



VC-PE Index

A Look at North American Private Equity as of Q1 2015

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Bison's June 30, 2015 final benchmarks were published in January. Using our cash flow dataset ("Bison funds"), we are able to analyze close to 1,300 North American private equity funds and identify industry trends.

Horizon IRR

Exhibit 1 illustrates the 1, 3, 5, and 10-year horizon IRRs for North American All PE, Buyouts, and Venture Capital / Growth Equity.

For the second consecutive quarter, the venture capital industry has a higher IRR over the 1, 3, and 5-year periods than the buyout industry. VC is still lagging buyouts on the 10-year

horizon but it has narrowed the gap by 100 basis points over the last two quarters.

Time-Weighted Returns

Exhibit 2 looks at the returns for private equity and the public markets using an apples-to-apples time-weighted methodology.

Over the short-term and long-term, private equity is outperforming the public markets, represented here by the Russell 2000 and Russell 3000 total return indices. Similar to the horizon IRRs, venture capital is outperforming buyouts over the 1, 3, and 5-year periods. Over the 10-year period, buyouts are still outperforming

venture capital by more than 200 basis points. Looking at the medium-term (3 and 5-year horizons), the public markets are outperforming through June 30, 2015. It will be interesting to see how these numbers hold up as of Q3 and Q4 2015.

Investment Activity

Investors are surely happy with the strong returns but they must also be pleased that GPs were busy selling assets and locking in gains. Exhibit 3 illustrates the ratio of distributions to contributions during each of the last four quarters. A ratio greater than 1.0 means there were more distributions than contributions in the quarter.

Both the venture capital and buyout industries saw their Distributions/ Contributions ratios jump in Q2 2015. Given how tumultuous the public markets were during the second half of 2015, it will be interesting to see how this ratio changes in Q3 and Q4. The surge in distributions is also notable for the VC industry because the inability to return money to investors has been an issue that I have highlighted on Bison's blog over the summer in "Here's Why the Venture Capital Crash Will Hurt".

North American Private Equity - Horizon IRRs

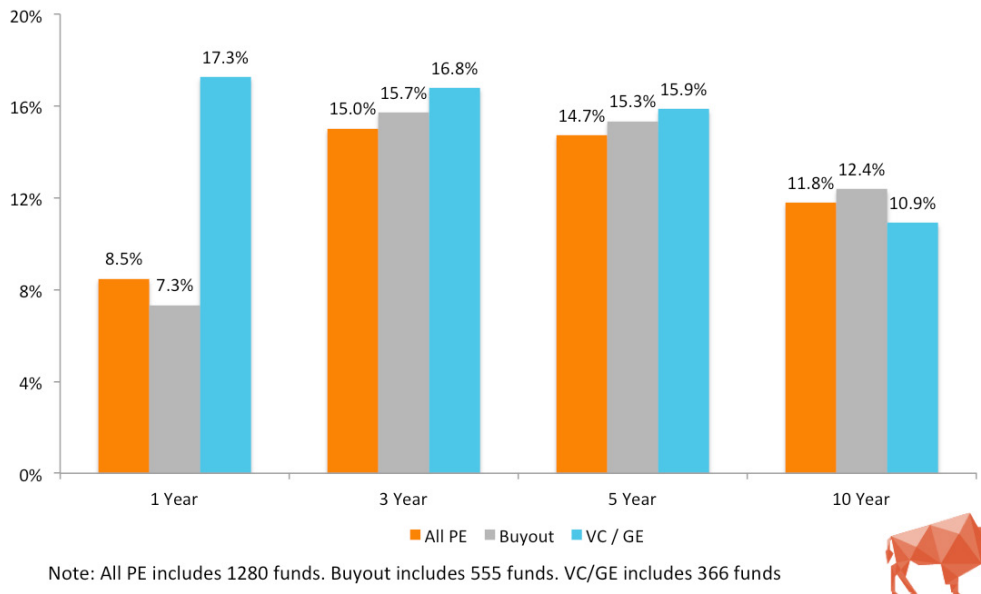


Exhibit 1: North American Private Equity - Horizon IRRs

Source: Bison

North American Private Equity vs. Public Markets Time-Weighted Returns (%)

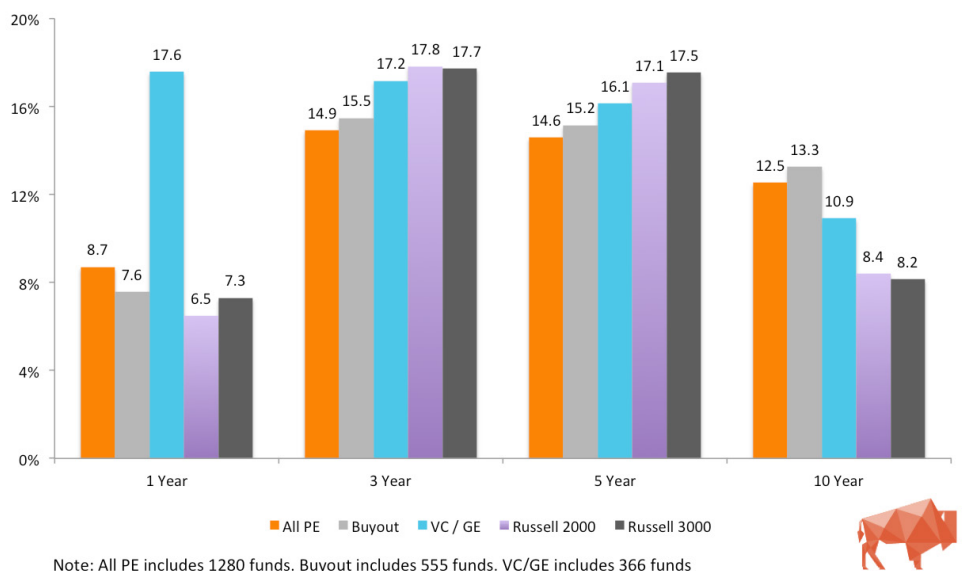


Exhibit 2: North American Private Equity vs Public Markets Time-Weighted Returns

Source: Bison

Distributions / Contributions Ratio

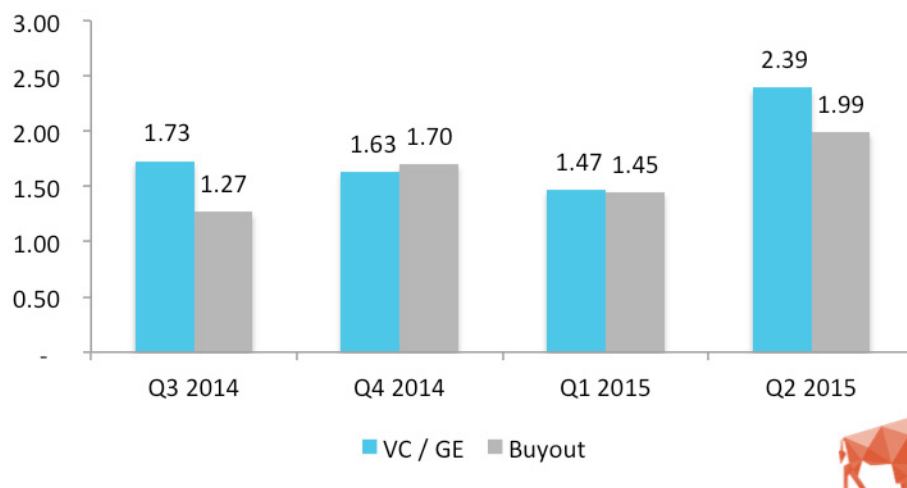


Exhibit 3: Distributions/Contributions Ratio

Source: Bison

Authors' Bios



Mike Nugent CEO/Co-founder, Bison

Prior to founding Bison, Mike Nugent held senior roles at SVG Advisers, LP Capital Advisors and HarbourVest Partners, and has more than \$3B in private market commitments to his credit. Mike started his career in the public markets with the NASDAQ Stock Market, and also gained significant operating experience while running operations for a textiles manufacturer. He received his MBA from Boston College, and his BA from St. Bonaventure University. Mike lives on the North Shore of Massachusetts with his wife and two sons.



Mike Roth Research Manager, Bison

Mike Roth is the Research Manager at Bison and oversees the data collection and content production. Before Bison, Mike spent six years on the investment team at SVG Advisers. There, he conducted research and due diligence on buyout and venture capital funds in the Americas. Mike received his BA in Economics from Boston College and is a CFA Charterholder.