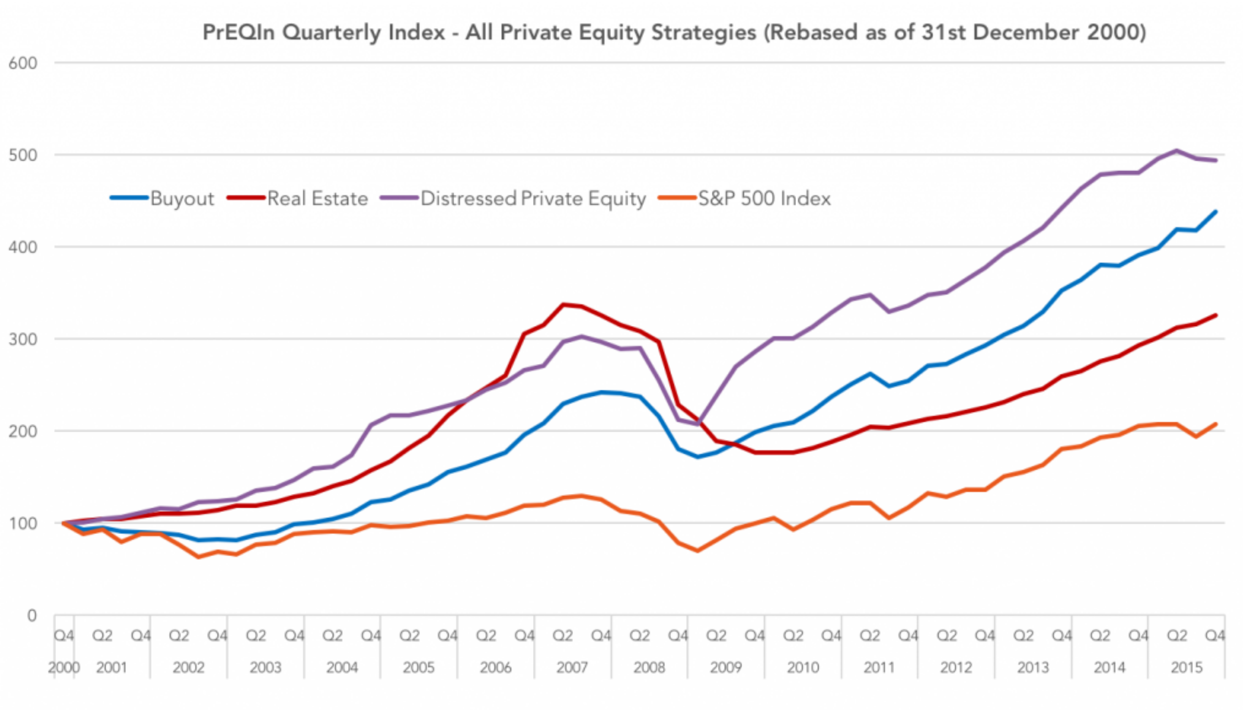
Preqin Private Debt Intelligence – 7/25/2016

THE LEAD | July 25, 2016

Distressed Private Equity Excels in PrEQIn Performance Index

The PrEQIn Index captures the returns earned by investors, on average, in their private equity portfolios, based on the actual amount of money invested and rebased to a chosen point in time. This makes comparisons possible between different strategies and also with the S&P 500.

Rebased to Q4 2000, Preqin's full 2015 data shows that distressed private equity outperformed all other large closed-end private capital funds, as well as the S&P 500. As of the end of Q4 2015, distressed private equity reached a PrEQIn Index value of 494, more than double the level that the S&P 500 has achieved over the same period, with the public market index showing performance of 208 and only surpassing the value of 100 in Q3 2005.



During the property bubble preceding the Global Financial Crisis (GFC), the PrEQIn Real Estate Index outperformed distressed private equity between Q2 2006 and Q1 2009, reaching a value of 335 which the asset class has not achieved since. However, an abundance of distressed investment opportunities after the GFC allowed the distressed private equity Index to recover from the crash rapidly, while real estate suffered from the ongoing property crash.

The PrEQIn Buyout Index also convalesced after both the GFC and the introduction of market-to market valuations which caused declines in 2008 and 2009, yet it has not outperformed distressed private equity since the Index was rebased in Q4 2000. However, buyout fund performance increased from a value of 312 at the end of H1 2015 to 438 by the end of the year, while over the same period the Index value of distressed private equity has seen two successive quarters of decline, falling from 505 to 494.

The PrEQIn Index shows that private capital strategies stand in good health, with all strategies showing an upward trajectory since the GFC. Distressed private equity, in particular, has demonstrated that investors willing to expose themselves to a riskier strategy, could see strong and consistent returns.

Contact: Sam Livingstone
sam.livingstone@preqin.com