CanterburyConsulting

Quarterly Asset Class Report

Private Equity

Canterbury Consulting ("CCI") is an SEC registered Investment Adviser. Information pertaining to CCI's advisory operations, services, and fees is set forth in CCI's current Form ADV Part 2 (Brochure), a copy of which is available upon request and at www.adviserinfo.sec.gov. Information provided through CCI's Quarterly Outlook related to market or asset class performance figures is believed to be derived from reliable sources. However, CCI assumes no responsibility for their content or the manner in which the viewer utilizes such information. The performance information presented in certain charts or tables is for informational purpose only and represents historical performance based on available market data results for the quarterly period shown above and does not reflect any performance related to trading in actual accounts. Any recommendations or statement made in the Quarterly Outlook is not to be construed as specific investment advice. The viewer should be aware of the inherent limitations of data derived from the retroactive application of historical data developed with the benefit of hindsight and that actual results may differ. Actual performance with client accounts would be materially less than the stated performance results for the same period when including the deduction of advisory fees, brokerage or other commissions, and any other expenses that a client would have paid.

June 30, 2019

canterburyconsulting.com

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 that are diversified by sector, geography, and vintage year.

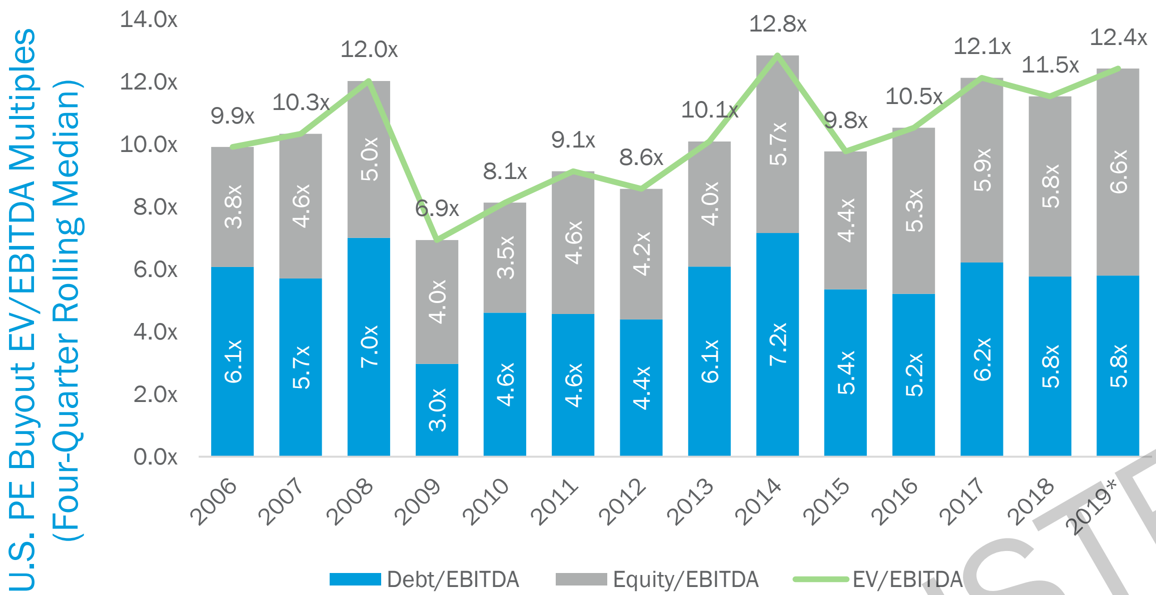
- Strategic: Using various market inputs to form a baseline, we create a recommended model portfolio allocation.
- Opportunistic: We combine top-down and bottom-up analysis to achieve excess risk-adjusted returns through market intelligence and superior manager selection.

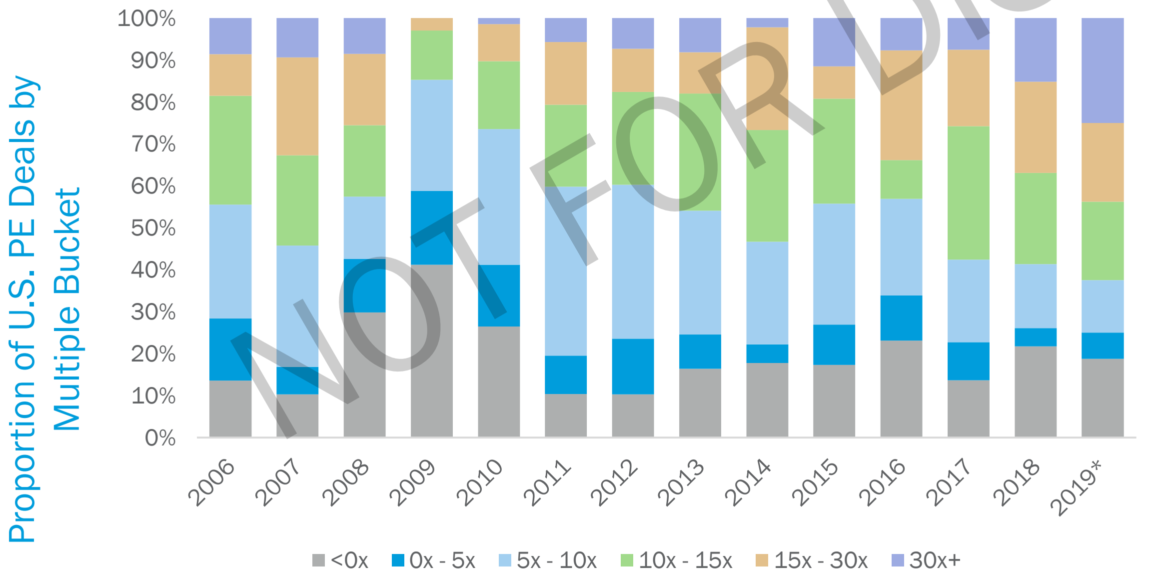
Role	Asset Categories	Risks
Growth	Public and Private Equity	Market Decline
Capital Preservation	Fixed Income, Hedge Funds	Rising Interest Rates, Highly Correlated Markets
Inflation Protection	Real Assets: Real Estate, Commodities	Deflation

— 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 constant evolution of the opportunity set, investors in private equity must commit consistently across cycles and avoid “market timing” in order to generate returns.

U.S. Private Equity Valuation Overview





- U.S. median private equity buyout multiples continue to climb, approaching the record levels experienced in 2014. The recent strength in the public markets, which recorded their strongest first half of the year since 1997, should continue to apply pressure to an already expensive private equity market by historical standards. Other well-known drivers that have contributed to the continued elevated PE multiples are:

  – **High levels of low-priced debt in the private equity market:** Relatively attractive lending terms, especially among private direct lending firms, have been an instrumental part of private equity transactions. Increased equity dollars have also been important, as investors are seeking higher yielding investments and increased diversification. This has contributed to the higher debt levels from prior years.

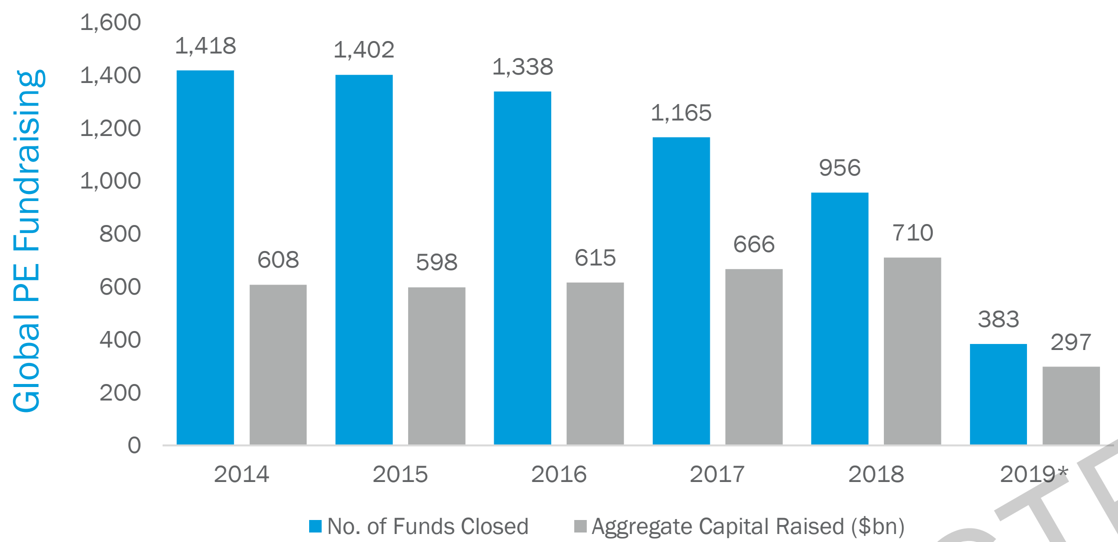
  – **Increased competition in the private equity buyout space:** The increased dollars raised and current level of dry powder has increased competition for assets throughout the private equity markets, propelling deal multiples upwards.

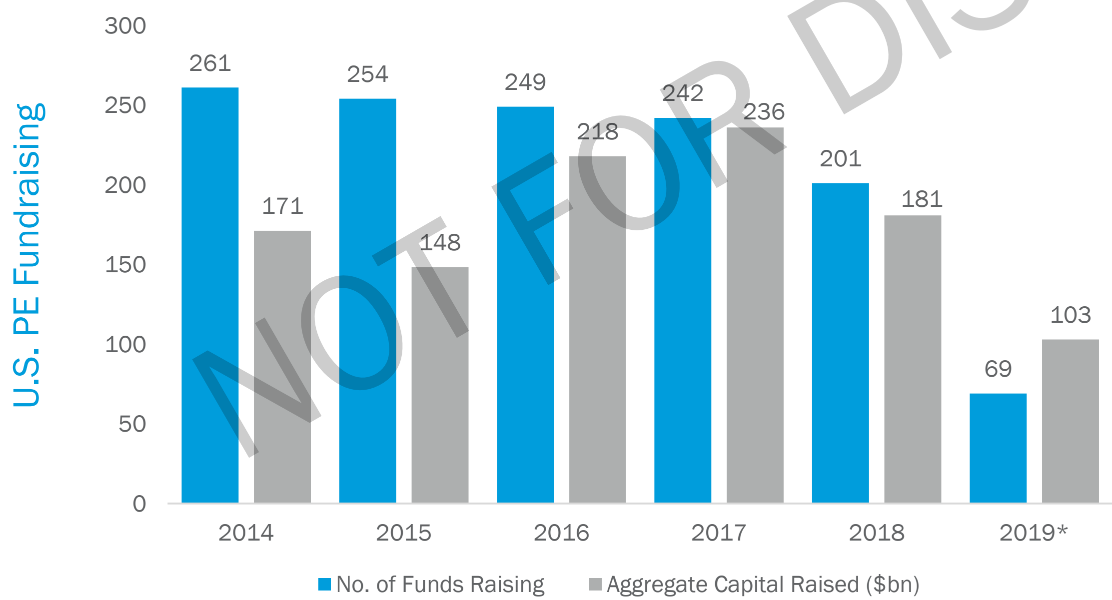
  – **Pursuit of higher growth sectors:** PE firms have been investing more capital in higher growth sectors.

- The proportion of deals priced above 15x represent 44% of the current private equity market, compared to 33% at the end of 2018.

Source: Pitchbook Q2 2019 U.S. PE Breakdown
**2019 figures are through 6/30/2019, unless otherwise noted*

Private Equity Fundraising Activity





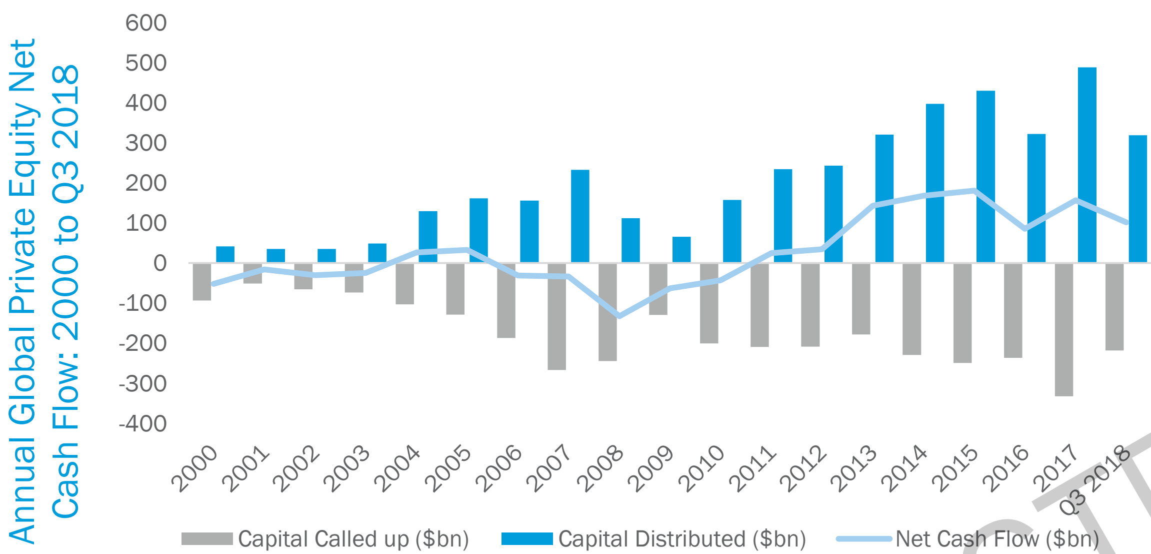
- The number of global PE funds raising capital has steadily decreased, declining 32.6% from 2014 to 2018. Despite the decline in the number of funds, aggregate capital targeted has remained consistent from year to year, indicating larger fund sizes.

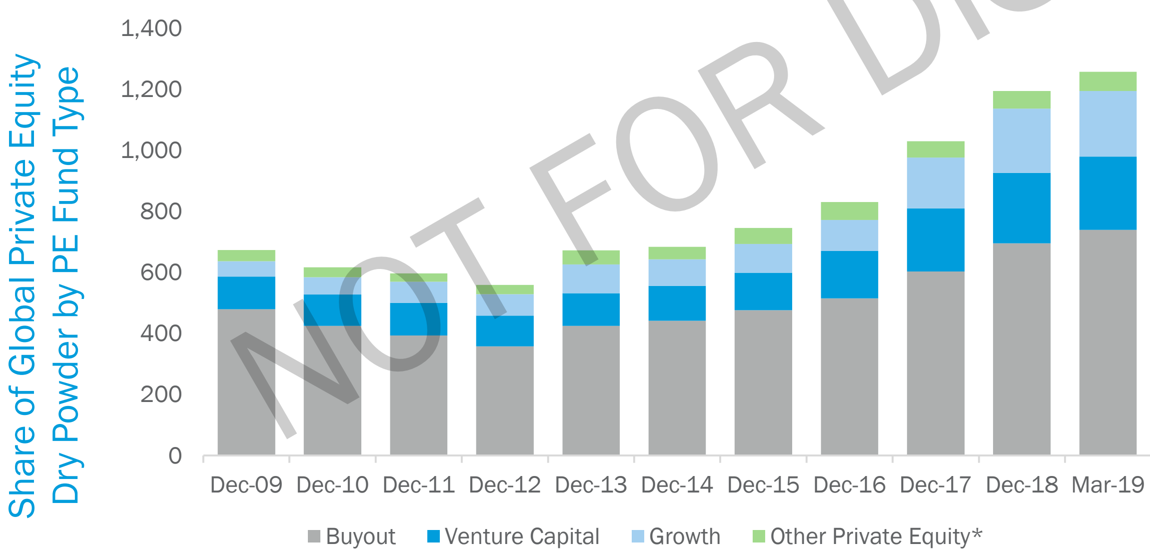
- As of Q2 2019, venture capital funds comprised the largest share of total global private equity funds in market at 41.7%. Buyout funds comprised 36.2% of total global private equity funds. Despite this discrepancy, buyout funds still comprise the largest share of total global private capital raised at 58.2%, followed by private debt funds at 16.7%.

- As of June this year, the average size of a U.S. fund approached $1.5 billion, partially driven by higher prices paid for companies (i.e. higher EBITDA multiples) and a number of large fund closings. A more recent development has been the shift of large LPs, such as pensions, to consolidate their GP relationships.

Source: Pitchbook
**Figures are through 06/30/2019, unless otherwise noted*

Global Private Equity: Performance and Dry Powder

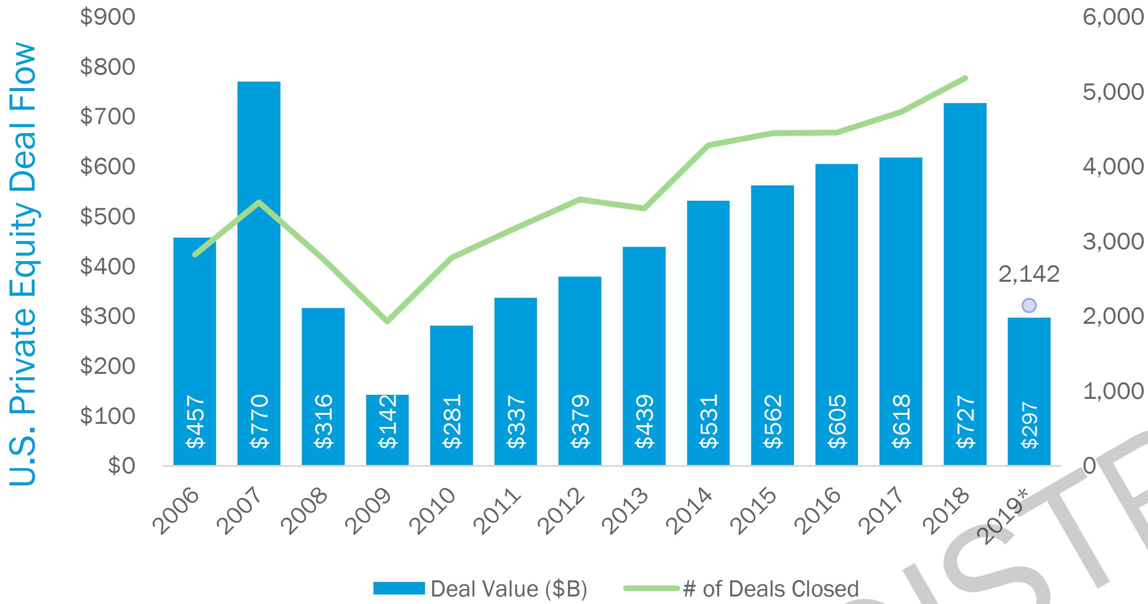


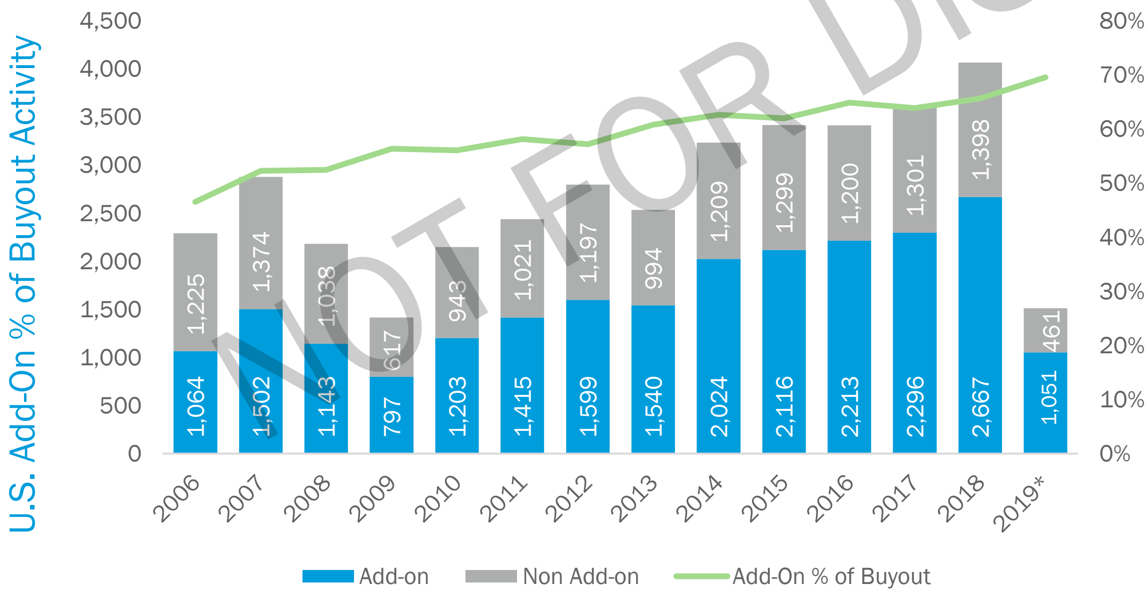


- LPs continue to experience positive net cash flow for the eighth consecutive year, which is indicative of the strong exit activity among private equity funds late in their fund life. More recent fund vintages are seeing opportunities to exit out of their positions earlier than expected.
- Despite the continued trend of positive net cash flow to LPs, contributions will likely increase commensurate with the levels of dry powder.
- As of the end of Q1 2019, private equity dry powder is approaching the $1.3 trillion mark.
- 59% of total dry powder is currently allocated to buyout funds, followed by venture (19%) and growth (17%) funds.
- Please note the following:
  - **Other Private Equity** includes balanced, co-investment, co-invest multi-manager, direct secondaries, and turnaround funds.

Source: Pitchbook Q2 2019 Global Fund Performance Report; bottom chart reflects data as of 3/31/19

U.S. Private Equity Deal Activity



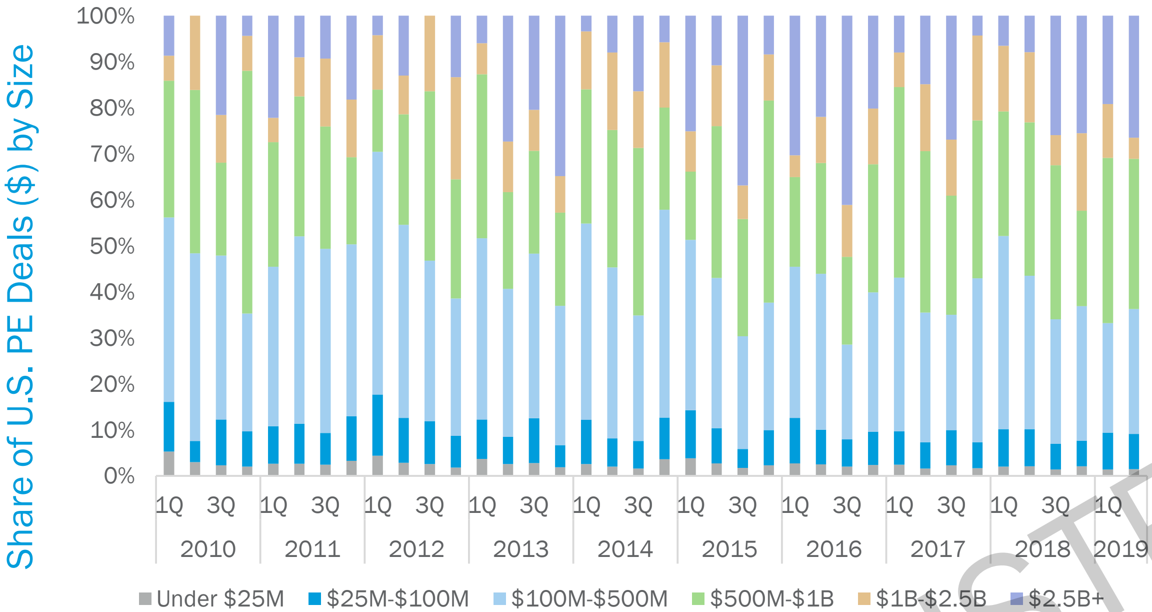


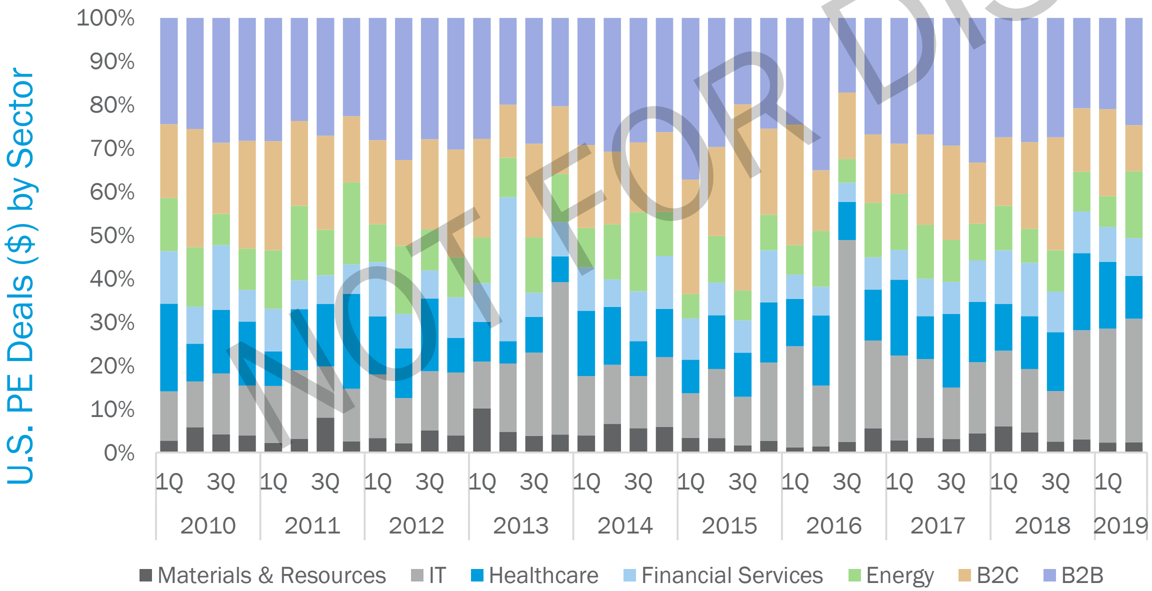
- Deal activity continues to be off to a slower start in the first half of 2019. While slightly off 2018's pace, the increased fundraising levels and dry powder should perk up private equity deal activity during the latter half of the year.
- Add-ons continue to account for 70% of all buyout activity as of Q2, with PE firms continuing to focus on the lower middle market as a source for add-on opportunities. Add-on acquisitions typically have more attractive entry prices and are often acquired quickly to drive operational improvements.
- As entry multiples continue to be elevated, PE firms are looking at add-on acquisitions as a means to blend down their overall acquisition purchase multiples by bolting on smaller companies trading at lower valuations.

Source: PitchBook Q2 2019 U.S. PE Breakdown
**2019 figures are through 6/30/2019, unless otherwise noted*

U.S. Private Equity Deal Activity

Private Equity



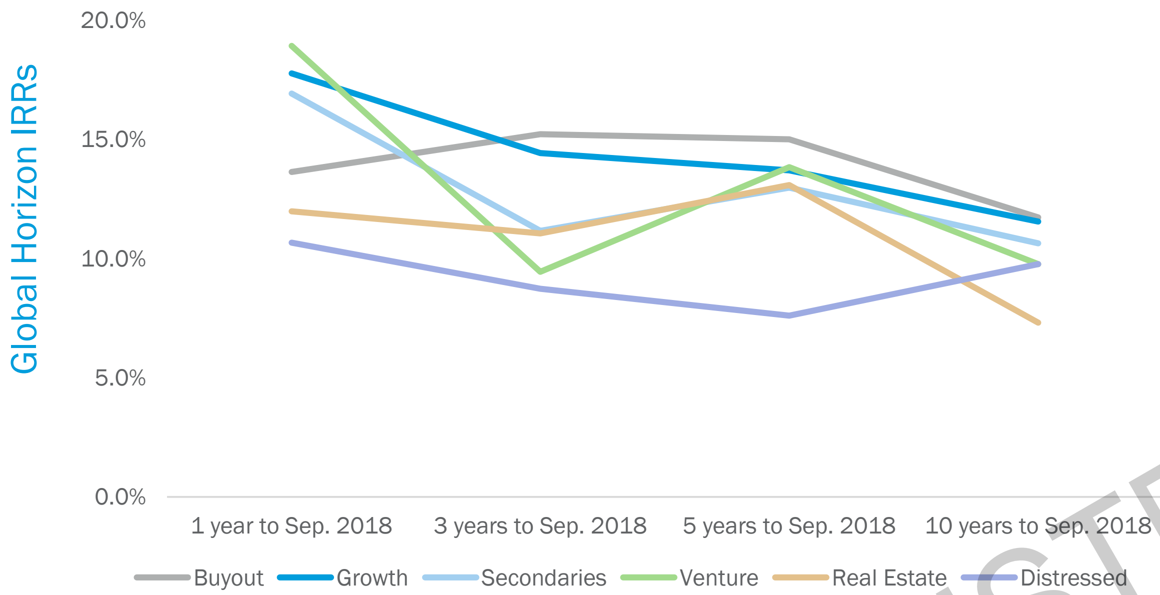


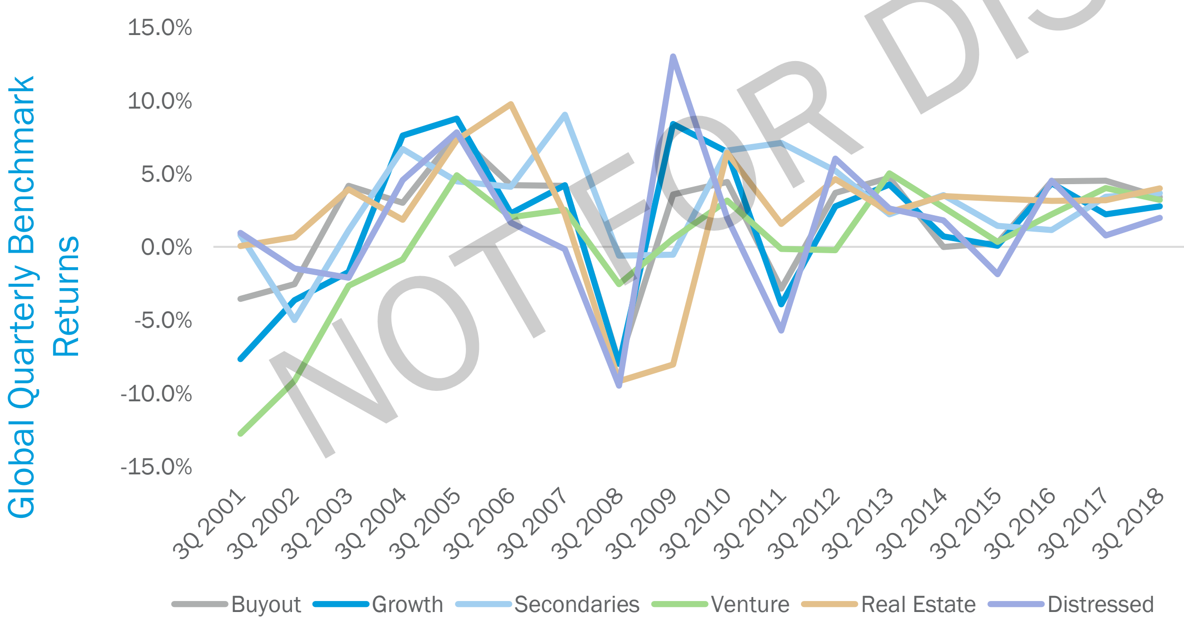
- As of Q2, the composition of PE deals remains concentrated in the $100 million to $1 billion transaction range, constituting 60% of deals. However, transaction sizes valued at $2.5 billion and more experienced an increase in share of total deal value, comprising 26% versus 19% in Q1, and only 8% one year ago. This can be attributed to four deals that were executed during the quarter that averaged over $8.2 billion each.
- The preeminent deal that drove deal flow among large funds during the quarter was the $11 billion take-private of Ultimate Software, led by Hellman & Friedman.
- The B2B and B2C sectors continue to be attractive sectors to invest in among PE firms, accounting for 36% of total deal value (in dollar terms), but is slightly down from the 41% share experienced in Q1.
- With year-to-date performance of nearly 29% (WTI Crude Oil) at the end of Q2, it should be no surprise that transaction value within the energy sector experienced an uptick. As of quarter-end, transaction value comprised 15% of overall PE transaction value. This was spurred by the $19.2 billion across 33 transactions during the quarter.

Source: PitchBook Q2 2019 U.S. PE Breakdown
2019 figures are through 6/30/2019

Horizon Performance

Private Equity





- While venture, growth, and secondaries strategies have done well over the one-year time horizon, over the long-term, buyout remains the top performer, followed by growth.
- The performance of distressed strategies continue to lag that of other private equity strategies due to less dislocation in the market.

Source: Pitchbook Q2 2019 Global Fund Performance Report; data as of 9/30/2018