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Performance and Public Market Equivalent Report 2021

A report on the returns generated by independent UK managed funds that raise capital from third-party investors, and a comparison of these returns to public markets

December 2022

About this report

This report has been produced by the British Private Equity and Venture Capital Association ("BVCA") to demonstrate the returns generated for investors by our members to 31 December 2021 and to compare these returns to equivalent investments in the public equity markets – using the FTSE All Share Total Return Index and MSCI Europe Gross Total Return Index as the benchmarks.

The performance statistics in this report are taken from the BVCA's Performance Measurement Survey, an annual survey of fund level cash flows and valuations collected from our members. The public market equivalent analysis uses the same underlying data set.

With a significant presence in the UK, developed over the past 40 years, private equity and venture capital investments provide companies with the finance and know-how to deliver sustainable business growth. Active ownership, over the medium to long term, delivers economic and social value to those involved in the businesses (from employees, management and owners on the one hand, to customers and suppliers on the other) and a wide group of stakeholders (from local communities and local and regional economies, to national policy makers focused on issues such as climate change, diversity and inclusion and social issues).

Both private equity and venture capital firms are focused on delivering sustainable growth for the companies in which they invest: venture capital funds typically support early stage and younger companies, holding minority stakes in the businesses, while private equity funds typically acquire controlling stakes in more established businesses.

The Performance Measurement Survey (PMS) looks at funds which invest in businesses at all stages of the growth lifecycle – from venture capital funds specialising in start-ups to large buyout funds investing in global corporations. We at the BVCA firmly believe that our asset class offers exciting investment opportunities for pension schemes and other investors and the results of the Performance Measurement Survey and this Public Market Equivalent analysis show us why.

For the 2021 Performance Measurement Survey, we received responses from **114** members out of a total eligible pool of **164** members, a response rate of **70%**. For comparison, in 2020 we received response from **119** members out of a total of **158** who were eligible. The full Performance Measurement Survey Report is available on our website here and a shorter highlights paper can be found here.

This report uses the data collected for the 2021 Performance Measurement Survey and applies two main Public Market Equivalent ('PME') methodologies to compare the performance of the private equity and venture capital funds in our database to public equity markets, specifically the FTSE All-Share Total Return Index and the MSCI Europe Gross Total Return Index.

> *We are pleased to present this second edition of our Public Market Equivalent analysis to help investors better understand the relative performance of private equity and venture capital compared to public markets. By extending our analysis to include an additional benchmark index we provide greater depth to the literature around the performance of private capital funds.*

Michael Moore
Director General, BVCA

Key findings at a glance

Absolute performance since 2001

Realised returns

1.31x

Across the industry as a whole since 2001, investors have received 1.31x their original invested capital

Total returns

1.86x

Across the industry as a whole since 2001, investors own assets which, if realised as at 31 Dec 2021, would mean investors receive 1.86x their original investment

Industry return

14.7%

Overall industry since inception internal rate of return since 2001

Relative performance since 2001

FTSE All-Share comparison

1.34x

The **KS-PME analysis** implies that since 2001, investors would have **earned 34% more from investing in funds managed by our members** than if they made equivalent investments in the FTSE All-Share Total Return Index

FTSE All-Share comparison

7.2%

The **Capital Dynamics PME+ analysis** implies that, if investors had made an equivalent investment in the FTSE All-Share Total Return Index, they would have received **a return of 7.2%, significantly lower than the 14.7% achieved by PE and VC**

MSCI Europe comparison

1.37x

The **KS-PME analysis** implies that since 2001, investors would have **earned 37% more from investing in funds managed by our members** than if they made equivalent investments in the MSCI Europe Gross Total Return Index

MSCI Europe comparison

6.7%

The **Capital Dynamics PME+ analysis** implies that, if investors had made an equivalent investment in the MSCI Europe Gross Total Return Index, they would have received **a return of 6.7%, significantly lower than the 14.7% achieved by PE and VC**

Returns by vintage year

Funds managed by our members have collectively outperformed both the FTSE All-Share Total Return Index and the MSCI Europe Gross Total Return Index **every year since 2001**[1], when assessed using both the Capital Dynamics PME+ and KS-PME methodologies

[1] Funds which started investing between 2001 and 2017

Contents

Foreword

Understanding investment performance is important and not always straightforward. Different types of investments have different measurement metrics, but it is important to be able to evaluate the relative performance of the different options available to investors.

> *"Private equity and venture capital funds in our dataset have collectively outperformed the public market as represented by either the FTSE All-Share Total Return Index or the MSCI Europe Gross Total Return index every year since 2001"*

To help contribute to the understanding of this subject, this is the second edition of our Performance and Public Market Equivalent Report. Using data from our long running Performance Measurement Survey, we present the results from two different Public Market Equivalent methodologies which were developed by academics and industry practitioners: Capital Dynamics PME+ and KS-PME. We believe it is important for investors to consider both annual returns and total returns, hence we have selected one returns-based PME methodology (the Capital Dynamics PME+) and one multiples-based methodology (KS-PME), which we show across various time horizons. This report provides a reminder of how to interpret the results of these methodologies.

We have expanded our analysis this year to include an additional benchmark index. In addition to using the FTSE All Share Total Return Index, we also present results using the MSCI Europe Gross Total Return Index. Both indices are broad based, representing companies in a range of sectors and of different sizes, and focused largely on the UK, Europe and developed markets.

The findings are striking. Our analysis shows that the private equity and venture capital funds in our dataset have collectively outperformed the public market as represented by either the FTSE All-Share Total Return Index or the MSCI Europe Gross Total Return index every year since 2001, the first year in which both indices were available.

Resilience through the economic cycle

Although investments in private equity and venture capital are not immune to the economic cycle, the analysis shows that even in a downturn the industry as a whole performs well relative to public markets. We can see from the data that the vintage years with the lowest returns are 2005-2007, i.e. funds which started investing just before the Global Financial Crisis. However, even these funds collectively outperform the FTSE All Share and MSCI Europe indices using two Public Market Equivalent Methodologies. This demonstrates the resilience of private equity investments to economic turbulence and provides some reassurance to investors in these difficult economic times.

We are pleased to have been able to extend the analysis this year, however, we recognise that analyses with different indices could produce different results. We will continue to explore whether and how we can extend our analysis in future years.

We would like to thank the BVCA members who contributed data as part of our performance measurement survey. We give special thanks to the members of the Performance Measurement Survey Review Board, who provided technical advice to the BVCA and helped ensure the robustness of the processes undertaken to produce this report, and to Dr Phillippe Jost who kindly acted as an additional sounding board for queries.

Charlie Troup
Managing Partner, Duke Street Capital,
& BVCA Chair 2022/2023

Report from the Performance Measurement Survey Review Board

About the board

Established in 2019, the Performance Measurement Survey Review Board is an advisory group comprised of experienced individuals working across all parts of the private equity and venture capital industry – from fund managers to investors to academics.

We are pleased to support the BVCA in the production of this report, which is a companion to the Performance Measurement Survey report. The Board is a technical advisory group and has no access to individual firm submissions or any of the underlying disaggregated data. Our role is to advise on methodology and process and to ensure that the results are robust.

Robustness of results

The verification procedures for the Performance Measurement Survey are set out in the main report. The survey response rate, sign off rate and the data verification procedures undertaken as part of the PMS report give the Board confidence that the data set is robust. The methodologies used in the PME analyses in this report have been reviewed and approved by the Board.

Selection of benchmark index

A key input into any PME analysis is the public market benchmark, or index, which will be used as the comparison to the private market performance. Having considered the nature of the BVCA Performance Measurement Survey data set – the range of fund sizes, investment sectors, investment geographies and investment sizes, the Board recommended the use of the FTSE All-Share Total Return Index as the best comparator for the whole dataset and the MSCI Europe Gross Total Return Index as the best comparator for the entire dataset a close second. We are pleased that this year the BVCA has expanded its analysis to present the results using both indices.

If, in future, the BVCA decides to produce more granular analysis (for example, looking at venture only), then a different index may be appropriate for subsets of the data.

Overall results

The results are compelling, and highlight the need for a reliable relative measure of performance as well as an absolute measure. 2005-2007 are the years with the lowest performance on an IRR measure, and yet these years have performed better than as the FTSE All-Share Total Return Index and the MSCI Europe Gross Total Return Index using two Public Market Equivalent Methodologies.

We are pleased to be able to contribute to the available research into the returns from private equity and venture capital funds to investors, and we hope that this second edition of the BVCA's Public Market Equivalent analysis will be an important resource for investors, industry participants and those who study or wish to learn more about the returns generated by the asset class.

Mark Drugan
Chair, Performance Measurement Survey Review Board

Current board members

Mark Drugan
Formerly of Capital Dynamics

Candy Ip
Advent International

Graeme Keenan
Pantheon

Fraser McLatchie
SEP

Professor David Robinson
Duke University

Jeremy Lytle
ECI

Guide to this report

This report presents the performance of funds managed by members of the British Private Equity and Venture Capital Association and then compares the performance of these funds to the public market, as represented by the FTSE All-Share Total Return Index and the MSCI Europe Gross Total Return Index, using two different PME methodologies.

This report is structured as follows:

- **Section 1: Measuring Investment Performance** explains how investment performance is measured for public equity portfolios and for private equity and venture capital funds. We also provide a high-level overview of the Public Market Equivalent methodologies used in this report, including how to interpret the results. For a detailed explanation of the methodologies, please see our 2020 report.
- **Section 2: Selection of benchmark indices** provides an overview of the funds in our dataset and explains why the FTSE All-Share and MSCI Europe Indices were selected.
- **Section 3: Performance & Benchmarking Results** provides an analysis of the performance of the funds in our dataset over different time periods and how that performance compared to equivalent investments in public equity markets.
- **Section 4: Conclusion** summarises the key findings from the report.

A further reading section is included at the end of the report for readers wishing to explore the existing published literature on PME.

Who is this report written for?

This report is primarily written for individuals who have a finance background and are familiar with private equity and venture capital performance measurement.

If you are new to private equity and venture capital performance measurement and public market equivalent analyses, then sections 1 and 2 in the BVCA Performance and Public Market Equivalent Report 2020 cover the methodologies you will need to understand and interpret the results in this report. A Glossary is also provided.

If you have any questions or comments on this report, including technical queries, please feel free to reach out to the BVCA research team.

Get in touch >

Measuring investment performance

Public equities vs. private equity

Public equities

Institutional investors, such as pension funds, asset managers and mutual funds, invest capital on behalf of their clients. To optimise gains and decrease risk, fund managers diversify their investments into different asset classes – the "asset allocation" process.

The public equity market is particularly popular amongst professional investors. Buying and selling stocks is fairly easy, making it a more liquid asset class compared to other options. A public equity portfolio can be easily diversified across different industries and there is a potential to earn higher returns than (less risky) alternatives, such as government bonds.

In simple terms, when analysing the performance of a public equity portfolio, one looks at: the value of the portfolio at the beginning of the calendar year (B), the value of the portfolio at the end of the year (E) and any distributions of interest or dividends (D) during that period. A yearly return can be calculated as:

$$\text{Return (\%)} = \frac{E + D - B}{B}$$

Risks are usually measured by looking at the variation of the value of the portfolio within this time frame, and this simple calculation is possible because investors can buy and sell listed assets at any point in the year.

Private equity

Investing in private equity and venture capital is different to investing in public equity markets, with the main difference being the liquidity of the investment and the length of time an investor is required to commit to a fund.

A private equity or venture capital fund will raise capital until it reaches a pre-defined target, when the fund closes and no new investors can join.

Once an investor has made a commitment to a fund, it may not be called upon for a period of months or even years, and when this commitment is called for, to fund an investment, this may be varying amounts and at irregular intervals.

Once a fund starts deploying capital, it spends on average four years mostly investing into portfolio companies and distributing back very little to investors. It is often only after around the fifth or sixth year of a fund's life that investors start receiving distributions (i.e. getting their capital back). This will last for as long as there is unrealised capital to be distributed - the life of a fund is typically between eight and fifteen years.

Private equity and venture capital is therefore considered to be a long-term asset class, and not suitable for investors who are likely to need to access their capital at short notice.

As a result of these features, a number of different metrics are used to give investors the greatest possible understanding of the performance of their investments in private equity and venture capital funds. In this report, as well as in the BVCA's Performance Measurement Survey, we focus on money multiples, specifically Distributed to Paid-In (DPI) and Total Value to Paid-In (TVPI) multiples, and Internal Rates of Return (IRRs).

A brief explanation of these measures can be found in the Glossary. Detailed explanations and examples can be found in Section 1 and Section 2 of our 2020 report.

Measuring investment performance

Public Market Equivalents (PMEs)

Benchmarking the performance of investments in private equity and venture capital funds to other asset classes (such as public equities) is not a straightforward process. Private equity and venture capital fund returns are typically measured in a different way to other asset classes. IRRs and multiples are not ideal ways of comparing the performance of private equity and venture capital funds to public equity investments.

A Public Market Equivalent (PME) analysis is a method which allows investors to compare the performance of a private equity or venture capital fund, to the performance the public market would have generated over the same period using the same investment timings.

In general, the PME method is to create a theoretical fund that replicates the cashflows of private markets by buying and selling stocks of a specific index. The index is a hypothetical portfolio of investments that represent specific segments of an economy or sector. Creating a theoretical portfolio that invests at the same time and same amount into an index, allows the investor to gauge what the return of its investments would have been in the public equity market, by taking into consideration the market movements.

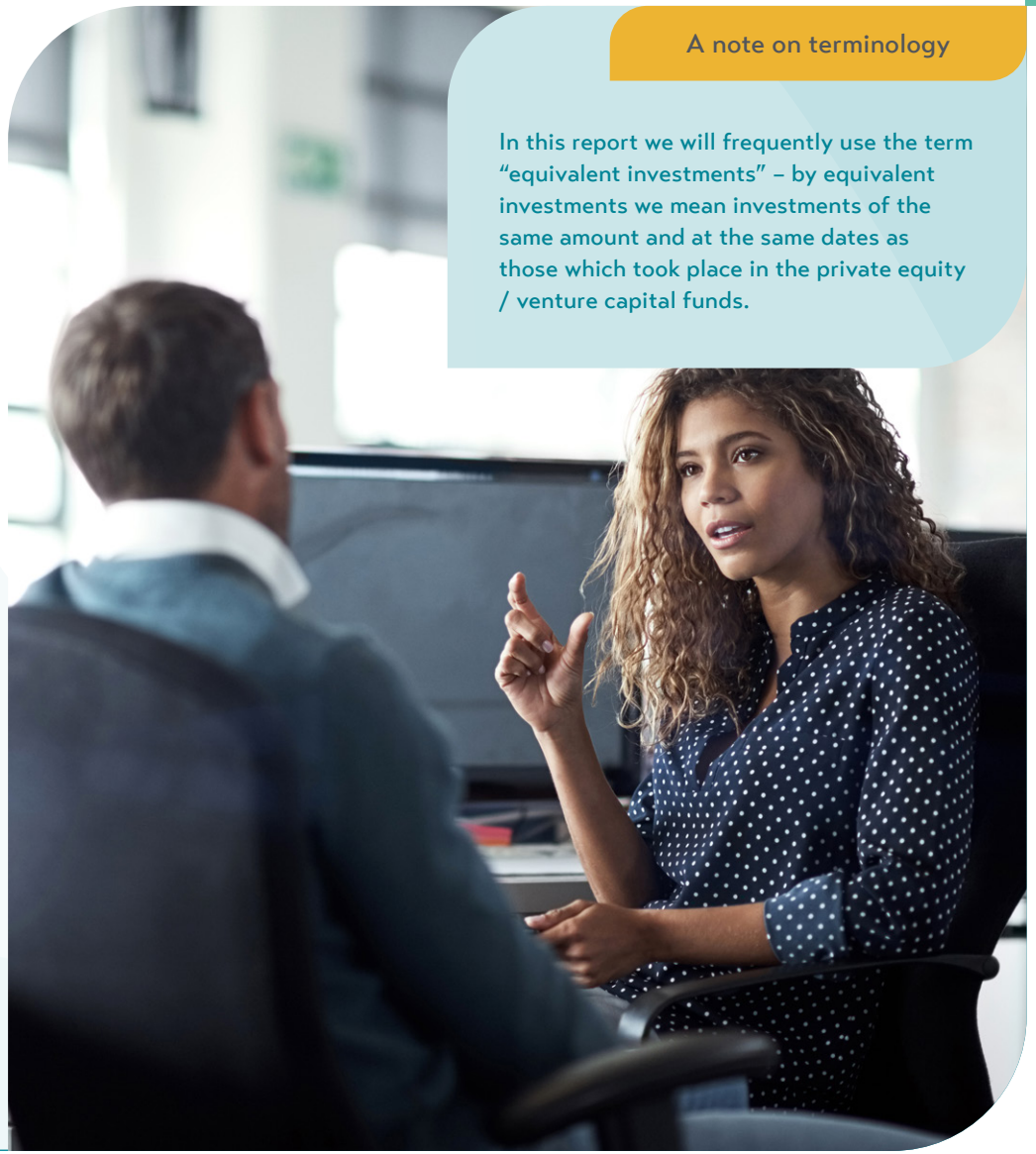
This table on the following page provides a summary of three different methodologies:

- Long-Nickels (LN-PME);
- Kaplan Schoar (KS-PME); and
- Capital Dynamics PME+.

An extensive overview of these approaches, along with worked examples is provided in section 2 of our 2020 report.

Section 3 of this report presents the results of our calculations using the KS-PME and Capital Dynamics PME+ methodologies, which we believe are the most appropriate for use with our dataset as they use daily cash flows and year end valuations.

A PME analysis is the fairest method of comparing the performance of the two asset classes, as it indicates to the investor what the return of an equivalent public market investment would be.



A note on terminology

In this report we will frequently use the term "equivalent investments" – by equivalent investments we mean investments of the same amount and at the same dates as those which took place in the private equity / venture capital funds.

Measuring investment performance

Overview of PME methodologies

Methodology	Metric	Private Equity Outperformance if:	Description of Calculation	Strengths	Weaknesses
LN PME (Long-Nickels)	Annualized Rate	Estimated PME IRR < PE Fund IRR	Contributions to PE fund are converted to an equal purchase of shares in the public index. Distributions represent liquidation of share in public index. IRR calculation uses same contributions and distributions as PE fund, but with a different final period remaining value.	LN PME IRR is directly comparable to the PE Fund IRR, allowing an apples-to-apples comparison.	IRR sensitive to early distributions. Large distributions could cause a negative PME final period remaining value, making PME IRR calculation computationally impossible.
KS PME (Kaplan-Schoar)	Ratio	Value > 1	Calculated by discounting the private equity fund cash flows by the public market index value. The discounted distributions plus the current remaining value are divided by the discounted contributions to obtain the ratio.	The calculation looks at the ratio of outflows versus inflows as opposed to generating an IRR, which is time dependent and is easily manipulated. Easy to interpret.	Ignores the timings of cash flows.
Capital Dynamics PME+	Annualized Rate	Estimated PME IRR < PE Fund IRR	Uses a fixed scaling factor (lambda) to modify each distribution to ensure the PME final period remaining value is the same as the PE fund remaining value. IRR calculation uses modified distributions but same contributions and final period remaining value.	As for LN PME, with the added benefit of avoiding a final period negative remaining value, making PME IRR calculation possible in more cases.	PME+ does not match the cash flows perfectly.

Methodologies used in this report

Source: Adapted from Preqin Special Report: Public Market Equivalent (PME) Benchmarking, 2015.

Selection of benchmark indices

The importance of index selection

The most important judgement to make when calculating any Public Market Equivalent results is the selection of the benchmark index.

There are two approaches to selecting a benchmark index:

1.) Endeavoring to match the private market portfolio as closely as possible, through consideration the range of investment sizes, sectors and geographies. This approach more closely shows the relative performance of the fund manager.
2.) Through considering the alternative investment options open to investors – which may reflect a different strategy or sector mix.

Consistent with academic literature, we have adopted the first approach, looking to use indices which have features which most closely align with our dataset, as our objective is to assess the relative performance of private capital funds in our dataset.

It is important to note, however, that the indices we select are not the only alternative place in which investors could have placed their money.

Overview of funds in the BVCA PMS data set

Investment size
(by amount invested):

- 62% of the funds in our database invest in Large Private Equity (over £100 million invested in equity per transaction);
- 27% invest in Mid Private Equity (Between £10 and £100 million invested in equity per transaction);
- 6% invest in Small Private Equity (less than £10 million invested in equity per transaction); and
- 4% are Venture Capital funds.

Investment sectors / regions
(by number of funds):

- 16% of the funds in our dataset focus on technology.
- 61% of the funds in our dataset invest only in the UK, 84% in European countries (which may include the UK) and 16% in other regions.

From our other studies, such as the Report on Investment Activity, we know that our member firms invest in a varied range of sectors, particularly technology, consumer goods and services, business products and services, biotech and healthcare and financial and insurance activities.

Investment currency[1]
(by capital raised since 2001):

- 17% Pounds Sterling
- 76% Euros
- 7% US Dollars

[1] We use end of day mid-rates from oanda.com to convert between currencies

Selection of benchmark indices

Benchmark indices

Taking into consideration the broad range of investment sizes, sectors and geographies, we require a broad based UK or European index to be comparable.

We have identified two indices which meet this criteria:

- The FTSE All Share Index; and
- The MSCI Europe Index

In both cases we select a Total Return Index (see box right).

We have adopted the Euro denominated MSCI Europe Index, for which daily data is available from 1 January 2001.

A note on dividends & trading costs

Index providers typically publish at least two versions of the same index:

1.) a price level index which reflect the share prices of the underlying stocks on each day; and
2.) A total return index, which reflects the fact that publicly quoted companies frequently pay dividends to shareholders. When dividends are paid out these are assumed to be reinvested in the index, hence the total return index is a better reflection of what an investor would earn if buying and holding the index for a longer period of time.

As the cashflows in our dataset contain dividends, the Total Return measure is the most appropriate for our purposes.

The BVCA reports performance (DPI, TVPI and IRR) net of fees, whereas public equity will have trading costs. However, since the PME analysis implies that investments are made into an index, trading fees are negligible, making it a reasonable comparison.

Performance & benchmarking results

Since inception analysis by vintage year – IRR, DPI & TVPI

Chart 1 – Since Inception DPI and TVPI by Vintage Year

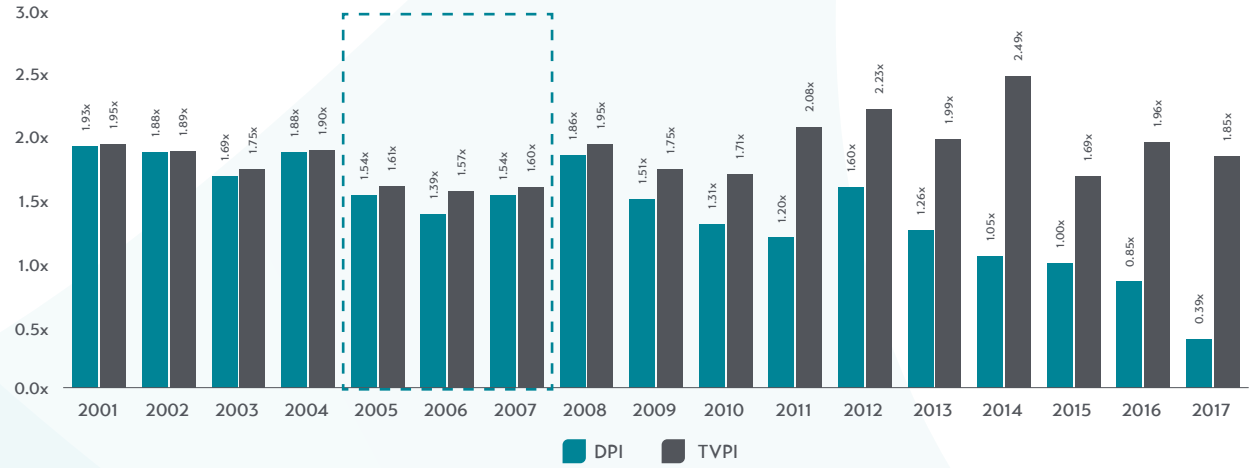
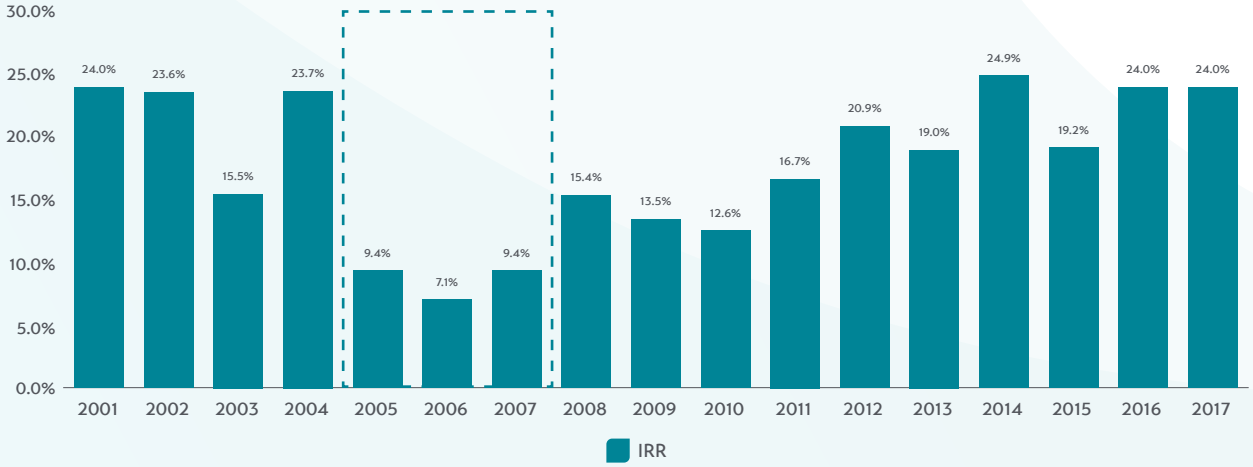


Chart 2 – Since Inception IRR by Vintage Year



Spotlight on the Global Financial Crisis

Data from our Performance Measurement Survey shows that funds which started investing from 2005 – 2007 (immediately prior to the Global Financial Crisis) generated fairly modest IRRs relative to other years in our dataset. However, looking at the multiples analysis, we can see that these funds performed reasonably well on a multiple basis – implying that they held investments for longer in order to realise a decent return.

Consistent with our Performance Measurement Survey report, we do not show returns for funds less the four years old, as these funds are likely to still be investing capital without material realisations. Hence an analysis of the returns is not particularly meaningful. For and explanation of the life cycle of a private equity fund, please see section 1 of our Performance Measurement survey report. A longer term dataset going back to 1980 is also shown in this report, with results by vintage year shown here.

Performance & benchmarking results

Since inception analysis by vintage year – KS-PME and Capital Dynamics PME+

Chart 3 – Since Inception KS-PME by Vintage Year

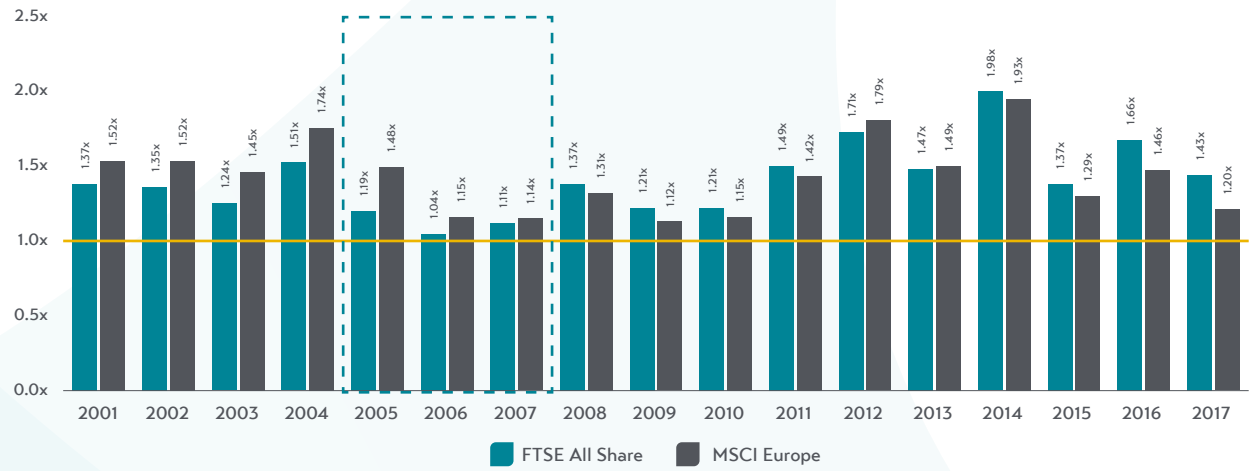
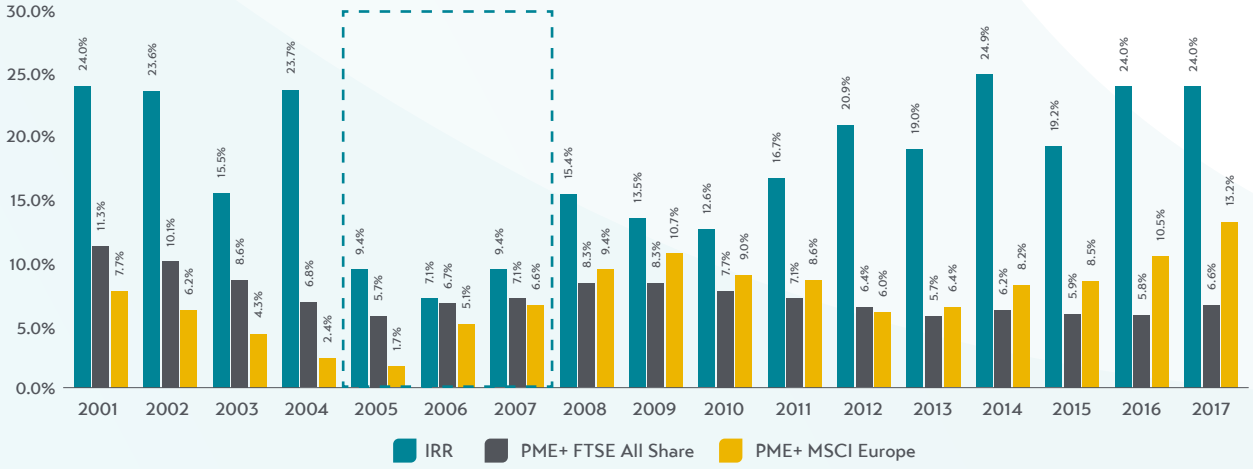


Chart 4 – Since Inception Capital Dynamics IRR and PME+ by vintage year



Private capital outperforms public markets in every vintage year

As reminder, private equity and venture capital outperforms under the KS-PME measure if the KS-PME is greater than one. We can see that this is the case for every year since 2001, whether we use the FTSE All Share Total Return Index, or the MSCI Europe Gross Total Return Index.

For the Capital Dynamics PME+, private equity and venture capital outperforms if the IRR is greater than the PME+ calculation. We can see that this is the case for every year in our dataset.

Spotlight on the Global Financial Crisis

The data on the previous page shows that the performance of funds in our dataset fell during the financial crisis. The PME measures provide a way to look at the relative performance of public markets, as represented by our benchmark indices.

We can see that although the returns from private capital funds fell in the Global Financial Crisis, equivalent investments in public markets, as represented by our selected indices, performed even worse. Hence private capital fund returns continued to outperform on a relative basis even during this difficult time.

Performance & benchmarking results

Since inception analysis starting from a specific vintage year – KS-PME and Capital Dynamics PME+

Chart 5– Since Inception KS-PME starting from a specific vintage year

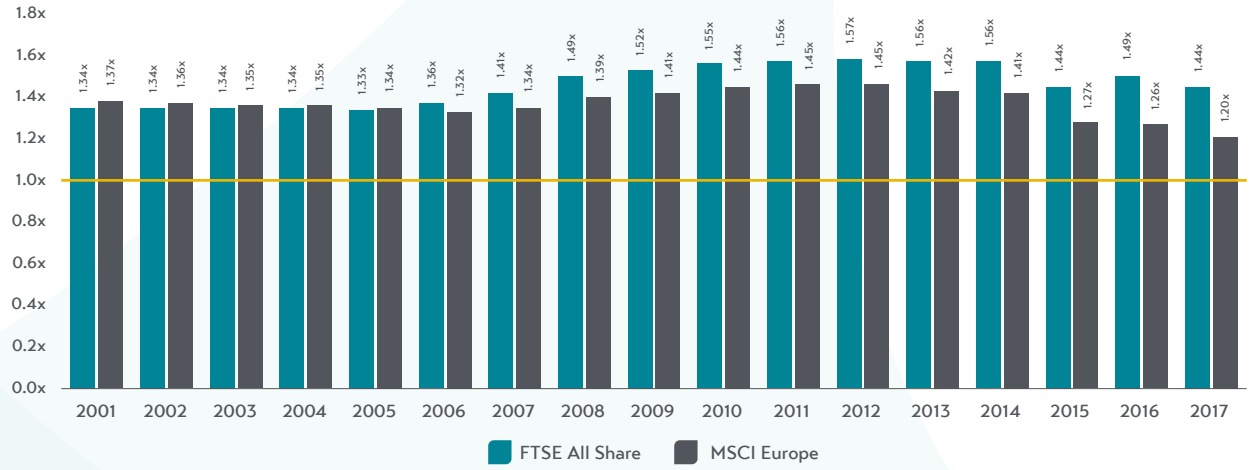
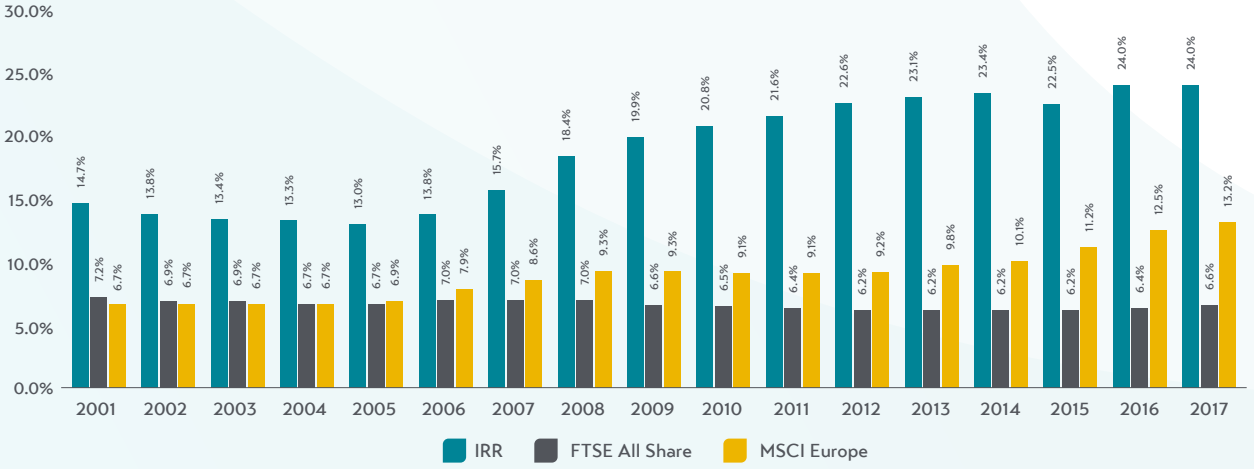


Chart 6 – Since Inception IRR and Capital Dynamics PME+ starting from a specific vintage year



Starting from different points in time

These charts show the performance of the funds in our dataset relative to our selected benchmark indices starting from different points in time. This is a useful representation of the data if one is looking to understand the performance of the industry as a whole since a specific year. By starting the analysis at different points we can, if we wish, exclude older funds which may have been operating in very different economic environments to today.

For an analysis of the IRR and multiples from our Performance Measurement Survey results starting from different points in time, please see our 2021 report.

Conclusion

This report uses a large dataset of fund level cashflows and valuations from 2001 to 2021, as well as daily prices for the FTSE All-Share Total Return Index and the MSCI Europe Gross Total Return Index. We have provided significant detail on the returns achieved for investors by funds managed by BVCA members, and how these returns compare to equivalent investments in public equity. Our findings are clear:

- Our since inception returns analysis shows that funds that started investing between 2001 and 2017 have already distributed back to investors 1.31x of the original capital invested; if these funds had liquidated their assets at 31 December 2021 at the given valuations, investors would have received back 1.85x their original investment. The pooled IRR achieved by these funds by December 2021 was 14.7%.

- The KS-PME analysis shows that for funds that started investing between 2001 and 2017, BVCA member funds generated around 1.3x what investors would have earned from an equivalent public equity investment. The Capital Dynamics PME+ analysis showed that equivalent investments would have returned 6.7% - 7.2% by December 2021, depending on the benchmark index selected.

- Our Since Inception by Vintage Year analysis has shown that every vintage year between 2001 and 2017 had a stronger performance than equivalent investments in private equity and venture capital fund than public equities.

- The KS-PME and Capital Dynamics PME+ analyses both confirmed that since 2001, investors have received higher returns from private equity and venture capital funds than they would have received had they made an equivalent investment in public equities.

- Vintages between 2005 and 2007 are the worst performing vintages for the funds in our dataset, as these were made immediately prior to the downturn caused by the Global Financial Crisis. Despite the lower returns, both in our KS-PME and Capital Dynamics PME+ analysis, the industry still outperformed the public equity market as represented by both the FTSE All Share Total Return Index and the MSCI Europe Gross Total Return Index.

In Summary: from 2001 onwards, regardless of how we choose to analyse the performance of the private equity and venture capital funds in our dataset, and regardless of which PME methodology is used, these funds outperformed both the FTSE All-Share Total Return Index and the MSCI Europe Gross Total Return Index.

We are aware that there is significant literature available on private equity performance, including public market equivalent analyses, and we are pleased to be able to contribute to the evidence around the performance of UK private equity and venture capital funds in this report.

All data tables in this report are available on the BVCA website in Excel format. We hope this will prove a valuable resource for industry participants, researchers and others wishing to learn more about the performance of private equity and venture capital funds.

We would like to conclude by thanking all BVCA members who contributed to our Performance Measurement Survey, without which this report would not have been possible.

Get in touch

If you would like to discuss anything within this report please contact Suzi Gillespie, Head of Research at the BVCA at research@bvca.co.uk.

Glossary

Return metrics

IRR

The annualised internal rate of return (IRR) achieved over a period of time, based on the portfolio cash flows and valuations.

DPI

The distributed to paid in (DPI) multiple is the total amount distributed to investors as a percentage of paid-in/ committed capital.

TVPI

The total value multiple (TVPI) is the total amount distributed plus the residual value attributable to investors as a percentage of paid-in capital.

Time periods

Vintage year

Governed by the date of the fund's first drawdown, that is, the earlier of either: (i) the first payment by the investor to the fund; or (ii) the first investment made by the fun.

Since inception

Since Inception performance refers to the performance of a fund since its first draw down. This, therefore, is the measure that most closely reflects the return an investor would achieve if they invested at the start of a fund. Funds that are four years old or less are excluded from our Since Inception analysis as during the first four years of a fund's life, they are mostly investing and only returning small amount of capital to investors, therefore any calculated measure of performance would not provide an accurate indication of what the return could be at the end of the fund's life. Hence, the Since Inception returns in this report exclude funds with vintages after 2017.

Since Inception by Vintage Year

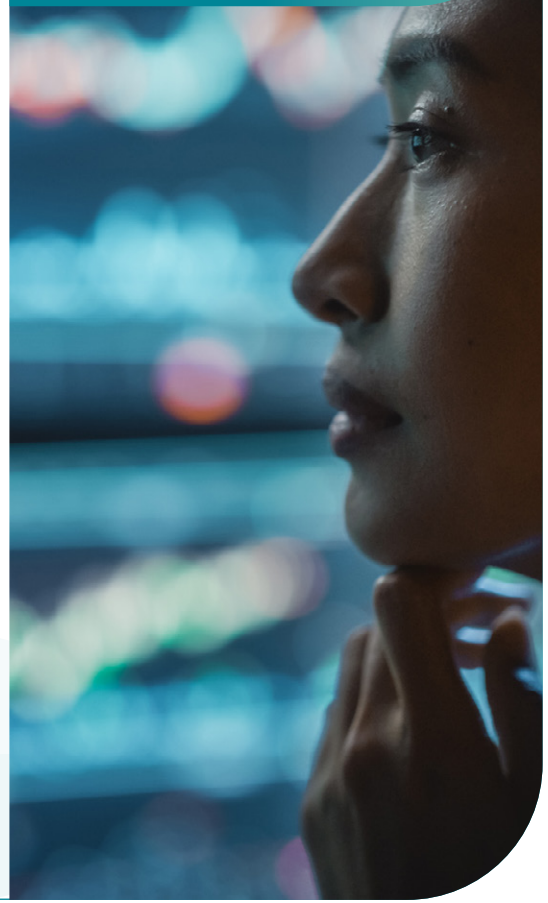
The BVCA classifies the vintage year of a fund as the first year in which the fund made a draw down. Since Inception returns by vintage year are useful when analysing the returns delivered to date of funds at different stages of a fund's life cycle. For example, the 2012 vintage in this report will contain all funds that started investing in 2012, and therefore are currently 10 years old, having most likely invested the majority of their capital and distributed a significant proportion back to investors. Since Inception returns by vintage year are also useful to analysing the impact that economic cycles can have on fund performance.

Since Inception Starting From a Specific Year

A new measure presented by the BVCA in the Performance Measurement Survey report last year is Since Inception starting from a specific year. This measure is a pooled Since Inception return for all funds starting at a certain vintage and excluding the four most recent vintages. For instance, Since Inception starting from 2012 includes cashflows from all funds of vintages between 2012 and 2017, therefore funds that are between five and ten years old. This means that the funds included in the Since Inception starting from 2012 category will probably have invested the majority of their capital and distributed a large proportion of it as well.

Note

Please note that in our Performance Measurement Survey we start our Since Inception analysis in 1980. This report starts the analysis in 2001 as this is the first year where data is available for both our selected indices.



Further reading

The authors found the papers below to be helpful in developing an understanding of the various PME methodologies, and would recommend these to readers wanting to understand more about this topic:

- BVCA Private Equity Performance Measurement - BVCA Perspectives Series, 2015.
- Capital Dynamics. Public benchmarking of private equity. Quantifying the shortness issue of PME, July 2015.
- Griffiths et al. Benchmarking Private Equity The Direct Alpha Method, February 2014.
- Kaplan & Schoar. Private Equity Performance: Returns, Persistence, and Capital Flows. Journal of Finance, August 2005.
- Long and Nickels. A Private Investment Benchmark, February 1996.
- Preqin. Preqin Special report: Public Market Equivalent (PME) Benchmarking, July 2015.
- Brown, Gregory & Harris, Robert & Hu, Wendy & Jenkinson, Tim & Kaplan, Steven N. & Robinson, David T. "Can investors time their exposure to private equity?," Journal of Financial Economics, Elsevier, vol. 139(2), 2021.
- Sorensen & Jagannathan. The Public Market Equivalent and Private Equity Performance, March 2014.

Contacts & useful resources

- BVCA Performance Measurement Survey 2021
- BVCA Performance Measurement Survey 2021 Highlights
- Performance and Public Market Equivalent Report Report 2020
- Growing Great British Businesses
- BVCA Report on Investment Activity 2021
- Measuring the contribution of private equity and venture capital to the UK economy in 2021

To access the data shown in the charts within this report please click here

If you would like to discuss this report on the industry's contribution more generally, please contact any of the following:

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Data sources

The FTSE All Share Total Return Index data is sourced from FTSE Russell The MSCI Europe Gross Total Return Index data is sourced from MSCI.

About the BVCA

The British Private Equity & Venture Capital Association (BVCA) is the voice of private capital in the UK.

We have been advocating for the UK's private equity and venture capital industry for almost 40 years, helping it to uphold its vision and achieve its goals. We actively represent this diverse community of long-term investors, enabling them to speak with one clear and consistent voice to society, including the Government, media and MPs.

We connect institutional investors, fund managers, companies, advisers and service providers together, with our membership currently comprising more than 700 businesses from across the private capital ecosystem. This includes more than 325 PE and VC firms, 100 institutional investors and 220 professional services firms.

The BVCA supports its members to help companies grow and achieve their long-term ambitions, creating value for the country, both economically and socially. From creating medicines to protect us against COVID-19, to backing innovative companies in their quest to find solutions to our low-carbon future, private capital also plays a critical role in addressing society's future challenges.

Together we are invested in a better future.

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The data within this report was collated and analysed by the BVCA Research team. While the BVCA has made every effort to ensure the reliability of the data included in this report, they do not assume any responsibility for any inaccuracy in the data nor the accuracy of the underlying amounts submitted by the participating private equity and venture capital funds. The survey is based on valuations provided by each participating fund. The BVCA has not independently checked the valuation data, or independently confirmed that the International Private Equity and Venture Capital Valuation Guidelines have been adhered to.

The data used in the preparation of the report has not been independently verified, validated or audited by the BVCA. This publication has been prepared for general guidance on matters of interest only and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law. Neither the BVCA nor its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

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