

Pantheon Introduces Performance-Based Pricing for the Defined Contribution Market

Groundbreaking fee innovation designed to address plan sponsor concerns

NEW YORK – FEBRUARY 1st, 2017 - Pantheon, a leading global private equity, infrastructure and real assets fund investor, today announced that it has introduced performance-based pricing as an option for its private equity strategies¹ targeted at the defined contribution (DC) market.

“The innovative fee solution we are announcing today visibly aligns investors’ interests with Pantheon’s, addresses core plan sponsor concerns, including costs and potential litigation², and it demonstrates the confidence we have in our ability to deliver strong returns to our investors,” said Kevin Albert, Managing Director at Pantheon.

The U.S. retirement market consists of both defined benefit (DB) and DC plans, and more than 90 million U.S. citizens are covered by DC plans, with DC assets in excess of \$6.7 trillion³. Historically, DB plans have outperformed DC plans for reasons that include a shift toward alternative assets and differing investment fee structures⁴. Based on the strong returns the private equity asset class has delivered in recent years⁵, Pantheon believes that private equity strategies have the potential to address the performance delta between DB and DC plans and merit consideration as a viable investment option by plan sponsors.

“We believe it is essential to take action to close the performance gap between DB and DC plans. Research shows that 52% of American households are currently at risk of not having enough to maintain their living standards during retirement⁶. Retirees can ill afford to suffer continued underperformance in their DC plans,” commented Kevin Albert. “Our view is that private equity has an important role to play in addressing performance. Our efforts to date in the DC market focused on tackling structural considerations for liquidity and valuation; now is the time to further innovate with fee options.”

Pantheon’s Performance Pricing Fee Overview

The performance pricing option applies only to that portion of a portfolio actually invested in private equity investments (e.g., not including cash and liquid securities)⁷. A performance-based fee is only



accrued when the performance of the private assets in the portfolio beats its benchmark, which is the S&P 500.

Pantheon does not receive all the performance fee it accrued immediately. When a performance fee is accrued, it is gradually paid to Pantheon over at least eight calendar quarters. This is so there can be a reservoir available to reverse performance fee accruals in scenarios of underperformance. Because Pantheon's strategy intends to accommodate periodic trading, and the fee accrued would be reflected in the strategy NAV⁸ as of the relevant period, investors will not pay for performance they did not experience.

"This pricing innovation shows the confidence we have in our ability to generate incremental returns with private equity for 401(k) participants. This is why we are putting our money where our mouth is: If we perform, both investors and Pantheon benefit. If we don't perform, we both share in that underperformance," Kevin Albert continued.

Pantheon also announced that it is working with a number of General Partners, including KKR, to seek to manage the less predictable and irregular investor capital inflows that can be expected in a DC plan, and to facilitate efficient deployment.

"The need for expedited capital deployment presents some potential challenges. Our objective is to facilitate efficient GP capital deployment to reduce potential cash drag, and address the more irregular capital flows typically experienced by a DC plan," said Kevin Albert.

Notes to Editors

PANTHEON

Pantheon is a leading global private equity, infrastructure and real assets fund investor that invests on behalf of over 415 individual institutional investors, including public and private pension plans, insurance companies, endowments and foundations. Founded 35 years ago, Pantheon has developed an established reputation in primary and secondary private asset solutions across all stages and geographies. Our investment solutions include customized separate account programs, regional primary fund programs, secondaries, co-investment and infrastructure programs. Pantheon has 35 years' experience of investing in private markets, and has offered Private Equity solutions for the U.S. DC market since 2014.



As at September 30th, 2016 Pantheon had \$35.2 billion assets under management* and we currently have 223 employees located across our offices in London, San Francisco, New York, Hong Kong, Seoul** and Bogotá**. Our employees include 71 investment professionals.

Pantheon is majority-owned by Affiliated Managers Group Inc (“AMG”), alongside senior members of the Pantheon team. AMG is a NYSE-listed global asset management company with equity investments in leading boutique investment management firms. The ownership structure, with Pantheon management owning a meaningful share of the equity in the business, provides a framework for long-term succession and enables Pantheon management to continue to direct the firm’s day-to-day operations.

* This figure includes assets subject to discretionary or non-discretionary management, advice or those limited to a reporting function.

** Please note that PV US’s Bogota office is a representative office and a PV US Korean subsidiary has opened the office in Seoul. These offices do not provide investment advisory services.

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For more information, go to www.pantheon.com.

Contacts:

Brunswick Group

Beatriz Garcia

Tel: +1 212 333 3810 | Email: pantheon@brunswickgroup.com

Pantheon

Amanda McCrystal, Principal, Global Head of Marketing and Communications

Tel: +1 212 205 2000 | Email: amanda.mccrystal@pantheon.com

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Notes

¹ Private equity strategies refers to the illiquid private assets investments, including but not limited to, private equity, infrastructure, real assets and credit.

² Cerulli Associates, “The Cerulli Report: US Retirement Markets 2016- Preparing for a New Post-Conflict of Interest Rule”, December 2016; Callan Associates, Callan Survey: “Spotlight on Fees is Reshaping Defined Contribution Plans”, January 2017

³ Vanguard, “How America Saves 2016, Vanguard defined contribution plan data”, June 2016

⁴ Towers Watson, “Defined Benefit Plans Outperformed Defined Contribution Plans Again”, May 2013; Cliffwater LLC, “An Examination of State Pension Performance: 2006 to 2015”, September 2016

⁵ American Investment Council, “Public Pension Fund Analysis”, October 2016; Cliffwater LLC, “An Examination of State Pension Performance: 2006 to 2015”, September 2016



⁶ The Center for Retirement Research at Boston College, “National Retirement Risk Index”

⁷ Private equity strategies refers to the illiquid private assets investments, including but not limited to, private equity, infrastructure, real assets and credit.

⁸ Strategy NAV is defined as the value of the private assets portfolio.

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