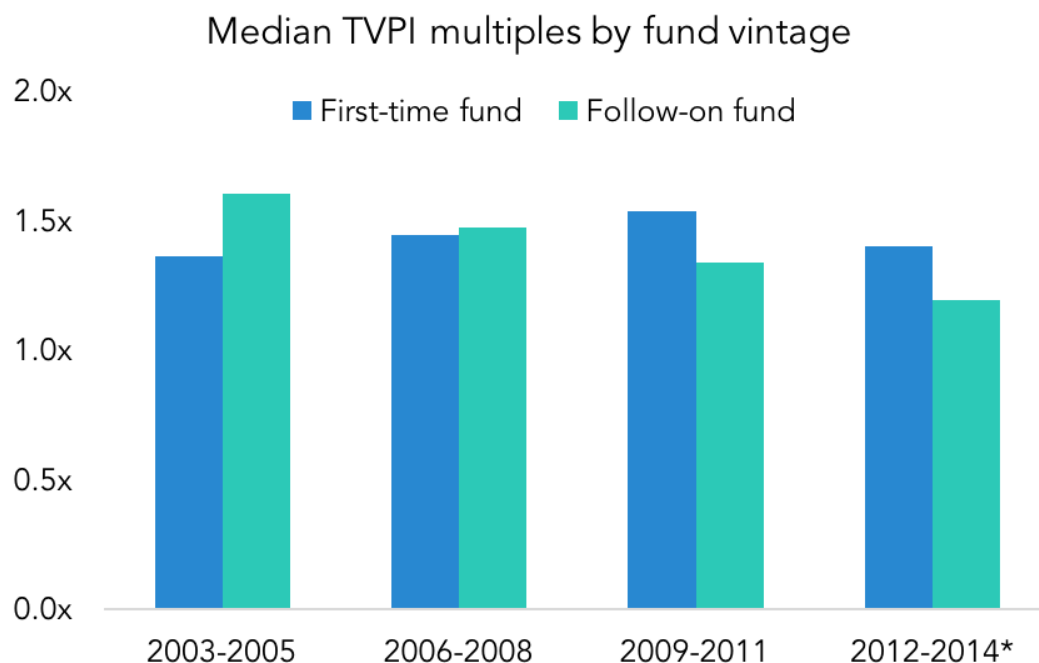


Feels like the first time

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Like Aaron Judge of the New York Yankees, rookies are sometimes better than the veterans. [In our latest Analyst Report](#), we analyzed first-time PE fund returns against the broader PE landscape. Even with the disadvantages that come with rookie funds—less experienced staff, smaller infrastructure, fewer back-office resources—first-time funds have outperformed follow-on funds by a significant degree. For 2012-2014 vintages, for example, rookie PE funds have so far produced a median IRR of 17.1%, versus a 10.8% median for follow-on funds. TVPI multiples are also better: the median TVPI multiple for 2009-2011 first-time funds is 1.54x against 1.33x for follow-ons. For 2012-2014 funds, the difference is just as big, at 1.40x and 1.19x, respectively.

A number of factors are at play here. First and foremost, new managers tend to pursue niche strategies that are often bypassed by more experienced but more generalist investors. Niche strategies tend to result in smaller deal sizes and often lower purchase-price multiples, a built-in advantage for modestly sized rookie funds. Motivation is another factor, not only to gain street cred but also to get their money back: out of necessity, the new managers' personal net worth often makes up an outsized contribution to their inaugural funds. A third factor, though harder to quantify, is the maturity and age of the PE industry itself. Many of the industry's pioneers are still at the helm, and many talented managers beneath them have opted to strike out on their own in recent years rather than contribute to the bottlenecks at larger, more established firms. As the positive results pour in for first-time fund returns, we wouldn't be surprised to see the trend continue indefinitely, or at least until the fundraising boom dies down.

Contact: Alex Lykken
alex.lykken@pitchbook.com