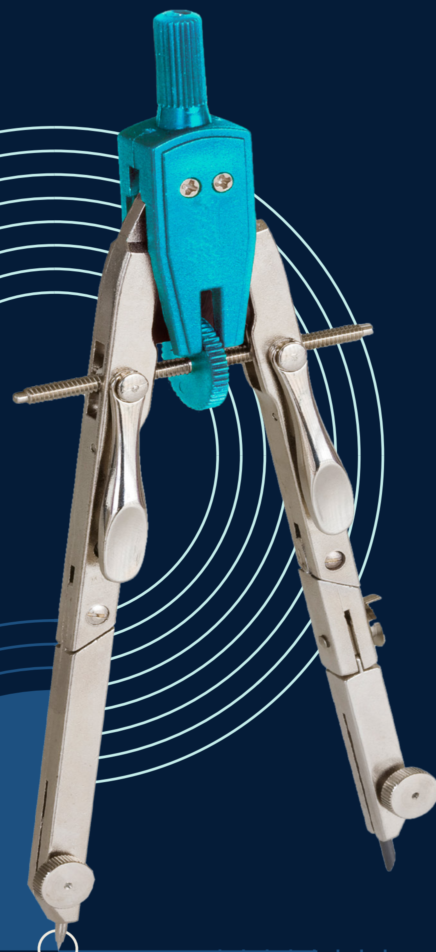
PitchBook

Q4
2023

with preliminary
Q1 2024 data

GLOBAL

Fund Performance Report



PitchBook

Contents

Horizon IRRs by strategy*

	Q1 2024**	1-year	3-year	5-year	10-year
Private equity	2.0%	10.5%	16.7%	17.7%	15.5%
Venture capital	0.8%	-3.0%	7.4%	14.1%	13.0%
Real estate	-0.3%	-4.2%	9.4%	8.0%	9.4%
Real assets	2.1%	8.5%	14.3%	8.5%	7.7%
Private debt	2.0%	9.2%	10.5%	8.5%	8.4%
Funds of funds	5.2%	2.9%	13.2%	15.9%	13.6%
Secondaries	2.9%	6.5%	16.7%	14.2%	13.2%
Private capital	**2.0%**	**7.4%**	**14.2%**	**13.8%**	**12.7%**

Source: PitchBook • Geography: Global • *As of December 31, 2023
***Preliminary quarterly return*

Clients may access an accompanying Excel file containing additional charts and all underlying data for this report.

PitchBook Benchmarks (as of Q4 2023 with preliminary Q1 2024 data) may be found here. The quarterly report provides greater detail than the Fund Performance Report, with granular IRR, multiple, and PME breakouts for Global, North America, Europe, Private Equity, Venture Capital, Real Estate, Real Assets, Private Debt, Funds of Funds, and Secondaries. Both Excel and PDF versions are available to clients on the PitchBook Platform.

Click here for PitchBook's report methodologies.

Click here for PitchBook's private market glossary.

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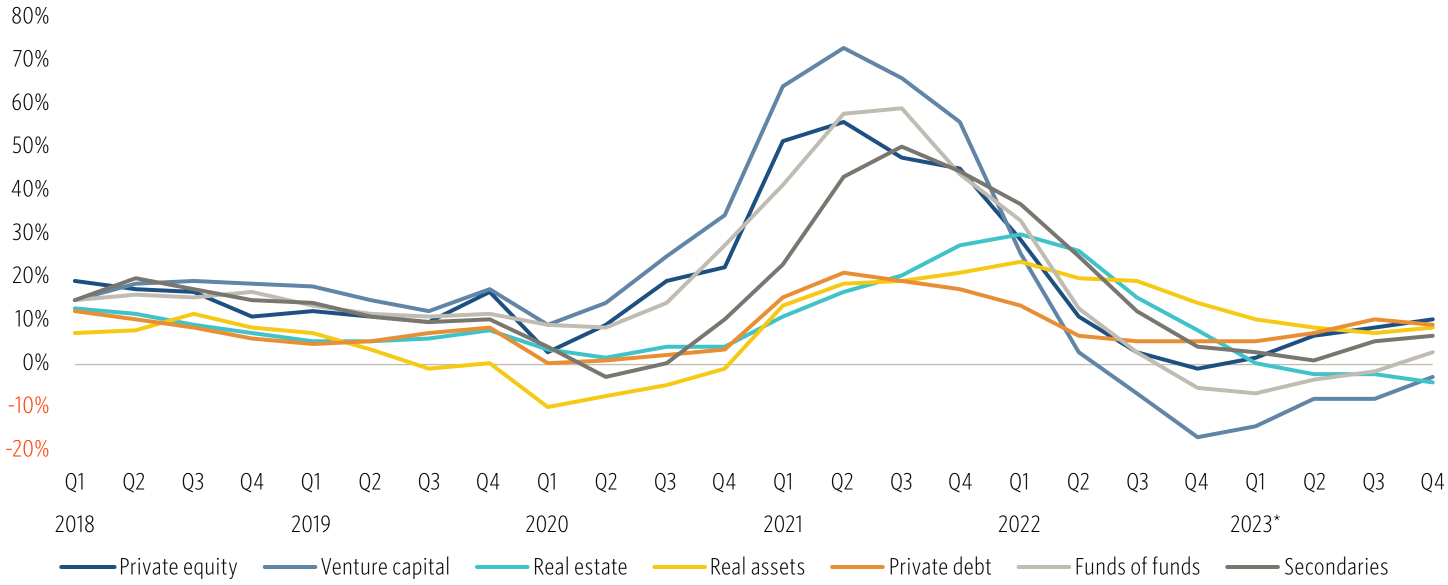
Overview

PitchBook indexes: Rolling one-year horizon IRRs by strategy



Source: PitchBook • Geography: Global • *As of December 31, 2023

Hilary Wiek, CFA, CAIA
Senior Strategist

If the private markets were frozen in the last year or so, there are signs that temperatures may be on the rise. While returns across strategies through December 2023 were still mostly subdued versus long-term averages—the exceptions being real assets and private debt—we are seeing signs of promising tailwinds for 2024 performance.

One thing that would really help to shake off the lethargy would be for the excitement in the public markets to extend beyond just seven tech stocks—something that appears to be starting.[1] Public markets are reaching new highs in the US and abroad. In May 2024, Morningstar reported that more than 75% of the 47 total markets in the MSCI ACWI Index were trading above their 200-day moving averages in "a sign of strong global breadth that was last seen in 2021."[2]

Another a good sign for private markets is a tentative revival in deal activity. As reported in our Q2 2024 US PE Breakdown and the Q2 2024 PitchBook-NVCA Venture Monitor, our estimates of recent PE and VC deal activity have tipped upward in the last few quarters. With the expectation of one or more US rate cuts in 2024 and the first European cuts having already been implemented in early June, the "L" of the LBO market may be finally becoming a more attractive option, greasing the dealmaking wheels.

Also helping to melt the freeze is the war chest of capital that credit funds—in both evergreen and drawdown structures—have accumulated in the past several years to fill the gap that banks left when regulatory burdens and other concerns caused them to step back from PE-backed deals. Our 2023 Annual Global Private Debt Report showed over $500 billion in private debt dry powder awaiting deployment.

Increased buying activity may sound like a case for increased capital calls rather than performance support, but if there is buying going on, by definition, there is also selling. People are agreeing on prices and deals are getting done. While a huge backlog of aging portfolio companies exists across the private markets, these are signs that market participants are finally ready to trade.

1: "11 Stocks Now Thrive as the Magnificent Seven Fall Apart," Investor's Business Daily, Matt Krantz, July 26, 2024.
2: "Global Stocks Hit Record Highs as More Countries Join in the Rally," Morningstar, Dow Jones, Joseph Adinolfi, May 20, 2024.

PitchBook indexes: Pooled IRR comparisons by vintage*

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	10-year horizon IRR
29.8%	11.5%	9.0%	13.7%	15.4%	12.8%	19.9%	19.8%	17.9%	18.2%	20.4%	19.5%	24.3%	22.2%	20.2%	25.6%	35.0%	16.4%
14.7%	9.6%	8.6%	10.5%	13.3%	12.4%	12.5%	16.0%	16.1%	15.4%	18.3%	18.0%	19.7%	21.4%	19.5%	22.3%	18.4%	15.4%
11.8%	7.9%	8.3%	10.3%	12.8%	12.1%	12.3%	15.3%	15.3%	14.5%	18.2%	18.0%	17.9%	19.0%	18.9%	20.0%	17.3%	13.6%
11.2%	7.3%	8.0%	8.8%	12.3%	12.0%	12.2%	14.8%	14.0%	14.1%	15.3%	14.7%	17.1%	16.2%	18.3%	18.0%	13.2%	13.2%
9.1%	7.2%	7.2%	7.4%	10.3%	12.0%	10.7%	14.2%	13.5%	11.8%	13.9%	12.7%	16.2%	15.5%	16.4%	17.8%	13.2%	13.0%
8.3%	7.0%	7.2%	6.4%	8.5%	11.0%	10.5%	14.0%	12.9%	10.7%	11.2%	12.6%	12.7%	11.6%	12.9%	16.0%	11.6%	10.3%
5.0%	6.7%	5.7%	5.5%	8.5%	8.9%	10.1%	13.2%	12.8%	10.4%	10.2%	11.5%	12.2%	11.3%	11.9%	13.5%	11.1%	10.0%
5.0%	4.1%	-2.5%	4.9%	6.9%	8.7%	7.7%	8.1%	11.8%	9.7%	10.1%	10.4%	10.0%	10.8%	10.7%	11.3%	9.5%	9.4%
2.2%	2.4%	-2.7%	3.6%	5.1%	6.3%	6.9%	6.1%	5.5%	7.3%	9.4%	7.5%	9.2%	9.1%	9.1%	10.3%	4.7%	8.4%
-4.2%	-6.6%	-2.8%	2.3%	-3.1%	0.7%	-6.8%	2.7%	4.0%	4.0%	6.7%	6.9%	6.5%	6.3%	8.1%	8.8%	3.1%	3.9%

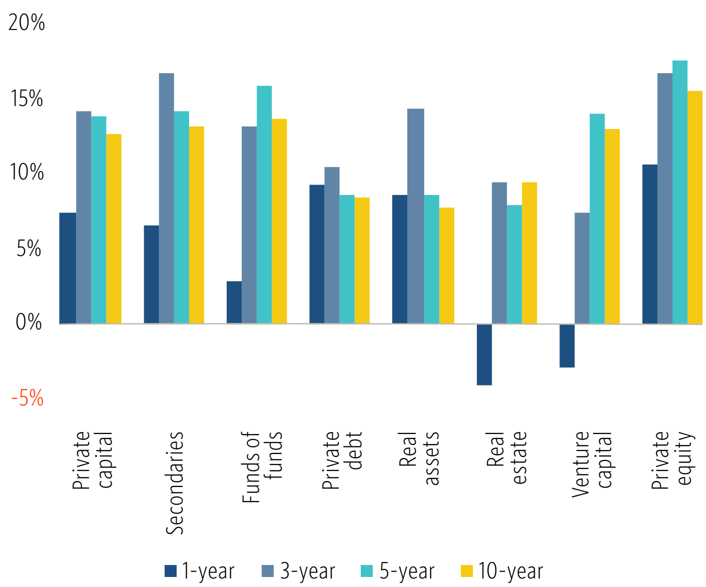
Buyout · Funds of funds · Growth-expansion · Infrastructure · Oil & gas
Private debt · Value-add real estate · Opportunistic real estate · Secondaries · Venture capital

Source: PitchBook • Geography: Global • *As of December 31, 2023

In the VC space, the price/sales multiple on our VC-Backed IPO Index indicates that valuations have remained much more attractive than during the 2020-2021 frenzy. This may not be great news for those deals that transacted in 2020 to 2021, but this should be an enticing entry point for those who have capital to put to work.

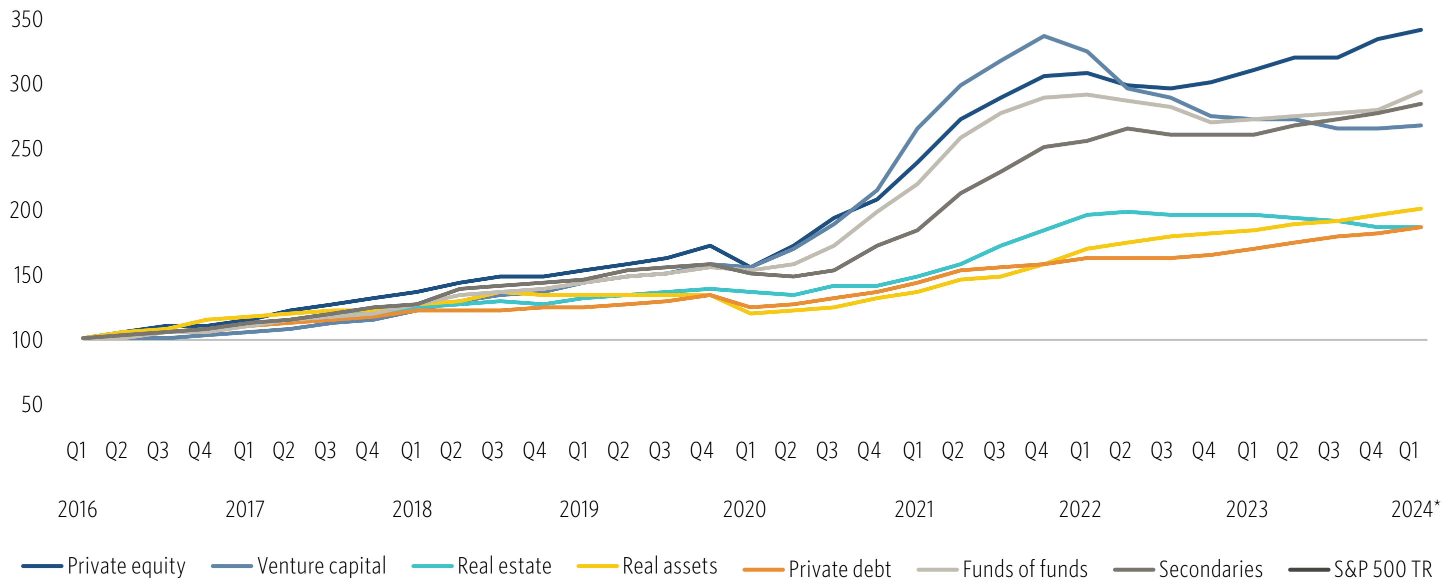
One disappointing signal to date is that strategic buyers have shown little inclination to leave the sideline compared with 2020 to 2022; those funds with aging portfolio companies will be ecstatic when corporates return to making strategic acquisitions that typically provide lift to current valuations. That positive sign may have to wait until the election-year uncertainty—in several geographies, not just in the US—is resolved. Businesses are more likely to make long-term decisions when the tax and regulatory environment is stable—regardless of the level, just having a clearer medium-to-long-term vision of the rules they will be playing by helps companies to get comfortable with making M&A decisions.

PitchBook indexes: Horizon IRRs by strategy*



Source: PitchBook • Geography: Global • *As of December 31, 2023

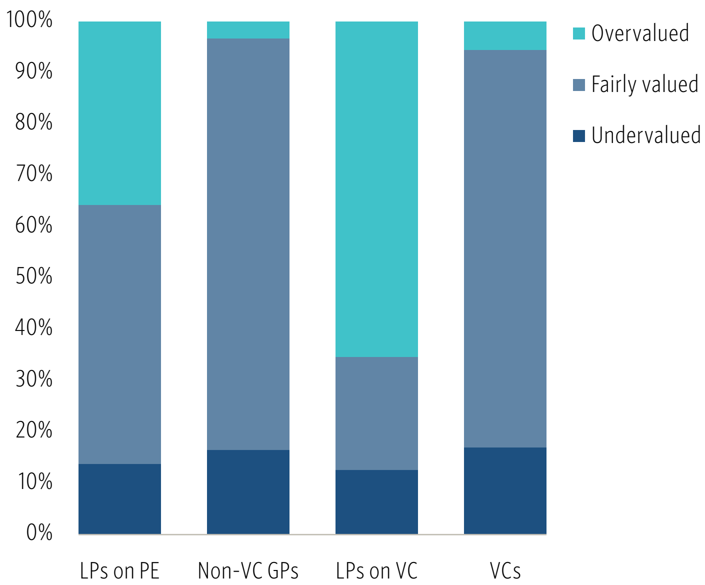
PitchBook indexes: Quarterly performance by strategy



Source: PitchBook • Geography: Global • *As of March 31, 2024
Note: Q1 2024 data is preliminary.

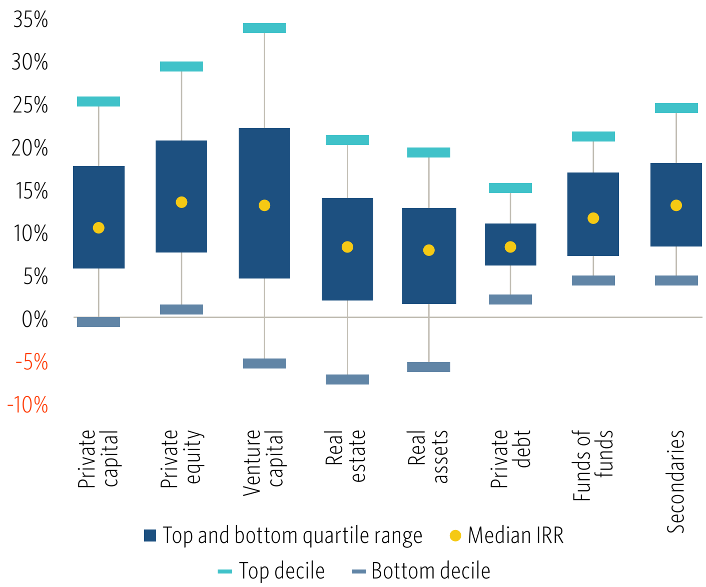
Despite positive signals, private markets are still suffering from a perception problem that may point to a lack of trust in the unrealized performance figures. Based on a sentiment survey we ran from June 21 to July 22, 2024, most GPs claim that their portfolios are fairly valued, but LPs are more skeptical. While 77% of VC respondents said that their portfolios were fairly marked, only 22% of LPs felt that way. 66% of those LPs said their VC portfolios were still overvalued.

PitchBook survey: Views on portfolio valuations*



Source: PitchBook • Geography: Global • *As of July 22, 2024

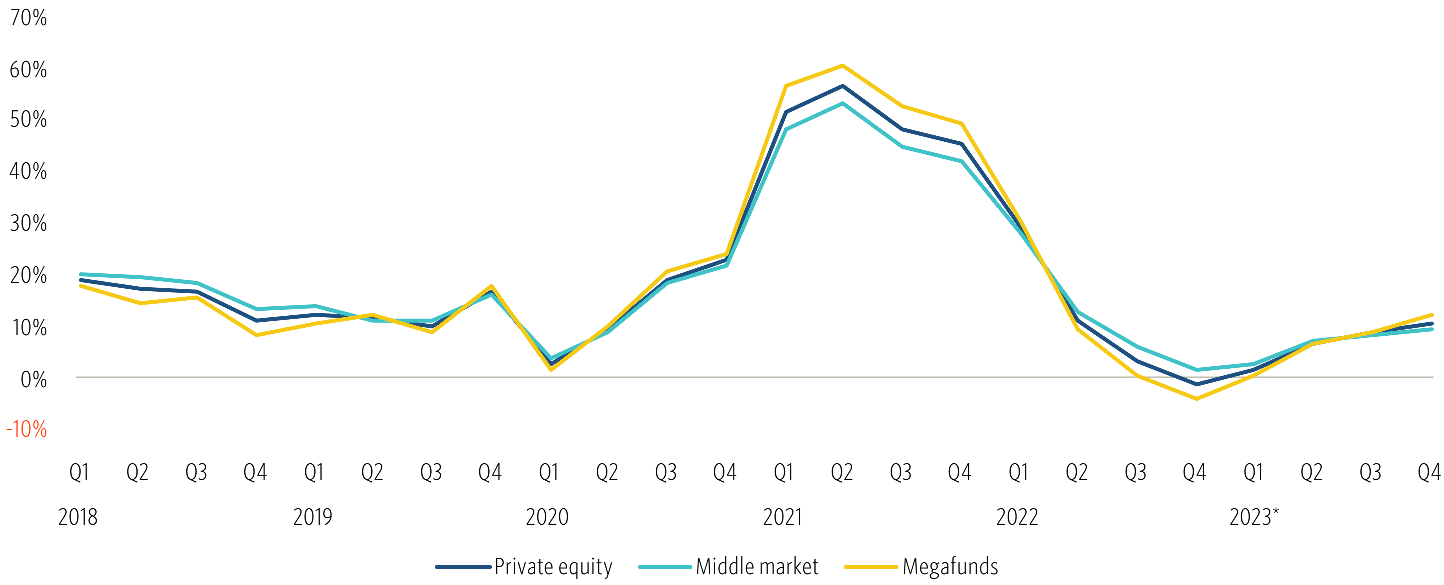
IRR fund performance dispersion by strategy (vintage years 2005-2018)*



Source: PitchBook • Geography: Global • *As of December 31, 2023

Private equity

PitchBook indexes: PE funds rolling one-year horizon IRRs by size category



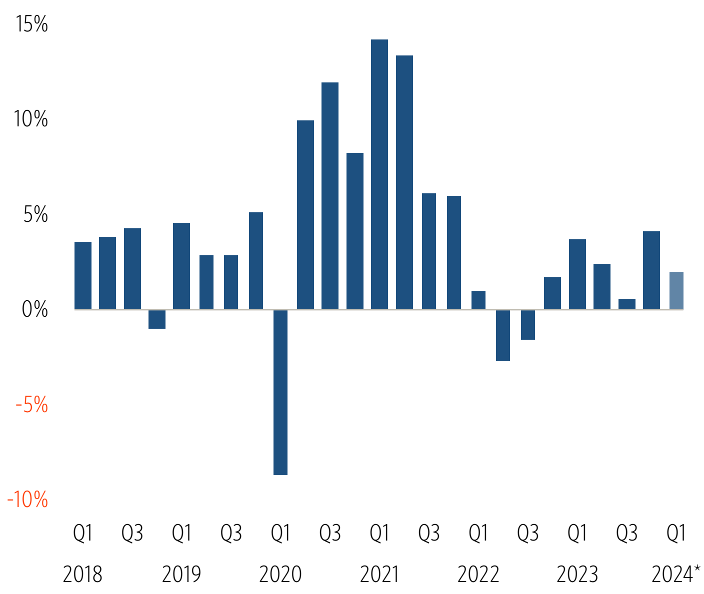
Source: PitchBook • Geography: Global • *As of December 31, 2023

Kyle Walters
Associate Analyst, Private Equity

After over a year of annualized returns in the single digits, PE funds globally entered double-digit territory for the calendar-year 2023, posting a one-year IRR of 10.5%. This is an uptick from 8.5% through Q3 2023 and well above the trough of -1.4% for calendar-year 2022. The positive momentum in PE fund performance looks to continue as preliminary quarterly returns for Q1 2024 show a positive 2.0%. Exit activity, a fundamental driver of PE fund performance, increased YoY through H1, indicating the exit market is potentially beginning to thaw, which would be a good sign for future returns. In recent quarters, PE firms were exiting their best assets and waiting to sell the rest in a more favorable environment.

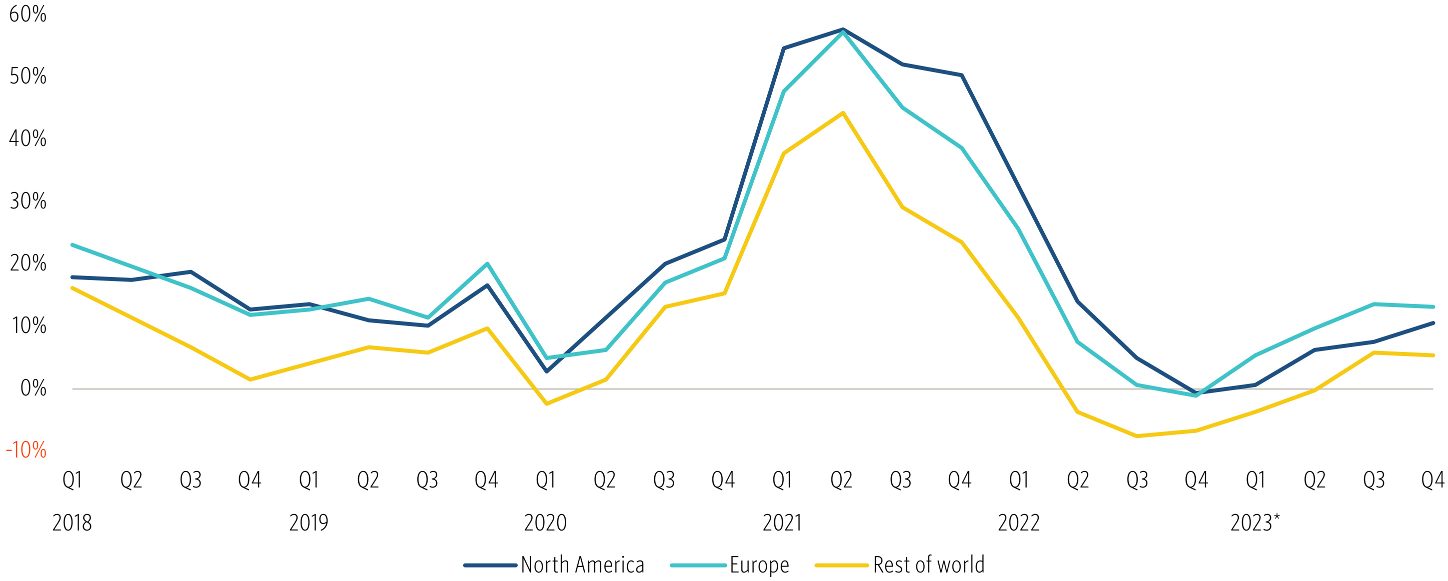
Similar to the overall PE market, megafunds (funds over $5 billion) reentered double-digit territory after posting single-digit IRRs for the last five quarters. Prior to this recent performance rut, megafunds had posted double-digit returns in 34 of the past 40 quarters—an incredibly consistent 10-year run. Lately, smaller funds have performed even better. For instance, US middle-market funds (funds between $100 million and $5 billion) posted rolling one-year IRRs that outperformed those of US megafunds for six consecutive quarters until the recently minted Q4 2023 IRR reversed that relationship. However, despite the recent outperformance from smaller funds, megafunds continue to command over half of the fundraising market.

PitchBook indexes: PE funds quarterly returns



Source: PitchBook • Geography: Global • *As of March 31, 2024
Note: Q1 2024 data is preliminary.

PitchBook indexes: PE funds rolling one-year horizon IRRs by region

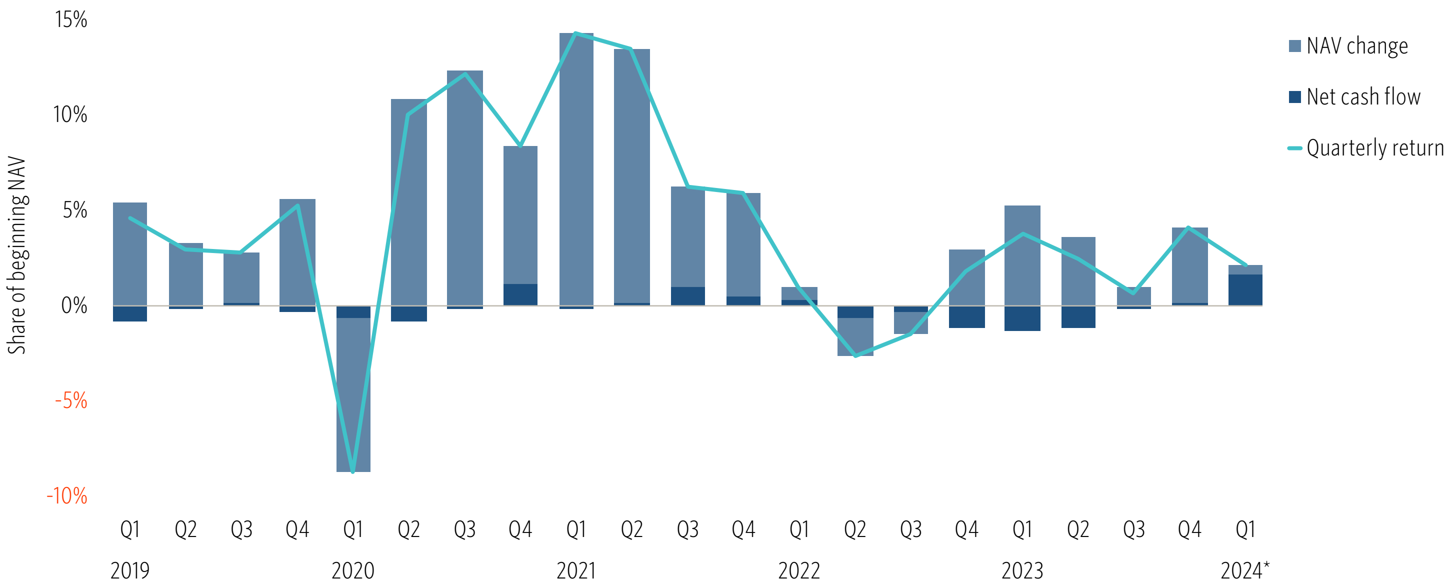


Source: PitchBook • Geography: Global • *As of December 31, 2023

Through the first quarter of 2024, [the six major public PE firms] continued to report positive signs from their portfolio companies. Cost pressures continued to reduce alongside increased revenues, thus feeding improving operating margins, which bodes well for fund returns. These public alternative asset managers offer insights into how fund returns may play out in the quarters following the marks we are currently able to show through year-end 2023.

Furthermore, these managers invest worldwide and can provide insights globally, not just for the US or Europe. That said, for the 12 months ended Q1 2024, the median gross return reported by these firms in their core PE strategies was 8.8%. Neither these firms nor the broader asset class has yet achieved liftoff, but continued strong performance from the S&P 500 and other public indexes will likely help to boost future PE fund performance further into the double digits.

Private Equity Index quarterly return by source

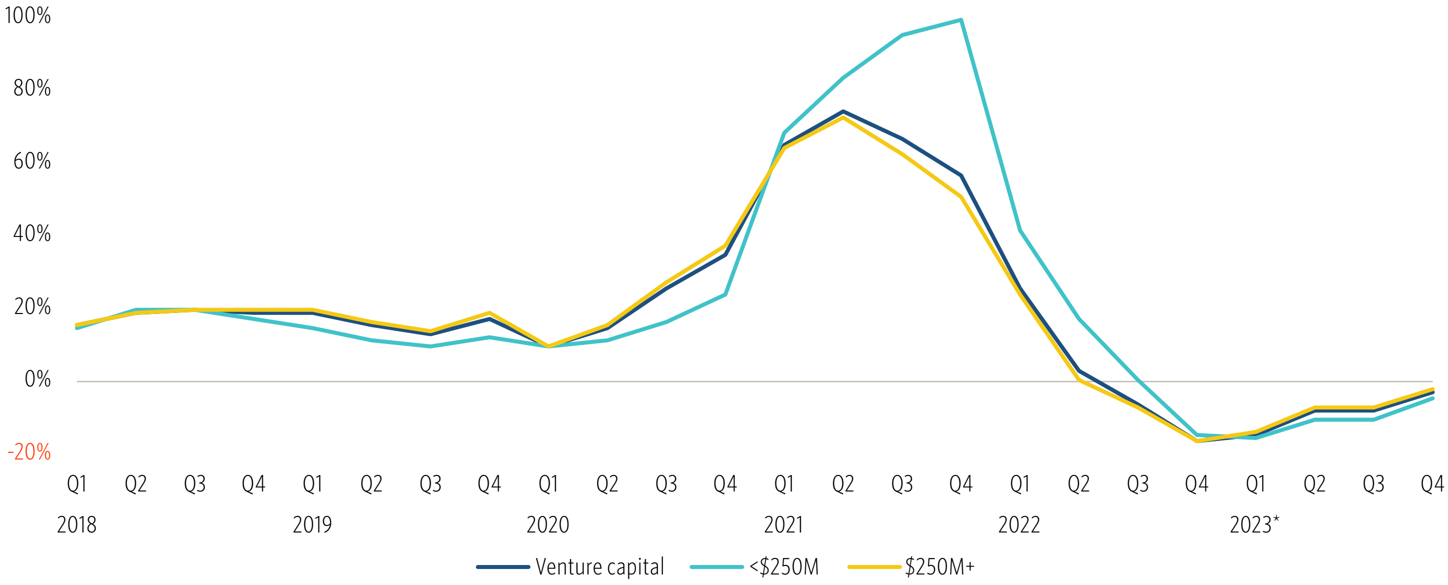


Source: PitchBook • Geography: Global • *As of March 31, 2024

Note: Q1 2024 data is preliminary. Net cash flows include distributions received by LPs and contributions to GPs for investment. Net asset value (NAV) change captures the unrealized markups or markdowns after those cash flows have been factored in.

Venture capital

PitchBook indexes: VC funds rolling one-year horizon IRRs by size bucket



Source: PitchBook • Geography: Global • *As of December 31, 2023

Emily Zheng
Senior Analyst, Venture Capital

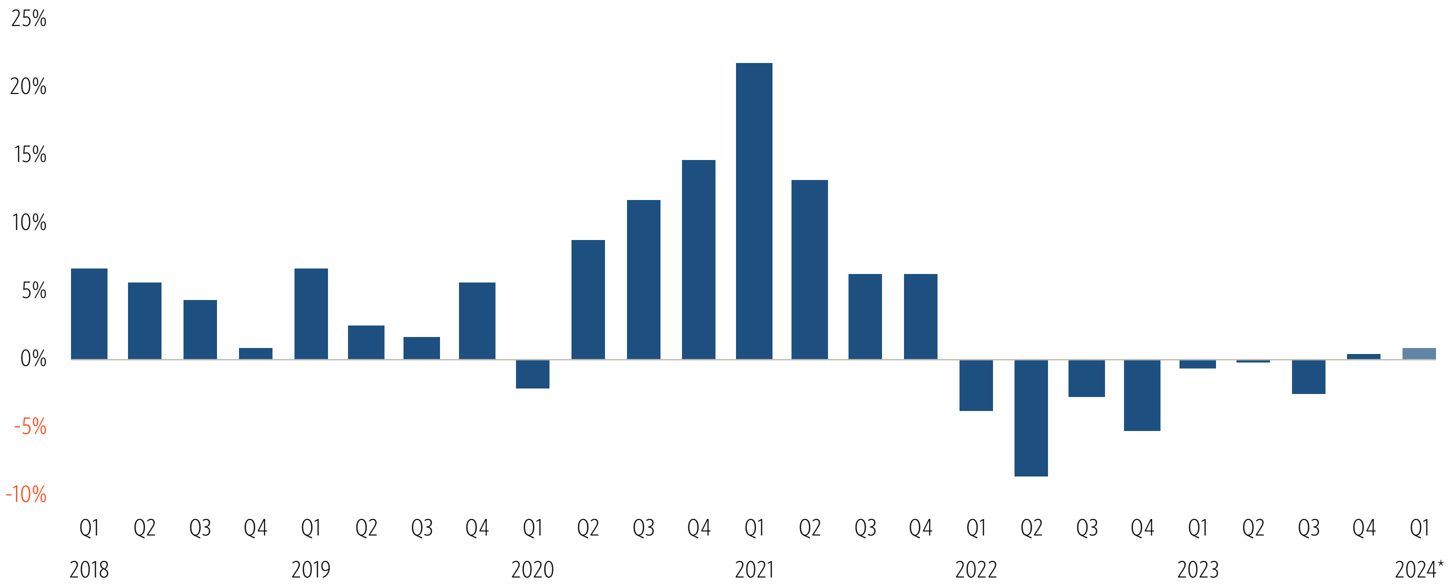
Venture found little relief in 2023. Even though one-year IRRs remained negative through six consecutive quarters through the end of the year, VC fund performance seems to have bottomed out, providing a glimmer of hope, though it is far too early to claim a rebound.

Q4 2023 had the first positive quarterly return since Q4 2021, though it was only nominally up, at 0.4%. Fund performance has struggled because of the exit stalemate from large companies, many of which have been held in portfolios for lengthy time frames. Without exits, funds and investors cannot realize returns, so capital is not available to be reinvested. Investor flight to quality has raised the bar for additional fundraising, leading to fewer startups that can move on to the next stage, thus stifling growth and exacerbating the venture doldrums. Many startups completing follow-on rounds are now experiencing flat and down rounds because the market cannot support the high valuations they last received two to three years ago

PitchBook indexes: VC funds rolling one-year horizon IRRs by region

Source: PitchBook • Geography: North America and Europe
*As of December 31, 2023

PitchBook indexes: VC funds quarterly returns



Source: PitchBook • Geography: Global • *As of March 31, 2024
Note: Q1 2024 data is preliminary.

when capital flowed freely. Venture-backed companies should expect investor markdowns as the macroeconomic environment remains muted and public comparables have weakened.

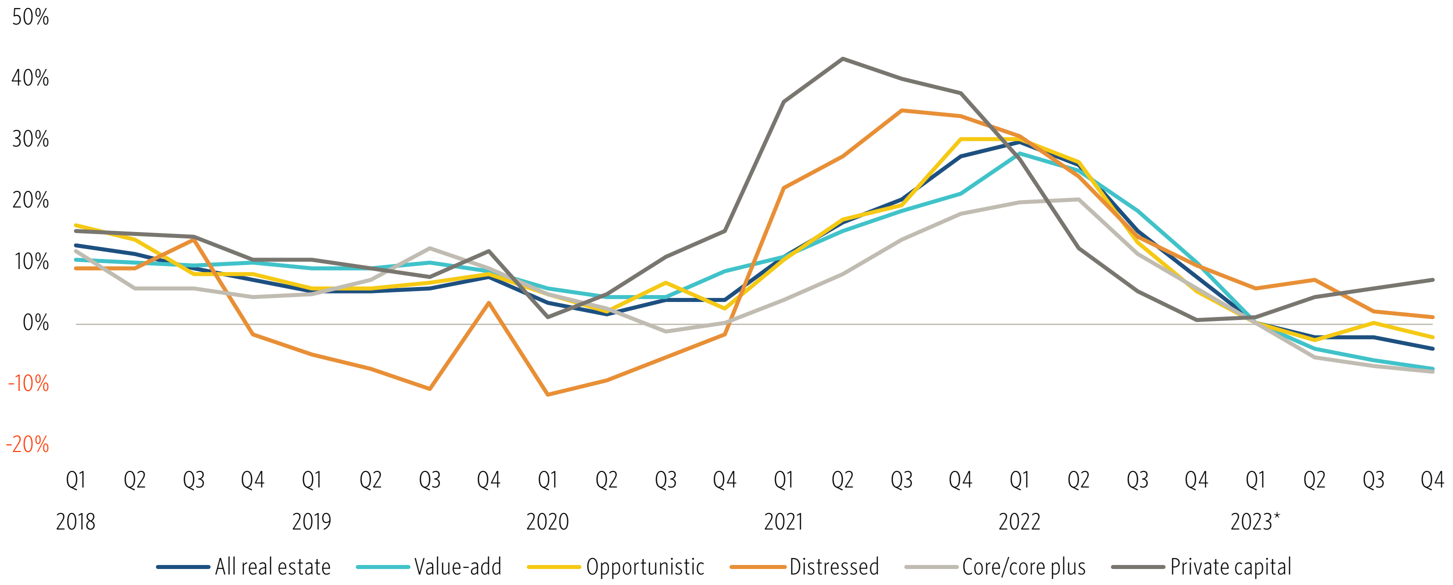
While strong startups have the luxury of waiting for a friendlier exit environment, lower-conviction companies approaching the end of their cash runway have been accepting small M&A deals that provide investors little to no payout beyond invested capital.[3] Venture secondaries are surging in popularity as a liquidity alternative; time will tell whether their increased adoption can provide much-needed relief to LPs in need of cash distributions.

Venture fund performance will likely remain muted until interest rates drop significantly. Lower interest rates will play a large role for VC exits because they will decrease the cost of capital for the acquirers of venture businesses and provide a tailwind for growth and earnings. This multiple expansion will help the public market accommodate high private valuations, so more companies will be able to exit via IPO without needing to take a down round, which increases public listings and investor interest in VC. The market was optimistic in the beginning of 2024 when economists forecast potentially six interest rate cuts from the Federal Reserve (the Fed). These hopes have since been dashed for this year because through July, no rate cuts have yet occurred.

3: For more about this, please reference the Q2 2024 PitchBook-NVCA Venture Monitor.

Real estate

PitchBook indexes: Real estate funds rolling one-year horizon IRRs by type



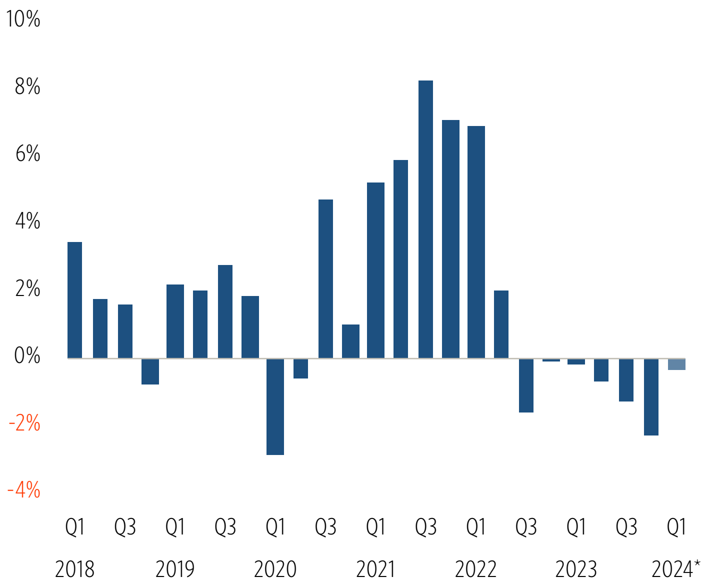
Source: PitchBook • Geography: Global • *As of December 31, 2023

Juliet Clemens
Analyst, Fund Strategies

Through Q4 2023, real estate's one-year IRR dropped to -4.2% as compared with the 7.4% gain across the broader private capital universe, marking real estate as the lowest-performing strategy of all the asset classes. Elevated interest rates have significantly impacted the price of leverage, which hits real estate disproportionately. Real estate funds have historically used generous amounts of leverage to secure higher returns, typically using anywhere from 40% to 60% leverage across core and core-plus strategies, up to roughly 75% for value-add and opportunistic, and between 45% and 75% for distressed, as discussed in our Private Markets Real Estate Fundamentals analyst note.

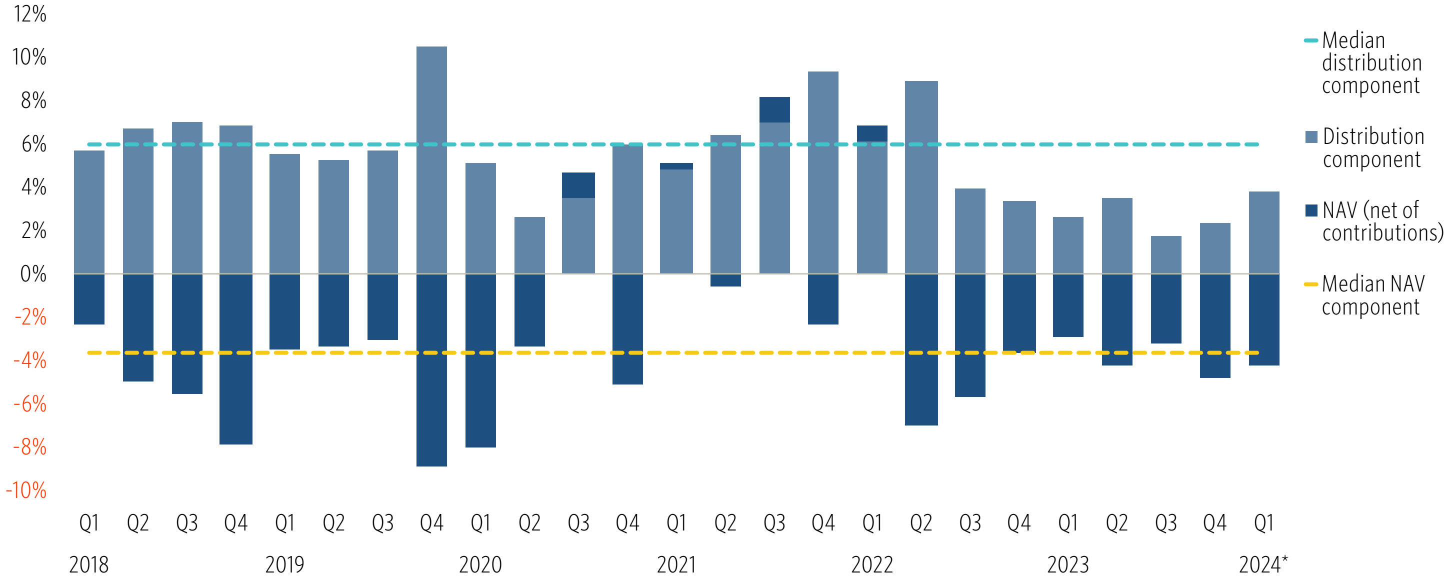
Across private real estate strategies, core and core-plus IRRs were hit the hardest in 2023, falling 7.7% for the year. However, higher-risk strategies were not unaffected. The IRR for value-added funds over the same period was -7.6%, while for opportunistic strategies, the figure landed at -2.2%. Distressed funds were the only substrategy to generate a

PitchBook indexes: Real estate funds quarterly returns



Source: PitchBook • Geography: Global • *As of March 31, 2024
Note: Q1 2024 data is preliminary.

PitchBook indexes: Real estate funds quarterly returns by source (share of beginning NAV)



Source: PitchBook • Geography: Global • *As of March 31, 2024
Note: Q1 2024 data is preliminary. Median distribution and NAV are calculated based on full return history.

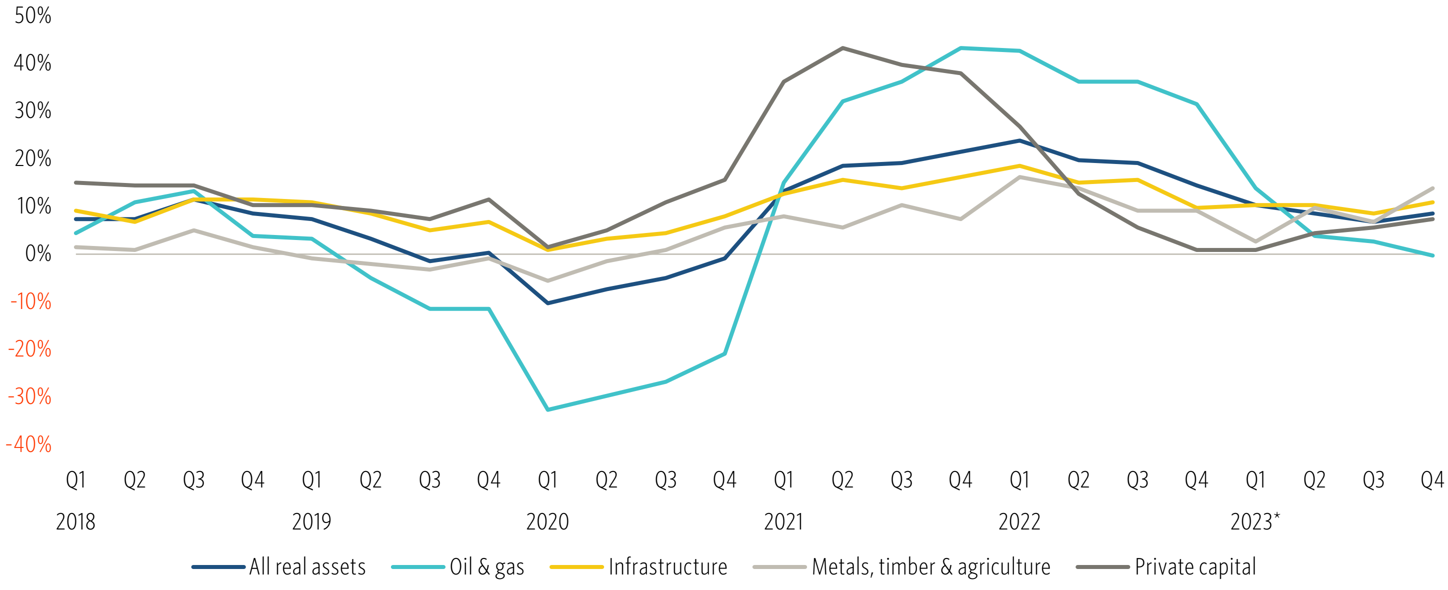
positive IRR, at 1.1%. Given that distressed is the riskiest strategy within the real estate universe, distressed funds often use less leverage and eke out returns in other ways.

More than halfway through 2024, the broader real estate market is still undergoing turbulence, and real estate valuations remain depressed. According to Jefferies, LP-led real estate secondaries transactions have been priced at roughly 74% of NAV through the first half of the year,[4] the second-largest discount across asset classes. Though this pricing mechanism reflects only a segment of broader real estate, it is one indicator of the struggle the private real estate market continues to face.

4: "H1 2024 Global Secondary Market Review," Jefferies, July 2024.

Real assets

PitchBook indexes: Real assets funds rolling one-year horizon IRRs by type



Source: PitchBook • Geography: Global • *As of December 31, 2023

Anikka Villegas
Senior Analyst, Fund Strategies & Sustainable Investing

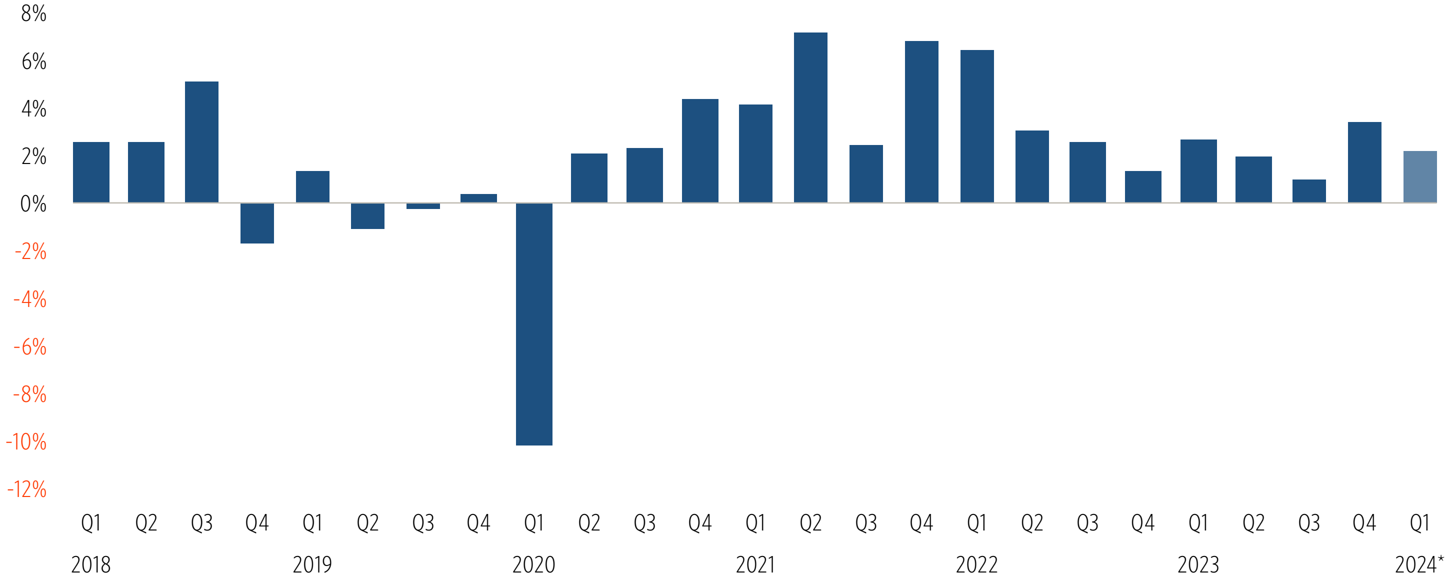
Private infrastructure's robust performance persisted into 2024, based on our preliminary figures. Those that allocated capital to the asset class for its countercyclical and inflation-hedging characteristics have not been disappointed thus far, as returns have remained steadfast despite the past few years' challenges. Of course, performance varies by strategy, geography, and sector. Digital infrastructure has been one of the bright spots for the asset class, as discussed in our recent report Infrastructure Investors Capitalize on the Digital Revolution. Supported by government spending, growing demand for telecom and datacenter capacity, and other idiosyncratic drivers such as telecom infrastructure's low operating costs and the popularization of larger-scale colocation datacenters, digital infrastructure has generally outperformed other sectors over the past decade. Transportation infrastructure has been another strong performer, with freight transportation demand benefiting from economic growth, global trade, and shifts in the supply chain, as noted in our Q1 2024 Global Real Assets Report.

PitchBook indexes: Real assets funds rolling one-year horizon IRRs by region

Source: PitchBook • Geography: North America and Europe
*As of December 31, 2023

PitchBook

PitchBook indexes: Real assets funds quarterly returns



Source: PitchBook • Geography: Global • *As of March 31, 2024
Note: Q1 2024 data is preliminary.

Passenger transportation infrastructure, on the other hand, has had a slightly bumpier ride, with the COVID-19 pandemic disrupting travel, and inflation and recessionary fears shifting consumer preferences toward lower-cost alternatives.

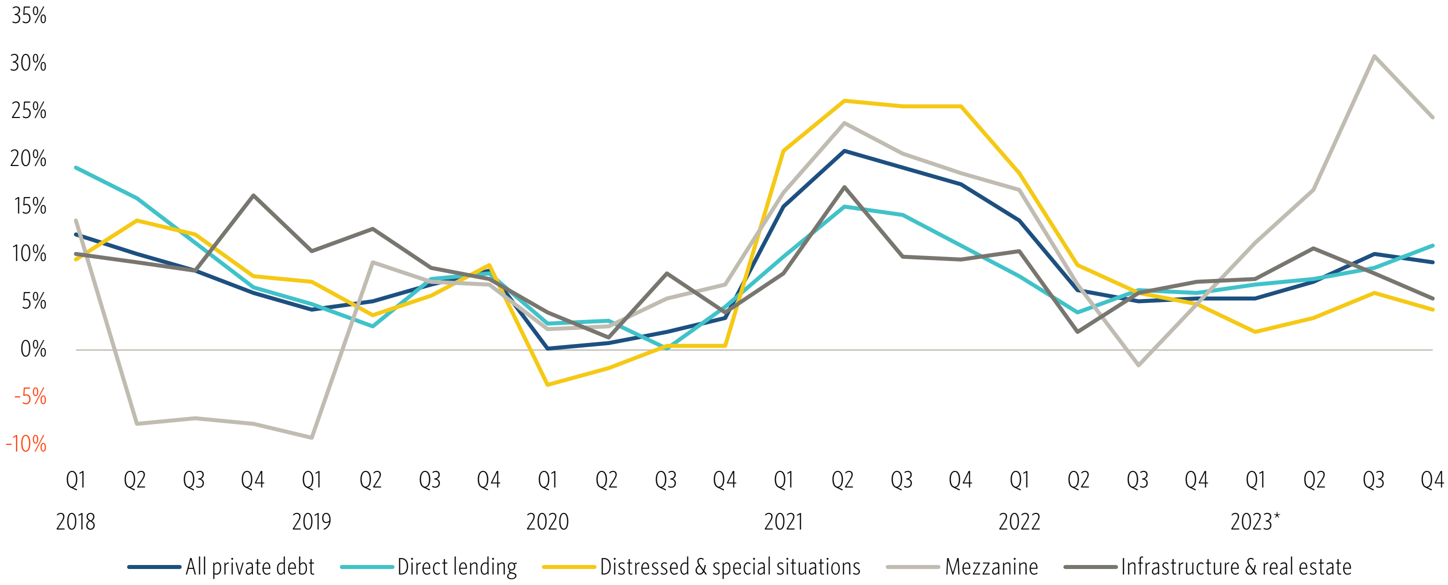
On the natural resources front, oil & gas's decline in performance slowed—but did not halt—as oil prices fell below $70 per barrel in December 2023. While there was a rebound up to $87 per barrel in April 2024, prices then dipped back below $75 per barrel in June.[5] Geopolitical uncertainty and other macroeconomic factors will continue to cause price fluctuations, but we do not expect private oil & gas fund returns to hit 2021 and 2022's highs again anytime soon. In contrast, the "other natural resources" category, which encompasses metals, timber, and agriculture funds, has been faring well. The belief by some that we are at the beginning of a commodities super-cycle may help explain why this might be, with a mismatch between production timelines and short-term investment strategies creating the conditions for a run-up in prices over the next decade.[6]

5: "Crude Oil Prices: West Texas Intermediate (WTI) - Cushing, Oklahoma," Federal Reserve Economic Data, July 24, 2024.
6: Read more about this in our Q1 2024 Global Real Assets Report.

PitchBook

Private debt

PitchBook indexes: Private debt funds rolling one-year horizon IRRs by type



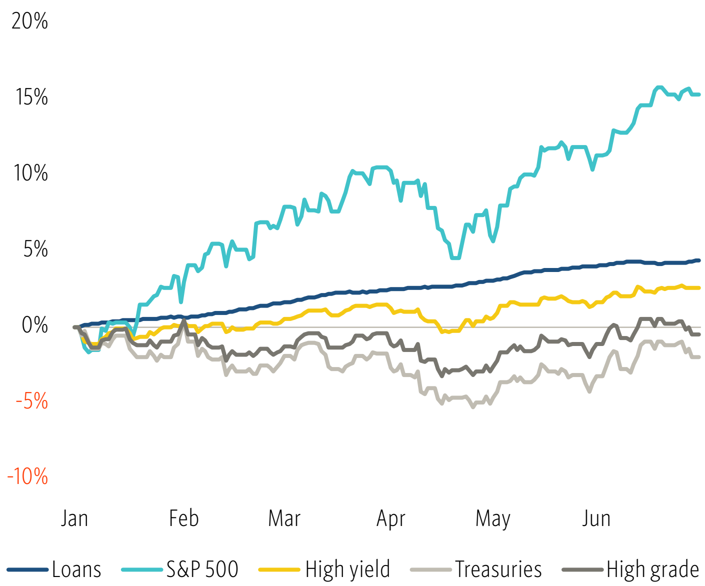
Source: PitchBook • Geography: Global • *As of December 31, 2023

Tim Clarke
Lead Analyst, Private Equity

Our final estimate of fund returns in private debt for 2023 is 9.2%, net of fees. 2023 was a banner year for floating rate loans, which constitute most of private debt fund holdings. The Morningstar LSTA US Leveraged Loan Index, which tracks the more liquid syndicated loan market, is the best proxy for measuring private debt and direct lending funds especially, allowing us to close the gap between lagged private fund returns and today. The index posted its second-best-ever return in 2023 of 13.4%. That compares to a return of 11.1% by direct lending funds, net of fees. The LSTA index includes both appreciation and coupon return (current interest received), whereas fund returns are mostly coupon-related due to the nontraded nature of the underlying loans. Excluding the appreciation factor, the LSTA index returned 9.9% in 2023. This compares to roughly 5% per annum between 2010 and 2021.

More elevated returns from floating rate loans have continued in 2024. In H1, the LSTA index returned 4.7% in coupon alone and 4.4% inclusive of a small valuation decline. This compares favorably to a total return of 2.6% in US high yield, -0.45% in US corporates, and -2.0% in US 10-year Treasuries.[7] Relative

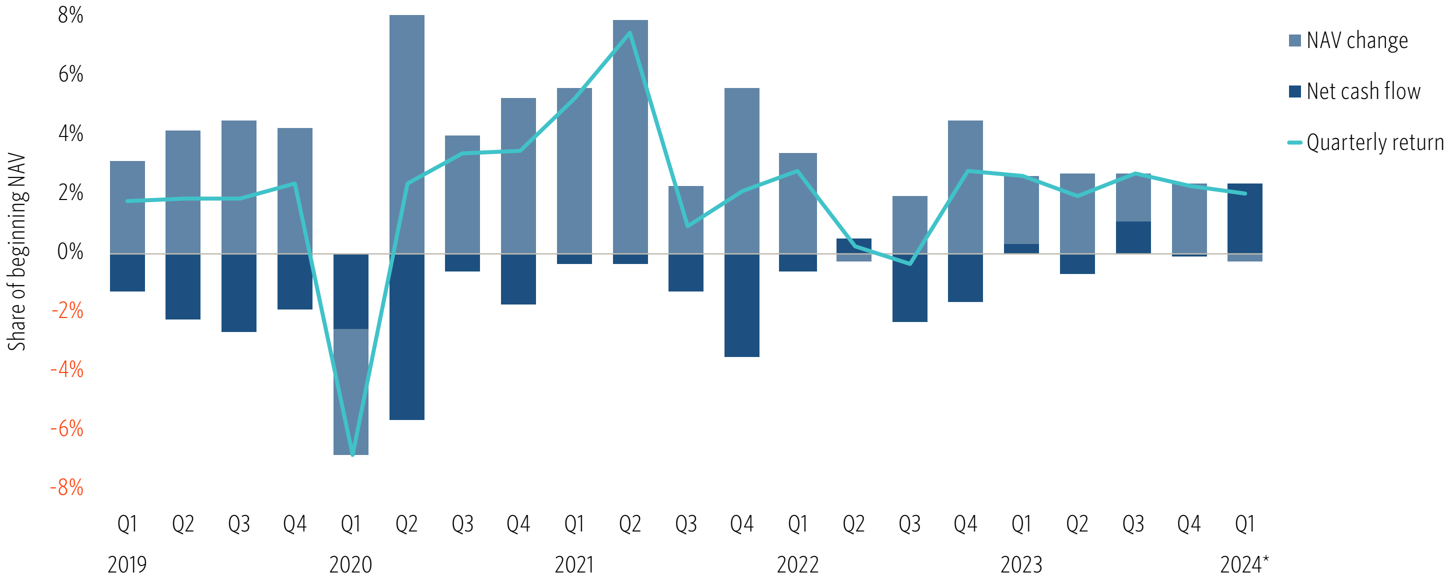
Loan, S&P 500 high-yield, Treasuries, and high-grade returns in H1 2024*



Sources: PitchBook | LCD; Morningstar; S&P Dow Jones Indexes • Geography: US
*As of June 30, 2024

7: "S&P U.S. Treasury Bond Current 10-Year Index," S&P Global, June 30, 2024.

PitchBook indexes: Private debt quarterly return by source



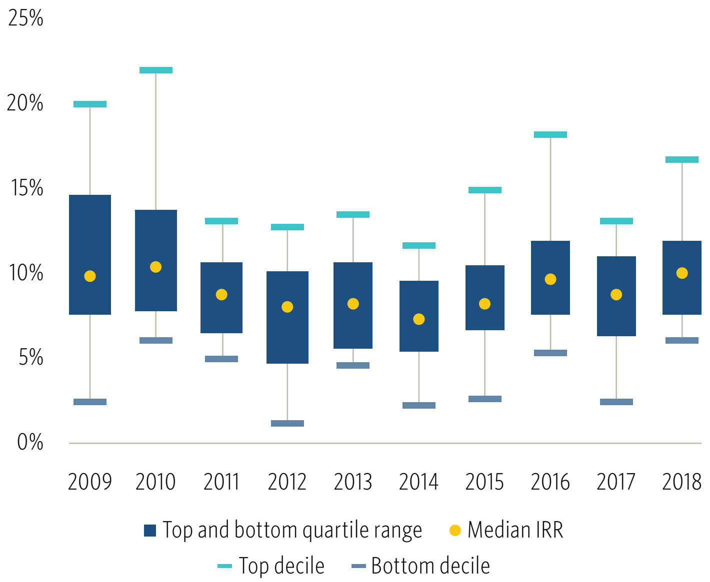
Source: PitchBook • Geography: Global • *As of March 31, 2024

Note: Q1 2024 data is preliminary. Net cash flows include distributions received by LPs and contributions to GPs for investment. Net asset value (NAV) change captures the unrealized markups or markdowns after those cash flows have been factored in.

to public equity indexes, everything has trailed the S&P 500 Index return of 15.3% YTD. However, relative to the other seven major private market strategies, all of which are equity in nature, private debt was eclipsed only by private equity in 2023. Even there, the gap was uncomfortably close given the higher risk premium that normally attaches to private equity investing relative to private debt. Our final estimate of private equity fund returns for 2023 was 10.5% versus 9.2% for private debt. We do not expect that will change much in Q1 2024, as our preliminary return estimates for both strategies are virtually identical at 2.0% apiece. As long as private debt ranks near the top of private market return tables while featuring historically low volatility, it should continue to attract strong flows from investors seeking attractive risk-adjusted returns.

Of the major substrategies and regions, mezzanine funds dominated in 2023 with a return of 24.5%. European debt funds handily beat North American funds at 10.9% and 8.9%, respectively, despite the fact that coupon returns were lower in Europe all year. The main risk to private debt returns at this juncture is steeper-than-expected rate cuts by global central banks, which would signal a hard landing by global economies. A recession would hurt non-investment-grade credits the hardest, which describes most private debt borrowers. Additionally, steeper rate cuts would likely accelerate a rotation out of floating rate credit and into fixed rates, thus further exacerbating conditions for private debt borrowers and repayment prospects for lenders. As of now, a soft landing accompanied by more gradual rate cuts is the ideal scenario for private debt returns and investors.

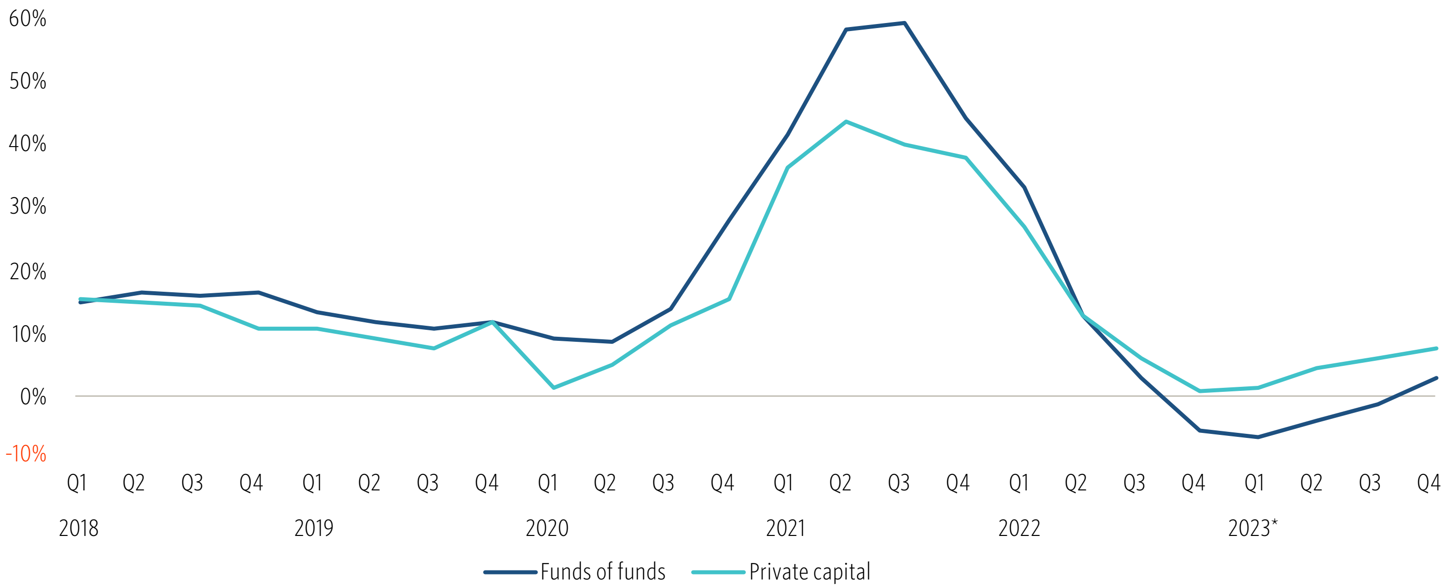
PitchBook indexes: Private debt fund performance dispersion by vintage*



Source: PitchBook • Geography: Global • *As of December 31, 2023

Funds of funds

PitchBook indexes: FoF rolling one-year horizon IRRs



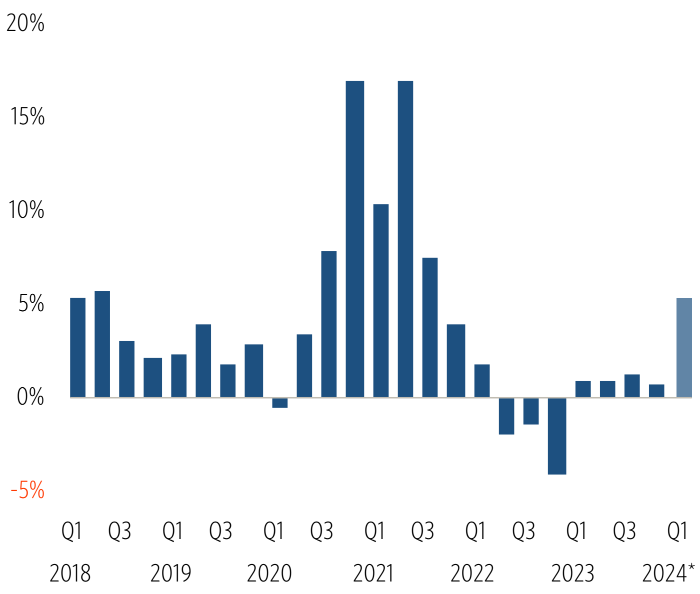
Source: PitchBook • Geography: Global • *As of December 31, 2023

Juliet Clemens
Analyst, Fund Strategies

FoF generated a 2.9% return in 2023, bucking the trend of four consecutive quarters of negative one-year returns. Though FoF still underperformed against private capital overall, the gap between the two has narrowed significantly. Buyout valuations began to stabilize in 2023 in a trend that continued into the first half of 2024, which positively impacted the broader FoF universe—and PE FoF specifically. The 2023 PE FoF return was 7.6%, surpassing the broader private capital return of 7.4% by just a hair. As detailed in the Q4 2023 Private Capital Indexes report, PE-focused FoFs constitute 49.8% of total FoFs, representing a hefty proportion of overall FoFs.

Another development that may be driving better returns for FoF is the utilization of the secondary market. According to Jefferies, in H1 2023, FoF accounted for 9% of sellers in LP-led transactions by volume.[8] By H1 2024, this percentage increased to 17%.[9] The increased participation in the secondary market by FoF is leading to higher quarterly

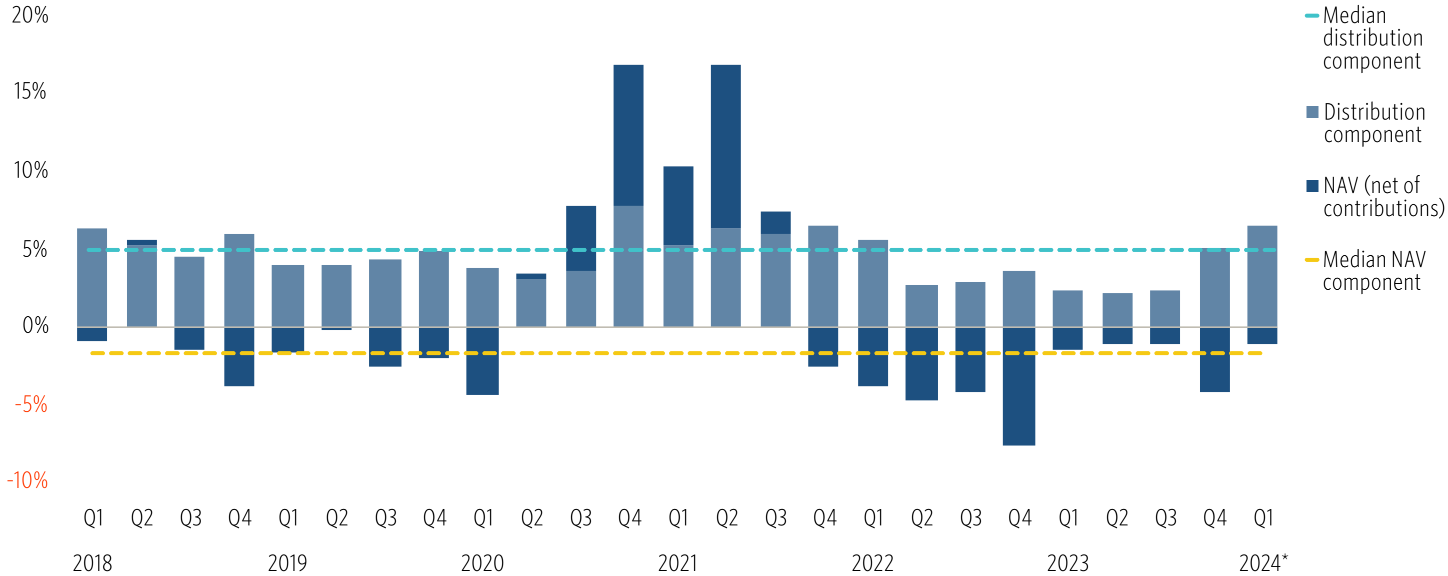
PitchBook indexes: FoF quarterly returns



Source: PitchBook • Geography: Global • *As of March 31, 2024
Note: Q1 2024 data is preliminary

8: "H1 2023 Global Secondary Market Review," Jefferies, July 2023.
9: "H1 2024 Global Secondary Market Review," Jefferies, July 2024.

PitchBook indexes: FoF quarterly return by source (share of beginning NAV)



Source: PitchBook • Geography: Global • *As of March 31, 2024
Note: Q1 2024 data is preliminary. Median distribution and NAV are calculated based on full return history.

distribution figures—something greatly appreciated by LPs of these traditionally long-lived vehicles. As traditional exit routes remain stagnant, it will be interesting to see whether FoFs continue to increase their usage of the secondary market to generate liquidity.

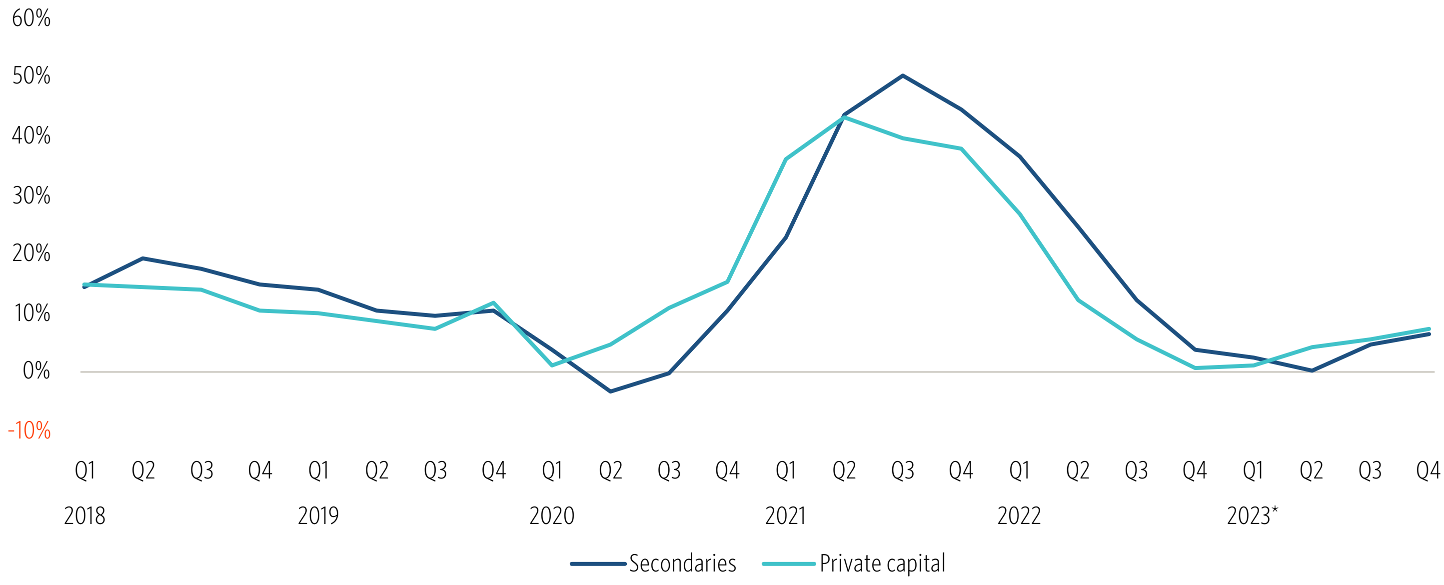
Unsurprisingly, VC FoF continued to struggle through the end of the year, notching a -5.9% one-year return, underperforming the -3.0% return from primary VC funds.

However, this measurement does not necessarily suggest continued doom and gloom, as some new entrants to the VC FoF market are betting on securing access to high-quality VC funds that are buying companies while prices are still low. As discussed in the Q1 2024 Global Private Market Fundraising Report, a handful of new FoF vehicles were launched in the first quarter, some of which are VC FoF strategies. Since the report's publication, LTV Capital also announced the launch of its own VC FoF program.[10]

10: "Fund-of-Funds Downturn? No Problem, Says Duo of Ex-Anthemis VCs," PitchBook, Michael Bodley, July 19, 2024.

Secondaries

PitchBook indexes: Secondaries funds rolling one-year horizon IRRs



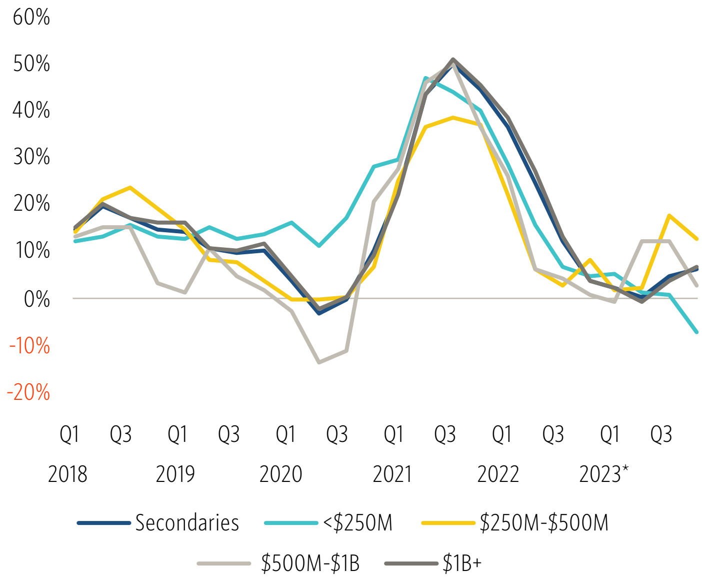
Source: PitchBook • Geography: Global • *As of December 31, 2023

Juliet Clemens
Analyst, Fund Strategies

After underperforming the private capital universe in Q2 2023, the full-year 2023 return for secondaries funds came in at 6.5%, close to par with the broader private capital universe return of 7.4%. Since the end of 2023, the buyer-seller gap has narrowed across several asset classes, encouraging transaction volume. According to Jefferies, average pricing across all LP-led transactions moved from 85% of NAV in H2 2023 to 88% in H1 2024.[11] Buyout LP-led transactions are selling for the smallest discounts, with the discount to NAV just 6%, which is good news for the sellers. However, it remains to be seen if those purchase prices will provide attractive returns to the buyers.

With the stabilization in buyout pricing, PE secondaries funds garnered a 5.9% 2023 return. As detailed in our [Q4 2023 Secondaries Benchmarks] report, VC secondaries were down 7.2%, having been impacted by the closed IPO market and valuation hits from flat to down rounds. General secondaries (secondary funds that are asset-class agnostic and buy assets

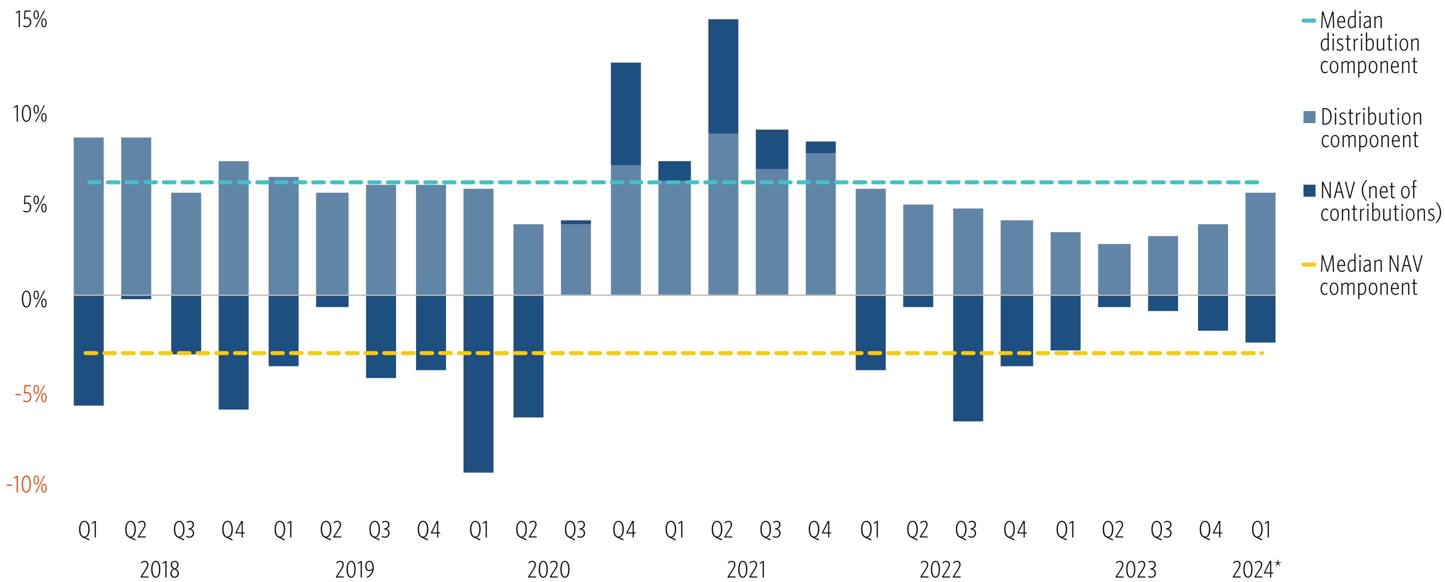
PitchBook indexes: Secondaries funds rolling one-year horizon IRRs by size bucket



Source: PitchBook • Geography: Global • *As of December 31, 2023

11: "H1 2024 Global Secondary Market Review," Jefferies, July 2024.

PitchBook indexes: Secondaries funds quarterly returns by source (share of beginning NAV)



Source: PitchBook • Geography: Global • *As of March 31, 2024
Note: Q1 2024 data is preliminary. Median distribution and NAV are calculated based on full return history.

across various asset classes) were up 7.1% in 2023, close to the overall private capital return for the same period.

Though VC secondaries returns remain negative, several VC secondaries firms are actively seeking to deploy capital in a slow exit environment, providing potentially excellent pricing for secondaries buyers. Such firms include Industry Ventures, which closed on Industry Ventures Partnership Holdings VII in early July 2024,[12] and Kline Hill's partnership with Cendana to deploy $105.0 million into early-stage VC secondary stakes and shares.

In terms of fund sizes, funds between $250 million and $500 million secured the best performance with a 2023 return of 12.7%. The second-best-performing category was funds over $1 billion, at 6.9% through the same period, demonstrating a wide gap between the best and second-best performers.

Lagging all other fund sizes were funds under $250 million, which had a one-year IRR of -6.8%—far worse than the rest of the secondary fund size universe. Funds smaller than $250 million potentially have more exposure to VC assets, which could explain the stark divergence in performance.

Given the dynamics facing the secondary market today, secondaries will likely continue to perform relatively well in the foreseeable future. Preliminary returns for Q1 2024 indicate a sixth consecutive positive quarter for the group. Record levels for public stock indexes in Q2 and Q3 2024 are inspiring hope that the exit environment may loosen up, which will be key to boosting returns in secondaries. If secondary funds can keep the hold period down and exit assets at satisfactory prices, these funds may be able to generate healthy returns.

12: "Industry Ventures Closes Seventh Hybrid Fund With $900M," Alternatives Watch, July 3, 2024.

Additional research

Private markets

Q3 2024 Analyst Note: Infrastructure Investors Capitalize on the Digital Revolution

Download the report here

2024 US Private Equity Outlook: Midyear Update

Download the report here

Q4 2023 PitchBook Global Benchmarks Report (with preliminary Q1 2024 data)

Download the report here

Q2 2024 PitchBook-NVCA Venture Monitor

Download the report here

July 2024 Global Markets Snapshot

Download the report here

Q2 2024 Allocator Solutions: Private Market Opportunities Midyear Update

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