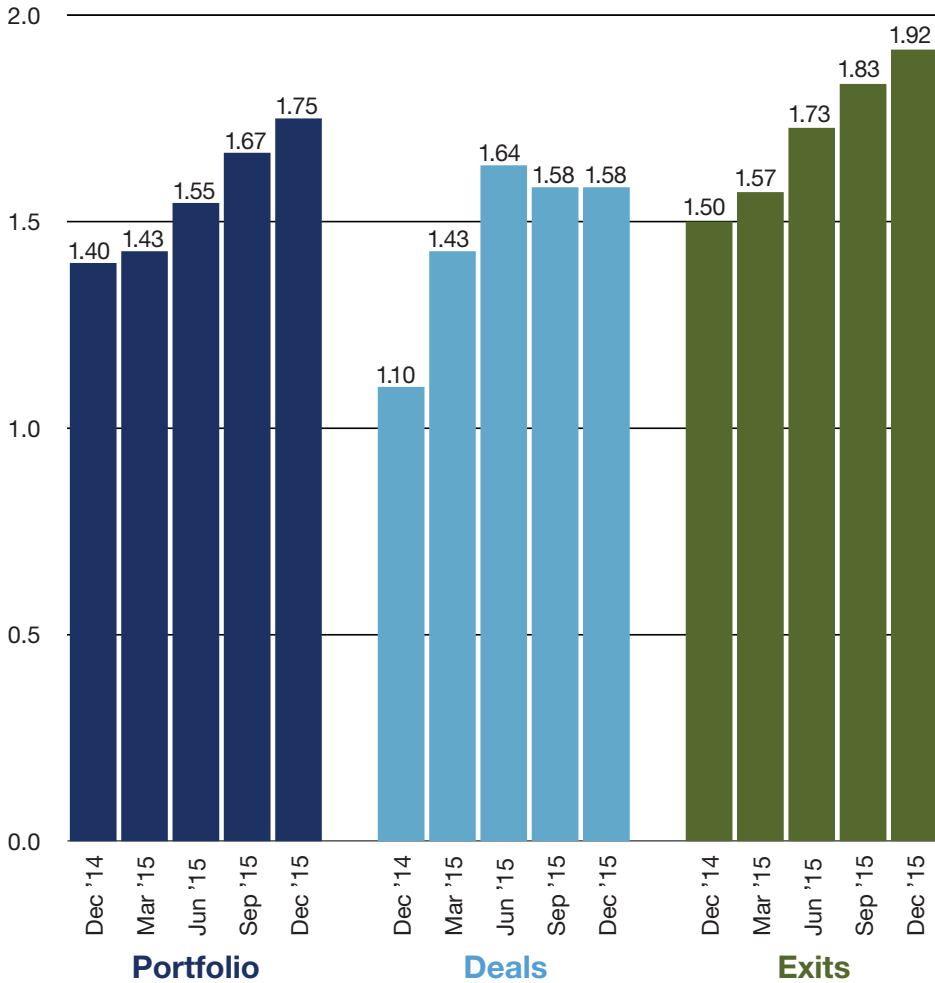
IMF GDP Data



Source: IMF World Economic Outlook, January 2016

- > European financial markets have been correcting from first half 2015 highs following investor wariness over the economic slowdown in China and the plunge in oil prices.
- > Consensus for 2016 Eurozone growth remains modest at 1.5% to 1.8%, trailing the U.S. but carrying forward momentum built over 2015.
- > Macroeconomic tailwinds driving 2016 growth include the European Central Bank's accommodative monetary policy and the willingness of banks to resume lending after six years of balance-sheet repair.
- > Loose monetary policy has also contributed to a 12% trade-weighted depreciation of the euro in the last 18 months, providing stimulus to Eurozone exporters.
- > Caution: the transitory nature of these economic tailwinds suggests that a self-sustaining economic recovery in the Eurozone is still in its infancy.

AVERAGE MANAGER SENTIMENT SCORE



Source: HarbourVest

The HarbourVest manager sentiment index is a qualitative assessment of our general partners' (GPs) current portfolio performance, deal activity, and exits. This information is gathered as part of our ongoing discussions with the European GPs in our portfolio.

- > Consistent with activity in the broader market, portfolio company and exit metrics displayed an upward trend through early 2016 while deal sentiment closed the year flat.
- > Despite some problematic peak-vintage funds, performance and EBITDA growth at portfolio companies continued to be strong, offsetting weakening market comparables and a fall in the euro.
- > 2015 closed with a high level of deal activity, with GPs cautious about elevated pricing across all markets but willing to pay more for quality assets.
- > Reflecting the strong exit year, GP sentiment for this metric reached the highest level of all indicators as sponsors proactively exited and liquidated older vintage funds, although in some cases retained meaningful residual exposure to public market volatility.

For additional legal and regulatory information please refer to [important legal disclosures](#).