

Content Includes:

### Private Equity Horizon IRRs

An analysis of private equity performance vs. public indices, as well as rolling one-year horizon returns, and a focus on buyout and regional horizon IRRs.

### Changes in NAV

We examine the changes in NAV by fund type and buyout fund size.

### Listed Private Equity Funds: Trends and Developments

We provide a breakdown of the quarterly changes in net asset value per share (NAVPS) and share prices for listed private equity.

### Performance by Vintage

A look at the median net IRR by fund type, J-curves of net IRR.

### PrEQIn Index

We examine Preqin's Private Equity Quarterly Index across various fund types alongside the S&P 500.

# Preqin Private Equity Performance Update

## Fund Performance Data as of Q1 2013 October 2013



# Fund Performance Data as of Q1 2013

Preqin currently holds transparent net-to-LP performance data for over 6,500 private equity funds across all the main private equity fund strategies and geographic regions. This represents around 70% of all capital raised by the industry in terms of aggregate value. Preqin has analysed the returns generated by private equity partnerships as of 31st March 2013 using data from Performance Analyst to provide an unbiased assessment of the private equity industry.

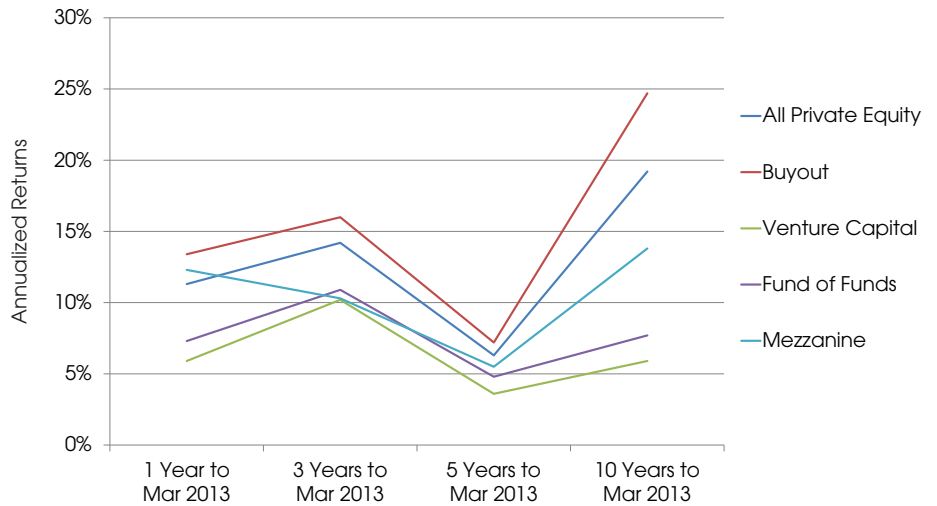
For more information on Performance Analyst, the private equity industry's leading source of fund performance data, please visit: [www.preqin.com/pa](http://www.preqin.com/pa)

## Private Equity Horizon IRRs

The one-, three-, five- and 10-year horizon returns as of 31st March 2013 for some of the main private equity fund types are shown in Fig. 1. Across all timeframes, each fund type is showing positive returns, with buyout funds showing the highest horizon return over the one-year period of 13.4%. The private equity industry as a whole has returns of 11.3%, with all other fund types generating returns in the range of 5.9% to 12.3%.

Buyout funds also have the highest horizon returns over the three- and five-year periods, generating returns of 16.0% and 7.2% respectively. Returns generated by each fund type are at their lowest across the five-year period and range between 3.6% and 7.2%.

Fig. 1: Private Equity Horizon IRRs as of 31 March 2013



Source: Preqin Performance Analyst

The gap between returns generated by each fund type over the 10-year timeframe is much wider, with buyout funds again generating the highest return of 24.7%. This is in contrast to venture capital funds, fund of funds and mezzanine funds, which return 5.9%, 7.7% and 13.8% respectively.

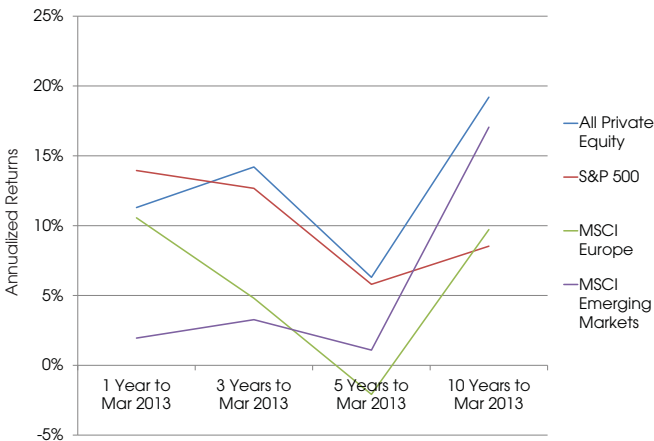
## Private Equity Performance vs. Public Indices

The annualized returns over the one-, three-, five- and 10-year periods to 31st March 2013 for private equity, and for a selection of public indices, are shown in Fig. 2. Over the one-year period, the S&P 500 has generated a return of 14.0%,

outperforming private equity, MSCI Europe and MSCI Emerging Markets, which report 11.3%, 10.6% and 2.0% respectively.

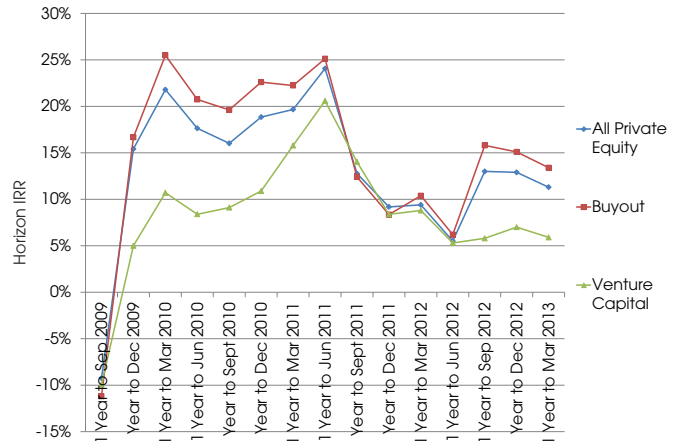
Over the longer timeframes of three-, five- and 10 years, private equity outperforms all public indices shown. All of the public indices generate positive returns across each timeframe with the exception of MSCI Europe, which falls into the red over five-years. It should be noted that any comparisons made between private equity and public markets should be viewed with caution and in the correct context, as private equity is an illiquid asset class where investors' capital is locked up for a long period of time.

Fig. 2: Private Equity Horizon IRRs vs. Public Indices as of 31 March 2013



Source: Preqin Performance Analyst

Fig. 3: Rolling One-Year Horizon IRRs



Source: Preqin Performance Analyst

Rolling One-Year Horizon Returns

Fig. 3 shows the rolling one-year horizon IRRs from September 2009 to March 2013 for buyout funds, venture capital funds and all private equity funds. One-year returns to 30 September 2012 for buyout funds and for the private equity industry as a whole are noticeably higher than for the one-year period to 30 June 2012. Venture capital funds show a relatively smaller increase over this time period. For the one-year period to 31 March 2013, buyout funds generate returns of 13.4%, venture capital, 5.9%, and the private equity industry as a whole returns 11.3%.

The graph shows that returns from buyout funds and all private equity follow each other closely. With buyout funds accounting for the largest amount of capital in the private equity industry, it is unsurprising to see such a high correlation. Venture capital funds show a similar trend but to a lesser extent, with smaller losses during the downturn and smaller gains during the recovery.

Buyout Fund Horizon IRRs by Fund Size

Fig. 4 shows the horizon returns for buyout funds by size through March 2013. Over the one-year period, mega and small buyout funds are generating the highest returns, with 14.6% and 14.4% respectively. Across the three-year time period, mega buyout funds are again showing the highest returns of 16.9%, with small and mid-sized buyout funds generating the highest returns over five-years at 9.4% and 7.7% respectively.

Regional Horizon IRRs

Horizon returns for funds of different primary region focus are shown in Fig. 5. The graph shows that one-year returns for funds focusing primarily on North America stand at 12.7%, whereas for Europe- and Asia-focused funds, the one-year returns stand at 9.2% and 6.5% respectively. Each region shows higher returns over the three-year period, with Europe-focused funds showing the highest three-year return of 15.6%. Across the five-year period, North America-focused funds post returns of 6.8%, Europe-focused funds, 5.0% and Asia-focused funds 3.9%.

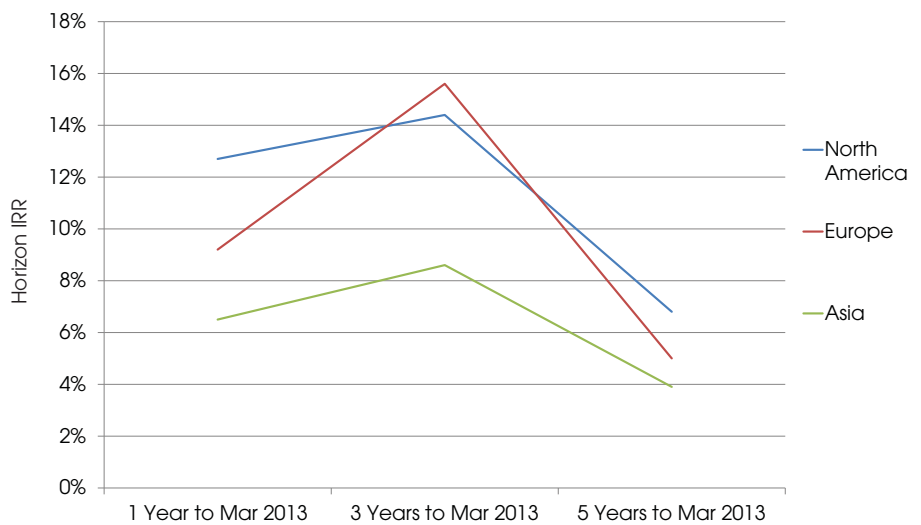
Fig. 4: Buyout Fund Horizon IRRs by Size\* as of 31 March 2013



Source: Preqin Performance Analyst

\* Size ranges:  
 Vintage 1992-1996: Small Buyout ≤ \$200mn, Mid Buyout \$201-500mn, Large Buyout > \$500mn  
 Vintage 1997-2004: Small Buyout ≤ \$300mn, Mid Buyout \$301-750mn, Large Buyout \$751mn-\$2bn, Mega Buyout > \$2bn  
 Vintage 2005-2012: Small Buyout ≤ \$500mn, Mid Buyout \$501mn-\$1.5bn, Large Buyout \$1.51-4.5bn, Mega Buyout > \$4.5bn

Fig. 5: Horizon IRRs by Fund Primary Region Focus as of 31 March 2013



Source: Preqin Performance Analyst

Changes in NAV

All Private Equity – Annual Change in NAV

Fig. 6 shows the one-year changes in net asset values (NAV) for all private equity funds from June 2012 to March 2013. The largest non-weighted changes in valuations are seen in the year to September 2012, with a non-weighted increase of 9.2%; for the weighted metric the greatest changes in valuations are seen in the year to December 2012, with a weighted increase of 11.6%. The weighted change in NAV takes into consideration fund sizes; as a result, larger funds have

a greater impact on the average. In all one-year periods, the weighted change in NAV was greater than the non-weighted change in NAV, except for in the year to June 2012, when the weighted average change exceeded the non-weighted average change, implying that smaller funds outperformed larger funds in this period.

Quarterly Change in NAV by Fund Type

Fig. 7 shows the non-weighted quarterly changes in NAV for the different private equity investment strategies. For the private equity industry as a whole, average

change in NAV from the previous quarter has risen successively from Q2 2012 in each quarter to Q1 2013. For all fund types the highest changes in valuations are seen in either Q4 2012 or Q1 2013 with the exception of secondaries, which see the highest changes in valuations in Q3 2012. Examining the latest quarter, buyout and distressed private equity saw the greatest increase in valuations, of 3.4% and 3.1% respectively. In contrast, mezzanine was the only fund type with a change in NAV in negative territory in the quarter, at -1.0%.

Quarterly Change in NAV by Buyout Fund Size

Fig. 8 shows the quarterly changes in valuations by buyout fund size. The change in NAV is positive for all buyout fund sizes across all quarters, apart from large buyout funds in Q2 2012, which saw a change of -0.6%. Mega buyout saw the greatest quarterly changes in Q2 2012, Q3 2012 and joint greatest in Q1 2013, at 1.7%, 4.3% and 3.7% respectively. Across all sizes, the average quarterly change in NAVs are significantly lower in Q2 2012 than they are in succeeding periods.

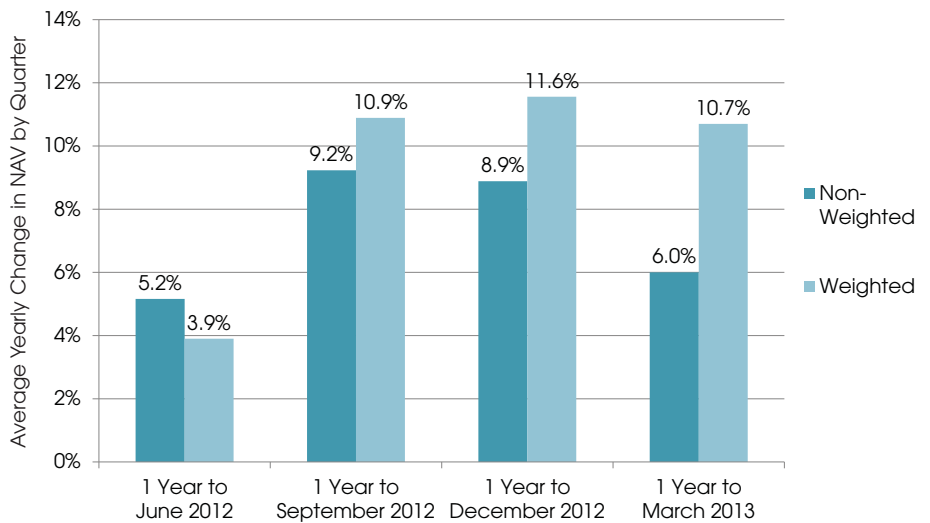
Listed Private Equity Funds: Trends and Developments

The listed private equity market offers investors an alternative to traditional closed-end private equity fund investments; it offers exposure to the sector without having to commit large amounts of capital for long periods of time. By reporting their results earlier than unlisted private equity funds, listed private equity funds provide an indicator of the general sector trends of the more traditional private equity funds.

Average Change in NAVPS and Share Price of Listed Private Equity by Quarter

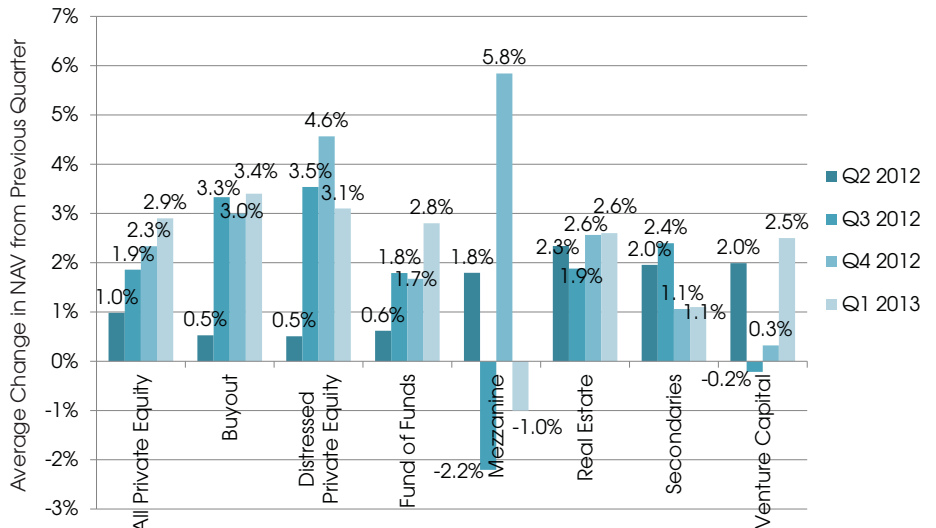
Fig. 9 shows the quarterly changes in net asset value per share (NAVPS) and share prices for listed private equity. Share prices increased on average in each quarter over 2012 and have continued to do so in through to Q2 2013 (the latest quarter of data available). Similarly, the NAVPS has also shown average quarter-on-quarter increases, from 1.0% in Q3 2012, to 1.5%, 4.4% and 4.5% in Q4 2012, Q1 2013 and Q2 2013, respectively.

Fig. 6: All Private Equity - Annual Change in NAV



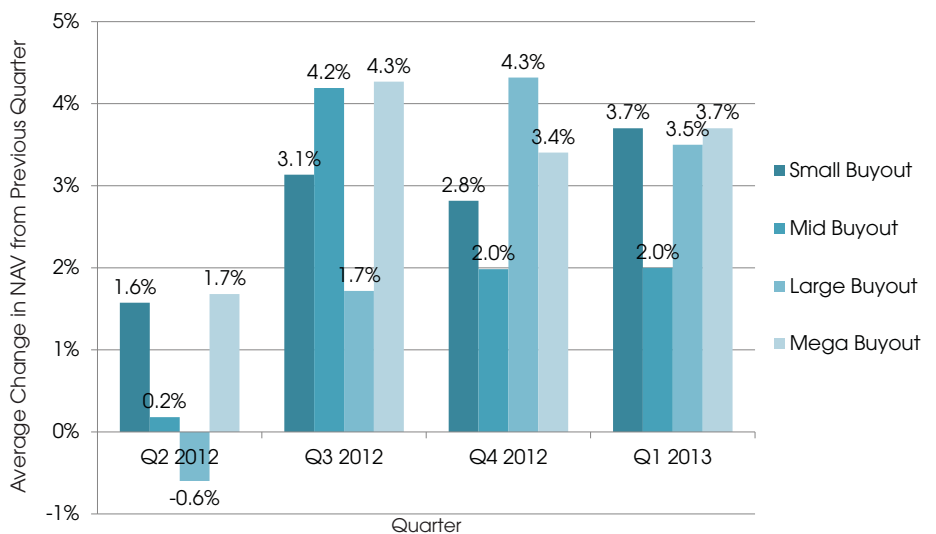
Source: Preqin Performance Analyst

Fig. 7: Quarterly Change in NAV by Fund Type (Non-Weighted)



Source: Preqin Performance Analyst

Fig. 8: Quarterly Change in NAV by Buyout Fund Size\*



Source: Preqin Performance Analyst

\* Size ranges:  
 Vintage 1992-1996: Small Buyout ≤ \$200mn, Mid Buyout \$201-500mn, Large Buyout > \$500mn  
 Vintage 1997-2004: Small Buyout ≤ \$300mn, Mid Buyout \$301-750mn, Large Buyout \$751mn-\$2bn, Mega Buyout > \$2bn  
 Vintage 2005-2012: Small Buyout ≤ \$500mn, Mid Buyout \$501mn-\$1.5bn, Large Buyout \$1.51-4.5bn, Mega Buyout > \$4.5bn

**Performance by Vintage**

**Median Net IRRs by Fund Type**

Displayed in Fig. 10 are the median net IRRs as of 31st March 2013 for buyout, venture capital, real estate and the private equity industry as a whole. Across the strategies the highest median net IRRs are generated by funds with a vintage year between 1999 and 2003, with vintage 2001 buyout funds yielding the highest median net IRR of 30.0%. However, this is not the case for venture capital funds which report comparatively lower median net IRRs post the dot-com bubble burst.

The more recent vintages 2009 and 2010 show median returns ranging between 9.7% and 15.8%. It is important to remember that these funds are still at the early stages of their investment lifecycle so their performance returns are likely to change as these funds mature.

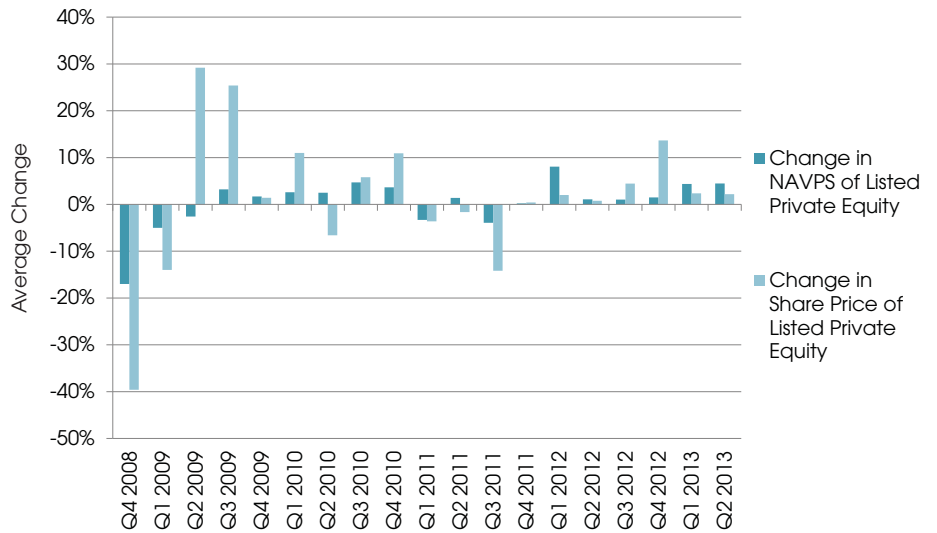
**J-Curves of Net IRR**

Fig. 11 shows the 'J-curve' return trajectories of all private equity funds with vintages 2005 to 2010. The J-curves show the private equity returns for all private equity funds over the life of a fund by plotting the median net IRR for each vintage year at each quarter-end. At the start of a fund's life, the returns tend to be in the red as capital is called up for investments, and over time the returns go into the black as managers add value to their investments and start distributing capital back to their investors. Vintage 2009 and 2010 funds are currently displaying higher median returns of 12.2% and 13.1% respectively compared to earlier vintage years; however, it is important to bear in mind that these returns are likely to change as the funds mature.

**PrEQIn Private Equity Quarterly Index**

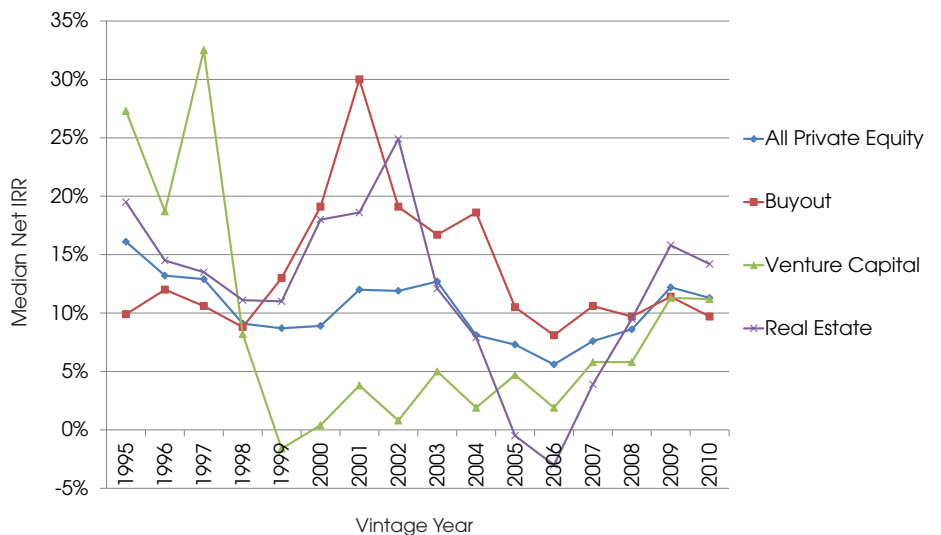
The PrEQIn All Private Equity, Buyout, Venture Capital, Real Estate, Fund of Funds and Distressed Private Equity Indices, together with the S&P 500 rebased to 100 as of 31 December 2000, are shown in Fig. 12. These indices provide insight into the performance of the main private equity fund types in comparison to each other and to the industry as a whole. It is important to note that the latest two quarters are subject to change, with the former being in advanced stages and the

Fig. 9: Change in NAVPS and Share Price of Listed Private Equity by Quarter



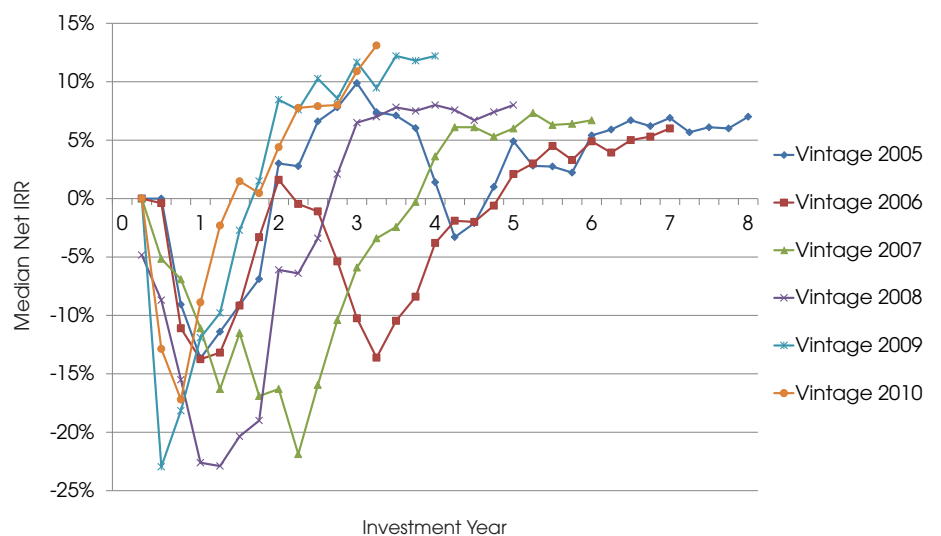
Source: Preqin Performance Analyst

Fig. 10: Median Net IRRs by Fund Type as of 31 March 2013



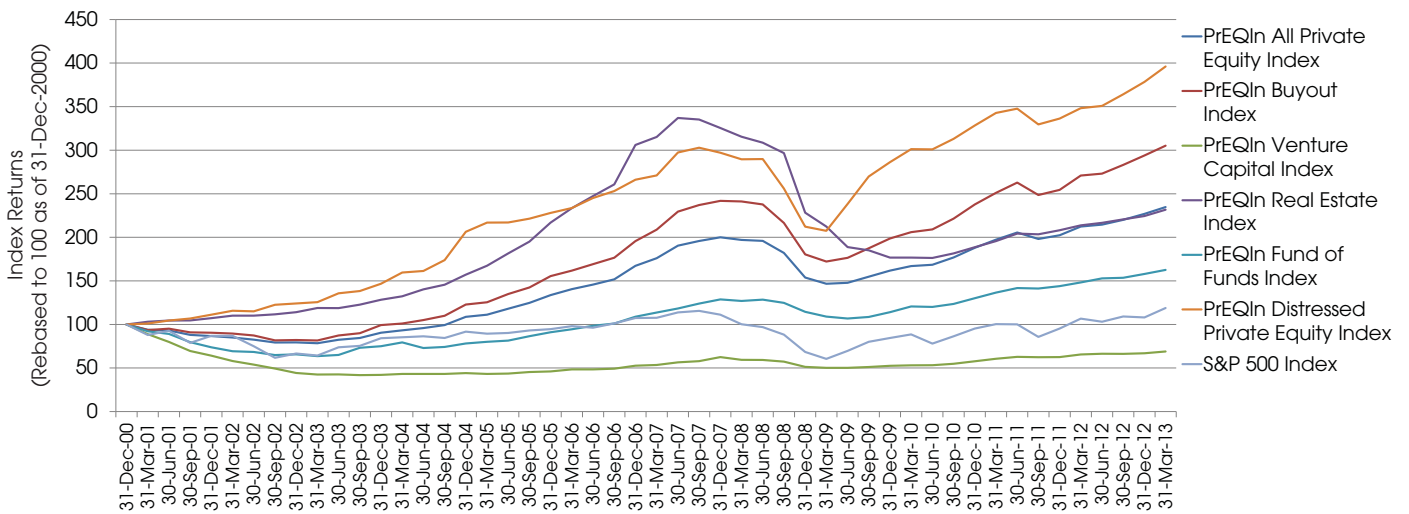
Source: Preqin Performance Analyst

Fig. 11: All Private Equity - J-Curve: Median Net IRRs by Vintage Year



Source: Preqin Performance Analyst

Fig. 12: PrEQIn - Private Equity Quarterly Index: All Strategies



Source: Preqin

latter being in the early stages of data collection.

All of the PrEQIn Indices show consecutive quarterly increases as of Q1 2013. The PrEQIn Distressed Private Equity Index shows the largest quarterly increase of 4.7% over Q1 2013, whilst the smallest quarterly increase of 2.9% was experienced by the PrEQIn Fund of Funds Index in the same period. The PrEQIn All Private Equity Index increased by 3.4% over this quarter and currently stands at 234.7. The best performing private equity strategy since December 2000 is distressed private equity; the PrEQIn Distressed Private Equity Index currently stands at 396.1, followed by the PrEQIn Buyout Index at 305.2. The PrEQIn Real Estate, Fund of Funds and Venture Capital Indices currently stand at 231.7, 162.6 and 69.0 respectively. The S&P 500 Index stands at 118.9 as of 31 March 2013, showing that the returns of all private equity strategies, excluding venture capital, have exceeded this public markets benchmark over the period. It is important, however, to view these returns in context, as private equity is an illiquid asset class with capital locked up over a long period of time, and is also deemed to be higher risk than traditional asset classes.

Data Source:

Preqin's [Performance Analyst](#) contains net-to-LP performance data for over 6,500 individual named funds and generates market benchmarks across all of the main private equity fund types and geographic regions. As well as extensive benchmark coverage, Performance Analyst contains the PrEQIn Index, offering an alternative metric to measure the performance of the private equity industry.

To find out how Performance Analyst can help you, or to register for a demonstration, please visit: [www.preqin.com/pa](http://www.preqin.com/pa)

Register here to get free online access to our Private Equity Performance Benchmarks Module or for more information, please visit our website at [www.preqin.com/benchmarks](http://www.preqin.com/benchmarks)

# Preqin Private Equity Performance Update

## Fund Performance Data as of Q1 2013

### October 2013

Preqin's Private Equity Performance Products offer the most up-to-date and transparent fund performance data and comparative tools available in the industry.

#### Our Performance Data

Our benchmarks are calculated using performance returns for over 6,500 funds taken from our Performance Analyst database. In terms of aggregate value, this represents around 70% of all capital ever raised.

This high level of coverage enables us to produce the most meaningful benchmarking and comparative tools available in the industry.

#### Performance Analyst

Performance Analyst is the industry's most extensive source of net-to-LP private equity fund performance, with full metrics for over 6,500 named vehicles.

With Performance Analyst, you can:

- Compare performance for funds of all types.
- Assess a firm's historic track record by quartile performance.
- Unlimited downloads of performance data to Excel for advanced data analysis.
- View past performance for specific managers against their peer groups.
- View median, pool, weighted and average benchmarks.
- Gain further understanding of the latest trends in the industry.

For more information on Performance Analyst, or to register for a free online demonstration of the service, please visit [www.preqin.com/pa](http://www.preqin.com/pa)

#### About Preqin

Preqin is the alternative assets industry's leading source of data and intelligence. Our products and services are utilized by more than 10,000 professionals located in over 70 countries for a range of activities including:

- Investor Relations
- Fundraising and Marketing
- Market Analysis
- Investment Analysis
- Deal Sourcing

To find out more about the range of services and products offered by Preqin, please visit [www.preqin.com](http://www.preqin.com)

If you want any further information, or would like to request a demo of our products, please contact us:

#### New York:

One Grand Central Place  
60 E 42nd Street  
Suite 630  
New York  
NY 10165

**Tel:** +1 212 350 0100  
**Fax:** +1 440 445 9595

#### London:

Equitable House  
47 King William Street  
London  
EC4R 9AF

**Tel:** +44 (0)20 7645 8888  
**Fax:** +44 (0)87 0330 5892

#### Singapore:

One Finlayson Green  
#11-02  
Singapore 049246

**Tel:** +65 6305 2200  
**Fax:** +65 6491 5365

#### San Francisco:

580 California Street  
Suite 1638  
San Francisco  
CA 94104

**Tel:** +1 415 635 3580  
**Fax:** +1 440 445 9595

**Email:** [info@peqin.com](mailto:info@peqin.com)  
**Web:** [www.preqin.com](http://www.preqin.com)