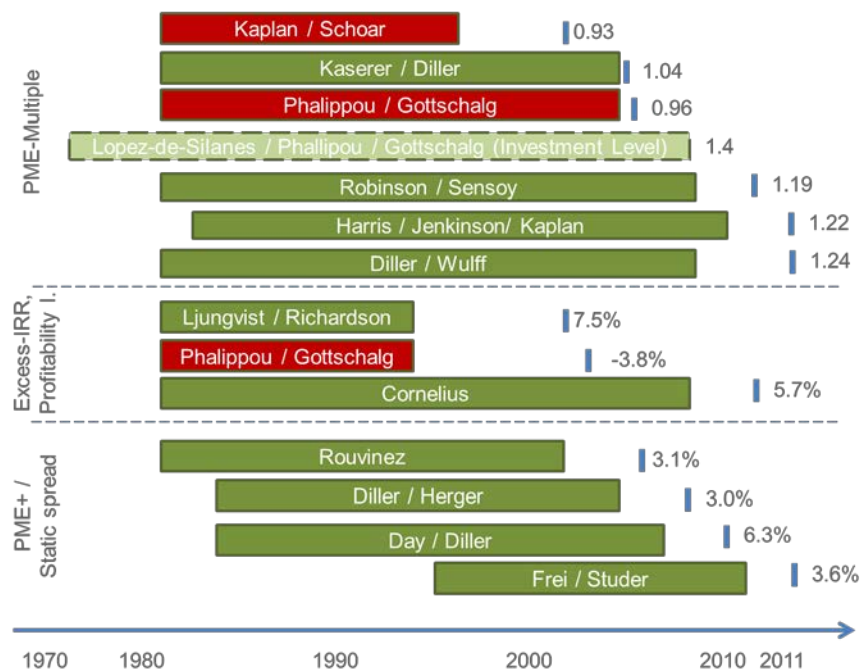


Press release

- Private equity outperforms public markets, confirms new study by Montana Capital Partners
- Historical premium over public benchmarks ranges from 3% to 5% per annum, depending on choice of gauge
- Detailed analysis of findings available in *Performance Measurement and Benchmarking in Private Equity*, a new book edited by Montana Capital Partners and published by PEI Media

Baar, 28 November 2011. Private equity generates significantly higher returns than public markets, according to the majority of studies published in recent years. This is the result of a new meta-study by Montana Capital Partners AG, Switzerland-based private equity investment specialist.

Of the 12 studies, nine confirm the private equity premium, with outperformance ranging from 3% to 5% per annum (studies highlighted in green in the graph below). Three studies (highlighted in red) indicate that private equity returns were lower than returns in public markets. These differences can be attributed to differences in the underlying dataset and their respective time periods, as well as different calculation methodologies.



Source: Montana Capital Partners



The findings are significant because, at a time of high volatility in capital markets and historically low interest rates in the bond market, investors are increasingly seeking possibilities to achieve attractive returns in order to meet their investment targets. Private Equity is often seen as a possible solution to this challenge because of its ability to actively create value in portfolio companies. However, the debate over private equity's ability to outperform has intensified in recent months, which prompted Christian Diller and Marco Wulff, the co-founders of Montana Capital Partners, to conduct their meta-study in order to produce the first-ever comprehensive assessment of the most important measurement methodologies and empirical studies currently available. Their findings are included in *"Performance Measurement and Benchmarking in Private Equity"*, a new book edited by Montana Capital Partners and published by PEI Media, *publishers of Private Equity International* magazine, together with a group of renowned and experienced academics and practitioners.

Theoretical and empirical evidence

Since the performance characteristics of private equity differ substantially from those of public markets, a variety of novel approaches have been developed to evaluate its returns. There are three main groups of methodologies: the IRR and excess-IRR method, the Public Market Equivalent Multiple (PME) approach, and approaches surrounding the PME+ and static spread approach.

Having analysed each of them in detail, Christian Diller and Marco Wulff identify their similarities and differences. For example, the work of Kaplan, Harris and Jenkinson demonstrates clear outperformance and concludes that private equity investing generates a result that is 1.22x higher than a pure public market strategy. Likewise Montana Capital Partner's own analysis based on data from ThomsonOne comes to a similar conclusion with a performance of private equity that is 1.24x higher than comparable public market investments. Other additional studies based on excess-IRR, PME+ or static-spread approaches conclude that private equity on average results in a 3% outperformance p.a.

The outperformance potential of private equity can also be seen in the investment returns published by US pension funds, which the study also reviews. It can be shown that private equity has in most cases outperformed its public benchmarks over the last 10 years, thus creating additional value for the beneficiaries of the pension funds.

Christian Diller, Co-Founder and Partner at Montana Capital Partners, summarizes the findings: "The results of the various studies and our proprietary analysis illustrate that, taking into consideration the return- and risk-profile of a diversified private equity portfolio, a properly structured private equity program can provide a positive contribution to the overall portfolio of institutional investors."

Marco Wulff, Co-Founder and Partner at Montana Capital Partners, adds: "Academic studies seem to prove the ability of private equity to outperform public markets. It is even more notable that in our study real life private equity portfolios show a clear outperformance over public markets. These portfolios share many characteristics such as the clear structure, rigid due diligence processes, continuous investments as well as the openness to invest in new, promising segments."



For questions and further information, please contact Montana Capital Partners, info@mcp.eu or +41 41 511 79 50, www.mcp.eu.

For further information regarding the book please visit www.peimedia.com/benchmarking



About Montana Capital Partners AG

Montana Capital Partners is a Switzerland-based firm and provides innovative investment Liquidity Solutions and high quality Asset Management Solutions in private equity. The aim is to offer outstanding investment products with earlier liquidity and customized risk-return profiles, which includes secondary products with innovative structures and a proven investment strategy as well as structured solutions and securitizations. In addition, Montana Capital Partners offers support in all aspects of the management of private equity portfolios, especially risk management. The experienced team members have managed assets for institutional clients and have a track record in investing for and advising institutional clients around the globe.

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