



Canterbury Consulting

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Quarterly Asset Class Report Private Capital

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September 30, 2024

Canterbury Consulting recommends a diversified portfolio of private capital strategies. Consistently committing to private capital drives long-term asset growth, net of inflation, by taking advantage of the illiquidity premium derived from inefficient markets and superior manager selection.

- Canterbury blends strategic and opportunistic approaches to construct private capital portfolios diversified by sector, geography, and vintage year.
 - Strategic: Using various market inputs to form a baseline, we create a recommended portfolio allocation.
 - Opportunistic: We combine top-down and bottom-up analysis to target excess risk-adjusted returns through market intelligence and superior manager selection.

Role	Asset Categories	Risks
Growth	Public Equity and Private Capital*	Market Decline
Capital Preservation	Private Credit, Fixed Income, Hedge Funds	Rising Interest Rates, Highly Correlated Markets
Inflation Protection	Real Assets: Real Estate, Commodities	Deflation

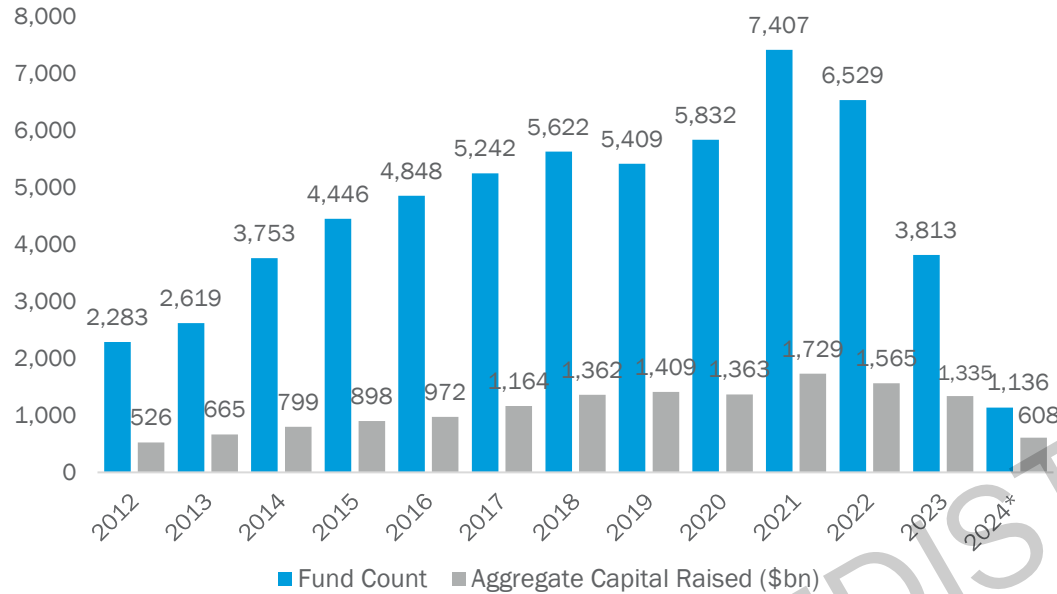
- Over a full market cycle, private capital is designed to generate above-market returns commensurate with risks associated with the asset class (i.e., illiquidity, time horizon, etc.).
- Given the length of the time required to deploy capital and the constant evolution of the opportunity set, investors in private capital can commit consistently across cycles and avoid “market timing” to generate returns.

*We define private capital as all private equity, venture capital, private debt, and private real assets (i.e., real estate, natural resources, and infrastructure) strategies.

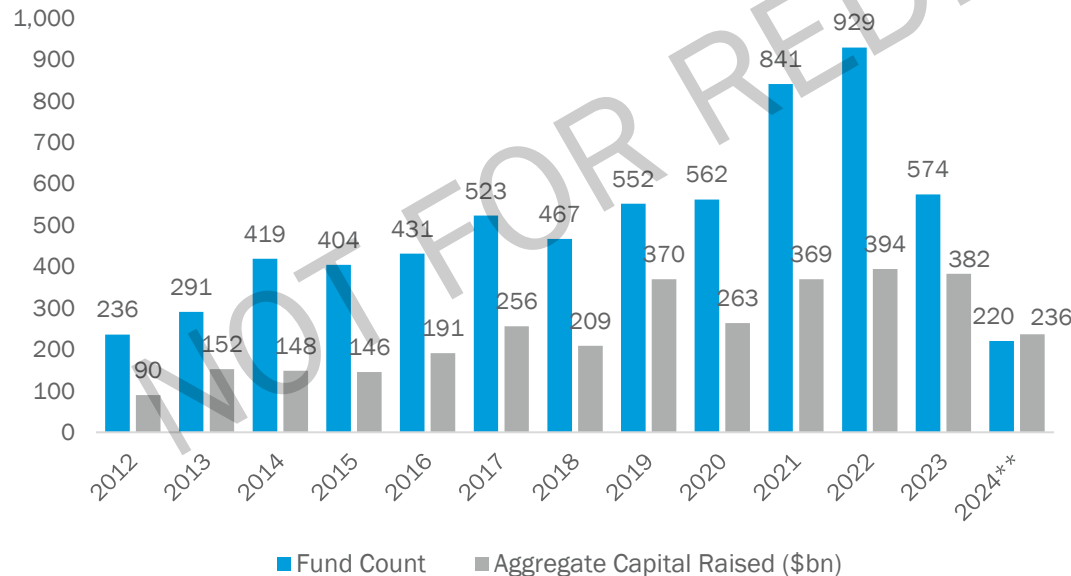
Private Equity Fundraising Activity

Private Capital

Global Private Capital Fundraising



U.S. Private Equity Fundraising

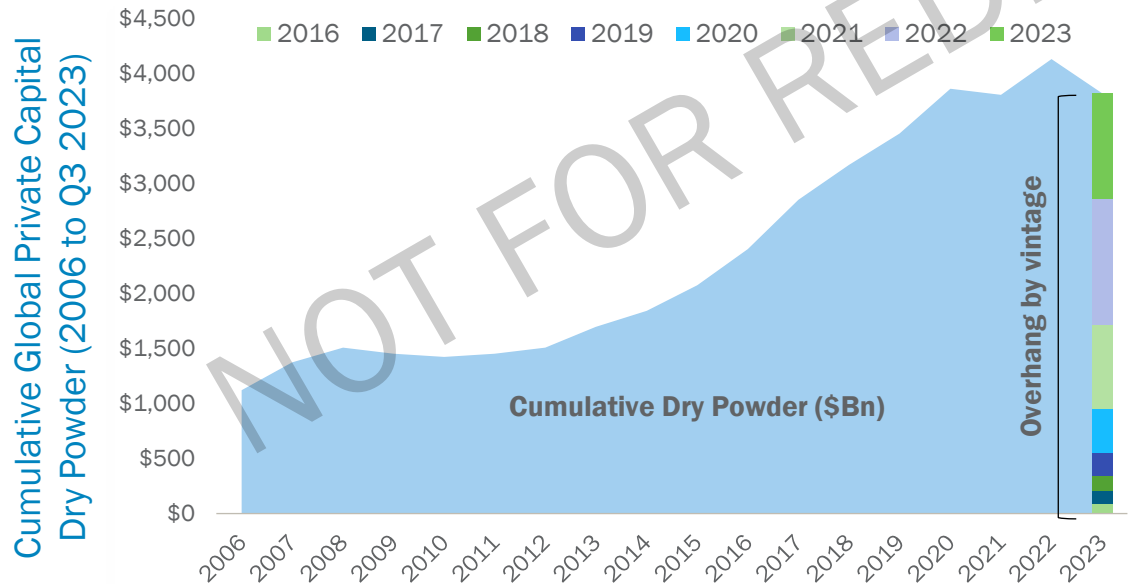
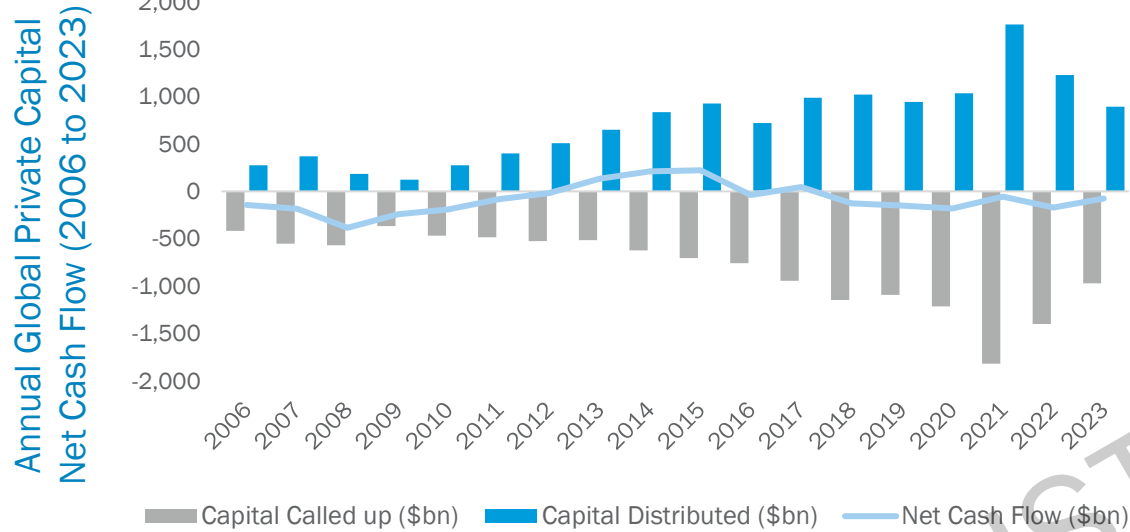


- Through the second quarter of 2024, 1,136 private market funds globally raised over \$600 billion, a 7% and 21% increase, respectively, from the same period in 2023.
- Private equity, real assets, and secondaries drove overall fundraising. Real assets experienced a nearly 4x increase in total capital raised through Q2 2024 as LPs are allocating to infrastructure-related strategies to take advantage of the inflation-protection characteristics inherent in these strategies.
- Secondaries fund strategies have also experienced strong demand from LPs given the widening opportunity set across both LP and GP-led secondaries.
- Through Q3 2024, U.S. private equity fundraising activity is in line with 2023 fundraising activity and is tracking ahead of the pre-pandemic (2017-2019) average of \$278 billion per year.
- U.S. GPs are taking longer to raise funds with the median time to close increasing to 16.8 months through the end of Q3, up from 14 months in 2023 and 11 months in 2022.

Sources: PitchBook Q2 2024 Global Private Markets Fundraising Report; PitchBook Q3 2024 U.S. PE Breakdown.
 Note: Private equity funds comprise buyout, growth/expansion, diversified private equity, mezzanine, secondaries, co-investment, restructuring/turnaround, capital, and private debt.
 *Global private capital fundraising as of June 30, 2024
 **U.S. private equity fundraising as of September 30, 2024

Global Private Capital: Performance and Dry Powder

Private Capital

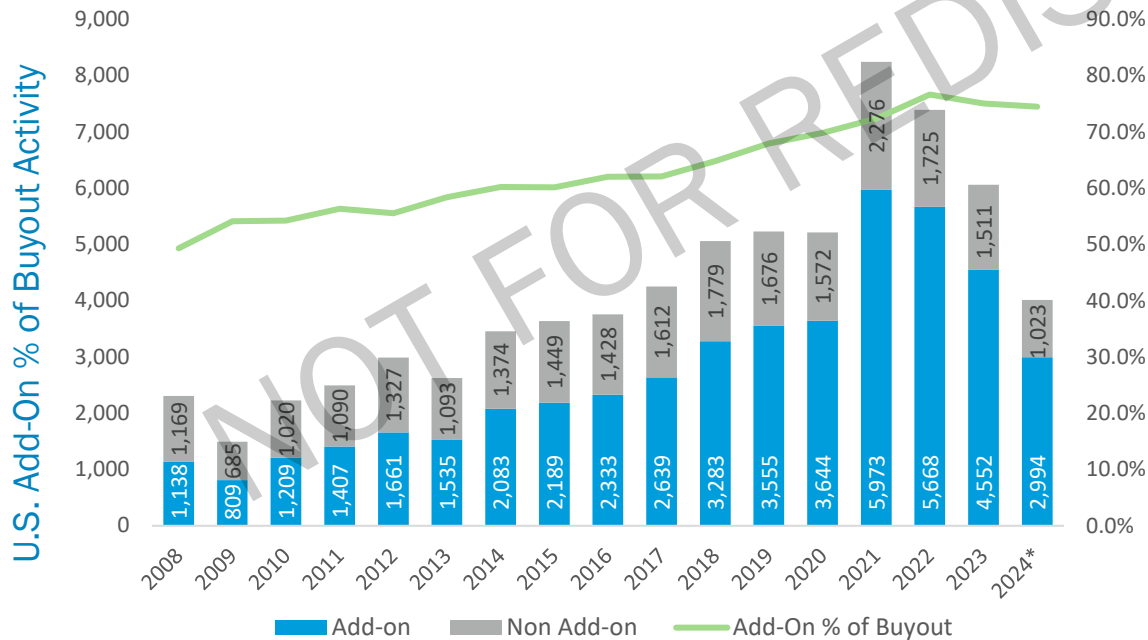
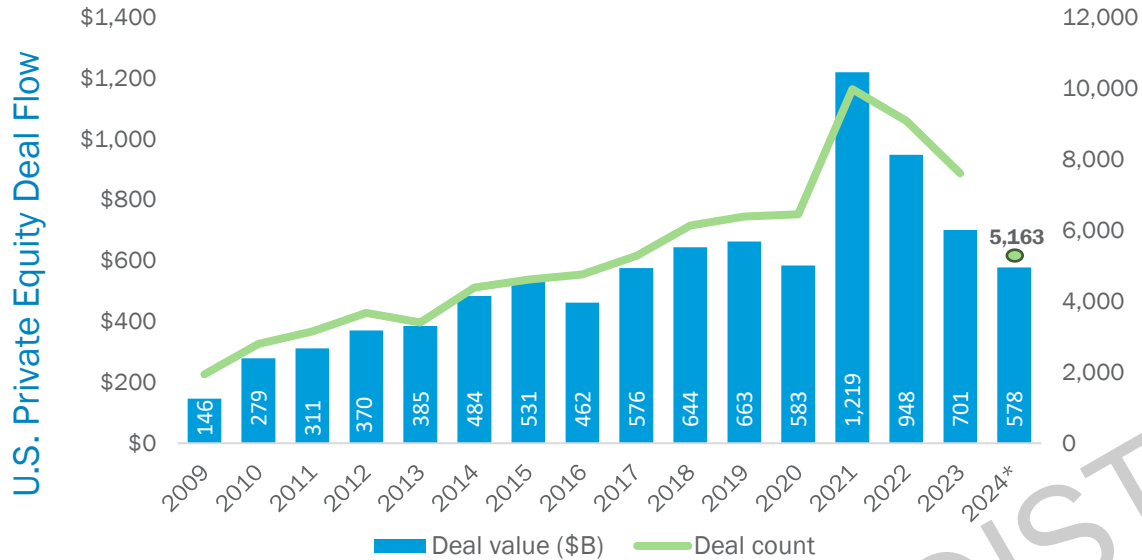


- Through the end of 2023, global private capital net cash flows stood at -\$77.4 billion, driven primarily by the higher level of contributions relative to distributions across venture capital, which experienced a net cash flow of -\$94.3 billion.
- Private debt experienced a positive net cash of \$73.5 billion through the end of 2023, driven by consistent distributions from direct lending funds.
- As of the end of 2023, global private capital dry powder stood at approximately \$3.8 trillion, slightly less than the \$4.1 trillion at the end of 2022.
- 80.2% of global private capital dry powder came from funds that are less than five years old. This has been consistent over the last decade.

Source: PitchBook Q2 2024 Global Private Markets Fundraising Report; Note: Private equity funds comprise buyout, growth/expansion, diversified private equity, mezzanine, secondaries, co-investment, restructuring/turnaround, capital, and private debt.

Note: Global private capital net cash flows and global private capital dry powder metrics are as of December 31, 2023

U.S. Private Equity Deal Activity



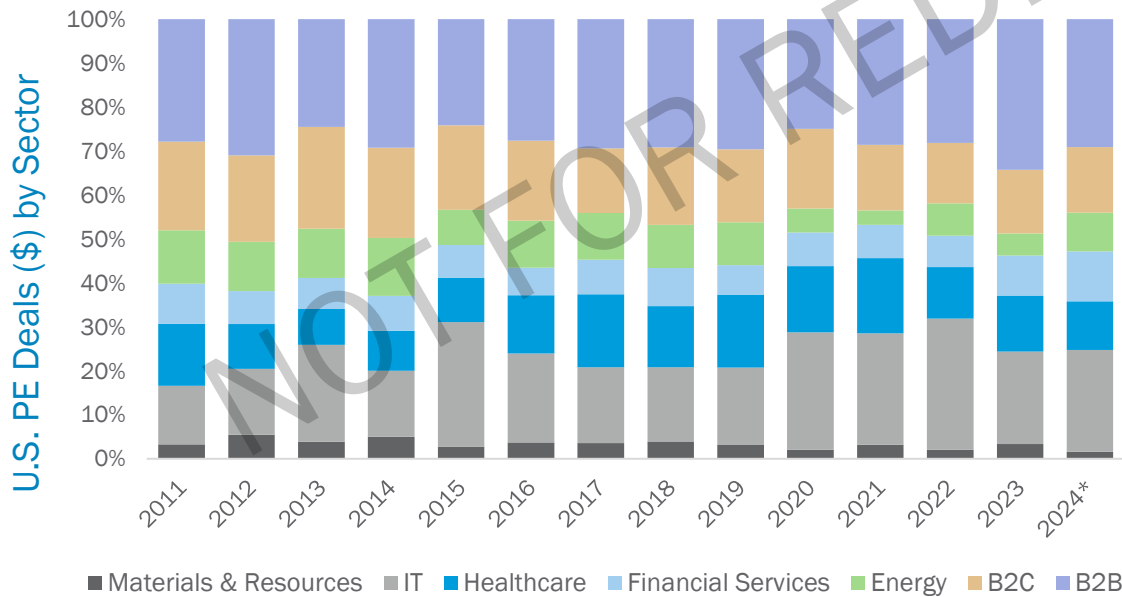
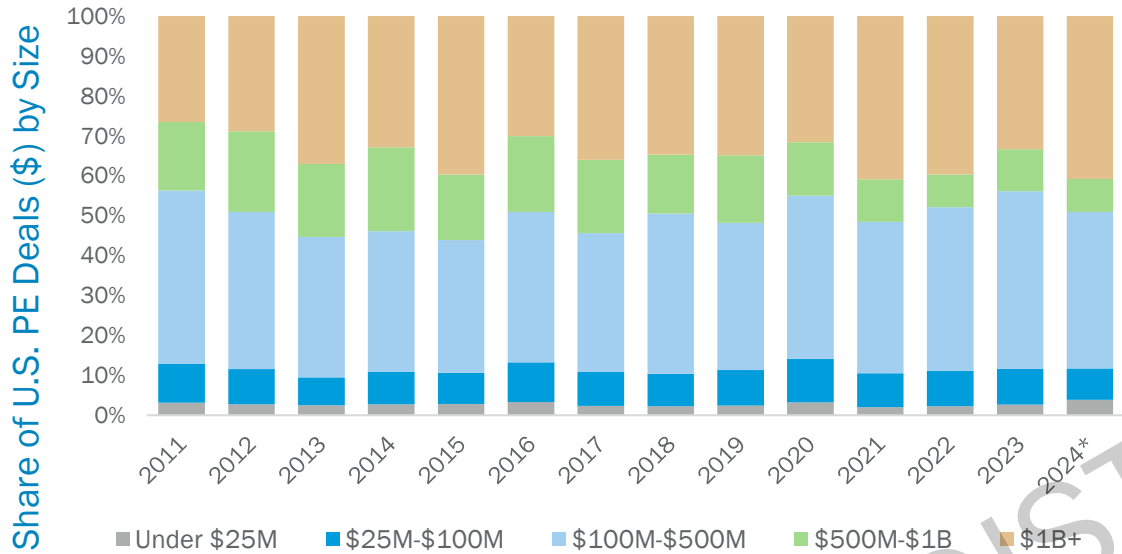
Private Capital

- Through the end of the third quarter of 2024, \$578 billion was transacted on across nearly 5,200 deals. This represents a 12.9% year-over-year increase in deal count and a 23.1% increase in deal value. Platform leverage buyout transactions experienced a strong rebound with deal value in this category up 28.4% over the last 12 months.
- Capital market conditions are showing signs of continued improvement as banks are increasing their lending capacity to LBO deals. The year-to-date syndicated LBO loan value totaled \$50.8 billion, compared to \$28.6 billion during the same time period in 2023.
- Take-private deal activity during the quarter experienced a decline, from 31 in the prior quarter to 18 in Q3. The largest take-private transaction during the quarter was Blackstone and Vista Equity Partners' acquisition of work management software company Smartsheet for \$8.4 billion.
- Add-on acquisitions, which have played a crucial role in accelerating value creation and bringing down the overall purchase price multiple, continued to exhibit a strong share of overall buyout activity. As of the end of Q3, U.S. add-on transactions constituted three-fourths of all buyout activity.

Source: PitchBook Q3 2024 U.S. PE Breakdown
*As of September 30, 2024

U.S. Private Equity Deal Activity

Private Capital

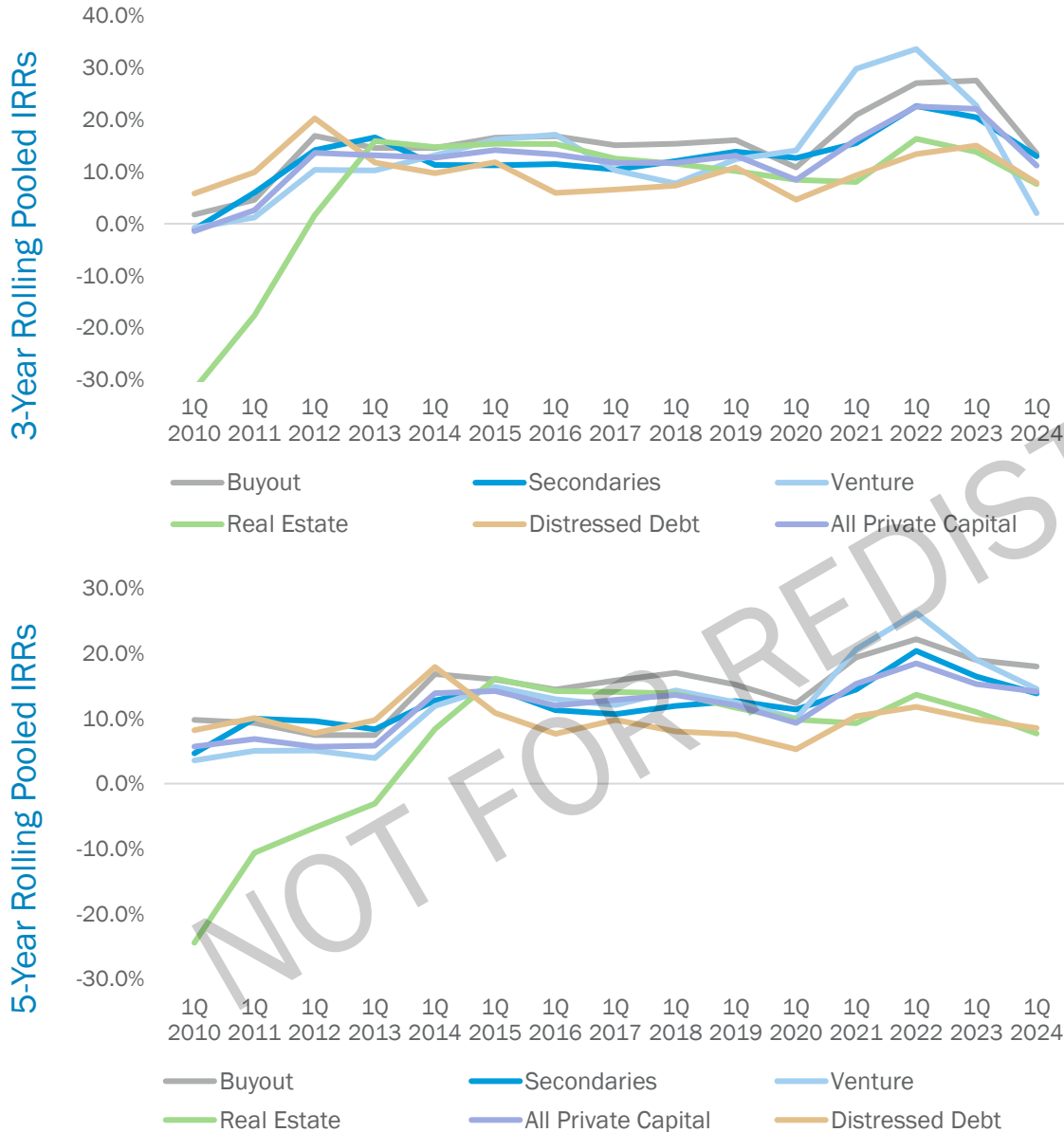


- The share of deals valued at \$1 billion+ stood at 41% at the end of the third quarter. Deals valued at \$100 million to \$500 million comprised the second largest share of private equity deal value at 39%.
- Through the end of Q3, 44% of private equity deal value in the U.S. has been within the business services sector. This has remained consistent over the last decade.
- The financial services sector experienced a meaningful increase in the share of deal value and currently comprises 11.3% of U.S. PE deal value, versus a 10-year historical average share of 8%.
- Technology deal activity experienced a strong rebound through the end of the quarter. The sector's year-to-date deal value of \$133.8 billion is tracking ahead by 28% over the last 12 months. Deal volume is also strong, with an estimated 1,044 technology private equity deals recorded year to date, which represents an increase of 17%. The software sector is driving this growth with deal value in this category comprising over two-thirds of the overall sector deal value.

Source: PitchBook Q3 2024 U.S. PE Breakdown
*As of September 30, 2024

Horizon Performance

Private Capital



- From Q1 2023 to Q1 2024, all private capital strategies experienced a decline in performance on a three-year rolling return basis. Venture capital experienced a noticeable drop in performance from Q1 2022 to Q1 2024 as venture firms are struggling to create exit opportunities and are making material write downs to their existing portfolio holdings.
- On a five-year rolling basis, returns for all private capital strategies are down over the last year. Real estate, which exhibited a positive return profile from Q1 2021 to Q1 2022, exhibited a negative return profile as increased interest rates and asset owners struggling to recapitalize their existing properties have adversely impacted real estate valuations and returns.

Source: PitchBook, as of March 31, 2024
 Note: Real estate consists of value-add and opportunistic funds only.