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PICKING FOR PURPOSE: OUR APPROACH TO SELECTIVITY IN CO-INVESTMENTS

By Erik Wong and Matthew Cashion



Pantheon has been active in the private equity co-investment markets for more than 16 years, and our track record over this period is strong¹. We have reviewed over 2,000 transactions, completed more than 340 co-investments, and partnered with more than 130 general partners (GPs) globally². We decline far more deals than we approve and, across each of the last five generations of our global co-investment funds, the deals selected have consistently outperformed those we declined³.

As the co-investment market has matured and become increasingly competitive in the last decade and a half, the ability to systematically identify and execute on superior opportunities has emerged as a critical differentiator for investment managers. A disciplined approach to deal selection can be a primary driver of value across co-investments and having a robust and consistent selectivity framework in place can represent a quantifiable source of alpha generation.

- An experienced investment team: Our selectivity framework begins with the expertise of our teams. Given that co-investment opportunities typically involve compressed timelines and limited information, managers with superior due diligence capabilities and proprietary information sources can more effectively evaluate the quality of any given opportunity within these constraints.

Our investment committees and co-investment team bring significant direct investment and M&A experience across sectors like healthcare, financial services, and software, allowing them to apply their own industry-specific knowledge to assess competitive positioning, and to conduct independent pricing and return modelling.

Pantheon's four-decade-long history across private equity markets also provides a strong informational advantage that benefits our selection process, allowing us to utilize the data from our primaries and secondaries private equity programs to inform our co-investment selection process.

- Strong GP relationships: Our deep, long-term relationships with GPs give us access to data on a wide range of portfolio companies across our funds. These strong connections with GPs afford us insights into the strengths and weaknesses of each potential sponsor we partner with, including their sector capabilities and their approaches to portfolio construction. These relationships also enable us to access high-quality deals, and even preferential terms on attractive opportunities. Our ability to provide capital solutions across all parts of the financing process positions us to be a preferred partner and enables us to receive recurring deal flows from these high-quality GPs.
- Double due-diligence: While we benefit from direct access to GPs and their own due diligence, we critically evaluate the merits of every deal independently – even with those sponsors with whom we share the strongest

¹ Internal data shows Pantheon's co-investment funds have consistently outperformed public market equivalents. Past performance does not guarantee future results.

² Pantheon internal data to December 31, 2024

³ On a multiple on invested capital basis, according to Pantheon internal data for deals reviewed from January 2009 up to June 30, 2023 where we have visibility on performance. It is too early to show performance for more recent deals.



long-term relationships. We analyze each sponsor's sectoral expertise on the deal, the alignment with the management team, and the outlook for exit optionality and return sensitivities.

- Collaboration between our primary, co-investment, and secondaries private equity teams in sourcing, underwriting, and monitoring co-investments provides us with a strong informational advantage, giving us access to data on tens of thousands of companies, as well as proprietary analysis of the GPs themselves.
- Identifying red flags: If a deal falls outside a GP's core competency, our selectivity framework is likely to identify it for rejection.
- We look to avoid assets that are exposed to uncontrollable macro factors, such as commodity prices, foreign exchange fluctuations, and regulatory risks. Similarly, we are disciplined around deals that have valuation multiples that appear inconsistent with business fundamentals, excessive leverage relative

to cash flow generation capabilities, or turnaround situations with limited operational improvement catalysts.

- A portfolio-centered approach: Beyond evaluating an individual investment prospect, and the GP that is offering it, our selectivity framework ensures that we maintain strict diversification targets intended to optimize our risk-adjusted returns. Each co-investment program operates within predefined diversification parameters across sector exposure, geographic distribution, vintage year concentration, company size, sponsor relationships, and individual position sizing.
- New investments must not only meet our investment criteria but also enhance our desired overall portfolio balance and diversification. This methodical approach to portfolio construction aims to mitigate concentration risks while promoting efficient capital deployment across our targeted opportunity set.

In an uncertain market environment, such as the one we have experienced so far in 2025, it becomes more important than ever for investment managers to maintain their sense of discipline. We believe a discerning approach to deal selection – and not just access to deal flow – will continue to differentiate the strongest co-investment managers.



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