Quarterly Asset Class Report
Private Capital

September 30, 2023

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 diversified by sector, geography, and vintage year.

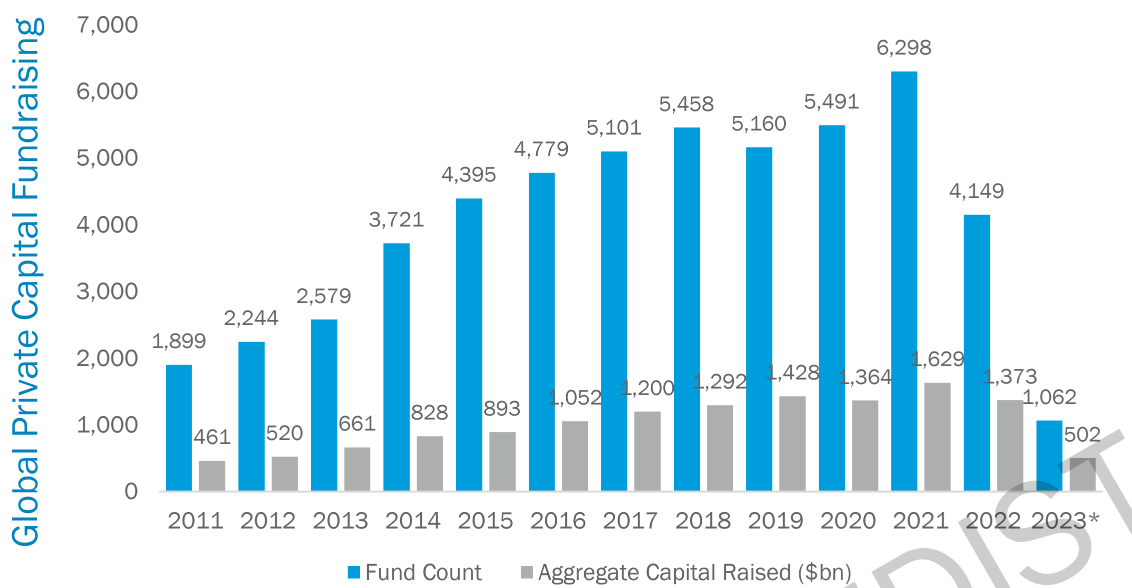
- Strategic: Using various market inputs to form a baseline, we create a recommended portfolio allocation.
- Opportunistic: We combine top-down and bottom-up analysis to target excess risk-adjusted returns through market intelligence and superior manager selection.

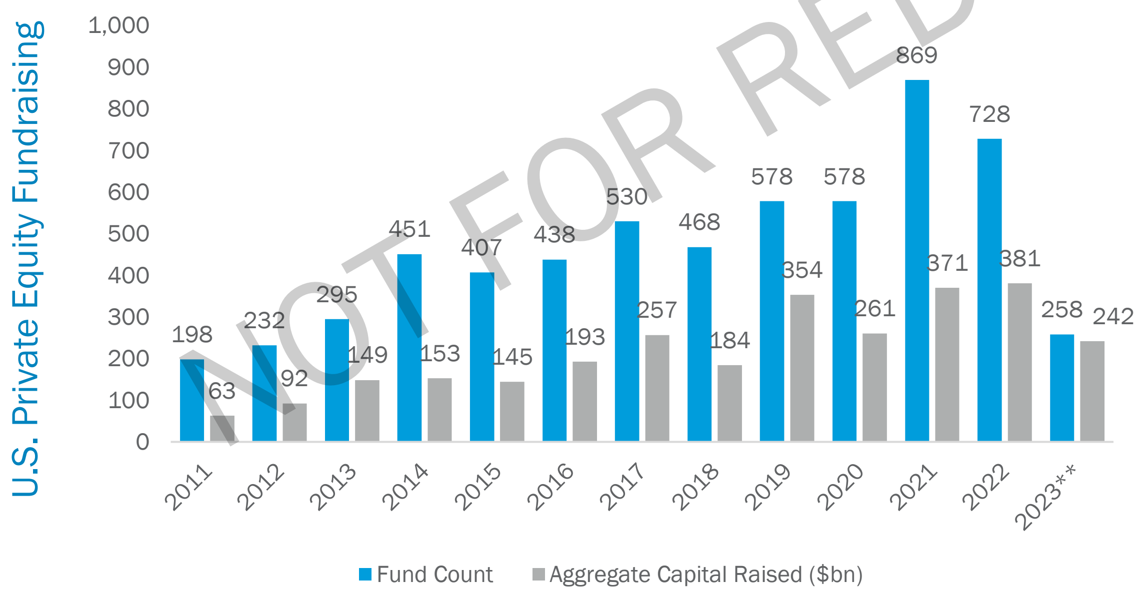
Role	Asset Categories	Risks
Growth	**Public Equity and Private Capital**	**Market Decline**
Capital Preservation	Private Credit, Fixed Income, Hedge Funds	Rising Interest Rates, Highly Correlated Markets
Inflation Protection	Real Assets: Real Estate, Commodities	Deflation

— 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.

Private Equity Fundraising Activity

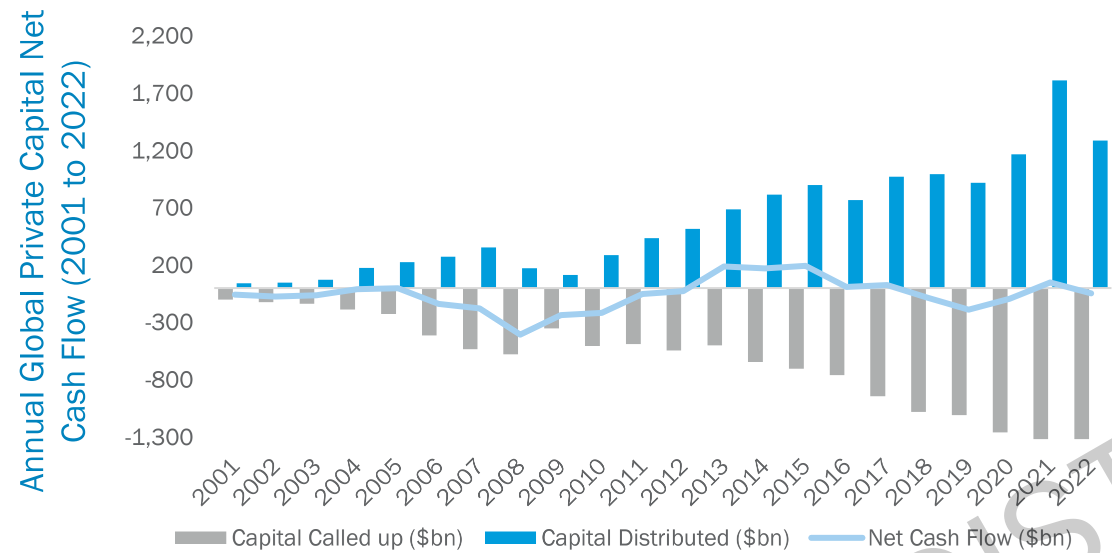


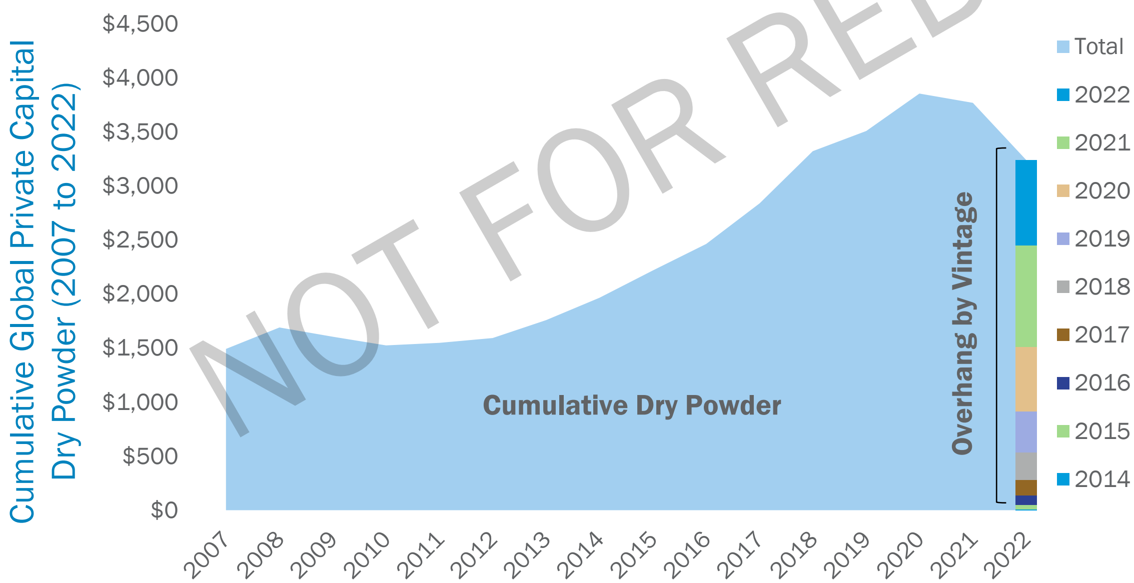


- Through the second quarter of 2023, global private capital funds raised just over $500 billion across 1,062 private capital funds. This is well below the pace of the $640 billion that was raised in Q2 2022.
- Much of the capital raised has come from funds that are raising their fifth vintage or higher. So far in 2023, over 60% of total global capital funds raised are derived from funds in this cohort. This compares to 37.1% in 2019.
- During Q2 2023, Global private equity fundraising totaled $107.1 billion across 129 funds. The largest fund to close in Q2 2023 was TA Associate's $16.5 billion TA XV, which was at a 1.3x fund size step-up to its $12.5 billion predecessor fund.
- Through Q2 2023, global private equity funds between $100 million and $5 billion in size accounted for over 60% of both fund count and value, compared to 50% in 2022.
- Private debt funds have seen an increased share of global private capital funds raised. Through the end of Q2 2023, private debt funds accounted for nearly 20% of all private capital raised globally.

Sources: PitchBook Q2 2023 Global Private Markets Fundraising Report; PitchBook Q3 2023 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, 2023*
***U.S. Private Equity Fundraising as of September 30, 2023*

Global Private Capital: Performance and Dry Powder

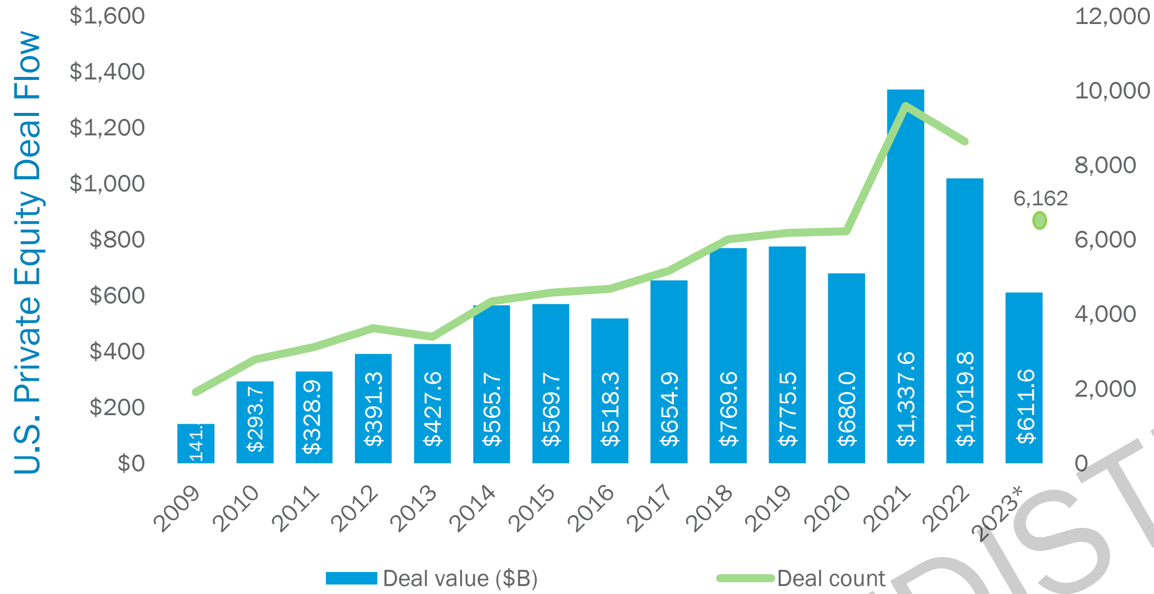


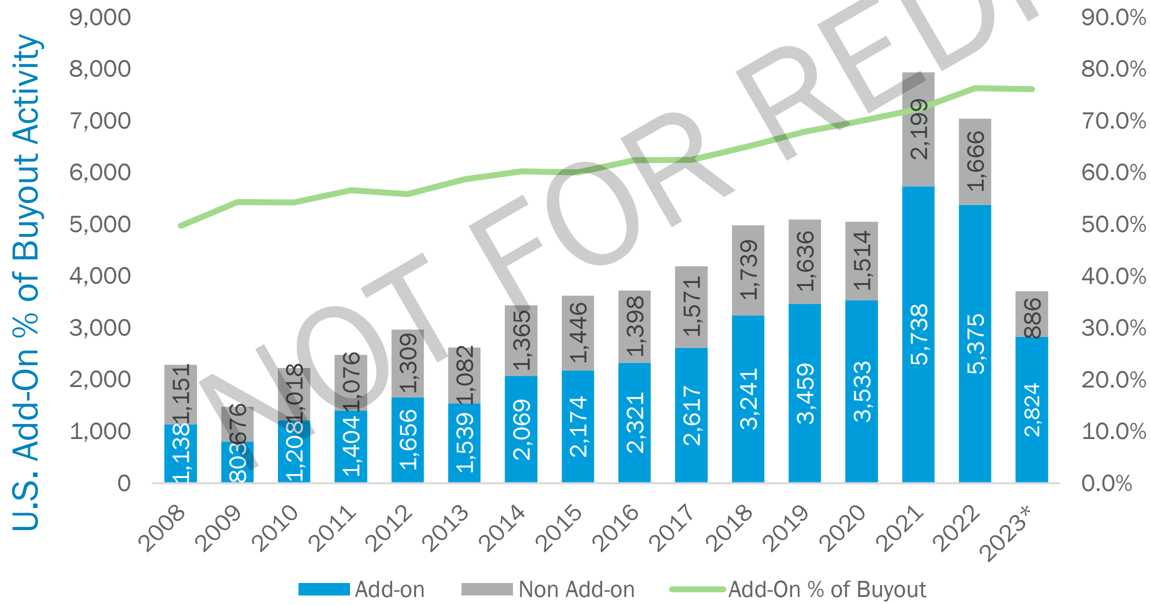


- Through the end of 2022, global private capital net cash flows stood at negative $44.3 billion. As GPs extend exit timelines beyond their underwritten estimates, as a result of the higher cost of debt and uncertain macroeconomic environment, LP net cash flows may drop further into negative territory.
- Venture capital continues to experience a challenging exit environment with fewer public market exits. As of the end of 2022, total venture capital net cash flows amount to negative $81.9 billion. Private debt experienced a negative $22 billion net cash flow through the end of 2022, which reflects the higher level of contributions to this strategy relative to distributions as more LPs are contributing capital into private debt.
- As of the end of 2022, global private capital dry powder stood at $3.3 trillion, a 11% decrease from the $3.7 trillion at the end of 2020.
- Approximately two-thirds of global private capital dry powder came from funds sized at $1 billion or greater.

Source: PitchBook Q2 2023 Private Market Fundraising Report; Note: Private equity funds comprise buyout, growth/expansion, diversified private equity, mezzanine, secondaries, co-investment, restructuring/turnaround, capital, and private debt.

U.S. Private Equity Deal Activity

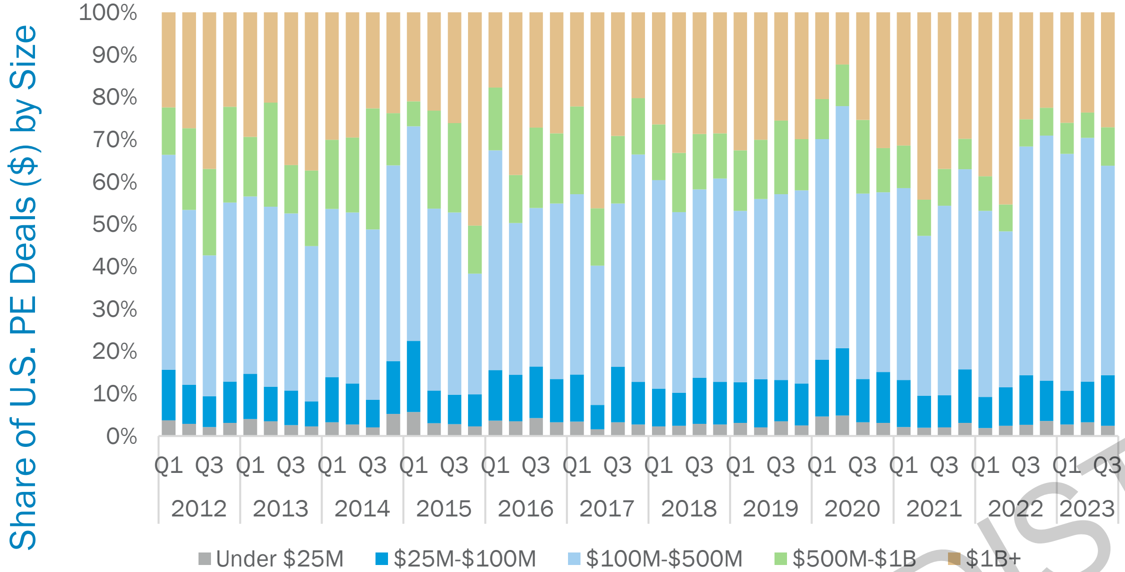


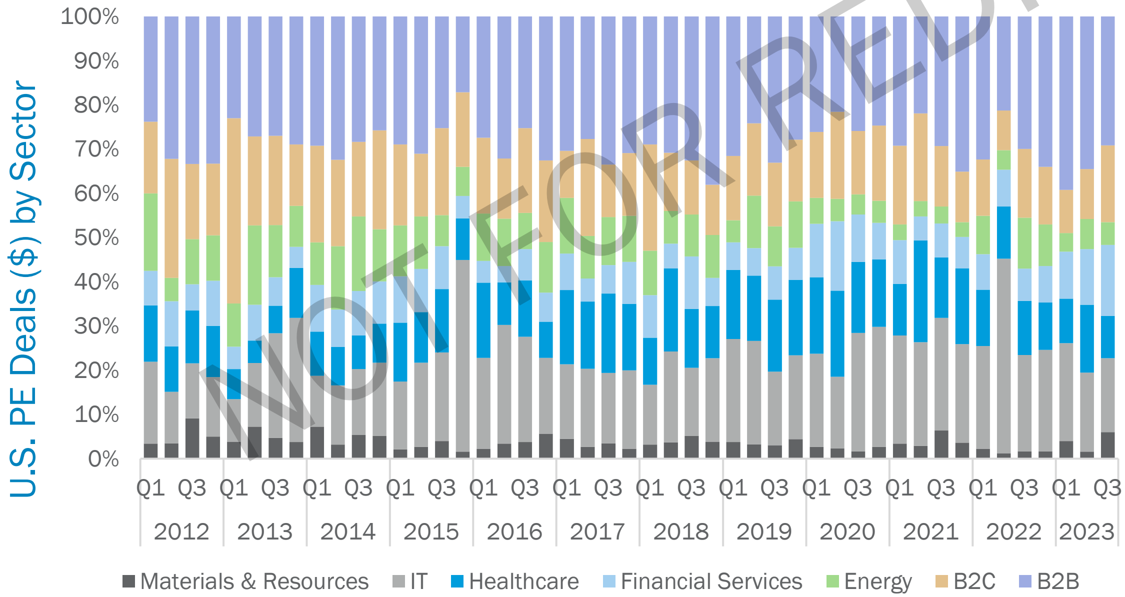


- Through the third quarter of 2023, $611.6 billion was transacted on across 6,162 deals. Deal activity overall has declined in seven of the last eight quarters. Since peaking in Q4 2021, quarterly deal count is down 54.7% while deal value is down 57.6%.
- Platform deals declined 20.6% in value from the prior year and 42.9% year to date. These deal types have been challenging to execute on due in large part to higher interest rates and sustained valuations.
- While deal count was identical to the prior quarter at 26, total take-private deal value experienced a 45% decline. Of the 26 take-private transactions, 17 involved sub-$1 billion companies.
- As a percentage of total buyout deal volume, add-on transactions accounted for 76% of total activity, which has remained consistent over the last decade, with the buy and build approach favored by GPs as a mechanism to blend down overall purchase multiples. GPs also find it easier to obtain debt financing for add-ons due to their size relative to platform investments.

Source: PitchBook Q3 2023 U.S. PE Breakdown
**As of September 30, 2023*

U.S. Private Equity Deal Activity



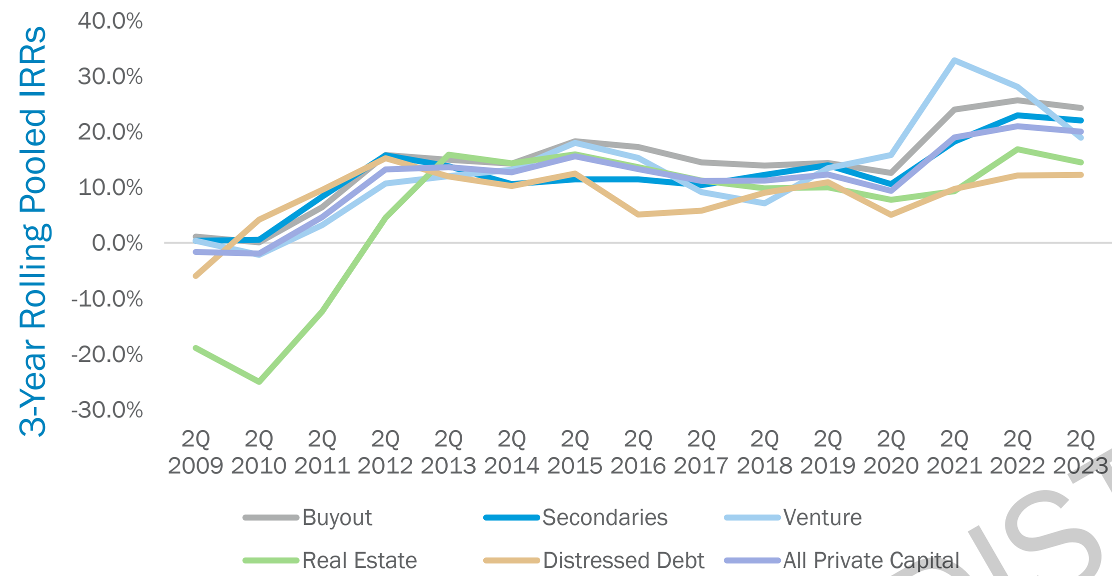


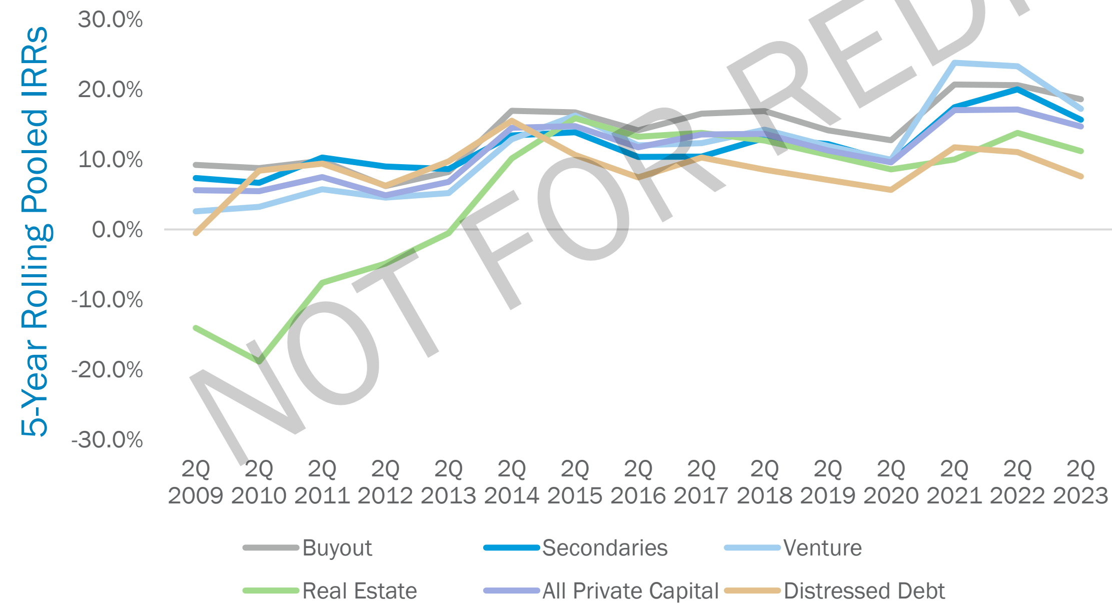
- The share of deals valued at $1 billion+ stood at 27% through Q3 2023, which is three percentage points higher than the prior quarter. Deals valued at $100 million to $500 million comprised nearly half of PE deals over the quarter.
- To date in 2023, 46.5% of private equity deal value in the U.S. has been within the business services sector, and this has remained relatively consistent over the last decade.
- Healthcare sector activity accounted for 9.5% of PE deal value in the quarter and 11.7% year to date. This is several percentage points below its long-term average and is driven by the divergence between buyer and seller expectations.

Source: PitchBook Q3 2023 U.S. PE Breakdown

Horizon Performance

Private Capital

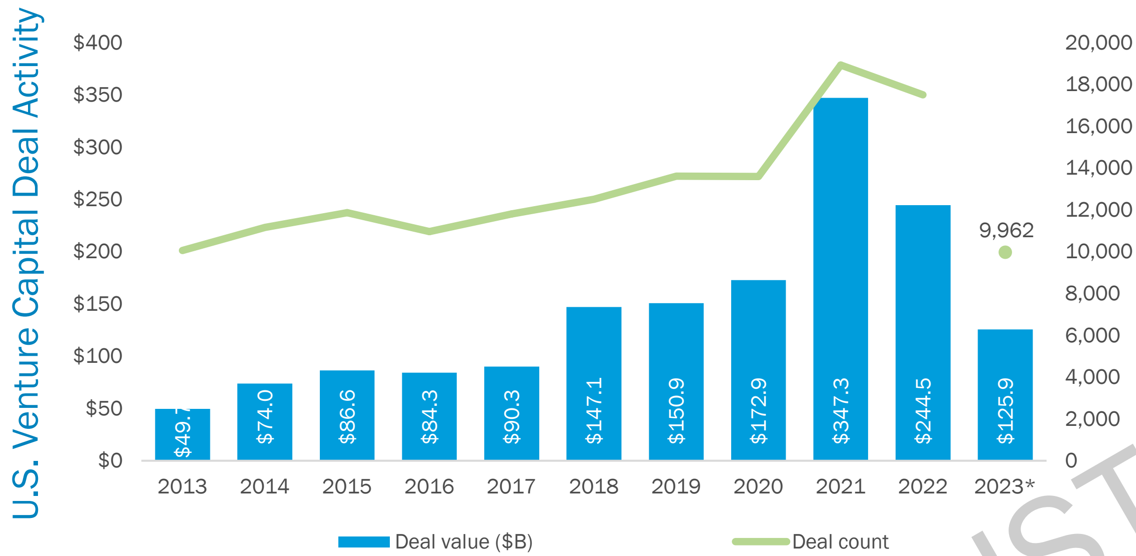


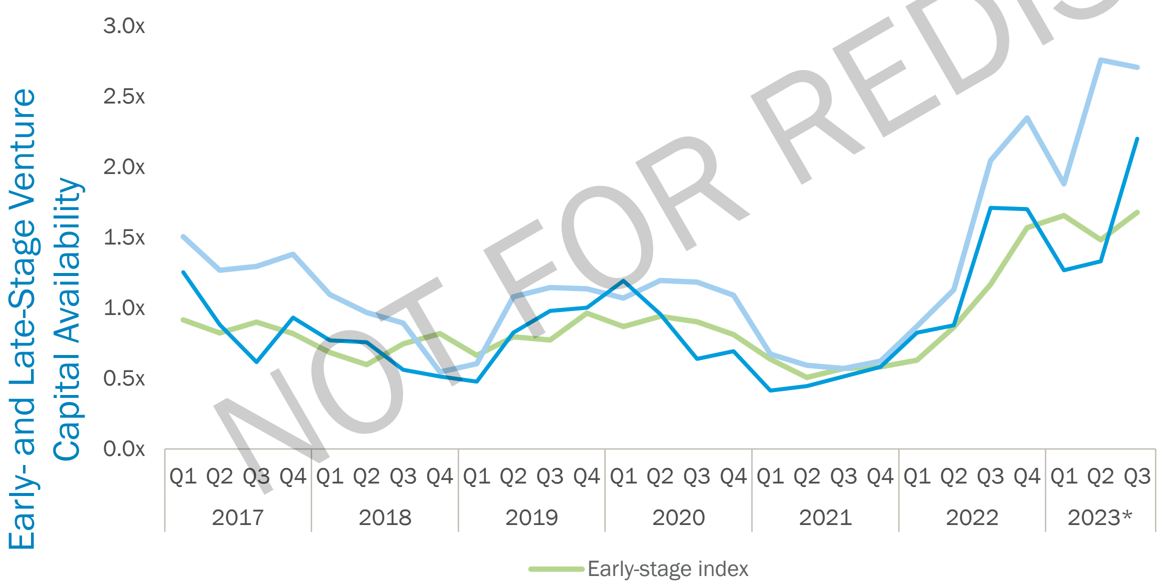


- From Q2 2022 to Q2 2023, all private capital strategies either remained flat or experienced a decline in performance on a three-year rolling return basis. Venture capital experienced a noticeable drop in performance as venture firms are struggling to create exit opportunities and are making material 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, 2021 to September 30, 2022, now exhibits a negative return profile as the impact of increased interest rates and asset owners struggling to recapitalize their existing properties have adversely impacted valuations and returns.

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

Quarterly Spotlight: U.S. Venture Capital Activity





- U.S. venture capital deal activity continues to slow. As of Q3, there was $125.9 billion in total deal value across more than 9,900 transactions. This is on pace to be the lowest level of deal activity since 2019.
- A record-breaking number of companies obtained financing during 2021 and early-2022 when valuations were frothy, and liquidity was widely available. As these conditions have dried up, these same companies have had to flip their business models from "grow at all costs" to "survive at all costs" by taking action including cutting costs, laying off staff, and optimizing for profitability.
- The venture ecosystem has ballooned over the last decade and as markets have retrenched over the last several quarters, competition for capital has heightened. The supply and demand imbalance is particularly acute within late-stage rounds where demand for capital exceeds supply by a factor of nearly three.

Source: PitchBook Q3 2023 NVCA Venture Monitor
**As of September 30, 2023*