Portfolio Valuation and Fund Advisory Snapshot:

Key Trends in Private Capital Markets

Spring 2024 Update

Houlihan Lokey

1 Private Capital Fundraising

Liquidity Continues to Disrupt Private Capital Fundraising

In 2023, the amount of private capital and number of funds raised decreased by 21% and 48%, respectively, over 2022.

Difficulty in fundraising was not felt evenly. While the most notable fundraising declines (in dollar terms) were among venture capital -47%, real assets -43%, and real estate -42%, fundraising in the secondaries market was up 65% year over year.

Private equity fundraising was essentially flat year over year, with activity in the second half of 2023 outpacing the first half by 21%.

Fundraising dollars were largely concentrated across firms with proven track records that raised capital through mega-fund vehicles, as LPs weighed higher rates, their GPs' ability to provide liquidity, and fund terms.

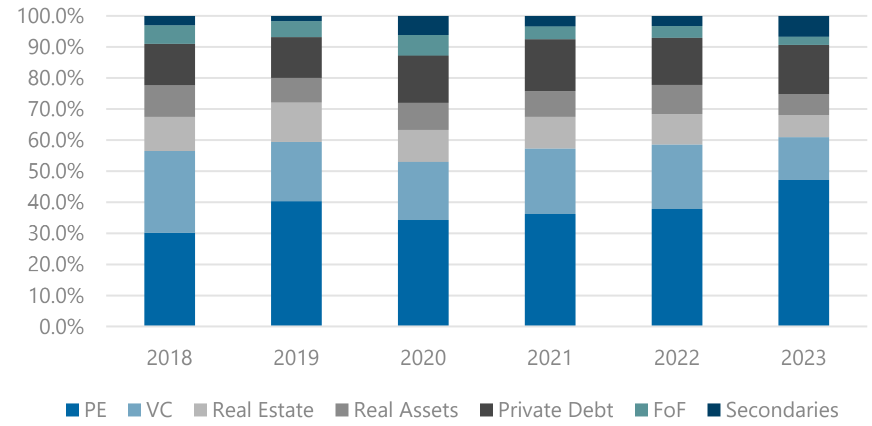
In terms of number of funds raised, middle-market GPs made up 63% of all PE funds closed in 2023 (the highest percentage since 2008), as smaller deals have become more in demand due to rising rates and the correction realized over the past 18 months in both private and public markets.

North American fundraising increased for the third consecutive year (3.7% above 2022) and accounted for a record 72% of global capital. European fundraising saw the highest growth, at 33% year-on-year.

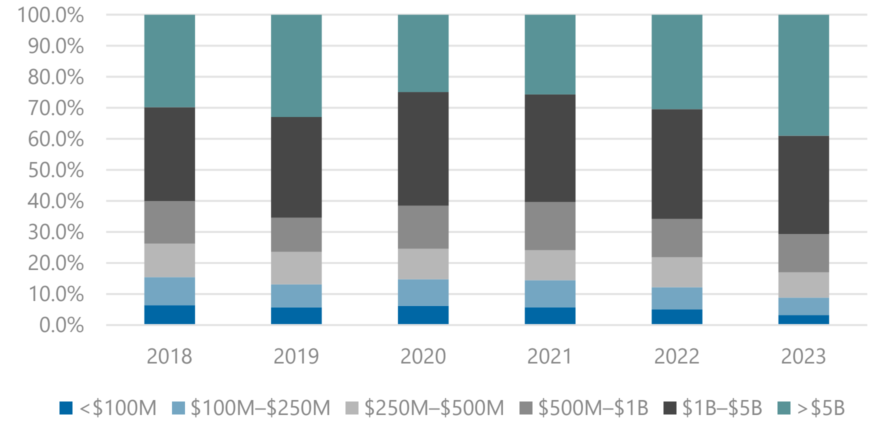
"I believe we are going to see a substantial pivot from institutions where they begin to think about private, not just in a traditional alternative context, but they think about private as just another investment that has a little less liquidity."

Marc Jeffrey Rowan, Apollo; Q4 2023 Earnings Call

Private Capital Fundraising by Strategy



Private Equity Fundraising by Size



Source: PitchBook.

Private Debt Remains in Demand Despite Market Uncertainty

Private credit AUM crossed the $1.6 trillion mark as of Q2 2023, and total private debt AUM, inclusive of semi-liquid retail funds, crossed the $1.8 trillion mark as of Q2 2023.

Growth has been the most explosive in direct lending, with AUM increasing from $91 billion in 2013 to over $550 billion in 2023.

Private debt fundraising in closed-end vehicles rebounded from a slower Q3 2023, with a total of $42.5 billion of private debt funds closed during the quarter (29% increase relative to Q3 2022). However, the year-end kick was not as strong as prior years, accounting for 22% of the full year vs. a 10-year average of 36%.

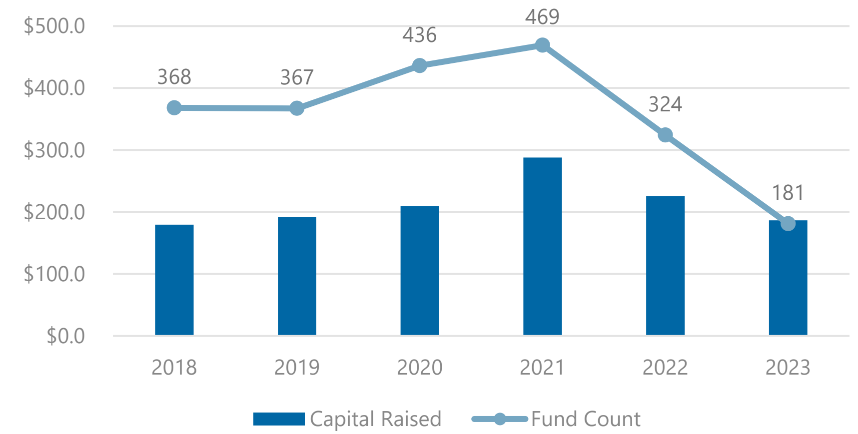
The H2 2023 slowdown can largely be attributed to large funds staying open longer, with average time to close increasing from 13.5 months in 2016 to 18.7 months in 2023, and an increased number of mega funds rolling into the new calendar year.

Collectively, the top 10 funds that rolled into 2024 have already raised $54.6 billion, more than three times that of the top 10 open funds compared to the prior year.

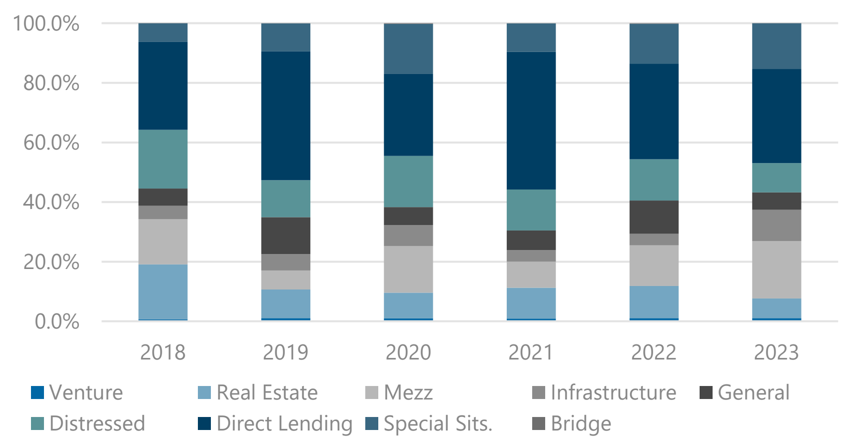
Refer to the most recent issue of Houlihan Lokey's Private Performing Credit Index here.

"There are meaningful benefits to scale in private credit: the ability to originate and invest in broader origination teams around the globe, the ability to have flexible capital at scale to drive better deployment in different market environments."
Michael J. Arougheti, Ares; Q4 2023 Earnings Call

Private Debt Fundraising ($B)



% of Total Debt Raised by Type



Source: PitchBook.

Venture Capital Fundraising Environment Is Expected to Improve

The venture capital (VC) market experienced headwinds in 2023, raising $162 billion across 1,533 closed funds (a decrease of 48% in dollars and 46% in count over 2022).

The decrease in global VC fundraising was driven by a challenging economic backdrop, with elevated costs and sluggish growth. LPs also were cautious on investment in the space, leading to a lack of funds over $1 billion and a sharp decline in capital raised by VC funds in North America.

Given record-high returns in 2018 through 2022, many LPs joined in on the boom, although some were less knowledgeable about the volatile characteristic of the asset class. When LPs saw a harsher economic climate in 2023, they lost confidence in VC, driving fundraising down across the board.

The pre-seed and seed-stage VC investments held up with relative strength, due to a more limited reliance on exit markets.

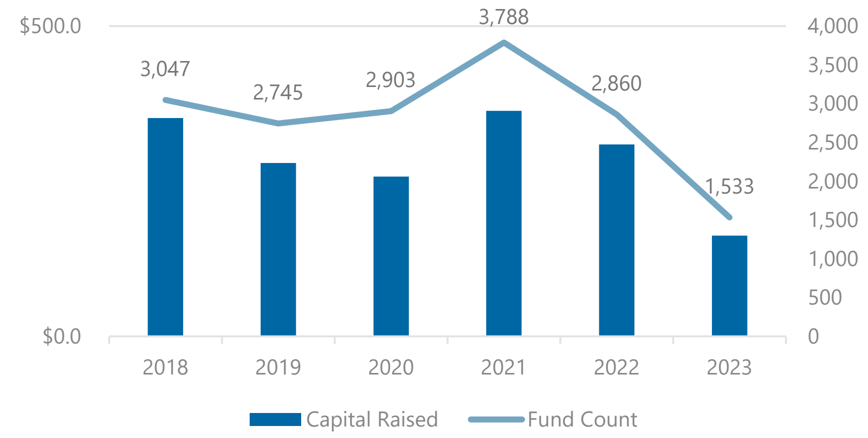
Regional trends also impacted VC fundraising, including the 60% decline in North American–based funds year over year.

Looking forward, GPs and LPs are expected to be focused on exit markets, growth rates, and technological shifts.

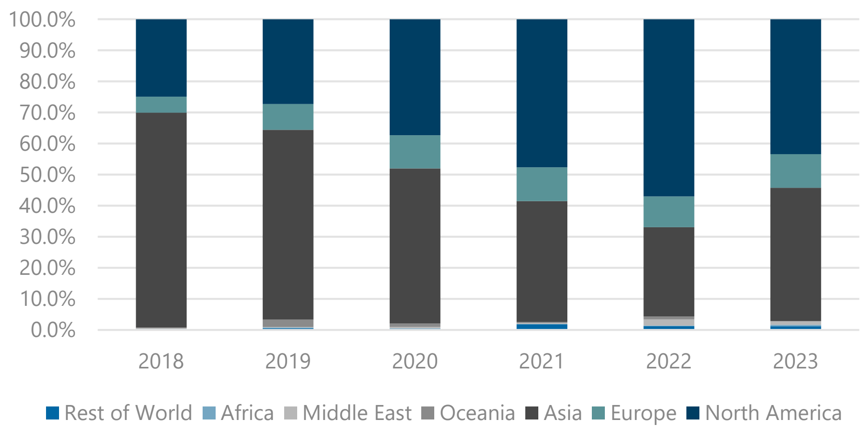
"In 2024, we can expect to see continued growth and diversification in the global venture capital ecosystem, with emerging markets, deep-tech startups, DeFi platforms, and sustainable businesses taking center stage."

Elio Assuncao, Founder of VC World Summit; February 2024 Press Release

Venture Capital Fundraising ($B)



% of Total Venture Capital Raised by Region



Source: PitchBook.

2 Evolving Secondaries Market Activity

Pricing and Liquidity Needs Drive Secondary Volume

The secondary market gained momentum throughout the end of 2023 as investors perceived increased opportunity spurred by (i) an improving macroeconomic environment and (ii) a narrowing of the bid-ask spread due to a continued need for liquidity and a recovery in valuations.

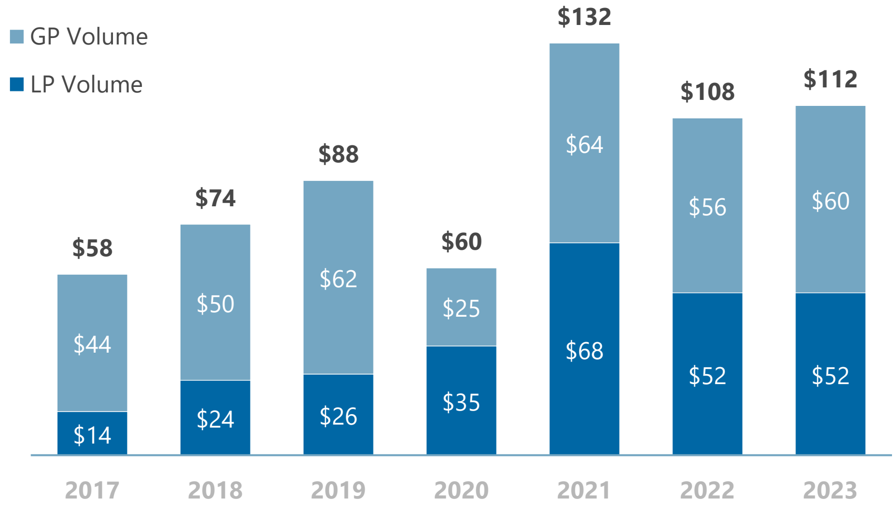
Deal flow was reported in excess of $100 billion for the third year in a row across both GP-led and LP-led markets.

Significant buyside capital, improved pricing, and a rising demand for liquidity and alternative investment strategies by investors are expected to carry this momentum through 2024.

Several of the largest secondaries funds closed throughout 2023 and the start of 2024:

- Blackstone Strategic Partners Secondaries IX: Held final close in H1 2023 at $22.2 billion, with ~$5.0 billion deployed as of December 2023.
- Goldman Sachs Vintage IX and Vintage Infrastructure Partners: Held final closes in H2 2023 with $15 billion of total capital.
- Lexington Capital Partners X: Held final close in Q1 2024 at $22.7 billion, significantly above its $15 billion target and $14 billion prior vintage.
- Ardian Secondary Fund IX: Reported to have raised $20 billion of its $25 billion target as of December 2023.

Secondary Market Transaction Volume ($B)



Leadership Sentiment Toward Secondary Market Outlook

"We are at an inflection point in the secondaries market. Today there are more ways to derive value from secondaries than ever before, and we believe the long-term winners in this market will be buyers that can navigate it as whole and weigh relative value across transaction types and structures." **Harold Hope, Goldman Sachs; Press Release**

"[The Lexington Capital Partners X fund] milestone fundraise reflects the tremendous opportunity in the global secondary market and Lexington's proven ability to leverage our scale, experience, relationships, and worldwide platform to unlock value for our investors." **Wil Warren, Lexington Partners; Press Release**

Sources: PitchBook, Jefferies, press releases, corporate Q4 earnings calls.

GPs Create Liquidity by Reevaluating Terms and Funding Structures

The GP-led secondary market has created liquidity for sponsors despite overall weakness in private equity exit volume in 2023. Further, record demand for mature buyout assets drove GP-led volume to increase 88% in H2 2023 relative to H1 2023.

GPs created liquidity through the following solutions:

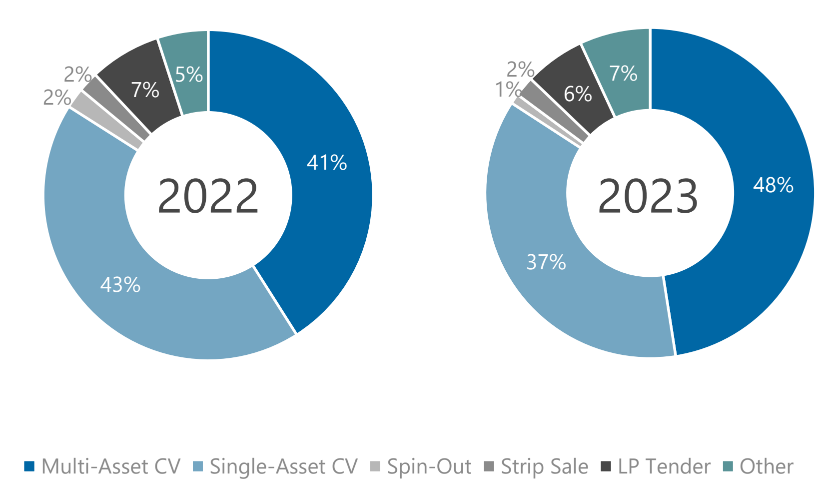
- Continuation Funds: A shift toward multi-asset continuation vehicles allowed GPs to create more liquidity. In aggregate, continuation funds represented approximately 15% of sponsor-backed exit volume in 2023, compared to 7% in 2022.
- Cross-Funds: Due to increasingly complex fund family dynamics, GPs rely on an increasing set of transactions between funds to generate liquidity and manage portfolios. Based on Houlihan Lokey's internal database, this market is estimated to be at least the size of the continuation fund market.
- Buyer-Friendly Transaction Structures: A significant decline in "super carry" terms and an increased focus on forward alignment between the GP and the portfolio company management teams are making GP-led secondaries more attractive to LPs.

Refer to the most recent issue of Houlihan Lokey's 2023 Continuation Fund and Cross-Fund Market Insights here.

Supply and Demand Drivers Behind GP-Led Volume Growth

Sellside Factors	Buyside Factors
Challenges in the exit environment and limited availability of leverage, forcing GPs to look for alternative ways of distribution	New investment strategies targeting GP-led secondaries launched by well-capitalized platforms
Successful track record of continuation funds from 2018-2020 vintage investments	Narrowing of the bid-ask spread, especially for high-quality single-asset transactions
GPs' familiarity with GP-led secondary technologies	Record fundraising volumes achieved by secondary funds

GP-Led Volume by Deal Type (% of Volume)



Sources: Jefferies, Greenhill & Co., PitchBook.

Narrowing of the Bid-Ask Spread Attracts Capital

The LP-led secondary market showed positive momentum in 2023, driven by the narrowing of the bid-ask spreads and improved perception of asset appreciation and monetization opportunities.

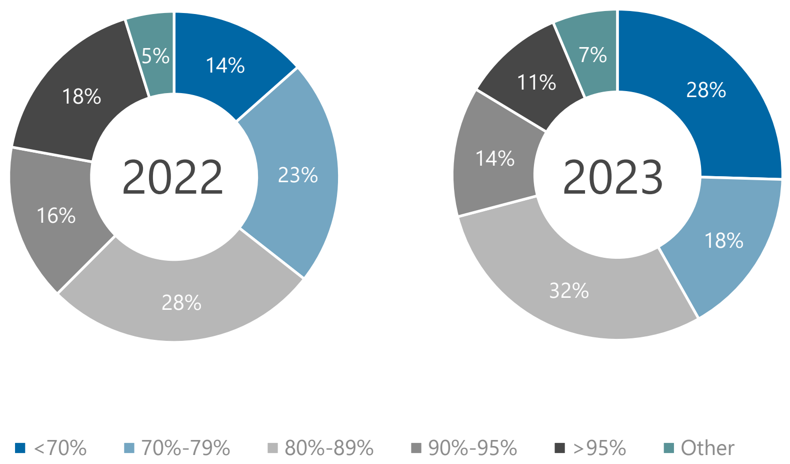
This was notable for buyout funds that continue to be one of the most attractive investment strategies, with LP-led portfolio pricing between 85% and 95% of NAV. This represents a 5%–10% increase as compared to pricing at the start of 2023, explained by public market improvements and interest rate stabilization.

Notably, alongside the continued interest in well-known top-quartile, large-cap, buyout-focused GPs, LPs are looking at recent vintage, mid-market portfolios to satisfy lower asset-level leverage preferences and higher return expectations.

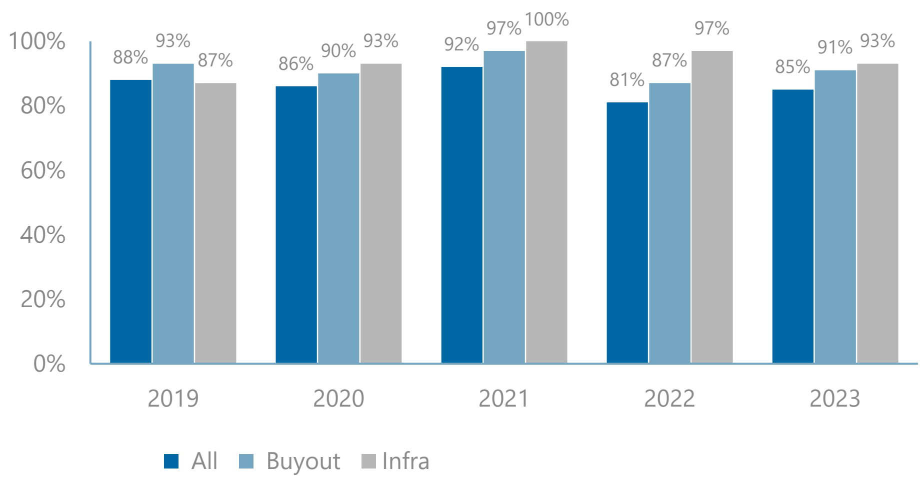
Next to traditional buyout funds, infrastructure funds also enjoy a narrower spread compared to other strategies, coupled with increased demand by LPs due to the strategy's lower correlation with the equity and debt markets as well as their yield component. LP-led infrastructure secondary volume in 2023 grew to represent 12% of transactions by volume, triple that of 2022 levels.

LP-led transaction structures are evolving alongside the growing market, with increased demand for flexible deferred payment structures to manage buyers' downside risk.

% of Completed LP-Led Deals Within Certain Price Ranges



Historical Secondary Pricing Discounts Across Strategies



Sources: S&P Capital IQ, Private Equity International, Campbell Lutyens, PitchBook, Lazard, Jefferies, Greenhill & Co.

3 IPO Market Environment

An Eye on the Reopening of the IPO Market

Since the 2021 IPO boom, which saw 1,031 companies go public, there has been a stall in listings due to the high interest rate environment, the mismatch of bid-ask spreads, and a correction in historically high valuations.

As of December 2023, there was a notable backlog of potential IPO candidates, consisting largely of companies that were preparing for IPO in 2021. The delays in these exits were the result of a multitude of factors, including the higher interest rate environment, recessionary concerns, valuation expectations, and perceived risk after poor performance of recent IPOs.

There are a number of large IPOs expected to come in the near-term, and potential IPO candidates are looking at the market performance of recent IPOs to gauge investor receptivity of additional IPOs.

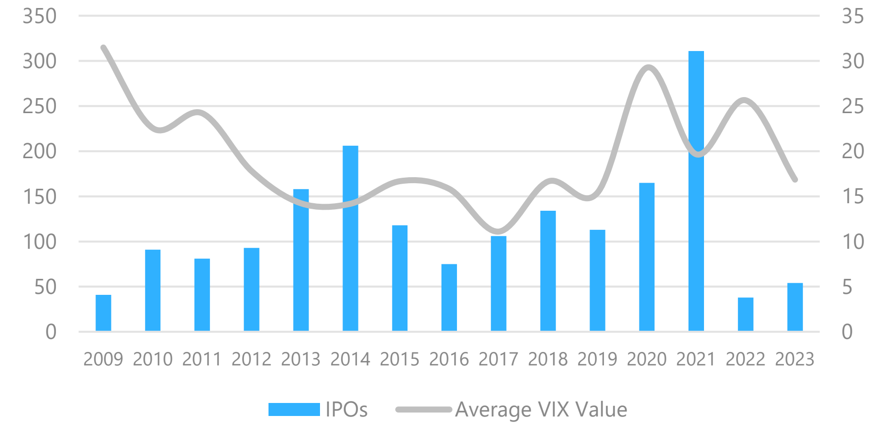
As evidence of this theme, Reddit completed its IPO in March 2024 with aftermarket performance at 51.2% as of May 8th, 2024..

Both healthcare and AI are themes at the front of investors' minds recently, and both of these areas could see increased activity from IPO candidates. Two notable IPOs involving early-stage companies are (i) CG Oncology, which held an IPO in January 2024 at $19.00 per share and was trading at $32.43 per share as of May 8th, 2024, and (ii) Astera Labs, which held an IPO in March 2024 at $36.00 per share and was trading at $69.26 per share as of May 8th, 2024.

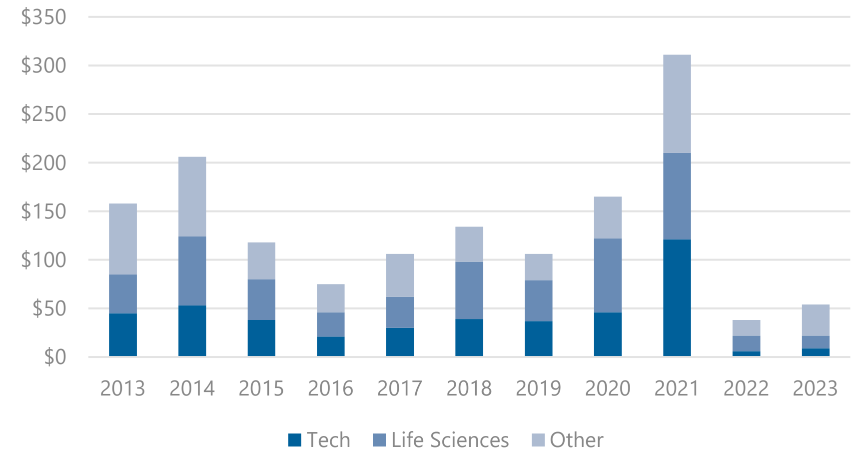
"Right now, the buyside is not interested in science projects or rocket ships or black boxes. They want kind of an easy-to-understand business model."
Daniel Klausner, Houlihan Lokey

Trends in Annual IPO Count Compared to Average VIX Values

We generally note an uptick in IPO activity corresponding with a lower CBOE Volatility Index (VIX) value. Recent VIX levels below 20 suggest a positive environment for IPO exits.



Sector Distribution of IPO Activity ($B)



Sources: Warrington College of Business, University of Florida.

Spotlight on Biotech IPO Conditions

After biotech IPO volume peaked in 2021 with over 100 deals raising ~$15 billion, the sector slowed with the broader market in 2022 and 2023. However, in the first six weeks of 2024, seven biotechnology companies went public, including Metagenomi ($100 million), Dyne Therapeutics ($345 million), ArriVent Biopharma ($175 million), and Praxis Precision Medicines ($150 million).

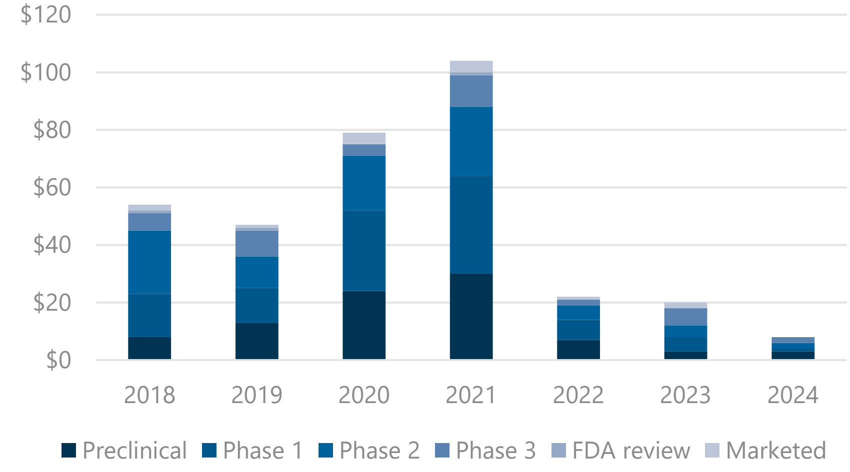
Investor preference has shifted from companies with preclinical data toward companies in later-stage human testing (i.e., those that are further along in developing their treatments). This is a shift from prior years, when unproven drugs found success and gained critically needed capital through entering the IPO market.

Approximately 64% of IPOs in 2020 and 2021 were preclinical or in phase 1 development, dropping to ~45% in 2023 and 2024. Investors are also placing a greater importance on a path to profitability, a notable shift from the previous heavy focus placed on top-line growth.

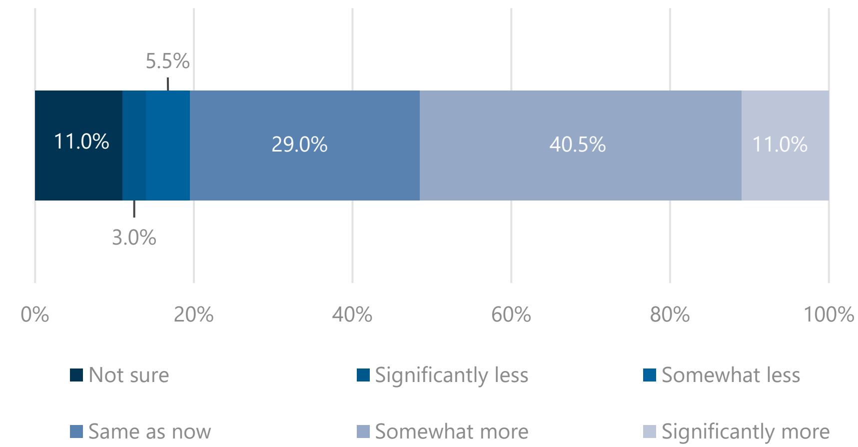
AI is set to alter the drug discovery and development process by shortening the drug discovery timeline. Some scientists estimate utilizing AI will reduce five-year processes to two years. Despite the accelerated timeline offered with AI, there is mixed sentiment regarding the payoff of investing in AI given the high costs of implementation with software development.

Key sectors for 2024 biotech IPOs include the obesity drug market (given the rise in popularity of GLP-1, glucose monitoring, and diabetes therapies) and a resurgence in the neurology and cardiology markets due to the demands of the large addressable markets served.

Biotech IPOs, by Year and Stage of Development ($B)



Axios Pro Deals Survey: Over the next six months, what are your expectations on the amount of biotech deal activity?



Sources: Axios Pro, BioPharma Dive.

Public Company Readiness Areas and Key Considerations

As IPO volumes begin to rebound from historic lows, companies are beginning to prepare for 2025 IPOs through readiness activities. It is imperative that companies aiming to go public focus on starting IPO readiness plans early to ensure they are able to meet the shifting buyside market demands, as the process can take up to two years to complete.

Some key considerations for public company readiness include:

- Accounting and Financial Reporting
- Financial Close and Accounting Operations
- Technology and Cybersecurity
- Internal Controls
- Corporate Governance
- Valuation
- Financial Planning and Analysis
- Tax
- Human Resources
- Project Management
- Investor Relations
- Legal and Compliance

Organizational Preparation (Up to 2 Years)	•Hire "Home Team" Advisors •Corporate Structure and Reorganization •Financial Statements •Corporate Governance/Board/Management •Create Equity Story •Choose Investment Banks
Filing Preparation (10–14 Weeks)	•Due Diligence •IPO and Capital Structure •Financial Projections •IPO Prospectus Drafting
SEC Review (10–12 Weeks)	•Research Analyst Model •Research Analyst Diligence Meeting •Valuation Determination
Marketing and Pricing (1–2 Weeks)	•Marketing •Roadshow Presentation •Pricing

For additional information about Houlihan Lokey's valuation and advisory capabilities related to IPO readiness, please reach out to one of the contacts listed below.

Matthew Dodd
Managing Director
Transaction Advisory Services
New York
MDodd@HL.com

Daniel Klausner
Managing Director
Head of U.S. Public Equity Advisory
New York
Daniel.Klausner@HL.com

4 Spotlight On: *Real Estate Investing*

Cautious Optimism for 2024 Following a Turbulent 2023 as Fed Pauses Interest Rate Hikes

Increased investor uncertainty about the future of many real estate sectors, coupled with depressed returns due to property write-downs and increased borrowing costs, led to a more difficult fundraising environment for commercial real estate in 2023 compared to 2022—global capital raised for real estate investment in 2023 was $138.8 billion, down from $224.6 billion in 2022, making it the weakest fundraising year since 2012.

However, large fund managers have expressed optimism for 2024, citing opportunities created by the bottoming out of commercial real estate values, potential Fed rate cuts, and resilient fundamentals in key sectors such as logistics, housing, digital infrastructure, and even retail.

In Q1 2024, Blackstone announced the take-private of Canadian-based single-family and multifamily operator Tricon for $3.5 billion, followed by the $10 billion announced take-private of AIR Communities only three months later.

Total investment volume for U.S. real estate is forecasted to decline only by 5.0% in 2024, compared to the observed decline of 45.0% YoY in 2023.

As of November 2023, institutional real estate dry powder stood at $254.5 billion, with opportunistic, debt, and secondaries funds' dry powder near all-time highs of approximately $93.0 billion, $42.0 billion, and $8.0 billion, respectively.

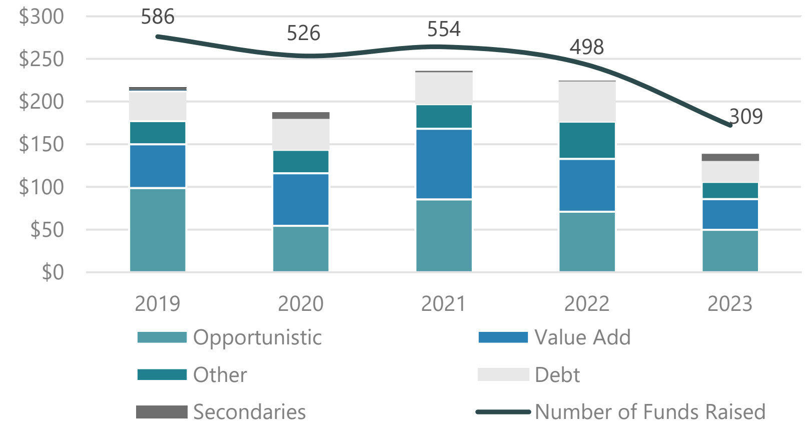
North American and multiregional strategies raised the most capital, accounting for 47.4% and 33.1% of funds raised, respectively, in 2023.

Funds in market are dominated by North America and multiregional focused vehicles, consisting of 57% and 18% of funds in market, respectively.

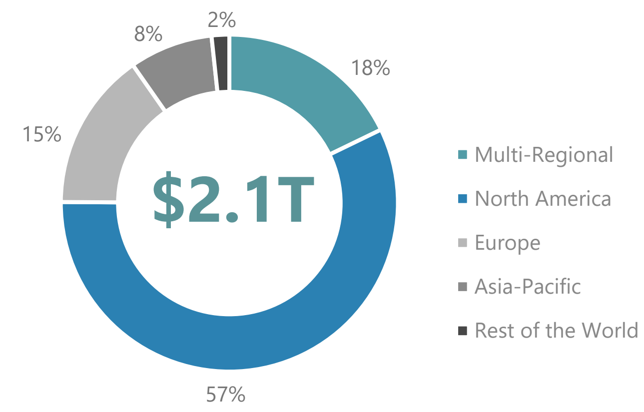
"We continue to see robust fundamentals in logistics, student housing, and data centers, which together comprise the majority of our real estate equity portfolio."

Jonathan Gray, Blackstone; Q4 2023 Earnings Call

Real Estate Fundraising Activity by Strategy ($B)



Real Estate Funds in the Market by Geography (2024)



Sources: PERE, Green Street, Preqin, CBRE 2024 Real Estate Outlook, PitchBook, Jefferies, Stepstone, public sources.

Debt Funding Gap Creates Opportunities for Distressed and Opportunistic Investors

High interest rates and downward movement of real estate values have elevated investors' cost of debt and are anticipated to create significant challenges for refinancing debt maturing in 2024–2027.

Geographically, Germany and the U.K. have the largest debt gaps of €41 billion and €32 billion, respectively, for loans maturing in 2024–2027, and the office and multifamily sectors have the largest looming debt funding gaps.

Cap rates have expanded by 100+ bps since early 2022 (in some cases 200+ bps), and a further expansion of 25–50 bps is expected in H1 2024, which may continue to depress property values (some estimates indicating another 5%–15% during 2024).

Distressed sales of high-quality core assets and stable loan portfolios represent a good opportunity for investors with dry powder.

As traditional lenders like banks step back, nontraditional lenders and subordinated debt are expected to fill much of the debt funding gap, and 2023 saw significant funds raised in private credit for opportunistic lending.

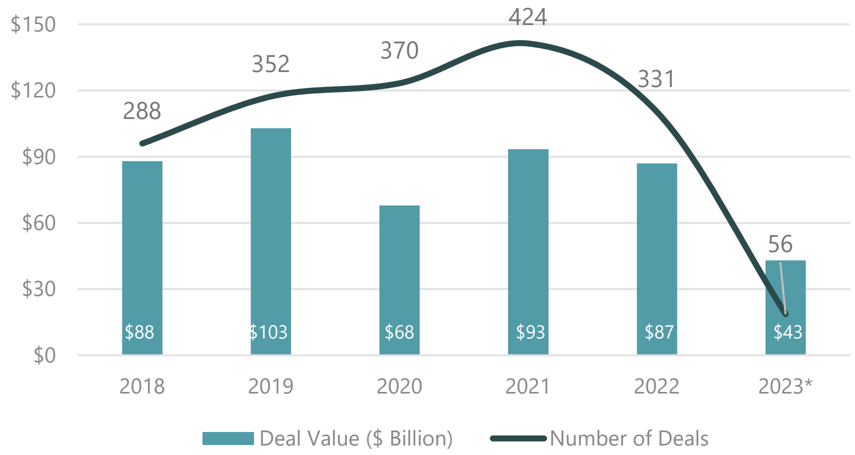
In Q2 2023, Blackstone closed on a $30.4 billion multiregional opportunistic fund, Blackstone Real Estate Partners X (BREP X), which is the largest real estate drawdown fund ever, to take advantage of the market dislocation.

Amid a backdrop of higher interest rates, adjustments in commercial real estate values, accumulating NAVs in older funds, and decreased fund distributions, investors are anticipating a significant uptick in secondary transaction volumes in the forthcoming periods.

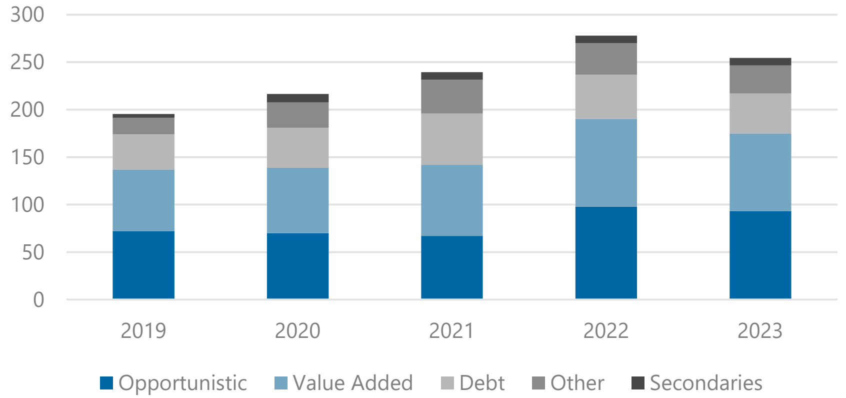
"We are now actively investing, and the current market backdrop is one of the most interesting environments we've seen since the early 2000s for real estate credit given the dynamics of higher rates, declining asset values, and a significant pullback in commercial real estate lending."

Jon Winkelried, TPG; Public Announcement

Distressed and Opportunistic Fundraising Activity ($B)



Real Estate Dry Powder by Strategy ($B)



**Data through June 30, 2023.*
Sources: PERE, Preqin, CBRE 2024 Real Estate Outlook, PitchBook, Jefferies, Stepstone, public sources.

Rise of Secondaries and Focus on Alternative Assets

The percentage of capital raised for secondaries increased from 0.4% in 2022 to 6.0% in 2023, highlighting the uptick in demand and investor interest in this previously niche market.

GP-led secondaries have been growing for the past five years, accounting for 80% of real estate secondaries transactions in 2022 as GPs look to meet funding gaps and rebalance fund exposures through secondary sales.

As investors search for yield, there is increased investment in previously niche sectors like data centers and single-family rental/build-to-rent.

The global data center market is expected to grow at 12% annually over the next five years, and low inventory saw YoY rent growth of 20%–30% in 2023, with many properties pre-leasing well in advance of completion—primarily reflecting the increased demand from hyperscale cloud users.

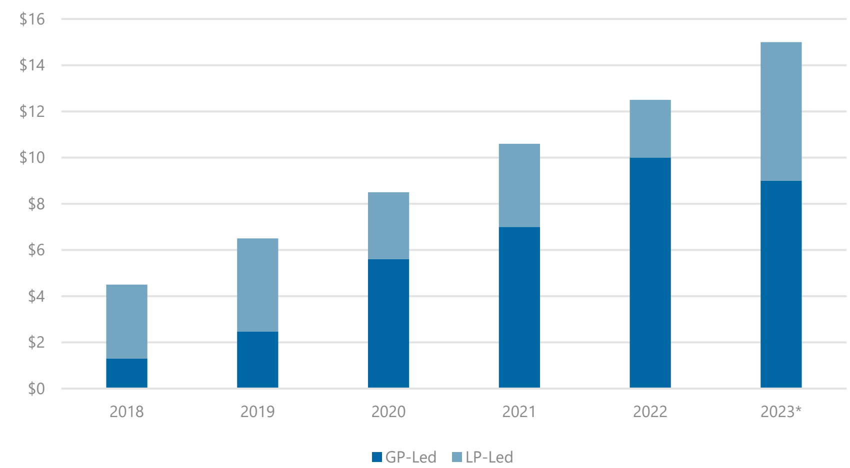
Despite elevated financing costs to buy/build homes, the demand for rental housing remains strong in the U.S. due to the persistent housing shortage, bolstered only by affordability concerns and a significant increase in home buyer borrowing costs.

Refer to Houlihan Lokey's recent spotlight on real estate here.

"We expect 2024 to be a year of transactions, creating more opportunities for well-capitalized lenders to finance deals."

Matt Salem, KKR; Public Announcement

Global Real Estate Secondaries Transaction Volume ($B)



For additional information about Houlihan Lokey's valuation and advisory capabilities related to real estate, please reach out to one of the contacts listed below.

Jeffrey Andrews
Director
Los Angeles
JAndrews@HL.com

Nick Way
Director
Dallas
NWay@HL.com

Coley Knust
Director
Chicago
CKnust@HL.com

Prashant Kamath
Senior Vice President
New York
PKamath@HL.com

**Data through April 2023.*
Sources: PERE, Preqin, CBRE 2024 Real Estate Outlook, PitchBook, Jefferies, Stepstone, public sources.

5 Spotlight On: *Growth in the APAC Market*

Increased Deployment Across the APAC Region

Asset managers have identified the APAC region as an opportunity to deploy capital.

In the past few months, Bain Capital raised $7.1 billion for its fifth Asia buyout fund, CVC Capital Partners raised $6.8 billion for its sixth Asia fund, and EQT raised the hard cap of its Asia mid-market growth fund to $1.4 billion.

Demand for infrastructure funds in the region is robust, as evidenced by Stonepeak's inaugural $3.3 billion Asia-dedicated infrastructure fund and KKR's Asia-specific infrastructure fund at $6.4 billion, both of which closed in early 2024.

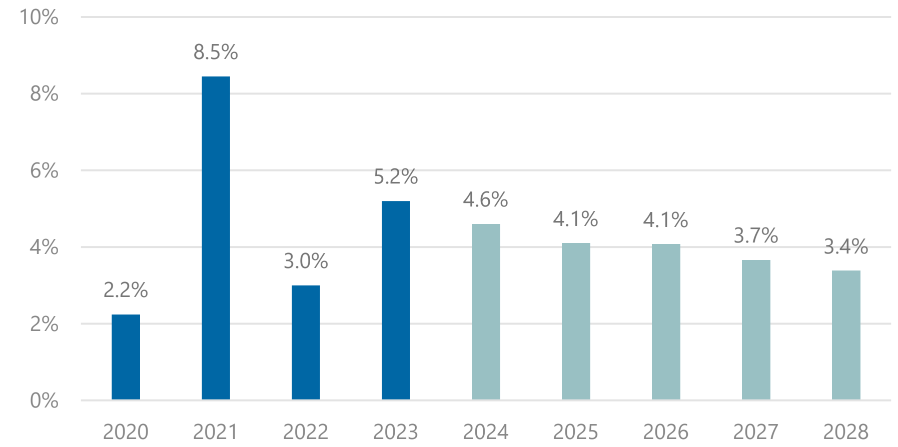
An economic slowdown in China, exacerbated by a downturn in the housing market, and heightened geopolitical risk have redirected foreign investments to other Asian countries with more attractive prospects.

Deal activity in Japan increased 23% year over year in 2023 as PE investors made a record number of acquisitions. A weak yen and low interest rate environment have attracted foreign investment, particularly for LBO financing deals.

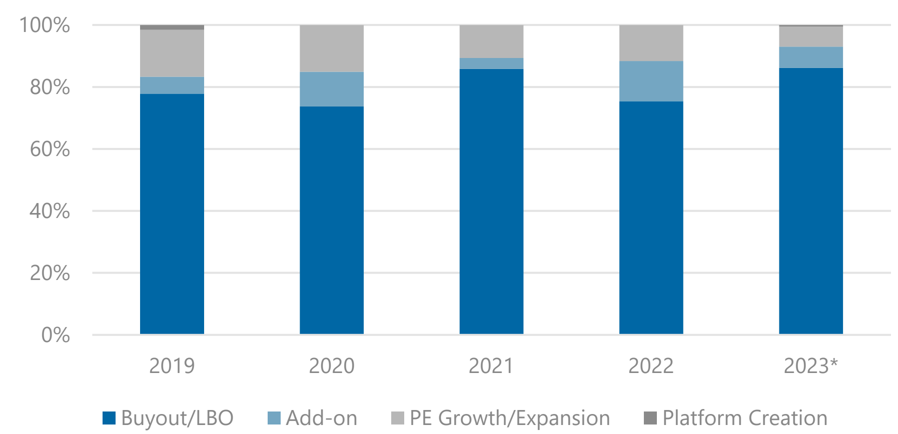
Although Japan may unwind its negative interest rate policy in 2024, investors and the government have encouraged deal activity with Nippon Individual Savings Accounts (NISA), a tax-free stock investment program for individual investors, which could help spur demand for transactions.

"Bringing in NISA would intensify competition in Japan's asset management business, and asset managers would hunt for M&A deals for faster growth."
Masahide Endo, Daiwa Institute of Research; S&P Global

China Gross Domestic Product *(% Growth From Prior Year)*



Share of Japan PE Deal Value by Sector



*As of September 30, 2023.
Sources: International Monetary Fund, The Wall Street Journal; PitchBook, 2023 Japan Private Capital Breakdown, December 2023.

High-Growth Expectations in India and SE Asia

Deal activity in renewable energy, infrastructure, logistics, and manufacturing accounted for one-third of deals in India in the past 18 months.

With 6%–7% growth forecast in 2024, investors are expecting a continuation or improvement from 2023 deal activity in India. In addition, the broader Southeast Asia region has experienced robust growth, with GDP increasing 56% since 2015.

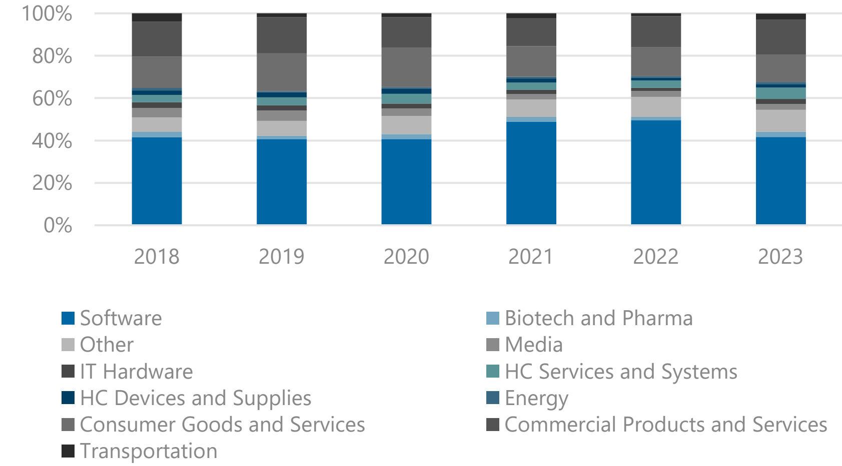
With a median age of less than 30 years, Southeast Asia's digital economy has become an area of focus, bringing in more than $200 billion annually and estimated to reach $300 billion in the next couple of years. As a result, Southeast Asia investment is weighted toward VC, with a particular focus on the software and B2C sectors. From 2018 to 2023, software deals as a share of annual deal count remained above 40%, while B2C deals increased their share of all deal count from 16.8% to 36.2% from 2021 to 2023.

Despite much higher growth, exit activity is constrained by smaller market size and remains lower than in North Asia, with a high-water mark of $22.9 billion of PE exit value in 2018. High capital deployment and slower exits have created a growing secondary market.

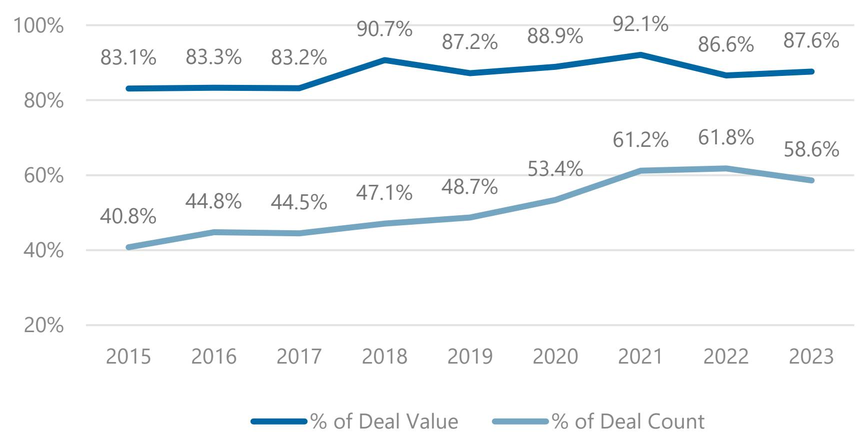
With VC taking a larger share of all deal value than other regions, many LP-led secondaries revolve around funds buying the potential upside of assets in the hopes they become unicorns.

"India's relatively strong economic growth prospects seem to be a key reason why the country is drawing in greater investment from public asset owners, including those from the Middle East."
Nikhil Sanghani, Economic and Monetary Policy Institute at OMFIF; Reuters

Share of Asia VC Deal Count by Sector



VC Deal Activity in Southeast Asia With Foreign Investor Participation



Sources: PitchBook, Southeast Asia Private Capital Breakdown.

Growing Investment in APAC From Middle East

Much of the deal flow into APAC is coming from the Middle East, particularly sovereign wealth funds (SWFs), which represented 86% of 2023 deal value in the Gulf Cooperation Council (GCC).

From 2021 to 2022, the GCC's trade with Emerging Asia rose 35%, with the expectation to reach $757 billion by 2030, double 2021's value.

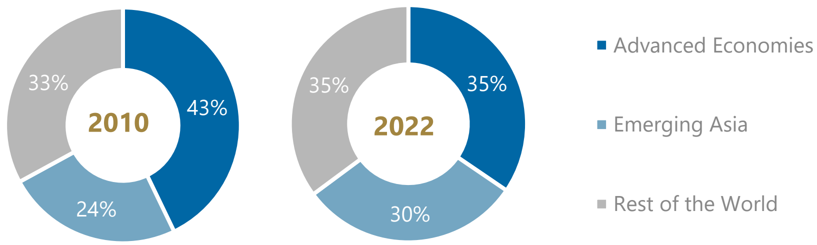
In the first three quarters of 2023, SWFs invested $8.5 billion into Asia, a 59% increase compared to the same period in 2022. In February 2024, Goldman Sachs and Mubadala signed a partnership to invest $1 billion in private credit opportunities throughout APAC.

Large deals in 2023 included (i) Mubadala co-leading a $2 billion investment in Chinese online fashion company Shein and (ii) Qatar Investment Authority investing $1 billion in India's Reliance Retail Ventures, the retail arm of Reliance Industries.

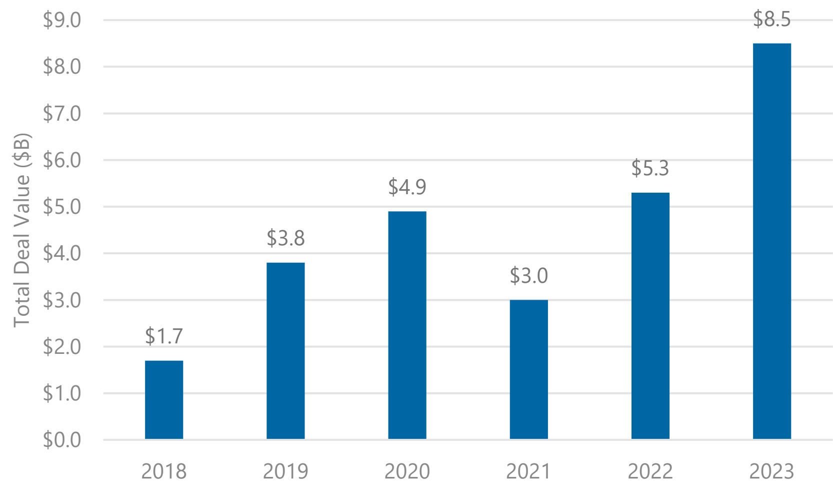
The playbook in the Middle East is to strengthen ties with Asian countries and to build out the supply chains in economies and sectors of the future, including automotive, semiconductor, green energy, and manufacturing. Examples include (i) Mubadala's investments in China's Hasten Biopharmaceutical, (ii) Mubadala's joint venture with National Resilience, a tech-focused biomanufacturing company, and (iii) PIF's $500 million joint venture with Hyundai to build a manufacturing plant in Saudi Arabia.

"The diverse and rapidly growing economies, as well as the increasing private equity deal volumes, are significantly driving demand in Asia-Pacific for customized credit solutions from nontraditional lenders."
Omar Eraiqat, Mubadala; Goldman Sachs Asset Management

Share of Total Gulf Trade With Advanced Economies, Asia, and RoW



Total Deal Value of Middle East Deals With Asia-Pacific Targets



Sources: Asiahouse.org, "The Middle East Pivot to Asia," December 2023; Bain & Company Global M&A Report 2024.

6 Transaction and Trading Comparables

Selected LTM GP Stake Announcements

After a slow start, deal activity in the alternative asset manager space has picked up, with 92 deals announced for total deal value of $9.3 billion as of December 31, 2023. GP stake activity has been driven by demand for managers with a niche strategy and/or strong fundraising record.

Announced	Buyer	Target	AUM ($M)	Target Details
Mar-24	Partners Group	Trinity Investments	$9,800	Real estate
Feb-24	Hunter Point	Pretium	$50,000	Real estate credit
Feb-24	Armen	Jolt Capital	€500	Growth equity – Europe
Feb-24	Investcorp	Banner Ridge Partners	$7,300	Secondaries
Nov-23	RidgeLake Partners	Gridiron Capital	$10,000	Buyout
Nov-23	Bonaccord Capital Partners	Kayne Anderson Private Credit	$6,000	Private credit – middle market
Oct-23	Affiliated Managers Group	Ara Partners	$5,000	Infrastructure – renewables
Sep-23	**Bonaccord Capital Partners**	**Revelstoke Capital Partners**	**$5,600**	**Buyout – healthcare**
Sep-23	Pacific Current Group	Avante Capital Partners	$1,000	Private credit – mezzanine
Aug-23	Affiliated Managers Group	Forbion	$3,180	Venture
Jul-23	Blue Owl GP Capital Solutions	Stonepeak	$57,100	Infrastructure
Jun-23	**Kudu Investment Management**	**Martis Capital**	**$2,100**	**Healthcare**
Jun-23	**Bonaccord Capital Partners**	**Synova Capital**	**$2,070**	**Buyout/growth – Europe**
May-23	**Wafra**	**MML Capital**	**NA**	**Growth equity – Europe**
May-23	**InvestCorp**	**MML Capital**	**NA**	**Growth equity – Europe**
May-23	Blackstone	FTV Capital	$6,000	Buyout
Apr-23	Hunter Point	Coller Capital	$27,500	Buyout/FoF
Apr-23	Hunter Point	Inflexion	$9,760	Growth equity

Note: Bolded deals represent those in which Houlihan Lokey acted as an advisor to the target.
Sources: PitchBook, S&P Capital IQ.

Selected LTM Control M&A Announcements

Control transactions accounted for 49% of deal count in 2023, the highest share in over a decade. Looking forward, large firms will be expected to have a full suite of diversified products and proprietary distribution channels, making it difficult for smaller firms to compete.

Announced	Buyer	Target	Deal Size	Target AUM	Target Details
Apr-24	Blue Owl Capital	Prima Capital Advisors	NA	NA	Real estate credit
Jan-24	BlackRock	Global Infrastructure Partners	$12,500	$100B	Infrastructure
Oct-23	Wendel Group	IK Partners	$405M	$10.9B	Buyout – Europe
Oct-23	Patria Investments	Abrdn's European PE Business	$122.3M	NA	European private equity
Sep-23	Bridgepoint Group	Energy Capital Partners	$1.1B	$18.5B	Infrastructure and renewables
July-23	Rithm Capital	Sculptor Capital Management	$639M	$34B	Hedge fund, real estate credit
May-23	TPG	Angelo Gordon	$2.7B	$73B	Private credit, real estate
May-23	Mubadala	Fortress	NA	$46B	Multi-strategy
Apr-23	Sound Point Capital	Assured Investment Management	$428M	$15B	CLOs
Mar-23	First Sentier	AlbaCore Capital	$763M	$9.5B	Private credit – U.K.
Feb-23	Bridgepoint Investment Group	Newbury Partners	$320M	$4.3B	Secondaries
Jan-23	Brookfield	DWS	NA	$550M	Secondaries

Sources: PitchBook, S&P Capital IQ.

Alternative Asset Managers (AAM) vs. S&P 500

Since 2019, the S&P 500 has provided gross returns of 58% for investors compared to a median AAM return of 40%.

Between 2019 and 2021, gross returns for the AAM managers outperformed S&P 500 gross returns.

However, since Q1 2022, AAM gross returns have fallen below S&P 500's returns as asset managers saw a large outflow of assets due to uncertainty caused by rising interest rates, increasing commodity prices, and the Russia-Ukraine conflict.

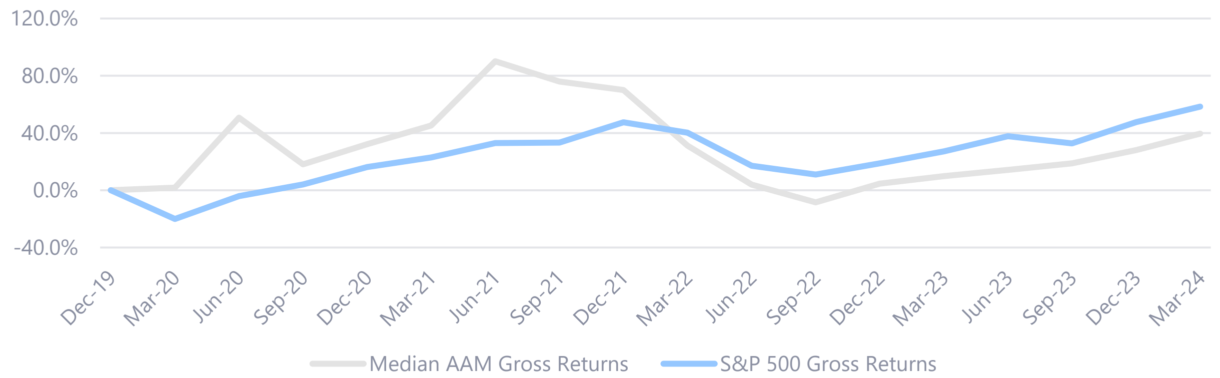
During the first three quarters of 2022, the median AAM market cap dropped by 46% compared to the S&P 500 falling by 25%.

However, since Q3 2022, AAM stocks came back and provided investors with a gross return of 52% compared to the S&P 500 returning 43%.

During Q1 2024, median AAM gross returns were 9.0% compared to the S&P 500 return of 7.3%.

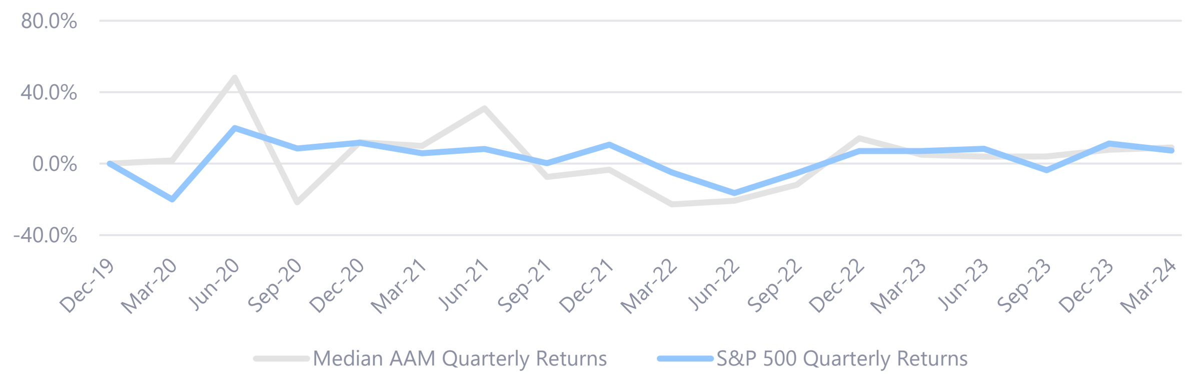
AAM vs. S&P 500 Gross Returns

Percentage



AAM vs. S&P 500 Quarterly Returns

Percentage



Note: March 2024 pricing is as of March 15, 2024. The return data for AAMs is based on the market cap of selected AAMs.
Source: Public sources.

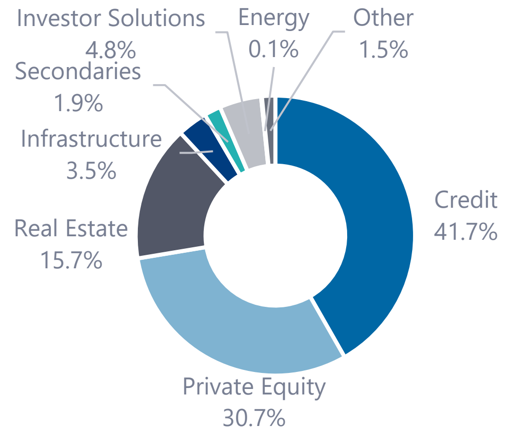
AUM Trends by Strategy

Since Q1 2023, there has been more money raised for credit strategies relative to other strategies (fluctuating between 38% and 42% of AUM each quarter), driven by the surge in private credit deals.

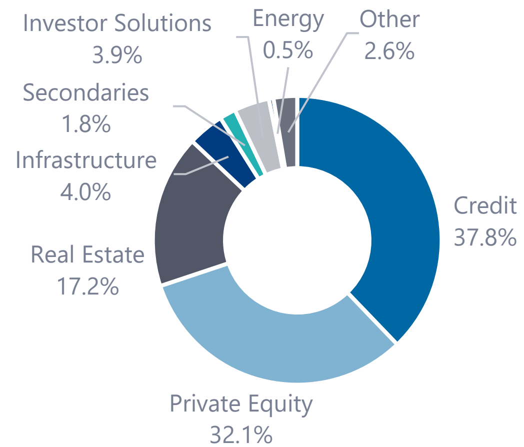
Market share for real estate AUM peaked in Q3 2023 at 19%, as investors were looking to combat inflation, but dropped off in Q4 2023 to 13% amid depressed returns.

Private equity strategies, on the other hand, have experienced a slight decrease in market share, declining from 31% of total AUM in Q1 2023 to 29% in Q4 2023, given the challenging IPO and M&A exit markets.

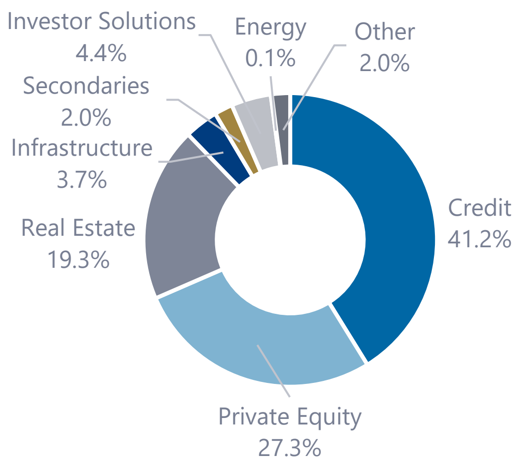
Q1 2023 AUM by Sector



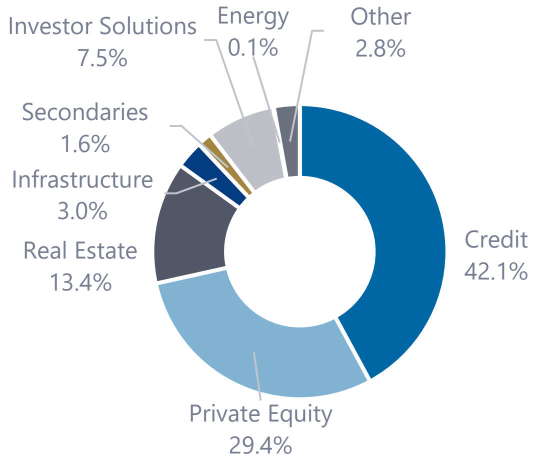
Q2 2023 AUM by Sector



Q3 2023 AUM by Sector



Q4 2023 AUM by Sector



Note: Data is based on the public filings of selected AAMs.
Source: Public filings.

7 Houlihan Lokey: Your Trusted Advisor

Houlihan Lokey is the trusted advisor to more top decision-makers than any other independent global investment bank.

CORPORATE FINANCE

2023 M&A Advisory Rankings
All Global Transactions

	Advisor	Deals
1	**Houlihan Lokey**	**352**
2	Rothschild & Co	349
3	Goldman Sachs & Co	300
3	JP Morgan	300
5	Morgan Stanley	253

Source: LSEG (formerly Refinitiv).
Excludes accounting firms and brokers.

FINANCIAL RESTRUCTURING

2023 Global Distressed Debt & Bankruptcy Restructuring Rankings

	Advisor	Deals
1	**Houlihan Lokey**	**73**
2	PJT Partners Inc	64
3	Rothschild & Co	51
4	Lazard	37
5	Evercore Partners	27

Source: LSEG (formerly Refinitiv).

FINANCIAL AND VALUATION ADVISORY

1999–2023 Global M&A Fairness Advisory Rankings

	Advisor	Deals
1	**Houlihan Lokey**	**1,247**
2	JP Morgan	1,035
3	Duff & Phelps, A Kroll Business	977
4	UBS	884
5	Morgan Stanley	716

Source: LSEG (formerly Refinitiv).
Announced or completed transactions.

No. 1
Global M&A Advisor

No. 1
U.S. M&A Advisor

Leading
Capital Markets Advisor

No. 1
Global Restructuring Advisor

1,700+
Transactions Completed Valued at More Than $3.5 Trillion Collectively

No. 1
Global M&A Fairness Opinion Advisor Over the Past 25 Years

2,000+
Annual Valuation Engagements

Portfolio Valuation and Fund Advisory Services

Asset Class Expertise

- Fund Manager Investments
- Illiquid Debt and Equity Securities
- Complex Derivative Instruments
- Mortgage-Backed Securities
- Collateralized Debt Obligations
- Collateralized Loan Obligations
- Marketplace Lending
- Convertible Arbitrage Strategies
- Trade and Bankruptcy Claims
- Real Estate Investments
- PIPE Investments
- Joint Venture Investments
- Contingent Value Rights

Industry Expertise

- Business Services
- Consumer, Food, and Retail
- Energy
- Financial Services
- FinTech
- Healthcare
- Industrials
- Real Estate, Lodging, and Leisure
- Technology

HOW IS HOULIHAN LOKEY'S PORTFOLIO VALUATION AND FUND ADVISORY SERVICES PRACTICE DIFFERENT?

- Leading industry and asset class expertise
- Capital markets and corporate finance platforms that provide invaluable market insight
- Network of global offices with a deep bench of resources that can be mobilized quickly to meet client turnaround times and a growing portfolio
- Independent valuation analysis includes full narrative report and supporting materials
- Senior professionals have a long tenure with the firm and are continuously involved throughout an engagement process
- Regular assistance in audit process and any conceptual or technical valuation questions
- Strong industry relationships with auditors, regulators, and other industry players
- In-place conflicts check procedures and information walls across teams where appropriate
- Only firm that requires all of our Portfolio Valuation and Fund Advisory financial professionals to hold securities licenses in their respective jurisdictions (e.g., FINRA in the U.S., FCA in the U.K., SFC in Hong Kong SAR, etc.)

Houlihan Lokey's Portfolio Valuation and Fund Advisory Services practice benefits from being embedded in a world-class corporate finance, capital markets, financial restructuring, and financial advisory platform. Our valuation work product is informed by a real-time pulse on market sentiment and our ability to bring industry-leading technical expertise to serve our clients' esoteric valuation challenges.

Contributing Portfolio Valuation Team Members

Tad Flynn
Senior Advisor
New York
TFlynn@HL.com

- Mr. Flynn is a member of Houlihan Lokey's Financial and Valuation Advisory business, serving as Head of Asset Manager Services, where he co-founded the Fund Opinions practice.
- In 2009, he co-founded the firm's Capital Markets Group, focused on raising senior and junior capital to support general corporate purposes, refinancings, leveraged buyouts, recapitalizations, growth capital, restructurings, and acquisitions.

Andrew Proctor
Managing Director
New York
AProctor@HL.com

- Mr. Proctor is a member of Houlihan Lokey's Financial and Valuation Advisory business. He has more than three decades of experience providing valuation and related advisory services.
- Mr. Proctor currently specializes in the valuation of alternative asset managers—both management and carry vehicles.

Susanna O'Brien
Managing Director
Boston
SOBrien@HL.com

- Ms. O'Brien is a member of Houlihan Lokey's Financial and Valuation Advisory business with over 12 years of experience in the valuation of alternative asset managers for financial reporting, estate and gift tax, dispute resolution, management planning, and transactional purposes.

Matt Roach
Vice President
New York
Matt.Roach@HL.com

- Mr. Roach is a member of Houlihan Lokey's Financial and Valuation Advisory business. He specializes in portfolio valuations for debt, equity, and derivative instruments for a wide range of alternative asset investors, including hedge funds, private equity funds, business development companies, limited partner investors, and corporations.

Connor Piper
Associate
New York
Connor.Piper@HL.com

Janae Neuenschwander
Associate
New York
Janae.Neuenschwander@HL.com

Floris Meersschaert
Financial Analyst
New York
FMeersschaert@HL.com

Arne Verhaege
Financial Analyst
New York
Arne.Verhaege@HL.com

David Kleiman
Financial Analyst
New York
David.Kleiman@HL.com

Spencer Hester
Financial Analyst
New York
SStewart-Hester@HL.com

Afnan Ahmed
Financial Analyst
New York
Afnan.Ahmed@HL.com

Samantha Rosenberg
Financial Analyst
New York
Samantha.Rosenberg@HL.com

Disclaimer

Houlihan Lokey is a trade name for Houlihan Lokey, Inc., and its subsidiaries and affiliates, which include the following licensed (or, in the case of Singapore, exempt) entities: in (i) the United States: Houlihan Lokey Capital, Inc., an SEC-registered broker-dealer and member of FINRA (www.finra.org) and SIPC (www.sipc.org) (investment banking services); (ii) Europe: Houlihan Lokey UK Limited and Houlihan Lokey Advisory Limited, authorized and regulated by the U.K. Financial Conduct Authority; Houlihan Lokey (Europe) GmbH, authorized and regulated by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht); (iii) the United Arab Emirates, Dubai International Financial Centre (Dubai): Houlihan Lokey (MEA Financial Advisory) Limited, regulated by the Dubai Financial Services Authority for the provision of advising on financial products, arranging deals in investments, and arranging credit and advising on credit to professional clients only; (iv) Singapore: Houlihan Lokey (Singapore) Private Limited and Houlihan Lokey Advisers Singapore Private Limited, each an “exempt corporate finance adviser” able to provide exempt corporate finance advisory services to accredited investors only; (v) Hong Kong SAR: Houlihan Lokey (China) Limited, licensed in Hong Kong by the Securities and Futures Commission to conduct Type 1, 4, and 6 regulated activities to professional investors only; (vi) India: Houlihan Lokey Advisory (India) Private Limited, registered as an investment adviser with the Securities and Exchange Board of India (registration number INA000001217); and (vii) Australia: Houlihan Lokey (Australia) Pty Limited (ABN 74 601 825 227), a company incorporated in Australia and licensed by the Australian Securities and Investments Commission (AFSL number 474953) in respect of financial services provided to wholesale clients only. In the United Kingdom, European Economic Area (EEA), Dubai, Singapore, Hong Kong, India, and Australia, this communication is directed to intended recipients, including actual or potential professional clients (UK, EEA, and Dubai), accredited investors (Singapore), professional investors (Hong Kong), and wholesale clients (Australia), respectively. No entity affiliated with Houlihan Lokey, Inc., provides banking or securities brokerage services and is not subject to FINMA supervision in Switzerland or similar regulatory authorities in other jurisdictions. Other persons, such as retail clients, are NOT the intended recipients of our communications or services and should not act upon this communication.

Houlihan Lokey gathers its data from sources it considers reliable; however, it does not guarantee the accuracy or completeness of the information provided within this presentation. The material presented reflects information known to the authors at the time this presentation was written, and this information is subject to change. Any forward-looking information and statements contained herein are subject to various risks and uncertainties, many of which are difficult to predict, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. In addition, past performance should not be taken as an indication or guarantee of future performance, and information contained herein may be subject to variation as a result of currency fluctuations. Houlihan Lokey makes no representations or warranties, expressed or implied, regarding the accuracy of this material. The views expressed in this material accurately reflect the personal views of the authors regarding the subject securities and issuers and do not necessarily coincide with those of Houlihan Lokey. Officers, directors, and partners in the Houlihan Lokey group of companies may have positions in the securities of the companies discussed. This presentation does not constitute advice or a recommendation, offer, or solicitation with respect to the securities of any company discussed herein, is not intended to provide information upon which to base an investment decision, and should not be construed as such. Houlihan Lokey or its affiliates may from time to time provide financial or related services to these companies. Like all Houlihan Lokey employees, the authors of this presentation receive compensation that is affected by overall firm profitability.

CORPORATE FINANCE

FINANCIAL RESTRUCTURING

FINANCIAL AND VALUATION ADVISORY

HL.com

Houlihan Lokey