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Private Market Talks:

Charting the Future of Private Markets with Cambridge Associates' Andrea Auerbach

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What defines success in the next era of private investing?

In this episode of *Private Market Talks*, Andrea Auerbach, Partner and Global Head of Private Investments at Cambridge Associates, joins us for an in-depth conversation on the evolution of private markets and what it takes to deliver returns in today's environment.

Drawing on over twenty years of experience advising some of the world's largest institutional investors, Andrea shares her insights on the fundraising landscape, the impact of secondaries and GP-stakes deals, the role of AI in sourcing and diligence, and how liquidity constraints are reshaping allocation strategies.

From the emergence of evergreen vehicles to her advice for the next generation of private-market investors, Andrea offers an experienced look at the opportunities and challenges defining the industry's future.

**Howard Beber:** Welcome back to Private Market Talks, a Proskauer podcast where we dive deep into the world of private markets and talk with the people shaping the future of alternative investments. I'm your host, Howard Beber. Today, our guest is Andrea Auerbach, a partner and global head of private investments at Cambridge Associates, one of the most respected advisory firms in the world of institutional investing. Andrea has spent more than two decades advising some of the world's largest endowments, foundations, family offices and pension plans on how to navigate the private market's landscape. She's been a central voice in shaping how investors think about private equity, venture capital, growth equity, and more recently, the expanding world of private credit and secondaries. Andrea leads a roughly 50-person team responsible for sourcing, diligence and underwriting across the full private investment spectrum. She heads Cambridge's discretionary private investment practice and was instrumental in starting Cambridge's co-investment and secondary practices and chairs the relevant investment committees. Andrea is very active in the industry and is a longtime faculty member with the Institutional Limited Partner Association Institute, as well as a veteran on the speaking circuit. She's also a longtime friend and supporter. In our conversation today, we'll explore Andrea's perspective on where private markets are heading, from capital formation and liquidity dynamics to manager selection and the importance of data and AI. We will also discuss how the private markets have changed over the years and how the current market environment is reshaping long-term portfolio strategy. Whether you're an LP, a GP, an allocator or simply someone interested in the forces driving private markets today, this is a conversation that promises insight, candor and perspective from one of the industry's veterans. As with all our episodes, you can get a full transcript of the episode and other helpful information at privatemarkettalks.com. And if you enjoyed the episode, drop us a note. We'd love to hear from you. And now my conversation with Andrea Auerbach. Andrea, welcome to Private Market Talks. It's great to have you on the show.

**Andrea Auerbach:** Howard, it's fantastic to be here, and I'm really looking forward to today's conversation. And that intro made me exhausted just listening to it.

**Howard Beber:** You've done a lot. Let's get started. You and I have been doing this for a long time. So, what would be great for the audience is for us to really go back and think about what this industry looked like when we first started and working our way through all the different ways it's changed and how that impacts investors and how that impacts sponsors. But before we get there, like I always do — I doubt there's anybody out there who doesn't know who you are, but just in case, a little background on yourself, your personal story, how you got in this business, how you got to Cambridge Associates would be great.

**Andrea Auerbach:** It was a long time ago, and I joined Cambridge back in 2001. And what brought me to CA was interesting because prior to joining Cambridge, I actually was recruited out of college to join Prudential Insurance's Leveraged Buyout Group. So, this was back when private equity was actually called leveraged buyouts, right? And I really got a ringside seat to the industry because at the time, insurance companies were one of the single largest financiers of LBOs because it was still at the dawn, if you will, of the institutional private market evolution and development, right? And so, my experience at Prudential was really formative, actually. Working on the private side of the markets, being part of the approach at the time and the team culture there was incredibly inclusive. And we all know when everyone talks about the private markets being really an apprenticeship business, Prudential really took that very seriously and so really had a chance to understand everything about the investment process for the private markets. And that really infected me with some enthusiasm for everything and changing over into the investment advisory area. So, I went from being part of one buyout team to serving all buyout teams at Cambridge Associates. And that's really kept me here because of how constantly changing this environment is, both on the manager front and on the market front, which we'll be talking about a bit later in our conversation.

**Howard Beber:** So, tell us — so, again, there probably aren't too many listeners here who don't know what Cambridge Associates does, but, just in case, there are a few and maybe into some detail, tell us what Cambridge does. I mean, Cambridge has been foundational in this industry for decades, but maybe a brief background on the different facets of the business.

**Andrea Auerbach:** So, Cambridge Associates was formed in 1973, and its origin story of a company — companies get origin stories, not just heroes, right? And the origin story was the original founders of Cambridge were advising the Harvard Management Company on asset allocation and how to invest in support of its endowment. And from there, we started growing pretty strong endowment practice, which obviously persists to this day. We're very much known for that. But coming out of that, we also started advising families and other institutional pools of capital from pensions all the way through to sovereign wealth funds. And so, fast forward over 50 years at this point, we have a very substantial and deep global client base of all different kinds of investors. I often describe it as all creatures, great and small. And we advise on all aspects, actually, of portfolio management, not just privates, but because of our primary client base of endowments and foundations — which have a heavy equity orientation — and their goal is to exist in perpetuity, right? So, they have a very high tolerance for illiquidity, which has driven a lot of their asset allocation towards the private markets. And so, we have continued to advise all of our clients, have a heavy private markets allocation and that's where I live in the space. And so, within the private markets, we started as an outgrowth of all the fund investment work we were doing. We obviously, we created benchmarks for the private markets back in the 80s and obviously have been continuing to gather and publish benchmark data but also gather a lot of the data that we use internally to really help find insights that we can then invest behind on behalf of our clients. So, we manage hundreds of billions of dollars and advise on hundreds of billions of dollars across almost 1,000 clients at this point all over the world. And a lot of what we do is get up every day and go to work to try to find the best investment opportunities for our clients to help them meet their return goals.

**Howard Beber:** Thank you for that. And we're going to get into that. We're going to get into more of that in a minute. But one thing you said was that you mentioned the Cambridge benchmarks, which is one of the things you guys are known for. So, you've seen performance data for thousands of funds. Anything particular you can conclude as generalities? Are there patterns that you can draw on, good or bad over the years, from all this data that you guys collect?

**Andrea Auerbach:** There are so many, as you would know, right? So, so many. I'll give you a couple, just a couple. We noticed that funds of different sizes have different dispersions of performance. As in, you may have heard that adage, "Size can be the enemy of performance." Well, in the private markets, we are actually calling size being the frenemy of performance because the bigger they get and the larger companies they acquire, the harder it is to generate that authentic, typical target private markets return. Fair enough. However, the bigger they are, the harder they are to fall down. And so, there's a lot less loss the larger you go in the private markets compared to a fund one that may be investing in very small companies, most likely to be impacted by macro-economic forces. So that's just one. Another would be sector-focused fund investing. Data and analysis shows us that in many sectors, knowing more about a space than, say, a multi-sector manager, most multi-sector managers, those sector-focused managers have and do outperform their generalist brethren. And so those are two, just two insights that we found from working and moving through the data. I won't even get into investing after recessions and market volatility events are often also a better period to invest in for lots of reasons that we can unpack. I mean, they're just constant stream of insights, Howard, is what I would say.

**Howard Beber:** Yeah, that's interesting. I think there's many people, including me, who think that's the next wave in the credit world is sector-specific credit funds.

**Andrea Auerbach:** And you actually see that because there are several tech-focused credit funds, right? And there are other flavors, if you will, that are out there, not just in specialty finance, which are very specific sub-strategies of private credit investing but then, as you mentioned, from a sector perspective, as well.

**Howard Beber:** And not to spoil some of the stuff we'll get to later, I think in the secondary space, we're probably heading to some extent to that as well. So, let's talk a little bit more about Cambridge. I've got to ask you the AI question, because it wouldn't be a podcast today if I didn't ask you how Cambridge was using AI as it relates to sourcing and diligence and portfolio monitoring. I've got to believe there's a lot of good use cases.

**Andrea Auerbach:** Yeah. And I'm right there with you, Howard. I do not leave any meeting I'm in without some discussion around AI as it applies to the meeting I'm in, right? So, I can totally be prepared for your question. And as you'd expect at CA, given all the data that we have and we get to work with, bringing an AI overlay to being able to tap into all of that data is really valuable for us. And our private instance is affectionately nicknamed CAI. You had to expect that. So, we are absolutely using it internally in so many different ways, right? So, we're using it as an overlay for working through material information, investment information that's shared with us. We're using it to combine and look across information that we've received, tapping into all the private markets' data. We're also using it to, to do comparisons of documents for all sorts of reasons. How about terms? How about terms, not just of a fund, but how about from a CV comparison perspective? So, we're finding that AI and our CAI assistance  are really helping us accelerate our ability to tease out information and differences that we may want to home in on as we're continuing with an investment process. So, lots of different ways. And we're also using it internally to improve other systems that may be less visible to the clients we advise, so away from our investment process but more in our operations, as you'd expect as well. So honestly, the fact that we're using AI as much as we are really helps us when we're doing investment underwriting, because it gives us a very stable ground to stand on when we're talking to managers about what they're doing in certain situations, I would say. But it gives us a really, a much better appreciation for how AI could really have a strong impact in all sorts of ways, particularly in the investment arena.

**Howard Beber:** I was going to ask you a little bit later, but I'll ask you now. I want to touch a little bit more on background before we get into what the history and everything. But from the current market perspective, we were just talking about AI, and one of the things that I wanted to ask you is what stands out when you're looking at managers? Does their use of AI stand out as a differentiator for you?

**Andrea Auerbach:** Interesting question. So, as you're asking about managers using AI, how does it stand out? It falls into a broader theme that we have. So, something we've been focused on for several years now, and it seems a little hokey, but it's firm of the future, right? What does that mean?

You and I both know that the way returns were earned back in like the ‘90s was much more of a, I shouldn’t say it quite like this, but apply leverage, pay down leverage, grow equity account. That was a very simplistic approach to buyouts back in the day. Fair enough. In this day and age, if we fast forward all those years ahead to where we are today, when we think about firm of the future, it is only getting harder and harder to earn an authentic private market return. As a manager, if you are not actively evolving to stay competitive, to continue to find what you want to buy, to develop and add value to what you are investing in and then to realizing those investments for the benefits of your LPs, you’re falling behind. And so, your question about how do we view managers that are using AI? We definitely are looking for managers that are authentically applying AI. Everyone’s been experimenting with it. Fair enough. It’s still early days, arguably. But I think what’s been interesting for us is, as part of our broader theme of, are you evolving yourself to be the firm that can earn a competitive return five years from now, AI definitely factors into that — if you can be more efficient with your sourcing, if you can be more efficient with getting to the heart of what will make this particular investment deliver. If you’re using AI to summarize your portfolio characteristics, then, and you’re doing that in an authentic — and you’re truly embedding it into your workflow processes, then we’re absolutely paying attention. And I will say, Howard, like, if we’re meeting with a manager that says something like, well, we don’t really, we’re not really worried about AI because we’re over here in this space that won’t necessarily be impacted. It’s still a yellow flag, you know? It’s like, it’s coming for everyone. And so how are you preparing to meet that moment as an investor and as an asset owner? So, it’s a great question and it’s all part of a broader theme that we’ve been very mindful of, if that makes sense.

**Howard Beber:** Yeah, I assume, without asking you beforehand, that you’re seeing much more in the venture world since they tend to be the folks who are not only investing in new tech but also more of that personality where they’re very much first adopters.

**Andrea Auerbach:** Absolutely. And as it relates to AI in the venture space, as you've probably been observing, much like we have, I think over half the capital this year went into AI-related companies, and valuations for AI-related companies are trending significantly higher than those that may not be as AI forward. And so, there are other conversations happening in the venture space at the moment around AI. But yes, we absolutely are seeing a fair amount of it being applied in the venture tier of the market, for sure.

**Howard Beber:** Let's quickly go into the fundraising market, just because I'm sure our audience would like to hear your views. It's no secret that the fundraising market has slowed down, but it's interesting because it hasn't stopped. There's certainly many managers still getting funds done. It's certainly harder for emerging managers, but even in that case, there's still folks getting stuff done. So, I guess you're the expert. What's your view on the fundraising market and where it is relative to the past?

**Andrea Auerbach:** So, a couple just quick level setters, right? So, if we annualize fundraising for 2025, numbers that I've been looking at indicate that we may end the year at running at a third, a third of what was raised in 2021, so four years of very, very dramatic downward movement in fundraising. And I was looking — you have to go back to like 2015 and 2014 to get to a calendar year where fundraising was as low as it's likely to be for 2025. And so, there's some concerns there, absolutely, but you're right. 400 plus billion for VC, growth equity, buyout and secondaries isn't small. And there are bright spots in the fundraising space, including secondaries and private credit, as you alluded to earlier. So, there are spaces that are definitely continuing to attract more capital this year. But let's say the basic food groups of private equity, growth equity and venture have all been down and significantly down in aggregate compared to the '21 high. But let's zoom out for a hot second. Fundraising in the private markets doesn't move in a constant upward linear line. In fact, I've often described fundraising in the private markets as, think of a suspension bridge that's gradually going up. And so, you'll have a market peak and then something will happen, and there'll be a retrenchment, and then we'll move up to a new market peak, and then there'll be another retrenchment. And I've been watching this happen since I started in the industry, much as you, back in the day. There are moments where the industry steps back and says, well, I don't really like, you know, investors hold back from making commitments. So, we are in the middle of pulling back from making commitments. Implications are really interesting, actually, because wow. So, capital has moved to the sidelines, which means anyone investing in this current market environment, which is post-peak, right? It's post-2021 peak. And the last time we saw a triple-witching hour like we have in '21 was 2007, right? Most capital raised, highest valuation seen, all the things — we moved into the global financial crisis, and some of the best returns on a vintage year basis that we saw happened after that peak. So, looking at where we are post-2021's peak, capital is on the sidelines. Anyone investing in capital today is doing it very carefully. The valuation environment has shifted, maybe except for AI. So, managers are investing knowing all eyes are on what they're doing. There's no room for error in what you are doing as a GP today. And so, it could be a very strong investment opportunity for those investors that have the capital. And something we talk about at Cambridge with our clients is that you want to make sure that you have capital constantly being deployed into the market, right? And so, look, dry powder, as you'd expect. If people aren't investing, and even with the fundraising market going down, dry powder is running at all-time highs for the private equity spaces. And so,

a lot of investors — that capital will go to work. But for those investors that can be more constantly investing into this market environment, both groups should benefit from investing in this market environment. But those that can continue to commit right now may have better access to managers. Their capital will — managers who are raising money in this environment, Howard, they will not forget the investors that showed up for them in these moments. There should be a benefit to that in terms of alignment, in terms of forward-capital capacity, all the things. So, fundraising's down, it's going to come back. It is, I shouldn't say because it always comes back, but we've seen this trend before. And so, we do expect capital will continue, capital fundraising will continue to climb. It's just hard to call how long it's going to take for it to reach a new peak, if you will.

**Howard Beber:** You can tell me, but I think it's probably true that most investors understand investing in a market like this is probably beneficial, given the history. But I think there's liquidity issues, so it's easy to say it, right? And not so easy to do it all the time.

**Andrea Auerbach:** Totally, totally, and you're getting to the whole distribution drought that we've been in, right? So why — we said, "Oh, fundraising is down for the fourth year in a row. Maybe it's related to the fact that distributions have been down for the fourth year in a row as well on a distribution yield basis." I mean, what's so interesting to me on the distribution front — so distribution yield is, as you know, it's you take beginning NAV, you take all the distributions back to LPs and you divide it back into that beginning NAV for any given calendar year. And so, distribution yields have been single digit for both private equity and venture capital for the last four years. Typically, distribution yields run, let's argue, around 18-ish percent for private equity, and for venture, may run around, let's argue, an average of maybe 12 to 15, let's say. And it makes sense, right? For venture, companies are younger when they're invested in, it takes longer to exit those, so all good. And so, these distribution yields have been down significantly, but there's a different story, which is distributions back to investors has been holding steady at around 200 billion a year for private equity and around 40 billion a year for venture capital. And the little cognitive dissonance fact that I've been wrapping my head around — 2024, Howard, was the second highest year ever for distributions and private equity. And yet we're in a drought. And so, investors aren't getting the yield that they expected. So, they're pulling back from making commitments to new funds, which is really what you were talking about. And so, one of the things, and I know you mentioned at the beginning, how is the market changing? And something I'm thinking about a lot is distribution, distribution yield. Are we moving into a new plane of existence as it relates to capital coming back to investors in a way that we all need to make permanent adjustments around? I don't have any conclusions, but it's definitely weighing heavily on my mind as our four years of a single digit distribution yield, is this a new level? Is this a new level that we've, we're now — we've unlocked, and we live here now? And I don't like thinking through the implications of that, to be honest.

**Howard Beber:** I don't think I do, either.

**Andrea Auerbach:** Exactly, exactly, exactly. So, there's stuff going on today. Absolutely, absolutely.

**Howard Beber:** Yeah, I think it's always been an industry, at least as long as I've been in it, where it feeds itself, right? And if that stops happening or stops happening at the pace that we're all used to that could signal—

**Andrea Auerbach:** That changes things. Yeah.

**Howard Beber:** All right, thank you for that. So, let's get into what we've been hinting at from the beginning. We're going to go on our way back machine, and we're going to talk about what it used to be like, but really just to navigate — and for folks to understand — how more complicated and frankly, how more interesting this industry's gotten in the last 25 to 30 years and even before that. I want to try to keep this structured, but I'm not really sure how because so much stuff has changed here. So maybe I'll just leave it that open-ended.

**Andrea Auerbach:** Okay.

**Howard Beber:** But I mean, listen, the things I want to talk about are: I want to talk about the secondary market. I want to talk about the GP-led secondary market. I want to talk about NAV facilities. I want to talk about GP stakes transactions. I want to talk about evergreen transactions, evergreen funds. All of that has major impacts and probably things I'm forgetting about. So, I'll leave that there. You start where you want.

**Andrea Auerbach:** Okay. So we chatted earlier about how the way to earn, at least in the private, in the — let's use private equity space — the way managers are capable of earning that target return has shifted from lever it, set it and forget it back in the '80s, just to put a little straw, a rough circle around that into, we have to focus on value creation, we have to grow revenue, we have to grow EBITDA, we need to do more with these companies in order to sell them productively. With venture, it's always been the same, but it's just technology has really enabled the cost of starting a company, particularly a technology company, and the cost of that has reduced significantly, and AI is going to take it down even further. So, venture is a very interesting element, but I think a lot of what it offers has not changed particularly, and the power law in venture has held the whole time. So, when I'm thinking about how the market's changing, I mean, look, back when I was a lot younger at Prudential, and we were writing the first checks into some of the mega managers of today, you would fret when a manager was raising, wait for it, $500 million, right? And now, we're talking about managers going up through 25 billion, probably going to breach the 30 billion mark on a private equity perspective. Secondary's funds are already approaching that. And so, the market's changed because the market itself has grown significantly, absolutely significantly, from those earlier institutionalizing days of the '80s and '90s. And so, as that's happened, lots of other things have entered, right? I've often argued, Howard, that the minute the first LP made a commitment, not long after that, one of the first LPs was like, I might need to sell some of this to get some liquidity for something else I need it for. And so, the secondaries, secondaries were probably the — after the very first fund investment, it wasn't long after that, there was probably a sale of a fund investment in the form of a secondary. And so, there are elements about this market that are obvious but also haven't grown considerably, right? So, when I think about — let's take secondaries just quickly — secondary volume, which is going to have an all-time year in 2025, right? Transaction volume, it's going to be the biggest it's ever been. A lot of that is fueled by the rise of the GP-led secondaries, right? But LP LEDs continue to move right along. And, an interesting note, and this gets to your comment about if LPs aren't getting liquidity, they're not necessarily going to fund fund commitments. And a lot of LPs are taking liquidity into their own hands by pursuing LP-led secondaries. And an interesting statistic I saw was that almost half of all LP sellers and secondaries are first-time sellers, right? So, I think everyone is getting used to leveraging their own allocator alpha to generate the distributions that they need to fuel their own programs and portfolios. But secondaries,

as a whole, we're trying, you know, you put a yardstick against secondary volume against the whole private market, it's less than four percent of the market. So, it's so small. It's not infinitesimal, but it's like infinitesimal, is like just above that level, and so, if you think about where secondary is going to go from a volume and activity perspective, it can only go in one direction, and that is up. And the implications for that are interesting because it's so small. It's so small as a percentage of the overall market. It's only going to increase. And what is that going to do for pricing, Howard, right? Those evergreen funds, a lot of them, are actively turning to acquiring secondaries. So, there's a new technical pricing element as evergreens enter the arena and start acquiring secondaries. So, as secondaries grow in activity, which they have to, that's going to have some really interesting implications. You know, that's one element there.

**Howard Beber:** Yeah, so let's pause on that for a minute.

**Andrea Auerbach:** Yeah.

**Howard Beber:** My last pod, I had Yann Robbard from Dawson Partners.

**Andrea Auerbach:** Yeah.

**Howard Beber:** We talked a lot about secondaries. I don't want to get too much into the details there, but this was his conclusion. I think this is most people's. We just had our secondary conference last week in New York. This is most people's conclusion on the secondary market. It has a ways to go, which is crazy thinking about where it's been and where it is now.

**Andrea Auerbach:** Yeah.

**Howard Beber:** When I started doing this, there were secondary transactions, not like there is now.

**Andrea Auerbach:** Yeah.

**Howard Beber:** But there were trades in LP interest, but nobody talked about them, because if you were selling in LP interest it meant you, at least the perception you, had liquidity issues. And then it turned into, “we’ve got a little bit of a market here and we’re going to sell for portfolio pruning.” And now it’s turned into a huge market for lots of different things, but it’s been an incredibly interesting path for the secondary space. And I agree with you that it’s not likely to slow down anytime soon. I think we’re going to start to see, as well as I was saying before, we’re going to start to see secondary funds, secondary transactions that are sector specific. We’re going to start to see LPs working things instead of just selling portfolios, doing things like CFOs where they gather fund interest together and sell tranches. And so, I think we’ve got a really long way to go in that space. And I think it’s actually just incredibly interesting. Why don’t we talk a little bit about the GP-led market, since I want to say it didn’t exist when we started and it really didn’t exist, but deals like GP-led deals have been happening for a long time. They’re similar to direct secondaries, a little bit different, but those have been happening for a long time. And even real, what I’ll call GP-led deals, like we see them today, have been happening longer than this current trend. But they were smaller for sure. And they were more rare. But now, I don’t know if it’s been seven, eight, nine years now that we’ve been seeing this huge wave of GP led secondaries. When it first started out we called them restructurings and LPs hated them. They felt like they never had enough information. They were probably getting the bad part — the short end of the stick on these deals. I’d love your views on putting your LP hat on.

**Andrea Auerbach:** Yeah.

**Howard Beber:** Whether that’s still true and whether, as an LP, you still don’t really like them. And I know LPs have different views on these and there’s been some studies. They’re still pretty new to figure out where we’re going. But anyway, I’ll stop.

**Andrea Auerbach:** Yeah, no, GP — look, GP LEDs have really been growing significantly, obviously in use, right? So, they're — they've become a very popular. I think they're going to have a really strong year and they're a huge contributor to overall secondaries volume. And so, look, I've said this. I've said this before. When you think about — you actually just hinted at it, Howard. So, back in the day, GP-led secondaries were known as fund restructurings. And why do you need a fund restructuring? Because maybe you have assets, maybe your fund has hit the end of its term, your investors are fatigued and there's a desire to — let's find a way to elegantly exit whatever is left in a way that enables LPs that want to get off the ride, get off the ride, and those that may be willing to recharge, reset and keep going, continue. And so, I often think of, from the LP perspective — I've often thought of GP leads as a great — and continuation vehicles — as a great rebranding of zombie funds. And by the way, all the invested capital that is out there and 80 percent of the industry's NAV is either from 2021 or older calendar years, right? So, 80 percent of the industry's NAV is old and needs to be realized at some point. And a lot of the CV activity we're seeing in multi-asset CV or single-asset CV is often coming from assets that are in that cohort, right? So, it's a way to reset and enable LPs to get liquidity, albeit synthetic liquidity, let's argue, because the GPs aren't actually selling the asset, they're retaining the asset. So, it is a way for LPs to get the liquidity that they're not getting through an actual sale of a company. And as we mentioned, with the distribution drought continuing, LPs who need liquidity — these GP-led secondaries are a way for them to get liquidity. So, I think LPs are making portfolio management decisions in the moment to get the liquidity they need to feed their programs in a way that they're not getting because there aren't full exits happening to the extent we're used to seeing, as we mentioned, right? So, you have that. I don't think — they're definitely not going away because the industry did and does need to figure out how do we sell these older assets, right? And I know, there's discussion around, let's say, single asset CVs that are supposed to be the winners in our portfolio, right? We're pulling out this single asset because it's doing well. We may not have the capital to continue to feed its growth. We're going to recharge the capital. We're going to bring in new investors. LPs will, you know, if you'd like to continue, roll into this vehicle. And so, we're definitely seeing single asset CVs be a very popular mechanism for GPs to continue to, let's say, ride their winners to a certain extent. And, as you know, in the market every year, the number of the capital and multi-asset CVs versus single-asset CVs, they change places with who's number one in terms of what's the dominant transaction type for CVs. So, they're

typically running neck and neck. But they're not going to go away. And I think what's hard for investors is it becomes a portfolio management decision first, let's start. For many of them — I don't want to broad brush here. For many of them, it's a portfolio management decision. Then it becomes an alignment decision, a terms decision, a forward return decision. And to your point, Howard, yeah, there's some studies out there that show the performance of a certain subset and cohort of CVs, but I don't think we're at a point where it's obvious what the typical expected performance would be. But we're moving in that direction, right?

**Howard Beber:** We're at a place — I haven't looked recently, but I don't think it's changed — where about 80 percent of LPs choose to sell in these transactions.

**Andrea Auerbach:** Yeah. And I'll tell you, when distributions resume their typical long-term average trajectory, then I think you'll see LPs making decisions that may not be portfolio management first. It might be investment opportunity first. Again, I don't want to put a broad brush on this, but looking at the distribution drought we're in and the fundraising drought as well, I think LPs are making very specific decisions around these CVs in this moment, given all the information they have.

**Howard Beber:** Yeah, that's what I was going to ask you. I think I agree with that too. I think we're likely to see that percentage, I would think, go down when other liquidity avenues are covered.

**Andrea Auerbach:** Agreed. Agreed. Agreed. Yeah.

**Howard Beber:** All right, let's take off your LP hat and now take, well, maybe it's your LP hat, but it's a different LP hat. Now, what about investing in GP-led funds?

**Andrea Auerbach:** Yes.

**Howard Beber:** What's your view on that?

**Andrea Auerbach:** Yes, and I'm just thinking with Halloween around the corner, I was just naturally thinking of Dr. Jekyll to Mr. Hyde on this comment. So, putting my other hat on as a secondaries investor, we have a secondaries practice at Cambridge that I started and obviously continued to be involved with, from wearing a secondaries or an investor hat into CVs, not as an existing LP faced with a buy, sell, roll decision. From an investment perspective — look, a lot of these assets are high quality and they are trading at discounts. Information that we've been reviewing recently — almost 50 percent of single-asset CVs do trade at some discount into a CV. They're trading in at a discount to their NAV at the record date. So, depending on what you think of that valuation, which is a very fair nuance, they are trading into these CVs. Almost half of them are trading in at a discount and the vast majority of multi-asset CVs are typically — those assets are moving in at a discount to their most recent valuation mark. And so, from an investor perspective, a blank sheet of paper, these are assets that are going in at a discount. Obviously, you can do your underwriting on the manager who is creating and offering that CV. Have a sense for — look at the alignment as they're moving assets into a CV in terms of what they're rolling, what are the terms, what is the forward opportunity, and make an objective investment decision from that side of the transaction. And it is something that we have done as a secondary practice. We have invested in single-asset and multi-asset CVs, yeah.

**Howard Beber:** Final question on GP-leds. I think you need to put another hat on for this one. But, when you are evaluating managers, how much credit do they get for generating their own liquidity from a DPI perspective?

**Andrea Auerbach:** Oh, right. If a tree falls in the woods, Howard, right? If a CV—

**Howard Beber:** Come on, everybody wants to know the answer to this question.

**Andrea Auerbach:** —wants to know the answer? Now, what I think about is, and putting my fund LP hat back on for a hot second, we also track the statistic called Lift at Cambridge. And Lift is, you sell something, walk back six months and see where it was marked six months prior to that exit of any kind: — I'm doing my air quotes — exit, authentic, synthetic exit — no problem. And what is the percentage change in that valuation? And so, we just finished talking about how half of single asset CV assets are trading in at a discount. And the majority, I think 75 percent of multi-asset CV assets, are going into that CV at a discount. Well, Lift, Howard. Positive. It's always positive. And for certain managers, it's significantly positive. And so, when I look at the lowercase "d" distribution coming from a continuation vehicle, as an investor, I'm still using that to make a decision on, well, what's your overall fund return? And when you're fundraising next, is that going to hold down your actual IRR potential because you exited through a CV, probably at a mark a little lower than maybe what you could have earned in an authentic exit. And that's obviously the big dialogue between GPs and LPs, because they're saying, look, we could take it out in this market. They're never going to say it's not an A-plus asset, but they're going to say this may not be the best environment to pursue a full sale. And so, we're looking at a CV instead, and this is the outcome. And so, I think to answer your question, the distributions of the exits of these assets are definitely flowing through in the form of an actual reported distribution. But I also think they're also holding back the full return potential. And LPs are looking at that as a determinant for making a new commitment decision. So, there are implications to these actions, appreciating everyone's trying to solve for liquidity in this very moment we're in, right? So, it's not an easy thing to unpack is really what I would say. And my job, honestly, my job when you boil it down is to be judgy. And I'm judgy about this. And I don't think I'm the only LP who is.

**Howard Beber:** Right. I don’t think so either. All right, let’s talk about NAV facilities. These are interesting. As you and I were chatting, going back to the GP-led world, probably about two or three years before we started seeing all the GP-led transactions, we started hearing about them. And a lot of people were talking about them and everybody thought everybody else was doing them. And it turns out it wasn’t really true. And then all of a sudden, the floodgates opened. To some extent, I sort of feel the same way about NAV facilities. I think we may be a little bit more down the line on that than, than at the very beginning. But what’s happened, in my view, is with all the secondary funds and all the private credit funds, direct lending funds, certainly on the direct lending side, most funds are using NAV facilities. On the secondary side, I always joke everybody thinks everybody else is doing them, but they’re really actually not all using them. But a decent amount are using them. But the PE side is interesting. There isn’t a lot of data out there that’ll tell you what percentage of funds are actually using NAV facilities. I know ILPA has their views on NAV facilities and depending on what they’re being used for, etcetera. So, I guess I’ll leave it there and open it up to you for your views on NAV facilities, particularly in the PE world.

**Andrea Auerbach:** Yeah, I absolutely agree and really like your summary of maybe where we're watching more NAV facility usage and private credit and in secondaries, if it's not like, "Oh, you're actually not using NAV loans in secondaries." So, I really appreciate that preamble there. So, we absolutely — I would say the NAV loan, what does this mean? What are the implications for investors really moved through our shop, probably 24, 36 months ago? We did a big deep dive, we surveyed managers, we were really exploring this. And why were we doing that from the private equity side? Because if you're taking a NAV loan, you're borrowing against your invested capital, your NAV of your fund, so you're cross-collateralizing your portfolio companies with each other in order to raise funds and pay down — you raise funds through these loans, and what is the use of proceeds for those loans? And the concern we had at the time, and I think the industry was concerned at the time, was for distributions. You're going to lever your NAV, borrow against your NAV in order to create distributions. And these companies still have to be realized. You obviously have to pay this loan down. You're priming my equity, my commitment equity. And so, where could this go? And a lot of experienced investors that have lived through market cycles have seen what can happen, right? There's the worst-case scenario that can play through any investor's head of, uh-oh, right? You've created a distribution, thank you. And oh no, this underlying company is now doubly over levered and now hit a challenge, an operating challenge. And now all the other companies have to be realized to feed this loan and then all the things, right? What we found in talking to GPs is that, nope, they're not really using it. They're definitely not using it for distributions. The cases where I've seen some NAV loan usage is almost as a bridge financing, which is something that's very commonly called out in LPAs, which is it's expected to be used as short-term financing to maybe fund one investment, knowing there's maybe a liquidity or a realization event in the works. And so, it's really thought of as bridge financing when you don't have enough commitment, capacity or dry powder to really pursue that in a way. And so, that's where we've seen NAV loans used in, say, the private equity space. But after looking and examining this quite closely, it hasn't developed into a broader, overarching concern that we are in constant dialogue with managers. But the other thing I would say, Howard, is what's the most important, and I think you mentioned this when you were asking your question, which is a lot of documents are silent on the usage of NAV loans. Especially older fund docs, which is exactly the cohort that may want to access NAV loans. And what's really important to us, and this gets into firm of the future and other elements, which is, as a GP, your docs may

be silent on it. Do not be silent with your LPs if this is something you're actively considering. Mention it to your LPAC. Mention it to your LPs. Make sure that this is the loan of last resort and for the right reasons and not to an amount that would materially impair the fund prospects. You know, the argument GPs often give for NAV loans is, well, I can borrow for a lot less as an NAV loan than the companies could themselves individually. I don't know if that's true anymore, given the amount of capital that's in the private credit space today. I know spreads are tightening all over the place. I'm certain they're tightening for NAV loans and OPCO loans as well. But I don't know if that risk of cross collateralizing your entire portfolio is worth what you expect to do with the source of the uses of proceeds. So yeah.

**Howard Beber:** So, crystal ball, what do you think, five, 10 years now, facility is going to be totally common like they are in credit funds? Or you think we're going to stay about where we are, where they're used strategically for certain reasons but not on a regular basis?

**Andrea Auerbach:** Always with the tough questions, Howard. Always with the tough questions. I would expect a couple of things. I would expect within the secondary space, I know as you mentioned, like they don't — they're not all using it to the extent you think they might be using it. I think we will start to see NAV loans rise in areas where there are a lot of assets. I actually know when you look at Evergreen Fund terms, Howard, you can see many of them do have the ability to use leverage. Those are probably by definition NAV loans, right? So, I would think within a private equity context, in a classic fund structure, I think they'll continue to perhaps be used strategically with a lot of communication to their investors. And the one thing to all the LPs that may be listening in on this podcast, the thing that I look at is up to what percentage of NAV could a GP take a loan out, right? Because if that number rises from whatever the floor is, let's argue, what do you think it is today? 25, 30 percent of NAV? If it starts climbing, then you have to worry about what's the leverage in the underlying portfolio and then the leverage on top of that. Those are things that I'd be watching for as an LP, but I do think it should most likely continue to be used more strategically. But in pools where there's a lot of evergreen capital and a very diversified base of underlying investments, like in secondaries, I think you'll see it, it'll probably be used more.

**Howard Beber:** I mean, it obviously makes sense in those asset classes, given the constant or relatively constant cash flows.

**Andrea Auerbach:** Yeah, yeah.

**Howard Beber:** All right, let's move into GP stakes transactions. Two hats, though. Well, maybe the same hat, but two different perspectives. When you are evaluating managers, how do you look at the fact that they've done a GP stakes transaction or if you're an LP that they're doing a GP stakes transaction? Is there a general position or is it completely bespoke? It depends on all the facts and circumstances.

**Andrea Auerbach:** It's always like — it depends, right?

**Howard Beber:** Lawyer answer, you can't say that.

**Andrea Auerbach:** On the one hand — on the other hand, I guess a couple of things, right? A couple of things. GP stakes, we first watched GP stakes in the long-only market way back in the day, right? And so decades ago, a lot of long-only managers started selling minority stakes, and that became accepted. Hedge funds were next, right? A lot of hedge funds were selling minority stakes as well. Watch that roll through the market, and then it came for private equity. It's again, it's not a space that's going to go away anytime soon. There's a lot of capital amassing to continue to invest in this strategy of GP staking. As an investor looking at GP staking as an investment area, what are you getting? You're getting access to the entire revenue stream as a way to boil it down of, let's say, private equity fund platforms. And so, it's a derivative investment that has different characteristics than an actual private equity investment. It's an interesting diversifying element. The classic question with GP stakes is what's the final exit really going to look like? How are you really going to monetize this in a way that I can actually have a full realization of the investment I'm making in a GP stake or fund? None of these things are new. We've all talked about them as an industry for a while. So, I don't think they're going away. I think they have different diversifying elements for a portfolio. As an LP looking to make an investment in a GP that has, or is a process or has sold a GP stake. Lots of questions unfold from that. Not, you know — and I'll give you another hidden menu, right? GPs can get funding for their GP commitment. They may not disclose that. So, there are other elements as you're asking about GP staking, and I think that just opens the door to the broader question about GP financing in general. We just finished chatting about NAV loans, which are another form of fund management that a GP can use. GPs can borrow to fund their GP commitment. They can obviously sell in a GP stake. And so, my thoughts with my LP, my fund investor hat on would be understanding the terms, understanding, to the extent it's possible to understand, are the proceeds going to be used to reinvest back into the business? What is going to be happening here? Then you look at things like the basics. I mean, the basics of what we do at CA as an investor are we're looking at organization strength and health, right? Ownership, carry allocation, all the things to keep the team together and investing in a way that will deliver the returns that we need for our clients. And so, selling a GP stake, depending on the health of the underlying organization, that it's culture. How these individuals are compensated, who's in the ownership stack, all these things, we start thinking about all of that. There definitely have been GP stake sales that haven't resulted in departures. They've been used to reinvest in the business to actually increase GP commitment, and all these other

elements, right? And so, I just think as an LP, GP stakes aren't going away, and it's just another dimension that you have to fold into. We need this team to stay together for the 10 to 15 years to deliver the returns that we're hiring them to do. Does this GP stake sale impede, improve or have no change to my view of this team's ability to stay together and deliver the returns that I'm hiring them for? I think that's the basic question with the LP hat on, if that makes sense, Howard.

**Howard Beber:** Yeah, it's funny. When I first started doing this, there was some general notion that the management company wasn't really worth anything. It was just the individuals. And yeah, that went away pretty quickly.

**Andrea Auerbach:** Yeah, that's almost, it's sort of a classic, "Well, we don't run the management company — the management company's been running at a loss." Based on the GP Stake sales, I'm not sure that's true.

**Howard Beber:** I think that was a big risk in the managers or the folks that were starting GP Stakes funds to open up the playbook or open up the financials of the management companies to people like you and to LPs to see just how profitable these things were. I remember when it first started, it was an eye-opener. Interesting. But yes, I agree. It's not going away. And in fact, we're seeing actually a pretty major uptake. At first it was just the larger managers, but we're seeing it go up right now.

**Andrea Auerbach:** It's all the way down. Yeah. And then you have the GP seeder funds coming up from the bottom.

**Howard Beber:** Right.

**Andrea Auerbach:** So, there's a lot of financing happening on the GP side of the private market equation. And it just adds, as we mentioned, another dimension for LPs to think through.

**Howard Beber:** This has been great. We're getting close to time, but I want to ask you a few other things. We talked a little bit of it — I asked you about your crystal ball for a little bit, but that was for a particular question. Now I'm wanting to know, let's say we do this in another five years. What are we talking about in five years and the biggest shifts in the market?

**Andrea Auerbach:** Look, a little bit about what we've been talking about so far are the growth of some developments in the market, in the private markets. And the market structure is shifting, right? We just finished chatting about GP staking, which isn't going away. It's going through all levels, all elevations of the market. We haven't really touched on the rise of the evergreen vehicles and the retail and individual investors, but as they continue to come into the market, that's going to change. That's changing the market structure right there. When we gather again in five years to talk about this, I think we'll be talking about the impact that this investor class has had on the institutional private markets, because it will have an impact, both through how they invest, where they're investing and then through the vehicles that they're investing in, which are these evergreen structures. So, I think that's a bit of what, you know, as I sit back and think ahead about — we talked about looking for firms of the future. Can you deliver for us five years from now? Well, five years from now, the market structure is going to probably be materially shifted a little bit, with evergreens being a more significant portion of the investment space crowding in, if you will. Managers will probably be using other forms of financial tools to fund what they're doing. And LPs, you mentioned collateralized fund obligations in passing, Howard, but I think LPs will continue to take matters into their own hands from a liquidity perspective with LP-led secondaries, collateralized fund obligations and pursuing other forms of liquidity, especially if these distribution yields stay where they are. I hope in five years we are not still talking about distribution yields being permanently in the single digit. That is one thing I hope we are not talking about in five years, for sure.

**Howard Beber:** So yeah, I think that's right. I think I have no doubt that the evergreen products are going to change a lot of how we do things. I think particularly in the private credit space, particularly in the secondary space, those are obvious uses. I'm still a little skeptical about the PE space. I don't know if those uses are as obvious, but we'll see. I'd like to conclude with a bunch of questions, but we don't have a lot of time. So how about if we do like a quick lightning round?

**Andrea Auerbach:** One-word answers then.

**Howard Beber:** Yeah, or a couple words. You teach a bunch of next generation LPs. What principles resonate most and how they evolved over the years as these markets have matured? It's going to be hard for you to answer that in one word.

**Andrea Auerbach:** Okay, so I have really had such a great time being part of the ILPA faculty, and I teach this course called Portfolio Construction. And what I would say is — what I notice — it's a two-day class, Howard. And what I notice is that a lot of folks come in expecting there's data analysis and algorithms that are just going to give the right answer. And over the course of two days, what really happens is the class starts to realize that there's so much more qualitative elements that enter. And it's because these private equity platforms are made of people and people have behavioral finance characteristics that enter into the equation. The markets are going to do their thing. And you as an investor are going to have your own situation and development. And so, one of the interesting things there is really helping this next generation of investors realize that, yes, you can absolutely use data and information. We do it all the time at Cambridge. But really the bigger lesson of the private markets is that there's a huge qualitative element and a lot of different layers of impact. And you need to be able to step back and think critically and over the longer term about what you think this means in terms of earning the returns that you need. And so, to me, that's been a really interesting — whenever it happens in this class, it's just an interesting moment. The class just starts departing from, well, the data says this, and they start getting into, well, in this situation, if the GP does that, then— And so that's been a really interesting observation. Yeah.

**Howard Beber:** All right, maybe the same answer here, but my next question for you is, what lessons have you learned in your career that you wish you had known at the beginning?

**Andrea Auerbach:** Yeah. At the beginning? I would say yes, there's — and I think this is why I've been in the private market tower as long as I have been, because there's so many qualitative elements that can change the course of the returns of a manager. So many things can happen while a fund is in flight and being able to think through the implications of that and also be a good partner to the GPs that we've backed and expecting the same from them. So, I would say that. And I guess really the really quick punchline on anything is take more risks. Like, I think taking more risks in a career is better than not. And that would be another lesson if I could go back to my earlier self and be, hey, probably should have taken more risks.

**Howard Beber:** Well, probably not many people among us, especially what we do, would argue with that. All right, one more. If you look back at your career, what accomplishments are you most proud of and what feels unfinished?

**Andrea Auerbach:** So, one of the fun things that I've been working towards ever since my time at Prudential, and I mentioned the team that I was embedded with at Pru, very inclusive, very apprenticeship, a lot of the "come along to this meeting" kind of element. And at Cambridge, I've always sought to recreate that environment. And I would tell you, one accomplishment I'm really proud of is that so many people that I've run across in my career, that I've had the privilege of working with at the very early stages in their careers, have gone on to make their entire career in the private markets. So, it's sort of infecting team members who moved on from CA that have continued to stay in our industry. To me, it's sort of like, wow. So, they see what I see. They see a lot of incredible return potential, a very dynamic market environment and a chance to build really lasting and productive relationships. And it's a way that they've been able to make their home in the private markets as well. Honestly, I love knowing I have so many alumni from the firms that I've been a part of who have continued to stay in the space, and interns as well, deciding to make their career in the private markets. It means I've been able to share my enthusiasm for the space in a way that, hopefully, had an impact on somebody making a career decision. That's huge. I feel really privileged to be able to look back on that. For sure, for sure. And in terms of unfinished, my crystal ball is murky and cloudy, Howard, trying to harness all the data and experience to figure out the way forward, to divine the way forward in this moment. I don't have any clean answers in a lot of the questions you've asked me today. So, I feel like our work here is not done. Like in terms of, it's not obvious where this is all really going from an investor perspective. And I feel like I have more work to do in that area, right? So that's what gets me up and out of the door in the morning.

**Howard Beber:** Thank you. That's a refreshing answer. Thank you. It's not obvious. And I'm glad you share my views.

**Andrea Auerbach:** Yeah. Yeah.

**Howard Beber:** Listen, this has been a terrific conversation. Thank you so much for joining. This was all kinds of fun. Any final thoughts for our listeners?

**Andrea Auerbach:** Only, Howard, only that I have so much respect for you and I've so enjoyed being an industry colleague of yours for so long. And the chance to have a very classic conversation with you here is just, honestly, an honor. And I just so appreciate being able to talk through these industry dynamics with you today.

**Howard Beber:** Thank you for saying that. Of course, I feel the same way. I also want to thank our listeners for listening to the episode. And again, if you've enjoyed the episode, drop us a note at privatemarkettalks.com and keep an eye out for our next episode coming your way next month. Thank you, and thank you again, Andrea.

**Andrea Auerbach:** Thank you, Howard.

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