An Introduction to Private Equity

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Māpua

Private Equity: The Basics

CONTROLLING STAKES IN ESTABLISHED COMPANIES

Buyouts

MINORITY STAKES IN FAST-GROWING BUSINESSES

Growth Equity

BUYING EXISTING FUND STAKES PART-WAY THROUGH

Secondaries

EARLY-STAGE COMPANIES, HIGHLY DISPERSED OUTCOMES

Venture Capital

The Opportunity Set Beyond Listed Markets

Approximately 21,000 US companies with annual revenue above US$100 million

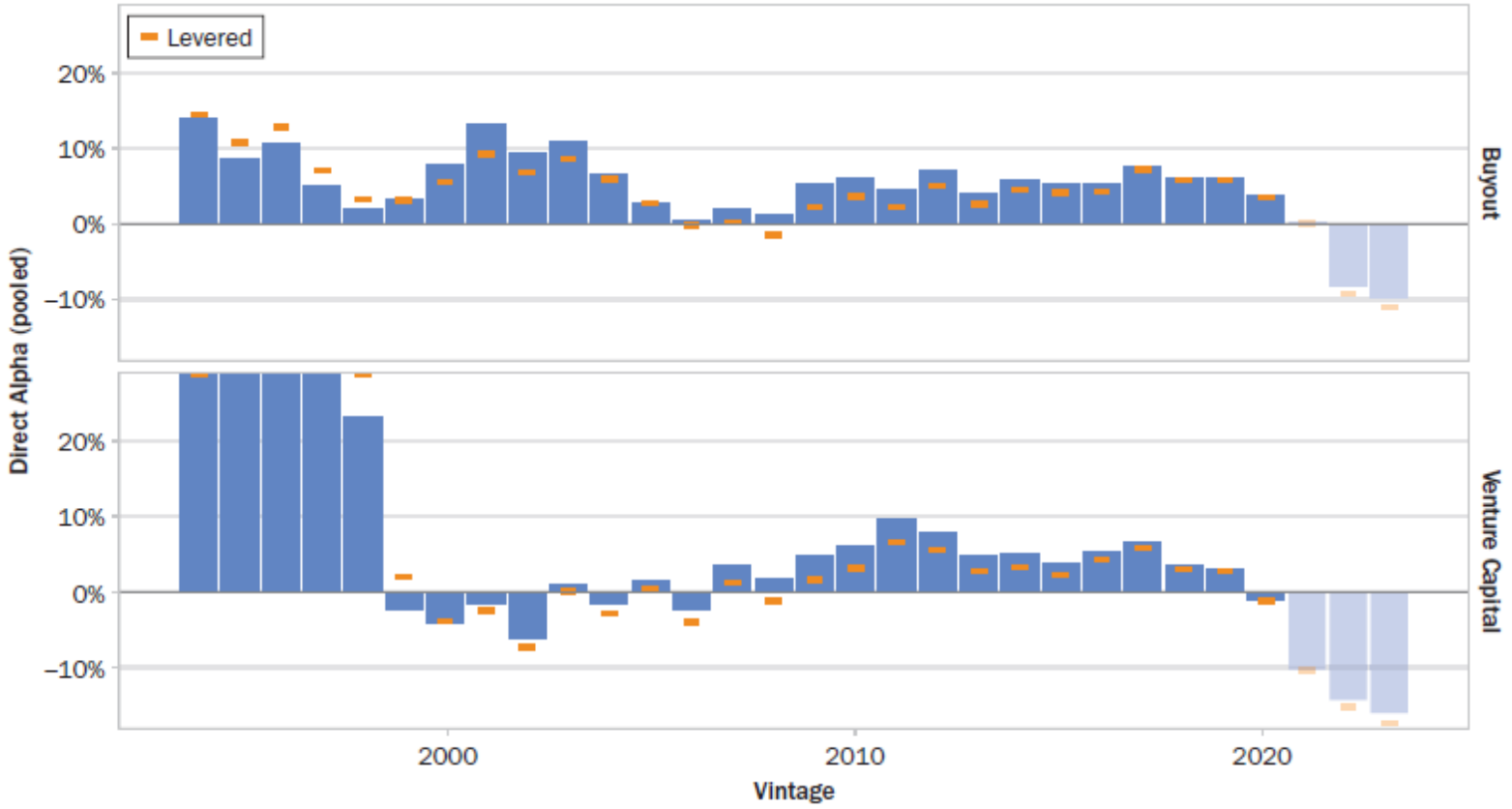
US companies with annual revenue above US$100 million, by company count

Listed markets remain essential, but they represent only part of the corporate opportunity set.

Source: S&P Capital IQ, as of 23 July 2025; analysis by J.P. Morgan Asset Management.

Historical Return Evidence: Providing Greater Confidence

MSCI direct alpha: annualised private-market excess return relative to matched public equities, by vintage year



Buyouts (upper panel): more persistent positive direct alpha
Venture capital (lower panel): more period-dependent outcomes

Source: MSCI

What It Does for a Portfolio

1

DIVERSIFICATION — Exposure beyond listed-equity markets

2

RETURN POTENTIAL — Potential enhancement of long-term returns

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TRADE-OFF — Less liquidity, greater complexity and higher fees

Treat It as Equity Risk

PRIVATE EQUITY = EQUITY-LIKE ECONOMIC RISK

1. Business earnings
2. Financial leverage
3. Exit-market conditions
4. Valuation uncertainty

Smoother reported valuations do not mean lower underlying risk.

How Advisers Access It

1 Evergreen / Semi-Liquid

- Diversified exposure from inception
- Capital generally invested upfront
- Simplified administration

2 Closed-End Primary Program

- Commitments across managers and vintages
- Built progressively over multiple years
- Capital calls and distributions

The appropriate structure depends on client scale, intended allocation size, liquidity and governance capability.

The New Zealand Market

What the local market offers

- A small number of established buyout and growth managers
- A comparatively large number of venture capital managers
- Closed-end funds raised periodically, not continuously

What it means in practice

- Access depends on fundraising timing, not investor readiness
- Building manager and vintage diversification takes years
- No established domestic evergreen equivalent

Domestic and global private equity play different roles — most advisers will access the asset class offshore.

What We Look for in Private Markets Managers

TEAM & ALIGNMENT

Stability · Ownership · GP commitment · Incentives

INVESTMENT EDGE

Sourcing · Strategy · Repeatable value creation

TRACK RECORD

Net returns · Attribution · Realised outcomes

PORTFOLIO CONSTRUCTION

Diversification · Concentration · Pacing · Access

TERMS & VALUATION

Fees · Liquidity · Conflicts · Valuation governance

OPERATIONS & GOVERNANCE

Controls · Reporting · Compliance · Transparency

Applied to evergreen PE: manager access · portfolio mix · liquidity · valuation · total fees

What This Means for Advisers

1. **Historical outcomes vary materially by segment and manager.**
2. **Private equity carries equity-like economic risk.**
3. **The implementation structure must match the client.**