Private Equity Insights

THIRTY-FIRST EDITION | Q3 2023

CURRENT QUARTER PERFORMANCE SUMMARY

The State Street® Private Equity Index (SSPEI) posted an overall 0.06% gain in Q3 2023, the lowest quarterly return in 2023. Buyout funds had only a small growth of 0.35% in this quarter, and venture capital (VC) continues to suffer from losses, reporting a quarterly return of -1.75%. On the other hand, despite a slight slowdown, the performance of private debt funds held strong at 1.83% in Q3 2023, resulting in a meaningful 7.31% year to date return (see Exhibit 1).

Exhibit 1. Private Equity Performance by Strategy

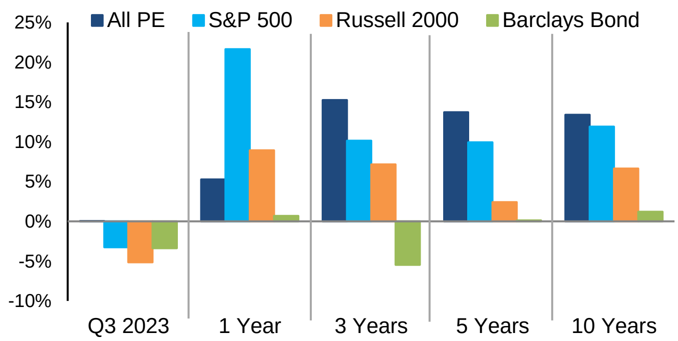
	All PE	Buyout	VC	Private Debt
2023 Q3	0.06%	0.35%	-1.75%	1.83%
2023 Q2	1.87%	2.38%	-0.17%	2.72%
2023 Q1	2.12%	2.76%	-0.12%	2.60%
YTD	4.07%	5.54%	-2.05%	7.31%

Source: State Street Global Markets, as of Q3 2023.

In this quarter, the public markets all experienced a decline, while private equity only broke even. In one year horizon, SSPEI with a 5.25% return underperforms the S&P 500 and Russell 2000, which returned 21.62% and 8.93% respectively, due to their strong comeback in the first half of 2023. But SSPEI still outperforms the US public equity market in long term, and outperforms the US bond market (proxied by Bloomberg Barclays US Aggregated Bond Index) in all horizons (see Exhibit 2).

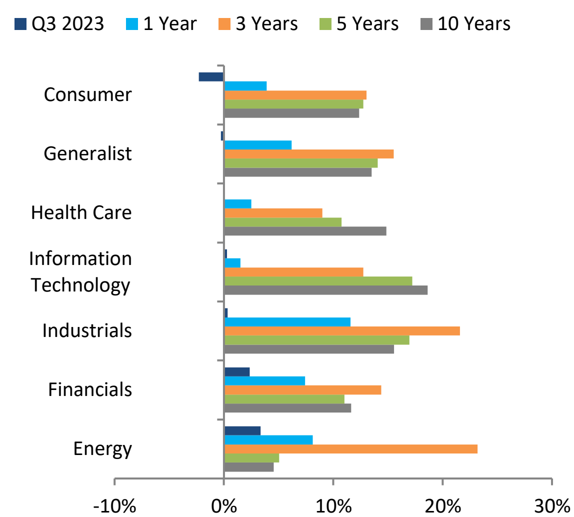
Across sectors, energy focused funds had the best quarterly performance of 3.34%, driven by a surge in oil prices in Q3. In fact, energy funds yield a significant one-year return of 8.30%, second highest of all sectors, due to the geopolitical risks and disruption of supply chain in 2022-2023. Financials sector followed as the second best quarterly performer with a 2.36% return, while consumer focused funds lagged at the bottom with a 2.29% loss. Meanwhile, the quarterly returns of industrials, information technology, health care, and generalist are all near the zero territory. Despite that IT sector experienced great losses during the recent market correction, its top performer status in PE in the longer 5-10 year term has remained unchanged (see Exhibit 3).

Exhibit 2. Investment Horizon Returns



Source: State Street Global Markets, DataStream, Bloomberg Barclays US Aggregate Bond Index (total returns as of Q3 2023).

Exhibit 3. Performance of Sector Focused Funds



Source: State Street Global Markets, as of Q3 2023.

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FINDING LIQUIDITY: THE EMERGENCE OF NAV LENDING

Insights from Harvard University and the Private Capital Research Institute

By Dawson Beutler, Josh Lerner

Introduction

2023 proved to be a challenging year for private market managers – particularly for those seeking to exit their investments. Due to factors including rising interest rates and deflated valuations, exit activity failed to rebound in 2023: one estimate puts last year's total exit value for the US private equity industry at $234.1 billion, a 23% drop from 2022 levels and a 72% drop-off from the record-breaking amount seen in 2021.[1] These numbers have led some to conclude that 2023 is "the worst or second-worst year for private equity distributions in 25 years."[2] The State Street Private Equity Index confirms this sentiment, as distribution levels were historically low throughout 2023 (shown below in Figure 1).[3]

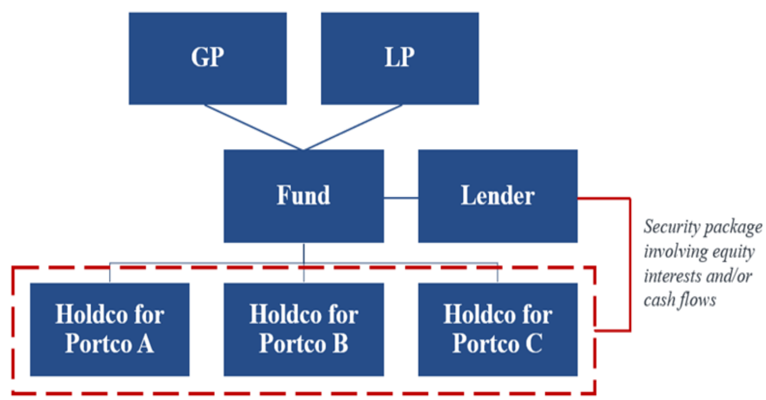
Figure 1. Monthly distributions to commitment (DCC, presented as rolling three-month average)

The lack of liquidity has created challenges for general partners (GPs) and limited partners (LPs) alike. However, these challenges have also created opportunities for alternative routes to liquidity. One avenue has been the secondary market: last year saw $112 billion in total secondary transaction volume, up $4 billion from 2022.[4] However, a more recent trend GPs have embraced is NAV lending. 17Capital, a leading NAV finance provider, reports that the NAV loan market has experienced 30-to-50% annual growth in recent years, including a record-breaking $35 billion in volume between Q1 2023 and Q3 2023.[5] But the rapid rise in the use of NAV facilities has prompted LPs to ask many questions surrounding these loans. To this end, this quarter's essay addresses what exactly these loans are, what purposes they serve, and (most importantly) what risks are involved.

NAV lending explained

A NAV loan is secured against the underlying assets in a fund. Figure 2 shows the general structure of a NAV loan. Since portfolio assets form the collateral, NAV lending usually occurs near the end of, or after, the fund's investment period. The terms on these loans specify loan-to-value (LTV) ratios and other features that depend on the qualities of the security package (how well diversified the fund is, the quality of the underlying assets, whether the borrower has recourse to the portfolio's equity or cash flows, and so forth). NAV facilities are distinct from the more commonly used subscription lines of credit in which a loan is secured against a fund's capital commitments and the proceeds are typically used for short-term bridge financing. The typical NAV loan is a term loan with maturity in the three-to-five-year range.[6]

Figure 2. Illustrative structure of a NAV loan



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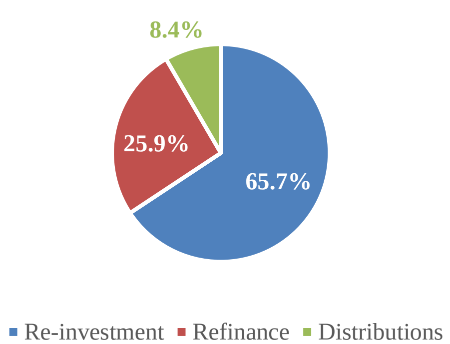
[1] "2023 Annual US PE Breakdown" (PitchBook, January 9, 2024).
[2] "Percentage of GP-Leds in PE Distributions Nearly Doubled in 2023," Private Funds CFO (blog), January 3, 2024, https://www.secondariesinvestor.com/percentage-of-gp-leds-in-pe-distributions-nearly-doubled-in-2023/
[3] State Street Private Equity Index, accessed February 2, 2024. DCC is the ratio of distributions to committed capital. The figure reflects the actual cash flow activity each month across all vintages and is not based on the cumulative values by vintage.
[4] "Global Secondary Market Review" (Jefferies Private Capital Advisory, January 2024).
[5] Anastasia Donde, "NAV Lending Ramps in Popularity, but Questions Remain," Middle Market Growth (blog), December 6, 2023, https://middlemarketgrowth.org/nav-lending-lp-capital-portfolio-company/.
[6] Juliet Clemens, "NAVigating Considerations and Controversies Around NAV Loans" (PitchBook, December 12, 2023).

While the idea of asset-backed debt is not novel (NAV lending, too, is not completely new either – it has historical roots in the hedge fund-of-funds industry[7]), it has become mainstream in private equity only recently. The uncertainty surrounding financial markets at the onset of the COVID-19 pandemic spurred the initial growth in private equity fund manager use of NAV facilities – recall the sudden plummet in distributions between March 2020 and August 2020 shown in Figure 1.

NAV lending use cases

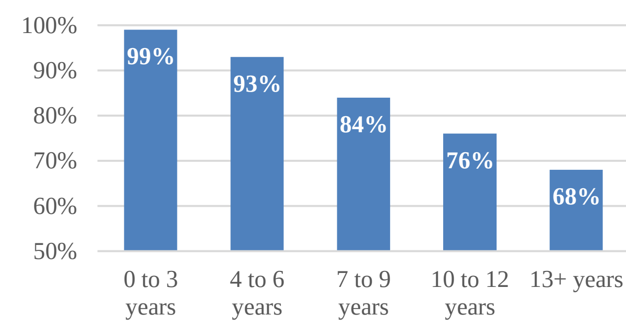
As displayed in Figure 3, managers have relied on NAV lending for portfolio management purposes that include refinancing deals, re-investing in deals, and engineering distributions. Once the committed capital of a fund is fully paid in, finding new capital to pursue additional opportunities in portfolio companies or to refinance portfolio company-level debt can be difficult. This is particularly true during tightened credit markets and tough fundraising environments, much like the present. Equity-based solutions such as co-investment or continuation vehicles may require a prohibitive amount of GP effort to fundraise and are often dilutive. Thus, NAV financing provides an attractive option for GPs in this position. A survey of reported uses of transaction proceeds (Figure 3) shows that NAV loans are primarily utilized for re-investing in companies, followed by refinancing existing portfolio company debt.[8]

Figure 3. Purpose of NAV loan proceeds (n = 53)



While most GPs appear to utilize NAV facilities to opportunistically re-invest in portfolio companies, a growing number are using loan proceeds as distributions for LPs. The central benefit to taking this route as opposed to a secondary sale is shown in Figure 4, which displays the average secondary sale's discount to NAV based on fund age.[9] By contrast, NAV loans avoid these discounts since the loans are marked to the portfolio's reported value. GPs do not have to take any equity or capital out of their investments to pay distributions using this method, helping to ensure value creation efforts are not disrupted (and thus capture greater upside realized later).

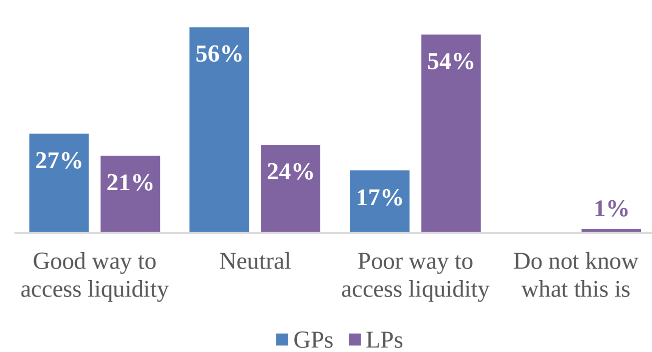
Figure 4. Average buyout fund secondary pricing by age of fund (% of NAV)



The potential risks

While GPs are becoming more comfortable in using NAV facilities, some LPs are skeptical about whether the benefits outweigh the potential downsides. Figure 5 shows that 54% of LP survey respondents view NAV financing as a poor way to access liquidity, whereas only 17% of GP respondents have the same belief.[10]

Figure 5. GP and LP views on NAV lending as a liquidity tool



[7] Richard Summerfield, "Huge and Growing: The Rise of NAV Financing," Financier Worldwide, August 2023, https://www.financierworldwide.com/huge-and-growing-the-rise-of-nav-financing.
[8] "Is NAV Lending Good or Bad for GPs and LPs?" (Crestline Portfolio Finance, October 2023), https://www.crestlineinvestors.com/wp-content/uploads/2023/11/Crestlines-Approach-to-NAV-Lending.pdf.
[9] "Global Secondary Market Review" (Jefferies Private Capital Advisory, January 2024).
[10] Helen de Beer, "Majority of LPs Require Further Education on NAV Financing – Capstone Survey," Private Equity International (blog), January 8, 2024, https://www.privateequityinternational.com/half-of-lps-believe-nav-financing-is-a-poor-liquidity-tool-capstone-survey/.

The LP concerns about NAV loans revolve around the impact of debt. These transactions introduce a new layer of leverage on top of the debt that GPs employ at the portfolio company level. And like any form of debt, NAV loans must be repaid. These loans are not inexpensive: pricing varies significantly deal-to-deal, but the spreads over benchmarks (e.g., the Secured Overnight Financing Rate) for NAV loans can exceed 10% in addition to upfront fees of 2%.[11] Many LPs are major sovereign funds and pensions, whose borrowing costs are likely to be substantially lower. Thus, NAV loans are costly for LPs who do not need immediate liquidity (or can achieve it much more cheaply). They receive distributions that incur interest expenses paid by the fund's future income, thus reducing returns.

When considering downside or default scenarios, several other issues emerge. One is cross-collateralization, since NAV loans are backed by the entire fund's underlying assets. Generally, when one portfolio company unexpectedly underperforms, the rest of the fund is insulated. However, NAV loan structures mean that a few "bad apples" can jeopardize fund-level returns as the rest of the portfolio must service the debt. This concern is amplified if one believes that NAV loan proceeds are being used in hopes of salvaging "unviable companies," much like how GP-led secondaries were once considered "zombie funds".[12] And in the worst case of default, the loans are typically structured such that NAV lenders take precedent over LPs in the fund's capital structure.

Debt taken on by private equity funds can exacerbate agency conflicts inherent to limited partnerships. Studies on private funds' use of subscription lines of credit (SLCs) reveal issues that may relate to NAV financing. Albertus and Denes (2023) find that GPs can use SLCs to distort measures of fund performance that are sensitive to cash flow timing.[13] They find that the average fund using SLCs boosts its IRR by 1.9 percentage points by substituting SLCs for capital calls. Albertus and Denes also show that GPs are significantly more likely to use SLCs in the year prior to fundraising and prior to reaching a fund's hurdle rate, which suggest that these steps are designed with the GPs' interest in mind – not the LPs.

Similar issues may arise from NAV loans. Early distributions increase time-sensitive performance measures like IRR and can prop up DPI. As a result, some LPs view distributions via NAV loans as "synthetic" and will remove such distributions when calculating performance measures.[14] A stipulation regarding NAV loan distributions in many loan agreements also has LPs concerned: often, the distributions made from the proceeds of such transactions may be recallable. However unlikely that the proceeds must be returned, a recallable distribution is problematic for institutions that must hold capital against unfunded commitments.[15]

Finally, the lack of transparency surrounding NAV facilities use has LPs worried. Given the rapid rise in popularity of NAV loans, many limited partnership agreements may not specifically address whether NAV facilities are permitted. As a result, GPs may not be legally obligated to receive LP consent before taking on a NAV loan or even to disclose it. Thus, LPs might be exposed to all the mentioned risks without even knowing it.

Conclusion: NAV lending has tradeoffs, will remain relevant in the near future

In a short span of years, NAV lending has gone from a niche to a mainstream form of private equity fund finance. And given the current fundraising and exit environments, it is likely that market for NAV loans will continue to grow: one estimate suggests the market will reach $600 billion by 2030.[16] While these loans give GPs flexibility to pursue additional opportunities for their portfolio companies and pay out distributions to LPs, there are risks involved. The additional leverage, as well as the cross-collateralization of portfolio companies, has many LPs hesitant about their GPs utilizing NAV facilities. Further, the distributions paid from debt proceeds come net of later interest expenses and are sometimes recallable. Moving forward, LPs would do well to seek transparency from their GPs regarding NAV loan use.

[11] "Insights on the NAV Lending Market" (Proskauer, June 2023), https://www.proskauer.com/report/insights-on-the-nav-lending-market.
[12] Alicia McElhaney, "Allocators Aren't Happy With the NAV Lending Craze," Institutional Investor (blog), August 22, 2023, https://www.institutionalinvestor.com/article/2c2fvfypmlmyy9k7zjo5c/corner-office/allocators-arent-happy-with-the-nav-lending-craze.
[13] James F. Albertus and Matthew Denes, "Private Equity Fund Debt: Agency Costs and Cash Flow Management," SSRN Scholarly Paper (Rochester, NY, October 11, 2023), https://doi.org/10.2139/ssrn.3410076.
[14] Alex Lynn, "LPs Aren't Loving the 'Synthetic' Distribution Boom," Private Equity International (blog), January 11, 2024, https://www.privateequityinternational.com/lps-arent-loving-the-synthetic-distribution-boom/.
[15] Adam Le and Alex Lynn, "Recallable NAV Loans: The 'Zero-Sum Game' Leaving LPs in a Bind," Private Equity International (blog), November 2, 2023, https://www.privateequityinternational.com/recallable-nav-loans-the-zero-sum-game-leaving-lps-in-a-bind/.
[16] "NAV Facilities Gain Momentum among Alternatives Funds," Citco (blog), February 2023, https://www.citco.com/insights/nav-facilities-gain-momentum-among-alternatives-funds.

This use of debt can be an effective cash flow management tool; but before GPs utilize NAV facilities, LPs should be clear of the risks involved, why the debt is needed, and how the proceeds are intended to be used.

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The Private Capital Research Institute is a not-for-profit 501(c)(3) corporation formed to further the understanding of private capital and its global economic impact through a commitment to the ongoing development of a comprehensive database of private capital fund and transaction-level activity supplied by industry participants. The PCRI, which grew out of a multi-year research initiative with the World Economic Forum, also sponsors policy forums.

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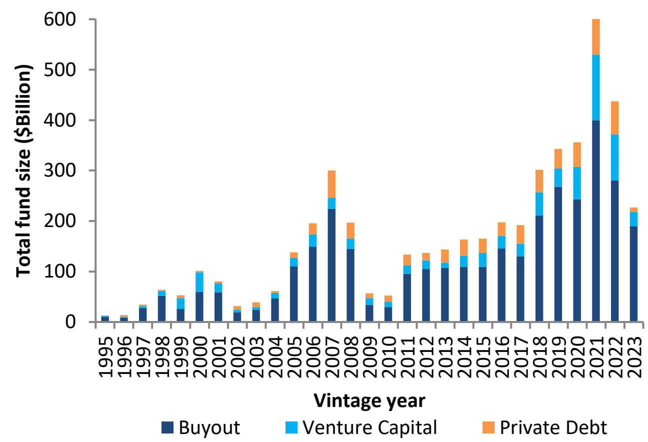
Fundraising

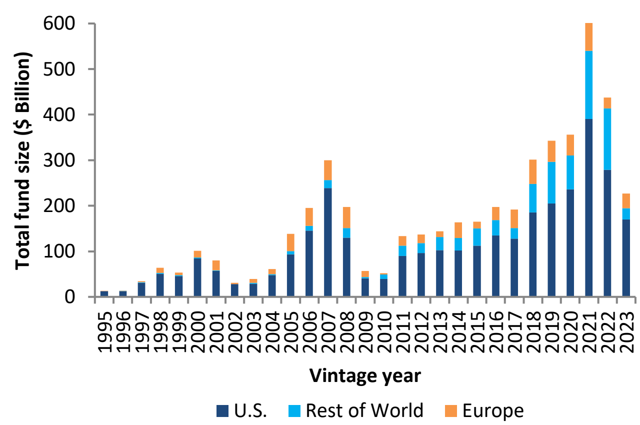
Fundraising activity has picked up its pace in the third quarter, with the SSPEI constituent funds raising $88 billion in Q3 2023, $227 billion year to date. A linear extrapolation of the commitments raised in full 2023 vintage year is $303 billion, which would return to the level prior Covid. Comparing to previous years, the projection of total capital raised in 2023 is equivalent to 69% of 2022 and 49% of 2021. As of this quarter, buyout, venture capital and private debt funds raised $189.83 billion, $28.00 billion, and $9.18 billion respectively (see Exhibit 4A), of which private debt funds saw the largest decrease in committed capital. US, Europe, and Rest of World funds raised $169.78 billion, $32.22 billion, and $25.01 billion respectively (see Exhibit 4B). Among regions, fundraising of Rest of World funds slowed down dramatically.

Exhibit 4. Total Fund Size (USD Billion)

A. By Strategy



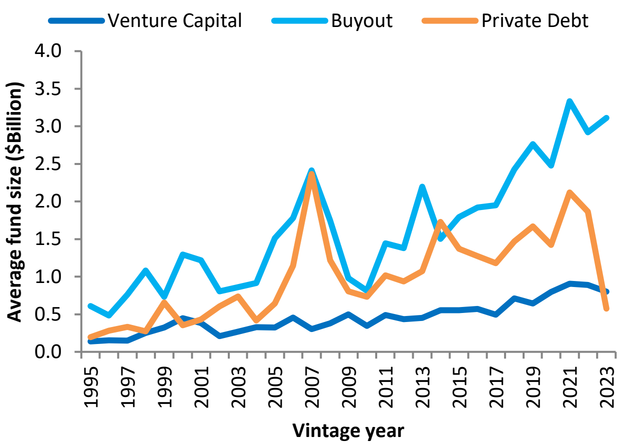
B. By Region



Source: State Street Global Markets, as of Q3 2023.

The average fund size of 2023 vintage funds as of Q3 is $2.03 billion, up from $1.7 billion as of Q2, and surpassed that of vintage year 2022. However, among strategies, the average fund size of private debt saw a sharp drop in 2023 vintage year to $574 million, a 69% decrease from that of previous vintage year at $1.87 billion. In contrast, the average fund sizes of buyout and VC are only slightly shy of their peaks in 2021 (see Exhibit 5).

Exhibit 5. Average Fund Size (USD Billion)



Source: State Street Global Markets, as of Q3 2023.

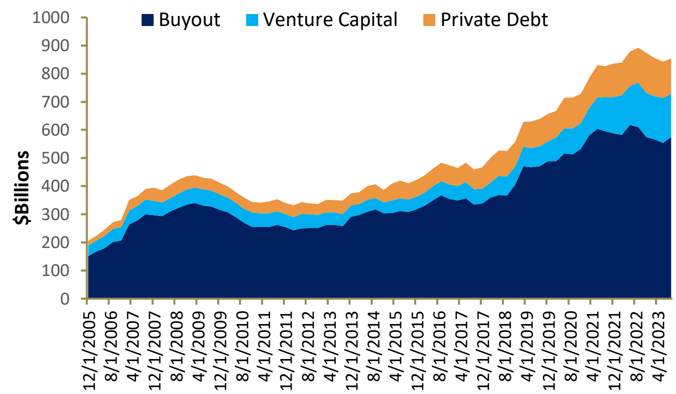
Dry Powder

Dry powder, or unfunded commitment, represents the amount of capital that has not been called, thus to be used for future investment opportunities. As of Q3 2023, SSPEI posted a dry powder of $853 billion, a slight increase from the $843 billion in Q2 2023, showing a mild slowdown in capital deployment (see Exhibit 6A).

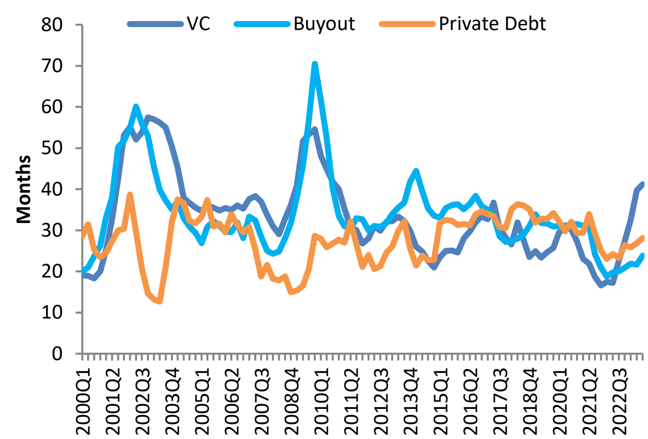
The quarterly dry powder normalized by the monthly average contribution of the past 12 months, measures how long the current dry powder inventory can last at the recent average capital call rate without new fundraising activities. In Q3, dry powder inventory continued to rise for all strategies due to muted deal activities. For VC funds, it will last about 41 months, a significant increase last seen in 2000 and 2008 crisis periods. Buyout and private debt saw inventory increases to 24 months and 28 months respectively, which are still close to their long term averages (see Exhibit 6B).

Exhibit 6. Dry Powder

A. Monthly Dry Powder



B. Quarterly Dry Powder Normalized by Average Contribution



Source: State Street Global Markets, as of Q3 2023.

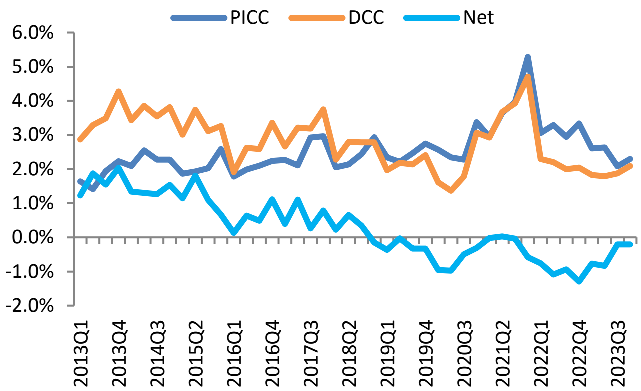
Cash Flow Activity

As of Q4 2023, quarterly paid-in over committed capital (PICC) and quarterly distribution over committed capital (DCC) both showed a modest increase, resulting in net cash flow over committed capital stayed slightly below zero, at -0.21% (see Exhibit 7A).

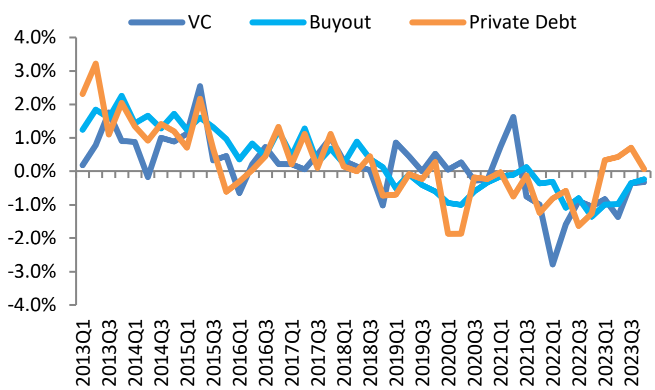
Exhibit 7B provides a closer look at the net cash flows among different PE strategies. In Q4, the net cash flow to committed capital seemingly increased for Buyout and VC, yet remained in negative zone with -0.24% and -0.32% respectively. Private Debt, however, experienced a 1.4% increase in PICC while 0.7% increase in DCC, resulting in net cash flow decreased to 0.07% in Q4 (see Exhibit 7B).

Exhibit 7. Quarterly Cash Flow Ratios Normalized by Commitment

A. Contribution and Distribution for All PE



B. Net Cash Flow to Committed Capital By Strategy



Source: State Street Global Markets, as of Q4 2023.

Valuations

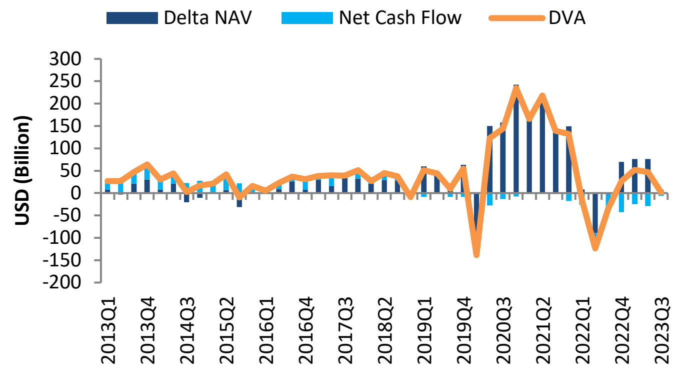
The Dollar Value Added (DVA) is the sum of NAV changes and net cash flows. It measures the realized and unrealized gain and loss in dollar amounts.

$$DVA = EndingNAV - BeginningNAV + Distribution - Contribution$$

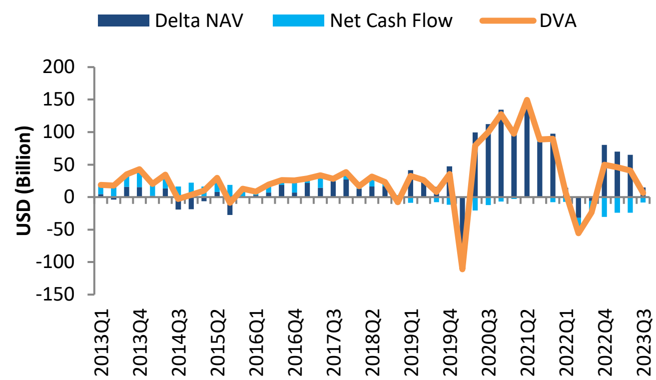
The quarterly DVA of all PE funds changed drastically from $46.7 billion in Q2 to $1.5 billion in Q3 2023. Overall net cash flows increased to -$6 billion in Q3 from an average level of -$32 billion in recent six quarters, driven primarily by an over 70% decrease of contributions amount from the average. The total all PE NAV had little growth of only $7.8 in Q3 (see Exhibit 8A). Among strategies, all three saw decreases in DVA amount, with Buyout, VC and Private Debt having DVA of $6, -$9 and $4 billion respectively. Buyout and VC were significantly below their long-term DVA averages, while private debt maintained at a relatively stable level (see Exhibit 8B, 8C, 8D).

Exhibit 8. Dollar Value Added

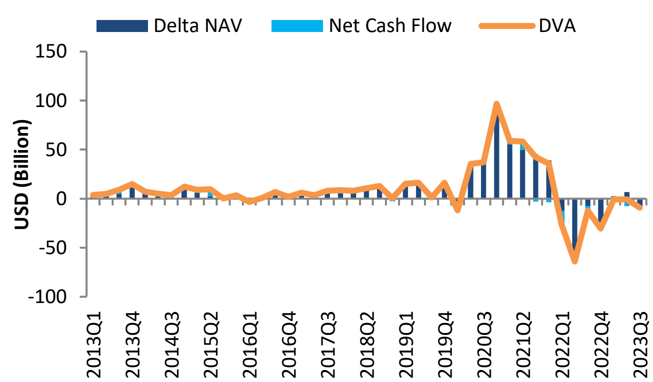
A. All PE



B. Buyout

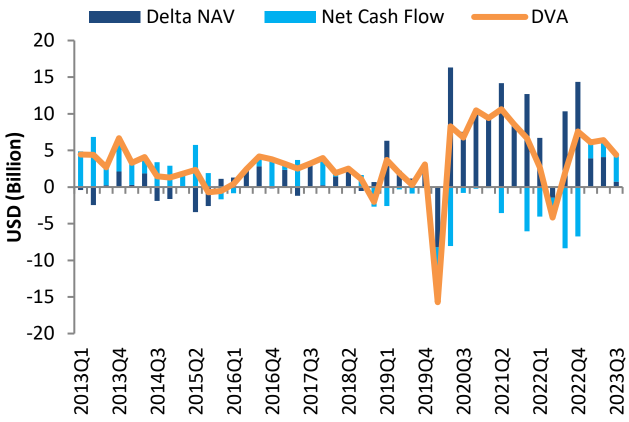


C. Venture Capital



Source: State Street Global Markets, as of Q3 2023.

D. Private Debt



Source: State Street Global Markets, as of Q3 2023.

Holdings Exposure

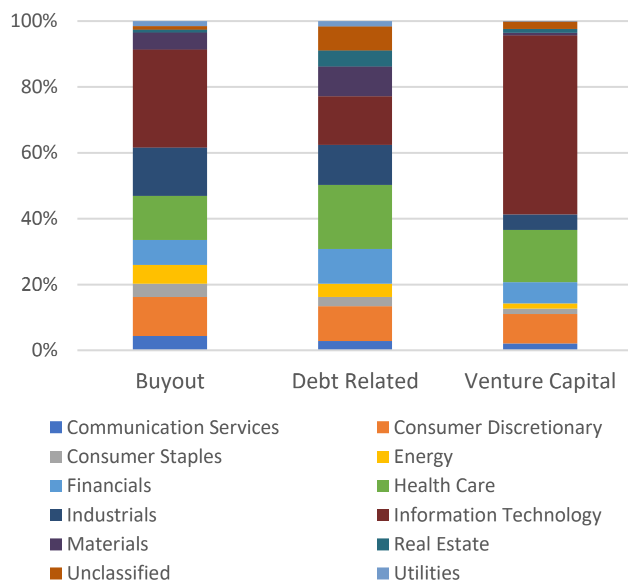
In SSPEI, sector focus is categorized at the fund level. While this classification offers insights into the overall fund strategy, classifications at the holding company level would provide finer granularity, allowing us to identify the exposures more precisely.

Exhibit 9A displays the NAV weights of GICS sector classifications of the portfolio companies in SSPEI constituent funds, based on State Street proprietary private holdings data, across strategies as of Q3 2023[17]. For Buyout funds, overall there is 30% NAV in information technology sector, followed by industrials, health care and consumer discretionary with similar NAV weights between 13-15%. The NAV of venture capital is highly concentrated, predominantly in IT for 54%, followed by 16% of health care and 9% of consumer discretionary. Private debt holdings appear the most diversified among strategies, of which health care, IT and industrials are the top three sectors having largest NAV weights of 19%, 15% and 12% respectively.

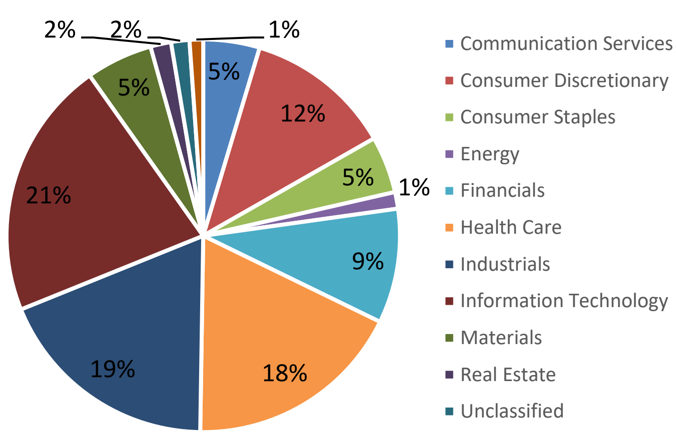
For funds classified as generalist in SSPEI, their top sector exposure in holdings data showed a similar pattern to buyout funds. Information technology consists of 21% of the NAV, followed by industrials, health care and consumer discretionary, accounting for 19%, 18% and 12% respectively. These four sectors collectively represented 70% of the NAV within generalist funds (see Exhibit 9B).

Exhibit 9. Holdings Sector Exposure Measured by NAV

A. Sector Exposure by Strategies



B. Sector NAV weights for Generalist PE Funds



Source: State Street Global Markets, as of Q3 2023.

[17] As of Jan 2024, the coverage of Q3 holdings data was 39% of the overall NAV in SSPEI, primarily due to a longer reporting lag for holdings data.

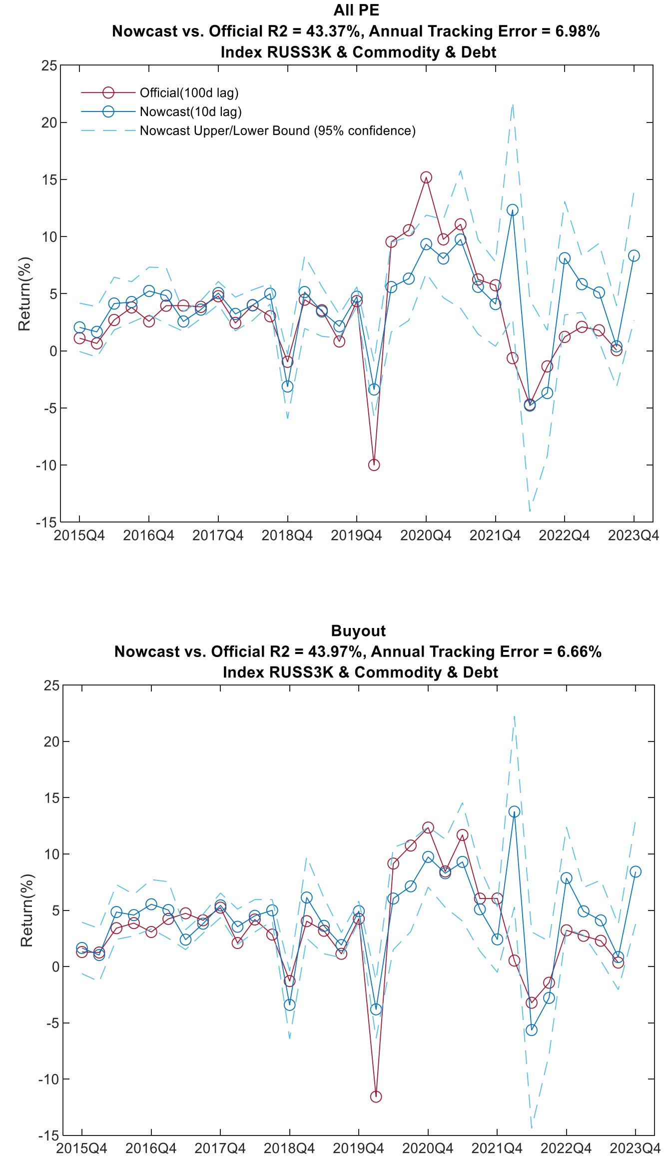
Nowcasting

Inspired by the concept of nowcasting, SSPEI research team developed a model, aspiring to estimate the concurrent performance of private equity market, of which the reporting is otherwise delayed at least by one quarter. We hereby only share the model predictions for Q4 2023 without going into theoretical background. For model details, please refer to State Street Private Equity Insights Q3 2021 publication.[18] Nowcasting results are out-of-sample predictions based on the regression coefficients from the past 5 year rolling window and the observed public market returns and private market cash flows.

Looking back at the current quarter, the actual Q3 2023 returns of All PE, Buyout, Venture Capital and Private Debt were 0.06%, 0.35%, -1.75% and 1.83%. Correspondingly, the nowcasting model predicted returns were 0.39%, 0.84%, 3.06% and 2.77%. As is visually evident from Exhibit 10, the nowcasting model did very well predicting the Q3 return of buyout strategy, and therefore that of all PE, which is dominated by buyout. The prediction of private debt Q3 return was also not far off, as it lies within the 95% confidence interval. Although the realized return of VC eventually fall outside of the confidence band, there was a large pull back in the predicted returns from Q2 to Q3 2023, successfully predicting the reversal trend. Also given the Nasdaq composite index rose quite a lot in the first half of 2023 resulting in overly optimistic predictions, it takes the model several observations to adjust.

Looking forward, our nowcasting model expects the Q4 2023 returns of all strategies to surge, quite significantly in fact from where they currently are, particularly for buyout. For all PE, buyout, and VC, the model predicted significant quarterly returns of 8.33%, 8.43% and 7.38 respectively; meanwhile, private debt is predicted to see an increase in Q4 return as well, yet more moderately, with 4.59%. These optimistic model predictions are primarily driven by the outstanding public market performance in Q4 2023, as on the equity side, Nasdaq composite index surged for 13.8%, Russell 3000 index was up 12.1%; on the debt side, Barclays US Aggregate index and Bloomberg U.S. Corporate High Yield index both rose about 7% in the last quarter of 2023.

Exhibit 10. Actual vs. Out-of-sample Nowcast IRRs



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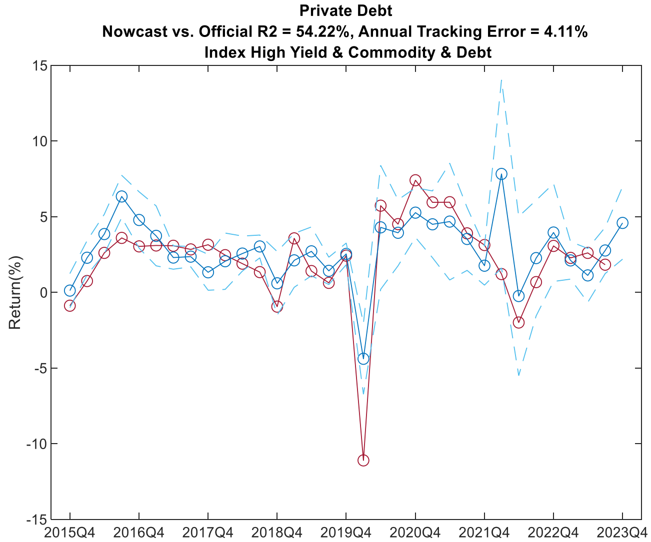
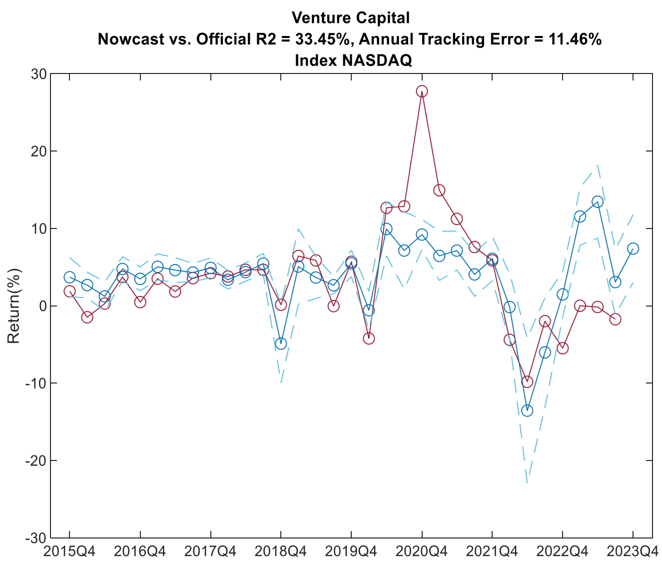
[18] State Street Private Equity Insights Q3 2021
https://globalmarkets.statestreet.com/portal/peindex/ publications





Source: State Street Global Markets, as of Q3 2023.

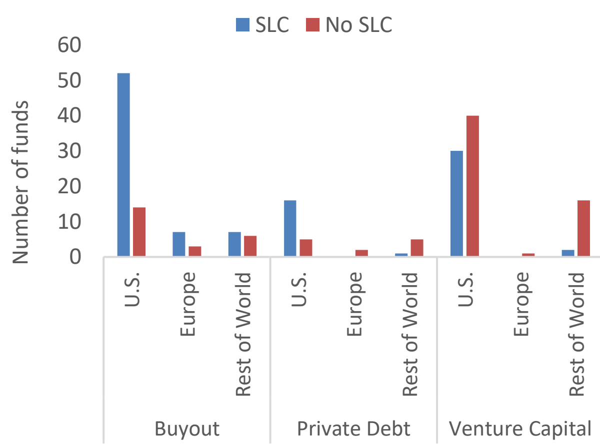
DISCUSSION – A SURVEY OF SUBSCRIPTION LINE USAGE

Subscription line of credit (SLC) is a bridge financing tool that allows GPs to take out short term loans, typically less than 180 days, secured by commitments from LPs. With increasing utilization of SLC by private equity funds, challenges arise for LPs to assess both their exposure and performance. Hence, ILPA issued a guidance in 2020 (as a follow-on to the 2017 guidance) on enhancing transparency and standardizing disclosures around SLC[19]. To better understand the current landscape of SLC in the industry, we examined relevant disclosures in the financial statements of 207 SSPEI index constituent funds in 2022 and 2023 vintage years[20]. We present the most important findings from our survey below.

115 among the 207 funds reviewed by us disclosed their usage of SLC, while the remaining 92 funds did not have such disclosures. The majority of buyout funds (66 out of 89, or 74%) use SLC, particularly US focused ones (52 out of 66, or 79%). Among the 29 private debt (PD) and 89 venture capital (VC) funds, SLC usage is less substantial - 59% or 17 funds for PD, and 36% or 32 funds for VC - and highly concentrated in US focus; Europe and Rest of the World focused private debt and VC funds have minimal SLC exposure (see Exhibit 11A). The same proportions by fund size (85%, 72%, 38% for buyout, PD, VC respectively), are higher than those by fund count, suggesting larger funds are more likely to use SLC than smaller ones across regions and strategies (see Exhibit 11B).

Exhibit 11. Use of SLC by 2022-2023 Vintage Year Funds

A. Fund count

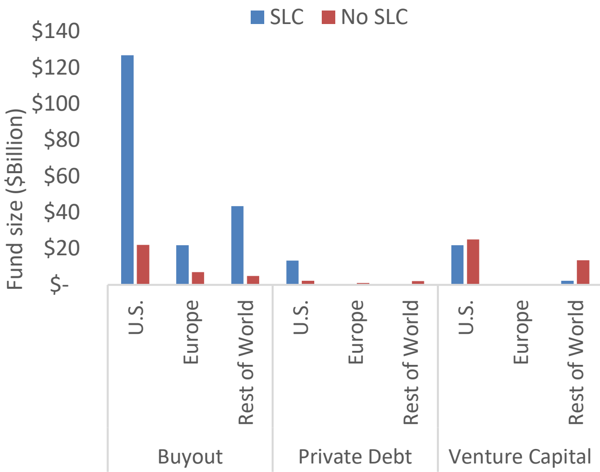


Source: State Street Global Markets, as of Q3 2023.

[19] Enhancing Transparency Around Subscription Lines of Credit: Recommended Disclosures Regarding Exposure, Capital Calls and Performance Impacts, June 2020, ILPA.org

[20] SSPEI defines vintage year as the year of PE fund's first capital call from its LPs.

B. Aggregated fund size



Source: State Street Global Markets, as of Q3 2023.

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Participants in private capital markets need a reliable source of information for performance and analytics. Given the non-public nature of the private equity industry, collecting comprehensive and unbiased data for investment analysis can be difficult. The State Street Private Equity Index ("SSPEI") helps address the critical need for accurate and representative insight into private equity performance.

Derived from actual cash flow data of our Limited Partner clients who make commitments to private equity funds, SSPEI is based on one of the most detailed and accurate private equity data sets in the industry today. These cash flows received as part of our custodial and administrative service offerings are aggregated to produce quarterly Index results. Because the SSPEI does not depend on voluntary reporting of information, it is less exposed to biases common among other industry indexes. The result is an index that reflects reliable and consistent client data, and a product that provides analytical insight into an otherwise opaque asset class.

- Currently comprises more than 3,900 funds representing more than $4.9 trillion in capital commitments as of Q3 2023
- Global daily cash-flow data back to 1980.
- The Index has generated quarterly results since Q3 2004.
- Published approximately 100 days after quarter-end.

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