Volatility in Private Equity:

Volatility is a Feature of Equities, Not a Bug

THIRD WIRE
ASSET MANAGEMENT

Volatility Exists, Even in Private Equity

Private equity funds are often marketed to investors as a way to reduce overall portfolio volatility while gaining exposure to an asset class known for it's ability to enhance returns, but this perception stems largely from how they calculate and report performance. Unlike public market investments, private equity valuations are updated infrequently, often quarterly, using various models and assumptions that effectively smooth volatility. This practice creates an illusion of stability that masks the real volatility within private equity portfolios.

Why a Clear View of Volatility Matters

Private equity investments are not immune to market fluctuations. The underlying companies face the same economic forces as publicly traded firms, but their valuations often fail to reflect these movements in real-time.

This delayed and subjective approach to valuations can:

Obscure the actual risk in portfolios.

Delay allocation adjustments to market conditions.

Create a false sense of security for investors.

How Does our Buyout Replication Index Fund Solve this Problem?

Buyout replication eliminates the opacity and delayed valuations of private equity funds by providing transparent exposure to a diversified portfolio of listed equities. Here's how:

Realistic Volatility

Reflects the true market fluctuations of small- and mid-cap equities.

Monthly Liquidity

Enables periodic portfolio adjustments to changing market conditions.

Daily Pricing

Direct investment in constituents of the Morningstar PitchBook Buyout Replication Index.*

*The index is the exclusive property of Morningstar, Inc., which does not sponsor, endorse, or promote this fund.

Important Disclosures and Risk Considerations

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The Fund seeks to replicate key investment characteristics of private equity buyout strategies, such as sector exposure, leverage adjustments, and other factors, but there is no guarantee that the Fund will achieve similar performance or outcomes. Past performance is not indicative of future results. All investments involve risk, including the possible loss of principal, and there is no assurance that the Fund will achieve its investment objectives or generate positive returns.

Investments are subject to risks, including market volatility, economic uncertainty, and potential deviations from the Fund's intended strategy. Investments in public equities may involve significant risks, and the Fund's use of certain strategies, including leverage, may amplify losses in adverse market conditions. Fees and expenses associated with the Fund will reduce overall performance and may have a material impact on returns. Prospective investors should carefully review the private placement memorandum for a detailed description of all fees, expenses, and other costs.

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For further information, please refer to the Fund's private placement memorandum or contact a representative of Third Wire Asset Management.

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