Hamilton Lane

2026 Mid-Year Market Update

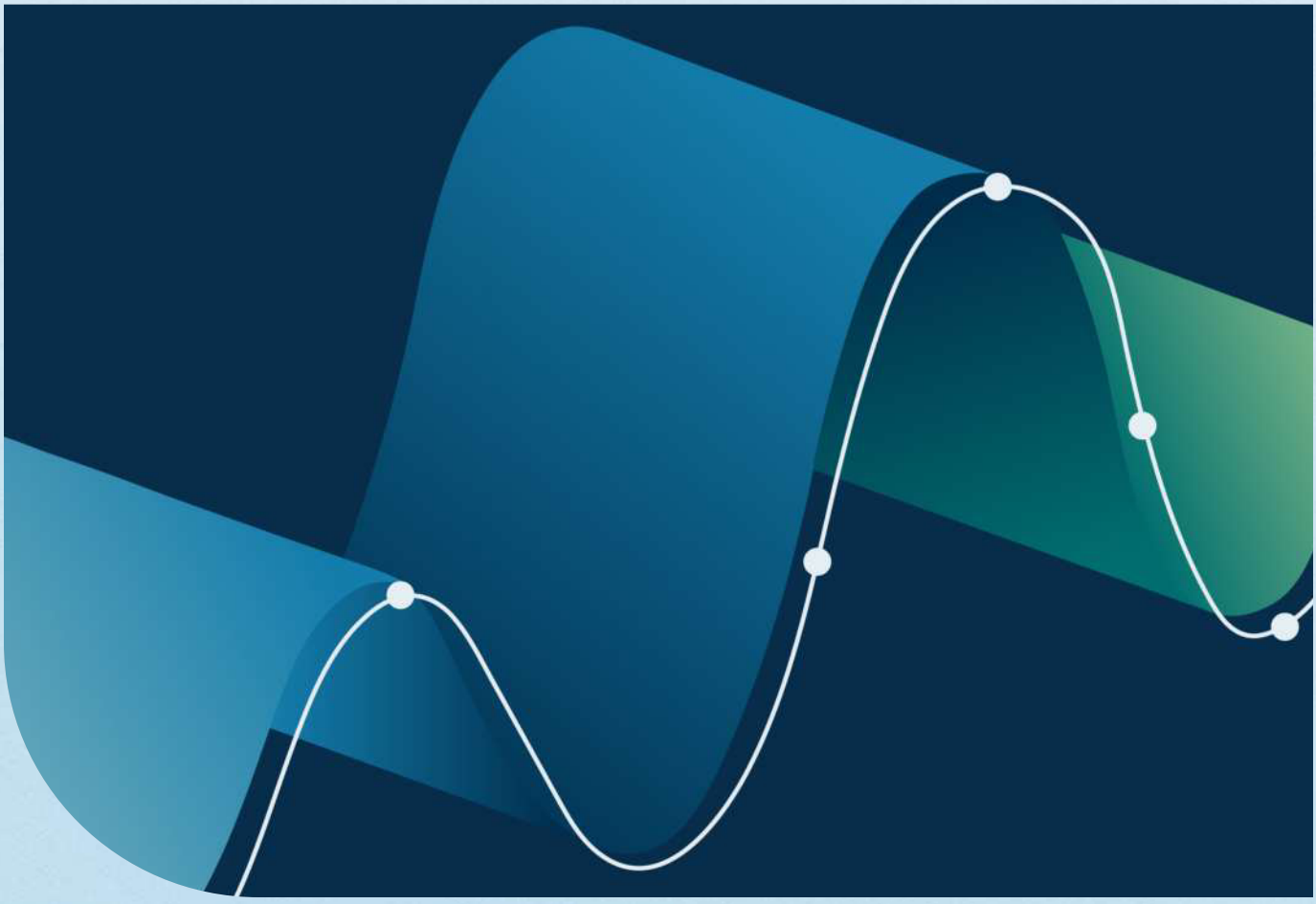


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Hamilton Lane

2026 MID-YEAR MARKET UPDATE

Waitin' for a Superman

By Mario Giannini, Executive Co-Chairman

"Tell everybody waitin' for Superman
That they should try and hold on best they can"

- The Flaming Lips, "Waitin' for a Superman"

Remember those days when you were the star of the cocktail circuit? You walked into the room and everyone turned to see that someone in the private equity world. You. People whispered about the private credit maven who dazzled with debt and gathered around to hear tales of companies bought and sold and deals pulled together with the snap of your fingers. They wondered which of your many coveted cars you chose to leave with the valet out front.

Now?

You're the pariah. You walk in head down, wondering if there's another headline about an industry you've destroyed, loans you've blown up, investors you've disappointed with your lackluster returns. Sure, you tell people you're all about AI, but no one is gathered around you anymore. They are listening to the rock star in the corner discussing a prediction-markets algorithm that gives triple-digit returns or the kid bragging about his index funds that just returned more than you did with no fees.

How did this happen? How did the private markets go from the topic everyone was so eager to discuss to one that causes people to murmur politely and look away? What is actually happening in the private markets and is there anything out there that can put you back on the A-list? Where is the Superman that will make this all right again?

You've all seen our annual Market Overview. (Wait, you haven't? And you still claim to invest in private markets? We have questions.) This is our mid-year update, so expect a shorter look at where we are about halfway through our investment year. We'll still give you plenty of data and insights, but we'll try to keep it brief. (Hey, we heard that sigh of relief.)

Performance

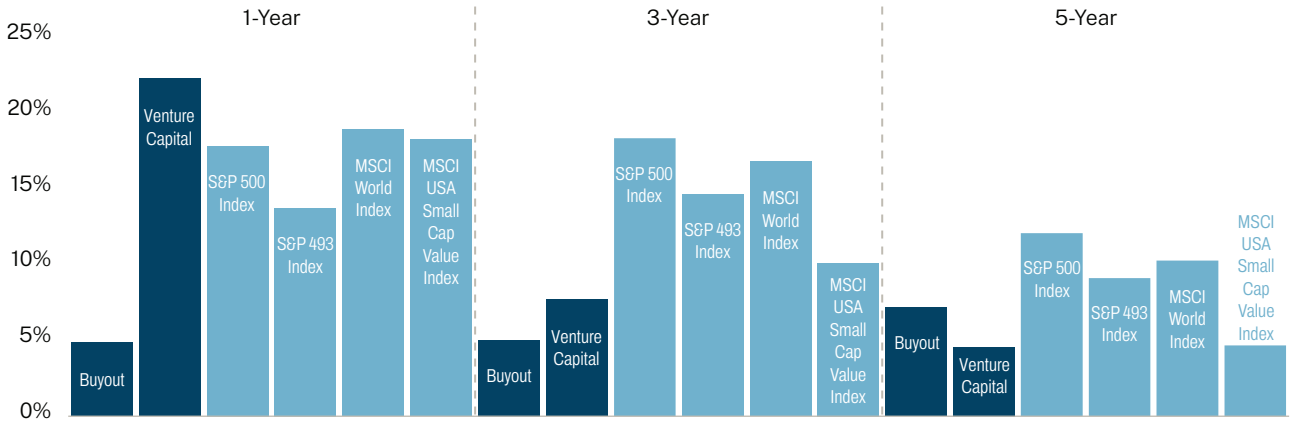
Let's start with private markets, particularly private equity performance. The Investment Police have required we start here:



Let's start with performance over a one-, three- and five-year period relative to public benchmarks.

1, 3 & 5-Year Private Equity Performance

Annualized Time-Weighted Returns as of 3/31/2026



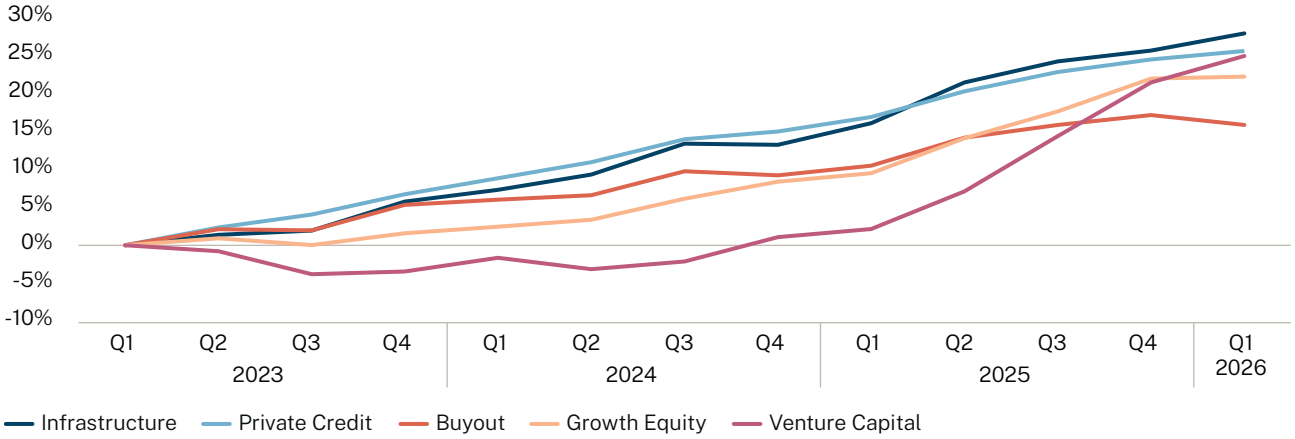
Source: Hamilton Lane Data via Cobalt, Bloomberg (August 2026)

We told you this would be ugly. Buyout has lagged across all time periods. Remember when everyone (including us) said it was all about the Mag 7 and AI stocks? That is certainly the main reason over the three- and five-year time frame, but over the last year, small-cap stocks have also surged and left buyout returns in the dust.

Venture performance has been the star over the last year but has also lagged badly in the three- and five-year numbers. Over the last three years, the real place to be has been infrastructure and private credit.

3-Year Cumulative Return

Cumulative Time-Weighted Returns Q1 2023 – Q1 2026

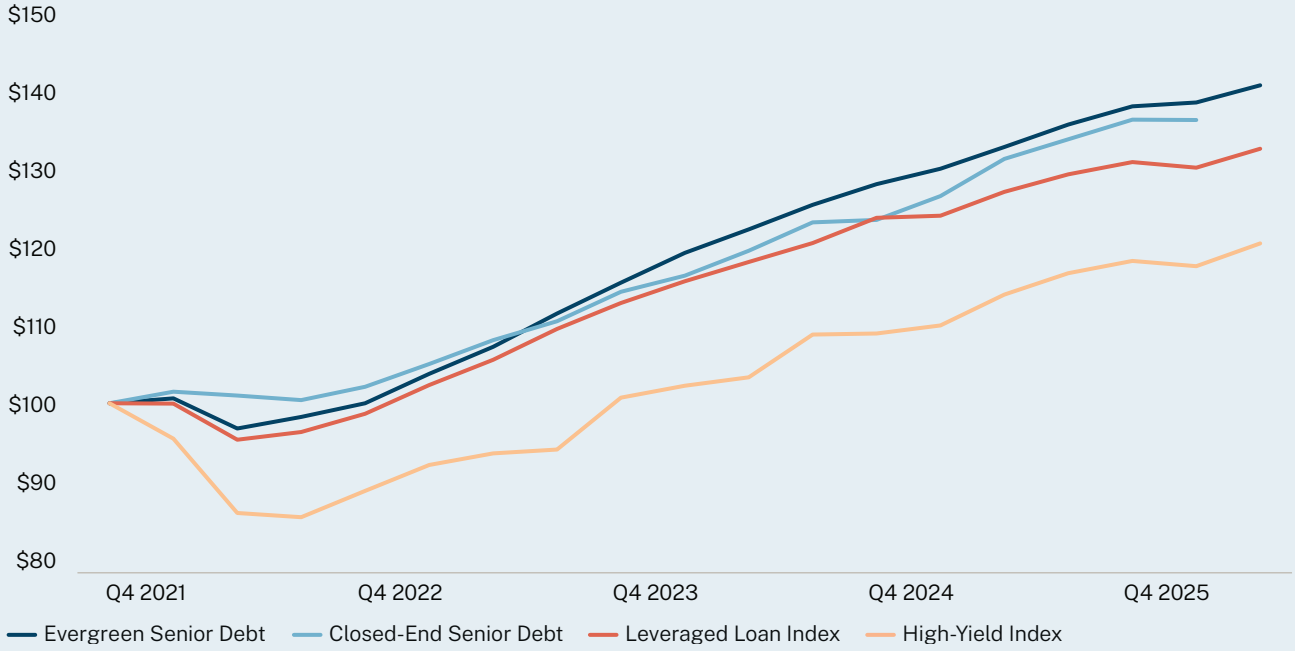


Source: Hamilton Lane Data (September 2026). Past performance is not a guarantee of future results.

Interesting, isn't it? Credit and credit-like investments are doing better than equities.

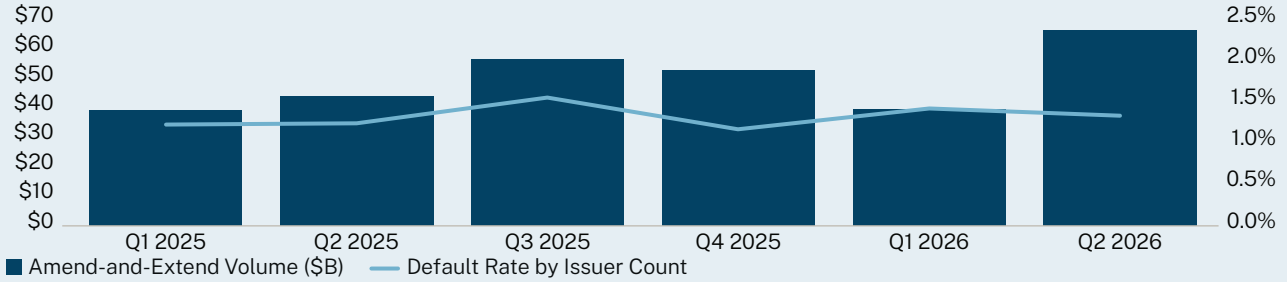
Did we just use "credit" and "performance" in the same sentence? Yes, we know what you are thinking. Given the private credit coverage in the press, we would expect to see the industry decimated with returns somewhere in negative territory.

Quarterly TWR Progression



Source: Hamilton Lane Data, Bloomberg Data, Morningstar Data, Pitchbook Data (August 2026).
Note: Evergreen returns comprised of an index of 11 senior credit focused evergreens; Closed-end returns are as of Q1 2026 while all other data as of Q2 2026; Amend-and-Extend volume & default rates calculated from US leveraged loan data. Headlines taken from CNBC, The Guardian, Halifax, Business Insider and the Financial Times respectively.

Amend-and-Extend Volume + Default Rates



Source: Hamilton Lane Data, Bloomberg Data, Morningstar Data, Pitchbook Data (August 2026).
Note: Evergreen returns comprised of an index of 11 senior credit focused evergreens; Closed-end returns are as of Q1 2026 while all other data as of Q2 2026; Amend-and-Extend volume & default rates calculated from US leveraged loan data. Headlines taken from CNBC, The Guardian, Halifax, Business Insider and the Financial Times respectively.

Well, look at that. Despite the headlines, the fear gripping the evergreen credit market and the general gloom surrounding the asset class, returns have continued to clip along at a healthy pace. Zoom in on those evergreen credit returns. If you looked at investor behavior and headlines, you would imagine investors were facing mounting losses. They're not. Returns are about what they were before the terror set in. Are we also seeing a wave of amend and extends or increased default rates?

Nope.

Let's stay with the evergreen space for a moment and look at equity evergreen funds.

Annualized Return by Fund Structure

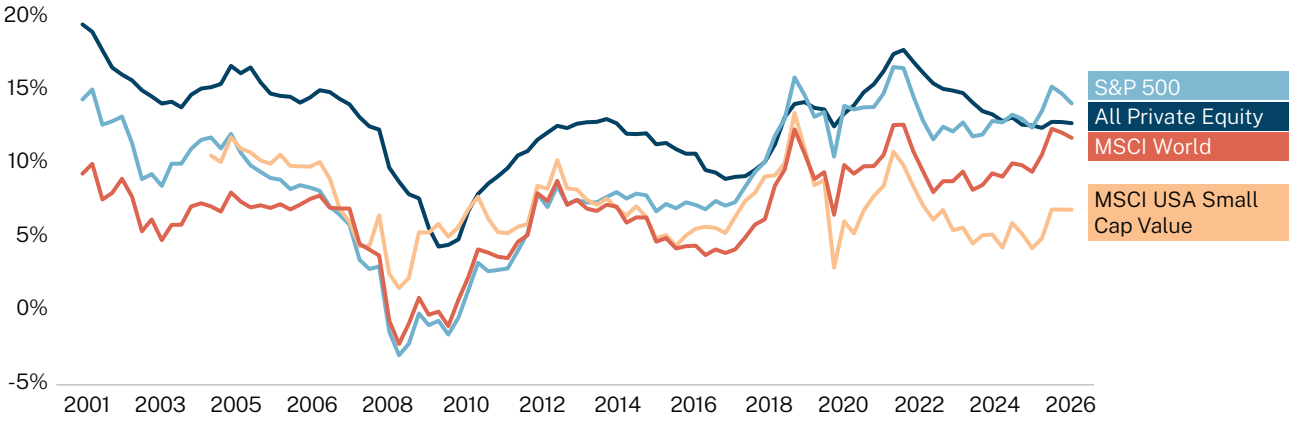


Source: Hamilton Lane Data as of 03/31/2026 (July 2026), Bloomberg (July 2026). Evergreen returns reflect 10+ Private Equity focused open-ended funds launched prior to 2024. Closed-End Private Equity Funds inclusive of all Vintage Years. Past performance is not a guarantee of future results.

Equity evergreen funds have also underperformed public benchmarks. However, over one-, three- and five-year periods, they have outperformed closed-end private equity funds. Take a look at our most recent Market Overview for a more detailed discussion of the reasons.

Let's come back to performance and look at longer-term numbers.

All Private Equity 10-Year Rolling TWRs



Source: Hamilton Lane Data, Bloomberg (August 2026). Past performance is not a guarantee of future results.

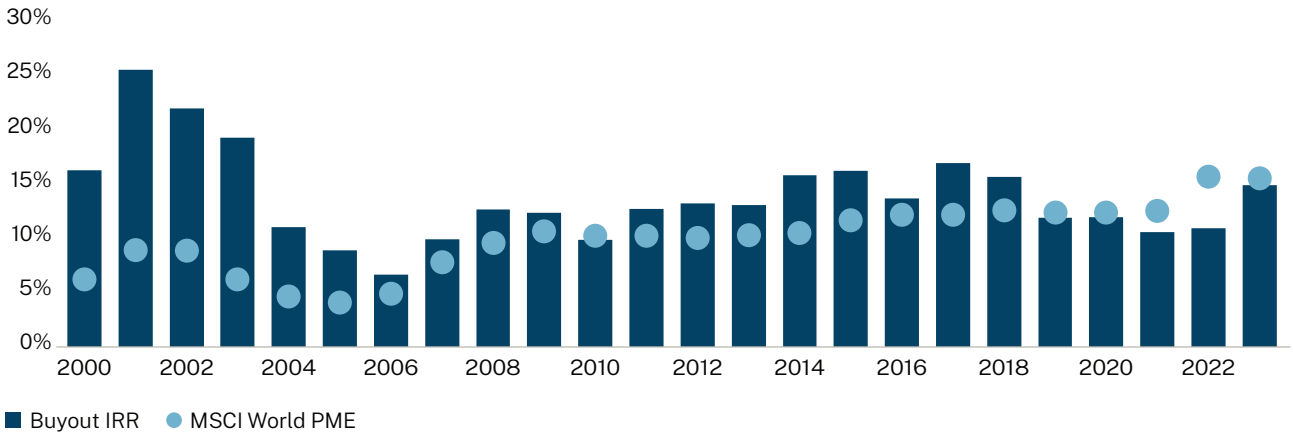
These are 10-year rolling returns. You can see that private equity has outperformed global equities and small-cap equities over the most recent 10-year period but lags the S&P 500. Private equity has underperformed for brief periods before, so this is not something novel. However, what is new about this period of underperformance is the degree of underperformance and the duration. We haven't experienced anything quite like this before.

What about performance by vintage year?



C'mon, let's look together.

Buyout IRR vs. PME

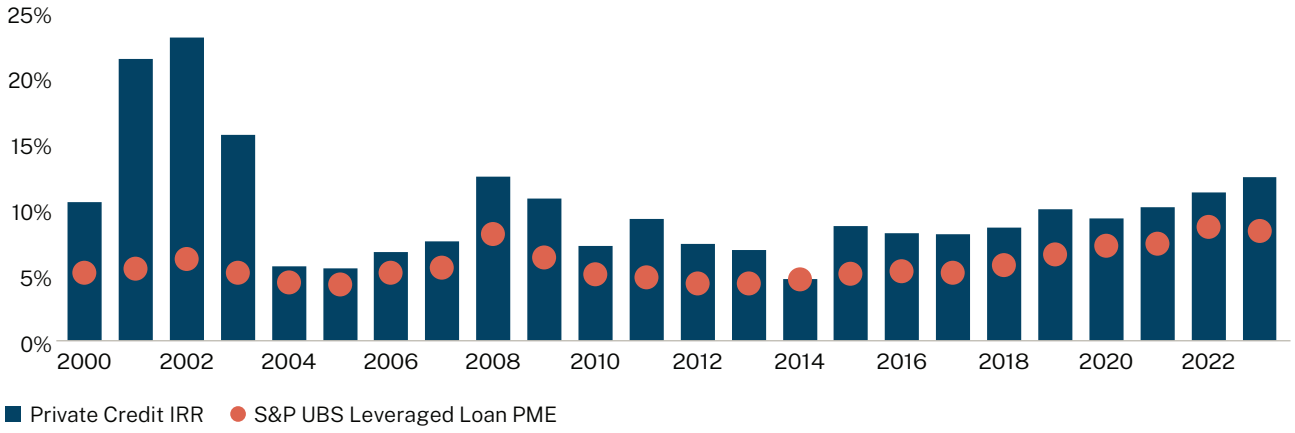


Source: Hamilton Lane Data via Cobalt, Bloomberg (September 2026). Past performance is not a guarantee of future results.

Buyout returns in each vintage year since 2019 have underperformed the MSCI World. Ouch. If you want to reclaim your A-list status on the cocktail circuit, these numbers need to start looking more like they did from 2000 to 2018.

[Ahem, we don't want to keep bringing up the premature call on the death of private credit, but it has outperformed the public benchmark every year for the last two decades.]

Private Credit IRR vs. PME

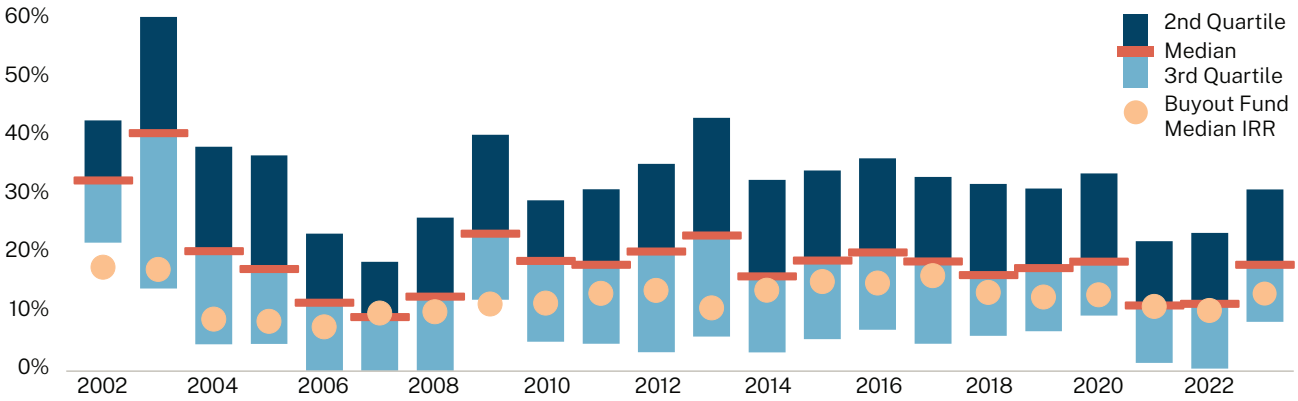


Source: Hamilton Lane Data via Cobalt, Bloomberg (September 2026). Past performance is not a guarantee of future results.

When we look at gross deal returns, you can see why returns for buyout have been so poor.

Gross Buyout Deal IRR Quartiles

By Deal Year



Source: Hamilton Lane Data (July 2026). Past performance is not a guarantee of future results.

Deals from the 2021 and 2022 vintages have had a median return, on a gross basis, of ~10%. When you take out the billions of basis points in fees and carry (we know, we're being hyperbolic, but not by that much), that is not going to get an investor anywhere near what they are looking to achieve in private equity, leave aside beating the public markets.



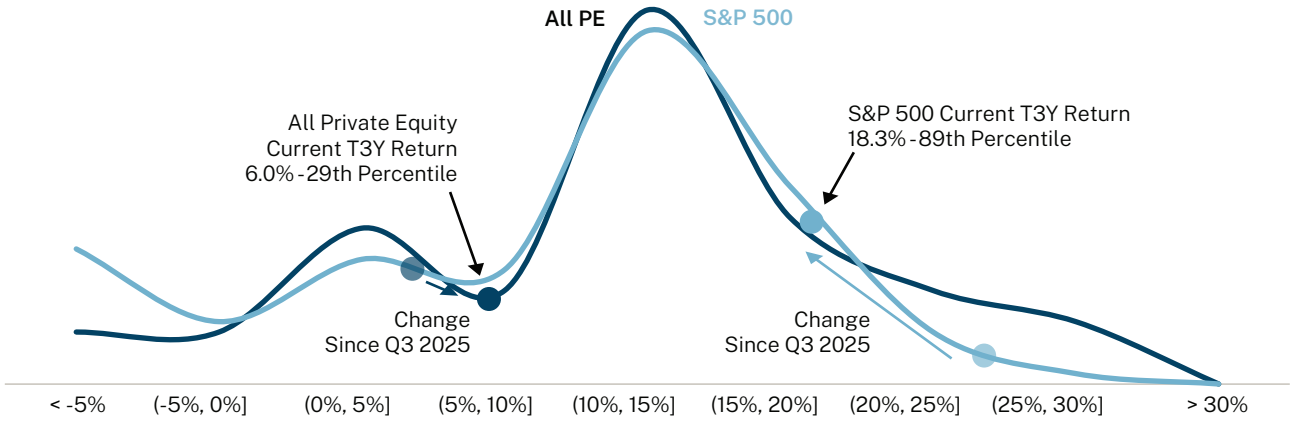
Wow, we are in a deep, dark place here, aren't we? Is there any reason to believe private equity will ever outperform public markets? Is there a Superman somewhere to save the private markets?

Well, it's not Superman, but there is a band out there called Mean Reversion.

We'll call it the Super***mean*** Reversion theory.

Rolling 3-Year Return Distributions

2001-2026



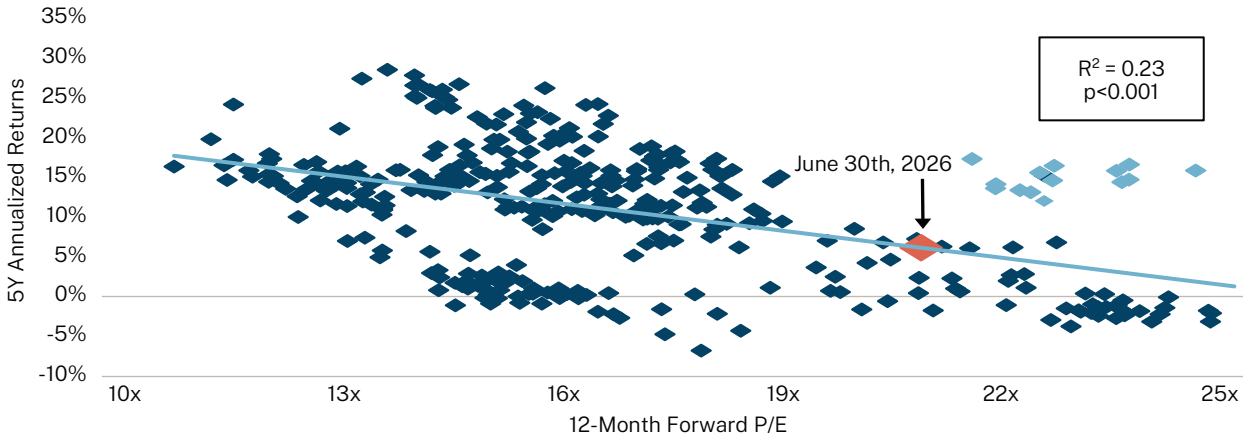
Source: Hamilton Lane Data, Bloomberg (August 2026). Past performance is not a guarantee of future results.

Public equity returns remain near record highs. The S&P 500 currently sits at the 89th percentile of historical returns, down modestly from the 99th percentile six months ago. You think that's headed back up? Private equity has moved up slightly and is now not in its bottom quartile, sitting proudly at its 28th percentile. You think that's headed back down?

There's more.

Forward Price / Earnings and Subsequent 5-Year Annualized Returns

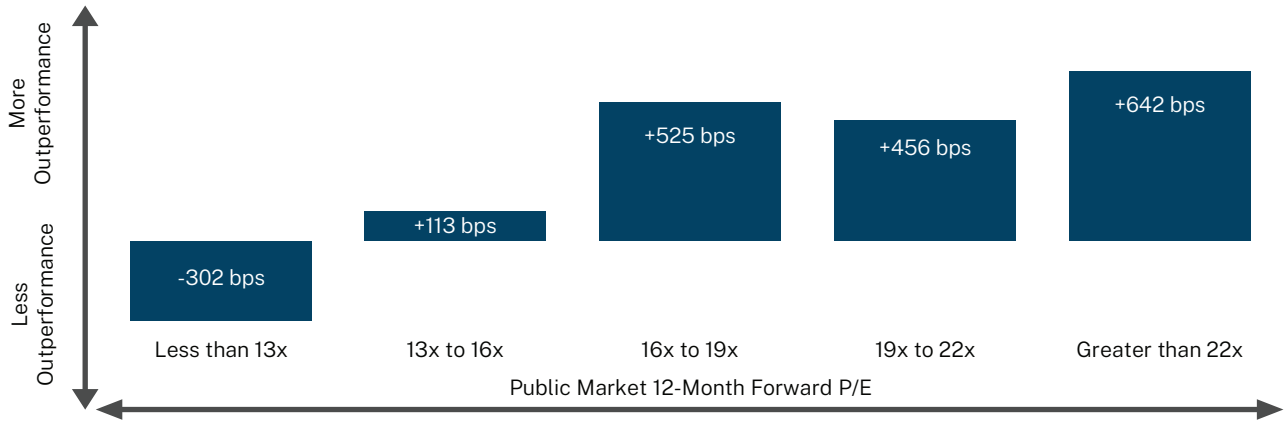
S&P 500 Total Return Index



Source: Bloomberg (July 2026). Past performance is not a guarantee of future results.

Forward PE multiples for the S&P are at 21 times. Yes, that is below the 23 times it was six months ago, but as the chart indicates, the only time the markets moved up from levels like this was during the April 2020 COVID era, as represented by the light blue dots in the chart. We know it has happened before, but how comfortable are you building a portfolio around the assumption that this public market unicorn happens again?

All Private Equity Median 5Y Excess Return By S&P Price / Earnings Regime



Source: Hamilton Lane Data via Cobalt, Bloomberg (September 2026). Past performance does not guarantee future results and actual outcomes may differ.

When the forward P/E ratio is in the 20s, as it is today, historical returns suggest that over the next five years, your private equity performance is likely to outperform your public equity performance. We know past performance is no guarantee of future results. But we also know something else.



"Those who don't study history are doomed to repeat it. Yet those who *do* study history are doomed to stand by helplessly while everyone else repeats it."

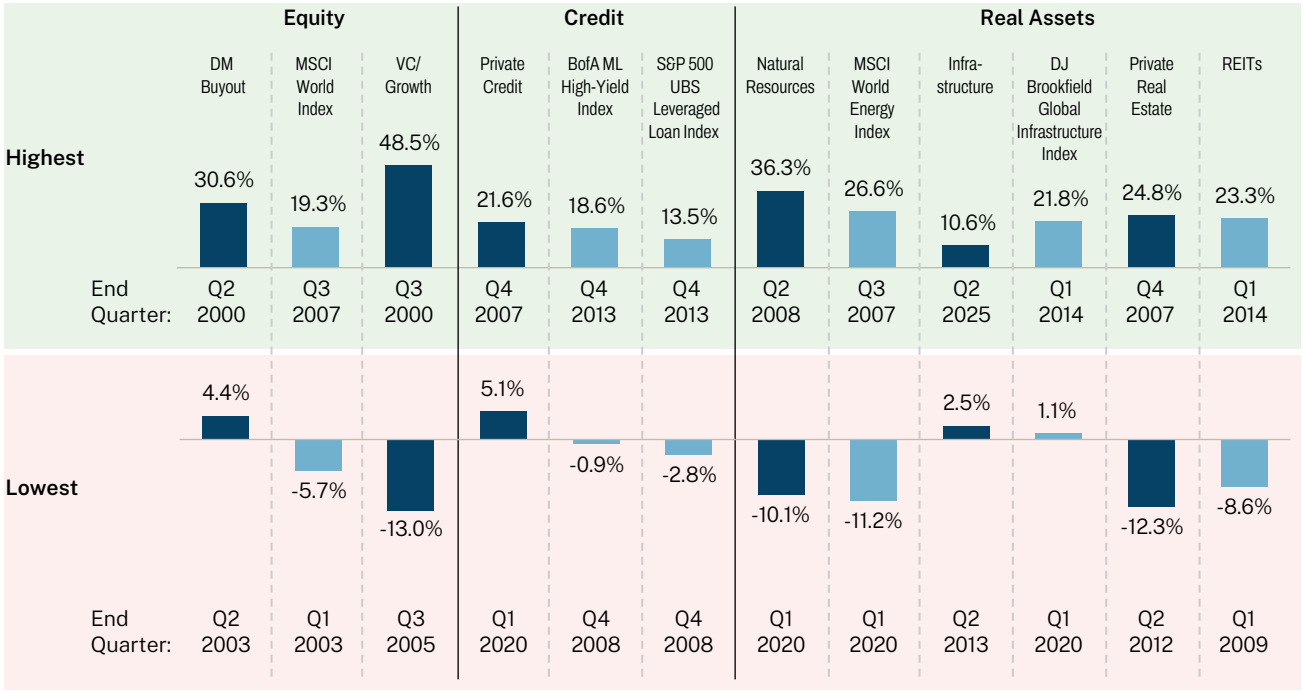
We've saved our best for last. The most important chart in this entire update.



We added the question mark because we are modest people. Trust us, it is.

Highest and Lowest 5-Year Annualized Performance

2000-Q1 2026



Source: Hamilton Lane Data via Cobalt, Bloomberg (September 2026)

Infrastructure from 2011-2026, Natural Resources from 1998-2026. Past performance is not a guarantee of future results.

This is simple. Take the highest and lowest five-year annualized performance across all markets. Buyout and private credit have performed better on both the upside and the downside. Period. Full stop. We know our compliance team will take issue with this next sentence, but we'll add it anyway because it makes us feel better. ~~A well-diversified buyout portfolio or credit portfolio does not lose money over any five-year period~~.

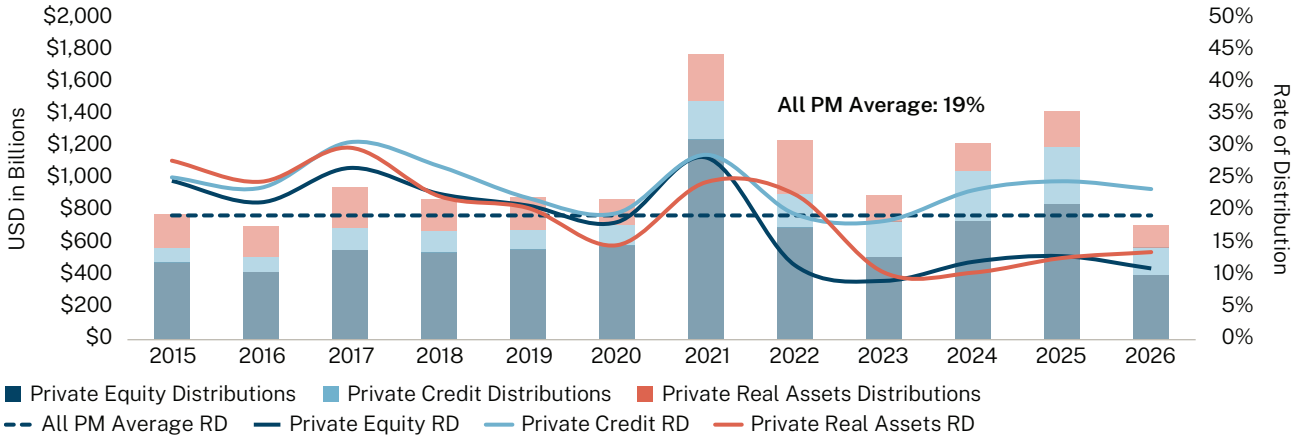
Note from HL Compliance Guru:
Strike noted text

Liquidity and the Secondary Market

Will money ever come back to investors? We've been hearing that question for four years.

Distributions

By Asset Class

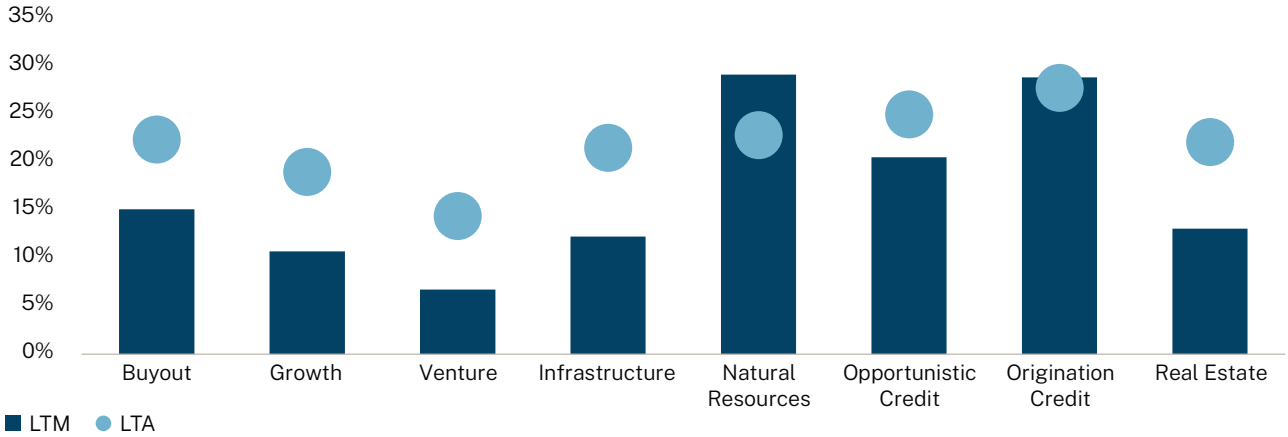


Source: Hamilton Lane Data. Cash flows through 6/30/2026. (August 2026)

For the last two years, we've heard from every general partner and investment bank that a wave of distributions is just a quarter away. They're not. They haven't been. And we'll go out on a limb and say they won't be through 2026. What you can see is that the level of absolute distributions is high. In fact, they're at their highest levels since the 2021 wave. But the level of distributions looks anemic because the level of net asset values in portfolios has grown at a faster rate. Is there any place in the market that is doing better?

Rate of Distribution by Strategy

Last 12 Months vs. Long-term Average (Since 2000)

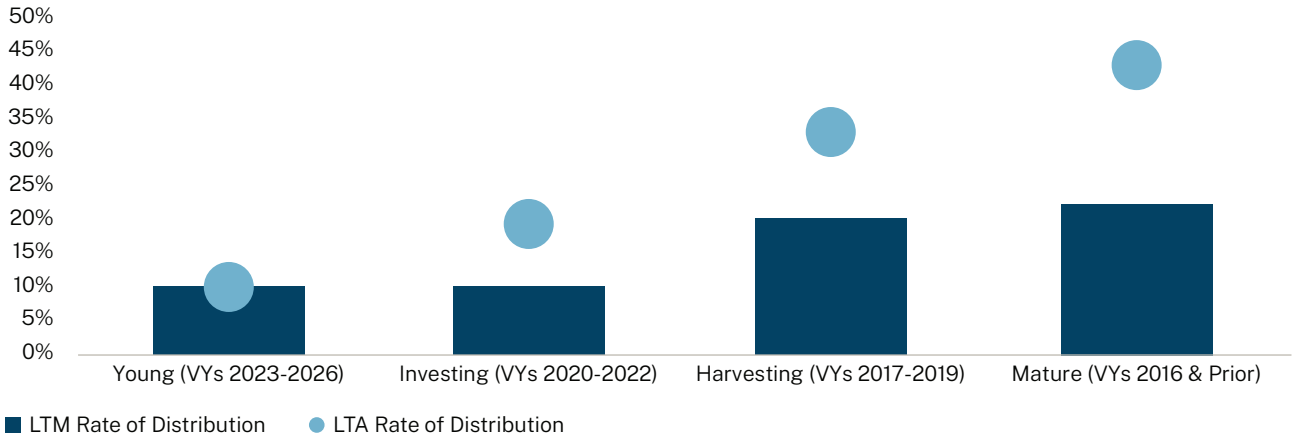


Source: Hamilton Lane Data (September 2026). Past performance is not a guarantee of future results.

Credit, where we've repeatedly been told assets are inflated and on the verge of collapse, is actually returning capital faster than long-term averages. So much for headlines and conventional wisdom. Infrastructure, which has had good performance, has had lackluster distributions. In private equity, buyout has delivered the better rate of distributions and the larger end of the market has done relatively better in 2026 (a change from the previous four years), perhaps due to continuation vehicles. More on that later.

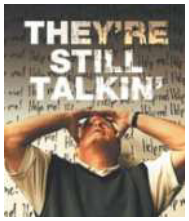
Buyout Rate of Distribution by Fund Age

Last 12 Months vs. Long-term Average (Since 2000)



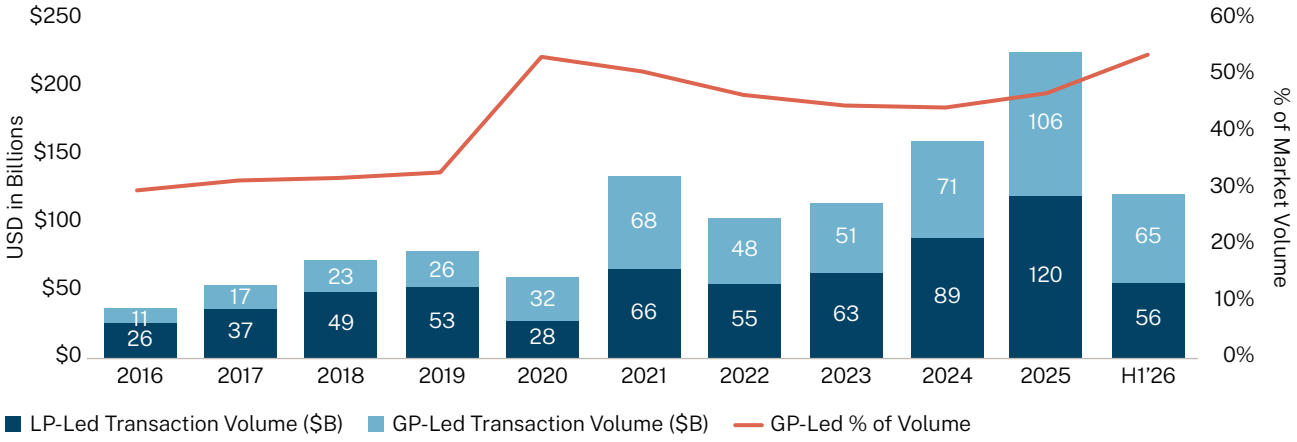
Source: Hamilton Lane Data (August 2026). Note: LTM bars are grouped by vintage years: (Young 2023-2026), Investing (2020-2022), Harvesting (2017-2019), Mature (2016 and prior); LTA bars are grouped by fund ages (quarters): Young 1–13, Investing 14–25, Harvesting 26–37, Mature 38+

Comparing distributions by fund age is interesting. Younger funds are returning around average levels for their age, though the bar is admittedly low. Older funds are, to put it charitably, a disaster. This is a dismal picture for general partners and their investors. Look how far behind the oldest funds are compared to long-term averages. How is that delta going to get better? Go ahead, ask your manager with funds older than 10 years. Bring a coffee. It may take a while.



The search for liquidity has motivated some LPs to take matters into their own hands. That has made the secondary market even more compelling.

Secondary Transaction Volume



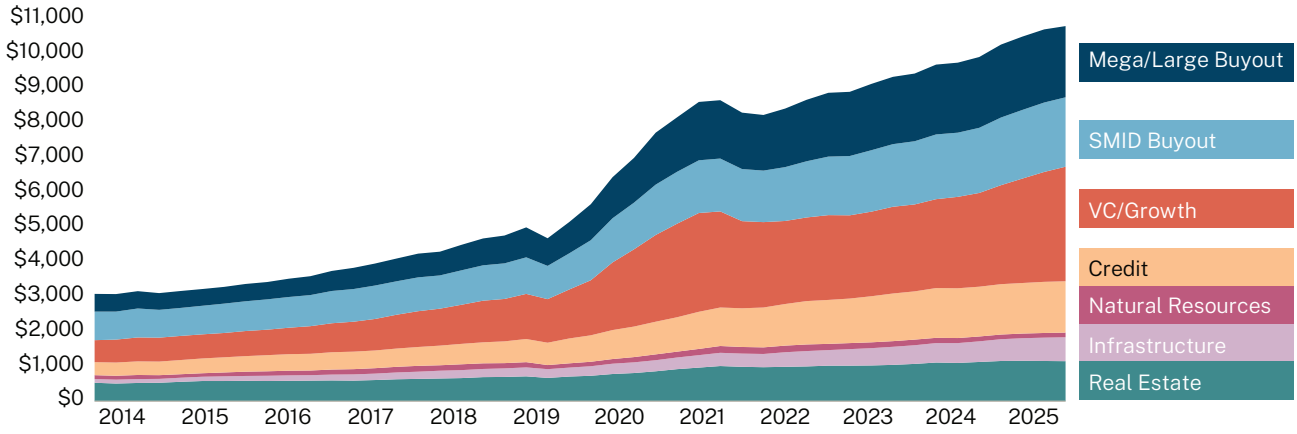
Source: Evercore (August 2026)

GP-led transaction volume continues to be robust, reaching nearly 15% of buyout exit volume in 2025. We expect that figure to rise. As we've noted before, GP-led transactions have largely featured strong portfolio companies.

Where's the fuel for new secondary deals going to come from over the next few years?

NAV by Strategy

USD in Billions



Source: Hamilton Lane Data (August 2026)

From the ever-increasing NAV in portfolios.

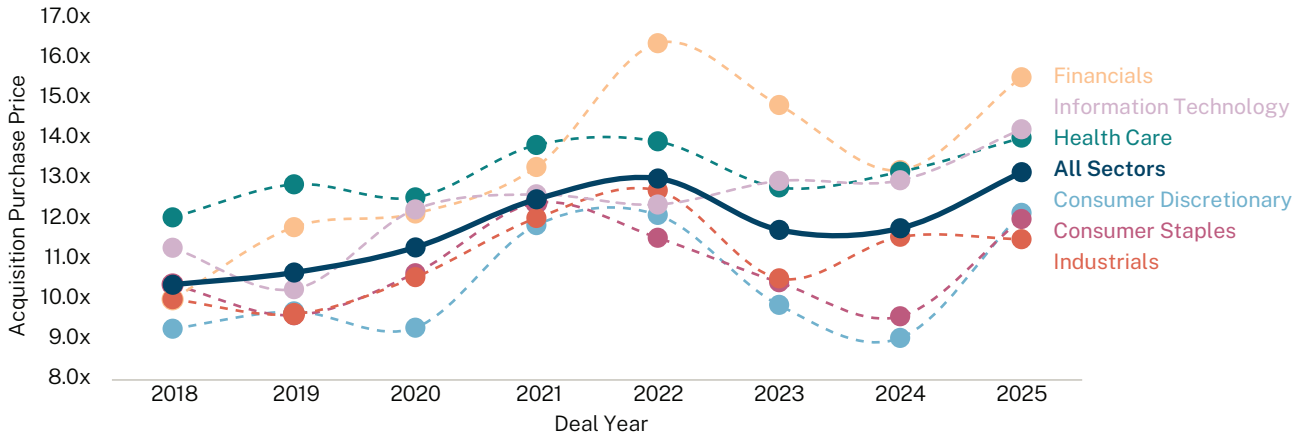
The good news is that NAV continues to increase. Portfolios continue to perform well. Perhaps not at rates that match the public markets, but at levels that still provide attractive returns for investors. The challenge for investors is to monetize as much of that value as possible before the next bear market reduces both NAV and pricing in ways that aren't helpful to anyone.

Valuations

We've said over the last couple of years that an interesting question would be whether buyers or sellers capitulated on prices. The battle appears to be over.

Buyout Purchase Price Multiples

By Sector, 2018-2025



Source: Hamilton Lane Data as of 3/31/26 (August 2026). Deals with purchase price multiples between 0x and 40x.

Buyers capitulated.

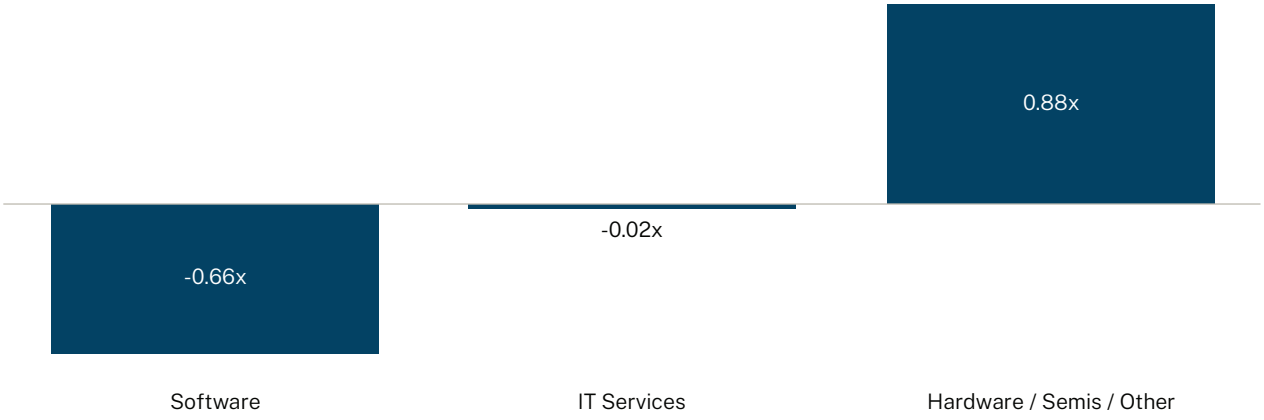


Thought prices were high in 2021? They're even higher today on average and higher in each sector other than industrials and financials.

[Oh, an interesting side note as you wail and gnash your teeth over high valuations. You're probably the same person complaining that valuations are bogus on portfolio assets. They're probably not since high valuations on new deals means high valuations in the portfolio.]

One area that has received intense scrutiny this year has been software valuations and SaaSpocalypse. It shouldn't surprise anyone that those deals are generally valued below their purchase prices today.

Difference in Current Holding Valuation vs. Purchase Price



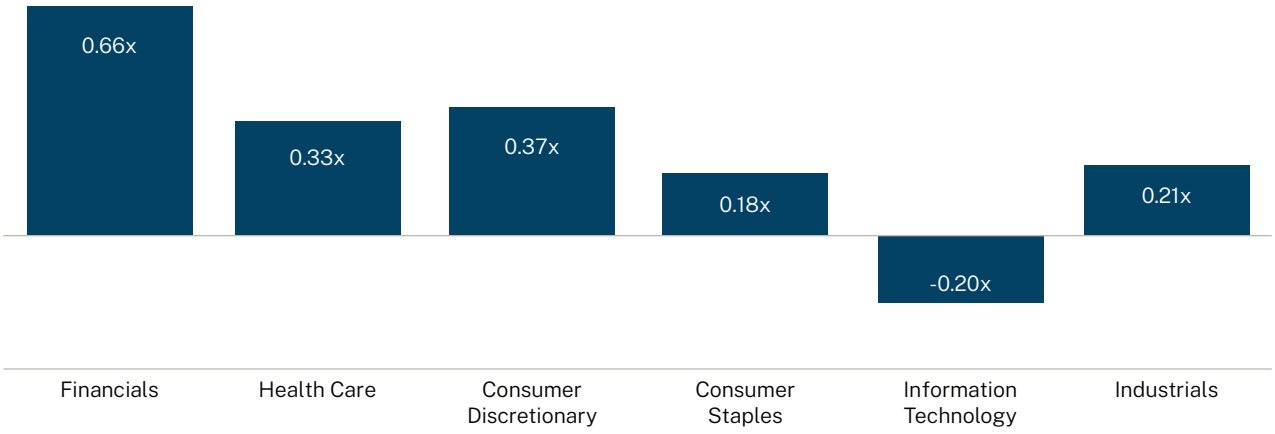
Source: Hamilton Lane Data as of 3/31/2026 (August 2026). Current holding value of unrealized buyout deals vs purchase price of deals. For deals without 3/31 marks, holding valuations are taken as of 12/31 or excluded otherwise. Deals in the 2021 and 2022 vintage.

[Another important side note here. A lower holding multiple does not automatically mean there's a loss. Many of these deals have experienced revenue and EBITDA growth that has lifted valuations despite multiple contraction. This is often forgotten.]

Infotech is the exception, however, as other industries have seen multiple expansion in portfolios.

2021 and 2022 Deals Median Multiple Expansion Since Purchase

Difference in Current Holding Valuation vs. Purchase Price

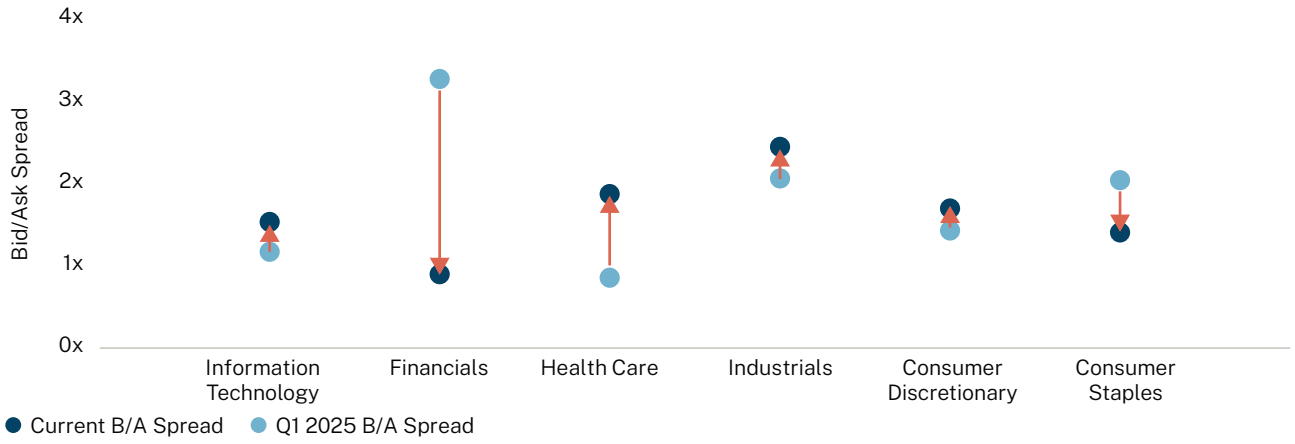


Source: Hamilton Lane Data as of 3/31/2026 (August 2026). Current holding value of unrealized buyout deals vs purchase price of deals. For deals without 3/31 marks, holding valuations are taken as of 12/31 or excluded otherwise. Deals in the 2021 and 2022 vintage.

Once again, this is good news. Healthy portfolios driven by both earnings growth and multiple expansion. However, it would be great news if more of those healthy portfolios turned into cash…

None of this is to say that the bid/ask spread in the market is gone.

Changes in Bid/Ask Spread Between Q1 2025 and Q1 2026



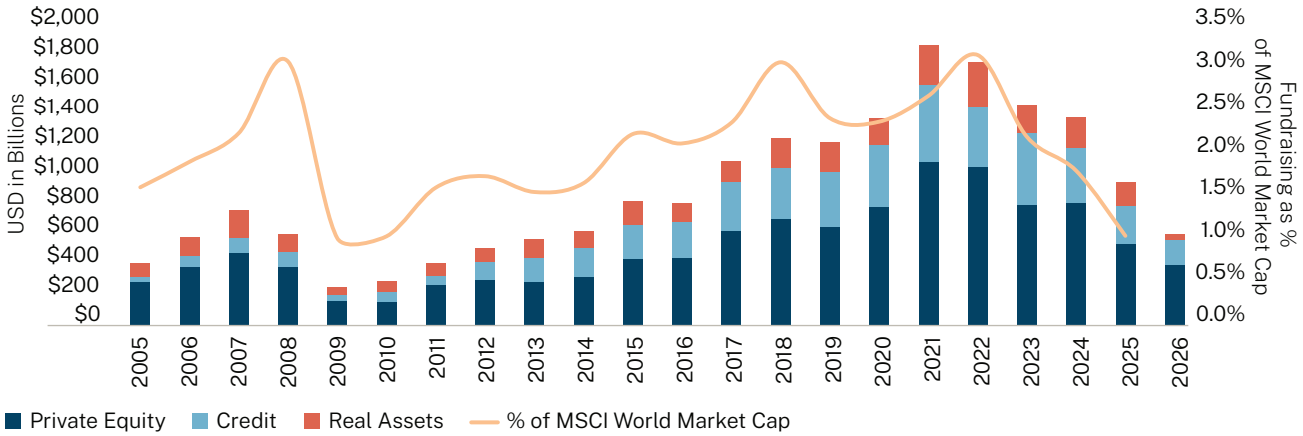
Source: Hamilton Lane Data as of 3/31/26 (August 2026). Comparison of holding multiples of 2021 and 2022 assets, against acquisition (market clearing) multiples of the deals completed in 2024 and 2025.

Markets typically have a bid/ask spread. That's how they work. Long-term, in private equity, it's about 1x. Today, we are generally above that level and it's probably one reason exits haven't materialized in large numbers. You can see, though, that spread is increasing across most sectors. That is one reason we are not in the camp that believes we are going to see any significant increase in exits over the next few quarters.

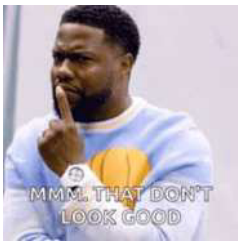
Fundraising

We all know how much investors love a chart that moves up and to the right. It means things are growing and improving.

Closed-End Fundraising by Broad Asset Class



Source: Pitchbook, Bloomberg (July 2026). Excludes fund-of-funds and co-investment funds. Excludes core and core-plus real asset funds. Excludes natural resources funds. Vintage year is determined by earliest reported transaction date or first close if no transaction date is reported.

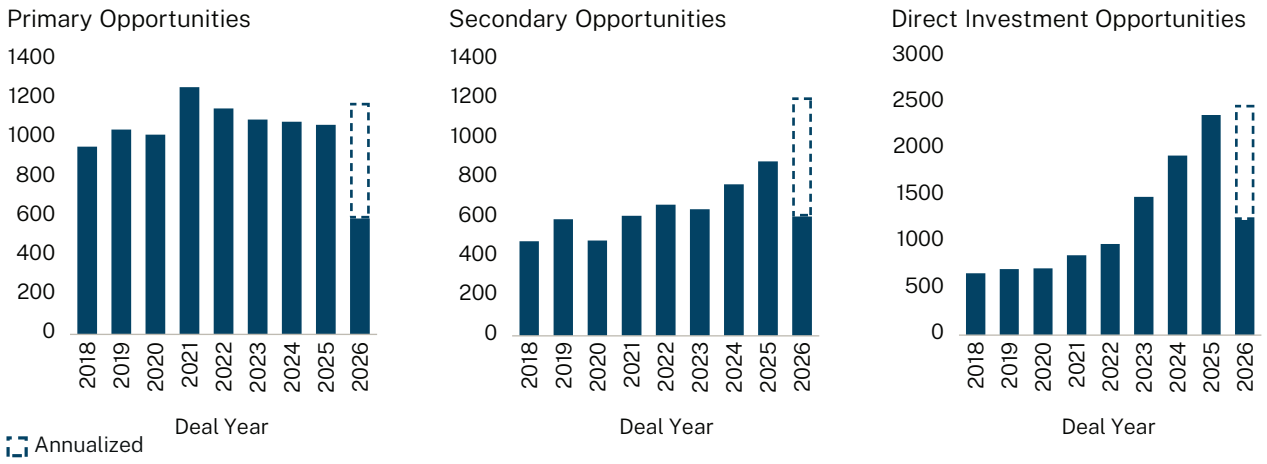


It doesn't. While it's to the right, it is going down. We believe 2026 will break a string of four straight down years for fundraising, but that's probably damning with faint praise. Let's be brief. Yes, we appreciate the irony. If returns and distributions don't improve, neither will this chart.

Notice that we've helpfully included a line that's going down, too. In this case, the downward slope is arguably a good thing. That line represents fundraising as a share of global equity market cap. For much of the 2010s, critics pointed to that figure as an indicator that private markets were growing too quickly and there was "too much capital chasing too few deals." Now that indicator is at a two-decade low. Amazing.

What's even more surprising is that given those fundraising numbers, you'd expect fewer opportunities crossing LPs' desks.

Opportunities Received by Hamilton Lane



Source: Hamilton Lane Diligence (August 2026)

Is it that hope springs eternal? A broken industry? A strange part of the financial markets where the laws of supply and demand do not apply? We don't really know. But we're never ones to shy away from offering theories:

» The lack of change among primary opportunities is likely driven by two factors. First is GP psychology. GPs – especially private equity GPs – are perpetual optimists and natural risk takers. A little fundraising slowdown is unlikely to deter their confidence. The second factor is more economic. A significant chunk of GPs have sold stakes in their management companies to third-party investors.

They're still feeling pressure to raise capital, even if conditions are tough.

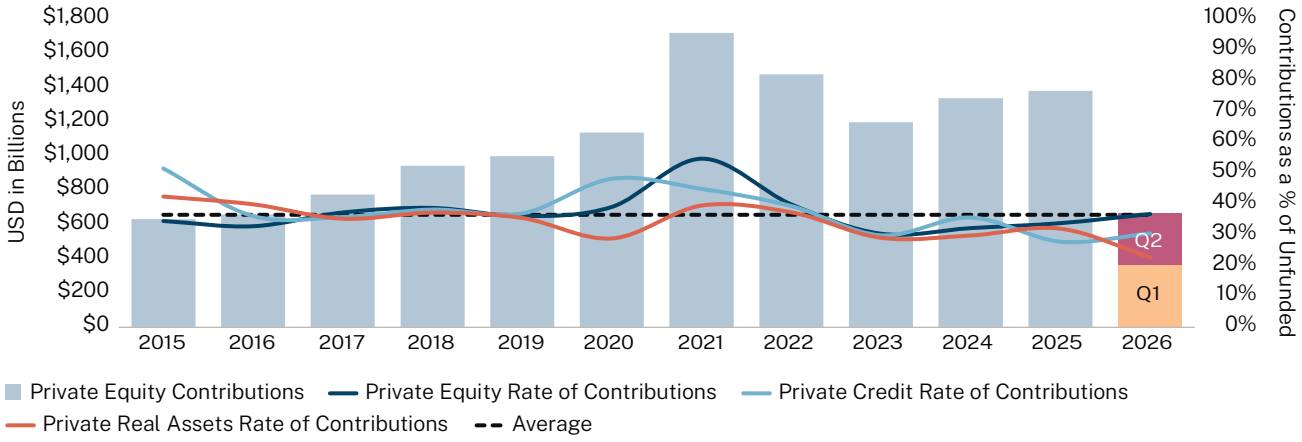
» We've already covered the drivers of the secondary market growth. Flip back a few pages if you need a refresh. We'll wait.

» If you're a GP that's worried about a slow fundraising market, but you also *really* want to be out doing deals, what do you do? You offer your best clients the co-investment opportunities they've been clamoring for. You conserve your fund capital and get the deal done, LPs walk away happy they're getting what they asked for. Win, win.

Contributions

If fundraising is down, returns are lagging and distributions remain weak, what would you expect contributions to look like?

Annual Private Markets Contributions



Source: Hamilton Lane Data (August 2026)

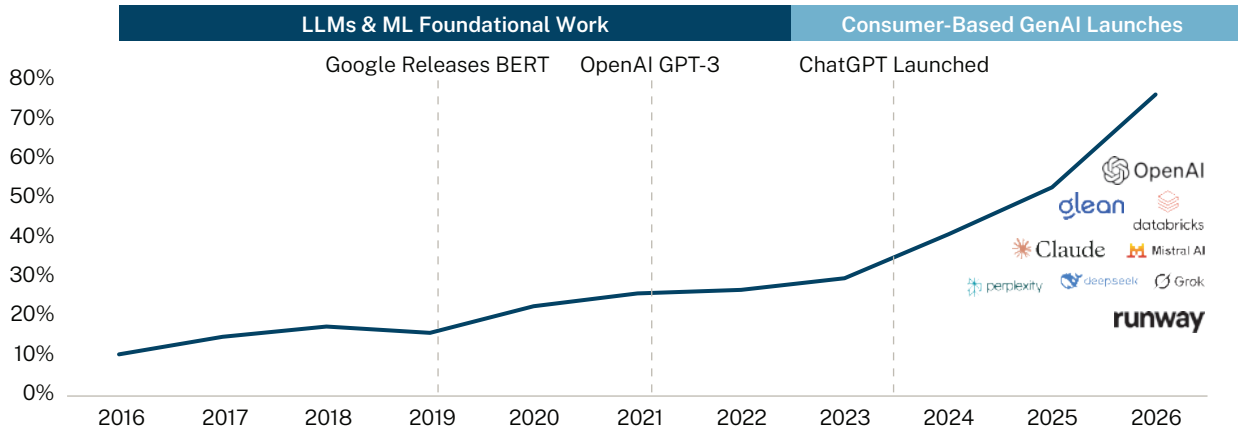
2025 was already one of the strongest years for capital deployment. At the current pace, 2026 will likely exceed it. Private equity, in particular, appears likely to exceed that pace. What is going on?



Well, that's part of the reason. There's another major factor.

AI Deal Share of Global Venture Deal Value

As of Q2 2026

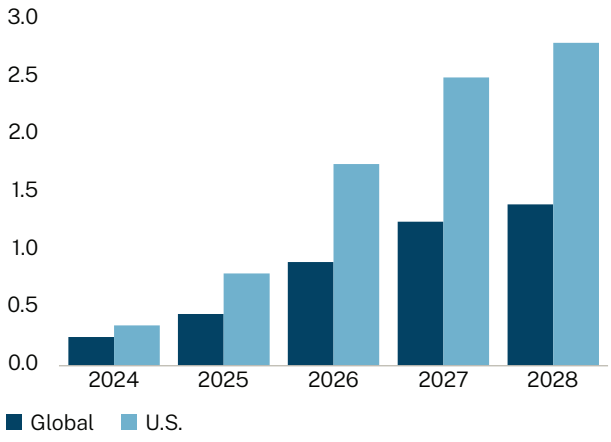


Source: Pitchbook & NVCA as of Q2'2026 (August 2026)

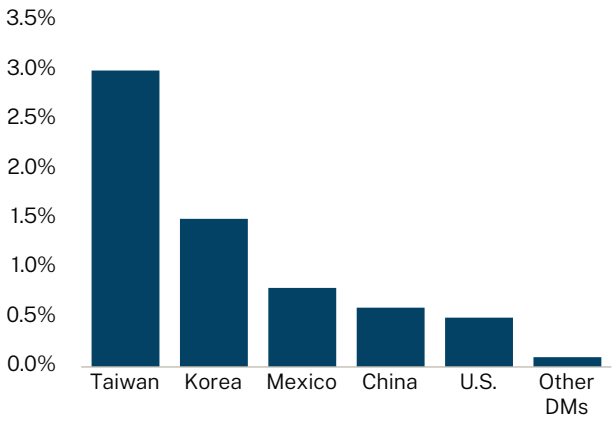
The rise in private equity contribution activity is coming from venture capital, where AI investments are driving deployment.

We spent a fair amount of space in the annual Market Overview discussing AI and its importance for all investors, whether in private or public markets. It remains the most important investment question facing investors today. Whether AI investments produce the expected returns will ultimately depend on usage and spending.

AI CapEx as % of GDP



LTM AI Contribution to Annual GDP

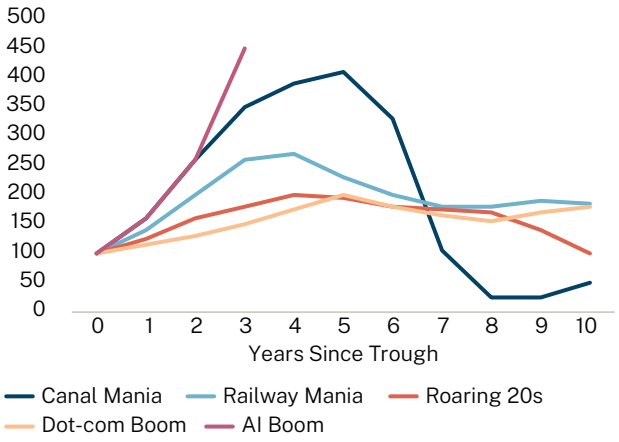


Source: Goldman Sachs, Capital Economics (August 2026)

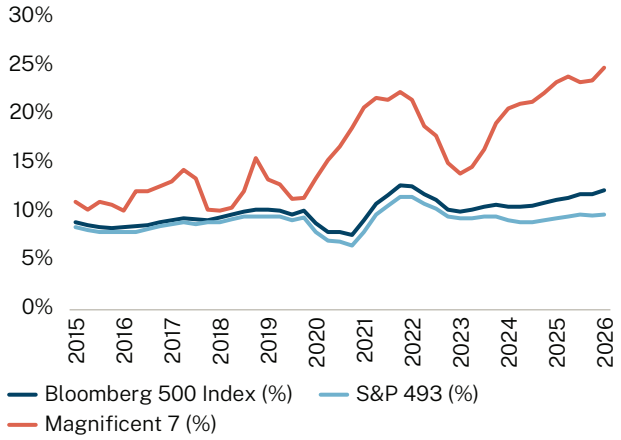
Hyperscaler capex continues to climb as a share of global GDP and is driving a great deal of growth across the world. The venture capital industry is helping fund that spending. (As are the private credit and

infrastructure parts of the private markets.) Is corporate AI adoption justifying all that spending?

Investment During Selected Economic Booms



Profit Margin

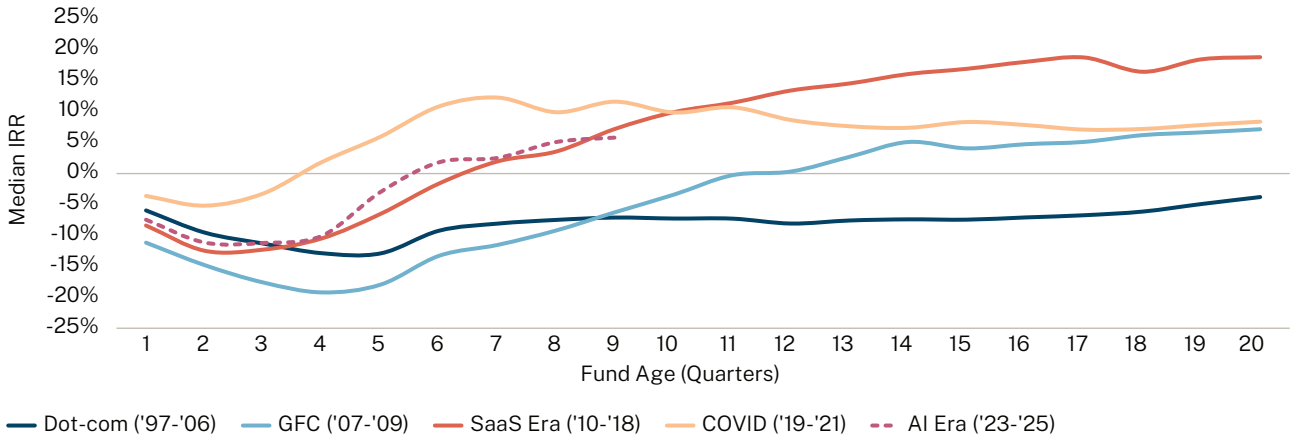


Pre-boom trough = 100

Source: The Economist, Bloomberg, Macrobond, Apollo Chief Economist (August 2026). Past performance is not a guarantee of future results.

Not yet. On the left, you can see that this is, at this stage, the largest investment boom in history. Profit margins should be improving as AI boosts efficiency and productivity. So far, they largely aren't, unless you're one of the Magnificent 7. Perhaps they will. Over the next few years, this may be the question that ultimately determines whether AI investments deliver the returns investors expect.

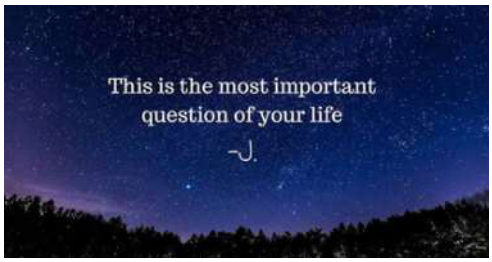
Median Venture IRR by Fund Age



Source: Hamilton Lane Data (September 2026). Past performance is not a guarantee of future results.

We showed you the one-year venture returns earlier in this overview. Over longer periods, they remain consistent with prior venture cycles that ultimately generated compelling returns.

We now come to the point many of you have been waiting for.

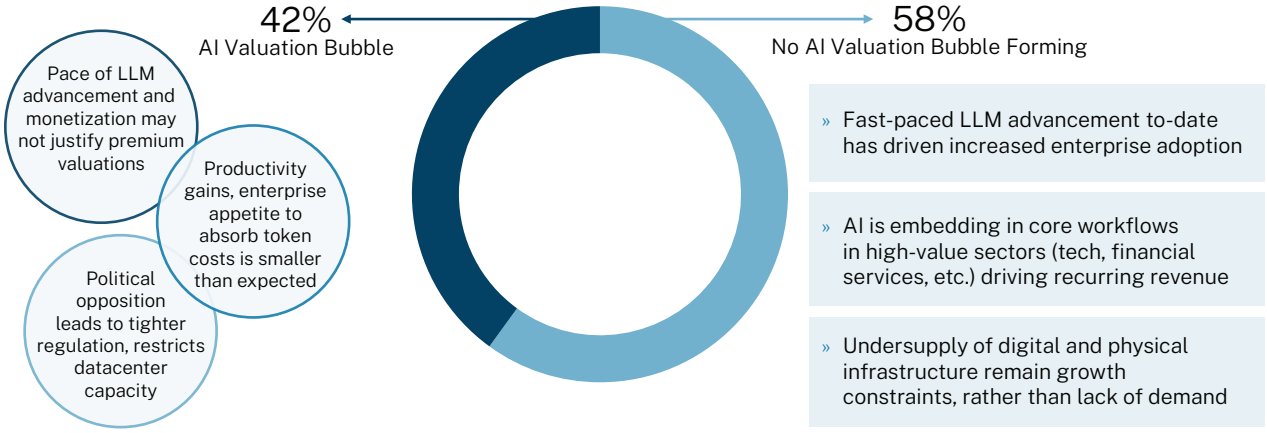


We'd love to give you a drum roll and dramatic lighting, but wild statements will have to do.

Are AI valuations in a bubble?

Six months ago, in our annual Market Overview, we put the odds at 60/40 that the public markets and AI party would keep rolling. (Really, how good are we? We should change our name to Hamilton Nostradamus.) Where are we now?

Odds that AI Valuations Are in a Bubble



Massive change, right? We've moved two percentage points. We haven't seen enough to say valuations are going to fall apart in the AI space. We are slightly more cautious, particularly as regulatory and social pressures begin to influence business prospects. But you have to have exposure to AI through your venture portfolio. There will be significant winners over the next few years. These companies aren't going public until the valuations are so high that you will lose a big chunk of that upside.

Sentiment Indicators

We know sentiment toward private markets is broadly negative, aside from a few pockets of venture if you happen to own SpaceX or Anthropic or another name that has captured public interest. What about the internal sentiment indicators around private markets?

The Hamilton Lane Worry Index

The Hamilton Lane Worry Index is a composite of Hamilton Lane's sentiment indicators.

Higher Numbers = More Worry

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Today
Buyout	48	30	37	45	56	63	70	73	48	27	40	46	45	43	44	51	51	58	57	60	43	67	62	52	54	48
Opportunistic Credit	37	46	62	55	69	57	72	70	41	42	51	55	60	61	62	58	54	59	52	54	59	63	48	44	43	44
Origination Credit	46	36	39	56	71	75	72	64	36	40	44	45	50	52	58	52	51	54	51	52	43	48	45	46	47	47
Infrastructure							39	38	42	39	48	47	46	45	48	41	44	44	44	40	42	39	42	37	39	42
Real Estate	52	40	38	59	65	76	76	58	38	35	39	40	48	53	58	56	55	54	56	56	41	61	51	47	45	49
Venture	45	36	26	30	35	35	48	56	43	36	44	44	48	50	54	53	52	52	55	62	49	70	62	50	56	57
Growth	46	33	30	46	48	50	52	65	48	37	48	48	42	50	47	52	45	57	51	59	49	67	60	50	54	45

Source: Hamilton Lane Data, Bloomberg, Cobalt, Pitchbook, S&P, NCREIF (August 2026)

The Hamilton Lane Worry Index ("HLWI") is a composite view of a wide range of macroeconomic indicators across Buyout, Credit and Real Assets. Indicators are scaled from 0 to 100 based on their relative value each year and then averaged to create a market-wide number. Lower numbers represent a generally more favorable environment while high numbers signal a generally less favorable environment. The HLWI is directional and not necessarily indicative of future results. Indexed to beginning of year.

We're in a surprisingly OK place. (That's a technical investment term.) Venture remains mildly concerning, but most other sectors have moved back into neutral territory. They've improved meaningfully from the more concerning levels seen in 2022.

Conclusion

We wish we could promise you'll once again be the star of the cocktail circuit. We doubt that happens any time soon because the industry still has to work through some of the issues we've outlined here.

- We believe private market performance will begin to outpace public markets because we don't believe public market returns can continue at the pace of the last several years.
- Distributions will remain lackluster.
- Venture returns should remain relatively strong in the near term as AI-related portfolio companies go public (or are scooped up by bigger players) at eye-popping valuations.
- Credit should continue to perform well and investors will gradually realize they abandoned an entire asset class because of headline risk, not performance risk.

» Infrastructure should continue to benefit from growing investment needs and opportunities around the globe.

» Keep an eye on real estate, the seemingly forgotten eldest child of private markets. The segment remains in recovery mode, but demographics and a resilient U.S. consumer have created pockets of opportunity in the residential, industrial and health care sectors.

We know. You made it all the way here and thought, “Wait, not that much has changed since the annual Market Overview.” You’re right. Let’s be honest.



You shouldn’t be revising your portfolio every few months. No one we have ever met has been successful investing that way. Nothing has changed structurally in the private markets to say that major changes are necessary.

We will say what we have been saying for a long time: In all probability, you are underallocated to private markets generally. You just are. You know it. We know it. Change that gradually. You can thank us for that advice sometime around 2030.

STRATEGY DEFINITIONS

All Private Markets – Hamilton Lane's definition of "All Private Markets" includes all private commingled funds excluding fund-of-funds, and secondary fund-of-funds.

Co/Direct Investment Funds – Any PM fund that primarily invests in deals alongside another financial sponsor that is leading the deal.

Continuation Vehicles – A vehicle in which secondary buyers acquire one or more assets from an existing fund.

Corporate Finance/Buyout – Any PM fund that generally takes control position by buying a company.

Credit – This strategy focuses on providing debt capital.

Distressed Debt – Includes any PM fund that primarily invests in the debt of distressed companies.

DM Buyout – Includes any buyout fund that is primarily investing in developed markets of North America, Western Europe and Global

EU Buyout – Any buyout fund primarily investing in the European Union.

Fund-of-Funds (FoF) – A fund that manages a portfolio of investments in other private equity funds.

Growth Equity – Any PM fund that focuses on providing growth capital through an equity investment.

Infrastructure – An investment strategy that invests in physical systems involved in the distribution of people, goods, and resources.

Late Stage VC – A venture capital strategy that provides funding to developed startups.

Mega/Large Buyout – Any buyout fund larger than a certain fund size that depends on the vintage year.

Mezzanine – Includes any PM fund that primarily invests in the mezzanine debt of private companies.

Multi-Stage VC – A venture capital strategy that provides funding to startups across many investment stages.

Natural Resources – An investment strategy that invests in companies involved in the extraction, refinement, or distribution of natural resources.

Origination – Includes any PM fund that focuses primarily on providing debt capital directly to private companies, often using the company's assets as collateral.

Primary Buyout - a Buyout transaction where a sponsor acquires controlling interest in a company from management or through a strategic sale.

Private Equity – A broad term used to describe any fund that offers equity capital to private companies.

Real Assets – Real Assets includes any PM fund with a strategy of Infrastructure, Natural Resources, or Real Estate.

Real Estate – Any closed-end fund that primarily invests in non-core real estate, excluding separate accounts and joint ventures.

ROW – Any fund with a geographic focus outside of North America and Western Europe.

ROW Equity – Includes all buyout, growth, and venture capital-focused funds, with a geographic focus outside of North America and Western Europe.

Secondary FoF – A fund that purchases existing stakes in private equity funds on the secondary market.

Seed/Early VC – A venture capital strategy that provides funding to early-stage startups.

SMID Buyout – Any buyout fund smaller than a certain fund size, dependent on vintage year.

Sponsor-to-Sponsor - a Buyout transaction where a sponsor acquires a controlling interest in a company from another sponsor.

U.S. Mega/Large – Any buyout fund larger than a certain fund size that depends on the vintage year and is primarily investing in the United States.

U.S. SMID – Any buyout fund smaller than a certain fund size that depends on the vintage year and is primarily investing in the United States.

U.S. & EU Growth – Includes all growth equity funds investing in North America and Western Europe.

U.S. & EU VC – Includes all venture capital funds investing in North America and Western Europe.

VC/Growth – Includes all funds with a strategy of venture capital or growth equity.

Venture Capital – Venture Capital incudes any PM fund focused on financing startups, early-stage, late stage, and emerging companies or a combination of multiple investment stages of startups.

Index Definitions

Barclays U.S. Corporate Aggregate Index – Tracks the performance of U.S. fixed rate corporate debt rated as investment grade.

BofAML High Yield Index – The BofAML High Yield index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

Credit Suisse High Yield Index – The Credit Suisse High Yield index tracks the performance of U.S. sub-investment grade bonds.

DJ Brookfield Global Infrastructure Index – The DJ Brookfield Global Infrastructure Index is designed to measure the performance of companies globally that are operators of pure-play infrastructure assets.

FTSE/NAREIR All Equity REIT Index – The FTSE/NAREIT All Equity REIT Index tracks the performance of U.S. equity REITs.

HFRI Composite Index – The HFRI Composite Index reflects hedge fund industry performance.

MSCI Europe Index – The MSCI Europe Index measures performance of large and mid-cap companies across 15 developed markets in Europe.

MSCI USA Small Cap Value Index – The MSCI USA Small Cap Index is designed to measure the performance of the small cap segment of the U.S. equity market.

MSCI World Energy Sector Index – The MSCI World Energy Sector Index measures the performance of securities classified in the GICS Energy sector.

MSCI World Index – The MSCI World Index tracks large and mid-cap equity performance in developed market countries.

Russell 1000 Index – The Russell 1000 Index tracks the highest-ranking 1000 stocks in the Russell 3000 index by market capitalization

Russell 2000 Index – The Russell 2000 Index is composed of 20000 small-cap U.S. companies.

Russell 3000 Index – The Russell 3000 Index is composed of 3000 large U.S. companies, as determined by market capitalization.

S&P 500 Index – The S&P 500 Index tracks 500 largest companies based on market capitalization of companies listed on NYSE or NASDAQ.

S&P 600 Index – The S&P 600 Index tracks small-cap companies in the U.S. based on market capitalization

S&P UBS Leveraged Loan Index – The S&P UBS Leveraged Loan Index represents tradable, senior-secured, U.S. dollar-denominated non-investment grade loans.

Other

Desmoothing – A mathematical process to remove serial autocorrelation in the return stream of assets that experience infrequent appraisal pricing, such as private equity. Desmoothed returns may more accurately capture volatility than reported returns. The formula used here for desmoothing is:

Where rD(t) = the desmoothed return for period t, r(t) = the return for period t, ⊠ = the autocorrelation

$$rD(t) = (r(t) - r(t-1) * p) / (1 - p)$$

PME (Public Market Equivalent) – Calculated by taking the fund cash flows and investing them in a relevant index. The fund cash flows are pooled such that capital calls are simulated as index share purchases and distributions as index share sales. Contributions are scaled by a factor such that the ending portfolio balance is equal to the private equity net asset value (equal ending exposures for both portfolios). This seeks to prevent shorting of the public market equivalent portfolio. Distributions are not scaled by this factor. The IRR is calculated based off of these adjusted cash flows.

Sharpe Ratio – The Sharpe Ratio is the average return earned in excess of the risk-free rate per unity of volatility or total risk.

Time-weighted Return – Time-weighted return is a measure of compound rate of growth in a portfolio.

Volatility – Volatility is a statistical measure of dispersion of return, specifically standard deviation.

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