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Introducing PitchBook's Capital Call at Risk metric

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PitchBook is rolling out a new framework for our LP clients to prepare them for worst-case capital call scenarios. We're calling it the Capital Call at Risk (CCaR) metric, which is based on the Value at Risk (VaR) framework popularized by JP Morgan in the 1980s. Like a traditional VaR modeling, our CCaR metric will allow LPs to set certain probability thresholds—say 90% or 99%–to determine how much capital they can expect to have called by their private fund portfolio managers in the next quarter. We're leveraging our historical cash flow data to help estimate future cash flow projections, and tailoring those projections to the unique characteristics of an LP's private fund portfolio. Using a Monte Carlo-like simulation, we can then produce a range of projected outcomes to estimate outlier capital call events using percentile, conditional and parametric variations.