

Content Includes:

PrEQIn Private Equity Quarterly Index: All Strategies

We look at the PrEQIn All Private Equity, Buyout, Venture Capital, Fund of Funds and Distressed Private Equity Indices alongside the S&P 500 Index.

Since the Crisis: PrEQIn Index vs. S&P 500

We examine the PrEQIn Indices from December 2007 onwards to look at the impact of the financial crisis and subsequent recovery of each index.

PrEQIn Index by Fund Quartile Ranking

We assess the Index returns for each fund performance quartile.

Private Equity Quarterly Index – PrEQIn

March 2013



The Need for a Private Equity Index

Returns from private equity funds are typically measured using IRRs and multiples, which enable direct comparisons of private equity funds to other private equity funds.

However, asset allocation tasks call for metrics that facilitate comparison between private equity returns and those of other asset classes. Therefore, investors seeking to compare private equity performance with other asset classes and different private equity fund types need a different metric.

In order to meet this need from investors, in February 2012 Preqin created the first index for the whole of the global private equity industry – the Private Equity Quarterly Index, or PrEQIn Index.

- The PrEQIn Index is a time-weighted index that allows investors to compare the returns of private equity to the returns of other asset classes and indices.
- In addition to an overall private equity index, there are also indices for particular segments of the private equity market, including buyout, venture capital and distressed private equity.
- The PrEQIn Index uses fund-level cash flow transactions and net asset values for around 4,000 private equity funds with LP commitments collectively worth more than \$3tn.
- As well as the main private equity fund types, PrEQIn Indices are available in a variety of forms, including by buyout fund size, venture capital investment stage, and fund performance quartile.

Investors also require access to benchmarks in order to compare the performance of the funds they have invested in to the median IRRs and multiples of funds of the same strategy, geographic focus and vintage year. Preqin's [Private Equity Performance Benchmarks](#) service provides private equity professionals with access to benchmarks, drawing on data available through our [Performance Analyst](#) database, which holds transparent, net-to-LP performance information for over 6,100 private equity funds.

For more information on the PrEQIn Index, and to register to receive access to both the Index and our free Private Equity Performance Benchmarks service, please visit www.preqin.com/index.

For free access to our Private Equity Benchmarks, please visit www.preqin.com/benchmarks.

Contents:

Methodology	p. 3
PrEQIn Private Equity Quarterly Index: All Strategies	p. 4
Since the Crisis: PrEQIn Index vs. S&P 500	p. 5
PrEQIn Index by Fund Quartile Ranking	p. 6
About Preqin	p. 7

Methodology

Methodology

The PrEQIn Index uses fund-level cash flow transactions and net asset values for around 4,000 private equity funds with LP commitments collectively worth more than \$3tn.

The Index is based on the following calculation:

$$\text{Percentage change in quarter} = \left[\frac{\text{NAV at end of quarter} + \text{distributions during quarter}}{\text{NAV at start of quarter} + \text{contributions during quarter}} \right] - 1.$$

“Contributions during quarter” refers to total capital drawn down by fund managers in dollars during the quarter, meaning the cumulative cash called to date as at the end of the quarter minus the cumulative cash called to date at the start of the quarter.

“Distributions during quarter” refers to the total cash distributed to LPs in dollars during the quarter, meaning the cumulative cash distributed to date as at the end of the quarter minus the cumulative cash distributed to date as at the start of the quarter. These returns are then combined to form an index, with a starting value of 100 as of 31st December 2000.

Data Source:

The PrEQIn Private Equity Quarterly Index draws on information taken from [Performance Analyst](#), the industry’s most extensive and transparent source of net-to-LP private equity fund performance, with full metrics for over 6,100 named vehicles. In terms of aggregate value, this represents around 70% of all capital ever raised by the industry.

View performance data for all fund types, including venture capital, buyout, distressed and real estate, as well as historic performance data, cash flow graphs and top performing GPs.

For more information on [Performance Analyst](#), please visit:

www.preqin.com/pa

Has Preqin got the correct information on your firm?

Contact us to view your firm or fund profile, make sure the information is up to date, and provide us with valuable feedback.

Thousands of finance professionals rely on Preqin’s databases and publications for insight and information on the global alternative assets industry and you can help ensure that this data is complete and accurate.

Some of these professionals, which include investors, fund managers, advisors and service providers, will be looking at information on your firm or your fund. By giving your feedback to Preqin you can help us to make sure that the data Preqin is displaying for your firm or your fund is as accurate and representative as possible, increasing the likelihood of relevant and qualified opportunities for you and your firm.

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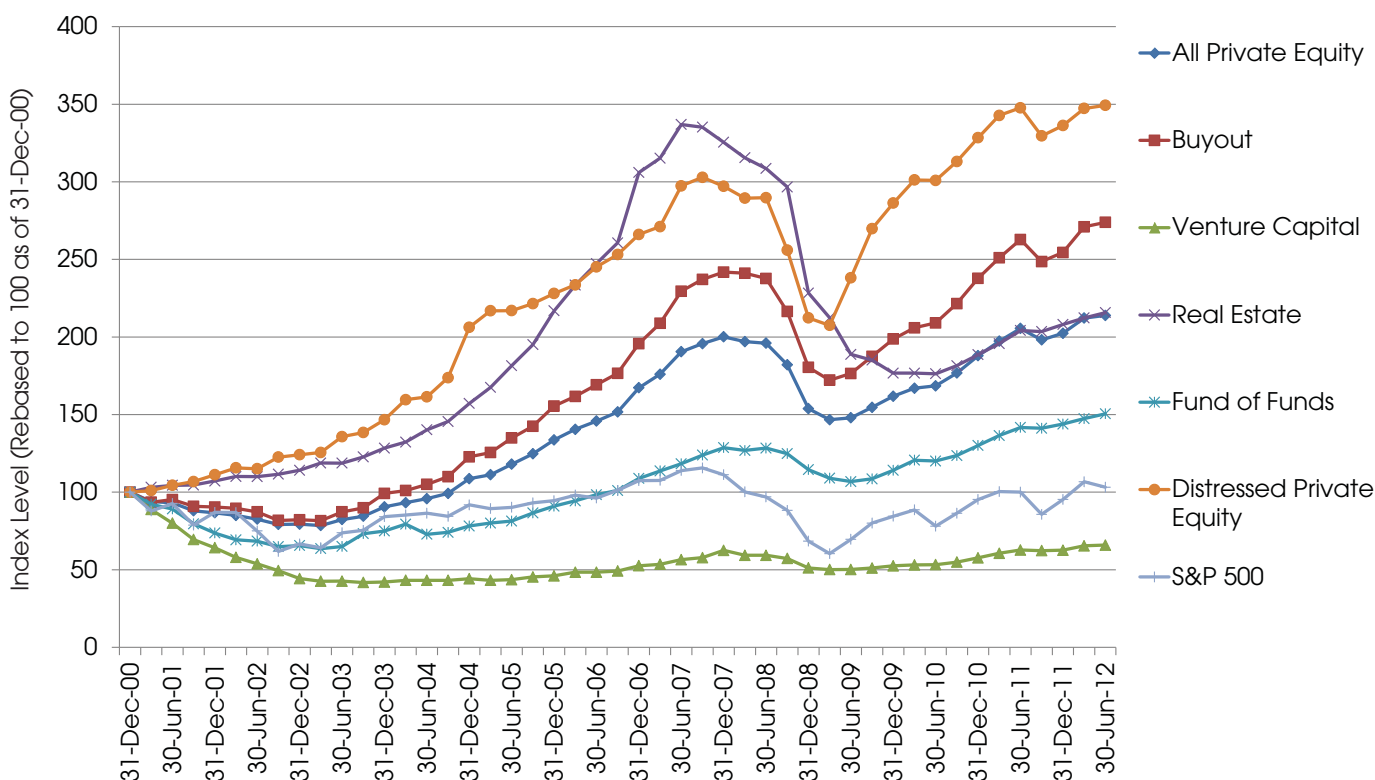
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PrEQIn Private Equity Quarterly Index: All Strategies

Fig. 1 shows the PrEQIn All Private Equity, Buyout, Venture Capital, Real Estate, Fund of Funds and Distressed Private Equity Indices, together with the S&P 500 Index, all rebased to 100 as of 31st December 2000. By examining these indices, we can gain insight into the relative performance of the main private equity fund types in comparison to the industry as a whole.

Fig. 1: PrEQIn Private Equity Quarterly Index - All Strategies



Source: Preqin Performance Analyst

Key Findings:

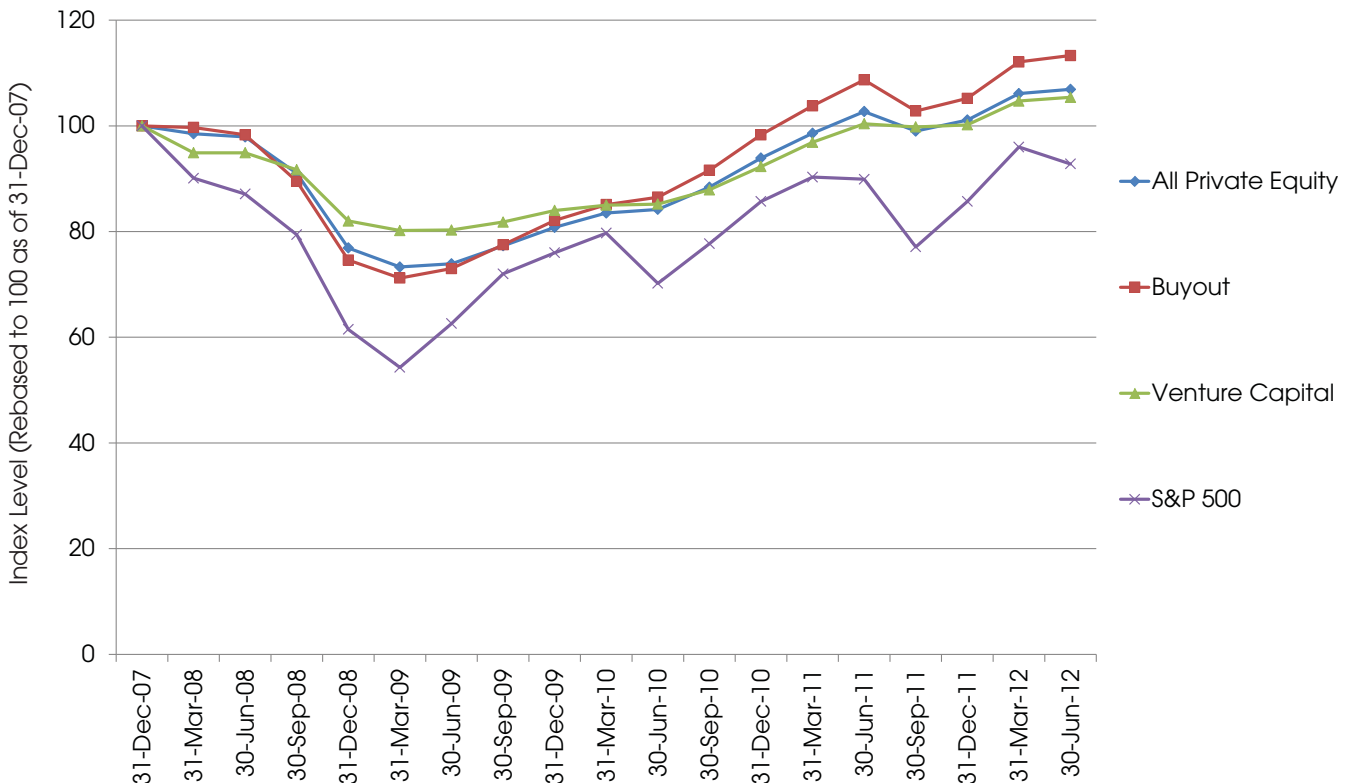
- The PrEQIn All Private Equity Index shows steady increases until December 2007, after which there are falls resulting from the financial crisis of 2008 and 2009. The Index reaches pre-crisis levels again in early 2011, but market instability due to concerns over European sovereign debt causes another drop-off later in the year.
- The PrEQIn Real Estate Index initially increases steadily each quarter, reaching its highest point in Q2 2007, outperforming all other fund types at this time. However, the sub-prime mortgage crisis results in large quarterly decreases during 2008 and 2009.
- The other fund type indices also show sharp declines during this time, reaching their lowest points in early 2009. In contrast, the PrEQIn Real Estate Index reached its lowest point in the latter half of 2010.
- The PrEQIn Distressed Private Equity Index shows that this fund type has consistently outperformed private equity as a whole and has been one of the best performing strategies since 31st December 2000. The recovery of the Index following the financial crisis was achieved at a faster rate than other fund types as managers sought to take advantage of the relative abundance of distressed investment opportunities available.
- All PrEQIn Indices show three successive quarterly increases since Q3 2011 and, with the exception of the PrEQIn Venture Capital Index, all are outperforming the S&P 500 Index as of Q2 2012.

For free access to our Private Equity Benchmarks, please visit www.preqin.com/benchmarks.

Since the Crisis: PrEQIn Index vs. S&P 500

In order to show the decline and subsequent recovery of each index since the financial crisis, Fig. 2 compares the PrEQIn All Private Equity Index, the PrEQIn Buyout Index, the PrEQIn Venture Capital Index and the S&P 500, all rebased to 100 as of 31st December 2007.

Fig. 2: PrEQIn Index - All Private Equity, Buyout and Venture Capital vs. S&P 500



Source: Preqin Performance Analyst

Key Findings:

- The S&P 500 saw the largest initial fall, reaching a low point of 54.3 in Q1 2009. The PrEQIn All Private Equity, Buyout and Venture Capital Indices also reached their lowest points at this time, at 73.3, 71.2, and 80.2 respectively, but remained above the S&P 500.
- The PrEQIn Venture Capital Index shows less of an initial decline compared to the other indices and also a correspondingly less pronounced recovery, indicating that the financial crisis had a relatively smaller effect on the performance of venture capital funds compared to the wider private equity industry.
- The PrEQIn All Private Equity, Buyout and Venture Capital Indices have shown consistent quarterly increases since Q1 2010, except for Q3 2011. In comparison, the S&P 500 has shown more fluctuations since this point, with three distinct declines in Q2 2010, Q3 2011 and Q2 2012.

Are you looking for the latest private equity benchmarks data?

The **PrEQIn** Private Equity Quarterly Index is available to private equity professionals for free as part of Preqin's [Private Equity Performance Benchmarks](#) service.

For more information, or to gain complimentary access to this service, please visit:

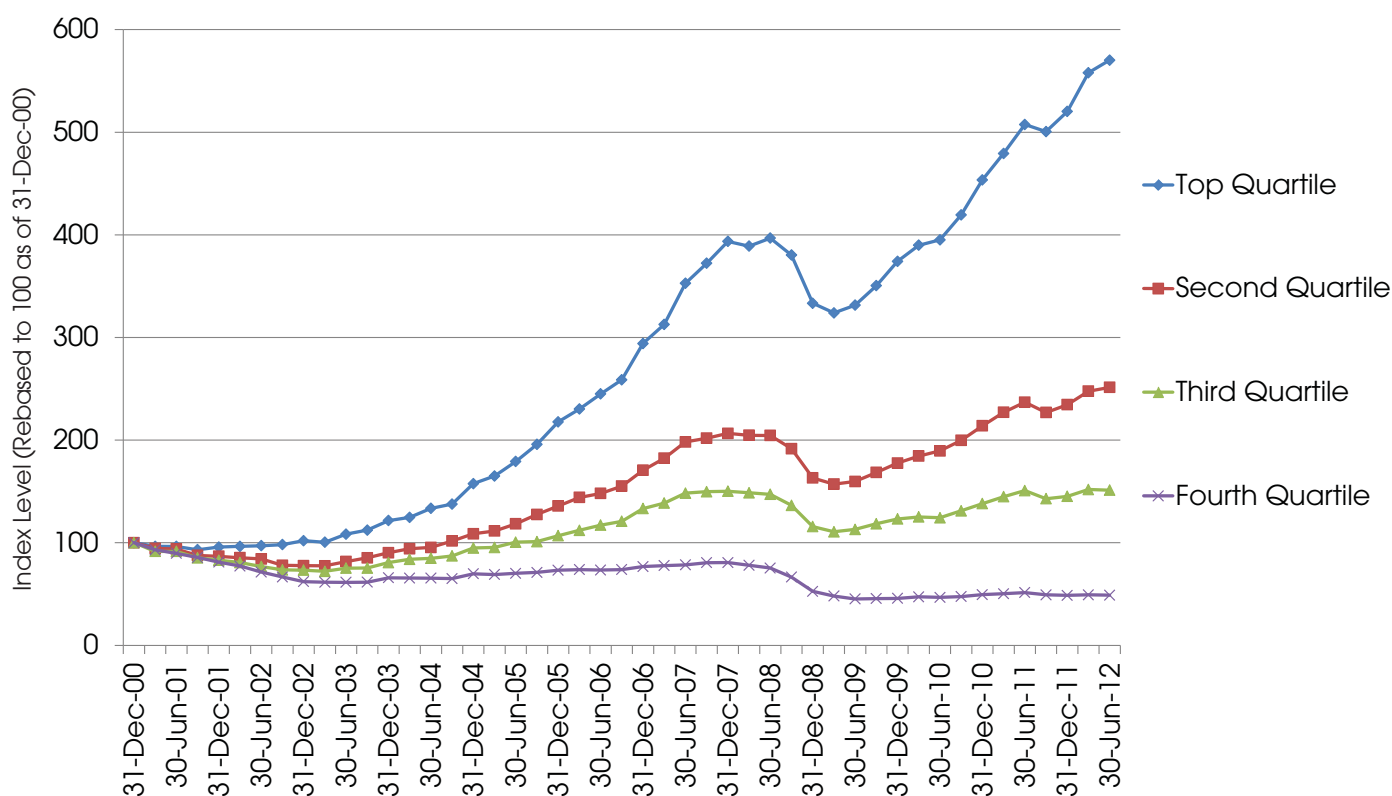
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PrEQIn Index by Fund Quartile Ranking

Comparing fund quartile performance shows whether investing with top performing fund managers results in significantly higher returns than fund managers of lower quartiles. Preqin assigns quartile rankings to funds based on their net IRR and multiple figures compared to their peers in terms of strategy, vintage and geographic focus. Fig. 3 shows the PrEQIn Index rebased to 100 as of 31st December 2000 for funds within each performance quartile ranking.

Fig. 3: PrEQIn Index by Fund Performance Quartile



Source: Preqin Performance Analyst

Key Findings:

- Following declines from Q4 2000, the PrEQIn Top Quartile Index recovered and moved back above 100 in Q4 2002, whereas the PrEQIn Second and Third Quartile Indices moved back above 100 later, in Q3 2004 and Q2 2005 respectively.
- Since the declines seen in each index due to the financial crisis in 2008 and 2009, the PrEQIn Top Quartile Index has experienced significantly higher quarterly increases than the other fund quartiles, highlighting that investing with top performing managers can result in significantly higher returns for investors in private equity funds.
- The PrEQIn Fourth Quartile Index decreased below 50 following the financial crisis in Q1 2009, and has remained at this low level as of Q2 2012.

Preqin Private Equity Quarterly Index - PrEQIn

The Preqin Private Equity Performance Benchmarks Module offers the most transparent benchmarking and comparative tools available in the industry.

Our Performance Data

Our benchmarks are calculated using performance returns for over 6,100 funds taken from our Performance Analyst database. In terms of aggregate value, this represents around 70% of all capital ever raised.

This high level of coverage enables us to produce the most meaningful benchmarking and comparative tools available in the industry.

Our Benchmarks

Our private equity performance benchmarks provide you with access to median, pooled, weighted and average benchmarks by fund type, vintage and region focus, including an Asia-specific benchmark.

Access to our Private Equity Performance Benchmarks is free for private equity professionals.

Register here to get free online access to our Private Equity Performance Benchmarks Module or for more information, please visit our website at www.preqin.com/benchmarks.

Performance Analyst

Performance Analyst is the industry's most extensive source of net-to-LP private equity fund performance, with full metrics for over 6,100 named vehicles.

With Performance Analyst, you can:

- Benchmark fund performance against similar vehicles.
- Assess returns by region, fund type and fund vintage.
- Access unlimited downloads of performance data to Excel for advanced data analysis.
- View past performance for specific managers against their peer groups.
- Gain further understanding of the latest trends in the industry.

For more information on Performance Analyst, or to register for a free online demonstration of the service, please visit www.preqin.com/pa.

About Preqin

Preqin is the alternative assets industry's leading source of data and intelligence. Our products and services are utilized by more than 10,000 professionals located in over 70 countries for a range of activities including:

- Investor Relations
- Fundraising and Marketing
- Market Analysis.
- Investment Analysis
- Deal Sourcing

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