

Private Equity Fund of Funds & Secondaries – Certification Quiz Questions

Module FOF-02 – Historical Evaluation of a Private Equity Fund (90 Minutes)

5. You have completed the analysis of a PE fund’s historical performance, including a table that summarizes the results for Unrealized and Realized portfolio companies. Each company has a Gross MOIC and Gross IRR, but there are no Gross IRRs for the Unrealized and Realized groups as categories. A summary image is shown below this question.

What is the **BEST** way to add these metrics?

	Investment	Distribution	Investment	Distribution	FMV				
	Initial	Most Recent						Gross	
	Investment	Distribution	Invested	Realized	Unrealized	Total	MOIC:	IRR:	
	Date:	Date:	Capital:	Value:	Value:	Value:			
ActiveGear	2020-06-18	N/A	16.5	-	49.4	49.4	3.0 x	22.0%	
FloorMaster	2019-01-14	N/A	39.6	-	116.0	116.0	2.9 x	16.7%	
StepNation	2019-08-21	2021-05-04	40.0	1.0	92.0	93.0	2.3 x	15.8%	
Unrealized:			96.1	1.0	257.4	258.4	2.7 x		
PetOnline	2018-05-25	2023-04-28	28.0	85.0	-	85.0	3.0 x	25.3%	
AutoPace	2018-01-25	2021-05-28	23.0	61.6	-	61.6	2.7 x	51.9%	
FixTown	2018-03-01	2021-04-28	24.4	37.0	-	37.0	1.5 x	20.7%	
Realized:			75.4	183.6	-	183.6	2.4 x		
Portfolio Totals:			171.4	184.6	257.4	442.0	2.6 x	22.5%	

- Make a rough estimate by taking the Gross MOIC, raising it to the power of (1 / Average Holding Period), and subtracting 1.
- Apply SUMPRODUCT to calculate the weighted average IRR based on each company’s IRR and its percentage of the Total Value.
- Add “Realized” and “Unrealized” labels to the underlying cash-flow data, based on the company names, and use XIRR and FILTER with this single inclusion criterion.
- All of the above are equally good methods.

6. You're reviewing this same PE fund, but you've updated the analysis to account for an additional portfolio company exit (for FloorMaster) and an additional \$1 million capital call for a follow-on investment in ActiveGear.

As a result, the fund's Gross IRR increases from 22.5% to 23.5%, and its Gross MOIC goes from 2.6x to 2.7x. Its DPI also increases from 0.9x to 1.4x.

Suppose that the PE fund now sells StepNation for only \$80 million, down from the \$92 million shown in the "Unrealized Value" column in the image below this question.

How does this sale of StepNation affect the Gross MOIC, Gross IRR, DPI, and your view of this fund's performance?

	A	B	C	D	E	F	G	H	I	J	K
46	Pro-Forma Track Record:										
47											
48											
49											
50											
51											
52											
53											
54											
55											
56											
57											
58											
59											
60											
61											
62											

	Initial Investment Date:	Most Recent Distribution Date:	Invested Capital:	Realized Value:	Unrealized Value:	Total Value:	Gross MOIC:	Gross IRR:
ActiveGear	2020-06-18	N/A	17.5	-	50.4	50.4	2.9 x	21.9%
StepNation	2019-08-21	2021-05-04	40.0	1.0	92.0	93.0	2.3 x	15.8%
Unrealized:			57.5	1.0	142.4	143.4	2.5 x	
PetOnline	2018-05-25	2023-04-28	28.0	85.0	-	85.0	3.0 x	25.3%
AutoPace	2018-01-25	2021-05-28	23.0	61.6	-	61.6	2.7 x	51.9%
FixTown	2018-03-01	2021-04-28	24.4	37.0	-	37.0	1.5 x	20.7%
FloorMaster	2019-01-14	2026-01-02	39.6	139.0	-	139.0	3.5 x	19.8%
Realized:			115.0	322.6	-	322.6	2.8 x	
Portfolio Totals:			172.4	323.6	142.4	466.0	2.7 x	23.5%

- The Gross MOIC and IRR fall, but the DPI increases; the fund's performance looks slightly worse.
- The Gross MOIC, IRR, and DPI fall, and the fund's performance looks slightly worse.
- The Gross MOIC and IRR fall, but the DPI increases; the fund's performance looks substantially worse.
- The Gross MOIC falls, but the IRR and DPI increase; the fund's performance looks slightly worse.