

PRESS RELEASE

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New Private Market Equivalent allows the alpha of private funds to be tracked

In a newly released publication, "[Private Equity & Infrastructure Fund Selection and Alpha Tracking](#)," Scientific Infra & Private Assets (SIPA) has presented [an approach to measure and track the alpha of private market funds](#), allowing robust and representative fund selection and monitoring.

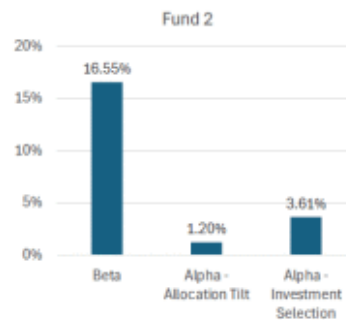
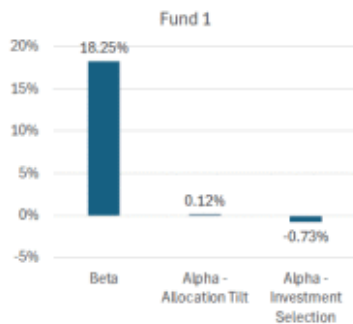
The approach uses the Direct Alpha method, which allows investors to assess the performance of each fund and manager fairly against a representative benchmark. SIPA calculates a **private market equivalent** return for a private equity or infrastructure fund. With this approach, investors gain actual insights into the excess returns (or alpha) generated by a given fund. This alpha measure can be compared directly across funds, facilitating an objective and unbiased decision-making process for fund selection and monitoring.

Additionally, this method supports the ongoing monitoring of fund investments and enables meaningful engagement with managers to understand the sources of return in private asset strategies

In the example below, while both funds appear to have outperformed public markets, only Fund 2 has been able to generate alpha against the representative private market benchmark.

- Fund 1 has delivered an IRR of 17.64% but underperformed the market with an alpha of -0.61%. Fund allocation resulted in small positive alpha but was offset by underperforming investments.
- Fund 2 has delivered an IRR of 21.37% and outperformed with an alpha of 4.81%. Primarily driven by superior investment selection by the manager.

| | | Fund 1 | Fund 2 |
|--------------------------|------------------------------|--------|--------|
| Fund IRR | | 17.64% | 21.37% |
| Fund TVPI | | 1.39 | 1.46 |
| Public Equity Benchmark | | | |
| | Beta | 11.63% | 10.64% |
| | Alpha | 6.01% | 10.72% |
| Private Market Benchmark | | | |
| | Beta | 18.25% | 16.55% |
| | Alpha | -0.61% | 4.81% |
| | Alpha - Allocation Tilt | 0.12% | 1.20% |
| | Alpha - Investment Selection | -0.73% | 3.61% |



Abhishek Gupta, Associate Director – Solutions with SIPA, commented, "The SIPA approach allows funds to be ranked by market outperformance on a consistent and directly comparable basis so that the best strategies and managers can be either selected or re-invested in. It also allows the value-add created by the manager's allocation choices (segment or factor tilts) to be differentiated from that created by selecting individual assets and operational improvements."

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About the infraMetrics® & privateMetrics® Indices

infraMetrics & privateMetrics provide access to hundreds of benchmarks across the infrastructure and private equity asset classes, enabling investors to create the most representative benchmark for the fund they invest in. The infra300® and infra100™ index families are available in all major, as well as local currency and hedged returns, using either capitalisation or equal weights. All indices are updated monthly.

privateMetrics indices represent the performance of private companies. The private2000 index includes the top 2,000 constituents by size and represent c.13% of the private market capitalisation in 30 countries. The privateUS, privateEurope, and privateAPAC indices include constituents from each geography in the constituent universe of 2000 private companies. Indices are value weighted.

[Discover SIPA's Private Market Indices](#)

About Scientific Infra and Private Assets Ltd:

Scientific Infra & Private Assets Ltd (SIPA) evolved from the cutting-edge research of the EDHEC Infrastructure & Private Assets Research Institute, established in 2016 by EDHEC Business School. The *infraMetrics*® and *privateMetrics*® platforms, developed by SIPA, provide robust and representative asset-level metrics across hundreds of markets, aligned with the *PECCS*® and *TICCS*® classifications.

The indices and benchmarks produced by SIPA are recognised by the European Securities and Markets Authority (ESMA) and used by investors representing USD500bn in infrastructure assets under management. The data we produce is grounded in modern financial theory and the principles of fair value accounting, which are key pillars of sound financial risk management. The same data is used by policy makers and prudential authorities including the G20, the OECD, IAIS, and more.

<https://scientificinfra.com/>

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