

Emerging PE Managers Make an Impact with Prime Performance

Over half of first-time funds of vintages 2003 – 2008 are ranked in top two performance quartiles

Private equity fund managers looking to raise their first funds have reason to be optimistic, the latest Preqin research shows. Over 50% of investors have stated that they will at least consider investing in a first-time or spin-off fund, while performance data suggests that these funds have generated good returns for investors in the past.

Further, despite tough fundraising conditions, since the start of 2011 a number of first-time funds have reached a final close within a year of setting out, suggesting that investors are keen to take advantage of attractive opportunities regardless of manager experience.

First-Time Funds' Historical Performance

Preqin has assigned quartile rankings to first-time funds of vintages 2003 – 2008, giving equal weighting to net IRR and net multiple, and benchmarking the funds according to fund type, vintage and geographic focus. The results show that 36% of first-time funds are ranked in the top performance quartile, while a further 22% are in the second quartile.

Investors and First-Time Funds

- 19% will invest in first-time funds and an additional 15% will consider doing so in the next 12 months
- A further 17% will invest in funds raised by spin-out firms but not other first-time funds

Raising Capital for First-Time Funds:

- First-time funds have accounted for an average of 28% of funds and 14% of total capital raised each year since 2005
- First-time funds spent an average of 14.2 months on the road in 2007, 15.7 months in 2008 and 20.5 months in 2009
- Average time spent fundraising for first-time funds closed 2011 to date is 20.2 months

Click this link to see the full report:

http://www.preqin.com/docs/newsletters/PE/Preqin_Private_Equity_Spotlight_September_2011.pdf

Comment:

The private equity fundraising environment is extremely competitive, but there is evidence that despite the difficulties, emerging managers are successfully raising funds. While investors place a lot of importance on a fund manager's past performance, they are keen to take advantage of highly attractive opportunities. With 36% of first-time fund managers going on to manage top quartile funds, it is perhaps not surprising that more than half of investors in private equity funds will consider backing a first-time or spin-off fund.

Helen Kenyon, Company Spokesperson

**About Preqin:**

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Note to editors:

- Preqin is spelled without the letter 'U' after the 'Q'.

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