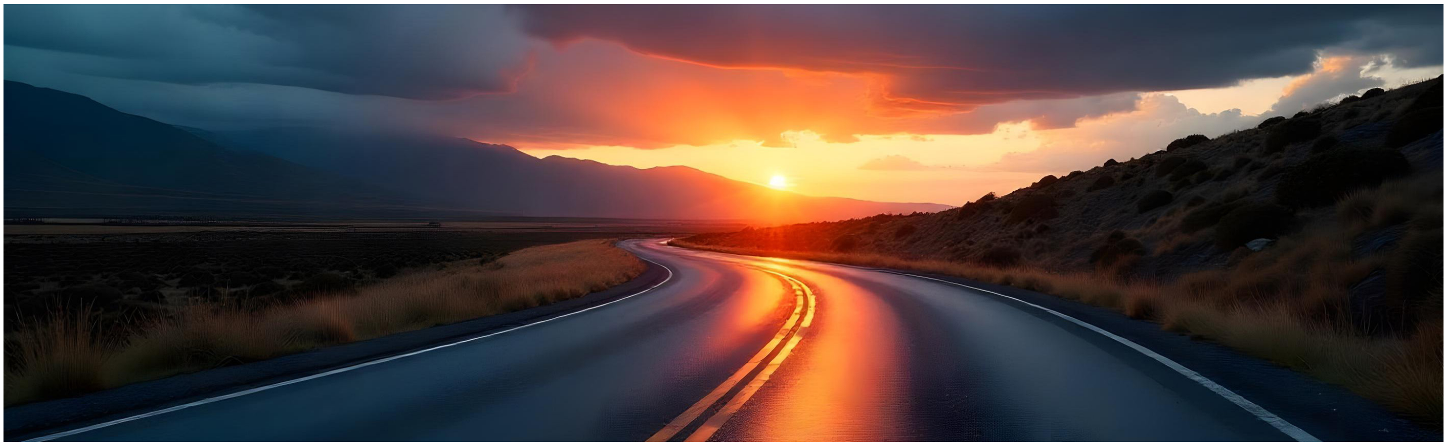

PRIVATE EQUITY

Why now, why still

One only needs to look at recent headlines to get the sense that Private Equity (PE) is not the flavor of the month or indeed the year.

"Private equity exits fall to 2-year low in Q1 2025" – S&P 4/21/25

"Elite Colleges Lead a Rush for the Exits of Private Equity" – Bloomberg 5/6/25

"Private Equity Fundraising Plunges Amid Struggle to Return Cash" – Bloomberg 5/27/25

"US Tariffs halt recovery in private equity deal making" – FT 6/3/25

To borrow from Mark Twain, and despite recent headlines, the rumors of PE's demise are greatly exaggerated. Although we acknowledge current headwinds in the sector, there remains strong evidence that over the long term, a thoughtfully constructed and properly paced PE program may deliver a premium over public markets (Figure 1). The key to capturing this premium is continued focus on vintage year diversification amid headwinds or during periods of market dislocation.

There is a counter cyclicality to PE that challenges institutional investors to stay the course during boom-bust market conditions. When public markets are frothy, as seen during the 1999-2001 dot-com bubble or 2007-2008 pre GFC, PE underperformance generally

US PRIVATE EQUITY AND VENTURE CAPITAL INDEX RETURNS
Periods ended June 30, 2024 • Percent (%)

Index	6 MO	1 YR	3 YR	5 YR	10 YR	15 YR	20 YR	25 YR
CA US Private Equity*	3.4	7.1	6.9	16.3	15.0	16.8	14.5	12.7
Russell 2000© mPME	1.7	10.0	-1.4	7.1	7.0	12.3	8.2	8.2
S&P 500 mPME	15.3	24.5	10.9	15.4	13.0	15.3	10.6	8.9

Figure 1: Includes US Buyout and growth equity funds only. Sources: Cambridge Associates LLC, Frank Russell Company, FTSE International Limited, Standard & Poor's and Thomson Reuters Datastream. IRR calculations are net of fees, expenses, and carried interest. Past performance is not indicative of future results. Benchmarks are not investible and may differ in volatility and risk.

follows, driven by elevated entry level valuations. Conversely, the best vintage years tend to follow sharp downturns in public markets as falling valuations facilitate more attractive entry points[1]. (Figure 2)

PRIVATE EQUITY IRR PERFORMANCE BY VINTAGE YEAR

Net IRR Performance Analysis (1995 - 2023)

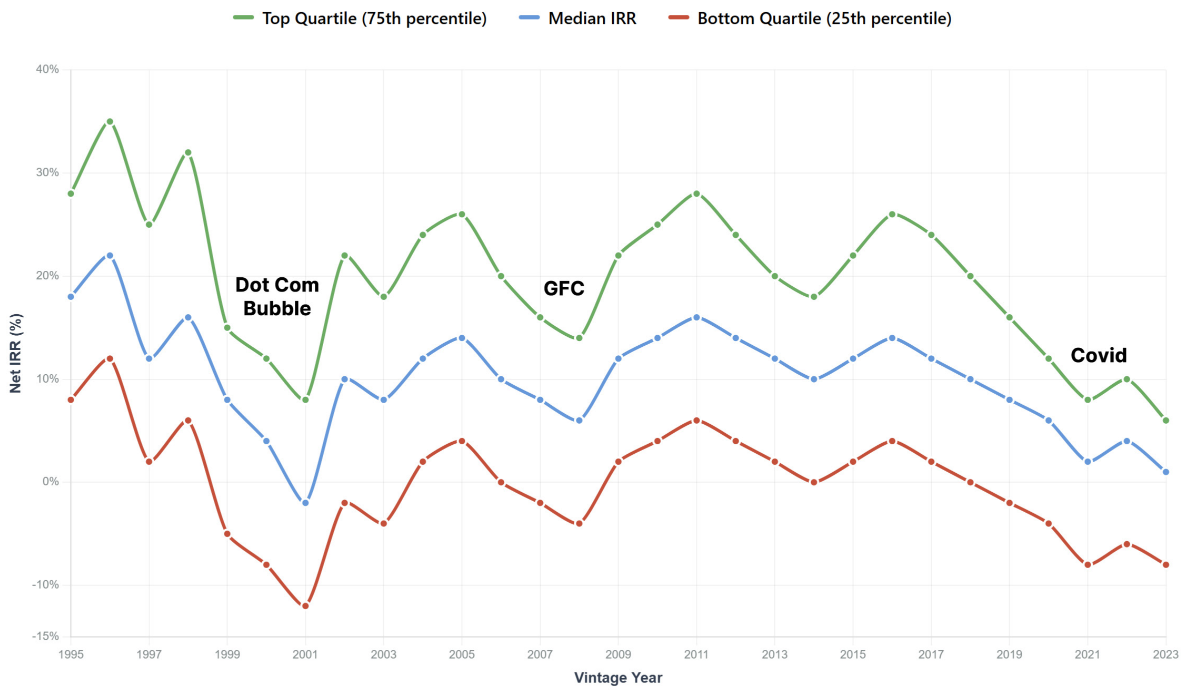

Figure 2: Primary Sources: Cambridge Associates Private Investment Database, Prequin Private Capital Benchmarks, Hamilton Lane Research, CAIA Association Studies, NAIC Private Equity Index. Analysis based on 1,500+ private equity funds spanning vintage years 1995-2023. IRR Calculations are net of fees, expenses and carried interest. IRR calculations are net of fees, expenses, and carried interest. Past performance is not indicative of future results. Benchmarks are not investible and may differ in volatility and risk.

Where markets and trade policy sit today presents a conundrum for the PE industry and institutional investors:

- Distributions have slowed markedly from their 2021 peak
- Fundraising has dramatically slowed
- Holding periods for underlying assets has increased
- Strategic sales have supplanted IPOs as the primary exit strategy
- Trade policy and tariff threats have cast a pall over an already challenging environment
- Interest rates remain elevated

[1] While historical data suggest that certain vintage years following downturns have outperformed, future results may vary and are not guaranteed.

However, PE has historically faced similar challenges, adapted, and recovered stronger. **We believe that will again be the case.**[2]

- During the Junk Bond Crisis of the late 1980s and early 1990s, the leveraged buyout industry fueled by high yield "junk" bonds virtually collapsed. This led to a stalled exit market, depressed fundraising, and evaporation of leverage.
- During the Dot-Com bubble and crash in the early 2000s, default rates peaked at 10.7% on junk bonds, the US Buyout index saw a 27% peak to trough decline, bankruptcy was rife across the technology industry, fundraising declined.
- During the Global Financial Crisis, buyout activity declined by ~90% between 2006-2009, leveraged loan volumes shrank dramatically, fundraising and capital calls declined as did exit activity.

Today, the post COVID feast-famine is still playing out. The feast saw record activity and valuations soar in 2021-2022, along with massive fundraising and the emergence of the Special Purpose Acquisition Company, or SPAC. The punch bowl was whisked away in 2022-2023 when interest rates increased by 500 bps, leading to a marked decline in leverage, activity and liquidity events. But if history is our guide, we have been here before and will likely be here again in years to come.

The remarkable thing about challenge is that it often presents opportunity disguised as an ominous reckoning. The opportunity may manifest in the form of disruption, greater efficiency, or indeed excess returns[3]. To the latter, we illustrated earlier in this paper, market dislocations being followed by robust periods of PE returns. But disruption and efficiency can also support and indeed drive value creation, and this is precisely what, by its very nature, PE supports.

For long-term investors with multi-cycle time horizons, we believe now is the time to stay the course on Private Equity while bearing in mind the following:

Liquidity – Ensuring an adequate liquidity pool is present to secure near term spending is critical. ("near term" as defined by each institution)

Pacing – Establishing a prudent pacing model to achieve and maintain desired PE exposure.

Access – Not all private equity is created equally. Access to skilled managers has historically contributed to performance dispersion. Manager selection remains an important component of PE strategy.

The **Access** piece is particularly important and bears further comment. As noted above, not all private equity is created equally, and nowhere is that more evident than in historical return dispersion (Figure 3). Data from Burgiss (Source: MSCI)[4] as of December 31, 2024, illustrates a ~17 percentage point gap between 75th and 25th quartile returns over 10-years and a ~15.5 percentage point gap over 15-years[5]. The median PE returns of ~8% (10yr) and ~9% (15yr) do not keep pace with S&P returns of 13.1% and 13.88% (Source: S&P Dow Jones Indices, SPIVA US Scorecard as of

[2] Subject to market conditions and investor-specific circumstances. PE investments carry risks including illiquidity, capital loss, and long holding periods.
[3] While some disruptions have historically preceded periods of strong performance, these outcomes are not assured.

12/31/24) over those same periods and thus begs the question - why bother? We wouldn't [6].

Allocating to Private Equity and pursuing its potential return premium makes sense only if investors can access the managers and co-investment opportunities that have the highest probability of generating above median performance. This is where the true value of an investment partner manifests itself and, in turn, promotes the perpetuation of institutional mission.

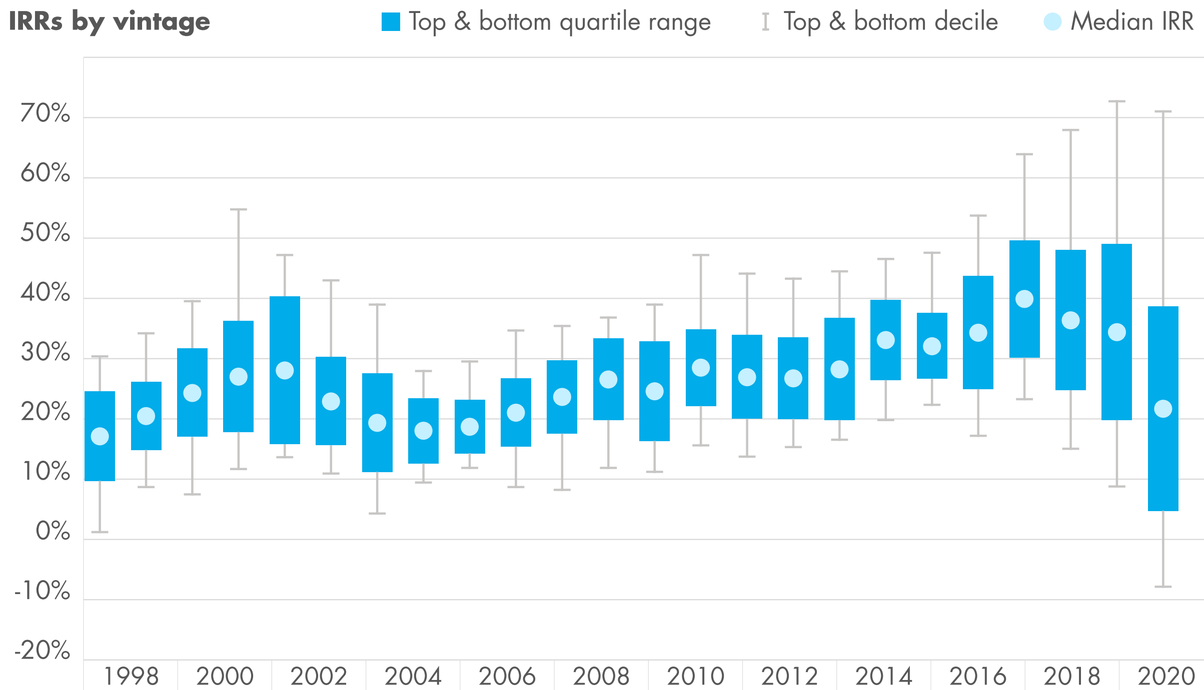

Figure 3 Source: Pitchbook | Geography: North America | Data as of June 30, 2022 [7]

[4] Certain information contained herein (the "Information") is sourced from/copyright of MSCI Inc., MSCI ESG Research LLC, or their affiliates ("MSCI"), or information providers (together the "MSCI Parties") and may have been used to calculate scores, signals, or other indicators. The Information is for internal use only and may not be reproduced or disseminated in whole or part without prior written permission. The Information may not be used for, nor does it constitute, an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product, trading strategy, or index, nor should it be taken as an indication or guarantee of any future performance. Some funds may be based on or linked to MSCI indexes, and MSCI may be compensated based on the fund's assets under management or other measures. MSCI has established an information barrier between index research and certain Information. None of the Information in and of itself can be used to determine which securities to buy or sell or when to buy or sell them. The Information is provided "as is" and the user assumes the entire risk of any use it may make or permit to be made of the Information. No MSCI Party warrants or guarantees the originality, accuracy and/or completeness of the Information and each expressly disclaims all express or implied warranties. No MSCI Party shall have any liability for any errors or omissions in connection with any Information herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.
[5] Burgiss data reflects 11,764 private equity funds from 2000-2024 vintages as of 12/31/2024.RR calculations are net of fees, expenses, and carried interest. Past performance is not indicative of future results.
[6] Investors should consider whether their strategy positions them for above-median outcomes, as access and selection can vary widely.
[7] IRR calculations are net of fees, expenses, and carried interest. Past performance is not indicative of future results. Benchmarks are not investible and may differ in volatility and risk.

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