

PPMAMERICA

# The Art of Private Equity Co-Investing

---

Florida Public Pension Trustees Association  
January 2025

# Today

- 1 Why Private Equity?**
- 2 Why Co-Investments?**
- 3 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

| <b>Strategy:</b>       | <b>Primary Fund</b> | <b>Fund of Funds (FoF)</b> | <b>Co-Invest</b> |
|------------------------|---------------------|----------------------------|------------------|
| <b>Diversification</b> | Concentrated        | Significant                | Moderate         |
| <b>Fees</b>            | 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

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

# Comparing Fees: Savings

**Fund of Funds**  
**\$4.14M**



**Co-Investment**  
**\$1.65M**

*Savings:*  
60% (\$2.49M)

**Primary Fund**  
**\$3.38M**



**Co-Investment**  
**\$1.65M**

*Savings:*  
51% (\$1.73M)



# Trending: GP-Led Single Asset CV

| <b>Strategy:</b>           | <b>Co-Invest</b> | <b>GP-Led</b>      |
|----------------------------|------------------|--------------------|
| <b>Diversification</b>     | Moderate         | Moderate           |
| <b>Fees</b>                | Reduced          | Double Layer       |
| <b>Expected Net Return</b> | 20%+ net IRR     | High teens net IRR |
| <b>Risk Level</b>          | 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.