



Mega Buyout Fund Performance

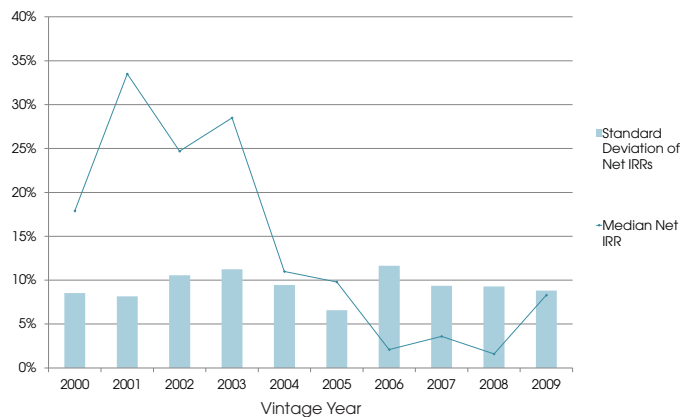
Hayley Wong takes a look at the performance of mega-sized buyout private equity funds.

The 2008 financial crisis reduced the availability of credit, significantly affecting the returns of buyout strategy funds, as these vehicles use leverage in their private equity investments. As a result, these vehicles show variance in vintage year performance.

Fig. 1 shows that median returns for vintages 2000-2004 funds, which were actively investing before the crisis, post the highest median return of 19.2%, coupled with relatively low levels of risk (Fig. 2). Funds that were actively investing around the time of the crisis (vintages 2005-2008) post comparatively lower returns at less than 5%. With the exception of vintage 2005 funds, risk remains at similar levels. Fig. 3 looks at the net returns for all mega buyout funds across all the vintages, showing that 80% of the returns gained by such vehicles are in the black, with 12.0% of mega buyout funds reporting a net IRR of 25.0% or higher.

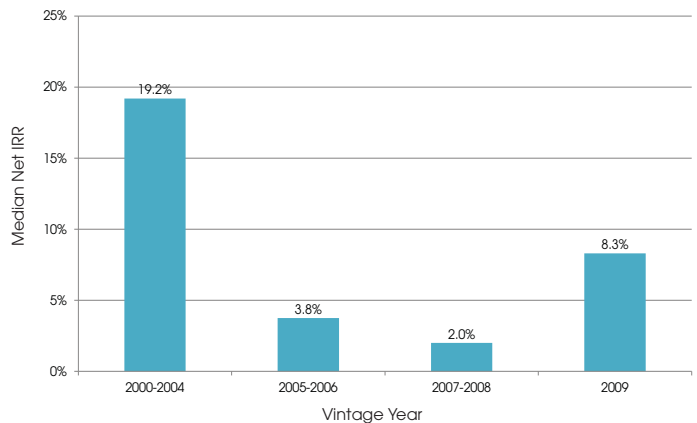
The most recent vintage, 2009, shows the median return currently stands at 8.3% (Fig. 1); however, these funds are in the early stages of their J-curve and the private equity model suggests performance is likely to improve over time.

Fig. 2: Mega Buyout Funds: Risk and Return by Vintage Year



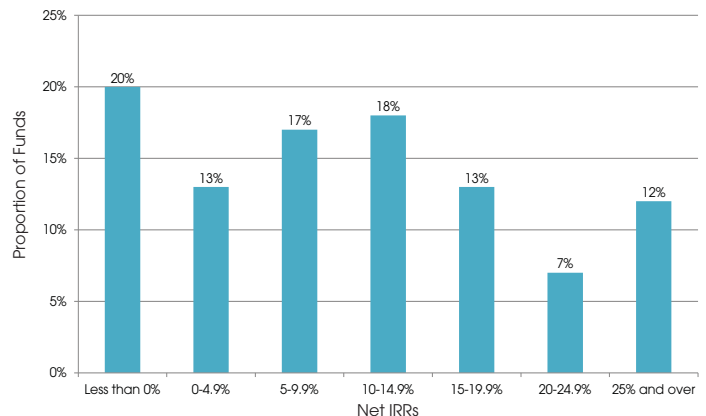
Source: Preqin Performance Analyst Online Service

Fig. 1: Mega Buyout Funds: Median Net IRRs by Vintage Year



Source: Preqin Performance Analyst Online Service

Fig. 3: Split of Net IRRs Achieved by Mega Buyout Funds



Source: Preqin Performance Analyst Online Service

Data Source:

Preqin's Performance Analyst offers fund-level performance data for over 6,000 private equity funds and is the world's most extensive and transparent database of private equity and venture capital fund performance.

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