Preqin Private Capital Indices
Methodology

April 2025

Contents

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1. Introduction

This document outlines the methodology of Preqin Indices and, more specifically, Preqin Private Capital Indices.

The purpose of the document is to provide sufficient details to ensure users understand how Preqin Private Capital Indices are created and the rationale behind the methodology. It should, therefore, enable users to make independent and informed decisions on the use of such indices in their workflows.

a. Index objective

The primary objective of Preqin Indices is to provide an accurate and effective representation of a given market's performance and characteristics.

Our index methodology is the set of rules designed to govern the entire workflow (from index construction and calculation to maintenance and governance) to ensure the index achieves its primary objective.

As part of the Preqin Indices family, the Preqin Private Capital Indices were created to track the quarterly performance of private capital closed-end funds globally.

b. Index naming

All Preqin Indices will adopt the following naming convention: Preqin [Geography] [Asset Class] – [Strategy*] [Fund Structure]index ([Currency], [F/U]), where:

- Geography: Refers to the geographic focus of the index constituent funds' investments, e.g. Global, North America, Europe, Asia

- Asset Class: Refers to the asset class of index constituent funds

- Strategy: Refers to the strategy of index constituent funds *Note: This is an optional field, i.e. if there is no mention of strategy, the index covers all strategies that correspond to the asset class

- Fund structure: Refers to the fund structure of index constituent funds and will be indicated in short form, e.g. closed-end (CE), open-ended (OE)

- Currency: Refers to the currency the index is calculated in, e.g. USD, GBP, EUR

- F/U: Indicates if an index has historical quarters frozen (F) or unfrozen (U) for its calculations

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Examples of the names of Preqin Indices are:

- Preqin Global Private Capital – CE index (USD, F)

- Preqin North America Private Equity – Buyout CE index (USD, F)

c.   Index coverage

For more information on the data coverage of Preqin Indices, please refer to the latest Private Markets Performance Data report.

d.   Index customization

In addition to the indices available on Preqin Pro, custom indices can be created based on user requirements. In general, Preqin Indices can be customized based on specifications on vintage, asset class, strategy, fund manager location, fund geographic focus, fund size, sector, industry, etc. For more information, please contact Preqin's Client Services team at clientservices@preqin.com.

e.   Index distribution

Preqin Indices are available on Preqin Pro, AWS feed, and Snowflake feed APIs.

2. Index construction

a.   Eligibility criteria

Preqin Private Capital Indices encompass a range of closed-end private capital funds, including both commingled and separately managed accounts tracked by our team. Private capital includes the following asset classes: private equity, venture capital, private debt, real estate, infrastructure, and natural resources. For a detailed list of strategies within each asset class, please refer to Preqin's glossary here.

To qualify for inclusion in the Preqin Private Capital Indices, funds must meet the following criteria:

- Availability of performance* and/or cash flow data that allows Preqin to ascertain a fund's contribution, distribution, and unrealized value

- Availability of fund size

- Availability of limited partner (LP) commitment size

- Have a fund status of either interim closes or final close – note that funds that are now liquidated are included in the index prior to their liquidation but do not have any impact on the index post-liquidation

- Single-deal funds and corporate balance sheet funds are excluded

b.   Description, hierarchy, and use of data sources

Preqin Private Capital Indices are constructed using performance and cash flow data from a variety of sources, including general partner-to-limited partner (GP-to-LP) quarterly reports, the Freedom of Information Act (FOIA), GP voluntary contributions, listed firm financial reports, public filings, and annual reports.

i.   Description of data sources

GP-to-LP quarterly reports: The Performance Data team obtains fund-level performance and cash flow data sourced from LPs on an aggregated and anonymized basis. This enables us to strengthen the robustness of the underlying performance data, enhancing the overall index universe.

*Performance data refers to Capital called (%), Distributions to paid-in Capital (DPI%), and Residual value to paid-in Capital (RVPI%) metrics.

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FOIA: Since 2003, the Performance Data team pioneered the use of FOIA to collect fund-level performance and cash flow data from institutional investors by submitting formal FOIA requests on a quarterly basis.

GP voluntary contributions: With a global team of 500 full-time researchers, our team has established local relationships with fund managers to obtain fund-level performance and cash flow data. Today, our team receives more than 24,000 regular submissions of data from 6,900+ individual GPs annually.*

Listed firm financial reports, public filings, and annual reports: The Performance Data team reviews financial reports, annual reports, and public filings to obtain fund-level performance data.

ii.   Hierarchy of data sources

Unlike public markets, there is currently no marketplace or exchange that facilitates and centralizes all private market transactions to create a single 'source of truth' on market data. This creates situations where there can be multiple sources reporting performance data on the same fund. Therefore, it is necessary for our team to conduct a rules-based approach to determine which data source(s) to use to reflect a given fund's performance and cash flow history.

For each fund, our team consolidates all reporting sources across our data-sourcing channels and ranks them based on the following factors: completeness of data, recency of data, LP commitment size, and source type.

Completeness of data: Completeness of the fund's performance history is measured by the number of quarter-end net asset value (NAV) figures present for each source.

Recency of data: Recency refers to the availability of performance data for the most recent quarters. In general, the higher the number of performance data in recent quarters, the higher the priority given to the sources.

LP commitment size: LP commitment sizes are prioritized from smallest to largest. Smaller LP commitments are less likely to receive fee discounts, providing a more accurate representation of a fund's actual returns.

*Data as of February 2025

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Source type: In general, preference is given to LP-sourced data over public and GP-reported data. Source types are ranked in the following order: GP-to-LP quarterly reports, FOIA, GP voluntary submissions, as well as listed firm financial reports, public filings, and annual reports.

The process of determining the hierarchy or ranking of data sources for a given fund is conducted each quarter at the time of the index update. It is also dynamic, i.e. a source's ranking for a fund may fluctuate over time as new performance and cash flow data are added.

iii. Use of data sources

Our team uses the highest ranked source as the default source for a fund. When there are gaps in data (e.g. the source stops reporting), Preqin brings in the next-highest ranked source to fill in these gaps if it passes our data validation checks. This means that for a fund's history, more than one source can be used.

c. Segmentation

Every fund that is eligible for inclusion in Preqin Private Capital Indices is assigned an asset class, strategy, and primary region focus (among other fund characteristics) based on Preqin taxonomy in Preqin Pro. These fund characteristics are then used to collect funds into various market segments to create different indices.

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i. Asset class and strategy

The private capital fund universe eligible for inclusion in Preqin Private Capital Indices can be segmented by the following asset classes and strategies:

For definitions of each strategy, please refer to Preqin's glossary here.

Asset class

		Private equity	Venture capital	Private debt	Real estate	Infrastructure	Natural resources
Strategy		Balanced	Early stage	Direct lending	Core	Core	Natural resources
		Buyout	Early stage: seed	Direct lending – senior debt	Core-plus	Core-plus	Timberland
		Co-investment	Early stage: start-up	Direct lending – unitranche debt	Debt	Debt	
		Co-investment multi-manager	Expansion / late stage	Direct lending – junior / subordinated debt	Distressed	Fund of funds	
		Direct secondaries	Venture (general)	Direct lending – blended / opportunistic debt	Fund of funds	Opportunistic	
		Fund of funds		Mezzanine	Opportunistic	Secondaries	
		Growth		Special situations	Secondaries	Value added	
		Secondaries		Distressed debt	Value added		
		Turnaround		Fund of funds			
				Venture debt			

ii. Primary region focus

The primary region focus of a given fund is defined as the region where the majority of the fund's capital is (expected to be) invested.

The private capital fund universe eligible for inclusion in Preqin Private Capital Indices can be segmented by the following primary regions:

- North America
- Europe
- Africa
- Americas
- Asia
- Australasia

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Preqin uses information collected through all its data sourcing channels to determine the primary region focus of each fund. This includes:

- Publicly available information or statements found in the fund prospectus, company website, press release, regulatory filing, etc. that indicate the fund has 'primarily invested' in a certain region

- Fund name

- Information on predecessor funds of the same fund series

- Information on underlying deals made by the fund

- Headquarters of the general partner (GP) managing the fund

In general, where data on specific geographical breakdown is available, Preqin uses the majority rule, i.e. the region where a fund has invested or will invest 50% or more capital in will be assigned the primary region focus of that fund.

Where data on specific geographical breakdown of investments is unavailable, Preqin uses a combination of qualitative factors to assign the primary region focus of a fund.

d. Data sufficiency

A Preqin Private Capital Index must have historical coverage of at least 30 constituent funds and market capitalization of at least 20% of the current fund universe tracked in Preqin Pro since the inception of the index.

3. Index calculation

a. Formula

Modified Dietz formula is used to calculate quarterly returns for Preqin Private Capital Indices.

$$Quarterly\ returns_n = \frac{NAV_n - NAV_{n-1} - \sum_{t=1}^{T} Contributions_{t,n} + \sum_{t=1}^{T} Distributions_{t,n}}{NAV_{n-1} + \sum_{t=1}^{T} \left(\frac{T-t}{T} * Contributions_{t,n}\right) - \sum_{t=1}^{T} \left(\frac{T-t}{T} * Distributions_{t,n}\right)}$$

Where:

- n: A given quarter

- t: t^{th} day in a given quarter when contributions or distributions may occur

- T: Total number of days in a given quarter (either 90, 91, or 92 days)

- NAV_n: The sum of net asset value of all index constituent funds at the end of a given quarter

- NAV_{n-1}: The sum of net asset value of all index constituent funds at the start of a given quarter

- $Contributions_{t,n}$: contributions or capital called by all index constituent funds at t^{th} day within a given quarter

- $Distributions_{t,n}$: distributions by all index constituent funds at t^{th} day within a given quarter

Therefore, Preqin Private Capital Indices are capitalization-weighted indices.

$$\sum_{t=1}^{T} \left(\frac{T-t}{T} * Contributions_{t,n}\right) \quad and \quad \sum_{t=1}^{T} \left(\frac{T-t}{T} * Distributions_{t,n}\right)$$

Our team uses a mix of cash flow and performance datasets for our Private Capital Indices. Therefore, when weighting the timing of contributions and/or distributions in the denominator, i.e. referencing these components:

- We use actual transaction dates of contributions and distributions when sourced from cash flow data

- We assume contributions and distributions occur at mid-quarter when sourced from performance data

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b. Frozen and unfrozen index history

For every update each quarter, index values and returns are frozen for all historical quarters, except for the three most recent quarters.

An exception to this practice will occur when there is a material change in the index methodology.

Users who have specific requirements on frozen or unfrozen indices can contact Preqin's Client Services team at clientservices@preqin.com for more information on custom indices.

c. Currency

Preqin Private Capital Indices are calculated in USD. We collect performance and cash flow data in the fund's denominated currency and use them to calculate called %, distributed-to-paid-in-capital % (DPI %), and residual-value-to-paid-in-capital % (RVPI %). Each of these ratios is then multiplied by the fund size in USD to obtain the NAVs, quarterly contribution, and distribution amounts in USD, which are then used in the index formula.

d. Outliers

Our team identifies and treats outliers in the underlying datasets for our Private Capital Indices. This ensures quarterly returns are not distorted by extreme values but provide an effective representation of a market's performance and characteristics.

i. Identification of outliers

The identification of outliers is applied to three data points that are key inputs to the index calculation process: called %, distributed-to-paid-in-capital % (DPI %), and residual-value-to-paid-in-capital % (RVPI %). Preqin uses the 2.5th percentile and 97.5th percentile as thresholds to determine outliers, i.e. any data point that is either below the 2.5th percentile or above the 97.5th percentile value will be identified as an outlier.

ii. Treatment of outliers

Once outliers have been identified, our team uses winsorization to treat outliers, i.e. outlier values are replaced with the smallest or largest value that fall within the range of 2.5th percentile and 97.5th percentile

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4. Index maintenance and governance

a. Quarterly reconstitution and publishing schedule

Preqin Private Capital Indices are updated every quarter. Each update is typically published and made available to users 90 days after quarter-end (or longer for fourth-quarter performance.)

b. Internal controls over data collection

Our team reviews and verifies that submitted data aligns with our methodologies. This includes ensuring that management fees are incorporated into capital call amounts, and that all metrics (called, DPI, and RVPI) are net of any carry/performance fees earned by the GP.

Additionally, the team cross-references this data against a benchmark of similar funds, as well as against other sources reporting for the same fund. If further verification is needed, we request supporting documentation from the data source.

5. Appendix: Document Version History

Date of Document	Key Changes
April 2025	Updated Section 2bi: Hierarchy of data sources • Corrections were made in the paragraph under "Recency of data". Updated Section 2ci: Segmentation • We removed Real Estate Co-investment strategy from the asset class and strategy fund universe table as the strategy is not included in Preqin Private Capital Indices.
January 2025	Updated Section 3a: Formula • Editorial changes were made to the formula and descriptive text to enhance clarity and understanding in the methodology document. For the avoidance of doubt, there is no change to the actual formula used in the index calculation from the November 2024 version. Added a new section, i.e. Appendix: Document Version History
November 2024	First publication of Preqin Private Capital Indices Methodology document

Empowering the global alternatives **community** with essential **data** and **insights**.

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