



Understanding PE Performance

Using Buyout Replication to Add Transparency to PE Performance

Difficulty Comparing Private Equity Performance

Private equity performance is often gauged using metrics like Internal Rate of Return (IRR) and Multiple on Invested Capital (MOIC). While these metrics offer performance insights, they also have significant limitations that can obscure the true performance of private equity investments. Misinterpretation or misuse of these metrics can lead to unrealistic performance expectations and complicate comparisons with other asset classes that typically report performance using time-weighted returns.

Why Understanding IRR Matters?

IRR is widely used across private markets, yet its characteristics can lead to situations where high IRRs may not translate into proportionally high dollar returns for investors. Understanding these limitations is crucial for understanding and evaluating private equity performance.



Hard to Compare: Doesn't align with how other investments report returns, making it nearly impossible to assess relative performance.



Can Mislead: Can inflate apparent performance by overweighting early results and being sensitive to cash flow timing.



Limited Transparency: Infrequent valuations and complex calculations make it difficult for investors to track ongoing performance

How Does our Buyout Replication Index Fund Solve this Problem?

Our buyout replication fund provides clarity and comparability through a transparent, liquid portfolio of listed equities that tracks the Morningstar PitchBook US Buyout Replication Index.* Here's how:

Time-Weighted Returns

Reports performance using standard market metrics that enable true portfolio comparisons.

Tracks Benchmark

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

Daily Pricing

Transparent daily valuations eliminate the uncertainty of traditional PE reporting.

*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.

The Fund uses the Morningstar PitchBook US Buyout Replication Index, which is the exclusive property of Morningstar, Inc. Morningstar, Inc., its affiliates and subsidiaries, its direct and indirect information providers, and any other third party involved in, or related to, compiling, computing, or creating any Morningstar Index (collectively, "Morningstar Parties") do not guarantee the accuracy, completeness, and/or timeliness of the Morningstar Index or any data included therein and shall have no liability for any errors, omissions, or interruptions therein. None of the Morningstar Parties make any representation or warranty, express or implied, as to the results to be obtained from the use of the Morningstar Index or any data included therein.

The Index uses advanced AI methodologies, including Long Short-Term Memory (LSTM) neural networks, to guide security selection and leverage adjustments. These methodologies involve complex algorithms and assumptions that may not account for all market factors. Their effectiveness is not guaranteed and is subject to significant risks, including model limitations and unforeseen market conditions.

This document may contain forward-looking statements regarding the Fund's strategy, objectives, or expected performance. These statements are inherently speculative, based on assumptions that may prove to be inaccurate, and are subject to risks and uncertainties that could cause actual results to differ materially. Prospective investors should not rely on forward-looking statements as guarantees of performance.

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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