

Partner CE Series:

How Advisors Can Successfully Integrate Private Equity Investments into Client Portfolios

Review of Private Markets

Private Equity Case Study: Berkshire Hathaway

- Contrary to popular belief, Berkshire Hathaway has a significant stake in private companies, accounting for 53% of the portfolio spread across 67 holdings at the end of 2024
- In fact, an analysis of the portfolio from 1980 through 2017 found an average allocation of 65% in private companies, ranging from as low as 20% to as high as 80% during that period.
- Private equity investing (specifically buyouts and growth equity) fits well with Mr. Buffett's philosophy of making long-term investments, finding good management teams, and taking advantage of the power of compounding growth.

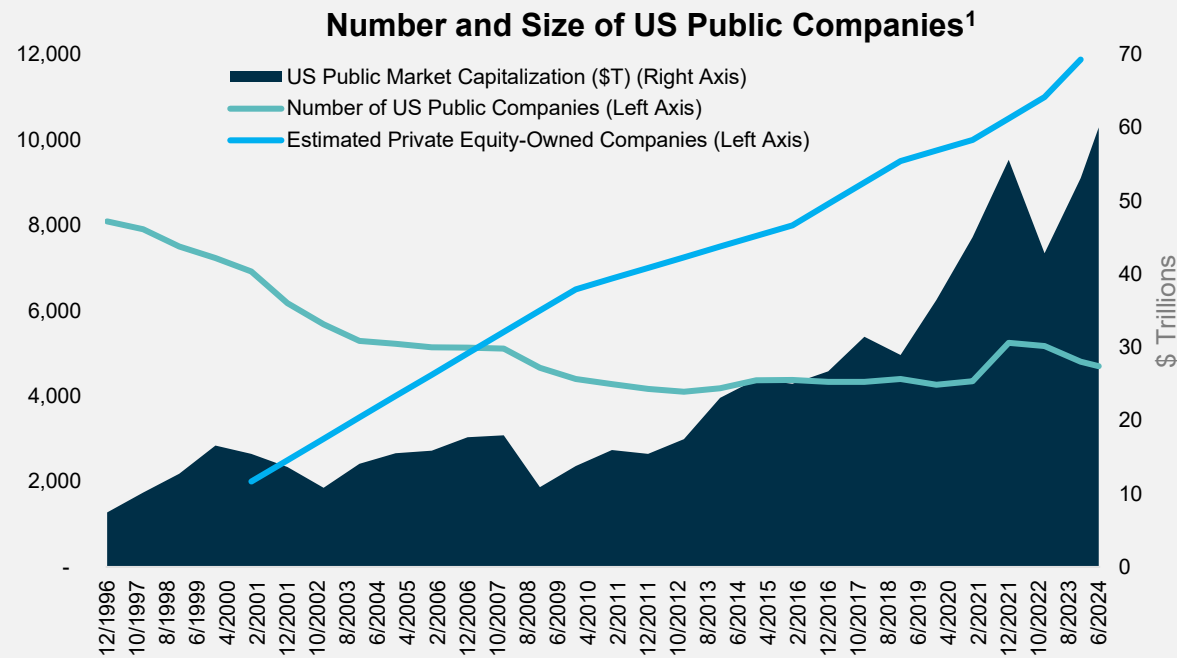


¹ Source: Fintel, Composition of Holdings, 1/21/2025; and companiesmarketcap.com, September 2024.

² Source: Financial Analysts Journal, Buffett's Alpa, Frazzini, Kabiller, Pedersen (2019).

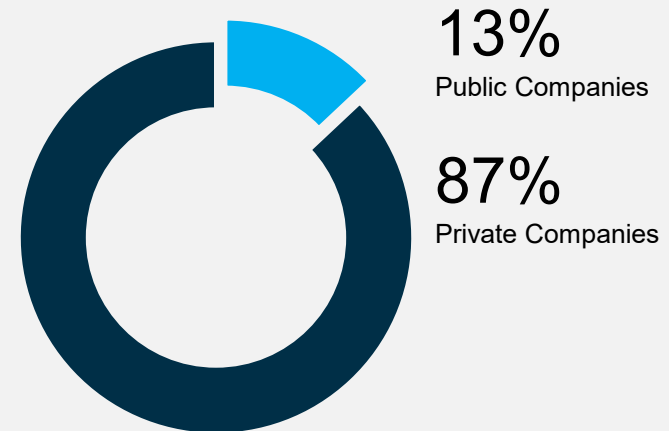
A Shift in Public and Private Markets

More growth and potential opportunity is occurring in the private equity market.



57% reduction in the number and 6x increase in size of public companies over last 25 years

US Companies with revenue greater than \$100 million²

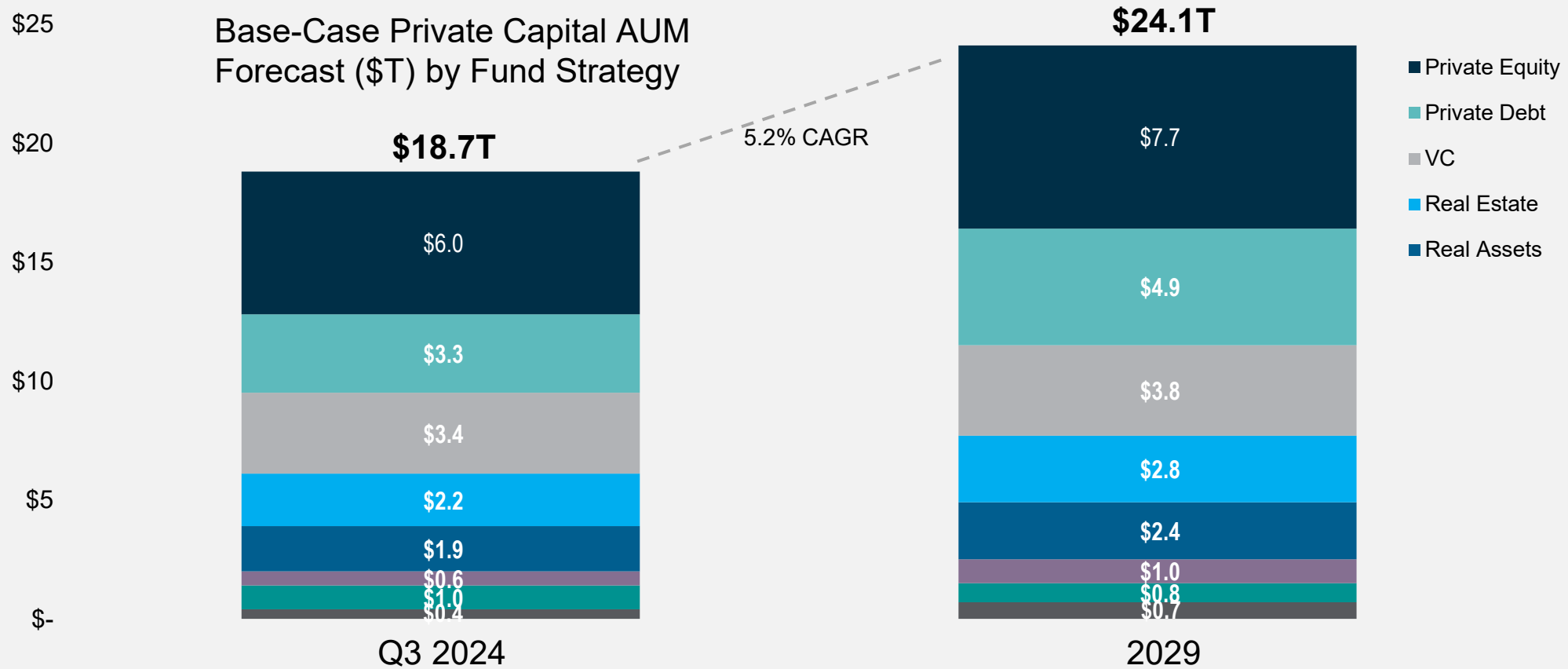


6.7x more private company investment opportunities in the overall equity market

¹ Bloomberg. Stock count from NASDAQ, New York Stock Exchange (NYSE), and New York Stock Exchange American.

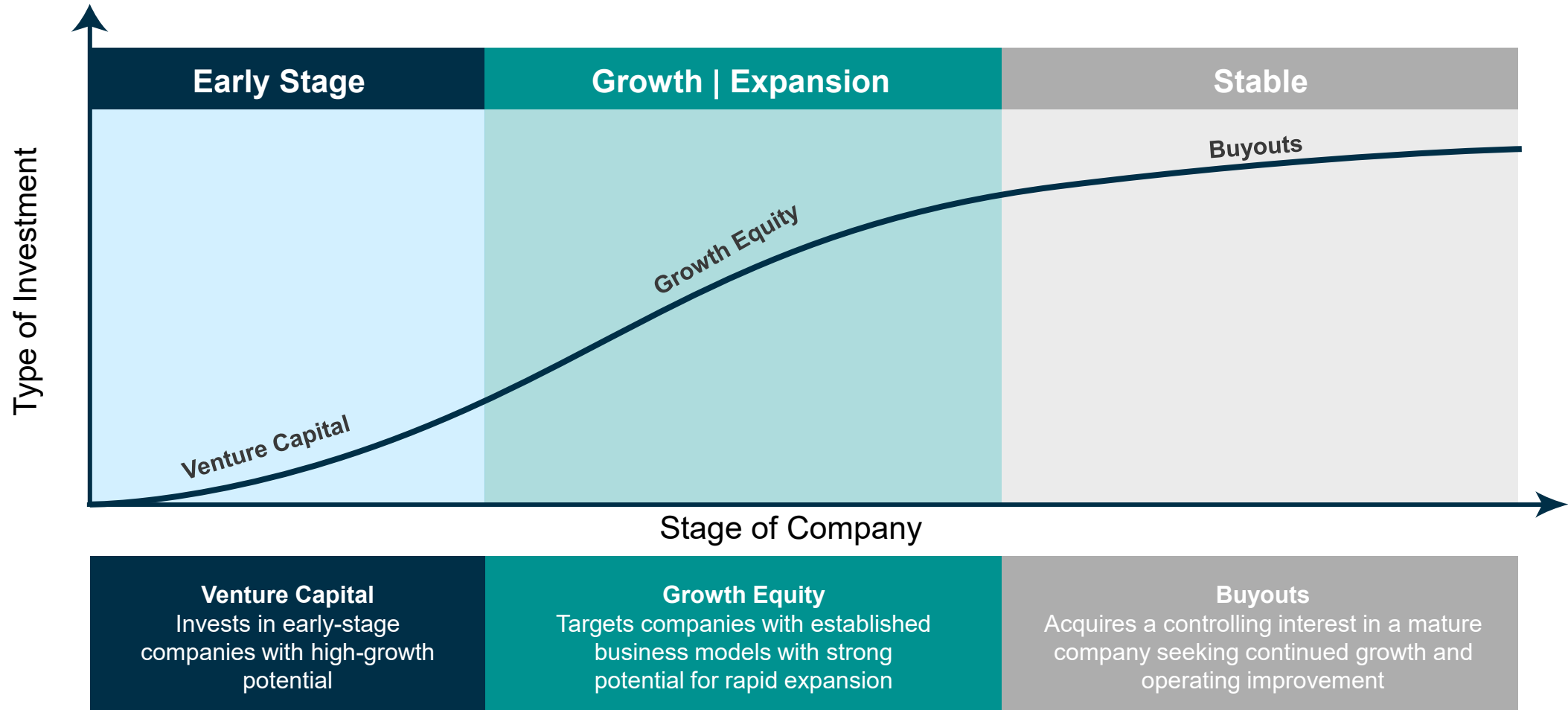
² S&P Capital IQ, for companies with last 12-month revenue greater than \$100 million, 2023.

Types of Private Equity Investments by Company Stage



Source: PitchBook. Note: Data is inclusive of evergreen structures. "Private Debt" includes insurance AUM from Blackstone, KKR, Blue Owl Capital, The Carlyle Group, Ares Management, Apollo Global Management, and Brookfield. Forecasts were generated on April 14, 2025.

Types of Private Equity Investments by Company Stage



For illustrative purposes only. Not Exhaustive.

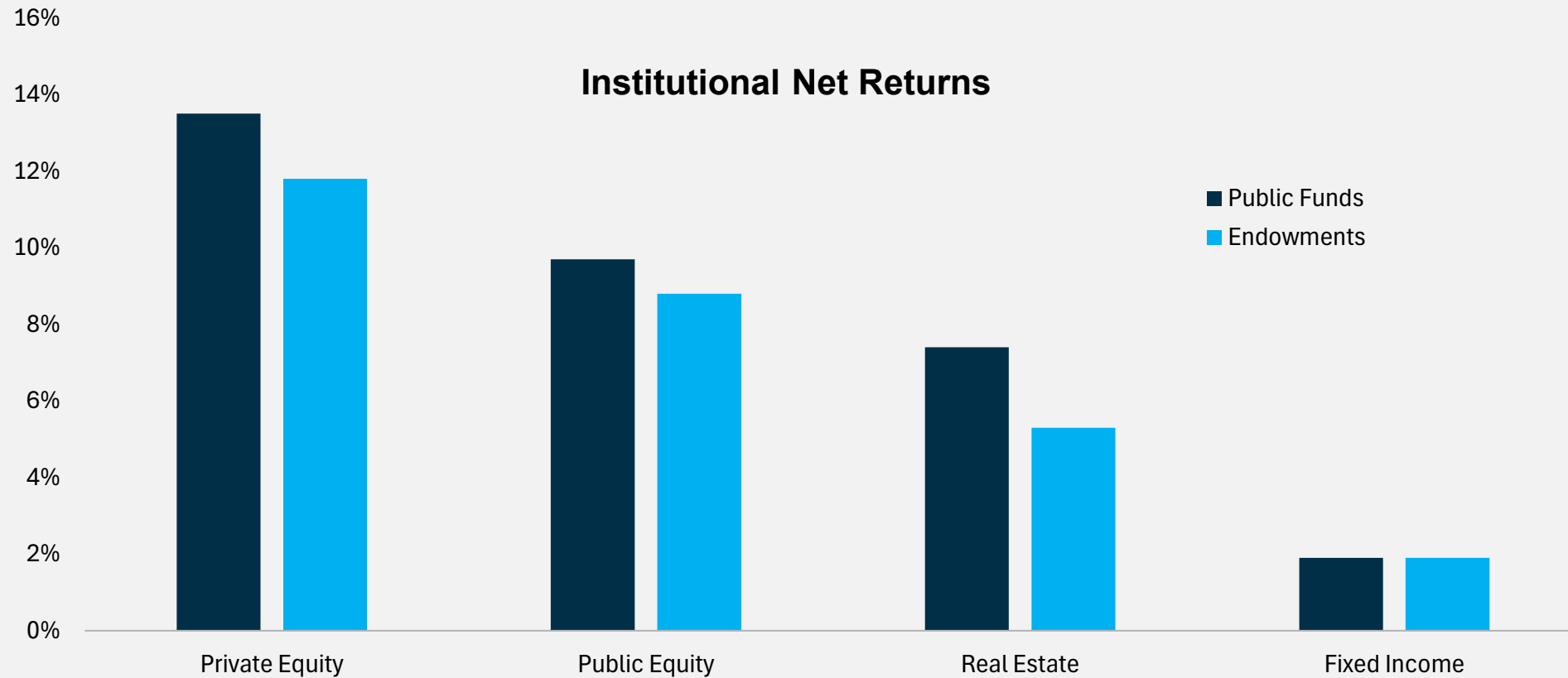
Actual Institutional Performance as of June 2024

91% of US public pensions plan to increase or maintain their current private equity allocation.

Top 10 Public Pension Funds by Private Equity Returns

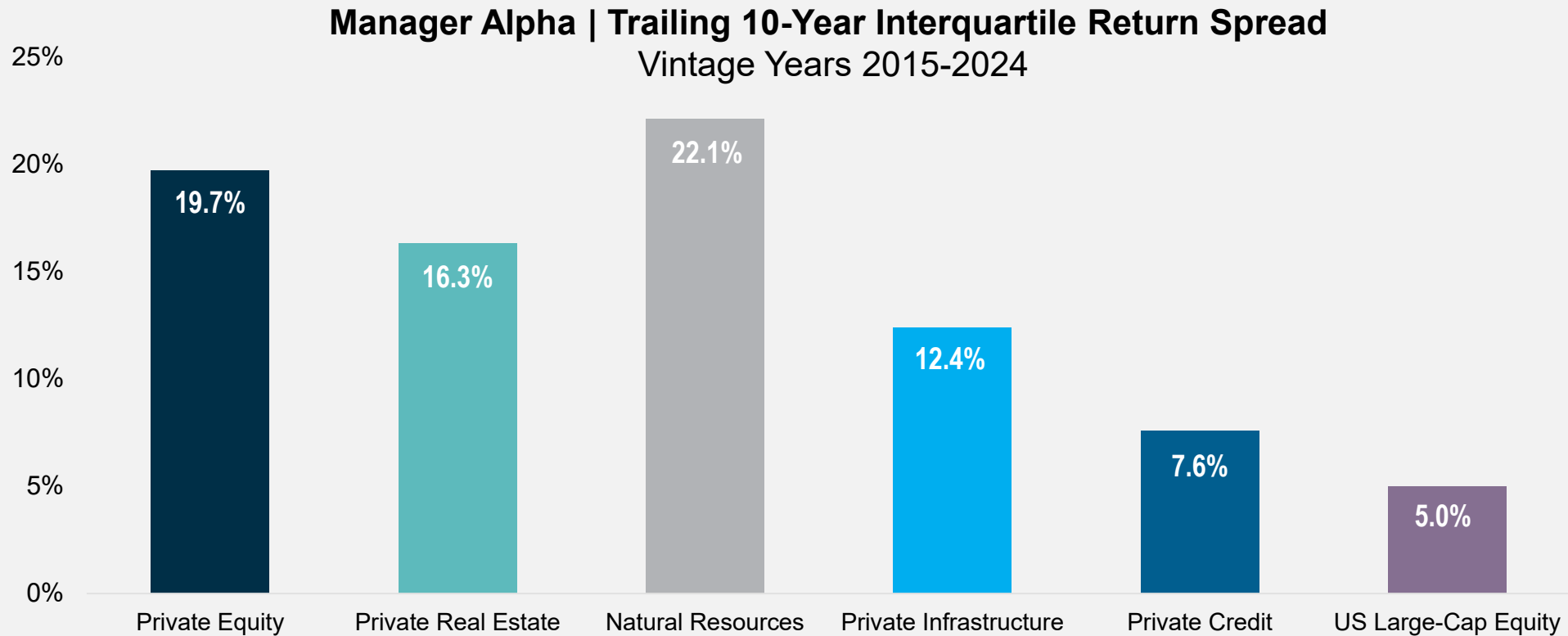
	Annualized 10-year private equity returns	Members	Return
1.	Vermont Pension Investment Commission	65,637	18.82%
2.	Ohio School Employees Retirement System	252,447	17.20%
3.	West Virginia Investment Management Board	N/A	17.03%
4.	Massachusetts Pension Reserve Investment Management	300,000	16.88%
5.	Illinois State Board of Investment	182,872	16.70%
6.	City of Baltimore Employee's Retirement	17,989	16.50%
7.	Iowa Public Employees Retirement System	414,172	15.99%
8.	Chicago Policemen's Annuity & Benefits Fund	27,774	15.94%
9.	Public Employees' Retirement Association of New Mexico	132,073	15.92%
10.	Florida State Board of Administration	1,200,000	15.81%

Institutional Performance as of June 30, 2024



Past performance is not indicative of future returns. May lose value.
Source: AIC 2025 Public Pension Study. Based on 10-year median annualized returns as of June 30, 2024

Manager Selection Matters



Past Performance is not Indicative of Future Performance. May Lose Value.

Sources: eVestment, as of 12/31/2024. NCREIF, as of 12/31/2024. Cambridge Associates via IHS Markit, as of 12/31/2024, data pulled in May 2025. Cambridge data is limited and appropriate consideration should be taken when Cambridge data is presented given the quality of the data and the small sample size. Indices: Cambridge Private Natural Resources Composite, Cambridge Private Equity Composite, Cambridge Opportunistic Real Estate Composite, Cambridge Infrastructure Composite, Cambridge Private Credit Composite, and eVestment US Large Cap Equity. Private market performance presented in this chart is net of fees. Public Market performance presented in this chart is gross of fees.

Private Equity's Use Leverage over Time

- Debt / EV (Enterprise Value) has followed a long cyclical pattern, peaking in the mid-2000s, falling sharply after the GFC, stabilizing at lower levels in the 2010s, briefly rebounding in 2020–2021, and declining again post-2022 as rates rose.
- Long-run trend is flat to slightly down, despite higher headline leverage multiples, because entry equity contributions increased alongside higher EV multiples.
- Modern PE returns rely less on balance-sheet leverage and more on operational and growth drivers, a structural shift reinforced after ZIRP ended.
- Current Deal Structuring (2023–2025): Lower Debt / EV, higher equity checks, more conservative capital structures, even as private credit fills supply gaps.





*Period	Entry Debt / EV (Typical Range)	Cycle Context
Late 1980s–Early 1990s	60–65%	Classic LBO structures
Mid-1990s	63–68%	Credit expansion
2000–2005	65–70%	Growing syndicated loan market
2006–2007 (Peak)	70–75%	Pre-GFC leverage peak
2009–2011	45–55%	Post-GFC deleveraging
2012–2016	50–60%	Recovery, regulatory discipline
2017–2019	52–58%	ZIRP but higher equity checks
2020–2021	55–60%	Temporary re-leveraging
2022–2025	45–55%	Higher rates, equity-heavy deals

* Source: uncipc.org and MSCl

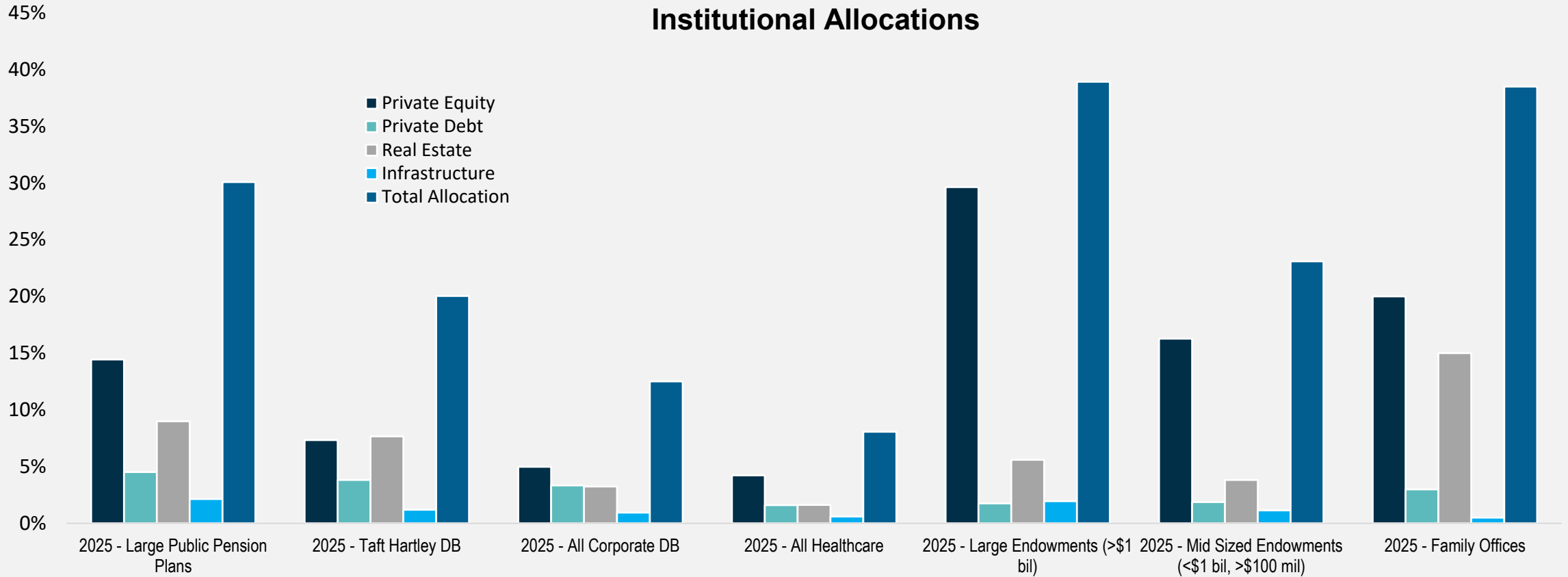
Institutional Allocations To Private Markets Overview

For the last eight years, Meketa Investment Group has been collecting institutional asset allocation data from various sources

- Reviewing this data may be useful when contemplating asset allocation
- The source and degree of transparency we have for different data sets of institutional asset allocation information varies

	 Large Public Pensions	 Large/Mid/Small Endowments	 Family Offices	 All Institutional Groups
Initial Source	2024 Annual Reports of ~50 Largest US Public Pension Plans	2024 NACUBO-Commonfund Study of Endowments (NCSE)	Citi Private Bank's Global Family Office 2024 Survey and the UBS 2024 Global Family Office Report (Averaged)	InvMetrics Peer Universes
Transparency	High	Medium	Medium	Low

Peer Allocations To Private Markets



Source: Meketa Investment Group relying on underlying source data as noted. Large public pensions from annual reports. Large/Mid/Small Endowments from NACUBO Survey. Family offices Citi Private Bank and UBS surveys. All other data from InvMetrics. Data is best available and updated to Meketa Essentials as of April 2025. For illustrative purposes only.

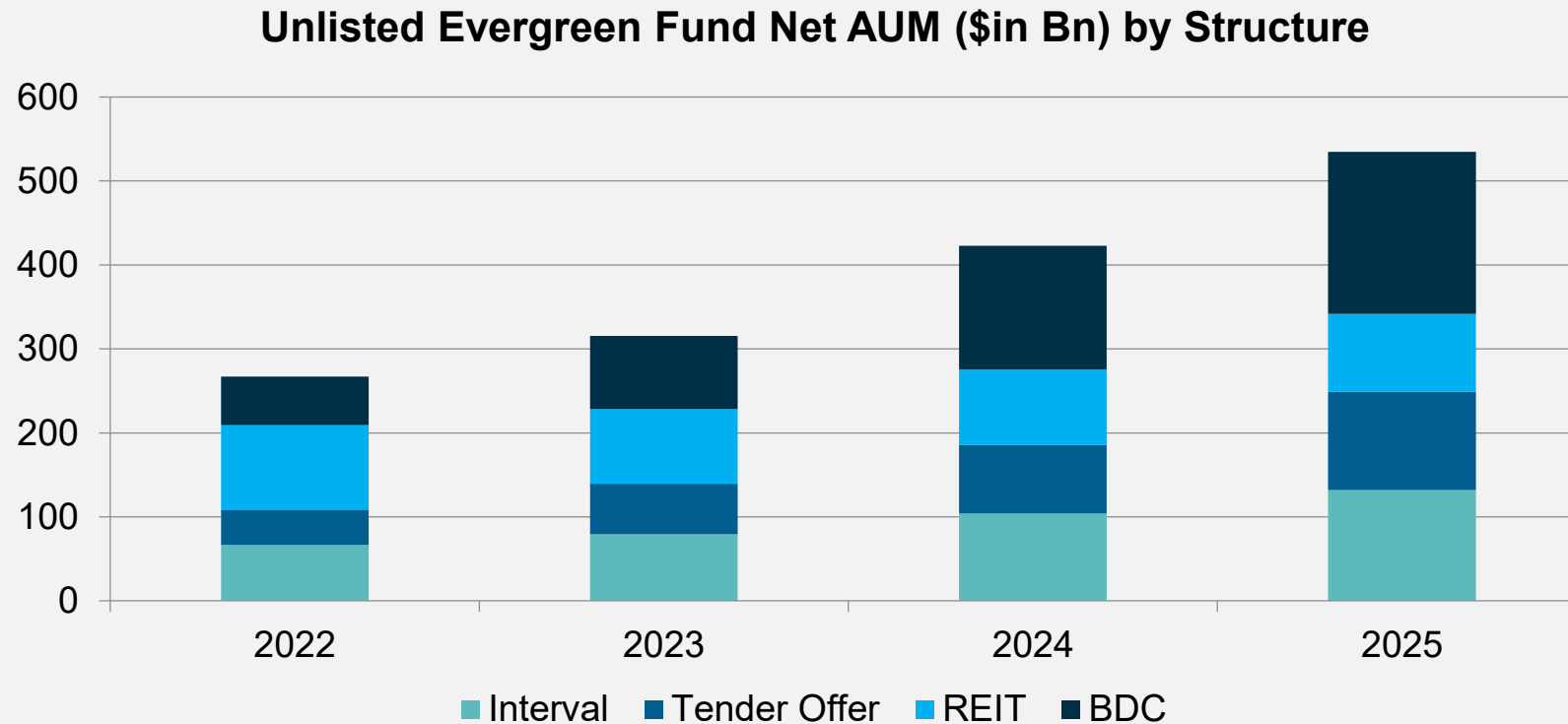
Review of Evergreen Funds (i.e. the “car frame”)

Private Equity Focused Evergreen Funds vs Mutual Fund

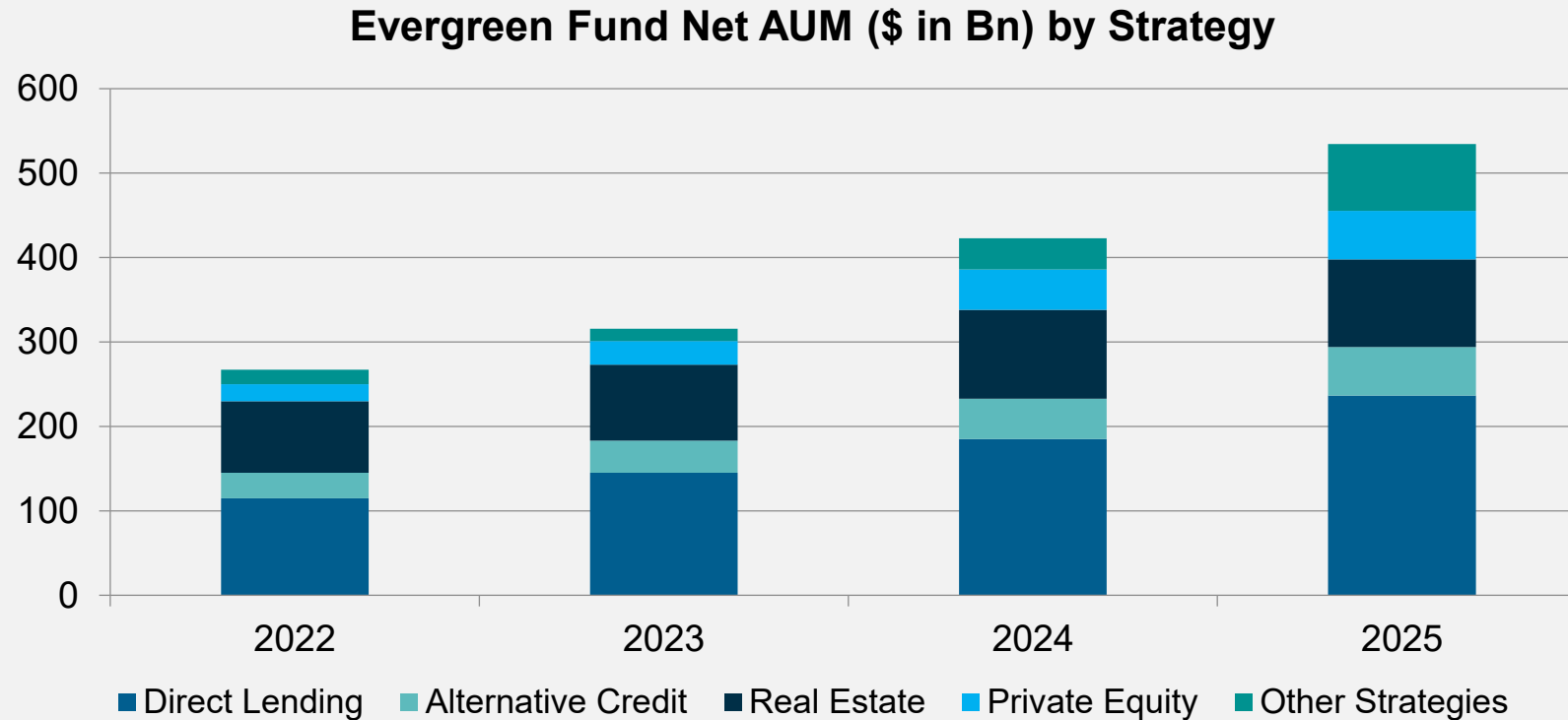
	Open End Mutual Fund	Tender Funds	Interval Funds
Registration	SEC; Subject to 1940 Act requirements	SEC; Subject to 1940 Act requirements	SEC; Subject to 1940 Act requirements
Available for Purchase	Daily, end of day NAV	Monthly or Daily tender at end of day NAV	Daily, end of day NAV
Redemption Liquidity ¹	Daily, end of day NAV	Quarterly or semi-annual periods at the sole discretion of the fund Board	Quarterly or semi-annually for minimum 5% of shares outstanding
Investment Types	Predominantly liquid and publicly traded	Predominantly illiquid, but can hold both privately and publicly traded	Predominantly illiquid, but can hold both privately and publicly traded
Fees	Management fee and fund expenses	Management fee, fund expenses, and typically incentive fee	Management fee and fund expenses

¹Subject to certain limitations. There is no assurance that a tender fund will be able to tender your shares when or in the amount that you desire. Although an interval fund will offer periodic liquidity through a quarterly repurchase process, an investor may not be able to sell or otherwise liquidate all their shares tendered during a quarterly repurchase offer.

Evergreen Strategies Grow in Popularity



Evergreen Strategies Grow in Popularity



The Underlying Investments and Structure (i.e. “the engine”)

Three Primary Ways for Evergreen Funds to Access Private Equity

Direct Fund Investments (Drawdown)

- Traditional vehicle for institutional investors
- Commit capital to a partnership with a 12 year+ life and capital is “drawn down” over time
- Blind pool of investments
- Typical fees are 2% management fee and 20% carry plus fund expenses

Secondaries

- Purchase an existing LP stake in one or several direct funds for a discount to NAV
- Helps mitigate the J-Curve by shortening the investment period
- Has grown to include GP-led transactions
- Usually performed in public auction, but some transactions private

Co-Investments

- Direct investment into portfolio company alongside GP and “parent fund”
- Usually no fee, no carry
- GPs utilize it for investor relations, larger than typical investment sizes, and to replace some of the debt portion of the transaction
- Range from co-sponsor to pre-signing to post signing syndication

¹ Private markets in 2025: picking up the pace. Moonfare. ² Co-investments typically limit the amount of control management has over the assets within the portfolio.

The Importance of Looking Under the Hood

- Well known private equity sponsors have raised significant AUM based on their namesake and institutional track record, launching evergreen funds that invest alongside their other vehicles or sub advising external evergreen funds, e.g. Apollo, KKR, Blackstone, etc.
- Other well known asset management firms have launched primarily fund of funds evergreen vehicles
- Two key questions for financial advisors to consider in their due diligence:
 1. **Fees**: private equity investing is associated with higher fees, especially when compared to public equity investments. However, all in fees may be much higher than anticipated, may be assessed on unrealized gains or total fund AUM including leverage, and may significantly reduce the net return to your clients
 2. **What are the underlying investments?** Two evergreen funds offering access to private equity may have vastly different strategies, valuation policies, and sub asset class exposures which can lead to high variability across short and long-term NAV performance.
- Broadly speaking, while a strong proponent of private markets access for wealth advisors and their clients, Meketa Capital has seen some deterioration in alignment of interests between asset managers and investors between traditional institutional PE vehicles and evergreen structures.

Secondaries Example: Recently Launched Stepstone Private Equity Strategies Fund (STPEX)

Investments	Asset Class	Acquisition Date	Cost	Fair Value
Co-Investments - Non-Controlled/Non-Affiliated - 1.3% of NAV				
Rest of the World - 1.3% of NAV				
MC Accelerate Co-Invest Feeder LP	Private Equity	09/26/2025	\$ 10,000,000	\$ 10,000,000
Total Rest of the World			\$ 10,000,000	\$ 10,000,000
Total Non-Controlled/Non-Affiliated Co-Investments			\$ 10,000,000	\$ 10,000,000
Secondary Investments - Non-Controlled/Non-Affiliated - 15.4% of NAV				
Europe - 1.0% of NAV				
Epiris Fund II (B) L.P.	Private Equity	09/30/2025	\$ 3,878,368	\$ 5,120,412
Exponent Private Equity Partners III, LP	Private Equity	09/30/2025	2,296,022	2,996,700
Total Europe			\$ 6,174,390	\$ 8,117,112
North America - 13.7% of NAV				
Excellere Capital Fund II, L.P.	Private Equity	09/30/2025	\$ 2,118,581	\$ 2,594,319
Excellere Capital Fund III, L.P.	Private Equity	09/30/2025	10,518,263	11,155,093
KHIS Custodian LP	Private Equity	09/30/2025	1,353,461	12,264,470
GrandBanks Capital Venture Fund II LP	Private Equity	09/30/2025	909,690	1,098,109
KPS Special Situations Fund IV, LP	Private Equity	09/30/2025	258,916	866,264
KPS Special Situations Fund V (A), LP	Private Equity	09/30/2025	72,950	221,147
KPS Special Situations Fund V, LP	Private Equity	09/30/2025	558,029	1,691,292
KPS Special Situations Fund VI (A), LP	Private Equity	09/30/2025	5,291	15,224
KPS Special Situations Fund VI, LP	Private Equity	09/30/2025	48,930	143,141
KPS Special Situations Mid-Cap Fund II, LP	Private Equity	09/30/2025	—	—
KPS Special Situations Mid-Cap Fund, LP	Private Equity	09/30/2025	327,896	1,281,861

Potential Advantages of Co-Investments

What is a co-investment?

- Equity investment directly into an operating company
- Investment generally made alongside a private equity fund that is contributing capital to the transaction

What are some potential benefits of co-investments?

Lower Fees

- Co-investments generally do not have management fees or carried interest attached
- Typical fee-efficiency may result in 600+ bps performance advantage

Immediate Capital Deployment

- Put capital to work immediately
- Reduce J curve
- Reduced investment hold time compared to a fund
- Average holding period – 5.6 years¹

More Control²

- Select specific investments for portfolio
- Precise control over capital deployment
- GP-diversification benefits
- No adverse selection bias

¹ Private markets in 2025: picking up the pace. Moonfare. ² Co-investments typically limit the amount of control management has over the assets within the portfolio.

Fund Examples

Actual Fund Comparisons

	Fund A	Fund B		Fund C
Interval or Tender	Interval	Interval		Tender
Tax Reporting	1099	1099		1099
Subscriptions	Daily	Daily		Monthly
Liquidity	Required 5% Semi-Annual ¹	Required 5% Quarterly ¹		Optional 5% Quarterly
Co-Investments	18%	90%		50%
Secondaries/Direct Fund	82%	10%		50%
PE Type	Small/Middle/Large Buyout, Growth, Venture, Credit	Small/Middle Buyout		Small/Middle/Large Buyout, Growth, Venture, Credit
Leverage for Investment?	No	No		Yes
Incentive Fee	No	No		10%
Management Fee	1.00% (1.4% at June 2026)	1.50%		1.40%
Total Annual Fund Operating Expenses After Fee Waivers & Expense Reimbursements	Class I – 1.96%	Class I - 2.36%	Class II - 2.51%	Class I – 3.29% Class D – 3.54%
# of Investments	201	35		174
# of Portfolio Companies	1200+	29		1000+

¹Subject to certain limitations. There is no assurance that a tender fund will be able to tender your shares when or in the amount that you desire. Although an interval fund will offer periodic liquidity through a quarterly repurchase process, an investor may not be able to sell or otherwise liquidate all their shares tendered during a quarterly repurchase offer.

Source: As of July 31, 2025 the most recent factsheets, prospectus, and annual reports for the stated Funds. Specific fund names available upon request.

Conclusion

Conclusion

1. Access to private markets is an important asset allocation tool for wealth advisors and their clients.
2. A well thought out private markets allocation has the potential to improve performance and reduce portfolio volatility as it has for many institutional clients over the decades.
3. From an asset class perspective, client education is key as although the portfolio volatility should be meaningfully lower than public markets, private markets investments are riskier than their public market counterparts, driven primarily by liquidity risk (higher returns aren't free after all).
4. As wealth advisors explore adding private market allocations to their client portfolios, we encourage them to focus on two important areas of due diligence: total fees and the underlying investments
5. In addition, wealth advisors should explore model allocations with well-established private market investors as a way to offer different variations of private market exposures tailored to a client's risk tolerance and income needs as an alternative to having a menu of individual private market options.

Important Information

For any questions, please email the team at info@meketacapital.com

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