

NICHE PRIVATE EQUITY INDEX

With PE returns compressing over the past two years, investors must dig deeper to uncover managers who can deliver strong returns. Mantra's research to date demonstrates the persistent outperformance of Niche PE versus mainstream PE.

Using the latest available data¹, Mantra's proprietary Niche Private Equity Index shows 2011 – 2021 vintage Niche PE funds returned an average net IRR of 36% and 2.3x net MOIC.

Adding PE managers that can reliably deliver uncorrelated, above-benchmark returns will be fundamental to achieving long-term portfolio performance and diversification.

Rethinking Positioning In Private Equity

- Private equity has endured one of its most challenging periods to date over the past two years. Tight credit conditions, compressed multiples and an unpredictable economic outlook combined to create a difficult environment for PE fund managers.
- A March 2024 report by McKinsey² shows that recent investment performance across private market asset classes has fallen short of historical averages. While private equity returns moved from negative to positive in 2023, last year delivered the lowest annual performance in the past 15 years, notwithstanding 2022.
- Leading asset managers are expecting the coming years to be marked by wider returns dispersion across asset classes³. A more active, nuanced, and diligent approach from capital allocators will be necessary when managing their portfolios – which extends to Limited Partners in their PE manager selection.
- Niche PE managers with novel, complex, and specialized sub-sector strategies continue to deliver outsized returns, making them a critical component of well-balanced portfolio construction.
- Mantra's proprietary Niche Private Equity Index tracks a universe of specialist/uncorrelated, or Niche, PE funds from which it selects its own investments. The Index serves as a critical performance benchmark against which specialist PE can be compared with mainstream private equity.
- In this latest research, the Mantra Niche PE Index shows that Niche PE managers' returns outperformance persists, besting both the PitchBook Benchmark average of generalist GPs and even these mainstream managers' top-quartile performers.

¹ Data as of Q3 2023

^{2,3} See endnotes

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Components of the Niche PE Index

To construct the Niche PE Index, Mantra has analyzed internal-rate-of-return (IRR) and multiple-on-invested-capital (MOIC) historical data across over 6,000 Niche PE investments. These form the broad universe from which Mantra selects its own investments, following rigorous, exhaustive due diligence. Investments made by any Niche PE managers that have passed Mantra’s initial screening in the time periods under consideration have been included in the Niche PE Index. The Index’s sample population is outlined top-right.

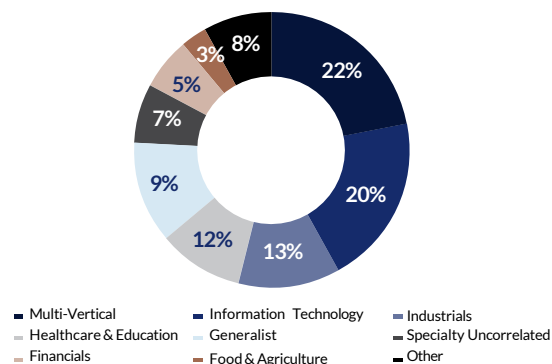
The largest segment of the Niche PE Index is Multi-Vertical. It covers funds investing in multiple specialized niches, each one typically led by sector-specialist partners (an example is a buyout fund focused on Aerospace & Defense, Cybersecurity and Government Services). Technology, the second largest segment, covers funds and investments focused on companies with proprietary technologies in areas such as Software & IT Services, Cybersecurity and Digital Infrastructure.

Additional segments cover highly specialized funds and investments in sectors like Industrials; Healthcare & Education; Litigation Finance; Royalties; Food & Agriculture; and Financials. Hard-to-pigeon-hole funds and investments focused on everything from the sustainability of products to specialty media and entertainment are grouped in the ‘Other’ category.

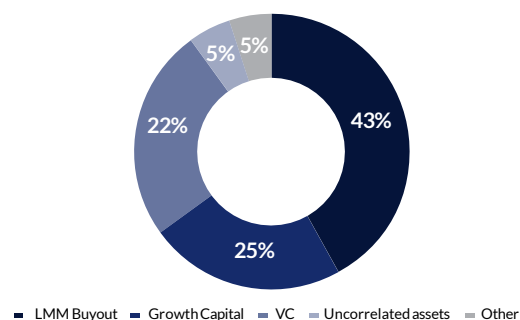
The Index includes deals from specialized GPs active across venture capital, growth capital, lower mid-market buyout, and hard-to-define market areas (grouped under ‘Specialty Uncorrelated’). The common thread running through all Niche PE portfolio companies is that they are off the radar of most non-sector specialists.

275 GPS
620 FUNDS
6,137 DEALS

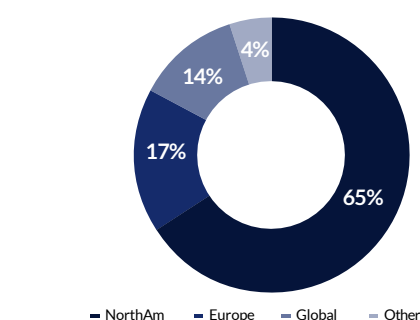
Niche PE Segment



Investment Strategy



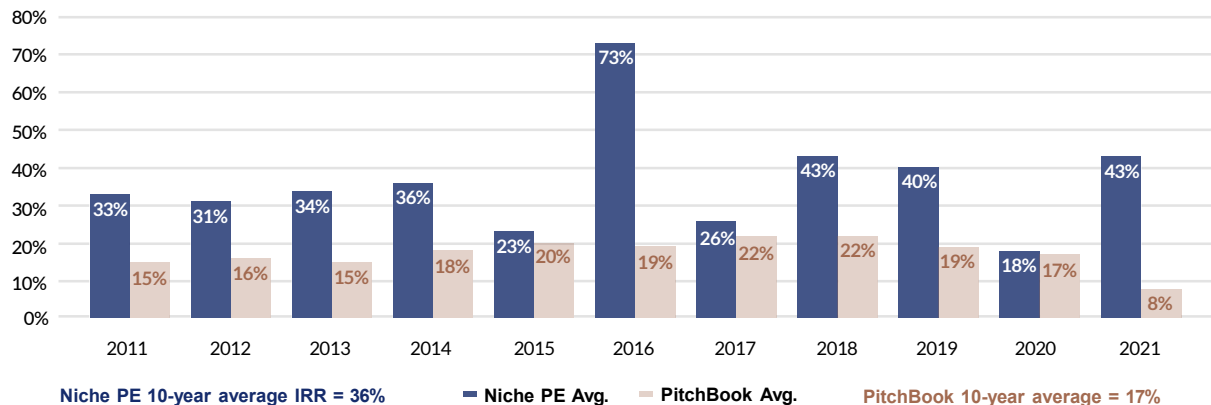
Geography



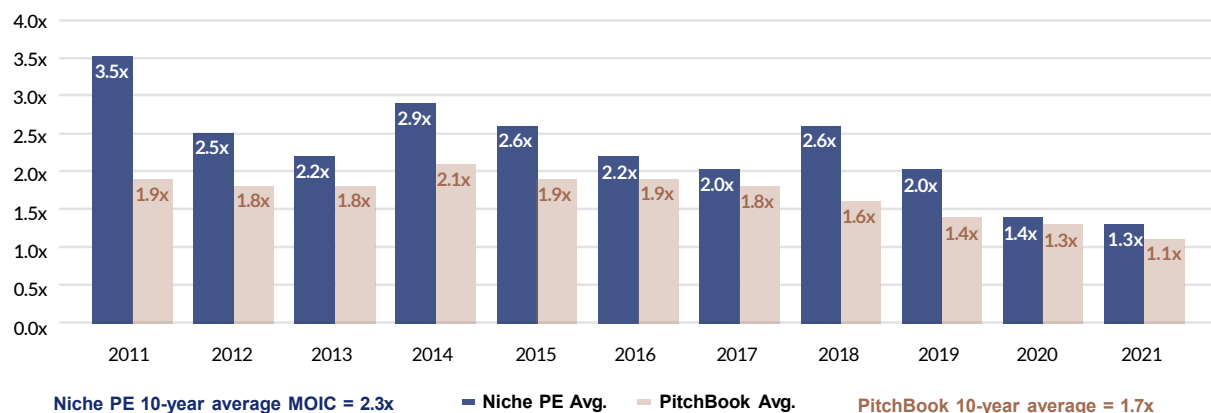
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Returns by vintage year*

IRR: Niche PE Index vs. PitchBook Benchmark



MOIC: Niche PE Index vs. PitchBook Benchmark



2011 – 2021 vintage Niche PE funds returned an average net IRR of 36% and 2.3x net MOIC versus comparable PitchBook Benchmark averages for mainstream PE of 17% and 1.7x, demonstrating the long-term outperformance of Niche PE vs. mainstream PE.

Even mainstream PE's top quartile performers fail to outperform the Niche PE mean, registering a 24% IRR & a 1.9x MOIC over ten years.

For realized investments, Niche PE funds and investments do even better, with 2011 to 2021 vintages returning 58% IRR and 2.9x MOIC net of fees on average.

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Notes & Disclaimer

² *McKinsey Global Private Markets Review 2024: Private markets in a slower era*, Fredrik Dahlqvist et al, March 2024

³ *Time to rethink retirement*, Laurence Fink, March 2024

Methodology - Fund vintage is based on the year of the fund's first investment. All Niche PE Index performance data should be considered as net. A standard 25% discount for fees, expenses, and carried interest has been applied to average IRRs and MOICs. Outlier investments with either less than a 1.5-year holding period, less than \$250K invested, or over 4,000% IRR are excluded from calculations, as are unrealized investment NAVs calculated prior to June 2022. Internal Rate of Return: IRR, i.e. the annualized rate of return on an investment. Multiple on Invested Capital: MOIC, i.e. total value of an investment divided by its cost. Realized Investment: an investment is considered realized when over 50% of its total value has been realized. The PitchBook data is drawn from the 2023 *Global PitchBook Benchmarks as of Q3 2023* report. PitchBook IRRs combine cashflow data from a group of funds in PitchBook's sample to create a capital weighted IRR value. PitchBook MOICs are a measurement of both the realized and unrealized value of a fund from the sample as a proportion of the total paid-in, or contributed, capital. The survey conducted by Mantra is for comparative and information purposes and should not be considered as complying with the strictest standards of statistical analysis.

Contact

Mantra Management SARL

3, rue Gabriel Lippmann

L-5365 Luxembourg

info@mantrainvest.com

Mantra Investment Partners SARL

147, Avenue de Malakoff

75116 Paris, France

Mantra Americas LLC

126E 56th Street

New York, NY - 10022, USA