

What is Private Equity?

Private equity (i.e., “PE”) investments are direct equity investments in non-publicly traded companies. These investments are commonly structured in the form of partnerships between general partners (GPs) and limited partners (LPs). General partners, typically specialized investment management firms, function as stewards of pooled capital provided by LPs that aim to create additional company value and provide limited partners with a return on the capital provided.

Broad Private Equity Investment Types

VENTURE CAPITAL

Newly formed or early-stage companies with high potential but less proven business models and revenue generation

VC GP Focus/Value Add

- Advice and mentorship for founders
- Provide market insights
- Develop profitable exit strategies

GROWTH EQUITY

Established companies with proven business models that aim to expand rapidly through market and product development

Growth Equity GP Focus/Value Add

- Refine growth strategies
- Assist in optimizing capital allocations
- Facilitate strategic partnership development

BUYOUTS

Mature, well-developed companies with established business models and brand reputations

Buyout GP Focus/Value Add

- Acquire majority ownership to directly influence company strategy
- Optimize cost and revenue
- Make additional operational improvements

While investments in private equity, like publicly traded companies, varies among industry, sector, and geographic focus, one of the key differentiating factors is that there is not an immediate market available to sell an investment. The lack of a “public market” creates an illiquidity when compared to public markets and raises the risk factors of making private equity investments. These investments involve complex transactional activities which cannot be processed immediately and actions by general partners to add value may take years to realize—making private equity a longer-term investment with time horizons that may not suit every investor.

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Why invest in private equity?

Declining number of public companies

In the US, there are approximately 1,000 private companies for every publicly listed company,¹ and the number of total public companies has declined significantly since peaking in the late 1990s.² This represents a set of investment opportunities that may not be available in public markets.

1 Source: Statista, data as of Q4 2023.

2 Ibid.

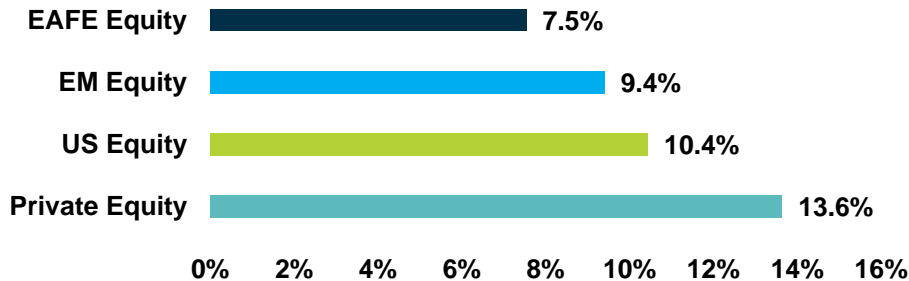
Opportunity to Increase Returns

Privately-held businesses that need the capital are willing to pay a premium to investors as capital may not be available through traditional channels.

Also, by not managing the company to a quarterly earnings cycle, general partners may create a better alignment of interests between owners and management due to a longer-term approach taken to manage the company and capital expenditures.

FIGURE 1 Trailing 20-Year Performance

Source: Annualized monthly returns as of March 31, 2023. Data sourced from *Preqin as of September 2023. Indices used: Preqin Venture, Preqin Growth, Preqin Buyout, MSCI EM IMI, Russell 3000, and MSCI EAFE IMI. PE values are annualized Pooled IRRs. Note that all historical performance presented throughout this document is net of fees.



Past Performance is not indicative of future performance. May lose value.

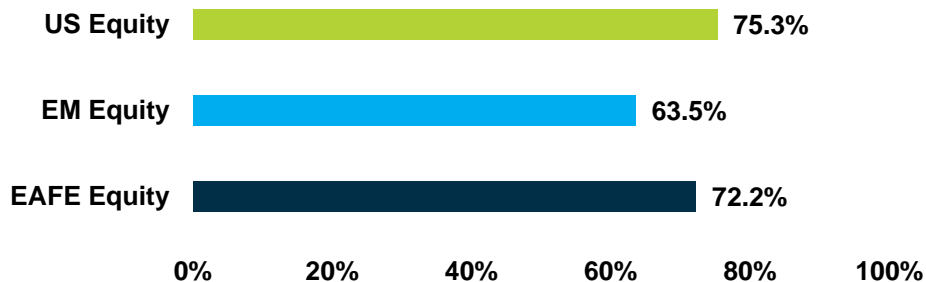
Increased Portfolio Diversification

Unique investment opportunities may exist within the private equity market. Companies developing novel technologies and new business models may only exist within the PE market.

In addition to the opportunity to invest in emerging technologies, Private equity investments have the potential not to move in tandem with public markets. This may provide benefits during public market volatility or economic downturns.

FIGURE 2 Trailing 20-Year Correlations

Source: Correlations as of March 31, 2023 based on quarterly returns. Data sourced from *Preqin as of September 2023. Indices used: Preqin Venture, Preqin Growth, Preqin Buyout, MSCI EM IMI, Russell 3000, and MSCI EAFE IMI. Note that all historical performance presented throughout this document is net of fees.



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Glossary

Preqin Buyout Index

Invests in established companies, often with the intention of improving operations and/or financials. Investment often involves the use of leverage.

Preqin Growth Index

Typically takes significant minority positions in companies without the use of leverage. Targets profitable, but still maturing, investee companies with significant scope for growth. Investment horizons are mid-to-long term, similar to those seen with buyout funds.

Preqin Venture Capital (general) Index

Provides capital to new or growing businesses with perceived long-term growth potential.

Preqin

Preqin is a private investment data provider offering access to granular asset-level benchmarks.

*There is no complete and reliable data set for private investments. The information is extremely limited, and most data is compiled from funds that elect to self-report and tend to be biased toward higher performing funds. Losses are underreported. Funds included in these measures lack commonality and transparency. Over time, components of the data may change. Funds may begin or cease to be represented based on these factors, thereby creating a "survivorship bias" that may additionally impact the data reported.



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