PANTHEON

PRESS RELEASE

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Should Defined Contribution Plan Sponsors add Private Equity to Target-Date Funds?

Pantheon, the global private equity, infrastructure and real assets investor, has published a Study that looked at whether the inclusion of Private Equity into custom Target-Date Funds (TDFs) could potentially increase expected retirement returns without assuming more risk.

The Study's results found that a pension plan participant could potentially increase the total amount saved and distributable by approximately 8.7% at the TDF's maturity in year 45, assuming that the plan participant invested $6,424 annually[1] through the lifespan of the TDF. In dollar terms, that additional potential return equated to an additional $172,794 of potential savings at year 45[2].

The Study took a prospective approach, using the assumed forward returns of the JP Morgan Asset Management 2016 Long-Term Capital Market Assumptions[3]. This established annual publication sets out expectations for how risk, return, and correlations across asset classes may develop over coming decades. The Pantheon research team sourced its TDF glide path data (the asset class weights) from Fidelity[4], a leading TDF provider. The team then added Private Equity into the TDF asset class mix to see whether that inclusion had the potential to enhance expected returns, while keeping risk constant.

Of course, the potential additional savings depend on the annual contributions made and on the allocation made to Private Equity. Our Study found that the optimal allocation was 7.1% during the first 30 years of the TDF, followed by an allocation of 6.98%, 6% and 5.28% in years 30, 35 and 40 respectively. The Study further found that higher allocations to Private Equity in the first 30 years of the TDF could potentially increase the TDF's performance further still, while not significantly increasing risk. Of course, past performance is no guarantee of future returns.

Please review the full Study for details as to the Study's methodology, its findings and important disclosures.

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Notes and Reference Sources

"Should DC Plan Sponsors Add Private Equity to Target-Date Funds?" by Dr. Andres Reibel, Pantheon, January 2017. Available at www.Pantheon.com

[1] How America Saves 2016, Vanguard. https://institutional.vanguard.com/VGApp/iip/site/institutional/researchcommentary/article/HowAmericaSaves2016

[2] The Pantheon research team calculated the total dollars saved over a 45-year period if a pension plan participant had made equal annual dollar contributions investing in a TDF with an allocation to Private Equity of 7.1% in the first 30 years (the first six rebalancing periods), and 6.98%, 6% and 5.28% in years 30, 35 and 40 respectively. The team repeated this calculation for a TDF that does not include Private Equity. The difference in the amount saved at maturity between the two TDFs is equal to the additional savings that would have accrued had the participant chosen the TDF including an allocation to Private Equity over a TDF without an allocation to Private Equity. Please refer to Table 7 in the Appendix of the Study for precise calculations and assumptions made.

[3] https://am.jpmorgan.com/gi/getdoc/1383271688187. Link accessed by Pantheon research team on 11/11/2016. For the purposes of the Study, J.P. Morgan Asset Management's 2016 Long-Term Capital Markets Assumptions were selected as reference data. Our aim was to base our analysis on a widely-used, well-established (this particular publication is in its 20th Edition), and highly transparent dataset published by a reputable third-party. On the same basis, we selected the Fidelity data we used for our glide path modelling.

[4] https://fidelity.com/mutual-funds/fidelity-fund-portfolios/freedom-funds-manage . Link accessed on 19/8/2015. The Fidelity data was selected as a reputable and transparent dataset for glide path modelling.

Notes to Editors

PANTHEON

Pantheon Ventures (UK) LLP together with its affiliates ("Pantheon") manages or advises funds and clients investing globally in private equity, infrastructure and real assets. Founded over 30 years ago, Pantheon has developed an established reputation in the global private markets and has been investing in the global private equity secondaries market since 1988. Our investment solutions include customized separate account programs, regional primary fund programs, secondaries, co-investment, infrastructure and real assets programs which we manage on behalf of over 380 institutional clients.

As at June 30th, 2016 Pantheon had $34.2 billion assets under management* and currently employs 222 professionals, including 68 investment professionals, located across our offices including London, San Francisco, New York, Hong Kong, Seoul and Bogotá. Pantheon is owned by Affiliated Managers Group Inc. ("AMG"), alongside senior members of the Pantheon team. AMG is an NYSE-listed asset management company with equity investments in leading boutique investment management firms.

* This figure includes assets subject to discretionary or non-discretionary management, advice or those limited to a reporting function.

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