Atlantic-Pacific Capital ("APC") Private Equity Market Overview

January 2023

Executive Summary

The denominator effect, coupled with an increasingly crowded market, has resulted in a highly challenging capital raising environment

1 Denominator Effect Reducing Pace of Commitments

Years of compounded growth in private market valuations led to investors being overweight PE coming into 2022. Synchronous declines in fixed income and public equity valuations exacerbated this imbalance. These factors are causing declines in short-term LP appetite for further commitments despite promising vintages ahead.

2 The Largest GPs Continue to Attract the Bulk of Available Allocations

The largest GPs have increased the number of fund strategies they pursue, drawing more capital from LPs. In uncertain times, LPs are more likely to invest with known GPs, including by re-upping with existing fund relationships.

3 Increased Deployment Pace Bringing GPs Back to Market Quicker

GPs are returning to market more quickly, leading to a record number of offerings in market. This has inundated LPs with re-ups, making "new money" increasingly scarce and driving up the average fundraising duration to 21 months – a record.

4 The Secondary Market Continues to Grow in Size and Breadth

In addition to re-up pressures and the denominator effect, LPs have also been under pressure from increased capital calls arising from GP credit lines being reduced or canceled as well as FX volatility. Given liquidity constraints, some LPs have reduced or paused new investments, while others are tapping the secondary market to rebalance and/or generate liquidity.

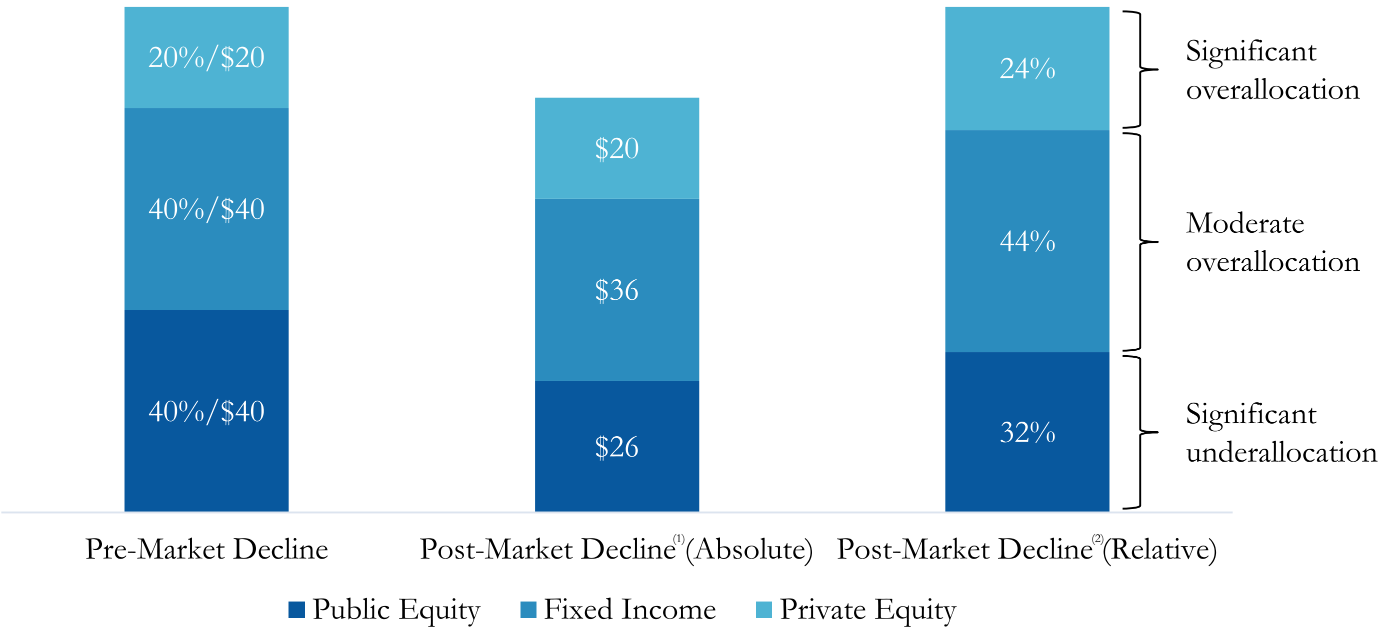
5 Bespoke Deal Structures Have Helped Sponsors Raise Capital

LPs have raised the bar on their GP-selection process when allocating scarce capital. Both longstanding GPs as well as newly established independent sponsors have relied on bespoke structures to raise capital.

Pronounced "Denominator Effect" in Private Equity

- The asymmetric decline in values across public equities, fixed income and illiquid alternatives has resulted in many investors' portfolios becoming unbalanced
- This is exacerbated by strong performances across PE portfolios through December 2021, which increased valuations above relative targets. Moreover, actuarial forecasting reset at the higher risk-free rate reduces liability-matchers' risk appetite
- While some investors are "riding out the storm," others are seeking to rebalance either by reducing planned commitments or through secondary sales

Illustrative Impact of Denominator Effect on Model Portfolio

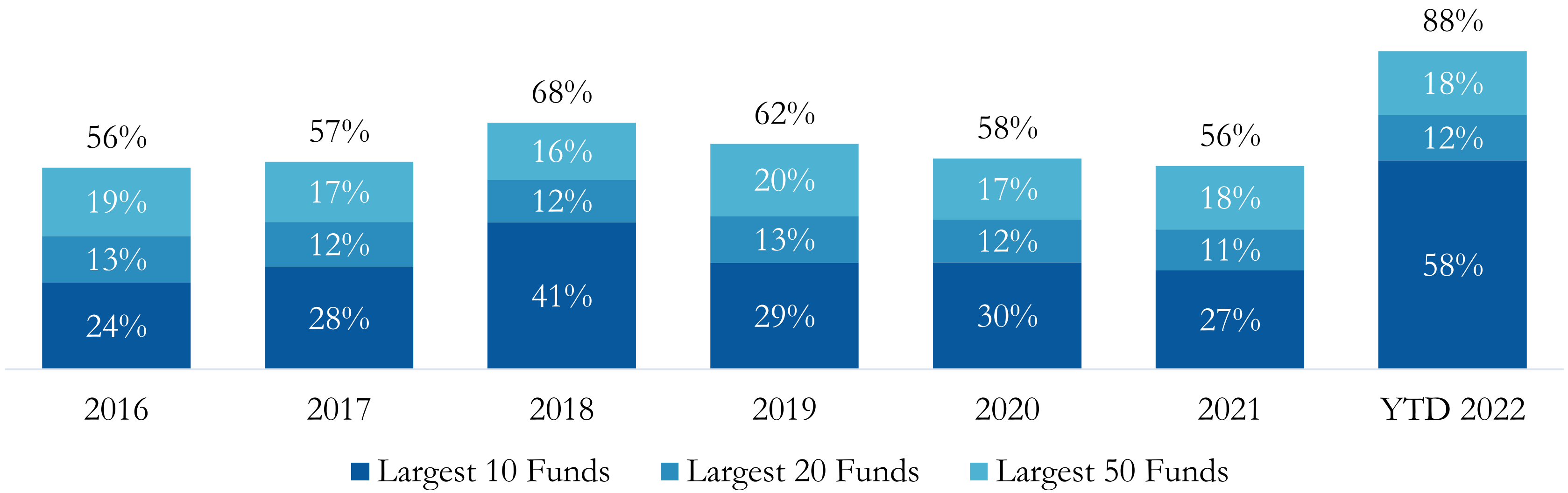


Source: Pitchbook report.
1. Reflects 10% decline in fixed income and 35% decline in public equities.
2. Reflects impact of market declines on portfolio exposure.

The Largest Firms Attracted the Bulk of Available Capital

The largest private equity funds attracted a significant share of total committed capital – over 88% of capital YTD was allocated to the largest 50 funds

% of Total Capital Raised by Largest PE Funds(1)



Market Highlights[1]

88%	$3.7 billion	369	12%
of total capital raised to Top 50 Largest PE Funds (~$187 billion in total)	average fund size of Top 50 Largest PE Funds	total number of PE funds with a final closing in 2022	of total capital for the remaining PE market (~$213 billion in total)

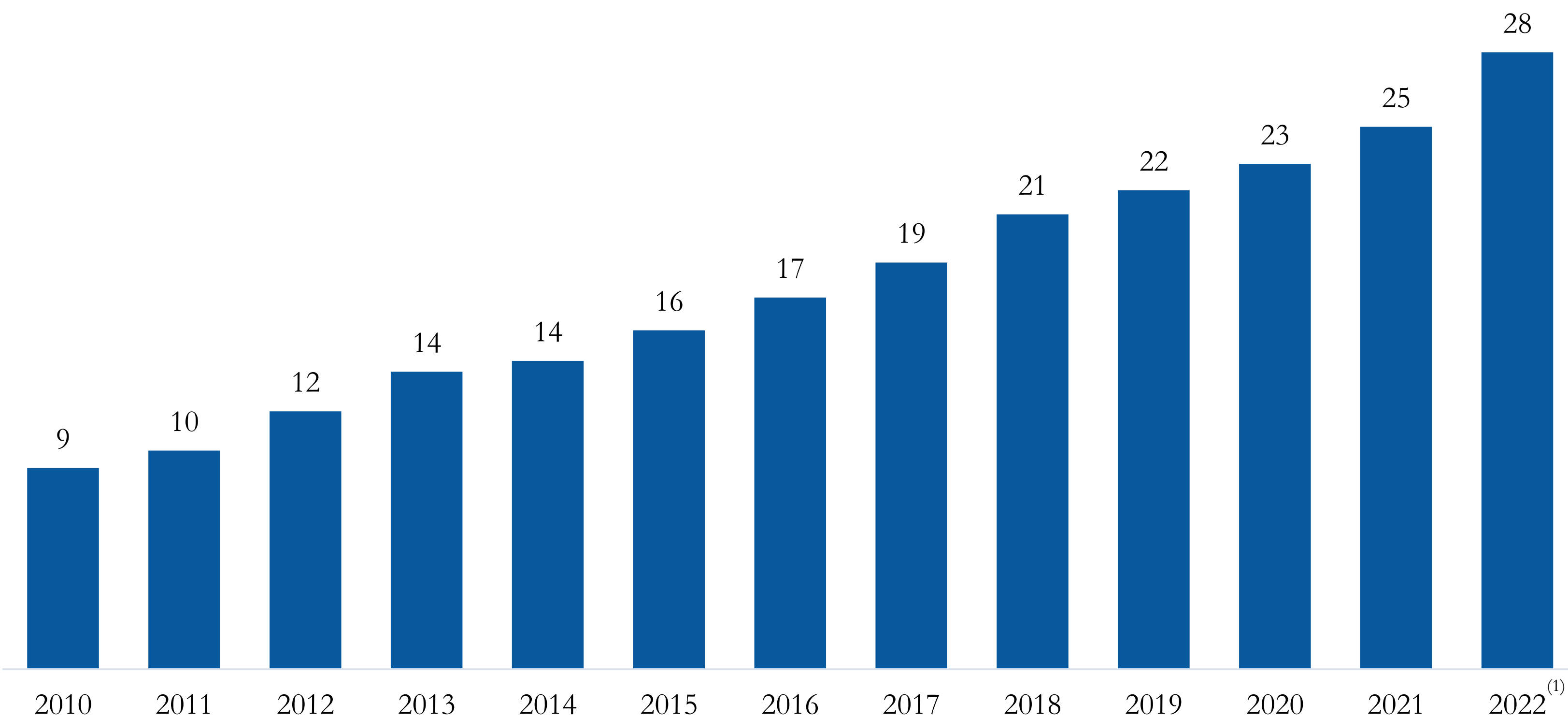
Source: Preqin (as of September 28, 2022).

1. Only includes Private Equity Buyout, Balanced and Growth funds that held a final closing in their respective year.

Mega Funds Continue to Expand their Product Offerings

Non-flagship funds account for an increasing share of funds raised, especially among the largest GPs (>50% of capital raised by top 10 GPs) – driving competition across all market segments

Average Number of Active Product Families for Top 10 GPs



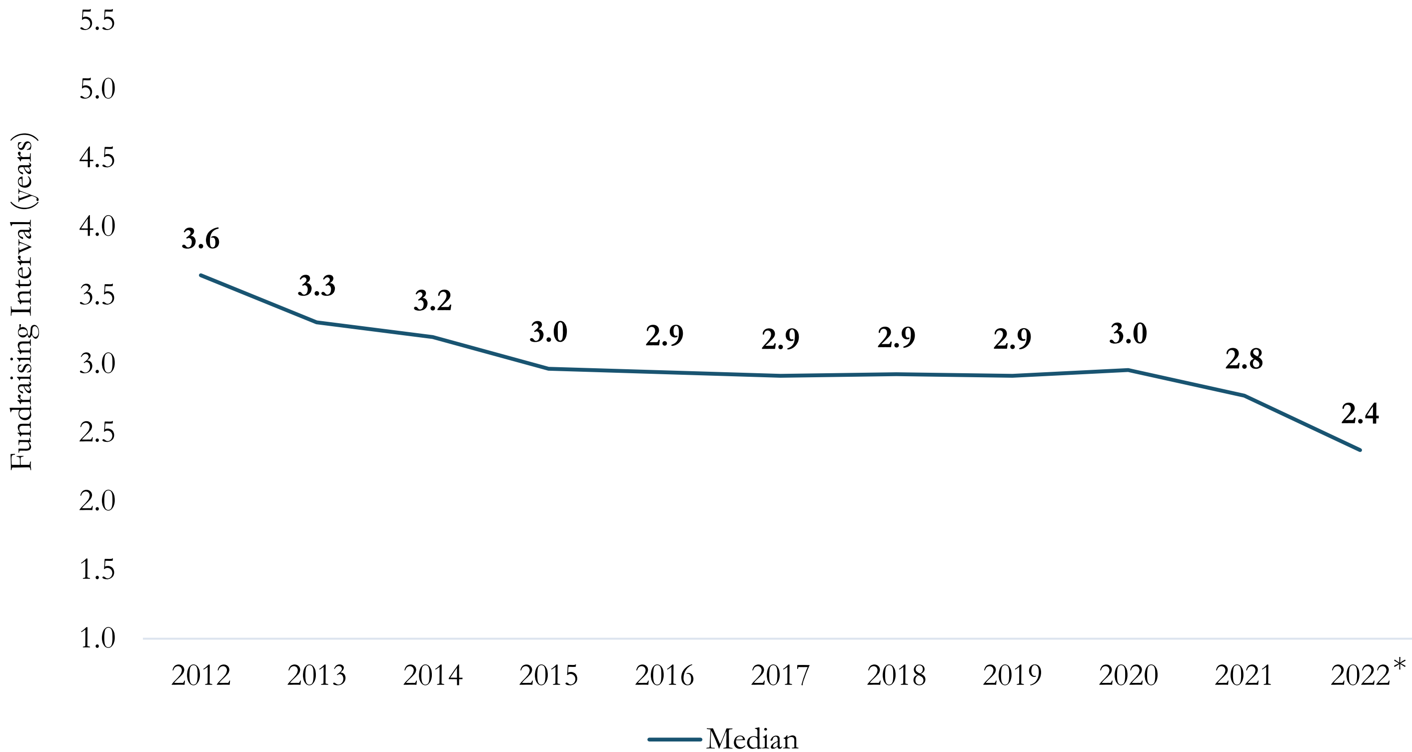
Source: Preqin (as of September 27, 2022).

1. Includes funds currently in market.

Funds Are Returning to Market More Quickly

- Managers are returning to the fundraising trail faster than ever. This has driven up the proportion of LP capital going to re-ups, leaving less available capital for new managers
- APC estimates that almost 75% of investor commitments during 2022 have been allocated to existing GP relationships; this trend is expected to continue in 2023

Interval Between Subsequent Private Capital Funds



Source: Pitchbook (as of September 30, 2022).
* Year to date (as of September 30, 2022).

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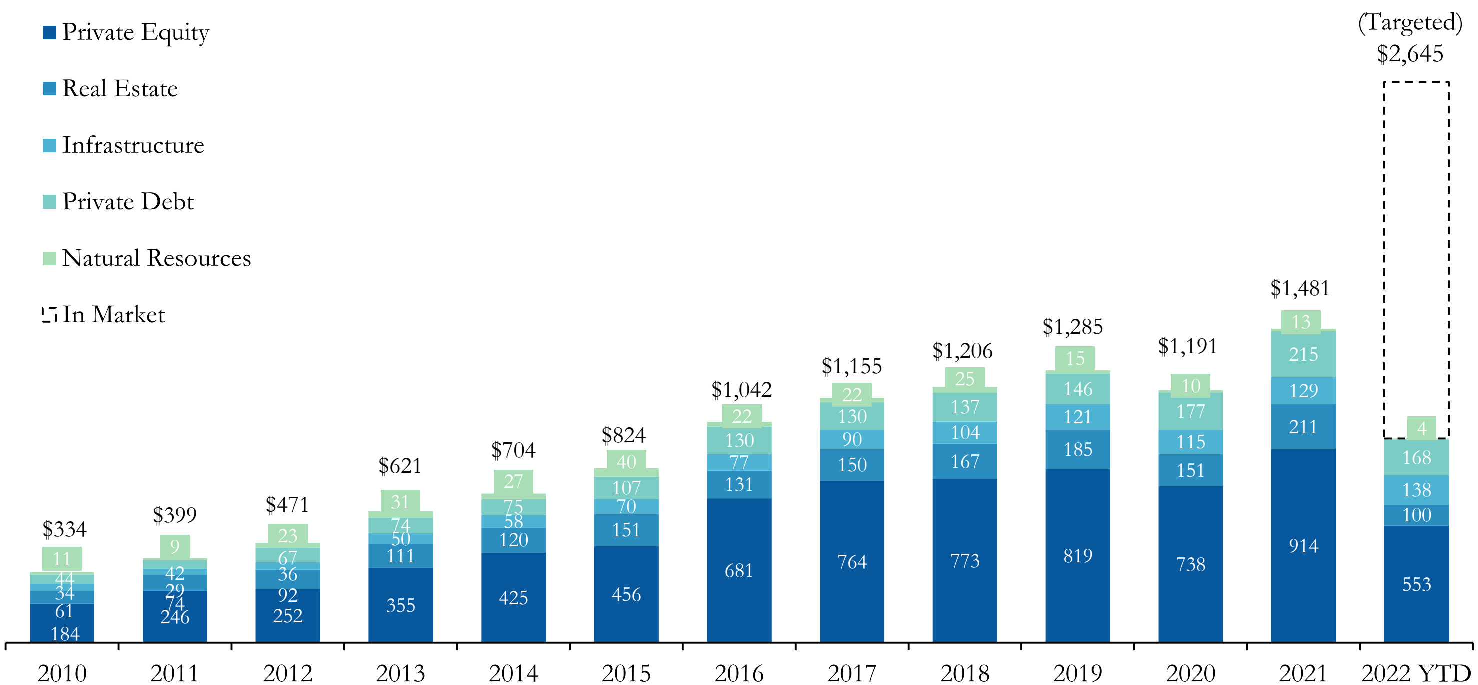
The Supply of Funds Significantly Exceeds Market Demand

Funds in market are seeking ~$2.6 trillion of commitments, almost 2x the amount actually raised during 2021, which represented the strongest fundraising year on record

Private Investment Funds – Total Capital Committed

(In US$ billions)



Number of final closings	**1,499**	**1,796**	**1,907**	**2,192**	**2,569**	**3,482**	**3,932**	**4,345**	**4,140**	**3,808**	**3,398**	**4,216**	***11,115 (Funds in Market)***

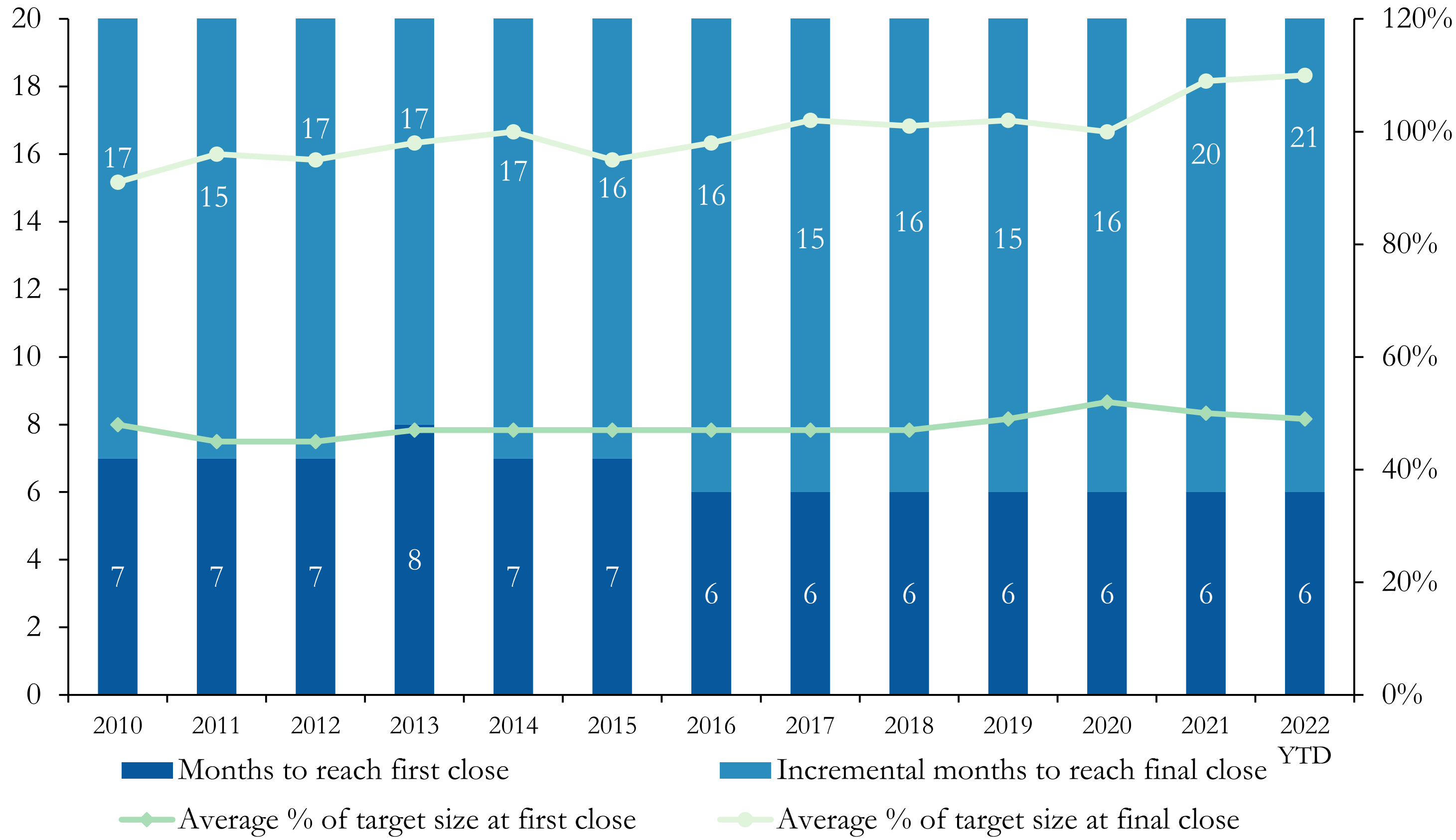
Source: Preqin (as of September 27, 2022).

Note: Total fund size accounted for in the year of a fund's final closing.

Fundraising Durations are Lengthening

Amidst a challenging macro backdrop, funds on average are taking 21 months to complete, the longest duration on record

Private Investment Funds – Fundraising Duration & Results



Source: Preqin (as of September 27, 2022).

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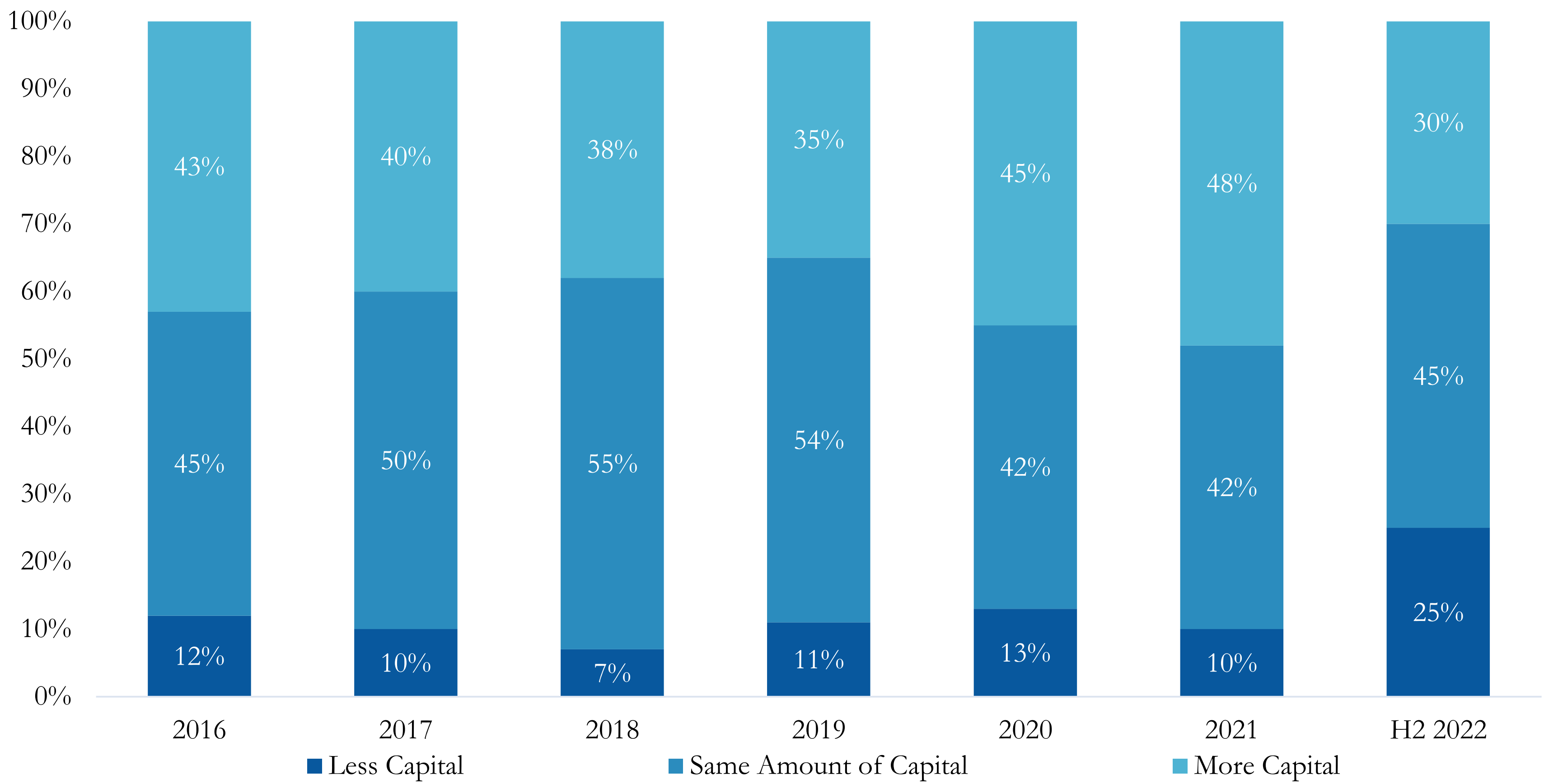
Private Equity Remains an Important Part of LP Portfolios

Notwithstanding difficult market conditions, 75% of LPs plan to allocate more or the same amount to private equity funds, though this represents a decline from recent year levels

Investors' Expected Capital Commitments to PE Funds in the Next 12 Months vs. the Prior 12 Months



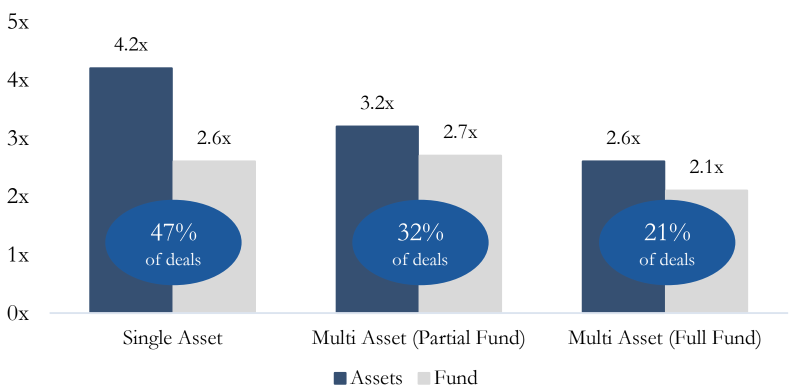
Source: Preqin, Investor Outlook: Alternative Assets, H2 2022.

The Secondary Market is Growing and Increasingly Vital

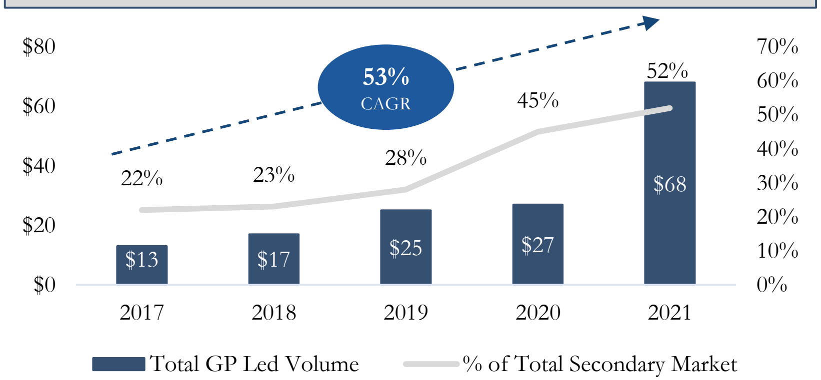
Key Trends

- Proliferation of GP-led transactions, largely beginning in 2020 and continuing though 2022
  - Key driver has been the emergence of concentrated transactions, often involving one or more of the highest-performing assets in a GP's fund
  - Single-asset transactions have been the fastest growing segment of the market as investors seek to generate higher returns than are achievable through more diversified portfolio transactions
  - While single-asset transactions remain popular, investors are increasingly looking for diversification across two or more assets
- Robust ongoing demand for secondary transactions, but higher degree of caution due to economic uncertainty and volatility in public markets
  - Pricing has shifted in favor of larger discounts in anticipation of future markdowns, more limited write-ups, and less certainty around timing and value of future exits
  - Secondary investors are focused on mitigating downside risk through discount pricing, structured equity solutions, and diversification
  - More acute focus on resiliency of business models including sustainability of historical revenue, future growth rates, balance sheet strength and assumed exit multiples
- No shortage of deal flow as sellers continue to bring opportunities to market and are increasingly accepting of the discount pricing environment
  - Critical to tailor transaction structure to the unique underlying goals and objectives versus taking a "cookie-cutter" approach
  - Middle market transactions are attracting more demand as large ($1+ billion) transactions stall during syndication

Median Gross Multiples of Cost(1)



GP-Led Transaction Volume(2)



1. Source: Hamilton Lane Market Overview 2022 (LTM Continuation Vehicle Multiples of Cost).
2. Source: StepStone Secondary Opportunities Fund II Portfolio Review April 2022.

Highly Customized Deal Structures Help Ensure Success

The current market demands careful planning, a well-coordinated process and a bespoke structure to command investor focus and achieve a successful outcome

Single Asset GP-Led Secondary

Deal Structure	**Balance sheet recap** of multi-hundred million dollar portfolio company, including **preferred equity with common participation**
Background	GP had received offers from other sponsors for both an outright sale of the business and structured equity growth capital investments. GP's preference was to provide optional liquidity to existing LPs while continuing to hold the asset, and raise additional GP-managed equity and debt capital for M&A without bringing in another sponsor who would seek to be involved operationally
Takeaway	**Unique and tailored secondary structure** for the transaction was critical in successfully closing on new equity commitments plus additional debt capacity in a very challenging market environment

Direct Equity Placement

Deal Structure	**Convertible preferred equity** security with attractive PIK coupon, liquidation preference, and minority controls
Background	Independent sponsor was seeking to raise $25-50 million of equity to acquire a significant minority position in a healthcare asset, with line of sight towards additional $100+ million equity need for roll-up M&A
Takeaway	**Competitive process generated substantial interest** with term sheets received from multiple potential equity partners. **Allowed sponsor to choose ideal partner** and negotiate attractive GP economics including a scaling management fee and tiered carry structure exceeding 20%. Total equity deployed in the first 12 months post-initial close scaled up to $250 million

Multi-Asset GP-Led Secondary

Deal Structure	$100 million multi-component transaction, including **secondary sale, co-investment equity placement, and stapled primary commitment**
Background	GP faced delays in exits in its 2012 vintage fund due to the pandemic, looking to distribute proceeds back to LPs while maintaining majority of upside in portfolio
Takeaway	**Liquidity generated for existing LPs** without prematurely exiting, **expanded investor base, and secured co-investment capital to fund add-on acquisition** for existing portfolio company. Strong market interest and attractive pricing, with bespoke tiered carry structure exceeding 20% in outsized return cases

Single Asset GP-Led Secondary

Deal Structure	**Annex fund** with GP economics, including a tiered carry structure that exceeds 20% if GP hits its return projections
Background	GP's portfolio company had capital need of $175+ million given robust M&A pipeline (the portfolio company had already reached the fund's concentration limit)
Takeaway	Oversubscribed vehicle provided capital to **fuel growth, while increasing AUM and further diversifying the GP's investor base**. The GP now has the ability to generate incremental value in an attractive asset rather than selling prematurely

Note: The above transactions represent recent APC-led mandates.

Challenging Market Requires Early, Thoughtful Planning

Current Market Dynamics	Strategy to Proactively Address Challenges
▪ **Denominator effect is widespread** and acute following exceptional PE performance combined with a simultaneous re-rating of fixed income and equities	▪ Identify LPs with continued strong liquidity / interest in private equity – **Seek newer, growing plans** in ramp-up mode, including those in international markets – **Monitor those LPs utilizing the secondary market** to re-balance their portfolios and enhance liquidity positions
▪ Much of the globe has returned to face-to-face meetings, but more selectively – **LPs are being much more judicious with their time** in confirming in-person meetings (Zoom/Teams/virtual meetings are being used as a first step / filter) – **LPs are preparing more extensive forward market maps** – some are already communicating that their 2023 allocations are spoken for	▪ Established GPs should **start early with LP conversations** – 6+ months prior to formal launch – Strong first closings (typically driven by existing LPs) are key to fundraising momentum. This capital may be used to complete early investments to "seed" the fund and mitigate blind pool risk – Significant advance coordination is required to "plant seeds" and get on an LP's crowded "dance card" early – Develop clear messaging on timing, fund size expectations, near-term deal pipeline, etc.
▪ **Capital is scarce, and LPs have raised the bar**. First-time offerings can be extremely challenging – Market continues to be highly crowded with LPs focused on re-ups with available capital allocations	▪ New managers may have more success completing **investments as an independent sponsor prior to a commingled fund launch**
▪ A number of **LPs have experienced significant team changes** – While labor mobility may be slowing, the impact of LP movement continues to play out	▪ Some LP relationships established in prior funds will need to be rebuilt due to team changes. As such, it's important to constantly trace / re-trace this movement in an attempt to port the connectivity and **create "warm" new investor leads**

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IV. Appendix

APC Recent Fund Placement Track Record

APC has been successful raising capital across a wide array of private capital strategies, including private equity, private credit, real estate and real assets

$276,000,000 **Panacea Venture Healthcare Fund II** July 2022	$285,000,000 **GSV Ventures Fund III** July 2022	$200,000,000 **Openspace Ventures Plus** March 2022	$550,000,000 **Merit Fund VII** December 2021	$1,950,000,000 **Melody Communications Infrastructure II** December 2021	$1,200,000,000 **BC Partners Credit SOF II** December 2021
$2,000,000,000 **Newbury Equity Partners V** November 2021	$1,600,000,000 **Lightyear Capital V** October 2021	$200,000,000 **Tilia Fund II** October 2021	[Tech Buyout Firm] $4,500,000,000 **[Name Confidential] *** August 2021	[China Growth Capital Fund] $335,000,000 **[Name Confidential]** July 2021	[China Venture Capital Fund] $141,000,000 **[Name Confidential]** July 2021
$476,000,000 **Mountaingate Capital Fund II** May 2021	$850,000,000 **Industry Ventures Secondary IX** March 2021	$200,000,000 **Openspace Ventures III** March 2021	$303,000,000 **Southfield Capital Fund III** January 2021	$1,800,000,000 **IMM RoseGold IV** December 2020	$1,300,000,000 **Falcon Private Credit Opp. Fund VI** December 2020

Notes: Grey shading denotes a repeat GP relationship for APC, including those funds where APC is already mandated to represent the successor offering. Some amounts are rounded.
*Represented a geographically targeted mandate for APC.

APC Recent Global Capital Solutions Track Record

APC has a proven history of providing comprehensive global capital solutions to GPs across single and multi-asset transactions as well as LP sales

Representative Transactions

[Confidential] $50,000,000 (Single Asset) **Project Indigo** In Market	**[Confidential]** $250,000,000 (Multi-Asset) **Project Star** In Market	**[Confidential]** £150,000,000 (Multi-Asset) **Project Canary** In Market	RFE Investment Partners $480,000,000 (Single Asset) **Project Zenith** December 2022	AceroCapital [Confidential] (Single Asset) **Project Color** October 2022	Red Dog Equity [Confidential] (Multi-Asset) **Project Epitome / Project Superior** March 2022	RFE Investment Partners $100,000,000 (Multi-Asset) **Project Accel** March 2022
Rock Mountain Capital $400,000,000 (Single Asset) **Project Pristine** February 2022	Southfield $179,000,000 (Single Asset) **Project Secure** February 2022	Waterous Energy Fund C$345,000,000 (Multi-Asset) **Project Onderdonk/Stickney** February 2022	GSV Greater Sum Ventures $80,000,000 (Single Asset) **Project Bucks-Gamma** June 2021	Rock Mountain Capital $240,000,000 (Single Asset) **Project Smile** April 2021	Joffre Capital $225,000,000 (Single Asset) **Project Silk Road** February 2021	AVAIO Capital $375,000,000 (Single Asset) **AVAIO Digital Partners** February 2021
[Confidential] $130,000,000 (Multi-Asset) **Project T-Cell** December 2020	Rock Mountain Capital [Confidential] (Single Asset) **Project Telecom** October 2020	AUA Private Equity Partners $70,000,000 (Single Asset) **Project Ambrosia** July 2020	DUO Capital $620,000,000 (Single Asset) **Project Goliath** June 2020	**[Confidential]** $660,000,000 (Single Asset) **Project Grizzly** December 2019	Red Dog Equity $70,000,000 (Single Asset) **Project Mammoth** October 2018	emergentcold $1,000,000,000 (Single Asset) **Emergent Cold** December 2017

Note: Grey shading denotes a repeat GP relationship for APC. Some amounts are rounded.

Global Team

Deep and local coverage of general partners and institutional investors across all markets

APC Partners

James Manley
Founder & Chairman
Stamford

Raed Elkhatib
President & CEO
New York

Anthony Bossone
Partner & CFO
Stamford

Richard Awbery
Partner
Distribution
London

Parsram Dhanraj
Partner
Project Management
Stamford

Alex Hurst
Partner
Distribution & Advisory
London

Patrick Machir
Partner
Capital Solutions
New York

Vincent Ng
Partner
Distribution & Advisory
Hong Kong

Luke Sanders
Partner
Project Management
New York

Steven Westerback
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Capital Solutions
New York

Joshua Vogelhut
Partner
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Stamford

Bracken White
Partner
Distribution
San Francisco

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Principal
Distribution
Dubai

Butch Andreini
Principal
Distribution
San Francisco

Christopher Jay
Principal
Capital Solutions
New York

Chris Koinis
Principal
Distribution
New York

Edwin Polanco
Principal
Distribution
San Juan

Ido Birman
JV Partner
Distribution
Tel Aviv

Pedro Domenech
JV Partner
Distribution
Barcelona

Sammy Sarkis
Senior Associate
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Tong Hee Ye
Vice President
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Note: Dotted border denotes APC's executive leadership.

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