

New Pantheon research finds persistence pays off

Pantheon has published new [research](#)¹ today that examined whether a Private Equity Buyout or Venture manager's track record is a good indicator of future performance.

Perhaps not as easy as it sounds, we believe this first requires an understanding of the relationship between historic and future performance and the extent to which it can be relied upon. The research analyzes the point that not all track records are created equal – sometimes track record can be a poor indicator of future performance. For example, when luck may have played a disproportionate role, when a General Partner has shifted strategy or where there has been organizational change or mis-managed succession.

So, it is the conclusion of the research paper that it is necessary for track records to be considered in the context of factors, such as those described above, as well as qualitative and quantitative due diligence and scrutiny of a number of angles, such as these: how much of the performance comes from operational improvements versus multiple expansion and financial engineering?; what is the size of the deals that the GP targeted and completed, and in which deals did the GP act as the lead?; does the GP have the appropriate and actionable investment strategy and team going forward?

Pantheon's key findings were:

- We find evidence of persistence in Private Equity performance across stages and vintages
- Performance persistence for top quartile funds is present in vintages both before and after the 2000 vintage
- Prior track record is an important signal, but its predictive potential varies by stage and quartile, and does not explain all the variation in future performance
- It is therefore important to complement track record with exhaustive qualitative and quantitative due diligence to determine its relevance for future performance

"Our conclusion is that while persistence of returns across successive funds is a critical consideration for investors, it doesn't reveal the complete story," **commented Dr. Andrea Carnelli-Dompé, Head of Research at Pantheon.** "Investors should be cautious about relying on persistence for three principal reasons: first, persistence may depend on where the manager is in its lifecycle; second, a GP's recent funds are likely to be too immature to show lock-in performance while the quartiles of previous funds still depend on unrealized values and unfunded commitments, and may change by the time the funds are fully realized; the third, even if the due diligence appears to give a green light, the investment opportunity may not be actionable by the manager."

"The fact remains that Great managers with stellar track records and proven, sustainable investment strategies remain extraordinarily difficult to access."

¹ "Persistence Pays Off", January 2020, is available [here](#) where you can access the full study and its complete methodology and disclosures.

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Notes to Editors

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As at June 30th, 2019 Pantheon had \$47 billion assets under management** and the firm currently has around 310 employees located across its offices in London, San Francisco, New York, Hong Kong, Seoul***, Bogotá***, Tokyo and Dublin. Its global workforce includes 95 investment professionals.

Pantheon is majority-owned by Affiliated Managers Group Inc. ("AMG"), alongside senior members of the Pantheon team. AMG is a NYSE-listed global asset management company with equity investments in leading boutique investment management firms. The ownership structure, with Pantheon management owning a meaningful share of the equity in the business, provides a framework for long-term succession and enables Pantheon management to continue to direct the firm's day-to-day operations.

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** This figure includes assets subject to discretionary or non-discretionary management, advice or those limited to a reporting function. Data is unaudited.

*** Please note that the Bogotá office is a representative office of Pantheon Ventures (US) LP ("PV US"), and that a Korean subsidiary of PV US has opened the office in Seoul.

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