Zurich CIO: why I steer clear of private equity

By **Ashley Lowe** / 22 May, 2019 at 09:47

While jumping into private equity funds might be tempting amid market volatility, Limmat Wealth CIO Jan Mueller (pictured) suggests that investors should consider hedge funds instead.

Mueller told *Citywire Switzerland* that he sold off some of his equity holdings in early April, keeping half in cash and moving the other half to alternatives, primarily hedge funds.

'There are pure private equity funds, then there are hedge funds with the option to invest in private equity,' Mueller said. 'Pure private equity funds have to invest in private equity, no matter what. Hedge funds only invest in private equity when there is a clear upside.'

He also noted that many private companies are at risk of being overvalued, and with increasing amounts of capital flowing into private equity funds, clients may not be getting the most bang for their buck.

He said: 'We're at the end of the cycle. Private equity funds are raising record amounts of capital, but there are not as many opportunities to invest in good companies at interesting valuations as there were five or six years ago. However, they have to invest money in these companies anyway.'

Mueller is also wary of the data presented by private equity funds, saying that he believes they often focus on presenting the internal rate of return instead of the more relevant investment multiple.

As a result, he explained that Limmat Wealth does not invest in private equity, considering the investment multiple to be too low for such an illiquid investment.

What's more, Mueller believes that private equity is more volatile than meets the eye, saying: 'If there were a daily price on it, private equity probably wouldn't be so popular.'