

The state of private equity

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Agenda

- It's hard to recall a period when the private equity market was so hot
 - Investors have had a great run, and are seeking to increase allocations
 - But competition for deals is intense – maybe not so good for future returns?
- How good have the longer term returns to private equity been
 - both buyouts and venture capital?
- Venture capital – what a difference a year makes

Data

- I'm going to use the latest Burgiss data, across asset classes
- This currently includes returns up to 2021Q2
 - although not all asset managers had reported by the cut off date
 - so the figures will be revised next quarter
- I'll focus on returns, including industry metrics such as IRRs and investment multiples, but also look at returns relative to public markets: “public market equivalent” returns

The growth of private assets

Burgiss Manager Universe

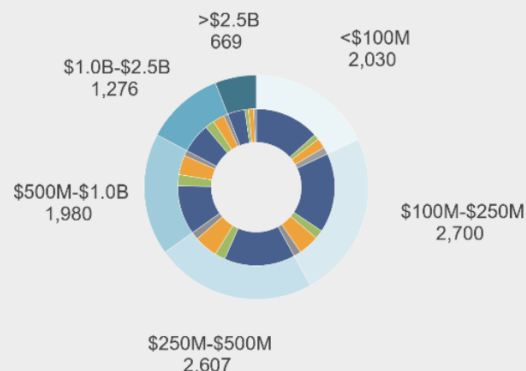
Updated through June 30, 2021

Count and Capitalization by Asset Class

Asset Class	Funds	FoFs	Total	Cap. (\$M)
Private Capital	10,065	1,197	11,262	\$8,610,146
Generalist	441	136	577	542,524
Equity	6,403	831	7,234	5,259,161
Generalist	831	355	1,186	831,317
Venture Capital*	2,940	220	3,160	876,249
Expansion Capital	153	-	153	115,157
Buyout	2,365	235	2,600	3,361,271
Unknown	114	21	135	75,167
Debt	1,117	18	1,135	1,048,425
Generalist	201	4	205	209,676
Senior	135	-	135	132,752
Mezzanine	346	2	348	256,349
Distressed	290	7	297	378,790
Not Elsewhere Classified	81	1	82	31,882
Unknown	64	4	68	38,976
Real Assets	1,980	119	2,099	1,684,674
Generalist	43	13	56	43,261
Real Estate*	1,286	64	1,350	895,879
Natural Resources*	369	24	393	225,735
Infrastructure	278	14	292	518,338
Not Elsewhere Classified	3	-	3	1,231
Unknown	1	4	5	230
Not Elsewhere Classified	64	-	64	39,910
Unknown	60	93	153	35,454

*Funds have a third tier not shown here.

Count by Fund Size Range

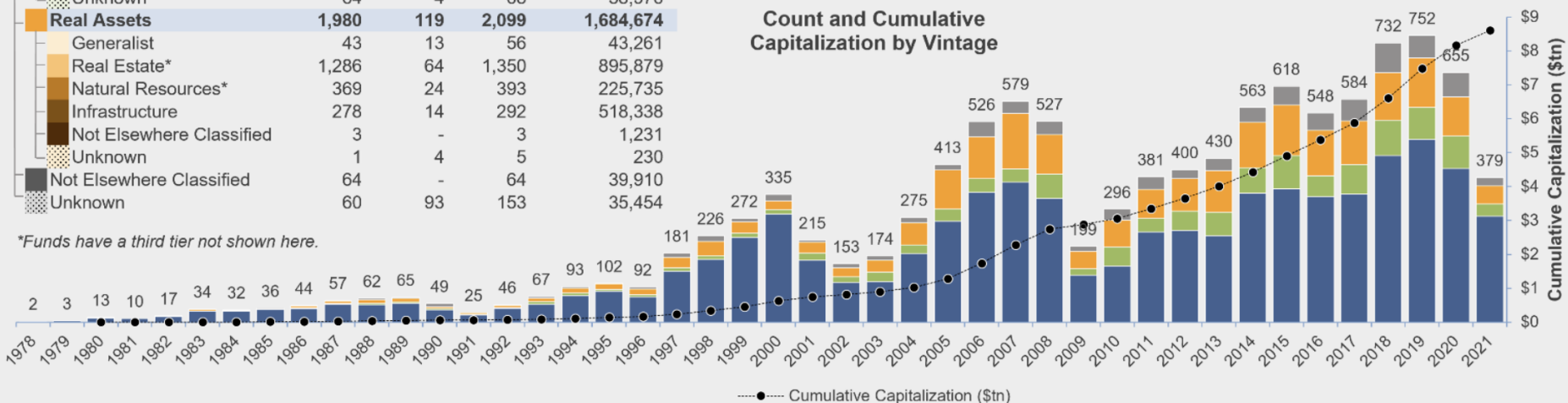


Data Update Schedule

Results Through	Update Date
Q1 2020	20-Jun-2020
Q2 2020	19-Sep-2020
Q3 2020	19-Dec-2020
Q4 2020	02-May-2021
Q1 2021	19-Jun-2021
Q2 2021 ✓	18-Sep-2021
Q3 2021	18-Dec-2021*

*Estimated.

Count and Cumulative Capitalization by Vintage



Returns

- In most asset classes, measuring returns is simple – daily, monthly or quarterly returns using market data
- But measuring returns is much more difficult in private equity
 - Investors commit funds up front but the capital is only drawn down as opportunities are found
 - Funds have 5-6 years to invest the money
 - When they exit deals, they return the money straight away
- Two main approaches to returns
 - Measure the change in asset values and cash flows over a year
 - Compute ‘vintage year’ returns, which measure fund returns from inception to the present for funds raised in a particular year
- All measures have to take account of the timing of cash flows, and that existing portfolio companies will be valued by the fund as they are private companies

Annual asset class returns

Global Private Capital Performance by Calendar Year

'12	'13	'14	'15	'16	'17	'18	'19	'20	'21 YTD
Senior 28%	Venture Capital 26%	Venture Capital 26%	Venture Capital 15%	Natural Resources 21%	Buyout 23%	Venture Capital 21%	Venture Capital 19%	Venture Capital 55%	Venture Capital 28%
Distressed 18%	Expansion Capital 21%	Expansion Capital 17%	Expansion Capital 11%	Buyout 12%	Infrastructure 19%	Buyout 9%	Buyout 17%	Expansion Capital 31%	Expansion Capital 22%
Buyout 14%	Buyout 19%	Real Estate 13%	Real Estate 10%	Senior 11%	Expansion Capital 18%	Infrastructure 8%	Expansion Capital 16%	Buyout 24%	Buyout 19%
Mezzanine 11%	Distressed 18%	Mezzanine 10%	Buyout 9%	Distressed 10%	Venture Capital 15%	Expansion Capital 8%	Mezzanine 9%	Distressed 8%	Natural Resources 13%
Real Estate 9%	Senior 15%	Buyout 10%	Infrastructure 6%	Mezzanine 8%	Real Estate 14%	Mezzanine 7%	Real Estate 8%	Mezzanine 8%	Distressed 11%
Infrastructure 9%	Real Estate 14%	Distressed 9%	Mezzanine 5%	Infrastructure 7%	Mezzanine 13%	Real Estate 7%	Senior 8%	Infrastructure 7%	Mezzanine 8%
Venture Capital 8%	Mezzanine 11%	Infrastructure 9%	Senior 3%	Real Estate 7%	Senior 10%	Senior 6%	Infrastructure 8%	Senior 6%	Real Estate 7%
Expansion Capital 6%	Infrastructure 9%	Senior 5%	Distressed -1%	Expansion Capital 7%	Distressed 9%	Distressed 3%	Distressed 5%	Real Estate 1%	Senior 4%
Natural Resources 5%	Natural Resources 9%	Natural Resources -1%	Natural Resources -16%	Venture Capital 1%	Natural Resources 6%	Natural Resources -4%	Natural Resources -7%	Natural Resources -9%	Infrastructure 3%

■ ■ During the year that ended June 30, 2021, investment markets generously rewarded all the central hallmarks of our investment strategy: active management, equity risk, growth, innovation, and a long time horizon. We're very pleased for our shareholders by the unprecedented return of 49% but recognize that this is a single, highly unusual point in time. I am confident that UVIMCO and the University's combined strength will help us steer the course ahead. We will seize the opportunities presented and navigate the risks together to ensure the continued prosperity of the University for future generations to come."

— Robert Durden, CFA
Chief Executive Officer/Chief Investment Officer

TABLE 1 UVIMCO Long Term Pool Strategy Allocation and Investment Returns

In percentages, as of June 30, 2021

	Allocation ⁽¹⁾	1YR	Annualized			
			3YR	5YR	10YR	20YR
Long Term Pool ⁽²⁾	100.0	49.0	18.4	15.8	12.1	10.6
Policy Benchmark ⁽³⁾		29.4	13.0	11.6	8.8	7.4
Public Equity	29.9	51.4	19.4	19.5	14.3	13.6
Long/Short Equity	17.0	33.3	14.1	11.5	9.7	9.3
Private Equity	26.4	98.7	40.6	29.3	21.8	14.7
Real Assets	10.0	49.0	5.8	10.6	9.3	9.9
Marketable Alternatives	5.2	4.8	0.9	3.0	4.5	4.0
Credit	4.8	29.9	9.4	9.0	8.0	9.1
Fixed Income	3.9	1.4	7.6	4.5	2.5	4.9
Cash	2.8	0.0	1.2	1.0	0.5	–

Buyout performance – by vintage year

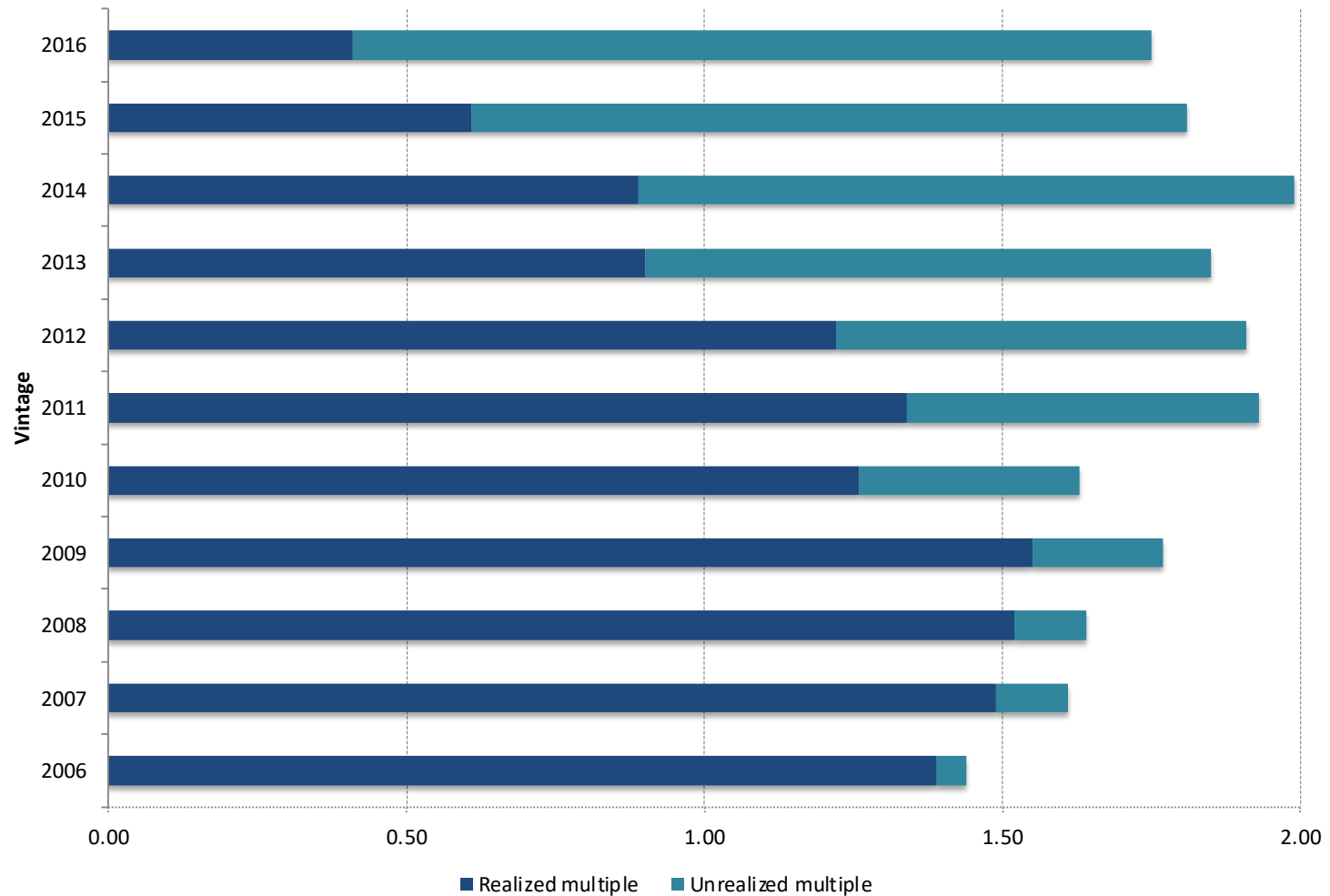
Buyout investment multiples

Vintage year returns, LBO funds, all countries, TVPI=total value to paid in capital ratio (aka "investment multiple")



Source: Burgiss Manager Universe as of 6/30/2021, returns in USD.

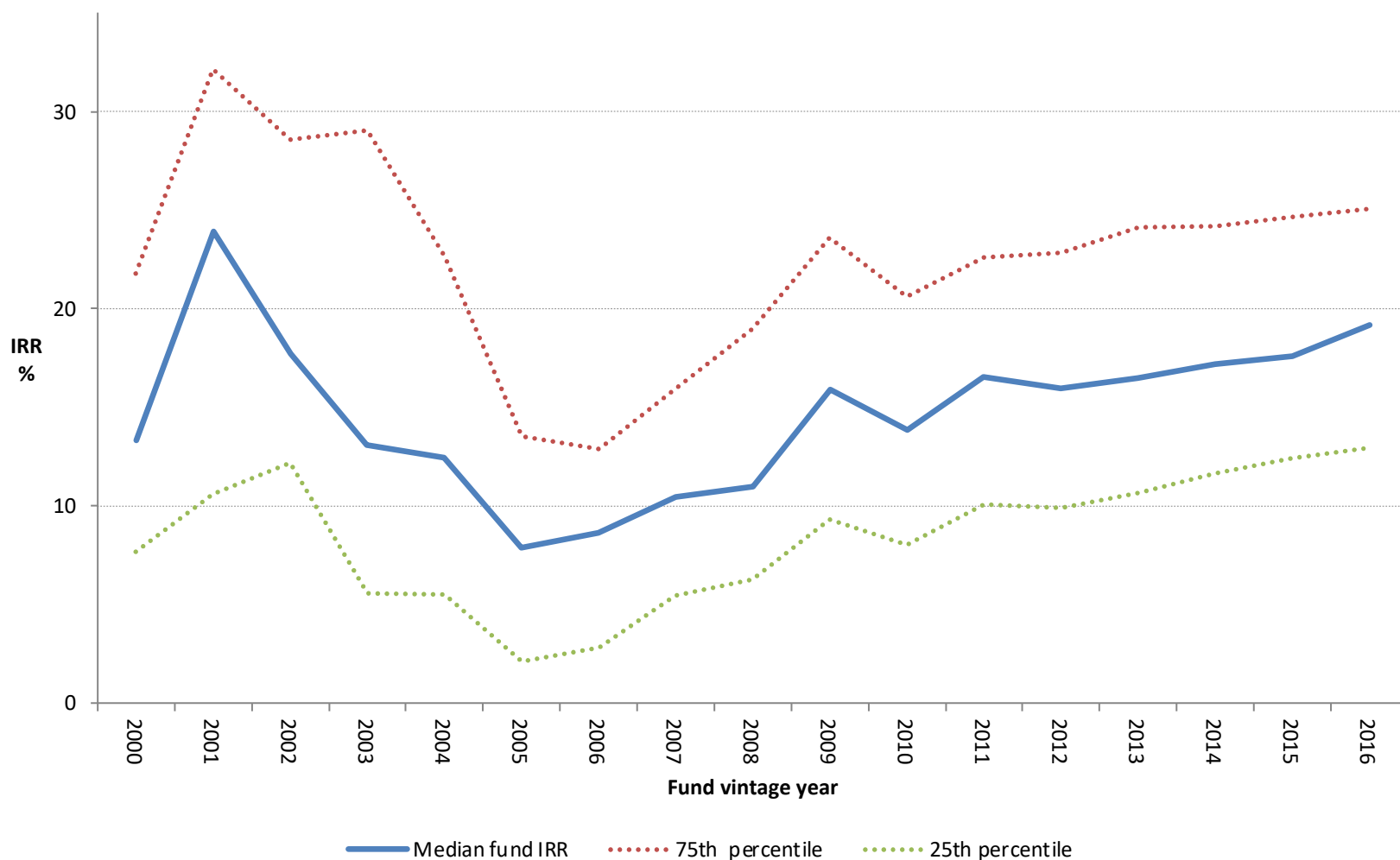
Buyouts: \$1.50 to \$2 on the dollar, eventually



Source: Burgiss Manager Universe as of 6/30/2021, returns in USD.

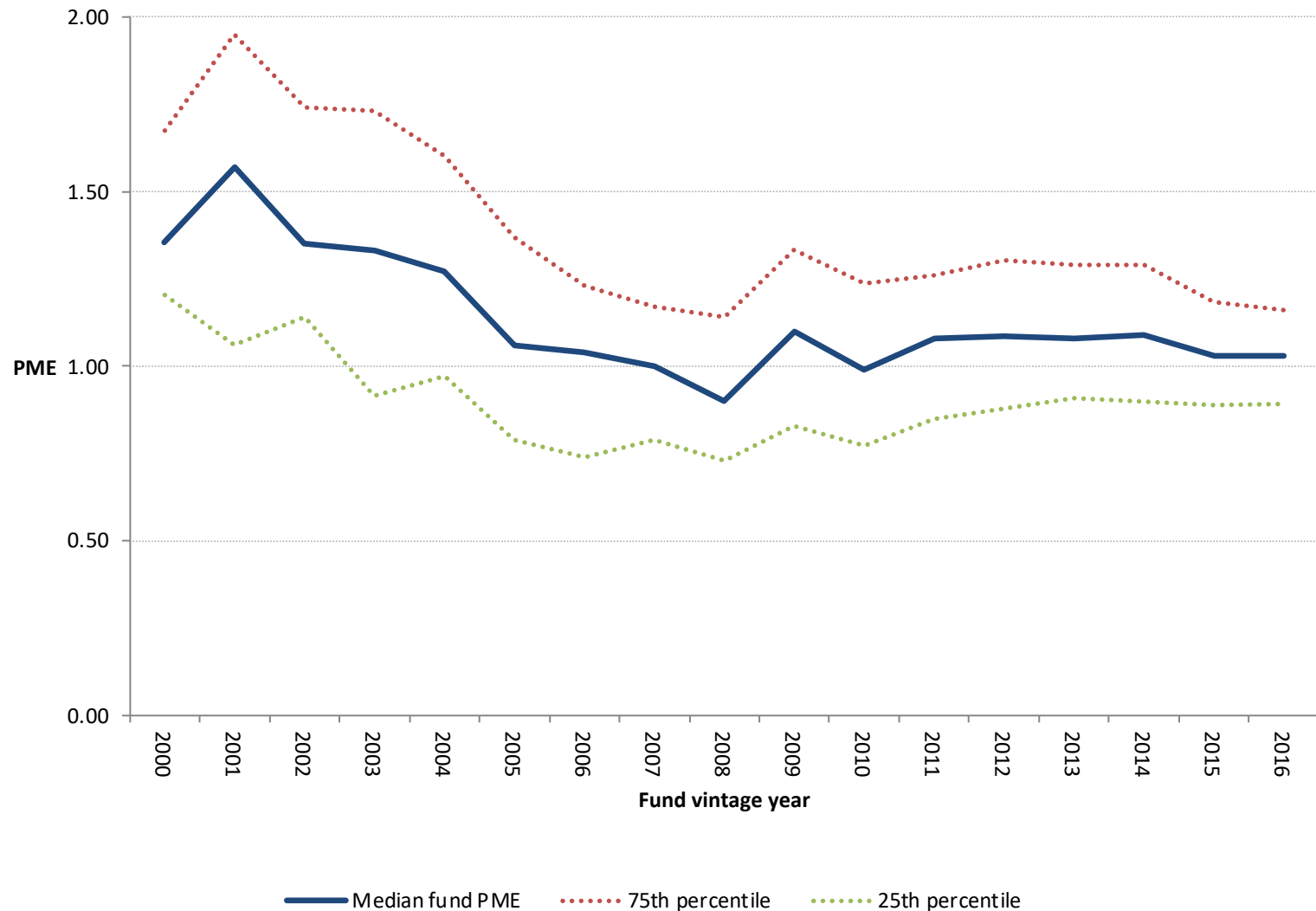
Buyout fund IRRs

Vintage year returns, LBO funds, all countries, IRR= internal rate of return over life of the fund until 2021Q2



Buyout fund PME

Vintage year returns, LBO funds, all countries, PME=public market equivalent return, public index=S&P500

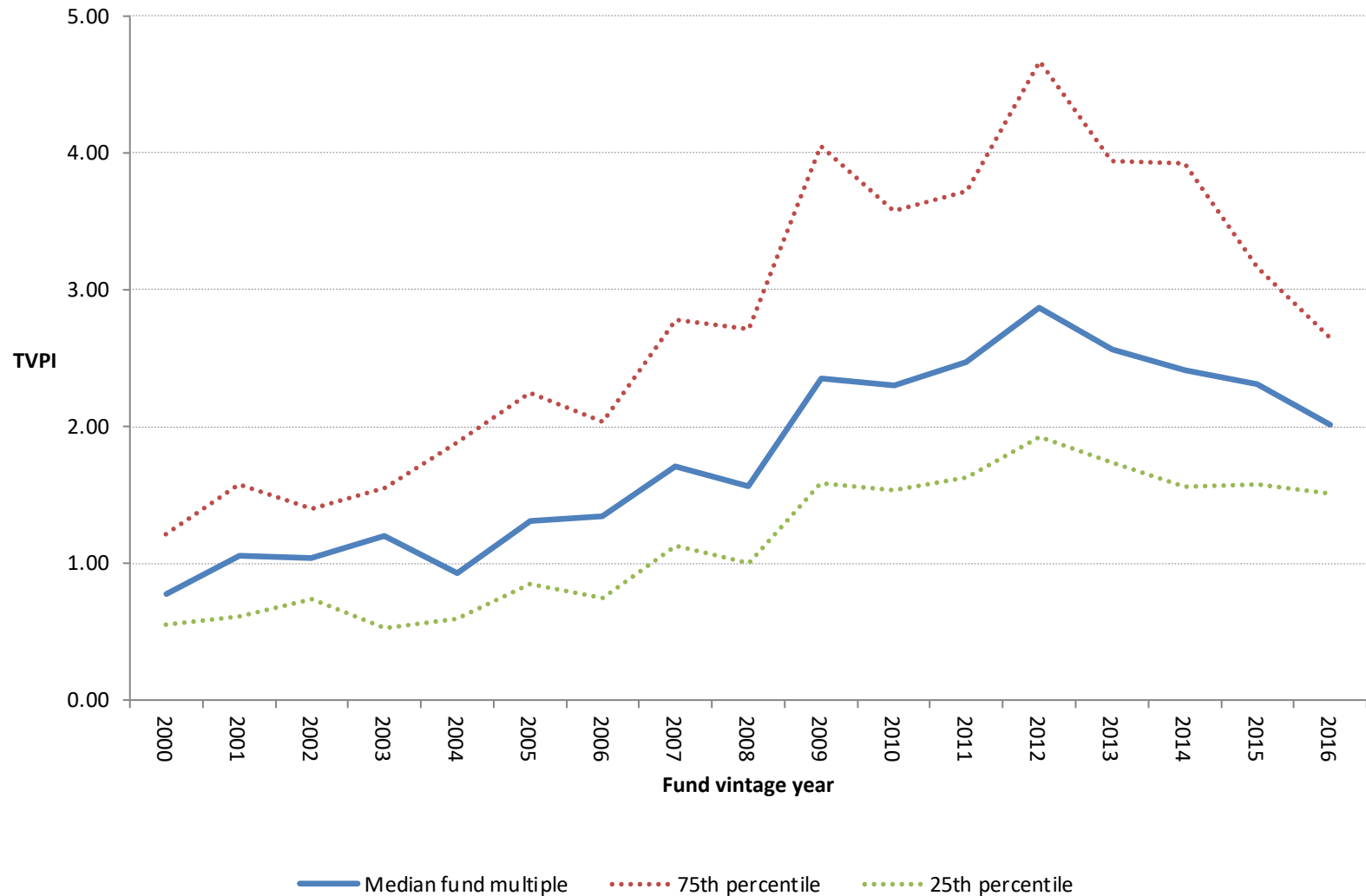


Source: Burgiss Manager Universe as of 6/30/2021, returns in USD.

VC performance – by vintage year

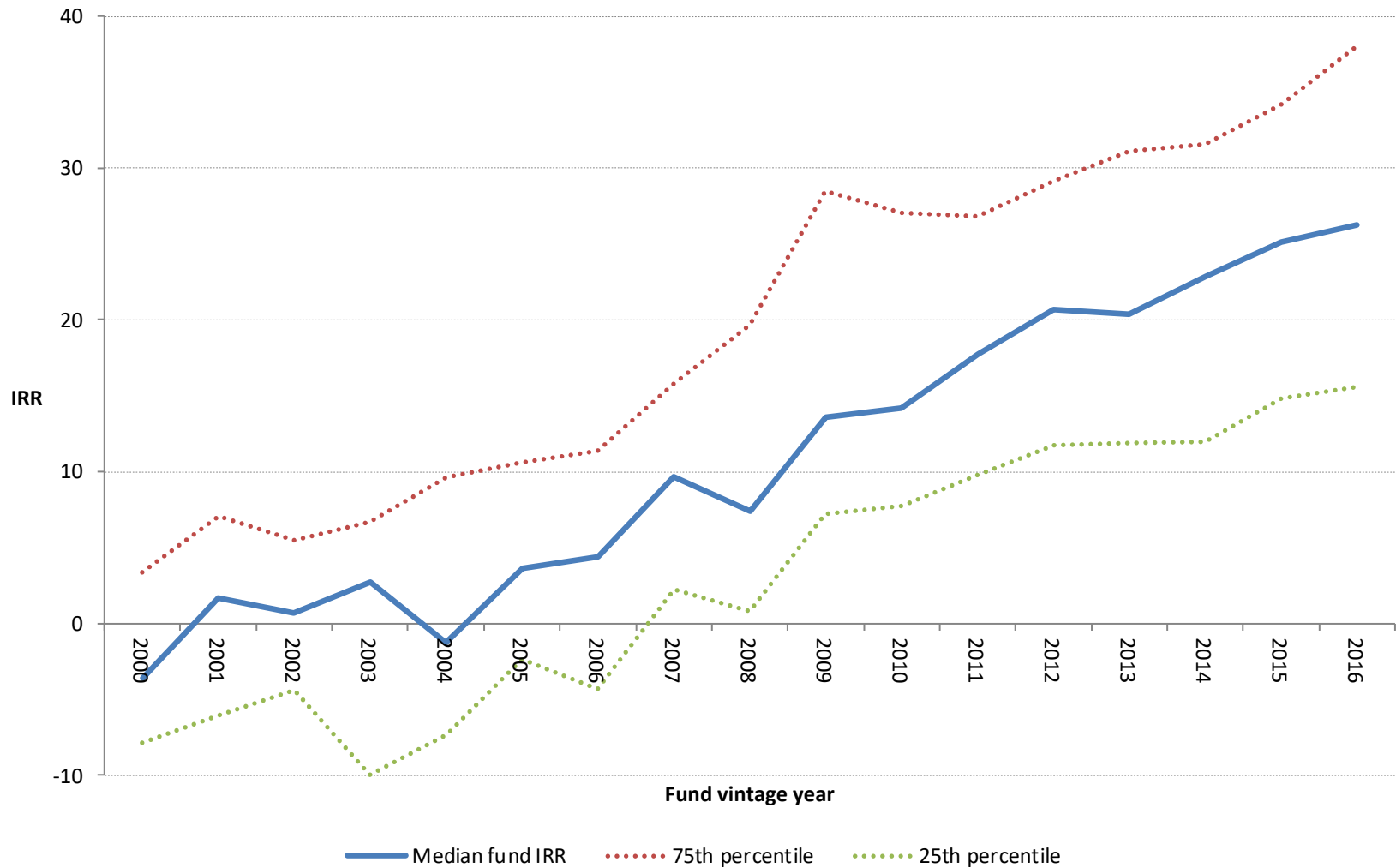
VC investment multiples

Vintage year returns, VC funds, all countries, TVPI=total value to paid in capital ratio (aka "investment multiple")



VC fund IRRs

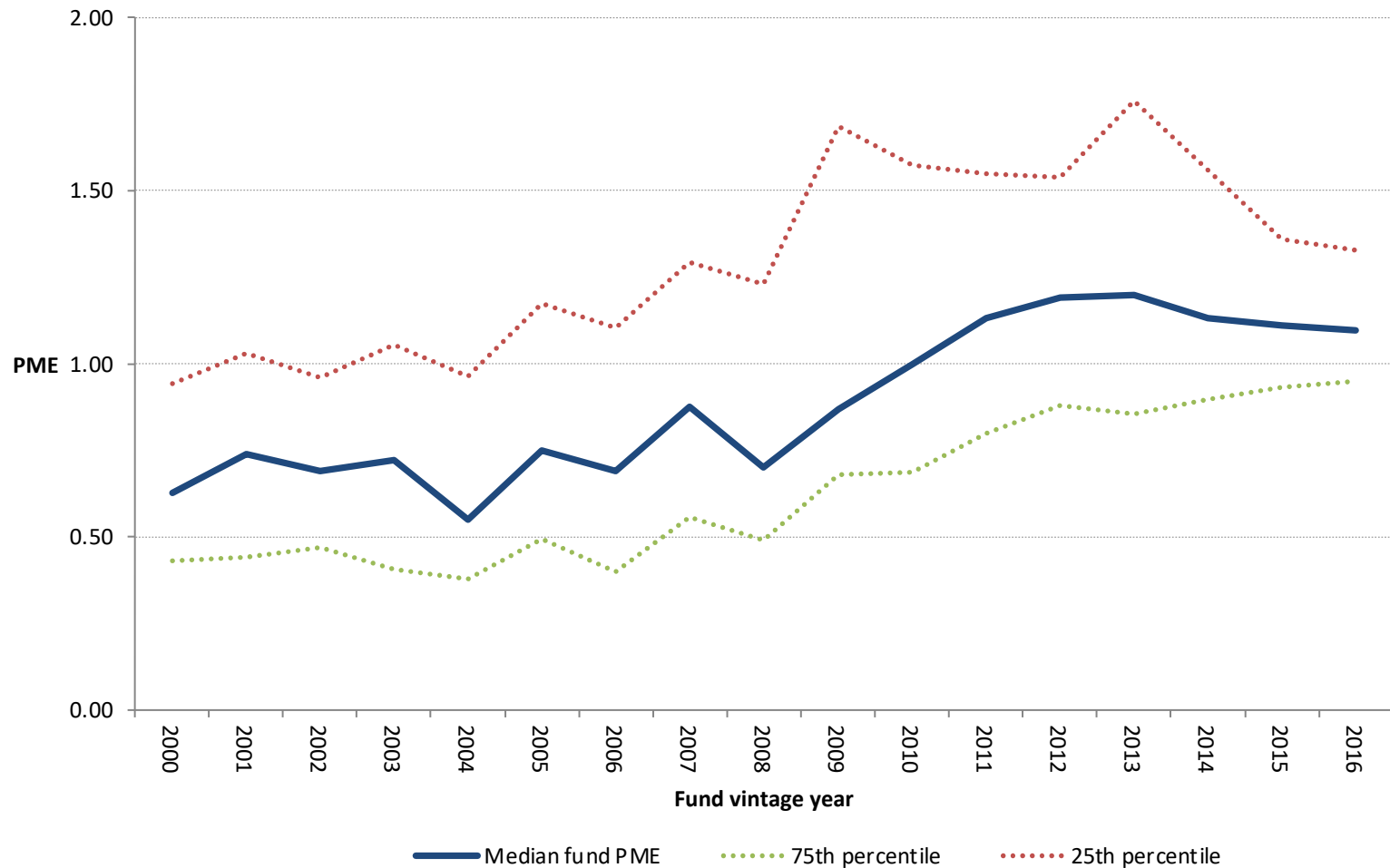
Vintage year returns, VC funds, all countries, IRR= internal rate of return over life of the fund until 2021Q2



Source: Burgiss Manager Universe as of 6/30/2021, returns in USD.

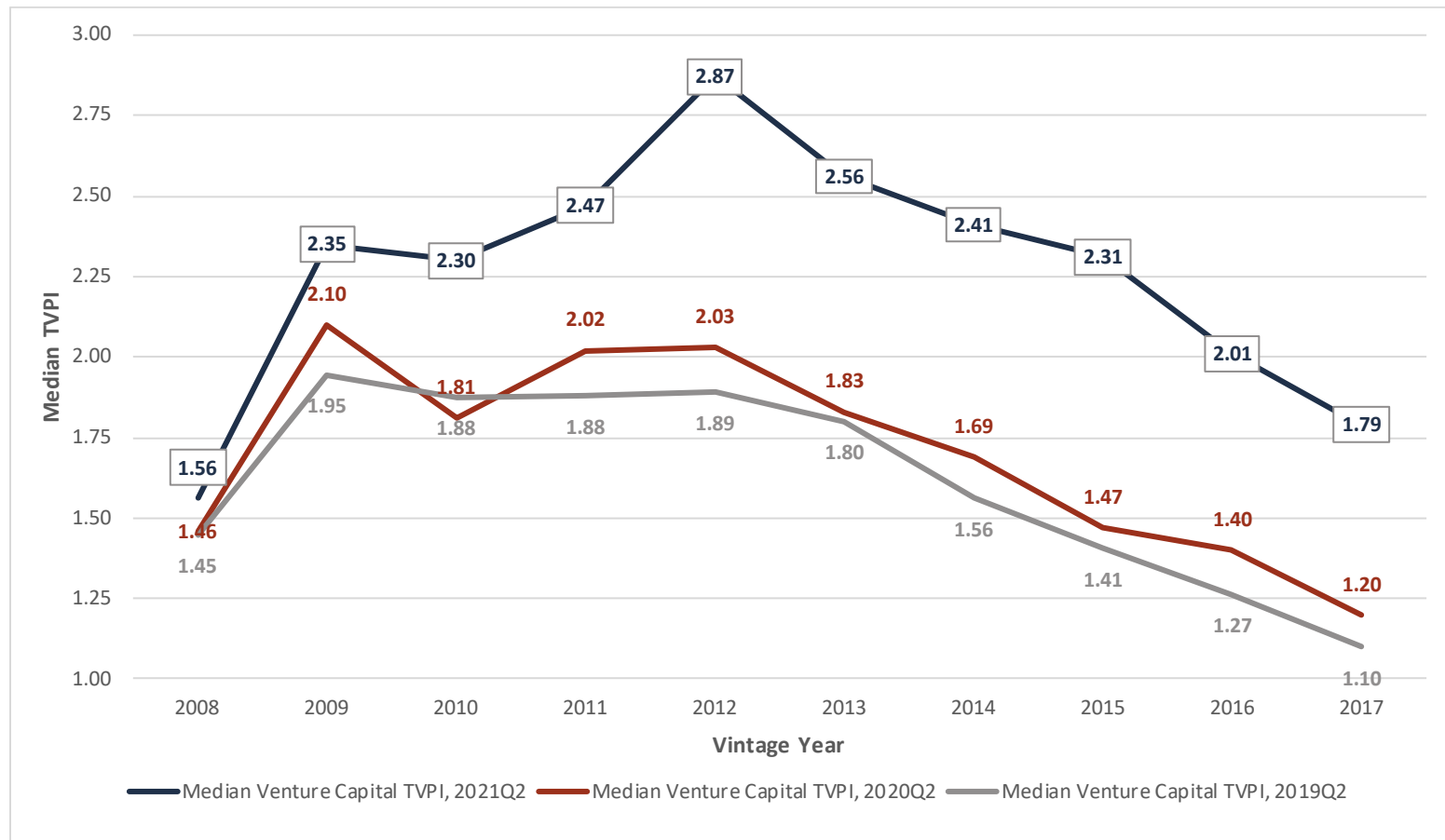
VC fund PMEs

Vintage year returns, VC funds, all countries, PME=public market equivalent return, public index=S&P500

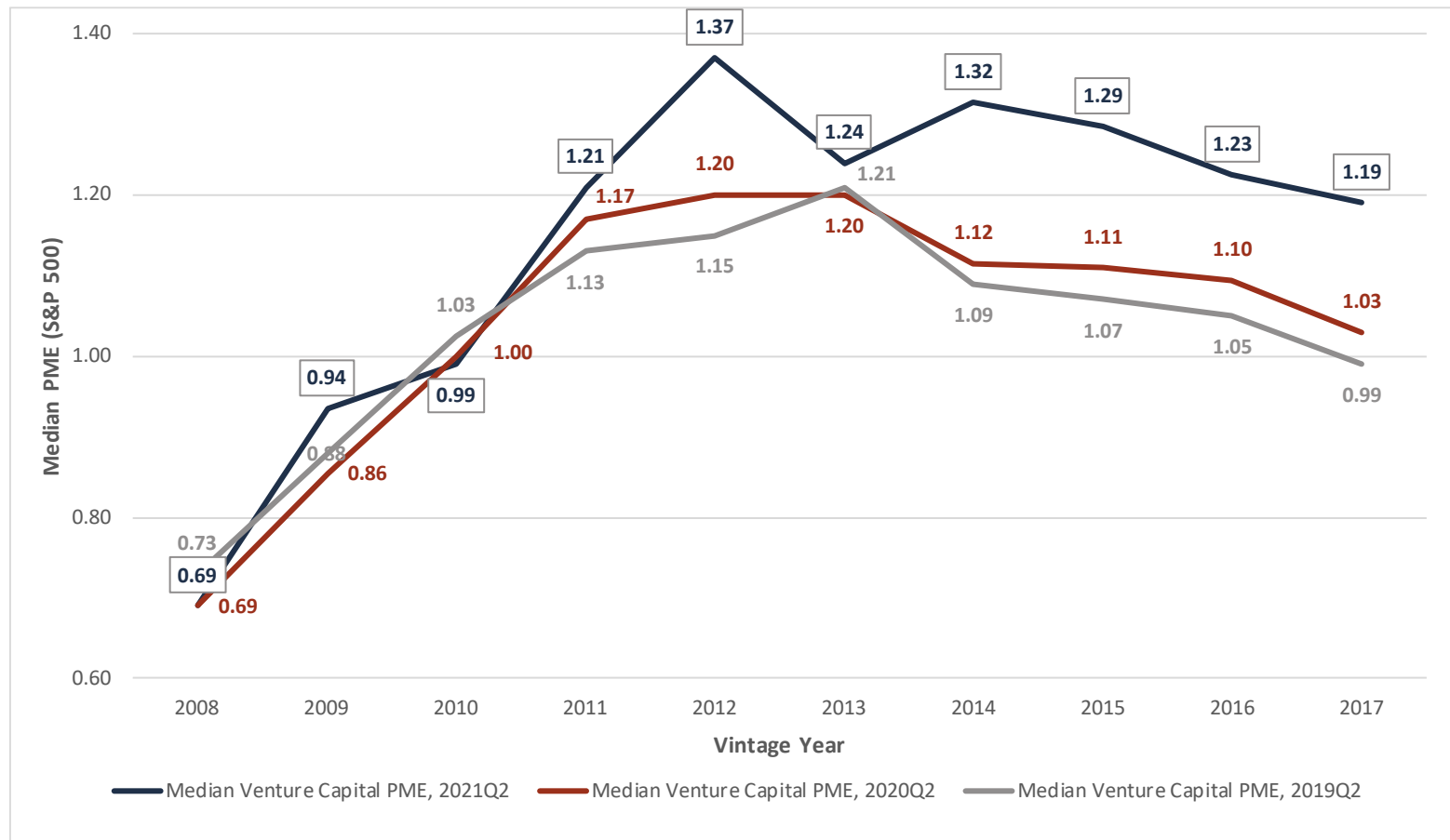


Source: Burgiss Manager Universe as of 6/30/2021, returns in USD.

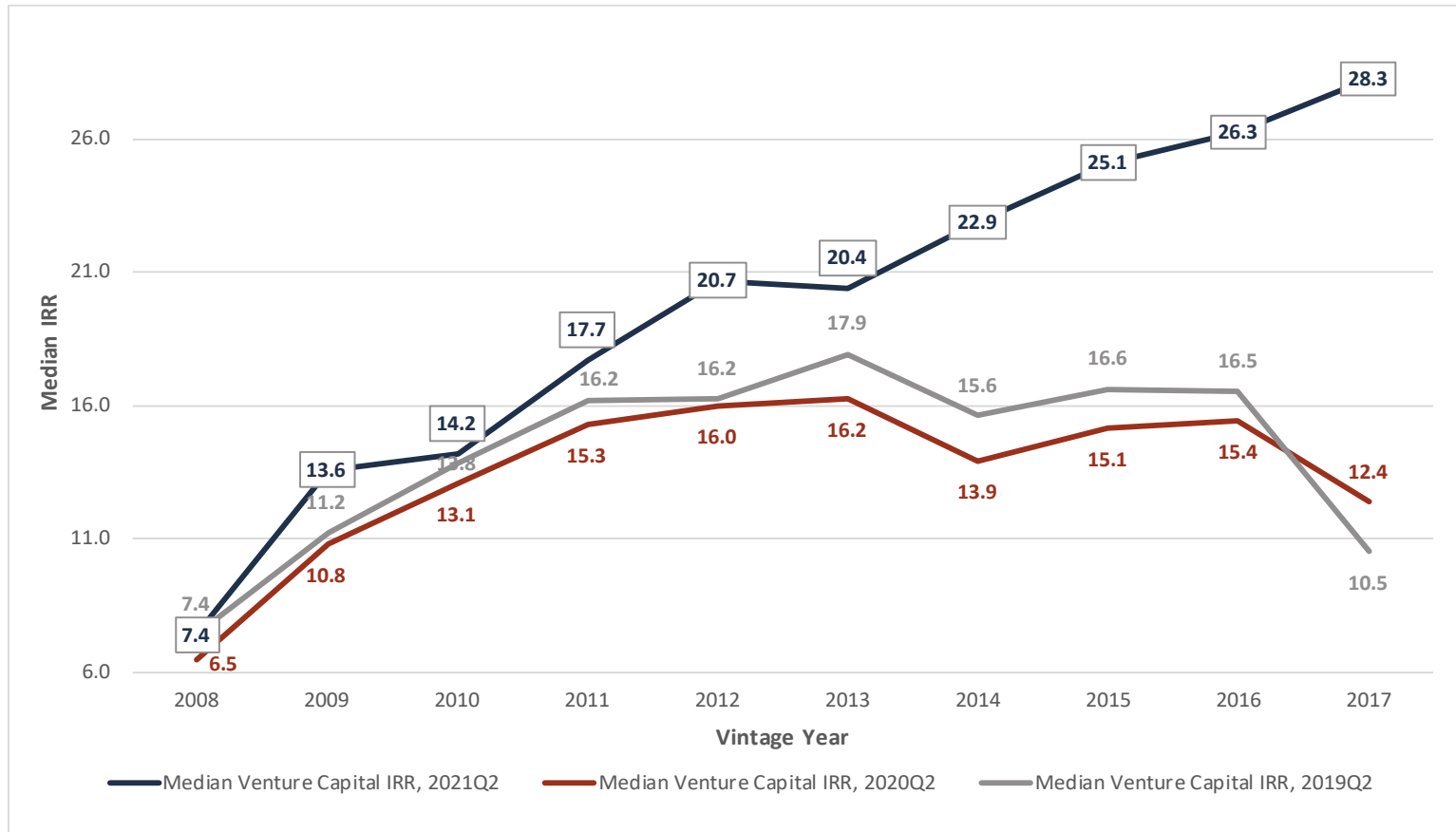
VC multiples have shot up in the last year



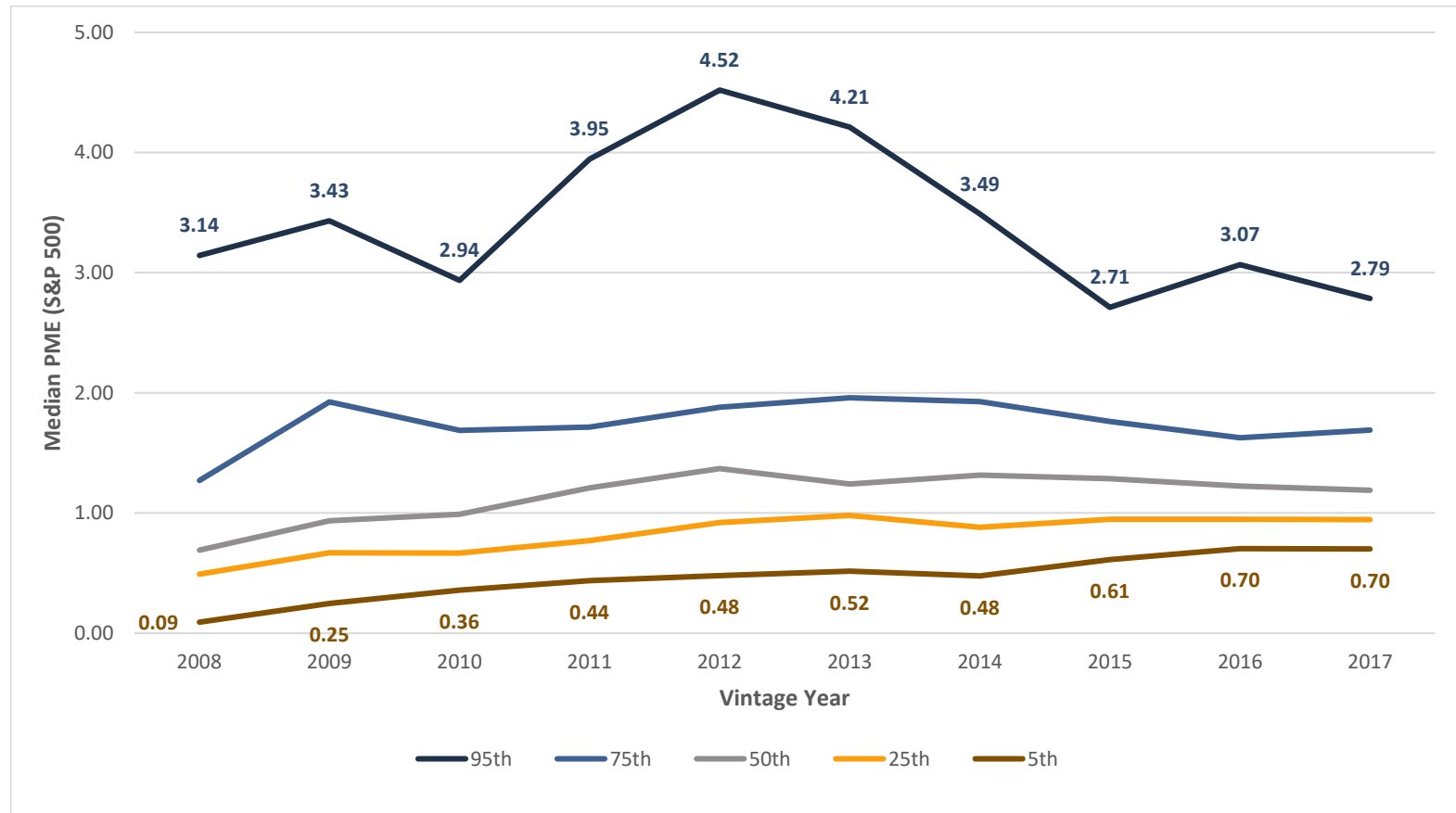
.... as have PME



.... and IRRs

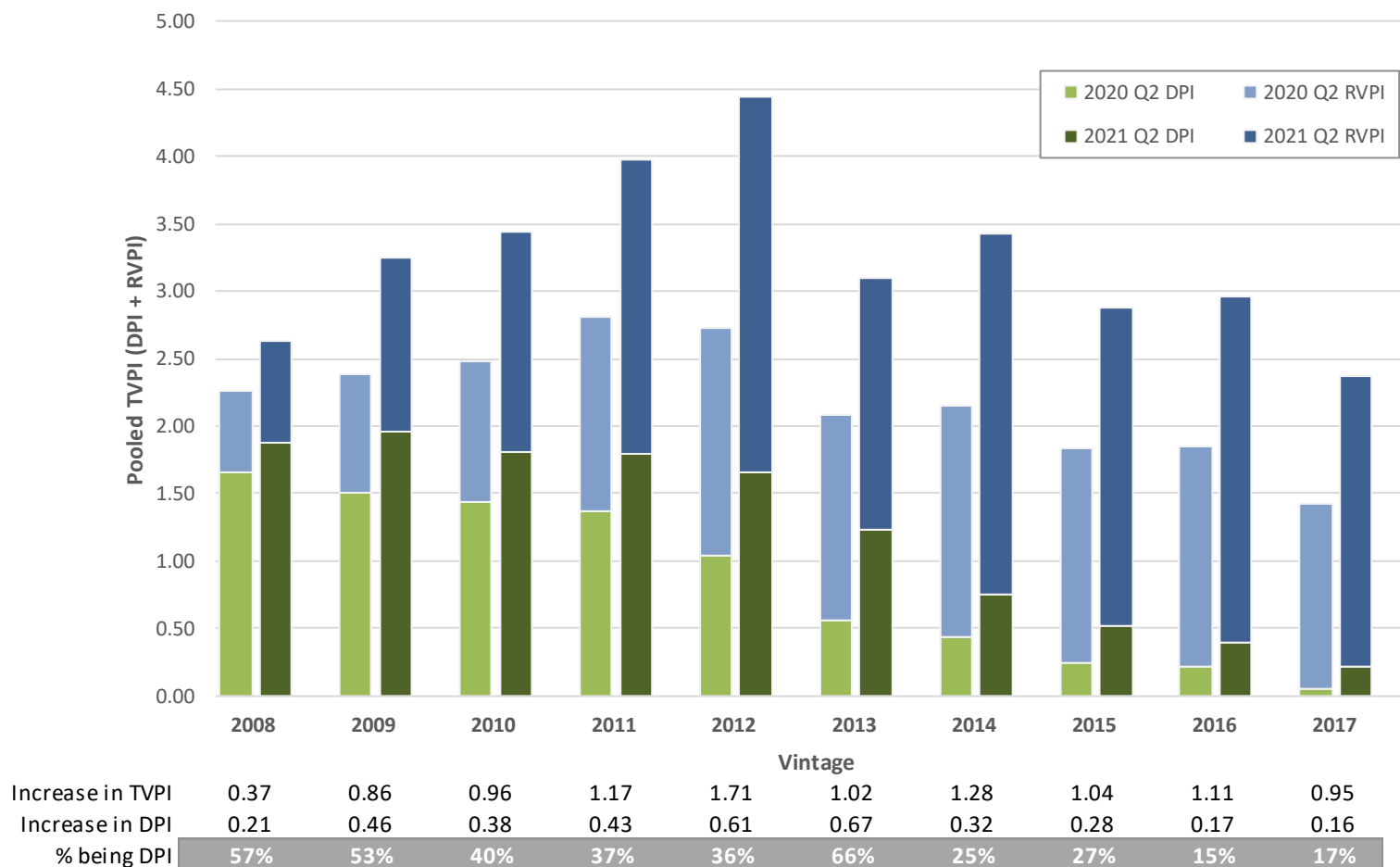


VC – the best and the worst performers



Source: Burgiss Manager Universe as of 6/30/2021, returns in USD.

Lots more cash, and even more later?



Final thoughts

- The last year has produced huge returns for VC, with significant increases spread across many mature funds
 - Driven by strong exit opportunities, SPACs, pandemic effects on tech and biotech, and lots of innovative opportunities
- Since the financial crisis VC has had a remarkable run, reversing the 'lost decade' after the dot-com bubble burst
- Buyouts came through the pandemic with little effect on returns
 - absolute returns have been surprising stable, and have been edging up
 - ... largely in line with public markets, with PME's remaining >1
- Overall, investors' focus on private markets has increased, with many new ways of providing access being discussed