



Canterbury Consulting

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Quarterly Asset Class Report Private Capital

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March 31, 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.

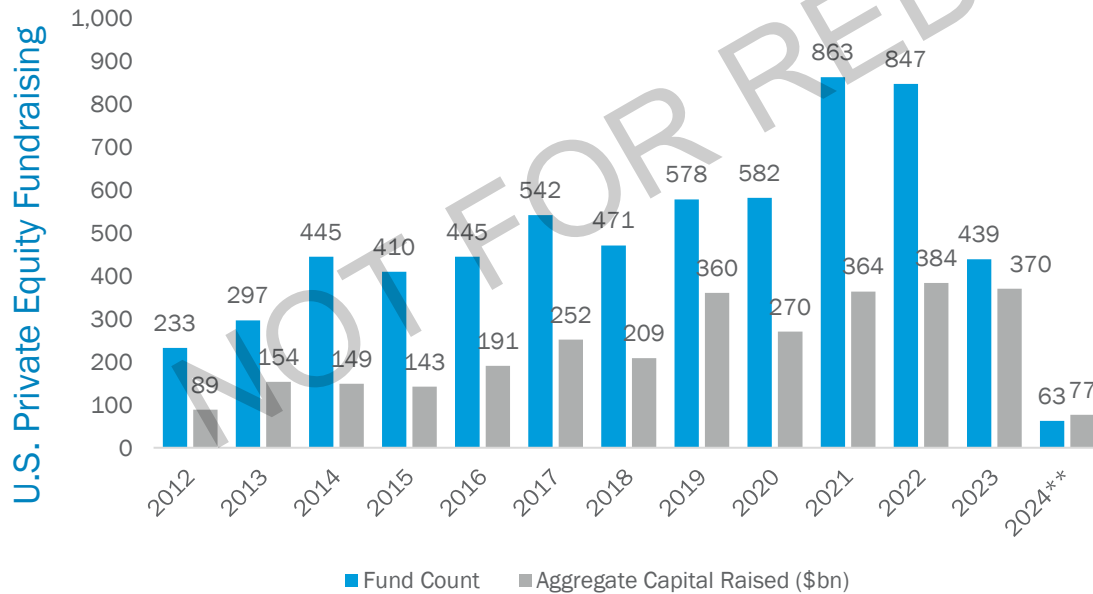
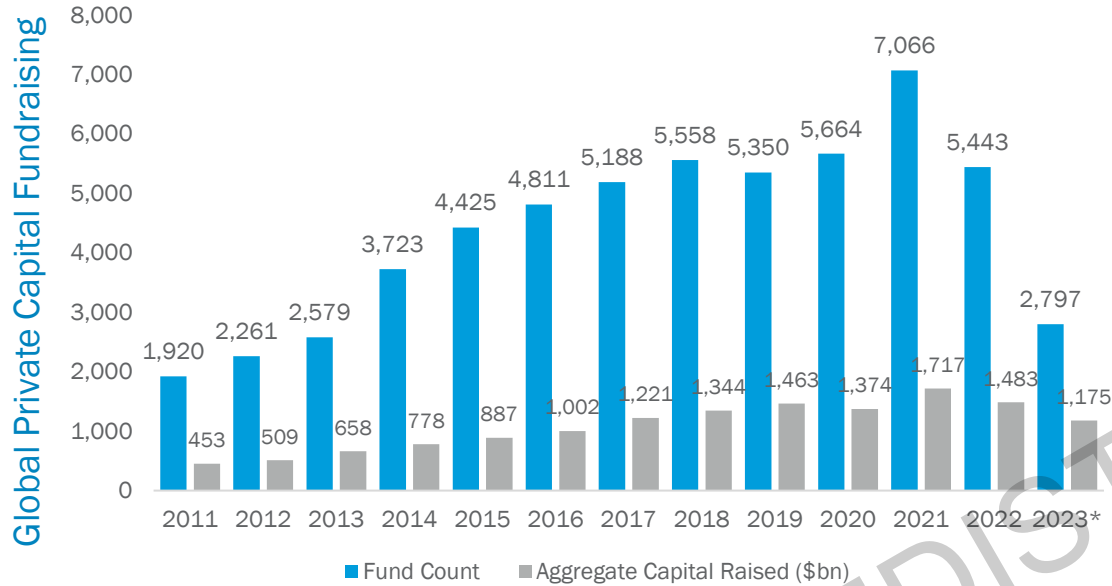
Role	Asset Categories	Risks
Growth	Public Equity and Private Capital*	Market Decline
Capital Preservation	Private Credit, Fixed Income, Hedge Funds	Rising Interest Rates, Highly Correlated Markets
Inflation Protection	Real Assets: Real Estate, Commodities	Deflation

- Over a full market cycle, private capital is 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 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 struggled in 2023, with funds across all strategies raising nearly 21% less than in 2022. In terms of count, there were nearly 50% fewer funds raised in 2023 relative to 2022.
- Despite the lower totals, private capital fundraising, differed across strategy types. In 2023, private equity fundraising was flat versus the prior year, while secondaries fundraising increased 65% from the prior year. Venture capital fundraising, however, was down 47.3% over the prior year while real assets and real estate saw similar YoY declines of 42.9% and 41.9%, respectively.
- Geographically, Europe's share of global private capital fundraising has remained 20% which has been the case over the last five years. Fundraising activity in Asia has seen a significant decline as a share of global fundraising, from 33% in 2018 to 10% in 2023. Fundraising in North America has taken share away from Asia over this time period and now comprises over two-thirds of global private capital fundraising versus 44% in 2018.
- To start 2024, private equity fundraising in the U.S. closed 63 funds on \$76.8 billion during the first quarter. This is slightly less than the \$80.2 billion raised in the first quarter of 2023.

Sources: PitchBook 2023 Global Private Markets Fundraising Report; PitchBook Q1 2024 U.S. PE Breakdown.

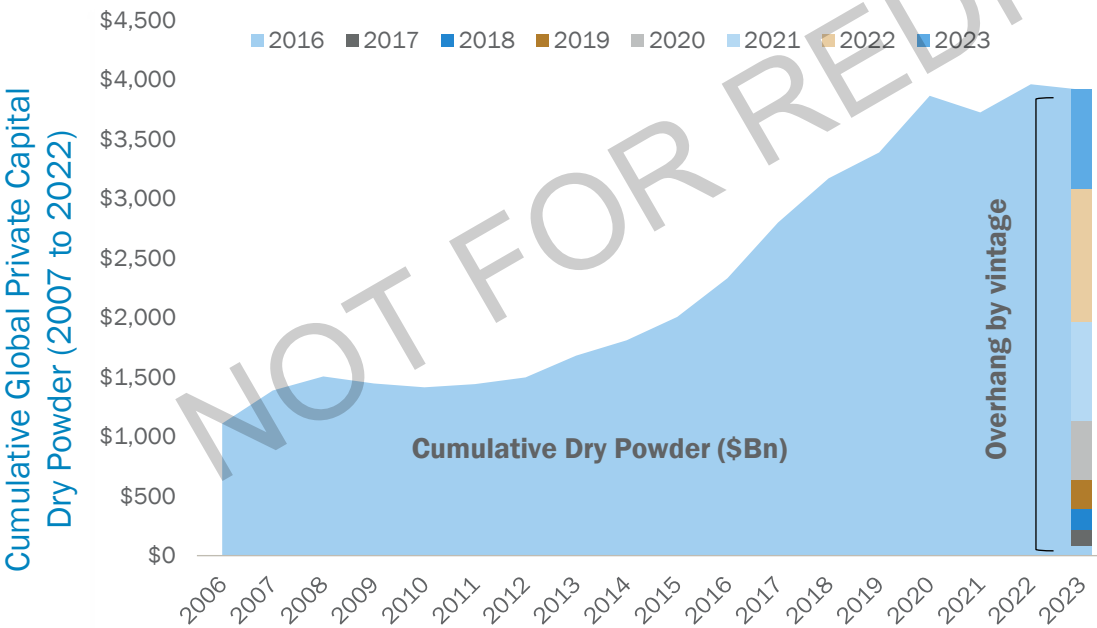
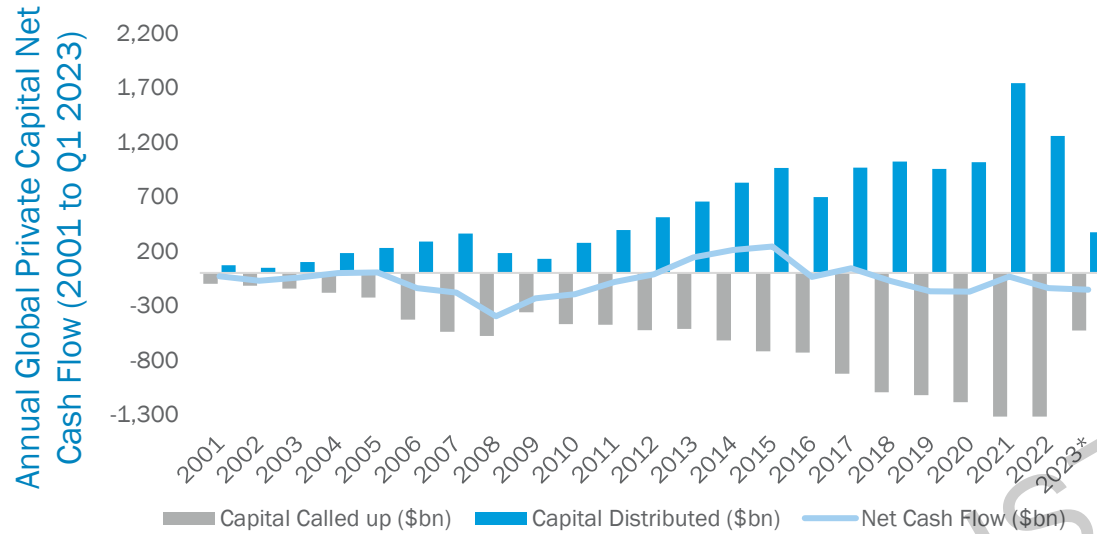
Note: Private equity funds comprise buyout, growth/expansion, diversified private equity, mezzanine, secondaries, co-investment, restructuring/turnaround, capital, and private debt.

*Global private capital fundraising as of December 31, 2023

**U.S. private equity fundraising as of March 31, 2024

Global Private Capital: Performance and Dry Powder

Private Capital



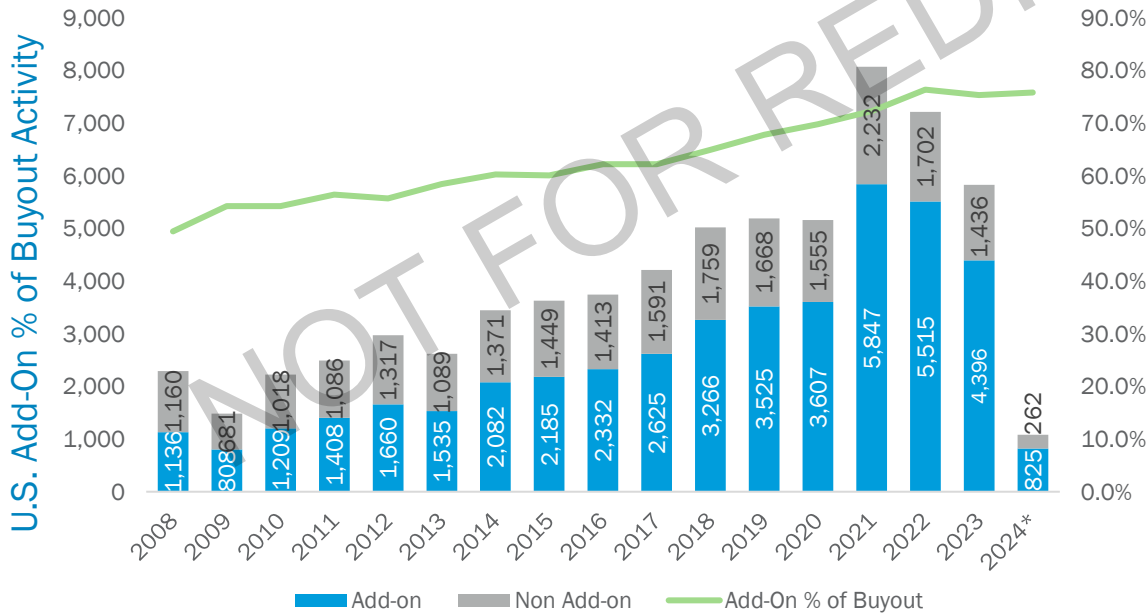
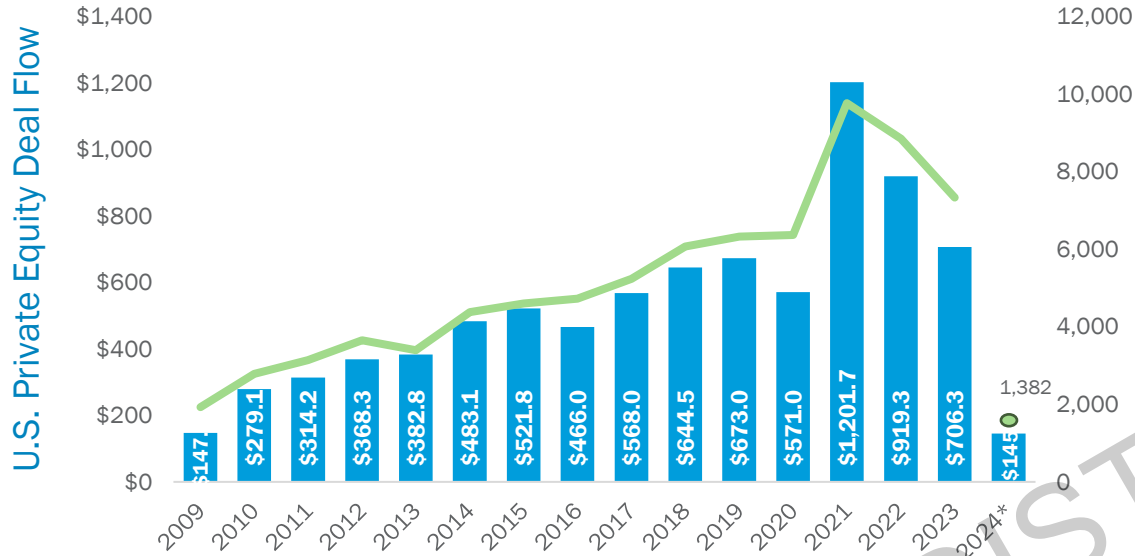
- Through the second quarter of 2023, global private capital net cash flows stood at -\$154.9 billion. The negative net cash flow through the end of the quarter was driven by negative net cash flows across venture capital and real estate fund strategies.
- Private debt experienced a net cash inflow of \$45 billion as of the middle of 2023 driven by consistent distributions among direct lending funds
- As of the first quarter of 2023, global private capital dry powder stood at \$3.9 trillion, slightly less than the \$4 trillion at the end of 2022.
- Over 71% of global private capital dry powder came from funds sized at \$1 billion or greater.

Source: PitchBook 2023 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.

* Global private capital net cash flows and dry powder as of June 30, 2023

U.S. Private Equity Deal Activity

Private Capital

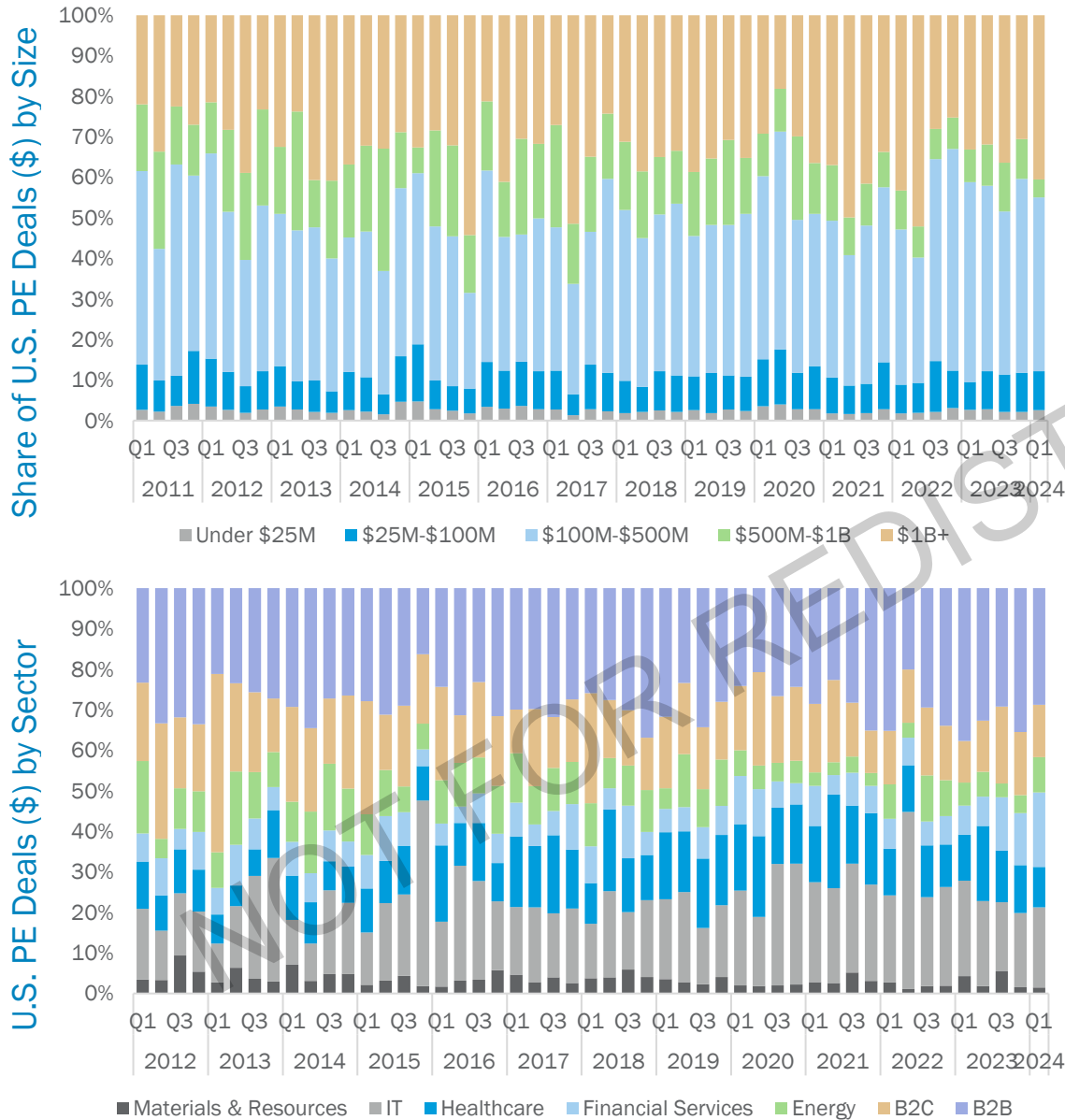


- Through the end of the first quarter of 2024, \$145.4 billion was transacted on across 1,382 deals. This represents a 15.1% decrease in deal value and a 24.8% decrease in deal count from the prior quarter. On a year-over-year basis, deal value and deal count were down 22.7% and 30.1%, respectively.
- PE sponsors are still finding it challenging to close on platform LBO deals, which require a greater dependence on debt financing. The share of platform LBO deals declined to 19% during the quarter versus hovering in the 20% range during 2023. GPs are finding more attractive entry points through corporate carveouts. This deal type now represents 12.6% of all PE buyouts versus 6% at the end of 2021.
- One noticeable private equity exit during the quarter was Leonard Green & Partners' \$18.3 billion sale of SRS Distribution to Home Depot.
- 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. To date, U.S. add-on transactions constituted over three-fourths of all buyout activity.

Source: PitchBook Q1 2024 U.S. PE Breakdown
*As of March 31, 2024

U.S. Private Equity Deal Activity

Private Capital

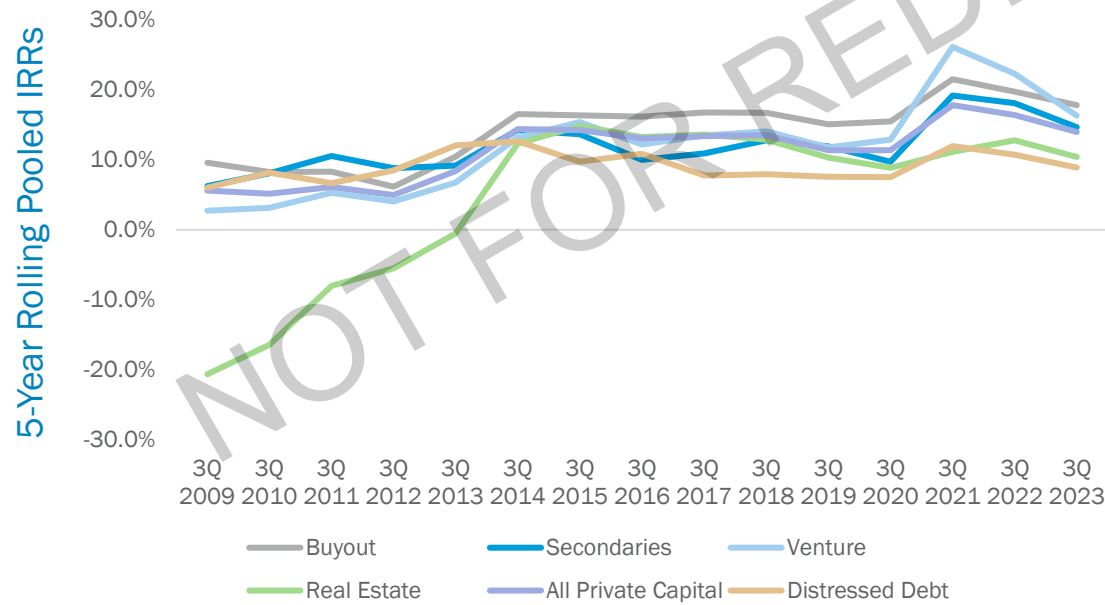
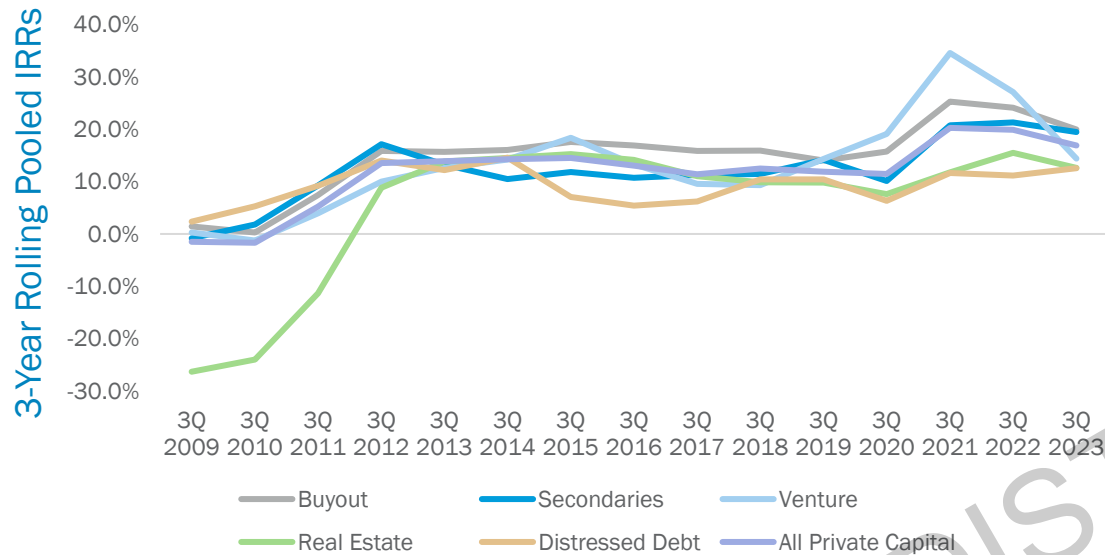


- The share of deals valued at \$1 billion+ stood at 41% at the end of the first quarter. Deals valued at \$100 million to \$500 million experienced a significant drop off and currently comprises 43% of PE deals versus 49% a year ago.
- Through the first quarter of 2024, approximately 42% of private equity deal value in the U.S. has been within the business services sector.
- The financial services sector experienced a meaningful increase in the share of deal value and currently comprises 18.4% of U.S. PE deal value, versus a 10-year historical average share of 8%. This was primarily driven by the divestiture of Truist's insurance segment to a PE consortium for \$15.5 billion in enterprise value (\$12.4 billion in deal value).
- Healthcare deal value in Q1 2024 came in at \$14.5 billion, down 31.8% from 12 months ago.

Source: PitchBook Q1 2024 U.S. PE Breakdown

Horizon Performance

Private Capital



- From Q3 2022 to Q3 2023, all private capital strategies, with the exception of distressed debt, either remained flat or experienced a decline in performance on a three-year rolling return basis. Venture capital experienced a noticeable drop in performance 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 September 30, 2020 to September 30, 2022, exhibited a negative return profile as increased interest rates and asset owners struggling to recapitalize their existing properties have adversely impacted valuations and returns.

Source: PitchBook, as of September 30, 2023
 Note: Real estate consists of value-add and opportunistic funds only.