Press Release **23rd July 2014**

Firm vs. Team Performance Track Record: Which Is the Priority According to Private Equity Investment Consultants?

Preqin's survey of investment consultants reveals that they prioritize a team's performance track record, but cannot let go of a firm's poor performance as a warning sign

New research from Preqin, based on a survey of 40 private equity investment consultants, shows that when naming traits a fund manager needs to possess in order to meet its fundraising target – and therefore whether it is worth expending time and resources on – investment consultants prioritize performance track record at a team level. However, when looking for warning signs that a manager will not fundraise successfully, a firm's performance track record, rather than a team's, is their highest priority.

This suggests that if a firm has a poor performance track record, investment consultants and the investors they advise are not likely to commit to that firm's vehicles regardless of changes in the firm's team, as they believe the investment remains too risky.

Key Facts:

- 74% of investment consultants surveyed by Preqin state that a fund manager needs a successful performance track record at a team level to meet its fundraising target, whereas only 63% say that having a successful performance track record at a firm level is the most important trait needed.
- However, when naming warning signs that a fund manager will not successfully fundraise, 83% of investment consultants surveyed named poor performance track record of a firm as a warning sign and 80% named poor performance track record of a team.
- 83% of investment consultants stated that the best key indicator that a fund will outperform peer funds is a successful performance track record at a team level; only 34% named a successful performance track record at a firm level.
- 77% of investment consultants named a firm's experience or expertise with their fund's strategy as a key indicator that a fund will outperform peer funds.

For more information and analysis, please see the full report:
https://www.preqin.com/docs/reports/Preqin-Special-Report-Due-Diligence-Private-Equity-Investors-Jul-14.pdf

Comment:

"Consultants and investment professionals seeking to commit to private equity funds are obviously keen to identify the top performers of the future, as well as those funds that are actually going to successfully raise sufficient capital to operate effectively. Our research has shown that the track record of the team sourcing and executing the deals is the top indicator of success for investment consultants, but when trying to identify those funds that won't manage to get off the ground, it's the firm's track record, rather than that specifically of the investment team, that attracts the most attention from consultants. This suggests that firms with poor track records may find it difficult to attract interest from consultants and their clients; if an entirely new team is brought in, they will need to emphasize this to potential new investors in order to secure their capital."

Stuart Taylor, Head of Investor Products

Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

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About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

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