MEKETA CAPITAL

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.

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.

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: United States Census Bureau and JP Morgan: "Guide to the Markets," June 2021.

2 Source: Bloomberg, "Where Have All the Public Companies Gone?" April 9, 2018.

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.

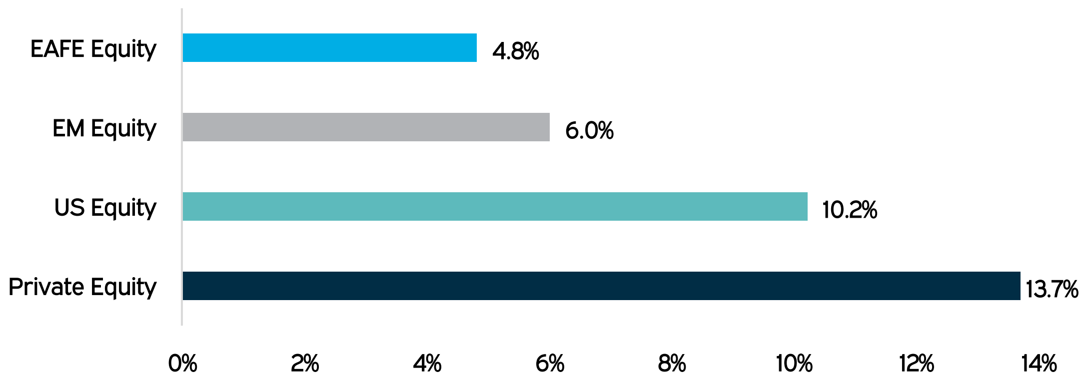

FIGURE 1

Trailing 20-Year Annualized Performance

Source: InvMetrics and Cambridge Associates via IHS Markit as of December 31, 2024. Private Equity is annualized quarterly pooled IRRs (pulled in May 2025), all others are annualized monthly returns. Indices used: Cambridge Private Equity Composite, Russell 3000, MSCI EM, MSCI EAFE. Note that private markets performance presented in this chart is net of fees.

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

Opportunity for Lower Observed Volatility

An allocation to private equity may reduce the observed volatility of a portfolio relative to other ways of increasing returns.

Private equity has exhibited less volatility than public equities due to quarterly valuations and a wide latitude in valuation methodologies. However, this does not mean private equity is less risky. It is often quite the contrary. That said, the perception of lower risk does have a real-world effect on investors maintaining consistent exposure to this risky asset class.

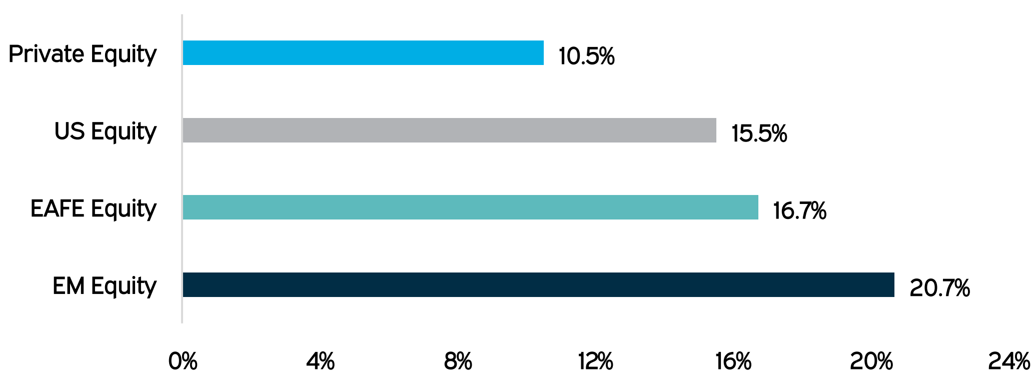

FIGURE 2

Trailing 20-Year Annualized Volatility

Source: InvMetrics and Cambridge Associates via IHS Markit as of December 31, 2024. Private Equity is annualized quarterly pooled IRRs (pulled in May 2025), all others are annualized monthly returns. Indices used: Cambridge Private Equity Composite, Russell 3000, MSCI EM, MSCI EAFE. Note that private markets performance presented in this chart is net of fees.

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

Glossary

Cambridge Buyout Composite	Funds that focus on purchasing majority ownership and control of businesses often using a combination of equity and debt.
Cambridge Growth Composite	Funds where 50% of capital is deployed/intended for companies that exhibit organic revenue growth in excess of 10%, are profitable or have a clear path to profitability, and have no technology risk and limited market risk. In addition, the fund manager intends to be first and likely last institutional investor, acquires a minority ownership stake, is the sole or largest institutional shareholder, and employs low to no leverage at the time of investment.
Cambridge Venture Capital Composite	Funds that specialize in sourcing, funding, and building young, innovative companies. Investments made by venture capital funds typically range in stage from seed ("new ideas") to late (growing, more established companies) and focus on industries such as technology and healthcare.
Cambridge Associates	Cambridge Associates provides a suite of private investment benchmarks to assist with performance measurement, risk management, valuation, asset allocation, investment due diligence, and capital raising.

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.