

This report is an excerpt from: **Preqin Quarterly: Private Equity, Q3 2012**. To download the full report please visit: [https://www.preqin.com/docs/quarterly/PE/Private\\_Equity\\_Quarterly\\_Q3\\_2012.pdf](https://www.preqin.com/docs/quarterly/PE/Private_Equity_Quarterly_Q3_2012.pdf)

# Performance Update

**P**reqin currently holds net-to-LP performance data for over 6,000 private equity funds, representing approximately 70% of all capital ever raised by the industry in terms of aggregate value. By using data from Performance Analyst, Preqin has analyzed the most up-to-date fund returns generated by private equity partnerships in order to provide an independent and unbiased assessment of the private equity industry.

The median net IRRs and quartile boundaries by vintage year for all private equity are shown in Fig. 49. The top quartile boundary is positive for all vintage years; 2002 vintage funds have the highest top quartile boundary, with returns of at least 24.0% required to be in the top quartile for this vintage. The bottom quartile boundary is also positive for most vintage years and only falls into negative territory for vintage years 1999 and 2006.

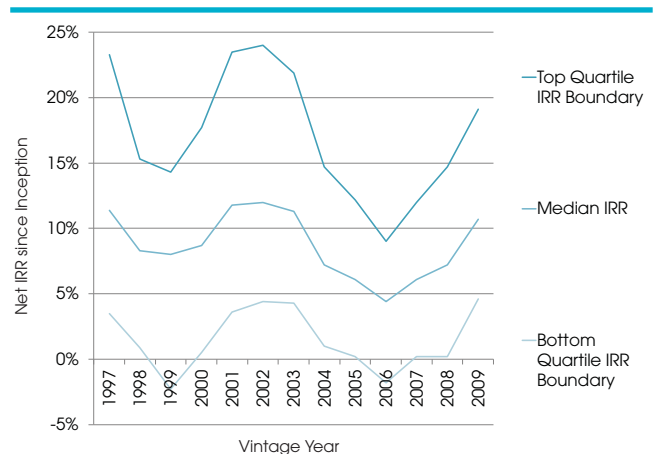
Fig. 50 shows the median net IRRs by geographic focus and vintage year for all private equity. The graph shows that vintage 2001 Asia and Rest of World-focused funds currently have the highest median net IRR, with a figure of 28.0%. For vintage years 1999-2005, Europe-focused funds outperform North America-focused funds, while North America-focused funds are showing higher returns for more recent vintage years. However, these funds are still early in their fund lives and returns could change as fund managers seek to add value to their investments.

Fig. 51 shows the risk and return profiles for the main private equity fund types, using funds with vintage years between 1999 and 2009. The levels of risk and return for each strategy are represented by the standard deviation of the net IRRs and the median net IRRs respectively, with the size of each sphere representing the size of each strategy in terms of total capital raised. Strategies appearing to the right of the chart are achieving the best performance and those carrying the highest risk appear higher up the chart. Therefore the strategies representing the best risk and return trade-offs are positioned towards the bottom right of the chart. The graph shows that natural resources funds currently have the highest median returns of 16.4%, but also the highest level of risk, with a standard deviation of 23.7%. Funds with an early stage strategy have the lowest median IRR of -0.5%; mezzanine funds involve the least risk, with a standard deviation of net IRRs of 6.1%. Making a direct comparison of the risk and returns between private equity strategies should be assessed with caution, as the different characteristics of each investment strategy should be taken into account, as well as each strategy's contribution to an overall portfolio.

Preqin's Performance Analyst features the latest, fully transparent net-to-LP performance data. Want to see industry level data? Benchmark your fund against its peers? We can help. For more information please visit:

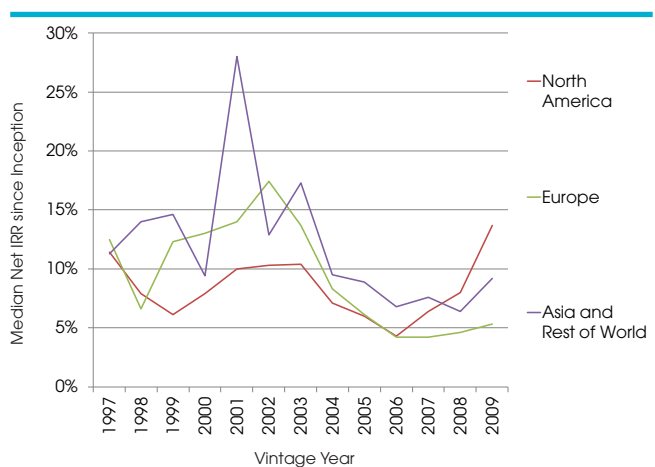
[www.preqin.com/pa](http://www.preqin.com/pa)

Fig. 49: All Private Equity - Median Net IRRs and Quartile Boundaries by Vintage Year



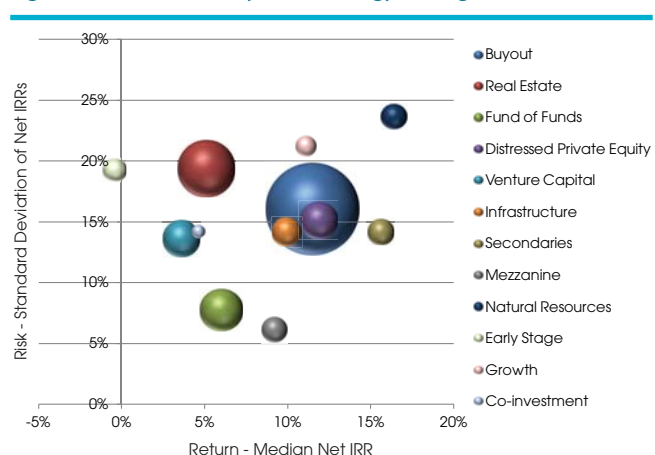
Source: Preqin Performance Analyst

Fig. 50: All Private Equity - Median Net IRRs by Fund Primary Regional Focus and Vintage Year



Source: Preqin Performance Analyst

Fig. 51: Risk and Return by Fund Strategy (Vintages 1999 to 2009)



Source: Preqin Performance Analyst