

Burgiss Analytics

Capital Reserve Forecasts for Buyout Portfolios

- Limited Partners often use forecasting models to predict how much capital will be called over the next quarter, year, so on.
- These models are useful, but ultimately limited because they usually only provide an average forecast – which is analogous to trying to cross a river knowing just its average depth. Moreover, these models generally treat a diversified portfolio no differently than a single commitment.
- To address these shortcomings, Burgiss has created a new model that forecasts the capital reserve required to meet capital calls for a portfolio with a specified probability.
- This new perspective (i.e. forecasting capital reserves) enables Limited Partners to directly answer the question: How much capital should I have at the ready to meet capital calls?
- The objective of this report is to provide Burgiss clients with top-line capital reserve forecasts which can be incorporated into the capital budgeting process.
- This report includes capital reserve forecasts for a series of different portfolio constructions. By design, these portfolios are simple so that the forecasts are intuitive.
- In practical terms, these forecasts can be interpreted as the amount of capital required to meet the next quarter's capital calls with a success rate of 95%¹ (and a failure rate of just 5%, or one quarter every five years) for the specified portfolio – we call this amount the Capital Reserve Forecast.
- For more information regarding the model, see our Working Paper titled [Budgeting for Capital Calls: A VaR-Inspired Approach](#).
- To inquire about fully customized forecasts, please contact sales@burgiss.com.

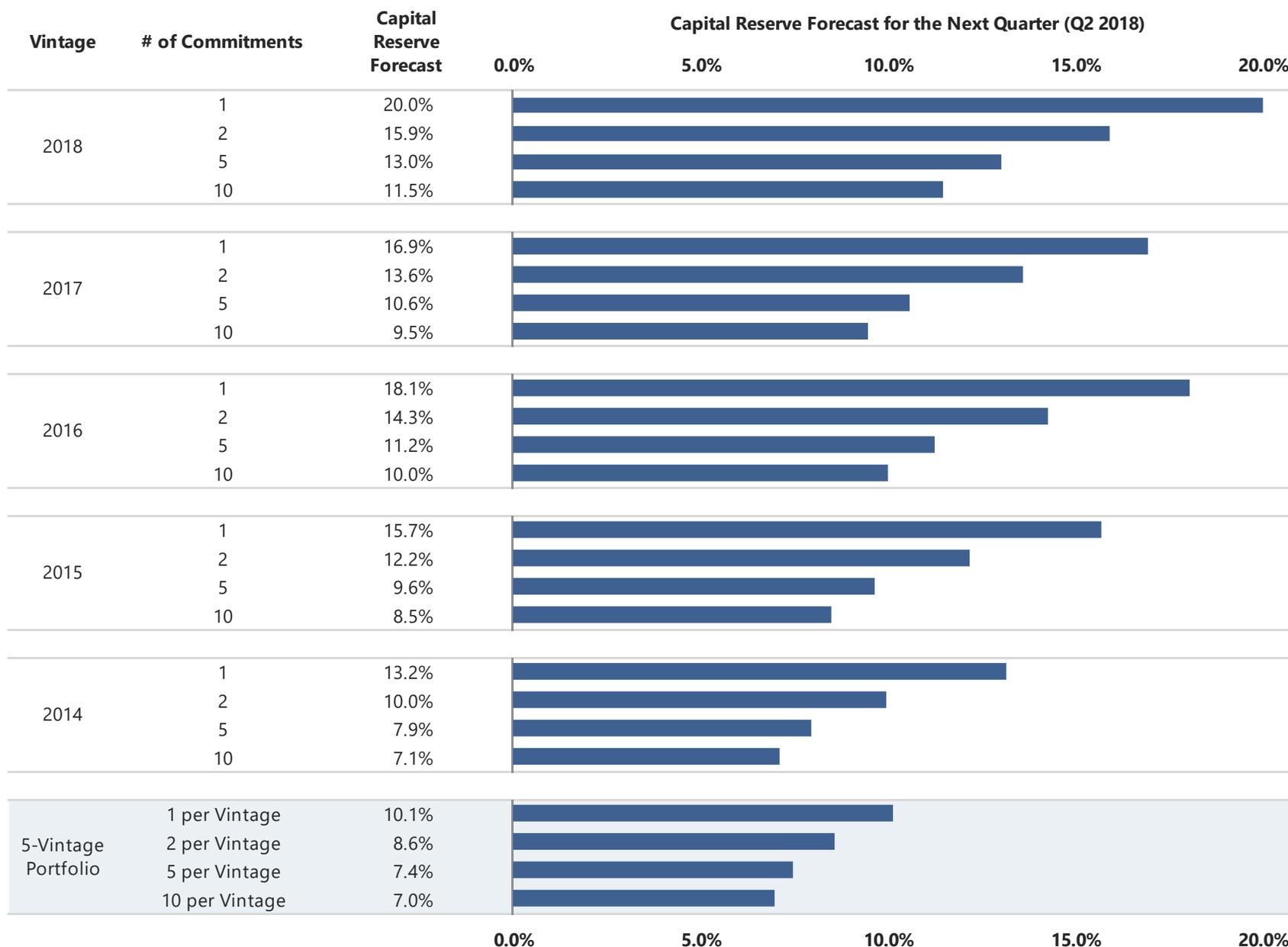
¹Based on historical data.

Please refer to the Appendix for more details regarding the methodology.

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Q2 2018 Capital Reserve Forecasts for Buyout Portfolios

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Note: Capital Reserve Forecast shown as a % of Committed Capital.

The 5-Vintage Portfolio assumes equal sized commitments to 1, 2, 5, and 10 funds from each vintage year. For example, the 5-Vintage Portfolio with 10 commitments per Vintage has 50 equal sized commitments and Capital Reserve Forecast of 7.0% for the next quarter. Please refer to the Appendix for more details regarding the methodology.

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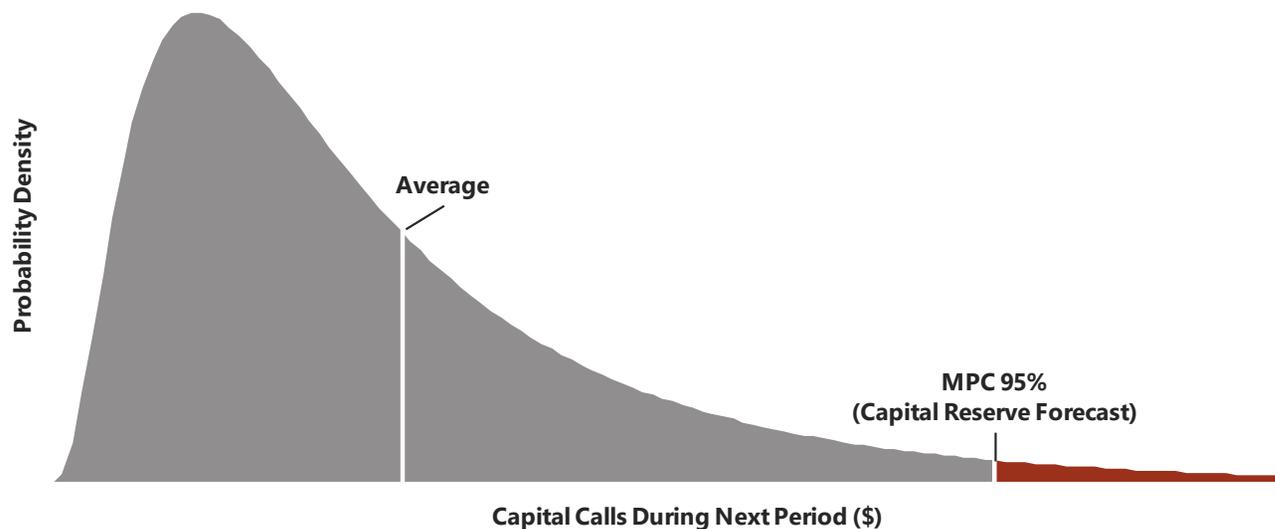
Appendix

General

- Results in this report are based on the Burgiss Manager Universe (BMU) as of Q3 2017.
- The BMU is unfrozen and gets compiled four times a year to reflect the best data available. As part of that process, new data is added and transaction history is updated.

Calculations

- The forecasts in this report are derived using the Maximum Probable Contribution (MPC) methodology for forecasting the probability density function of capital calls arising from both single commitments or portfolios of commitments. The methodology employs a historical Monte Carlo simulation to build a histogram of quarterly contributions from similar funds. Similar funds are defined as having the same Asset Class and a historical age within three months of the portfolio fund.
- The resulting histogram (see figure below) is then used to estimate MPC values (at a specified level of probability) for either a single commitment or portfolio of commitments. The MPC 95% value represents the maximum amount of capital called during the next period (with a 95% success rate) and is referred to as the Capital Reserve Forecast.
- See our Working Paper titled [Budgeting for Capital Calls: A VaR-Inspired Approach](#) for further details.



About Burgiss Manager Universe

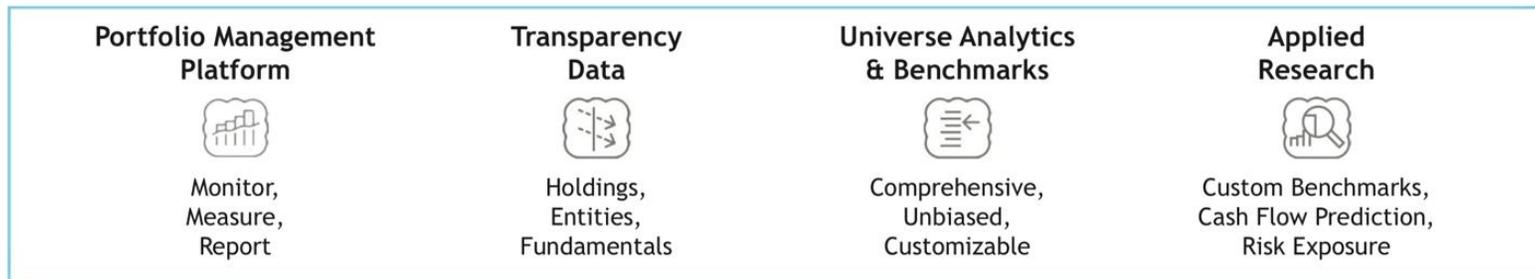
The Burgiss Manager Universe is a research-quality database that includes the complete transactional history for more than 7,800 private capital funds. It is representative of actual investor experience because the data is sourced exclusively from limited partners, which eliminates the natural biases introduced by sourcing data from general partners.

The Burgiss Manager Universe is an essential resource for private capital investors. It powers:

- [Private iQ](#), our investment decision support and benchmarking tool
- Burgiss Peer Groups, available in [Private i](#) and third-party platforms
- Sophisticated analyses like Monte Carlo simulations
- Research by leading academics

About Burgiss

Burgiss is the global provider of investment decision support tools for private capital. Along with deep expertise in performance and risk measurement, our analytics platform and research-quality data help clients make better investment decisions. We serve over 1,000 firms in 30 countries, and our data covers more than \$5 trillion in private capital. For more information, visit burgiss.com.



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