Furthermore, investments of unequal size or investment period can be compared.

An alternative definition is given by Long and Nickles (1995), who calculate the PME as a dollar-weighted return that would have been achieved by replicating the funds' cash flow with a market index. Whenever the fund makes a capital call, the same amount is invested in an index. If the fund disburses cash, an identical amount of index shares is sold from the index portfolio to arrive at the same cash flow pattern. However, this procedure often leads to situations where the benchmark return does not make sense, or simply does not exist, as mentioned by Rouvinez (2003). When using this measure for all cases where the private equity portfolio outperforms the benchmark, the benchmark portfolio will eventually end up with negative values, that is, it must be shorted. Obviously, a comparison between a long private equity position and a short position in a public index does not make sense.

Rouvinez proposes an adaptation of PME, called PME+, which avoids the problem of short positions by selling a fixed proportion of positive cash flows, as opposed to the exact same amount as with standard PME. By adjusting the cash distribution by this scaling factor and matching private equity NAV and index-tracking fund NAV at the end of the benchmarking period, one can avoid an index short position while still retaining all positive aspects of PME.

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Public Offering

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Public offering is one way for firms to raise funds by selling securities to the public. In general, securities can be sold as a public issue or as a private issue. Private issue refers to the sale of securities to a few investors which does not require a registration statement with the SEC (or with similar institutions in other countries other than the U.S.). New issues of securities are sold to the public, with the help of investment banks, in primary markets, while existing-securities are traded in secondary markets. Public issues can either be "general cash offer" or the "rights offer." The first one indicates that issues are marketed to all investors, while the latter one indicates that shares are marketed to existing shareholders. Initial public offering (IPO), or unseasoned new issue, refers to the public issue of a privately held company to the public for the first time. All IPOs are cash offers. When new issues of stocks are marketed to the public for a company with previous public offering, it is called a seasoned new issue.

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