

Buyout Fund Exits & Distributions

Greg Brown

IPC & Kenan-Flagler Business School
gregwbrown@unc.edu

Wendy Hu

MSCI Private Capital Solutions
wendy.hu@msci.com

Christian Lundblad

IPC & Kenan-Flagler Business School
lundblac@kenan-flagler.unc.edu

William M. Volckmann II

IPC
wmvolckmann@unc.edu

March 26, 2026 – Preliminary, Comments Welcome

PE Performance is Cyclical!

Buyout Trailing Performance vs. Russell 3000			
	1-year	3-year	5-year
Direct Alpha	-10.7%	-1.8%	-2.9%

.... as of December 2013!

So how did buyout vintages around 2013 perform?

Buyout Performance vs. Russell 3000 (as of Sept. 2025)			
	2012 Vintage	2013 Vintage	2014 Vintage
Direct Alpha	1.8%	0.2%	3.0%

Right in line with long-run performance of PE!

PE Performance is Cyclical!

	Buyout Trailing Performance vs. Russel 3000		
	1-year	3-year	5-year
Direct Alpha	-8.4%	-12.3%	-2.1%

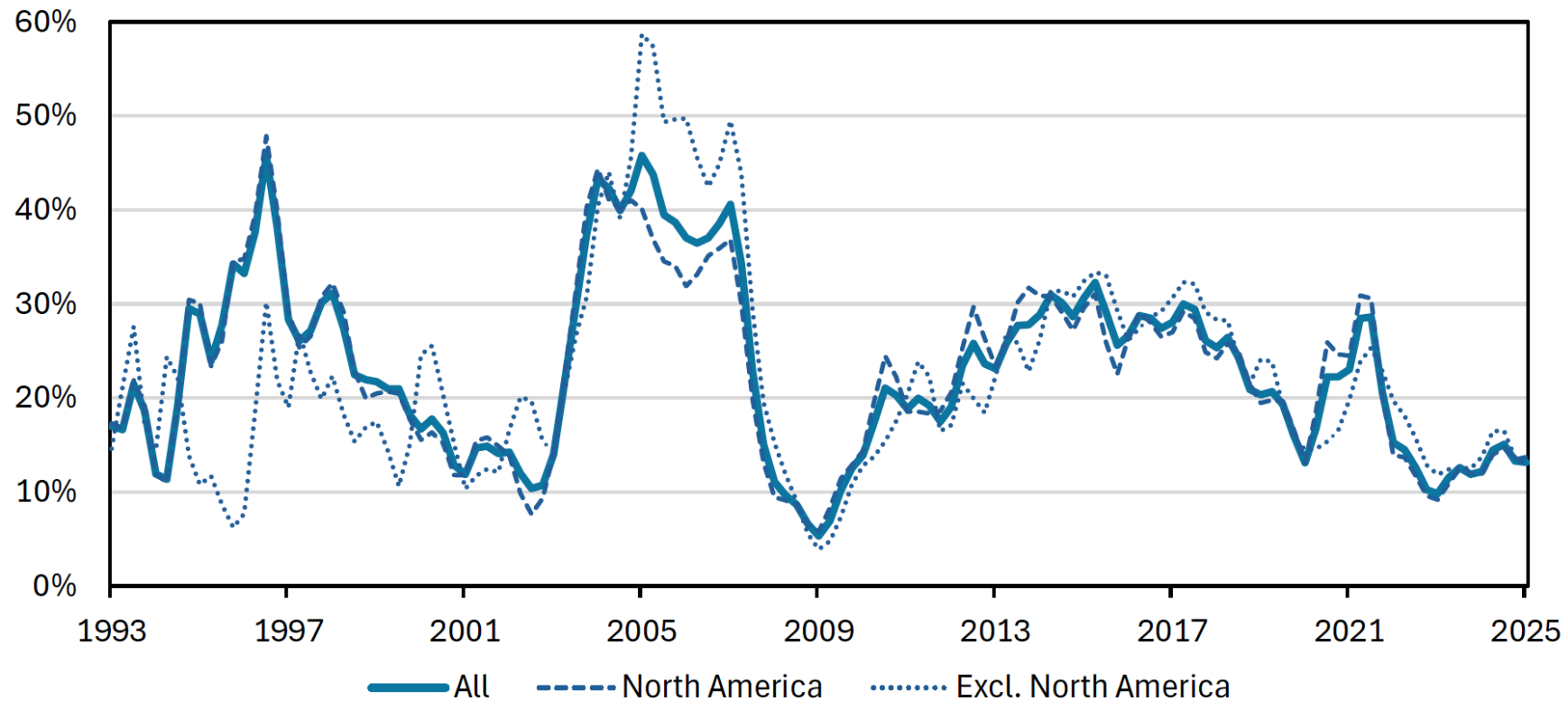
.... as of September 2025

Are current conditions a secular shift to lower returns or is it just another PE cycle?

- This is largely a question about exit activity and distributions: low returns are nearly synonymous with weak exit activity
- We can ask the data! How much of the recent declines in exit activity (cash distributions) can be explained by cyclical factors?

Distribution Rates

DISTRIBUTIONS AS A PERCENT OF NAV (QUARTERLY DATA AT ANNUAL RATE)



Source: MSCI Private Capital Universe

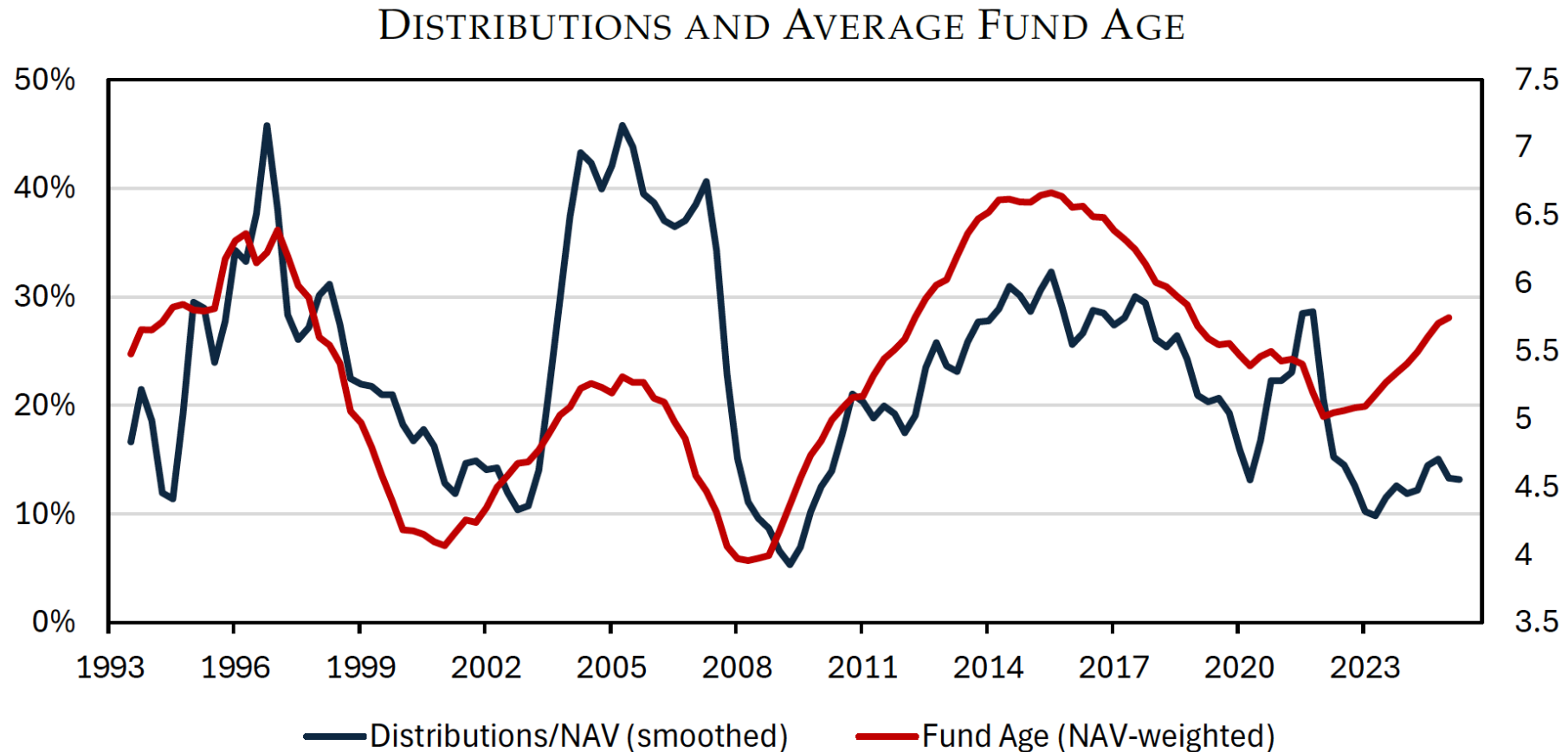
- **Motivation and data preview**
 - Is the current episode just be a deep cycle?
 - Or, is this time different?
- **Data**
 - MSCI Private Capital Universe -- Aggregate, Fund-level, Deal-level
 - Other macro, market, and industry explanatory variables
- **Results: How well do models calibrated to historical data explain recent low distribution rates?**
 - Aggregate level: Only partial explanatory power
 - Fund-Level: Can explain almost all of the recent weakness, but there's a catch
 - Deal Level: Can explain most, but not all decline in exit activity. Sponsor-to-sponsor deals are especially weak by number.

Why Cyclical?

- **PE Performance:** As I just showed... we have been here before
 - Same is true for Distributions/NAV
- **PE Fundraising:** Also, very cyclical...
- **Financial Markets:** Equity returns, deal activity and valuations
- **Macroeconomy:** Real economy (GDP) and interest rates (credit spreads) highly correlated with business activity and especially corporate profits
 - PE tends to operate in more cyclical sectors

Why Cyclical?

Distributions are closely related to fund age for example

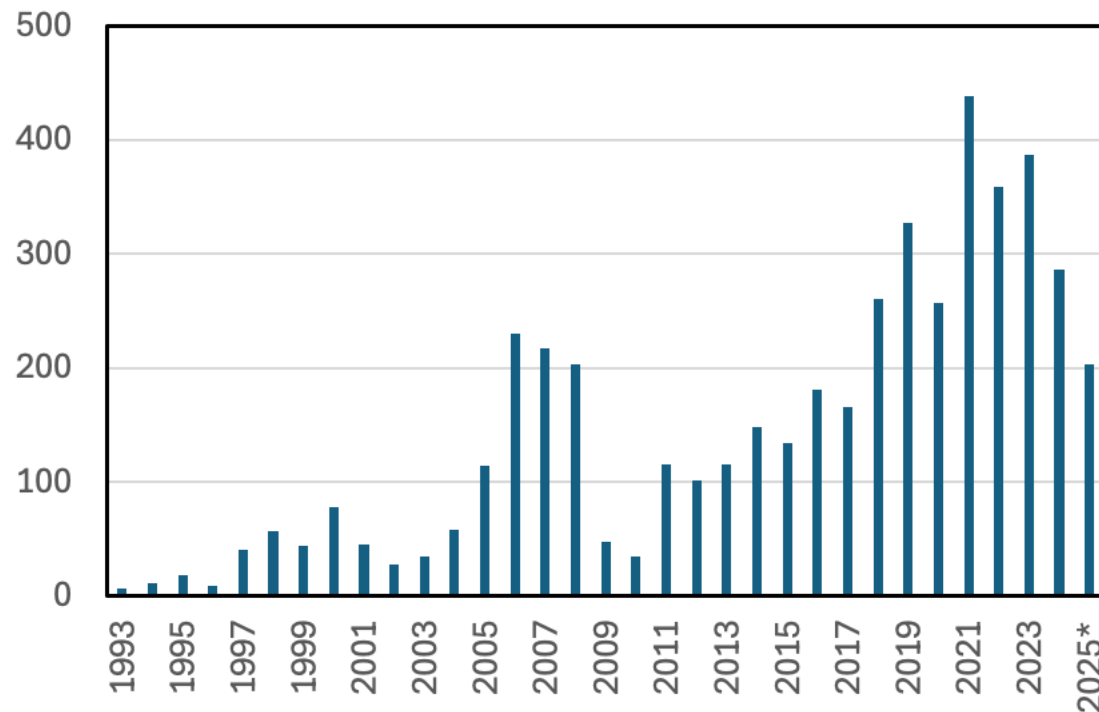


Source: MSCI Private Capital Universe

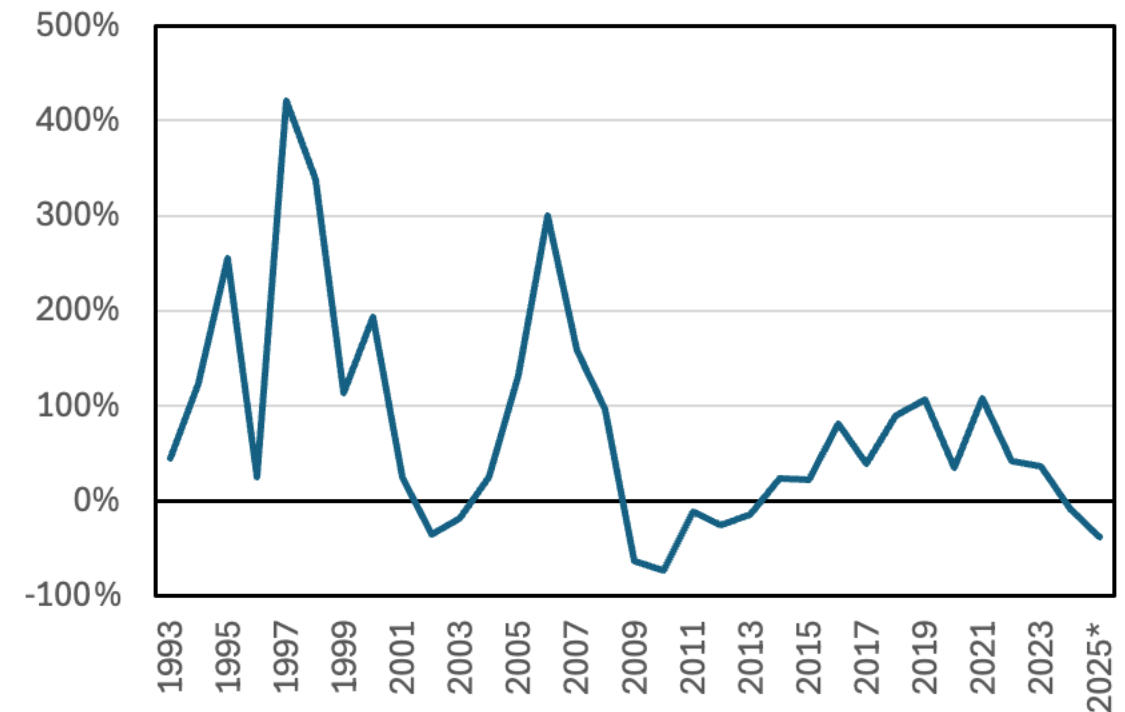
Why Cyclical?

Buyout Fundraising is way off the 2021 peak
... but the percentage decline is not exceptional by historical standards

Committed Capital to Buyout Funds (USD billions)



Fundraising Percent Change from 7-year Average

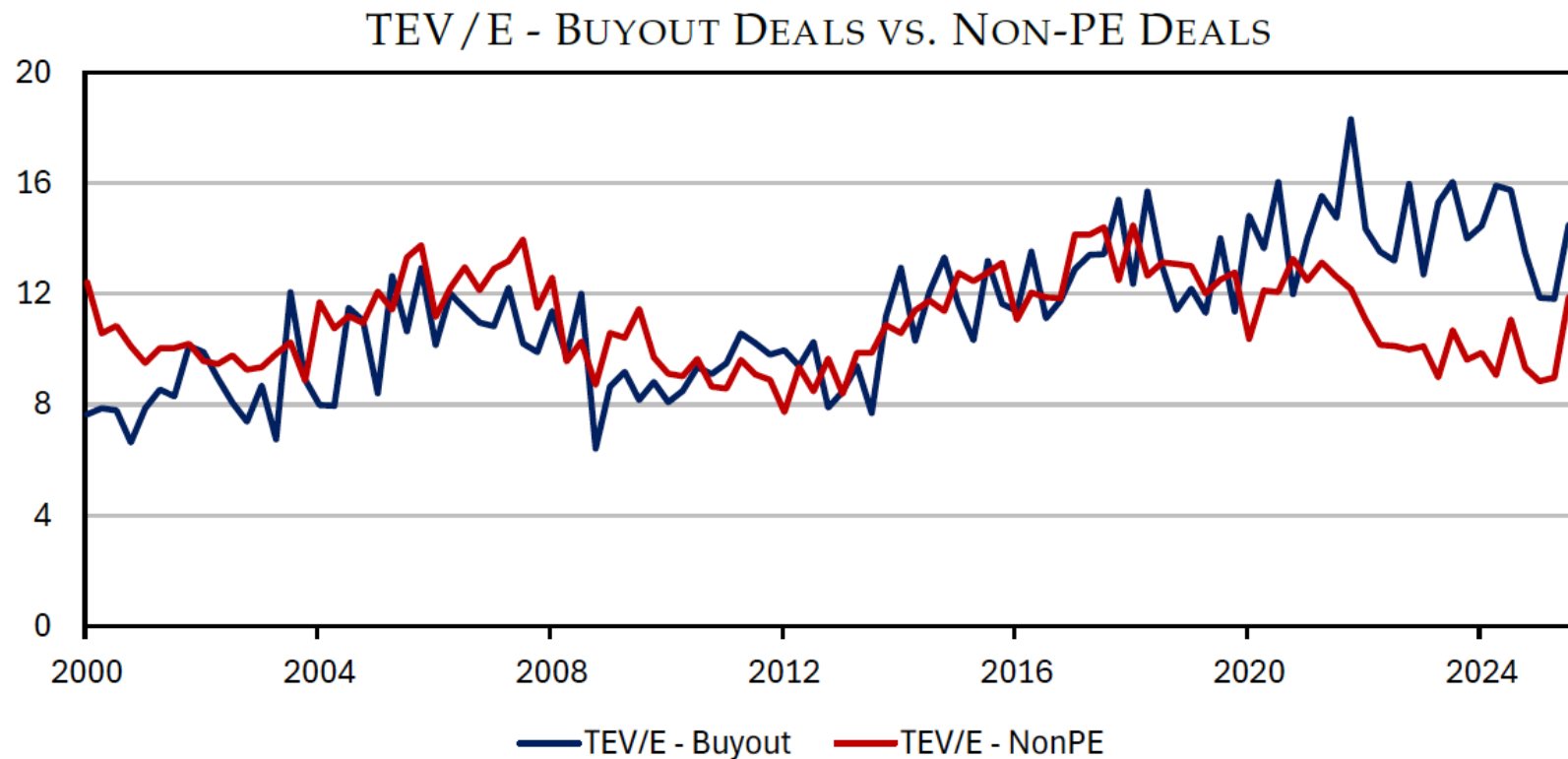


Source: MSCI Private Capital Universe

Why Cyclical? Brief aside re data

PE data can be highly selected

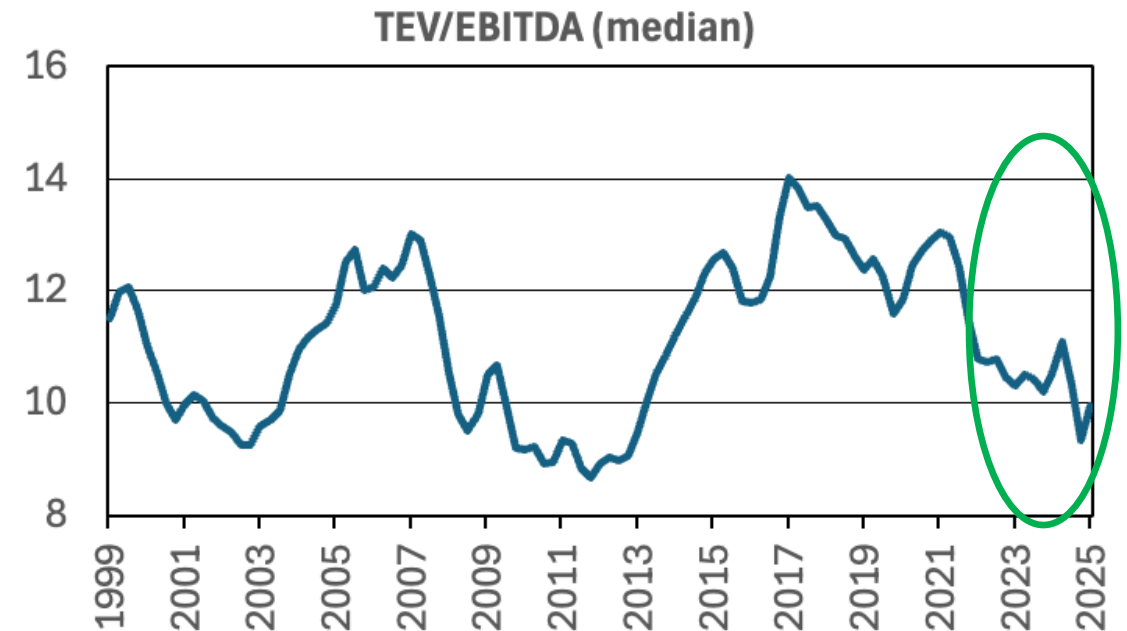
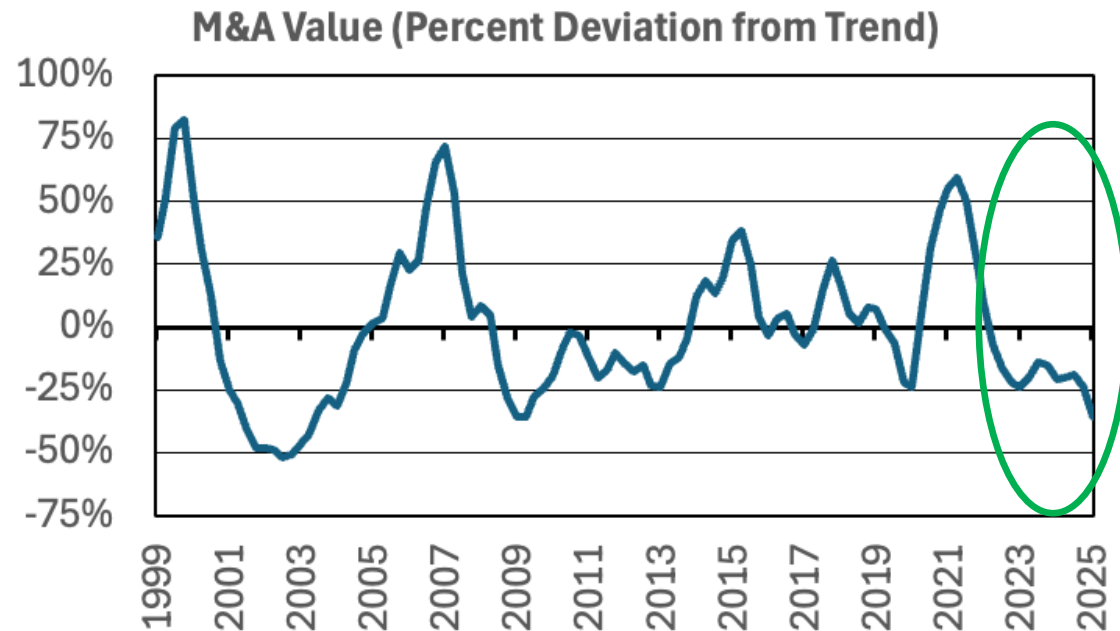
... TEV/E multiple for PE vs. non-PE deals



Source: MSCI Private Capital Universe

Why Cyclical?

Financial Markets: Deal Activity and Valuations (outside PE) are cyclical and low



Source: SDC Platinum

Why Not Cyclical?

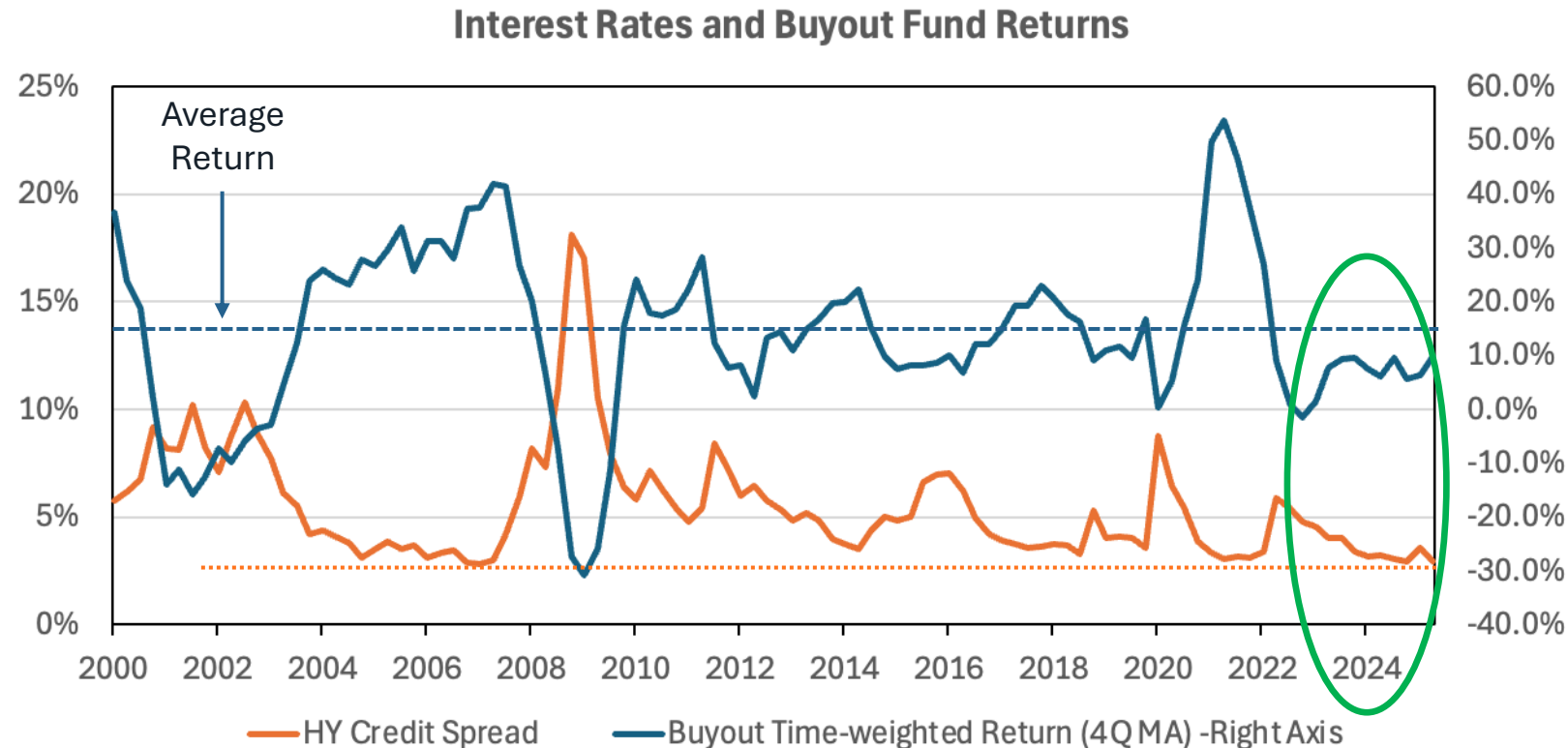
However, some evidence suggests this time is different:

- **PE Performance:** Current episode is worse, and maybe not well explained by other factors (public markets are on a tear...)
 - GP-led secondaries account for a large chunk of distributions, which is new
- **PE Fundraising:** Institutional allocations have levelled off – fully invested
- **Financial Markets:** Equity returns & valuations are at record highs; real interest rates are near historical average; **credit spreads are super tight**
- **Macroeconomy:** Real economy (GDP) and corporate profits are cookin’

Why Not Cyclical?

Robinson & Sensoy (JFE-2016) find credit spreads are one of the most important macro factors explaining PE performance (correlation of -0.76 in 2000-2025 sample).

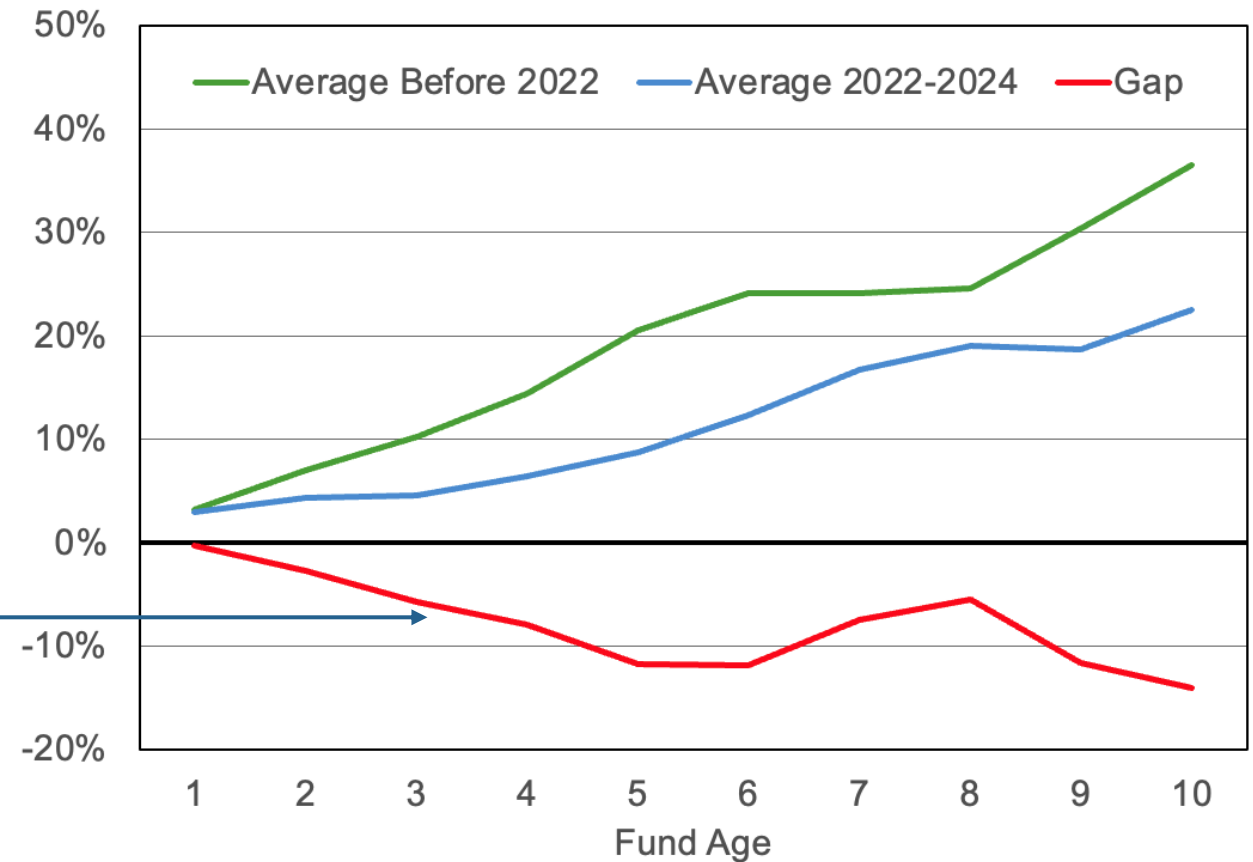
Despite near record low credit spreads buyout returns are below average for 3 years



Source: MSCI Private Capital Universe & <https://fred.stlouisfed.org/>

Fund Distributions/NAV

Distribution/NAV by Fund Age



Distributions since 2022 are below historical averages for funds of all ages

Explanatory Power of Cyclical Factors

- To differentiate between the cyclical variation and secular trend explanations we can model the explanatory power of cyclical factors
 - The residual is an (upper bound) estimate on the secular trend component
- **Dependent Variable:** $\text{Distribution Rate}(t) = \text{Distributions}(t) / \text{NAV}(t-1)$ (from MSCI)
- **Explanatory Variables:**
 - **Public equity returns** (Total US market over last year)
 - **Interest rates: Short-term, term spread, credit spreads**
 - **M&A deal activity** (e.g., relative to long-run trend from SDC)
 - **TEV / E trends** (e.g., recent multiple relative to 5-year high from SDC)
 - **Fund age (NAV-weighted)**
 - **Public market activity** (returns, IPOs)
 - **Private equity market conditions** (PMEs, DPI, dry powder, recent fundraising)
- **Three datasets:** Aggregate, fund-level, deal-Level

Explanatory Power of Cyclical Factors

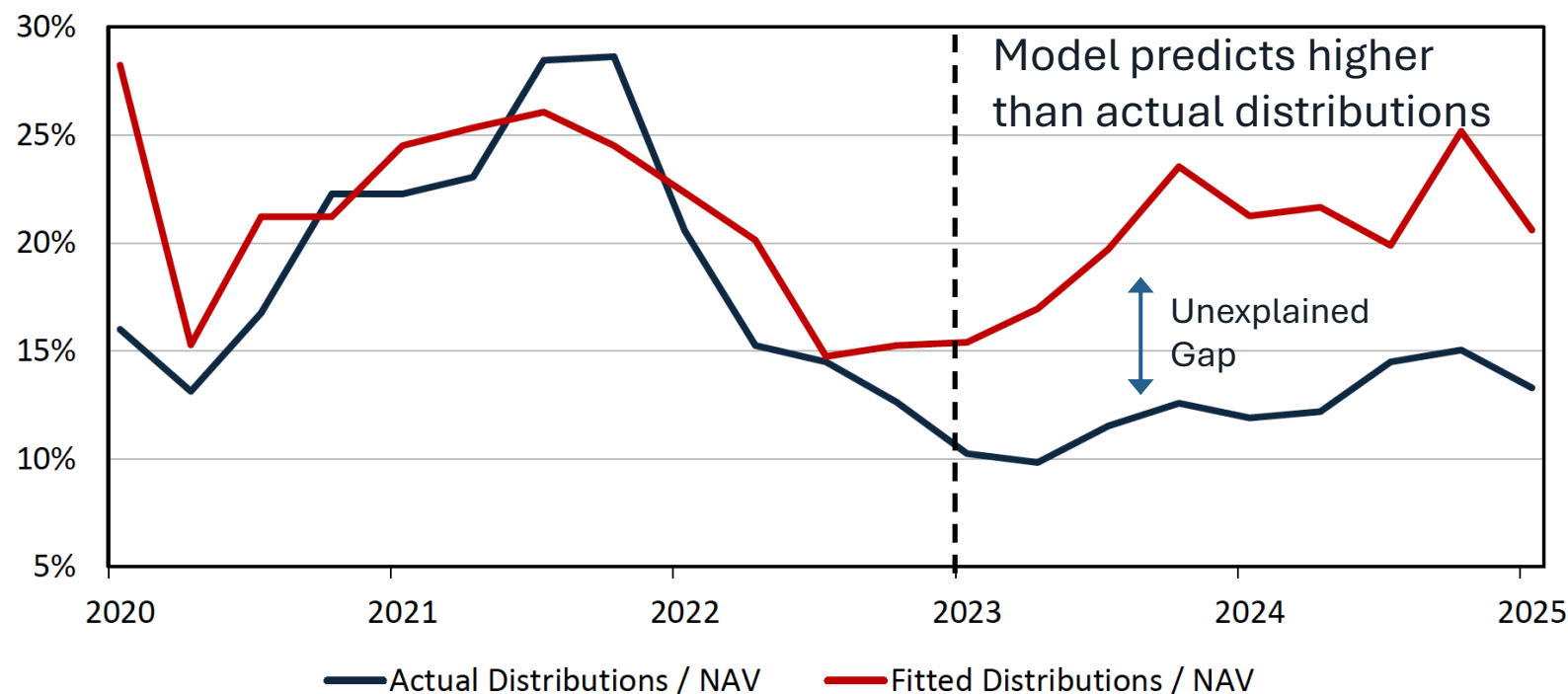
TABLE 5: AGGREGATE-LEVEL REGRESSION OF DISTRIBUTIONS/NAV

	(1) World	(2) North America	(3) Rest of World
Fund Age (L4)	0.0110**	0.0134***	0.0053
Credit Spread (L1)	−0.3323**	−0.2947**	−0.4595***
TEV/EBITDA Drawdown (L1)	−0.0029**	−0.0008	−0.0065***
IPO Volume (L1)	0.0186*	0.0272***	−0.0009
Constant	0.0201	−0.0057	0.0770*
N	88	88	88
Adj R-sq (OLS)	0.614	0.611	0.527

Explanatory Power of Cyclical Factors

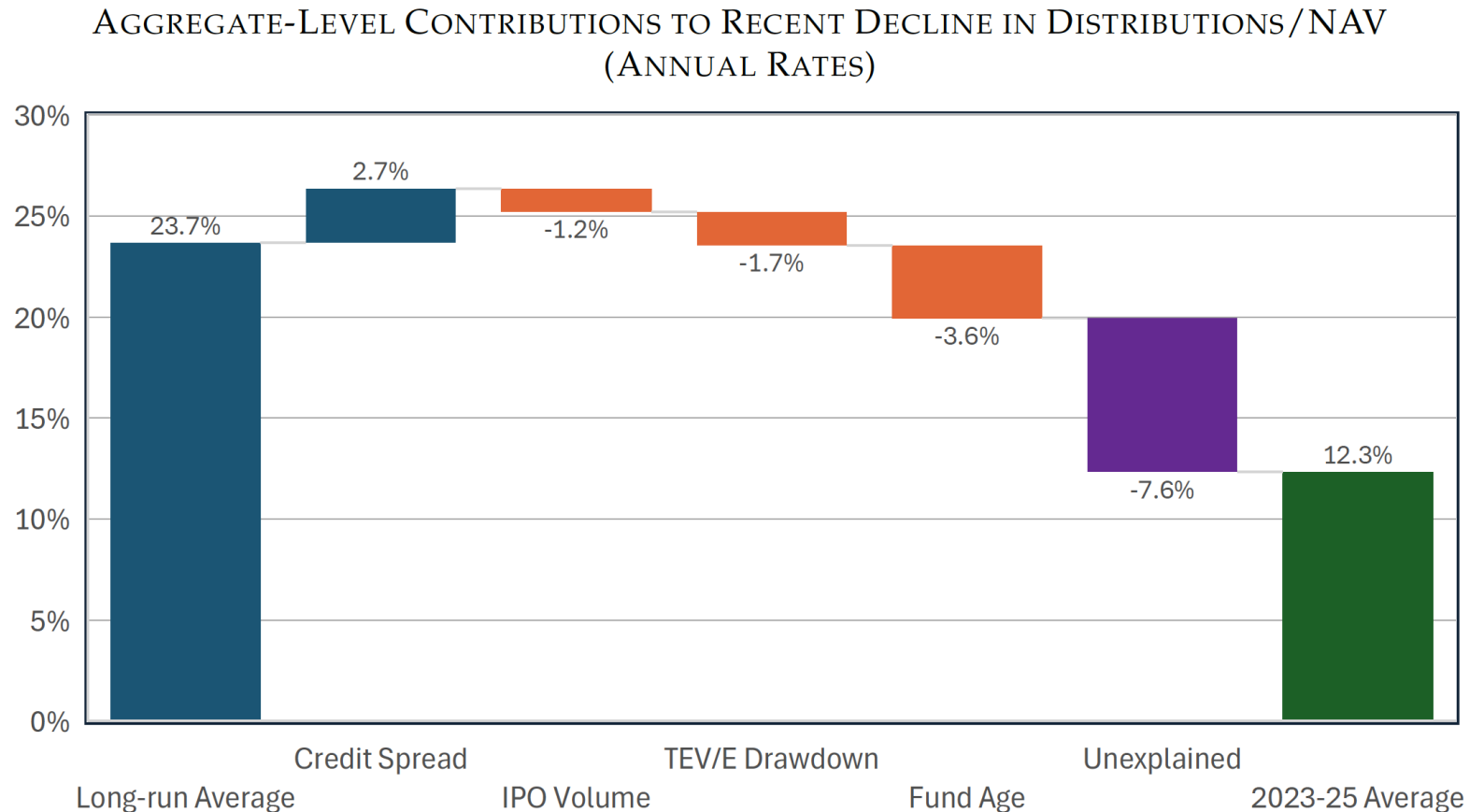
- Aggregate data regression model fits reasonably well until 2023+
- Then a persistent and unexplained gap emerges

AGGREGATE-LEVEL ACTUAL VS. FITTED DISTRIBUTIONS/NAV
(ANNUAL RATES)



Explanatory Power of Cyclical Factors

- Credit spreads predict higher than average distributions
- IPO volume, valuations relative to the recent peak, and fund age (especially) predict lower than average distributions
- In this model, more than half of the deviation from average is unexplained (purple)



Explanatory Power of Cyclical Factors

- One big problem with aggregate analysis is that most of the variables are highly correlated with each other

TABLE 4: CORRELATIONS BETWEEN AGGREGATE VARIABLES (QUARTERLY DATA)

Variable	Distributions / NAV	Fund Age	Credit Spread	TEV/E Drawdown	IPO Volume
Distributions / NAV	1.00				
Fund Age	0.64	1.00			
Credit Spread	-0.70	-0.54	1.00		
TEV/E Drawdown	-0.62	-0.66	0.50	1.00	
IPO Volume	0.51	0.25	-0.59	-0.41	1.00

Fund-Level Analysis

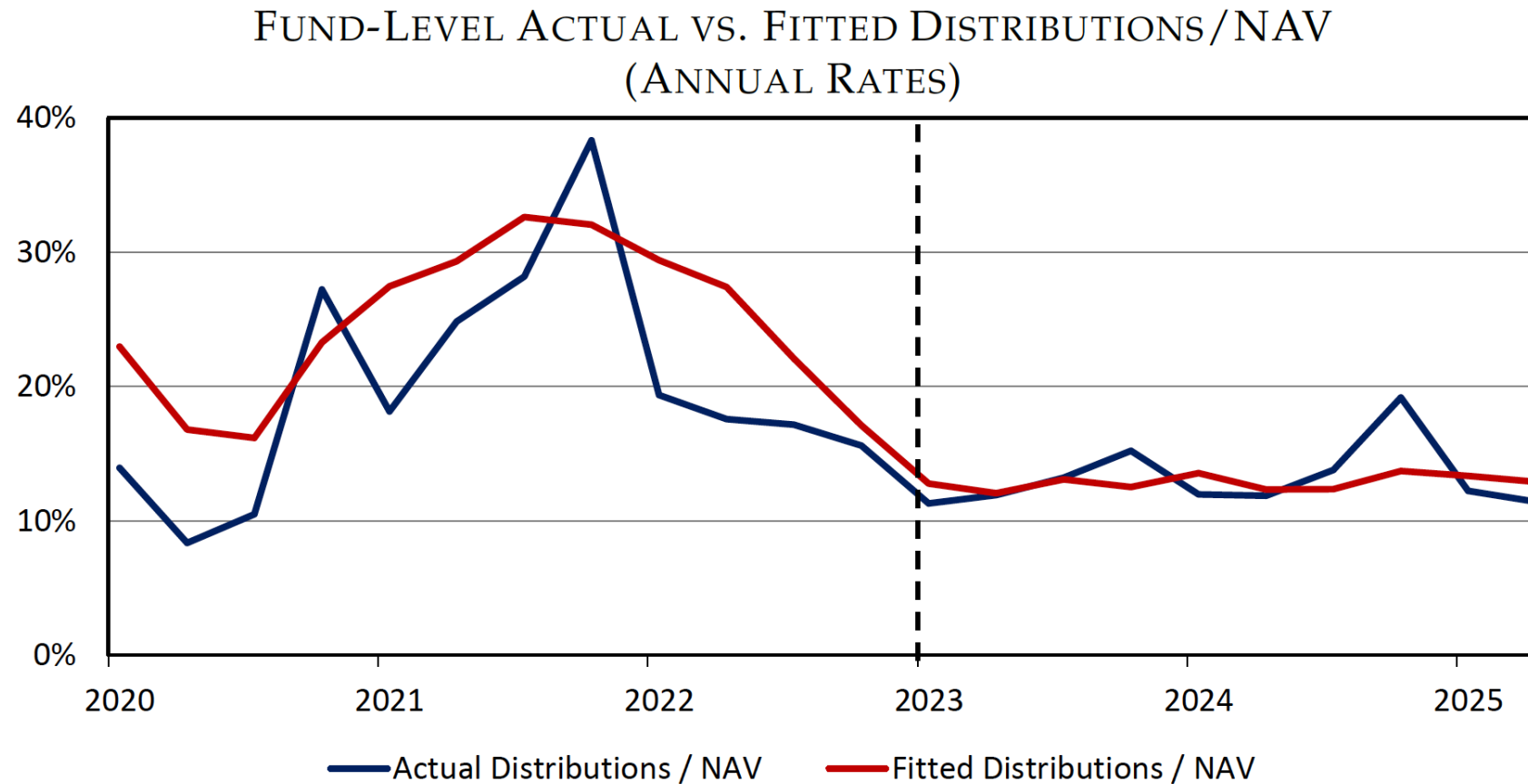
- More detailed analysis of aggregate distributions by sector and geography
- Model of fund-level distributions (including more fund characteristics)
- Also, can do panel regressions by age group

Fund-Level Analysis Regressions

TABLE 6: FUND-LEVEL REGRESSION OF QUARTERLY DISTRIBUTIONS / NAV

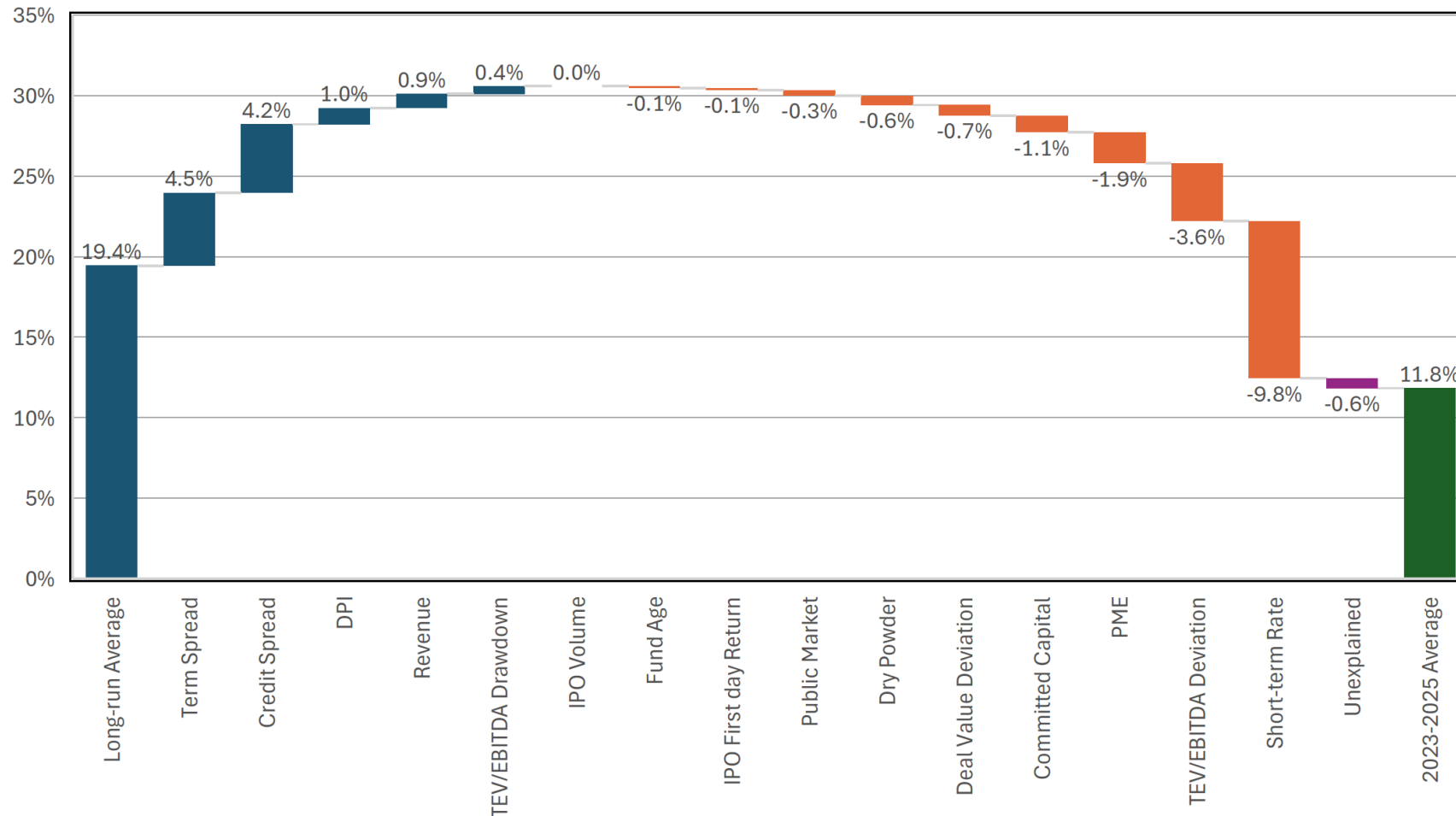
	(1)	(2)	(3)	(4)	(5)
	All Ages	Ages 9–16	Ages 17–24	Ages 25–32	Ages 33–40
Fund Age (Quarters)	0.0028***	0.0106***	0.0114***	0.0115***	0.0081***
Short-term Interest Rate (t-1)	−0.6314**	0.1141	−0.6215*	−0.1546	0.1752
Credit Spread (t-1)	−0.5306***	−0.1490***	−0.4545***	−0.6265***	−0.3120***
Term Spread (t-1)	−0.4464**	−0.0139	−0.5081*	−0.2821	−0.6941*
M&A Deal Value Dev. (t-1)	0.0084	0.0119**	0.0272**	0.0221**	0.0228**
M&A TEV/E Deviation (t-1)	0.0586**	0.0570**	0.0742*	0.0871**	0.0877*
M&A TEV/E Drawdown (t-1)	0.0008	−0.0009	−0.0001	0.0007	−0.0029
Public Market Return (t-1)	−0.0259**	−0.0108	−0.0265*	−0.0365*	−0.0295
IPO Volume (1000s) (t-1)	−0.0018	0.0171	−0.0338	0.0245	−0.1556
IPO First Day Return (t-1)	0.0056	−0.0099	−0.0011	0.0145	0.0040
Revenue (Z-Score) (t-1)	0.0017	0.0034**	0.0029	−0.0016	0.0054**
Dry Powder (%) (t-1)	0.0310***	0.1018***	0.1287***	0.2523***	0.3724***
PME (Quarterly) (t-1)	0.0458***	0.0642***	0.0767***	0.1021***	0.1254***
DPI (Quarterly) (t-1)	−0.0461***	−0.2085***	−0.2068***	−0.2552***	−0.2760***
Fundraising Environment (t-1)	0.0063***	0.0027	0.0025	0.0009	−0.0063
Constant	−0.0161	−0.1677***	−0.1712***	−0.1977***	−0.1003
Within R-squared	0.054	0.105	0.098	0.083	0.047
Observations	60,826	16,197	14,391	12,718	10,939

Fund-Level Analysis Fitted Values



Fund-Level Analysis Contributions

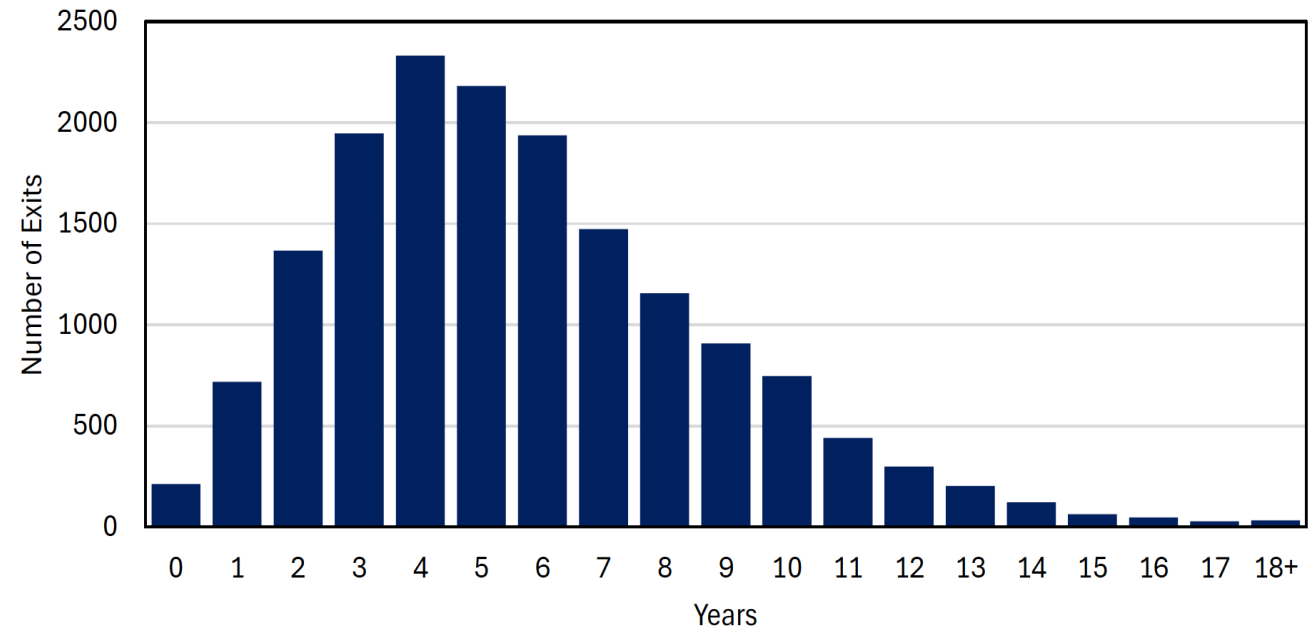
FUND-LEVEL CONTRIBUTIONS TO RECENT DECLINE IN DISTRIBUTIONS/NAV
(ANNUAL RATES)



MSCI Holdings Data

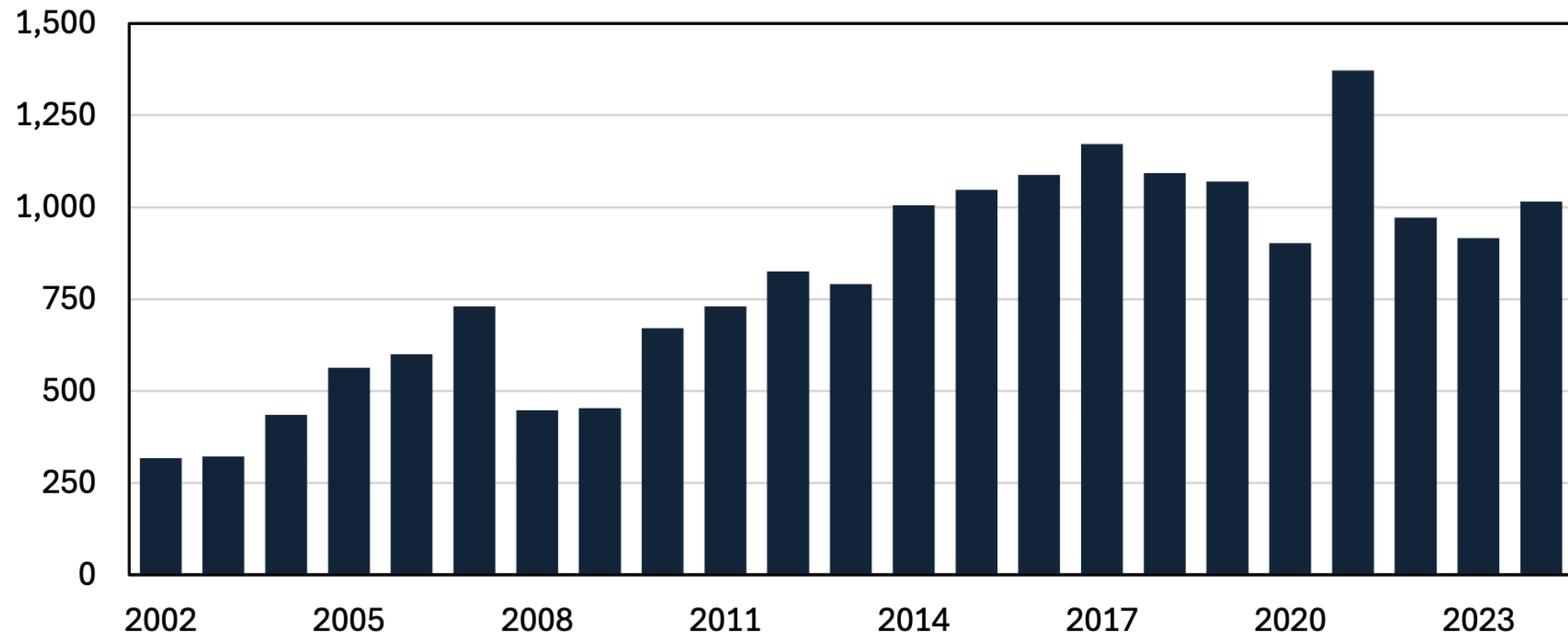
- Holdings data from MSCI
- Focus on 2002:Q1 – 2024:Q4
- Buyouts only – both active and exited (N=14,189 with sufficient data for analysis)
- We know deal size, sector, valuations, as well as exit date and type

EXITED HOLDINGS BY HOLDING LENGTH



MSCI Holdings Data

EXITED HOLDINGS BY EXIT YEAR



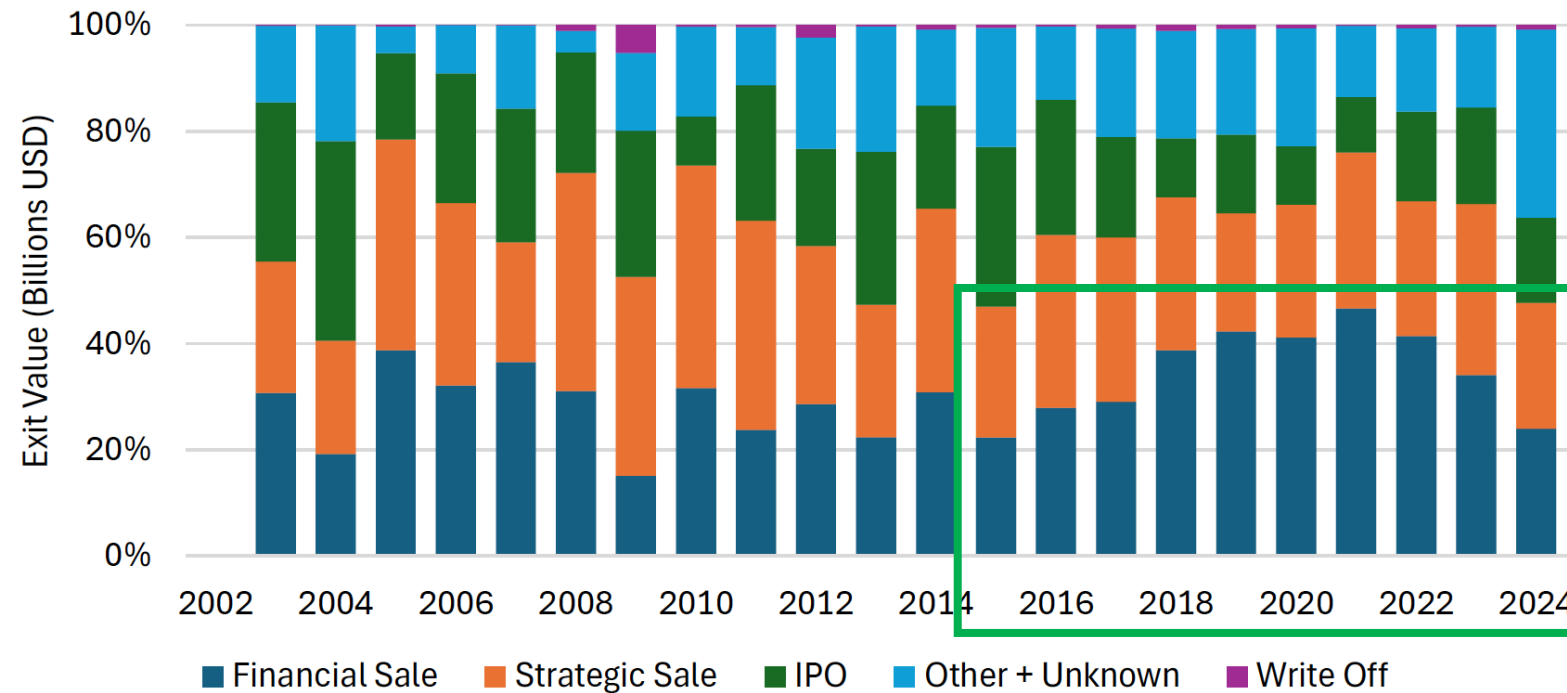
Exit Type by Year (VW proportions)



INSTITUTE
for PRIVATE
CAPITAL

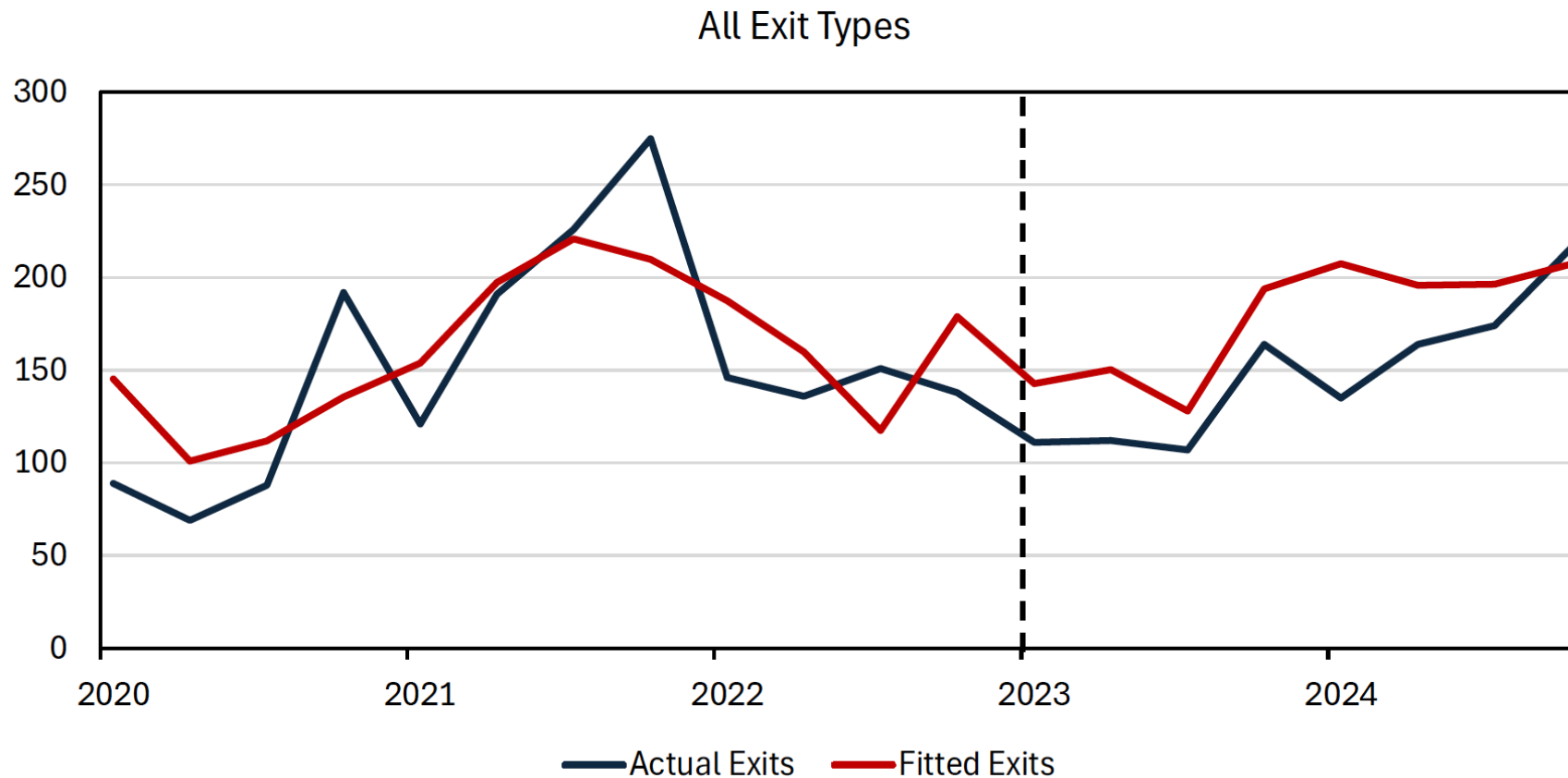
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Panel B: Value Percentage By Exit Year

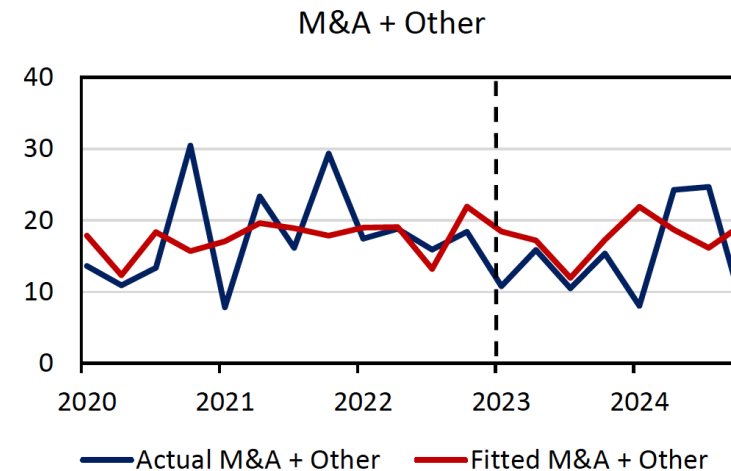
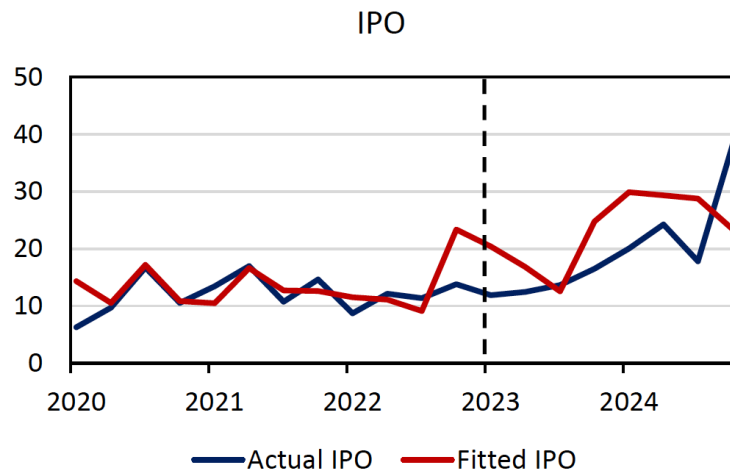
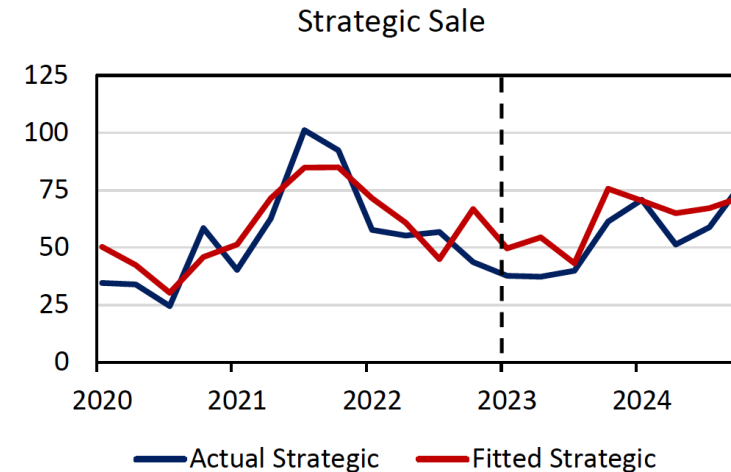
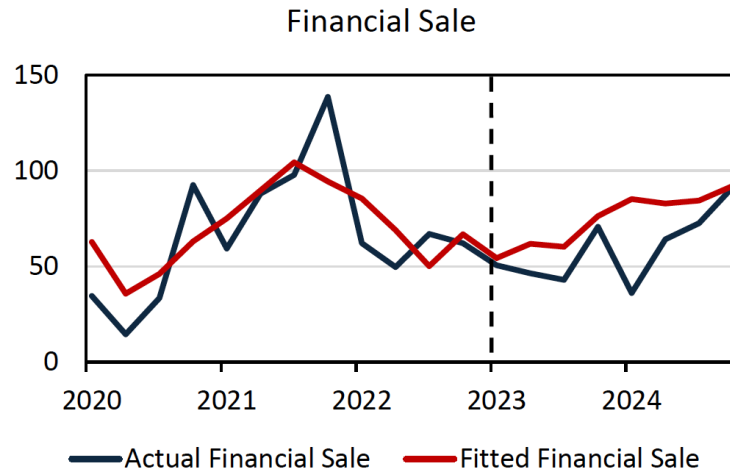


MSCI Holdings Exit Model

HOLDING-LEVEL ACTUAL VS. FITTED EXIT COUNT



MSCI Holdings Exit Model



MSCI Holdings Exit Model

TABLE 9: ACTUAL, PREDICTED, AND SHORTFALL EXITS BY EXIT TYPE, 2023-2024

	Overall	Financial Sale	IPO	Strategic Sale	M&A + Other
Actual Exits	1,183	475	155	436	117
Predicted Exits	1,422	597	186	498	141
Shortfall Number	239	122	31	62	24
Shortfall Percent	17%	20%	17%	12%	17%

Conclusions

- Are we experiencing a cyclical or secular slowdown in exits?
... maybe both
- Exact answer depends on level of analysis:
 - Aggregate data suggests a significant unexplained component
 - However, fund-level and deal-level data suggest a smaller (if any) unexplained component
 - Caveat, this is a preliminary analysis, and we need to think more about models and especially (potentially endogenous) explanatory variables



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