

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.

For more information, contact our dedicated press team at press@preqin.com or call (+44) 20 3207 0265.

New York	London	Singapore	San Francisco	Hong Kong	Manila	Guangzhou
+1 212 350 0100	+44 20 3207 0200	+65 6305 2200	+1 415 316 0580	+852 3892 0200		

www.preqin.com / info@preqin.com