



IMAP Independent Thought Podcast

Episode 45: Bringing Transparency to Private Markets

Join our host **Emily Barlow (Perpetual Private)** and **Ari Rajendra, Head of Private Markets Indices at S&P Dow Jones Indices**, as they discuss:

- Private markets demand has surged in private wealth, with growing (but uneven) global vs Australian adoption
- Structural shifts are improving access for wealth and wholesale investors
- Traditional performance measures (IRRs, peer groups) have limitations and create challenges for advisers
- Advances in data and indexing are making private market benchmarks more credible and investable
- Future outlook: greater transparency, potential ETFs, and improved measurement, reporting, and access for investors

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<https://www.spglobal.com/spdji/en/landing/investment-themes/private-markets/>

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Emily Barlow (Perpetual):16

Welcome back to the IMAP Independent Thought Podcast. My name is Emily Barlow, and I'm an investment director at Perpetual Private and your podcast host. And today we're driving into private markets and specifically the push to bring them out of the shadows and into a world of greater access, transparency, and measurement.

Private markets have already moved from niche allocations to mainstream parts of diversified portfolios. With global AUM projected to reach 25 to 30 trillion by 2030, companies staying private for longer, and private credit having exploded as a funding source, advisors and allocators need to be asking how we measure them properly.

And to unpack that all, I'm delighted to be joined by **Ari Rajendra, head of private markets indices at S&P Dow Jones Indices**. He leads the development and commercialization of benchmarks that bring transparency and structure to private markets, including private equity, private credit, and related asset classes. Ari, thank you so much for being here.

Ari Rajendra (S&P Dow Jones Indices)1:20

Thank you, Emily. Pleasure to be here.

Emily Barlow (Perpetual Private) 1:22

Ari, if we start with the landscape from S&P Dow Jones Indices perspective, how significant has the surge in private markets interest been across private wealth?

And more specifically, has there been a difference in adoption between Australian investors and other investors globally?

Ari Rajendra (S&P Dow Jones Indices)1:40

Sure. So Emily, I think you've highlighted a couple of points already in your introduction.

And from our perspective as an index provider, we've definitely observed a meaningful and sustained growth and demand for private market indices. And structurally, that has been driven by companies staying private for longer.

We are seeing that from even on the converse, when you look at public companies, the number of listed companies are actually going down. So the share of private companies are actually becoming a greater piece of the economic pie. From a private credit perspective, acknowledging obviously the recent headwinds, we've still seen significant growth in private credit as an alternative source of financing.

As a result, a larger share of economic activity is now happening in private markets. Now, with respect to your second question, I guess I would be a bit cautious about making definitive comparisons across the region.

But from a market perspective and my observation and listening to the various different market participants when I was in Australia not too long ago, Australia appears to be well developed and a forward-leaning wealth market, but more broadly, if we look across the US and Europe, we are seeing an increasing interest from wealth investors. Though adoption levels, would be dependent on multiple different factors such as regulations, product availability, and distribution models.

Emily Barlow (Perpetual Private) 3:31

So you've touched briefly on the landscape and the growth in the market.

But I'm interested to understand what structural forces are making it easier for wealth and wholesale investors to access private markets today.

Ari Rajendra (S&P Dow Jones Indices)3:47

Sure. I suppose what we've seen recently is a key enabler being product innovation. And we've seen fund structures evolving over the last perhaps two to three years. And these are often referred to as the evergreen semi-liquid funds.

So they're designed for more periodic liquidity and specifically been built for wealth distribution. So these types of funds in the US, for example, are called interval funds

or tender offer funds. These are certainly been enablers for distribution of private markets into the wealth channels.

We're also seeing hybrid structures emerging. You know, we talked about the trends and landscape. We've obviously seen the increased participation from a wealth perspective, but we're also seeing both public and private markets coming together in single portfolios. So we are seeing blended public-private solutions coming to the market as well. But ultimately, Emily, when we tied back to indices as the ecosystem grows, transparency becomes critical.

So, we believe indices can play an essential role in terms of providing clarity of exposure, consistent measurement, again, something that you mentioned, the top of the call, and supporting portfolio construction at scale.

Emily Barlow (Perpetual Private) 5:14

You've just touched on transparency, and I think that's a good segue to start talking about benchmarking. And advisors have typically relied on peer groups, manager-reported IRRs, or even cash plus proxies to assess private market performance.

I'm interested to know how effective this approach is from your perspective, and what do you see as the biggest issues with it?

Ari Rajendra (S&P Dow Jones Indices)5:40

I would say the challenge has really been that both public and private markets have operated in silos in separate domains. So, they've almost evolved as parallel systems. They use different metrics for reporting, and as you mentioned, IRRs compared to what we are used to in public markets and different reporting frameworks.

The challenge being, it's hard to make a comparison between the two. So the implication is advisors often use peer group comparisons, manager-reported IRRs.

Now, the issue here being is there could be different styles or different standards in reporting these numbers. The IR number itself can be sensitive depending on how it's calculated. So the solution, or the direction of travel is clear. What's needed is a common framework, one that allows seamless comparison between the asset classes and to allow improved decision making and allocation.

Emily Barlow (Perpetual Private) 6:49

Building on that, what is it that has made private markets fundamentally so difficult to index in the past? And what's changing now that's making it more feasible?

Ari Rajendra (S&P Dow Jones Indices)7:00

Private market benchmarks have been in existence for many, many years, so it's not something new. But what we're doing is what I call the next generation of benchmarks.

What has existed over many years are fund-level benchmarks, and these are typically quarterly reported on a lagged basis, and these have been useful from a perspective of performance reporting and manager due diligence. But what was missing is the asset level indices.

We talked about fund level indices which have been in existence. What we have not had is asset level indices.

So it's lack of standardised data and timely pricing.

What's changing now is we are seeing increasing availability of that data...the transaction level data for example, or loan level data for example in private credit.

And there's ongoing efforts from ourselves, from various different entities in the ecosystem to bring structure and standardisation to what I call a fragmented market when it comes to data. So we're still early, but the data foundation is certainly improving.

Emily Barlow (Perpetual Private) 8:18

In terms of data, I understand *S&P Dow Jones Indices* is combining lots of different sources, just to make more credible benchmarks. I'm interested to understand a bit more about that, but also specifically if the timeliness and access to this data is providing any challenges for you.

Ari Rajendra (S&P Dow Jones Indices) 8:39

Yes that's absolutely right. And as I mentioned previously, when we look at data, there's no one single source that houses all of the data. So data is fragmented, but we do see a common trend across the ecosystem.

There is a desire to bring more structure to the data. So within S&P Global we house very rich data sets across private markets.

So whilst we are taking an ecosystem approach of looking at various different means of getting access to data, we are also leaning internally in terms of seeing what we can leverage within S&P Global.

We have launched a number of index families recently. As I mentioned, we are taking an ecosystem approach. So, speaking to various different market participants externally who may be sitting on these sort of data sets to bring more credibility to bring that data sets, apply our governance frameworks and methodology to create the citizens.

Just to give you an example, we within the private equity index offering, we launched what we call the S&P Private Equity 50 Index family, and that was in partnership with a company called NewVest. Now, NewVest effectively provides us data of the top 50 private equity funds. They themselves are an asset manager, a fund of fund managers, but our relationship with them is that they're providing us the data. And with that data, we've created what we call the S&P Private Equity 50 Index, which represents a beta exposure to private equity.

On the private credit side, we partnered with a company called Lincoln International. Now, Lincoln International are a private credit valuation specialist. They have been calculating a couple of indices in the senior debt space representing the direct lending market for a while. So, what we have done is we've taken that over, applied our governance methodology, recalculated them, and these are called the S&P Lincoln Senior Debt Indices.

These are two examples where we have worked with external partners, and as mentioned, we are also utilizing data internally to build our indices.

I guess your second question is on the timeliness aspect. Data in private markets is naturally lagged, but we are seeing certainly a demand for more frequent valuation. Now in some instances we've already got daily marks. For example, in the private stock space, (when I say the private stock space, that's the late-stage venture companies), we have created an index that that represents the late-stage venture companies as SpaceX and OpenAI, and those are daily indices. But in the loan space, for example, we are moving from quarterly to monthly. Now, whilst frequency is improving, but we must balance between robustness and accuracy as well of the asset class.

Emily Barlow (Perpetual Private) 12:03

If we take a step back before we move on, better benchmarking should, in theory, enable improved decision making and analytics of private market portfolios.

What do you think increased benchmark transparency will mean for investment committees and advisors in practice?

Ari Rajendra (S&P Dow Jones Indices)12:21

Yes Emily, better risk assessment, stronger portfolio construction from an advisor's standpoint, is having an index that almost acts like an education tool.

It's a way to understand what's inside of the portfolios. From advice from an asset owner, we talk about institutional, more professional, sophisticated investors, it's improved portfolio construction, more informed manager selection, and better risk assessment.

I think this is an important aspect, and more confidence in allocation decisions. So, and finally, as an index provider, from a trust angle, having an independent, regulated benchmark provider provides consistency, governance, and confidence in decision making.

Emily Barlow (Perpetual Private) 13:16

We've seen how public market indices have ultimately given rise to ETFs. And we've already seen the start of increased access and liquidity to private markets through structures like LICs and LITs.

Do you think we'll see private market ETFs entering the market anytime soon? And do you have a view on how they might differ from the current products that are available?

Ari Rajendra (S&P Dow Jones Indices)13:40

Yes, we are actually starting to see that already. So, they're early examples of ETF structures with hybrid exposures. So, they do combine private markets and public markets, particularly in credit. We've got a couple of examples in the US.

However, the regulatory frameworks currently limit more pure play exposures to within the ETF asset class. So, I would say for pure play private market ETFs, this is still evolving.

The likely path forward, though, is potentially the more near-term, I would say more the near-term growth may come from evergreen semi-liquid structures, which we which we talked about earlier.

Now these are more aligned with the liquidity profile of private assets effectively. So, now this is a structural shift already because historically private markets have been closed and drawdown funds. We are now seeing this trend towards more accessible, semi-liquid, I suppose, towards more liquidity formats for wealth investors.

Emily Barlow (Perpetual Private) 15:03

And finally, Ari, if private markets are at an inflection point becoming more scalable, comparable, and transparent, if we were to fast forward a few years, what does good look like in terms of measurement, reporting, and access for advisors and their clients?

Ari Rajendra (S&P Dow Jones Indices)15:21

Increasing transparency and standardization. Just to break that down a little, good would mean more asset level transparency, as mentioned earlier the comparison or differences between fund-level benchmarks and asset level benchmarks, broader and more representative coverage of these asset classes, more frequent valuation, as we see that demand already. And from an end investor perspective, thinking about what indices can provide, it facilitates access, provides confidence, and brings clarity to allocations.

Emily Barlow (Perpetual Private) 16:07

Ari, thank you so much. This has been a really interesting discussion, and I think the message to our listeners is pretty clear.

Private markets have already become a core part of the investment toolkit, but they do need the same infrastructure that made public markets so scalable, which is that data transparency, comparability, and those robust benchmarks.

So, thank you so much for joining us and sharing your insights.

Ari Rajendra (S&P Dow Jones Indices)16:35

Pleasure.

Emily Barlow (Perpetual Private) 16:36

And to our listeners, thank you for tuning in to the IMAP Independent Thought Series podcast. If you enjoyed this episode, please share it and keep an eye out for more conversations with industry leaders shaping the future of portfolio construction. See you next time.

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