MILL CREEK

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Mill Creek Private Equity

Our Approach

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Executive Summary

Private equity has evolved from a niche sector into a major market, attracting both institutional and high-net-worth investors. Consistent outperformance relative to public equities, combined with a shrinking pool of public companies, has fueled its rapid expansion. As a result, investors now face an overwhelming number of choices, making focus, discipline, and resources essential for building an effective private equity program.

At Mill Creek Capital Advisors ("Mill Creek"), we design tailored private equity solutions that prioritize:

- **Broad access** to global private equity opportunities,
- **Rigorous due diligence** and continuous monitoring,
- **Cost efficiency** through strategic fee management,
- **Customized strategies** aligned with client objectives,
- **Strong interest alignment** to minimize conflicts.

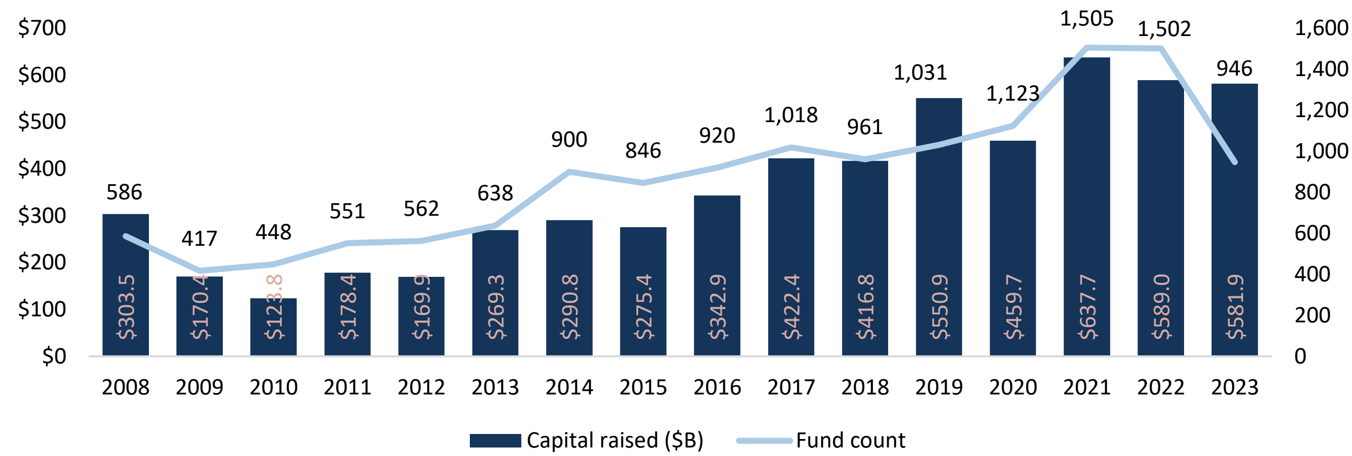
The Allure of Private Equity

Private equity has become an increasingly prominent asset class as investors seek to enhance portfolio diversification and access opportunities beyond traditional public markets. The decline in publicly-traded companies, shifting market dynamics, and the uneven performance of other alternative asset classes—such as real estate, hedge funds, and commodities—have contributed to private equity's appeal. Unlike public markets, where liquidity can result in short-term decision-making, private equity enables investors to take a long-term approach, focusing on value creation through active management, operational improvements, and strategic growth initiatives (Fig. 1).
Additionally, private equity offers a broad spectrum of investment strategies, including buyouts, growth equity, and venture capital, each providing distinct risk-return profiles. While past performance is not indicative of future results, historical data suggests that private equity has delivered compelling

long-term returns relative to public equities (Fig.2). However, success in this asset class requires careful manager selection, disciplined capital deployment, and a structured approach to portfolio construction—factors that have become increasingly important as the market continues to evolve.

Fig. 1: Recent vintages include over a thousand PE funds raised globally

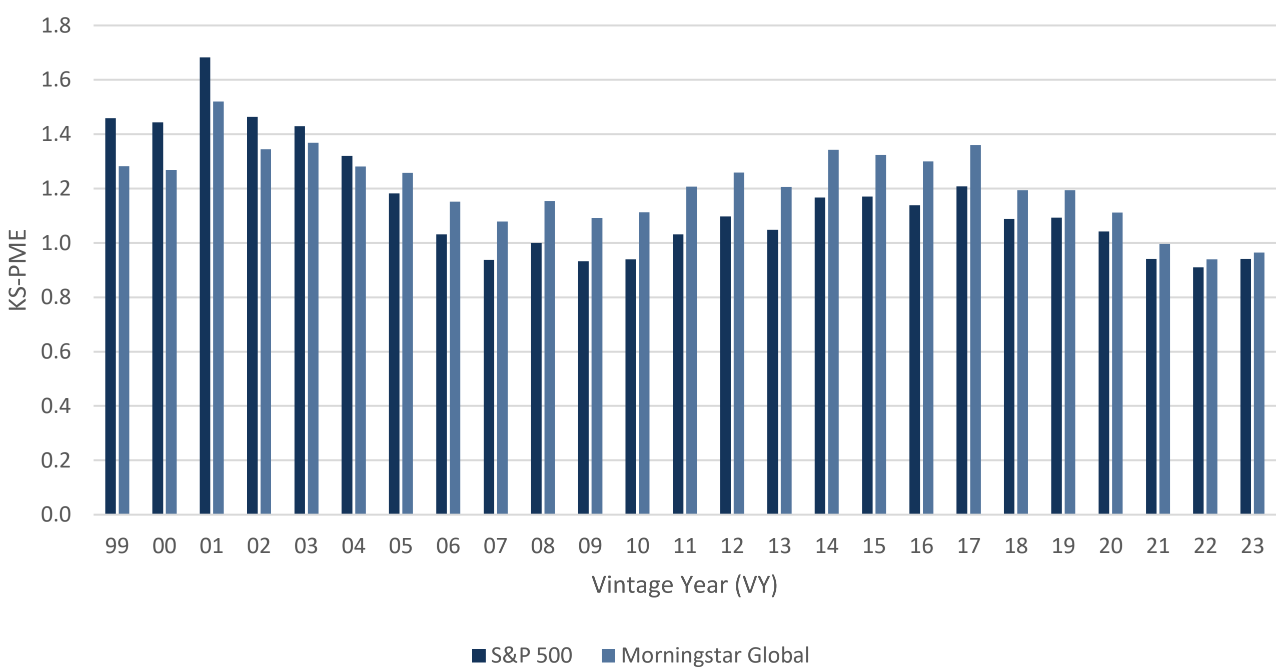
Private equity fund raising by year



Source: PitchBook, Q3 2024 Global Private Market Fundraising Report.

Fig. 2: Private equity performance vs. public indices

Kaplan Schoar Public Market Equivalent Ratio*



Source: PitchBook Global Benchmarks: Q2 2024 with preliminary Q3 2024 data, Global Private Equity.
** Kaplan Schoar Public Market Equivalent (KS-PME) is measure of private investment returns vs. a public index. A ratio >1 indicates outperformance, <1 indicates underperformance.*

The Challenge of Implementation

Building a successful private equity program requires more than just capital—it demands a strategic, well-resourced approach. Investors face an increasingly complex landscape, with thousands of funds, varying investment structures, and a broad spectrum of strategies to consider. The sheer volume of options can make decision-making overwhelming, underscoring the importance of a disciplined framework. A well-executed private equity program requires clear investment objectives, rigorous due diligence, and the operational capacity to navigate the nuances of fund selection, portfolio construction, and ongoing management. Without these elements, even well-capitalized investors may struggle to achieve optimal outcomes.

Fig. 3: Private Equity Program Implementation

Simplified structural alternatives to PE allocators

40 Act Funds	Multi-Manager Vehicles	Custom SMA Programs	Primary Fund Commitments	Co-investments and Secondaries	Single Company Investments
• Registered products available to the mass affluent	• Institutional quality products organized by large PE solution providers	• Targeted, custom programs for larger allocators that come in a variety of forms	• Direct commitments to PE funds	• Transactions of single or multi-asset portfolios alongside a PE sponsor	• Direct share ownership in operating companies

Source: Mill Creek.

Before determining private equity's role in their portfolio, investors should first assess their objectives, considering:

- Risk tolerance and diversification,
- Duration and liquidity needs,
- Operational demands, and
- Tax and estate planning.

Mill Creek's Approach

As an independent fiduciary, Mill Creek designs private equity programs tailored to client objectives.

Sourcing

Sourcing private equity opportunities demands significant time, in-person meetings, networking, and ongoing market engagement. While access has expanded, maintaining a strong presence in key markets remains essential. Success requires systematic data gathering, tracking, and personal referrals to uncover the best opportunities. Over the past three years, Mill Creek & Wilshire Advisors ("Wilshire") have reviewed 3,131 private markets opportunities in 2022, 3,601 in 2023, and 3,354 in 2024.

Due Diligence & Monitoring

At Mill Creek, manager diligence is a core strength across all asset classes. In private equity, where investments span over a decade, we go beyond standard operational and administrative reviews. Our process includes off-list reference checks, behavioral analysis, and scenario planning for extreme events. We engage experienced operational, legal, and financial experts to ensure investments align with our governance and risk tolerance. This includes full operational due diligence reports, in-depth legal reviews, and side-letter evaluations when needed. These details are especially critical when investing alongside major global investors in diverse jurisdictions and niche asset classes.

Monitoring

In the past, private equity monitoring meant reviewing quarterly and tax statements while waiting for investments to liquidate. Today, this approach has evolved due to several key factors, including the maturation of the secondary private equity market, structured liquidity options, NAV loans, continuation vehicles, and other types of non-traditional methods of liquidating private equity investments. Importantly, data analytic tools have also improved substantially over the past decade, providing investors a deeper understanding of the operating performance of their underlying portfolios.

Fee Efficiency

Private equity remains costly, with top managers typically charging a 2% management fee and 20% carried interest (profit sharing incentives that impact net performance). These costs can be further obscured by economic arrangements with wire-house distributors, intermediaries, and placement agents. Meanwhile, large investors have long-used strategies to reduce expenses, such as first-close discounts, side letters, co-investments, and GP-stake participations. These are all various forms of negotiating tactics that can be used to reduce the impact of headline fees.

While fee reduction isn't our sole focus, we actively evaluate and leverage available tools to minimize costs and optimize value for our clients.

Customization

Investors committing $75–$100M+ can access highly tailored private equity solutions, allowing them to customize exposure by strategy, fund size, and geography. For Mill Creek, serving primarily U.S.-based investors with long-term horizons, this means focusing on less efficient market segments—

those too small for the largest allocators or inaccessible to individual high-net-worth investors without dedicated teams. It also enables us to avoid pre-set geographic allocations found in co-mingled funds.

Interest Alignment

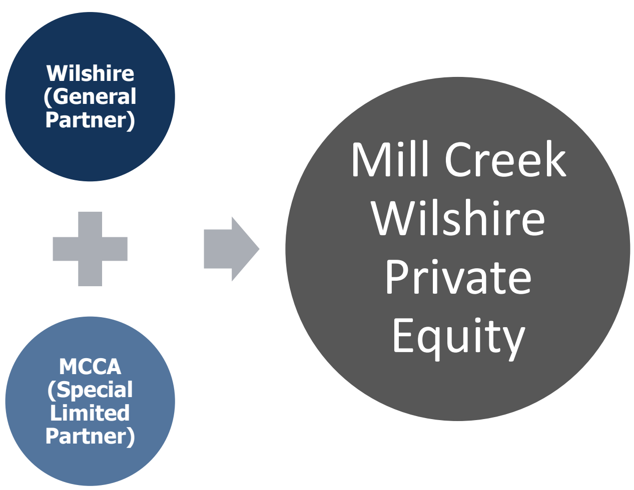
Given private equity's long-term nature, Mill Creek prioritizes partnerships with aligned incentives. We avoid products from publicly-traded asset managers and short-lived investment fads, instead focusing on factors like GP commitment ("skin in the game"), carry hurdles, organizational objectives, and industry relationships to ensure alignment with our long-term goals.

In order to accomplish the priorities discussed in this paper, Mill Creek partners with Wilshire to execute a private equity program exclusively for our clients. This collaboration combines Mill Creek's investment expertise with Wilshire's 55-person private markets team, operating across multiple offices and international jurisdictions.

Built on a shared investment philosophy, rigorous due diligence, and complementary expertise, this partnership enhances our ability to design, source, and evaluate opportunities tailored to client objectives. Together, we deliver a private equity program that is:

- Cost-efficient – Optimized for all-in fees
- Well-resourced – Leveraging global scale and expertise
- Risk-mitigated – Adaptable to various market conditions

Fig. 3: Mill Creek Wilshire Strategic Partnership



Private equity continues to play a critical role in institutional and high-net-worth portfolios, offering access to unique investment opportunities and long-term value creation. However, navigating this complex landscape requires a disciplined approach, significant resources, deep market expertise, and a commitment to rigorous due diligence. Investors must carefully evaluate their objectives, risk tolerance, and operational capacity to implement an effective private equity program.

At Mill Creek, our approach is rooted in providing customized, cost-efficient, and strategically designed private equity solutions. Through our partnership with Wilshire, we combine global scale, deep industry insights, and a shared investment philosophy to deliver tailored private equity portfolios that align with our clients' long-term goals.

As the private equity market continues to evolve, we remain focused on identifying high-quality opportunities, optimizing cost structures, and maintaining strong alignment with our clients' interests. In an upcoming piece, we will explore specific strategies, geographies, and investment types that shape our private equity approach in today’s dynamic market.

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