

# Private Equity International

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## NEWS & ANALYSIS

# Meet the PE 50 index, the 'Vanguard' of private markets

NewVest seeks to change how investors gain exposure to private markets with the launch of its private markets index fund.

**A** private markets investment platform launched by a finance academic aims to disrupt how investors gain access to private markets via access to funds managed by the industry's largest managers.

New York-headquartered NewVest has rolled out what it calls the first-ever private markets index fund, the Private Equity 50 Index Fund (PE 50), which has raised \$150 million on first close. The PE 50 grants investors passive exposure to some of the 50 biggest funds in market.

"We believe this is the first time there is a passive index fund for private equity," Edward Talmor-Gera, chief executive of NewVest, told Private Equity International.

"Our real vision is: how do we create the Vanguard of private markets? In the same way you have a FTSE 100 or an S&P 500 – which is a great tracker for public equities and becomes a great proxy as a way to invest into a passive instrument that gives you broad exposure to an asset class – we created the PE 50 for clients to have a passive exposure to the private equity market."

The firm declined to comment on which funds the index provides access to. PEI understands that funds managed by Blackstone, TPG, Insight Partners, Clearlake Capital Group and Welsh, Carson, Anderson and Stowe are included.

The PE 50 received backing from institutional investors including insurers,

pensions, banks, endowments and family office capital, as well as founders and senior industry professionals of PE firms, according to a statement seen by PEI.

Private equity is moving downmarket, increasingly opening up to new investors including smaller entities and individuals that haven't had exposure to private markets.

According to Talmor-Gera, the PE 50 index is structured similarly to a fund of funds in terms of capital calls from underlying funds.

"Only once LPs get 100 percent of their capital back, they would share with NewVest some percent of the returns above that 1x DPI," he said.

The platform charges no management fees. There is no hurdle rate, with a 2-6 percent carry-based fee with a European waterfall structure.

"We're not asking [the GPs] to give us co-investments and we will never take any placement fees or other economics from them. We're not even asking for loads of management time. It simply is: What is your fund? What is the target size? What are the dates of your closings? Afterwards, we have our own compliance, legal diligence and reporting procedures we go through," Talmor-Gera said.

The PE 50 is an annual programme and seeks to emulate pooled returns for private equity.

"We believe it is lower risk, lower cost and offers broad exposure and

diversification [compared with] single-fund selection, or even funds of funds," said Talmor-Gera. "The cost is structured in an LP-centric, aligned way, in that we only get a share of profits and there's no management fee along the way."

Asked about the target for its capital raise, Talmor-Gera, who leads private equity teaching at the Israel Finance Institute and who is the private equity industry coach at London Business School, according to NewVest's website, said fundraising will effectively end once approximately 10 percent of the weight of the index – or 10 percent of the top PE funds – have held their final closes.

## Looking ahead

NewVest plans to launch similar indices for private debt, real estate and infrastructure. Its private debt index is expected to launch this quarter. Talmor-Gera noted that the platform also expects to set up other niche products, including an impact index and an Israel tech index.

He added: "I'm also aspiring to create a first-time fund index. First-time funds have such a hard time getting launched and inherently there's a real attraction in them – however, historically, there's been more risk. An index is a perfect solution because it de-risks it, gives that broad exposure and helps all those new funds get into play and grow their businesses."

Asked about the total addressable market for capital raising through passive

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instruments in private markets, Talmor-Gera noted the opportunity could be upwards of \$500 billion a year, although it will take some time to reach that level of penetration. A private markets investment platform launched by a finance academic aims to disrupt how investors gain access to private markets via access to funds managed by the industry's largest managers.

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Asked about the total addressable market for capital raising through passive instruments in private markets, Talmor-Gera noted the opportunity could be upwards of \$500 billion a year, although it will take some time to reach that level of penetration.