



[SIGN IN](#)

[NEWS](#) [DEALS](#) [INTELLIGENCE](#) [ANALYSIS](#) [OPINION](#) [MAGAZINE](#) [EVENTS](#) [SUBSCRIBE](#) [NEWS ALERT](#) [ABOUT](#)

ANALYSIS

Private equity for the masses

Pantheon is the latest firm opening up private equity to individuals. Will it be worth it?

2 July 2014 by Nicholas Neveling. [Permalink](#).

The private equity industry, traditionally, has been an asset class suited to large institutions rather than individuals.

Investing in a new buyout fund is like putting your money into a black box. You have no idea what deals the firm is going to do, how big the investments will be and how portfolio companies will perform.

Private equity firms have thus always sought out large equity cheques from established limited partners. Investor relations is demanding enough with a pool of sophisticated investors. Trying to manage a large number of retail clients has always been viewed as more trouble than it is worth.

Recently, however, the asset class has been warming to the idea of broadening its fundraising base. The Carlyle Group, Blackstone and KKR have all sought to raise capital from retail investors during the last 18 months, and now Pantheon has designed a vehicle targeting capital from individuals.

The Pantheon platform, the AMG Pantheon Private Equity Master Fund, will allow wealthy clients to access its funds for as little as \$50,000 (€36,682). This is substantially less than the \$5m to \$20m required from institutions and will provide people with exposure to Pantheon's primary, secondary and direct deals.

All backers will be vetted. Only people with a net worth of \$1m or more, or those earning \$200,000 a year, will be able to play. Further liquidity could be injected into the fund by including exchange-traded funds and other short-term securities.

The vehicle will be structured as a feeder fund, which pulls together pools of capital that are then funnelled into Pantheon's various investment vehicles. Former Merrill Lynch banker Sheldon Chang will lead the initiative.

Private equity's change in sentiment towards individual investors is prescient. The asset class's traditional funding cornerstones are shrinking and alternative providers of capital need to be tapped.

"New sources of capital are increasingly important to private equity fund managers, notably because defined benefit plans, the industry's traditional mainstay, are dwindling in number and face huge payouts as the baby-boomers retire," says Antoine Dreaan, the chairman of placement agent Triago and founder of online private equity fund marketplace Palico.

There is certainly plenty to go for. According to the Investment Company Institute's latest quarterly newsletter, close to \$12trn is sitting in individually managed US retirement accounts alone.

The challenge for private equity firms is going to be figuring out how to keep regulators satisfied that individuals are protected. Pitching to hundreds of single investors rather than a handful of institutions will also place strain on investor relations infrastructure.

In a second quarter earnings call Carlyle Group's co-executive David Rubenstein described just how laborious raising capital from individuals can be. Rubenstein, who has been raising Carlyle feeder funds, said 30 presentations were required for each account.

"Finding a fairly low-cost system that works well for individuals and that fully satisfies regulators could easily take years," says Dreaan. "For those that ultimately succeed, tempered patience and persistence are likely to prove much more important than a strategy that involves throwing a lot of money at this issue."



Free Private Equity Data



PALICO

INTELLIGENCE

Our unique private equity database - fully searchable by firm, portfolio, region and fund status.

377
PRIVATE EQUITY FIRMS

737
FUNDS

4,741
PORTFOLIO COMPANIES

POPULAR STORIES

[Inflexion hires former LDC director](#)

[Unipart Automotive holds out for rescue deal](#)

[Spie files for IPO](#)

[Private equity for the masses](#)

[BGF invests £5m in Plastique](#)

MBA&COMPANY
EXPERTISE ON DEMAND

COMMISSIONING
DUE DILIGENCE?

LEARN MORE

© Copyright 2014 Real Deals.

[Acceptable Use Policy](#) | [Terms & Conditions](#).

Registered Office: Unit G4, Harbour Yard, Chelsea Harbour, London SW10 0XD

Registered in England and Wales with company number 03157774