# Global Fund Performance Report

(As of Q1 2021 with preliminary Q2 2021 data)

PitchBook

# Contents



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

*A note on methodology: Prior to this edition, the Global Fund Performance Report included mezzanine under private equity. Going forward, mezzanine will be included under private debt.*

*PitchBook Benchmarks (as of Q1 2021) 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, and secondaries. Both Excel and PDF versions are available.*

## Horizon IRRs by strategy*

| | Q2 2021** | 1-year | 3-year | 5-year | 10-year |
|---|---|---|---|---|---|
| Private capital | 9.4% | 33.3% | 14.3% | 14.5% | 12.7% |
| Private equity | 8.7% | 47.6% | 19.2% | 18.6% | 14.9% |
| Venture capital | 22.7% | 52.5% | 24.9% | 18.5% | 15.2% |
| Real estate | 3.1% | 7.8% | 6.6% | 8.8% | 11.1% |
| Real assets | 7.5% | 12.0% | 2.6% | 6.1% | 5.3% |
| Private debt | 9.1% | 15.2% | 6.2% | 7.8% | 8.7% |
| Funds of funds | 19.1% | 35.1% | 17.5% | 15.1% | 12.1% |
| Secondaries | 13.1% | 15.8% | 11.2% | 11.8% | 11.4% |

**Source:** PitchBook | **Geography:** Global
*Yearly horizons are as of March 31, 2021
**Preliminary quarterly returns are as of June 30, 2021


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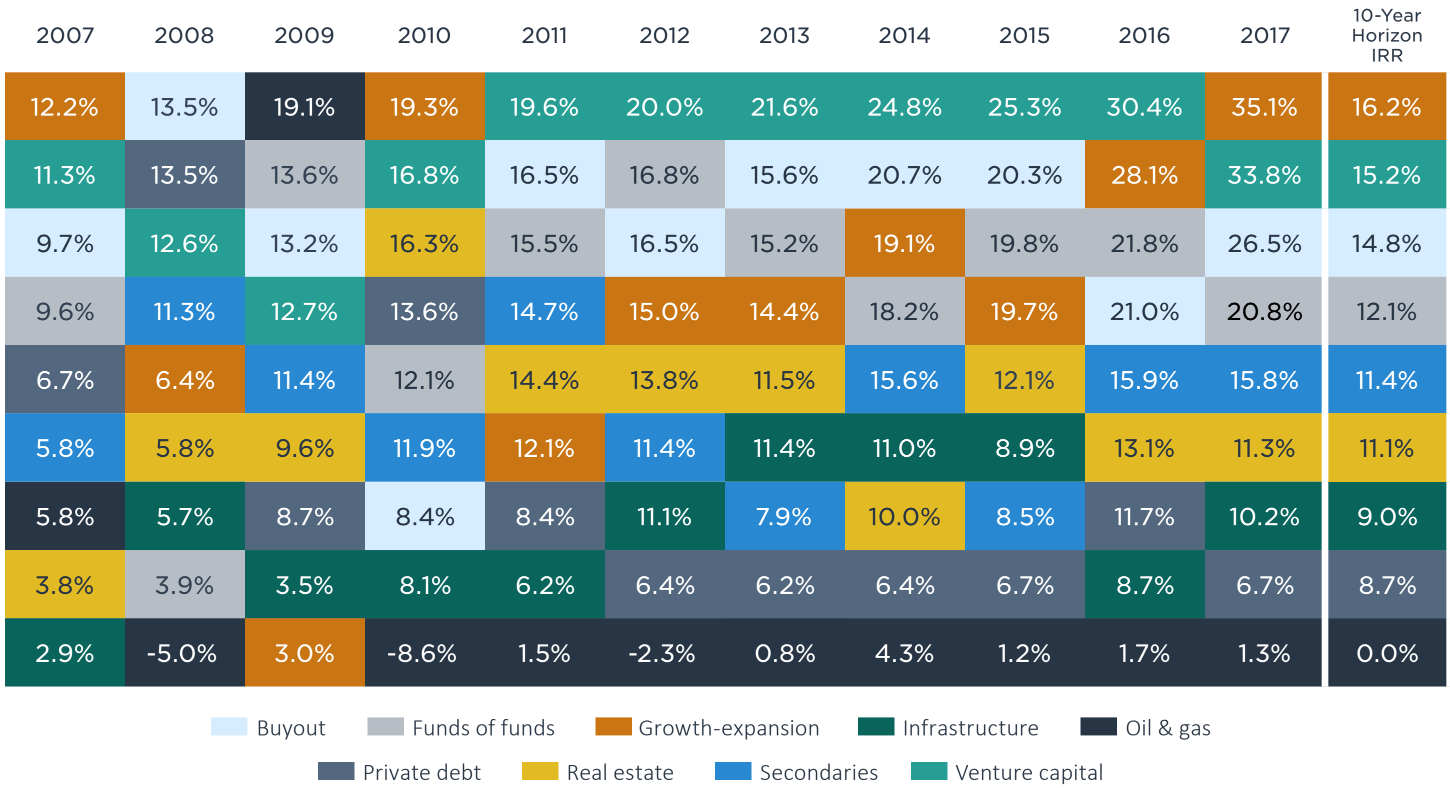
*Published on November 3, 2021*


*Click here for PitchBook's report methodologies.*

*Click here for PitchBook's private market glossary.*

# Overview

Private market strategies’ performance comparisons by vintage year*




**Source**: PitchBook | **Geography**: Global
*As of March 31, 2021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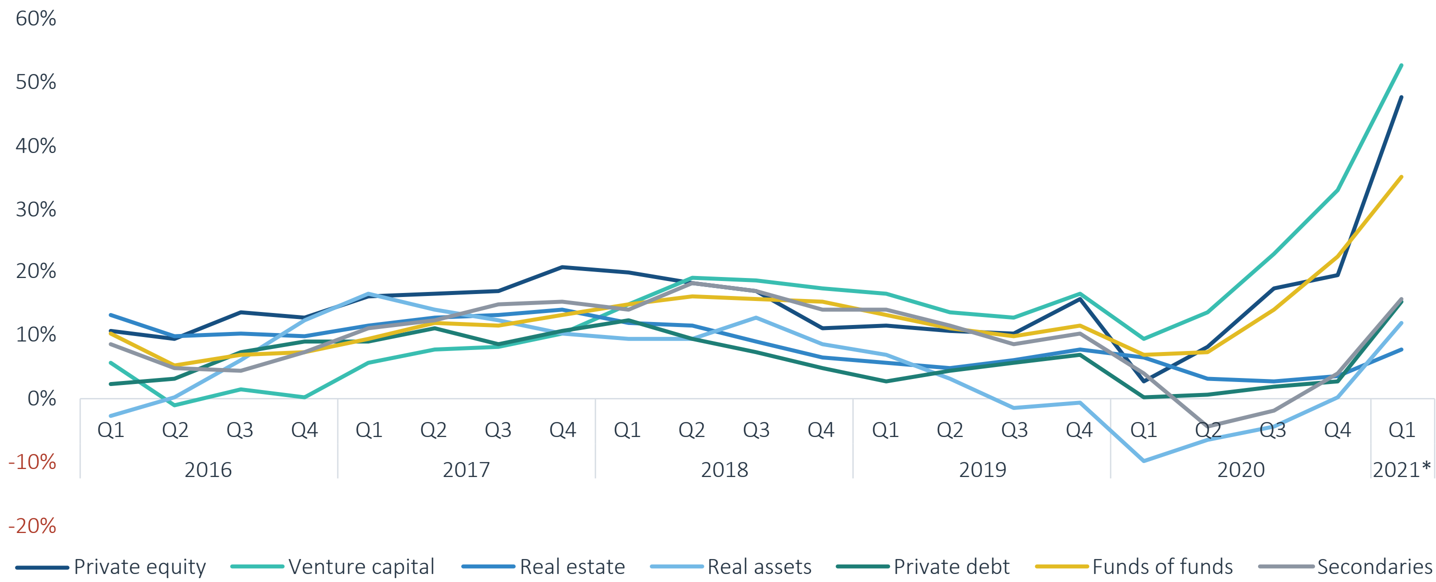
The quilt chart displayed here is different from the one we publish in our Benchmarks report. Instead of each column indicating that year’s one-year horizon IRR aggregating returns from all relevant vintages, this graphic shows vintage year IRRs from inception through March 31, 2021. This view allows readers to track various strategies raised in different economic environments, providing potential insights about what types of funds may prosper in different conditions. While the returns from the earliest vintages on the chart are close to fully realized, more recent vintages are more likely to shift in ranking from quarter to quarter, as the returns are based more on valuations than on exited, locked-in data.

This quilt chart has one less row this quarter because we have moved mezzanine funds into private debt throughout our reporting, making our “Other private equity (PE)” category much less relevant and thus meriting its exclusion. Several fund-of-funds (FoF) vintages shifted up quarter over quarter. Even controlling for the removal of the “Other PE” category, 2011 vintage FoF moved up from fifth to third, 2012 from third to second, and 2016 from fifth to third. This is fairly predictable behavior; FoFs come out of their J-curves later than primary funds because they make commitments to primary funds typically over three to five vintage years.

## Rolling one-year horizon IRRs by strategy

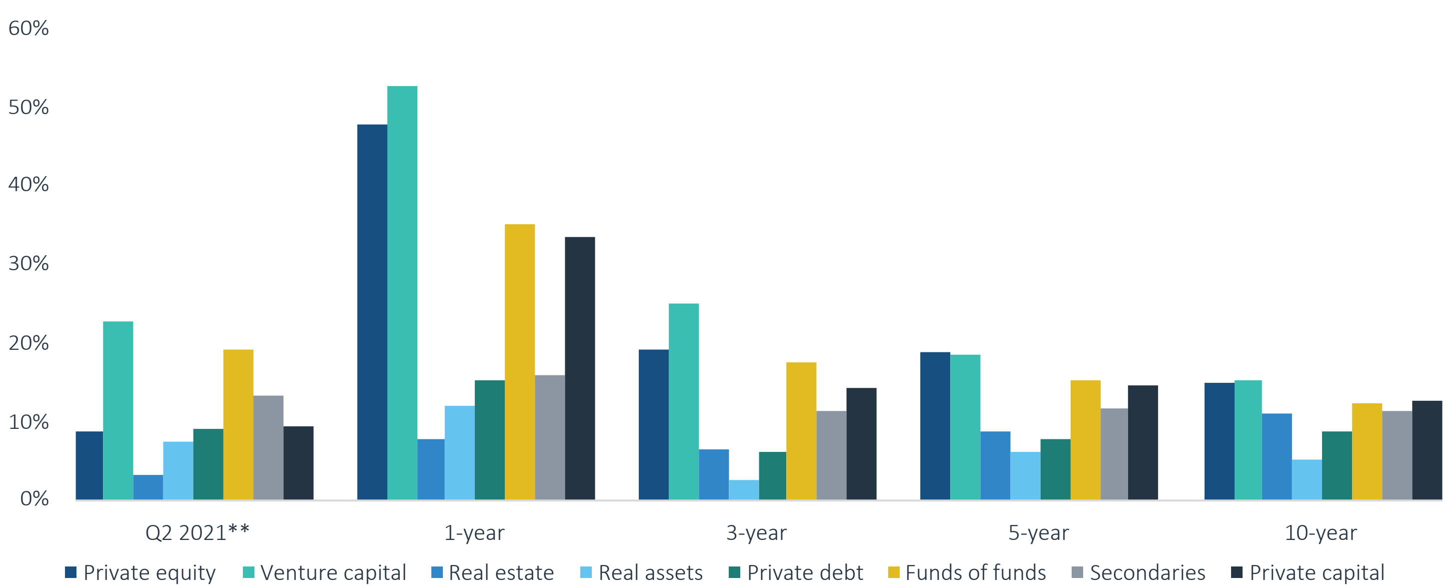



**Source:** PitchBook | **Geography:** Global
*As of March 31, 2021

Because Q1 2020 rolled off the most recent one-year figures, the returns through Q1 2021 were exceptional, particularly for venture capital (VC) and PE. FoF, which typically invest in PE and VC more often than the other strategies, have not kept up with the primary funds, but they are well ahead of the other strategies we follow.

Real assets, private debt, and secondaries benefited greatly from the lack of Q1 2020 inclusion in the one-year IRR, though real estate did not get the pop of the other strategies. We expect many of the lines on this chart to sharply snap back next quarter as the phenomenal comeback of Q2 2020 drops out of our figures.

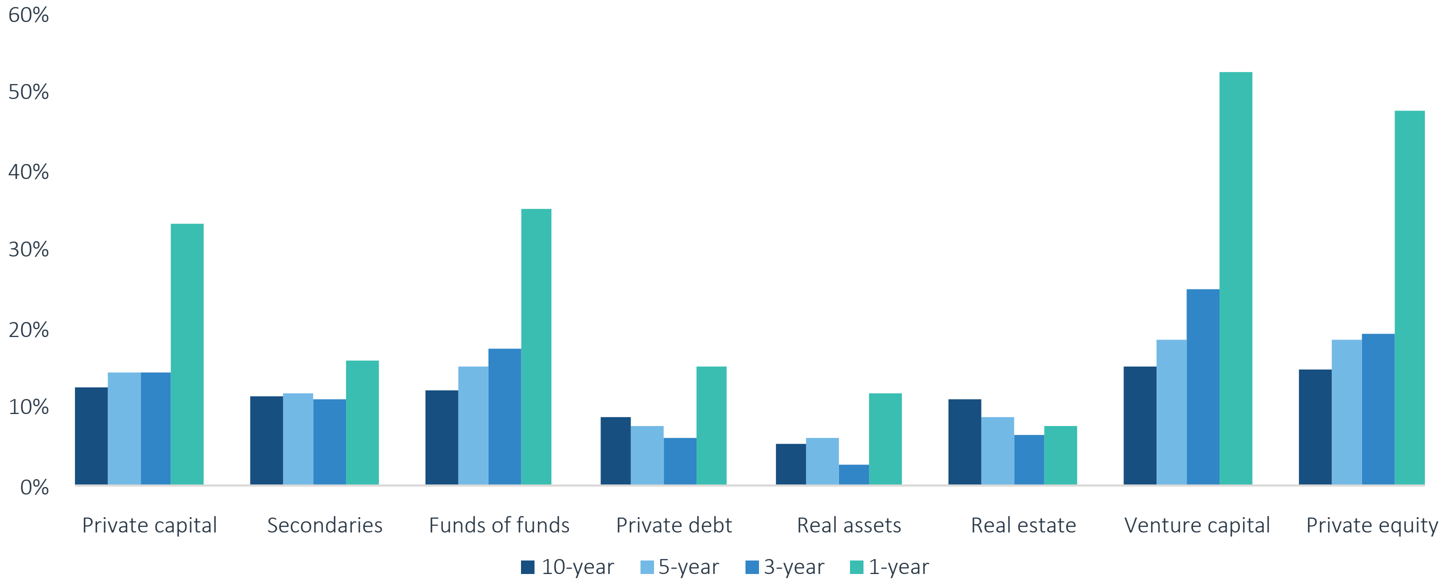
## Horizon IRRs by strategy*




**Source:** PitchBook | **Geography:** Global
*Yearly horizons are as of March 31, 2021
**Preliminary returns are as of June 30, 2021

Overview

## Horizon IRRs by strategy*

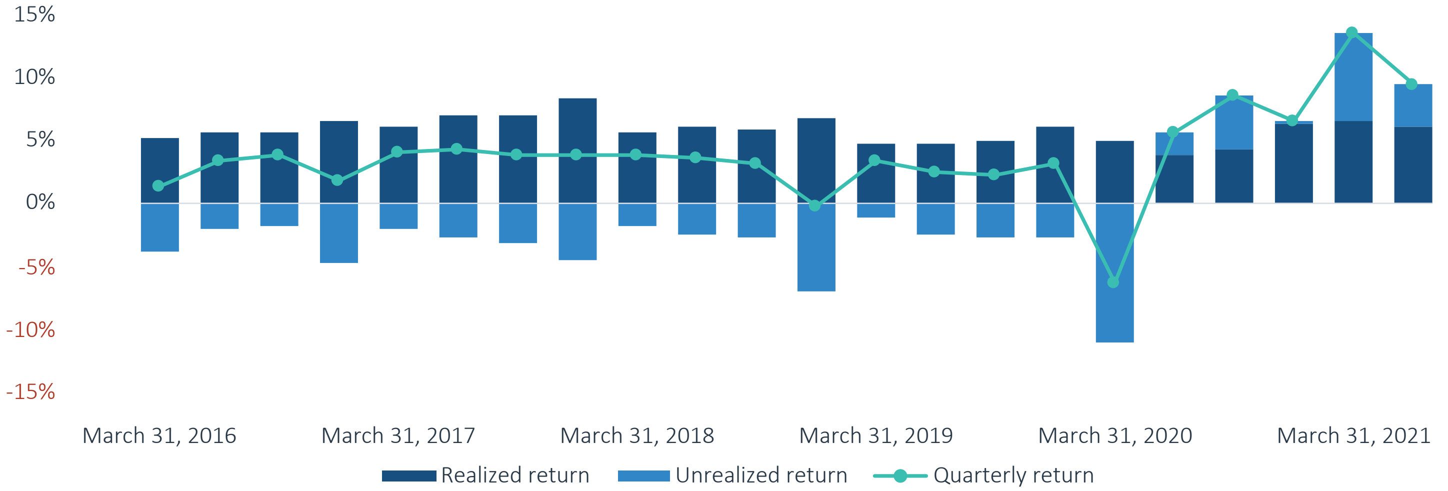



**Source**: PitchBook | **Geography**: Global
*As of March 31, 2021

VC continues to defy gravity with preliminary one-quarter returns that look to exceed longer-term annual figures. With that said, for the full year through March 31, PE has nearly kept up, rising 47.6% versus VC's 52.5% return. Real estate appears to have lagged again into Q2 2021, based on our preliminary figures, as conflicting forces—tailwinds for industrial and storage and headwinds for retail and office—continue to provide mediocre average results.

Outside of PE and VC, the other strategies all did somewhat better in the year through Q1 2021 than their longer-term averages, except FoF on the high side and real estate on the low end. When analyzing the accompanying net asset value (NAV) growth chart, we see that the private market numbers for PE and VC have significantly outperformed the public market returns of the S&P 500, when generally the return streams track pretty closely over time. However, we could see a reversion; the S&P 500 was up only 0.6% in Q3 2021 and the Russell 2000 was down 4.4%, so PE and VC returns could come back to more normal levels when final data is gathered and reported for the remainder of the year.

## Private capital realized versus unrealized returns*

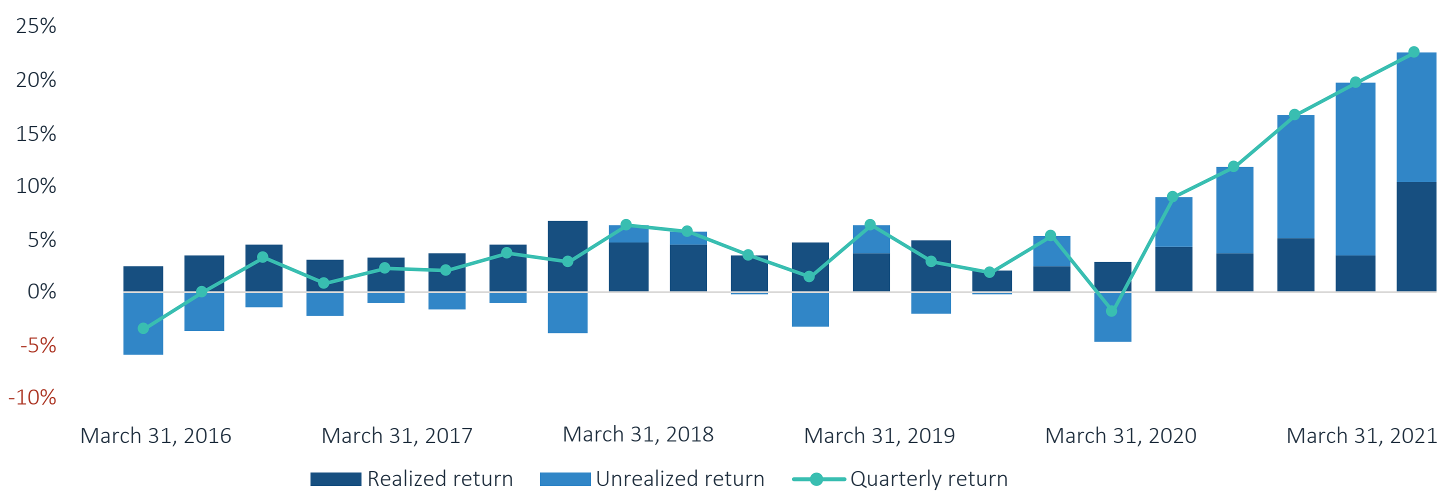



**Source:** PitchBook | **Geography:** Global
*As of June 30, 2021
*Note: Q2 2021 data is preliminary.*

We were curious about the proportion of realized to unrealized contributions to these returns. We talk in each of the following sections about a robust exit environment, but of the returns we report, what proportion is at risk because it is not yet realized? In the accompanying realized versus unrealized returns chart for private capital, we show that leading into the pandemic, realized returns were positive, but unrealized returns were negative. This makes some sense as exits generally are a positive cash flow event, but the remainder left in the portfolio, particularly in VC, is more likely to be a write-off as the more promising companies have taken flight. In fact, companies that are written off remain in our unrealized bucket because there is no cash flow event to register.

In four of the past five quarters, however, the unrealized returns for private capital, based on reported NAVs, have been positive. This means that some of the returns we have reported are based on estimated valuations rather than locked-in results. Should those estimates not be realized, these phenomenal results could be rescinded. The VC returns have been particularly tilted to the unrealized contribution. While the unrealized VC returns have been less frequently negative in the past five years than overall private capital figures, the past five quarters have shown a massive amount of unrealized contribution to returns. This represents value that is at risk of not coming to fruition.

## Venture capital realized versus unrealized returns*




**Source:** PitchBook | **Geography:** Global
*As of June 30, 2021
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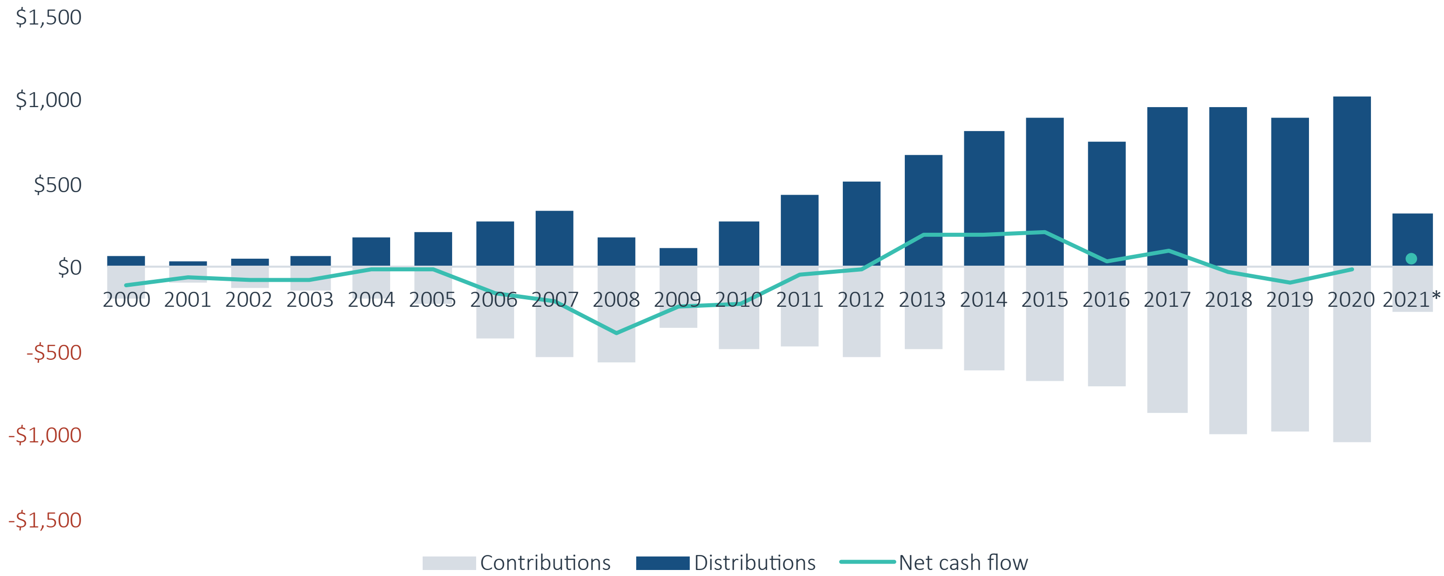
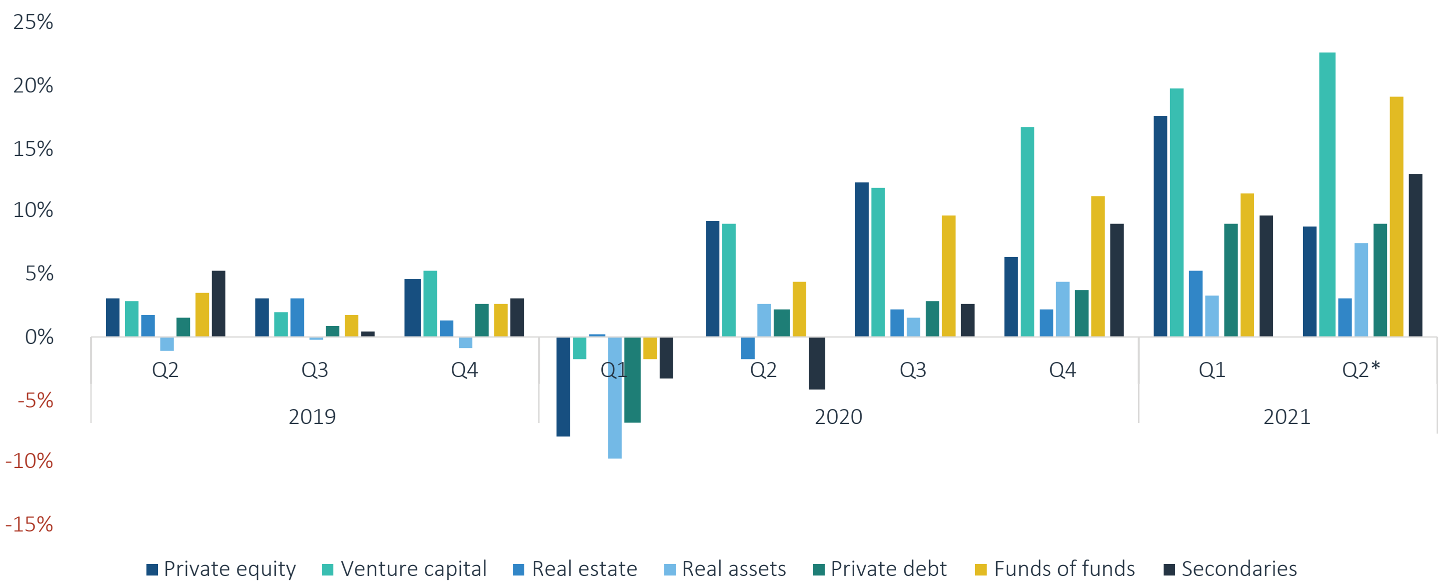
## Private capital cash flows ($B)




**Source**: PitchBook | **Geography**: Global
*As of March 31, 2021

Through Q1 2021, distributions had already reached 31.4% of full-year 2020 distributions. Should that pace continue, 2021 could be the second year in a row with record cash returned to LPs. In terms of contributions, Q1 reached 26.1% of the 2020 figure—nearly on pace with the record set in 2020. Net cash flows tilted to the positive after three consecutive calendar years of negative flows to LPs. These figures are at the aggregate private capital level and each LP's experience will vary, but overall, LPs with mature programs should not have had to come up with large sums to fund capital calls in the first quarter.

## Quarterly IRRs for private capital funds by strategy




**Source**: PitchBook | **Geography**: Global
*As of June 30, 2021
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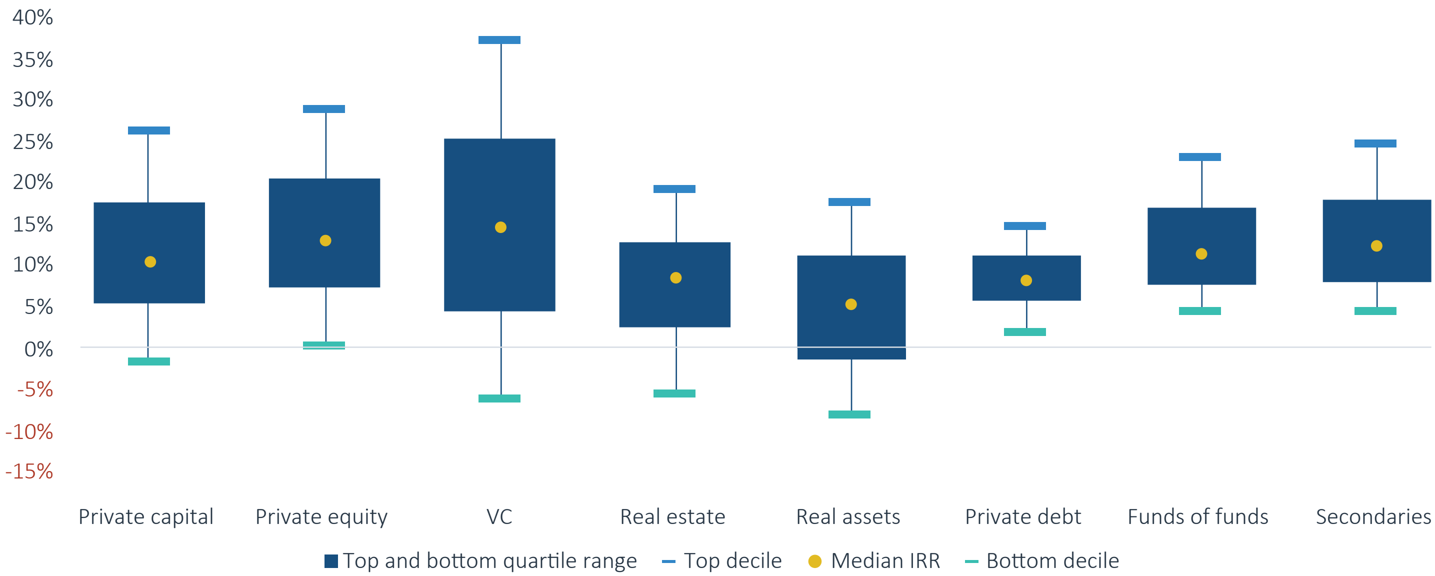
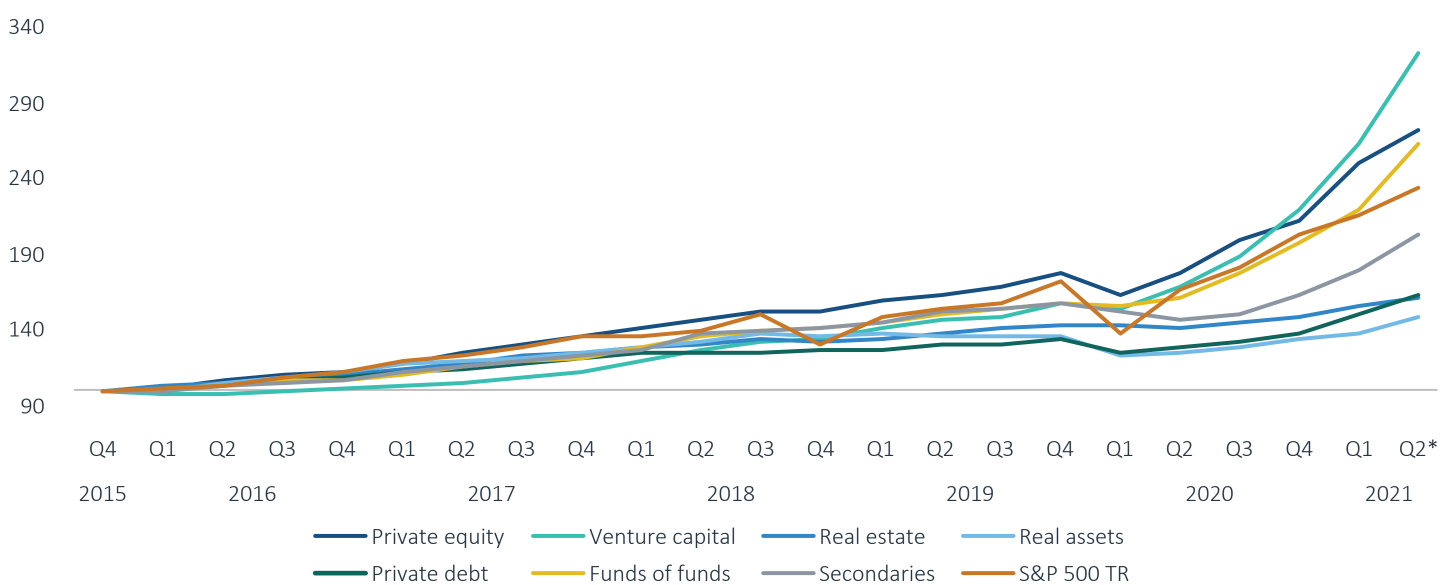
## IRR dispersion by strategy (vintage years 2004-2016)*




**Source:** PitchBook | **Geography:** Global
*As of March 31, 2021

## NAV growth rebased to 100 at end of Q4 2015




**Source:** PitchBook | **Geography:** Global
*As of June 30, 2021
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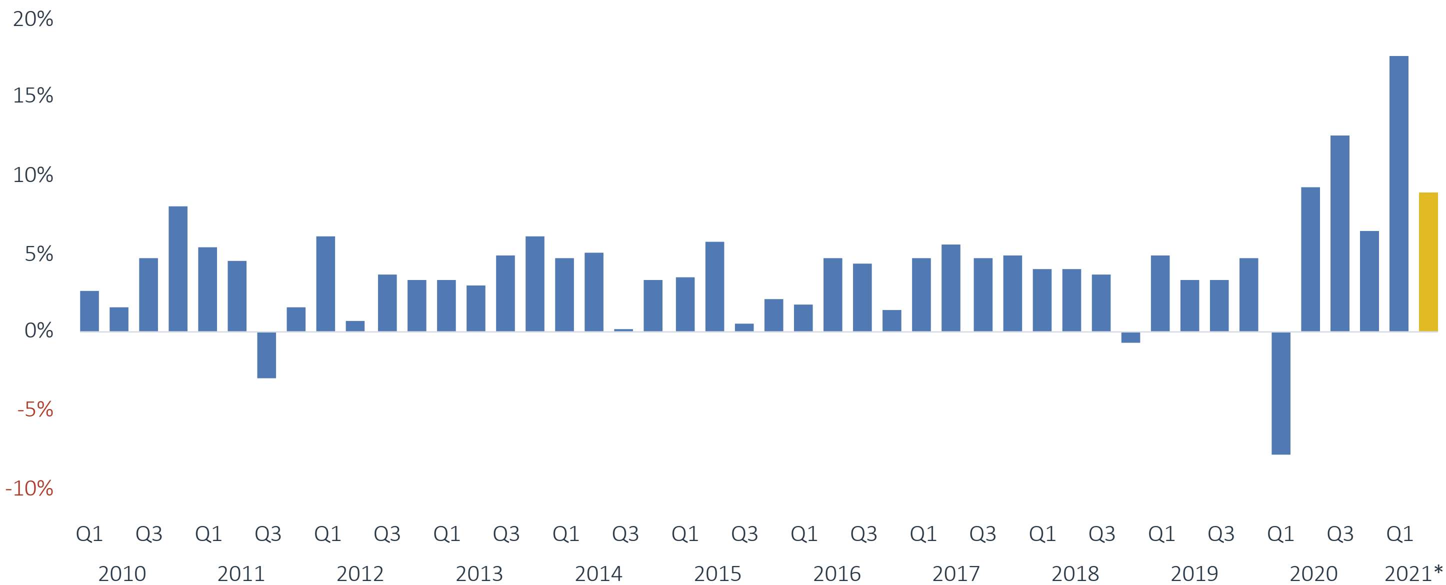
# Private equity

## Quarterly IRR for PE funds




**Source:** PitchBook | **Geography:** Global
*As of June 30, 2021
*Note: Q2 2021 data is preliminary.*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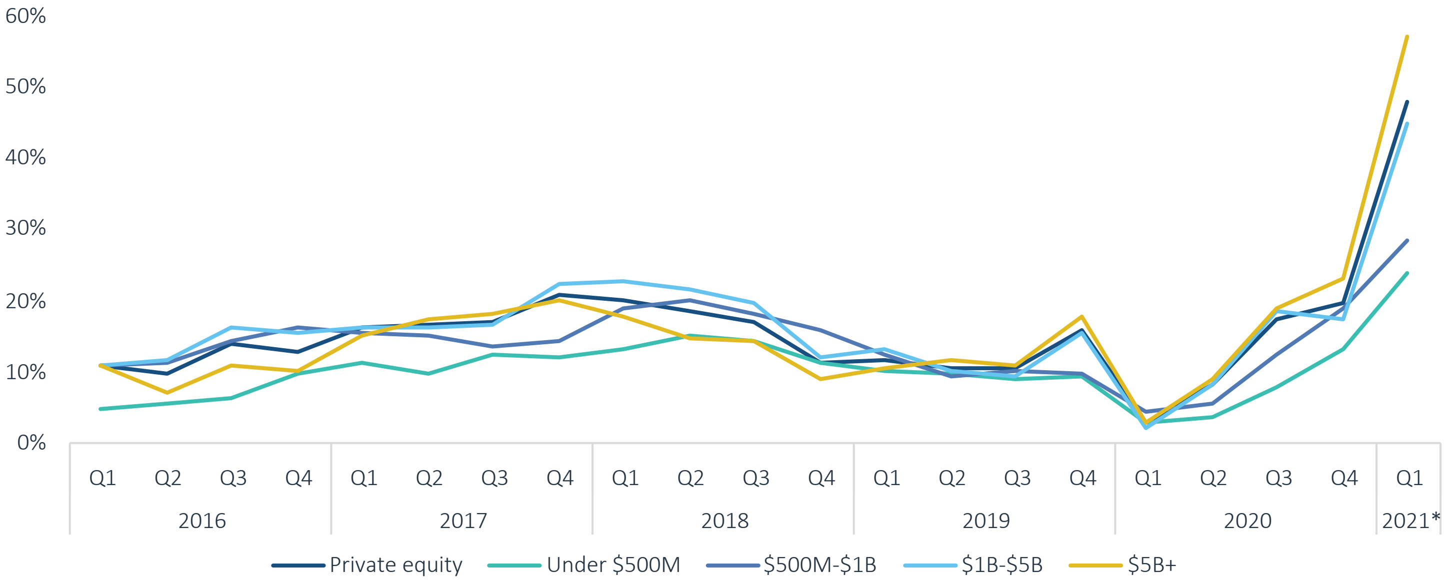
PE fund returns catapulted to a quarterly record in Q1 2021, ascending 17.6% as the global economy continued its strong recovery from the pandemic-induced dislocation of 2020. Excess liquidity and booming capital markets allowed sponsors to materially quicken the pace of dividend recaps and portfolio exits at heightened valuations, especially through public listings that buoyed distributions back to LPs. For example, net PE cash flows were positive in Q1 at $58.1 billion—more than each of the last two calendar years. Further, rising public markets as a consequence of the massive government stimuli, irreversible reopenings, and lofty consumer spending spurred residual value to paid-in (RVPI) marks for PE portfolio companies, as PE-backed assets are often valued against similar public market companies.

While our preliminary results for Q2 2021 show a deceleration in quarterly PE performance, the figure is still substantially above the strategy's five-year quarterly average. PE enjoys broad market tailwinds, as public and private investors continue to place premiums on a few areas within the strategy: buyout and growth funds that focus on high-growth technology, healthcare investments, and climate and impact funds. In this low-rate environment, buyers are willing to pay high prices for demonstrably recurring or growing revenue streams; more sponsors are pivoting investments toward mission-critical digitally enabled assets, which we expect to keep returns healthy in the industry.

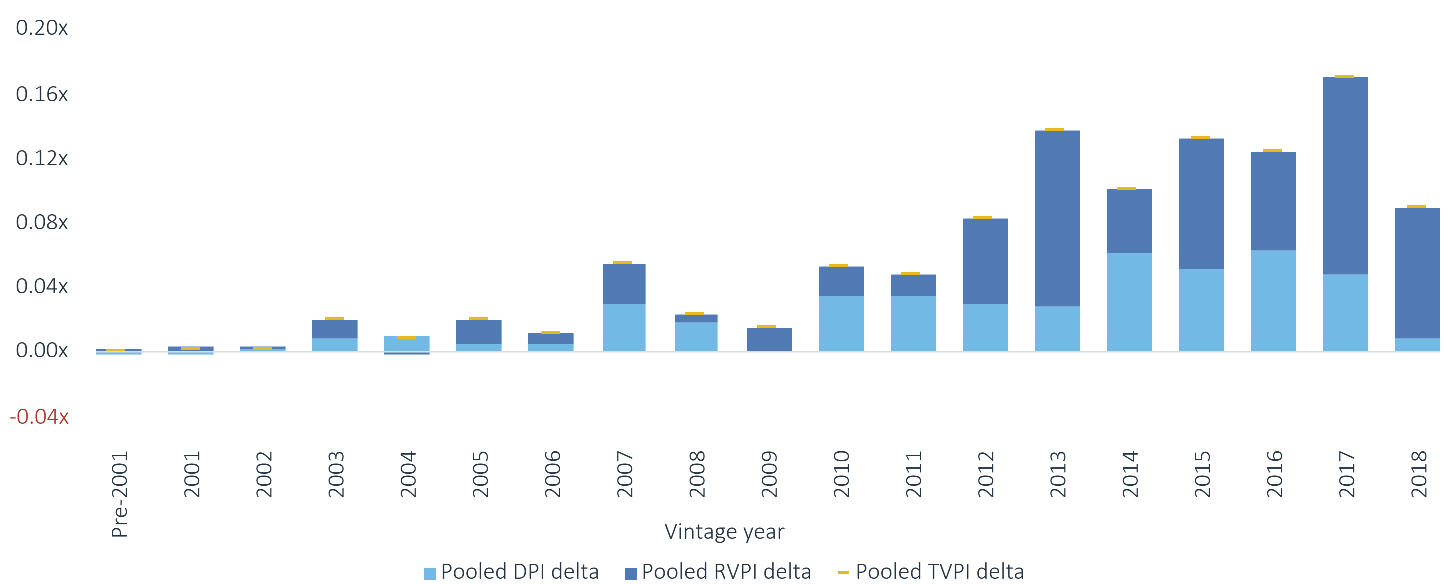
Looking to the one-year horizon, PE performance continued its record momentum, particularly lifted by mega-funds (sized $5 billion or larger) and North American PE funds, which both produced returns over 50.0% through Q1 2021. Mega-funds have shown the most resilience through the pandemic as they can typically withstand market pressure better than smaller entities and tend to outperform during good times as their scale, pricing power, and brand recognition drive sales. Lastly, the North American region has been one of the quickest to recover from the pandemic and is poised to be one of the first advanced nations to return to pre-pandemic GDP levels after the clearing of President Biden's $1.9 trillion stimulus package, which will help to lift PE returns

## Rolling one-year horizon IRR for PE funds by fund size



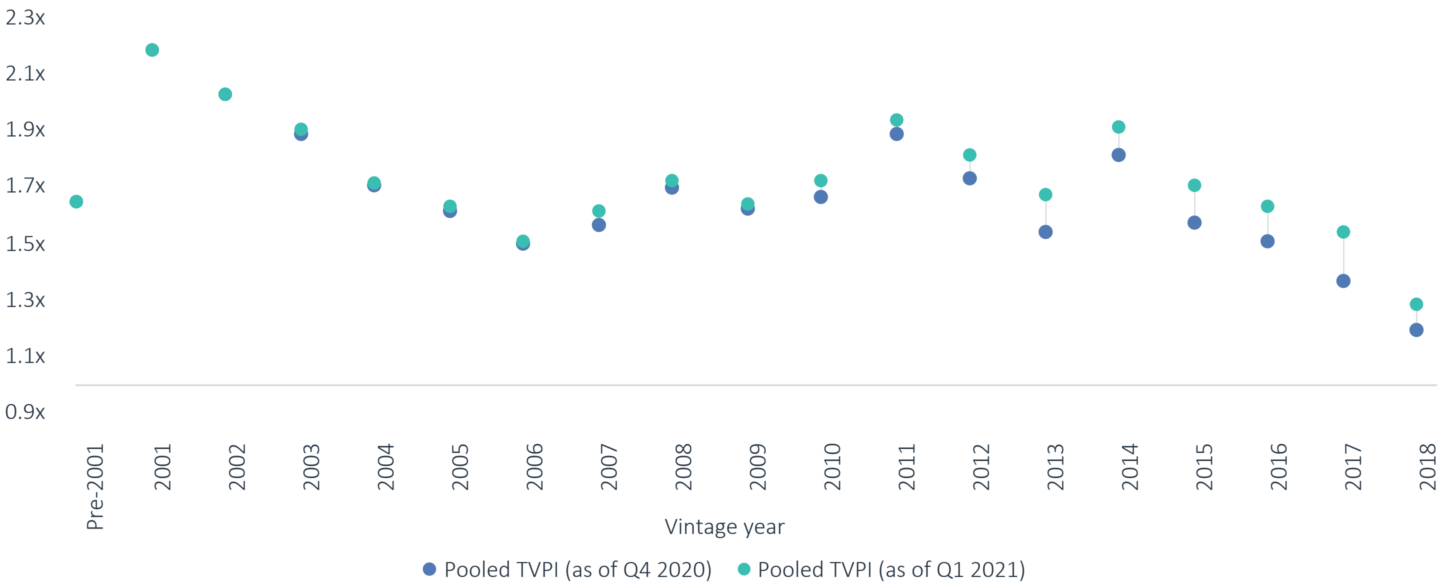

**Source:** PitchBook | **Geography:** Global
*As of March 31, 2021

## Q4 2020 to Q1 2021 change in pooled cash flow multiples for PE funds by vintage*



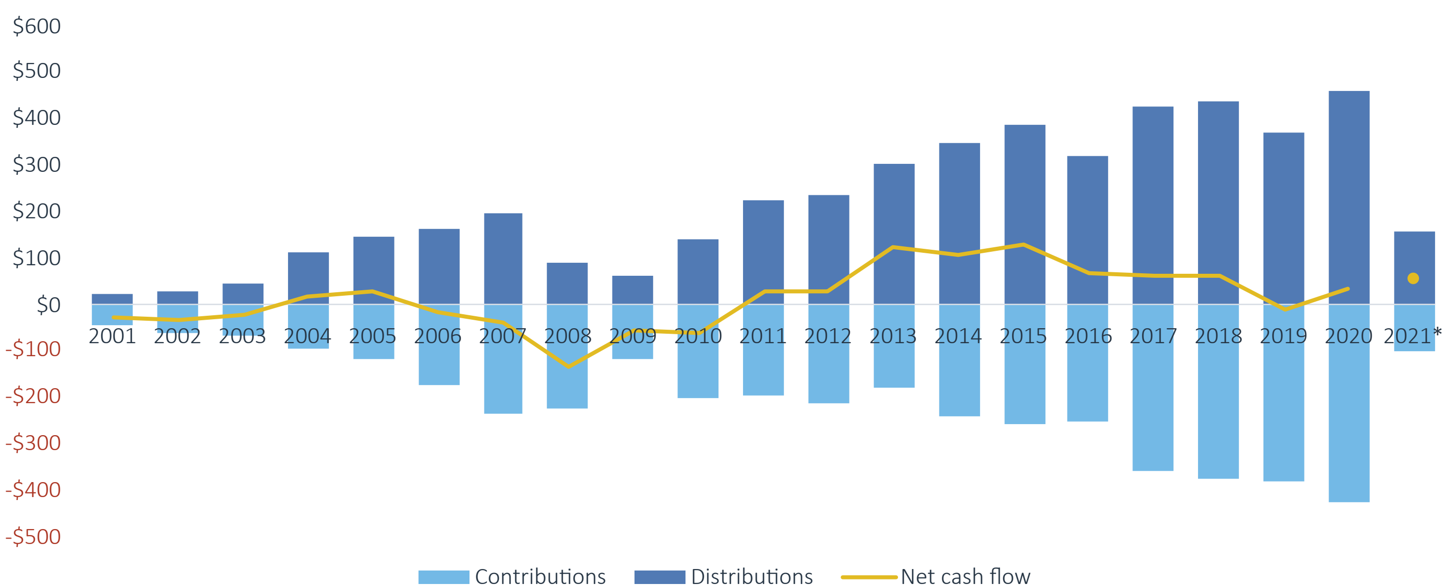

**Source:** PitchBook | **Geography:** Global
*As of March 31, 2021

## QoQ change in pooled TVPI multiples for PE funds by vintage*




**Source:** PitchBook | **Geography:** Global
*As of March 31, 2021

## PE cash flows ($B)




**Source:** PitchBook | **Geography:** Global
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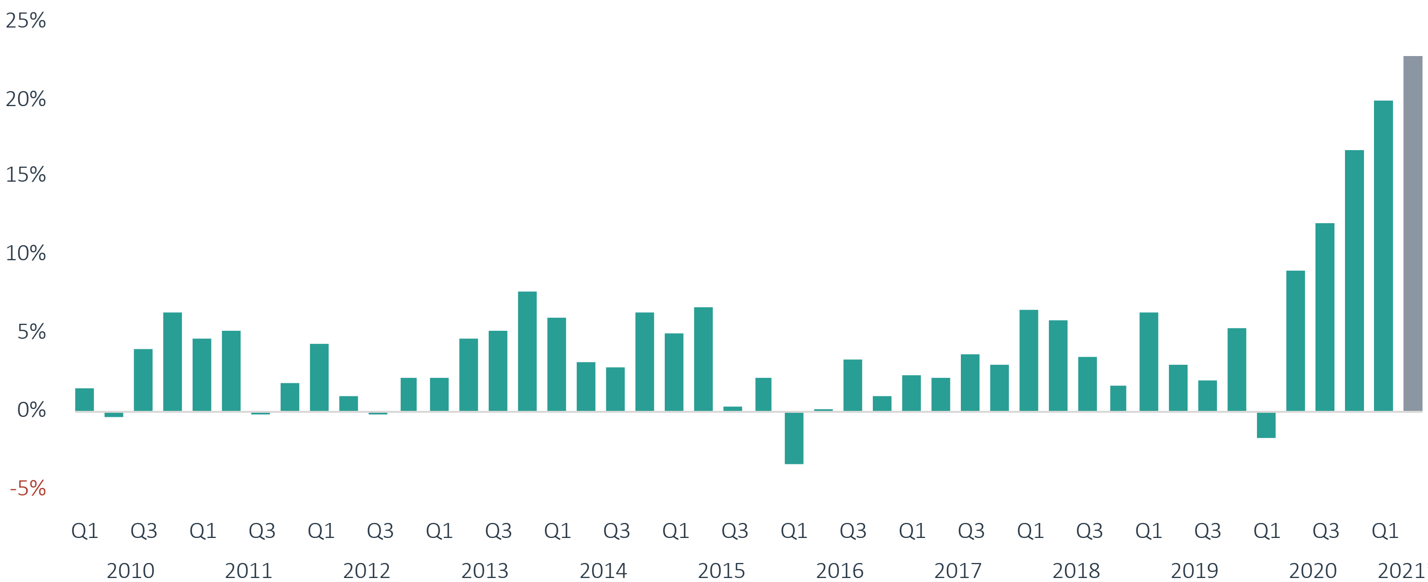
# Venture capital

## Quarterly IRR for VC funds




**Source:** PitchBook | **Geography:** Global
*As of June 30, 2021
*Note: Q2 2021 data is preliminary.*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The first official returns data of 2021 confirms the effect of the robust VC deal and exit activity we have seen throughout the year on pushing IRRs and cash multiples to new heights. Quarterly IRR as of Q1 moved higher to 19.8% from the previous record of 16.7% in Q4 2020, with more growth estimated by our preliminary Q2 2021 data. This brings the rolling one-year horizon IRR to 52.5% with much of the outperformance coming from venture funds over $250 million. The gap between one-year horizon IRRs for large and small funds has widened over the last three quarters, as we begin to see the ramifications for performance that the shift toward larger deals and exits may drive. This is not to ring the death knell for small funds as IRRs remain historically high for funds under $250 million; however, we will be watching to see if this discrepancy widens in the coming quarters.

Exceptionally high exit totals from 2021 will continue to drive elevated distributions throughout the year as lock-ups expire, and while we've seen some encouraging QoQ growth in distributed to paid-in (DPI) multiples, RVPI is still critical in the current fund performance landscape. We recorded RVPI growth for every vintage since 2011 in Q1 2021 as competition for attractive VC deals has driven dealmaking and valuations to new records. In the absence of a categorical shift around future expectations for growth assets, we expect investor demand to remain near this peak for the short term.

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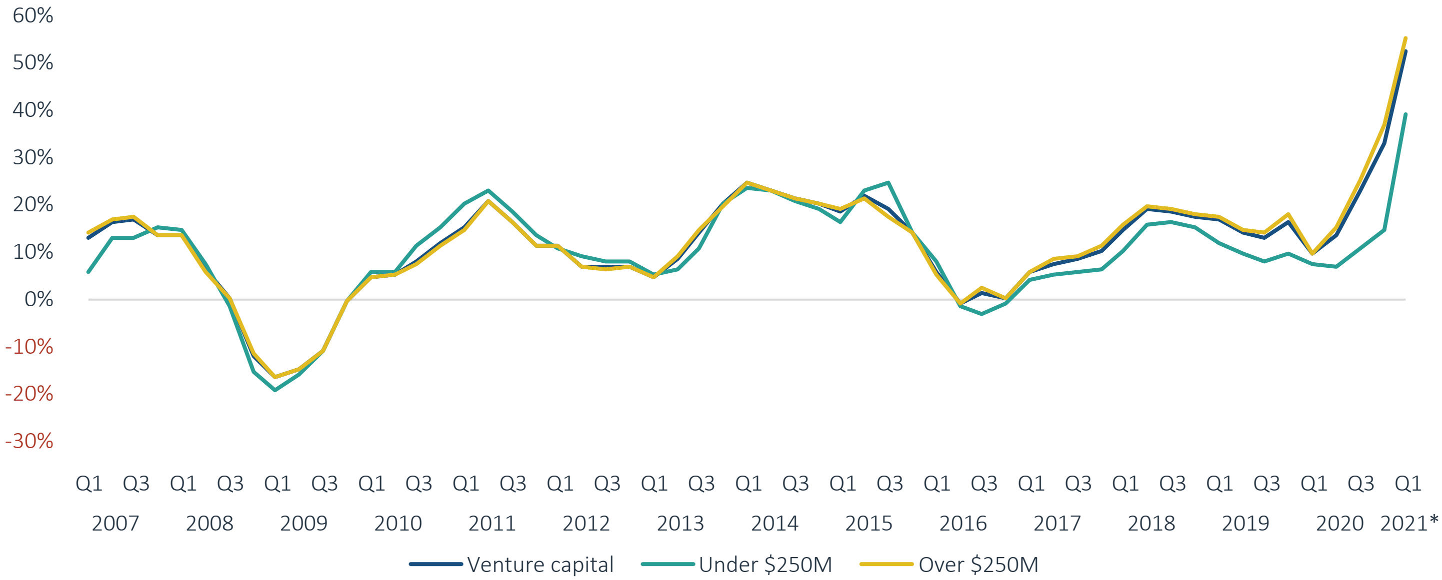
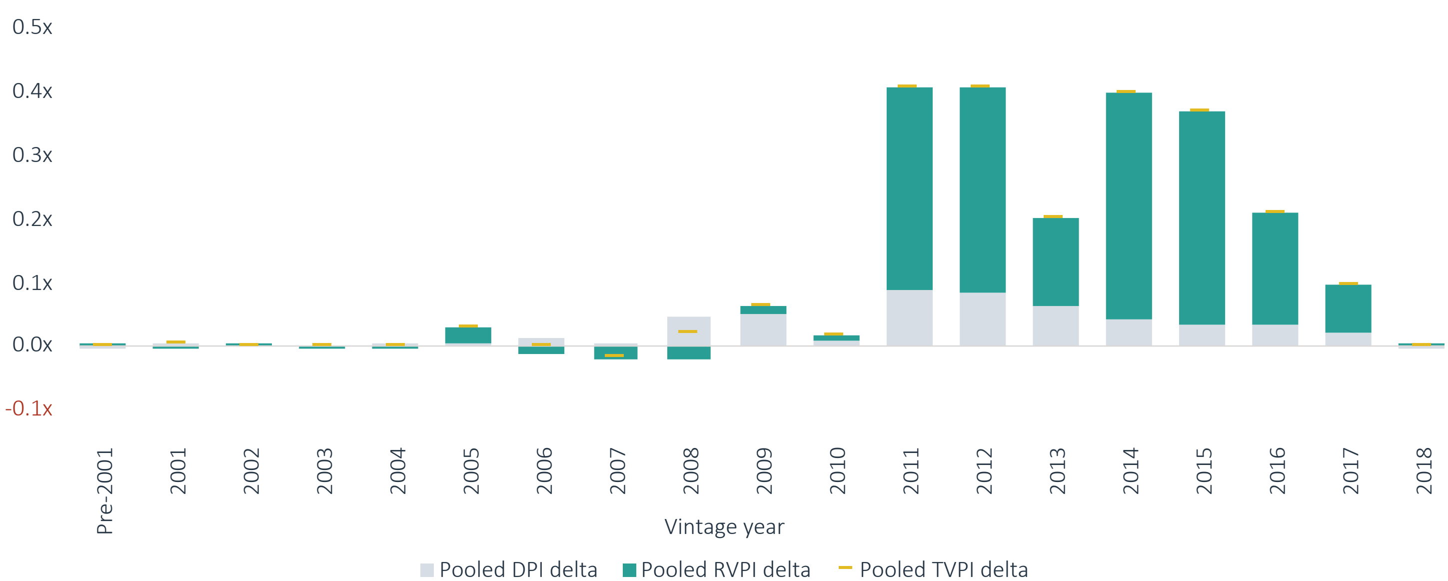
Venture capital

## Rolling one-year horizon IRR for VC funds by fund size




**Source:** PitchBook | **Geography:** Global
*As of March 31, 2021

## Q4 2020 to Q1 2021 change in pooled cash flow multiples for VC funds by vintage*




**Source:** PitchBook | **Geography:** Global
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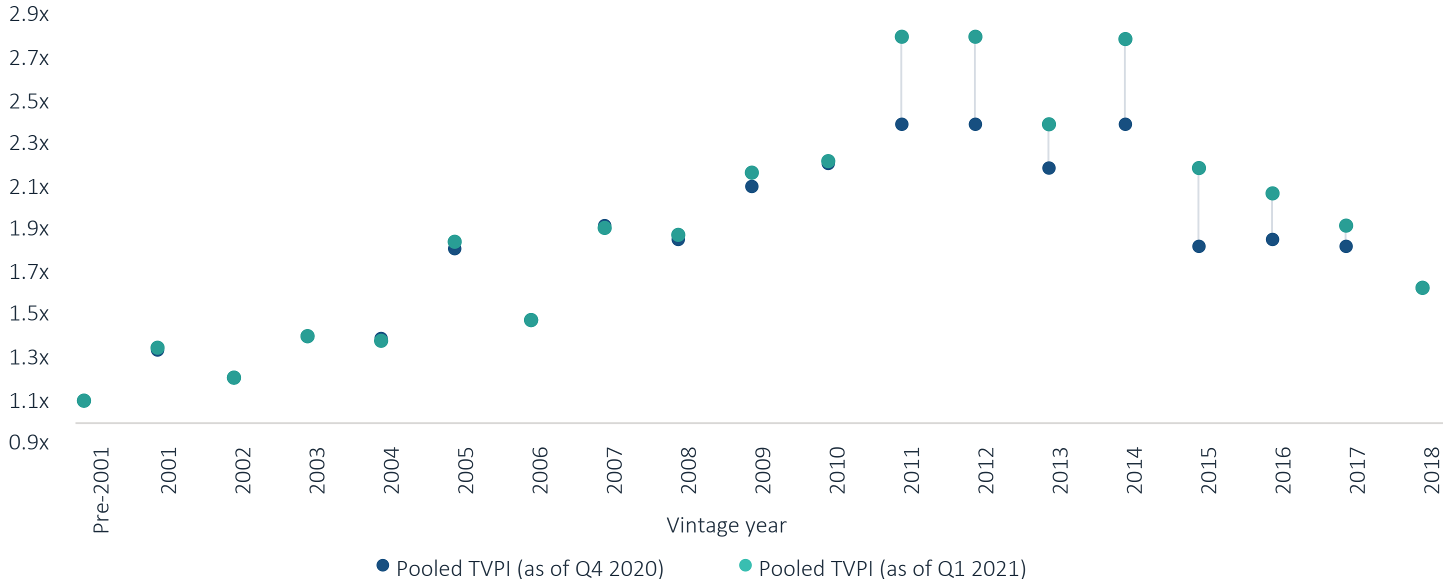
Venture capital

## QoQ change in pooled TVPI multiples for VC funds by vintage*




**Source:** PitchBook | **Geography:** Global
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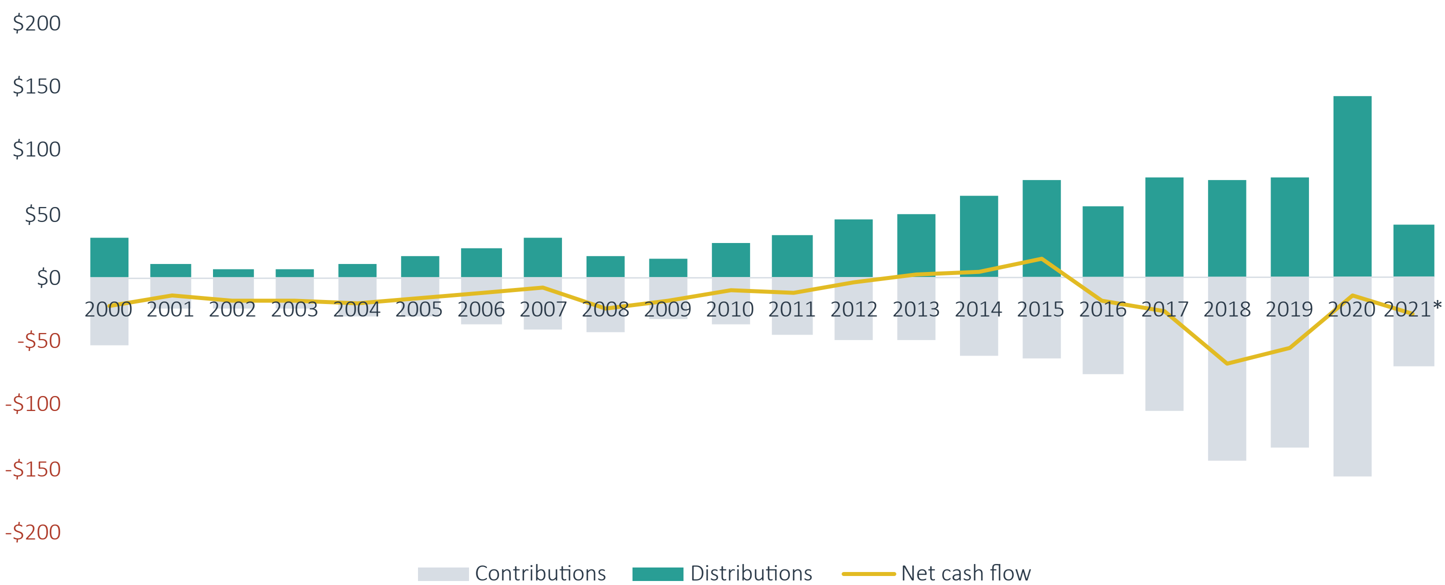
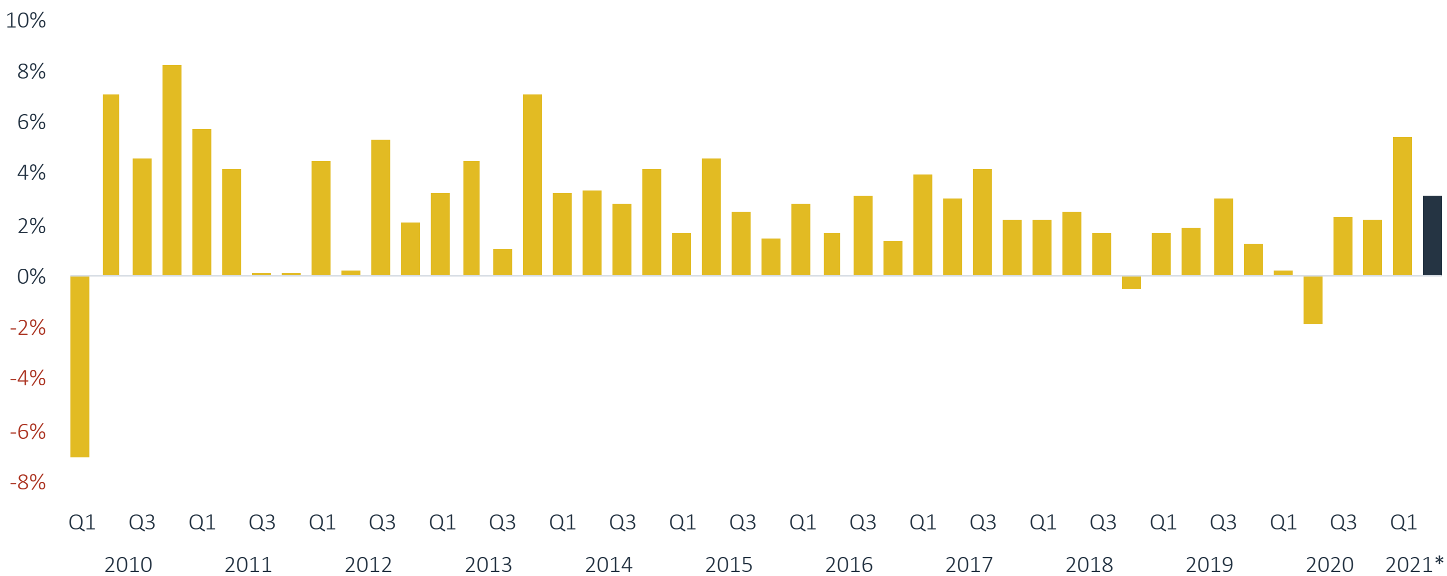
## VC cash flows ($B)




**Source:** PitchBook | **Geography:** Global
*As of March 31, 2021

# Real estate

## Quarterly IRR for real estate funds




**Source:** PitchBook | **Geography:** Global
*As of June 30, 2021
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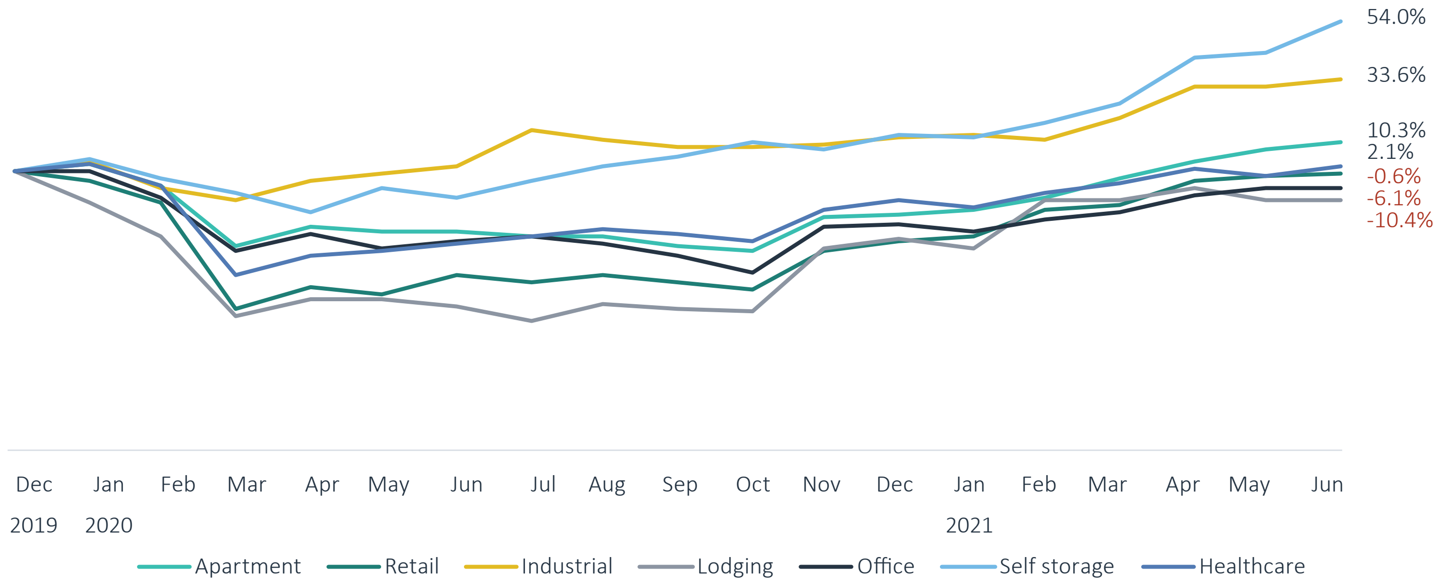
While the performance of private capital has skyrocketed in the last few quarters, real estate has been on a more moderate path. The preliminary Q2 2021 return of 3.1% indicates a fourth consecutive quarter of positive returns, but the quarterly returns have been subdued compared to other private fund strategies. The rolling one-year horizon IRR tilted up in the first quarter, but it remains at a level lower for real estate than most periods since the global financial crisis (GFC). With inflation on the rise in the US for the first time in several decades, it will be interesting to see if this strategy that many use as an inflation hedge manages to keep up and provide returns above that of overall price changes throughout the economy. The recent announcement that Social Security payments would jump by 5.9%, the largest amount in 39 years, shows how real the inflation danger is. Real estate rose 7.8% in the year through Q1 2021, an amount unlikely to appeal to investors facing significant declines in what their money can buy.

As illustrated in our H1 2021 Global Real Estate Report, these mediocre returns mask wide dispersions depending on the strategy and asset types. Our data indicates that distressed real estate has shown the most variation in outcomes over time, depending on the period measured. Real estate debt[1] has been more stable, providing returns just over 6% in one-, three-, five-, and 15-year horizons. Only over 10 years did real estate debt provide a significant pop, benefiting from the climb out of the depths of the global financial crisis (GFC) to reach a 10.7% IRR. Dispersion is particularly evident when looking at public REIT returns by sector. Self-storage was up 54.0% from December 2019 to June 2021 but lodging was down 10.4%. Office and retail also posted negative returns, but industrial was up 33.6%.

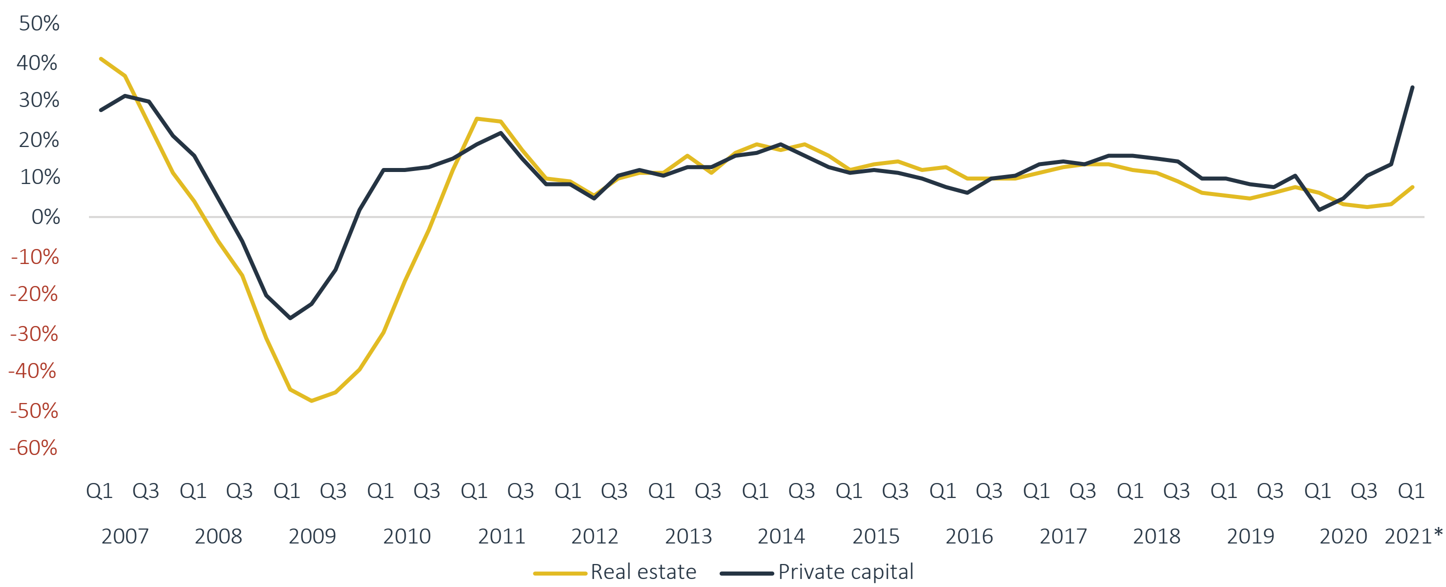
1: Though we include real estate debt in the private debt category, it seems germane to discuss it as part of the greater real estate analysis.

## Year-and-a-half total return for select REIT indices by sector*



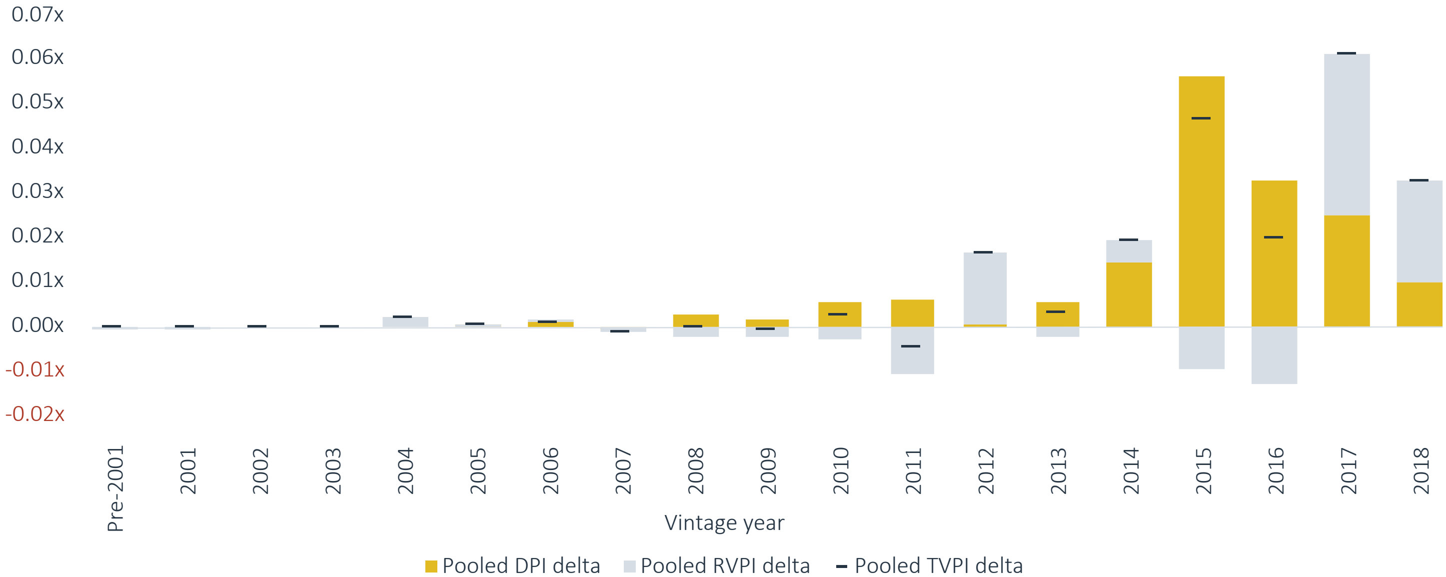

**Source:** Nareit | **Geography:** Global
*As of June 30, 2021

## Rolling one-year horizon IRR for real estate funds



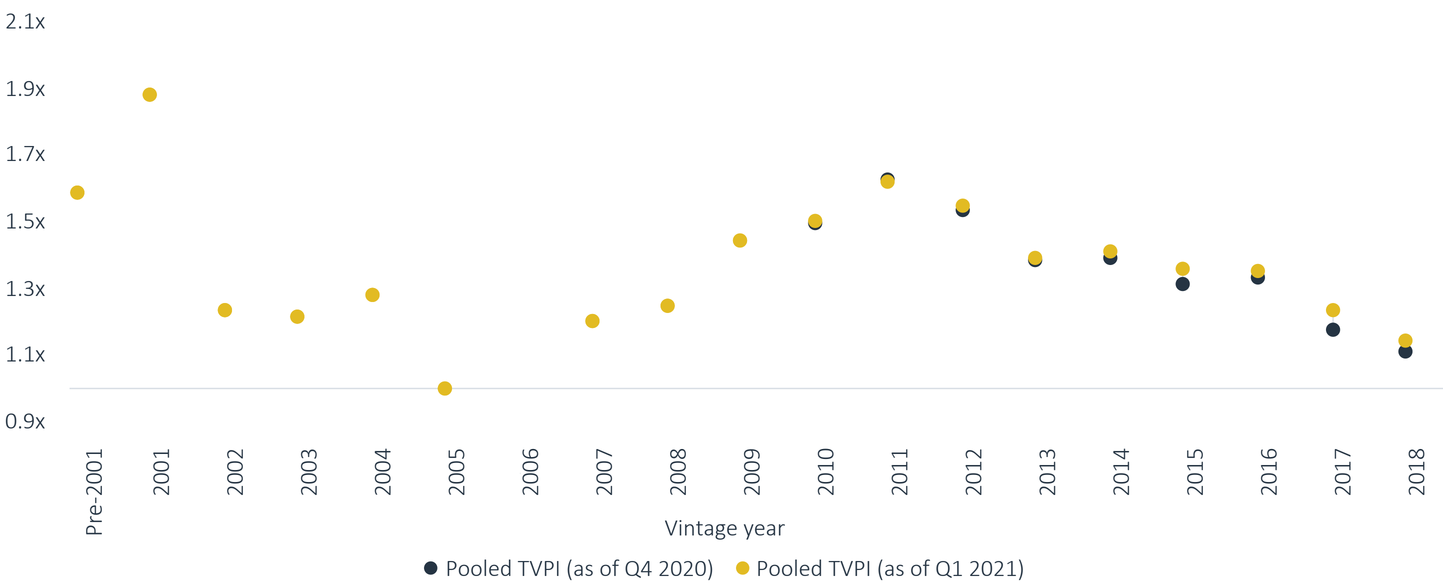

**Source:** PitchBook | **Geography:** Global
*As of March 31, 2021

## Q4 2020 to Q1 2021 change in pooled cash flow multiples for real estate funds by vintage*




**Source:** PitchBook | **Geography:** Global
*As of March 31, 2021

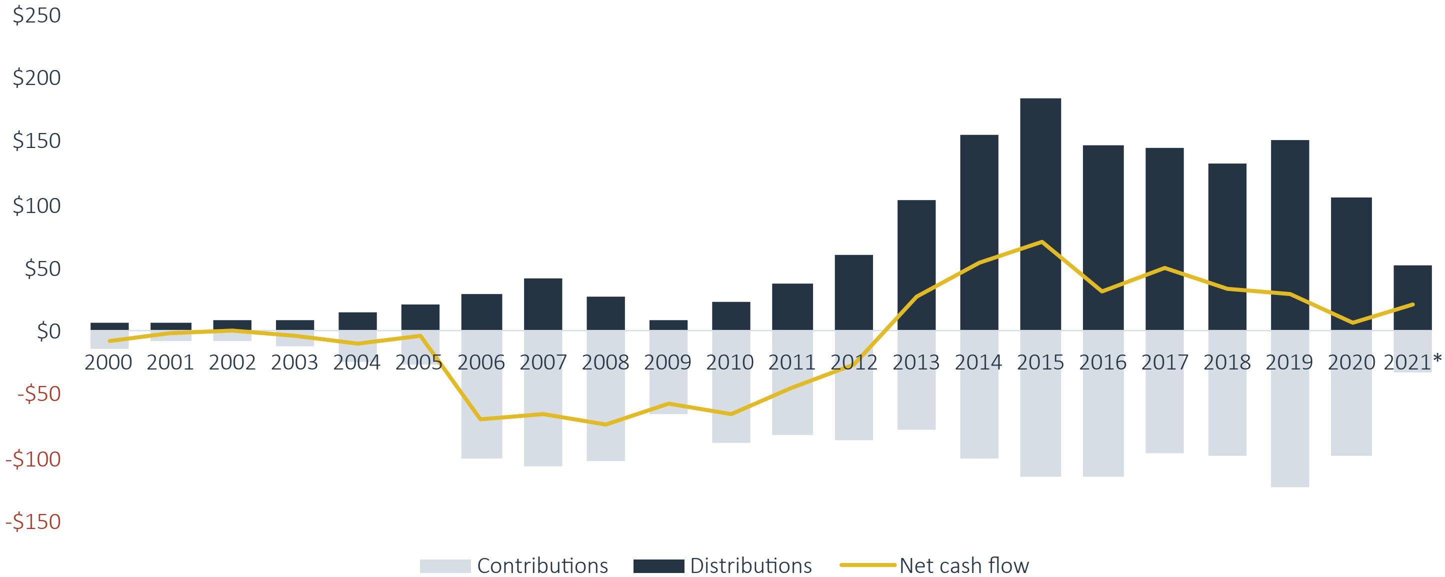
## QoQ change in pooled TVPI for real estate funds by vintage*




**Source:** PitchBook | **Geography:** Global
*As of March 31, 2021

Real estate

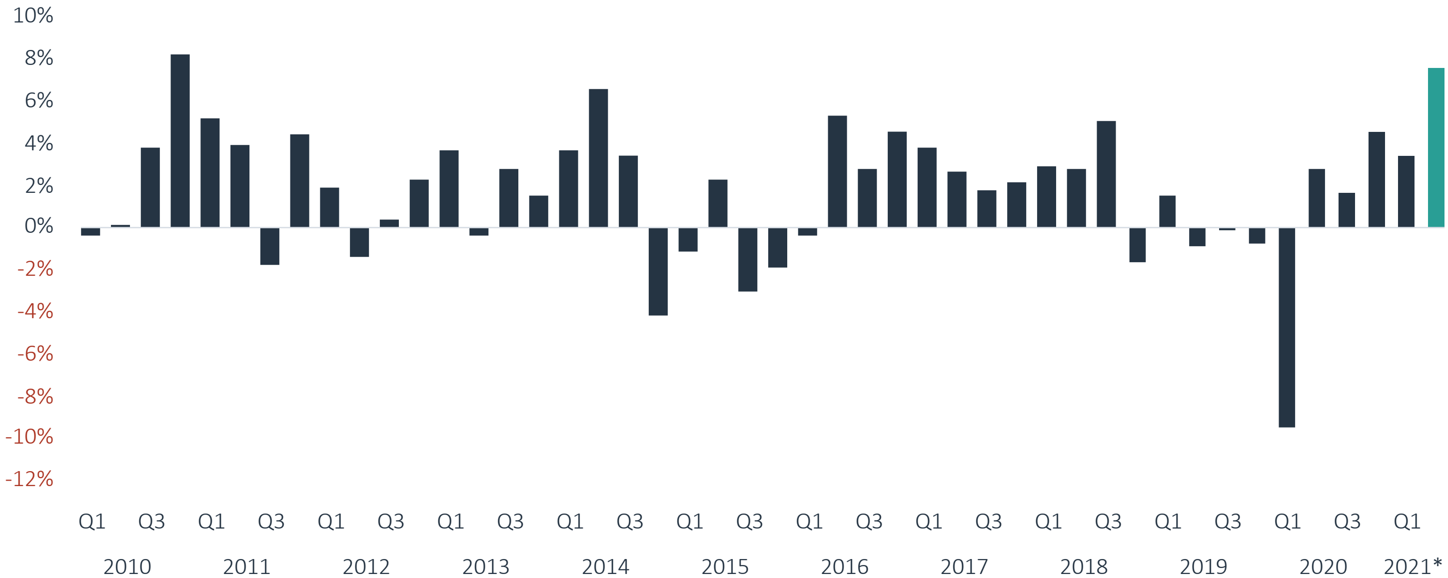
## Real estate cash flows ($B)




**Source:** PitchBook | **Geography:** Global
*As of March 31, 2021

# Real assets

## Quarterly IRR for real assets funds




**Source:** PitchBook | **Geography:** Global
*As of June 30, 2021
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Analyst, PE
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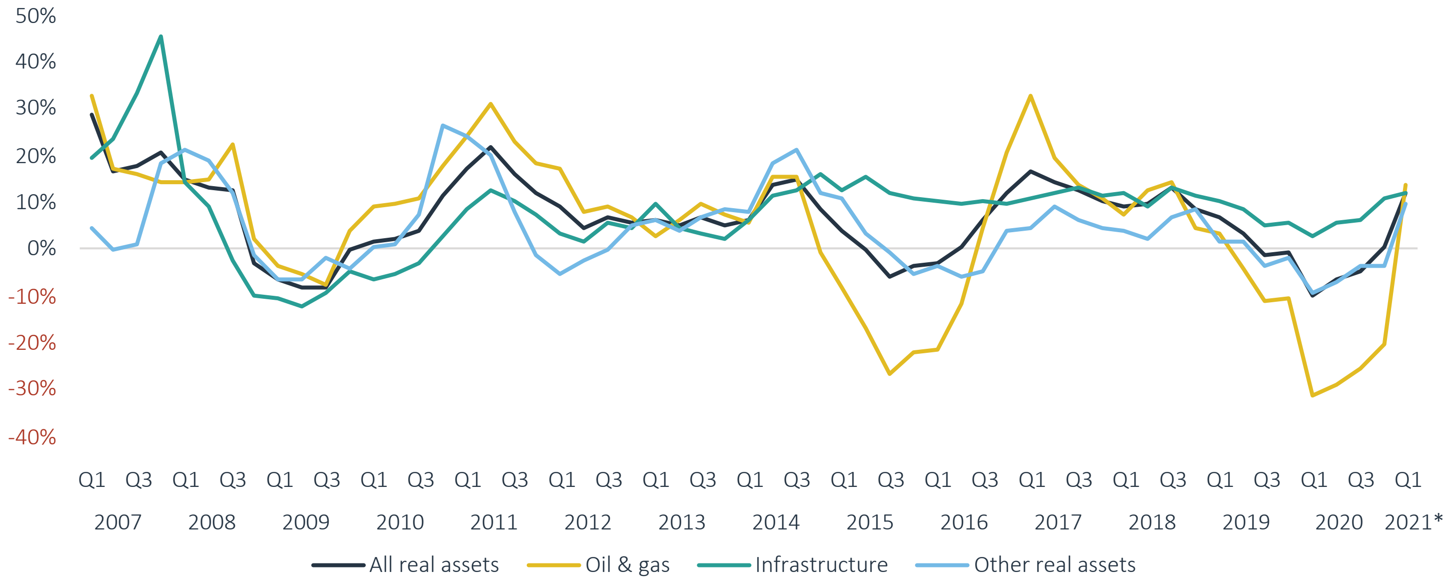
In Q2 2021, real assets funds posted their highest quarterly IRR in over a decade, according to our preliminary estimate. While infrastructure funds have consistently been the bright spot in the asset class—driven by renewable infrastructure investments and burgeoning interest in data centers and other digital infrastructure—significant gains by oil & gas and other resources funds propelled the quarter's positive numbers. The recovery in oil & gas returns is especially remarkable given that these funds have not posted a positive one-year rolling IRR since Q1 2019.

Oil & gas and other resources funds, which include timber and metals & mining, have benefited from elevated prices for a broad range of commodities as the global economic recovery roars ahead and supply remains restricted. Brent crude prices have soared over $80 per barrel for the first time since 2014, while hot-rolled coil steel has eclipsed its previous price record. The price of copper, a key component of electric vehicles and other energy storage technologies, has also risen to its highest point in a decade. While prices for some commodities, such as lumber and gold, have slackened over the past few months, they remain at elevated levels compared to before the pandemic. What's more, the outlook looks positive for price support as consumer demand rises and the supply side moves cautiously in ramping up production. Many mining companies, for instance, are reluctant to engage in costly new exploration activities after investments during the last boom faltered.

As a result, real assets funds have seen significant asset appreciation and have also been able to realize investments and return capital to investors. At the same time, the energy and natural resources sectors must navigate the global energy transition, especially in Europe, in the near term. Counterintuitively, this may create opportunities for capital deployment at attractive valuations as the oil majors, which are under the greatest pressure, look to shed carbon-intensive assets while bulking up renewables production. However, real assets investors are also facing an increased cost of capital for carbon-intensive and other environmentally damaging activities as lenders increasingly take environmental, social, and governance (ESG) risk factors into consideration. We will be watching to see how these funds perform in the coming quarters as they navigate this changing landscape.

## Rolling one-year horizon IRR for real assets funds by substrategy

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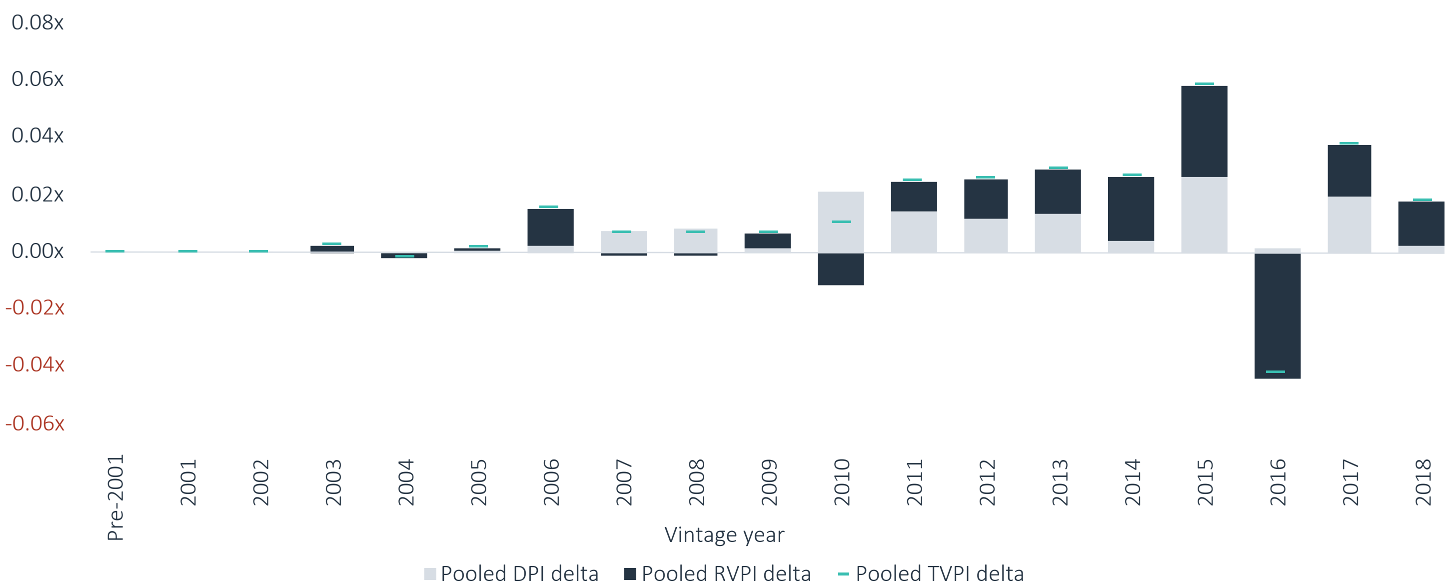
## Q4 2020 to Q1 2021 change in pooled cash multiples for real assets funds by vintage*

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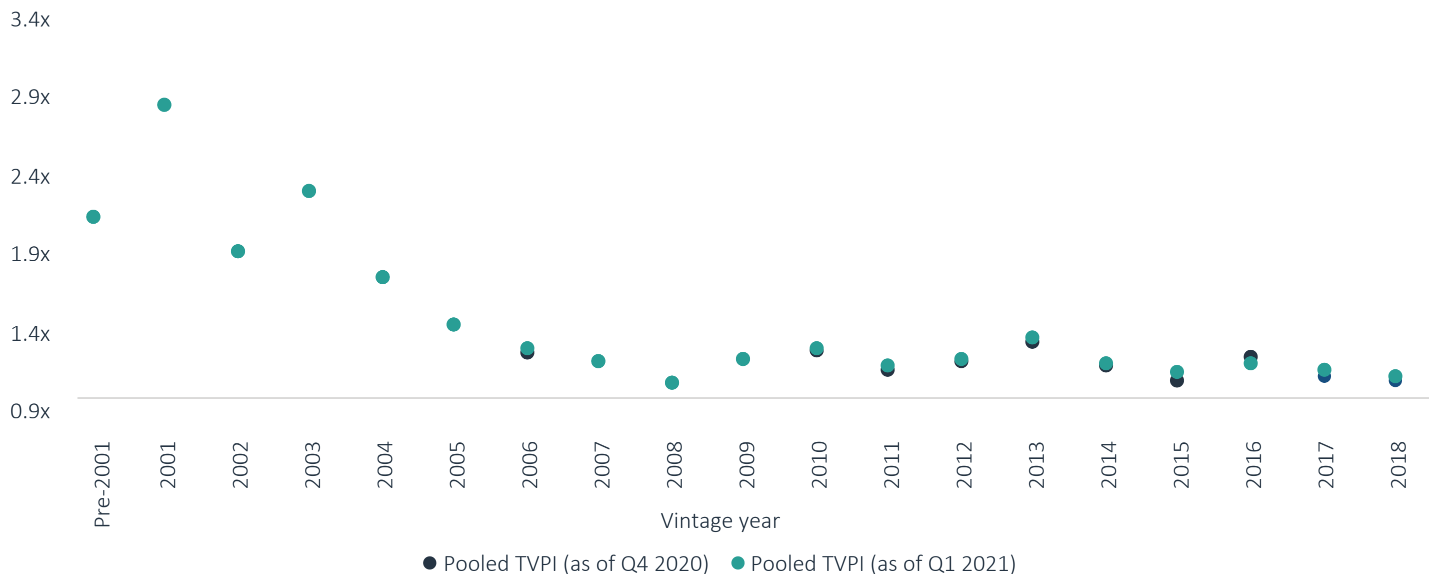
## QoQ change in pooled TVPI multiples for real assets funds by vintage*

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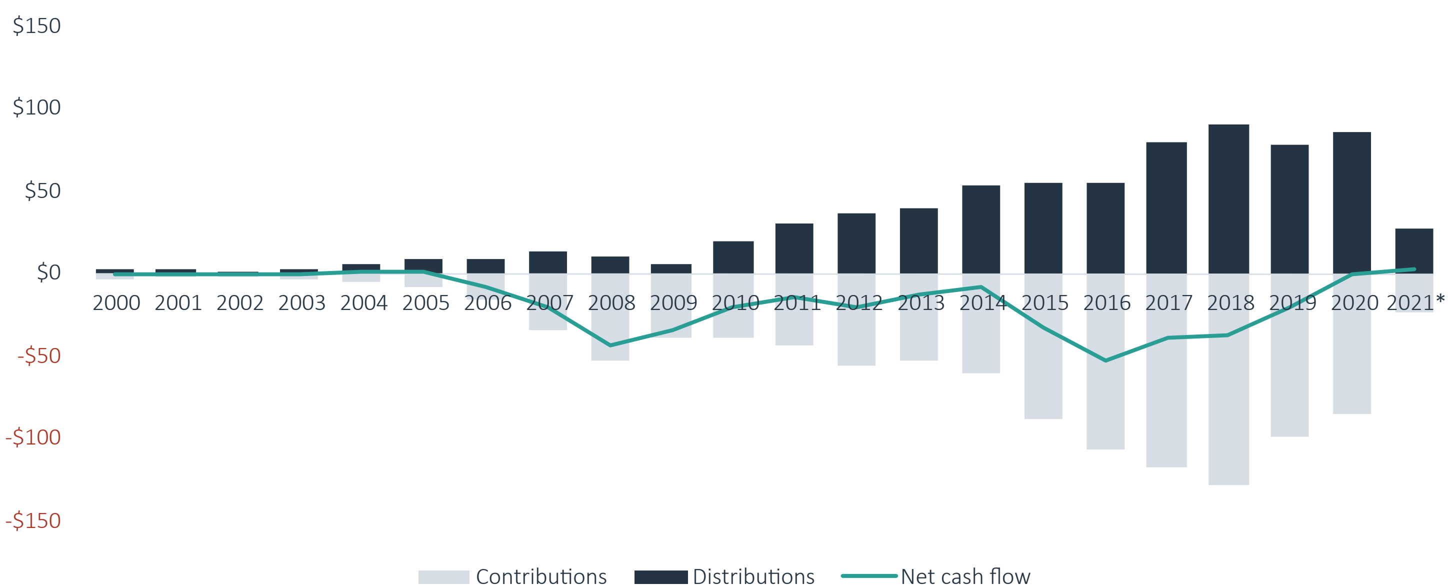
## Real assets cash flows ($B)

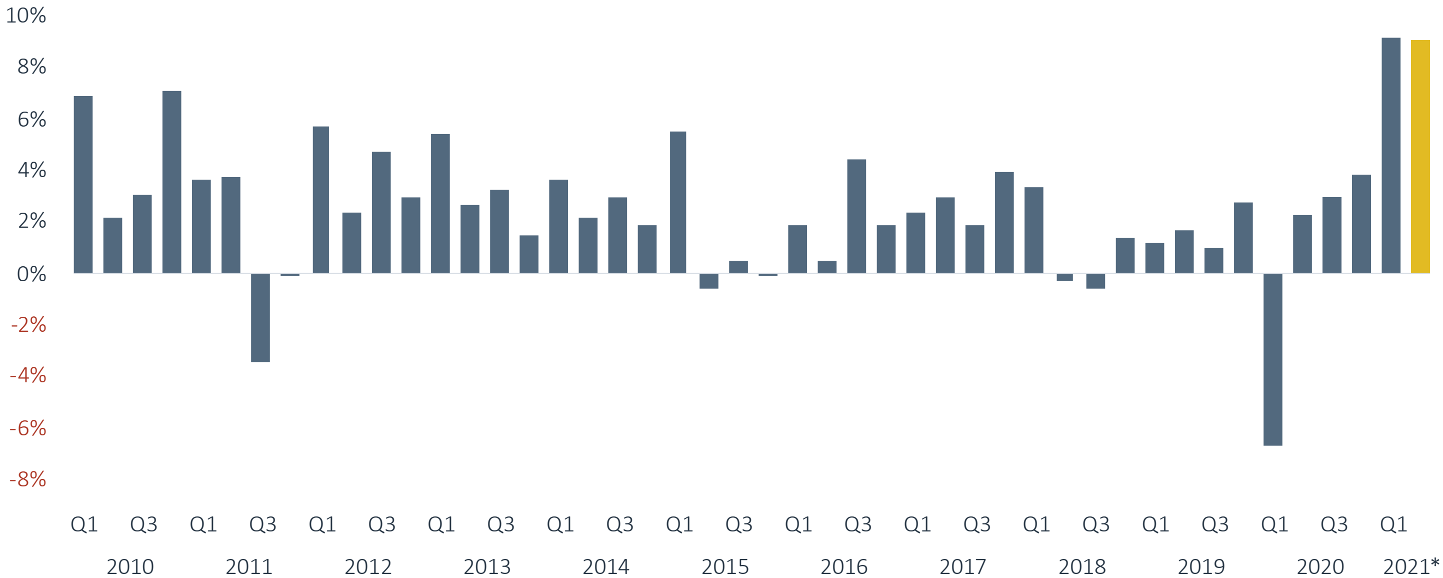



**Source:** PitchBook | **Geography:** Global
*As of March 31, 2021

PitchBook

# Private debt

## Quarterly IRR for private debt funds




**Source:** PitchBook | **Geography:** Global
*As of June 30, 2021
*Note: Q2 2021 data is preliminary.*

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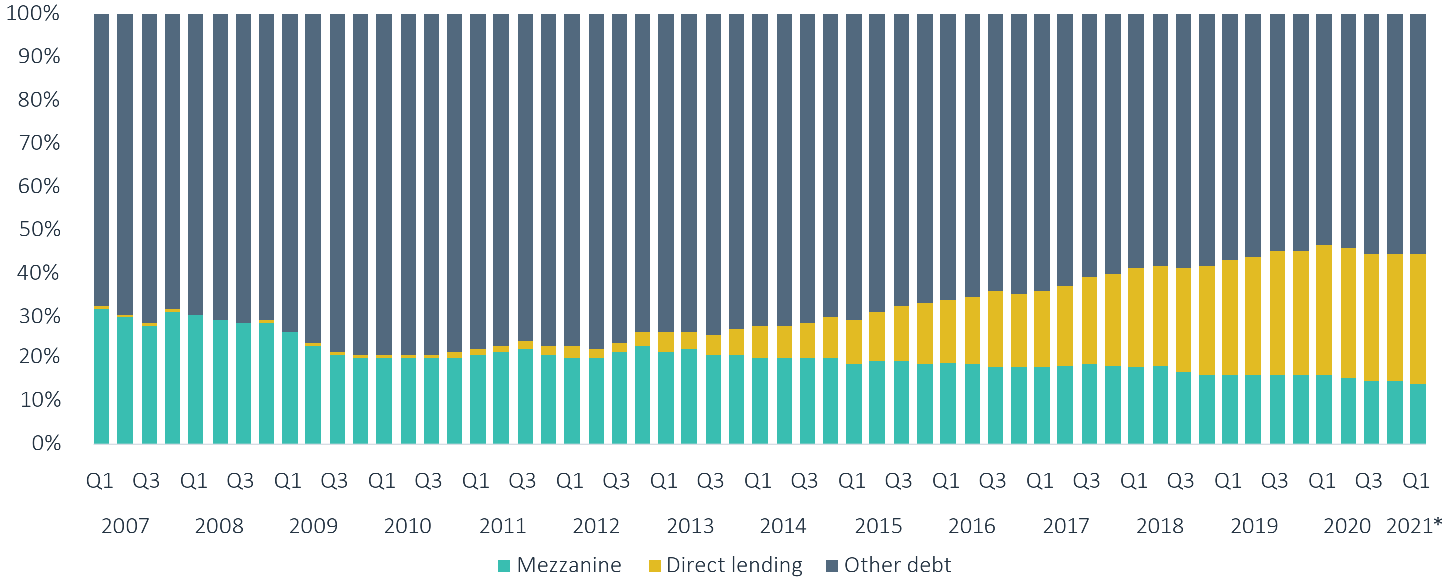
We made the decision to move mezzanine funds out of the PE strategy and into private debt this quarter. To give an idea of the ramifications of this move, the rolling one-year horizon IRR chart shows that mezzanine funds sometimes provide higher highs and lower lows than overall private debt—although, so does direct lending. Mezzanine funds rarely track the direct lending returns, however, so they are diversifiers to each other. The high-yield income paid on mezzanine investments can provide some cushion in down to middling markets, assuming defaults do not rise in a meaningful way. As PE and VC valuations have jumped recently, private debt has understandably lagged, as upside in the debt markets is limited in exchange for the promise of consistent interest payments.

Mezzanine was a small portion of the PE universe, but it represents a significant, if declining, portion of the private debt landscape. The decline is not so much because of a drop in mezzanine popularity but because direct lending came into its own as a fund strategy when regulators required banks to step back from funding leveraged buyouts (LBOs) as the GFC played out. Despite dropping in weight by more than half over the past 15 years, at 14.1% of private debt NAV, mezzanine is a significant portion of the overall private debt landscape.

One-year horizon IRRs for private debt jumped in the first quarter as the -6.7% Q1 2020 return dropped out of the calculation and a 9.2% Q1 2021 return came on board. The preliminary Q2 2021 return of 9.1% foreshadows more good news from private debt. Mezzanine and direct lending posted low double-digit returns in the year through March 31, but other private debt categories such as distressed debt, venture debt, and infrastructure debt helped to push the private debt returns overall to 15.2%. Private debt net cash flows returned to positive territory in the first quarter, a relatively uncommon phenomenon in the past 10 years. A wave of fundraising that grew steadily from 2009 to 2017 seems to have peaked, allowing the average maturity of debt funds to extend out to a situation where more capital is being returned than called.

## Proportion of total NAV of select private debt strategies

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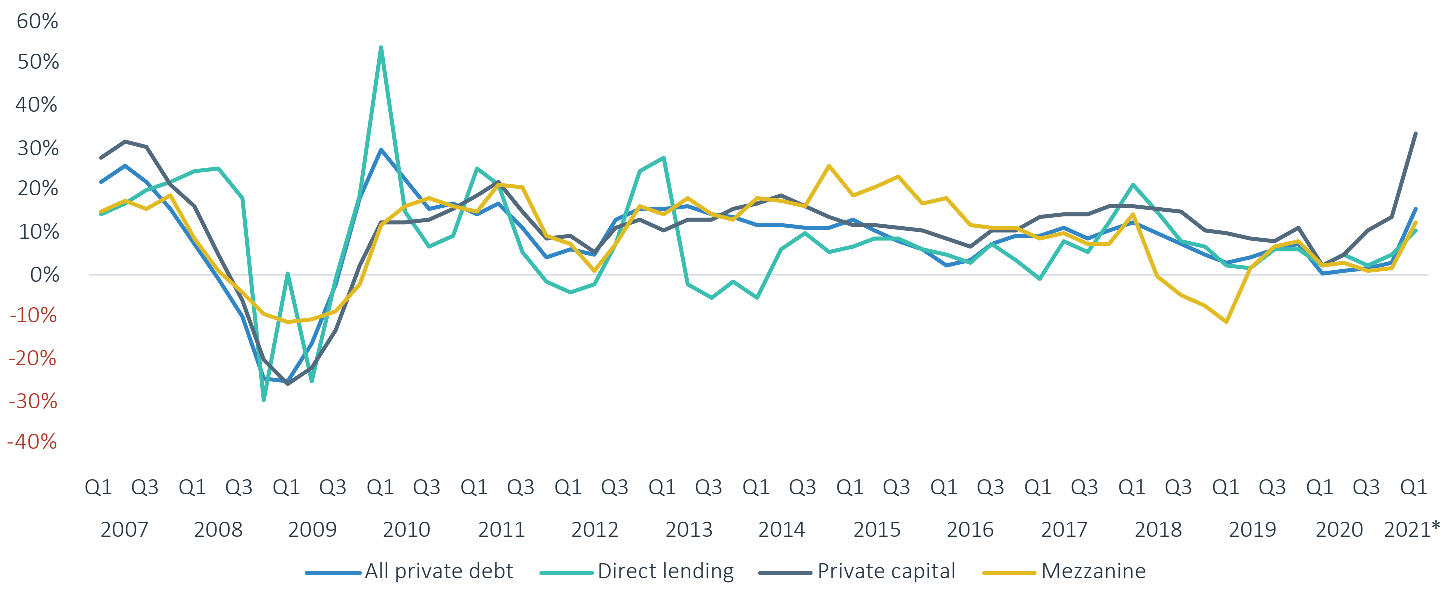
## Rolling one-year horizon IRR for private debt funds




**Source:** PitchBook | **Geography:** Global
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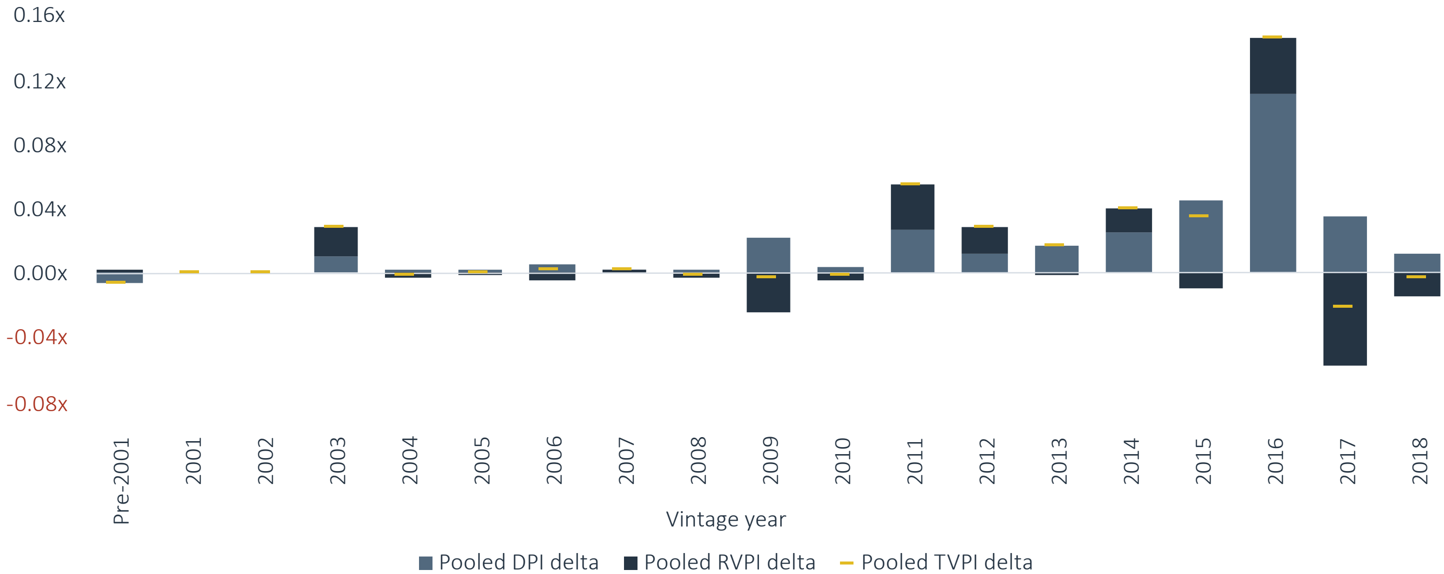
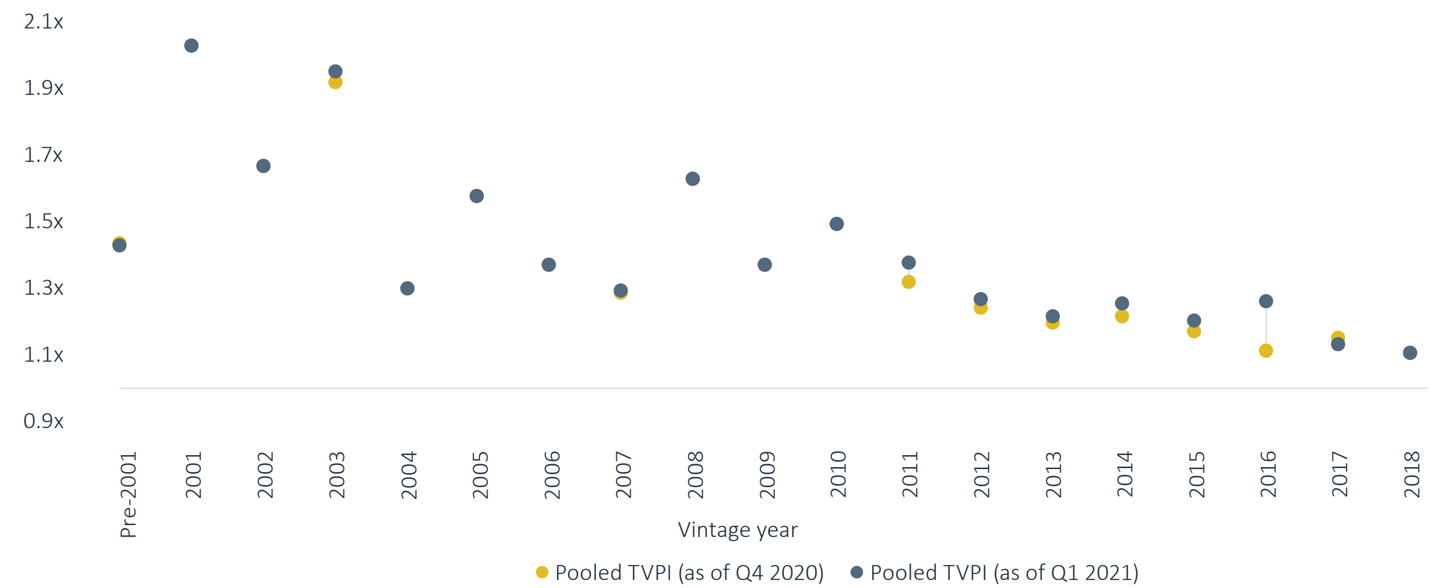
## Q4 2020 to Q1 2021 change in pooled cash flow multiples for private debt funds by vintage*




**Source:** PitchBook | **Geography:** Global
*As of March 31, 2021

## QoQ change in pooled TVPI multiples for private debt funds by vintage*




**Source:** PitchBook | **Geography:** Global
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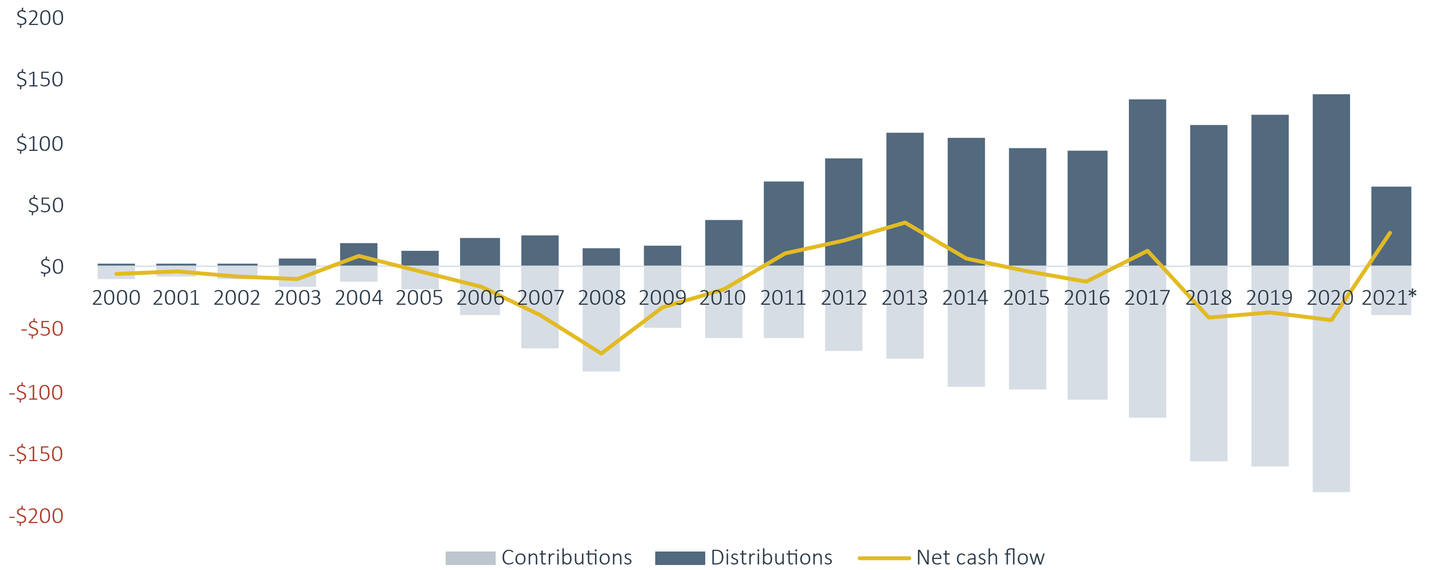
## Private debt cash flows ($B)

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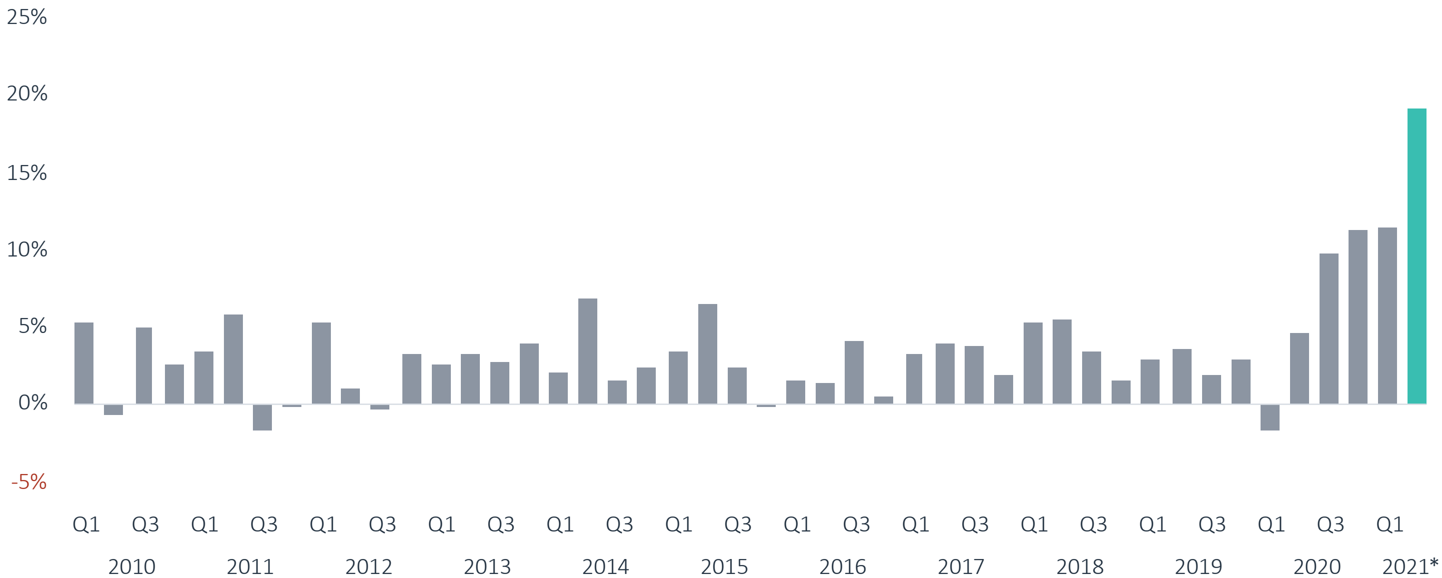
# Funds of funds

## Quarterly IRR for FoF

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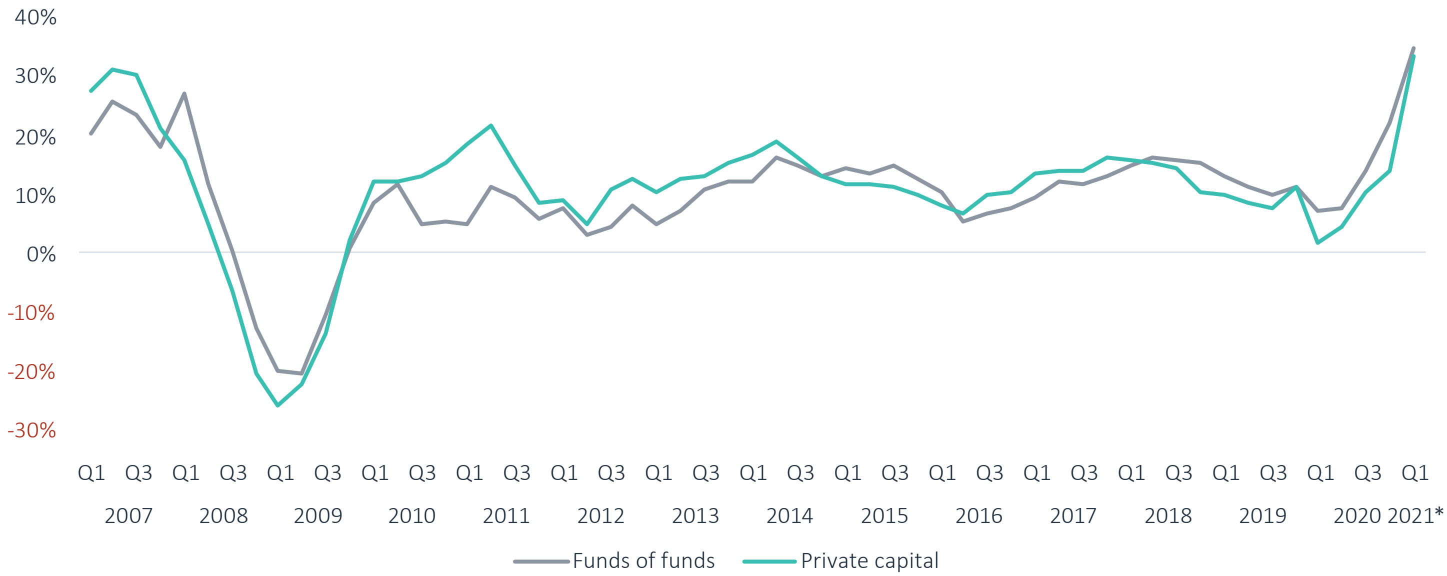
It is a pleasant surprise that the one-year return for FoF through Q1 2021 of 35.1% is ahead of the 33.3% return of private capital as a whole. This could indicate the presence of fewer non-PE or VC holdings than the overall private capital universe, given the strong performance of PE and VC, but it could also be an indication of FoF manager skill. In the latter theory, FoF managers are still largely PE and VC fund holders but have gained access to funds outperforming the overall universe.

As shown a different way by the realized versus unrealized charts in the Overview, a large proportion of returns have been coming from unrealized valuation changes, a view also supported by the QoQ change in pooled cash multiples chart. Of the 10 vintages between 2009 and 2018, half saw significantly more return boost from RVPI than from DPI. This phenomenon is depicting risk, as the eventual returns of these funds have more room to disappoint on the downside if the current estimates do not pan out when it comes time to realize investments.

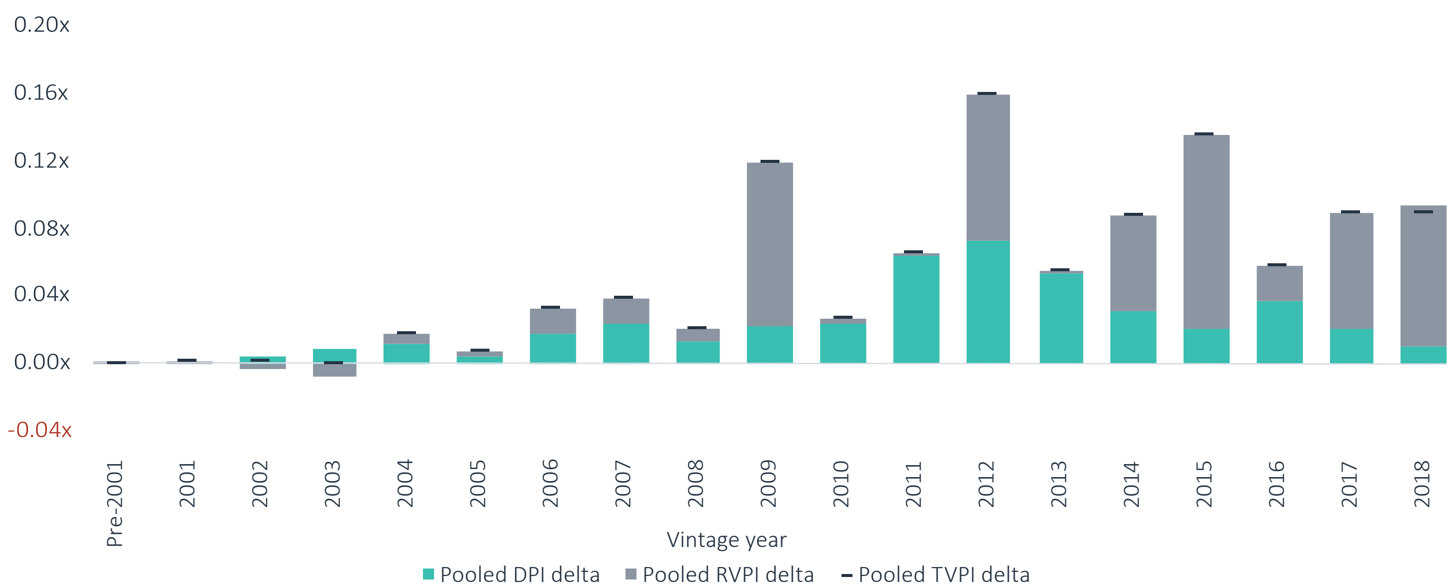
Net cash flows for FoF tilted heavily positive in Q1, with distributions for the quarter hitting 51.7% of the full-year 2020 figure while contributions only reached 21.3% of the prior year's totals. Should this trend continue, 2021 would mark the ninth consecutive year of positive cash flows to LPs. While some of this may be due to techniques used by FoF to accelerate distributions, such as investing in secondaries, it is also likely because FoF has been a strategy in decline. This means the average cap-weighted age of the universe is growing, putting more AUM in the harvest period than ever before with fewer AUM added each year in newly raised funds.

## Rolling one-year horizon IRR for FoF



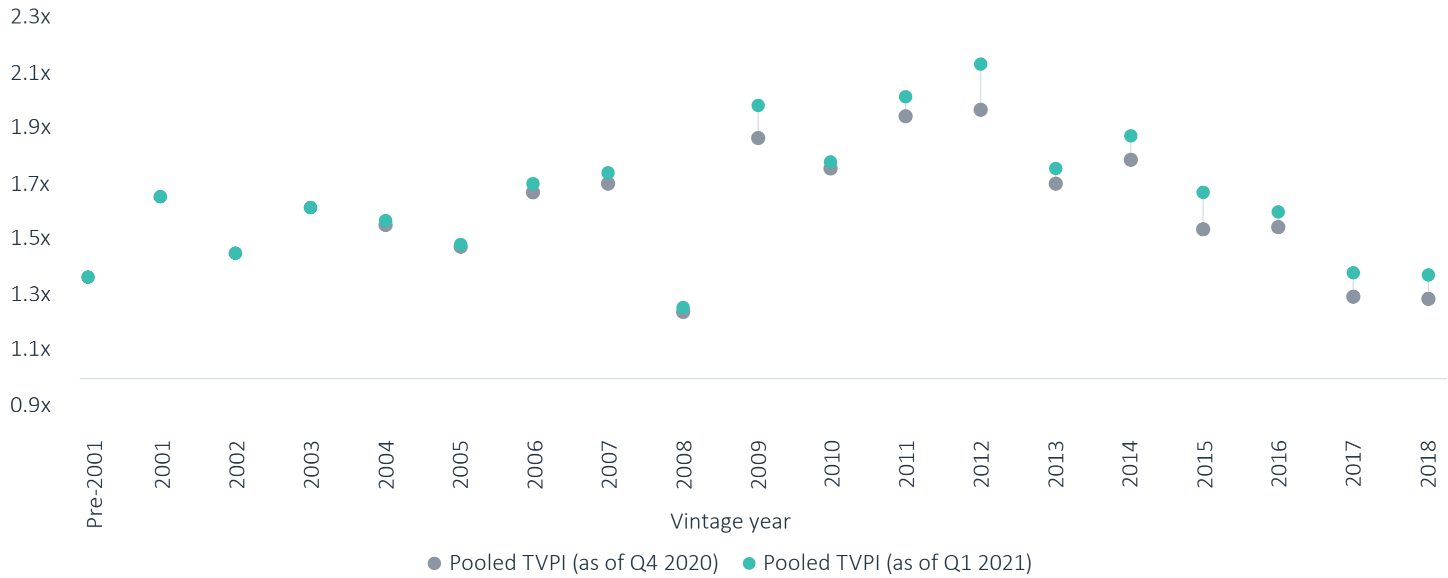

**Source:** PitchBook | **Geography:** Global
*As of March 31, 2021

## Q4 2020 to Q1 2021 change in pooled cash flow multiples for FoF by vintage*




**Source:** PitchBook | **Geography:** Global
*As of March 31, 2021

## QoQ change in pooled TVPI multiples for FoF by vintage*

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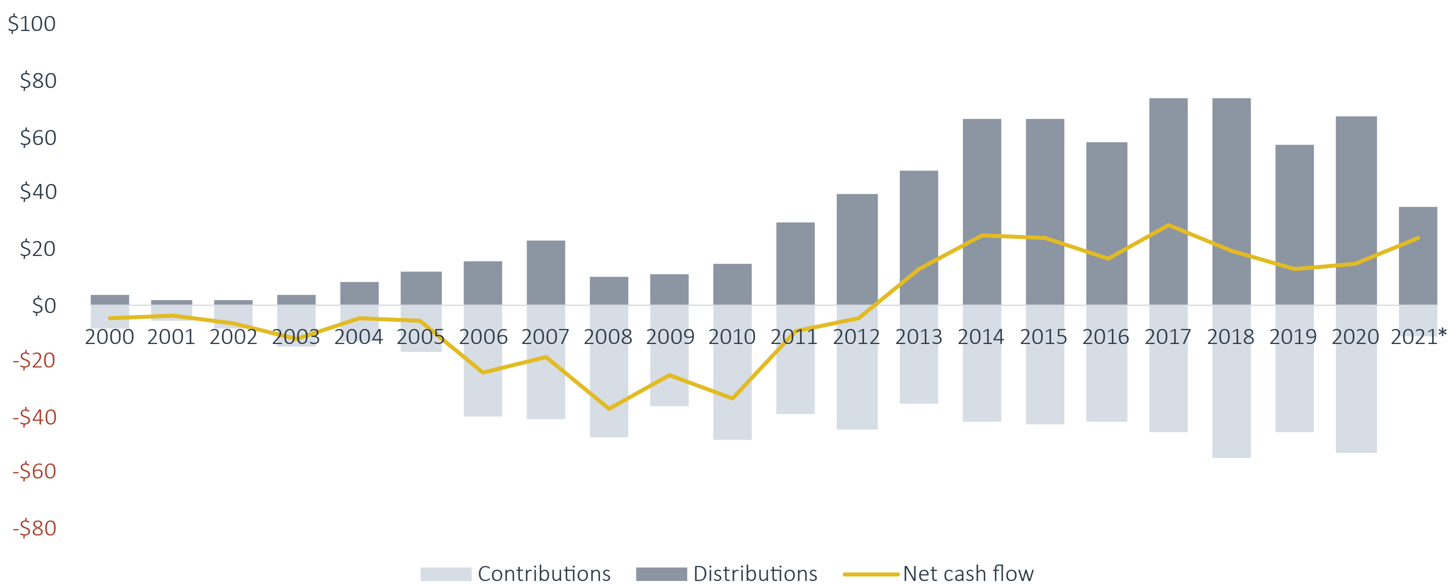
## FoF cash flows ($B)

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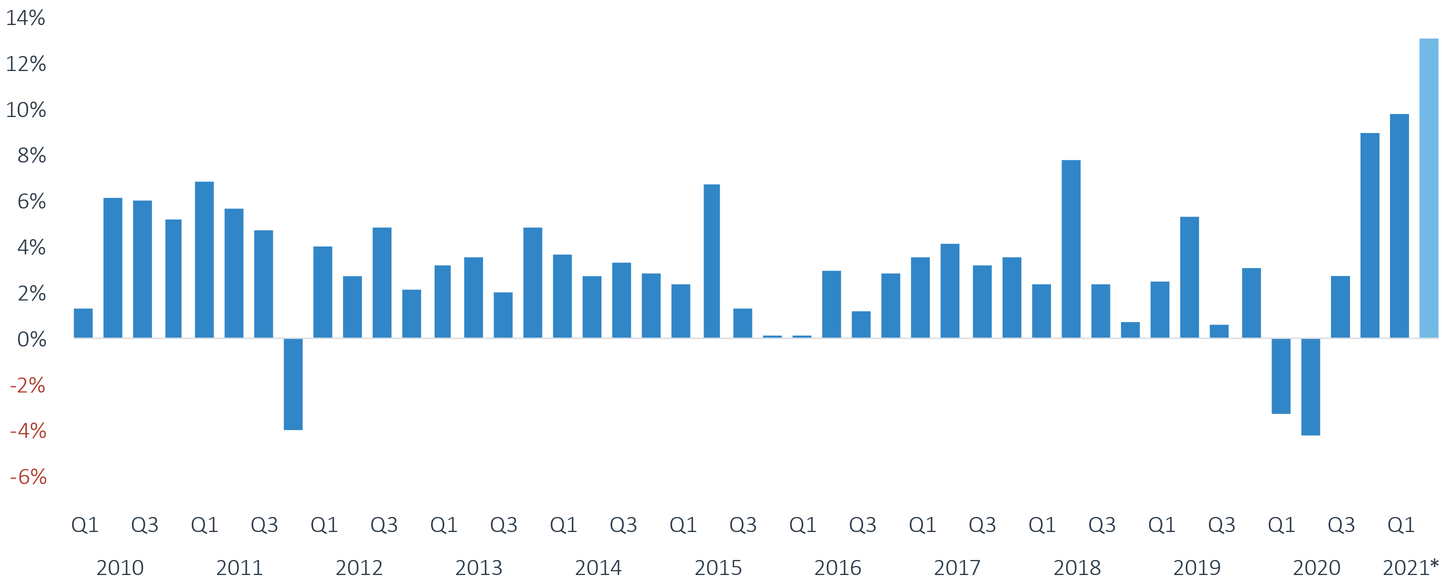
# Secondaries

## Quarterly IRR for secondaries funds

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In the year through Q1 2021, secondaries provided a return of 15.8%, but that lagged well behind the 33.3% for overall private capital. The press has reported that this segment of the market is on fire, but they have been focused on the money flowing into the area, not cash returns to investors. Preliminary figures for Q2 2021 show that a much better return should be expected when we receive final data through the end of June and the down quarters of Q1 and Q2 2020 drop out of the calculation.

In a conversation with an industry participant, they opined that the secondaries market is lagging as a result of the frenzied 2019 market, when the prices of secondaries deals rose to levels that may have allowed little room for upside. In addition, we found that many were transacting in funds that were themselves earlier in their lifecycle than used to be typical for secondaries funds. Add to that record fundraising for secondaries funds, and the secondaries fund universe has rapidly become much less mature on average, tempering short-term returns and putting a question mark over longer-term IRRs. There is also the potential for muted secondaries fund returns due to the rapid rise of GP-led secondaries transactions as the GPs would not arrange sales if the pricing was not beneficial.

The rapid decline in net cash flows from significantly positive to negative supports the supposition that secondaries have become less mature as an overall strategy. Since 2018, secondaries funds have called more capital than they have returned, which indicates rapid deployment and the growth in overall fundraising for the strategy eclipsing the capital in the ground ready for harvest. While early 2020 saw a pause in secondary transactions after a hot 2019, indications are that 2021 has been hectic for secondaries market participants again, though some of the stress is likely due to a rotation of secondaries experts among firms—players such as Apollo, TPG, and Ares have all hired or bought their way into the secondaries business in recent months.

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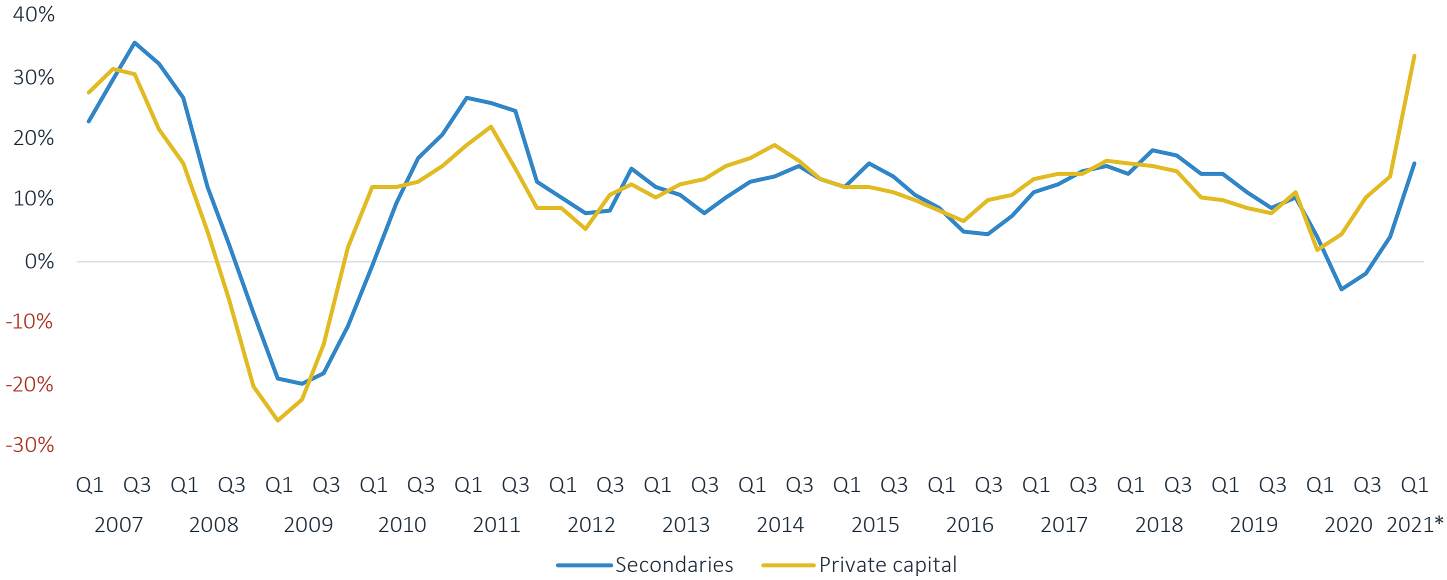
Secondaries

## Rolling one-year horizon IRR for secondaries funds

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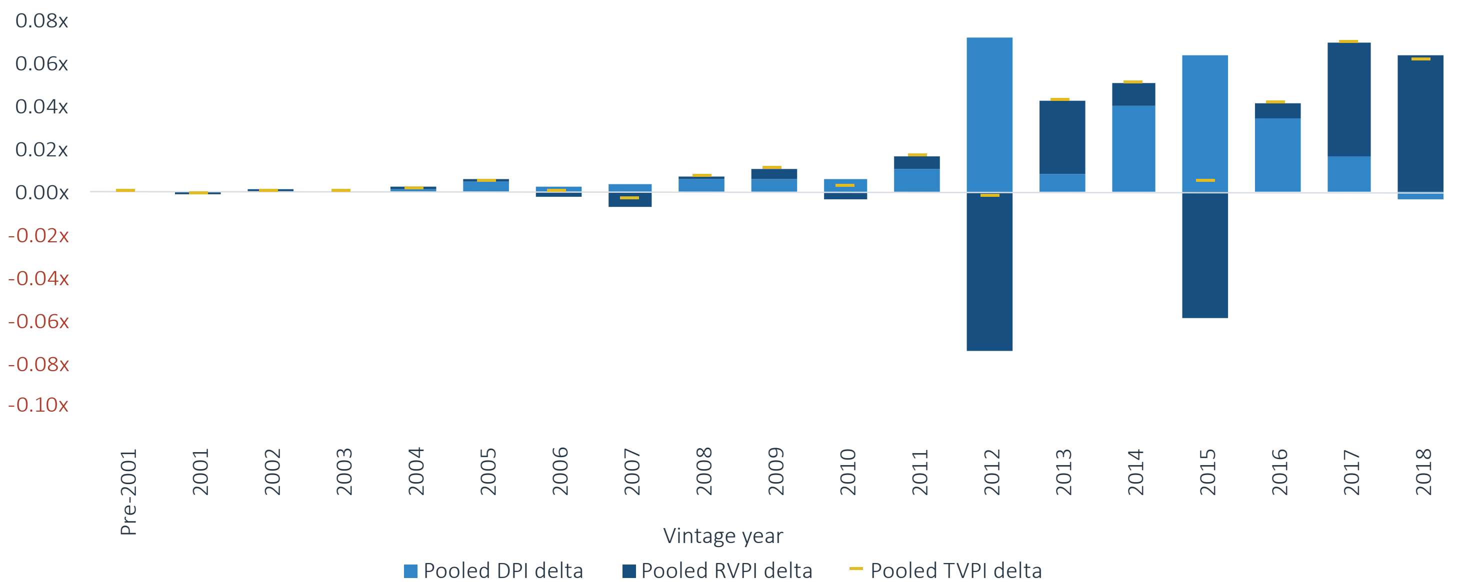
## Q4 2020 to Q1 2021 change in pooled cash flow multiples for secondaries funds by vintage*

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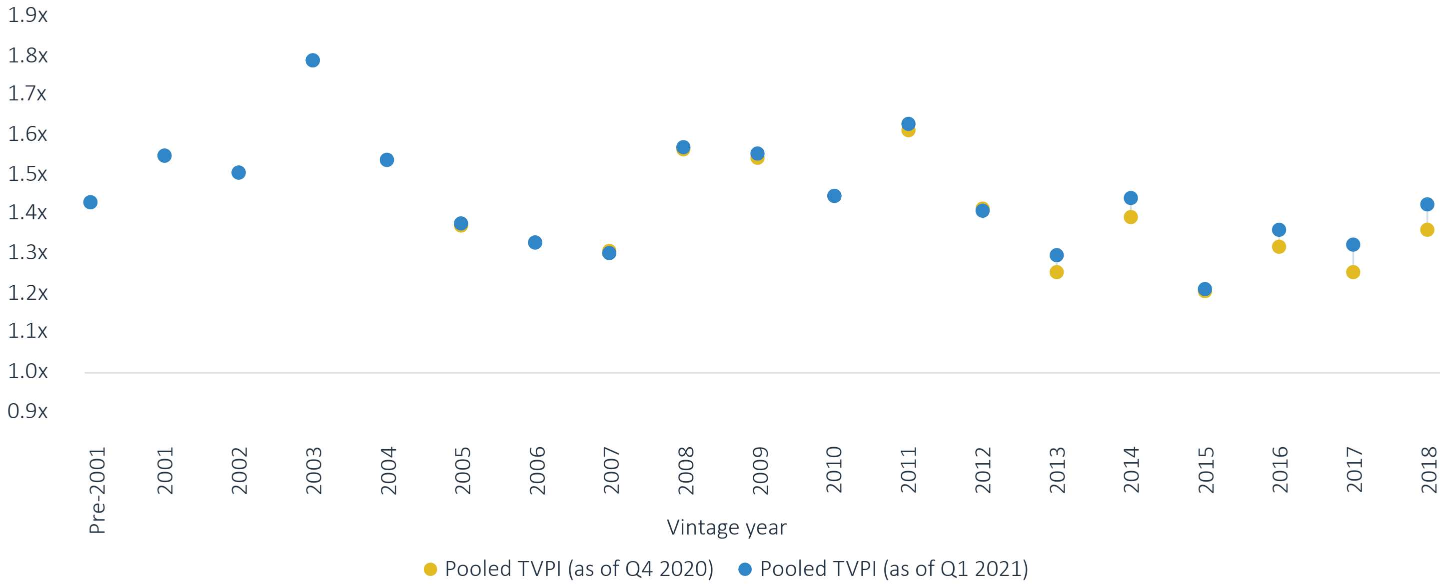
## QoQ change in pooled TVPI multiples for secondaries funds by vintage*

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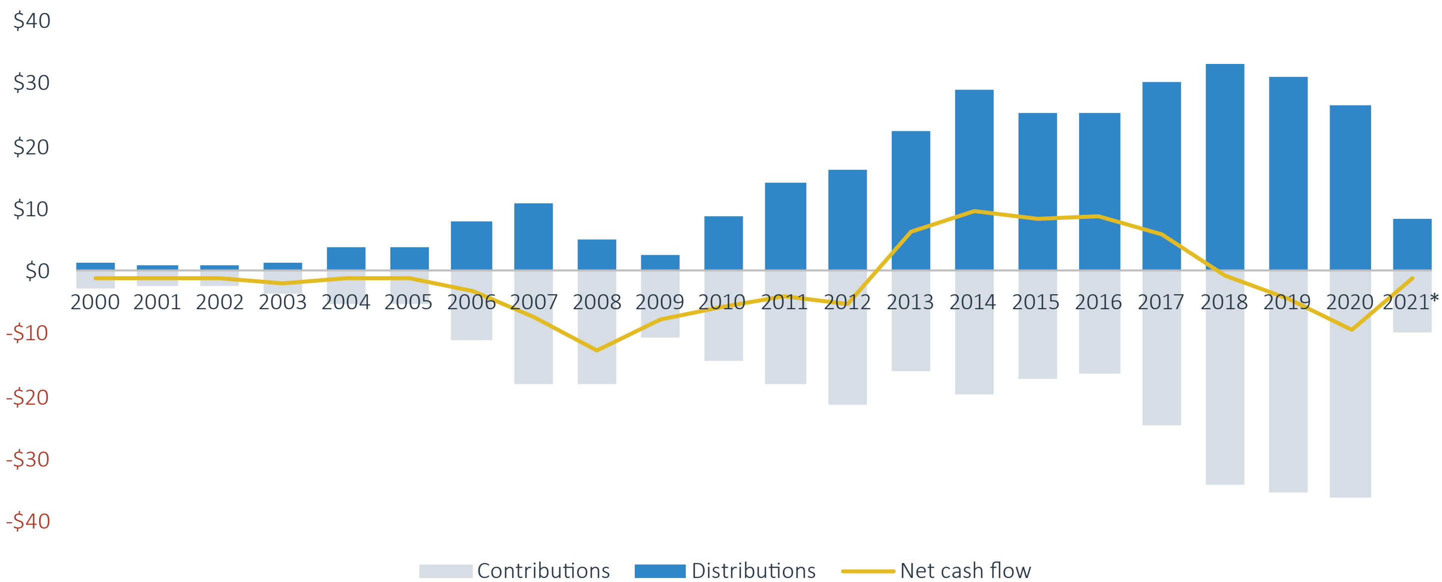
## Secondaries cash flows ($B)

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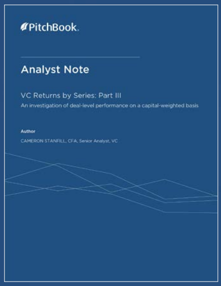
# Additional research

## Fund performance


### 2021 PitchBook Benchmarks (as of Q1 2021)

*Download the report here*




### VC Returns by Series: Part III

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### Q3 2021 Quantitative Perspectives: US Market Insights

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### Greater China Venture Report

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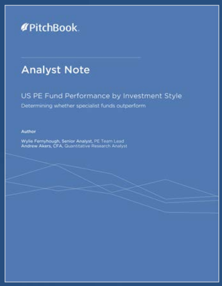


### US PE Fund Performance by Investment Style

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### 2021 Sustainable Investment Survey

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