THE PERFORMANCE OF PRIVATE EQUITY

Chris Higson  
London Business School

Rüdiger Stucke  
University of Oxford

Abstract

This paper presents conclusive evidence on the performance of private equity and new findings on the cross-sectional determinants of returns and liquidity, using a high quality dataset that covers up to 90% of capital ever raised. For almost all vintage years, buyout funds have outperformed the S&P 500 by about 500-800 bps p.a. We find strong evidence that larger funds significantly outperform smaller funds, but no evidence for a concave relationship. While the amount of raised capital is inverse correlated to returns, it is rather the macroeconomic environment that explains performance, and has a significant impact on the liquidity properties.

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JEL classification: G11, G15, G24, G34

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Address correspondence to both: chigson@london.edu, ruediger.stucke@sbs.ox.ac.uk