

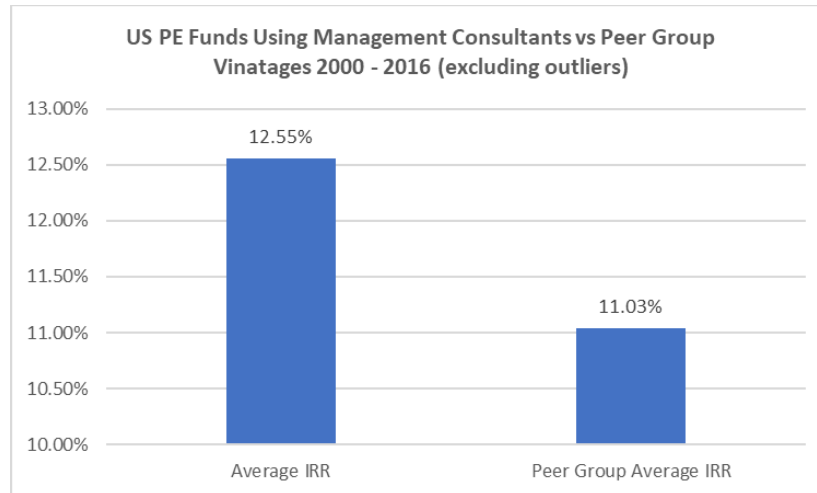
## Management Consulting's Impact on Private Equity Performance

A new analysis performed by Southern Oak Consulting using data from the PitchBook database shows that U.S. private equity funds who used management consultants for operational performance improvement outperformed the Internal Rate of Return (IRR) of their peer groups by an average 1.52%.

In recent years, the U.S. private equity market has been extraordinarily competitive as firms look for any advantage to outperform the market and similar funds. As part of evaluating new strategies, PE fund managers have debated the value and effectiveness of using “operating partners” or management consultants to help increase the performance of companies within a fund. While there has been an abundance of qualitative studies performed on the subject matter, there have been very few statistical analyses performed on the effect of operational “experts” on overall fund performance. This new analysis appears to show a positive correlation between funds that use management consultants and above average financial performance.

Using the PitchBook database, Southern Oak found 58 U.S. based private equity firms that routinely use management consultants for operational improvement. From those 58 firms, 179 individual funds were identified that:

- Had vintages between 2000 and 2016
- Focused only on U.S. based investments
- Had identifiable IRR's and peer group IRR's (as determined by PitchBook)



On average, these funds beat peer IRR performance by 3.03%, however, when outliers were statistically eliminated these funds outperformed the IRR of peer groups by 1.52%.

“Private equity fund managers are constantly evaluating ways to improve the performance and growth of the companies in their portfolios,” according to Greg Saltsman, Principal at Southern Oak Consulting. “This data tends to validate an industry maxim that bringing in experienced operators as consultants does have a positive impact on a fund’s return, even after taking into account the costs of engaging in those external services.”

For more information on this analysis, please contact Southern Oak Consulting at [info@southernOakconsulting.com](mailto:info@southernOakconsulting.com).