



Morningstar PitchBook Developed Markets Listed Private Equity Index

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While the convergence between public and private markets is accelerating, private markets remain challenging for many investors to access. Direct investments in private companies and private equity funds require large capital commitments, long lockup periods, and concentrated exposure to illiquid and often leveraged investments. Publicly traded companies that invest in privately held businesses provide an attractive gateway to private markets. They are liquid, regulated, and diversified, making them transparent and accessible vehicles for gaining exposure to private markets, while also allowing investors to avoid the early performance decline typical of private equity fund structures.

The Morningstar PitchBook Developed Markets Listed Private Equity Indexes target companies with significant exposure to private equity. The indexes leverage unique data sets from PitchBook for both constituent selection and weighting.

Index eligibility

The Morningstar PitchBook Developed Markets Listed Private Equity Indexes derive their constituents from a starting universe that includes companies that are listed on developed-markets exchanges and have had more than three active private equity deals during the past 10 years. To be eligible, securities also must have market capitalization of more than \$100 million and a three-month average daily trading volume greater than \$250,000. The indexes exclude business development corporations, which are onerous from a tax perspective.

Security selection

All companies in the starting universe whose Primary Industry is labeled as "Private Equity" are selected for index membership. Companies are also selected if they are classified as Venture Capital, PE/Buyout, PE Growth, or Mezzanine. The index also includes companies with substantial private equity investments, such as direct private equity investors, alternative asset managers, fund-of-funds, holding companies, and closed-end investment vehicles.

Index weighting

A number of inputs are factored into constituent weighting:

- **Float-adjusted market capitalization.** Market-cap weighting reflects the current landscape and allows weights to adjust automatically as share prices fluctuate, eliminating the need for frequent rebalancing.
- **Purity score.** The purity adjustment relies on PitchBook expertise to emphasize companies with the heaviest involvement in private equity (see below). The goal is to provide investors with the strongest exposure to private markets through listed private equity.
- **Investment stage.** Constituent weights are constrained by exposure to different investment stages, informed by PitchBook data. This serves both as a risk-control measure and as a way to mirror the market. Aggregate exposure to late-stage investments is capped at 80% to ensure meaningful representation of high-growth companies. Mid-stage investments are capped at 20%, and early-stage investments, which are considered the riskiest, are capped at 10%.
- **Liquidity.** The goal of a "liquidity-informed weighting scheme" is to facilitate investability. Thus, constituent weights are adjusted based on how easily a position can be built or unwound using a position's average daily trading volume.
- **Diversification constraints.** Individual security weight is capped at 10%. The aggregate weight of securities with weights greater than 5% is restricted to 40% of the overall index weight.

Index maintenance

The indexes are reconstituted annually in December and rebalanced quarterly.

Construction process



About Morningstar Indexes

Morningstar Indexes was built to keep up with the evolving needs of investors—and to be a leading-edge advocate for them. Our rich heritage as a transparent, investor-focused leader in data and research uniquely equips us to support individuals, institutions, wealth managers and advisors in navigating investment opportunities across major asset classes, styles and strategies. From traditional benchmarks and unique IP-driven indexes, to index design, calculation and distribution services, our solutions span an investment landscape as diverse as investors themselves. Please visit indexes.morningstar.com for more information.

About PitchBook

PitchBook is a research firm and financial data provider that empowers global capital market professionals to win what's next. We collect and analyze information on the entire investment and business lifecycle. Our data, research and insights are available through our in-depth reports, industry news, and robust platform. To learn more about PitchBook, visit pitchbook.com or contact info@pitchbook.com.