Global Fund Performance Report

(as of Q3 2020 with preliminary Q4 2020 data)

PitchBook

Contents

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

PitchBook Benchmarks (as of Q3 2020) may be found here. The quarterly report provides greater detail than the Fund Performance Report, with granular IRR, multiple, and PME breakouts for North America, Europe, Private Equity, Venture Capital, Funds of Funds, and Secondaries.

Horizon IRRs by strategy*

	Q4 2020**	1-year	3-year	5-year	10-year
Private capital	5.5%	10.2%	10.8%	11.2%	12.3%
Private equity	6.4%	17.0%	14.3%	14.6%	14.4%
Venture capital	11.5%	21.3%	17.7%	12.1%	13.7%
Real estate	2.4%	1.6%	5.7%	8.3%	11.7%
Real assets	2.2%	-4.9%	1.5%	4.1%	5.1%
Private debt	4.0%	1.9%	5.5%	6.1%	8.4%
Funds of funds	7.0%	12.7%	12.6%	11.0%	11.0%
Secondaries	6.6%	-2.4%	8.0%	8.6%	11.2%

Source: PitchBook | **Geography:** Global
*Yearly horizons are as of September 30, 2020.
**Preliminary quarterly return

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Click here for PitchBook's report methodologies.

Click here for PitchBook's private market glossary.

PitchBook

Overview

Private market strategies' performance comparisons by year

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*	15-year horizon IRR*	Standard deviation **
20.3%	18.5%	15.6%	20.0%	22.0%	15.1%	20.5%	20.8%	17.5%	16.7%	24.5%	13.3%	20.5%
19.2%	12.8%	14.8%	17.8%	19.3%	14.0%	13.4%	16.6%	17.4%	15.8%	21.3%	12.5%	20.3%
17.9%	11.4%	14.4%	17.1%	16.2%	13.7%	12.9%	15.7%	15.3%	15.7%	17.2%	10.4%	20.0%
17.5%	10.6%	11.5%	15.4%	15.8%	12.6%	10.1%	14.3%	14.9%	11.5%	12.7%	10.2%	13.0%
16.5%	10.5%	11.4%	13.8%	14.5%	12.4%	10.1%	12.9%	11.2%	10.8%	5.5%	9.6%	12.3%
15.6%	8.3%	8.4%	12.5%	13.6%	12.3%	8.0%	11.0%	10.2%	8.3%	1.9%	9.3%	11.8%
12.4%	7.2%	8.0%	12.4%	13.4%	11.7%	7.8%	11.0%	6.5%	7.5%	1.6%	7.9%	11.6%
11.6%	7.2%	7.0%	8.5%	11.4%	11.3%	7.5%	10.9%	6.5%	7.4%	1.4%	7.6%	9.5%
5.9%	6.3%	6.5%	7.5%	7.6%	3.7%	5.5%	10.5%	4.2%	5.4%	-2.4%	6.6%	9.0%
3.1%	6.1%	4.1%	2.3%	-0.7%	-22.0%	0.0%	10.3%	-1.9%	-11.0%	-25.6%	0.7%	8.9%

Buyout | Funds of funds | Growth-expansion | Infrastructure | Oil & gas
Other PE | Private debt | Real estate | Secondaries | Venture capital

Source: PitchBook | **Geography:** Global
*As of September 30, 2020
**Based on rolling one-year IRR from Q4 2005 to Q3 2020
Note: "Other PE" includes mezzanine, restructuring/turnaround, and diversified PE funds.

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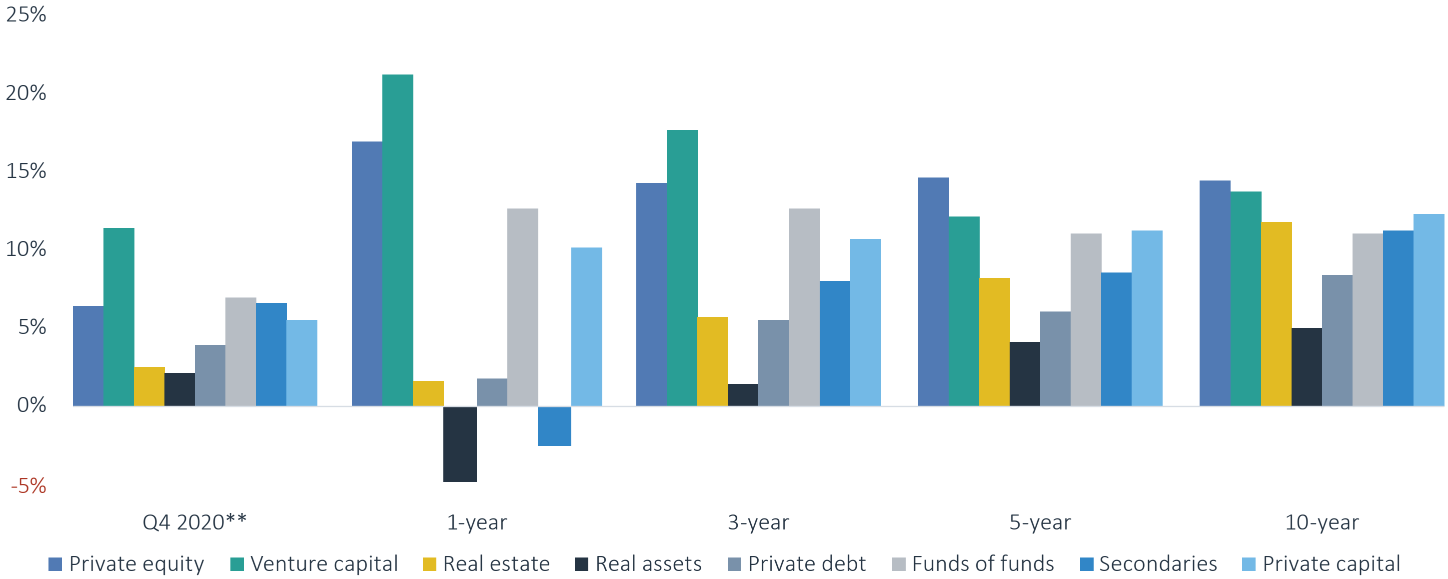
This quarter, we have created a new visualization to show private market strategies' performance comparisons year by year.[1] This quilt chart will be included in our Benchmarks report from this quarter onward. These are calendar-year horizon IRRs for all vintages active in those years. As expected, strategies such as oil & gas and VC frequently bounce from top to bottom, while funds of funds and private debt tend to remain in the middle. Despite claiming the top spot for the four quarters ended Q3 2020, growth-expansion strategies have the top 15-year IRR—proving that it is better to consistently avoid losses than to be on top every year. Given that returns from funds in the VC space can vary widely, it is surprising to see VC with the lowest standard deviation.[2] This provides some support for accessing venture through FoF rather than trying to identify and gain access to the top direct funds from the hundreds on offer each year.

Q4 2020's preliminary data provides our first glimpse into the private market's reaction to the 2020 US Presidential election. Every private market strategy we track had positive results. For the full year, real assets

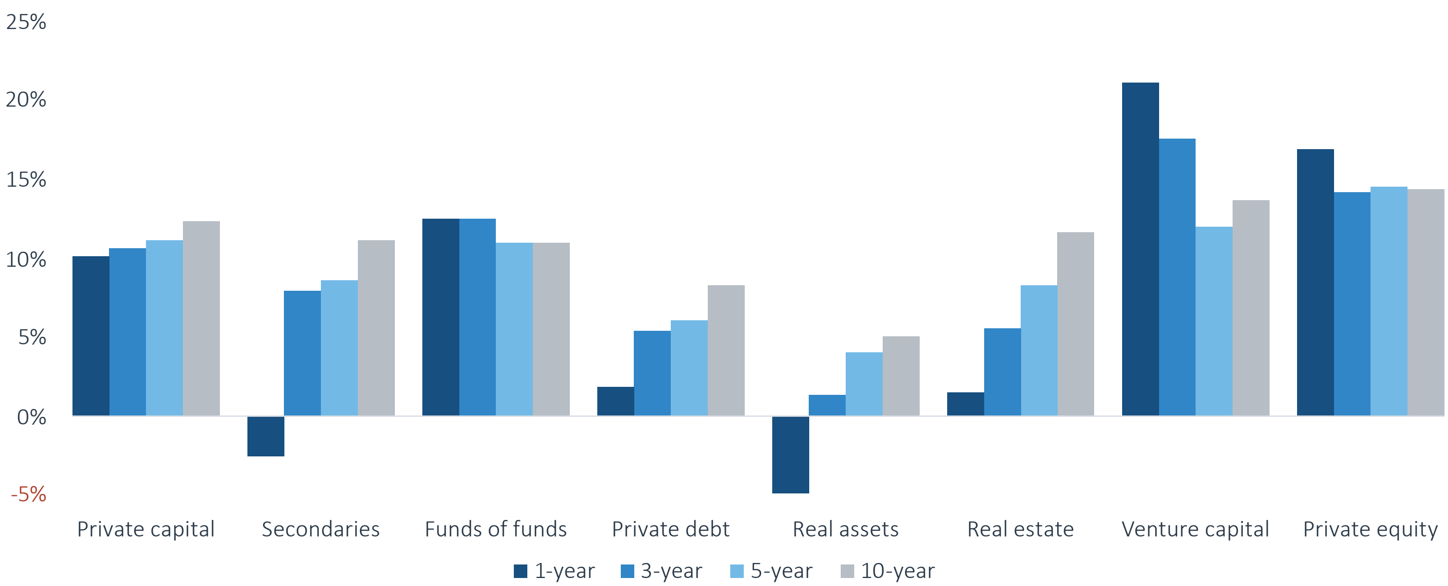
1: Please refer to the accompanying Excel file to view "Private market strategies' performance comparisons by year" going back to 2005.
2: See the "IRR dispersion by strategy" chart on page six.

Horizon IRRs by strategy*



Source: PitchBook | **Geography:** Global
*Yearly horizons are as of September 30, 2020.
**Preliminary quarterly return

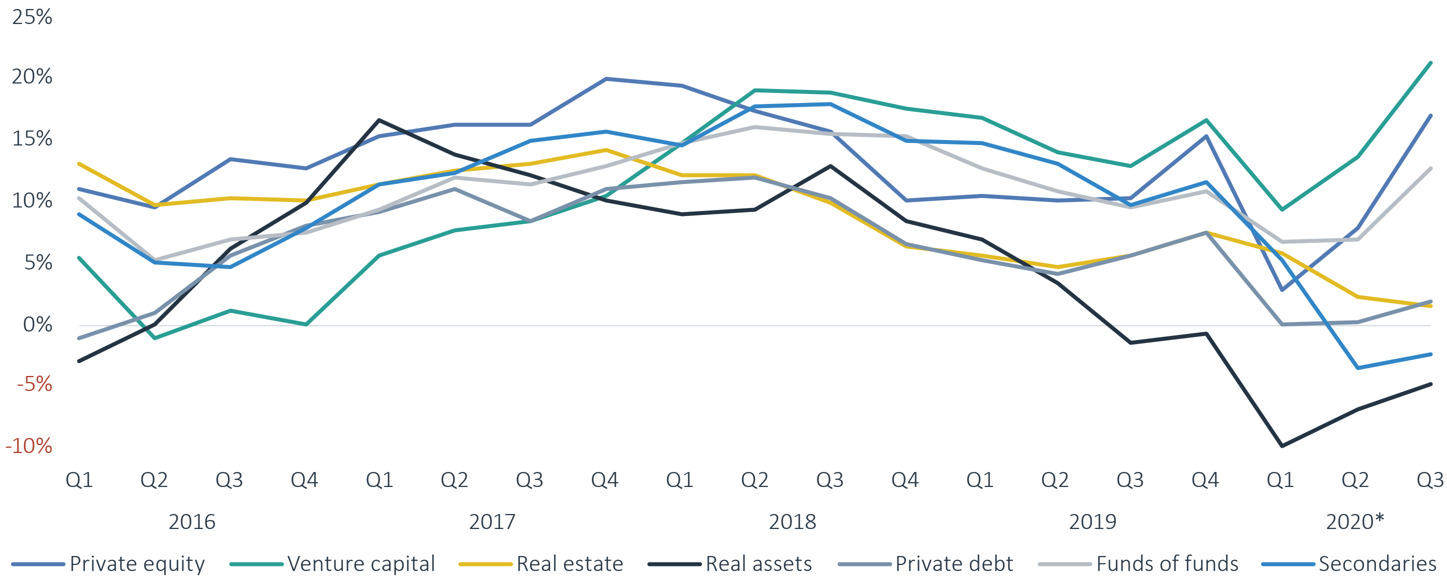
Horizon IRRs by strategy*



Source: PitchBook | **Geography:** Global
*As of September 30, 2020
**Preliminary quarterly return

and secondaries never quite recovered from the hits they took earlier in the year. Real assets—made up mainly of oil & gas and infrastructure funds—was down in each of the first three quarters of 2020, so the 2.2% preliminary Q4 result was a relief for those investors. While all strategies have positive results over three-, five-, and 10-year periods, real assets has lagged there as well. PE still has the better five- and 10-year numbers, but VC, with a 21.3% return in 2020 and 17.7% over the past three years, has been making great strides in boosting its longer-term results.

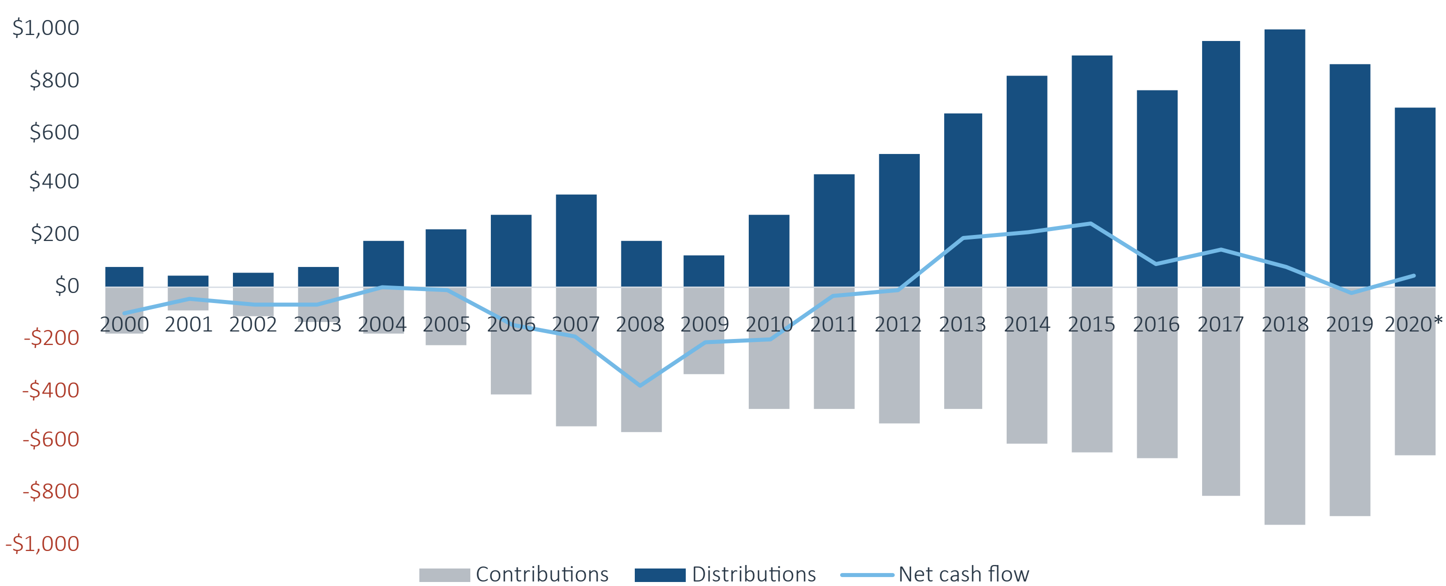
Rolling one-year horizon IRRs by strategy



Source: PitchBook | **Geography:** Global
*As of September 30, 2020

While real assets' poor performance makes sense given 2020's abrupt pause to worldwide transportation, the year's secondaries fund performance has been puzzling. GPs closed on record levels of commitments to the strategy in 2020, which indicates optimism from both those offering and those committing to these funds. As the holdings of secondaries funds are typically skewed toward PE investments several years into their holding periods, the space's 2020 returns are subdued versus other strategies' returns. Seemingly, optimism about high-priced nearer-term exits at the end of 2019 had to be scaled back in the wake of the economic slowdown.

Private capital cash flows ($B)

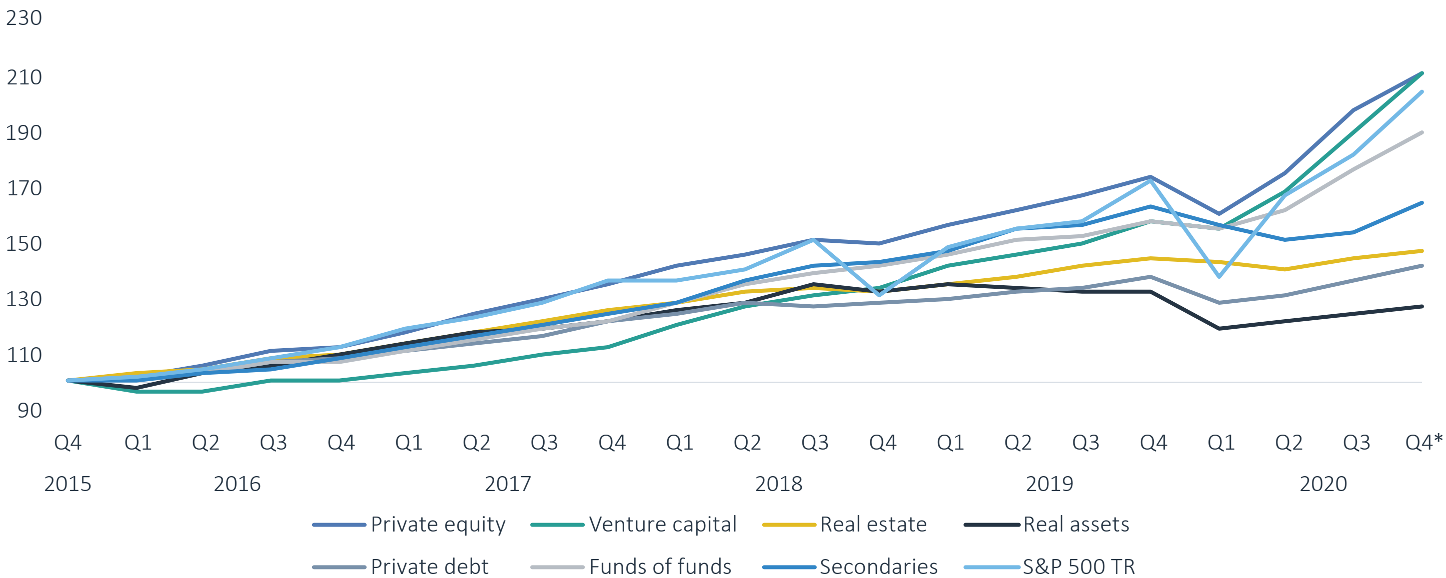


Source: PitchBook | **Geography:** Global
*As of September 30, 2020

Overview

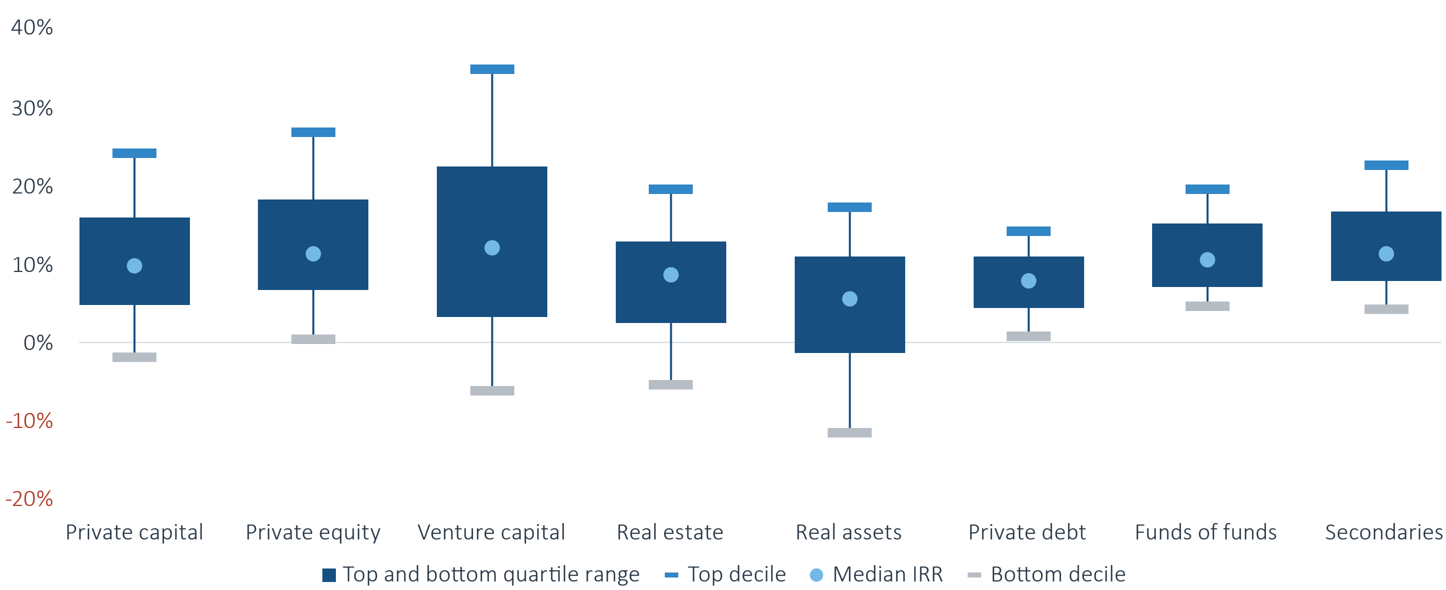
Despite March 2020 fears of abrupt calls to fund call provisions and support portfolio companies while exits were predicted to be in paralysis for several months, the first nine months of the year showed more distributions than contributions on private market investments. While not the case across all strategies, VC's active exit environment and the decent flows back to PE investors led to an overall $38.6 billion more coming back to LPs than was called. While the pandemic continued to roil the world's health, the public and private financial markets appeared somewhat indifferent to its effects.

NAV growth rebased to 100 at end of 2015



Source: PitchBook | **Geography:** Global
*As of December 31, 2020
Note: Q4 2020 data is preliminary.

IRR dispersion by strategy (vintage years 2004-2016)*



Source: PitchBook | **Geography:** Global
*As of September 30, 2020

PitchBook introduces new commitment pacing and cash flow models


Figure 9. Buyout fund at 2.5 years

Figure 9.1

Year since inception

Capital calls (LHS) Distributions (LHS) NAV (RHS)

Source: PitchBook. Data as of December 31, 2019.

Figure 9.2

Year since inception

Range of net cash flow Base case net cash flow

Source: PitchBook. Data as of December 31, 2019.

As we have shown throughout this series, fund cash flows are correlated to certain fund characteristics (such as dry powder, performance marks, fund age, etc.) and broader economic factors. Leveraging this research and the PitchBook database, we have constructed a model that both generates theoretical cash flows based purely on hypothetical inputs and can be used to model future cash flows for existing funds from any stage of their lifecycle. Additionally, since GPs provide LPs with regular updates about expectations for specific funds, users can feed these predictions from active funds into the model to generate a customized cash flow projection, with Figure 8 showing the inputs available for customization. To illustrate the impact of these variables on the modeled cash flows, we have modeled a buyout fund from different points of its lifecycle to depict how users can set the model to any point throughout the fund life. Our model produces a baseline scenario for future cash flows, as well as upper and lower bounds based on a 90% confidence threshold.

Figure 8. Qualitative inputs for customization in cash flow model

		Variable changed	
		Contribution pace	Distribution timing
Inputs	Anticipated reserve capital	X	
	Near-term exits		X
	Expected fund life		X

Figure 10. Buyout fund at four years

Figure 10.1

Year since inception

Capital calls (LHS) Distributions (LHS) NAV (RHS)

Source: PitchBook. Data as of December 31, 2019.

Figure 10.2

Year since inception

Range of net cash flow Base case net cash flow

Source: PitchBook. Data as of December 31, 2019.

Figure 11. Buyout fund at six years

Figure 11.1

Year since inception

Capital calls (LHS) Distributions (LHS) NAV (RHS)

Source: PitchBook. Data as of December 31, 2019.

Figure 11.2

Year since inception

Range of net cash flow Base case net cash flow

Source: PitchBook. Data as of December 31, 2019.
All charts are for illustrative purposes.

PitchBook Benchmarks 2019 PG 8

Greater transparency.
More flexibility. Differentiated data.

PitchBook has leveraged our massive private fund database to develop several models to help limited partners (LPs) better navigate private markets. These new models offer foresight into planning for commitment pacing and preparing for capital calls, allowing the user to customize for their specific allocations and assumptions.

All the models introduced in this series are available to PitchBook clients.
We welcome any questions, comments, or inquiries at benchmarks@pitchbook.com.

Download the full series, Basics of Cash Flow Management.

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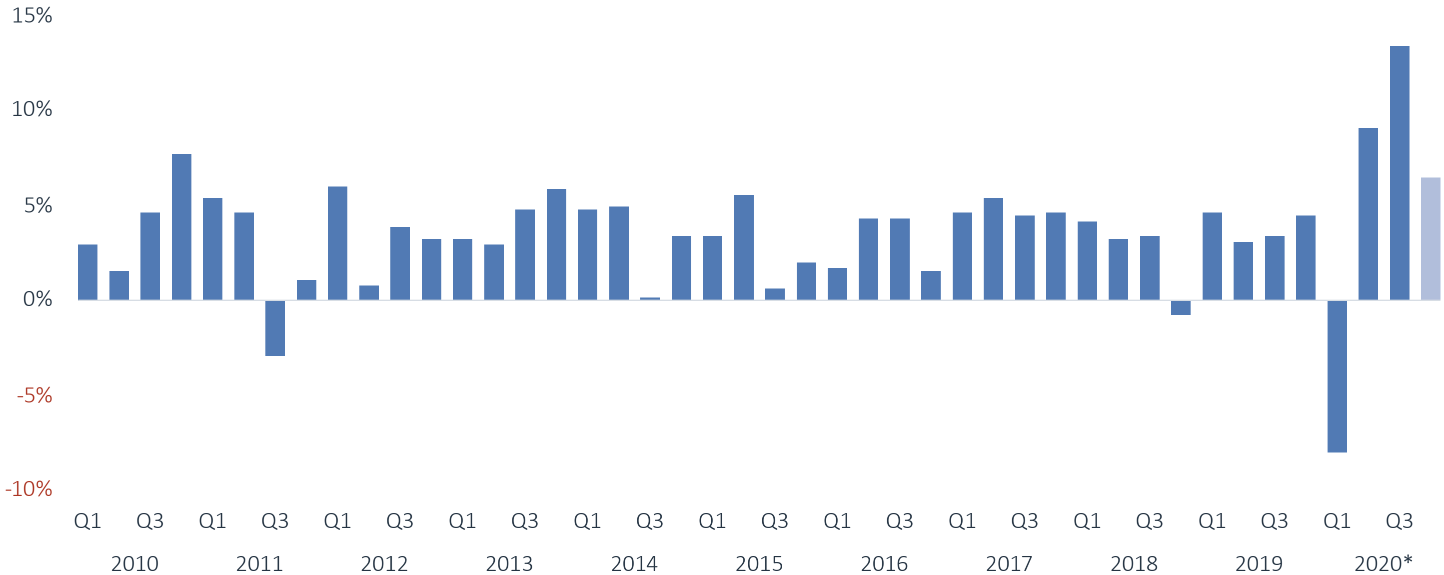
Private equity

Quarterly IRR for PE funds



Source: PitchBook | **Geography:** Global
*As of December 31, 2020
Note: Q4 2020 data is preliminary.

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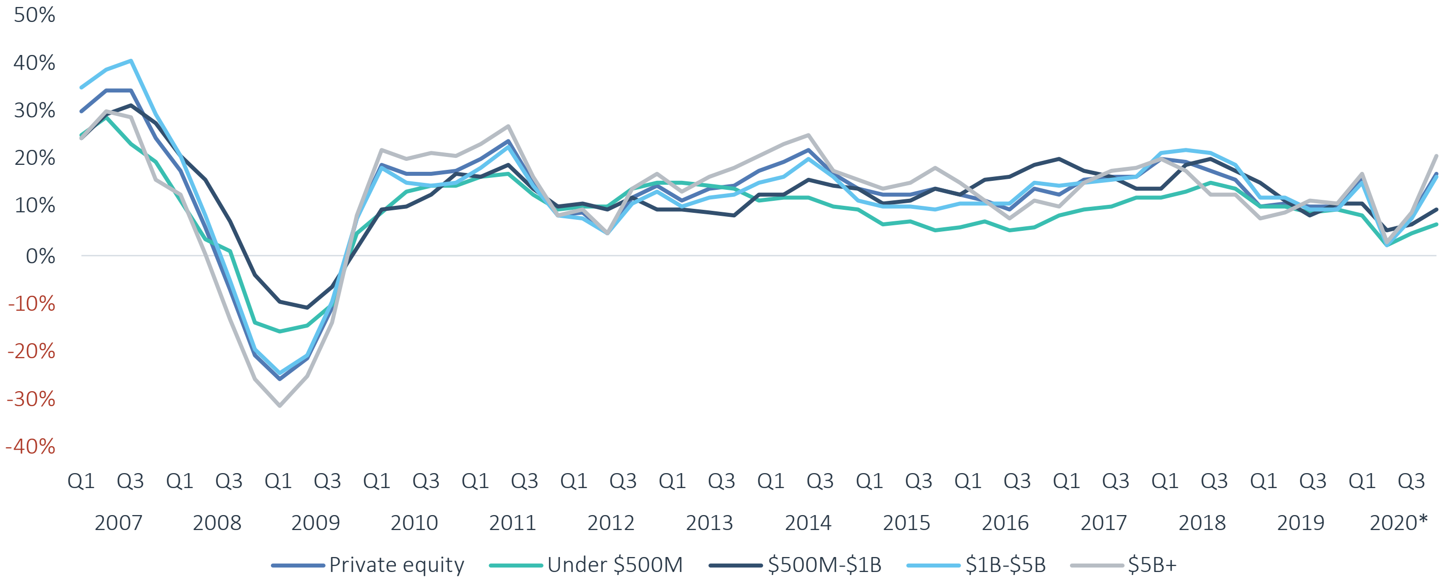
With a 13.3% return, PE fund performance continued to register healthy results in Q3, thus eclipsing Q2's impressive numbers. Federal Reserve interventions provided both confidence and liquidity to markets, which propelled public markets above their pre-pandemic levels in Q3. As a result, private equity funds saw appreciation that more than made up for pandemic-induced losses. The recovery was led by $1 billion+ funds, which grew IRR at a quarterly rate greater than those of smaller funds. Assets in these larger funds are more likely to be marked to market using public company comparisons, and, overall, larger companies were better equipped to recover from pandemic losses. Larger companies possess more cost levers and financing options and are thus better able to accelerate digital transformations and pivot to meet changing consumer demand patterns. Q4's PE fund IRRs may end up even higher than our current estimate shows, with robust returns continuing into Q1 2021. The largest public PE firms saw gross corporate PE fund appreciation above 10% in Q4 and in the high teens to low twenties in Q1 2021, which means $1 billion+ funds will likely continue outperforming in the coming quarters.

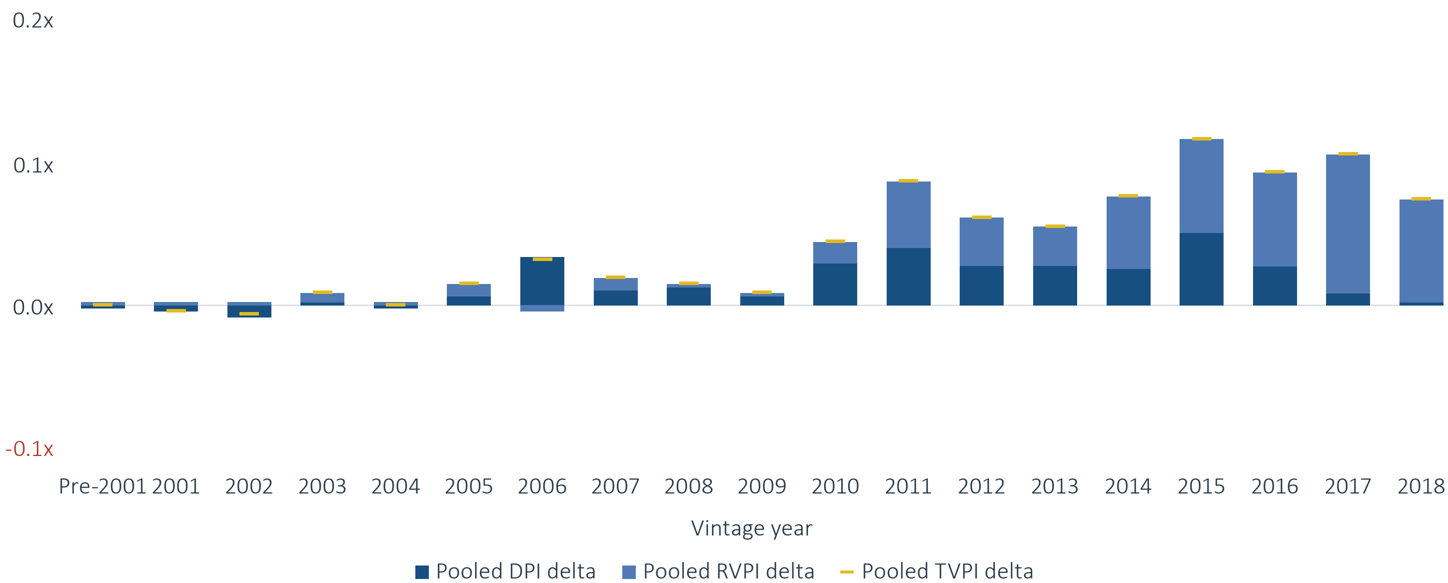
As markets stabilized, PE fund managers continued to return capital to LPs at a healthy rate. PE funds returned approximately one third of one trillion dollars through the first three quarters of 2020—already approaching 2019's full-year numbers. Some also initiated monetizations and public listing processes that, according to our data, resulted in significant exit activity in Q4. As a result, we expect Q4 2020's PE distributions will continue to tick upward. Q4's record-setting middle-market deal flow levels also suggest that smaller PE funds will be calling down capital at a heightened rate in the coming quarters.

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



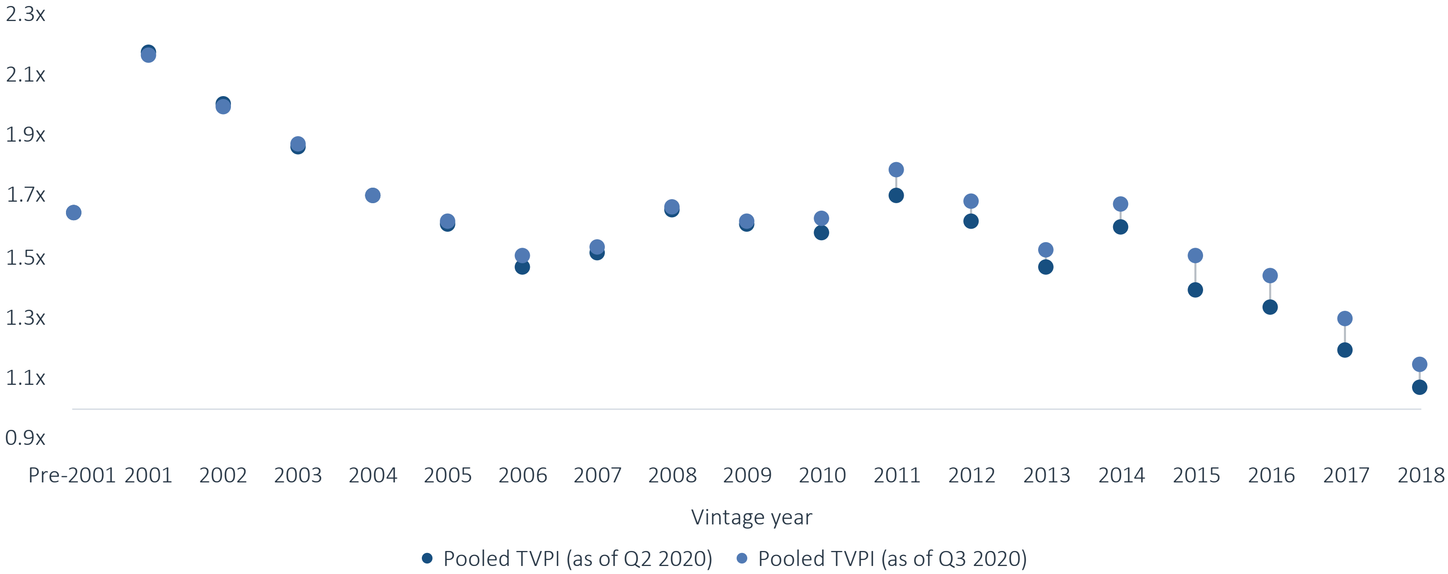
Source: PitchBook | **Geography:** Global
*As of September 30, 2020

Q2 to Q3 2020 change in pooled cash flow multiples for PE funds by vintage*



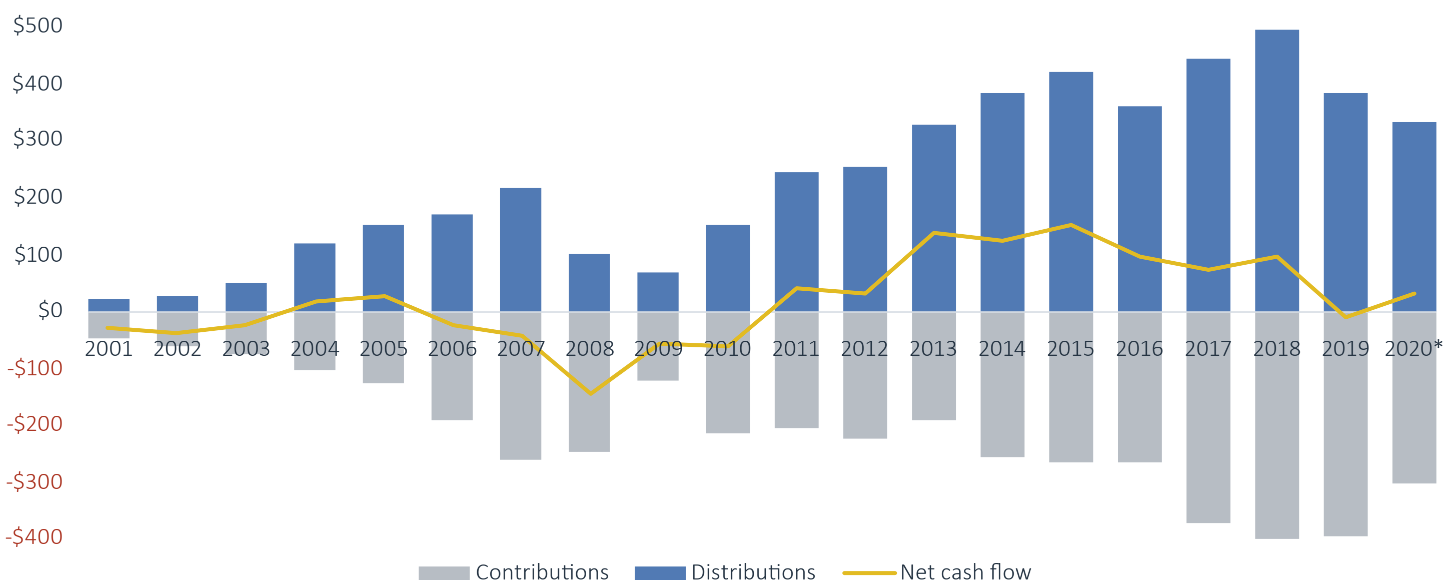
Source: PitchBook | **Geography:** Global
*As of September 30, 2020

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



Source: PitchBook | **Geography:** Global
*As of September 30, 2020

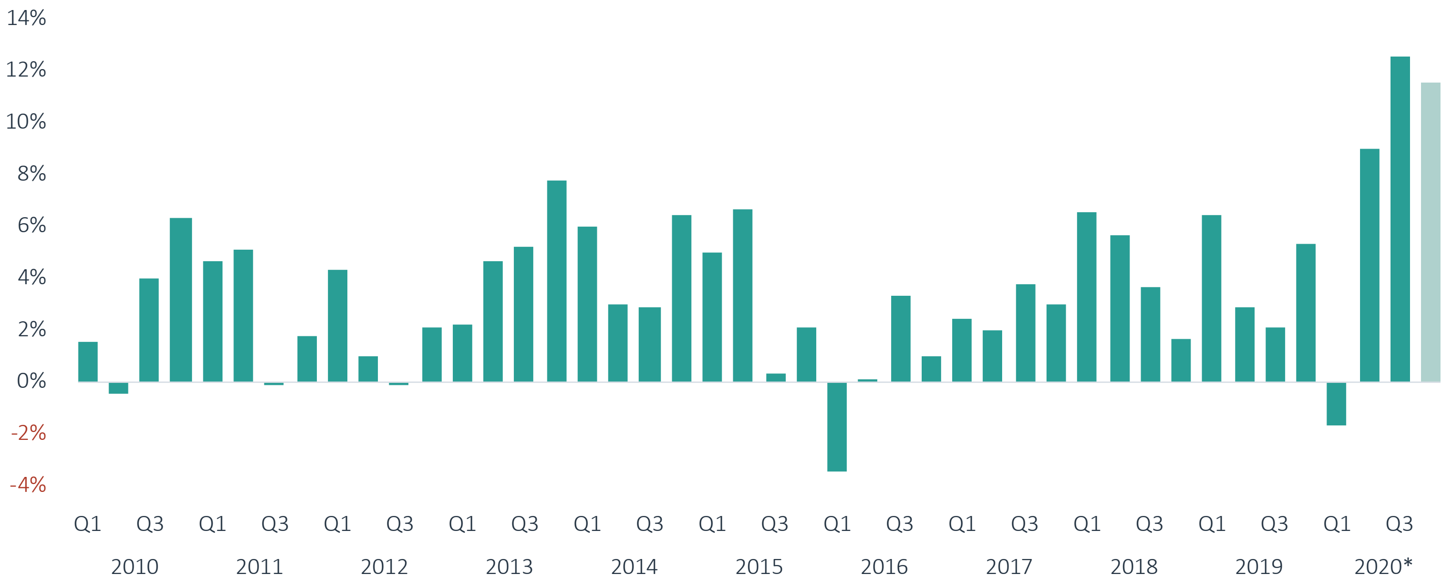
PE cash flows ($B)



Source: PitchBook | **Geography:** Global
*As of September 30, 2020

Venture capital

Quarterly IRR for VC funds



Source: PitchBook | **Geography:** Global
*As of December 31, 2020
Note: Q4 2020 data is preliminary.

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The drastic rebound in Q2 2020's VC fund returns continued higher in Q3, with the quarterly IRR notching a record 12.4%—the highest rate since 2010. The COVID-19 pandemic's full impact was fully realized by Q3, yet VCs had resumed their typical dealmaking cadence by this point and were hitting the exit markets hard. The robust IPO market continued to take hold in Q3 as global public equity asset managers piled into high-growth VC-backed unicorns—many of which had delayed scheduled public listings from H1 2020. This continued further into Q4, with preliminary fund return data indicating a quarterly IRR of 11.5%. Venture fund returns in 2020 continued to outperform as public market returns were plagued with market volatility and broader economic uncertainty.

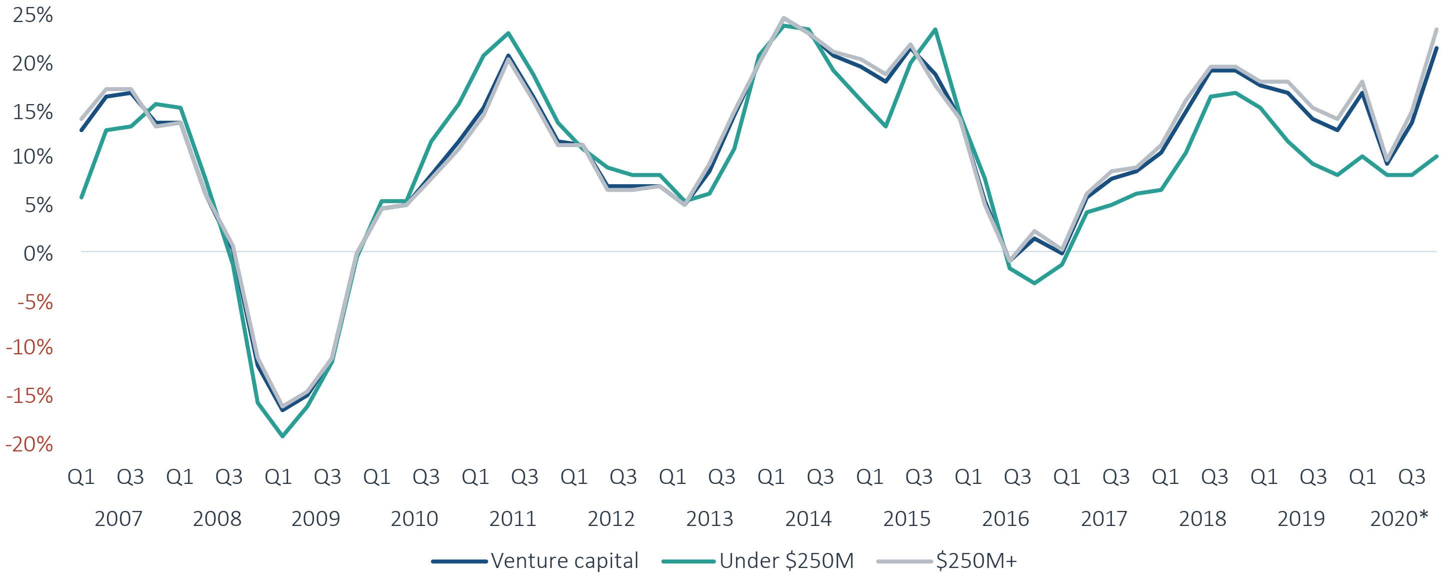
The bifurcation between established and emerging firms grew in Q3, as the larger funds—those at or exceeding $250 million—continued outperforming smaller funds on a rolling one-year horizon IRR basis. Further, unrealized fund returns continue to drive QoQ TVPI growth, particularly in younger vintages. This cash multiple was further supported by Q3's spike in valuations—especially in late-stage VC investments. During the first three quarters of 2020, a net cash flow of $18.9 billion pointed favorably toward distributions, as proceeds from the outsized exits from 2019's IPO market were returned to LPs. This caused many LPs to be underallocated to venture.

Three key regulatory changes in H2 2020 will likely enable additional contributions to venture funds: First, the US Department of Labor issued an information letter allowing defined contribution retirement plans such as 401(k) plans to indirectly invest in private equity funds.[3] Second, the US Securities and Exchange Commission (SEC) issued amendments to the "accredited investor" definition.[4] And third, Volcker Rule revisions were adopted to allow investment banks to invest in venture capital funds.[5] Given the confluence of outsized exits and these notable regulatory changes, we anticipate both VC exit activity and fundraising will reach new heights, which in turn will sustain elevated fund performance across the board in subsequent quarters as more and more gains become realized.

3: "Information Letter 06-03-2020," US Dept. of Labor, June 3, 2020.
4: "SEC Modernizes the Accredited Investor Definition," US SEC, August 26, 2020.
5: "Financial Regulators Modify Volcker Rule," US SEC, June 25, 2020.

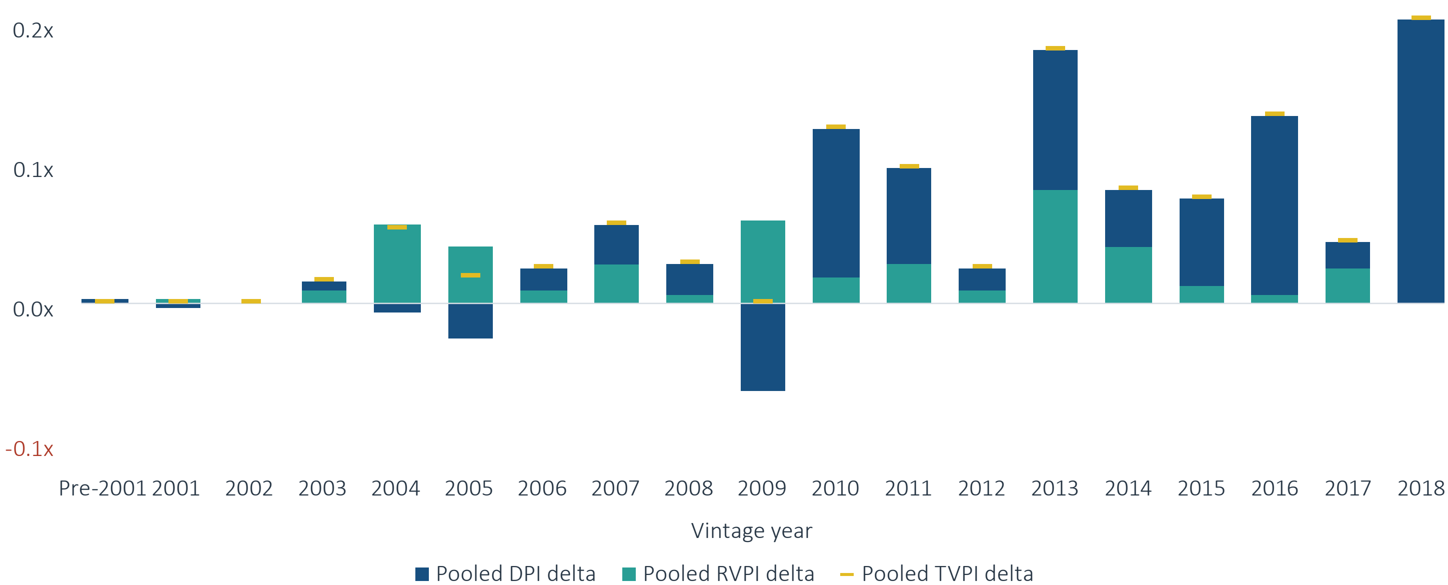
Venture capital

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



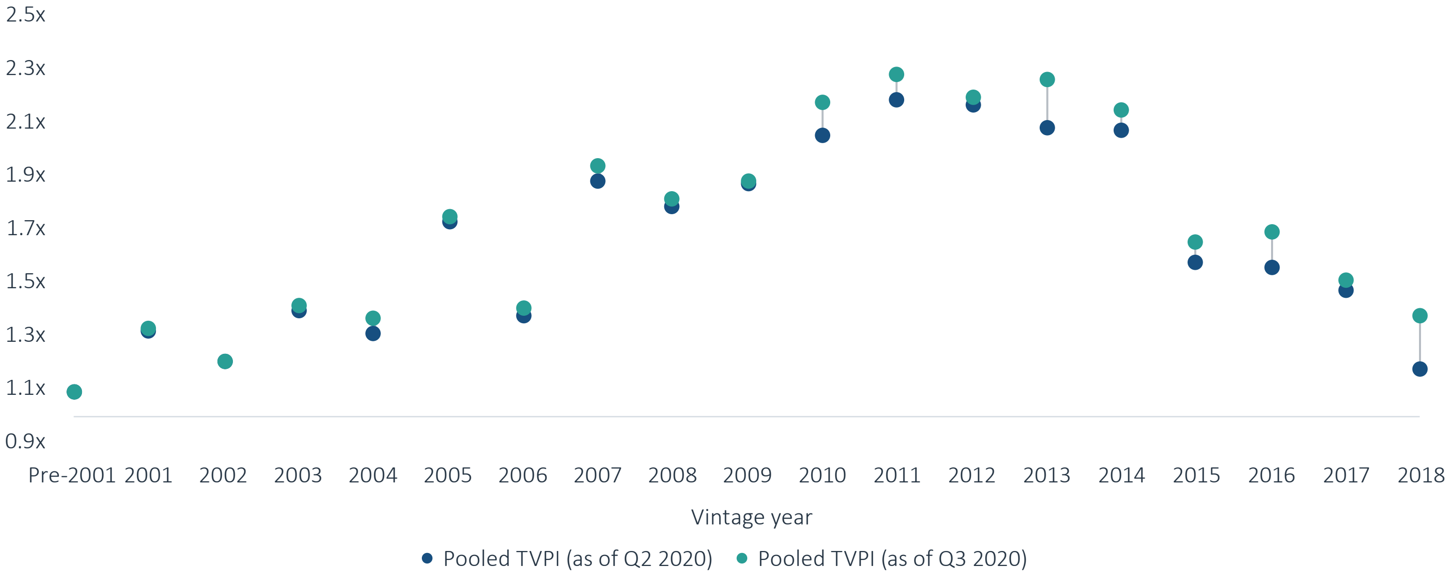
Source: PitchBook | **Geography:** Global
*As of September 30, 2020

Q2 to Q3 2020 change in pooled cash flow multiples for VC funds by vintage*



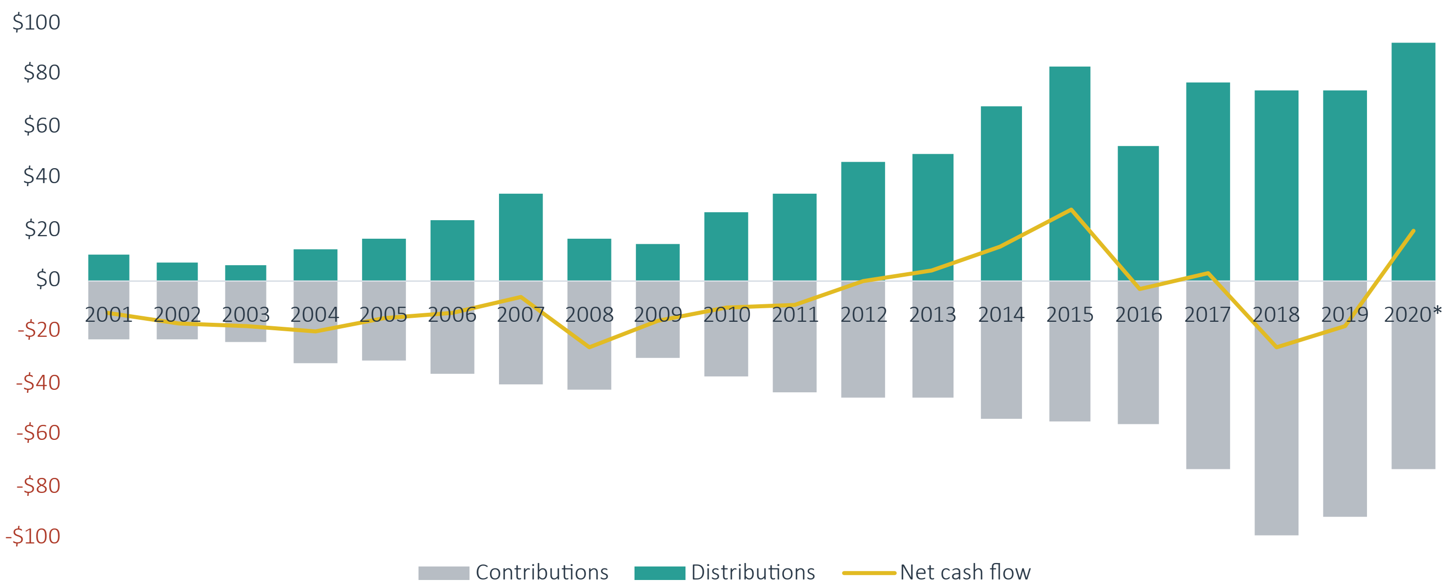
Source: PitchBook | **Geography:** Global
*As of September 30, 2020

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



Source: PitchBook | **Geography:** Global
*As of September 30, 2020

VC cash flows ($B)

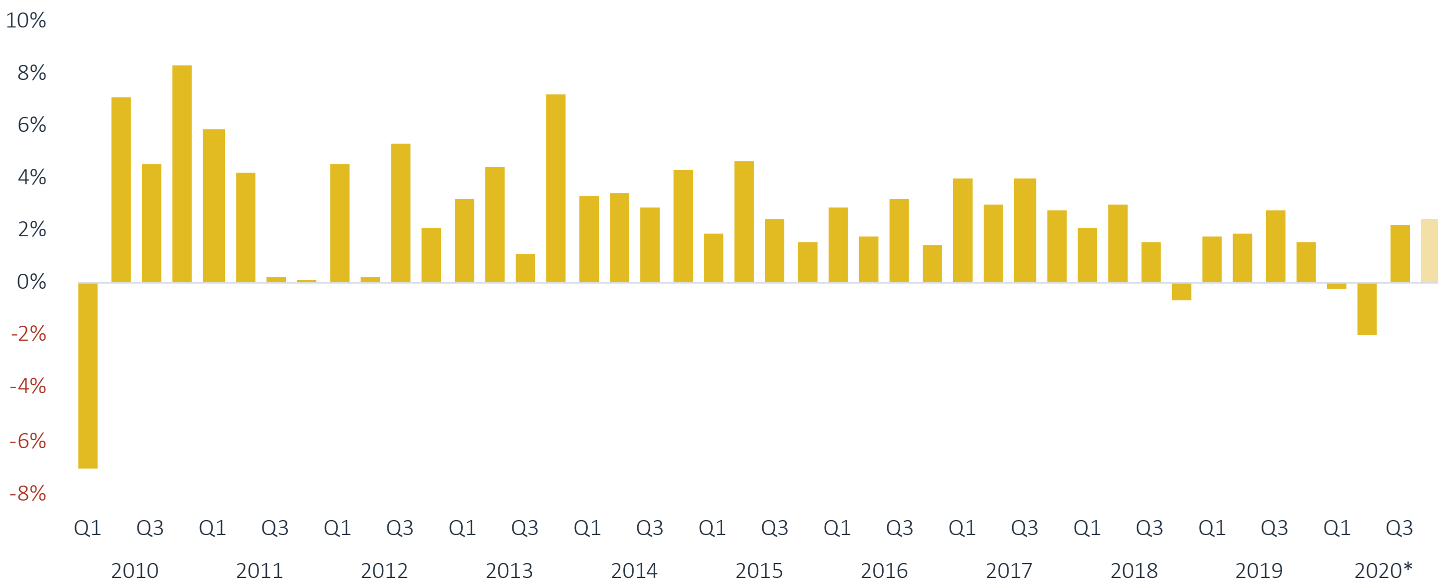


Source: PitchBook | **Geography:** Global
*As of September 30, 2020

PitchBook

Real estate

Quarterly IRR for real estate funds



Source: PitchBook | **Geography:** Global
*As of December 31, 2020
Note: Q4 2020 data is preliminary.

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Zane Carmean, CFA Quantitative Research Analyst
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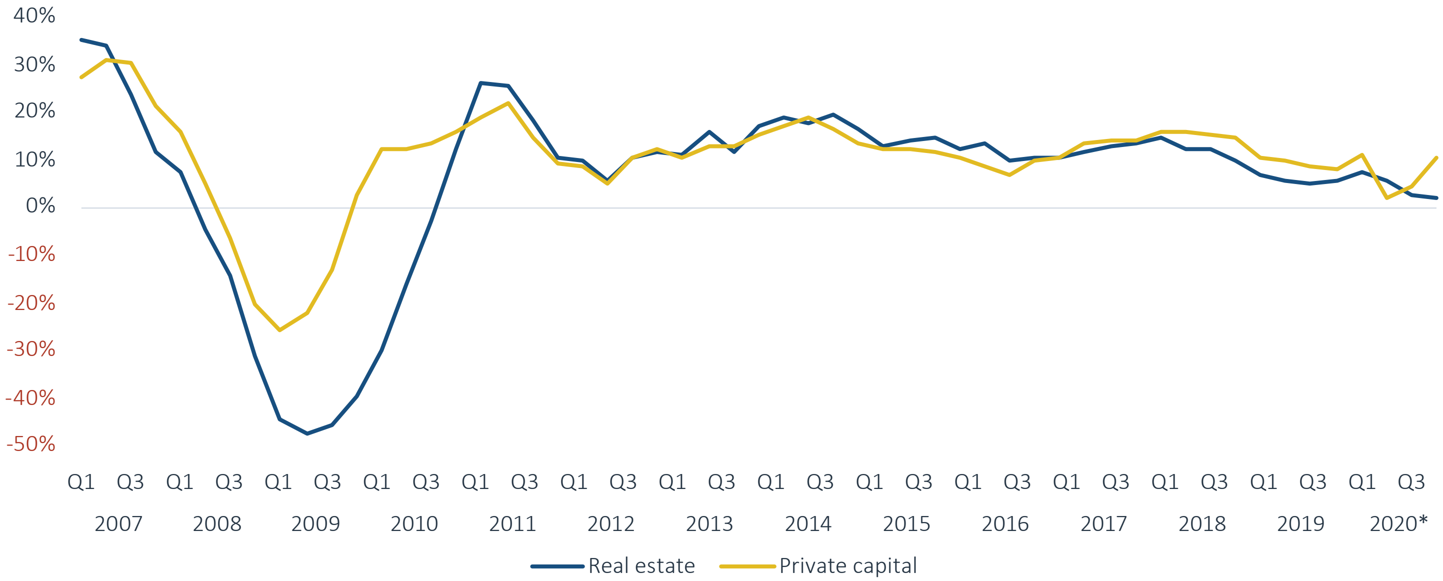
Preliminary data from Q4 2020 shows a quarterly return of 2.4% for real estate funds. While trending positively, the strategy is recovering more slowly than other private markets strategies following the write-downs suffered in Q2 2020. Aggregate cash flow data proved resilient through Q2, but the pandemic's headwinds were felt in Q3. Indeed, although the downturn may seem like a buying opportunity for risk-seeking investors, transaction levels have been significantly lower than in recent years based on fund contribution data.

Digging deeper into the final numbers from Q3, the aggregate change in TVPI from Q2 to Q3 was negligible for real estate funds by vintage. Given the large fluctuation in the quarterly IRR metric, we anticipated a large swing during this period. This dichotomy highlights the vastly different environments for real estate depending on the strategy and property types involved, with gains and losses netting out in many slices of the data. Public REIT indexes, which can be helpful in teasing out these strategy-level performance differences given the opacity of private markets, show that data centers, self storage, and industrial all delivered double-digit gains in 2020, while retail, lodging, and office space all posted double-digit losses.[6]

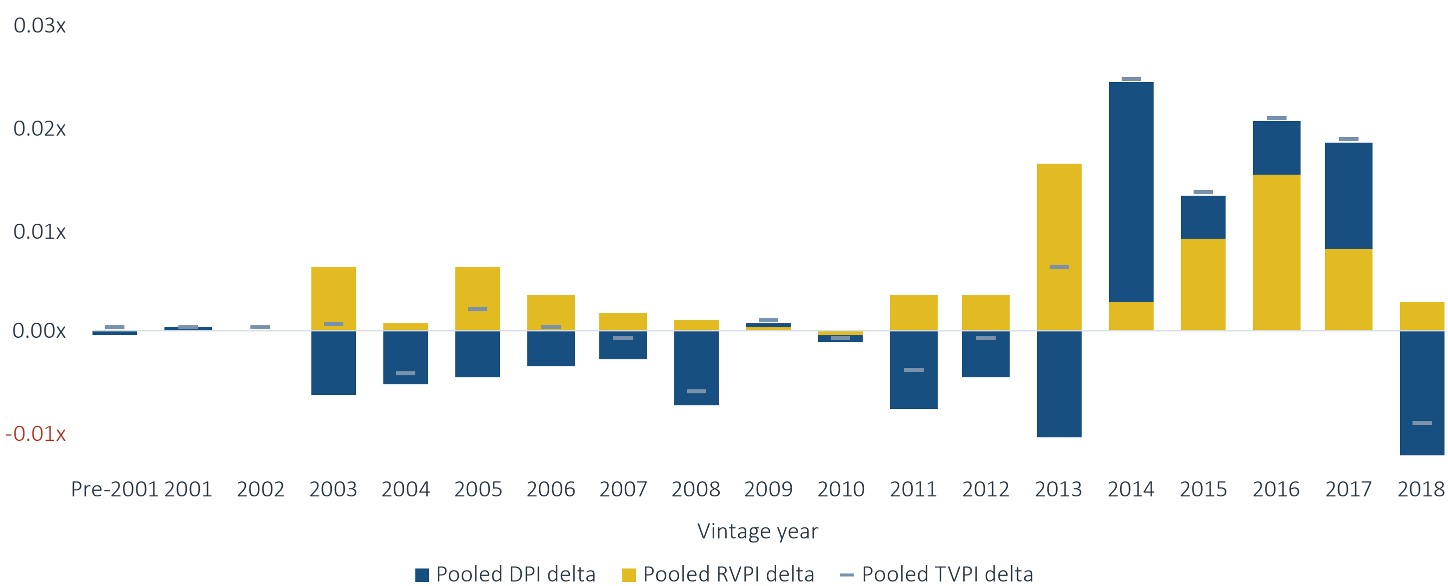
6: "Performance by Property Sector/Subsector," Nareit, April 30, 2021.

Rolling one-year horizon IRR for real estate funds



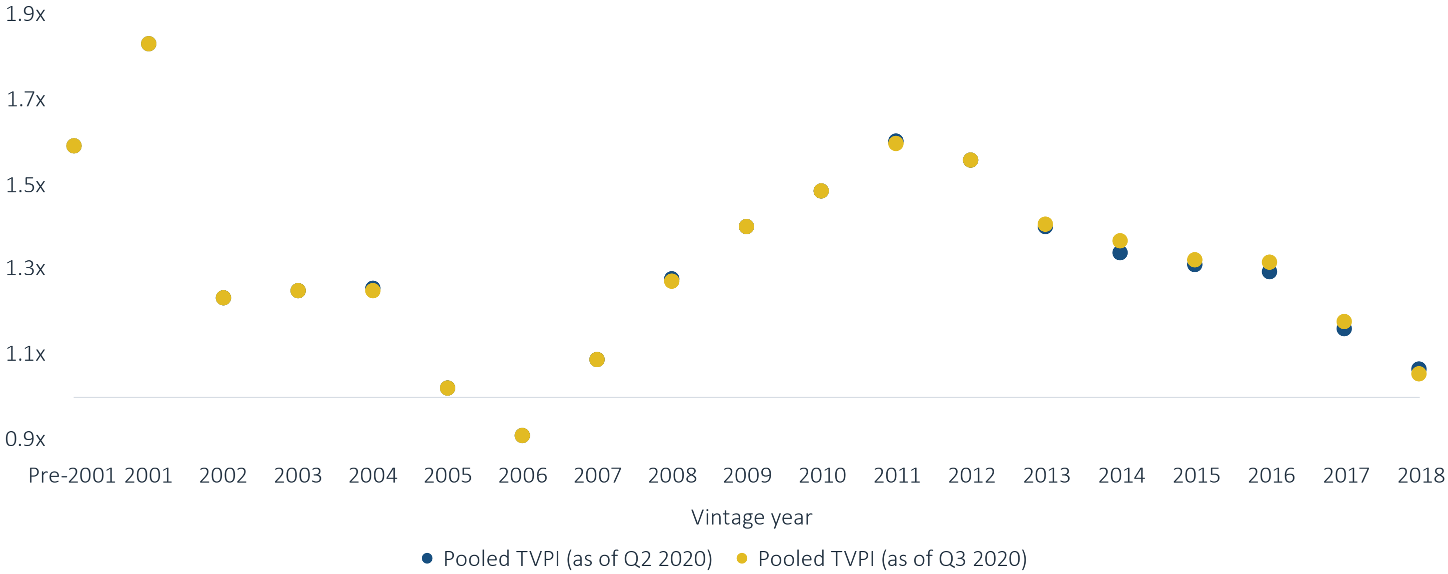
Source: PitchBook | **Geography:** Global
*As of September 30, 2020

Q2 to Q3 2020 change in pooled cash flow multiples for real estate funds by vintage*



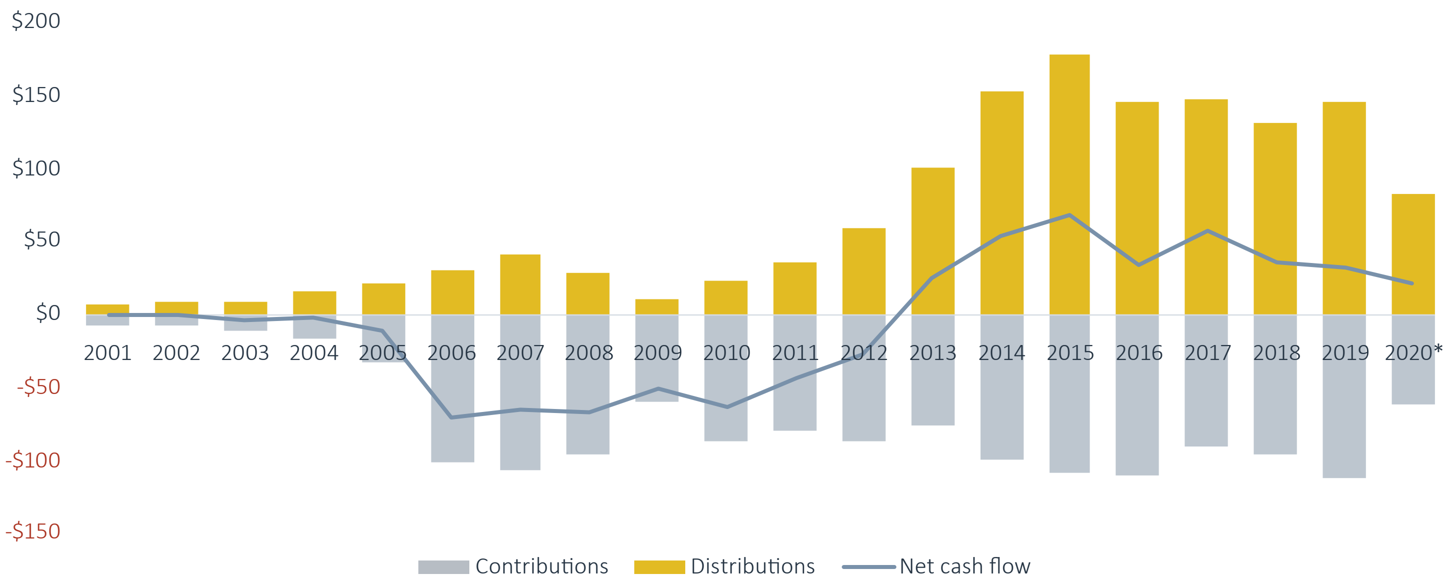
Source: PitchBook | **Geography:** Global
*As of September 30, 2020

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



Source: PitchBook | **Geography:** Global
*As of September 30, 2020

Real estate cash flows ($B)



Source: PitchBook | **Geography:** Global
*As of September 30, 2020

Real assets

Quarterly IRR for real assets funds

Source: PitchBook | **Geography:** Global
*As of December 31, 2020
Note: Q4 2020 data is preliminary.

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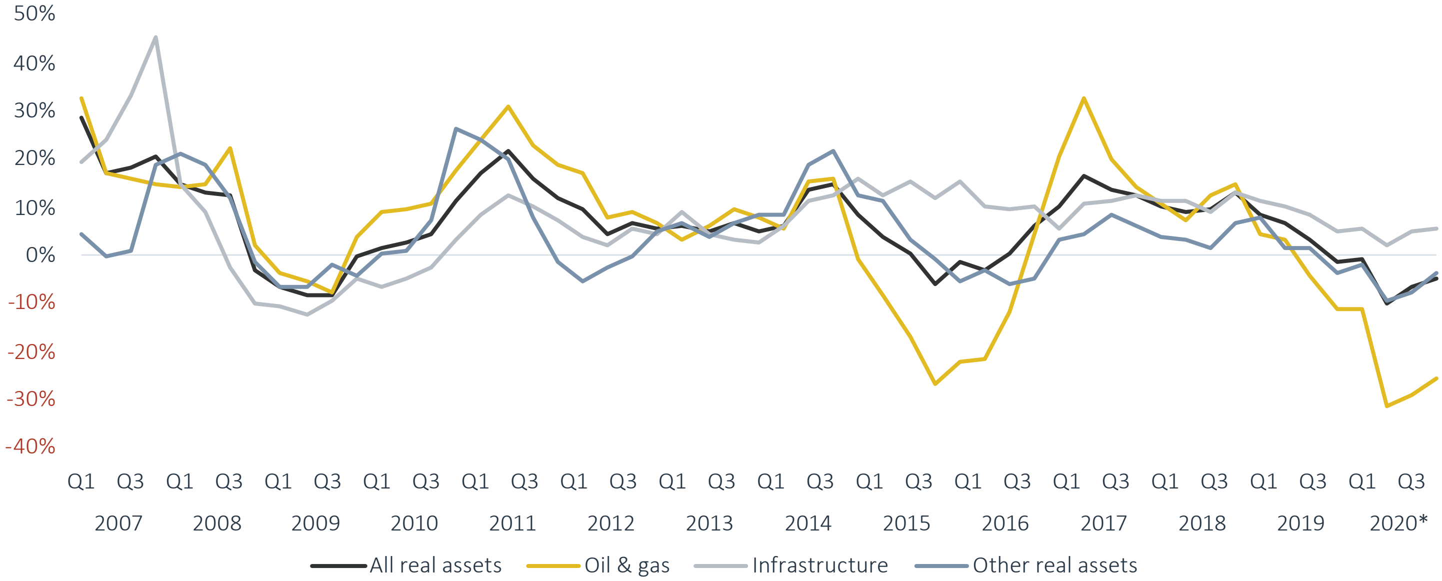
Buoyed by the global economic recovery, performance for real assets funds continued to rebound in Q3 2020. Bifurcation remains a key element as oil & gas funds lagged—posting -25.6% returns over the past four quarters—while infrastructure funds registered a 5.5% gain over the same timeframe. Infrastructure continues to be stable, despite certain assets linked to global trade—such as airports—taking a hit in the early COVID-19 days. While Western governments have perpetually underinvested in infrastructure, there should be plenty of opportunities for private capital to partner with whatever US Congress approves from the $2 trillion+ infrastructure ask in The American Jobs Plan.[7]

Juxtaposing infrastructure's stability, prices for natural resources paint a volatile picture. With the COVID-19-induced demand slowdown, prices for many natural resources plummeted, which also lowered fund returns. As people adjusted to the pandemic and widescale vaccine rollouts began, the economic recovery broadened in late 2020 and early 2021. The negative demand trends then turned positive, which forced commodity prices higher. Additionally, many market participants are experiencing inflationary pressures—an environment well suited for real assets returns, and natural resources in particular. It is unclear if the inflationary effects will persist and to what magnitude each resource will be affected. We will be observing the correlation between these resources, such as timber or crude oil, and the ways they affect fund performance.

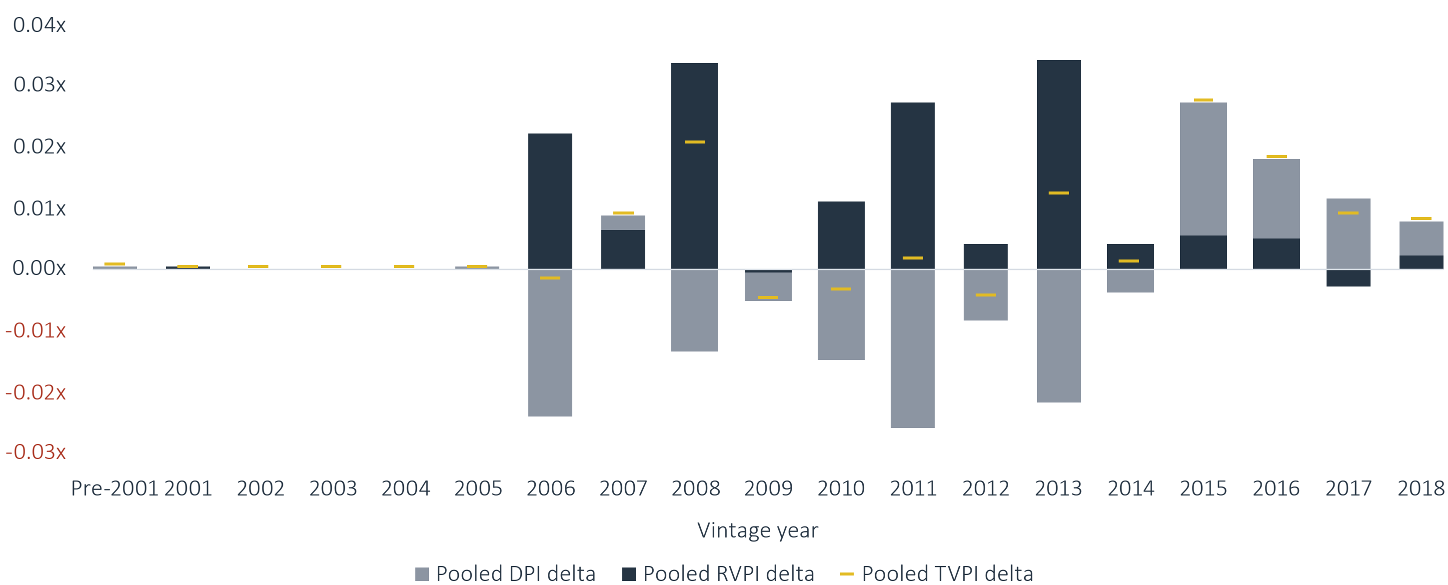
7: "Fact Sheet: The American Jobs Plan," The White House, March 31, 2021.

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



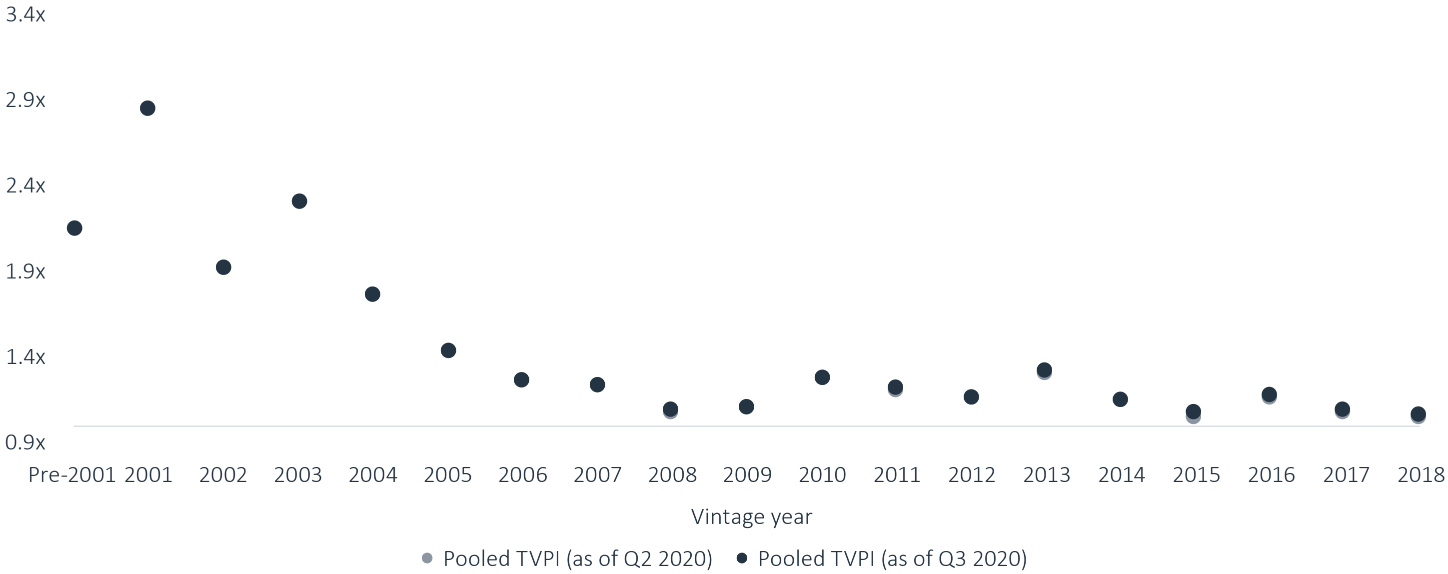
Source: PitchBook | **Geography:** Global
*As of September 30, 2020

Q2 to Q3 2020 change in pooled cash flow multiples for real assets funds by vintage*



Source: PitchBook | **Geography:** Global
*As of September 30, 2020

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



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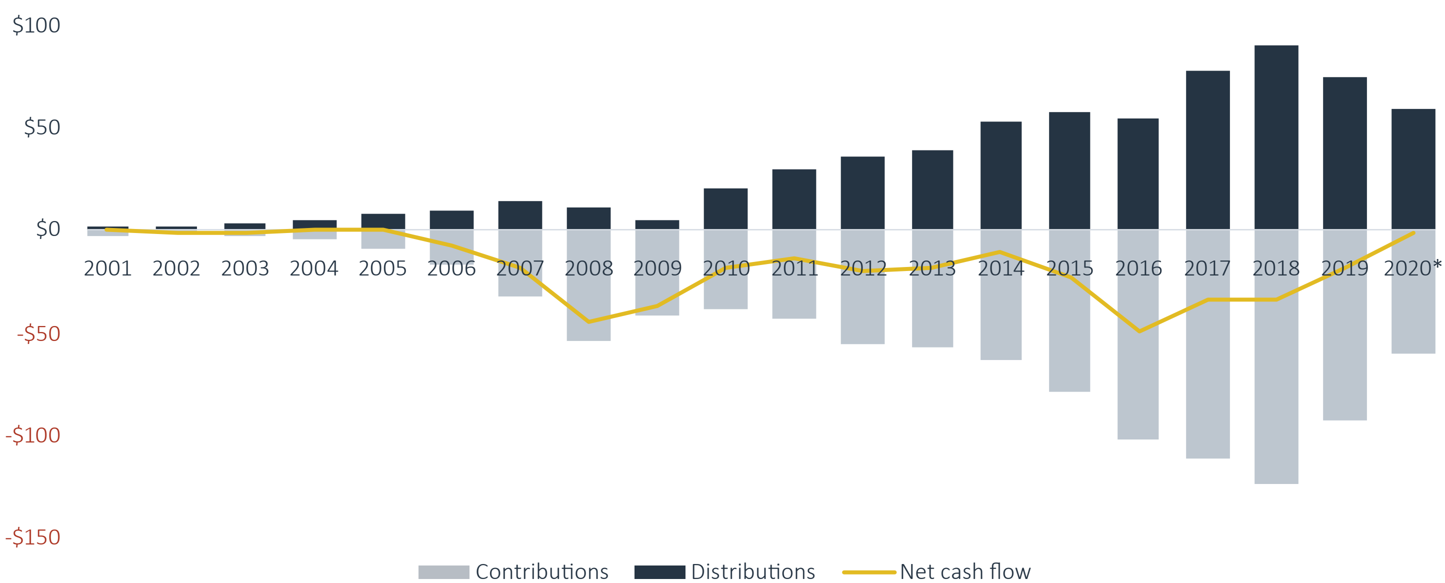
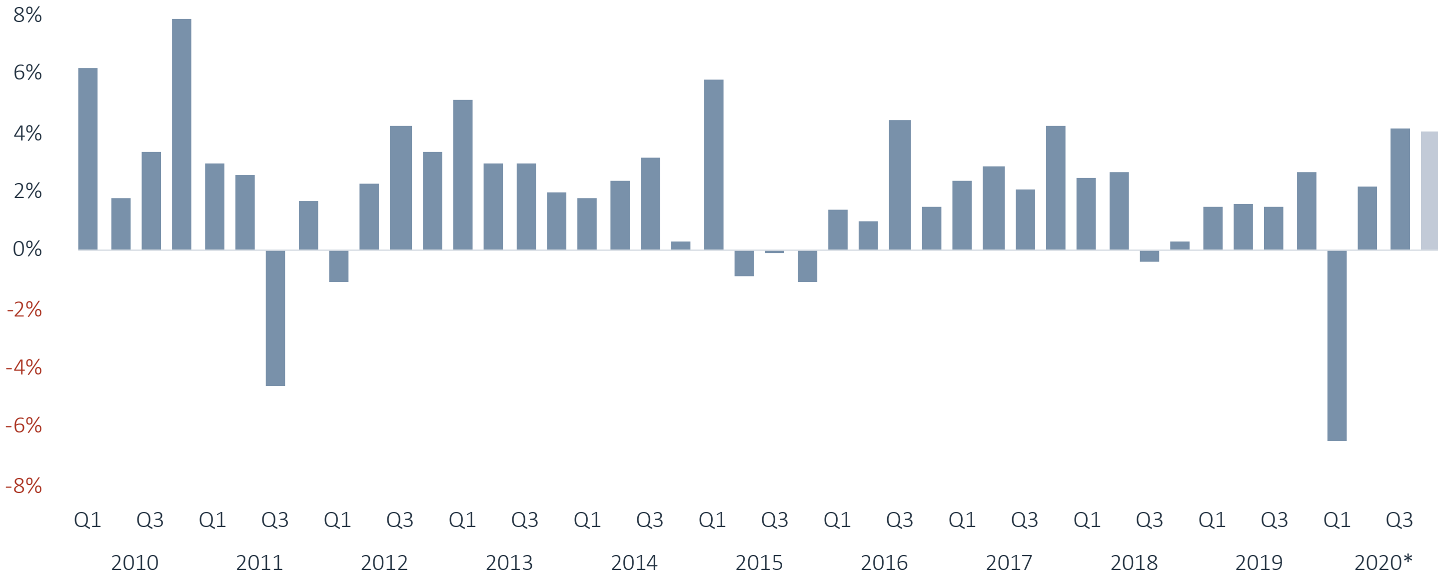
Real assets cash flows ($B)



Source: PitchBook | **Geography:** Global
*As of September 30, 2020

Private debt

Quarterly IRR for private debt funds



Source: PitchBook | **Geography:** Global
*As of December 31, 2020
Note: Q4 2020 data is preliminary.

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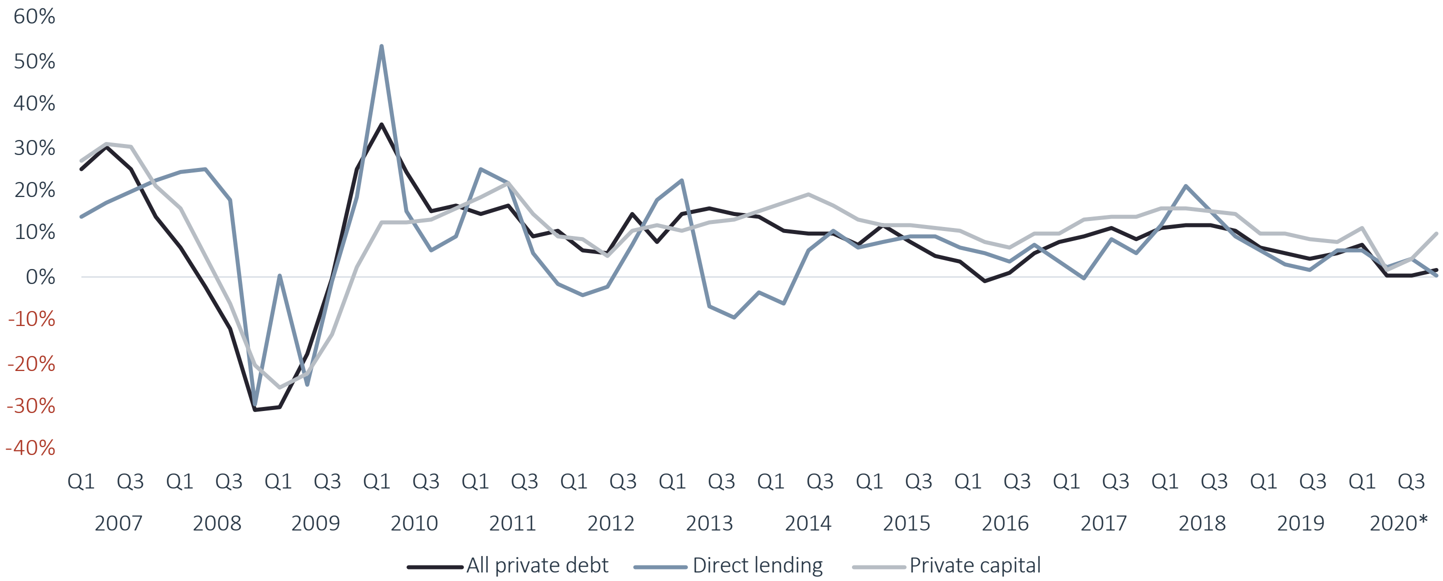
Reflecting a renewed optimism as markets transitioned out of the COVID-19-inflicted tumult of the first quarter, private debt performance improved modestly in Q3 2020. Price support and liquidity through central bank bond buying programs, coupled with lower default rates than expected, drove a broad recovery in credit markets in H2. The rolling one-year horizon IRR for private debt funds ticked up to 1.9%—well below its longer-term average of between 5% and 10% but an improvement upon Q1 and Q2 2020's figures. Preliminary data from year-end suggests a more robust recovery, with private debt funds reporting a 4.0% IRR for the entirety of 2020.

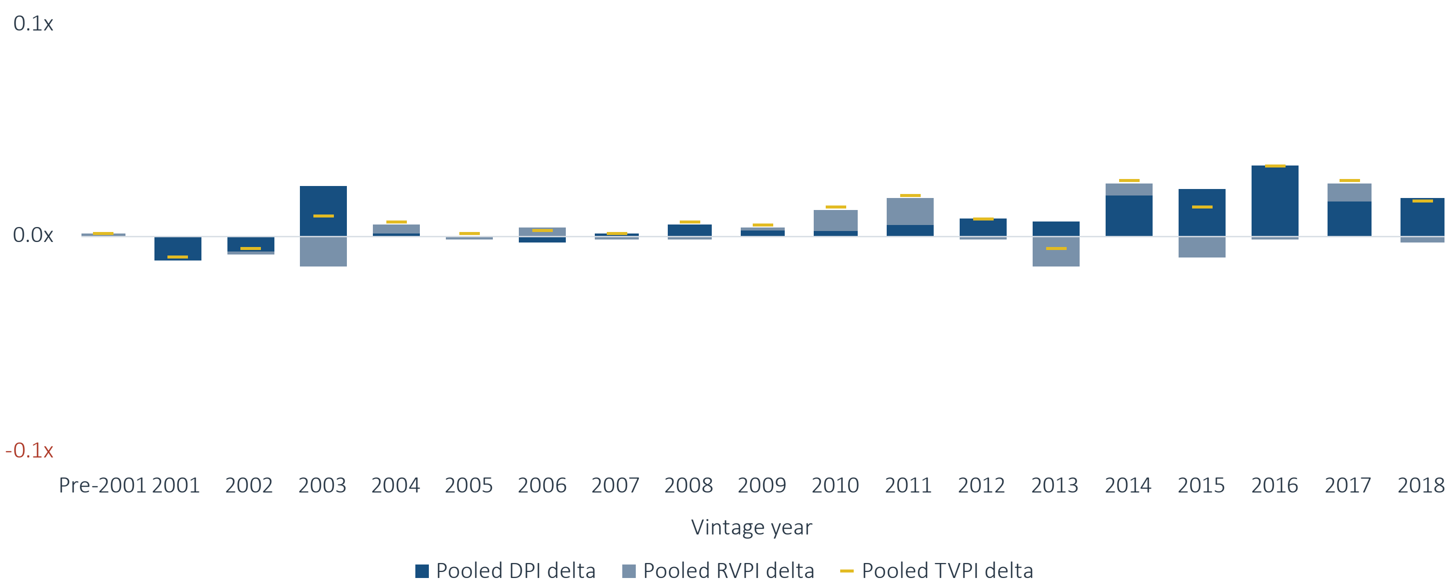
Private debt funds are on pace to call down more capital than they distribute for the third consecutive year, which is a sign of both growing fund sizes for the strategy and delayed distributions due to COVID-19. The former has led to a record pace of contributions from LPs: $108.4 billion through the end of September. The latter was likely caused by some lenders either extending payment terms or avoiding technical defaults, or by the recycling of additional capital into portfolio companies that needed emergency financing during the pandemic but were otherwise deemed solvent.

Rolling one-year horizon IRR for private debt funds



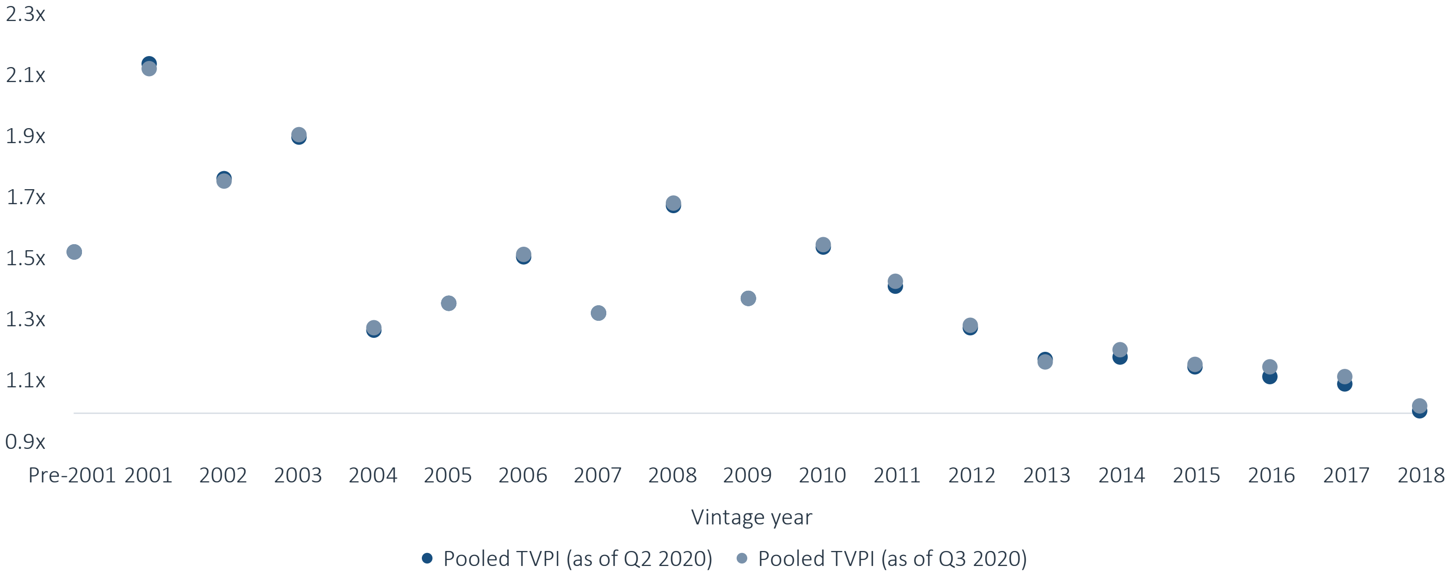
Source: PitchBook | **Geography:** Global
*As of September 30, 2020

Q2 to Q3 2020 change in pooled cash flow multiples for private debt funds by vintage*



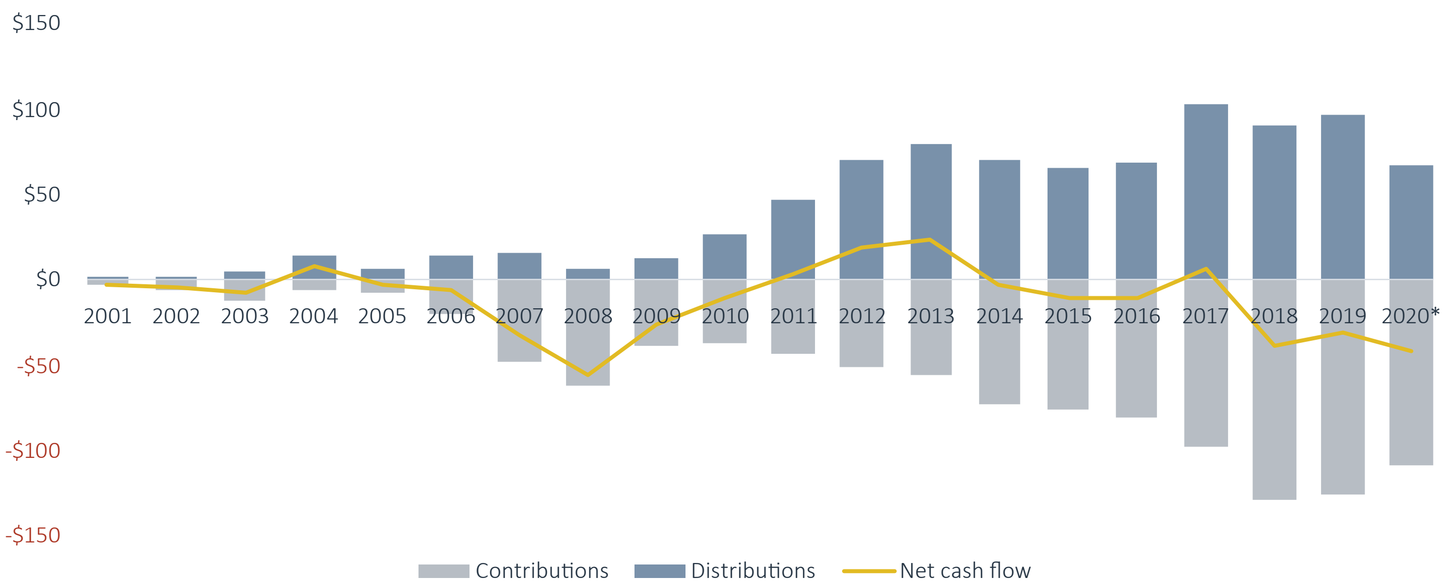
Source: PitchBook | **Geography:** Global
*As of September 30, 2020

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



Source: PitchBook | **Geography:** Global
*As of September 30, 2020

Private debt cash flows ($B)

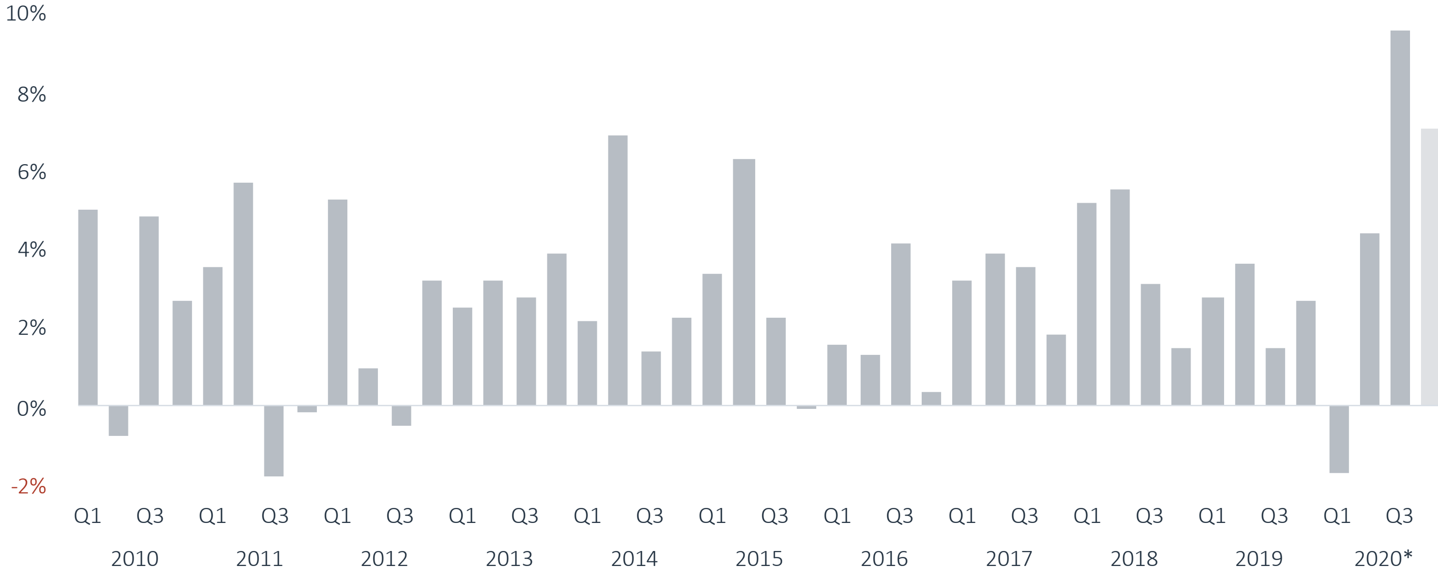


Source: PitchBook | **Geography:** Global
*As of September 30, 2020

PitchBook

Funds of funds

Quarterly IRR for FoF



Source: PitchBook | **Geography:** Global
*As of December 31, 2020
Note: Q4 2020 data is preliminary.

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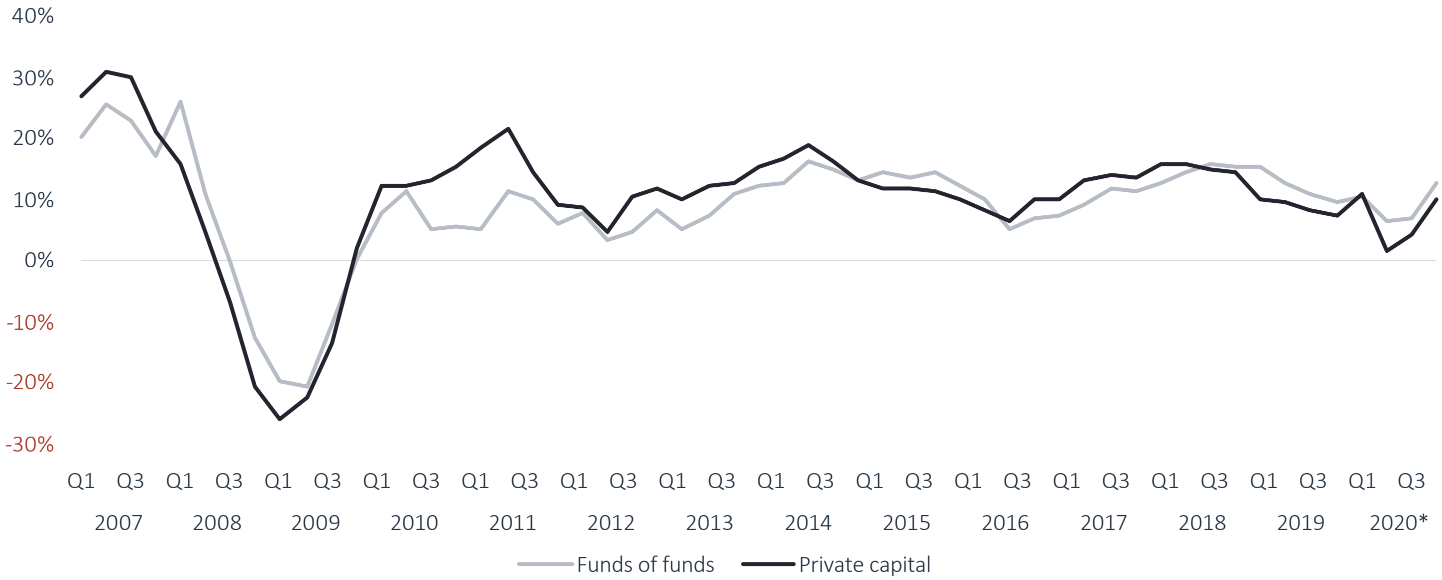
For nine of the past 10 quarters, the one-year horizon IRR for FoF has outperformed private capital overall—sometimes by as little as 0.9%, but on two occasions, the outperformance has been by more than 500 basis points. Given that many allocators now feel too sophisticated to need to pay the added layer of fees built into these products, this is an interesting trend from a strategy that many have written off as irrelevant. Some skill appears to be shining through from this group of professional LPs that has not always been evident from FoF. In fact, most FoF have moved beyond a simple portfolio of primary fund commitments. FoF managers are well aware of the fee stigma under which they operate. As a result, they put more of their funds into co-investments, secondaries, and other fee-mitigating investments. In addition, in many cases, they have become specialized—focusing only on middle-market buyouts, venture, real estate, or other areas.

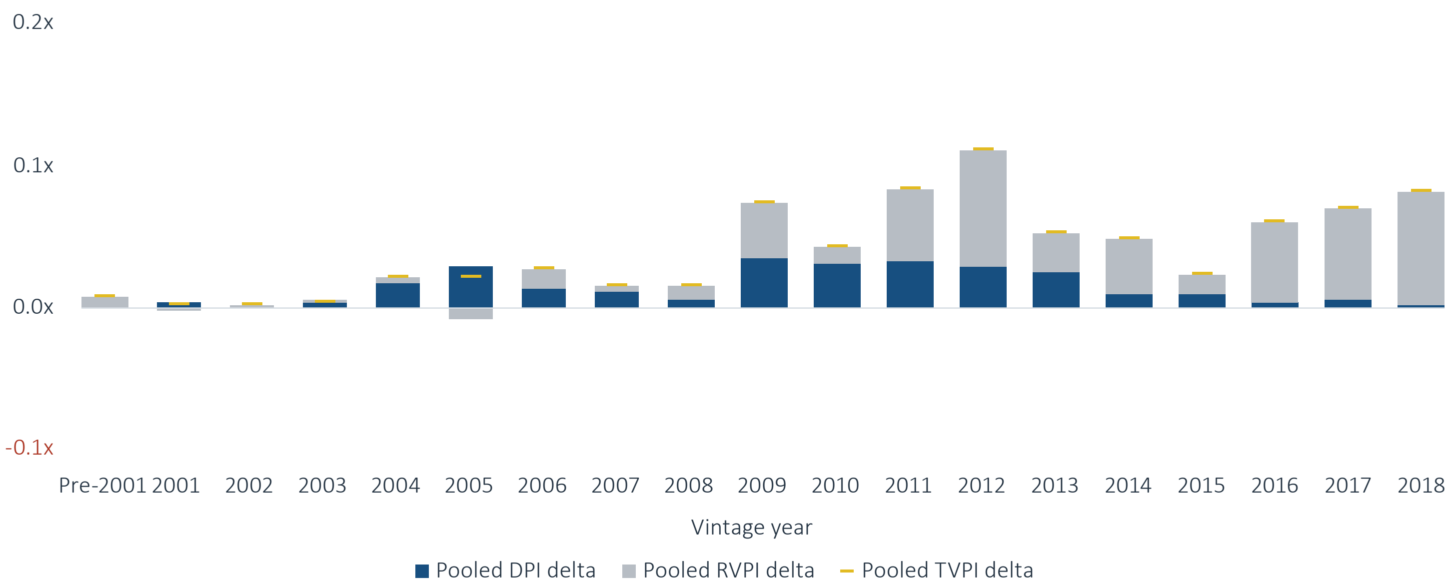
Partly because fundraising in FoF has been in an overall decline since the global financial crisis, annual net cash flows between FoF and their LPs have been positive since 2013. With older vintages having garnered more commitments, their distributions can easily outpace the calls from the smaller, more recent vintages. The change in valuations from Q2 to Q3 2020 has also been positive. Every vintage year saw an increase in TVPI overall, with increases in RVPI driving most of the improvement. Distributions came mainly from vintages between 2009 and 2013, which is expected from FoF, as they take several years to commit, several more to draw down, and well over a decade to return capital and gains.

Rolling one-year horizon IRR for FoF



Source: PitchBook | **Geography:** Global
*As of September 30, 2020

Q2 to Q3 2020 change in pooled cash flow multiples for FoF by vintage*



Source: PitchBook | **Geography:** Global
*As of September 30, 2020

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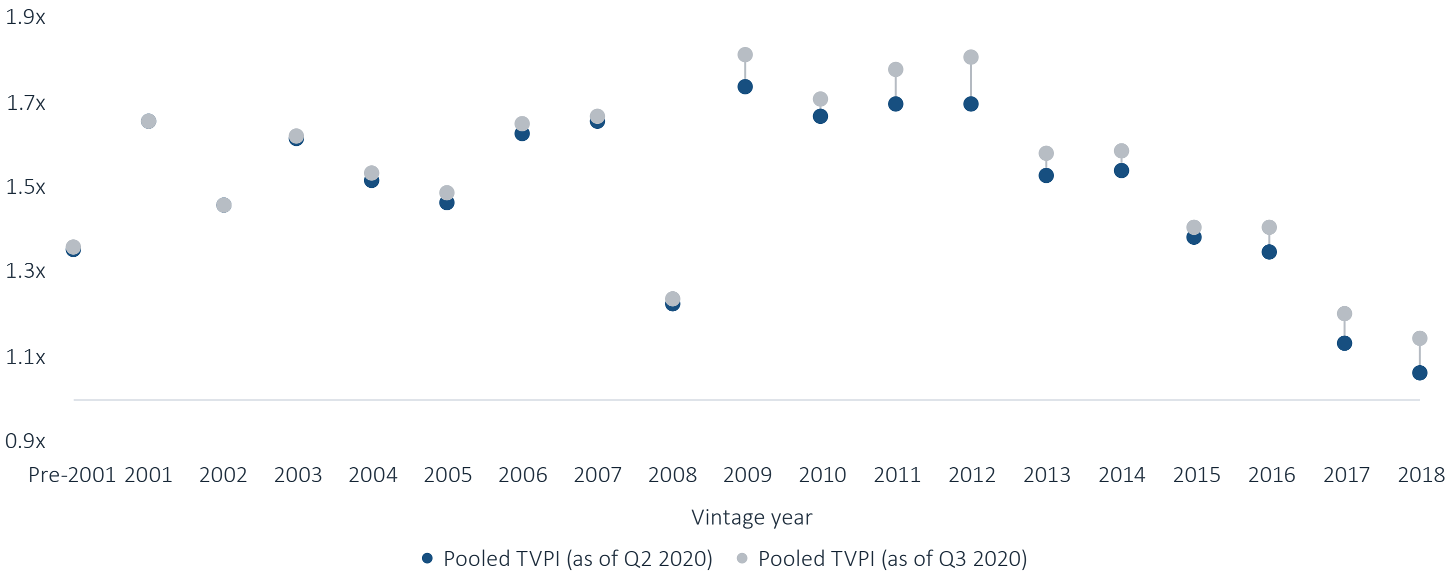
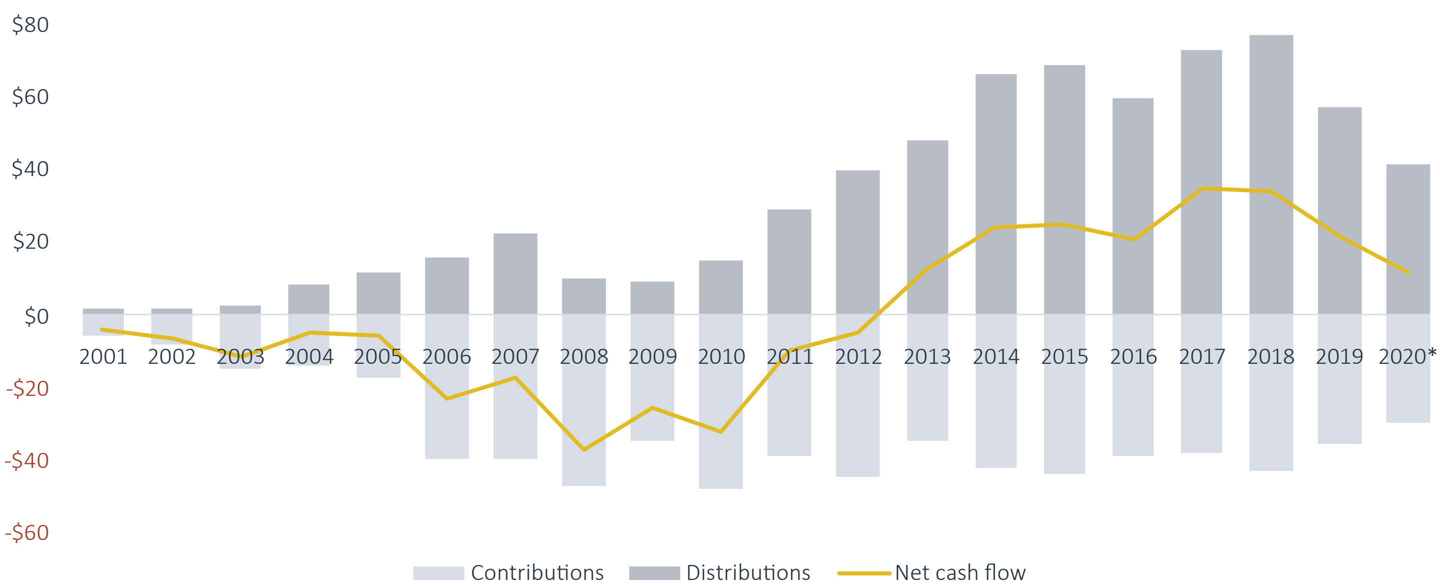
QoQ change in pooled TVPI multiples for FoF by vintage*



Source: PitchBook | **Geography:** Global
*As of September 30, 2020

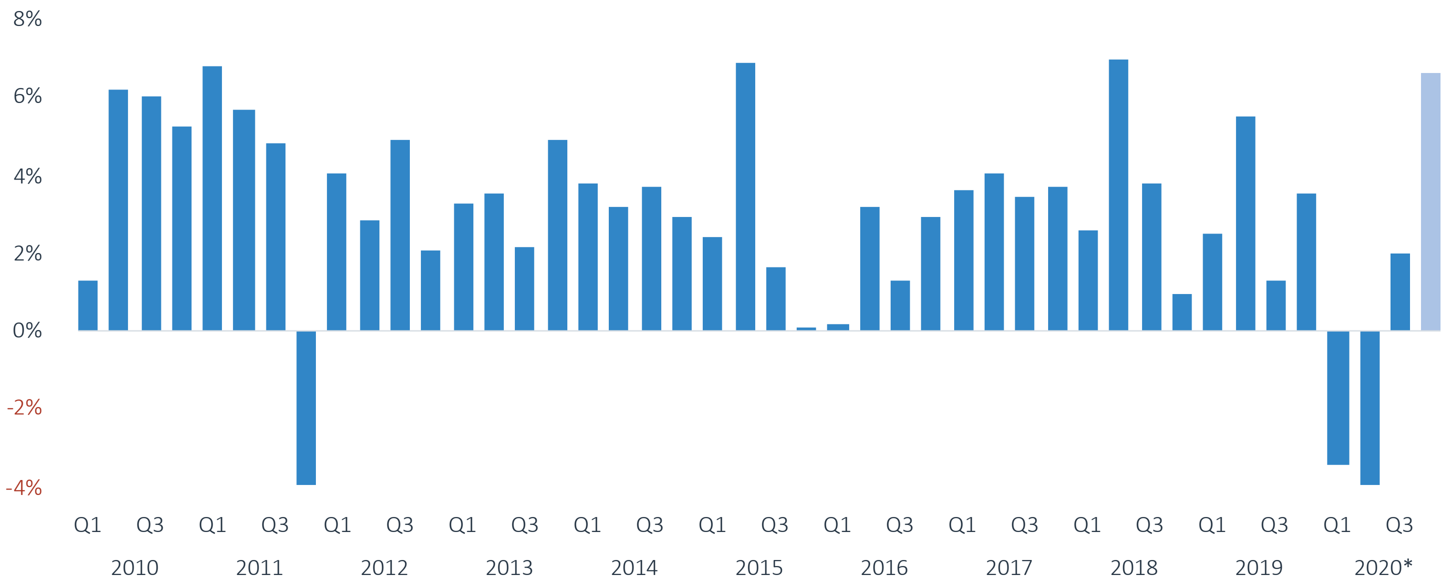
FoF cash flows ($B)



Source: PitchBook | **Geography:** Global
*As of September 30, 2020

Secondaries

Quarterly IRR for secondaries



Source: PitchBook | **Geography:** Global
*As of December 31, 2020
Note: Q4 2020 data is preliminary.

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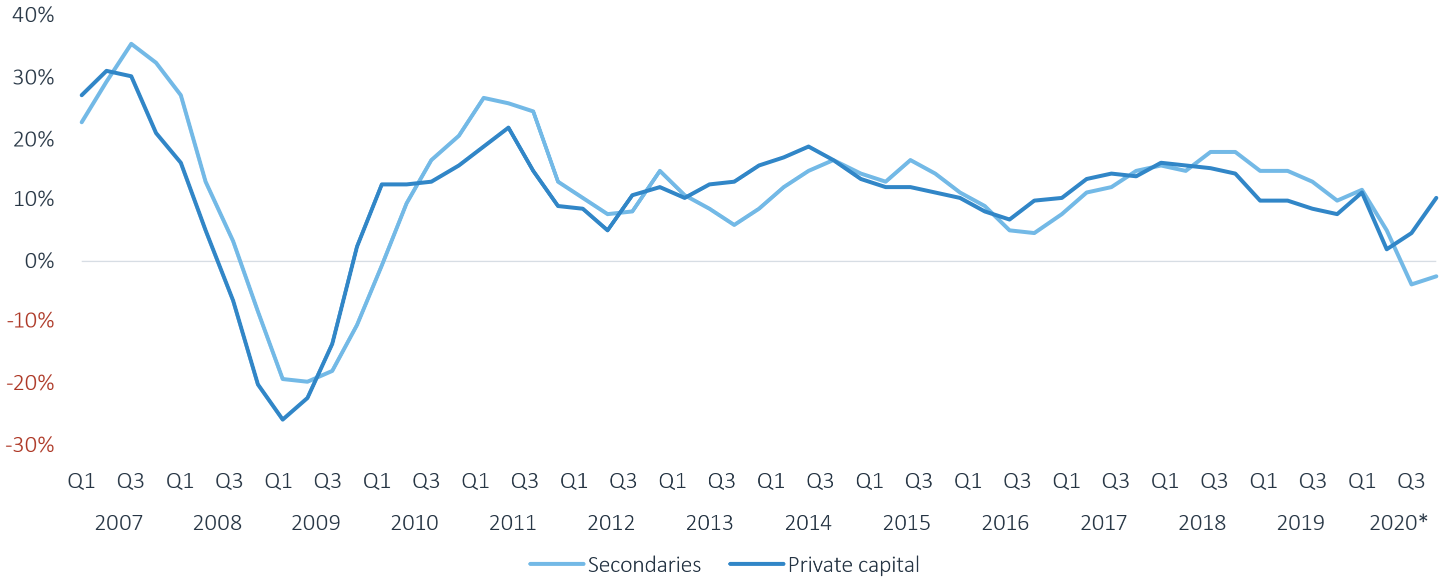
After a dismal H1 2020, secondaries posted a 2.0% return in Q3 2020, and preliminary figures show an even better 6.6% return in Q4. However, secondaries had a bleak year through Q3 2020—dropping 2.4% versus an overall private capital return of 10.2%. As discussed in the Q1 2021 Private Fund Strategies Report, secondaries fund managers continue to close on capital at an astonishing rate. It is interesting that so much optimism was born out of a subpar year for the strategy from a performance standpoint. Markdowns were uneven across vintages in Q3, with drops in RVPI coming from older vintages—2007 to 2013—but markups coming in the 2016 and 2018 vintages. 2017 vintages had the largest markdowns, as anticipated near-term profits were delayed by the pandemic.

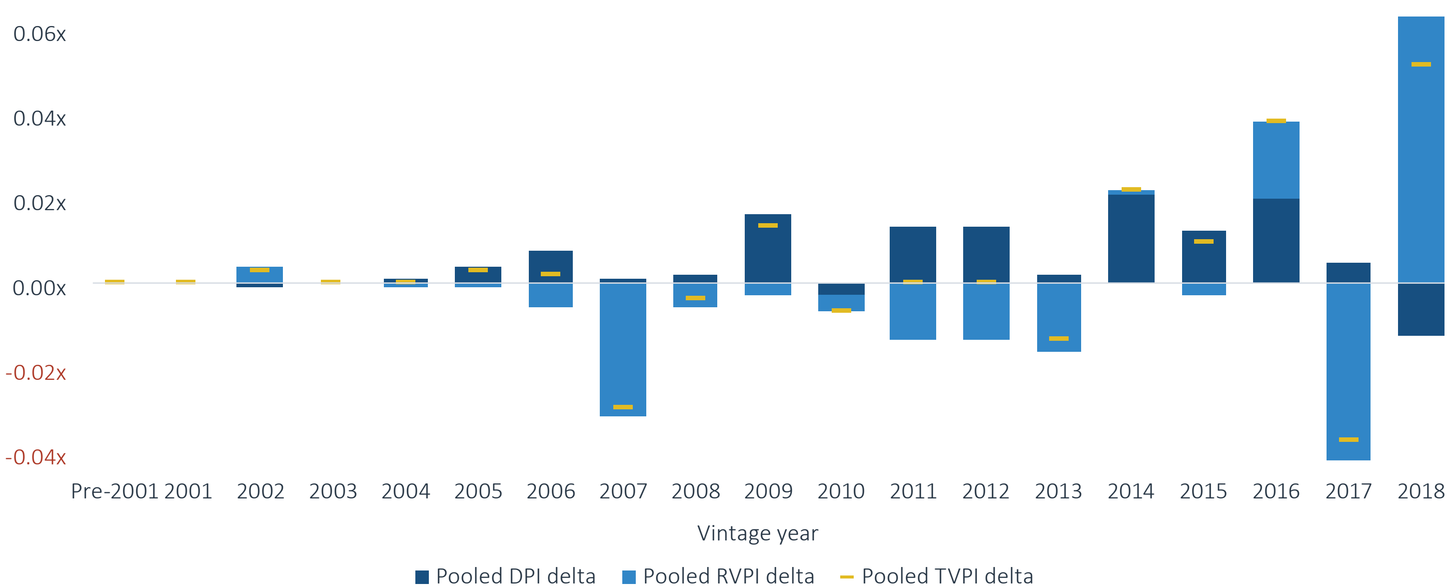
For the first time since 2012, secondary fund net cash flows went negative in 2019, and the figure declined even further in the first three quarters of 2020. Given the recent large increase in fundraising for these funds, dry powder has been increasing more quickly than exits, which has caused capital calls to exceed distributions in aggregate. With fundraising in the space showing no signs of slowing down, we expect the net cash flow figure will remain negative as large recent offerings invest their funds.

Rolling one-year horizon IRR for secondaries funds



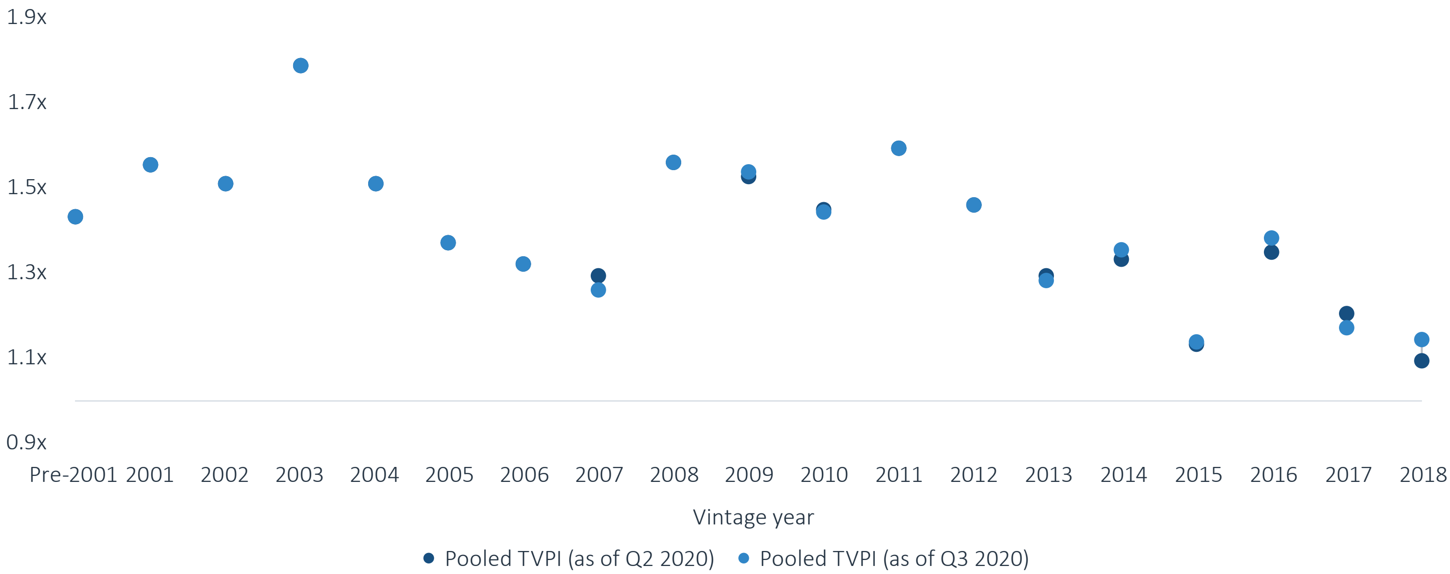
Source: PitchBook | **Geography:** Global
*As of September 30, 2020

Q2 to Q3 2020 change in pooled cash flow multiples for secondaries funds by vintage*



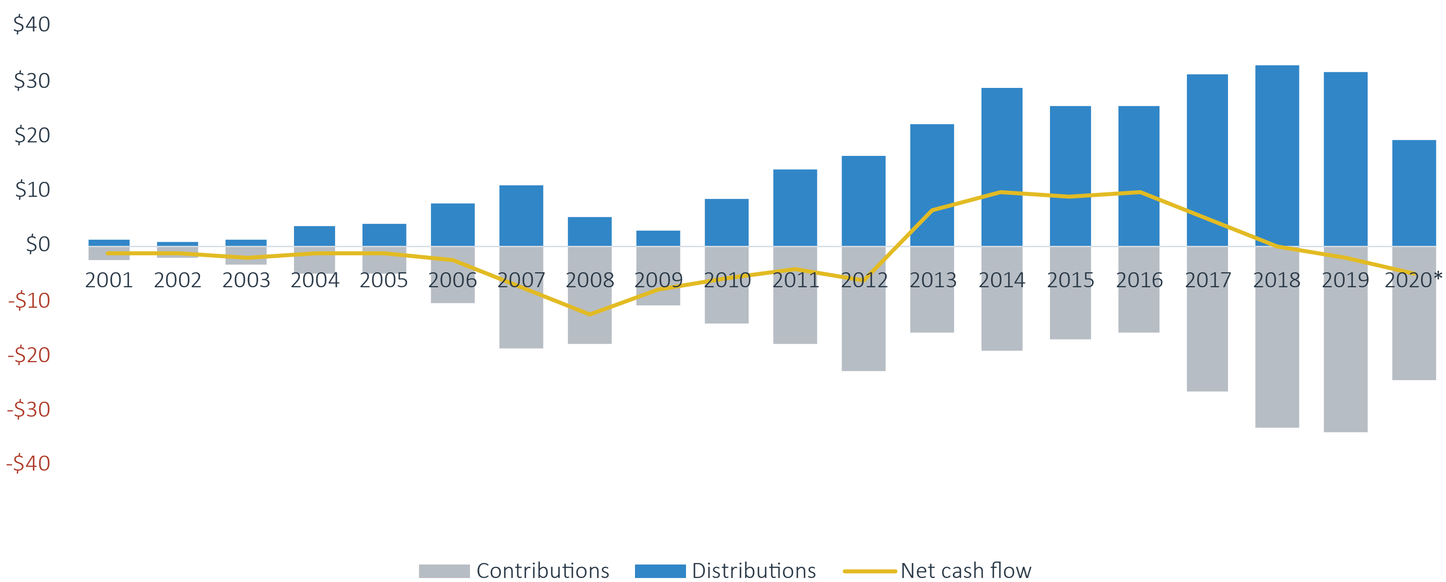
Source: PitchBook | **Geography:** Global
*As of September 30, 2020

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



Source: PitchBook | **Geography:** Global
*As of September 30, 2020

Secondaries cash flows ($B)



Source: PitchBook | **Geography:** Global
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