



ASSOCIATION
FRANÇAISE
DES INVESTISSEURS
EN CAPITAL

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NET PERFORMANCE AT YEAR-END 2011 OF FRENCH PRIVATE EQUITY FIRMS

**Stronger returns in France than in Europe and the US
A higher return than other financial asset classes
A sharp increase in the capital distribution rate**

Association Française des Investisseurs en Capital, the French private equity association (AFIC), and Ernst & Young are publishing their annual report on the net performance of French private equity firms at year-end 2011, in association with Thomson Reuters for the international comparison of French performances.

At year-end 2011, and over the ten-year timeframe that is the benchmark for investors, **the total return on private equity funds in France (+8.5%) not only exceeded that in Europe (+5.6%),** which has itself outperformed the European equity market^[1], **but also that in the US (+6.9%).** Since inception, **the return on French private equity funds measured at year-end 2011 stood at 8.31%.**

On a comparable basis, it was **down 100 basis points** from 9.31% in **2010.** This deterioration reflects the negative impact of economic uncertainty on valuations of a large number of portfolio companies, whose calculation includes a reference to the equity market.

This performance nonetheless remains **well above the return on listed equities in France.** Over ten years, the IRR (internal rate of return) amounted to +8.5%, whereas the IRR of the CAC40^[1] was just +0.2%.

On an international scale, and on the basis of performances since inception (the sole available), **France particularly stands out in buyout capital investments,** whose returns (+14.6%) **were well above those recorded in Europe (+11.4%) and the US (+9.7%).** Likewise, the performance of French **growth capital (+7.9%)** was almost **threefold that of Europe** as a whole (+2.8%).

France's performance was **driven by buyout capital investments and growth capital,** whose respective returns of +14.5% and +7.9% were nonetheless down around 100 basis points from 2010. **Venture capital saw an improvement in its performance,** which rose by 100 basis points from -2.5% in 2010 to -1.5% in 2011. With annual growth of 4.4% in its estimated value, venture capital sharply outperformed equity markets in 2011.

The performance is calculated by taking into account two types of valuation. **First, the estimated valuation of funds** not yet returned to the market (Residual Value to Paid-In, RVPI), which represented 56% of capital raised from investors at year-end 2011. **And second, the effective performance** of returned capital (Distribution to Paid-In, DPI), which totalled 75% of raised capital at year-end 2011 compared with 67% in 2010, representing a **significant improvement in the amounts returned to investors.**

This effective performance, calculated on the basis of valuations of portfolio lines that were sold between the fund inception date and year-end 2011, **grew by 11.9%** in 2011, partly thanks to the performance of closed-end funds.

"The performance of the French private equity industry, which exceeded that of equity markets, as well as that of Europe and the US, explains the growing share of foreign investors, who today total more than 50% of raised funds. We are proud of these strong figures, which attest to the growth potential of French companies", said **Hervé Schricke,** Chairman of the **AFIC.**

Hervé Jauffret and **Philippe Blanadet,** Partners at **Ernst & Young,** added that: *"Contrary to what might have been hoped for a year ago, the valuation of portfolio lines was stable in 2011 (+0.2%), leading to erosion in the net annual performance. This absence of a rerating, due in part to uncertainties about future performance, should, however, be set against the negative performance of financial markets in 2011, when the CAC 40 fell by 17%. A comparison with equity market indices therefore reveals the strong resilience of the French Private Equity industry in a particularly volatile economic environment".*

"Despite a slight reduction of short-term returns in the largest European private equity markets (UK, France), European private equity returns have stabilised at 9% per annum on average, to compare with a stable 12% for the US market. The average returns for France remain below the UK, but much higher than other European countries like Germany, Italy and Spain. The French buyout market, at 15%, is particularly strong compared to other markets. And compared to other asset classes, and in particular compared to public equities, European private equity remains attractive", commented **David Bernard,** global head of Content & Product Strategy for Investment Banking & Private Equity at **Thomson Reuters.**

ABOUT AFIC

The French Private Equity Association (Association Française des Investisseurs en Capital - AFIC) covers all types of Private Equity activities in France: Venture Capital, Expansion Capital, Buy-out Capital and Turnaround Capital.

As professional shareholders, AFIC's 270 active members support and finance the growth of close to 5,000 businesses in France. They work in collaboration with around 180 associate members that represent the consulting and management firms that partner investors and entrepreneurs. AFIC is a member of the "Association Française des Etablissements de Crédit et des Entreprises d'Investissement" (French Association of Credit Institutions and Investment Companies, AFECEI), of which membership is a precondition for management companies to obtain the French financial market authority's (AMF) authorisation to operate.

In addition to its role in the areas of compliance, control and establishing best practices, AFIC acts as a central hub to represent and promote the Private Equity business to institutional investors, businesses, opinion leaders and public policymakers.

Private Equity plays a key role in supporting growth and employment. It contributes to better balanced financing of the economy, particularly for small and medium-sized business which it assists and supports at each stage of their business, and promotes growth and entrepreneurial spirit. Accounting for 20% of the European market, the French Private Equity business is the largest in Continental Europe.

MORE INFORMATION : [AFIC website](#)

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^[i] IRR of the Morgan Stanley Euro Equity index: +3.3%, IRR of the JP Morgan Euro Bonds index: -0.5%.

These IRR are calculated on the basis of the same inflows and outflows using PME (Public Market Equivalent) methodology.

^[ii] The IRR of the CAC 40 is calculated on the basis of the same inflows and outflows using PME (Public Market Equivalent) methodology.