

# Private Equity Performance Improves in Emerging Markets

## Emerging markets-focused funds generate higher median net IRRs in newer vintage years

Emerging markets\*-focused private equity funds have seen their average returns notably improve among funds of more recent vintages, matching North America- and Europe-focused vehicles. Among 2014 and 2015 vintage funds, emerging markets-focused vehicles have median net IRRs of 14.7% and 16.6% respectively, outpacing North America-focused funds (11.9% and 13.1% respectively). However, the variation in risk/return profiles of emerging markets-focused funds is higher than for funds focused on established regions: median IRRs of emerging markets vehicles have a higher standard deviation than either North America- or Europe-focused funds. Encouragingly, though, the capital distributed to investors from emerging markets-focused funds outstripped capital calls by a net \$8bn in the first three quarters of 2017, only the second time in which the net capital flow to investors has been positive.

**For more information and analysis, see the full [2018 Private Equity in Emerging Markets](http://docs.preqin.com/reports/Preqin-Special-Report-Private-Equity-in-Emerging-Markets-May-2018.pdf) here:**

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### Key Emerging Markets-Focused Private Equity Facts:

- Median net IRRs for emerging markets-focused private equity funds have remained above 7% for 2005-2015 vintages, and **top-quartile net IRRs have remained above 15%** for 2010-2015 vintages.
- In recent vintages of 2014 and 2015, **emerging markets-focused funds saw median net IRRs of 14.7% and 16.6%** respectively, outpacing North America-focused funds which generated 11.9% and 13.1%.
- The median net IRRs of emerging markets-focused funds of vintage 2005 onwards have a standard deviation of 16%, showing the **greater variance in their returns**. North America-focused funds have a standard deviation of 15%, while for Europe-focused funds it is 12%.
- As at September 2017, **dry powder focused on emerging markets stands at \$275bn**, bringing total assets under management for these vehicles to \$795bn.
- **Capital distributions to investors outstripped capital called up in Q1-Q3 2017**: \$59bn was called up, while \$66bn was distributed back to investors – a net capital flow of \$8bn.
- This was only the second time the net flow of capital to investors has been positive, and surpasses 2015, when a net \$6bn was returned to investors.
- According to Preqin's latest investor surveys, **18% of investors feel that emerging markets present the best opportunities** globally.

### Christopher Elvin, Head of Private Equity Products:

"Despite talk of an over-crowded market and high valuations, emerging markets-focused private equity is on the rise. We've seen emerging markets-focused funds of newer vintages show progressively higher returns, matching and even exceeding North America- and Europe-focused private equity vehicles. In addition to strong performance, we have seen capital distributions outstrip capital calls in the first three quarters of 2017 for emerging markets-focused funds, returning more net capital than ever before to investors.

Private equity dry powder recently exceeded the \$1tn mark, and fund managers and investors are searching around for the best ways to generate returns. With more established regions like North America and Europe becoming ever-more-crowded and expensive deal markets, emerging regions may shine through as a strong contender for private equity to find new space to grow."

**\*Emerging markets includes all countries in Africa, Asia (excluding Hong Kong, Japan and Singapore), Central & Eastern Europe, Latin America (South and Central America and the Caribbean) and the Middle East (excluding Israel).**

*Preqin is the leading source of information for the alternative assets industry, providing insight and analysis gathered by its global teams of dedicated researchers. Founded in 2003, the company is a frequent source of intelligence used in the global financial press, through its online databases, regular publications and bespoke data requests.*

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