

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 Q3 2012

April 2013



Fund Performance Data as of Q3 2012

Preqin currently holds transparent net-to-LP performance data for over 6,200 private equity funds of all types and geographic focus, representing 70% of all funds ever raised by the industry in terms of aggregate value. In order to provide an unbiased assessment of the performance of the private equity industry, Preqin has analyzed the returns generated by private equity partnerships as of 30th September 2012 using data from Performance Analyst.

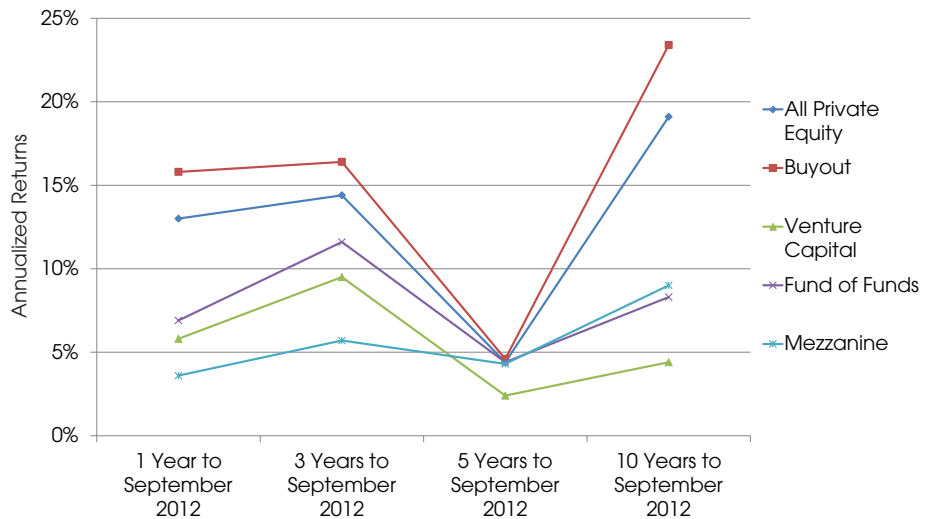
For more information on Performance Analyst, the private equity industry's leading source of fund performance data, please visit www.preqin.com/pa

Private Equity Horizon IRRs

The one-, three-, five- and 10-year horizon returns as of 30th September 2012 for some of the main private equity fund types are shown in Fig. 1. All fund types are showing positive horizon returns across the horizon periods shown, with buyout funds showing the highest horizon returns over the one-year period at 15.8%. All other funds types, and private equity as a whole, have returns ranging between 3.6% and 13.0%.

Buyout funds also have the highest horizon returns over the three-year period with 16.4%, while the other funds types show a similar range as with the one-year time horizon. Over five years, the range

Fig. 1: Private Equity Horizon IRRs as of 30 September 2012



Source: Preqin Performance Analyst

of returns from each fund type is much smaller, ranging from 2.4% generated by venture capital funds to 4.4% generated by both funds of funds and the private equity industry as a whole.

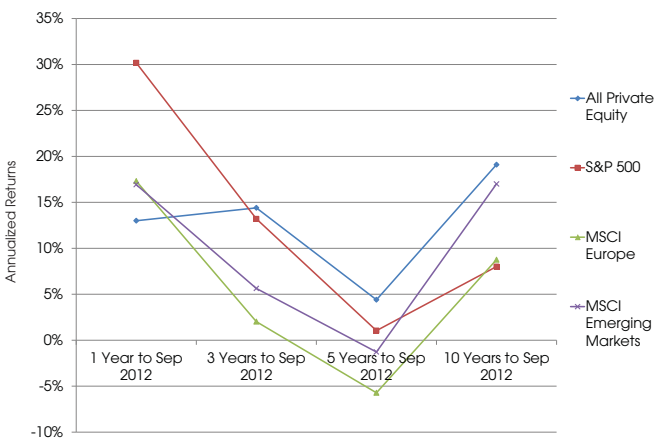
There is a much wider gap, however, over the 10-year horizon period, with buyout funds generating a return of 23.4% over this time period. This is in contrast to venture capital, fund of funds and mezzanine, which return 4.4%, 8.3% and 9.0% respectively.

Private Equity Performance vs. Public Indices

The annualized returns over the one-, three-, five- and 10-year periods for private equity, and for a selection of public indices, are given in Fig. 2. Over the one-year time period to 30th September 2012, private equity has generated returns of 13.0%, while the figures stand at 14.4% over three years, 4.4% over five years and 17.0% over 10 years.

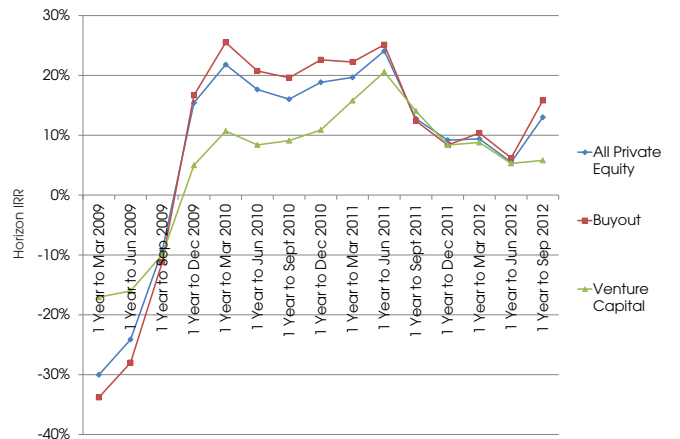
For the public indices, the MSCI Europe and MSCI Emerging Markets indices show

Fig. 2: Private Equity Horizon IRRs vs. Public Indices as of 30 September 2012



Source: Preqin Performance Analyst

Fig. 3: Rolling One-Year Horizon IRRs



Source: Preqin Performance Analyst

very similar returns over one year of 17.3% and 16.9% respectively. The S&P 500 index shows the highest returns amongst the indices shown for this time period of 30.2%, outperforming private equity. Over three years, all indices are in the black, with private equity outperforming the public indices. The five-year returns for the MSCI Europe and MSCI Emerging Markets are in the red whereas private equity and the S&P 500 are generating returns of 4.4% and 1.0% respectively. Across the 10-year horizon, private equity slightly outperforms MSCI Emerging Markets while the S&P 500 and MSCI Europe are posting returns significantly below this level.

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 the private equity asset class is illiquid and investors' capital is locked up over a long period of time, the horizon returns are not as relevant for private equity as they are for listed equity.

Rolling One-Year Horizon Returns

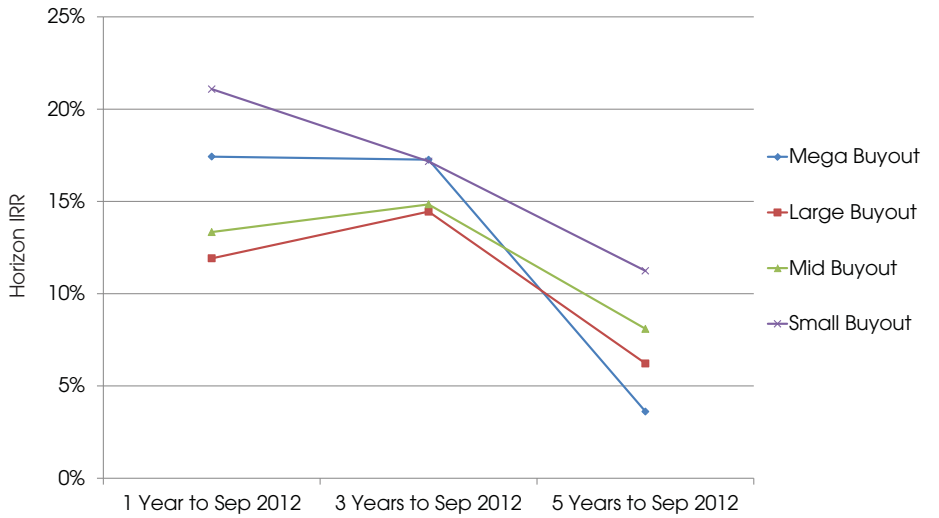
Fig. 3 shows the rolling one-year horizon IRRs from March 2009 to September 2012 for buyout funds, venture capital funds and private equity as a whole. It is noticeable that for 30th September 2012, the one-year figures for buyout funds and private equity as a whole are significantly higher than the one-year period to 30th June 2012. The one-year returns for buyout funds have risen from 6.2% to 15.8%. All private equity is up from 5.5% in the year to June 2012 to 13.0% in the year to September 2012, while one-year venture capital returns have risen from 5.3% to 5.8%.

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 no surprise to see such a high correlation. Venture funds follow a similar pattern but to a lesser extent, with smaller losses during the downturn and smaller gains once the industry began to recover.

Buyout Fund Horizon IRRs by Fund Size

Fig. 4 shows the horizon returns for buyout funds by size through September 2012. Over the one-year period, small buyout funds are generating the highest returns

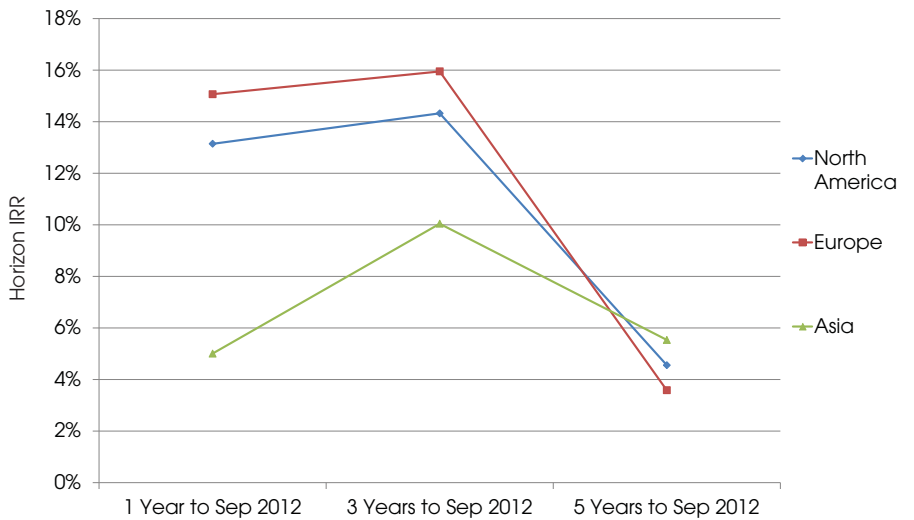
Fig. 4: Buyout Fund Horizon IRRs by Size* as of 30 September 2012



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 Regional Focus as of 30 September 2012



Source: Preqin Performance Analyst

of 21.1% whereas mega buyout funds are outperforming the other buyout funds sizes over three years, showing a return of 17.3%. Across five years, small buyout funds are once again the best performing group, with a horizon IRR of 11.2%, while the figures stand at 8.1% for mid-market funds, 6.2% for large funds and 3.6% for mega buyout funds.

Regional Horizon IRRs

Horizon returns for funds primarily focusing on each of North America, Europe and Asia are shown in Fig. 5. The graph shows that one-year returns for

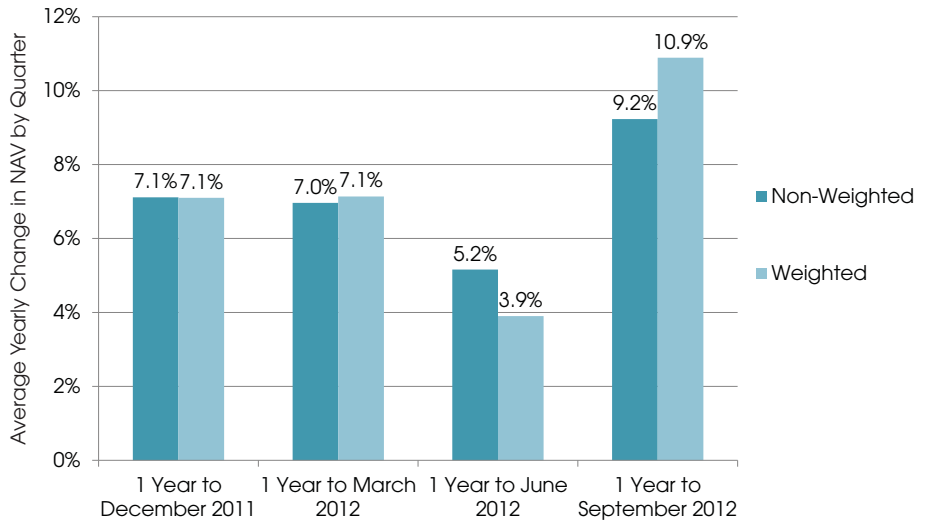
funds focusing primarily on Europe stand at 15.1%, whereas for North America- and Asia-focused funds the one-year returns stand at 13.1% and 5.0% respectively. Each region shows higher returns over the three-year period, with European funds showing the highest three-year return of 15.9%, North America-focused funds generating 14.3% and Asia-focused funds 10.0%. Across the five-year period, Asia-focused funds post returns of 5.5%, North American funds 4.6% and European funds 3.6%.

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 December 2011 to September 2012. The largest changes in valuations are seen in the year to September 2012, with a non-weighted increase of 9.2% and a weighted increase of 10.9%. The weighted change in NAV takes into consideration the fund sizes, so the larger funds will have more of an impact. In contrast, in the year to June 2012, the non-weighted increase was higher than the weighted increase, implying that the smaller funds outperformed the larger funds.

Fig. 6: All Private Equity Annual Change in NAV

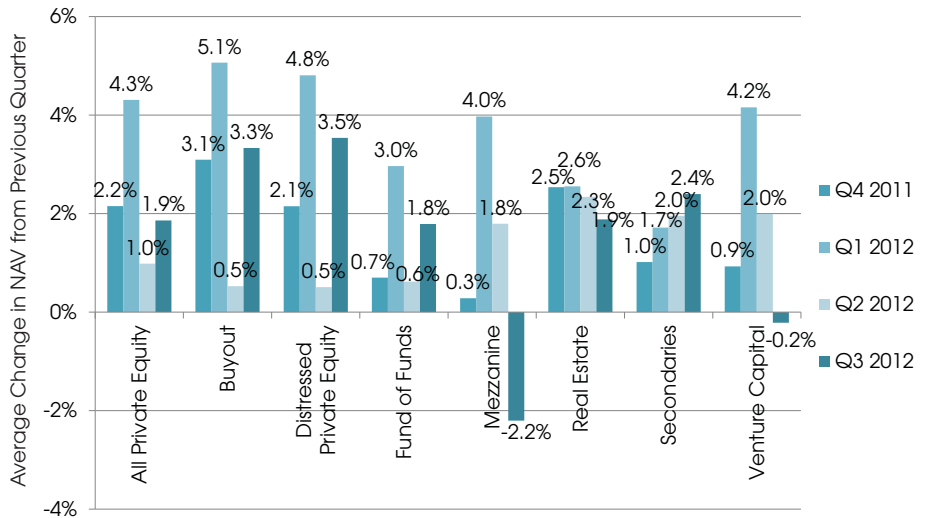


Source: Preqin Performance Analyst

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 all of the quarters shown, the highest changes in valuations across all of the fund types are witnessed in Q1 2012, except for secondaries where it is interesting to see that from every quarter from December 2011 the increase in NAV has risen each quarter. Examining the latest quarter available, Q3 2012, the majority of fund types saw an increase in valuations, with distressed private equity seeing the highest increase of 3.5%, while mezzanine and venture capital saw a decrease in valuations.

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

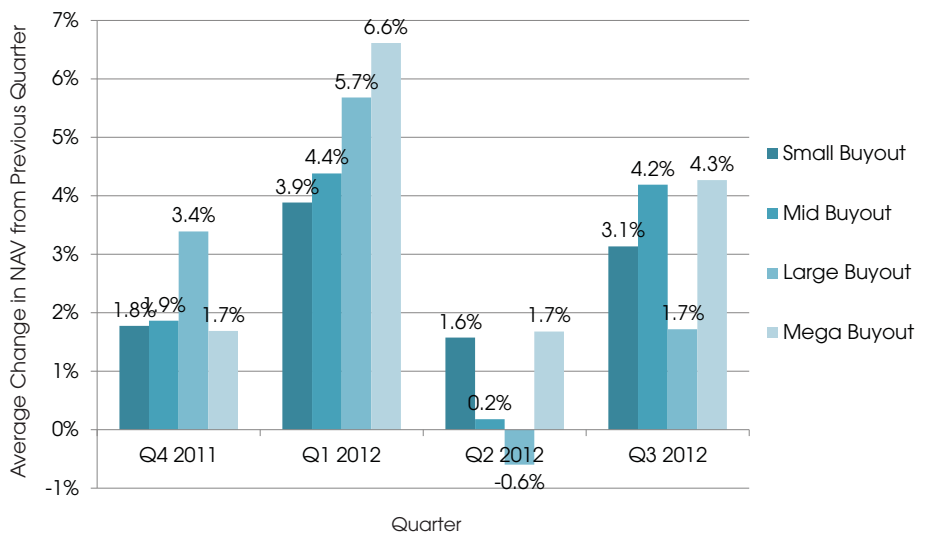


Source: Preqin Performance Analyst

Quarterly Change in NAV by Buyout Fund Size

Fig. 8 shows the quarterly changes in valuations by buyout fund size. For all the buyout fund sizes, valuations increase in Q4 2011 and increase even more in Q1 2012; however, in Q2 2012 the NAV increases are significantly lower, and large buyout funds actually saw a decrease in valuations. Over the most recent quarter for which information is available, all of the NAV increases are much higher than they were in Q2 2012. Mid-market and mega buyout funds see valuation increases of over 4%, small buyout funds see an increase of 3.1%, and large buyout funds see an increase of 1.7%.

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



Source: Preqin Performance Analyst

* Size ranges: Vintage 2005-onwards: Mega Buyout > \$4500mn, Large Buyout \$1,500mn-\$4500mn, Mid Buyout \$500mn-\$1,500mn, Small Buyout ≤ \$500mn
Vintage 1997-2004: Mega Buyout > \$2000mn, Large Buyout \$750mn-\$2000mn, Mid Buyout \$300mn-\$750mn, Small Buyout ≤ \$300mn

Listed Private Equity Funds: Trends and Developments

The listed private equity market offers investors an alternative to traditional closed-end private equity fund investments, and offers investors 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, with Q4 2012 reporting the strongest increase in share prices for over three years – a figure of 13.7%. Similarly, the NAVPS has also shown average quarter-on-quarter increases, from 8.1% in Q1 2012, to 1.1%, 1.0% and 1.5% in Q2 2012, Q3 2012 and Q4 2012 respectively.

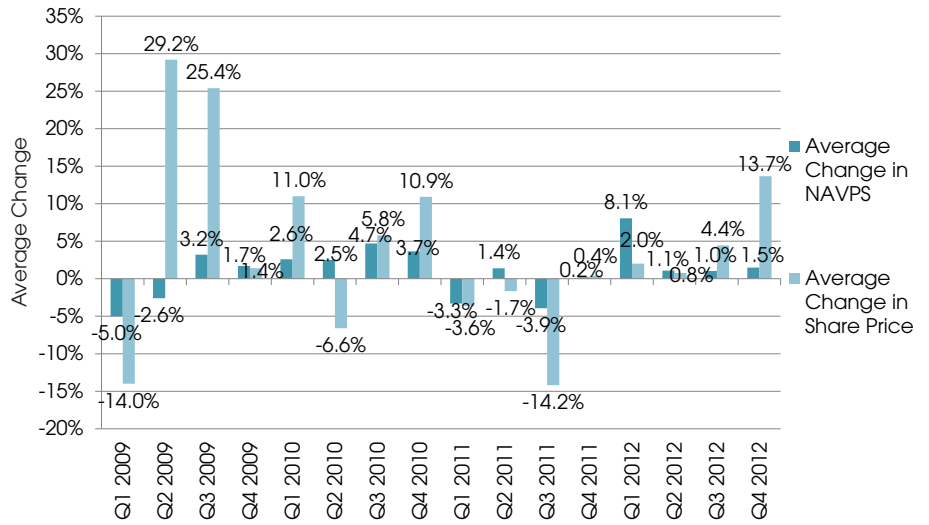
Performance by Vintage

Median Net IRRs by Fund Type

Fig. 10 shows the median net IRRs as of 30th September 2012 by vintage year for buyout funds, venture capital funds, real estate funds and private equity funds as a whole. Vintage 1997 has the highest median IRR among venture capital funds, but funds with more recent vintages have much lower median IRRs following the bursting of the dot-com bubble. Vintage 2005 and 2006 real estate funds are currently showing negative median IRRs as these funds were among the most affected during the market turmoil of 2008 and 2009. The median net IRR for buyout funds is at its highest for vintage 2001 funds, which have a median returns of 25.4%.

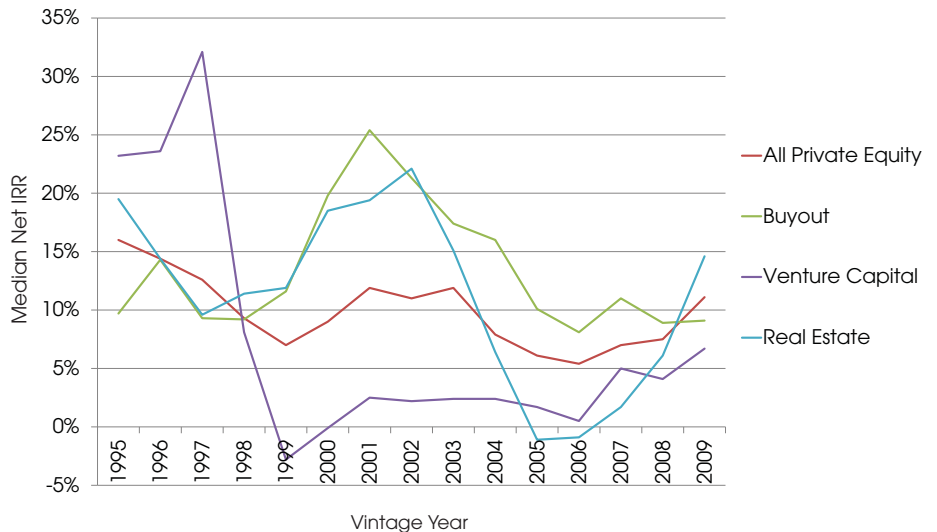
For vintage 2009, median returns range between 6.7% and 14.6%; however, these funds are still early in their fund lives and returns are likely to change as these funds mature.

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



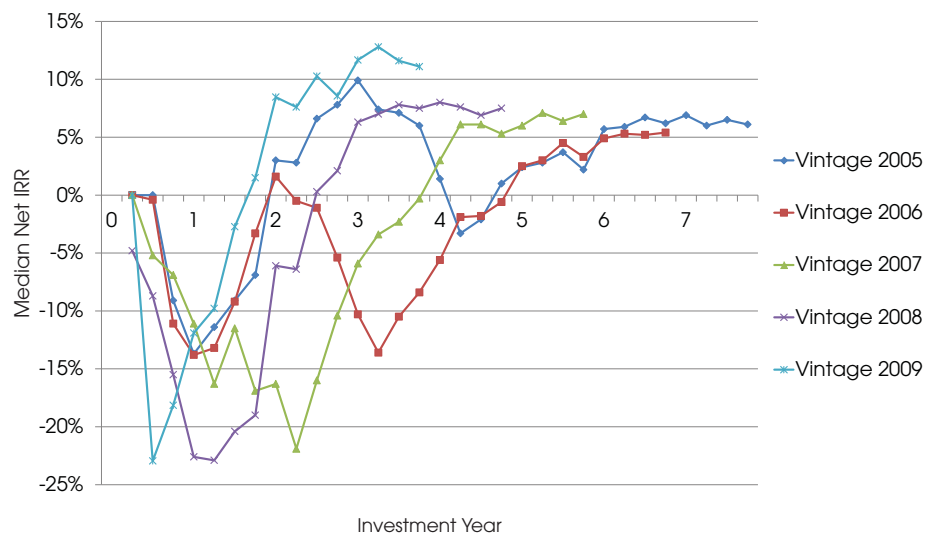
Source: Preqin Performance Analyst

Fig. 10: Median Net IRRs by Fund Type as of 30 September 2012



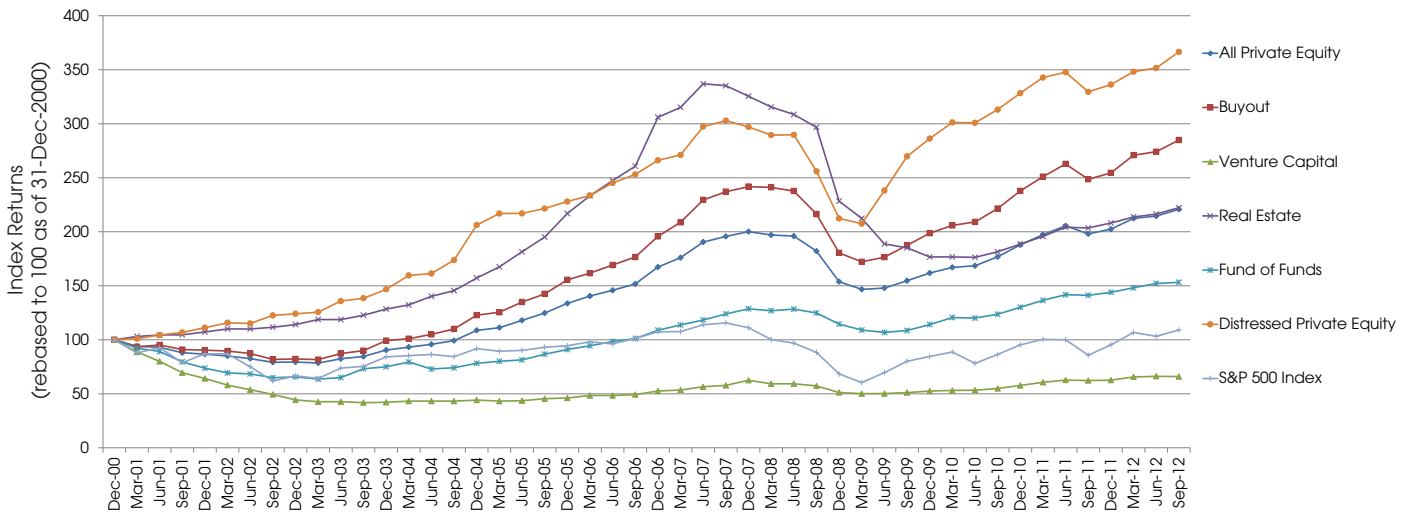
Source: Preqin Performance Analyst

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



Source: Preqin Performance Analyst

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



Source: Preqin

J-curves of Net IRR

Fig. 11 shows private equity ‘J-curves’ by vintage year. J-curves show the trajectory of private equity returns over the life of a fund and are found by plotting the median net IRR for each vintage year at each quarter-end. Returns tend to be in the red during the early part of a fund’s life and then transition into positive territory as the investment cycle progresses and fund managers add value to their investments and begin to distribute capital back to investors. Median net IRRs are positive for all vintages in the sample as of 30th September 2012.

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 31st December 2000 are shown in Fig. 12. An examination of these indices gives an 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 last two quarters are subject to change, with the former being in advanced stages and the latter being in the early stages of data collection.

All of the PrEQIn Indices show consecutive quarterly increases as of Q3 2012, with the

PrEQIn Distressed Private Equity Index showing the largest quarterly increase of 4.2% over Q3 2012. The PrEQIn All Private Equity Index increased by 2.9% over this quarter. The best performing private equity strategy since December 2000 is distressed private equity; the PrEQIn Distressed Private Equity Index currently stands at 366.5, followed by the PrEQIn Buyout Index at 284.9. The PrEQIn Real Estate, Fund of Funds and Venture Capital Indices currently stand at 222.3, 153.2 and 65.3 respectively. The S&P 500 stands at 109.1 as at 30th September 2012, demonstrating how most private equity strategies have provided higher returns over the period shown. 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:

Looking for recent private equity performance data for a specific fund? Interested in accessing a list of the top performing fund managers?

Preqin’s **Performance Analyst** contains full metrics for over 6,200 individual named funds. Identify which fund managers have the best track record with performance benchmarks for private equity funds of all types and geographic locations.

To find out how Performance Analyst can help you, or to register for a demonstration, please visit:

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

Preqin Private Equity Performance Update

Fund Performance Data as of Q3 2012

April 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 6,200 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 6,200 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

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

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 2544
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

Silicon Valley:

303 Twin Dolphin Drive Suite
600
Redwood City
CA 94065

Tel: +1 650 632 4345
Fax: +1 440 445 9595

Email: info@peqin.com
Web: www.preqin.com