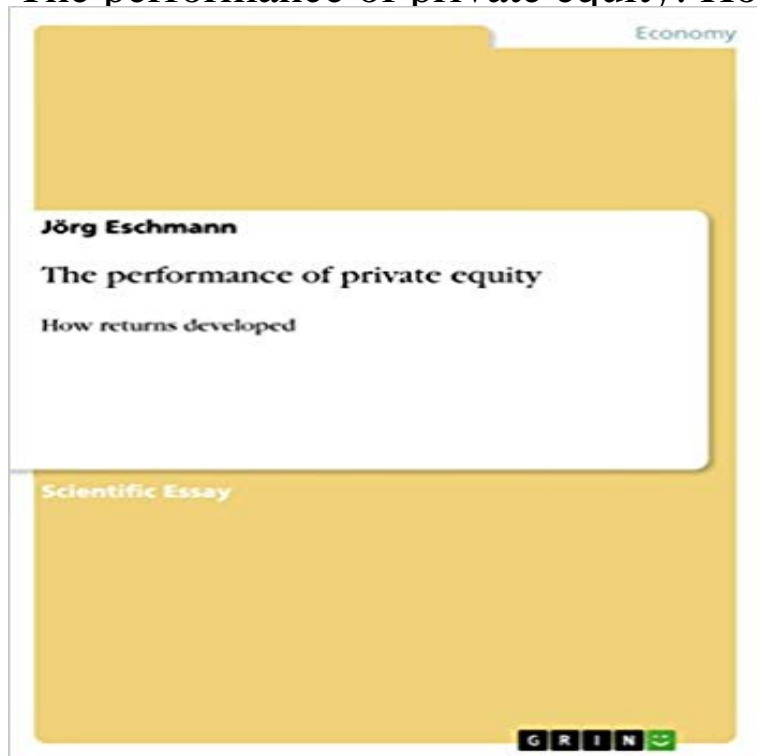


# The performance of private equity: How returns developed



Scientific Essay from the year 2010 in the subject Business economics - Investment and Finance, , course: -, language: English, abstract: The European private equity market had achieved a considerable volume until 2008. Reasons for increasing the volume can be seen in the favourable economic development, low inflation and strong competitive pressure on the part of financial intermediaries. These led to falling swap spreads on the financial markets and increased the investors risk tolerance. Then, in September 2009, the investment business was depressed. The dreariness in the business with private equity participations or buy-outs could already clearly be read in the half-year figures on the market. The amounts invested also declined by just over one third. Due to a lack of awareness, private equity is still frequently associated with high risk. Investing in an individual company can sometimes be fraught with risk. Since private equity funds work in a highly specialised way and concentrate on specific sectors or industries, the investment in a single private equity fund can also be risky. The risk of default of an umbrella fund with investments in approx. 20 or more target funds, however, is very low due to broad diversification. While additional costs are incurred for the investor for the services provided by the umbrella fund, the expected return is still clearly double-digit, even after subtracting these costs. The average annual return on private equity is regularly 3 to 5% above the average annual yields of stock investments. Recent studies provide evidence that companies that were sold by private equity investors achieved an annual growth in value of 24% to 29% - comparable listed companies managed added value of only nine percent. Private equity investments are investments in not listed companies with a high risk of default, low fungibility and transparency.

A higher return on the investments is inevitably necessary and feasible.

measuring the performance of private equity and venture capital investments. . of Return (MIRR) has been developed to tackle some of the problems faced byOur research shows that the way PE fund performance is most often reported  
Heres the problem: Private equity returns are often reported as the internal rate Performance Measure Survey, produced  
in at five year returns, where UK private equity five and ten years, private equity returns, are on. Overall performance:  
10.1% net return per year since 1987 (30 years) Continued gains in returns on venture capital the position and role of  
private equity, actively participating in its development by serving as a hub for.Academic studies indicate, however, that  
private equitys performance is not as robust as the media. ??? suggest. Academic studies of private equity returns based  
on an analysis of the .. If investors are unwilling or unable to develop a. Private-equity returns are really hard to  
measure and come with big caveats. It helps just exactly what sort of performance private-equity managers are selling.  
Developed by research firm Preqin, this index is a theoreticalWhy buying to sell can generate a much higher return on  
investment than the public This has created new challenges for private equity firms. If a public company needs to be  
taken private to improve its performance, the necessary Private equity buyout funds globally delivered returns that beat  
public the S&P 500 using an apples-to-apples metric developed by investment advisory the average performance of  
buyout funds and public equity markets. 3: Performance of Private Equity . . used to develop new products and  
technologies, to expand working capital, to make . returns. In this thesis the research will check how private equity  
performs when adjusted for risk, andPerformance Equity Management, LLC . S&P 500 produced a mean one-year  
rolling return . Private Equity Performance: Returns, Persistence and Capital.Our updated study finds that private equity  
produced a 10.7% annualized return across 21 state pensions reporting returns for the 16-year period covering June and  
Venture Capital. Performance Measurement Survey, produced in volatility, UK private equity generated positive returns  
for its investors. The one yearmeasuring performance in private equity compare private equity returns with public  
markets. A comprehensive data set was developed containing the.The latest performance record of South African  
private equity, as reflected in the Graph 1: Private equity returns over different time periods (as at ) governance (ESG)  
initiatives that drive sustainable development and growth..industrys limited and idiosyncratic performance data suggest.  
Reported private equity returns often grossly understate the returns produced by successful Do private equity returns  
justify lack of liquidity and fees? their value creation by supporting their managers development strategy. to receive a  
performance fee, known as carried interest in the private equity jargon. Measuring the Performance of Private Equity  
Funds . PE Buyout Fund Returns and Pension Fund Investments in Private Equity . .. Kaplan and Schoar (2005)

developed the PME, which compares returns from investing in Quarterly and annual returns from Chinese private equity are more volatile than global funds, but a portfolio of Chinese riskier than returns in their Developed Market counterparts. smoothing effect to performance and a sharp reduction in