

# The Art of Private Equity Co-Investing

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### Why Private Equity?



#### Why Co-Investments?



### **Trending Topic: GP-Led Single Asset CV**

# Private Equity Terminology

- General Partner (GP) or Fund Sponsor
- Limited Partner (LP)
- Carried Interest or Carry
- Internal Rate of Return & Preferred Return
- Multiple on Invested Capital (MOIC)
- Continuation Vehicle (CV)

# **Comparing Strategies**

Strategy:	Primary Fund	Fund of Funds (FoF)	Co-Invest
Diversification	Concentrated	Significant	Moderate
Fees	Single Layer	Double Layer	Reduced

## **Co-Investment Example**

Representative Strategy Targets

- Typical Deal Size: \$10-\$50 million
- Generally, 40-50 co-investments
- Invest alongside 20-30 General Partners (GPs)
- Diversified across industry, geography and deal size

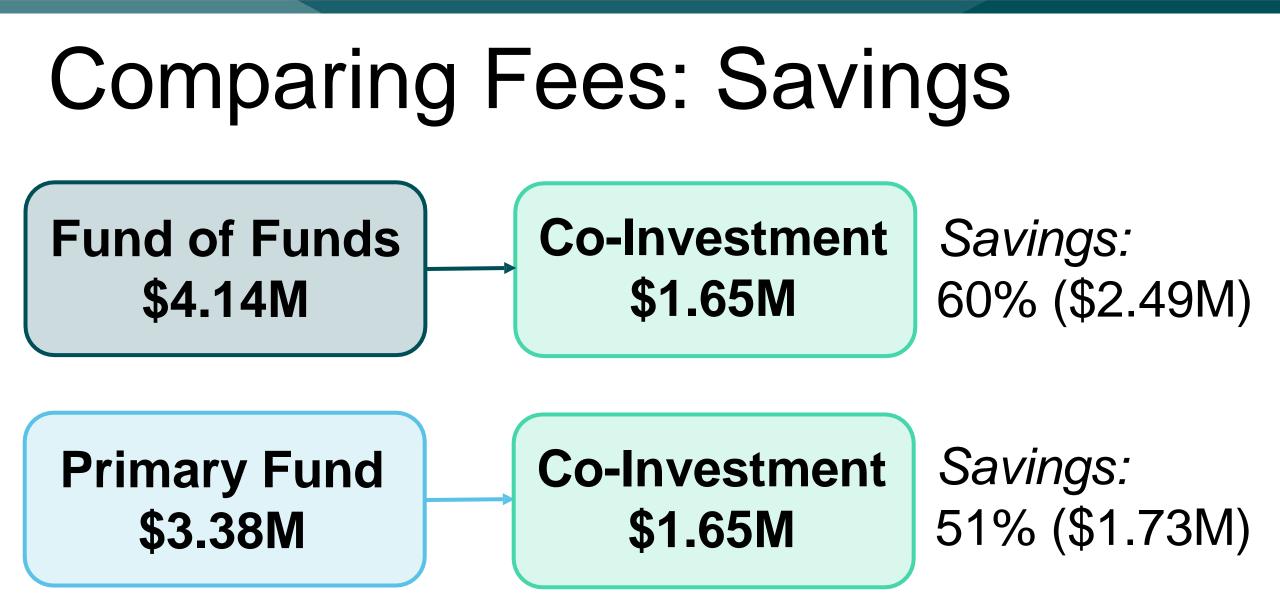
## A Closer Look at Fees

Investment Assumptions

- Fund Commitment: \$10 million
- Term: 12 years
- Assumed Gross MOIC: 2.25x

## **Comparing Fees**

Strategy:	Fund of Funds (FoF)	Primary Fund	Co-Invest
Fees	1.88% GP fee + 0.50% FoF fee	1.88%	1%
Carry	20% GP carry + 5% FoF carry	20%	10%
Est. Fees & Carry	\$4.14M	\$3.38M	\$1.65M



## Trending: GP-Led Single Asset CV

Strategy:	Co-Invest	GP-Led
Diversification	Moderate	Moderate
Fees	Reduced	Double Layer
Expected Net Return	20%+ net IRR	High teens net IRR
Risk Level	Moderate	Lower

# Presenter Biography



#### Champ Raju

#### Managing Partner, Head of Private Equity

Champ Raju is managing partner and head of private equity at PPM America Capital Partners, the private equity arm of PPM America, Inc. (PPM). In this role, he oversees all aspects of the private equity investment process and is responsible for managing the team's private equity investments. Champ also serves on the Executive Committee of PPM America, Inc. Prior to joining PPM in 2001, Champ worked in the audit group focusing on manufacturing clients at PricewaterhouseCoopers LLP (PwC). He later joined the PwC's transaction services group, where he focused on acquisition and sell-side due diligence. Champ earned a master's degree in business administration from Northwestern University and a bachelor's degree in accounting and finance from Indiana University.