What Drives PE? Analyses of Success Factors for Private Equity Funds

This paper identifies key performance indicators for private equity funds by scrutinizing a data set of 358 funds holding an aggregate number of 7511 portfolio companies. First, we show a high persistence of the top performing private equity fund managers. Then, we explore the influence on fund performance measured by the internal rate of return and the public market equivalent of the following variables: the stock market return, the GDP growth and the average interest rate all during a fund’s lifetime and in its vintage year, the experience of the fund manager, the percentage of buyout deals and the diversification across portfolio companies, industry sectors, regions and financing stages. Furthermore, we demonstrate that successful general partners venture riskier investments than their less fortunate colleagues.