



# What is Private Equity?

## About Pomona

- Founded in 1994, Pomona Capital is a global private equity firm that has \$19.7 billion<sup>1</sup> in capital commitments across its sponsored funds and separate accounts.
- Pomona manages a series of secondary and primary strategies for a global group of over 350 sophisticated investors. Pomona fields a team of experienced professionals with local networks, country expertise and GP relationships across both mature and developing markets. The team has an established record of originating, analyzing, negotiating and closing diverse transaction types.
- Over our 30-year history, we have analyzed \$1T+ in secondary transactions and purchased ~750 funds, totaling investments in 10,000+ companies. Pomona has a demonstrated track record of delivering benchmark beating <sup>2</sup> returns and liquidity with a relatively low risk profile over multiple economic cycles.

Private equity is often categorized as an “alternative investment”, which typically denotes an asset class or strategy that is an alternative to the stock and bond portfolios traditionally used by investors. Below is a broad overview of some asset classes and strategies that are considered alternative investments:

Private Equity	<ul style="list-style-type: none"> <li>• Buyout</li> <li>• Growth Capital</li> <li>• Venture Capital</li> <li>• Mezzanine</li> <li>• Special Situation</li> <li>• Infrastructure</li> </ul>
Real Estate Private Equity	<ul style="list-style-type: none"> <li>• Office</li> <li>• Retail</li> <li>• Residential</li> <li>• Commercial</li> </ul>
Hedge Funds	<ul style="list-style-type: none"> <li>• Long/Short</li> <li>• Global Macro</li> <li>• Event Driven</li> <li>• Market Neutral</li> <li>• Emerging Markets</li> </ul>
Other Private Equity	<ul style="list-style-type: none"> <li>• Natural Resources/Energy</li> <li>• Commodities</li> </ul>

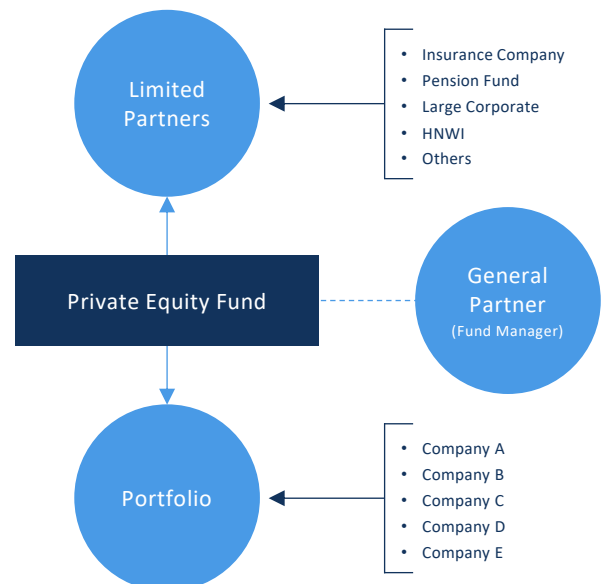
## Private Equity Overview

Private equity is an investment in companies that are not publicly traded. In a typical transaction, an investor buys a stake in a private company with the goal of realizing an increase in the value of the holding. Private equity investment managers take an active role in the companies they acquire, providing expertise and resources to help drive growth and increase value, creating the potential for a significant return on investment.

Private equity funds typically make these investments for a period of 4-7 years, with the goal of realizing a profit from the sale or other disposition of the investment.

Private equity firms raise capital from a variety of institutional and individual investors. These investors are called limited partners (LPs). The manager of a private equity fund, called the general partner (GP), invests the capital raised from LPs in private companies or other assets and manages those investments on behalf of the LPs.

## Typical Private Equity Structure



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## The Key Differences of Private Equity Investments

### Long-Term Return Potential

Private equity offers the potential to exceed the returns of public equities on a risk-adjusted basis and to provide downside protection. Historical returns over a long investment cycle have surpassed those of public equity markets as noted below. Pomona believes these returns can be primarily attributed to four main factors:

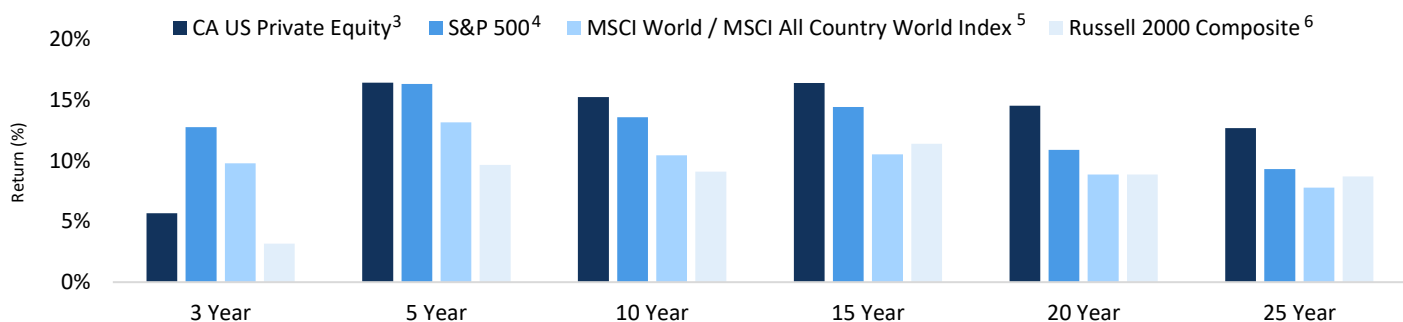
Ability to control or influence underlying businesses/investments

Ability to conduct deep due diligence when acquiring private businesses

Ability to align interests of management with investors

Market inefficiency creates potential for making investments at more favorable valuations

U.S. Private Equity vs. Market Indices (PME) (period ending 09/30/24)



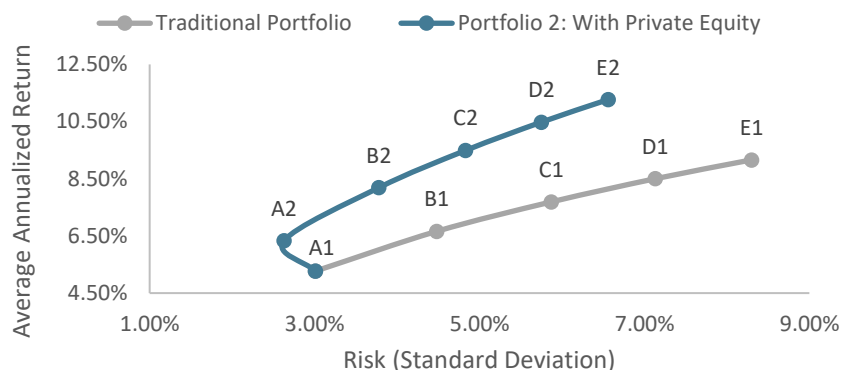
### Risk Adjusted Returns

Many institutional investors use private equity in their portfolios to increase portfolio diversification. Private equity provides a broad and diverse range of strategies in which to invest, which are typically structured in a way that may provide lower correlation to traditional investments. The addition of private equity exposure to a balanced portfolio may help contribute to an overall improvement in a portfolio's risk/return profile.

#### Assumptions\*

- Traditional Portfolio contains only equity and fixed income
- Portfolio with Private Equity takes 100% of the Private Equity allocation from the Equity column
- Indices used:
  - Cambridge Associates U.S. Private Equity Index<sup>3</sup>
  - Equity: MSCI World Index<sup>5</sup>
  - Fixed Income: Barclays US Aggregate Bond Index<sup>7</sup>

### Return Enhancement / Risk Mitigation (9/30/04 – 9/30/24)\*

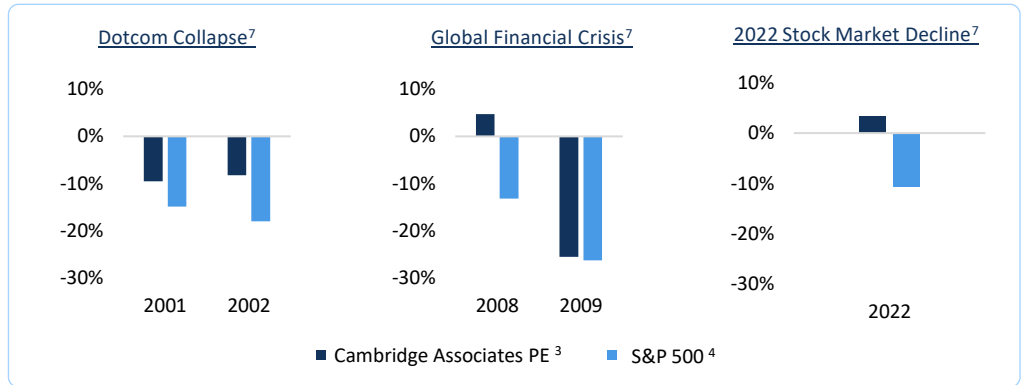


Risk Profile	Traditional Portfolio*				Portfolio with Private Equity*			
	Portfolio	Equity	PE	Fixed Income	Portfolio	Equity	PE	Fixed Income
A	1	20%	0%	80%	2	15%	5%	80%
B	1	40%	0%	60%	2	30%	10%	60%
C	1	60%	0%	40%	2	45%	15%	40%
D	1	80%	0%	20%	2	60%	20%	20%
E	1	100%	0%	0%	2	75%	25%	0%

The above is being provided for informational purposes only and reflects the views and opinions of Pomona. \*The data above is for hypothetical purposes and is intended to show potential returns that may be achieved based on the above investment allocations across equity, private equity, and fixed income in a particular portfolio. It is not intended to show actual returns for each portfolio in every case. The statements made above are the opinions of Pomona Capital and are subject to change. There can be no assurance that any investment made in a Pomona fund will have any or all of the investment characteristics described herein. Prospective investors should consult their financial, tax and legal advisors prior to making a commitment to any Pomona-sponsored fund. Investments in private equity involve a substantial degree of risk; there is no guarantee that any investment in a Pomona-sponsored fund will ultimately be profitable and an investor could lose some or all of its investment. Past performance is not indicative of future results. See important disclaimers and footnotes on page 4.

## Market Resilience

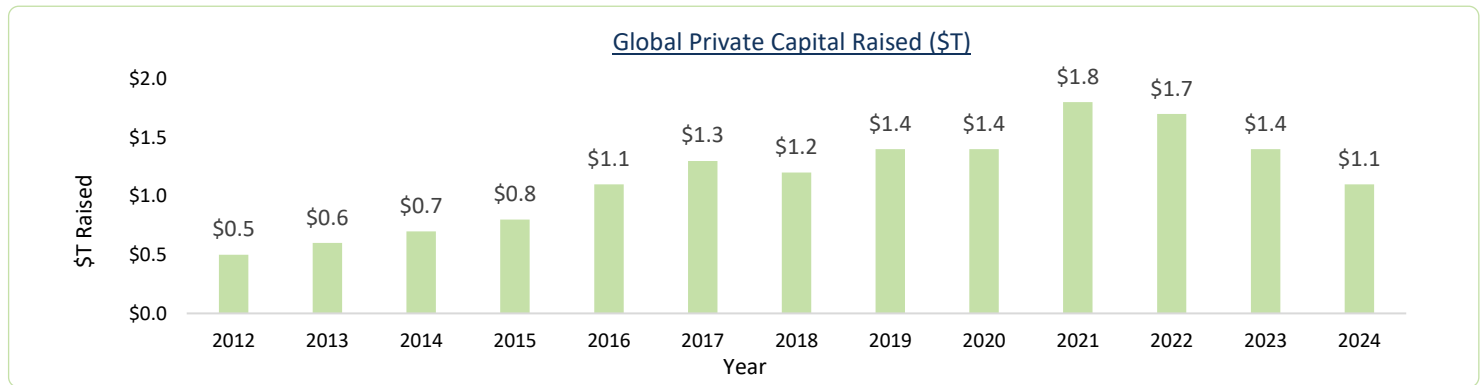
Private Equity investments have historically exhibited less downside performance than traditional investments during periods of market distress. As illustrated below, private equity generally outperformed the market in terms of IRR during even the most challenging global economic conditions.



Source: Cambridge Associates ([www.cambridgeassociates.com](http://www.cambridgeassociates.com)) & Capital IQ ([www.capitaliq.com](http://www.capitaliq.com)). The data represents the returns from 1/1-12/31 of each respective calendar year listed.

## Established, Growing Asset Class

Over the past decade, the private equity industry has seen significant growth as an asset class. Approximately \$15 trillion was raised between 2012—2024 (see chart).



Source: Bain & Company Searching for Momentum: Private Equity Midyear Report 2025 ([www.bain.com](http://www.bain.com))

## Private Equity Investing Spectrum

Investors have different methods through which to gain exposure to private equity.

Primary Fund of Funds	Secondaries	Primary Direct Funds	Co-Investments
<ul style="list-style-type: none"> <li>Diversified portfolio of interests in blind pool funds enables access as well as administrative and due diligence efficiency</li> <li>Broad exposure</li> <li>Performance is largely dependent on the ability of the manager to select and manage successful investment opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Ability to access mature funds typically with greater transparency and often at attractive discounts</li> <li>Significant diversification and potential early cash flow</li> </ul>	<ul style="list-style-type: none"> <li>Local Market: LP interests in funds with direct control over portfolio in regions familiar to investor</li> <li>Sector, Style: Ability to focus on high growth sectors, market segments, or industries directly</li> <li>Blind pool risk</li> <li>Less diversified than fund-of-funds</li> </ul>	<ul style="list-style-type: none"> <li>Flexibility to opportunistically participate in private equity transactions alongside other partners</li> </ul>

### Indirect

- Private equity strategies differ in their fundamental characteristics and can produce significantly different returns than traditional investments.
- Private Equity funds can be dedicated solely to one strategy or can invest in a combination of strategies.
- Private equity funds have different risk profiles and liquidity restrictions than traditional asset classes.

### Direct

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## Footnotes & Disclaimers

Past performance of investments described herein is provided for illustrative purposes only and is not indicative of future investment results of any Pomona fund whose past performance is shown herein. Totals may not add due to rounding. There is no assurance that losses will not be incurred or any investment shown herein will achieve its investment objectives. Please note that a Pomona fund's utilization of deferred payments and fund-level leverage may favorably impact a fund's net performance figures, including IRR, multiple and DPI, as it may result in deferring the calling of capital from limited partners. Any opinions expressed in this document may be subject to change without notice. All information provided is as of the date noted and is unaudited. Figures will change without notice.

- (1) Represents (i) aggregate capital commitments from investors to Pomona-sponsored funds, (ii) investments made by Pomona on behalf of its discretionary separate account clients, and (iii) investment recommendations made to Pomona's non-discretionary separate account clients, which total \$670M. Pomona's regulatory assets under management (RAUM) as of September 30, 2024 (latest available) is \$13.1B. RAUM is defined by the U.S. SEC and further information is available: <https://reports.adviserinfo.sec.gov/reports/ADV/148269/PDF/148269.pdf>.
- (2) Benchmark-Beating Performance or Top Quartile Fund or Upper Quartile. "Benchmark-Beating Performance" or "Top Quartile Fund" or "Upper Quartile" reflects the number of percentage points by which the aggregate Net IRR, TVPI, and/or DPI of the Pomona-sponsored fund(s) has outperformed the aggregate average or upper quartile net IRR, TVPI and/or DPI of the Cambridge Associates Fund of Funds and Secondary Funds Index for each vintage as of September 30, 2024 (which is the latest data available). See Cambridge Associates for a complete description on the Index (<http://www.cambridgeassociates.com/>). The Cambridge Index has not been selected to represent an appropriate benchmark to compare an investor's performance, but rather is shown as a comparison to that of a well-known and widely recognized index in the private funds industry. The investments within each of for the applicable Pomona Capital sponsored fund and the corresponding performance volatility thereof may differ significantly from the securities that comprise the Cambridge Index, which may contain strategies and asset types Pomona does not utilize. The Cambridge Index is not subject to any of the fees and expenses to which for the applicable Pomona Capital sponsored fund would be subject and no fund sponsored by Pomona Capital will attempt to replicate the performance of the Cambridge Index. Pomona does not pay any fees to Cambridge Associates to be ranked.
- (3) Cambridge Associates U.S. Private Equity Index: The Cambridge Associates U.S. Private Equity Index represents the horizon calculation based on data compiled from 1,635 U.S. private equity funds, including fully liquidated partnerships, formed between 1986 and 2024. The investments within a private equity fund and the corresponding performance volatility thereof may differ significantly from the securities that comprise the Cambridge Index, which may contain strategies and asset types a private equity fund does not utilize. The index has not been selected to represent an appropriate benchmark to compare an investor's performance, but rather is shown as a comparison to that of a well-known and widely recognized index. The index is not subject to any of the fees and expenses to which any private equity fund would be subject and no private equity fund will attempt to replicate the performance of the index. Pomona does not pay any fees to Cambridge Associates to be ranked.
- (4) S&P 500 Index: The S&P 500 Index is a market-capitalization weighted index containing the 500 most widely held publicly-traded companies (400 industrial, 20 transportation, 40 utility and 40 financial companies) chosen with respect to market size, liquidity, and industry. The investments within a private equity fund and the corresponding performance volatility thereof may differ significantly from the securities that comprise the index, which may contain strategies and asset types a private equity fund does not utilize. The index is calculated on an annualized total return basis with dividends reinvested. The index has not been selected to represent an appropriate benchmark to compare an investor's performance, but rather is shown as a comparison to that of a well-known and widely recognized index. The index is not subject to any of the fees and expenses to which any private equity fund would be subject and no private equity fund will attempt to replicate the performance of the index.
- (5) The "MSCI World Index" is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index consists of the following 23 developed market country indexes: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The investments within a private equity fund and the corresponding performance volatility thereof may differ significantly from the securities that comprise the index, which may contain strategies and asset types a private equity fund does not utilize. The index has not been selected to represent an appropriate benchmark to compare an investor's performance, but rather is shown as a comparison to that of a well-known and widely recognized index. The index is not subject to any of the fees and expenses to which any private equity fund would be subject and no private equity fund will attempt to replicate the performance of the index.
- (6) Russell 2000 Composite: The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. The investments within a private equity fund and the corresponding performance volatility thereof may differ significantly from the securities that comprise the index, which may contain strategies and asset types a private equity fund does not utilize. The index has not been selected to represent an appropriate benchmark to compare an investor's performance, but rather is shown as a comparison to that of a well-known and widely recognized index. The index is not subject to any of the fees and expenses to which any private equity fund would be subject and no private equity fund will attempt to replicate the performance of the index.
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