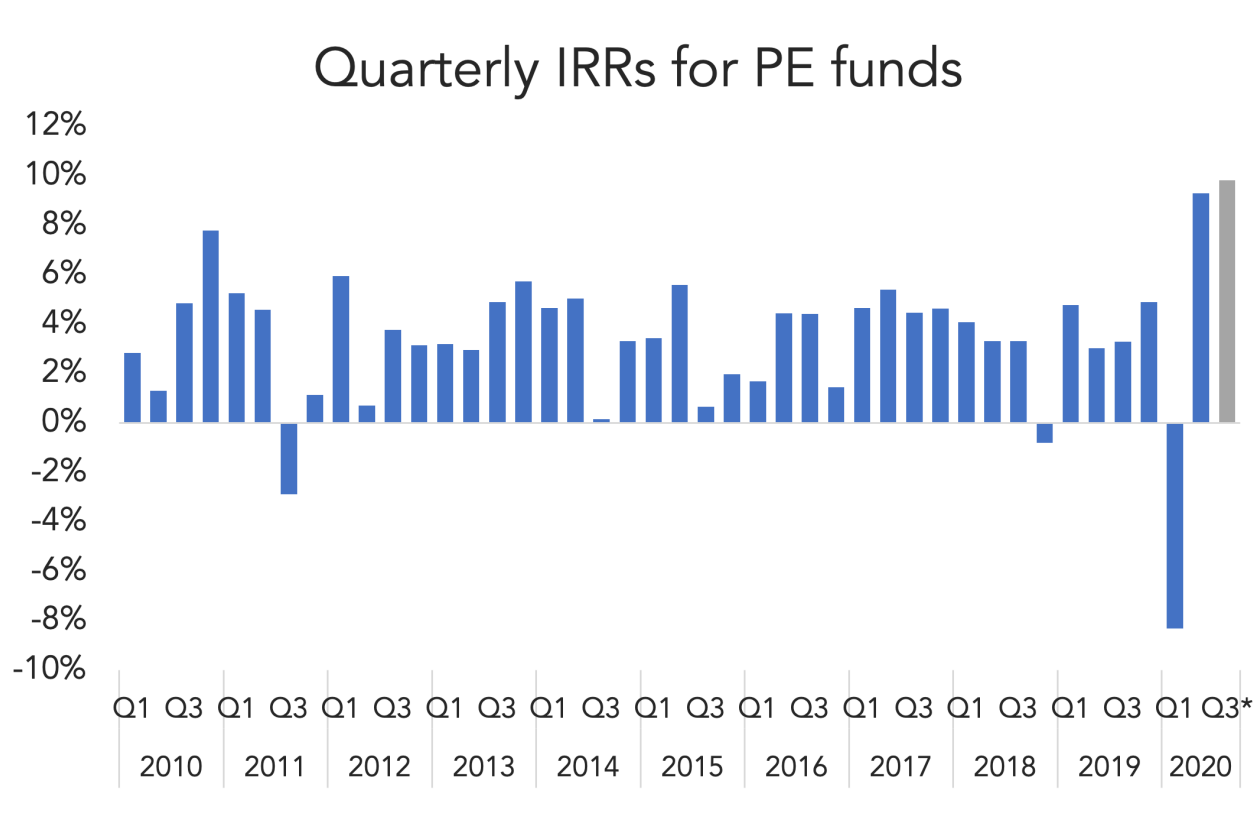


Big bumps in IRR data

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PE returns bounced back in a big way in mid-2020, according to PitchBook’s upcoming Global Fund Performance Report. After cratering by -8.32% in the first quarter, IRRs were above 9% in both Q2 and Q3. The third quarter mark of 9.81% is preliminary data, but it would be the highest quarterly gain seen in many years. Other than the second quarter of last year, which notched a 9.30% gain. To date, mega-funds of \$5 billion or more have led the pack, outperforming all cohorts of smaller funds. That might be due to easier mark-to-market comparisons with public companies, which have benefited from a strong recovery in the equities market.

Tying this back to exit activity is a little messy. In the US, for example, we saw PE exits fall by 20% in Q2 on a dollar basis before rebounding by 57% in Q3. A strong bounceback, to be sure, but at \$91.6 billion combined, that total was still well below every quarter between 2016 and 2018, with two exceptions. The roaring comeback came in the fourth quarter, which saw a 77% QoQ increase and \$161.9 billion in total capital exited, the highest quarterly figure in a very long time. We might see another set of positive numbers for Q4 when those returns become available. But they’ve already popped, and Q2 and Q3 IRRs look a lot healthier than the raw exit numbers. Unrealized marks and dividend recaps—on the heels of unprecedented steps taken by the Fed—can partially explain that discrepancy. In any case, if the preliminary Q3 figure turns out to be true, it would push PE performance further into the green for 2020.