

PANTHEON

PRESS NOTICE

London, March 4th, 2015

Can Private Equity Improve the Risk-Return Profile of a Portfolio of Public Equities?

Pantheon has today published a study that examined the risk-return impact of including private equity in a portfolio of public equities.

The approach taken by the study's author Dr. Ian Roberts, a member of Pantheon's Research Team, found that private equity assets appeared to behave similarly to publicly-listed equities over the long run, but with potential significant alpha and diversification benefits, based on a historical dataset¹. Our analysis concluded that private equity assets may enhance an investor's risk-return profile when added to a diversified portfolio of publicly-listed equities.

Understanding the risk-return impact of private equity to a diversified equity portfolio is crucial to the investment strategy of multi-asset class fund managers.

The conclusion from this work is that, based on the historical data, private equity would have enhanced the risk-adjusted performance of a portfolio of U.S. equities during the sample period of 1992 to 2014:

- We estimated a beta of 1.05 between private equity and public equities. This suggests that on average the potential transaction value of private equity investments moved in-step with public market returns.
- Based upon our historical dataset, private equity added value to a portfolio of public equities via an annualized alpha of 3.16%.
- The correlation between private equity and public equities was 70% (based upon our dataset), and so private equity provided diversification benefits when included in a portfolio.
- Our analysis therefore indicated that adding private equity to a portfolio of randomly selected public equities may raise risk-adjusted returns.
- The results from our study suggested that the optimal portfolio of risky assets included a 23.6% commitment to private equity. This figure is adjusted to reflect that private equity is less liquid than public equities.
- Our analysis suggests that for investors with no liquidity constraints, the optimal allocation to private equity would have been 38%.

¹ Please see the study, "Should an Investor's Portfolio Contain Private Equity?" for the full methodology we applied and disclosure notices.

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Notes to Editors

PANTHEON

Pantheon is a leading global private equity, infrastructure and real assets fund investor that invests on behalf of over 380 individual institutional investors, including public and private pension plans, insurance companies, endowments and foundations. Founded over 30 years ago, Pantheon has developed an established reputation in primary and secondary private asset solutions across all stages and geographies. Our investment solutions include customized separate account programs, regional primary fund programs, secondaries, co-investment and infrastructure programs. Pantheon also has private equity solutions for private wealth and defined contribution clients.

As at March 31, 2016, Pantheon had \$34.3 billion assets under management* and we currently have 209 employees, including 71 investment professionals, located across our offices in 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. The ownership structure, with Pantheon management owning a meaningful share of the equity in the business, provides a framework for long-term succession and enables Pantheon management to continue to direct the firm's day-to-day operations.

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

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For more information, go to www.pantheon.com.

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