Is Now a Good Time for Private Equity?

July 17, 2025

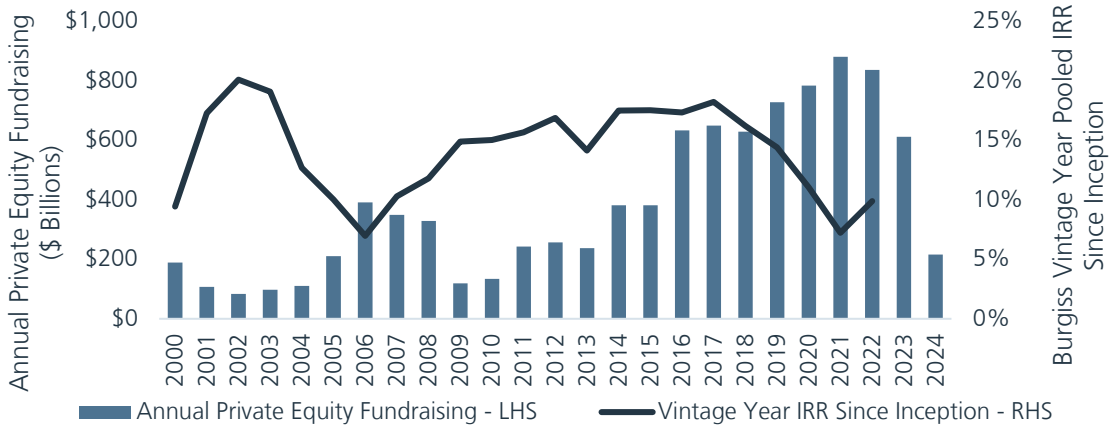
Recent media articles have voiced concerns about the state of the private equity industry, typically citing today's challenging fundraising environment for private equity (PE) managers, as well as reduced corporate dealmaking activity and reduced distributions from PE funds.

Conditions are indeed slow if you are a marketer for a private equity fund or an investment banker. But if you are an investor, what matters most is your long-term returns. While we do not advocate market timing, we do think it is worth looking at the historical data for perspectives.

Below we examine PE fundraising, entry multiples for the investments that PE managers make, eventual returns for those investments, and both vintage year and time weighted PE fund industry returns.

First, let's compare annual PE industry fundraising with the eventual returns of the PE funds raised in those years.

Figure 1: Vintage Year Fundraising vs. Vintage Year IRRs



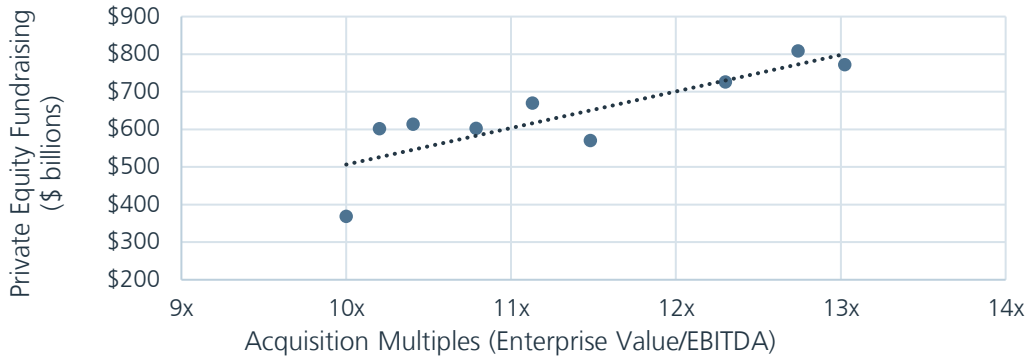
Preqin Annual Private Equity Fundraising, MSCI Private Capital Solutions Annual Private Equity (All Buyout, Expansion, Venture Capital and Secondaries) Pooled IRR Inception, including secondaries, as of March 31, 2025. Past performance is not indicative of future results. The most recent vintage years 2023 and 2024 were removed from the IRR series due to the uncalled nature of these funds. ***Past performance is not indicative of future results.***

The two vintage years with the lowest IRRs (2006 and 2021) were also the two highest fundraising years (relative to the 5 years before and after.) Conversely, the years with relatively low PE fundraising – namely 2001 through 2004 as well as 2009 through 2015 – generated above average returns.

Of course, a relationship between lower PE fundraising and higher eventual returns might just be a coincidence (correlation vs causation). So, let's dig a bit deeper.

Below we aggregate the financial metrics of the PE managers' investments. Using Aksia's DealVault, which contains financial metrics on over 135,000 investments made by private markets managers, we plotted annual PE fundraising totals versus the annual median entry multiples of earnings for PE investments. The data shows that higher fundraising years tend to be associated with higher (more expensive) entry multiples and vice versa.

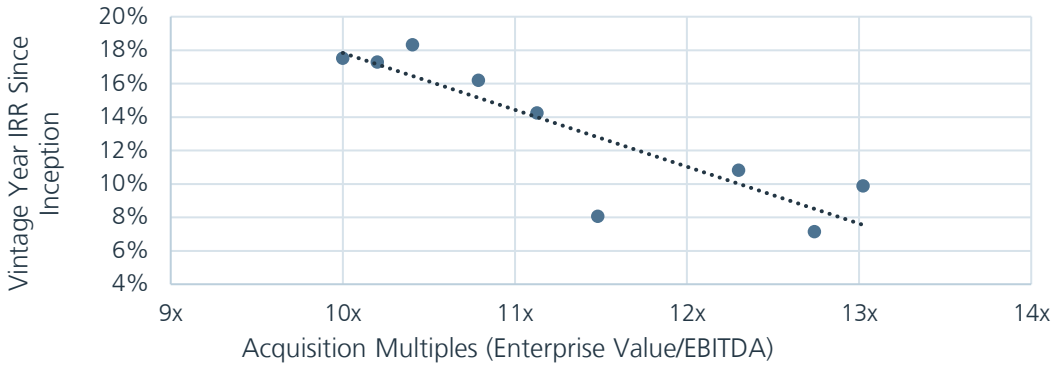
Figure 2: Vintage Year Fundraising vs Median Entry Multiple



Preqin Annual Private Equity Fundraising, Aksia DealVault, as of March 31, 2025. ***Past performance is not indicative of future results.***

Next, we examine the relationship between entry multiples and the subsequent returns on those investments. On average, higher entry multiples for private equity investments have tended to lead to lower subsequent returns.

Figure 3: Median Entry Multiple vs Vintage Year Returns



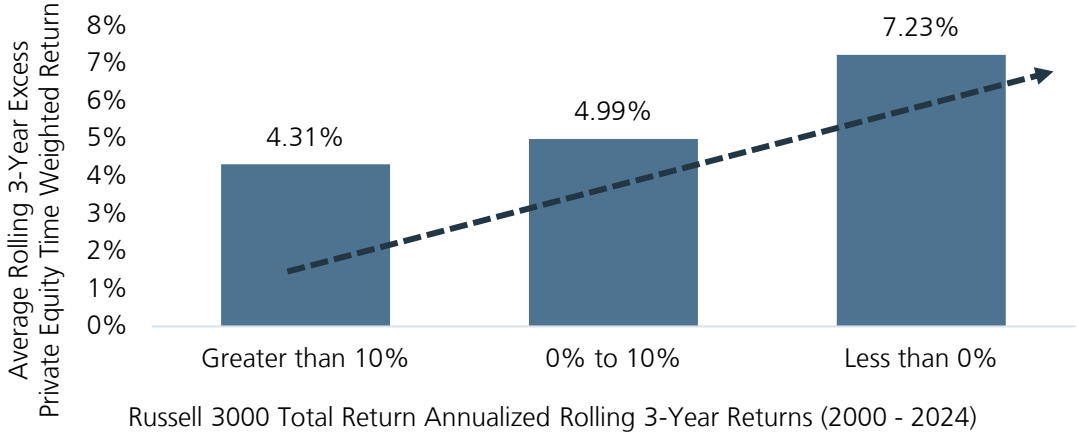
MSCI Private Capital Solutions Annual Private Equity (All Buyout, Expansion, Venture Capital) Pooled IRR Inception to Date as March 31, 2025, Aksia DealVault. ***Past performance is not indicative of future results.***

Also cited as a concern for private equity is the risk of negative public equity returns in the coming years.

Nobody can predict the future, and volatility may be with us for a while, but let's look at the data. How has PE performed in good, in bad and in in-between equity markets?

We analyzed rolling 3-year "time weighted returns[1]" for over 7,000 private equity funds as compared to Russell 3000 returns. We then bucketed the results into three buckets depending upon the Russell 3000 returns in the 3-year period.

Figure 4: Private Equity Excess Returns Higher When Public Stock Returns are Lower



MSCI Private Capital Solutions Private Equity (All Buyout, Expansion, Venture Capital) Time Weighted Return Series as of March 31, 2025, Russell 3000 Total Return Index. ***Past Performance is not indicative of future results.***

Historically, the outperformance of private equity over public equity has in fact increased during periods of poor equity market returns.

We hope that these perspectives are useful. Private equity aims to provide a premium over public equity returns and is a longer-term investment. Short-term industry struggles in asset raising or concerns about public equity market weakness should not necessarily be viewed negatively**,** and according to the data, they may present an opportunity.

– Chris Schelling & Jim Vos

[1] *Time weighted returns, or geometric returns, remove the impact of cash flows, providing a more accurate specific time period return for private markets investments to compare to public markets indices.*

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