Pomona Capital

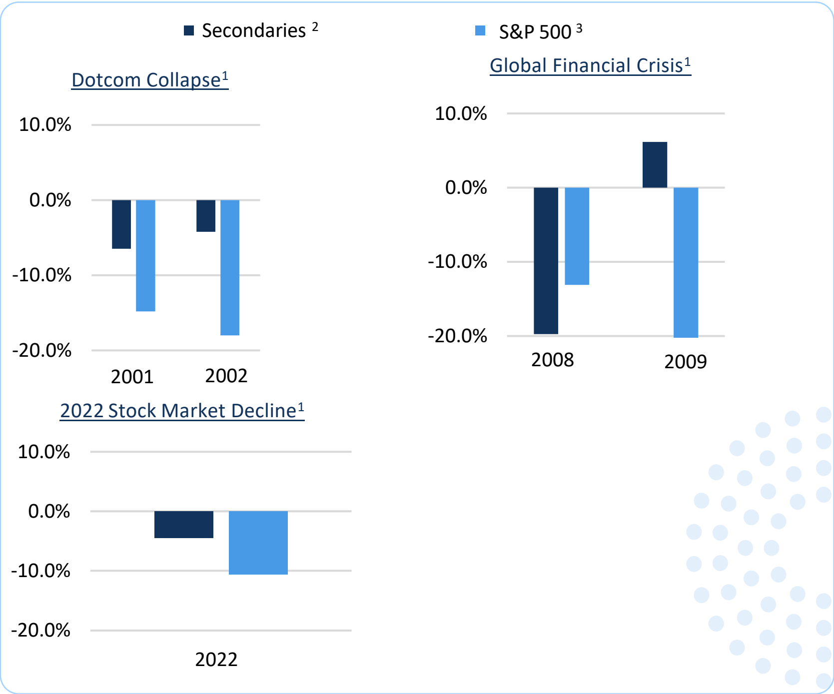
Reimagining the 60/40 Portfolio with Private Equity Secondaries

Secondary Private Equity May Enhance the Return and Risk Profile of a Traditional 60/40 Portfolio

The core investment portfolio needed to balance return and risk – long viewed by financial advisors as a prototypical 60/40 stock/bond allocation – is taking on a different look. Pomona believes advisors are coming to the same conclusion as institutional investors: alternatives are not alternatives anymore. Accordingly, we believe advisors are making alternatives a core compone nt of strategic asset allocations. As a result, some investors are seeking to add private markets to portfolios to potentially a chieve greater long-term returns and mitigate risk.

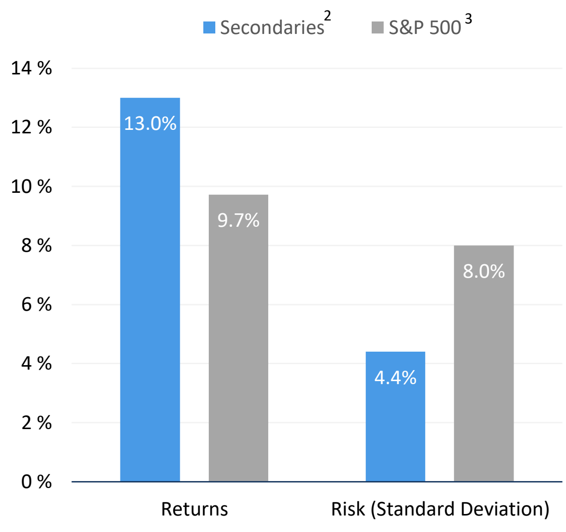
Established track record of higher returns with lower risk

Secondary private equity (PE) has emerged as an alternative way to invest in private markets. Investors may benefit from its potential for attractive returns, modest volatility, and lower correlations when compared to public markets. Over the long term, secondary private equity has delivered higher absolute and risk-adjusted returns compared to public equities.



The data represents the returns from 1/1-12/31 of each respective calendar year listed.

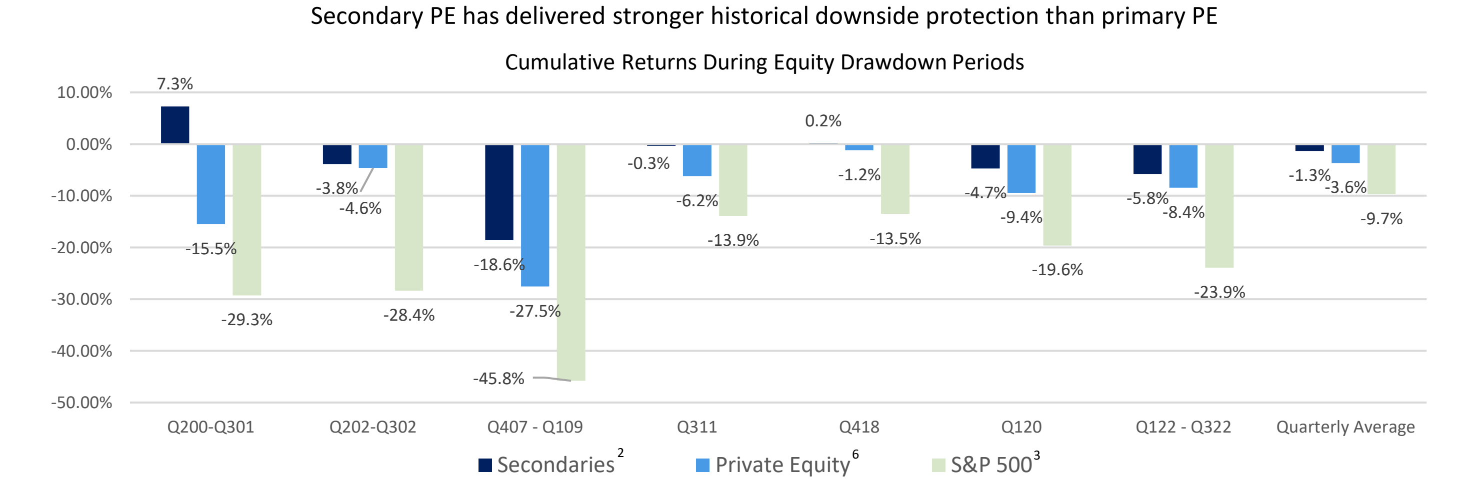
20 years ending 09/30/23



As of September 30, 2023. Past performance is no guarantee of future results. See disclosures for more information.

Historically Strong Downside Protection

When broader market conditions deteriorate, secondary private equity investments have exhibited lower volatility and downside risk compared to public equity, and even primary private equity investments.

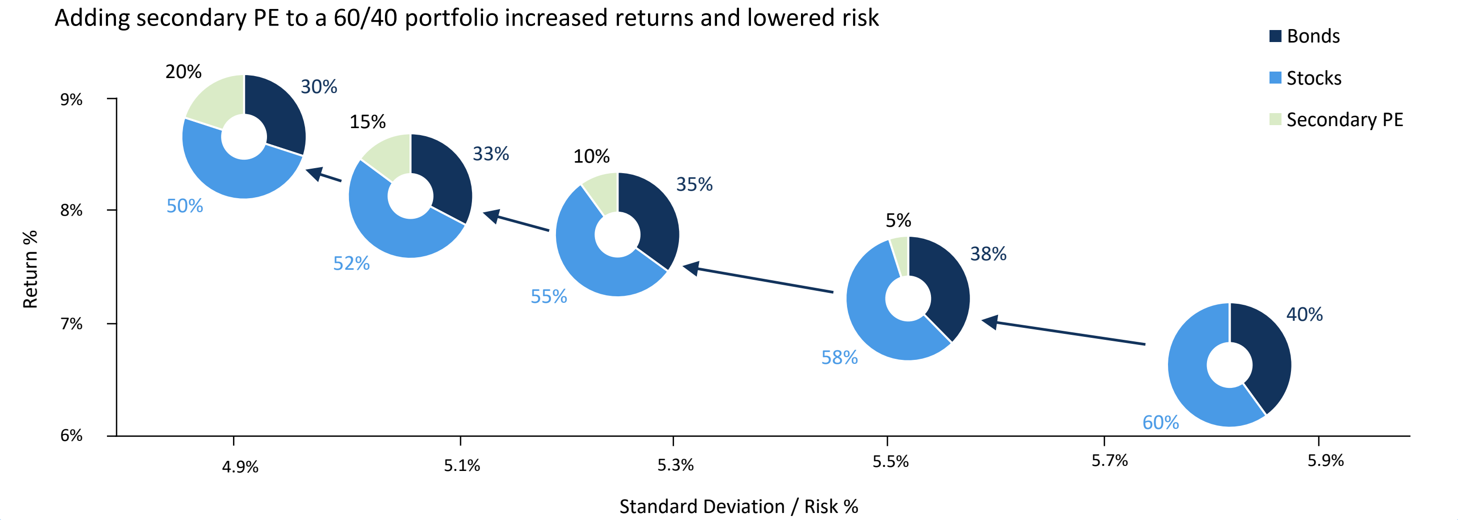


Twenty-three years ending September 30, 2023. Source: Cambridge Associates and MSCI World Index. The Secondary PE index represents a horizon calculation based on data compiled from 339 secondary funds, including fully liquidated partnerships, formed between 1991 and 2022. The Cambridge Global PE index represents a horizon calculation based on data compiled from 3,054 private equity funds, including fully liquidated partnerships, formed between 1998 and 2021. The equity drawdown periods identified in the chart above span a consecutive 20 year period different monthly periods. The Quarterly Average is provided for the quarters shown above. Past performance is no guarantee of future results. Indices are unmanaged and not available for direct investment.

Secondary PE: A Potential Path To More Attractive Risk-Adjusted Returns

Adding secondary private equity to a 60/40 portfolio is a possible strategy to help enhance risk-adjusted returns. As the data below illustrates, reallocating a portion of the portfolio from public equities and bonds to secondary private equity enhanced the risk-return profile of the portfolio.

By strategically incorporating secondary private equity into a traditional 60/40 allocation, advisors can seek to enhance risk-adjusted returns, diversify their holdings, and create a more balanced and resilient investment strategy for their clients' portfolios.



Assumptions*

Portfolio with Secondary PE takes 50% of the allocation from Bonds and Stocks each. Indices used: Cambridge Associates Secondary Index[2]; Stocks: MSCI World Index[7]; Bonds: Barclays US Aggregate Bond Index[8]

The above reflects an investment in the stated allocations if invested on 09/30/2003 and held through 09/30/2023. 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. Please read in conjunction with footnotes and disclaimers.

Risks of investing and important disclosures

Private equity may not be suitable for every investor, may involve a high degree of risk, and may be appropriate investments only for sophisticated investors who are capable of understanding and assuming the risks involved. Private equity investments are subject to various risks. These risks are generally related to: (i) the ability of the manager to select and manage successful investment opportunities; (ii) the quality of the management of each company in which a private equity fund invests; (iii) the ability of a private equity fund to liquidate its investments; and (iv) general economic conditions. Private equity funds that focus on buyouts have generally been dependent on the availability of debt or equity financing to fund the acquisitions of their investments. Depending on market conditions, however, the availability of such financing may be reduced dramatically, limiting the ability of such private equity funds to obtain the required financing or reducing their expected rate of return. Private equity funds, as well as securities that invest in such funds and companies in which such funds or securities may invest, tend to lack the liquidity associated with the securities of publicly traded companies and as a result are inherently more speculative. All investments in bonds are subject to market risks. Bonds have fixed principal and return if held to maturity, but may fluctuate in the interim. Generally, when interest rates rise, bond prices fall. Bonds with longer maturities tend to be more sensitive to changes in interest rates. All equity investing involves risks of fluctuating prices and the uncertainties of rates of return and yield inherent in investing. Foreign investing does pose special risks including currency fluctuation, economic and political risks not found in investments that are solely domestic. Emerging market stocks may be especially volatile. Stock of an issuer in the Fund’s portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition. Securities of small- and mid-sized companies may entail greater price volatility and less liquidity than investing in stocks of larger companies.

Past performance is no guarantee of future results. There are no guarantees a diversified portfolio will outperform a non-diversified portfolio. Diversification does not guarantee a profit or ensure against loss. Private equity may not be suitable for every investor, may involve a high degree of risk, and may be appropriate investments only for sophisticated investors who are capable of understanding and assuming the risks involved. Private equity investments are subject to various risks. These risks are generally related to: (i) the ability of the manager to select and manage successful investment opportunities; (ii) the quality of the management of each company in which a private equity fund invests; (iii) the ability of a private equity fund to liquidate its investments; and (iv) general economic conditions. Private equity funds that focus on buyouts have generally been dependent on the availability of debt or equity financing to fund the acquisitions of their investments. Depending on market conditions, however, the availability of such financing may be reduced dramatically, limiting the ability of such private equity funds to obtain the required financing or reducing their expected rate of return. Private equity funds, as well as securities that invest in such funds and companies in which such funds or securities may invest, tend to lack the liquidity associated with the securities of publicly traded companies and as a result are inherently more speculative.

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The information herein (1) is for informational purposes only, (2) is not an offer or solicitation to buy or sell any interest in a Pomona-sponsored fund, and (3) should not be relied upon to make any investment decisions.

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. 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) Investment in private equity involves a substantial degree of risk and the appropriateness of private equity for any individual portfolio will vary. Index performance is not representative of the Fund's performance. There are significant differences between public and private equities, which include but are not limited to, the fact that public equities have a lower barrier to entry than private equities. There is also greater access to information about public companies. Investments in private equities typically have a longer time horizon than investments in public equities before profits, if any, are realized. Additionally, public equities typically provide greater liquidity than private equities, whereas private equities are considered highly illiquid. The date range is based on a common period of data availability. The referenced indices are shown for general market comparisons and are not meant to represent any particular investment. There are significant differences in the risks and potential for volatility of the Fund relative to an index. An investor cannot invest directly in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect the performance data presented. Past performance is no guarantee of future results.

(2) Source: Cambridge Associates. The Secondaries PE index represents a horizon calculation based on data compiled from 339 secondary funds, including fully liquidated partnerships, formed between 1991 and 2023. Investors cannot invest directly in an index. 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.

(3) S&P 500 Index: The S&P 500 measures the value of stocks of the 500 largest corporations by market capitalization listed on the New York Stock Exchange or Nasdaq Composite, and is considered to be a proxy of the U.S. equity market. The S&P gain/loss is calculated using the quarterly price change of the index, which is derived by taking the change in price for the quarter and dividing it by the previous quarter's end price. The S&P 500 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. http://us.spindices.com/indices/equity/sp-500. Public index return shown as an average annual compounded return (AACR) calculation which is a time weighted measure over the specified time horizon, and is shown for reference and directional purposes only. The S&P 500 contains only seasoned equity securities. Pomona's funds primarily invest in secondary interests in seasoned private equity funds, primary investments in private equity funds and direct investments in opportunities alongside private equity managers. Investors generally cannot invest directly in the S&P 500, which is presented for reference purposes only. Pomona's funds do not invest directly in the securities comprising the S&P 500. In addition, an investment in a Pomona fund generally will be subject to fees and expenses, none of which are reflected in the S&P 500. For the foregoing and other reasons, the returns achieved by Pomona's funds and the returns of the S&P 500 presented herein should not be considered comparable.

(4) 20-Years-to-Date Total Net Return Annualized = {[1 + Inception-to-Date Total Net Return]^[1/(number of days between September 30, 2003 and September 30, 2023/365)]} – 1

(5) Standard deviation is a statistical measure of volatility over time; a lower standard deviation indicates historically less volatility. Annualized standard deviation calculated using quarterly performance.

(6) Cambridge Associates LLC U.S. Private Equity: The index is a horizon calculation based on data compiled from 2,755 US private equity funds, including fully liquidated partnerships, formed between 1986 and 2023. 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.

(7) 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. (https://www.msci.com/world), while Pomona' focuses on primarily purchasing secondary interests in private equity funds. The MSCI World 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 MSCI World Index is not subject to any of the fees and expenses to which any Pomona fund would be subject and no fund sponsored by Pomona Capital will attempt to replicate the performance of the MSCI World Index.

(8) The Bloomberg US Aggregate Bond Index measures the performance of the US investment-grade fixed-rate taxable bond market, which includes the following types of securities and typically only includes securities that have $300 million or more of outstanding face value and at least one year remaining to maturity: investment-grade US Treasury bonds, government-related bonds, investment-grade corporate bonds, mortgage pass-through securities, commercial mortgage-backed securities and asset-backed securities that are publicly offered for sale in the U.S. 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 a total return basis. 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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