Global Fund Performance Report

(as of Q4 2020 with preliminary Q1 2021 data)

PitchBook

Contents

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

PitchBook Benchmarks (as of Q4 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*

	Q1 2021**	1-year	3-year	5-year	10-year
Private capital	10.5%	12.3%	11.2%	12.2%	12.1%
Private equity	14.3%	17.7%	14.4%	15.2%	14.0%
Venture capital	13.3%	30.4%	21.3%	14.2%	14.1%
Real estate	6.7%	2.1%	5.2%	9.9%	12.0%
Real assets	1.5%	-0.5%	2.1%	5.2%	5.0%
Private debt	0.4%	2.8%	5.4%	7.0%	7.8%
Funds of funds	10.5%	16.2%	14.1%	12.3%	11.3%
Secondaries	6.8%	2.9%	9.3%	10.2%	11.4%

Source: PitchBook | **Geography:** Global
*Yearly horizons are as of December 31, 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 vintage year*

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	10-Year Horizon IRR
12.0%	14.2%	20.0%	19.0%	18.5%	17.4%	20.2%	22.7%	25.0%	27.7%	31.7%	15.1%
11.5%	13.4%	13.0%	16.9%	16.2%	15.4%	13.8%	18.9%	20.8%	27.1%	31.7%	14.1%
10.4%	12.3%	12.7%	15.9%	14.5%	14.7%	13.8%	18.3%	17.3%	17.7%	19.1%	14.0%
9.1%	11.3%	11.8%	14.5%	14.2%	14.6%	13.0%	15.8%	16.1%	16.3%	14.6%	12.0%
9.0%	6.0%	11.3%	11.9%	14.0%	13.9%	11.4%	14.0%	15.2%	15.7%	13.1%	11.4%
6.2%	5.7%	10.4%	11.9%	12.0%	11.7%	10.6%	11.1%	12.2%	13.5%	10.0%	11.3%
5.7%	5.4%	8.7%	11.0%	8.4%	11.2%	9.5%	9.7%	12.0%	12.0%	9.0%	11.1%
5.6%	5.1%	8.3%	8.1%	6.2%	6.1%	9.5%	5.7%	8.6%	5.1%	7.4%	9.0%
3.9%	3.8%	2.8%	7.9%	6.0%	5.1%	6.4%	5.5%	5.6%	5.0%	6.8%	7.8%
1.7%	-4.6%	1.7%	-7.5%	1.2%	-4.1%	0.5%	1.5%	-4.3%	-0.4%	-4.8%	-1.1%

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

Source: PitchBook | **Geography:** Global
*As of December 31, 2020
Note: "Other PE" includes mezzanine, restructuring/turnaround, and diversified PE funds.

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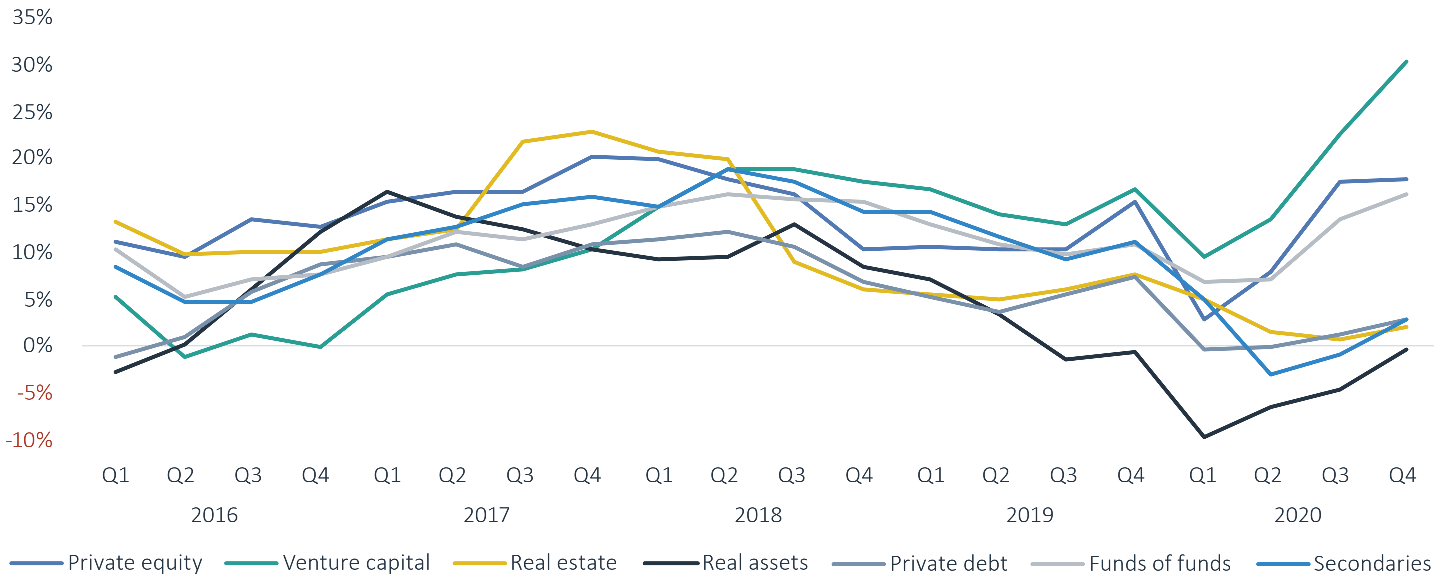
The quilt chart displayed here is different from the one we included last quarter and the ones now regularly published in our Benchmarks reports. Instead of each column indicating that year's one-year horizon IRR aggregating returns from all relevant vintages, this graphic shows inception through December 31, 2020, IRRs by vintage year. 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. It will be instructive to look at this graphic over time—strategies that look great at first may fall off as tail-end holdings drag down IRRs, for example.

While oil & gas funds have been at the bottom of the rankings for nine out of the past 17 vintages, the 2009 funds, raised as the global financial crisis (GFC) was in progress, excelled by investing into depressed assets and riding the recovery to profitable exits. Private debt has also been in the bottom half of strategies for many of the vintages going back to 2004, but the 2008 vintage did particularly well. Those funds were able to capitalize on a liquidity crisis during which banks were restrained from providing loans, giving these funds an opportunity to step in and demand favorable terms as the only game in town during those dark times.

Also evident from this chart is that sometimes being consistently good can pay off—growth-expansion strategies were not often top-ranked in the past 10 vintage years, but by not ever being near the bottom, these funds topped the 10-year horizon IRR table,

Rolling one-year horizon IRRs by strategy*

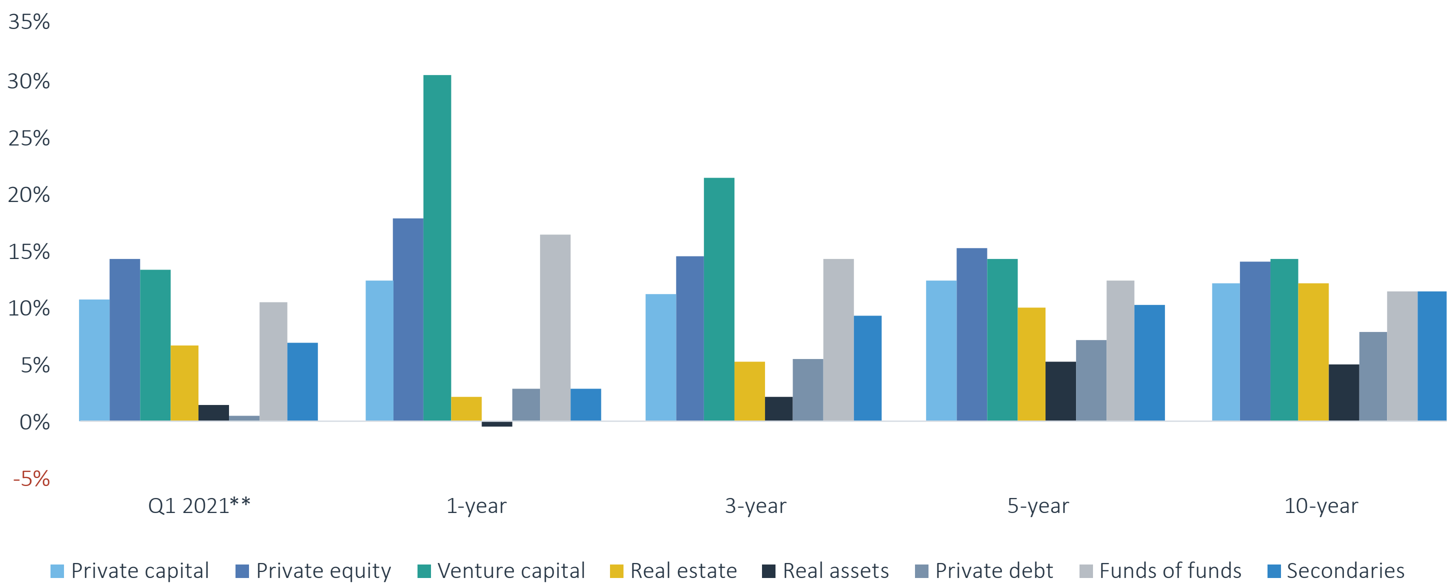


Source: PitchBook | **Geography:** Global
*Yearly horizons are as of December 31, 2020.

beating out VC, despite six of the last 10 vintage years being led by VC. It should be noted that the chart's "10-year Horizon IRR" column encompasses all vintage years active in the past 10 years, not just the vintages that launched during that time.

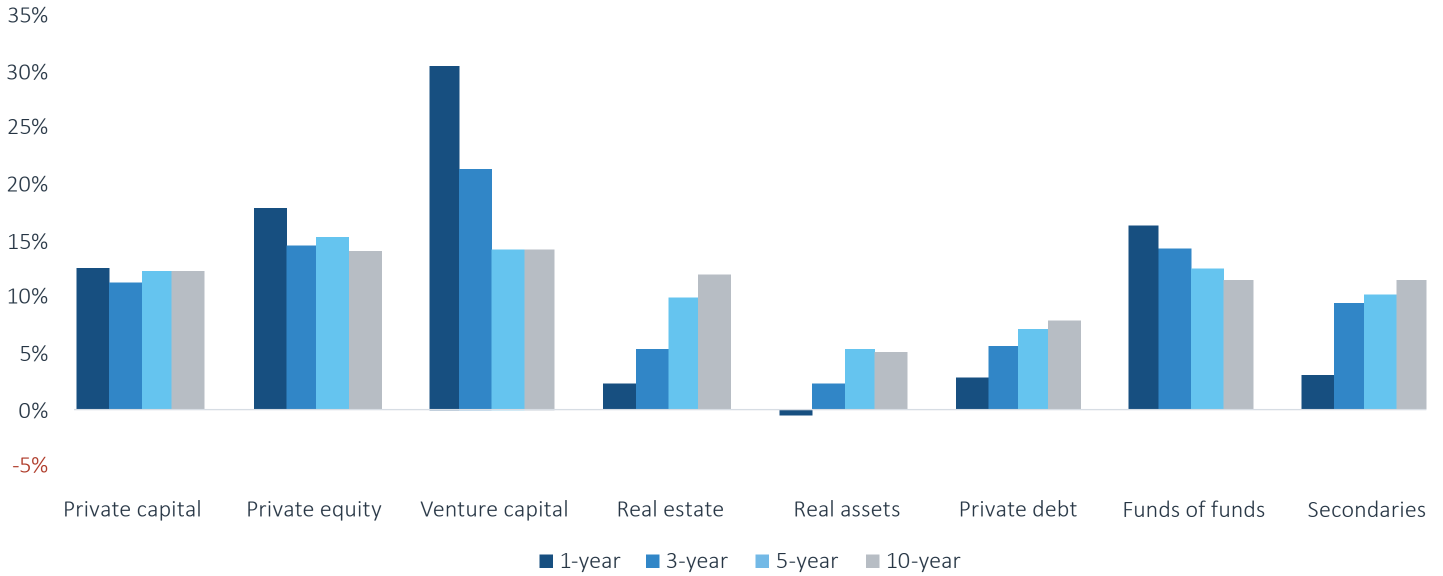
As 2020 came to an end, VC, the go-to source for solutions to the immediate problems of a health crisis and an everything-from-home lifestyle, rose to an astonishing one-year horizon IRR of 30.4%. PE and funds of funds (FoF) posted returns that were nearly half that at 17.7% and 16.2%, respectively, while real assets never fully recovered from the energy crash in the first quarter and posted a full-year return of -0.5%. Also providing disappointing 2020 performance were real estate at 2.1%, private debt at 2.8%, and secondaries at 2.9%.

Horizon IRRs by strategy*



Source: PitchBook | **Geography:** Global
*As of December 31, 2020
**Preliminary quarterly return

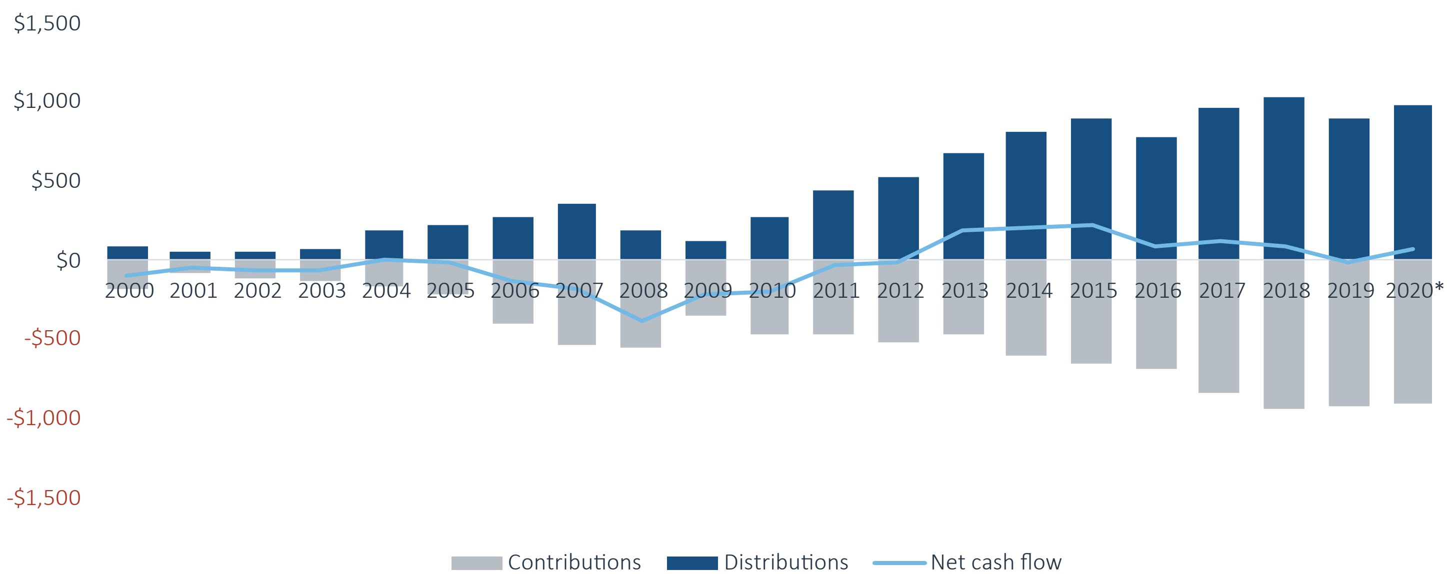
Horizon IRRs by strategy*



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Looking at preliminary Q1 2021 performance, PE appeared to be on course to top all other strategies, continuing to benefit from a wave of IPOs both directly and through SPACs. Private debt was barely positive at 0.4% during the quarter, though final results could shift. Private debt has been underperforming its longer-term averages for some time now, with the one-, three-, and five-year figures all below the 10-year horizon IRR of 7.8%. These results are surprising, given the lack of distress in the market, and some reversion would be expected if investors just collect their interest and hold their paper until maturity. VC dominated both the one-year and three-year figures, though longer-term results were fairly close to those of PE.

Private capital cash flows ($B)



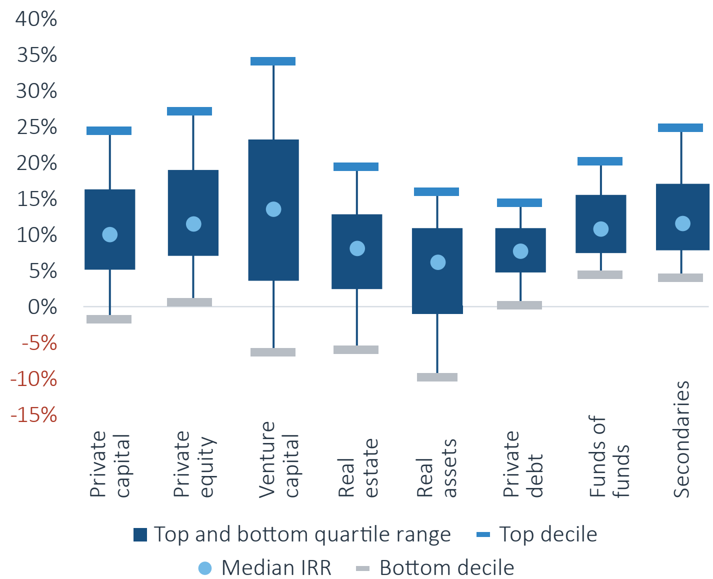
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

With the various horizon IRRs rearranged to group by strategy, it is interesting to note that private capital numbers as a whole have been oddly consistent. In each of the one-, three-, five-, and 10-year horizons, the body of funds we track have provided returns between 11.2% and 12.3% when combined. Each strategy has provided much more variation in returns, a telling picture supporting diversification if a wild ride is not your thing.

After ending 2019 in a slightly negative net cash flow position, private market managed to end 2020 in a slightly positive situation. Distributions did not quite reach the record hit in 2018, but they were still astonishingly high for a year with so much uncertainty. Capital calls were also robust, coming in only slightly behind 2018 and 2019's figures. Getting deals done was more easily accomplished over Zoom than we were led to believe in March 2020.

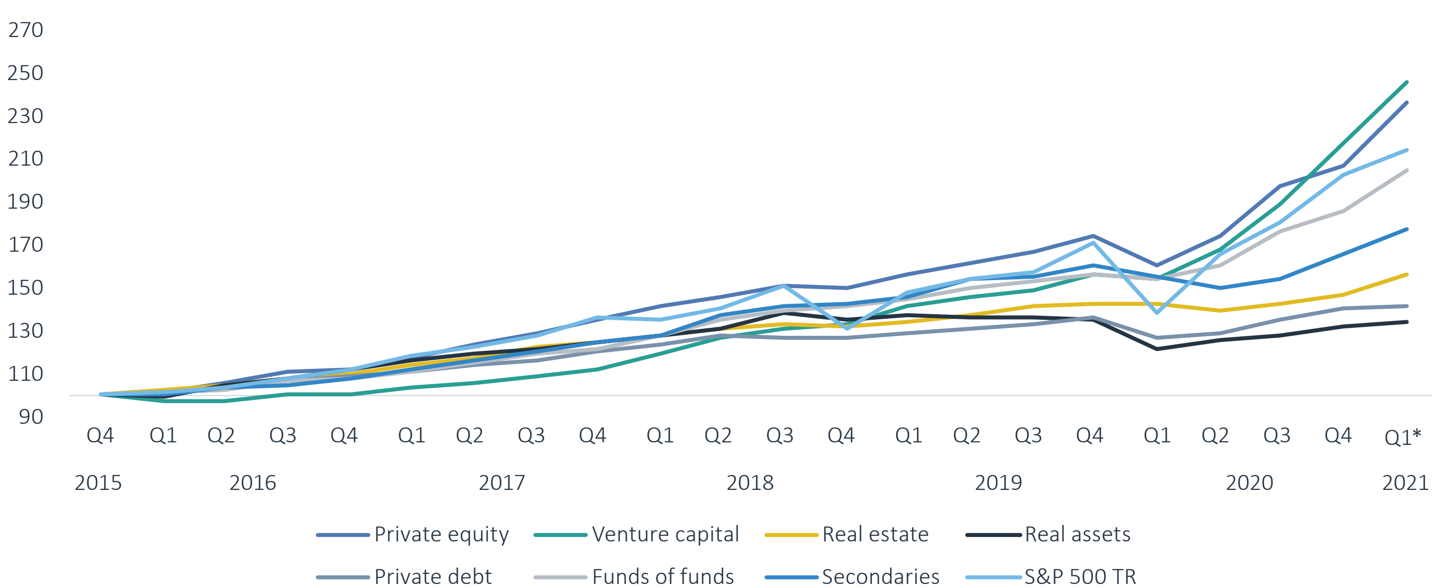
We have mentioned the importance of looking beyond average returns to see the dispersion of experiences investors have had in various strategies. Also worthy of note is the skew that is apparent in the dispersion chart. PE, for example, has a top decile that is 15.4% above the median return, but the bottom decile is only 11.5% less than the median. On the other hand, real assets has skewed negative, with the top decile 10.0% above the median, but the bottom is 16.0% below. It is generally more comforting to be in an asset class that skews to the upside rather than the down.

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



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

NAV growth rebased to 100 at end of Q4 2015



Source: PitchBook | **Geography:** Global
*As of March 31, 2021
Note: Q1 2021 data is preliminary.

PitchBook introduces new commitment pacing and cash flow models

Figure 9. Buyout fund at 2.5 years

Figure 9.1

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

Figure 9.2

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

Figure 10. Buyout fund at four years

Figure 10.1

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

Figure 10.2

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 11. Buyout fund at six years

Figure 11.1

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

Figure 11.2

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.

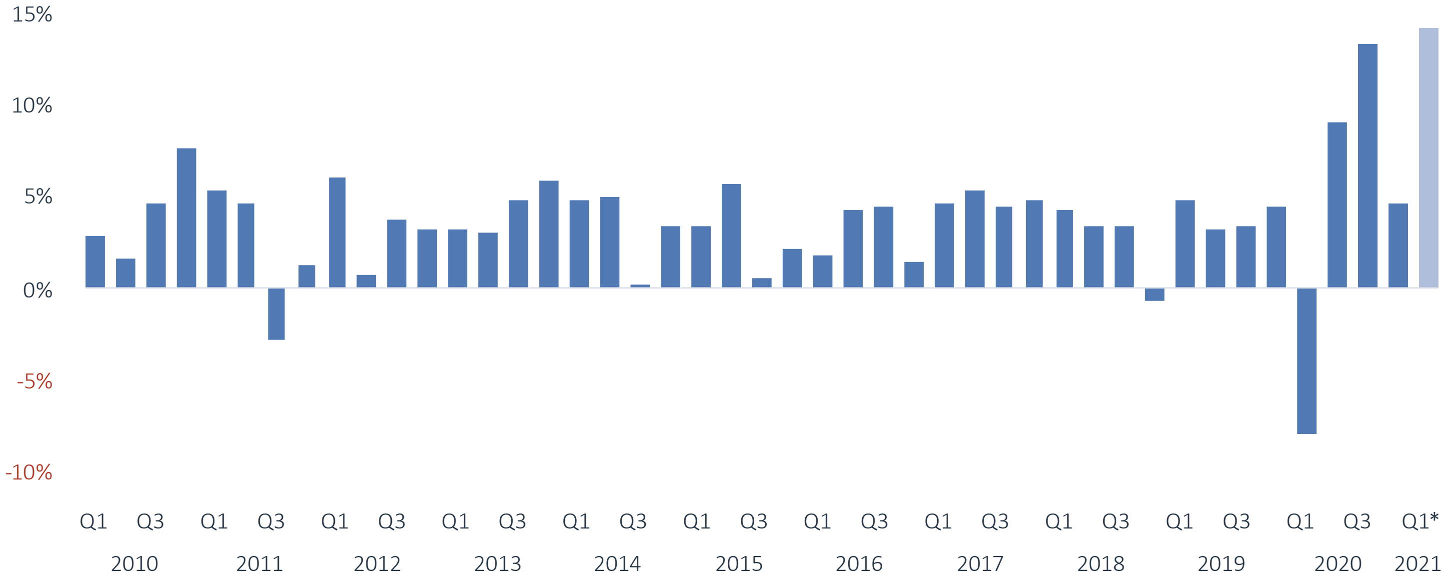
All the models introduced in this series are available to PitchBook clients.
We welcome any questions, comments, or inquiries at benchmarks@pitchbook.com.

Download the full series, Basics of Cash Flow Management.

PitchBook

Private equity

Quarterly IRR for PE funds



Source: PitchBook | **Geography:** Global
*As of March 31, 2021
Note: Q1 2021 data is preliminary.

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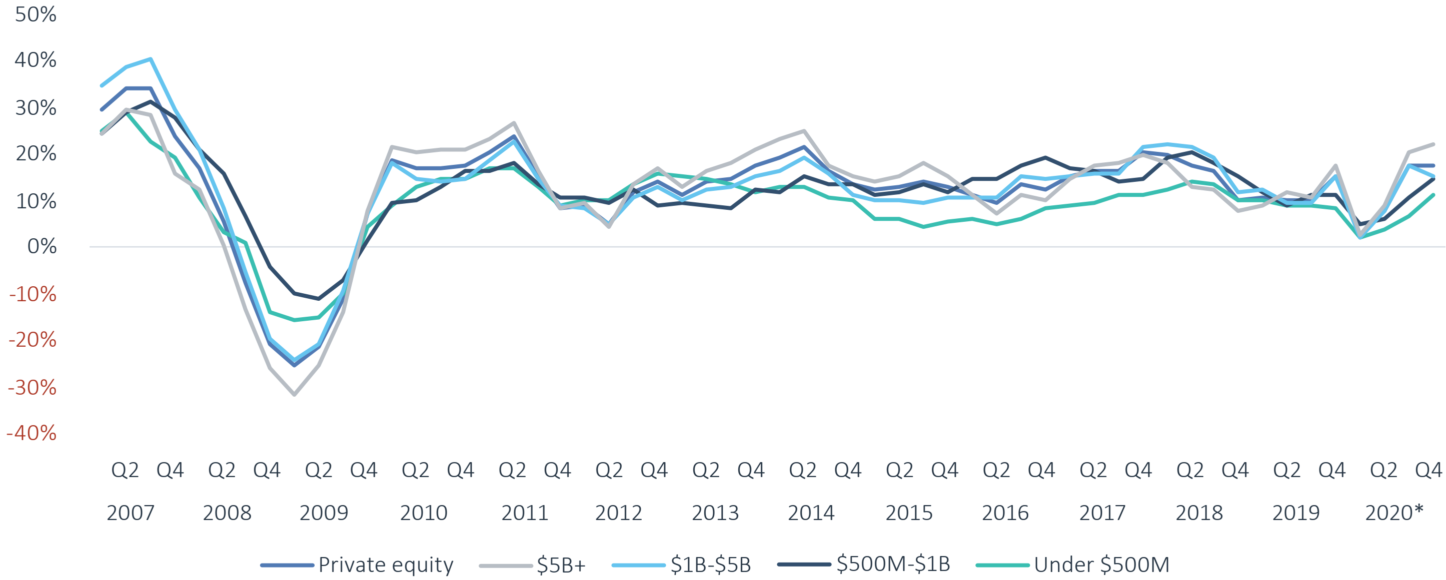
PE weathered the dislocation of 2020 without taking a hit to returns, posting its second highest rolling one-year IRR in a decade. PE funds delivered a return of 17.7% in 2020, outpacing the S&P 500 and avoiding the damage seen during the GFC. Going into the COVID-19 pandemic, many GPs had been preparing portfolios for an anticipated end to the protracted global economic expansion. Add to that massive central bank and government stimulus, and portfolios did surprisingly well. Although some sectors were decimated by the pandemic, particularly consumer and energy, others such as IT and business services thrived, helping sponsors ameliorate portfolio performance.

Mega-funds were the main driver of returns in the industry for a couple of reasons: Bigger funds can more directly value portfolio companies against public market peers, and the public markets barely seemed to notice the pandemic after the first reaction to the shutdown in March and April of 2020. For example, the NASDAQ 100 returned over 45.0% in 2020, which positively influenced RVPI marks for PE portfolio companies. In addition, larger companies with diversified customer bases and product lines are typically better able to withstand market pressure than smaller entities, as they have greater access to financing options and have more flexible cost structures.

Distributions were also extremely healthy in 2020. $490.5 billion was returned to LPs, marking only the second year ever that cash distributions topped $490 billion. These distributions were driven by the remarkable recovery in the leveraged lending markets, which encouraged sponsors to pursue more dividend recapitalizations. Furthermore, the strong valuation environment caused GPs to exit more portfolio companies, especially through the public markets.

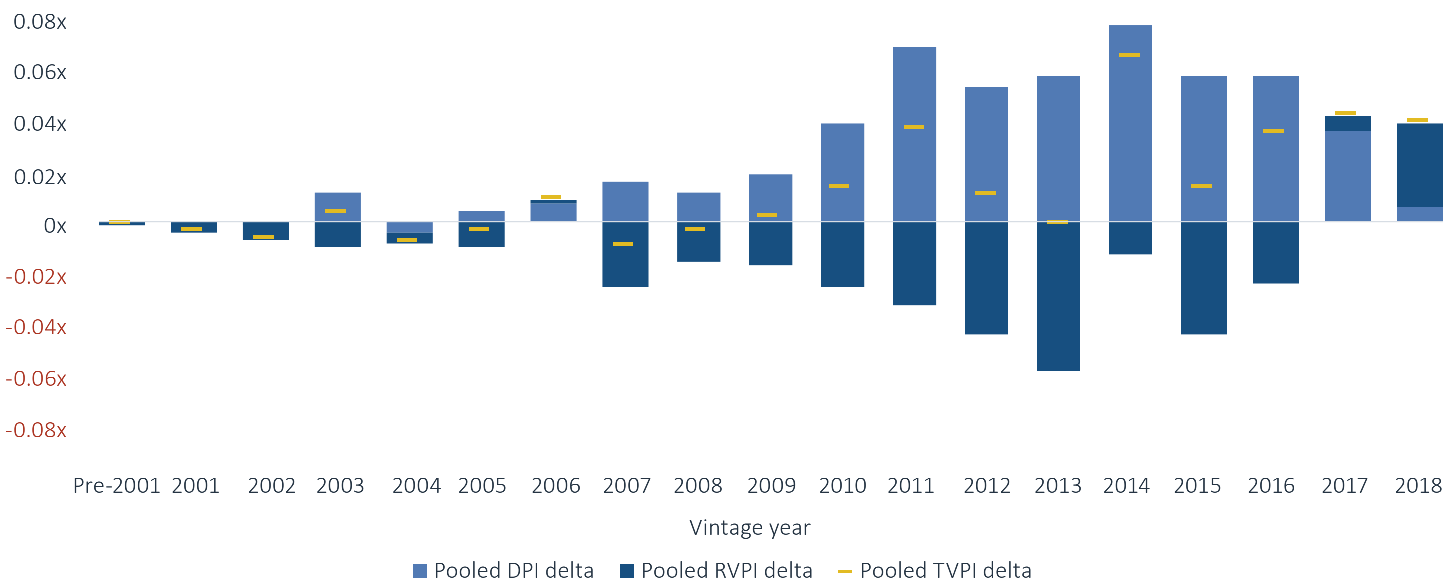
Looking at preliminary Q1 2021 results, the data is tracking toward a record quarterly return mainly driven by sanguine exit conditions. Contributors include buoyant public markets, strong credit markets, and a recovering global economy. That said, it should be noted that performance variance is wide in PE, with top-decile IRRs more than doubling median returns.

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



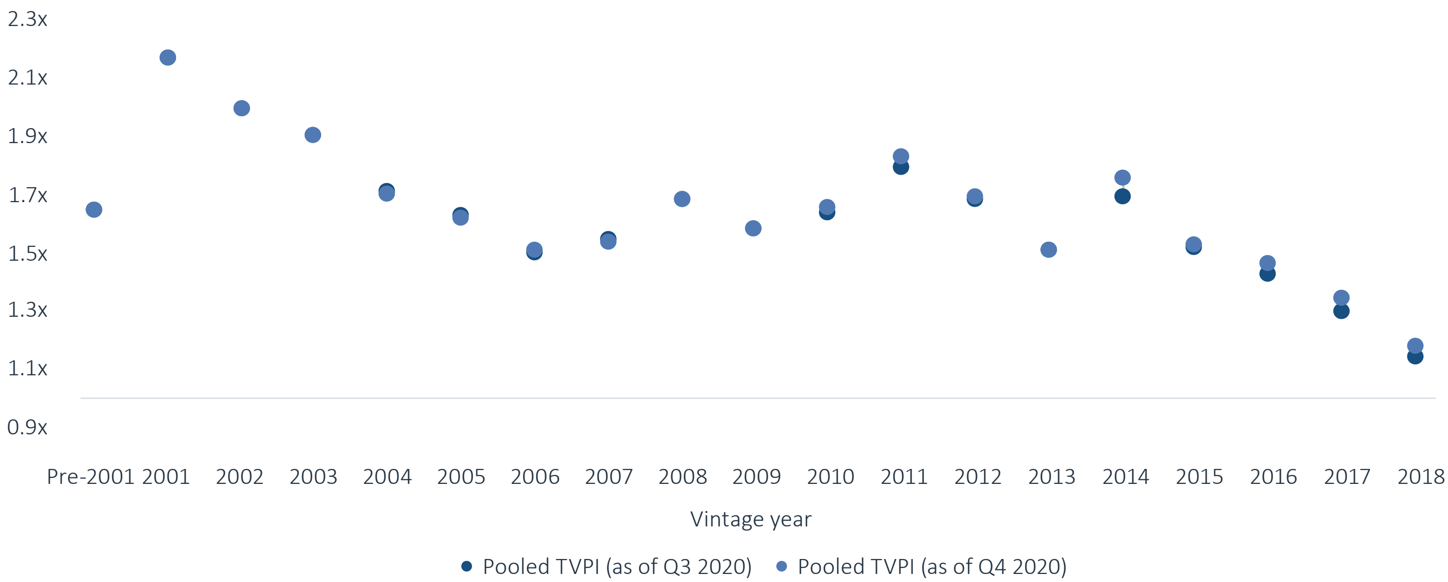
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Q3 to Q4 2020 change in pooled cash flow multiples for PE funds by vintage*



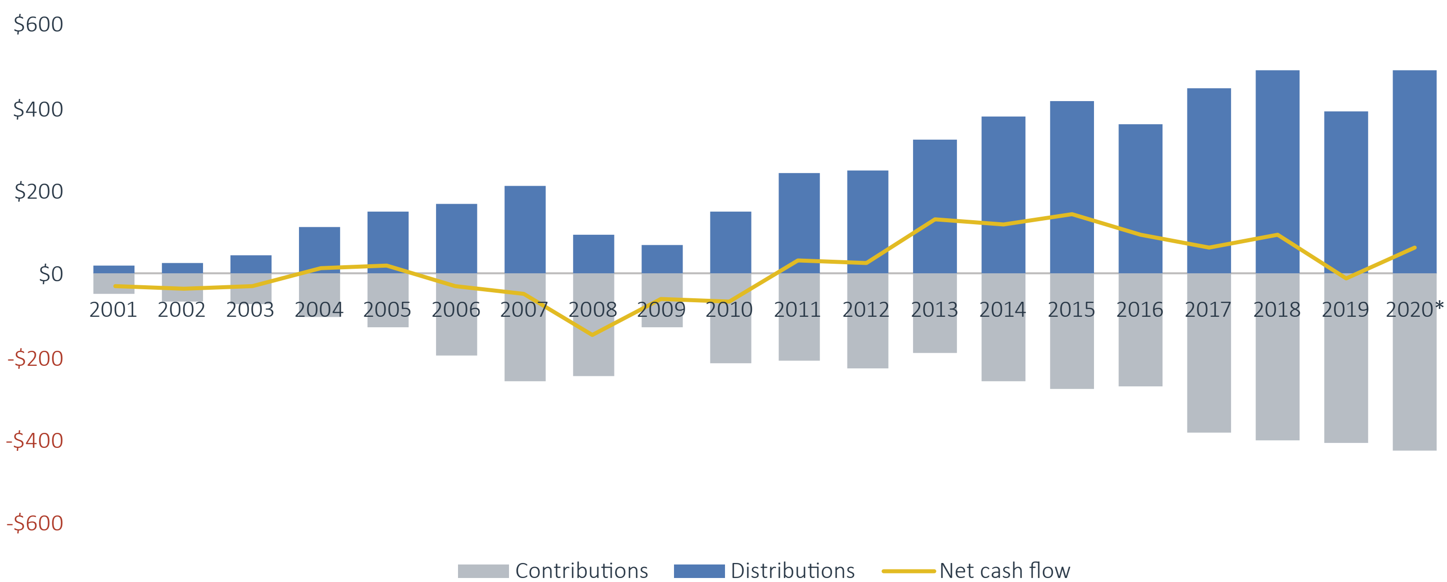
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

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



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

PE cash flows ($B)

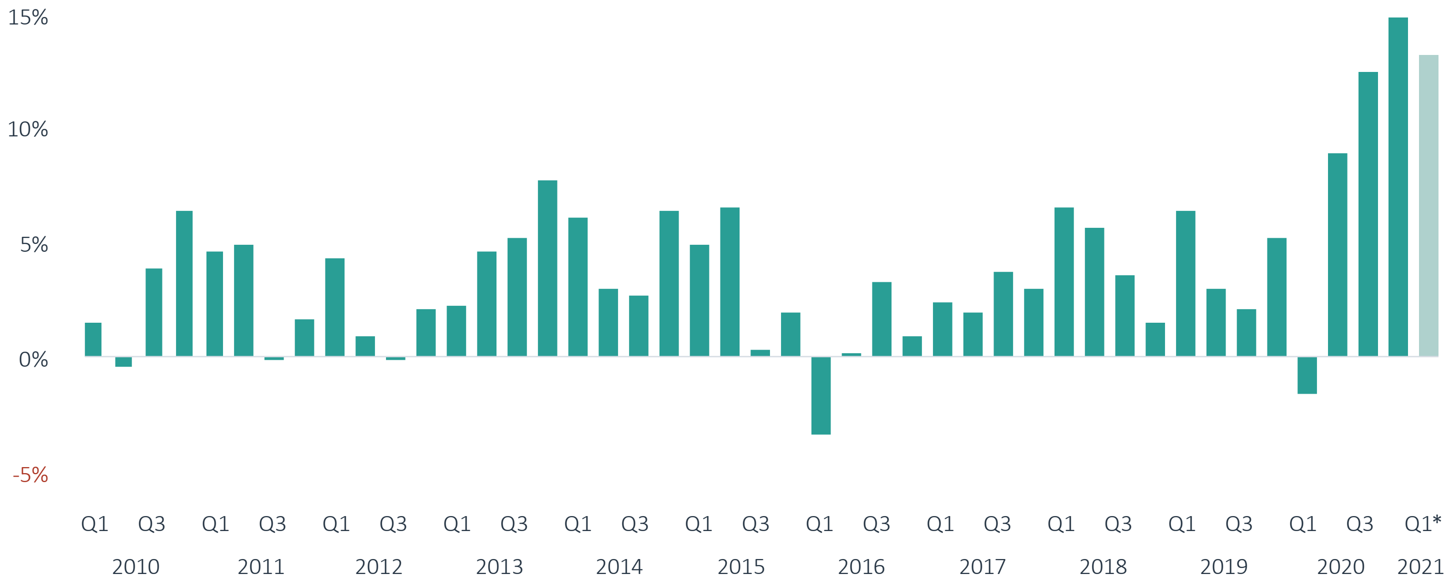


Source: PitchBook | **Geography:** Global
*As of December 31, 2020

PitchBook

Venture capital

Quarterly IRR for VC funds



Source: PitchBook | **Geography:** Global
*As of March 31, 2021
Note: Q1 2021 data is preliminary.

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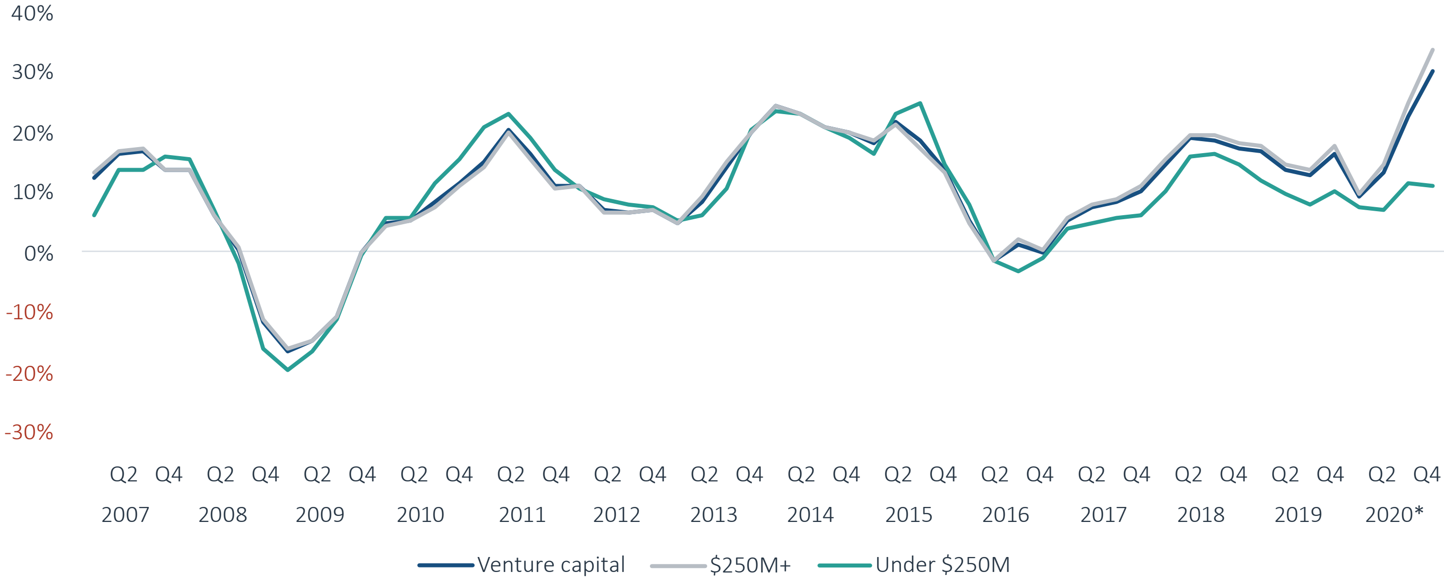
VC fund returns climbed higher in Q4 2020 as the quarterly horizon IRR reached a record 14.9%, beating the previous peak of 12.5% set just the prior quarter. After the initial dip at the start of 2020, returns in 2020 were strong as VC investment and exit markets continued to set global records. Despite the pandemic, outsized rounds have continued to close for the largest unicorns in the VC ecosystem. Meanwhile, investors and VC-backed companies ramped up exits to take advantage of the elevated valuations on offer and capitalize on healthy growth rates. Preliminary fund return data indicates that robust returns persisted into Q1 2021, with the preliminary quarterly IRR at 13.3%. Thus, valuations in VC remain resilient despite wider market volatility and macroeconomic uncertainty.

In Q4 2020, the divergence between IRRs for fund sizes on either side of $250 million grew. The rolling one-year IRR for funds over $250 million was 33.9%, approximately three times larger than sub-$250 million funds in the same period. Valuations have remained elevated as capital has flowed freely into VC. Furthermore, broadly positive QoQ TVPI growth has occurred, especially within younger vintages. In 2020, net cash flow landed at $24.6 billion amid a fervent exit market, as distributions exceeded contributions for the first time since 2015. We expect above-average returns to continue in 2021, as largescale exits persist for the most-valuable VC-backed companies, returning healthy sums of capital to LPs.

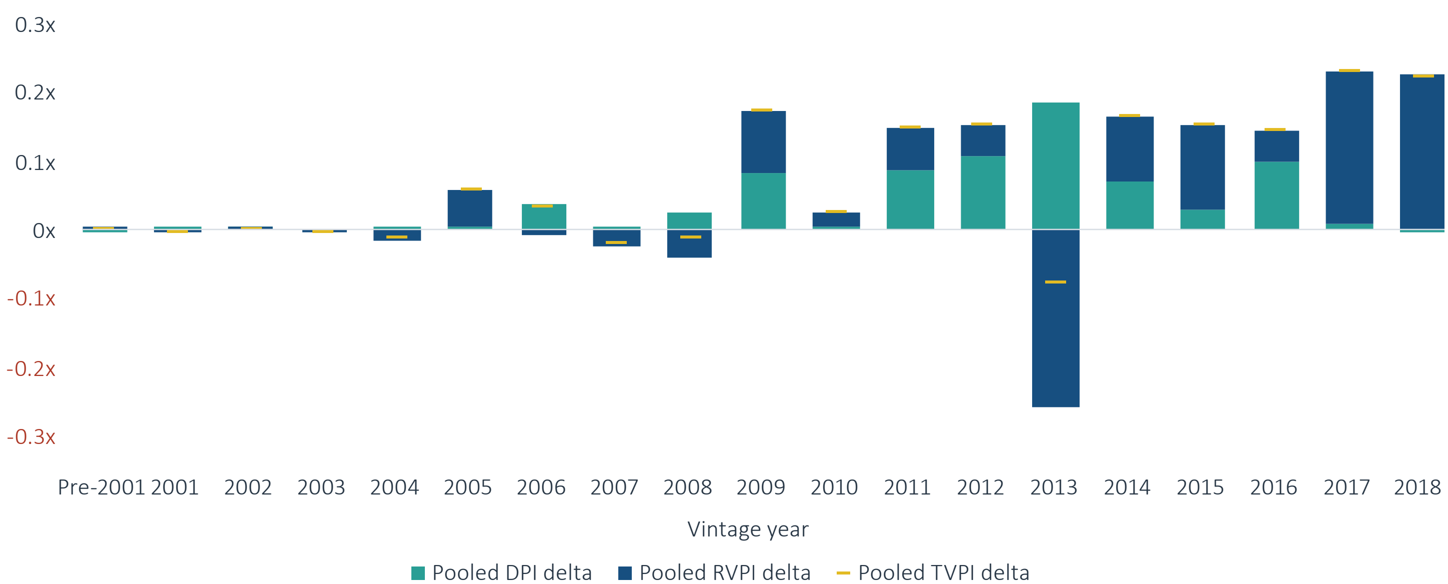
Venture capital

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



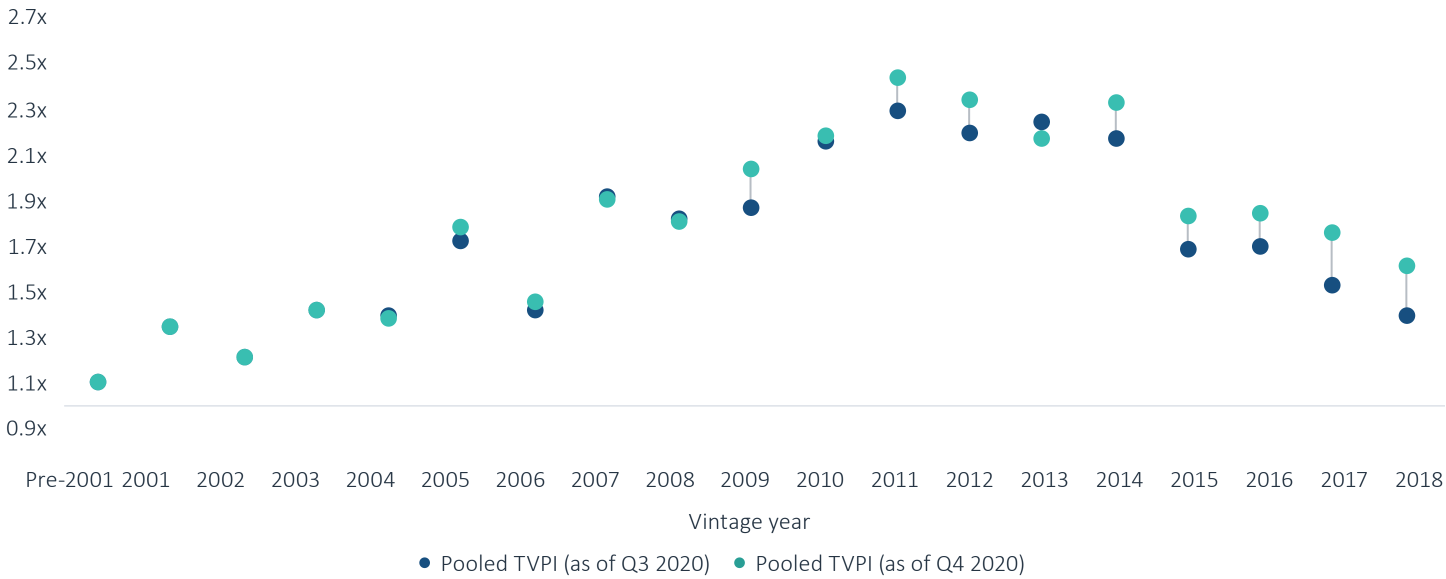
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Q3 to Q4 2020 change in pooled cash flow multiples for VC funds by vintage*



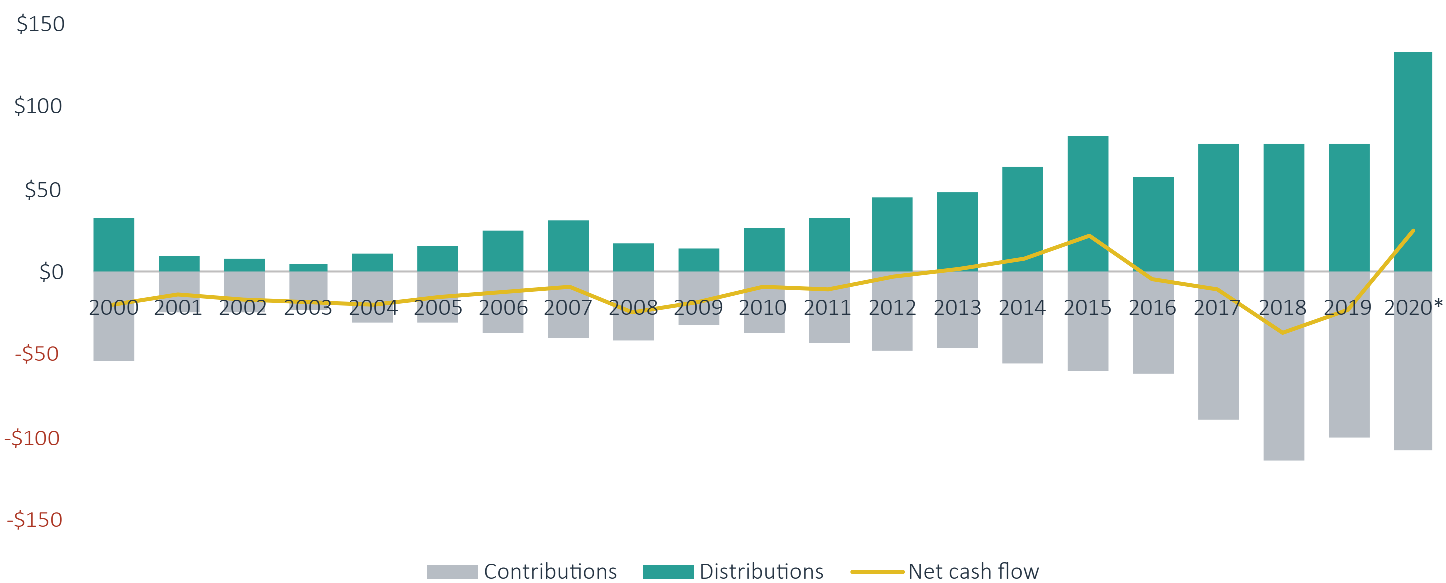
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

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



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

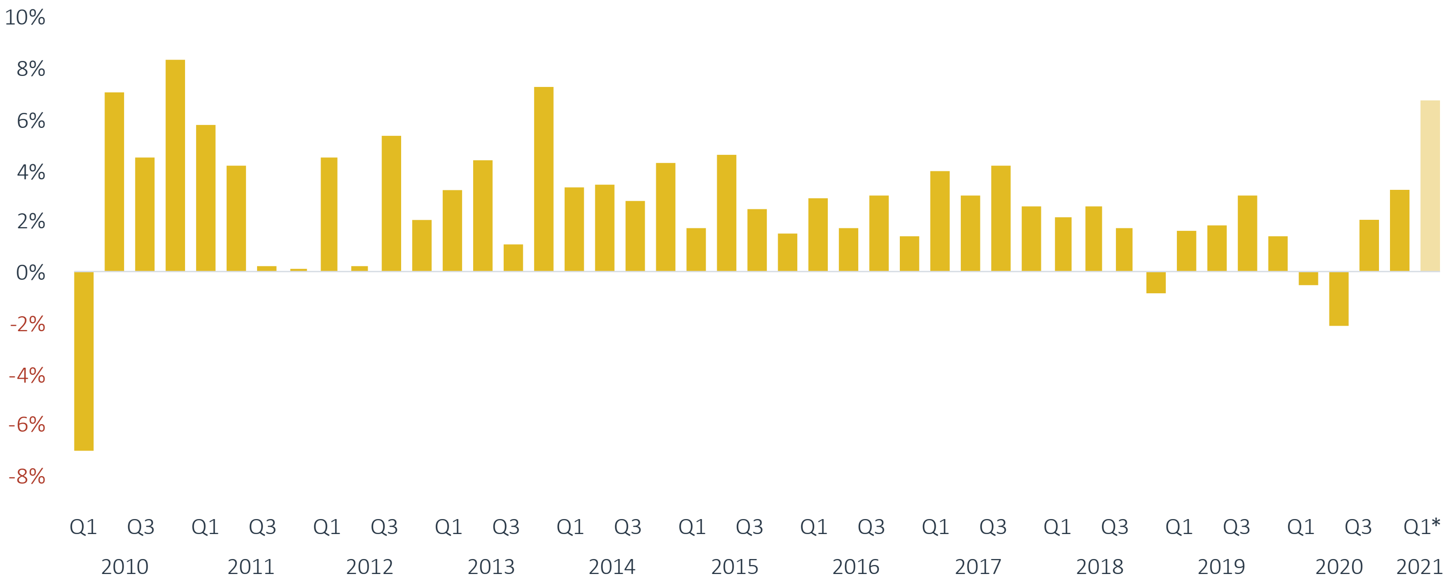
VC cash flows ($B)



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Real estate

Quarterly IRR for real estate funds



Source: PitchBook | **Geography:** Global
*As of March 31, 2021
Note: Q1 2021 data is preliminary

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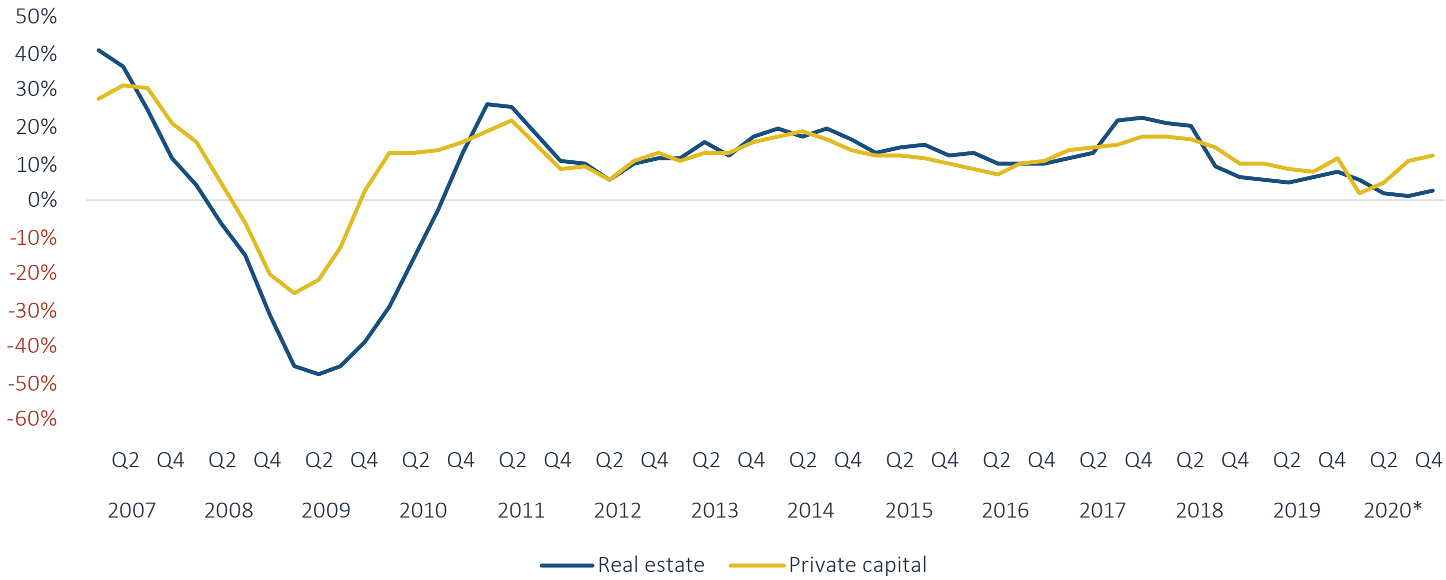
Excepting Q1 2020, real estate has been underperforming the broader private market fund universe for two and a half years, based on rolling one-year horizon IRRs. The mark as of December 31, 2020, was particularly bad, as real estate only increased 2.1% in the year, while private capital overall rose 12.3%. It was a tough year for real estate, given that so many conflicting forces influenced the results. When the pandemic caused many workers and students to be sent home, companies had to rethink office space and retailers had to evaluate their viability with no walk-in traffic. On the other hand, warehouses supplying at-home shopping companies and server farms supporting dispersed computing for work and school were in high demand.

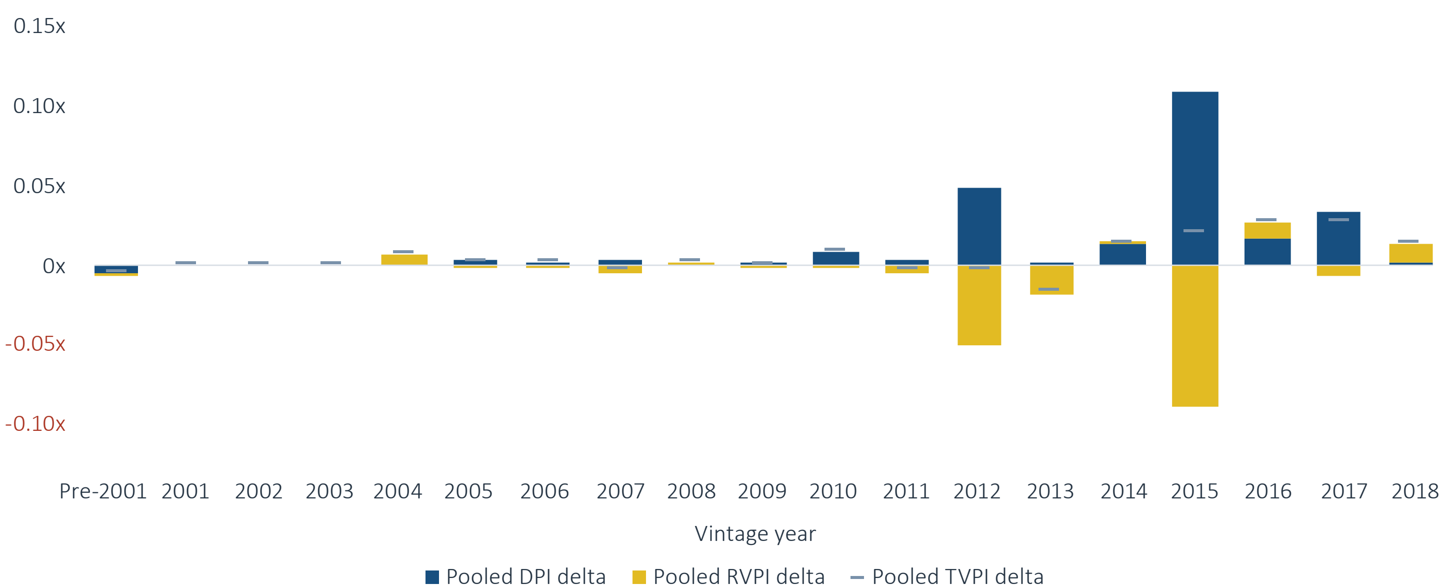
Net cash flows were positive for the eighth year in a row, though both capital calls and distributions fell dramatically in 2020. Capital calls fell more, dropping 32.0% from the 2019 level. Distributions only dropped 30.6%, with the full-year figure of $108.6 billion well below 2015's record of $178.4 in real estate distributions. The positive net cash flows reflect the maturation of the strategy, though. Net cash flows from real estate funds were negative in most years prior to 2013, as fund managers were entering the space and the amount of capital in new funds was well ahead of that in portfolios in their harvest period. A normal outcome of a maturing strategy is a move to positive net cash flows, as generally, most managers are selling their investments for more than they paid.

Rolling one-year horizon IRR for real estate funds



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

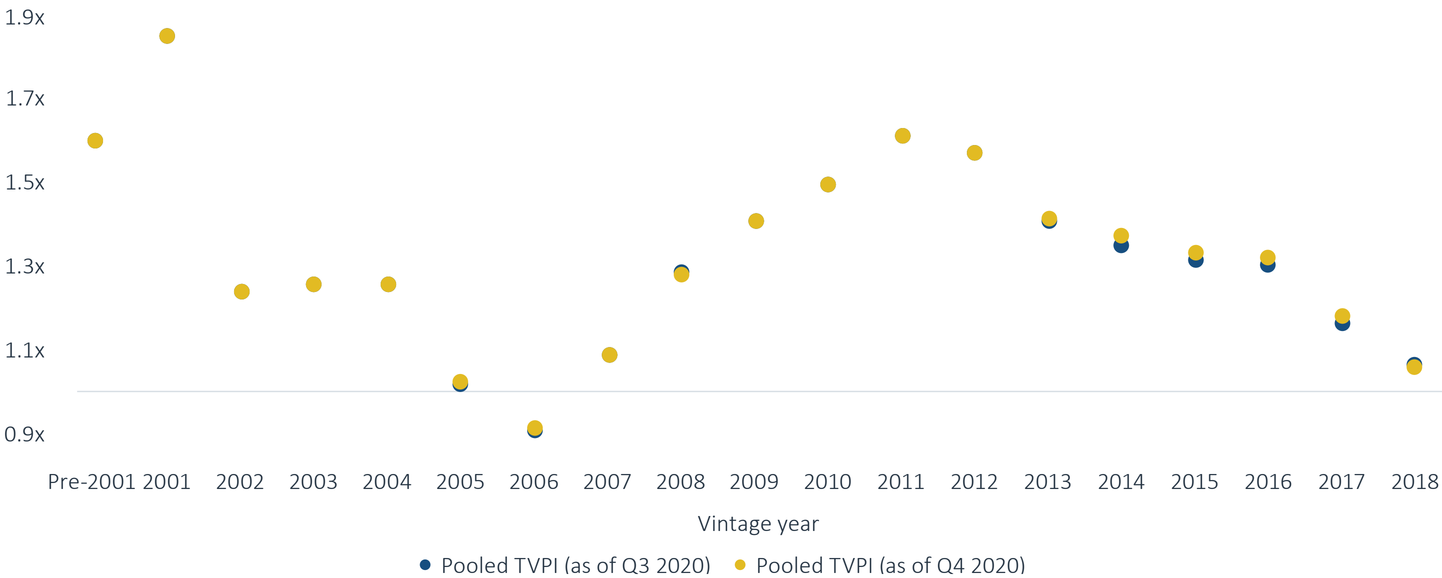
Q3 to Q4 2020 change in pooled cash flow multiples for real estate funds by vintage*



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

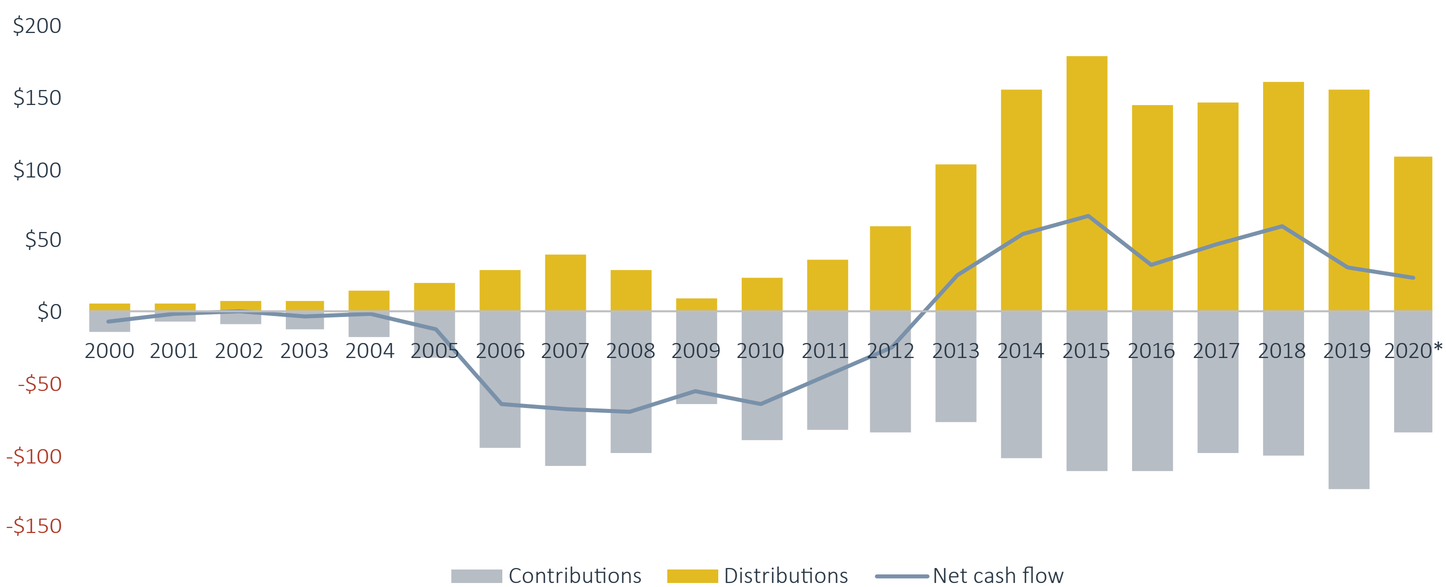
Real estate

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



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Real estate cash flows ($B)

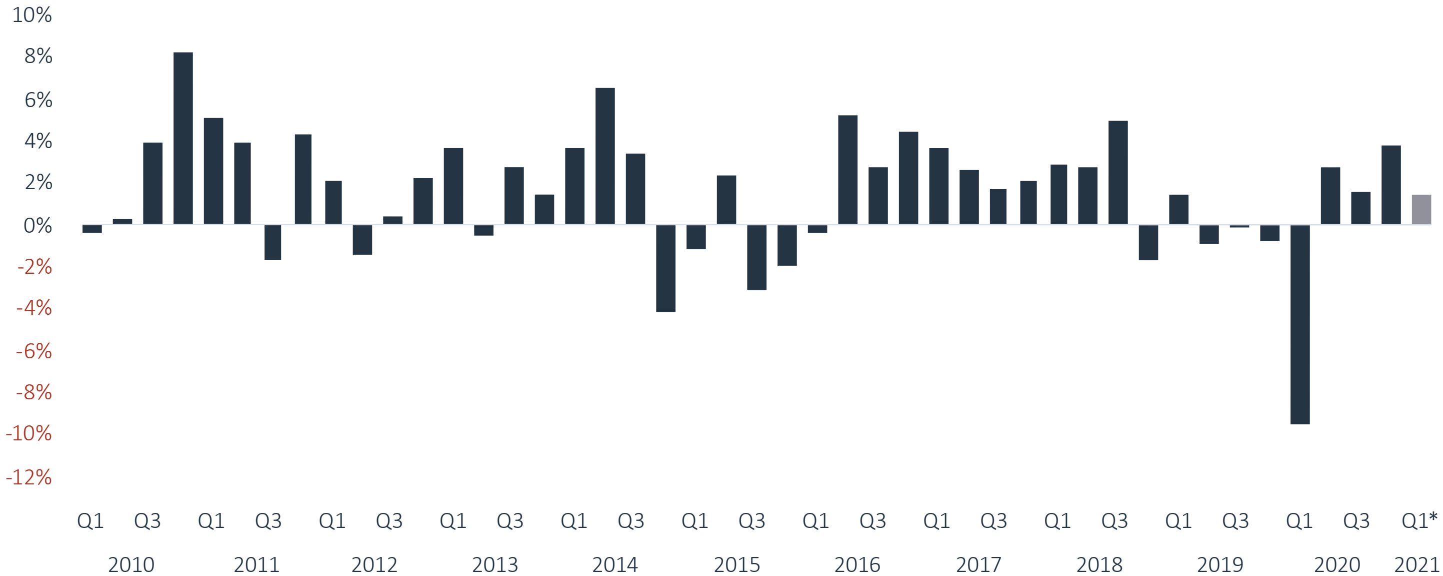


Source: PitchBook | **Geography:** Global
*As of December 31, 2020

PitchBook

Real assets

Quarterly IRR for real assets funds



Source: PitchBook | **Geography:** Global
*As of March 31, 2021
Note: Q1 2021 data is preliminary.

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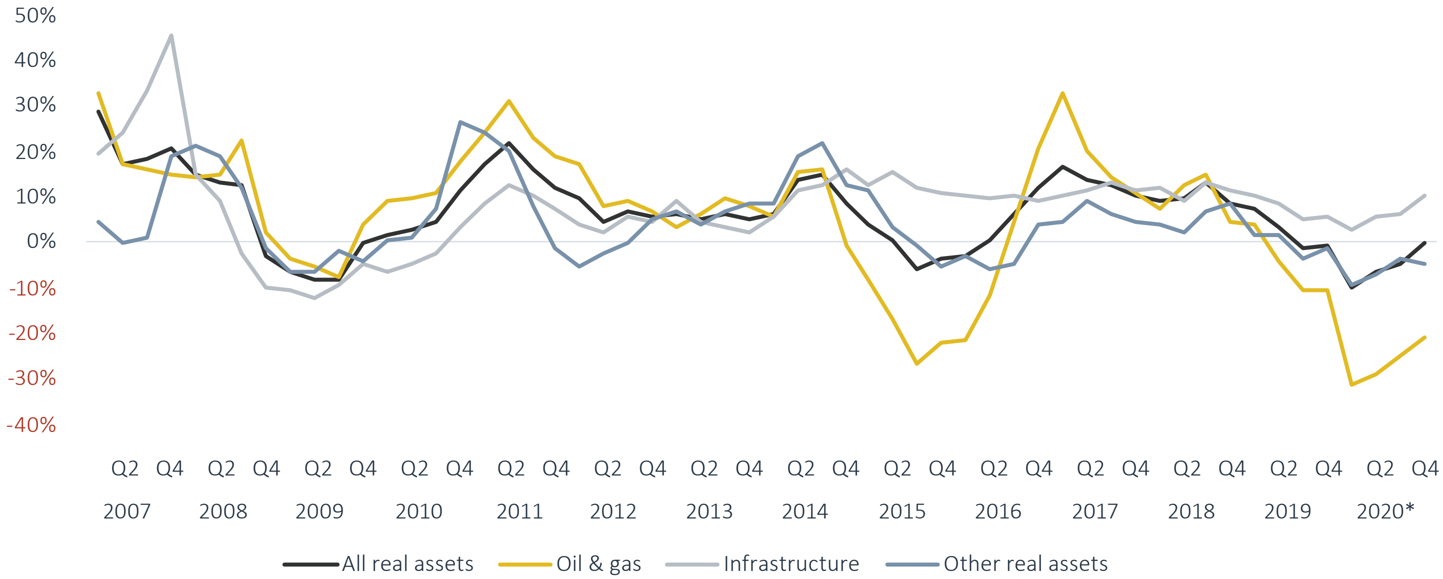
Real assets fund performance continues to be mixed. Infrastructure funds posted a strong one-year horizon IRR of 10.4% after weathering the pandemic without dipping into negative returns. By contrast, oil & gas and other real assets funds, which include natural resources such as timber and metals, continue to struggle despite some improvement from the pandemic trough.

Looking ahead, oil & gas funds may post a modest recovery in H1 2021, although the spread of the COVID-19 Delta variant, particularly in Asia, threatens this outlook. Brent crude prices increased from around $50 per barrel in January to around $70 per barrel as of this writing. Although the International Energy Agency is forecasting a return to pre-pandemic global oil demand levels in 2022—a downward revision from its previous forecast—the production increase OPEC+ agreed to is only partially expected to offset this demand recovery.[1] Infrastructure, too, is experiencing tailwinds in 2021. Some pricing contracts for infrastructure assets are linked to inflation and will likely perform well, as the OECD's total inflation index reached 4.1% annual growth in June.[2] Air, rail, container shipping, and ground transportation assets are seeing traffic recover to at least pre-pandemic levels, as of Q2 2021. Finally, natural resources funds will likely see a performance spike due to soaring prices in precious metals, "technology metals"—including cobalt, copper, and lithium—and other resources such as thermal coal and lumber. It remains to be seen how far the pandemic's resurgence will slow this recovery.

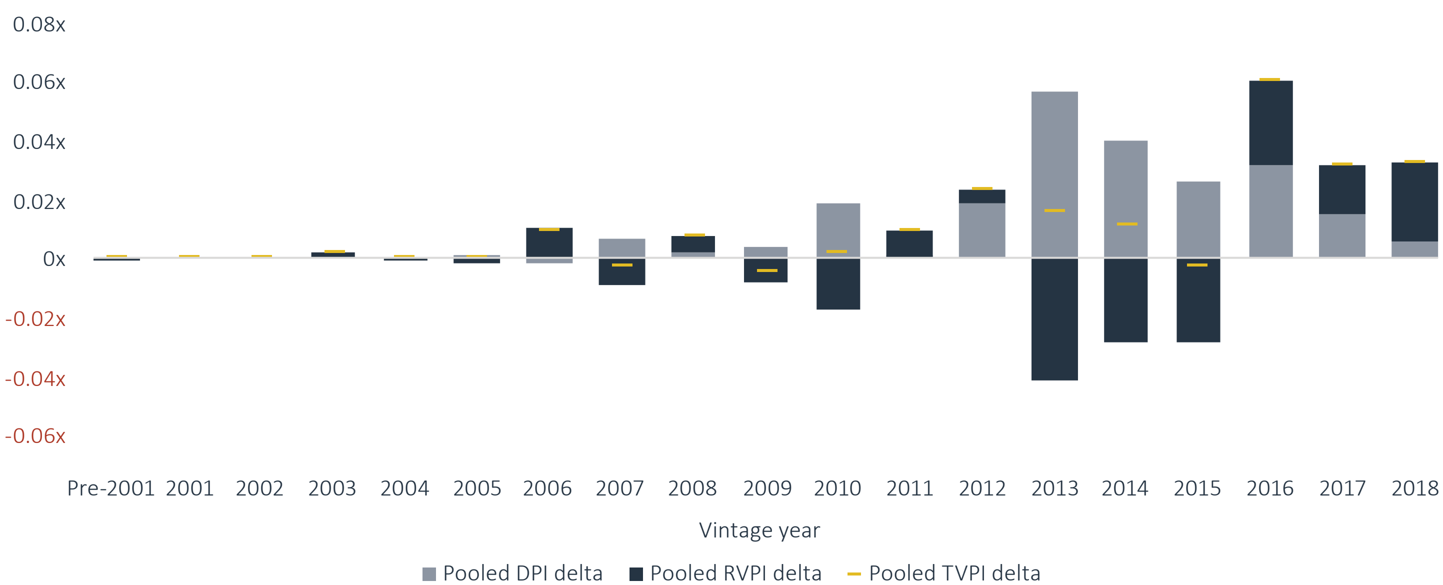
1: "Oil Market Report - August 2021," IEA, August 2021.
2: "Inflation (CPI)," OECD, Accessed on August 12, 2021.

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



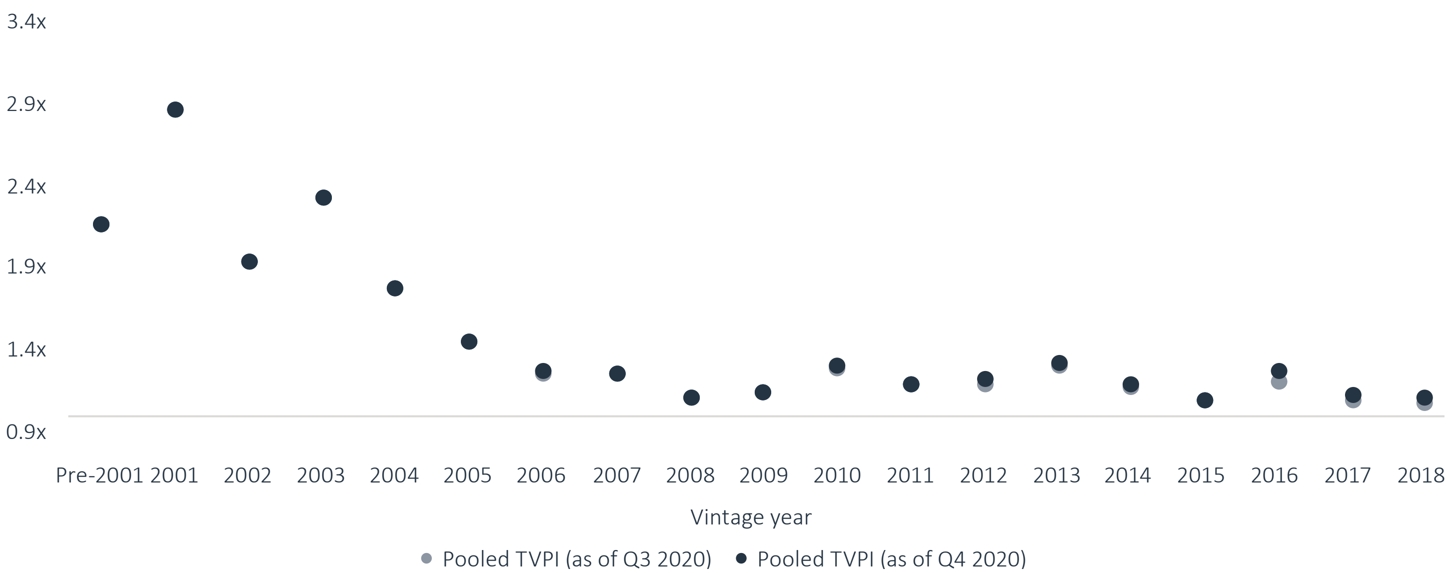
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Q3 to Q4 2020 change in pooled cash flow multiples for real assets funds by vintage*



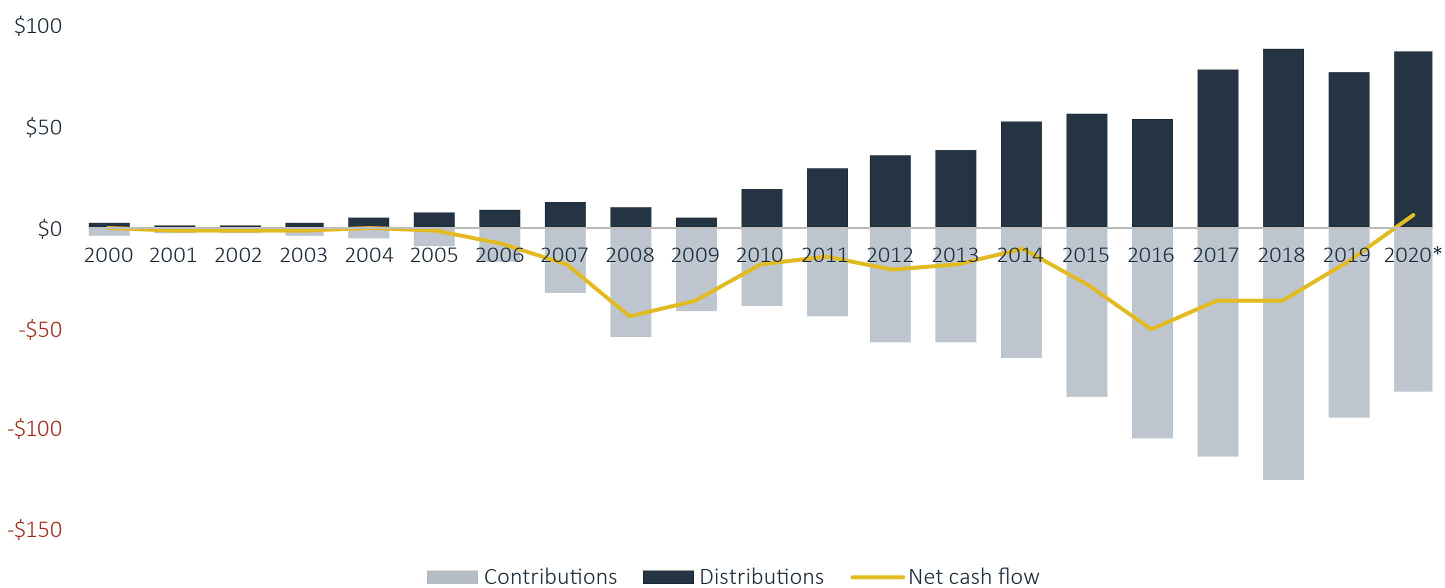
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

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



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

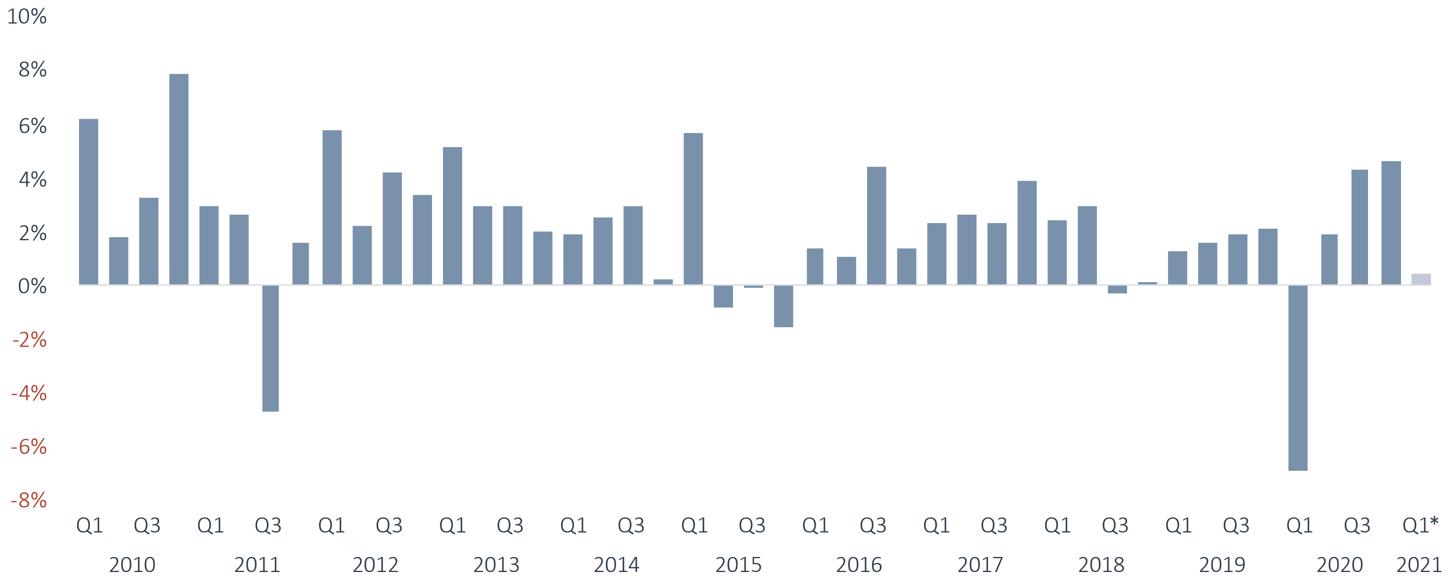
Real assets cash flows ($B)



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Private debt

Quarterly IRR for private debt funds



Source: PitchBook | **Geography:** Global
*As of March 31, 2021
Note: Q1 2021 data is preliminary.

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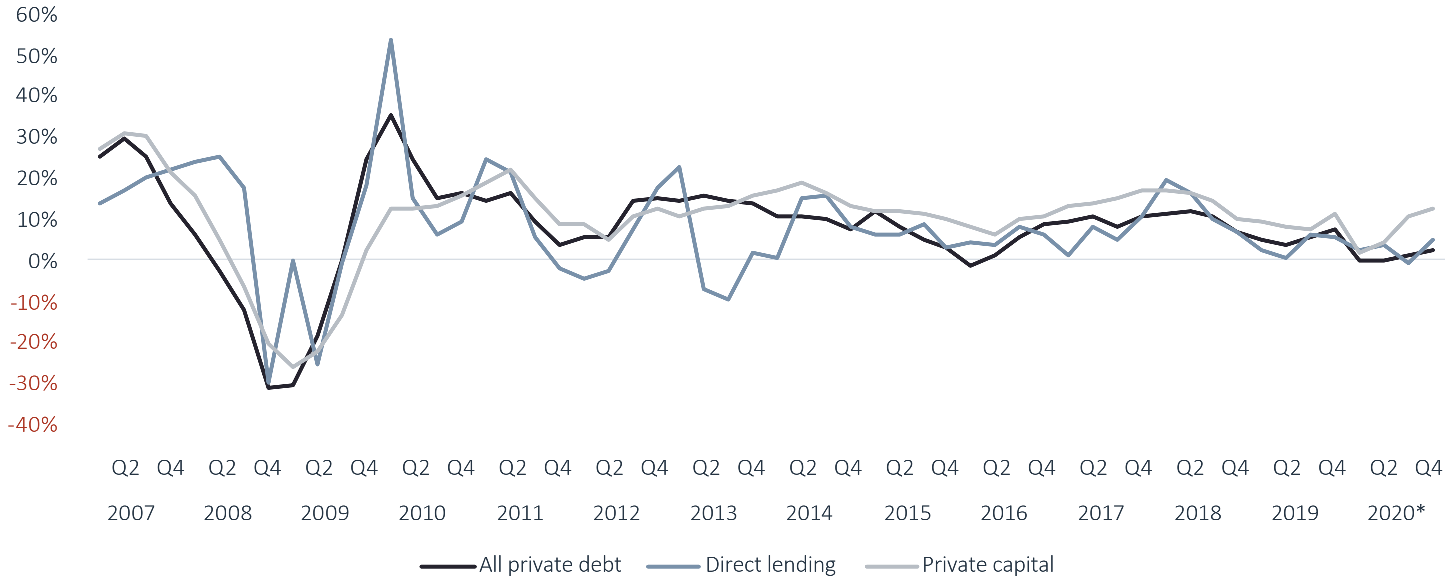
At the outset of the pandemic, private debt funds experienced their worst quarter in the last decade. The quarterly pooled IRR—which includes both realized and unrealized changes to portfolio valuations—dropped to -6.9% in Q1 2020. But portfolios have recovered quickly alongside an improving economy, surging liquid credit markets, and low default rates. QoQ performance has been positive for each of the last four quarters, but preliminary data from Q1 2021 suggests the advances will not be as large as they were in the second half of 2020.

The performance of most substrategies within private debt track with each other over the longer run, but meaningful differences sometimes emerge. Real assets funds, including both real estate and infrastructure debt, have seen the most pronounced recovery since the pandemic began. On the other hand, substrategies that tend to invest lower in the capital structure, including mezzanine, distressed debt, and special situations funds, have lagged for the last year. Performance will continue to fluctuate with the broader economy as the pandemic causes real disruption for some portfolio companies and their associated credits but opportunities for others.

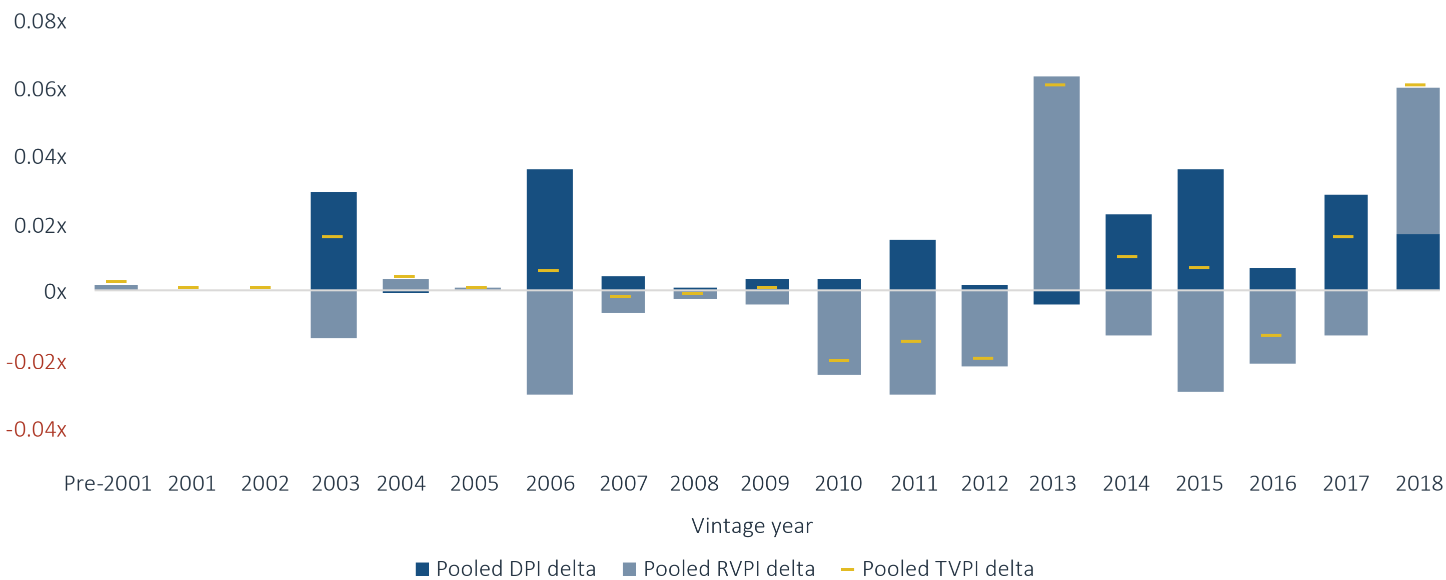
2020 was a record-setting year in terms of LP contributions to private debt funds. Heavily dependent on other private capital strategies and M&A for deal flow, private debt managers found a plethora of deployment opportunities during the resurgent PE and M&A dealmaking environments that began in the second half of 2020. Dealmaking has only intensified in private capital markets in the first half of 2021, and we expect the private debt capital call data to reflect this trend over the next few quarters.

Rolling one-year horizon IRR for private debt funds



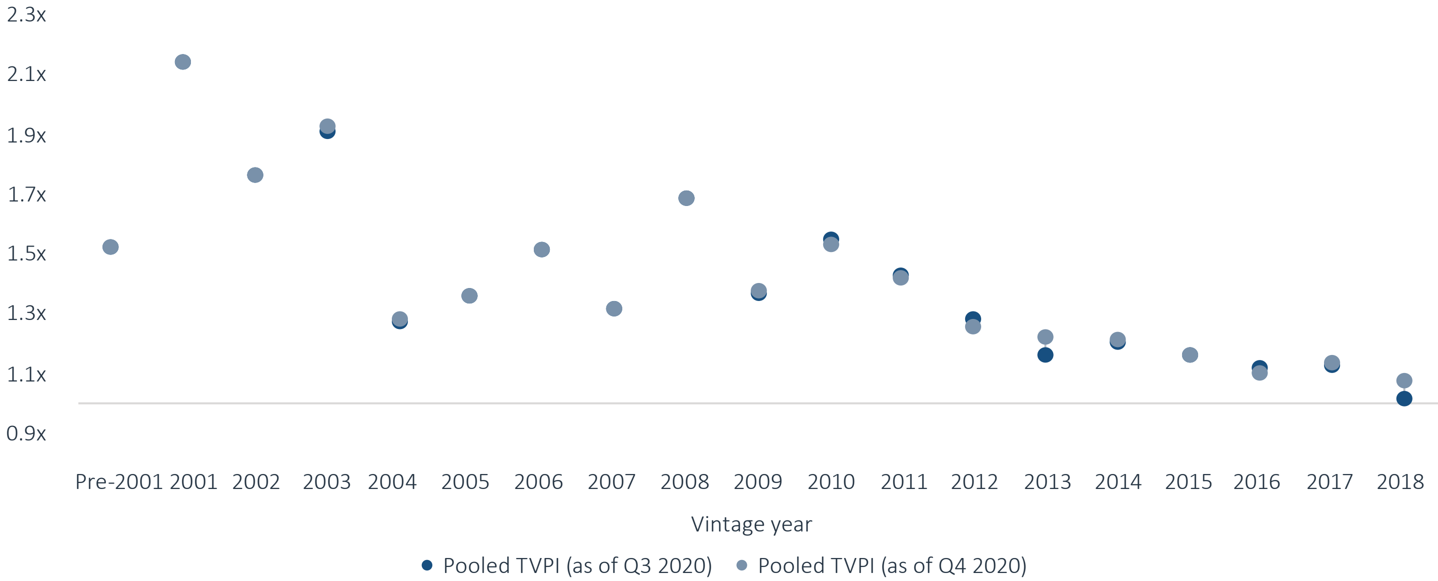
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Q3 to Q4 2020 change in pooled cash flow multiples for private debt funds by vintage*



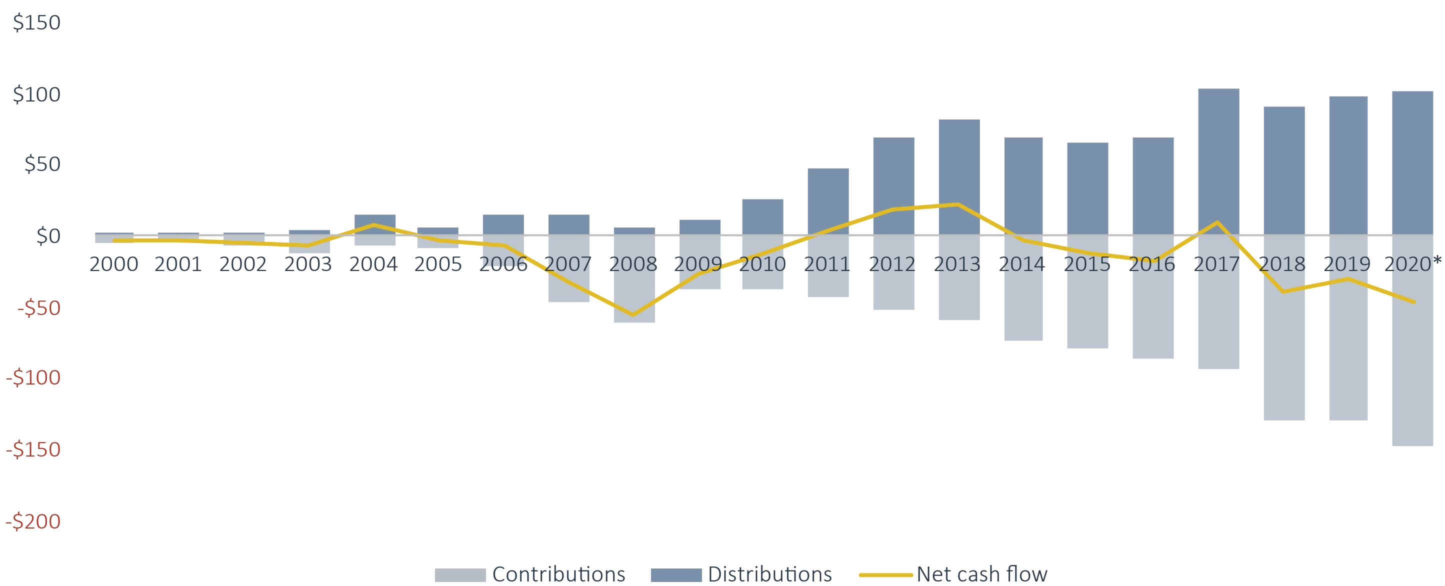
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

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



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

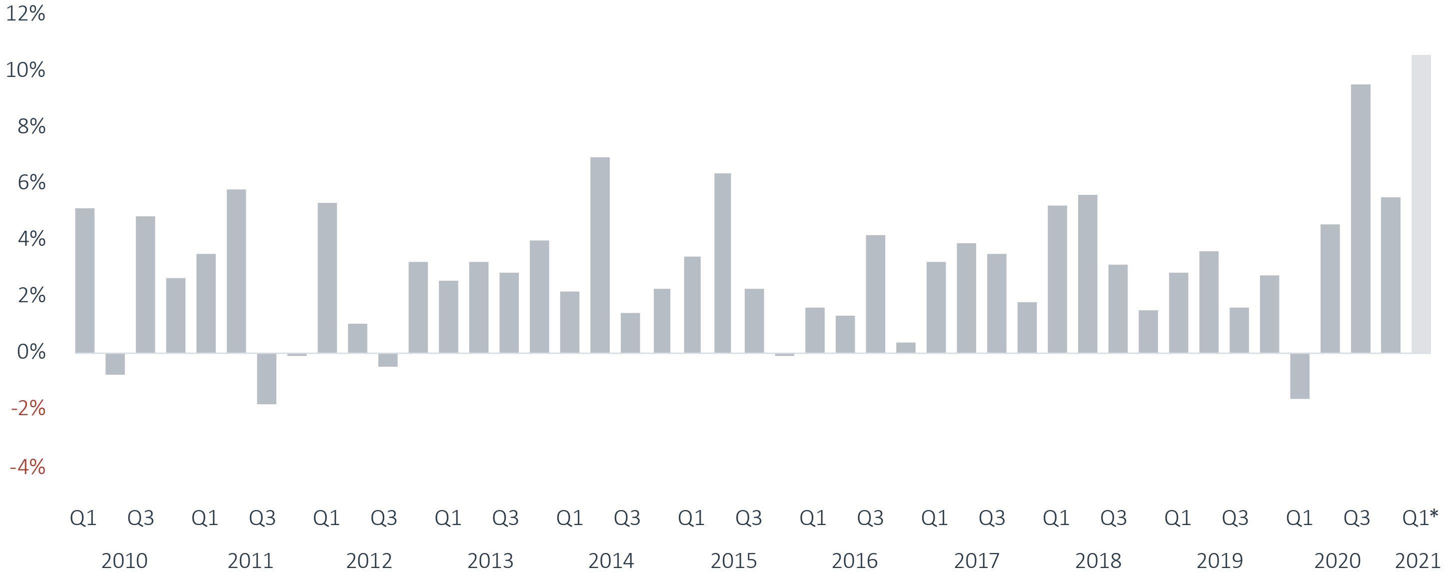
Private debt cash flows ($B)



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Funds of funds

Quarterly IRR for FoF



Source: PitchBook | **Geography:** Global
*As of March 31, 2021
Note: Q1 2021 data is preliminary.

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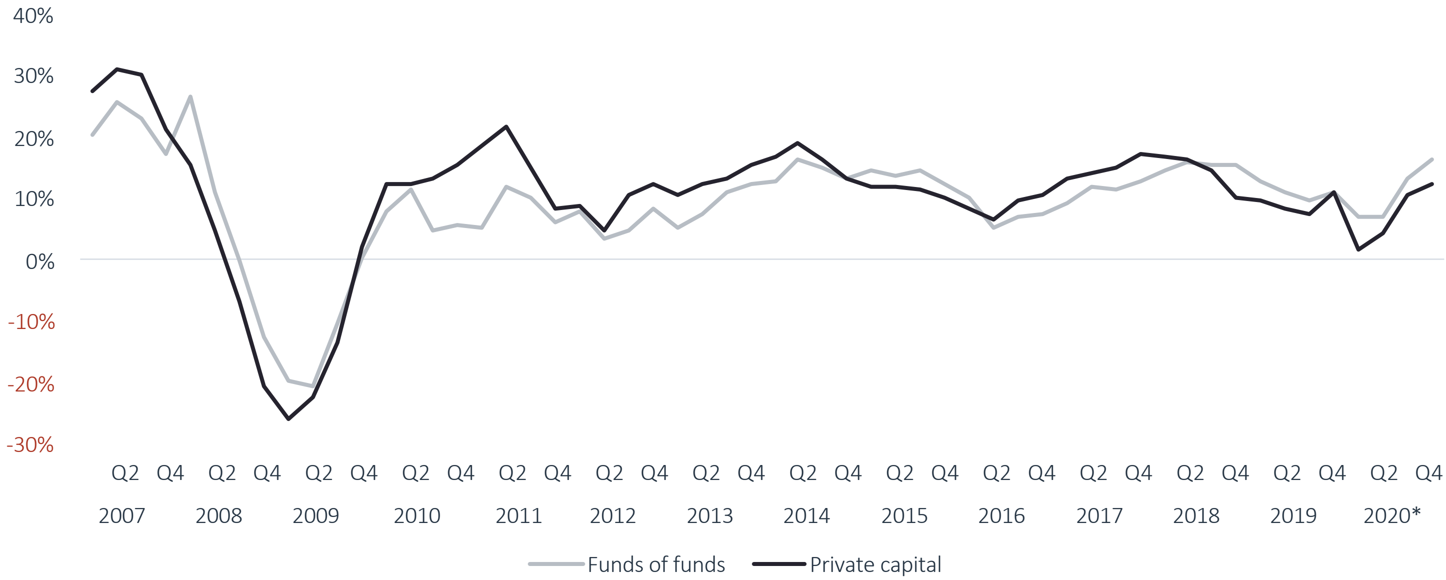
Since FoF may invest in a variety of strategies, they are the one private market approach that in theory might collectively provide investors roughly the return of the broader market. When you layer in fees, as our returns do, FoF could be expected to do worse, in fact. For many years between 2010 and 2018, FoF lagged private capital returns. Starting in the second half of 2018, this shifted as FoF managers consolidated; specialists emerged to focus on just VC, natural resources, or some other areas; and others modified their approach by adding in secondaries and co-investments, thus cutting fees and improving their chances of outperforming. In the year 2020, FoF outperformed private capital overall by 3.9%.

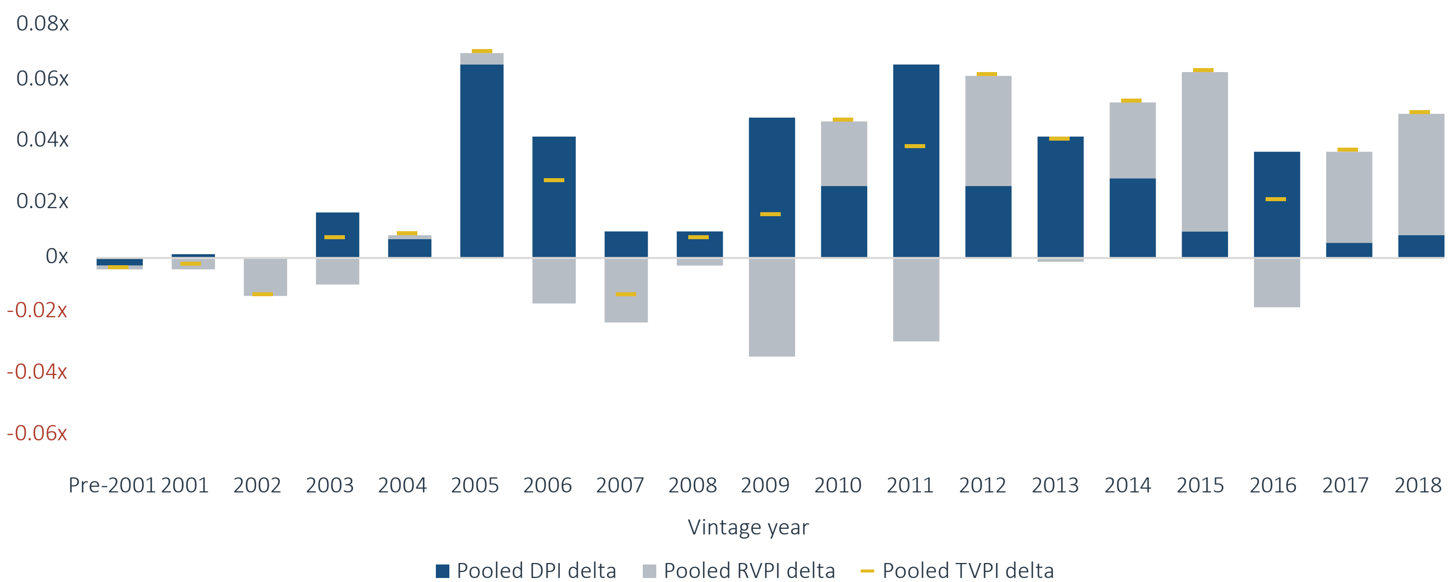
Considering how much the FoF universe has shrunk, it is not surprising that net cash flows have been robustly positive for quite some time, as larger maturing funds are returning more capital than smaller new funds are calling. It is interesting to view return dispersions across FoF vintage years. The skew has actually been to the upside for many of the years since the GFC, though 2010 was a year where the downside was much further below median returns than the upside. The dispersion has been widening over time, potentially because the early-2000s FoF were more marketlike and similar to each other. With differentiation in approach has come more variation in results.

Rolling one-year horizon IRR for FoF



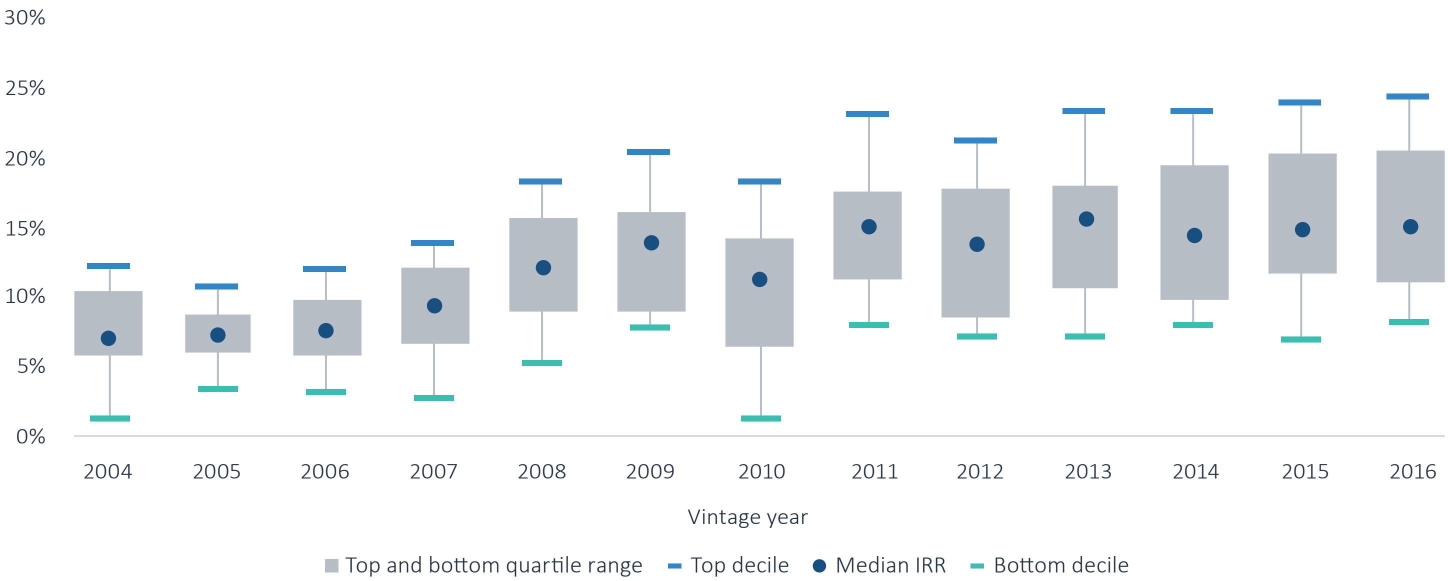
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Q3 to Q4 2020 change in pooled cash flow multiples for FoF by vintage*



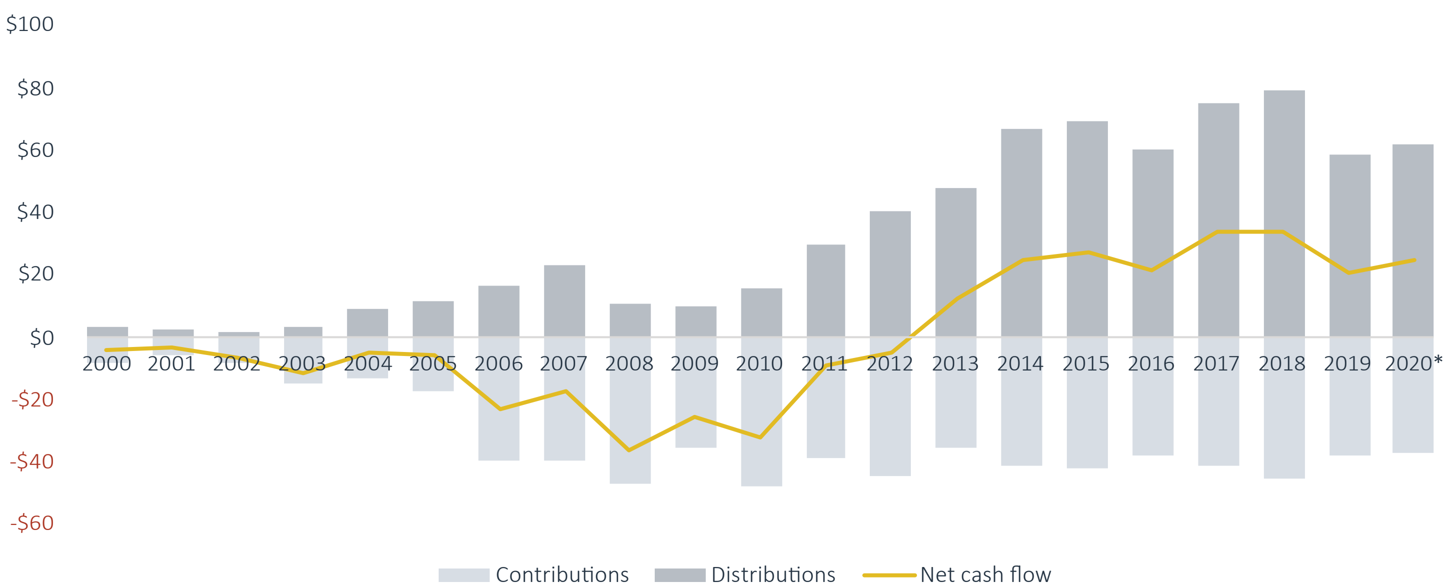
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

FoF performance dispersion by vintage year*



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

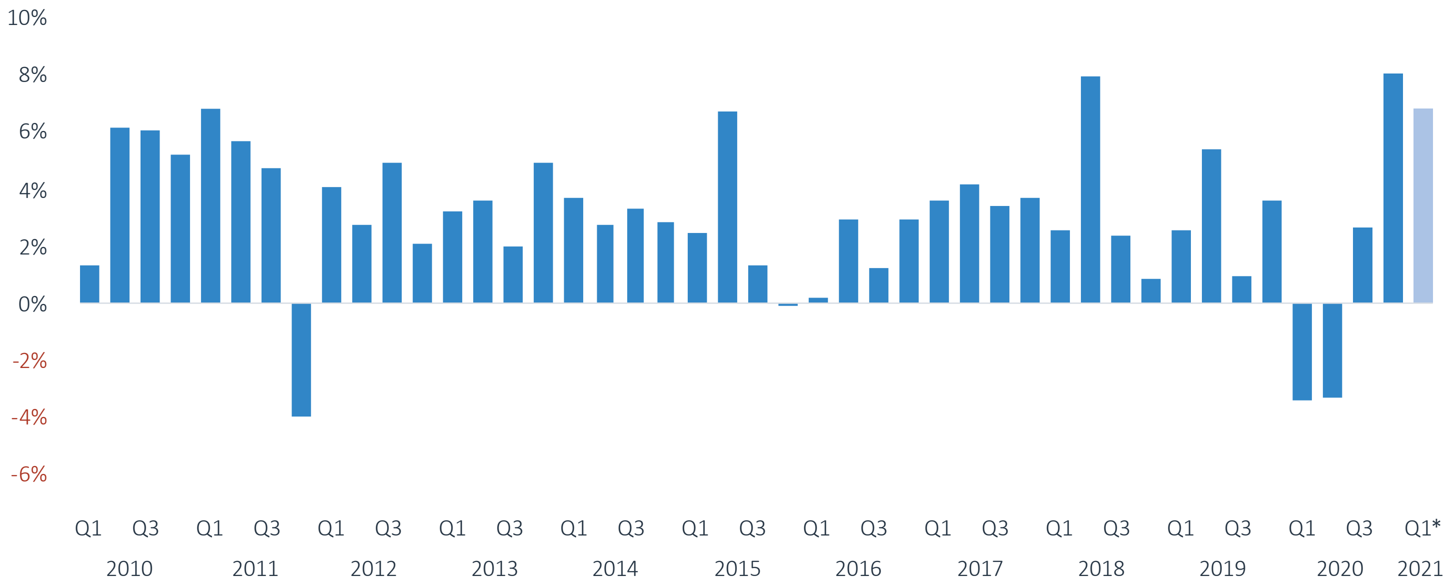
FoF cash flows ($B)



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Secondaries

Quarterly IRR for secondaries



Source: PitchBook | **Geography:** Global
*As of March 31. 2021
Note: Q1 2021 data is preliminary.

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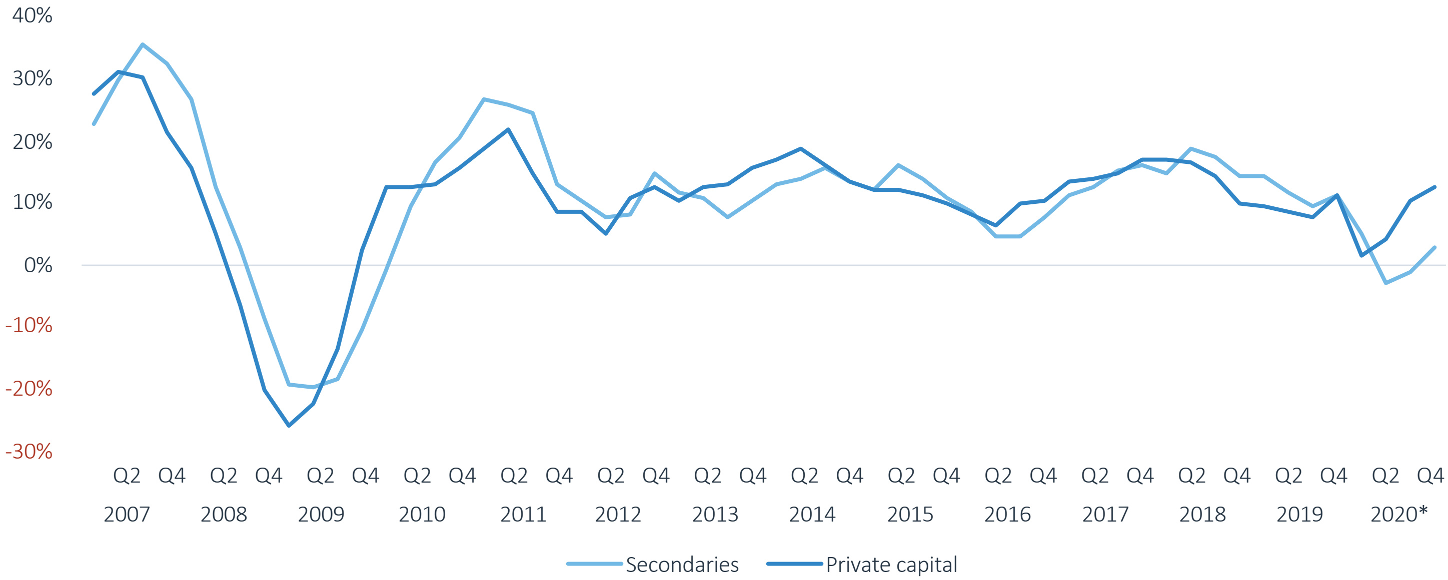
It will be interesting to follow the performance path of record 2020 secondaries fundraising. It is quite possible that the growth in funds will not be matched with a growth in available LP interests, resulting in high prices paid and lower realized returns. That said, it could be a good time to be a seller of LP interests while all of this capital is chasing deals. While the 2020 funds are not yet influencing the return figures in any meaningful way, the massive uptick in fundraising, representing high expectations from both LPs and GPs, did not come from a hot return environment. 2020 did eventually close out the year with a positive one-year horizon IRR, but the 2.9% return lagged 9.5% behind private markets as a whole. This was the weakest one-year result for secondaries since 2009.

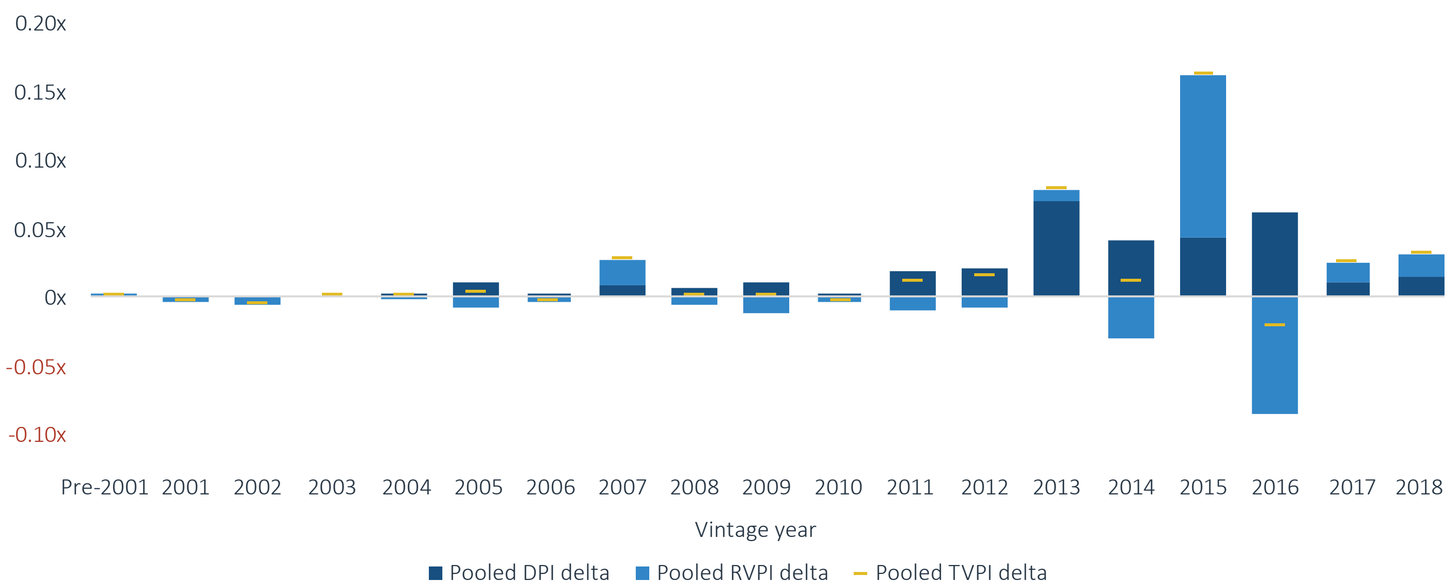
Net cash flows for secondaries dipped further to the negative in 2020, a state familiar to the strategy, given that net cash flows were only positive between the years 2013 and 2018. Given how much the assets managed in this strategy have grown, it is not surprising that more capital is being called than returned, as this recent bout of growth has decreased the average age of funds in the strategy, putting more commitments in the investment phase than in the harvest phase of their funds' lives.

Rolling one-year horizon IRR for secondaries funds



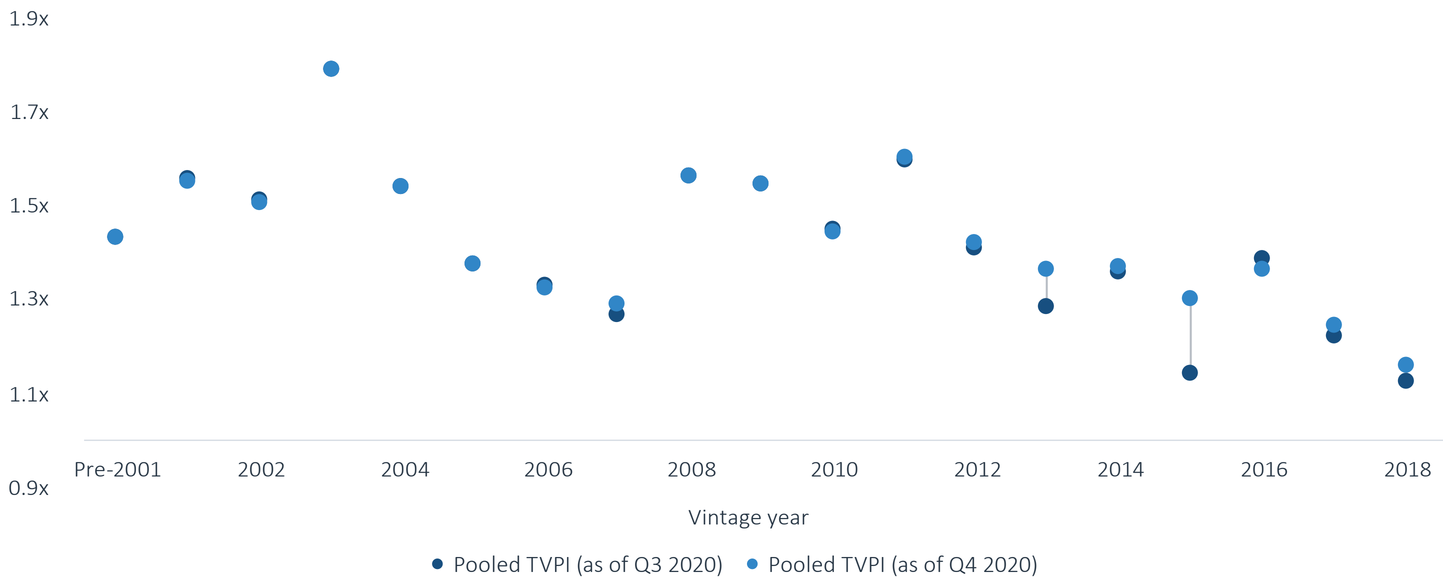
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Q3 to Q4 2020 change in pooled cash flow multiples for secondaries funds by vintage*



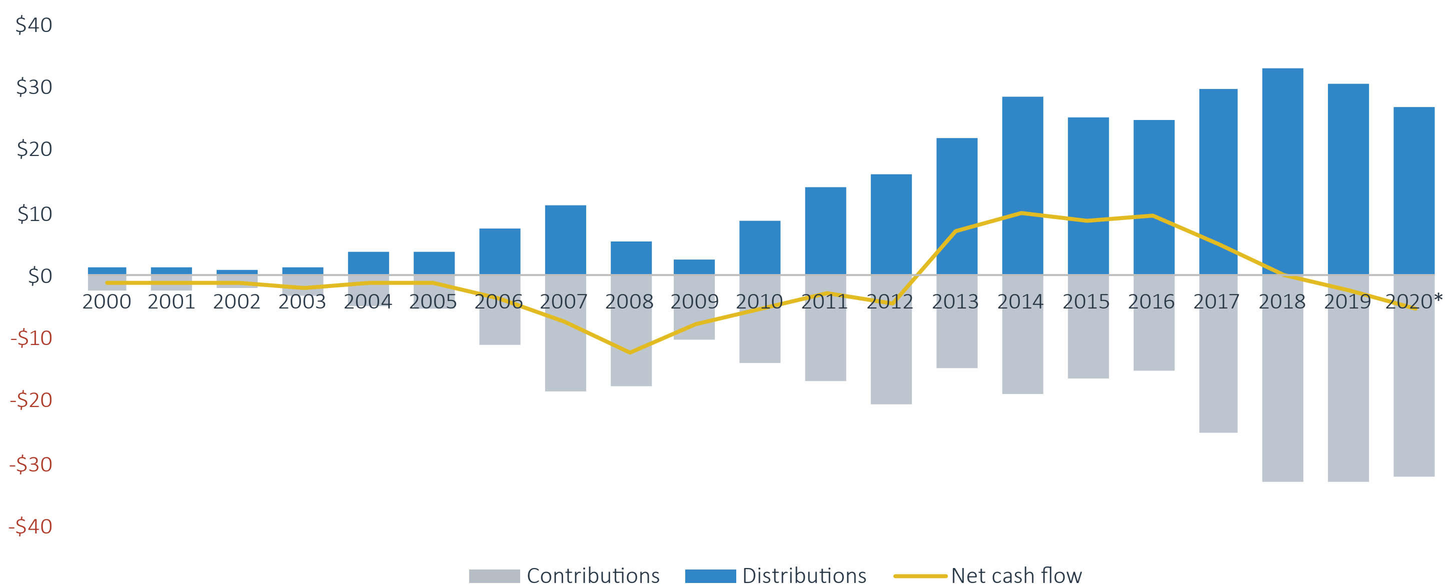
Source: PitchBook | **Geography:** Global
*As of December 31, 2020

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



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

Secondaries cash flows ($B)



Source: PitchBook | **Geography:** Global
*As of December 31, 2020

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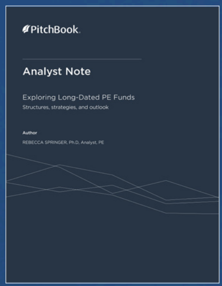

Analyst Note: Exploring Long-Dated PE Funds

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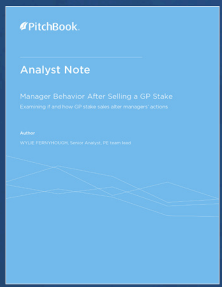

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