Almost 50 funds due to terminate between now and 2019

Over the coming two years 47 funds owning €8.5 billion of assets have their termination dates scheduled. Of the total 47 funds which are due to terminate between 2017 and 2019, there are 27 funds terminating in 2017, 13 in 2018 and seven the year after. By size the NAVs are split as follows: €5.6 billion in 2017, €1.6 billion in 2018 and €1.3 billion in 2019. Funds terminating in 2017 are therefore much bigger on average than funds terminating over the next two years with funds terminating in 2018 being the smallest of the group.

The average NAV of funds terminating in 2017 is €206.3 million, while it is €121.9 million for funds terminating in 2018, and €191.8 million for funds terminating a year after.

With regards to country strategy, fund terminations are almost evenly split between multi country and single country vehicles in 2017. Next year, the trend reverses, with most terminating funds being single country (61.5%) vehicles. The year after termination numbers mirror those of 2017 with 71.4% of funds in termination being multi country.

When looking at fund terminations by sector strategy, there is a notable difference between the pattern this year and the pattern in the following two years. Of the 27 funds terminating in 2017, 44.4% are multi sector

Figure 1: Funds terminating between 2017 - 2019 by number of vehicles and size

<table>
<thead>
<tr>
<th>By number of funds</th>
<th>Remaining funds</th>
<th>Funds terminating between 2017 - 2019</th>
<th>Terminating in 2017</th>
<th>Terminating in 2018</th>
<th>Terminating in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>74.2%</td>
<td>25.8%</td>
<td>14.8%</td>
<td>7.2%</td>
<td>3.8%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>By NAV (€ billion)</th>
<th>Remaining funds</th>
<th>Funds terminating between 2017 - 2019</th>
<th>Terminating in 2017</th>
<th>Terminating in 2018</th>
<th>Terminating in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>72.7%</td>
<td>27.3%</td>
<td>17.9%</td>
<td>5.1%</td>
<td>4.3%</td>
<td></td>
</tr>
</tbody>
</table>

> Extending funds outperform liquidating funds
> Extension is the most popular option
> Funds that extend tend to have better historic returns than liquidating funds

‘Current market circumstances are the most important drivers of termination decisions’

The average NAV of funds terminating in 2017 is €206.3 million, while it is €121.9 million for funds terminating in 2018, and €191.8 million for funds terminating a year after.
and 55.6% are single sector. In 2018, 61.5% are multi sector and 38.5% are single sector. The year after the split between multi and single sector being 57.1% and 42.9% respectively.

In terms of style, value added vehicles will comprise the largest share of total NAV (46.4%) scheduled to terminate in 2017. In 2018 and 2019, core will dominate terminations.

Turning to the factors affecting termination decisions, in the survey part of this year’s study fund managers could indicate one or more reasons that drive their termination strategy.

In this context, 35.3% of the 34 respondents stated that current market circumstances are the most important driver. Terms set for termination options in fund documentation are more important than quality of the portfolio. Last year both issues jointly occupied the second top spot. Interestingly, debt issues were not considered as being relevant in deciding on termination options this year.

There is evidence of a connection between termination status and performance. This was not the case in the period over 2007 to 2009 when extending funds and liquidating funds moved in the same direction. But since then a gap has developed.

In 2015 it stood at 14.2%, with extending funds delivering 8.0% return and liquidating funds delivering -6.2%. However, in 2016 the gap narrowed to 4.3%, with extending funds delivering 9.9% return and liquidating funds delivering 5.6% over the course of the year.

For further details contact research@inrev.org.

The full report is available to members at inrev.org/library/publications.