



VC-PE Index: Where Does Private Equity Performance Stand at Year End 2013?

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Like every asset class, investor interest in private equity ebbs and flows. On an annual basis, private equity fundraising can range from \$300 billion (lean years) to \$500 billion (strong years). Private equity has seen an increased interest from investors over the last five years, as lower fixed income returns have sent investors on a hunt to meet return requirements.

At Bison, we provide investors with software analytics tools to help them better understand private equity performance and how to compare it to the public markets.

As part of our industry coverage, we monitor the investment activities of approximately 2,000 limited partners, including public and private pensions and private foundations. This universe of data includes detailed performance information on more than 3,500 unique funds. Given the increased focus on private equity, we wanted to provide a year-end snapshot of the private equity benchmarks over the last 15 years. We first look at private equity, as a whole, and then break out the benchmarks for buyout funds and venture capital funds.

Bison Global All PE TVPI Benchmark						Bison Global All PE IRR Benchmark					
Vintage Year	Max	1st Quartile	2nd Quartile	3rd Quartile	Min	Vintage Year	Max	1st Quartile	2nd Quartile	3rd Quartile	Min
1999	3.48x	1.71x	1.33x	0.84x	0.11x	1999	40.3%	12.2%	6.6%	-2.6%	-40.6%
2000	3.25x	1.86x	1.42x	0.99x	0.09x	2000	82.4%	17.3%	7.9%	0.6%	-93.6%
2001	4.94x	1.87x	1.52x	1.09x	0.01x	2001	94.5%	22.5%	9.6%	2.0%	-61.9%
2002	3.98x	1.95x	1.53x	1.15x	0.12x	2002	55.3%	20.4%	10.5%	1.5%	-31.3%
2003	4.32x	1.91x	1.56x	1.33x	0.01x	2003	59.8%	18.4%	10.1%	5.7%	-78.8%
2004	16.85x	1.71x	1.43x	1.23x	0.46x	2004	72.7%	12.3%	7.8%	3.9%	-16.8%
2005	4.81x	1.52x	1.35x	1.17x	0.08x	2005	144.0%	10.7%	7.4%	3.3%	-92.3%
2006	2.47x	1.52x	1.34x	1.17x	0.42x	2006	54.8%	11.4%	7.6%	3.9%	-21.2%
2007	5.79x	1.54x	1.35x	1.16x	0.25x	2007	61.3%	14.7%	9.4%	3.9%	-45.3%
2008	3.15x	1.47x	1.29x	1.12x	0.35x	2008	44.4%	15.8%	10.4%	4.6%	-22.5%
2009	2.06x	1.40x	1.29x	1.12x	0.80x	2009	56.5%	17.2%	12.2%	6.5%	-15.2%
2010	2.60x	1.38x	1.18x	1.07x	0.44x	2010	68.4%	18.2%	10.1%	2.4%	-39.8%
2011	2.18x	1.22x	1.09x	0.97x	0.08x	2011	77.9%	16.4%	7.7%	-1.8%	-55.3%
2012	2.47x	1.10x	1.01x	0.93x	0.46x	2012	102.1%	14.6%	5.4%	-4.6%	-42.6%
2013	1.43x	1.02x	0.96x	0.86x	0.49x	2013	57.3%	3.2%	-4.2%	-20.0%	-100.0%

Number of Funds in dataset: 1863

Data as of December 31, 2013

Number of Funds in dataset: 1773

Exhibit 1: Global All Private Equity Benchmark

Key takeaways:

* Performance, on an IRR basis, appears to be returning to its pre-financial crisis levels.

* Focusing on funds prior to 2011, IRRs for top quartile funds are now back in the high teens, which were last seen in 2003.

* Fund performance for the 2005 – 2007 vintage years (the “bubble year funds”) will be the low point for the 2000s decade. We do not expect to see the benchmarks for these years change much going forward.

Bison Global Buyout TVPI Benchmark						Bison Global Buyout IRR Benchmark					
Vintage Year	Max	1st Quartile	2nd Quartile	3rd Quartile	Min	Vintage Year	Max	1st Quartile	2nd Quartile	3rd Quartile	Min
1999	2.94x	2.12x	1.66x	1.36x	0.47x	1999	40.3%	19.1%	11.6%	6.2%	-23.7%
2000	3.25x	2.33x	1.97x	1.58x	0.35x	2000	82.4%	23.7%	17.7%	9.8%	-20.2%
2001	4.94x	2.42x	2.04x	1.69x	0.62x	2001	94.5%	32.7%	27.8%	16.6%	-9.5%
2002	3.19x	2.31x	1.90x	1.47x	0.81x	2002	54.9%	33.8%	16.8%	11.9%	-7.2%
2003	3.52x	2.02x	1.69x	1.58x	0.01x	2003	59.8%	30.0%	15.0%	12.1%	-48.1%
2004	3.86x	1.95x	1.65x	1.27x	0.67x	2004	58.5%	17.1%	10.0%	4.7%	-7.5%
2005	2.64x	1.53x	1.42x	1.15x	0.39x	2005	24.1%	10.8%	7.9%	3.2%	-17.9%
2006	2.47x	1.58x	1.42x	1.22x	0.42x	2006	33.3%	13.5%	8.2%	4.1%	-15.0%
2007	2.57x	1.56x	1.36x	1.22x	0.53x	2007	34.1%	15.5%	10.1%	6.8%	-12.1%
2008	2.63x	1.55x	1.26x	1.15x	0.43x	2008	44.4%	17.3%	11.4%	6.2%	-22.5%
2009	1.97x	1.43x	1.25x	1.08x	0.80x	2009	36.1%	20.2%	11.8%	4.3%	-15.2%
2010	1.80x	1.41x	1.18x	0.99x	0.44x	2010	47.1%	19.9%	10.8%	-2.0%	-39.8%
2011	2.18x	1.17x	1.09x	0.96x	0.64x	2011	77.9%	12.8%	5.5%	-1.6%	-41.6%
2012	2.01x	1.10x	1.01x	0.91x	0.46x	2012	64.9%	24.7%	6.5%	-7.1%	-42.3%
2013	1.43x	0.98x	0.92x	0.78x	0.59x	2013	57.3%	-3.6%	-18.0%	-28.2%	-100.0%

Number of Funds in dataset: 691
Data as of December 31, 2013

Number of Funds in dataset: 681

Exhibit 2: Global Buyout Benchmark

Key takeaways:

* Top quartile buyout funds outperform the top quartile All PE benchmark.

* From an IRR perspective, the 2009 and 2010 vintage years appear to have had strong performance so far. The LPs we track will not be big beneficiaries of this, because 2009 and 2010 were their least active investment (lowest commitment) years since 2004.

* Despite 2005 – 2007 being the worst performing years, performance for these years is not as bad as many feared it would be back in 2008 and 2009.

Bison Global Venture Capital TVPI Benchmark						Bison Global Venture Capital IRR Benchmark					
Vintage Year	Max	1st Quartile	2nd Quartile	3rd Quartile	Min	Vintage Year	Max	1st Quartile	2nd Quartile	3rd Quartile	Min
1999	2.12x	1.26x	0.82x	0.46x	0.11x	1999	18.4%	4.4%	-5.2%	-10.6%	-40.6%
2000	3.13x	1.26x	1.02x	0.70x	0.09x	2000	29.9%	4.3%	0.9%	-4.1%	-93.6%
2001	4.78x	1.50x	1.21x	0.85x	0.01x	2001	25.5%	7.0%	3.3%	-1.3%	-61.9%
2002	1.81x	1.53x	1.16x	0.77x	0.12x	2002	13.6%	8.0%	0.7%	-10.8%	-31.3%
2003	2.22x	1.71x	1.29x	0.93x	0.22x	2003	14.5%	9.4%	3.8%	-1.8%	-78.7%
2004	16.85x	1.52x	1.19x	0.88x	0.69x	2004	72.7%	7.4%	1.2%	-2.9%	-7.1%
2005	3.94x	1.56x	1.25x	0.99x	0.08x	2005	44.9%	11.2%	5.5%	-0.3%	-92.3%
2006	2.08x	1.50x	1.30x	1.04x	0.44x	2006	18.3%	10.8%	6.5%	0.8%	-20.7%
2007	5.79x	1.78x	1.42x	1.03x	0.28x	2007	61.3%	18.8%	9.4%	-0.5%	-45.3%
2008	3.02x	1.47x	1.29x	0.90x	0.35x	2008	41.2%	14.2%	8.1%	-3.0%	-21.4%
2009	2.06x	1.46x	1.31x	1.21x	0.96x	2009	32.5%	13.9%	11.4%	7.0%	-4.0%
2010	2.60x	1.49x	1.37x	1.15x	0.72x	2010	68.4%	25.6%	21.8%	10.1%	-8.8%
2011	1.49x	1.17x	1.08x	0.96x	0.84x	2011	28.7%	12.8%	9.2%	-3.2%	-10.9%
2012	1.44x	1.12x	1.03x	0.98x	0.93x	2012	34.2%	18.3%	8.1%	4.4%	-4.5%
2013	1.01x	0.98x	0.95x	0.90x	0.76x	2013	2.3%	0.0%	-4.7%	-7.0%	-8.4%

Number of Funds in dataset: 395
Data as of December 31, 2013

Number of Funds in dataset: 382

Exhibit 3: Global Venture Capital Benchmark

Key takeaways:

* Venture capital performance, relative to buyouts, has shown signs of life since 2005. In three of the last five years of the 2000s, top quartile venture capital funds outperformed top quartile buyout funds from a TVPI standpoint.

* 2007 stands out as the star of the last 15 years. This is most likely thanks to a number of the tech exits and IPOs that have grabbed headlines recently.

* Still too early to tell if 2007's figures will be venture capital's "new normal" or whether this was just a blip on the radar.

Final Thoughts

While still early, recent vintage years seem to indicate that private equity performance has bounced back closer to where it used to be. However, it will take a few years to see whether TVPI multiples will approach the 1.8x to 2.0x area that investors want to see from the asset class. In the meantime, investors still need to decide whether these returns provide enough of a premium compared to public markets to compensate for the risk and illiquidity associated with a 10-year fund life.

Author Bios



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 NAS-

DAQ 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 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 Level III candidate.