CanterburyConsulting

Quarterly Asset Class Report
Private Equity

canterburyconsulting.com

December 31, 2021

Role in the Portfolio

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.

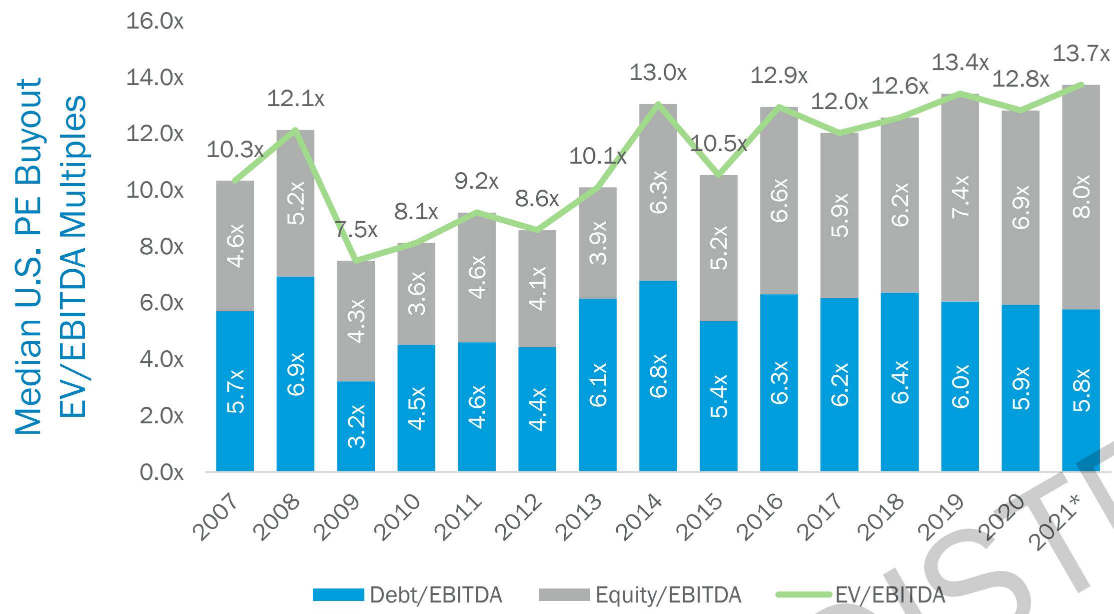
- Strategic: Using various market inputs to form a baseline, we create a recommended portfolio allocation.
- Opportunistic: We combine top-down and bottom-up analysis to target excess risk-adjusted returns through market intelligence and superior manager selection.

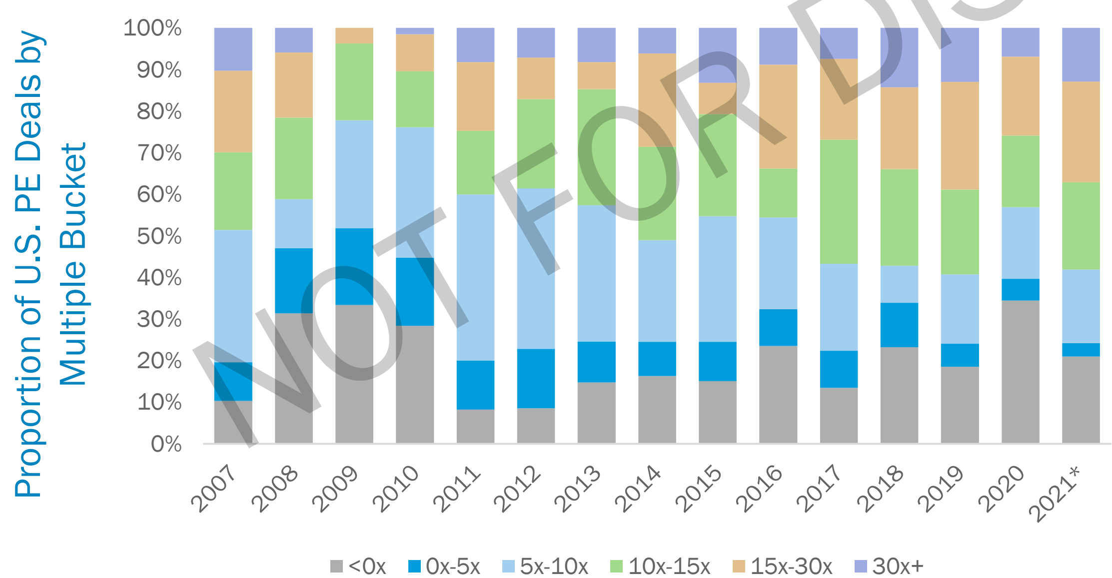
Role	Asset Categories	Risks
Growth	**Public and Private Equity**	**Market Decline**
Capital Preservation	Fixed Income, Hedge Funds	Rising Interest Rates, Highly Correlated Markets
Inflation Protection	Real Assets: Real Estate, Commodities	Deflation

— Over a full market cycle, private equity is intentioned 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 equity can commit consistently across cycles and avoid “market timing” to generate returns.

U.S. Private Equity Valuation Overview





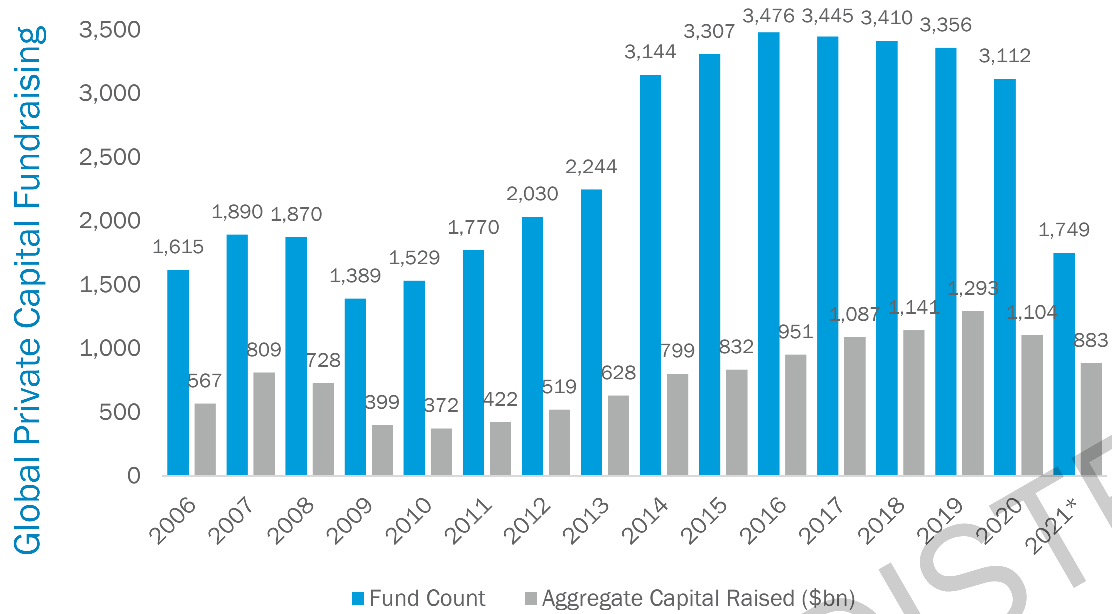
- U.S. PE buyout multiples reached an all-time high, approaching 14x and surpassing 2019 levels. This has been attributable in part to the intense competition for deals driven by the large volume of dry powder built up and the low interest rate environment.
- While the high multiple environment has been driven primarily by the continued demand for tech and tech-enabled businesses, certain pockets of the healthcare sector have also experienced rising multiples. For example, behavioral health services companies with EBITDA between $10 million and $50 million have traded in the 10x-14x range, while higher-earning companies in this space have achieved multiples well into the 20x range.[1]

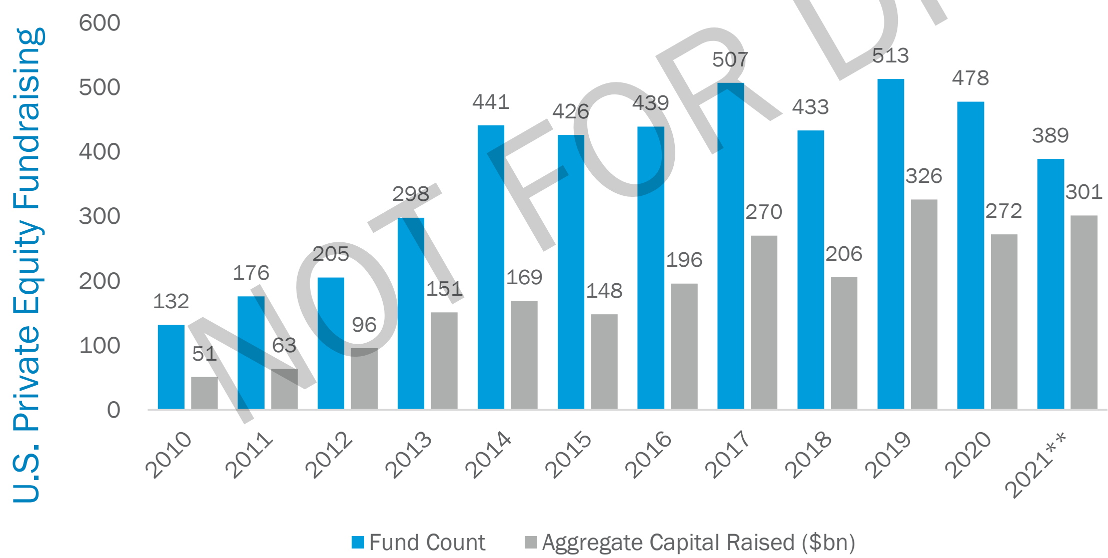
Source: PitchBook 2021 U.S. PE Breakdown

**As of December 31, 2021*

(1) Source: Behaviorial Health M&A Trends, Expert Webcast, October 28, 2021

Private Equity Fundraising Activity





- Through the third quarter of 2021, total global private capital fundraising stood at approximately $883 billion, which represents approximately 80% of 2020's full-year fundraising total, and is spread across 1,749 distinct funds.
- Global commitments to venture capital funds have been on the rise, and these commitments comprise 18% of funds raised thus far in 2021. This marks a record share of all capital committed for the year.
- Geographically, approximately 62% of global private capital commitments have gone to North American fund managers, compared to only 49% in 2018 when Europe and Asia comprised a larger percentage share of capital commitments.
- Total PE fundraising in the U.S. surpassed 2020 totals, albeit with fewer funds in market. This trend has taken shape over the last couple of years, and is a function of the continued capital deployment pace among GPs. To date, the average time between all PE funds in the U.S., is three years versus nearly five years in 2014.

Sources: PitchBook Q3 2021 Private Fund Strategies Report and PitchBook 2021 U.S. PE Breakdown.

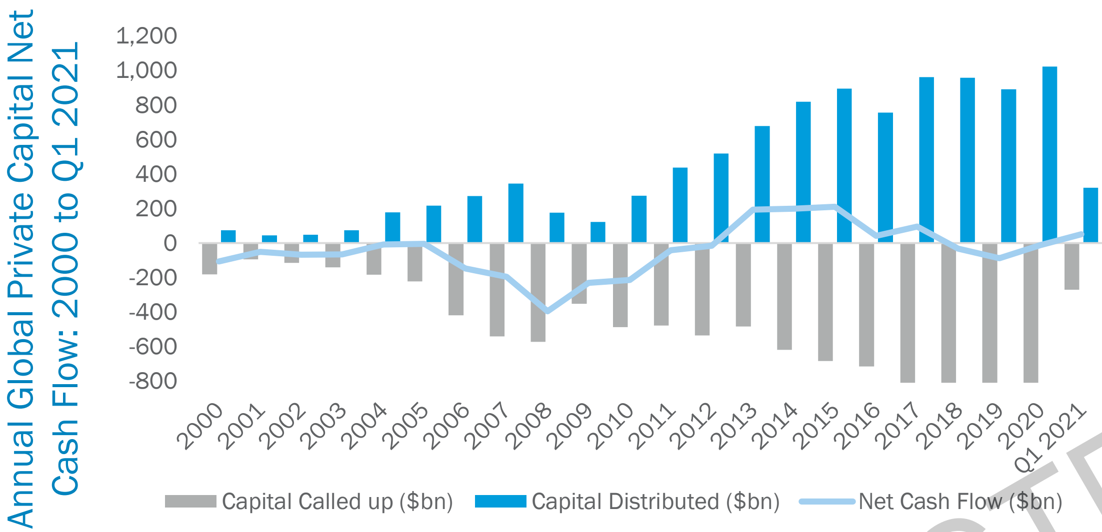
Private equity funds include: buyout, growth/expansion, diversified private equity, mezzanine, secondaries, co-investment, restructuring/turnaround, venture capital, private debt, energy, real estate, and fund of funds.

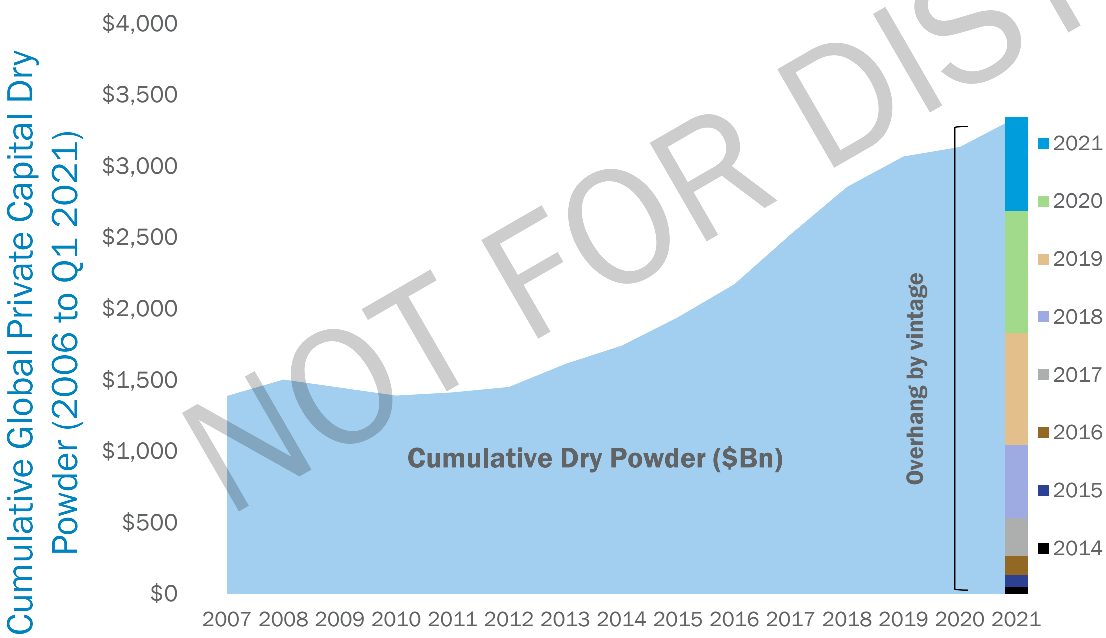
**Global Private Capital Fundraising as of September 30, 2021*

***U.S. Private Equity Fundraising as of December 31, 2021*

Global Private Capital: Performance and Dry Powder

Private Equity





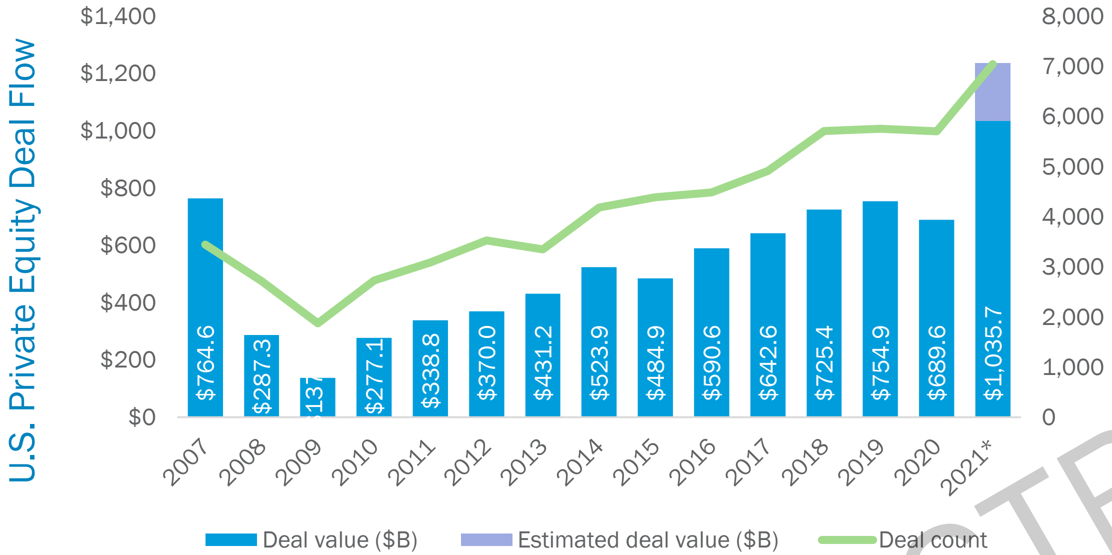
- Through the first quarter of 2021, global private capital net cash flows to LPs continued their trend from the prior year, with distributions having reached 31.4% of full-year 2020 totals.
- All private capital strategies experienced positive net cash flow back to LPs during the quarter with the exception of venture capital. Global VC commitments have been steadily rising driven by the relative attractiveness in the strategy, reflective of recent outperformance.
- Global private capital dry powder continues to rise and currently stands at over $3.3 trillion as of Q1 2021. Nearly $2.3 trillion, or ~69%, is from funds raised between 2019 and 2021.

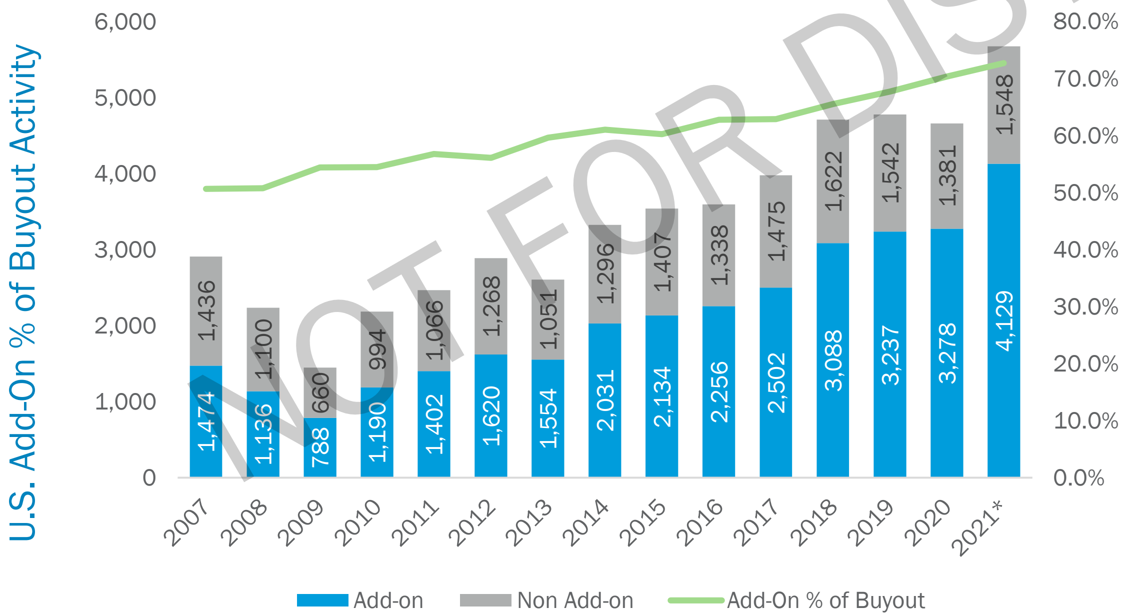
Sources: PitchBook Q3 2021 Global Fund Performance Report as of March 31, 2021; PitchBook 2021 U.S. PE Breakdown; PitchBook Q3 2021 Private Fund Strategies Report,

Note: Dry powder data As of March 31, 2021

U.S. Private Equity Deal Activity

Private Equity



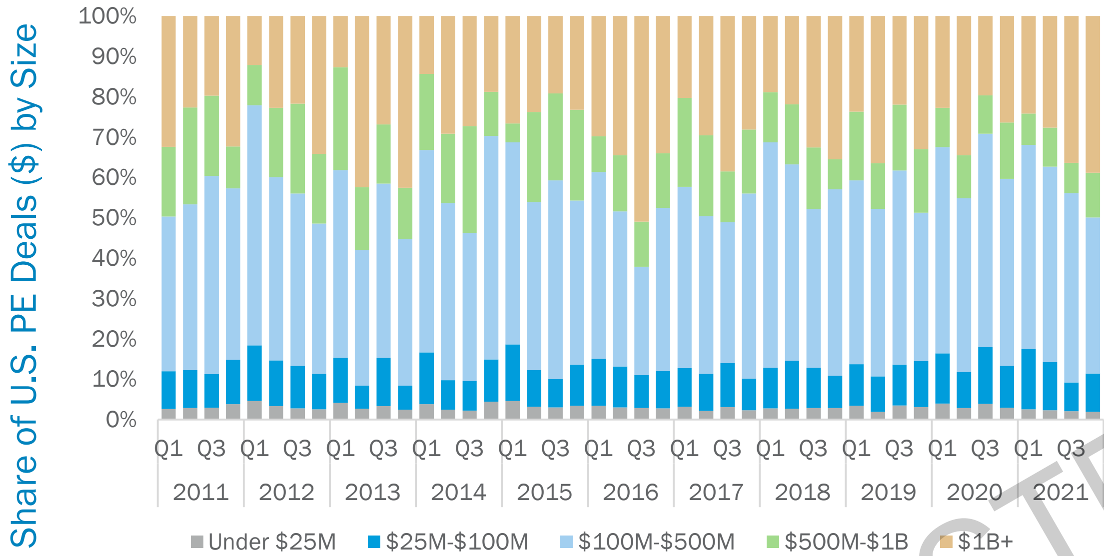


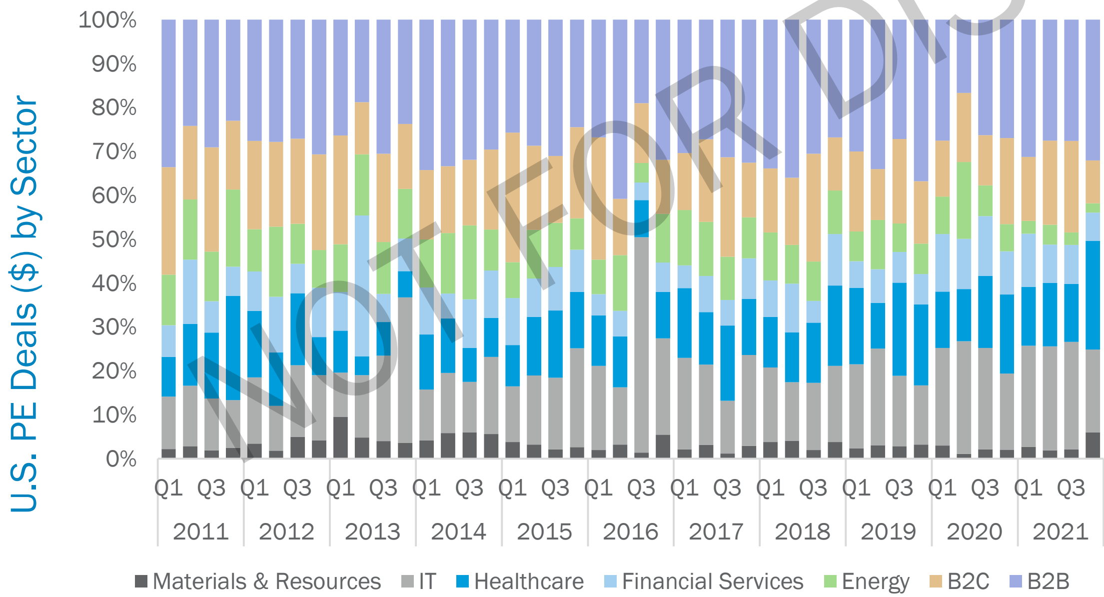
- U.S. PE deal activity surpassed the $1 trillion mark for the first time ever. The total deal value was spread across over 7,000 deals and reflects the intense activity throughout 2021.
- This is the first time that IT surpassed $200 billion in deal value, as the demand for technological innovation and efficiency continues to increase. Within IT, software comprised the bulk of deal activity, with over $167 billion in aggregate deal value in 2021. This can be attributable to the robust earnings and performance by enterprise software providers and elevated valuations of public software companies.
- Rising entry multiples and the plethora of opportunities have made add-on acquisitions the cornerstone of typical private equity buyout value creation strategies. Add-ons, which account for nearly three-fourths of U.S. buyout activity in 2021, allow firms to blend down the overall platform acquisition multiple and are viewed as a complementary tool to accelerate growth and value.

Source: PitchBook 2021 U.S. PE Breakdown
**As of December 31, 2021*

U.S. Private Equity Deal Activity

Private Equity



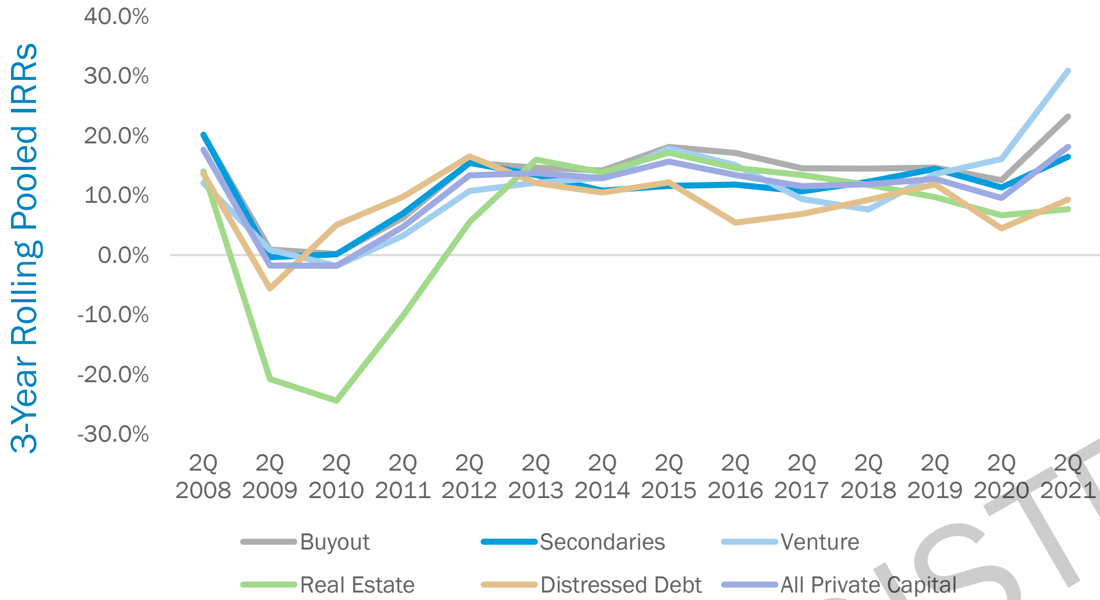


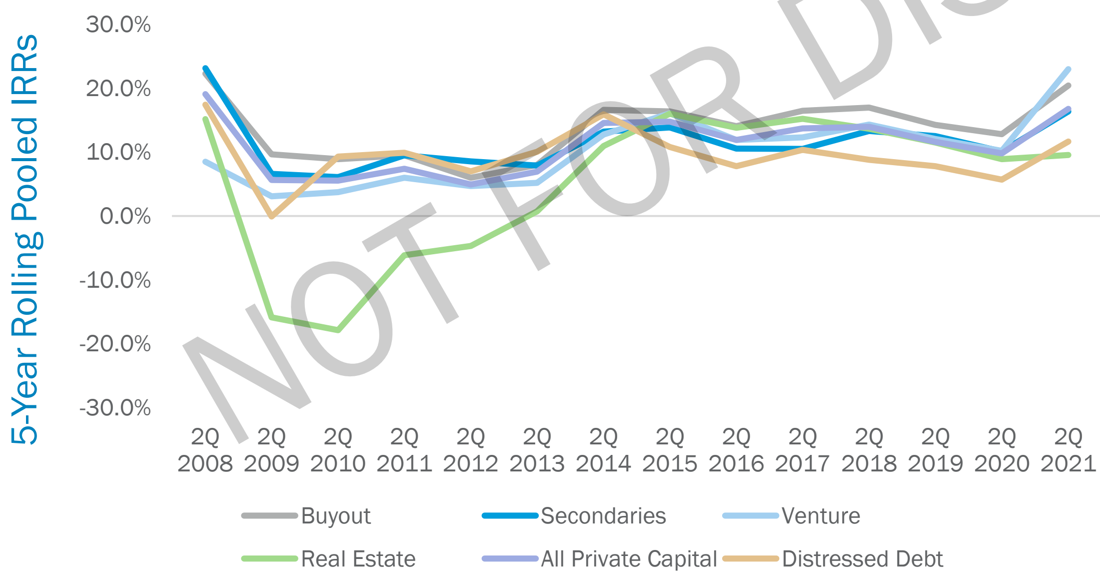
- The share of deals valued at $1 billion+ stood at nearly 40%, compared to 33% in 2019. 2021 marked a record number of $1 billion+ deals and the greatest aggregate value of such deals since 2016.
- Take-private transactions, which averaged $2.6 billion in 2021, saw the highest aggregate deal value since 2016. This was driven by the strong demand and high valuations among IT and healthcare companies.
- 42% of deals in the U.S. have been within the Business Services sector. Healthcare was the most active, with nearly one quarter of deal value coming from this sector versus only 18% in 2020.
- Growth equity managers were extremely active during the year, with over $113 billion in total transaction value during 2021, versus $78.3 billion in 2020. This increase is driven by PE firms' tilt toward investing in more high-growth sectors in the economy, which include IT and healthcare.

Source: PitchBook 2021 U.S. PE Breakdown

Horizon Performance

Private Equity

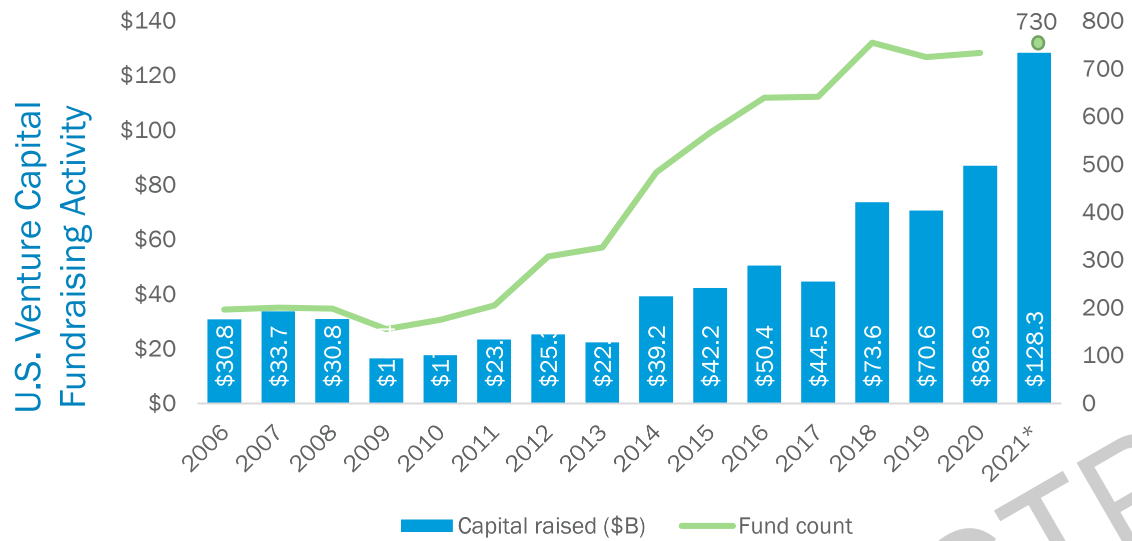


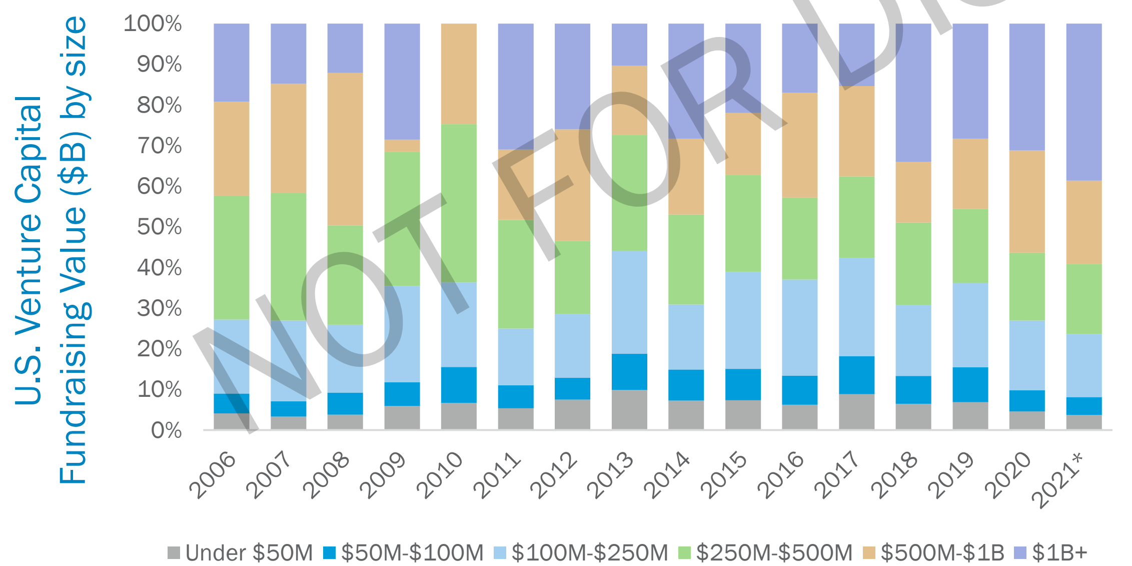


- Through Q2 2021, all private capital strategies experienced upticks in performance, led by venture capital and buyout. Venture capital's outperformance has been driven in part by the robust IPO market and valuation increases in subsequent financing rounds. Investors and VC-backed companies continued to ramp up exits, taking advantage of elevated valuations.
- Over a five-year rolling basis, venture performance has slightly surpassed buyout, and both continue to be the top-performing private capital strategies.

Source: PitchBook, as of June 30, 2021

Quarterly Spotlight: U.S. Venture Capital

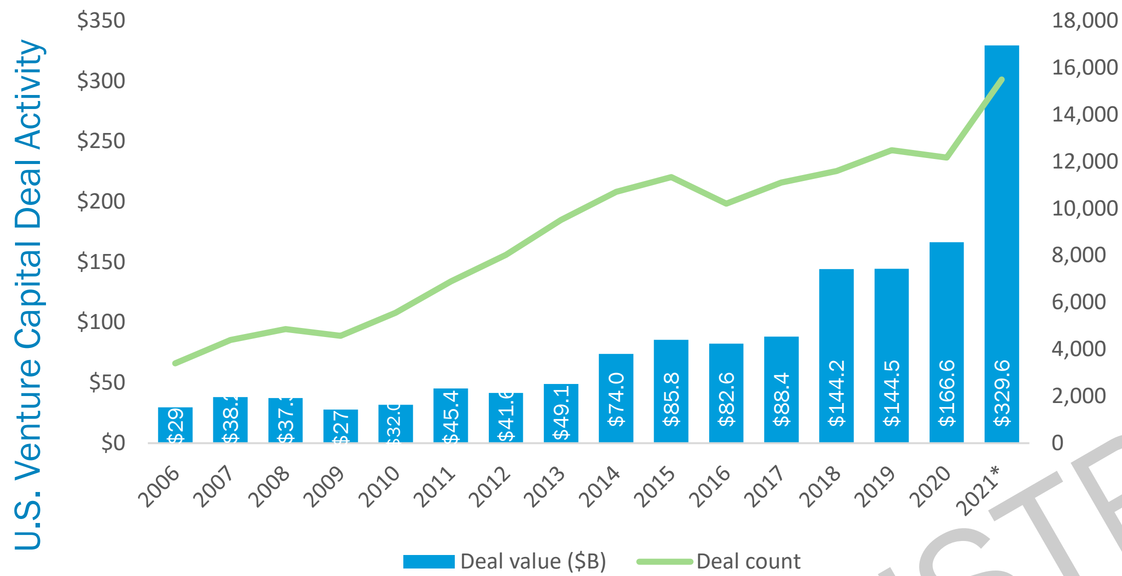


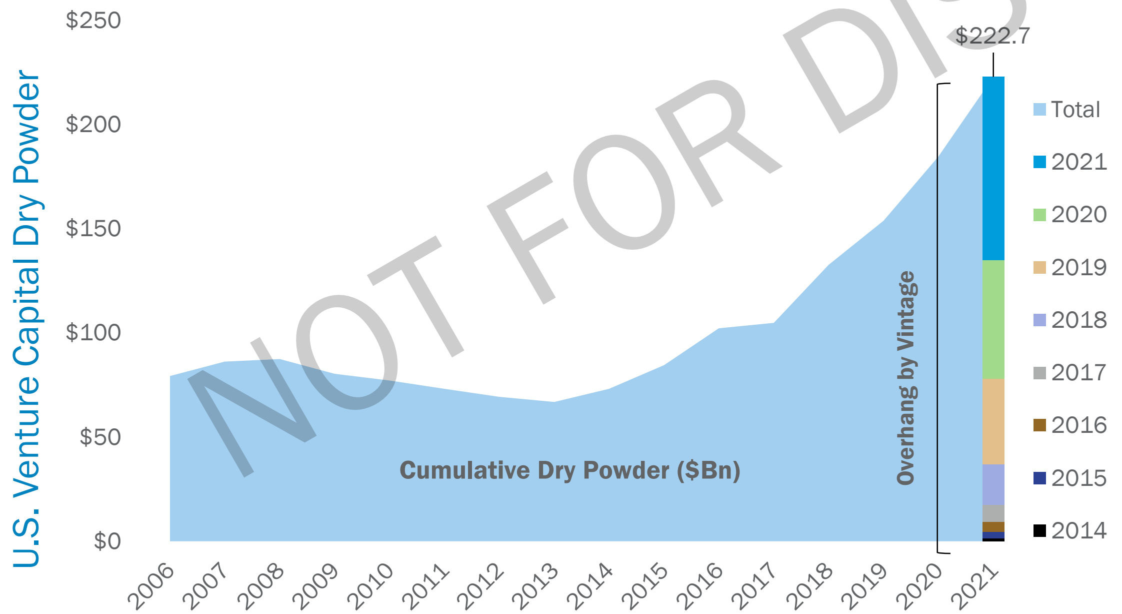


- U.S. venture capital finished the year with a record $128.3 billion raised across 730 funds, and reflects the continued interest among LPs to allocate to an asset class that has been the best performing private capital strategy over the last few years.
- Established VC managers continue to own the majority of fundraising value, and consist of nearly 70% of the VC fundraising market. Emerging managers (those that have raised fewer than four funds) currently account for 32.2% of new capital in 2021, representing a slight increase versus 2020 but still lags 2013 where emerging managers accounted for ~45% of capital raised.
- A key update during Q4 is Sequoia Capital, who restructured into a single evergreen fund and became a registered advisor. The restructuring both eliminates the traditional 10-year fund lifecycle indicative of venture funds and allows Sequoia to exceed the 20% threshold of “non-qualifying investments” into other asset classes such as public equities and cryptocurrencies.

Source: PitchBook Q4 2021 NVCA Venture Monitor
**As of December 31, 2021*

Quarterly Spotlight: U.S. Venture Capital





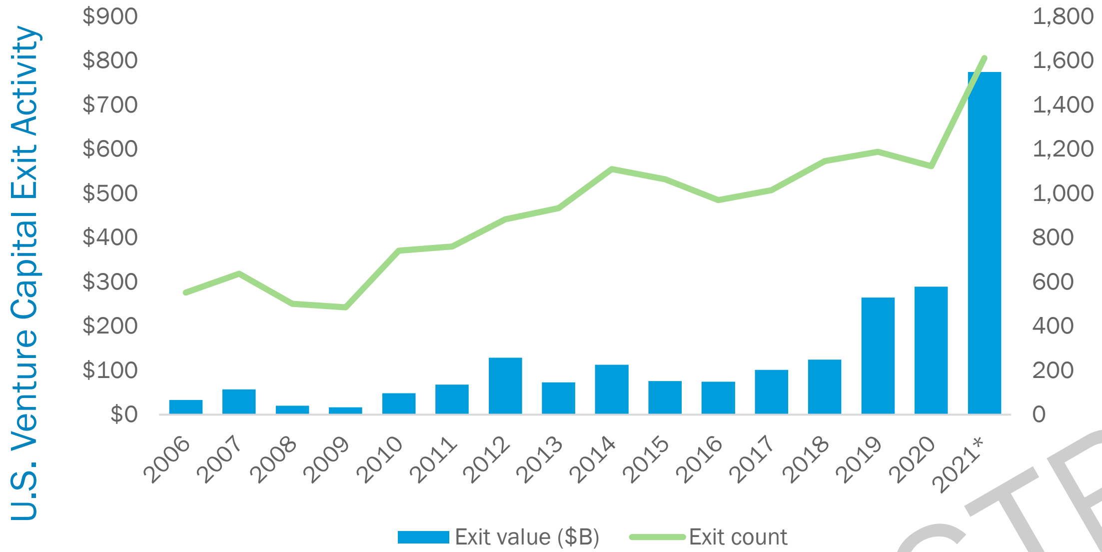
- Total U.S. venture capital deal value in 2021 was nearly double the size of 2020. Total deal count also reached a new record, with over 17,000 venture deals executed on during the year versus ~12,000 in 2020.
- Mega funding rounds (those valued at $100 million+) continue to comprise the majority of venture deal value, with $190.6 billion invested in 2021. This is almost 2.5 times what was seen in 2020.
- The significant increase in venture capital activity has been driven by non-traditional investors[1]. Of the nearly $330 billion in 2021 VC deal value,
- The continued growth in VC fundraising has led to a record level of dry powder. As of the end of Q2 2021, U.S. VC dry powder levels stand at $222.7 billion, with 65% of the dry powder coming from 2020 and 2021 fund vintages.

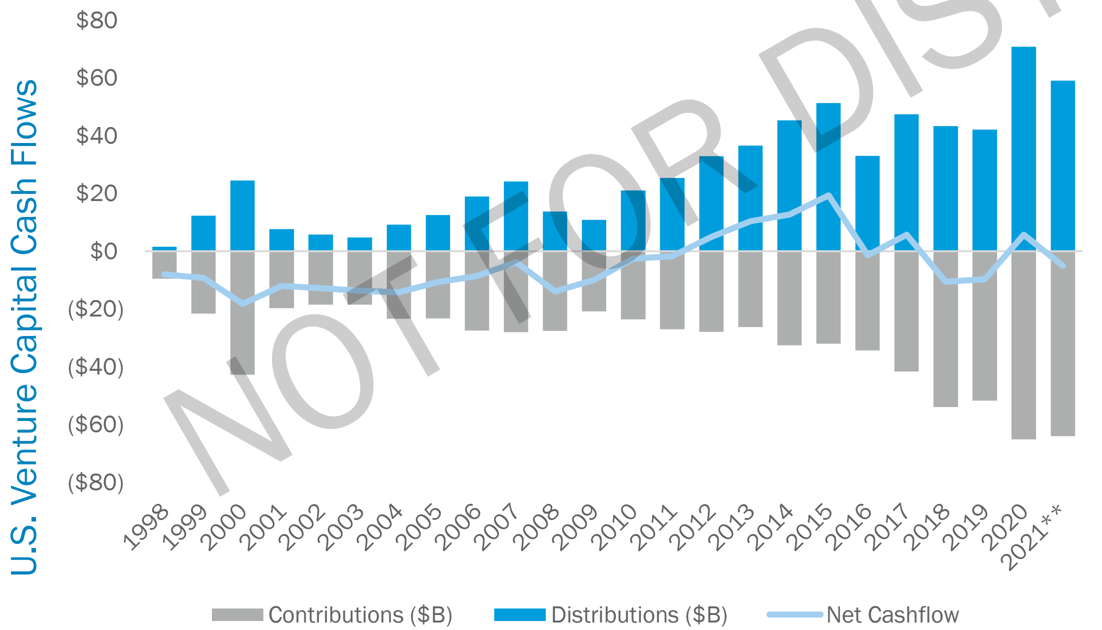
Source: PitchBook Q4 NVCA Venture Monitor

**As of December 31, 2021*

(1) Non-traditional investors are defined as: corporate strategic investors, private equity investors, asset managers, government/sovereign wealth funds, and other tourist investors

Quarterly Spotlight: U.S. Venture Capital





- Venture capital exit value finished at over $774 billion in 2021, nearly 2.7 times what was seen in 2020. The majority of the exit value, $681.5 billion, was realized through public listings attributed to the favorable public market conditions and strong valuations.
- Through Q2 2021, venture capital fund contributions outpaced distributions, primarily due to the pace in fundraising that took place during the first half of they year and subsequent capital calls to fund new investments at increased valuations. However, given the high level of exit value that took place throughout 2021, LPs should anticipate a convergence of distributions and contributions.

Source: PitchBook Q4 NVCA Venture Monitor
**As of December 31, 2021*
***As of June 30, 2021*