Quarterly Asset Class Report

Private Equity

September 30, 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.

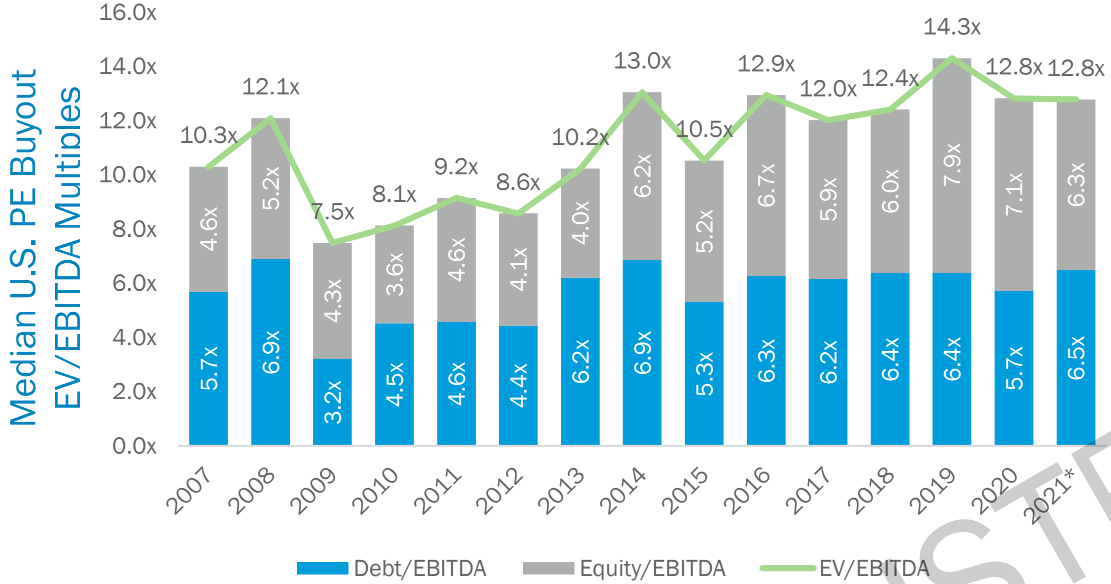
- Strategic: Using various market inputs to form a baseline, we create a recommended portfolio allocation.
- Opportunistic: We combine top-down and bottom-up analysis to target excess risk-adjusted returns through market intelligence and superior manager selection.

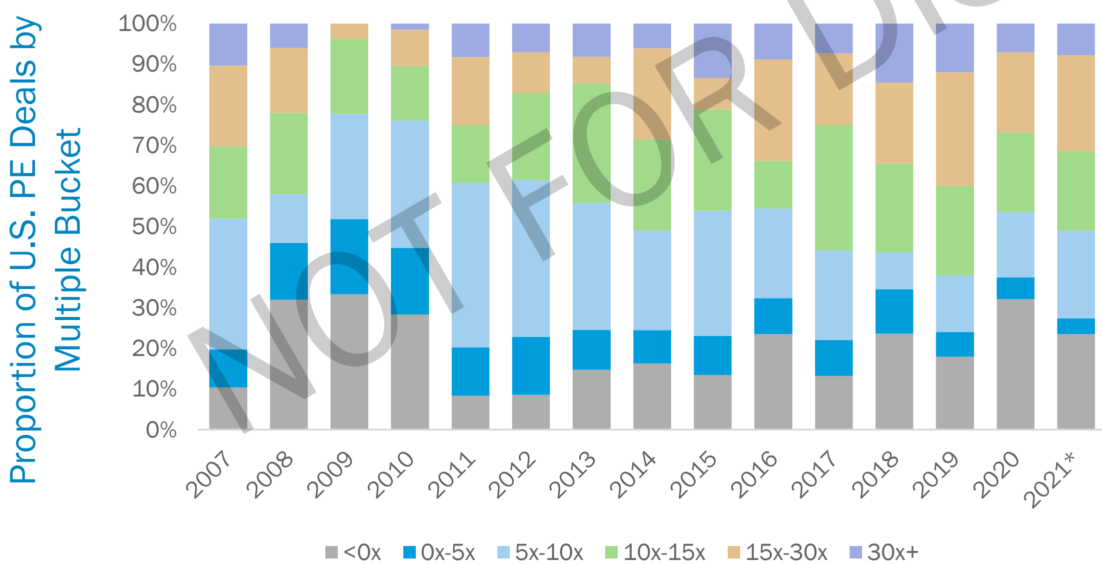
Role	Asset Categories	Risks
Growth	**Public and Private Equity**	**Market Decline**
Capital Preservation	Fixed Income, Hedge Funds	Rising Interest Rates, Highly Correlated Markets
Inflation Protection	Real Assets: Real Estate, Commodities	Deflation

– 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

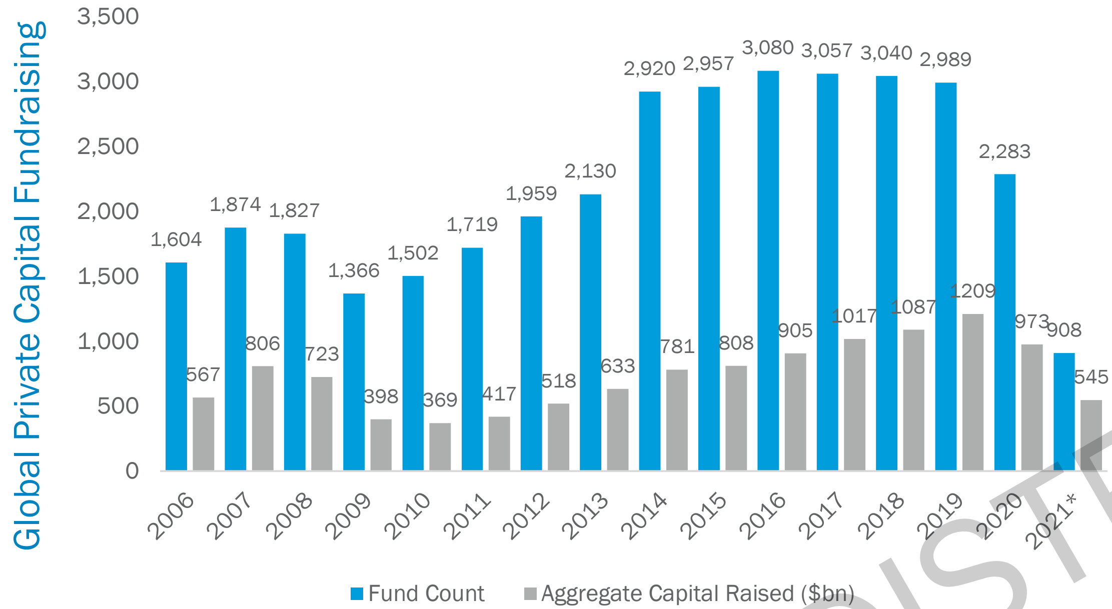


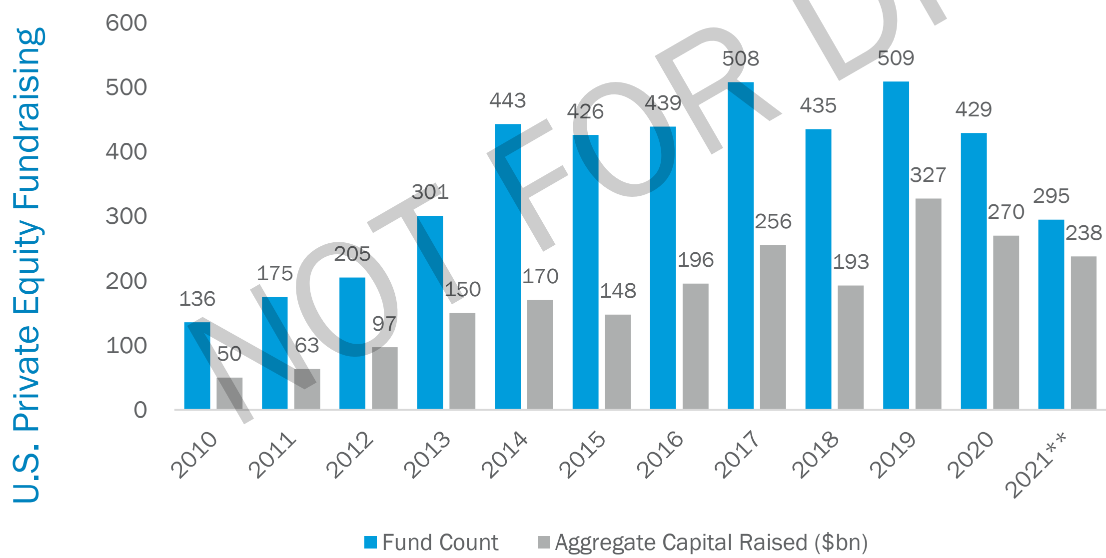


- U.S. PE buyout multiples remain at high levels, currently hovering around 13x. The low interest rate environment and increased levels of dry powder have driven increased capital deployment, specifically within tech and healthcare, keeping buyout multiples elevated.
- The most elevated valuations have been within SaaS and digital transformation. Revenues and EBITDA in these sectors have grown tremendously during COVID-19, and financial sponsors and strategics are willing to pay up for this growth.
- On the debt front, private debt dry powder remains near all-time highs, and traditional lenders recently reported the strongest net percentage of banks loosening of credit standards for small-to-large firms over the last two decades[1]: a reflection of increasing capital available to borrowers.

Source: PitchBook Q3 2021 U.S. PE Breakdown
**As of September 30, 2021*
(1) Source: Federal Reserve Senior Loan Officer Survey

Private Equity Fundraising Activity





- Through the first half of 2021, total fundraising was ahead of the first half of 2020, with $545 billion raised versus $532 billion. This is despite a lower fund count, continuing the trend of fewer funds raising larger pools of capital.
- By strategy, venture capital has represented a higher share of private capital fundraising in recent years. In 2013, venture capital funds only consisted of 6.5% of total private capital raised. In 2021, this proportion has increased to 16.2%. This is evident through the outsized growth in early and late stage financing rounds.
- There has been a noticeable trend in PE firms coming back to market faster. In 2011, the average number of years between funds was close to 5 years, compared to 3 years as of the end of Q3 2021.

Sources: PitchBook Q2 2021 Private Fund Strategies Report and PitchBook Q3 2021 U.S. PE Breakdown.

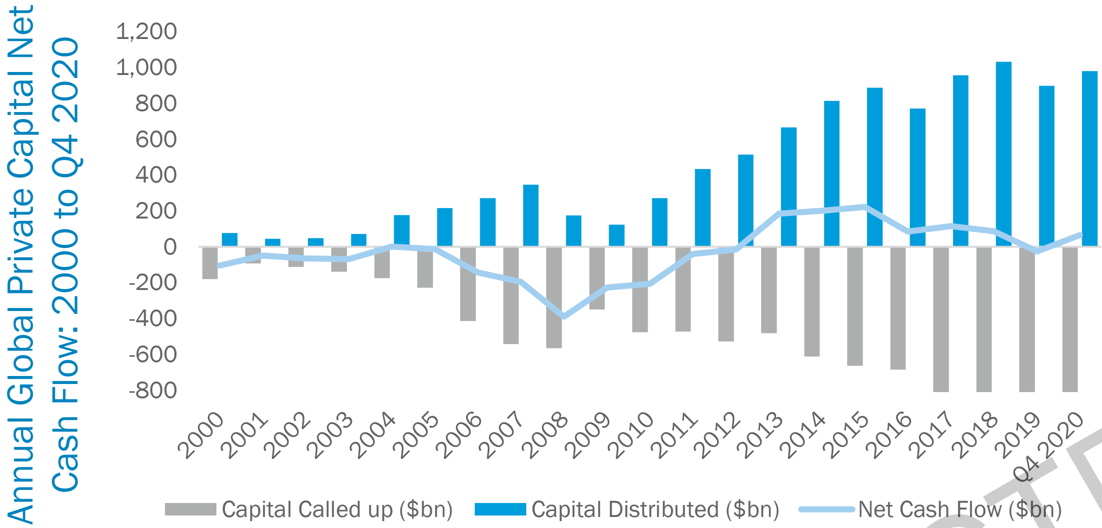
Private equity funds include: buyout, growth/expansion, diversified private equity, mezzanine, secondaries, co-investment, restructuring/turnaround, venture capital, private debt, energy, real estate, and fund of funds.

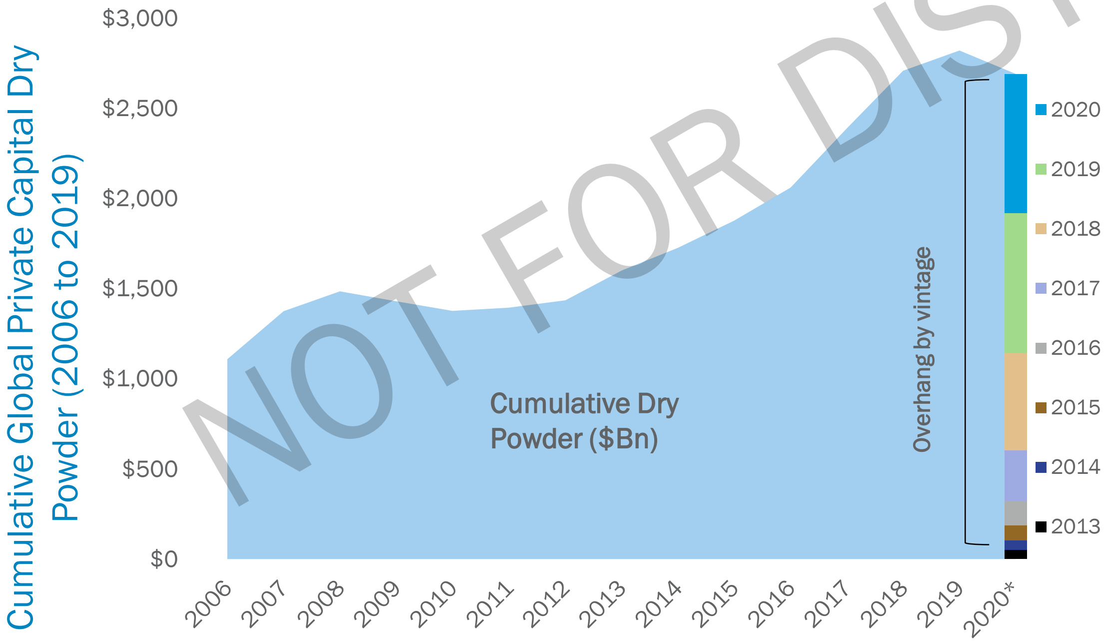
**Global Private Capital Fundraising as of June 30, 2021*

***U.S. Private Equity Fundraising as of September 30, 2021*

Global Private Capital: Performance and Dry Powder

Private Equity



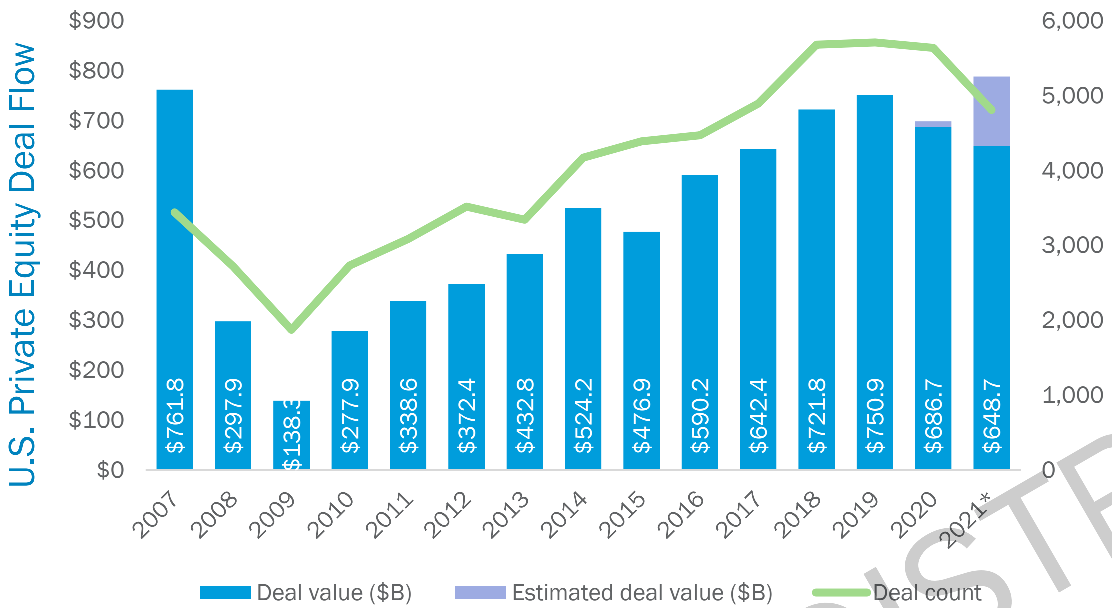


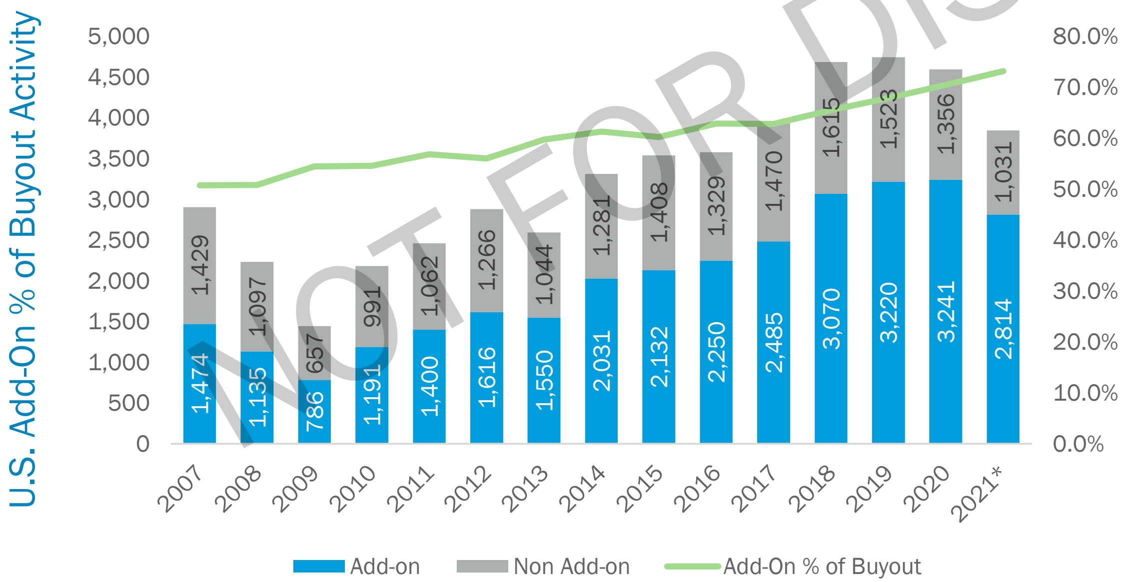
- Through the end of 2020, private capital LPs experienced a net inflow of capital driven by higher levels of distributions relative to capital contributions during the second half of the year. While distributions did not reach the record seen in 2018, they were still higher than initially expected given the high levels of uncertainty in the first half of 2020.
- Through Q3, PE exit activity in the U.S. continues to grow, with $638.3 billion in total enterprise value already exited. This represents a 50% increase for the first three quarters from the full year figure for 2018.
- Global private capital dry powder stood at approximately $2.7 trillion as of Q4 2020. $1.54 trillion, or 57%, of dry powder, is from funds raised in 2019 and 2020.

Sources: PitchBook Q2 2021 Global Fund Performance Report as of December 31, 2020; PitchBook Q3 2021 U.S. PE Breakdown; PitchBook Q2 2021 Private Fund Strategies Report,

**As of December 31, 2020*

U.S. Private Equity Deal Activity



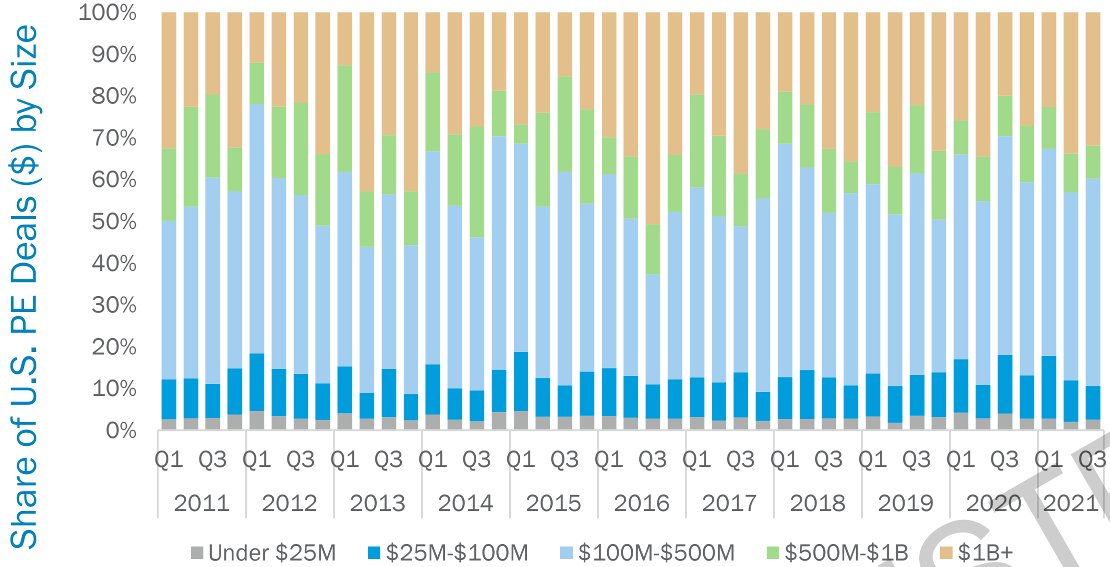


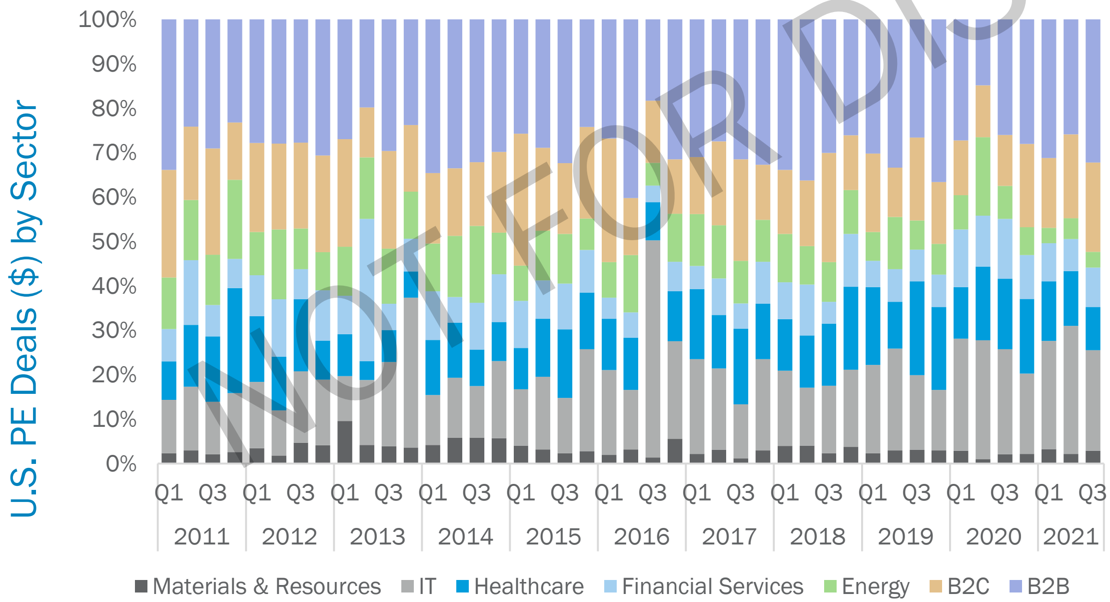
- U.S. PE deal activity continues its record-setting pace, with PE firms closing on over 4,800 deals to date in 2021, worth a combined $787.6 billion, and is on pace to surpass full-year totals.
- With ample dry powder, mega fund managers continue to execute on $1 billion+ deals. During the quarter, Apollo completed its acquisition of Yahoo and AOL for $5 billion. Platinum Equity also closed on technology solutions company Ingram Micro for $7.2 billion. Take-private transactions have also been favored by mega fund managers, with Thoma Bravo taking Medallia (NYSE: MDLA) private for $6.4 billion, as well as Stamps.com (NASDAQ: STMP) for $6.6 billion during the quarter.
- 73.2% of buyout transactions currently comprise add-on acquisitions. GPs have been employing a "buy-and-build" strategy to accelerate the growth of platform investments and, in doing so, can blend down the overall purchase multiple of the underlying platform investment.

Source: PitchBook Q3 2021 U.S. PE Breakdown
**As of September 30, 2021*

U.S. Private Equity Deal Activity

Private Equity

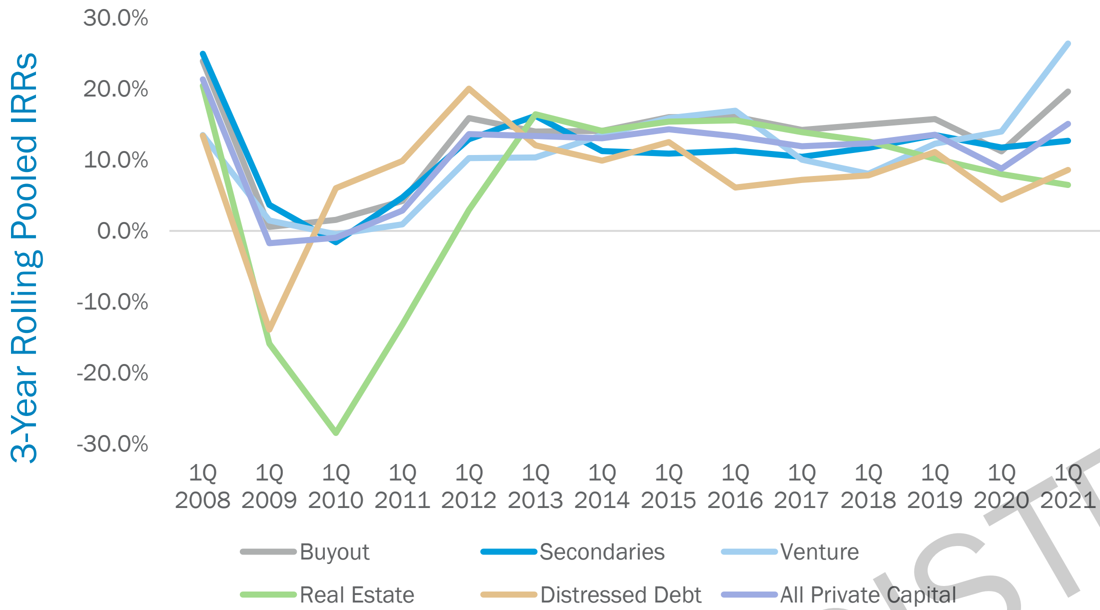


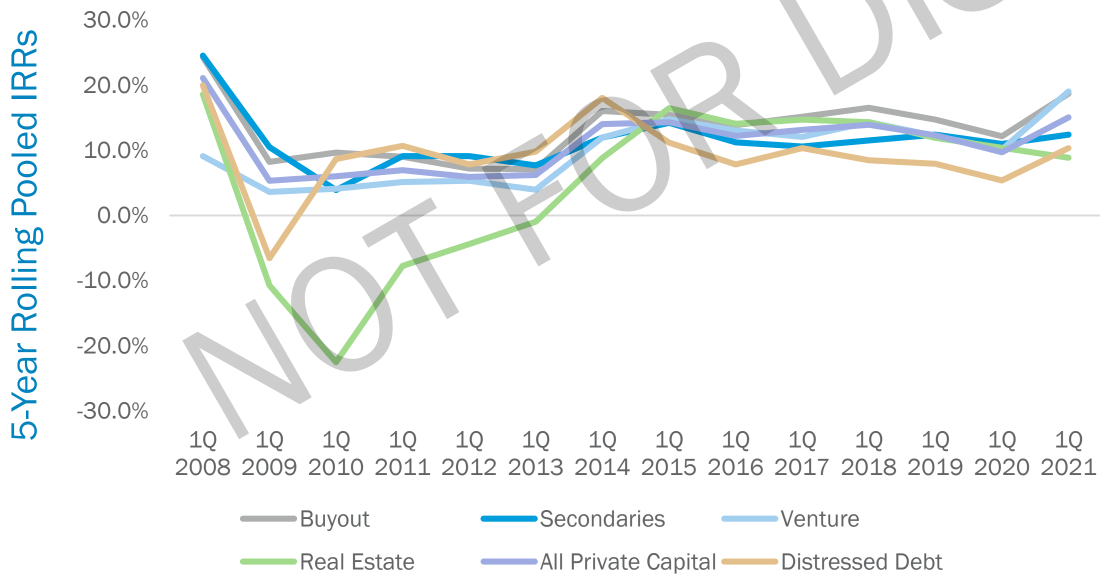


- As of Q3 2021, half of the deals are valued in the $100 million to $500 million range, compared to 46% a year ago.
- Deals valued in the $1 billion+ range comprise 32% of deals. This proportion will likely continue to increase as larger transactions are announced, driven by IPOs, SPAC mergers, and take-private transactions.
- Consistent with prior quarters, over half of PE deals in the U.S. have been in Business Services. Transactions in the IT sector have also remained constant, comprising nearly one-quarter of deal activity.
- During the quarter, there were several high-profile deals executed within the U.S. education sector. Platinum Equity acquired McGraw-Hill Education for $4.5 billion. Ellucian, a higher-education software provider, was acquired by Blackstone and Vista from TPG and Leonard Green. PE-backed companies, Anthology and Blackboard, announced their merger to create a comprehensive global education technology ecosystem.

Source: PitchBook Q3 2021 U.S. PE Breakdown

Horizon Performance





- Through Q1 2021, all private capital strategies (with the exception of real estate) have experienced upticks in performance, led by venture capital and buyout. Venture capital's relative outperformance was driven in part by the robust IPO market as venture-backed "unicorns" have filed for public listing during 2020. Investors and VC-backed companies continued to ramp up exits, taking advantage of elevated valuations.
- Over a five-year rolling basis, venture performance has converged with buyout and are both the top-performing private capital strategies. In 2020, venture capital experienced a net cash inflow to LPs for the first time since 2015, driven by the significant realizations that took place amid a dynamic exit environment.
- Real estate continues to be challenged as the effects of the COVID-related shutdowns impacted both commercial office and retail spaces.

Source: PitchBook, as of March 31, 2021