



Mantra Investment Partners Launches the Niche Private Equity Index, Demonstrating the Outperformance of Specialist PE

Mantra's new index shows that highly specialized private equity funds ("Niche PE") outperform generalist PE funds.

PRESS RELEASE

February 8, 2023 - Mantra Investment Partners launches today a new PE index that measures the performance of highly specialized investment strategies (see accompanying detailed presentation). The Mantra Niche Private Equity index demonstrates that specialist strategies return more than mainstream strategies.

Specialist - or Niche - PE, is a universe of highly focused funds and investments covering everything from patented healthcare technologies to proprietary manufacturing processes to litigation finance and intellectual property. The common characteristics of Niche PE are lower correlation with listed equity than mainstream PE, and greater insulation from economic cycles and higher returns than mainstream PE.

The Mantra Niche PE Index tracks average returns on a rolling ten-year basis and is updated quarterly. Based on the latest complete data set (currently through June 2022 for funds that are at least three years old and have had time to see investment values evolve meaningfully), Niche PE has generated an average annual return of 42 percent over ten years, outpacing the overall 21 percent average annual return¹ by a factor of two. In terms of average annual return, Niche PE also outperforms overall PE over shorter time periods - the three- and five-year average annual return for the Mantra Niche PE Index are respectively 54 percent and 52 percent versus comparable averages for overall PE of 27 percent and 26 percent.

"Niche PE managers typically acquire on a proprietary basis assets that are either too complex or esoteric to form the central focus of mainstream PE managers," says Mantra Founding Partner Antoine Drean. "Because there's materially less capital chasing specialized niche opportunities, returns tend to be a lot higher than those for the mainstream."

When expressed as a multiple of invested capital, the Mantra Niche PE Index's margin of outperformance is more modest (returning 2.1 times invested capital versus 1.8 times for PE overall in 10 years¹). This is due to the shorter holding periods that typify specialized investments.

"The flipside of relatively attractive purchase prices for those niche or highly specialized portfolio companies that only a few managers, at least initially, understand, are higher sales and earnings growth on average, given proprietary technology and a relative lack of competitors for these companies," says Drean. "Faster growth typically means niche PE companies get sold faster and investors can reinvest more rapidly, making up for any relative reduction in outperformance based on multiple of invested capital."

Charts demonstrating the relative outperformance of specialist private equity investment (versus more generalist funds and investments) and a detailed explanation of how the Mantra Niche PE Index is constructed can be found in the 3-page presentation accompanying this press release.

About Mantra



Founded in 2007, Mantra’s 13-person team, based in New York, Paris and Luxembourg, has sourced and invested in over 90 primary and secondary opportunities, generating an average annual return of 32 percent. Mantra seeks to deliver outsize returns by investing alongside market experts in specialized segments (dubbed “Niche PE”) that are less correlated with public markets and less volatile than traditional private equity strategies. Mantra invests in Niche PE on a global scale, managing third-party capital via three main fund families: Mantra Primary Opportunities (a fund-of-funds series); Mantra Secondary Opportunities (buys LP-stakes & GP-leds); and Mantra Tactical Opportunities (invests in primary direct deals and GP firm stakes). Mantra's strategies are designed to offer a highly attractive risk/return ratio within the Private Equity asset class. <https://www.mantrainvest.com/>

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¹ Overall PE returns based either on annual return (i.e. internal rate of return) or multiple of invested capital are from the PitchBook Private Equity Benchmarks data set.