

Perspectives Podcast

“Making Private Equity Everybody's Business”

Transcript, 23 October, 2025

Adam Bass (00:03):

This is MSCI Perspectives, your source for insights for global investors and access to research and expertise from across the investment industry. I'm your host, Adam Bass, and today is October 23rd, 2025. Today on the program, we talk about private equity. It really feels like we're just always reading or hearing about it, its growth, its performance, and especially its exclusivity.

Christine Berg (00:33):

There is not a day that goes by where we don't read a media story or see some sort of announcement about private assets and private equity more specifically. Investors are drawn to its return potential, and it's an experience, however, that can be quite challenging, given the lack of access, liquidity, and transparency across all investors.

Adam Bass (01:01):

That's our first guest.

Christine Berg (01:03):

Hi, my name is Christine Berg, and I'm the head of Americas index products.

Adam Bass (01:09):

Christine is head of Americas index products for MSCI, just to be clear.

Christine Berg (01:15):

So for us, one of the goals was to bridge that gap, determine how we could take replicable parts of private equity performance, and deliver them through public equities in a very liquid and transparent way. It's a way to participate in private equity-like exposures that capture the fundamental drivers of return, but you don't have the long waits of true private investing or the mystery pricing.

Adam Bass (01:45):

Our second guest today.

Oliver Bunn (01:48):

My name is Oliver Bunn. I am a member of the Quantitative Investment Strategies team at Goldman Sachs Asset Management, and I'm one of the portfolio managers for the Goldman Sachs MSCI World Private Equity Return Tracker ETF, ticker GTPE.

Adam Bass (02:09):

That last part of Oliver's introduction, the part where he talked about the MSCI World Private Equity Return Tracker ETF, for now, let's think about that as Chekhov's gun that appears in the first act. You know it's going to be important later on, but for now, just sort of accept it and move on. And in the meantime, Oliver will outline the barriers of traditional private equity investing.

Oliver Bunn (02:36):

Traditional private equity investing has historically presented several barriers for investors. So just to touch on a few of them. So overall, on aggregate, they all culminate in limiting access in general. But as an example, let's talk about liquidity challenges. You have long-term investment horizons that is typically present in private equity.

(03:02):

So what this means is, if you want to be operating in that space, you require a really long-term view, because the capital will be locked up for quite some time. There are substantial capital commitments involving lock-up periods typically between five to 10 years. Now, second challenge is transparency. So what happens here is private equity managers don't necessarily follow an industry standard, frequency, or method of reporting.

(03:30):

So that makes it really, really hard to interpret or compare just quantities like, I don't know, evaluation growth, volatility number, or something like a Sharpe ratio, which comes, in a public market context, completely natural to many investors as a measure of risk-adjusted returns. But now, basically, you don't necessarily have that comparability in private markets. So that makes it difficult to compare within private markets, but also to compare between private and public investments.

(04:01):

Now, as a final barrier, let's touch on fees. Typically, you have carried interest, management fees, which, in general, mean that the typical fee structure in traditional private equity tends to be quite substantially higher than what you would encounter with public market or public investment fees.

Adam Bass (04:22):

Clearly, there is a deep and wide moat around private assets, but a moat is not a wall, and all of us here on the other side of that moat can see the outperformance. But what we don't know or what we haven't known is what's causing it. And to start answering that, we turn to our third guest.

Peter Shepard (04:44):

Hey, I'm Peter Shepard. I'm global head of analytics R&D for MSCI. So exaggerating a bit, there have been two ends of the spectrum. One would say, "Look, private equity performance, it's just leverage." The buyouts put a lot of leverage on stock, and then kind of hide that behind smooth valuations, and then subtract high fees. So that's one sort of extreme end of the spectrum, but that's gained a lot of traction.

(05:13):

The other end of the spectrum points to the remarkable performance, the various ways that general partners or GPs add value, and say, "No, it's an incredible investment." Unfortunately, it's been really hard to know, "Well, where in the middle of that spectrum does the truth lie?"

Adam Bass (05:32):

You've wanted to tackle this for quite a while now, as far back as, I think you said, 10 years.

Peter Shepard (05:39):

Yeah. So for me, for a long time, I've really wanted to better understand, "Okay. There's a lot of characteristics in private equity that make it different from public equity in the aggregate, but nonetheless can be reflected in the public markets." So leverage is one of them, but big sector tilts, size, growth.

(06:04):

Okay. If we can understand those characteristics in private equity and reflect them in public equity, how much of the return does that explain? And it's something I really wanted to do for at least a decade, and it's been remarkably difficult to do it. Just the basic data seems really simple. Data doesn't sound like a particularly exciting topic. But just to understand, okay, how much is the overall leverage of private equity? I just went with that one number.

(06:35):

It turns out that to get that one number, you need to go deal by deal by deal and understand how much debt there is and roll that up, and it's only with a recently developed dataset, MSCI's private capital dataset, that we've been able to do that. So understanding the leverage, understanding the sector tilts, understanding the growth, et cetera.

(06:59):

We're not saying we can replicate the full private equity return, but do our best to replicate those characteristics and see what are those characteristics and how much of the return is explained by those versus really up to the general partner's value-add.

Adam Bass (07:17):

IS, data, the oil of the 21st century, as it's been called. All three of my conversations came back to the benefits of this foundational dataset.

Oliver Bunn (07:31):

So let's maybe start out on the breadth side. It's one of the world's largest private markets databases, with around high-level numbers, in excess of 5 trillion in terms of private equity holdings, more than 6,000 funds, and actually data on individual companies, and the number here is around 85,000, which is a vast number.

(07:54):

That scale, detail, and just plain quality of the data was highly intriguing to us and was really giving us a robust foundation for developing an understanding of the private equity universe, and ultimately delivering that understanding in the ETF that we're bringing to market.

Adam Bass (08:11):

Oliver, we are still not ready to unholster that firearm, please. Let's get back to the data. I believe you were going to say something about the depth.

Oliver Bunn (08:23):

That's what allows you to take a bottom-up perspective of the private equity universe. You can look at company characteristics like a strategy. Is it a buyout fund? Is it a venture capital fund? The region, the country that a specific fund or a company might be located in, and even the sector. And what all of this allows you to do, it allows you to really put your finger on the pulse of the broad private equity universe.

(08:52):

Now, MSCI then complements these characteristics with detailed financial data on the individual companies, such as market capitalization, enterprise value, EBITDA, as well as statistics like debt or equity valuations. And what that does is it allows you to form views very much like public market style, style characteristics like size, value, quality, and you can impose these types of notions into your private equity universe, and that ultimately allows you to later think about ways to translate that to public market exposures, which is what's really happening inside of the MSCI World Private Equity Return Tracker Index that is now live in the market and that our ETF is able to track.

Adam Bass (09:42):

Okay. I guess there's just no way for me to keep this gun from firing, but there is one more step before we get there, and that's heading back to Peter and the answer to his question about the true drivers of private equity returns.

Peter Shepard (09:58):

So of about 450 basis points of outperformance of private equity relative to public equity, about half is replicable in the public markets due to sector tilts. The biggest thing, I guess, was growth was really interesting, how much the growth exposures of private equity can be captured in the public markets and contribute a big bite out of that performance.

(10:28):

The exposures are qualitatively what you would completely expect, but being able to quantify them lets us find out, "Okay. How big of an effect is this?" And what was surprising is that it's quite substantial. That said, it's not everything. So even after fees, the general partners overall are still adding 1 to 200 basis points of additional performance, net of fees, and also net of overall public market beta and the other characteristics I mentioned.

(11:09):

So that's impressive. And then clearly, individual managers can significantly outperform that. So venture capital, for example, once we control for everything, overall, it's actually, a lot of the aggregate

performance of venture capital in North America is replicable in the public markets. But if you can get the top quartile manager in venture capital, it's a completely different story. So manager selection is a huge part of the venture capital story.

Adam Bass (11:42):

And with that answer clear...

Christine Berg (11:44):

The index helps democratize access, capturing these drivers of returns via public securities. So now, we're in a position that we can measure and replicate parts of private equity behavior with more precision, and we can do it in a way that brings it to wider investors, and it was the right time. So the demand and the technology lined up perfectly.

(12:09):

And then for MSCI specifically, we now have these robust modeling possibilities, thanks to our private capital universe data. So private capital solutions brought the data, data that reflects thousands of private funds and portfolio companies, whereas Peter as well as the other key members of our research team, they built model linking private data to public factors as well as, on the index research side, developing the methodology.

(12:45):

We designed it to be rigorous enough for researchers, but also practical for ETF issuers and other use cases. There needs to be tight rules around liquidity, diversification, trading costs, and the like so that it can function as a live, scalable index. But let me step back and start with the fact that the World PERT Index does not contain private equity securities. It's a bridge between private and public markets.

(13:14):

What it does is it seeks to approximate the returns of PE investments by replicating region, sector, and style exposures, like value, growth, leverage, momentum, through publicly listed equities. So with the knowledge in hand of the drivers of private equity, we use a building block approach, which is a common approach and used in other indexes, and we construct component indexes. There's six of them specifically.

(13:42):

And what are those six? Well, they represent different regions as well as different private equity strategies. So North America versus Europe and the Middle East versus Pacific. Those three regions will look different. And so, we'll buy out versus venture capital or growth. So we take each of the regions and then the two strategies each, which gets to six.

(14:08):

And so, by taking those, we then construct the six regional components. We apply the output from our model. So what are the weights applicable to each of those things in each of the six component indexes? And once we have the six, we combine them when we actually apply weights to those six in comparison or relative to what the weights of those specific cuts are in the actual global private equity universe, and

then there we have it. So the index in the end is rules-based and transparent and investable. And for those who want a deeper dive, the full methodology as well as a few research papers are available on our public website.

Peter Shepard (14:59):

The idea is that this can act as a benchmark to just shed a lot of transparency onto that question to show what is driven by public equity characteristics, and then to really highlight the true value-add of the general partner on top of that. But it also is used by the flagship client of it, Goldman, to create an investable ETF. The goal there is to give a lot of investors access to the replicable component of this return.

Oliver Bunn (15:34):

We've been managing liquid alternative strategies for over 15 years. And generally, if you're going to think about our philosophy, it has been all about the accessibility of alternative assets in a liquid format, and then thinking about ways of how they could serve as a diversifier. Now, when we talk about the index and the ETF itself, we had majority of that experience more in the context of hedge funds and hedge fund performance as a potential source of alternative investments.

(16:06):

So here, our investment process has normally relied on quite some extensive data. We are trying to leverage basically as much as we can the technological infrastructure that we have available at Goldman Sachs, and that allowed us to actually uncover quite a few different opportunities. Now, in the current environment, we have essentially recognized that it should probably not be a bad idea to extend this whole endeavor and see whether this accessibility of alternative assets can be brought to areas such as private equity returns.

(16:41):

And that actually led us to connect with MSCI to see whether we can deliver this in an ETF structure, which that ETF structure bringing about the typical benefits of flexibility, transparency, and accessibility. And look, here we are. We have now created a liquid vehicle, the Goldman Sachs MSCI World Private Equity Return Tracker ETF. Now, what does it do? In terms of its investment objective, it tries to provide investment results that closely corresponded before fees and expenses to the performance of the MSCI World Private Equity Return Tracker Index.

Adam Bass (17:21):

I remembered that when Oliver and I spoke in preparation for his interview, he had used the phrase liquidity spectrum quite a few times when he was talking about the full offering from Goldman Sachs Asset Management. So I asked him, where does this ETF fit inside that spectrum?

Oliver Bunn (17:40):

If I look at this full liquidity spectrum and what we at Goldman Sachs Asset Management are offering, it starts out with traditional private equity. And I would kind of give this a broad characterization of being more illiquid in nature. We have extended that spectrum to include liquid evergreen funds over the

years. And now, we feel like we're kind of completing that spectrum by delivering the ETF, ticker GTPE, which is really fully liquid public market access.

(18:11):

So for investors who face challenges meeting some of the typical access requirements of private equity, GTPE can serve as a valuable bridge actually as it provides exposure to, yeah, you can think about this as private market-like returns, but then at the same time, it also has the transparency and accessibility benefits of the ETF wrapper.

Christine Berg (18:35):

MSCI and Goldman, we have a long-standing relationship across our organizations well beyond indexes for decades. And timing is everything, the trends and the demand in the market, some of those new capabilities, modeling and data access that I mentioned earlier. And ultimately, a shared vision to deliver innovation to market participants drove the collaboration, and we play different roles in the ecosystem and in the marketplace.

(19:06):

So based on those complementary roles and strengths, it was really ideal. Right? So together, our two organizations could work on a project like this. MSCI prides itself on deeply understanding global investment trends and the investment process. So whether it's a new index such as PERT or evolving or enhancing our existing indexes, client engagement and consultation is always at the heart of our process here. And so, that came together very nicely with the GSAM team.

Adam Bass (19:42):

So it starts with the data. No, scratch that. It starts with the question, the challenge, how to build that bridge across the moat that separates so many investors from private equity returns. Then, a rich dataset arrives. Let's call these the planks that make up the bridge, along with the models and the know-how to crack the code about how to design and construct it.

(20:12):

This is the index. This gets you, let's say, halfway across, completing the other half and actually making it into the castle at last. Well, that requires an investment vehicle based on the index, such as the Goldman Sachs Asset Management ETF. Now I'm inside. How do I put this ETF to work? We've covered the first use case, which is...

Oliver Bunn (20:39):

Basically for the person who wants to get into private equity. Now, as a second use case, think about it, how it can complement your existing alternative holdings. Right? So you have something here that is representing fully liquid public market exposure. And therefore, you may actually be able to position this quite naturally next to more traditional and then, in tendency, more illiquid private equity, or basically evergreen funds which tend to be maybe more in the middle segment of the spectrum, basically giving you a lot more flexibility to play around within this liquidity spectrum.

(21:17):

Now, as a third potential use case, think about uncalled capital. Think about an investor who basically has made a commitment to private equity and is essentially waiting for this kind of commitment to occur, and then, obviously, for the capital to be called and ultimately be put to use. What do you do in the meantime? So you can think about using our fund, so using GTPE, to maintain market exposure.

(21:46):

And what this does is it allows you to possibly mitigate the negative impact of what we would call the cash drag. Right? So you just have money on the side that then gets you cash-like returns, but it doesn't give you equity-like returns, and GTPE may actually be a solution here that can help basically bridge that gap.

(22:06):

And lastly, take a little bit of a step back and think about what GTPE is actually trying to do. It may offer you a glimpse into where public markets could evolve, and it captures characteristics of innovative companies, private equity companies that may increasingly be important to investors in certain fast-growing areas of the market.

Adam Bass (22:29):

All that said, how are investors looking at an investment like this in terms of where it fits into their portfolio? I mean, is it part of public assets, private assets? How do I think about it?

Peter Shepard (22:43):

A lot of our clients are actually thinking less in terms of asset class allocations. So rather than saying, "Okay. First, let's allocate this much to public equity and this much to private assets, and of that private, this much to private equity." So that's sort of the traditional asset allocation. A lot of our clients have been and are increasingly adopting this sort of total portfolio approach, where you're really looking across asset class silos and trying to get the best opportunities with the characteristics that meet the objectives.

(23:22):

And so, with that view, it's not really public being one type of investment or private being another. Everything brings a different degree of different kinds of exposures. So both public equity, traditional public equity, and private equity bring equity. This brings a lot of that. It brings more of the characteristics of private equity, but then it brings the liquidity of public equity. So it's sort of a different batch, a different combination of characteristics. Public equity is one combination. Private equity is another, and this is kind of a third maybe kind of triangulating between the two.

Adam Bass (24:04):

You read a lot about the so-called convergence between private and public markets. What does that tell us about where this might be headed?

Peter Shepard (24:12):

I think what this shows is convergence between public and private has further to go, and it has a limit. There's more in common between public and private than maybe some people realize, but there's also this significant kind of pure private left behind, and that's potentially an illiquidity premium.

(24:37):

A skilled manager isn't just kind of picking which company to buy, but they're determining, they're influencing the management of that company. And so, there's a lot in the private markets that this index and no public index could replicate. And so, the idea is to help that convergence along, but also make clear its limitations.

Christine Berg (25:02):

Look, I think there's a lot to do still. We're at the ground floor of education and awareness and talking through the use cases and applications, but I also think that we are seeing things move at a pace never seen before. And so, we're really just scratching the surface, especially when you factor in the advancements in technology and how those will only further accelerate what we're doing. So as private market data becomes richer, investors push for more transparency, that will only provide richer data. We'll see more innovation, some experimentation. And so, there's a lot of opportunity ahead.

Adam Bass (25:48):

That's all for this episode. Our thanks to Christine, Peter, and Oliver. And as Christine mentioned, you can find more information and research on the MSCI World Private Equity Return Tracker Index at [msci.com](https://www.msci.com), and learn about the MSCI World Private Equity Return Tracker ETF at am.gs.com. Next up on the program, we'll check back in on what the world's largest asset owners were talking about as the MSCI Institutional Investor Forum came to North America. Until then, I'm your host, Adam Bass, and this is MSCI Perspectives. Thanks for listening.

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