



Private Equity Horizon Returns

Vasilisa Starodubtseva compares private equity horizon returns vs. public indices and horizon returns by geographic focus as at Q4 2012.

Private Equity Performance vs. Public Indices

Private equity horizon returns offer an insight into the performance of private equity funds over a specified period of time, rather than over the lifetime of an individual fund. Preqin calculates horizon IRRs from cash-flow data and holds data on over 2,300 private equity funds. It is important to note that private equity is an illiquid asset class, which requires investors to commit financially over a long period of time, and hence comparisons to a short-term, liquid asset class, depicted within the public indices, should be approached with caution.

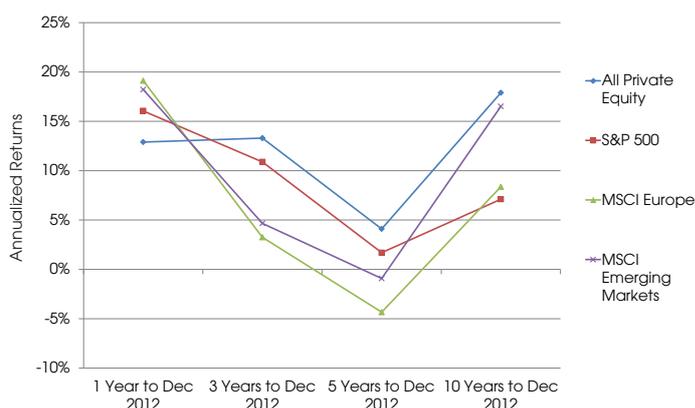
Fig. 1 shows the horizon returns for the entire private equity industry and three public indices: S&P 500, MSCI Europe and MSCI Emerging Markets. Private equity generated returns of 12.9% over the one-year period to 2012, while the S&P 500, MSCI Europe and MSCI Emerging Markets generated returns of 16.1%, 19.1% and 18.2% respectively. However, in the three-year, five-year and 10-year period to December 2012, private equity returns exceeded those of the public indices, attaining 13.3%, 4.1% and 17.9% respectively. Comparatively, the MSCI Europe was seen to report the highest for the one-year returns of 16.1%, and the lowest for the five-year returns of just 1.7%. The S&P 500 reported returns of 10.9% and 16.5% over the same time periods, while the MSCI Emerging Markets reported returns of 18.2% and -0.9%.

Regional Horizon IRRs

Fig. 2 shows the horizon IRRs by region, over the one-year, three-year and five-year time periods to December 2012. It is evident that in the one-year period, Asia reported the lowest horizon returns at 5.1%, while Europe reported the highest at 14.2%. The gap then narrows, with both North America-focused and Europe-focused funds reporting returns of 13.6%, and Asia-focused funds reporting returns of 9.0% in the three-year period to December 2012.

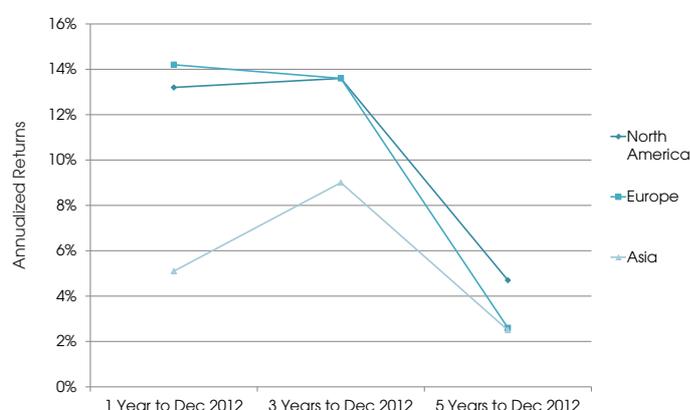
In the five-year period to December 2012, all three regions report a decline in returns, converging at around the 4% mark, with North America-focused funds reporting 4.7%, Europe-focused funds 2.6% and Asia-focused funds 2.5%. However, the ongoing market instability in Europe may lead to lower returns being reported in March and June 2013.

Fig. 1: Private Equity Horizon IRR vs. Public Indices as of 31 December 2012



Source: Preqin Performance Analyst

Fig. 2: Regional Horizon IRRs as of 31 December 2012



Source: Preqin Performance Analyst

Data Source:

Subscribers to Preqin's [Performance Analyst](#) can click [here](#) to view Horizon IRR data across fund strategy and regional focus, as well as on a one-, three-, five- and 10-year rolling basis.

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