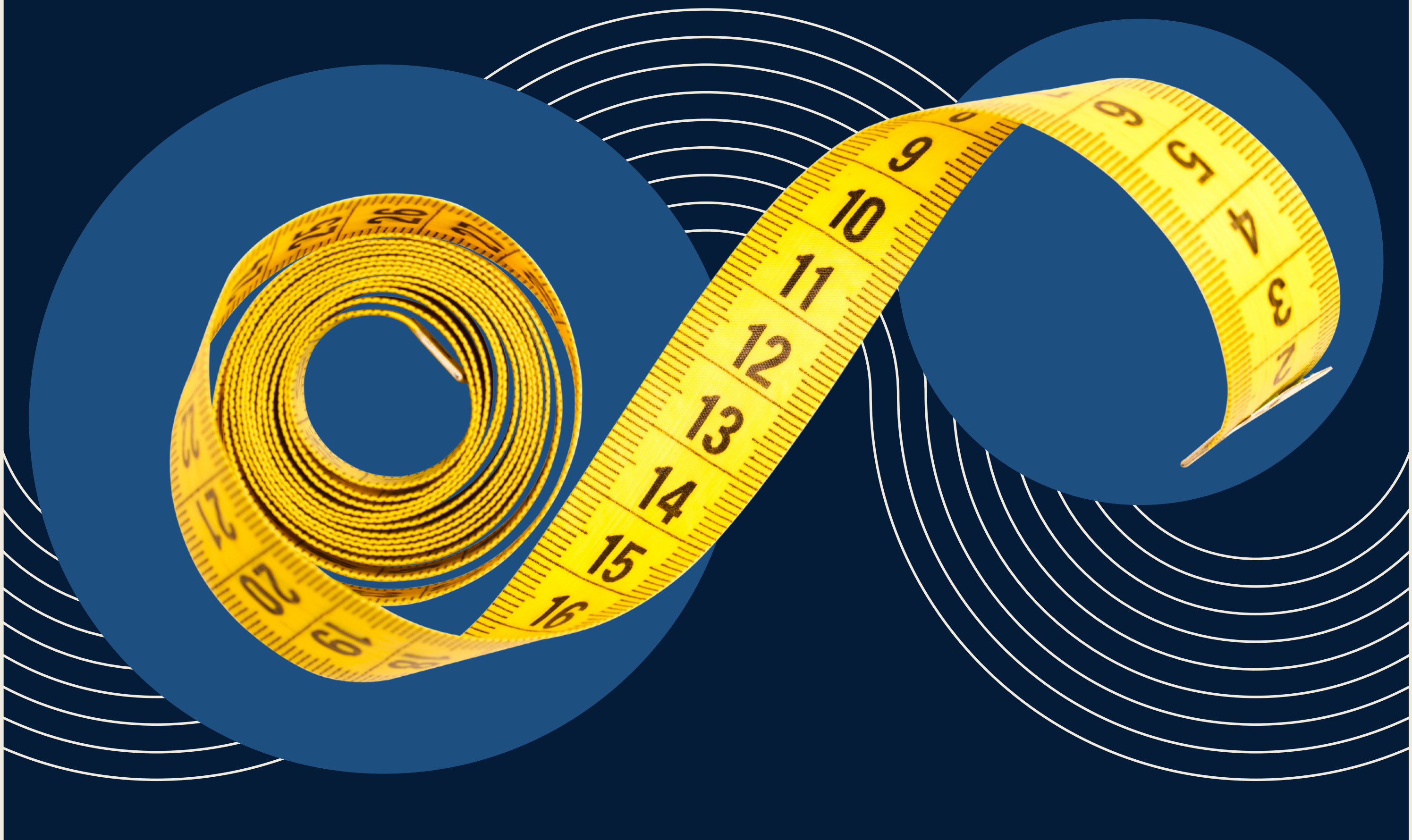
PitchBook

2022

As of Q2 2022 with preliminary Q3 2022 data

GLOBAL Fund Performance Report



Contents

Horizon IRRs by strategy*

	Q3 2022**	1-year	3-year	5-year	10-year
Private equity	-0.6%	11.4%	23.9%	19.9%	16.9%
Venture capital	-4.8%	2.8%	26.8%	22.8%	16.6%
Real estate	0.5%	24.2%	14.1%	12.0%	12.9%
Real assets	4.6%	18.5%	9.9%	8.4%	7.7%
Private debt	1.3%	3.5%	7.8%	7.5%	8.8%
Funds of funds	8.4%	11.5%	23.6%	19.1%	14.2%
Secondaries	8.2%	21.7%	18.6%	17.0%	14.0%
Private capital	**1.0%**	**12.0%**	**19.1%**	**16.2%**	**14.4%**

Source: PitchBook | **Geography:** Global
*Yearly horizons are as of June 30, 2022
**Preliminary quarterly return

An accompanying Excel file contains additional charts and all underlying data for this report.

***PitchBook Benchmarks** (as of Q2 2022 with preliminary Q3 2022 data) may be found here. The quarterly report provides greater detail than the Fund Performance Report, with granular IRR, multiple, and PME breakouts for Global, North America, Europe, Private Equity, Venture Capital, Funds of Funds, Private Debt, Real Estate, Real Assets, and Secondaries. Both Excel and PDF versions are available.*

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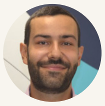

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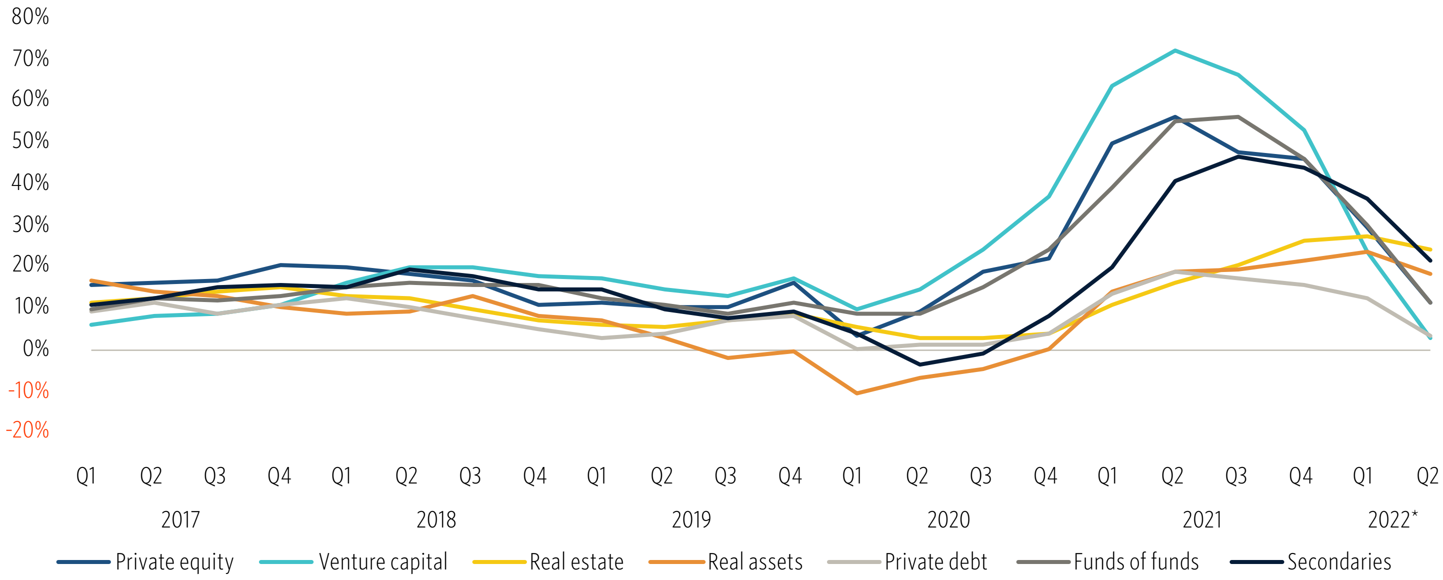
Click here for PitchBook's report methodologies.
Click here for PitchBook's private market glossary.

Overview

Rolling one-year horizon IRRs by strategy



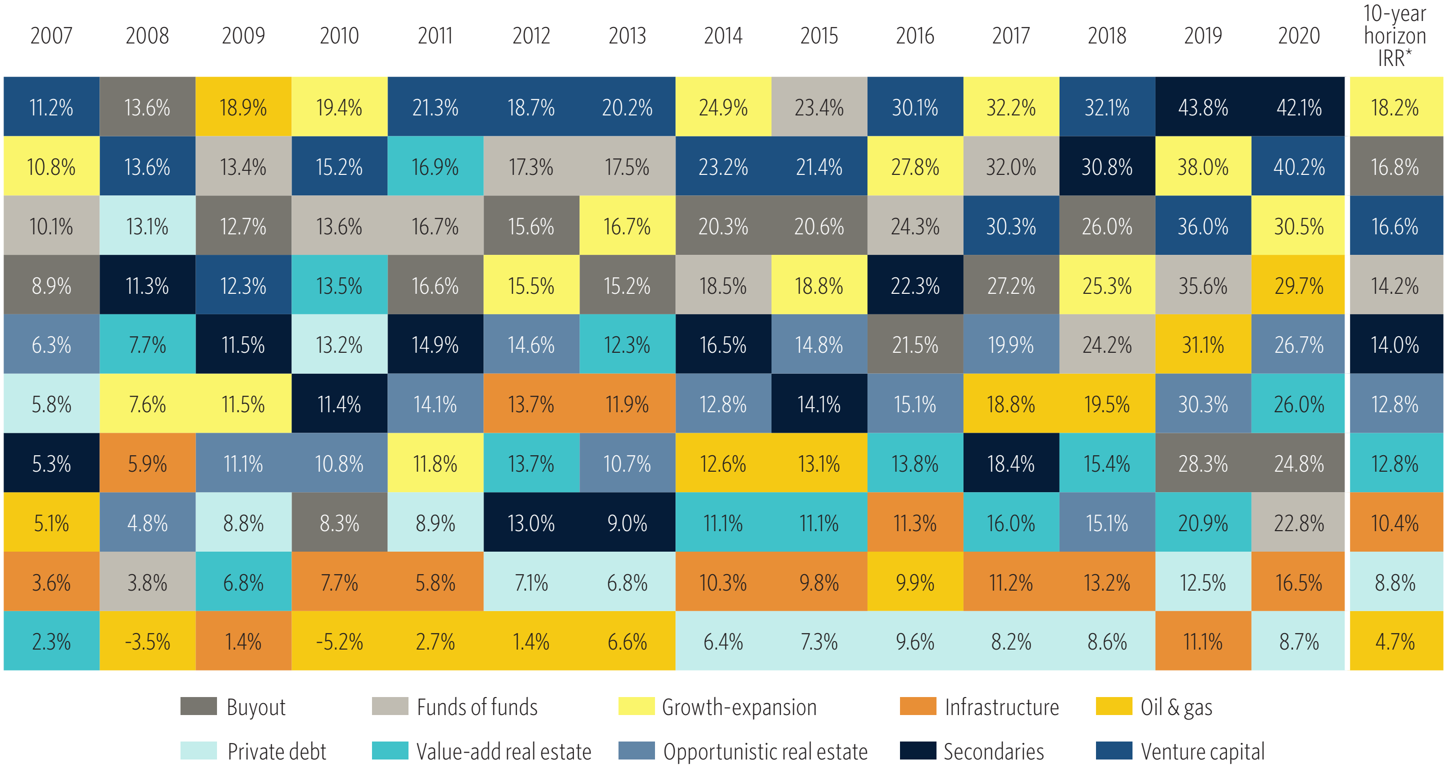
Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Hilary Wiek, CFA, CAIA
Senior Strategist

Looking across all private capital, the one-year horizon IRR through Q2 2022 came back down to earth: the 12.0% return falling below the annualized 3-year, 5-year, and 10-year IRRs and well behind the one-year IRRs dating from Q4 2020 through Q1 2022, which ranged between 26.3% to 43.1%. Real estate, which had lagged when inflation and interest rates began to rise in 2020, turned in the highest return of the strategies we track at 24.4%. The preliminary Q3 2022 returns look grim, with indications that both PE and VC are headed into negative territory, dragging down the preliminary quarterly return for all private capital to 1.0%. Secondaries, funds of funds (FoF), and real assets did keep the overall figure in the positive, at least preliminarily. In the public markets, the S&P 500 dropped in each of the first three quarters of the year, so the fact that some private market strategies were as resilient as they were in 2022 was a surprise in some quarters. Secondaries, in particular, appear to have risen in each of the first three quarters of the year, despite PE and VC—the primary holdings of those funds—both suffering declines.

The quilt chart in this section is by vintage year, showing that with different start dates come very diverse relative results. 2008 vintage private debt funds, which launched during an extreme liquidity crunch, have provided a 13.1% return—third place of the strategies presented and the best relative result for private debt of the 14 vintages shown. Despite a reputation of struggling to overcome a second layer of fees, FoF have exhibited net returns that placed them in the top half of nearly all vintages shown, including a leading finish for the 2015 vintage year. Oil & gas funds, which were in last place for nearly all vintages a few quarters ago, have received a boost from soaring energy prices in recent quarters, allowing fund managers to mark up or sell assets at highly profitable levels. That said, the nearly constant ranking in the bottom half left these funds in last place for over 10 years. Despite the perception that venture is among the riskiest of the private market assets classes, out of 14 vintage years, none were in the bottom half of the strategies tracked, at least at a median return level. Even so, the 10-year horizon IRR for venture was only third best of the strategies, after growth-expansion and buyout—both being PE substrategies.

Private market strategies' pooled IRR comparisons by vintage year*



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

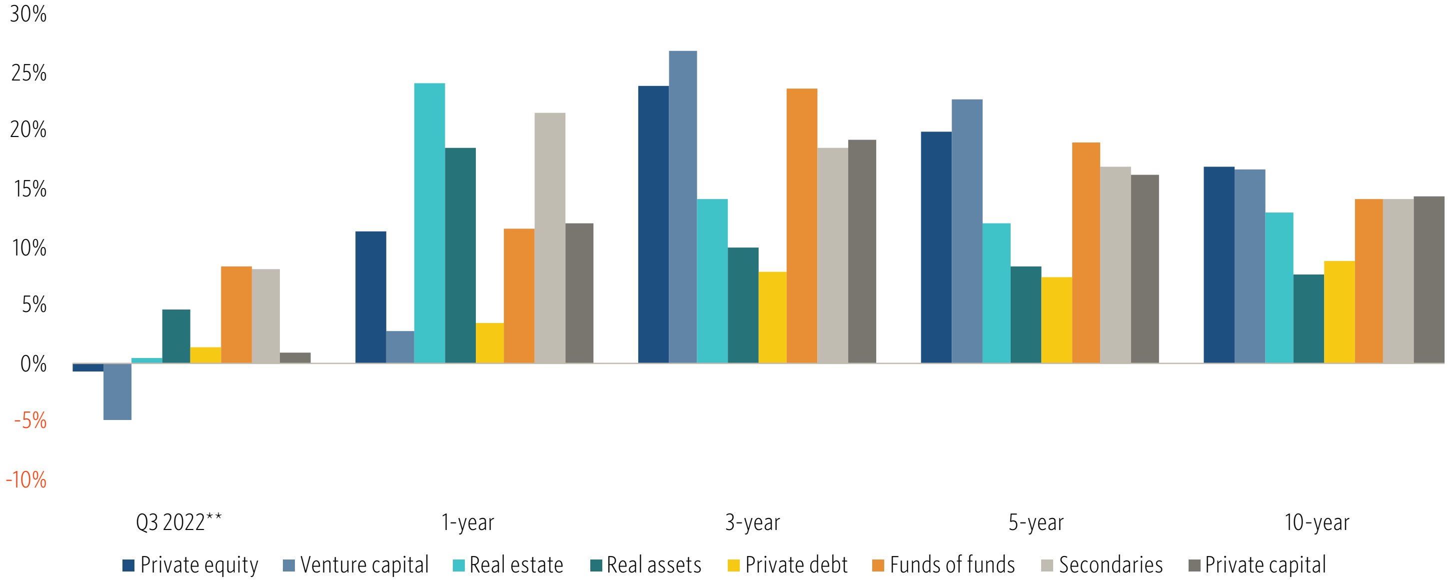
Since the end of 2015—admittedly, an arbitrary choice for a starting period, yet a sufficient length of time to encompass a few different economic environments—PE and FoF produced almost identical results, with venture losing its first place standing in Q2 2022 following the freezing of the exit environment and the beginning of markdowns of unrealized assets. Venture appears to have fallen even further through Q3. All strategies except real assets and private debt have outperformed the S&P 500 total return index over the timeframe, despite private market returns being net of fees—a nice piece of support for holding private assets across different markets.

One interesting aspect of the turn in performance is that while no one likes negative returns, the pullback in privates may be a relief in some circles. In 2022, the delay in private markets following public market performance down caused significant angst for LPs where, on paper at least, they found themselves overallocated to the assets whose values had not yet declined. Many allocators who felt this denominator effect during the global financial crisis (GFC) made adjustments that either allowed a wider drift from targets or more time to be out of compliance with policies so the private market allocations could have a chance to realign to a new valuation regime. Yet, the effect was still a big topic of conversation in 2022, as secondaries buyers hoped LPs would be offering up stakes to sell to get back to targets, and GPs fundraising got the cold shoulder from LPs who did not want to push their overallocation further away from targets. With private funds showing poorer performance as the year progressed and public markets stabilizing or rising, some of the strain on LP portfolio allocations should be easing, which could be a relief to GPs hoping to close funds in the beginning of 2023.

We encourage readers to utilize the benchmarking links provided in the above table of contents section to look at the performance of each of our strategies in more detail. Beyond median IRRs, the reports provide multiples, dispersions, and further slices of our strategies across substrategies that may be relevant for readers' benchmarking purposes.

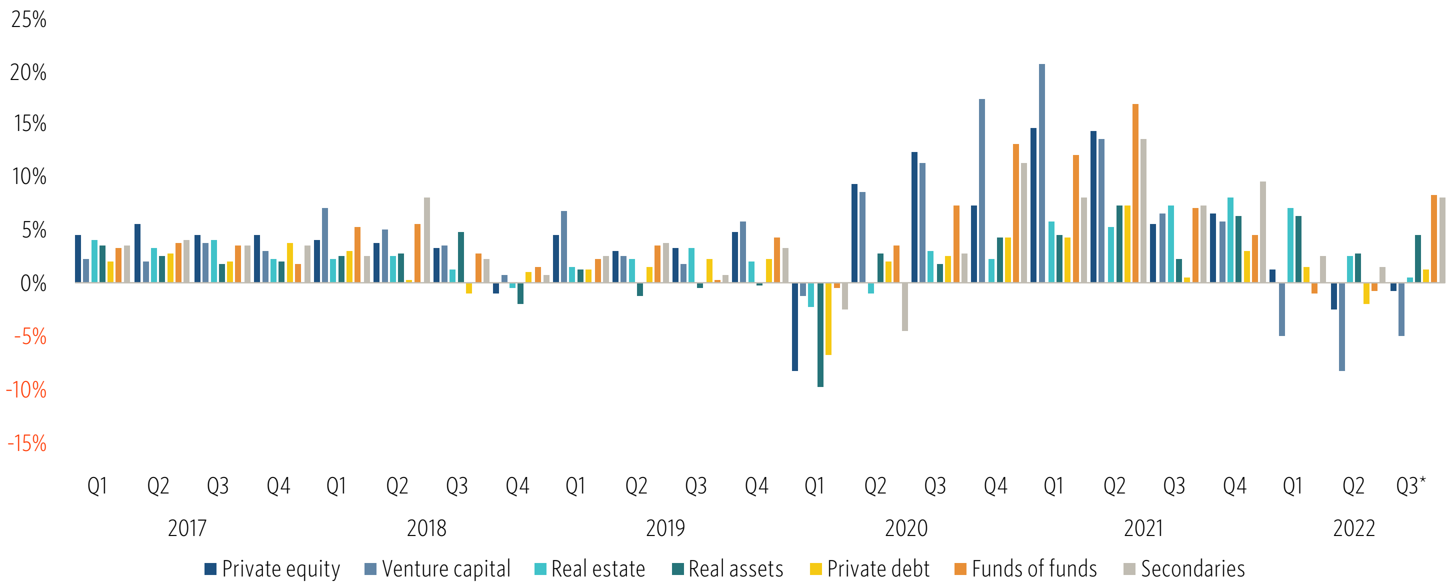
PitchBook

Horizon IRRs by strategy*



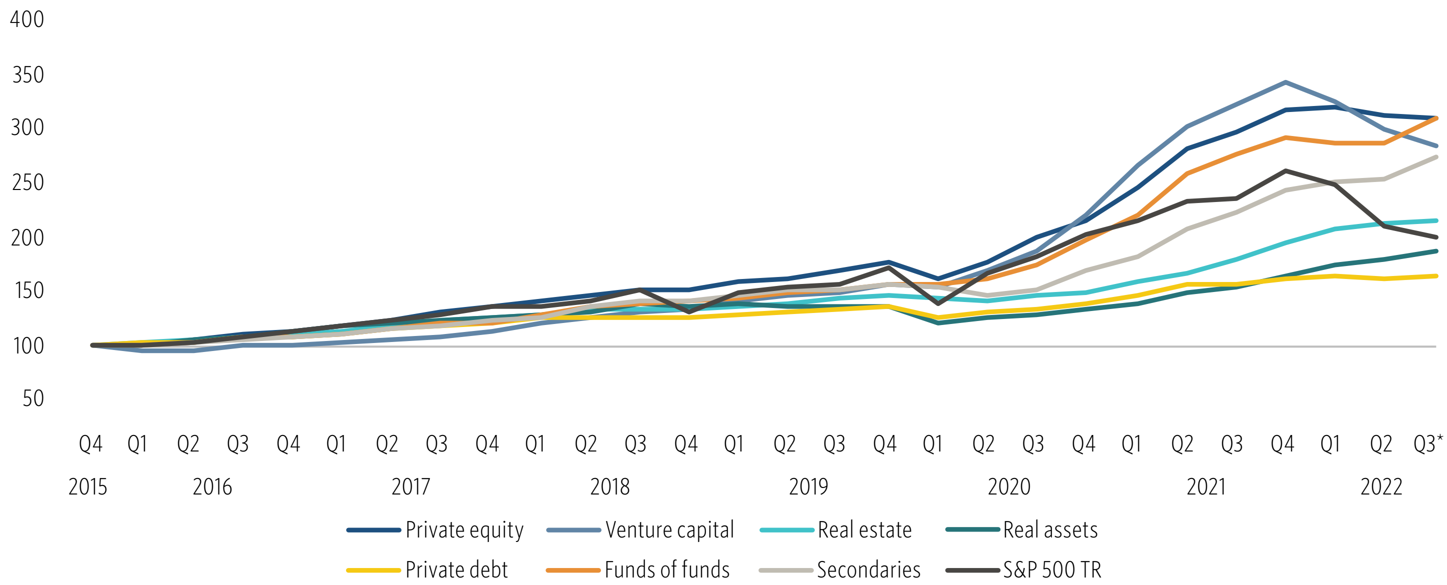
Source: PitchBook | **Geography:** Global
*Yearly horizons are as of June 30, 2022
**Preliminary returns are as of September 30, 2022

Private capital funds quarterly IRR by strategy



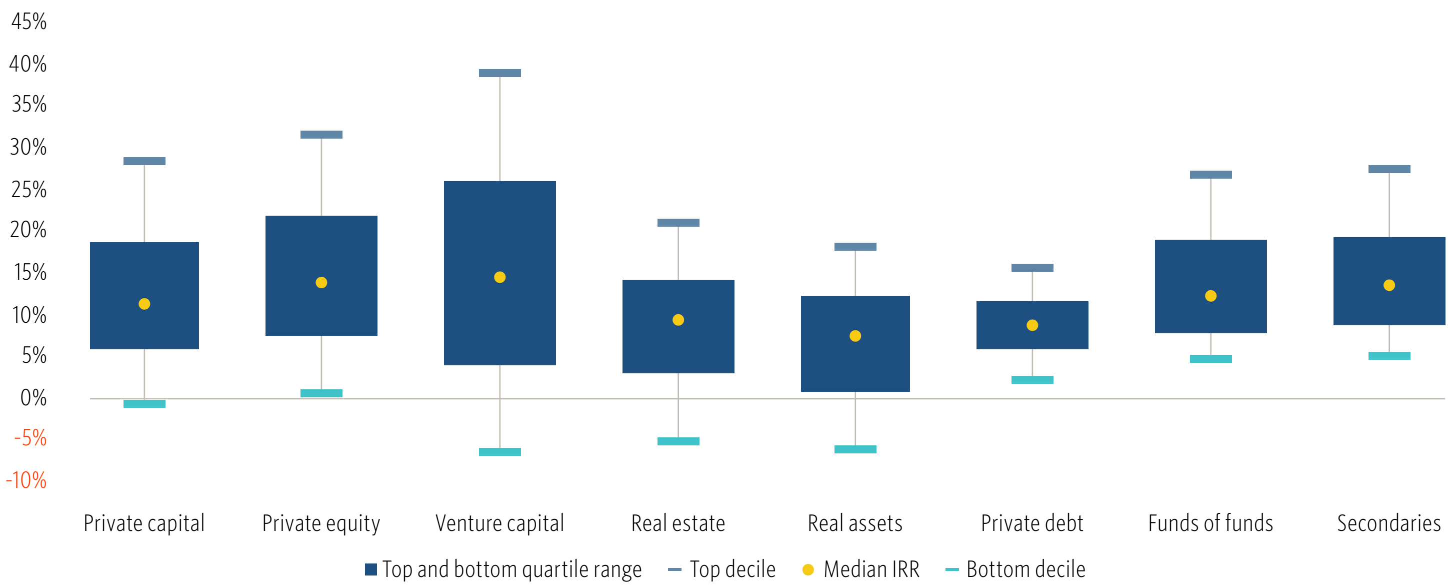
Source: PitchBook | **Geography:** Global
*As of September 30, 2022
Note: Q3 2022 data is preliminary.

Performance of PitchBook Private Market Indexes



Source: PitchBook | **Geography:** Global
*As of September 30, 2022
Note: Q3 2022 data is preliminary.

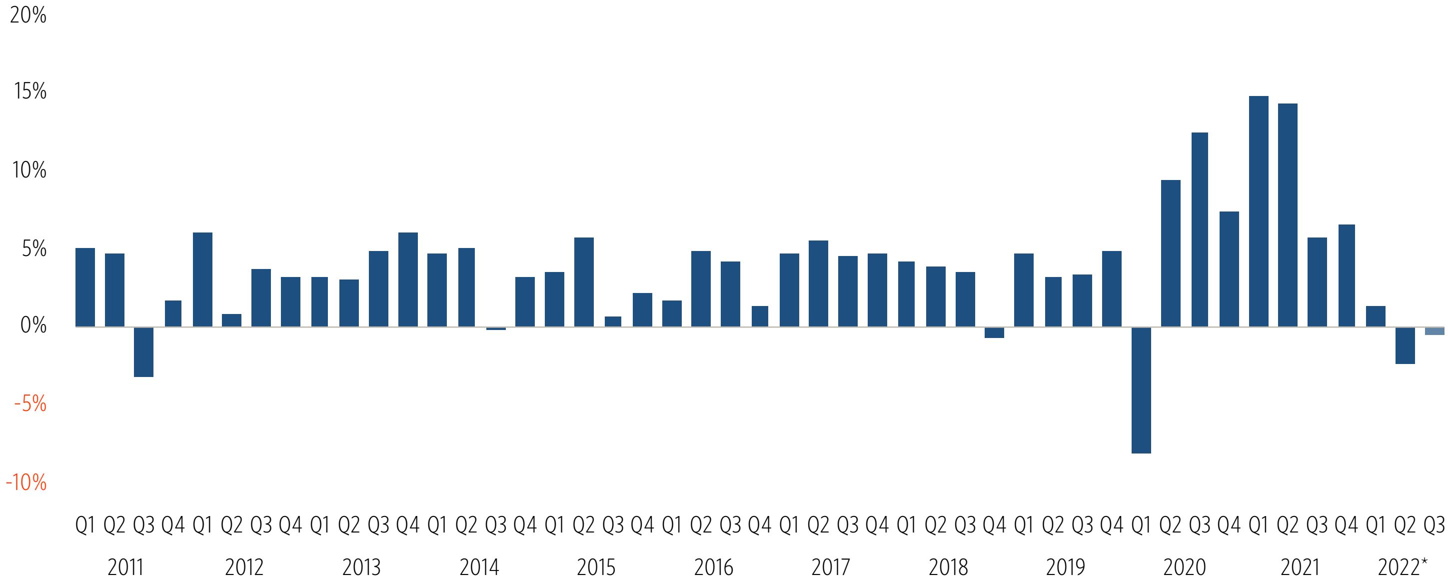
Fund performance dispersion by strategy (vintage years 2004-2017)*



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Private equity

PE funds quarterly IRR

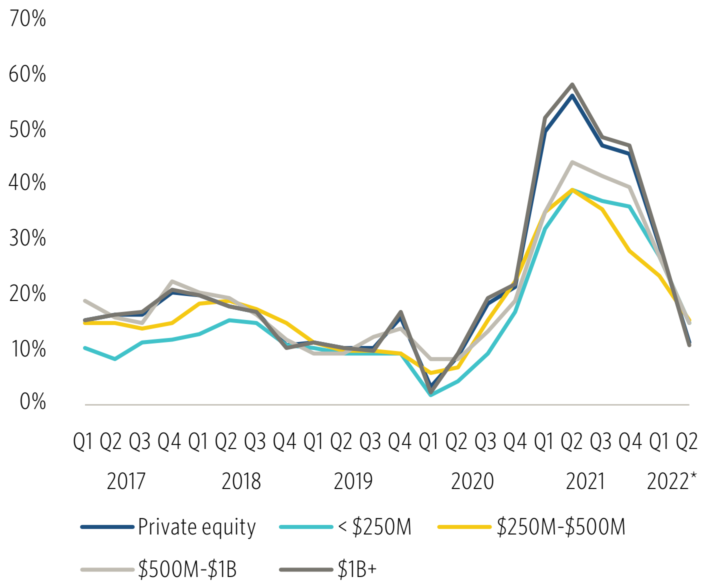


Source: PitchBook | **Geography:** Global
*As of September 30, 2022
Note: Q3 2022 data is preliminary.

Nicolas Moura, CFA
Analyst, EMEA Private Capital

PE fund performance peaked in 2021 but steadily declined in 2022 as the 12-year-long bull run in markets came to an end. PE fund performance, along with that of most asset classes, has felt the squeeze with the Q2 IRR returning -2.4% and our preliminary estimate for Q3 IRR 2022 being -0.6%. We have not had two consecutive negative quarterly IRRs for PE funds since 2009. Given the bloodbath in public markets that saw the MSCI World Index down 17.7% in 2022,[1] the mild drop in PE funds may be comforting to some sponsors. Many, however, have been eyeing 2022 PE markdowns with some skepticism, questioning whether they were in line with the macroeconomic deterioration or simply attempting to wait out the market downturn until it recovered. It is now clear, though, that inflation and rising interest rates have not been transitory and PE marks must adapt to the new reality. With interest rates rising, LBOs will become more costly and asset valuations will drop—the era of free money is over.

PE funds rolling one-year horizon IRR by size bucket

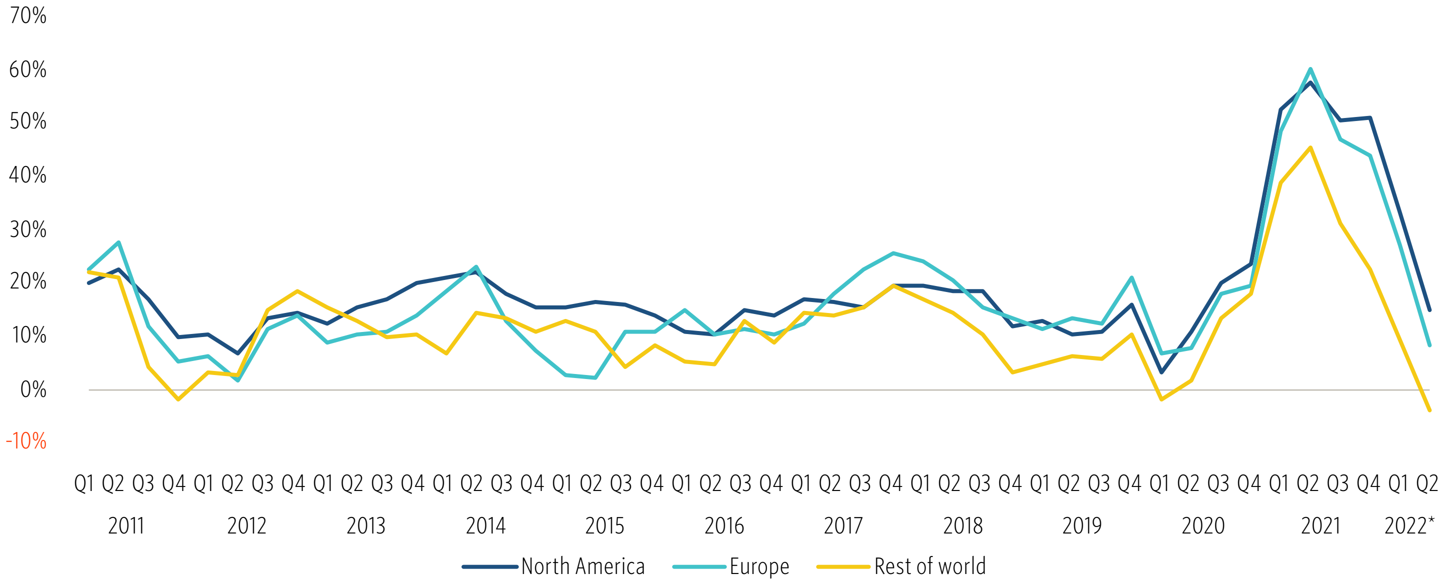


Source: PitchBook | **Geography:** Global
*As of June 30, 2022

1: "MSCI World Index (USD)," MSCI, December 30, 2022.

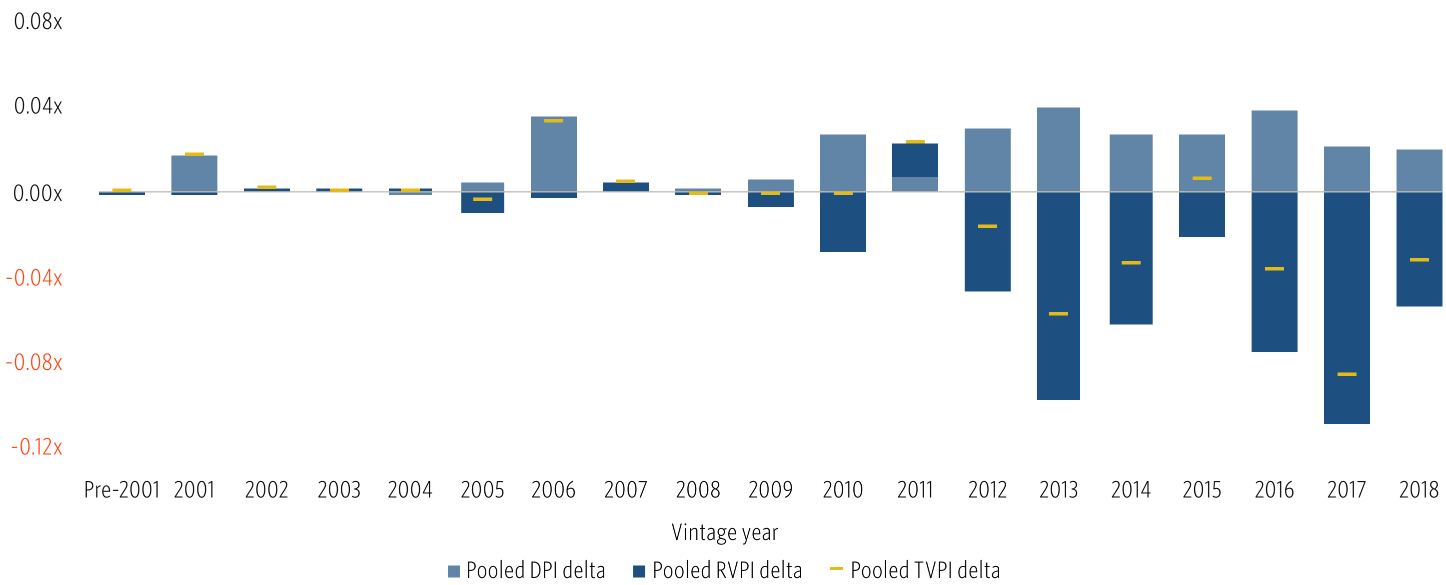
The rolling one-year horizon IRR by region has been led by North America with the Q2 2022 IRR at 14.6% compared to 8.4% for Europe. This is somewhat unsurprising given that 2022 hit Europe harder with the Russia-Ukraine conflict disrupting supply chains, pushing commodity prices and inflation higher, and reducing growth across the continent. However, any downturn also presents opportunity. Some may be writing down assets, but others will be looking to deploy dry powder into some of those depleted assets. Indeed, PE dry powder stands at $1.3 trillion globally, much of which is in the hands of experienced fund houses such as KKR, TPG, and CVC Capital Partners. Given the decline in public market stocks, take-privates were an important theme for the industry in 2022 that will help drive future PE fund returns.

PE funds rolling one-year horizon IRR by region



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

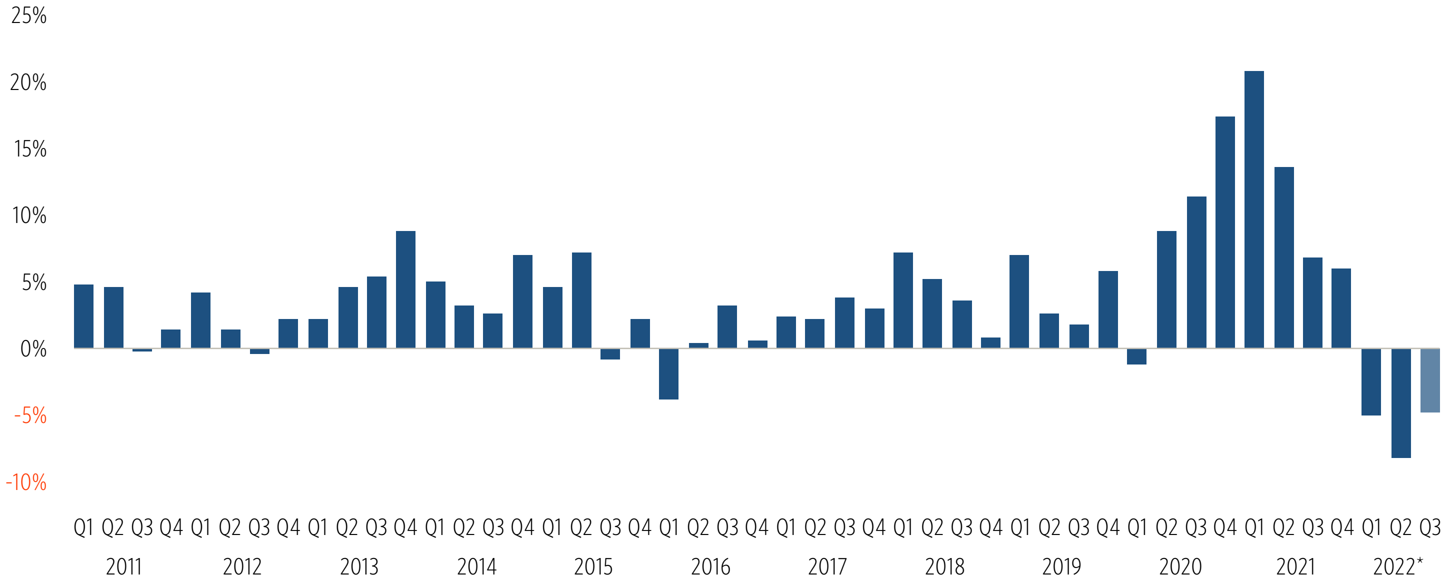
PE funds Q1 2022 to Q2 2022 change in pooled cash flow multiples by vintage*



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Venture capital

VC funds quarterly IRR



Source: PitchBook | **Geography:** Global
*As of September 30, 2022
Note: Q3 2022 data is preliminary.

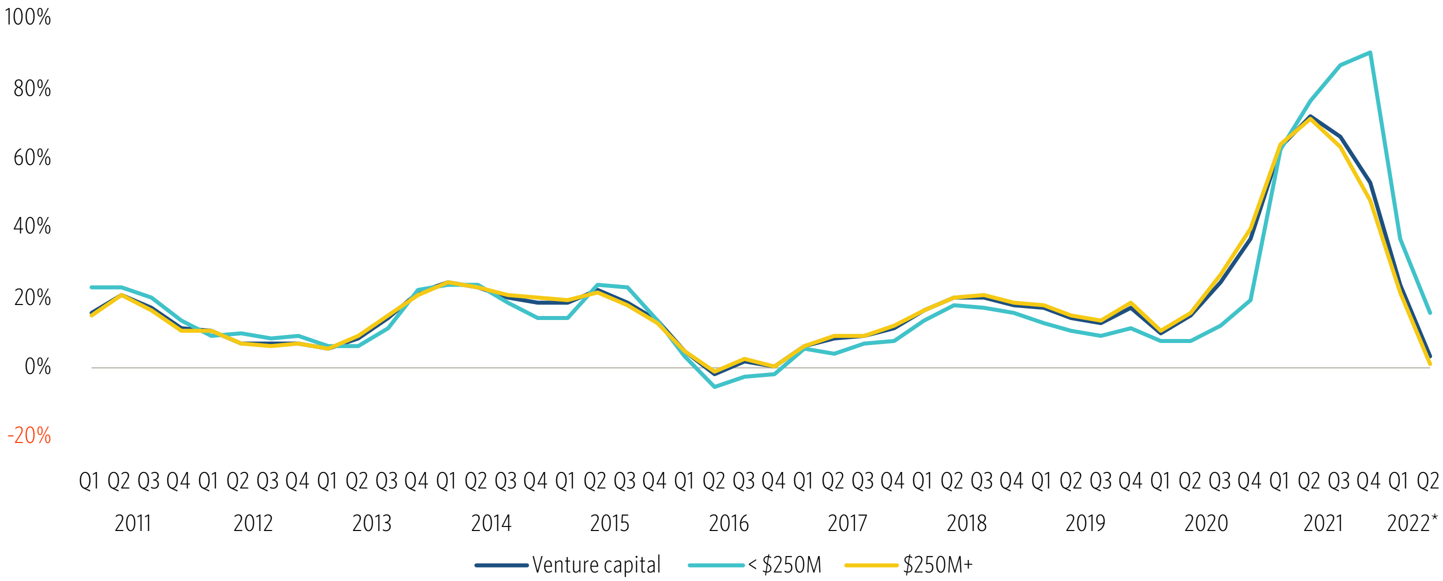
Nalin Patel
Lead Analyst, EMEA Private Capital

The VC landscape shifted in 2022 with reports of valuation haircuts, layoffs, and down rounds eating into strong returns that came to investors in 2021. The challenges facing big tech companies that were once VC-backed are filtering into the top end of the VC ecosystem, where a high concentration of fund liquidity is generated. The rolling one-year IRR for VC dropped to 2.8% in Q2 2022—its lowest level since Q4 2016—as returns regressed from 2021 peaks. The wider macroeconomic picture remains unclear, and we could see further declines to returns in coming quarters.

Unfavorable market dynamics resulted in a dearth of public listings as founders and investors opted to delay exits, in turn stifling returns, to avoid potentially locking in significant drops in value on investments made several years ago. In Q3 2022, preliminary data suggests the quarterly IRR for VC funds remained negative at -4.8% for the third consecutive quarter. VC funds' quarterly IRR peaked at 20.8% in Q1 2021, but has fallen sharply since, indicative of declining exit appetite and subsequent returns on offer.

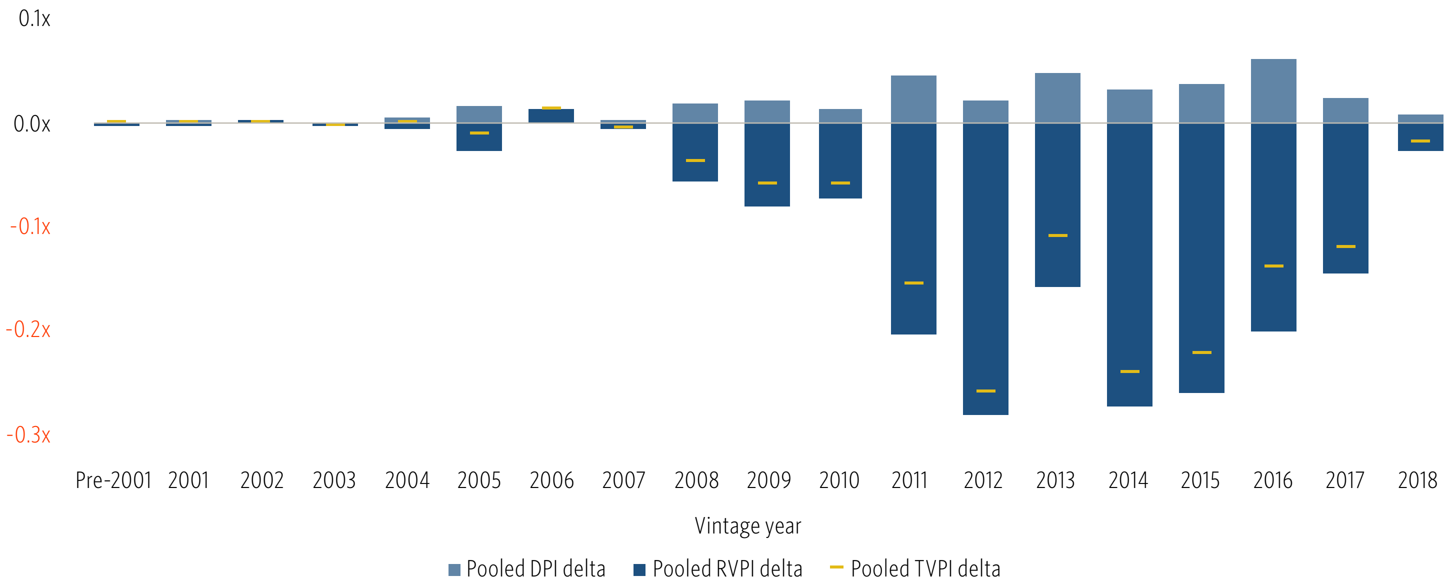
Historically, VC has outperformed the broader private capital umbrella. Mimicking the returns within the funds themselves, returns across VC are lumpy and skewed by a selection of outlier VC funds. Nonetheless, recent quarterly performance has culminated in VC producing the lowest one-year horizon IRR across all asset classes. Looking further back, the 3-year, 5-year, and 10-year horizon IRRs have come down marginally and stand at 26.8%, 22.8%, and 16.6%, respectively. A prolonged period of muted exits will put downward pressure on returns for VC funds exposed to aging portfolio companies. It remains a long-term, illiquid asset class, and depressed valuations combined with improved deal terms could entice capital deployment rather than exits in the near term.

VC funds rolling one-year horizon IRR by fund size



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

VC funds Q1 2022 to Q2 2022 change in pooled cash flow multiples by vintage*



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

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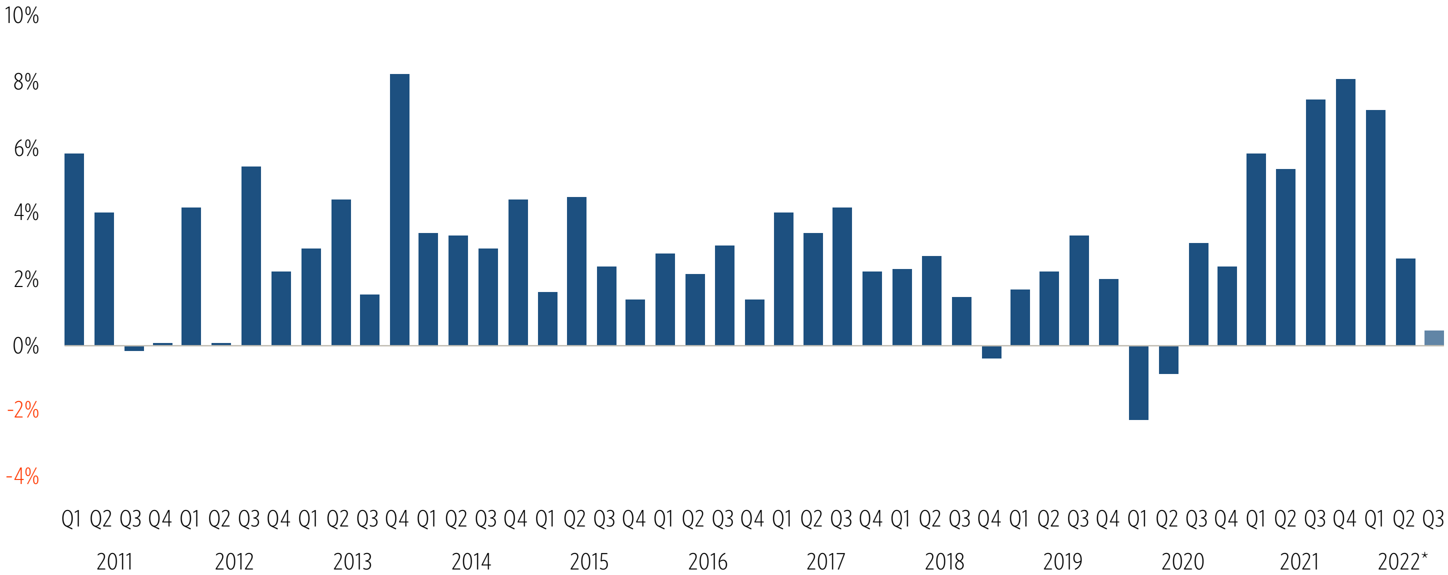
Real estate

Real estate funds quarterly IRR



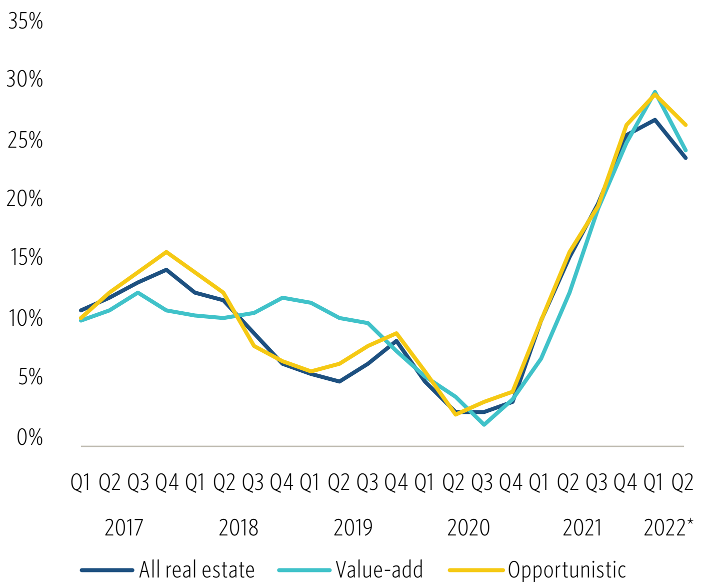
Source: PitchBook | **Geography:** Global
*As of September 30, 2022
Note: Q3 2022 data is preliminary.

Anikka Villegas
Analyst, Fund Strategies & Sustainable Investing

Real estate's rolling one-year horizon IRR was the highest of any private market strategy in Q2 2022 at 24.2%, down marginally from its Q1 2022 all-time high of 27.3%. Despite these robust one-year returns, real estate funds are not impervious to macroeconomic and market headwinds. With Q2 2022's quarterly IRR at 2.6% and the preliminary quarterly number for Q3 2022 at 0.5%, higher interest rates and increased construction and operating costs due to inflation began to visibly dampen returns after Q1. Yet, real estate's quarterly returns did not go negative in Q2 2022, unlike those of other strategies such as PE and VC. Real estate's downside protection in the 2022 economic environment is attributable to several factors, including the ability to increase rental income and asset prices with inflation, as well as tenants' reluctance to relocate due to heightened costs associated with moving to a different office, home, manufacturing facility, or storefront.

Across vintage years, IRR dispersion for real estate funds remained fairly tight through Q2 2022, the exception being funds with vintages surrounding the GFC. The private real estate fund universe post-GFC has experienced far less

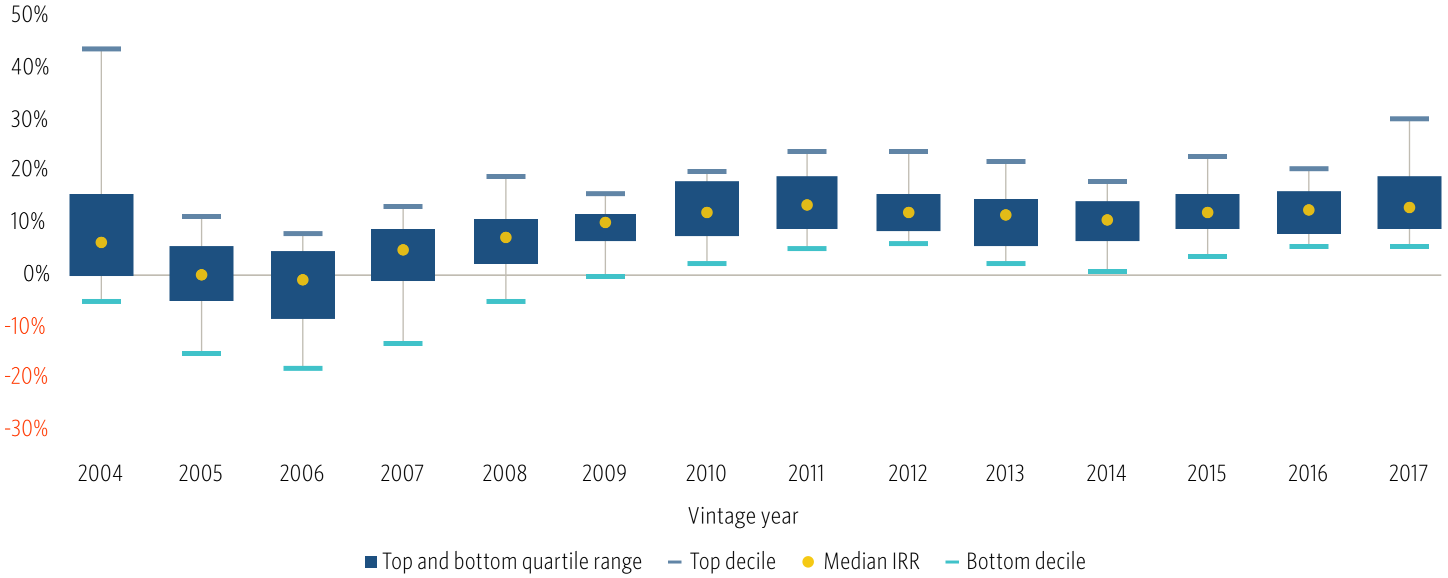
Real estate funds rolling one-year horizon IRR by type



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

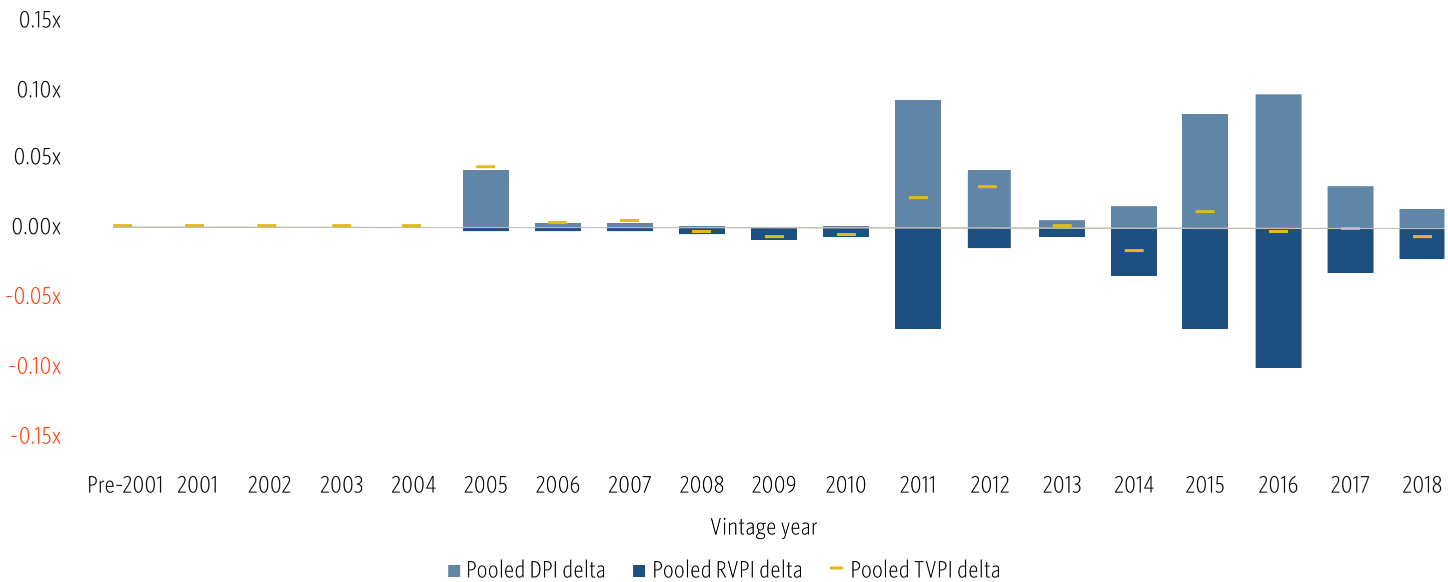
dramatic—and less impressive—returns than strategies such as PE and VC. For more recent vintages, even bottom decile PE and VC performance has been stronger than that of real estate. Yet, year-to-year, real estate returns have been less variable, and their predictability and perception as counter-cyclical is attractive to LPs in the context of a potential recession. It should be noted that the experience of real estate investors has differed depending on whether investments were made in Europe or North America. As shown in our Real Estate PitchBook Benchmarks (as of Q2 2022), North America's 1-year horizon IRR was 28.2% through Q2 2022, while Europe's was 11.3%; its 10-year numbers were 13.9% compared to Europe's 9.7%; and the 20-year numbers were 8.8% and 5.9%, respectively.

Real estate funds IRR dispersion by vintage year*



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

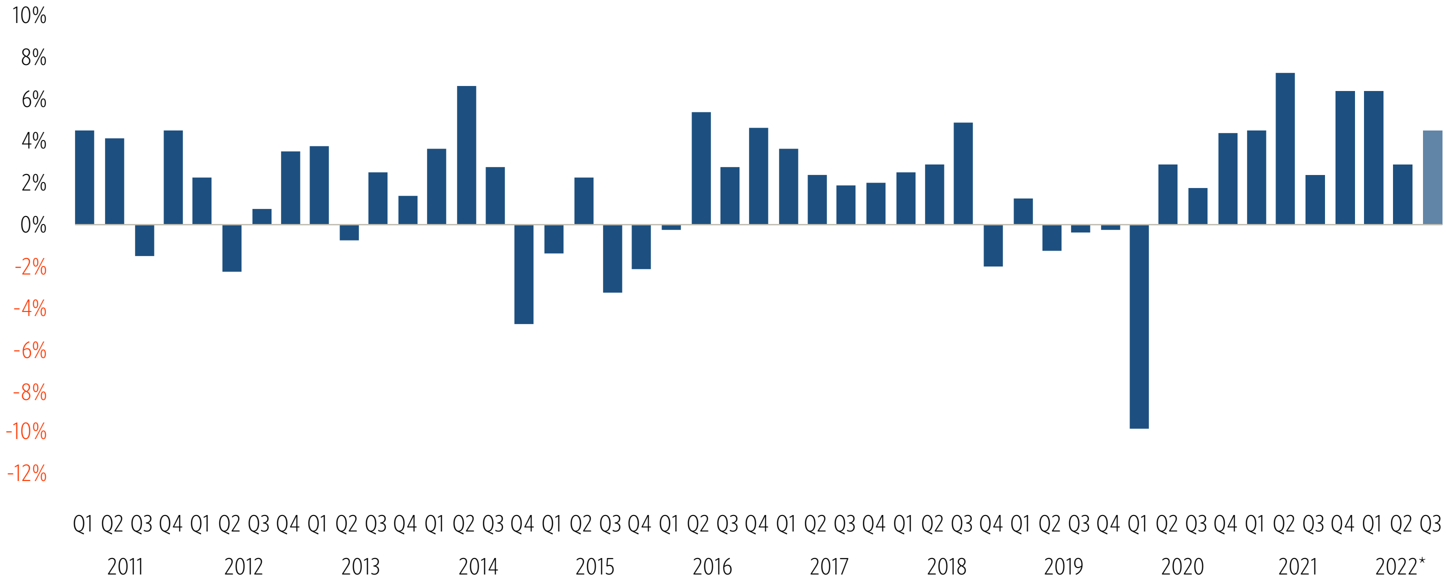
Real estate funds Q1 2022 to Q2 2022 change in pooled cash flow multiples by vintage*



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Real assets

Real assets funds quarterly IRR

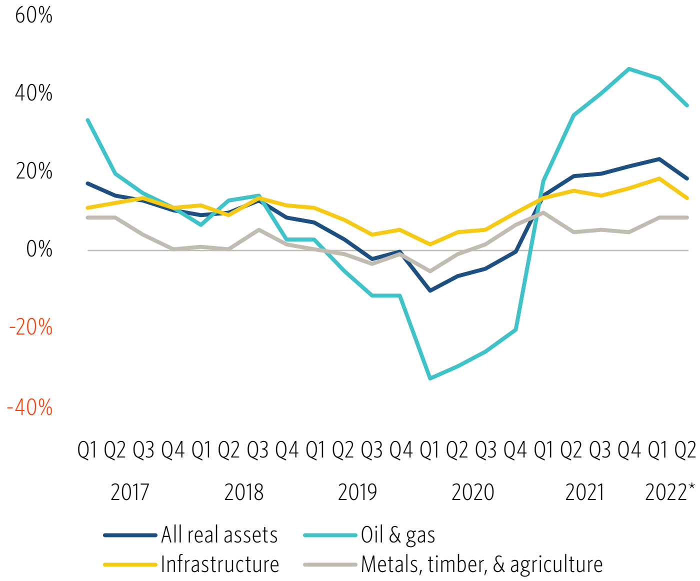


Source: PitchBook | **Geography:** Global
*As of September 30, 2022
Note: Q3 2022 data is preliminary.

Anikka Villegas
Analyst, Fund Strategies & Sustainable Investing

In Q2 2022, real assets' rolling one-year horizon IRR experienced a QoQ decrease for the first time since 2020, dropping from a record high of 23.4% in Q1 2022 to 18.5%. Infrastructure returns also fell from their previous quarter zenith of 18.3% to 13.1%, swaying the asset class's numbers considerably, as infrastructure funds comprise a large portion of the overall real assets universe. Infrastructure's returns are not low compared to historical numbers—in fact, they are in line with pre-2020 highs—but they do appear to be trending downward as a result of the increased cost of capital and development and operating costs. Oil & gas one-year returns, which shot to 46.3% in Q4 2021, had a second straight quarter of diminished returns, though still very high versus historical norms. This may seem odd, given the impact that the Russia-Ukraine war had on energy prices starting in March;[2, 3] however, it is likely attributable to the magnitude of the 2021 rebound from aggressive portfolio markdowns in 2020, which left less room for continued markups in 2022.

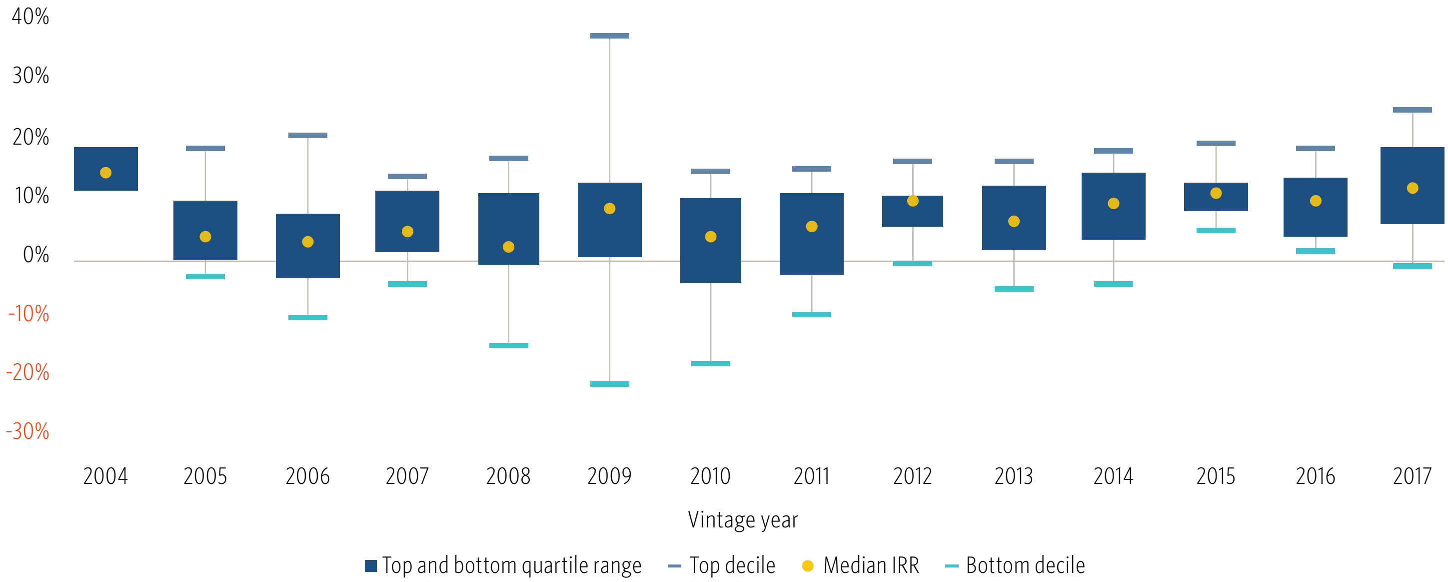
Real assets funds rolling one-year horizon IRR by type



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

2: "Crude Oil Prices – 70 Year Historical Chart," Macrotrends, n.d., accessed January 10, 2023.
3: "Natural Gas Prices - Historical Chart," Macrotrends, n.d., accessed January 10, 2023.

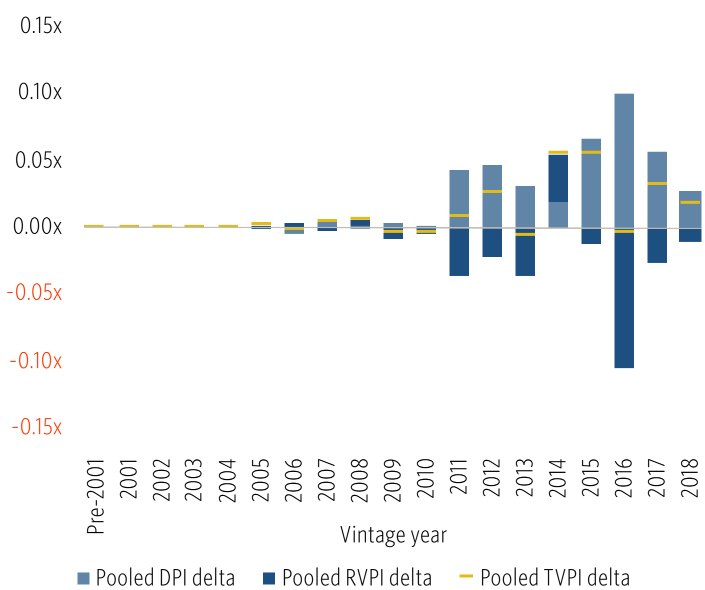
Real assets funds IRR dispersion by vintage year*



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

In terms of quarterly returns, real assets' IRR increased from 3.0% in Q2 2022 to a 4.6% preliminary return in Q3, the third highest of all the private market strategies on which we report. Oil & gas returns for Q3 are likely supported by sustained high prices, particularly for gas, which hit another peak in August.[4] In infrastructure, renewable and non-renewable energy-related assets continued to benefit from the European Union energy crisis and supply shocks. Looking at IRR dispersion for real assets funds through Q2 2022 by vintage year, bottom decile performance has been negative for far more vintages than it has been positive, underscoring the importance of manager and strategy selection when it comes to real assets. Although the range between top and bottom deciles is not always greater than that of other asset classes, their positions above and below the x-axis indicates that these choices are the difference, not between good and better returns, but between positive and negative ones.

Real assets funds Q1 2022 to Q1 2022 change in pooled cash flow multiples by vintage*



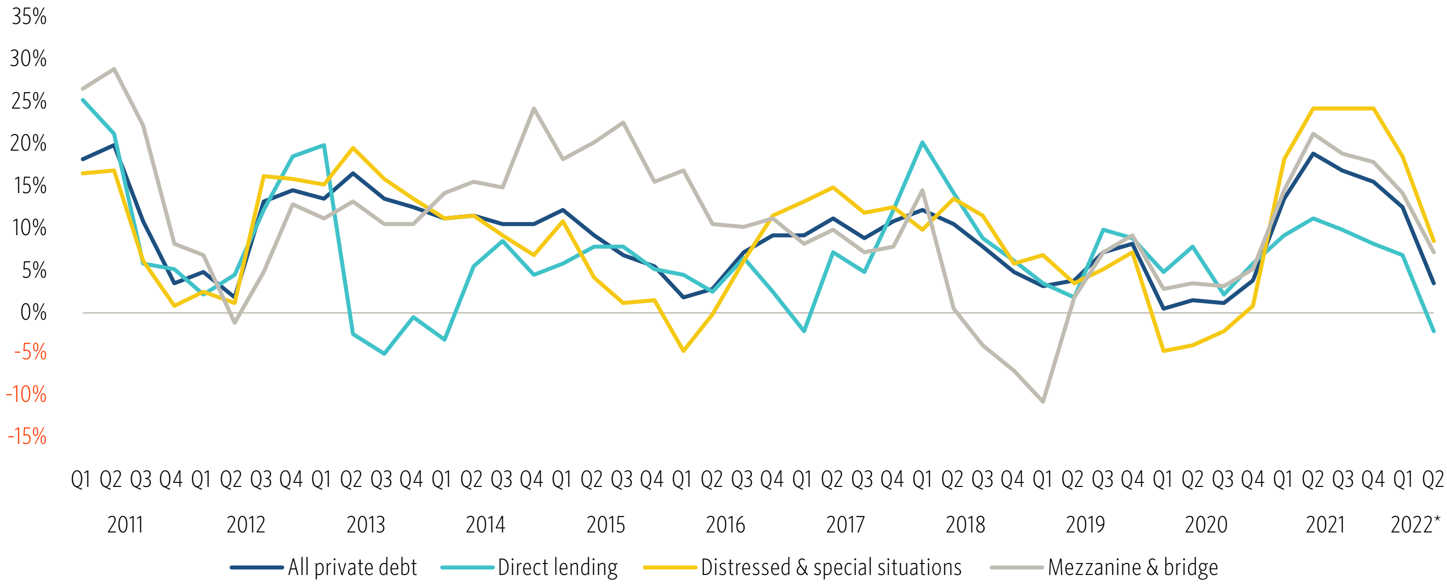
Source: PitchBook | **Geography:** Global
*As of June 30, 2022

4: "Natural Gas Prices - Historical Chart," Macrotrends, n.d., accessed January 10, 2023.

PitchBook

Private debt

Private debt funds rolling one-year horizon IRR by type



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Tim Clarke
Lead Analyst, Private Equity

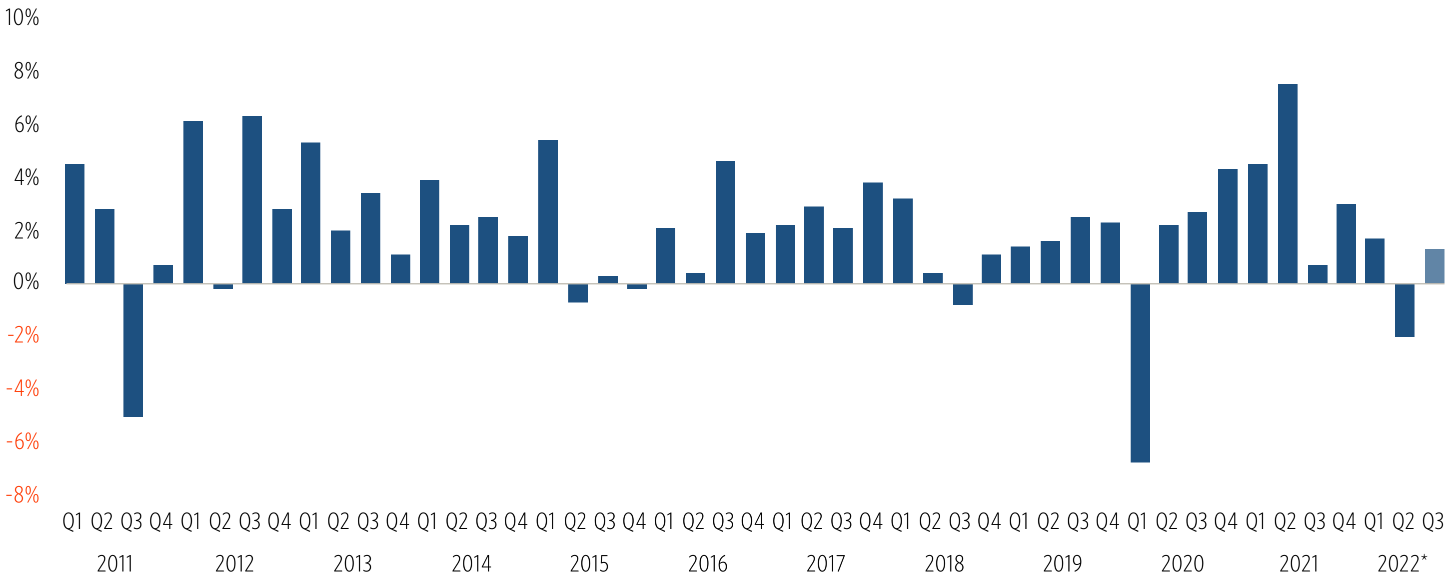
Q2 2022 private debt performance came in at -2.0%. This was the first quarter of negative returns for the strategy since the global COVID-19 pandemic lockdown in Q1 2020. The culprit this time was the Federal Reserve shifting into high gear with interest rate hikes to combat inflation, which sent all fixed income assets tumbling. Our preliminary data for Q3 2022 points to a rebound of 1.3%, which is below private debt's median quarterly return of 2.2% but enough to rank it as the third best performer relative to other private market strategies. Ranking toward the top of the private markets league table is unfamiliar territory for private debt, which has generally lagged its equity alternatives for most time periods. The set up for private debt, however, is promising going forward. Sourcing debt via public markets is highly constrained, particularly the syndicated loan market that PE has used for years to back large LBO deals. Private debt has almost entirely replaced the traditional lending markets for originating these loans and is in a position to take permanent market share from banks longer term.

The floating rate nature of the loans provided by direct lending funds is an appealing feature, attracting new investors in a rising interest rate environment and boosting returns relative to fixed-rate alternatives. Yields averaged 9.9% in the syndicated LBO market during Q3 2022 and pushed even higher in Q4 on loans that attempted to go to the market. Direct lending funds are fetching similar or higher yields on new loans, resulting in double digit current cash flow to LPs in many instances.

The primary risk to future returns—as was discovered during the -6.8% return delivered by private debt during the pandemic-induced correction of Q1 2020—is that valuations can go down even when interest rates are falling, largely because of declining credit quality and increasing loan defaults. LCD research shows that credit default ratios have stayed low and stable,[5] but to some extent the leveraged loan market has been able to push the day of reckoning via "amend and extend" transactions, reducing the so-called "maturity wall" in 2023 by 68%. So, it may be a while before we see a material rise in credit defaults, but the metric bears close scrutiny while collecting those higher yields.

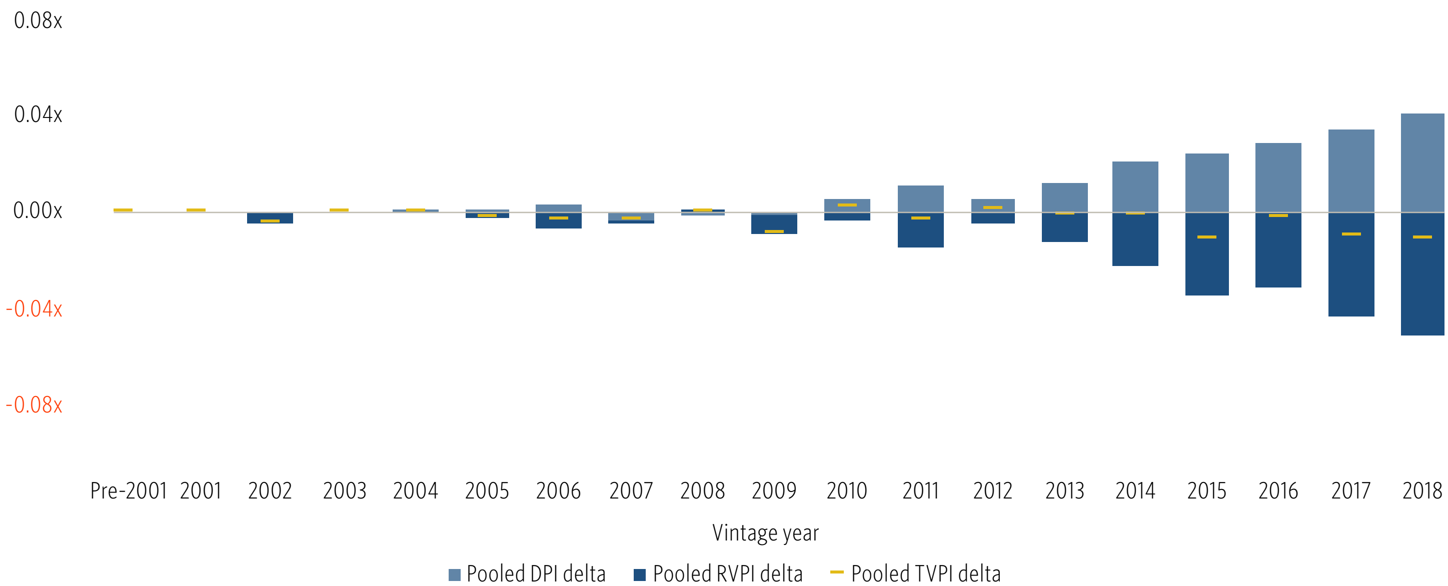
5: PitchBook acquired Leveraged Commentary & Data in 2022.

Private debt funds quarterly IRR



Source: PitchBook | **Geography:** Global
*As of September 30, 2022
Note: Q3 2022 data is preliminary.

Private debt funds Q1 2022 to Q2 2022 change in pooled cash flow multiples by vintage*

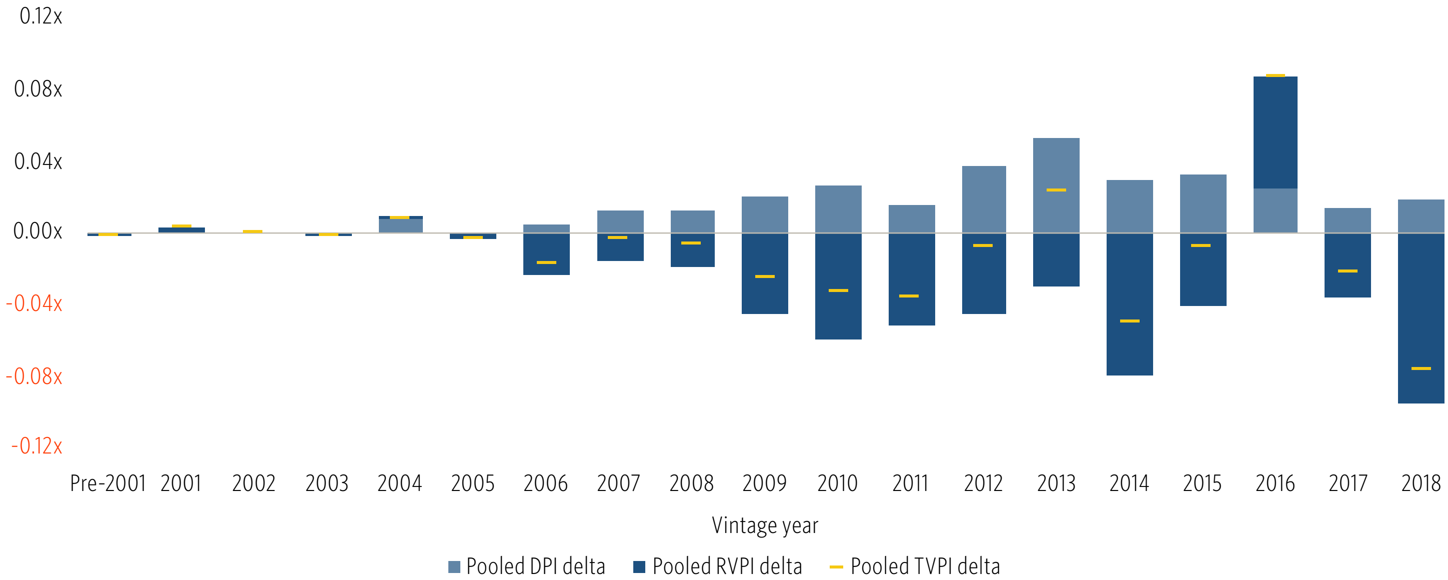


Source: PitchBook | **Geography:** Global
*As of June 30, 2022

PitchBook

Funds of funds

FoF Q1 2022 to Q2 2022 change in pooled cash flow multiples by vintage*



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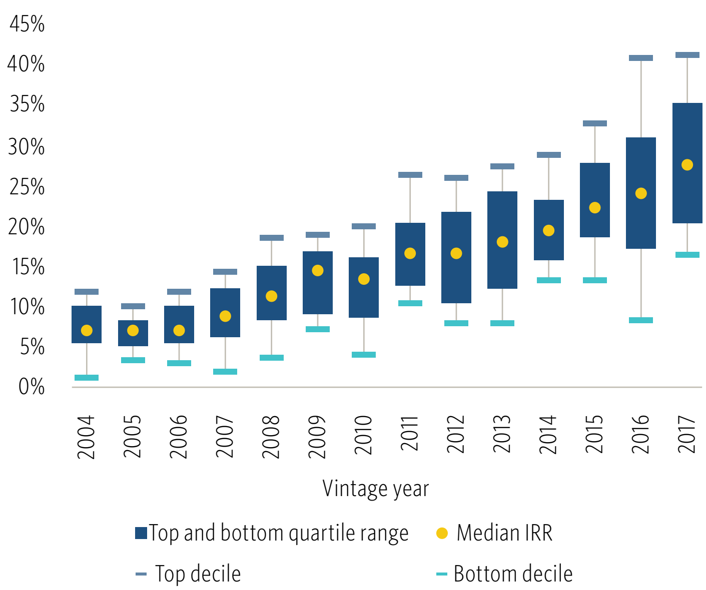
Juliet Clemens
Analyst, Fund Strategies

In Q2 2022, the FoF rolling one-year horizon IRR of 11.5% narrowly underperformed the private capital figure of 12.0%—the last quarter that FoFs underperformed overall private capital was in Q4 2019 by a -0.3% margin. The one-year horizon IRR is lower than the 3-year, 5-year, and 10-year horizon IRRs, indicating that the most recent period is trending behind historical norms for FoF. Between Q1 2020 and Q1 2022, FoF rolling one-year figures had been outperforming overall private capital by an average margin of 7.5%. Since reaching a peak of 56.1% in Q3 2021 and outperforming overall private capital by 16.7%, however, the outperformance has been steadily decreasing; in Q1 2022, the gap had narrowed to just 3.8%. Both the outperformance and its decline are likely attributable to FoF leaning into VC in a higher proportion than private capital overall. VC has seen wide swings over the past several years, sometimes aiding these strategies, but not in the most recent periods.

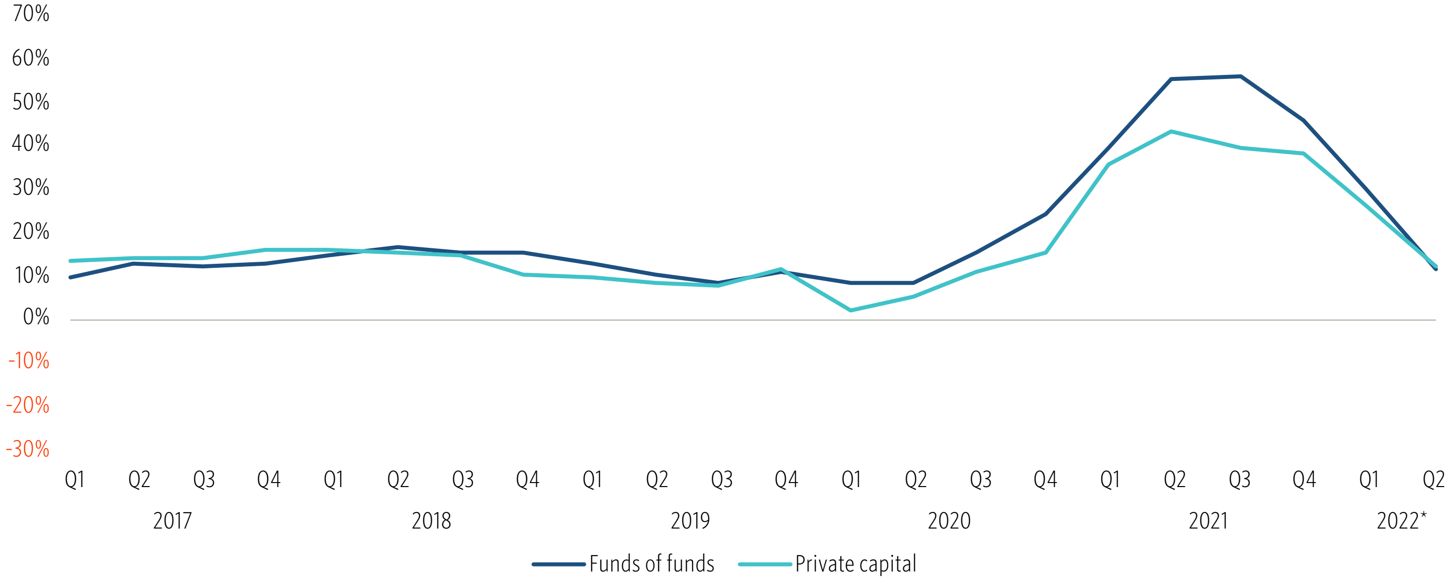
FoF IRR dispersion by vintage year*



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

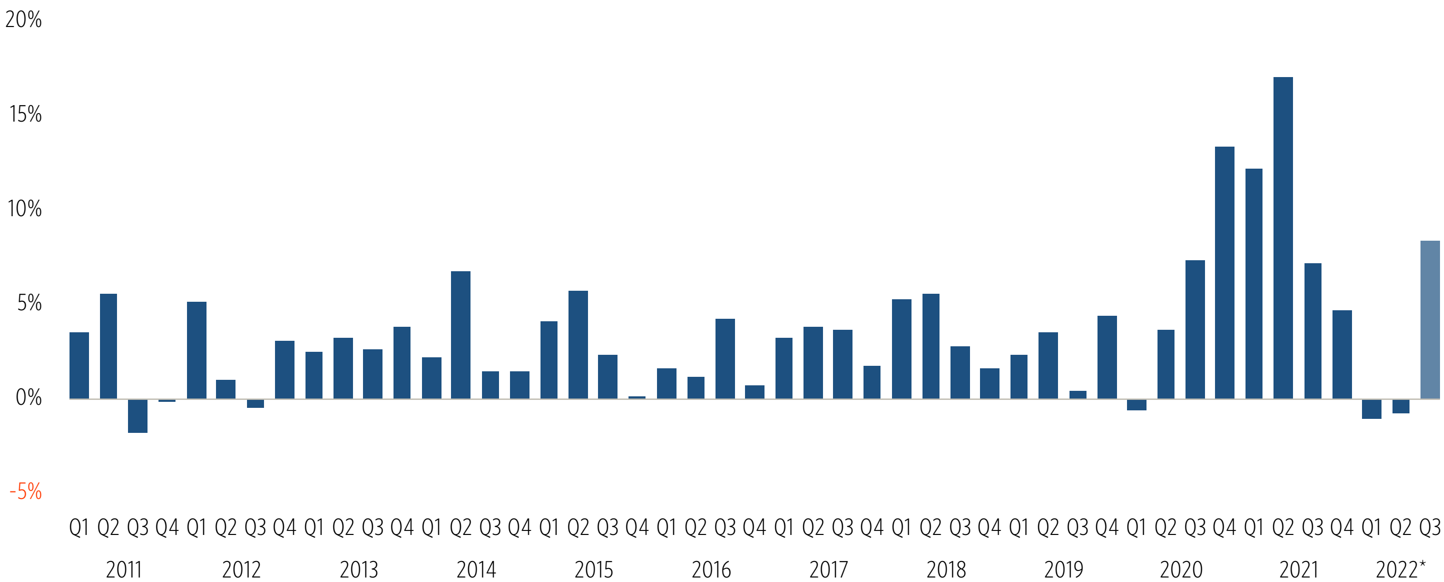
Quarterly figures tell a similar story. The FoF IRR for Q2 2022 has come in at -0.7%, marking the second quarter in a row of negative returns, following the -1.0% generated in Q1—FoF returns have not been negative for two consecutive quarters since 2011. FoF quarterly returns have not dipped into negative territory since Q1 2020, when the strategy returned -0.5%, and had not been negative since Q3 2012 prior to that. Preliminary Q3 2022 figures indicate that FoF quarterly performance may rebound strongly. Current figures show that the strategy is generating an 8.4% quarterly IRR. This preliminary data, however, reflects only a small portion of FoFs that have reported results, so these numbers are subject to further revisions.

FoF rolling one-year horizon IRR



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

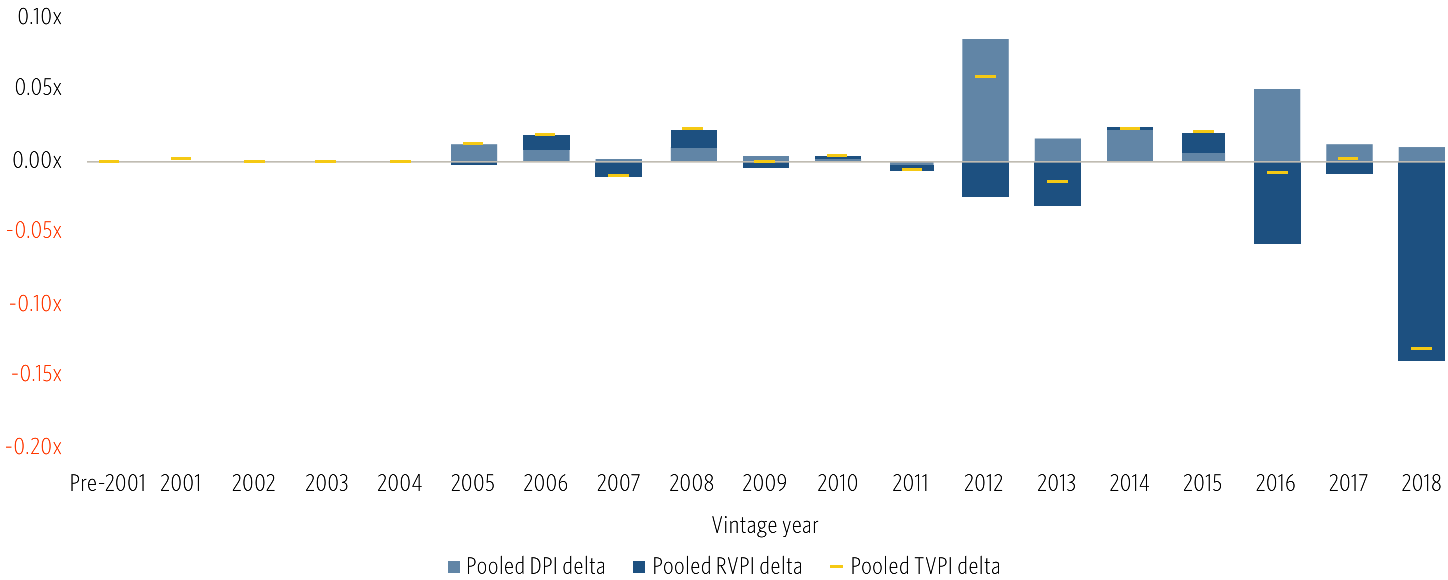
FoF quarterly IRR



Source: PitchBook | **Geography:** Global
*As of September 30, 2022
Note: Q3 2022 data is preliminary.

Secondaries

Secondaries funds Q1 2022 to Q2 2022 change in pooled cash flow multiples by vintage*



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

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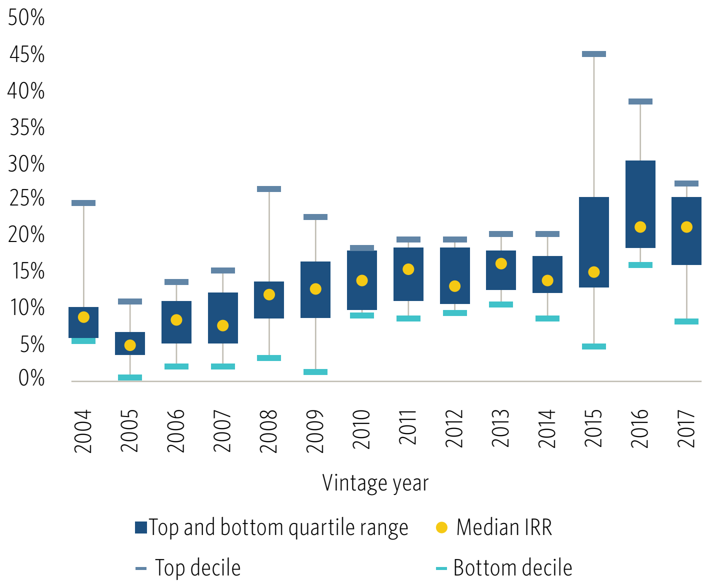
Secondaries generated a rolling one-year IRR figure of 21.7% through Q2 2022 and outperformed the overall private capital fund universe by a 9.7% margin. When comparing Q2 2022 to the previous five quarters, however, there has been a significant decline in secondaries returns; in Q1, returns were 36.2%—a difference of 14.5% from one quarter to the next—following the peak of 46.3% that was as recent as Q3 2021. The decline in rolling one-year IRRs reflects the secondaries quarterly data: Quarterly returns from Q4 2020 through Q4 2021 ranged between 7.3% and 13.8%, while Q1 and Q2 2022 only returned 2.6% and 1.5%, respectively.

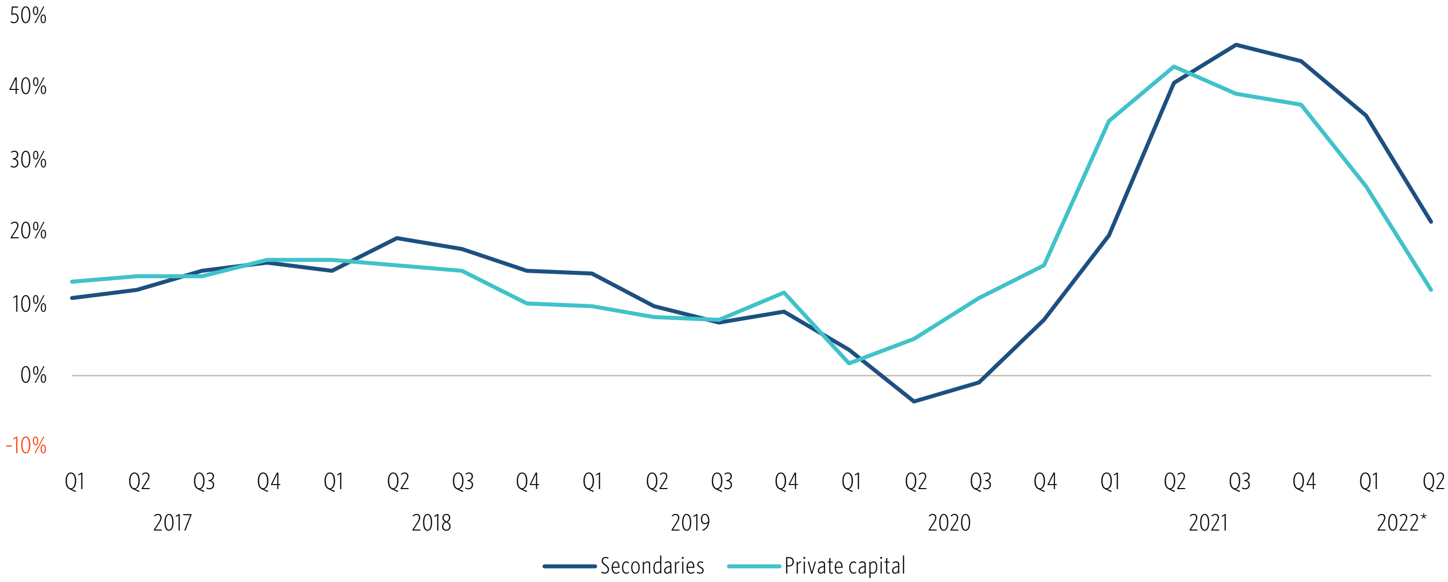
Secondaries funds IRR dispersion by vintage year*



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

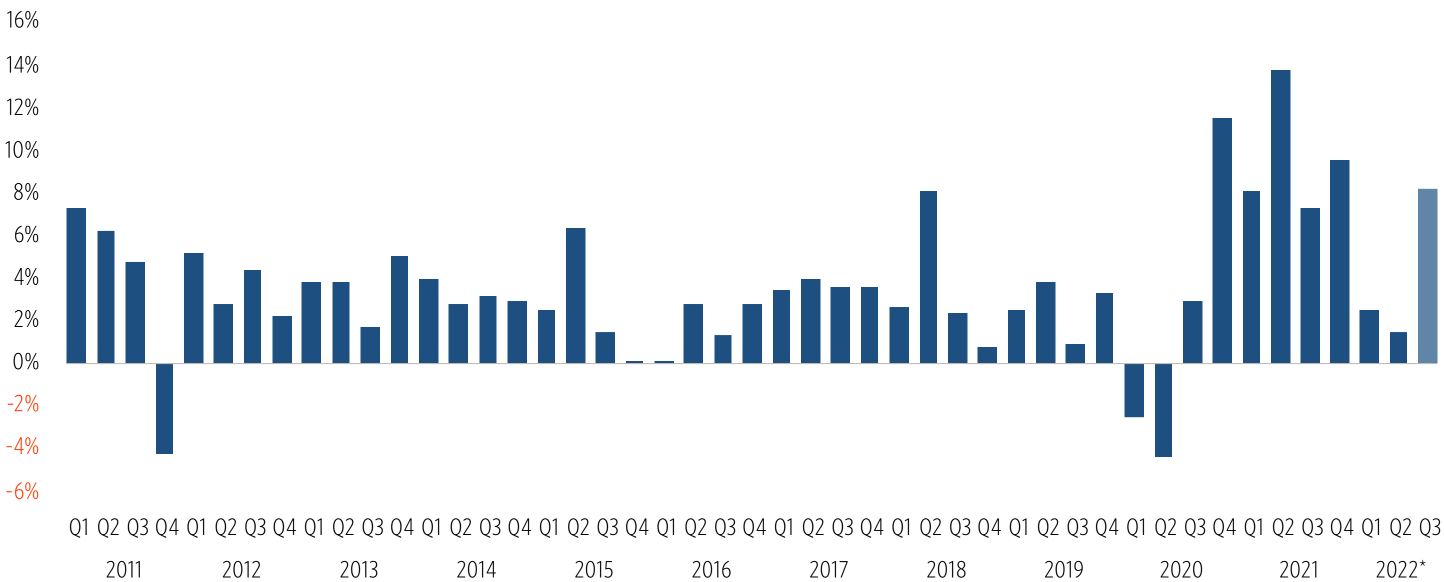
This trend in declining returns likely reflects the markdowns in NAV that occurred over 2022 across fund strategies, as well as the extension of fund lives while exit conditions remain difficult. IRRs are heavily influenced by length of holding period. One of the major advantages of secondaries over primary funds is the ability to realize cash returns much more quickly by buying mature portfolios. If the time to exit extends, as is surely happening, secondaries returns will suffer. Preliminary Q3 2022 figures do indicate there may be a return to 2021 return ranges, as current figures stand around 8.2% for the asset class; however, it remains to be seen if this rebound will be sustained and reflected in the realized fund returns as the current economic situation plays out.

Secondaries funds rolling one-year horizon IRR



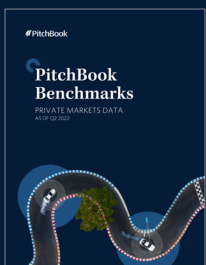
Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Secondaries funds quarterly IRR



Source: PitchBook | **Geography:** Global
*September 30, 2022
Note: Q3 2022 data is preliminary.

Additional research



Global PitchBook Benchmarks as of Q2 2022

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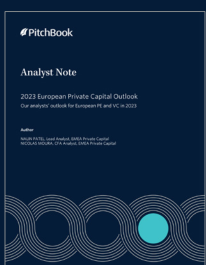

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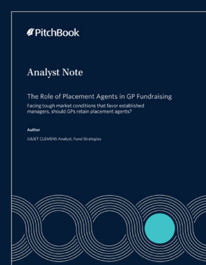

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