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Performance Measurement

Survey 2023

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

July 2024

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 2023. The statistics in this report are the results of the BVCA's Performance Measurement Survey, an annual survey of fund level cash flows and valuations collected from our members.

With a significant presence in the UK, developed over the past 40 years, private equity and venture capital funds 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, equity 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 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 private equity and venture capital funds are an exciting and attractive investment opportunity for pension schemes and other investors and the results of this survey show us why.

Alongside absolute returns metrics, this report also includes the results of a Public Market Equivalent analysis to help investors better understand the relative performance of private equity and venture capital compared to the public markets.

In 2023 we received responses from 86 members out of a total eligible pool of 109 members, a response rate of 80%.

For those who wish to explore the data further, we have made the data tables in this report available for download on the BVCA website here, in excel format. We have also produced a methodology paper which provides a detailed overview of different ways of measuring private equity and venture capital performance. We hope these resources will prove valuable for industry participants, researchers and others wishing to find out more about the performance of private equity and venture capital funds.

> *Robust, accurate and transparent data is of the utmost importance and underpins our ability to articulate our economic contribution to society. Gathered from nearly 90 BVCA members, this represents the largest primary research survey of its kind in the UK. I want to thank all firms who provided us with data and enabled us to demonstrate the strong, long-term returns generated for investors.*

Michael Moore
Chief Executive, BVCA

Contents

UK private capital at a glance

Industry return since 1980

14.5% p.a.

Overall industry since inception internal rate of return since 1980.

Industry return since 2014

17.8% p.a.

Overall industry since inception internal rate of return since 2014.

Total returns

1.80x

Across the industry as a whole since 1980, investors own assets which, if realised at their 31 December 2023 values, would mean investors receive 1.80x their original investment.

Total return since 2014

1.82x

Across the industry as a whole since 2014, investors own assets which, if realised at their 31 December 2023 values, would mean investors receive 1.82x their original investment.

Wide range of returns

0.58x–2.71x

Illustrative Industry-wide range of total return multiples to 31 December 2023 (10th-90th percentile funds from 1980 onwards).

FTSE All-Share comparison

6.8% p.a.

The analysis using the Capital Dynamics PME+ (PME+) method implies that, since 2001[1] if investors had made an equivalent investment in the FTSE All-Share Total Return Index, they would have achieved an internal rate of return of 6.8%, p.a. significantly lower than the 14.1% p.a. internal rate of returns achieved by PE and VC.

MSCI Europe comparison

7.7% p.a.

The PME+ analysis implies that, since 2001 if investors had made an equivalent investment in the MSCI Europe Gross Total Return Index, they would have achieved an internal rate return of 7.7% p.a., significantly lower than the 14.1% p.a. internal rate of return achieved by PE and VC.

10 year horizon return

15.0% p.a.

vs 5.3% p.a. and 7.5% p.a. achieved by the FTSE All Share index and the MSCI Europe index.

[1] Funds that started investing between 2001 and 2019. We are using vintages 2001 onwards for benchmarking UK private capital performance as daily index data is available for both the FTSE All Share Index and the MSCI Europe Index from 1/1/2001.

Foreword

Across the globe, 2023 was a year marked by rising borrowing costs, increasing inflationary pressure and ongoing geopolitical tensions, all of which impacted the economy. The private capital industry was no exception to this. Deal making, exits, valuations and overall market sentiment were all impacted.

Despite the uncertain macroeconomic backdrop, the aggregate industry return since inception from 1980 remains strong at 14.5% per annum, albeit slightly lower relative to the prior year (14.7%). All suitably mature funds with the 2014 vintage onwards have delivered an IRR of 17.8% supported by the robust Total Value to Paid-in multiple (TVPI) of 1.82x. The money multiple metric shows that these funds would have almost doubled their invested capital, had all their assets been realised as at 31 December 2023 net of all costs and fees.

These returns, however are not guaranteed. Our range of returns show that, whilst the industry's performance is strong, returns vary between individual funds. Some funds ultimately may not generate a positive return, whilst others greatly outperform the average.

Private equity and venture capital is an asset class with a long-term investment horizon and a history of delivering returns in excess of those achieved by the public markets. The simplest illustration of this is to compare the 15% ten year horizon return for funds managed by the BVCA members to the equivalent annualised return of 5.3% and 7.5% for the FTSE All Share Index and the MSCI Europe Index respectively.

The Public Market Equivalent (PME) analysis, performed by the BVCA and included in the main performance measurement survey report for the first time this year, is an important part of enabling investors to understand the relative returns generated by private capital. This analysis demonstrates how private capital funds in the sample have collectively outperformed the public market as represented by the FTSE All Share Index every year since 2001, and the MSCI Europe Index in all but two recent vintages.

The analysis using the Capital Dynamics PME+ (PME+) method implies that if investors in private capital since 2001 had made an equivalent investment in the FTSE All-Share Total Return Index or the MSCI Europe Index, they would have achieved a return of 6.8% p.a. or 7.7% p.a. respectively, both significantly lower than the 14.1% p.a. internal rate of return collectively achieved by funds in our dataset.

Looking ahead, private equity and venture capital funds will continue to navigate a complex and uncertain environment in 2024. Elections taking place in many countries this year may drive changes in market conditions, and the developments in generative AI have the potential to transform businesses – bringing both opportunities and challenges. Private capital managers will continue to take a long-term view, creating value for investors.

We would like to thank all BVCA members who contributed data and give special thanks to the members of the Performance Measurement Survey Review Board, who provide technical advice to the BVCA and help to ensure the robustness of the processes undertaken to produce this report.

Matthew Sabben-Clare
Senior Advisor, Cinven
& BVCA Chair 2024/2025

Hugh Lloyd Ellis
UK Leader of Industry for
Private Equity, PwC

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.

The Board's role is to advise on methodology and process and to ensure that the results are robust. Fraser McLatchie has served as Chair of the Board since 2023, having succeeded Mark Drugan, who had chaired the board since its inception in 2019. Mark continues to provide valuable technical advice to the BVCA team as a Board member.

Robustness of results

80% of firms who were members of the BVCA in March 2024, and who managed funds which met the criteria, responded to this year's survey, that is 86 firms in total. This is again a strong response and in line with previous years given the current year's list of eligible members.

The survey is based on cash flows and valuations provided by each participating fund; neither the BVCA nor PwC is able to independently check the data provided. However, the BVCA research team has sought to verify the accuracy of data submissions via seeking sign-off of fund level returns to investors from a senior individual at each member firm. 100% of firms who provided data subsequently signed-off their numbers.

The response rate, sign-off rate, the calculation verification procedures undertaken by PwC and the additional improvements give the Board confidence that the survey findings are robust. As the non-respondents among BVCA members generally tend to be smaller firms with fewer assets under management, we believe that the pooled returns calculated in this study are representative of the BVCA membership.

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 dataset – 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.

Current board members

Fraser McLatchie
SEP

Mark Drugan
Formerly of Capital Dynamics

Candy Ip
Advent International

Graeme Keenan
Pantheon

Jeremy Lytle
ECI

Professor David Robinson
Duke University

Report from the Performance Measurement Survey Review Board

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

Commentary on findings

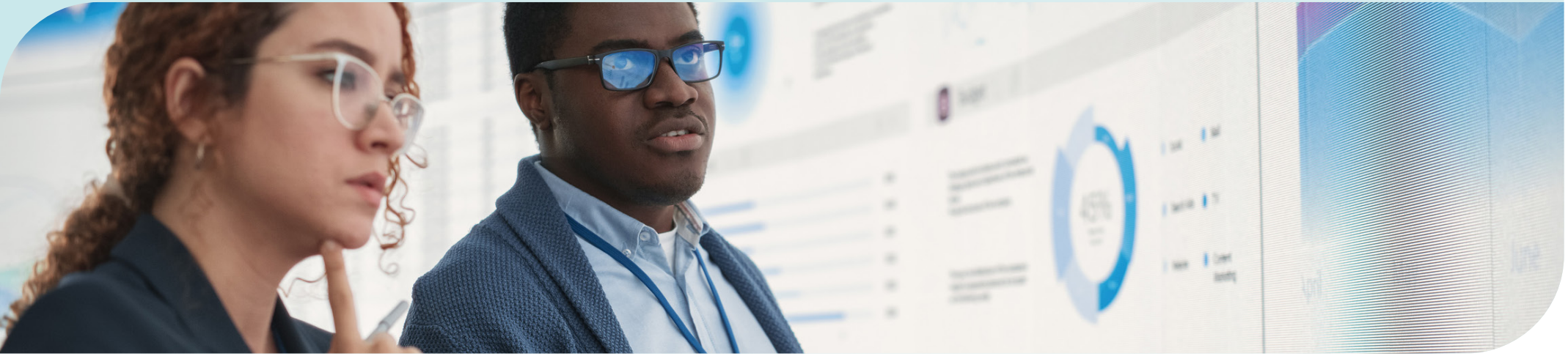
Private equity is not immune to the economic cycle and 2023 proved to be a challenging year. Higher interest rates and uncertain market conditions have led to subdued exit activity and adjustments in portfolio company valuations. This, in turn, has hampered the level of distributions to investors particularly for funds between 5 and 10 years old which are at the stage of realising investments made in previous years.

We can observe that the DPI multiples for these funds have remained largely flat relative to December 31, 2022, while the TVPI multiples were slightly down or unchanged year-on-year. The valuation adjustments were more pronounced for venture funds, which often fund early stage businesses which may not yet be cash generative. The higher interest rate environment has pushed up the cost of funding for all businesses, with a particular impact on those requiring cash funding.

However, the results of public market equivalent (PME) analysis show the long-term outperformance of private equity and venture capital compared to the public markets. The findings also underline the need for reliable relative performance measures.

We are pleased to be able to contribute to the available research into the returns from private equity and venture capital to investors, and we hope the BVCA Performance Measurement Survey will continue to 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.

Fraser McLatchie
Chair, Performance Measurement Survey Review Board



Guide to this report

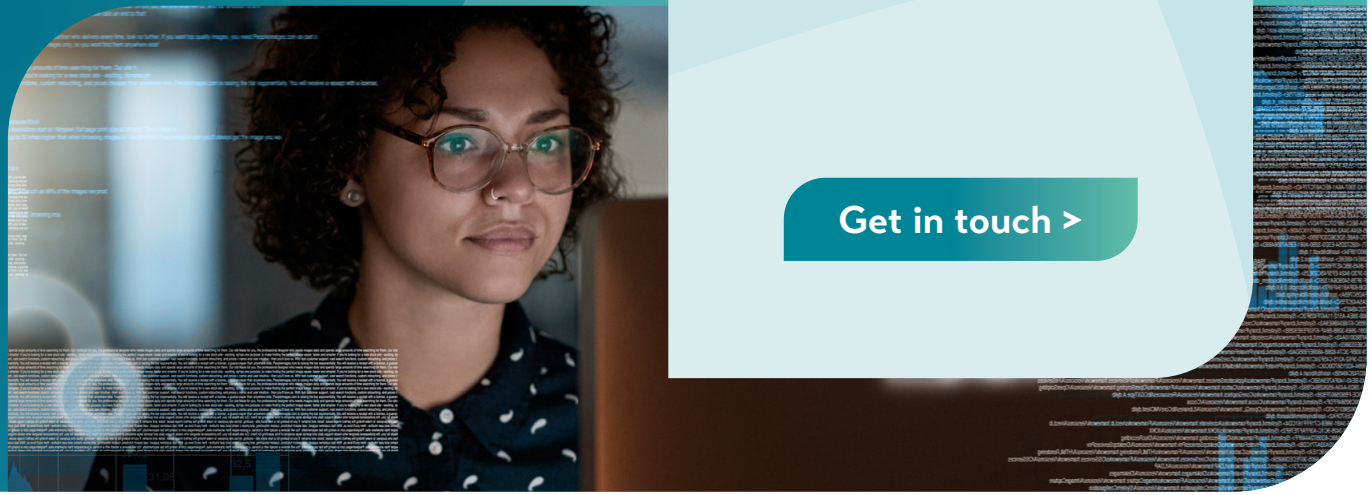
This report is structured as follows:

- **Section 1** presents information on our dataset – both the number of funds and the amount of capital raised – cut by investment stage and year of fund raising.
- **Sections 2 to 5** look at various measures of returns across different time periods. We present IRRs and multiples concurrently within each time period.
- **Section 6** focuses on benchmarking the performance of private equity and venture capital against the public markets using two Public Market Equivalent (PME) methodologies: the Capital Dynamics PME+ (PME+) and the Kaplan-Schoar PME (KS-PME). It also shows private equity and venture capital Horizon IRRs compared to returns of public indices.
- **Section 7** summarises the key takeaways from the report.

Finally, the appendices cover methodology, definitions and the list of responding firms.

We also present a separate **Data Tables Addendum** with the results of our calculations in total and by investment stage and subcategory or type of investment for each of the measures used in this report. This includes analysis by vintage year band to enable a more precise comparison to the funds in our dataset. The accompanying **data pack** also presents the results of the public market equivalent (PME) analyses using the selected indices.

In addition, we have published a separate **methodology paper**, which provides an explanation of the different ways of measuring the returns of private equity and venture capital along with approaches to benchmarking the performance of the asset class against that of the public markets using various PME methodologies.



Who is this report written for?

This report is primarily written for individuals who have a finance background and are at least somewhat familiar with private equity and venture capital. A full explanation of the key concepts can be found in the accompanying methodology paper.

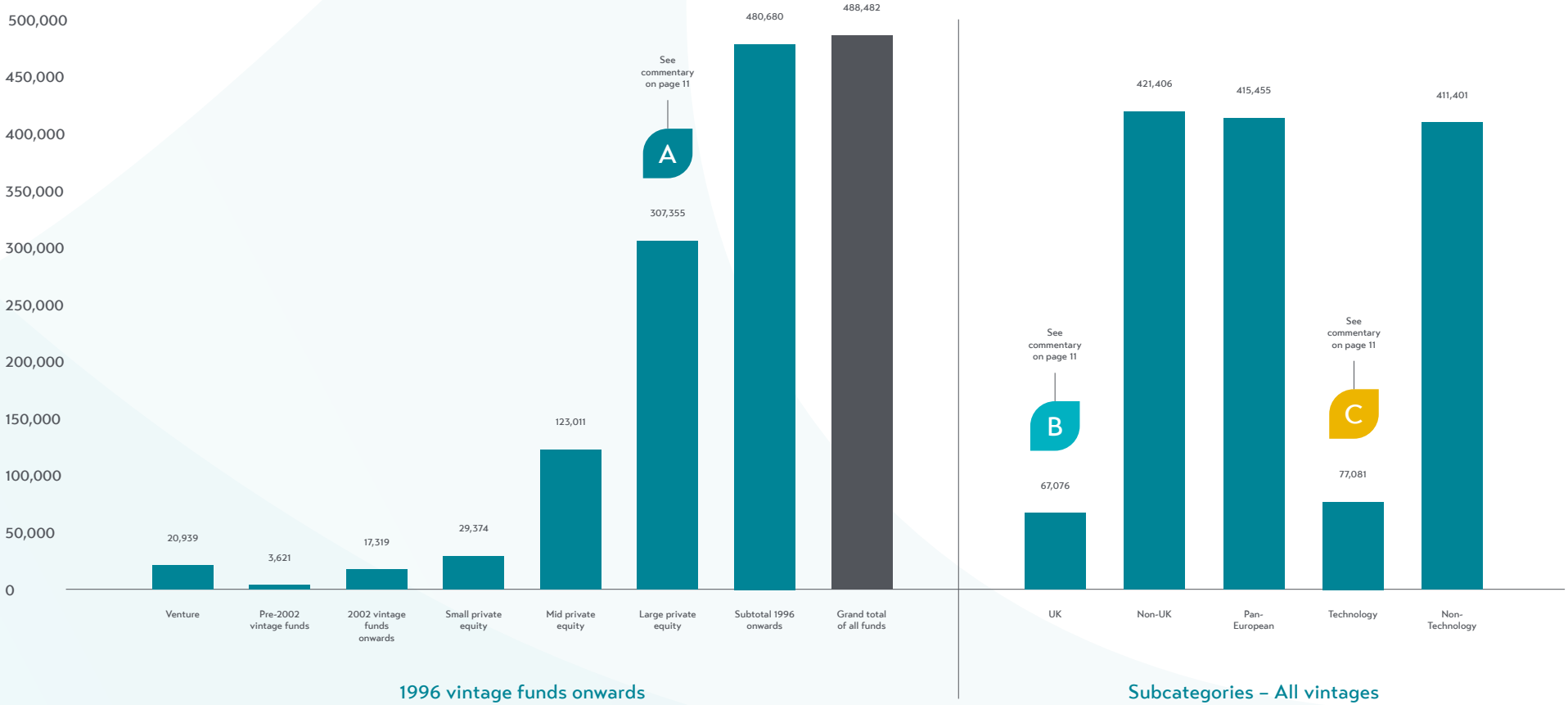
If you have any questions or comments on this report, including technical queries, please feel free to reach out to the BVCA research team.

Get in touch >

Capital raised

by investment stage and subcategory // data

Chart 1 – Capital raised by investment stage and subcategory (£m)



Capital raised

by vintage year // data

Chart 2 – Capital raised by fund vintage year (£m)

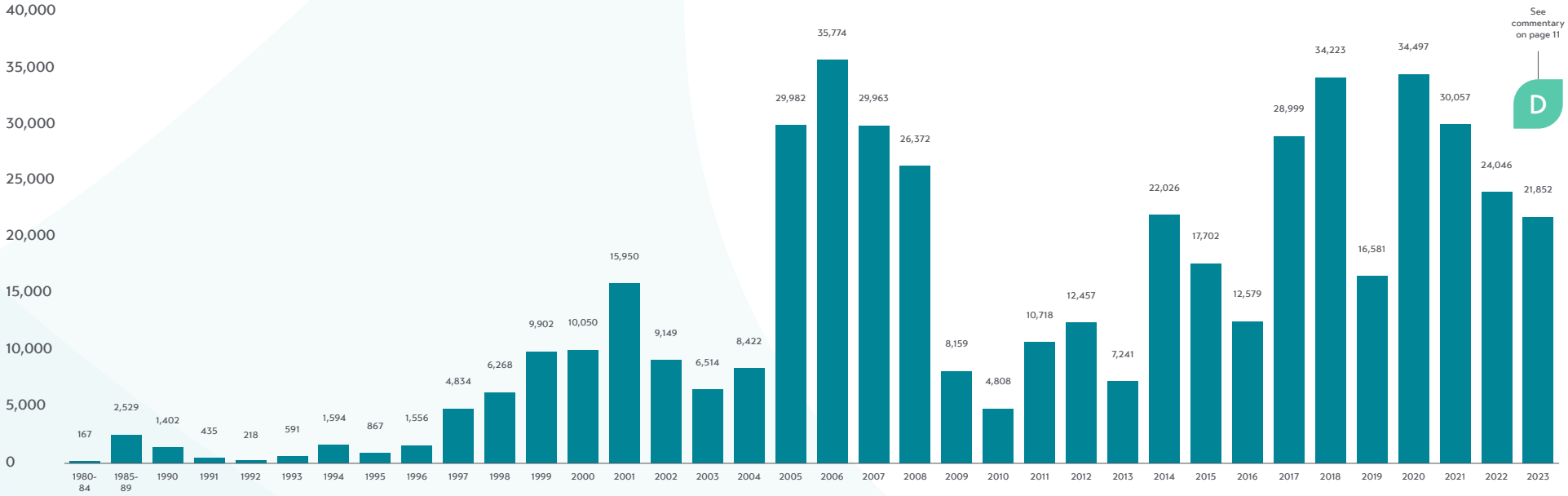


Table 1 – Number of funds by vintage year

Vintage year	1980-84	1985-89	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
No. of funds	13	67	14	14	7	9	20	9	13	24	16	25	26	29	21	17	14	26	42	39	29	23	22	19	23	27	37	43	37	40	45	41	46	43	39	19	978

Capital raised

Commentary

Chart 1 – Capital raised by investment stage and subcategory

A

As expected, large private equity funds have raised substantially more capital to December 2023 as compared to other investment stages accounting for 64% of the total capital raised for funds with vintages 1996 onwards.

B

UK focused funds, although representing 60% of the number of funds in our sample, raised only 14% of the total capital reaching £67bn by December 2023. Within this group, Mid Private Equity contributed to 60% of the capital raised (£40bn) reflecting the strength of the mid-market in the UK.

In contrast, over 72% of the capital raised for Non-UK focused funds (£304bn) was concentrated in Large Private Equity as the larger funds are more likely to have the resources to target/support a wider geographic reach.

C

Funds focusing on technology investments raised 16% of the total capital (£77bn). This is not surprising as the majority of funds included in this pool are venture capital funds (65%), which raise less capital than private equity funds.

This is not to say that private equity funds do not invest in technology businesses, just that they are less likely to have dedicated technology funds (our definition of a technology fund is one which has the intention to invest 60% or more of the capital in technology businesses).

Nearly 90% of the total capital raised to December 2023 by technology funds went to Non-UK funds.

Chart 2 – Capital raised by vintage year

When looking at capital raised by vintage year, it is important to keep in mind, that the total amount of capital raised in a given year also depends on the number of new funds that had first drawdown in a given year.

We classify funds into vintage years based on the date of their first drawdown rather than the date the capital was committed.

D

2023 fundraising reached £21.9bn across 19 funds. Although slightly down compared to 2022, the total capital raised has remained relatively steady year-over-year in comparison to the number of new funds created, which has halved over the same period. 2023 marks the first year since 2011, where the number of new funds created in our sample fell below 20. Large Private Equity accounted for nearly 85% of the total capital raised in 2023, reflecting the ongoing trend of larger, established funds growing their share of overall fundraising amid challenging market conditions.

Notes

Please note that the capital raised figures reported in this report are not comparable with the capital raised figures in the BVCA Investment Activity Report for the same period as the surveys use different eligibility criteria.

The two main differences are:

1) this report examines only the UK-based unlisted funds managed by the BVCA members that raise capital from the third-party investors, whereas the Investment Activity Report covers not only these funds but also VCTs and listed private equity vehicles and also funds that were raised by non-members.

2) this report only includes the funds, which have made their first capital call from their investors. Furthermore, it is the total amount raised by these funds that is reported, not just the amount raised in a particular year. The Investment Activity Report, on the other hand, considers only the amount raised in the relevant year irrespective of the timing of the first capital call.

Since inception performance

by investment stage and subcategory IRR and multiples // data and commentary

Chart 3 – Since inception IRR (%) by investment stage and subcategory

Since inception performance

by investment stage and subcategory IRR and multiples // data and commentary

Table 2 – DPI and TVPI multiples

	No. of funds	Distributions multiple (DPI)	Total value multiple (TVPI)
Pre-1996 vintage funds			
Subtotal pre-1996	153	1.97x	1.97x
1996 vintage funds onwards			
Venture	197	0.83x	1.71x
Pre-2002 vintage funds	42	0.93x	0.93x
2002 vintage funds onwards	155	0.81x	1.92x
Small Private Equity	144	1.10x	1.78x
Mid Private Equity	260	1.07x	1.63x
Large Private Equity	77	1.47x	1.89x
Subtotal 1996 onwards	678	1.30x	1.80x
Grand total all funds	831	1.32x	1.80x
Subcategories (all vintages)			
UK	527	1.25x	1.67x
Non-UK	304	1.33x	1.83x
Pan-European	295	1.35x	1.83x
Technology	230	1.23x	2.04x
Non-Technology	601	1.33x	1.76x

A

As of December 2023, funds with vintages between 1980 and 2019 have delivered a since inception IRR of 14.5%. This strong return is supported by the Distributed to Paid-In (DPI) multiple of 1.32x and the Total Value to Paid-In (TVPI) multiple of 1.80x. The since inception return for vintages post 1996 is also strong. Funds that started investing between 1996 and 2019 have generated an IRR of 14.2%, DPI of 1.30x and TVPI of 1.80x.

A

Investment Stages

Apart from venture funds, all investment stages have delivered DPI of 100% or higher by December 2023, meaning investors as a whole have at least broken even. Venture performance was significantly affected by dot.com bubble in the early 2000s, with funds that began investing before 2002 producing particularly weak returns as illustrated by the split of venture funds according to their investment year. Pre-2002 venture funds have now identical DPI and TVPI indicating that all the funds in these vintages have been fully liquidated. Notably, TVPI and DPI metrics differ significantly for 2002 vintage funds onwards, suggesting a substantial unrealised value in funds' portfolios.

B

Subcategories

All of the subcategories included in our sample have collectively delivered DPI of 1.23x since inception to December 2023. Pan-European funds are the star performers with the highest DPI of 1.35x and the highest IRR of 15.7%. Technology focused funds (funds that invest at least 60% of committed capital into technology companies) are reporting the highest TVPI multiple, although this subcategory also has the widest gap between the distribution multiple and the total value multiple. If technology funds are able to realise investments at current valuations, the returns will be very strong.

Footnote: While our dataset goes back to 1980s, older funds are liquidated, and the figures do not change year-on-year. We have removed data from pre-1996 from the main report, but the aggregate analysis can still be found in our data pack. We selected 1996 as a cut off as the market changed, resulting in different classifications from 1996 onwards. More details can be found in our methodology section.

Since inception performance

by investment stage and subcategory // commentary on range of returns results

Figures presented in chart 3 and table 2 on the previous pages represent the pooled return across the data set by investment stage and subcategory. Investing in private equity and venture capital funds does involve putting capital at risk, and it is important that this is understood and recognised by investors and policy makers alike.

We illustrate this point on the following pages, which present the range of returns achieved by funds by investment stage (venture, small, mid- and large private equity) looking at IRR, DPI and TVPI, and can be used to benchmark performance of funds in each specific year.

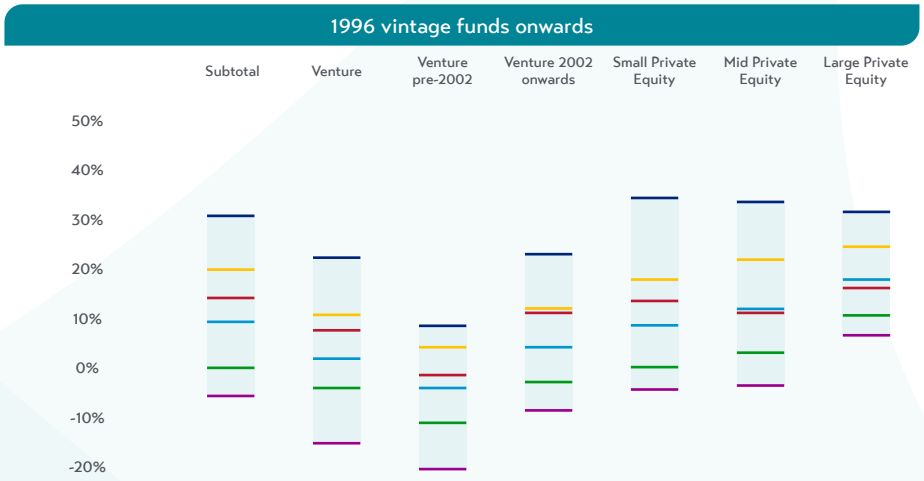
Key observations from these charts are:

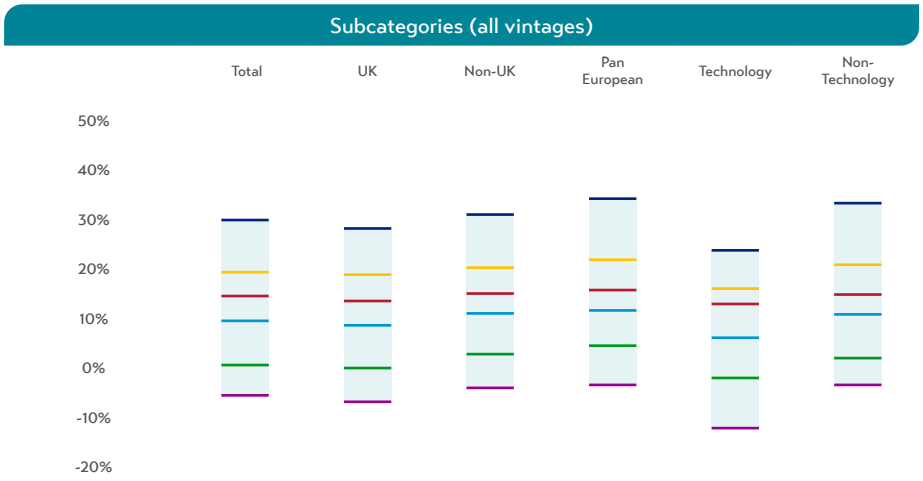
- The returns achieved by different funds vary significantly so diversification is essential to manage this risk. Just as most investors in public equities own a portfolio of stocks rather than shares in just one company, institutional investors will typically invest in multiple private equity and venture capital funds with a view to maximising the risk-adjusted returns on the overall private equity and venture capital investment portfolio.
- Just like investments in the stock market can go down as well as up, not all investments in private equity and venture capital funds earn a return. We find that when we cut the data, whether this is by stage of investment or by category / type of fund, the lowest performing funds across categories have failed to generate a positive return for investors.
- However, the returns from investing in private equity and venture capital can be impressive. Aside from the pre-2002 venture funds, the top performing funds (10th percentile) at all stages have returned minimum 1.71x the initial capital to investors with an IRR of more than 23%.

Range of returns IRR

by investment stage and subcategories

Charts 4 and 5 – Range of returns – Since inception IRR (%) by investment stage and subcategory





Tables 3 and 4 – Range of returns – Since inception IRR (%) by investment stage and subcategory

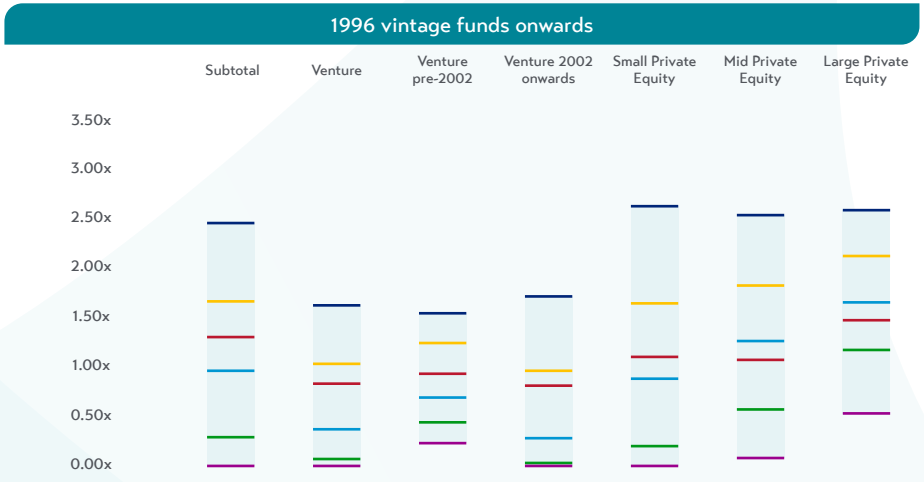
No. of funds	678	197	42	155	144	260	77
Pooled return	14.2	7.7	-1.3	11.2	13.6	11.2	16.2
10th percentile	30.7	22.3	8.6	23.0	34.3	33.5	31.5
25th percentile	19.9	10.8	4.3	12.1	17.9	21.9	24.5
Median	9.4	2.0	-3.9	4.3	8.7	12.0	17.9
75th percentile	0.0	-3.9	-10.9	-2.7	0.3	3.2	10.7
90th percentile	-5.5	-15.0	-20.2	-8.4	-4.2	-3.4	6.7
Interdecile range	36.2	37.3	28.8	31.4	38.4	37.0	24.8
Range of returns	243.9	114.4	98.7	114.4	152.9	243.9	125.5

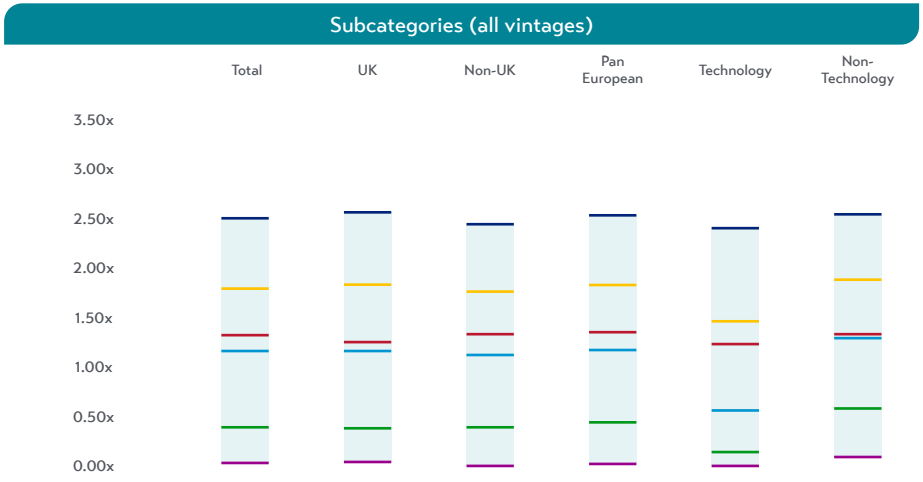
No. of funds	831	527	304	295	230	601
Pooled return	14.5	13.5	15.0	15.7	12.9	14.8
10th percentile	29.8	28.1	30.9	34.1	23.7	33.2
25th percentile	19.3	18.8	20.2	21.8	16.0	20.8
Median	9.5	8.6	11.0	11.6	6.1	10.8
75th percentile	0.6	0.0	2.8	4.5	-2.0	2.0
90th percentile	-5.5	-6.8	-4.0	-3.4	-12.1	-3.4
Interdecile range	35.2	34.9	34.9	37.5	35.8	36.6
Range of returns	243.9	243.9	188.3	188.3	114.4	243.9

Range of returns DPI

by investment stage and subcategories

Charts 6 and 7 – Range of returns – DPI multiple by investment stage and subcategory





Tables 5 and 6 – Range of returns – DPI multiple by investment stage and subcategory

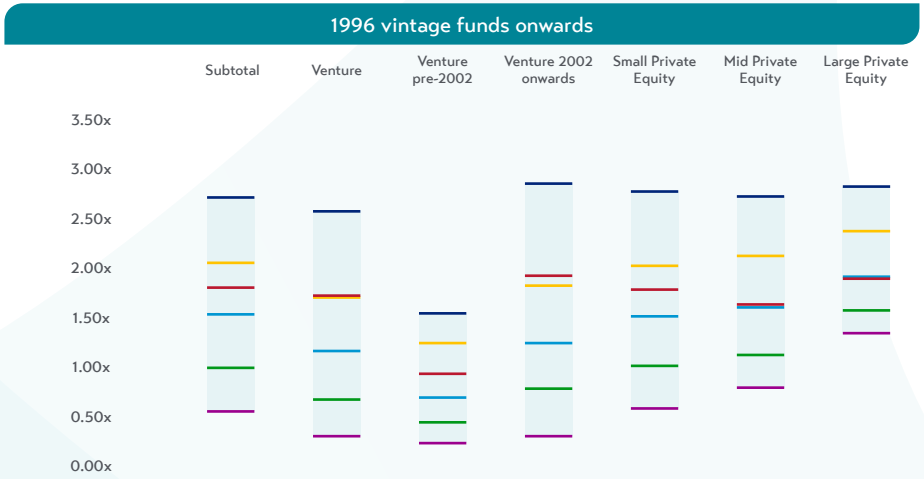
No. of funds	678	197	42	155	144	260	77
Pooled return	1.30x	0.83x	0.93x	0.81x	1.10x	1.07x	1.47x
10th percentile	2.45x	1.62x	1.54x	1.71x	2.62x	2.53x	2.58x
25th percentile	1.66x	1.03x	1.24x	0.96x	1.64x	1.82x	2.15x
Median	0.96x	0.37x	0.69x	0.28x	0.88x	1.26x	1.65x
75th percentile	0.29x	0.07x	0.44x	0.03x	0.20x	0.57x	1.17x
90th percentile	0.00x	0.00x	0.23x	0.00x	0.00x	0.08x	0.53x
Interdecile range	2.45x	1.62x	1.31x	1.71x	2.62x	2.45x	2.05x
Range of returns	7.27x	4.26x	1.95x	4.26x	7.23x	5.60x	3.00x

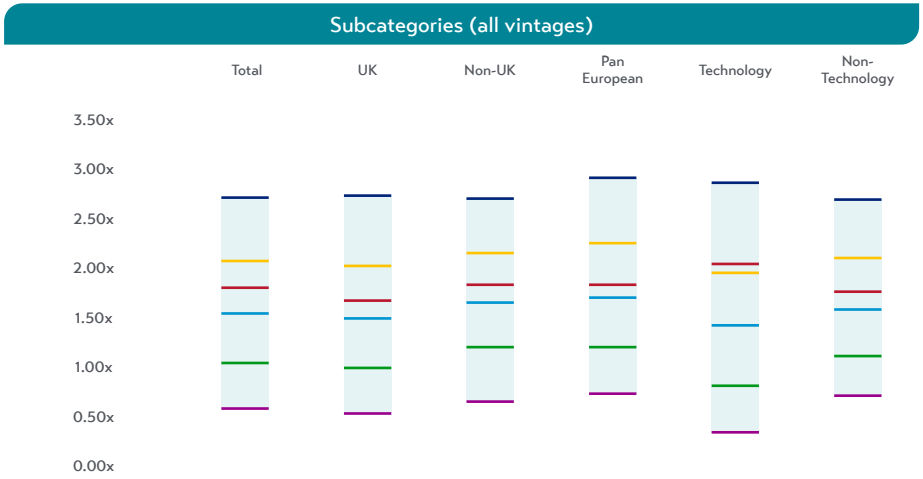
No. of funds	831	527	304	295	230	601
Pooled return	1.32x	1.25x	1.33x	1.35x	1.23x	1.33x
10th percentile	2.50x	2.56x	2.44x	2.53x	2.40x	2.54x
25th percentile	1.79x	1.83x	1.76x	1.83x	1.46x	1.88x
Median	1.16x	1.16x	1.12x	1.17x	0.56x	1.29x
75th percentile	0.39x	0.38x	0.39x	0.44x	0.14x	0.58x
90th percentile	0.03x	0.04x	0.00x	0.02x	0.00x	0.09x
Interdecile range	2.47x	2.52x	2.44x	2.51x	2.40x	2.45x
Range of returns	7.27x	5.53x	7.27x	7.27x	5.15x	7.23x

Range of returns TVPI

by investment stage and subcategories

Charts 8 and 9 – Range of returns – TVPI (%) multiple by investment stage and subcategory





Tables 7 and 8 – Range of returns – TVPI multiple by investment stage and subcategory

No. of funds	678	197	42	155	144	260	77
Pooled return	1.80x	1.71x	0.93x	1.92x	1.78x	1.63x	1.89x
10th percentile	2.71x	2.57x	1.54x	2.85x	2.77x	2.72x	2.82x
25th percentile	2.05x	1.70x	1.24x	1.82x	2.02x	2.12x	2.37x
Median	1.53x	1.16x	0.69x	1.24x	1.51x	1.60x	1.91x
75th percentile	0.99x	0.67x	0.44x	0.78x	1.01x	1.12x	1.57x
90th percentile	0.55x	0.30x	0.23x	0.30x	0.58x	0.79x	1.34x
Interdecile range	2.16x	2.27x	1.31x	2.55x	2.19x	1.94x	1.48x
Range of returns	9.47x	9.47x	1.95x	9.47x	7.23x	5.60x	3.34x

No. of funds	831	527	304	295	230	601
Pooled return	1.80x	1.67x	1.83x	1.83x	2.04x	1.76x
10th percentile	2.71x	2.73x	2.70x	2.91x	2.86x	2.69x
25th percentile	2.07x	2.02x	2.15x	2.25x	1.95x	2.10x
Median	1.54x	1.49x	1.65x	1.70x	1.42x	1.58x
75th percentile	1.04x	0.99x	1.20x	1.20x	0.81x	1.11x
90th percentile	0.58x	0.53x	0.65x	0.73x	0.34x	0.71x
Interdecile range	2.14x	2.19x	2.05x	2.18x	2.52x	1.98x
Range of returns	9.47x	5.92x	9.47x	9.47x	9.47x	7.23x

Since inception performance

by vintage year

Returns by vintage year allow us to see how the industry performs at different stages of investment, but it also allows us a glimpse into the effects of economic cycles in performance. To give our readers a clear picture of the return of the industry over different vintage years, we present both IRRs since inception and the Distributed To Paid-In (DPI) and Total Value to Paid-In (TVPI) multiples.

Chart 10 – Since inception IRR (%) by vintage year to December 2023

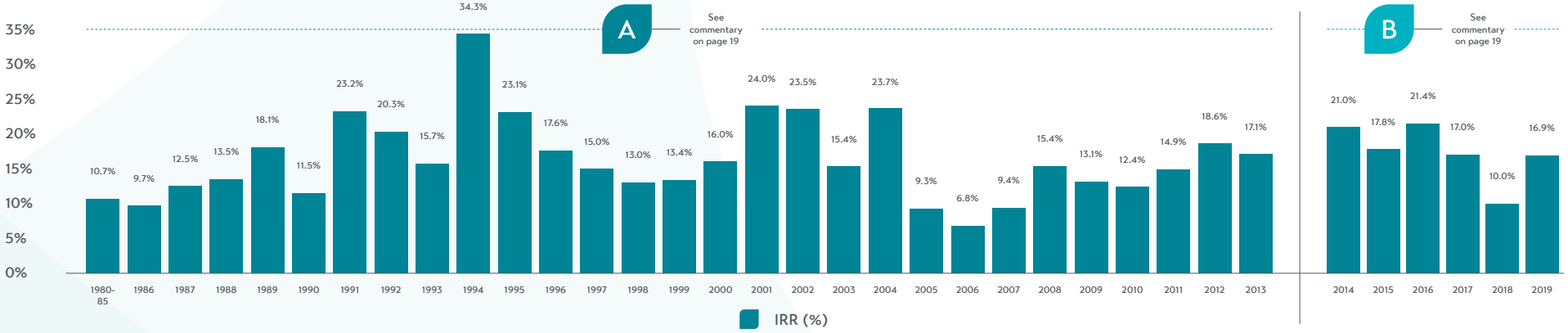
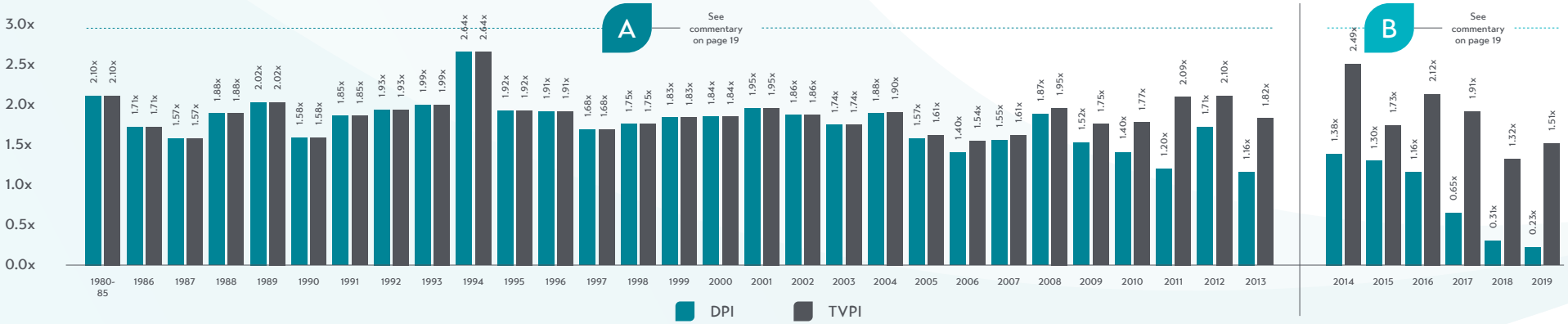


Chart 11 – Since inception multiples of invested capital by vintage year to December 2023



Since inception performance

by vintage year // commentary

A

Historical Performance

Money multiples for funds with vintages between 1980 and 2003 have the same value both for DPI and TVPI, meaning that these funds have finished distributing all their capital and therefore an IRR presented in chart 10 is the actual realised return for those vintages.

Vintages between 1991 and 2003 have constantly delivered an IRR over 13%, reaching a maximum of 34.3% for the 1994 vintage.

Funds of vintage years between 2005 and 2007 are the lowest performing vintages in terms of IRR, however, their TVPI multiples are reasonably strong at around 1.6x. Lower IRRs for the 2005-2007 vintages are due to the fact that these funds had to hold on to investments for longer to rebuild portfolios hit hard by the global financial crisis.

As expected, DPI and TVPI are not too dissimilar, indicating that funds in these vintages are approaching the end of their life cycle. Although the returns for these vintages on an IRR basis may appear disappointing relative to investments made in other years, private equity and venture capital is not immune to the impact of the economic cycle so a lower return is unsurprising. As a reminder, funds which did not manage to deliver a return to investors above the agreed hurdle rate will not receive any carried interest payments as investors have first call on all returns generated.

B

The Last Decade

The majority of funds that started investing in the last 10 years, that is funds of vintage year 2014 and onwards will still be active – investing in businesses to generate value for investors. We can see that the divergence between DPI and TVPI increases for younger funds, as they have not yet made significant realisations and will hold a lot of value in current portfolio companies.

Relative to the 31 December 2022 results, both DPI and TVPI have stayed flat amid muted exit activity and valuation corrections. The IRRs have slightly declined over the same period, as assets have been held for longer due to challenging market conditions. We caution that as the funds are active these are interim IRRs, and the final return to investors will reflect what can be realised when assets are eventually exited.

Based on the recent figures, the best performing vintage year in the last decade is 2016 with an IRR of 21.4% followed by 2014 with an IRR of 21.0%. On a multiples basis, the 2014 vintage year has DPI of 1.38x, meaning investors have received back more than their initial investment while a substantial portion of funds' value is still unrealised (TVPI of 2.49x).

A note on subscription lines

Subscription lines (also known as subscription facilities) are where funds borrow money from banks or other financial institutions collateralised against the capital commitments made by investors. These are frequently used for administrative purposes where cash is needed quickly but it may take a short time to access the capital committed by investors. Subscription lines give flexibility and allow funds to respond quickly to opportunities when needed.

Use of subscription lines delays the drawdown of capital, reducing the amount of time capital is outstanding so the internal rate of return is increased for a given absolute return. The impact of subscription lines on the IRR is highest immediately after drawdown and reduces over the life of the investment. According to MSCI Private Capital Solutions (formerly Burgiss) by the end of 2022, approximately, 75% of buyout funds were utilising subscription lines, compared to 25% of venture capital funds[1].

Credit facilities do have a cost – hence the importance of considering both IRRs and multiples when evaluating fund performance as described in a 2019 study. We are encouraged by the fact that not only are the IRRs high in recent years, but the TVPI multiples are also high demonstrating that performance is good under both metrics.

[1] https://www.msci.com/www/blog-posts/the-rise-and-rise-of-sub-lines/04219806963

[2] Distorting Private Equity Performance: The Rise of Fund Debt" by J. Albertus and M. Denes, published in 2019

Since inception performance

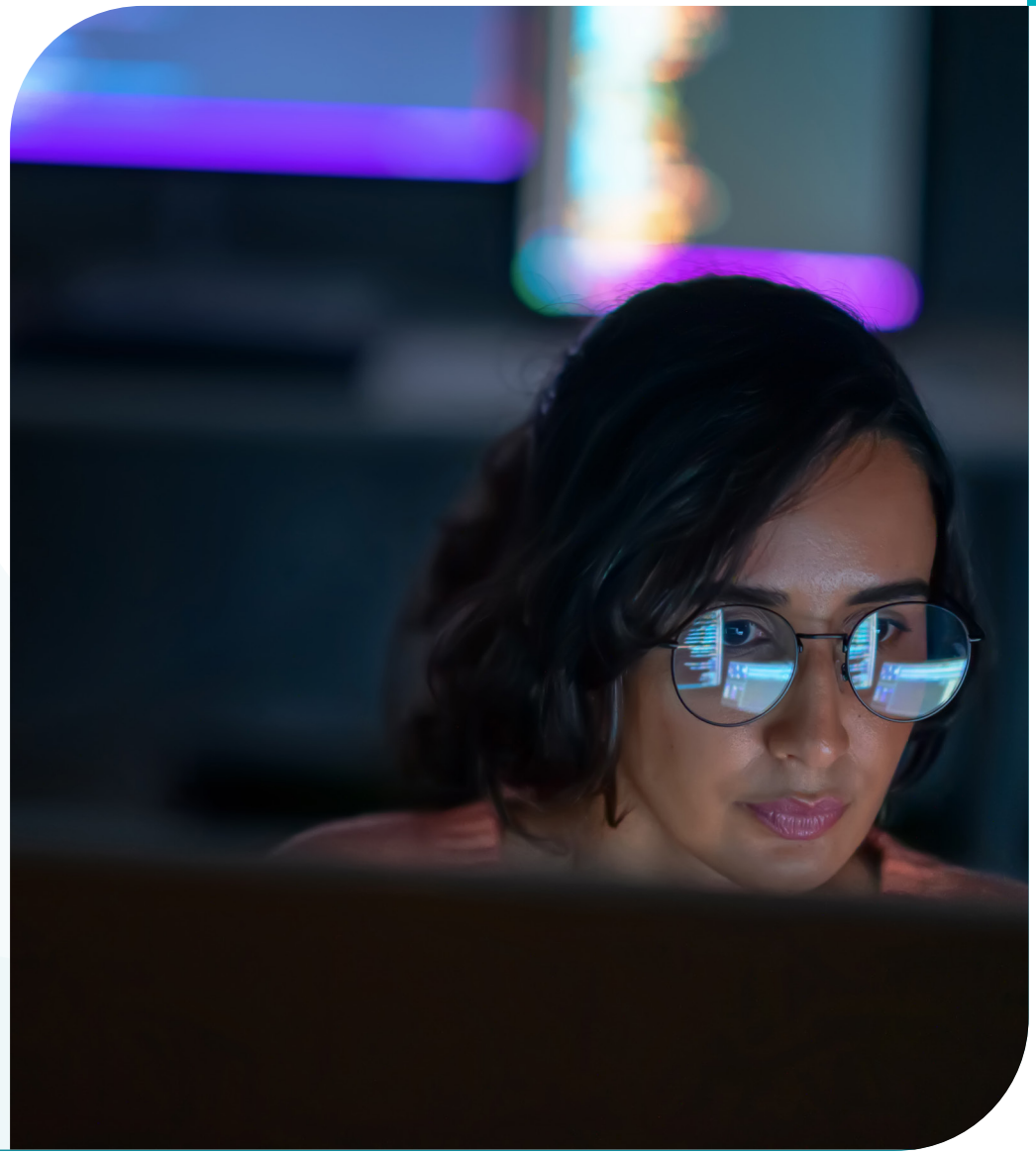
by vintage year // commentary and explanation of range of returns

Figures presented in charts 10 and 11 represent the pooled return across the data set by vintage year. As stated in section 2, investing in private equity and venture capital funds does involve putting capital at risk, and not all investments succeed.

We illustrate this point from a vintage year perspective on charts 12, 13 and 14 on the subsequent pages, which show the range of returns achieved by funds within each vintage year looking at IRR, DPI and TVPI, and can be used to benchmark performance of funds in each specific year.

Key observations from these charts are:

- The variation in the returns from different funds is significant, so diversification is essential to manage this risk. As discussed earlier, just as most investors in public equities own a portfolio of stocks rather than shares in just one company, institutional investors will typically invest in multiple private equity and venture capital funds with a view to maximising the risk-adjusted returns on the overall private equity and venture capital investment portfolio.
- Just like investments in the stock market can go down as well as up, not all investments in private equity and venture capital funds earn a return. In every single year in our dataset, the lowest performing funds have failed to generate a positive return for investors.
- The returns from investing in private equity and venture capital can be very strong. Taking the 2004 vintage year as an example, the top performing funds (10th decile) delivered an IRR of 58% alongside a multiple of 3.4x invested capital (on both a distributed value and a total value basis). Given that funds that started in 2004 are now 20 years old and have presumably repaid the vast majority of capital to investors, this represents an actual realised return.



Range of returns IRR

by vintage year // data

Chart 12 – Range of returns – Since inception IRR (%) by vintage year

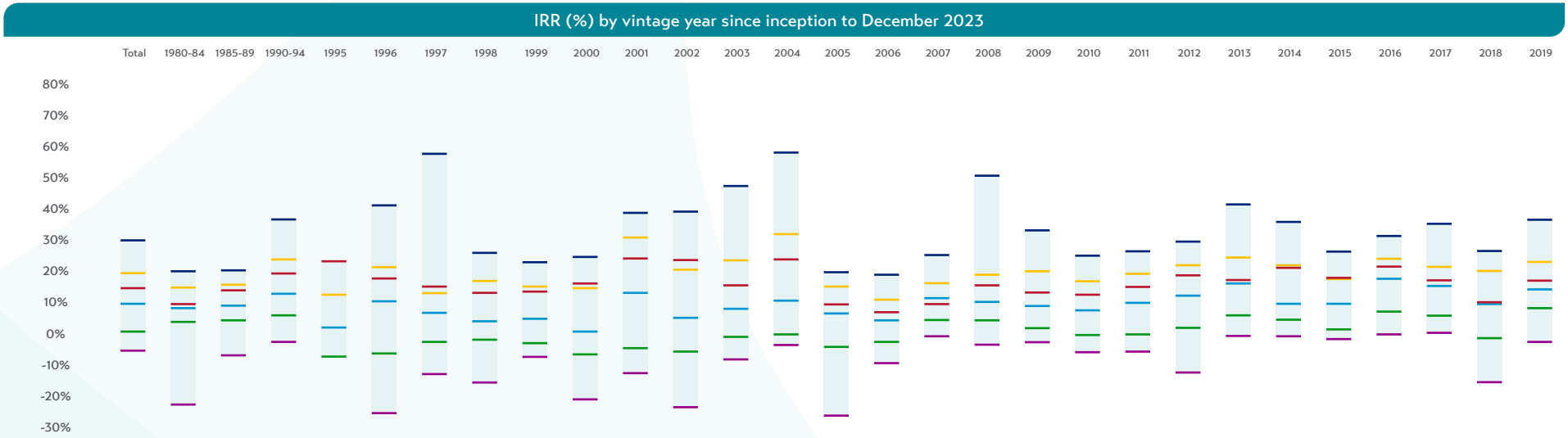


Table 9 – Range of returns – Since inception IRR (%) by vintage year

No. of funds	831	13	67	64	9	13	24	16	25	26	29	21	17	14	26	42	39	29	23	22	19	23	27	37	43	37	40	45	41
Pooled return	14.5	9.4	13.8	19.2	23.1	17.6	15.0	13.0	13.4	16.0	24.0	23.5	15.4	23.7	9.3	6.8	9.4	15.4	13.1	12.4	14.9	18.6	17.1	21.0	17.8	21.4	17.0	10.0	16.9
10th percentile	29.8	19.9	20.2	36.5	n/a	41.0	57.5	25.8	22.8	24.5	38.6	39.0	47.2	57.9	19.6	18.8	25.1	50.5	33.0	24.9	26.3	29.4	41.3	35.7	26.2	31.2	35.1	26.4	36.4
25th percentile	19.3	14.7	15.6	23.7	12.4	21.2	12.9	16.8	15.0	14.5	30.7	20.4	23.4	31.8	15.0	10.8	16.1	18.8	19.9	17.8	19.1	21.9	24.3	21.8	17.5	23.9	21.3	20.0	22.9
Median	9.5	8.1	8.9	12.7	1.9	10.3	6.6	3.9	4.7	0.6	13.0	5.0	7.9	10.5	6.4	4.2	11.3	10.1	8.8	7.4	9.8	12.1	16.0	9.5	9.5	17.5	15.2	9.4	14.1
75th percentile	0.6	3.7	4.2	5.8	-7.4	-6.4	-2.7	-2.0	-3.1	-6.7	-4.7	-5.8	-1.1	-0.3	-4.3	-2.7	4.3	4.2	1.7	-0.5	-0.3	1.8	5.8	4.4	1.3	7.0	5.7	-1.5	8.1
90th percentile	-5.5	-21.1	-7.0	-2.7	n/a	-25.5	-13.0	-15.7	-7.5	-21.1	-12.7	-23.6	-8.3	-3.7	-26.3	-9.5	-0.9	-3.6	-2.8	-6.0	-5.8	-12.5	-0.8	-0.9	-1.8	-0.3	0.2	-15.6	-2.7
Interdecile range	35.2	41.0	27.2	39.1	n/a	66.5	70.5	41.5	30.4	45.7	51.3	62.6	55.5	61.6	45.9	28.3	25.9	54.2	35.8	30.9	32.1	41.8	42.0	36.6	28.0	31.5	34.9	42.0	39.1
Range of returns	243.9	56.8	67.6	74.3	91.9	83.2	98.2	68.1	44.8	101.4	82.9	91.8	79.0	71.2	90.2	131.8	55.4	93.8	59.4	59.4	42.1	57.8	91.7	234.5	43.9	90.3	44.3	133.8	118.8

Range of returns DPI

by vintage year // data

Chart 13 – Range of returns – DPI multiple by vintage year

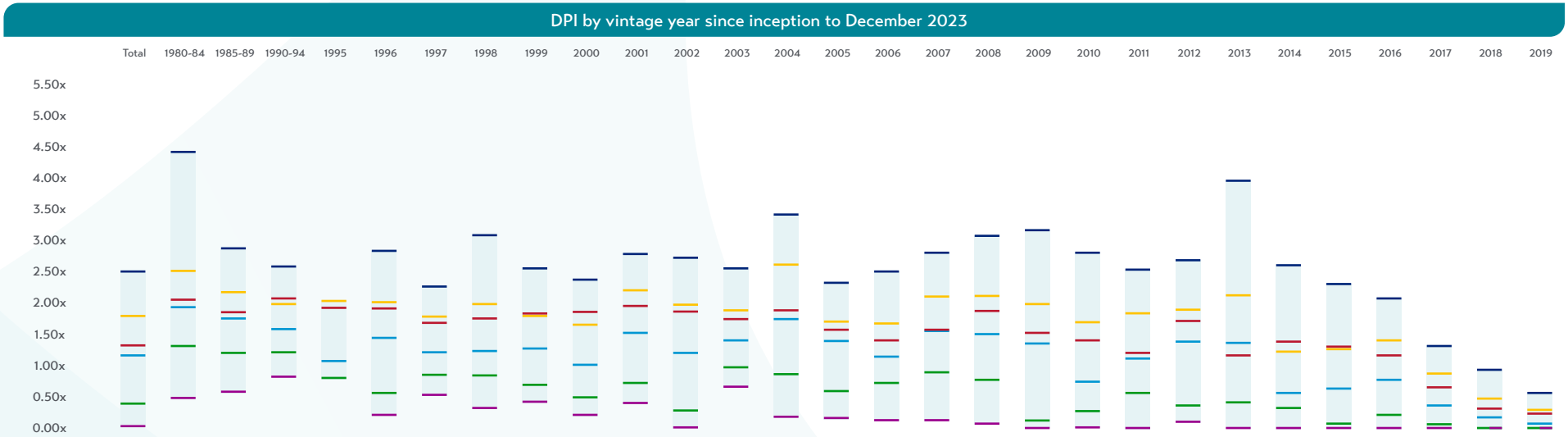


Table 10 – Range of returns – DPI multiple by vintage year

No. of funds	831	13	67	64	9	13	24	16	25	26	29	21	17	14	26	42	39	29	23	22	19	23	27	37	43	37	40	45	41
Pooled return	1.32x	2.05x	1.85x	2.07x	1.92x	1.91x	1.68x	1.75x	1.83x	1.84x	1.95x	1.86x	1.74x	1.88x	1.57x	1.40x	1.55x	1.87x	1.52x	1.40x	1.20x	1.71x	1.16x	1.38x	1.30x	1.16x	0.65x	0.31x	0.23x
10th percentile	2.50x	4.41x	2.87x	2.58x	n/a	2.83x	2.26x	3.08x	2.55x	2.37x	2.78x	2.72x	2.55x	3.41x	2.32x	2.50x	2.80x	3.07x	3.16x	2.80x	2.53x	2.68x	3.95x	2.60x	2.30x	2.07x	1.31x	0.93x	0.56x
25th percentile	1.79x	2.51x	2.17x	1.98x	2.03x	2.01x	1.78x	1.98x	1.79x	1.65x	2.20x	1.97x	1.88x	2.61x	1.70x	1.67x	2.10x	2.11x	1.98x	1.69x	1.83x	1.89x	2.12x	1.22x	1.26x	1.40x	0.87x	0.47x	0.29x
Median	1.16x	1.93x	1.75x	1.58x	1.07x	1.44x	1.21x	1.23x	1.27x	1.01x	1.52x	1.20x	1.40x	1.74x	1.39x	1.14x	1.57x	1.50x	1.35x	0.74x	1.11x	1.38x	1.36x	0.56x	0.63x	0.77x	0.36x	0.17x	0.07x
75th percentile	0.39x	1.31x	1.20x	1.21x	0.80x	0.56x	0.85x	0.84x	0.69x	0.49x	0.72x	0.28x	0.97x	0.86x	0.59x	0.72x	0.89x	0.77x	0.12x	0.27x	0.56x	0.36x	0.41x	0.32x	0.07x	0.21x	0.06x	0.00x	0.00x
90th percentile	0.03x	0.48x	0.58x	0.82x	n/a	0.21x	0.53x	0.32x	0.42x	0.21x	0.40x	0.01x	0.66x	0.18x	0.16x	0.23x	0.24x	0.07x	0.00x	0.01x	0.00x	0.10x	0.00x	0.00x	0.00x	0.00x	0.00x	0.00x	0.00x
Interdecile range	2.47x	3.93x	2.29x	1.76x	n/a	2.62x	1.73x	2.77x	2.13x	2.16x	2.37x	2.70x	1.89x	3.23x	2.17x	2.27x	2.56x	3.00x	3.16x	2.78x	2.53x	2.58x	3.95x	2.60x	2.30x	2.07x	1.31x	0.93x	0.56x
Range of returns	7.27x	4.92x	5.05x	4.18x	4.97x	3.04x	2.44x	4.41x	2.45x	3.50x	5.47x	2.84x	2.53x	4.00x	2.43x	3.60x	5.60x	7.23x	3.61x	2.98x	4.40x	2.96x	4.82x	4.41x	2.98x	2.78x	2.74x	2.89x	2.85x

Range of returns TVPI

by vintage year // data

Chart 14 – Range of returns – TVPI multiple by vintage year

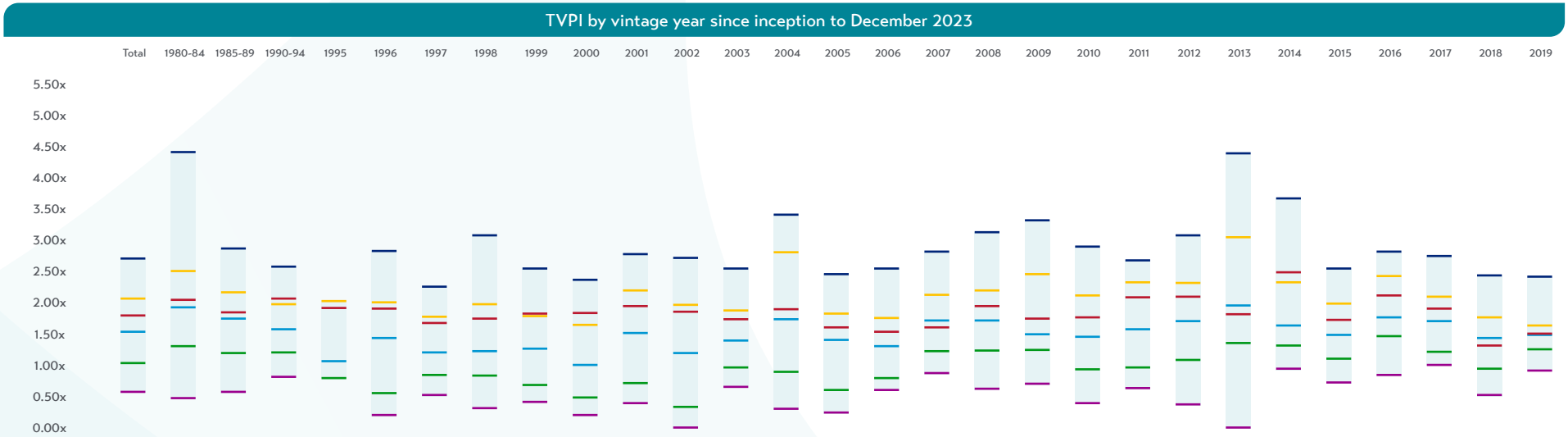


Table 11 – Range of returns – TVPI multiple by vintage year

No. of funds	831	13	67	64	9	13	24	16	25	26	29	21	17	14	26	42	39	29	23	22	19	23	27	37	43	37	40	45	41
Pooled return	1.80x	2.05x	1.85x	2.07x	1.92x	1.91x	1.68x	1.75x	1.83x	1.84x	1.95x	1.86x	1.74x	1.90x	1.61x	1.54x	1.61x	1.95x	1.75x	1.77x	2.09x	2.10x	1.82x	2.49x	1.73x	2.12x	1.91x	1.32x	1.51x
10th percentile	2.71x	4.41x	2.87x	2.58x	n/a	2.83x	2.26x	3.08x	2.55x	2.37x	2.78x	2.72x	2.55x	3.41x	2.46x	2.55x	2.82x	3.13x	3.32x	2.90x	2.68x	3.08x	4.39x	3.67x	2.55x	2.82x	2.75x	2.44x	2.42x
25th percentile	2.07x	2.51x	2.17x	1.98x	2.03x	2.01x	1.78x	1.98x	1.79x	1.65x	2.20x	1.97x	1.88x	2.81x	1.83x	1.76x	2.13x	2.20x	2.46x	2.12x	2.33x	2.32x	3.05x	2.33x	1.99x	2.43x	2.10x	1.77x	1.64x
Median	1.54x	1.93x	1.75x	1.58x	1.07x	1.44x	1.21x	1.23x	1.27x	1.01x	1.52x	1.20x	1.40x	1.74x	1.41x	1.31x	1.72x	1.72x	1.50x	1.46x	1.58x	1.71x	1.96x	1.64x	1.49x	1.77x	1.71x	1.44x	1.49x
75th percentile	1.04x	1.31x	1.20x	1.21x	0.80x	0.56x	0.85x	0.84x	0.69x	0.49x	0.72x	0.34x	0.97x	0.90x	0.61x	0.80x	1.23x	1.24x	1.25x	0.94x	0.97x	1.09x	1.36x	1.32x	1.11x	1.47x	1.22x	0.95x	1.26x
90th percentile	0.58x	0.48x	0.58x	0.82x	n/a	0.21x	0.53x	0.32x	0.42x	0.21x	0.40x	0.01x	0.66x	0.31x	0.25x	0.61x	0.88x	0.63x	0.71x	0.40x	0.64x	0.38x	0.01x	0.95x	0.73x	0.85x	1.01x	0.53x	0.92x
Interdecile range	2.14x	3.93x	2.29x	1.76x	n/a	2.62x	1.73x	2.77x	2.13x	2.16x	2.37x	2.70x	1.89x	3.11x	2.21x	1.94x	1.94x	2.50x	2.61x	2.50x	2.04x	2.69x	4.38x	2.72x	1.82x	1.98x	1.74x	1.91x	1.50x
Range of returns	9.47x	4.92x	5.05x	4.18x	4.97x	3.04x	2.44x	4.41x	2.45x	3.50x	5.47x	2.84x	2.53x	4.00x	3.36x	3.57x	5.60x	7.16x	5.33x	2.88x	4.04x	5.05x	5.92x	4.80x	3.30x	9.47x	3.63x	2.87x	2.62x

Since inception starting from a specific year

Are legacy funds skewing the current return results?

IRR calculations have an implicit re-investment assumption – all cash flows are assumed to be able to be reinvested at the calculated return through the life of the investment. Early cashflows can have an outsized impact on the result as these are assumed to be reinvested for a longer period of time – thus if funds starting at the beginning of our sample in 1980 performed exceptionally well, then this could still have an impact on the overall since inception return for the industry today.

As the investment environment today looks very different from the 1980s and 1990s, the industry-wide since inception return since 1980 may no longer be a sensible measure of current industry performance. To address this, we also present since inception return starting from different points in time, which provides a more reasonable picture of the performance of funds initiated over the last 20 years - a period in which the industry has experienced an exponential growth.

Refreshing the concept

Since inception return is calculated as a pooled return for the entire industry, excluding the four most recent vintage years (2020–2023). Since inception starting from, therefore, refers to all funds starting at a certain vintage up to the 2019 vintage. For instance, since inception return starting from 2007 represents the return for all funds of vintage 2007 onwards until 2019, since 2019 is the last vintage included in the calculations. Since inception return starting from 2019 refers to funds with vintage 2019 only.

Please refer to the **methodology paper** for more information on the since inception starting from a specific year measure.

Since inception starting from a specific year

IRR and multiples // data

Chart 15 – Since inception IRR (%) starting from a specific year

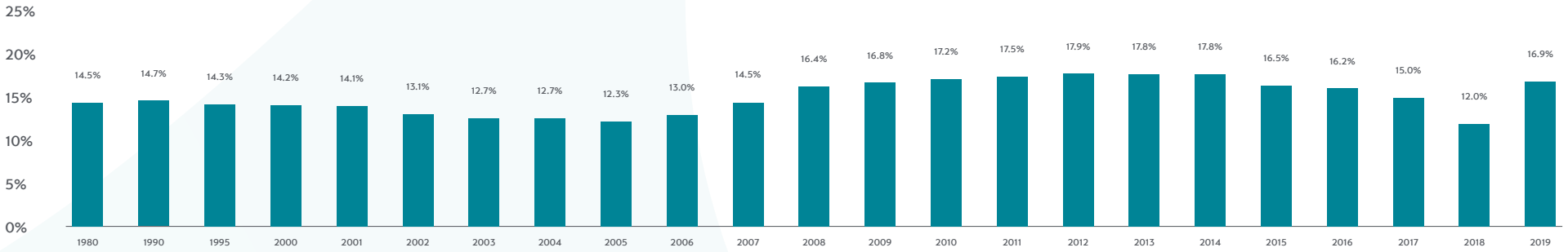


Chart 16 – DPI and TVPI starting from a specific year

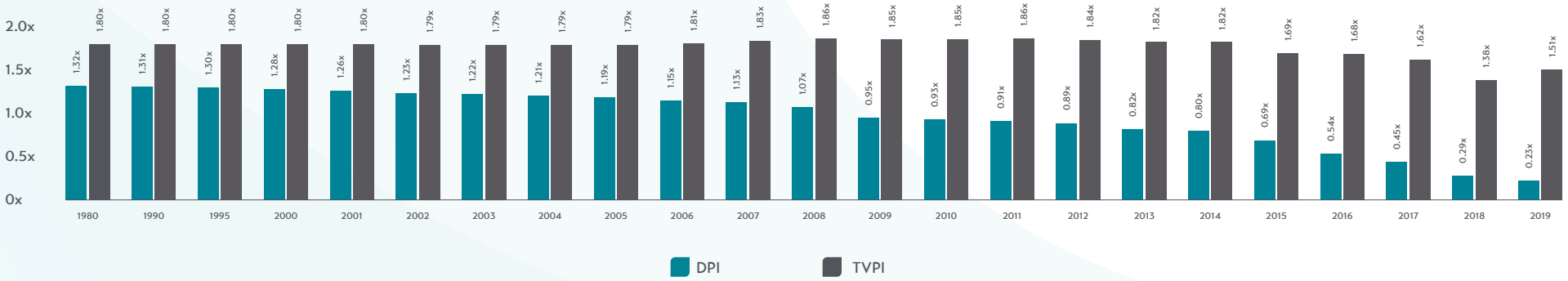


Table 12 – Number of funds included in each starting from category

Vintage year	1980	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
No. of funds in calculation	831	751	687	600	574	545	524	507	493	467	425	386	357	334	312	293	270	243	206	163	126	86	41

Since inception performance starting from

Commentary

Although including legacy funds may inflate industry performance, this does not appear to be the case for the UK private equity and venture capital funds. On the contrary, excluding older funds actually increases the more recent performance of funds in our sample. There is no doubt that the early 2000s were a difficult period, but despite the lower performance of the vintages 2005 to 2007, which will have had a large impact on the since inception returns starting from 2002 to 2007 vintages, the industry still delivered a net return to investors of over 12% in its most challenging times.

Since 2008, with the exception of vintages starting from 2017 and 2018, the industry has delivered since inception IRR of over 16%. Funds with vintages starting from 2017 has delivered a net IRR of 15%, while funds with vintages from 2018 achieved a net return of 12%. It's worth noting that both vintages starting from 2017 and 2018, have above the average proportion of technology funds across vintages starting from 2008. As the technology sector saw the biggest decline in valuations following the public market turmoil in 2022, it is likely that this has resulted in lower interim returns for these funds.

Horizon performance

IRR by investment stage and subcategories

Private equity and venture capital is a long-term asset class. The ten year horizon IRR figure gives a reliable picture of the overall performance of the industry capturing the intended investment period and potential value creation over multiple years.

In contrast, the one year horizon return should be interpreted with caution as these figures are not a realistic representation of private equity and venture capital performance since it is typically not possible to invest in private capital funds for just a year. However, the one year return is a useful indicator of the economic conditions in a particular year.

Ten Year Horizon

As the most stable horizon, the ten year return IRR for all investment stages and subcategories showed the smallest change relative to 2022. The overall return dropped slightly from 17.0% in 2022 to 15.0% in 2023.

Consistent with previous years' results large private equity continues to outperform other investment stages on the ten year horizon, delivering a return of 18.0% in 2023.

Technology funds recorded the largest decline on the ten year horizon relative to 2022 (14% versus 17.8%) and were no longer the top performing subcategory defying historical trends.

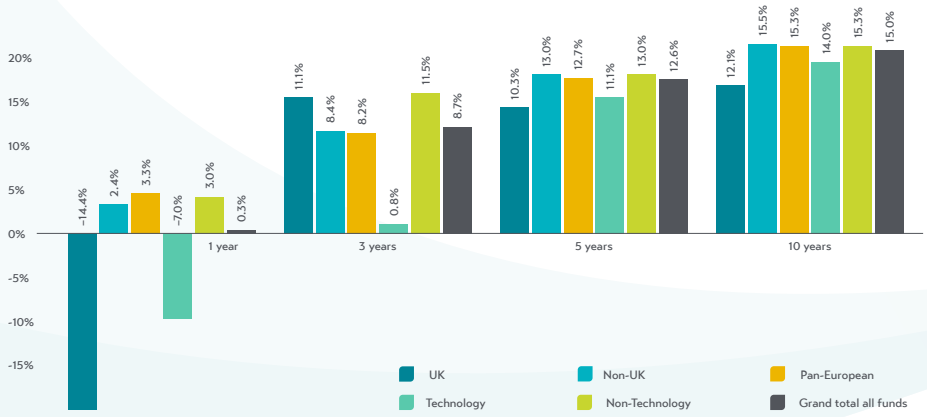
One Year Horizon

2023 was a challenging year for the private equity and venture capital industry. The one year horizon return has been flat for the industry overall with an IRR% of 0.3% declining from 5.5% in 2022. All investment stages recorded significantly lower one year horizon returns relative to the previous year with venture and small private equity in particular registering double digit negative returns. Large private equity demonstrated the highest one year horizon return across all investment stages.

From the investment subcategories standpoint, both technology funds and UK-focused funds entered negative territory. While technology funds registered the negative one year horizon for the second consecutive year, the negative one year horizon return for UK-focused funds sharply contrast with the previous year, during which these funds recorded the highest one year horizon return among all subcategories (11.3%).

Chart 17 – Horizon performance – IRR (%) by investment stage

Chart 18 – Horizon performance – IRR (%) by investment subcategory



Benchmarking performance

Introduction

One of the unique and defining characteristics of private equity and venture capital is the very irregular timing and size of cash flows to and from the fund. As such, the IRRs are not directly comparable with more standard measures of returns which makes benchmarking the performance of private equity and venture capital with that of more traditional asset classes (public markets) far from straightforward.

Public market equivalent (PME) methods developed by academics and industry practitioners effectively address this problem, making it possible to compare the performance of private equity and venture capital to the performance of public indices. The PME metric essentially adapts public market returns into an IRR-like metric that takes into consideration irregular and fluctuating cash flows. There are multiple ways to calculate a PME and we present them in more detail in the methodology paper.

The BVCA uses both the Capital Dynamics PME+ (PME+) and the Kaplan-Schoar PME (KS-PME) methods. Selecting the right index when using a PME method is crucial, as different indices can lead to different results. We provide an overview of our dataset and the selected indices on the following page. As with IRR calculations, it is also important to highlight that each PME methodology serves as an approximation until the funds are fully realised.

Similar to the previous editions of the PMS report we also contrast horizon IRRs of private equity and venture capital to the one, three, five and ten year returns of public indices. Although, for reasons explained earlier, the return metrics between both asset classes are not fully comparable, they provide a good indication of the performance of each asset class over the short, medium and long term.

Benchmarking performance

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:

- Replication approach which endeavors to match the private market portfolio as closely as possible, through consideration of the range of investment sizes, sectors and geographies. This approach more closely shows the relative performance of the fund manager.
- Opportunity cost approach 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 dataset

Investment size
(by amount invested):

- 64% of the funds in our database invest in Large Private Equity (over £100 million invested in equity per transaction);
- 25% 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.
- Less than 1% of funds by amount invested fall into other, legacy categories which applied pre-1996.

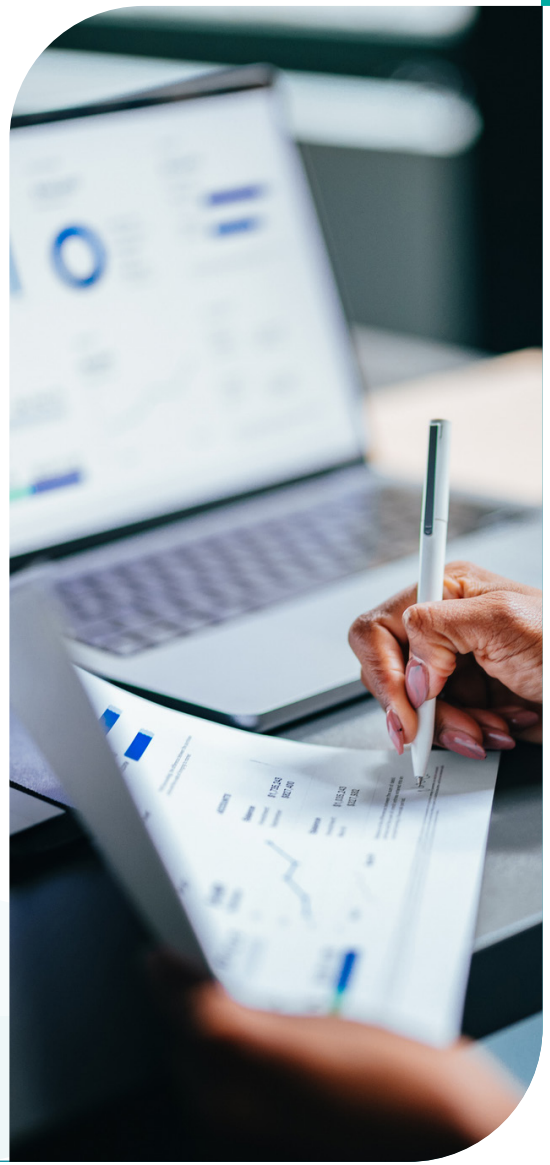
Investment sectors / regions
(by amount invested):

- 16% of the funds in our dataset focus on technology.
- 14% of the funds in our dataset invest only in the UK, 85% in European countries (which may include the UK) and 15% 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):

- 16% Pounds Sterling
- 76% Euros
- 8% 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.

Benchmarking performance

Since Inception analysis by vintage year – PME+ and KS-PME

Chart 19 – Since Inception IRR and PME+ by vintage year

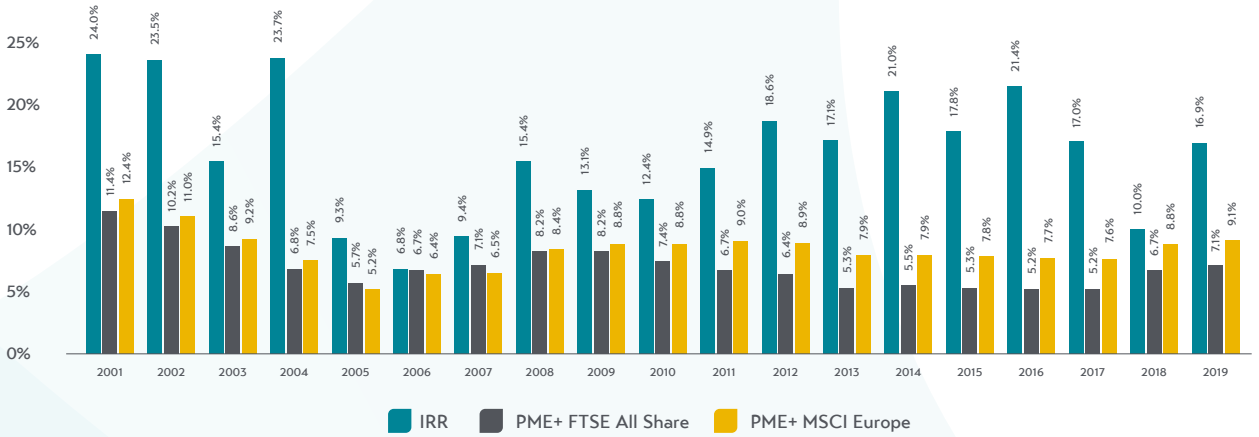
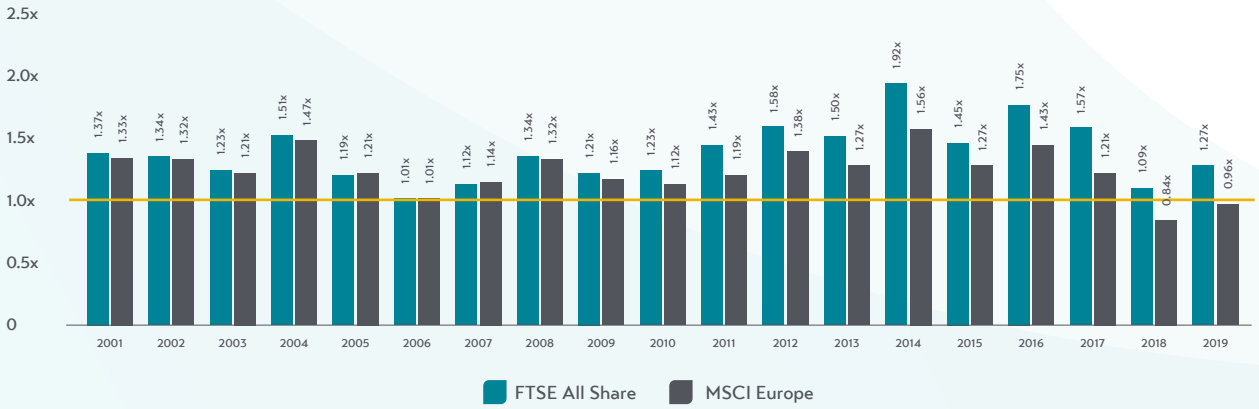


Chart 20 – Since Inception KS-PME by vintage year



Private capital outperforms public markets

The PME+ methodology implies that private equity and venture capital outperforms if the IRR is greater than the PME+ calculation. Applying this methodology, we observe that private equity and venture capital has outperformed the public markets across all suitably mature vintages in our data set since 2001.

Private equity and venture capital outperforms under the KS-PME measure if the KS-PME is greater than one. This was the case for every vintage year since 2001 against the FTSE All Share Index, which means that investors in private equity and venture capital funds of vintage years 2001-2019 have earned more, than if they had invested in the FTSE All Share Index over the same period to 31 December 2023.

Private equity and venture capital also outperformed the MSCI Europe index across all suitably mature vintage years, except 2018 and 2019.

Benchmarking performance

Since Inception analysis starting from a specific vintage year – PME+ and KS-PME

Chart 21 – Since Inception IRR and PME+ starting from a specific vintage year

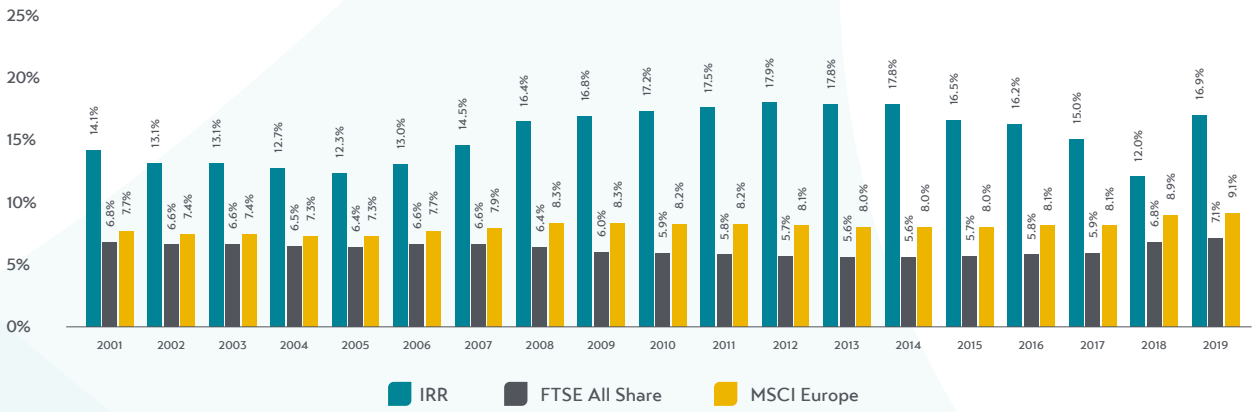
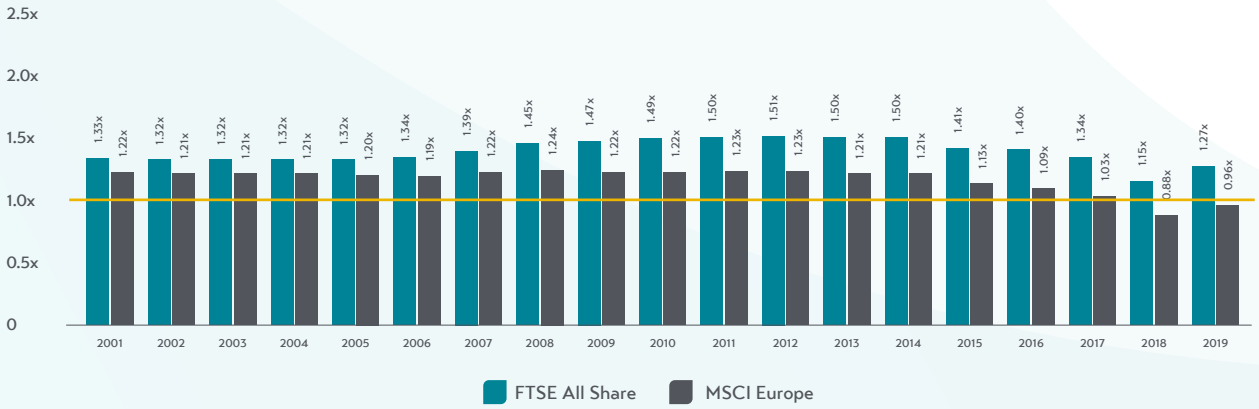


Chart 22 – Since Inception KS-PME starting from a specific vintage year



Starting from a specific vintage year

Charts 21 and 22 illustrate how the funds in our dataset have performed relative to our selected benchmark indices. By starting the analysis at different points in time we can exclude older funds which might have been operating in a very different economic environment than today. This provides a useful way to understand the performance of the industry as a whole since a specific point in time.

The since inception starting from a specific vintage year analysis using both the PME+ and KS-PME methodologies confirms the results by vintage year presented on the previous page.

Private equity and venture capital outperforms the public markets as represented by the FTSE All Share Index in every year since 2001 regardless of the PME methodology.

Relative to the MSCI Europe index, private equity and venture capital funds in our dataset outperform regardless of the starting point if using the PME+ methodology. Consistent with data shown on the previous page, private equity and venture capital has underperformed relative to the MSCI Europe index when the analysis starts from 2018 and 2019.

Horizon performance

Private equity and venture capital Horizon IRR vs public markets returns

Table 13 – Horizon performance – IRR (%) for BVCA members vs FTSE Indices and MSCI Europe Index

	1 year	3 years	5 years	10 years
PE and VC	0.3	8.7	12.6	15.0
FTSE ALL-SHARE INDEX	7.9	8.6	6.6	5.3
FTSE 100 INDEX	7.9	10.2	6.8	5.3
FTSE 250 INDEX	8.0	1.4	5.1	4.8
FTSE 350 INDEX	8.0	8.7	6.6	5.2
MSCI Europe	13.8	9.0	9.7	7.5

While a PME analysis is the best way to compare the private markets funds in our dataset with public markets, a comparison of the horizon returns can also be a useful rule of thumb.

When comparing the three, five and ten year horizon returns of UK private equity and venture capital to the performance of selected indices, it is evident that private equity and venture capital has delivered solid returns in the medium and long term. As of December 31, 2023, the three year horizon return for UK private equity and venture capital funds was in line with the three year return for public markets as represented by the FTSE and MSCI Europe indices. However, the five and ten year returns significantly outperformed those delivered by public equities.

Over the past decade, the FTSE All-Share Index returned 5.3% p.a, the MSCI Europe 7.5% p.a. while UK private equity and venture capital funds collectively generated a return of 15.0% p.a. over the same period.

Conclusion

This report uses a large dataset of fund level cash flows and valuations from 1980 to 2023 to provide significant detail on the returns achieved for investors in private equity and venture capital funds. The findings are clear:

- Private equity and venture capital has delivered a since inception return of 14.5% since 1980.
- 2023 was a challenging year for the private equity industry with a one year horizon close to zero. As the public markets regained lost ground following difficult years in 2021 and 2022, both the FTSE All Share and the MSCI Europe indices recorded a higher annual return in 2023 than the collective return of the funds in our dataset.
- Private equity performs particularly well in the medium and long term with returns reasonably resilient throughout the economic cycle. The industry has outperformed the FTSE All Share and MSCI Europe indices on a ten year horizon, generating 15% IRR p.a. compared to 5.3% p.a. and 7.5% p.a. for the FTSE All Share and the MSCI Europe respectively.
- Muted exit activity, a slower pace of distributions and valuation adjustments have subdued the industry returns to December 31, 2023, with returns flat or slightly reduced compared to figures published last year.
- Venture and Small Private Equity funds experienced a negative one year horizon return following portfolio valuation adjustments from its 2021 highs.
- Our range of returns analysis shows that, whilst the industry's performance as a whole is very strong, returns vary between individual private equity and venture capital funds. Some funds ultimately may not generate a positive return (in which case the firm will not receive carried interest if returns are below the hurdle agreed with investors) whilst others greatly outperform the pooled industry returns presented in this report. This shows that diversification across manager selection and various investment stages and categories is crucial for optimal returns.
- Since 2001, private equity and venture capital funds delivered an IRR of 14.1%, the PME+ analysis indicates that an equivalent public equity investment would have returned 6.8% -7.7% by December 2023, depending on the benchmark index selected,

Conclusion

highlighting the long-term outperformance of private equity and venture capital. The KS-PME analysis shows that BVCA members funds that started investing between 2001 and 2019 generated 1.33x and 1.22x of what investors would have earned from an equivalent public equity investment in the FTSE All Share Total Return Index and the MSCI Europe Gross Total Return Index respectively.

- Both the PME+ and the KS-PME since inception by vintage year results indicate that private equity and venture capital funds of vintages between 2001 and 2019 have collectively outperformed the public market as represented by the FTSE All Share Total Return Index.
- The PME analysis against the MSCI Europe Gross Total Return index is more nuanced. Both the PME+ and KS-PME since inception by vintage year results indicate that private equity and venture capital funds of vintages between 2001 and 2017 have collectively outperformed the public market as represented by the MSCI Europe Index, while vintages 2018 and 2019 underperformed under the KS-PME.
- The PME+ and KS-PME results both confirm that since 2001 investors in private equity and venture capital funds have collectively earned more than if they had made an equivalent investment in public equities.

We are aware that there is significant literature available on private equity performance, and we are pleased to be able to contribute to the evidence around the performance of UK private equity and venture capital in the latest edition of this long running study.

All tables in this report are available on the BVCA website in excel format, along with more granular analysis by investment stage, subcategory and vintage year. 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.

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 us at research@bvca.co.uk

Appendices

1. Methodology
2. Investment stages and subcategories
3. Definitions
4. List of responding firms

Appendix 1
Methodology

Eligibility criteria

To be eligible for inclusion in the 2023 survey, the private equity or venture capital firm must:

- Be a full BVCA member on 29 February 2024;
- Raise money from third-party investors;
- Manage that money from the UK (although it may be invested elsewhere);
- The fund structure is a typical limited partnership with a fixed, long-term fund life.

Venture Capital Trusts (VCTs), EIS funds, listed private equity investment companies and funds not open to external investors (e.g. where a firm is investing from its own balance sheet) have been excluded from the survey.

The BVCA represents the vast majority of private equity and venture capital firms in the UK. Full members, such as those included in this survey, are UK-based firms, which manage private equity and venture capital funds from the UK. Funds managed by former members of the BVCA have been included and data has been rolled forward or supplemented where possible. Firms that have never been members of the BVCA are not included.

Response rates

109 BVCA members were deemed to have at least one fund which met the criteria above. Of these members, we received data from 86 firms, a response rate of 80%.

Confidentiality

The BVCA treats the performance data received from members with the utmost confidentiality. Only the research team within the BVCA are able to access the fund level information. The PwC Research team who support this work receive the data under a strict confidentiality agreement, and only the small number of individuals working directly on the project at PwC have access to the data.

Data collection

The BVCA manages the data collection and review process. BVCA members submit their cash flow and valuation data for qualifying funds via the BVCA's online data collection portal, the European Data Cooperative, or by spreadsheet.

Our survey collects information for each eligible fund on an annual basis as follows:

- Amounts drawn down (i.e. amounts paid by investors into the private equity or venture capital fund);
- Distributions (i.e. amounts paid by the private equity or venture capital fund to the investors) and;
- Net Asset Value (i.e. the residual value of the assets of the private equity or venture capital fund net of any provision for 'carried interest'). The Net Asset Value collected for the 2023 survey is as at 31 December 2023.

As the Net Asset Value is after allowance for any carried interest, all results shown in this report are returns to investors.

We also collect information on whether the valuations are completed in line with IPEV guidelines and whether the valuations provided are audited.

Appendix 1
Methodology

Review and quality control procedures

BVCA research team review and feedback loop

Each submission is individually reviewed by the BVCA research team, who raise any queries with the submitting firm. The BVCA then calculates the IRR to 31 December 2023 for each fund where cash flow data has been submitted and asks the private equity or venture capital firm to verify if the IRR is correct, with sign off requested from an appropriate senior member of the firm.

If the figures are incorrect, then the firm has the opportunity to amend the data provided.

As senior individuals will always know the fund IRRs, this additional check provides us with further comfort that the cash flow and valuation data which has been provided is correct.

All firms that submitted data confirmed their IRRs (100% sign off) by the time we closed the feedback process.

PwC and BVCA calculation verification

The aggregated data is then provided to PwC Research who perform internal consistency checks on the data.

The BVCA now has the capability to calculate all the data tables for this report in-house.

The BVCA and PwC run parallel analyses for 30 data tables collectively covering every type of calculation as a cross check to ensure the calculations agree, thus providing verification of the calculations within the BVCA's model.

PwC team are only involved in calculation and verification of absolute performance metrics. The Public Market Equivalent calculations use the same underlying dataset but were solely done by the BVCA Research team without PwC's input.

Valuations

Valuations of unrealised investments are the most judgemental element of the information provided to us by participating firms. The vast majority of firms have confirmed to us that they conduct valuations using the International Private Equity and Venture Capital Valuation (IPEV) Guidelines which were first introduced in March 2005. However, as noted at the end of this report, neither PwC nor the BVCA has independently checked the valuation data, nor confirmed that the IPEV Guidelines have been adhered to. 58% of the funds surveyed contain unrealised investments, which are usually stated at fair value in accordance with these Guidelines, and which are included when calculating interim measures of performance.

Performance Measurement Survey Review Board

The Performance Measurement Survey Review Board is a group of experienced professionals who support the BVCA research team by:

- Providing guidance on methodology and technical questions.
- Using their personal knowledge or contacts to advise on individual firm eligibility where this is not known to the BVCA and if necessary, reaching out to individuals at these firms to encourage prompt submission of data.
- Using their extensive experience in the industry to assist in the interpretation of results, and to sense check the overall results against what they are seeing elsewhere.

The Review Board supports the BVCA with its work but does not have access to the underlying data.

The Board has six members in line with the Terms of Reference for the Board set out on the BVCA website, with members from general partner firms, limited partner firms and academia. Details of the members of the Review Board can be found in the Report from the Performance Measurement Survey Review Board (page 6) in which they present their opinion of the robustness of this survey.

The BVCA is very grateful to these individuals for the contribution of their time and expertise throughout the production of this report.

Appendix 2

Investment stages and subcategories

Given the depth and breadth of the Performance Measurement Survey dataset, we are able to calculate the returns for several different subsets of the data. We look at this in two ways: firstly, by Investment stage, and secondly by subcategory.

Investment stage refers to the size and stage of development of the companies which the fund is looking to invest in.

The current investment stage classifications which BVCA uses are:

- Venture (Invests in companies in the seed (concept), start-up (within three years of a company's establishment) and early stages of development)
- Small private equity (Invests less than £10 million of equity in each transaction. This category also includes development capital for expansion stage companies, that is, established companies that raise private equity to make acquisitions, fund working capital, buy new plant machinery and the like)
- Mid-market private equity (Invests between £10 million to £100 million of equity in each transaction)
- Large private equity (Invests more than £100 million of equity in each transaction)

These investment stages have applied since 1996 ('1996 vintage funds onwards').

Between 1980 and 1995 ('pre-1996 vintage funds') the investment stage classifications which applied were:

- Early stage (Invests in companies in the seed (concept), start-up (within three years of a company's establishment) and early stages of development.
- Development (Invests in expansion stage companies, that is, established companies that raise private equity to make acquisitions, fund working capital, buy new plant, etc. and small management buyouts and buy-ins (MBOs) with less than £10 million of equity invested per transaction.
- Mid private equity
- Large private equity
- Generalist (Invests across all stages of private equity)

The investment stage reclassification from 1996 onwards was driven by changes in the market at that time, with a growth in the size of funds being raised and a step up in terms of volume of activity in the venture space.

Subcategory refers to the fund investment focus, whether by geography or sector.

The subcategories presented have remained consistent throughout the life of the Performance Measurement Survey. These are:

- UK (Invests over 60% of raised capital into UK companies)
- Non-UK (Invests primarly, at least 60% of the fund, in companies outside the UK)
- Pan-European (Invests over 60% of raised capital into companies in two or more European countries which may include the UK)
- Technology (Invests over 60% of raised capital into technology companies)
- Non-Technology (Invests primarily, at least 60% of the fund, in non-technology companies)

The advantage in providing a more granular analysis of returns is that investors can see more clearly the returns associated with the types of investments they may wish to make and they can more accurately compare the performance of their existing investments to the funds in our dataset.

Appendix 3
Definitions

Capital statistics

Capital raised / funds raised

Capital committed by investors (capital they have agreed to subscribe). This will not usually all be paid in at one time.

Paid in capital

Capital that has actually been paid into the fund by investors.

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 (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.

Return inputs

Cash flow

Transfer of capital into and out of a business.

Drawdown

Fund manager collecting capital from investors.

Distribution

Fund manager returning capital to investors.

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 fund.

Since inception

From the actual start of the fund (i.e. from the first drawdown) up to a particular point in time. This measure of return most closely reflects the return a primary investor would have achieved.

Horizon

Horizon IRRs look backwards at specific time horizons. This measure includes cashflows from all funds that were active at some point during horizon period, regardless of which part of the life cycle the fund is in.

Types of return

Net return

The return represents the 'net' return to investors after costs and fees. Provision is made for carried interest, which would have been payable if the residual valuation had been realised at the valuation date.

Gross return

The return represents the 'gross' return to investors before costs, fees and carried interest provision.

Appendix 3
Definitions

Mathematical terms

Pooled return

We pool all cash flows and valuations as if they were one fund, and calculate the IRR or multiples on this set of combined, or pooled, cash flows. This gives the IRR or return for the total sample of funds being analysed, with funds implicitly being weighted by size.

Range of returns

The range of returns analysis demonstrates the variation in performance between different funds. Within each range, a portfolio's results are defined in terms of a percentile ranking. Ranges can be subdivided by quartiles, deciles and percentiles (see below). The range between the tenth and ninetieth percentile is known as the 'interdecile' range.

Top decile

Tenth percentile – 10% of the funds have an equal or higher return than this value.

Upper quartile

Twenty-fifth percentile – 25% of the funds have an equal or higher return than this value.

Median

Fiftieth percentile – The return of funds in the middle of the ranking.

Lower quartile

Seventy-fifth percentile – 75% of the funds have an equal or higher return than this value.

Bottom decile

Ninetieth percentile – 90% of the funds have an equal or higher return than this value.

Percentile ranking

Percentile rankings indicate the position occupied by a portfolio return in a particular universe. A ranking of the nth percentile means that n% of funds achieved a return greater than or equal to that fund's return. See also 'range of returns'.

Appendix 4

List of responding firms

- 3i
- 4BIO Partners LLP
- A/O Proptech
- Abingworth LLP
- Alchemy Partners LLP
- Aliter Capital LLP
- ALSA Ventures
- Amadeus Capital Partners Limited
- Anthemis Group
- Apax Partners UK Ltd
- Apiary Capital LLP
- Apis Partners LLP
- August Equity LLP
- Bain Capital Europe LLP
- Baird Capital
- Balderton Capital
- Beech Tree Private Equity
- Bowmark Capital LLP
- Bregal Capital LLP
- Bridgepoint
- Bridges Fund Management Limited
- Cambridge Innovation Capital
- CBPE Capital
- CGE Partners LLP
- Cinven Limited
- Circularity Capital
- Clean Growth Investment Management LLP
- Cordovan Capital Management
- Development Bank of Wales
- Duke Street
- Dunedin LLP
- ECI Partners LLP
- EKA Ventures
- Elysian Capital LLP
- EMK Capital
- Endless LLP
- Equistone Partners Europe Limited
- ETF Partners
- Exponent Private Equity LLP
- FPE Capital LLP
- Freshstream
- G Square Healthcare Private Equity LLP
- GHO Capital LLP
- Graphite Capital Management LLP
- Growth Capital Partners LLP (GCP)
- HG Capital
- Inflexion Private Equity
- Inspirit Capital
- IQ Capital Partners LLP
- Just Climate LLP
- Kester Capital LLP
- Key Capital Partners LLP
- Livingbridge EP LLP
- MMC Ventures Ltd
- Mobeus Equity Partners
- Next Wave Partners LLP
- NorthEdge Capital LLP
- Oakley Capital Limited
- Oxford Capital
- Oxx
- Palamon Capital Partners, LP
- Palatine Private Equity LLP
- Par Equity LLP
- Permira Advisers (London) Ltd
- Phoenix Equity Partners
- Pi Labs
- Piper PE LLP
- Primary Capital Partners LLP
- Queen's Park Equity
- Rutland Partners LLP
- SEP
- Sovereign Capital
- Start Codon Fund 1 LP
- Sussex Place Ventures
- Synova LLP
- Systemiq Capital Limited
- TDR Capital LLP
- Technology Venture Partners
- Terra Firma Capital Partners Limited
- Top Technology Ventures Limited
- Verb Ventures
- Vespa Capital LLP
- Vitruvian Partners LLP
- WestBridge Fund Managers Limited
- YFM Equity Partners
- Zero Carbon Capital

The BVCA would like to thank all firms who contributed to the 2023 edition of the Performance Measurement Survey

Contacts & useful resources

- BVCA Performance Measurement Survey Methodology Paper
- BVCA Performance Measurement Survey 2023 Data Pack
- BVCA Report on Investment Activity 2023
- Measuring the contribution of private equity and venture capital to the UK economy in 2023

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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We would also like to extend our thanks to Capital Dynamics for allowing the BVCA to use the Capital Dynamics PME+ methodology in this report.

Please contact research@bvca.co.uk for any enquiries.

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 over 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 600 businesses from across the private capital ecosystem. This includes more than 250 private equity and venture capital firms, 100 institutional investors and over 200 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 the future challenges we face as a society.

Together we are invested in a better future.

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The data within this report was collated and analysed by the BVCA and PwC Research. While PricewaterhouseCoopers LLP (PwC) and the BVCA have 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 for 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. Neither the BVCA nor PwC have 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 or PwC. 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 PricewaterhouseCoopers LLP, 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.

BVCA refers to the British Private Equity and Venture Capital Association.

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