Portfolio Valuation and Fund Advisory Snapshot

Key Trends in Private Capital Markets

Summer 2024 Update

Houlihan Lokey

1 Private Capital Fundraising

LP Concentration and Challenges Persist in Q1 Amid Shifting Dynamics

Through Q1 2024, 521 private market funds raised a total of $295 billion across all asset classes, on par with the $298 million raised in Q1 2023. However, the number of funds fell dramatically by 46% year over year, highlighting the increasing concentration of capital raised.

Funds over the $1 billion mark accounted for 81% of Q1 2024 fundraising capital and comprise more than 60% of the total capital raised since 2018.

Venture capital (VC) continued to struggle into Q1 2024, with fundraising declining by 44% year over year, representing the slowest pace since Q1 2015. The downturn is primarily driven by the persistently sluggish deal environment, which has led to the large amounts of dry powder that remain in the market.

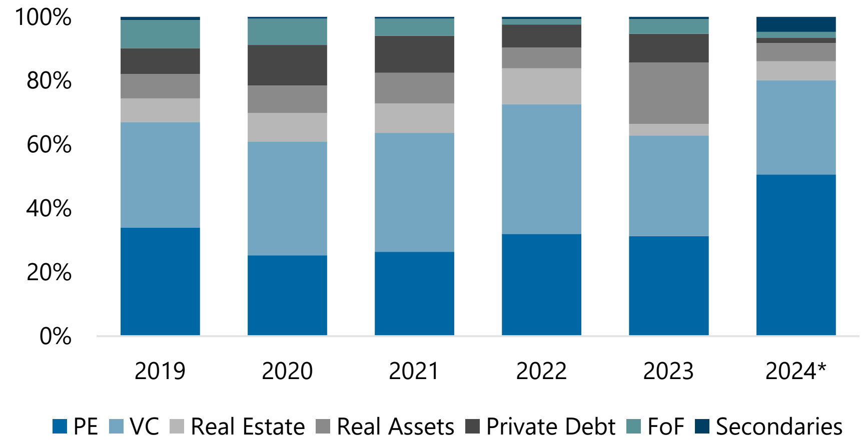
Real assets and real estate were tracking below their historical proportions for Q1 2024, partly due to several large funds closing in 2023. On an annualized basis, capital raised for real estate and real assets strategies are expected to decline by 30% and 16%, respectively.

North America accounted for approximately 44% of the total private capital raised in Q1 2024, a notable decline from 73% in Q1 2023.

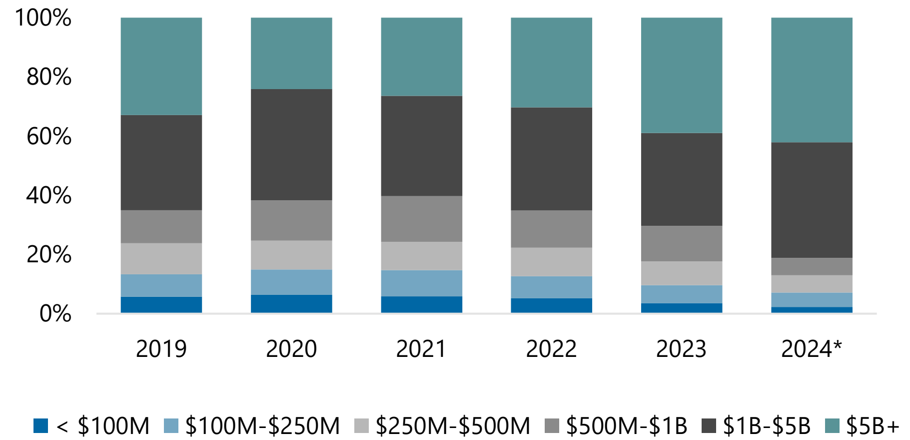
"Our fundraising success has come in different rate cycles and economic environments over the past decades, which supports our view that assets follow performance."

—Michael J. Arougheti, Ares; Q1 2024 Earnings Call

Private Capital Fundraising Strategy



Private Equity Fundraising by Size



Source: PitchBook.
**As of March 31, 2024.*

Growth Amid Liquidity Challenges and High Rates

Private equity (PE) funds comprised the largest share of capital raised in Q1 2024, accounting for 53% of total fundraising. During the quarter, PE funds successfully raised $156 billion, on track to grow 13% year over year.

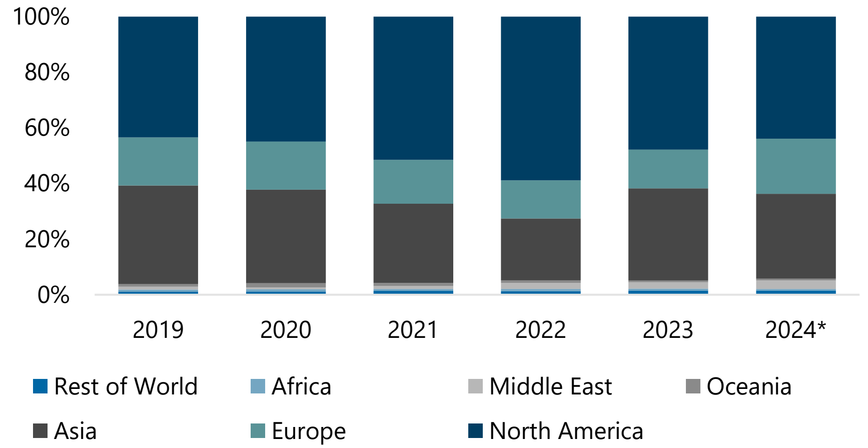
However, achieving returns has proved challenging in today's environment. Exit activity in Q1 2024 decreased 11% compared to the same period in 2023. Additionally, GPs are facing the persistent issue of accumulated dry powder, with $3.9 trillion of unspent capital, of which $1.1 trillion sits specifically within buyout funds.

Playing an important role in alleviating liquidity issues, secondary funds raised $35 billion in Q1 2024, up 6% from $33 billion in Q1 2023. In 2023, secondary funds raised a total of $82 billion, up 124% year over year, reflecting their attractive ability to offer LPs and GPs liquidity solutions when needed.

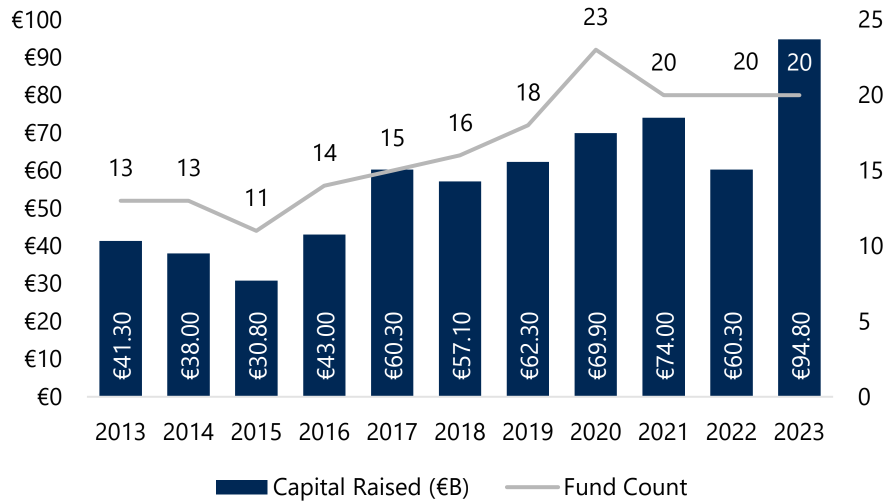
The private capital markets in Europe have seen a notable rise in fundraising in recent years, marked by significant increases in capital deployment and European mega funds raising record amounts. In Q1 2024, European markets raised $99 billion of private capital, or 33% of total capital raised globally during the same period. This represents a material increase compared to the $37 billion raised in Q1 2023, or approximately 17% of total global private capital raised during the same period.

"The secondary platform is a key component of our specialized fund growth, and our platform continues to expand as the overall secondaries market grows. The success of this fundraise is a direct result of our market leading position within the asset class as we continue to be a holistic solution provided to both GPs and LPs seeking liquidity."
—Erik Hirsch, Hamilton Lane; Q1 2024 Earnings Call

Private Capital Raised by Region (%)



PE Mega Funds Fundraising Activity in Europe (€B)



Source: PitchBook.
**As of March 31, 2024.*

Sluggish Start for VC and Private Debt

Across the private capital markets, Q1 2024 highlighted various challenges and opportunities. VC struggled with continued economic uncertainties and minimal LP commitments, while private debt posted the weakest start to a year since 2016 in terms of capital raising.

Global VC fundraising secured only $29.8 billion in funds in Q1 2024 and is on track to raise less than $200 billion for the year, which would represent a 48% decline from 2021 levels. Both established and emerging managers struggled to raise capital, with each group raising less than 17% of their 2023 totals during the quarter.

Geographically speaking, Asia saw a slight decrease in Q1 2024 VC fundraising with $14 billion of capital raised as compared to $16 billion in Q1 2023. Conversely, North America raised $21 billion of VC capital in Q1 2024 relative to the $11 billion raised in Q1 2023. Without an expected increase in deal activity, LPs are hard-pressed to add further exposure to the strategy. This continues to drag on fundraising, with North America holding the highest amount of dry powder across geographies.

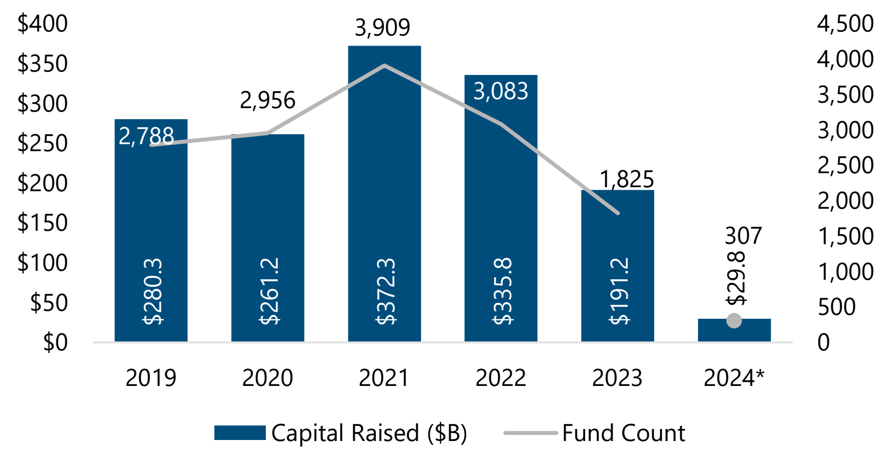
Q1 2024 also marked a sluggish start for private debt fundraising, contrasting sharply with the robust figures of Q1 2023. Funds closed on only $30 billion of capital in Q1 2024 compared to $50 billion in Q1 2023. This is primarily driven by demand being siphoned off by a market rebound in more liquid alternatives with comparable yields, following record levels of private debt raised in 2023.

Additionally, prolonged fundraising cycles with a median close time of 19 months relative to an average closing time of 12 months underscore more cautious investor sentiment toward the asset class.

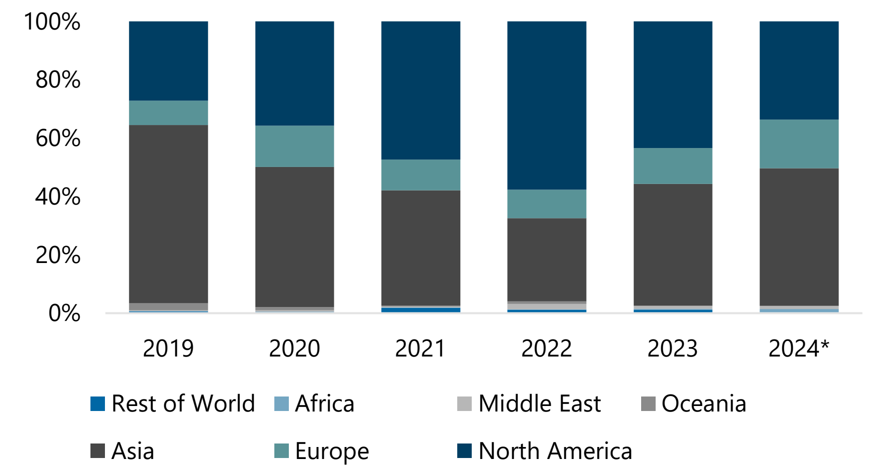
"The current market backdrop is one of the more interesting environments we've seen since the early 2000s."

—Jon Winkelried, TPG; Q2 2024 Earnings Call

VC Fundraising ($B)



% of Total VC Raised by Region



Source: PitchBook.
**As of March 31, 2024.*

2 Private Credit Environment

Credit Market Update

The Federal Reserve has held the federal funds rate constant throughout the start of 2024 due to stronger-than-expected U.S. economic data. In June, Chair Jerome Powell expressed that the Fed expects to cut rates once during 2024. Due to the stability of the federal funds rate and outlook from the Fed, spreads have tightened significantly in investment-grade credit as well as high-yield and leveraged loans since the widest spread levels at the beginning of 2023.

The U.S. broadly syndicated loan market has started to rebound in the first half of 2024, as the demand for lower borrowing costs and refinancings has increased. The rebound has also presented additional opportunities for mezzanine capital borrowing. During the first half of 2024, more than a quarter of the U.S. leveraged loan market was repriced, equating to nearly $350 billion of institutional term debt.

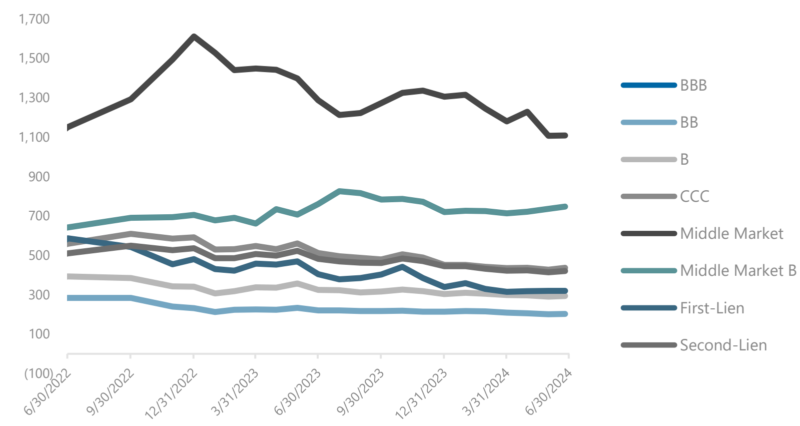
Because of the heightened competition with the broadly syndicated market, private credit funds have responded by reducing spreads and offering more accommodative structures. In the first half of 2024, pricing for top-tier credits had begun approaching pre-COVID-19 levels, which has led to increases in refinancings for loans executed in 2022 and 2023.

Given the increased competition, there has been some easing up on covenants in Q1 2024 for upper-middle-market companies to be more borrower-friendly. The environment is not yet considered covenant-lite; however, the number of deals with both leverage and fixed-charge covenants decreased from 61.3% in 2023 to 53.3% in Q1 2024.

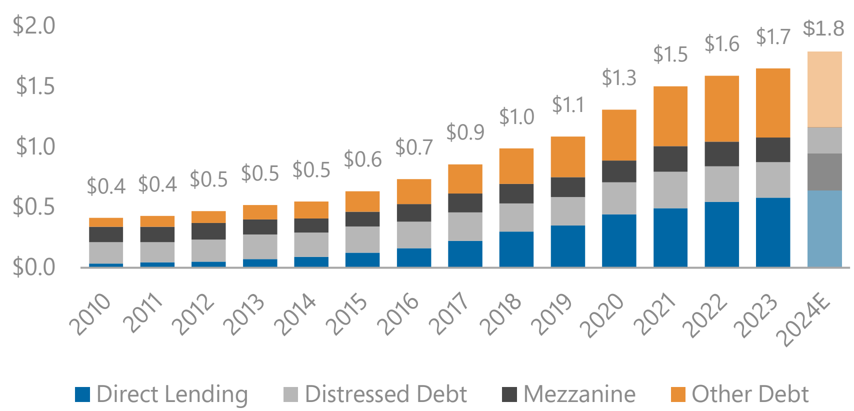
Refer to Houlihan Lokey's most recent issue of its Private Performing Credit Index [here](#).

"Capital from the banking system and private credit is more readily available. Private credit and syndicated loan spreads are at historically tight levels."
—Harvey Schwartz, Carlyle; Q1 2024 Earnings Call

Movement in Key Benchmark Spreads (Basis Points)



Private Credit Market Size (AUM, $T)



Source: PitchBook.

Growth in Private Credit

Due to the increased regulation and the fallout of the banking crisis in early 2023, banks have become significantly more risk-averse, shifting demand from middle-market lending to private debt funds. Given the attractive returns, diversified managers have raised private debt funds, creating increased competition to deploy capital.

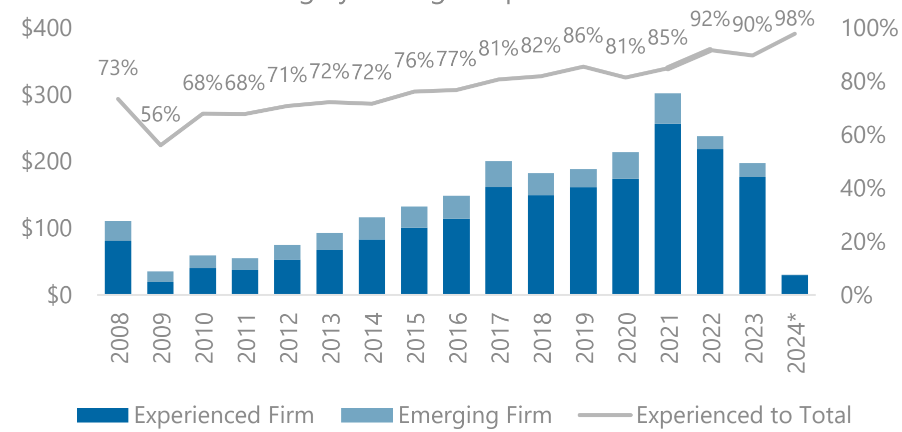
While fundraising slowed in the first half of 2024, allocations to private debt are expected to continue to increase, demonstrating investors' confidence in the sector. A recent S&P Global Market Intelligence survey found that nearly 61% of LPs investing in private markets plan to expand their asset allocation to private credit this year.

A significant portion of private debt fundraising is raised by established managers with a strong track record. In Q1 2024, 97.8% of fundraising was from established managers, and the 10 largest funds received nearly 75% of total commitments. Goldman Sachs recently announced a $20 billion direct lending fund (West Street Loan Partners V), highlighting the confidence investors have in the private credit space and the dominance of established managers in fundraising.

Dry powder remains at an all-time high, with competition with other private credit lenders and syndicated loans driving down spreads. Deal activity for private credit funds and business development companies (BDCs) continue to be strong in the first half of 2024, driven by growing dry powder, demand for PE firms to return capital to investors, and potential rate cuts.

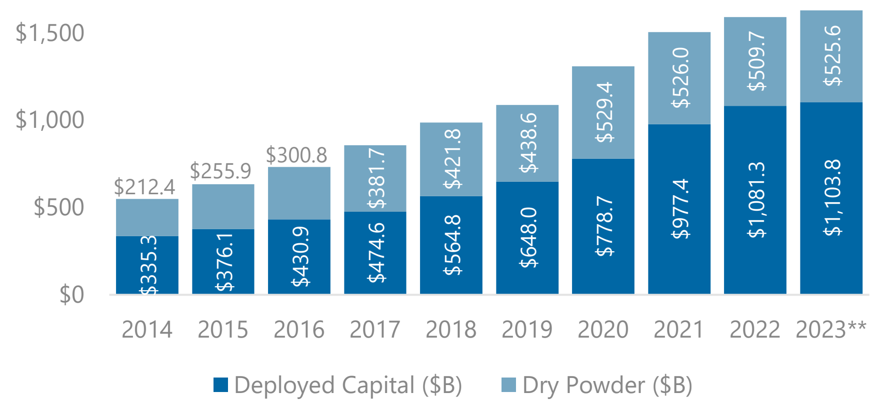
"We continue to have conviction that the pent-up demand for M&A, the significant amount of private equity dry powder, and the demand from LPs to return capital will be conducive to an improved transaction environment this year."
—Michael J. Arougheti, Ares; Q1 2024 Earnings Call

Private Debt Fundraising by Manager Experience



Source: PitchBook.
**As of March 31, 2024.*

Private Debt Dry Powder Levels



Source: PitchBook.
***As of September 30, 2023.*

Changes in Fund Strategies and Uptick in Private Credit IPOs

The landscape of private debt has evolved significantly, marked by notable shifts in the deployment timeline and fund strategy. Private credit is renowned for its ability to rapidly deploy capital when borrowers need it. This flexibility is a key factor in its attractiveness, prompting private credit managers to adopt more aggressive strategies. The increase in retail private credit providers has heightened competitiveness in the sector, further exacerbating the aggressiveness in deploying capital. Investors in private credit vehicles now see their capital deployed more quickly compared to PE funds, where commitments are typically drawn over a longer period.

BDCs have gained popularity by providing retail investors access to private credit markets, which were previously dominated by institutional investors. This surge in popularity has led to an increase in valuations, subsequently boosting IPO activity within the BDC space. In the second half of 2022 and throughout 2023, most BDCs were trading at a discount to their net asset values; however, the rebound in the debt markets resulted in BDCs trading at a slight premium. In the first two quarters of 2024 alone, four BDCs have gone public, highlighting the high demand for this accessible asset class.

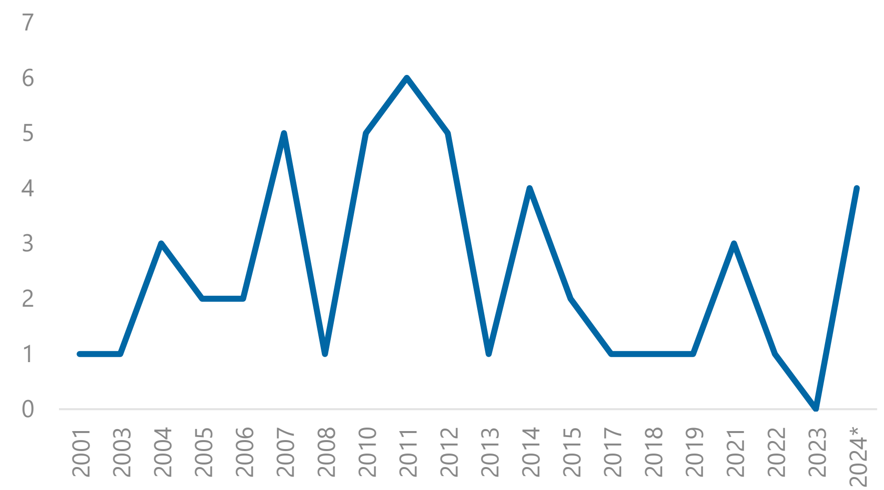
"Liquidity in publicly traded fixed income is at record lows. Liquidity for private credit is actually increasing daily."

—Marc Jeffrey Rowan, Apollo; Q1 2024 Earnings Call

2024 BDC IPOs

Fund	Ticker	Listing Date	Proceeds ($M)	Market Cap ($M)	NAV ($M)
Kayne Anderson BDC	KBDC	5/21/2024	N/A	$1,167.7	$1,905.9
Nuveen Churchill Direct Lending	NCDL	1/24/2024	$99.3	$966.9	$1,004.3
Morgan Stanley Direct Lending	MSDL	1/23/2024	$103.4	$2,080.7	$1,816.8
Palmer Square Capital BDC	PSBD	1/17/2024	$89.7	$529.3	$535.8

BDC IPO Frequency From 2001 to 2024



Source: S&P Capital IQ.
**As of June 26, 2024.*

3 NAV Financing Market

NAV-Based Financing Has Evolved Amid a Challenging Liquidity Environment

While NAV loans have been around since before the Global Financial Crisis, their relevance, utilization, and key actors have evolved over the past few years.

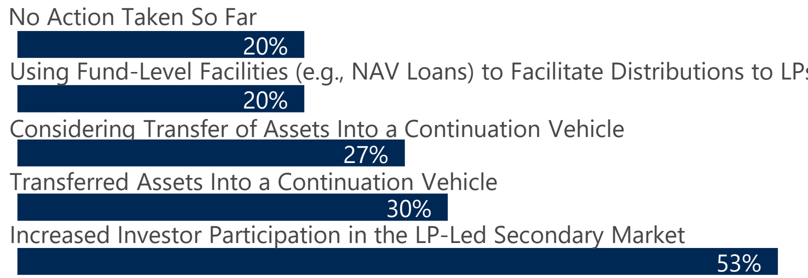
Traditionally, banks had offered subscription lines of credit, backed by the uncalled equity capital commitments of a fund's LPs. Often with terms of one to two years and a standardized structure, subscription lines would allow capital calls to be delayed, increasing IRRs for investors. As base rates increased over the past few years and regional banks experienced turmoil, traditional banks have limited the availability of these subscription lines. Alternative lenders, seeing an opportunity for attractive risk-adjusted returns, have emerged as the primary lenders for these instruments, offering more flexible terms and use cases to fund managers and LPs.

The relevance of NAV loans and other forms of fund financing has increased amid a challenging liquidity environment. Q1 2024 global PE exit value of $81.2 billion was down 22% year over year, representing the lowest quarterly exit total since Q2 2020, and the average buyout holding period of 5.8 years in 2023 was the longest in more than a decade. As a result, fund managers have increasingly relied on NAV loans and other forms of fund-level financings to fund distributions and GP commitments, and to spur asset growth through follow-on acquisitions. According to Citco, the NAV financing market has grown at a 30% CAGR from 2019 to 2023.

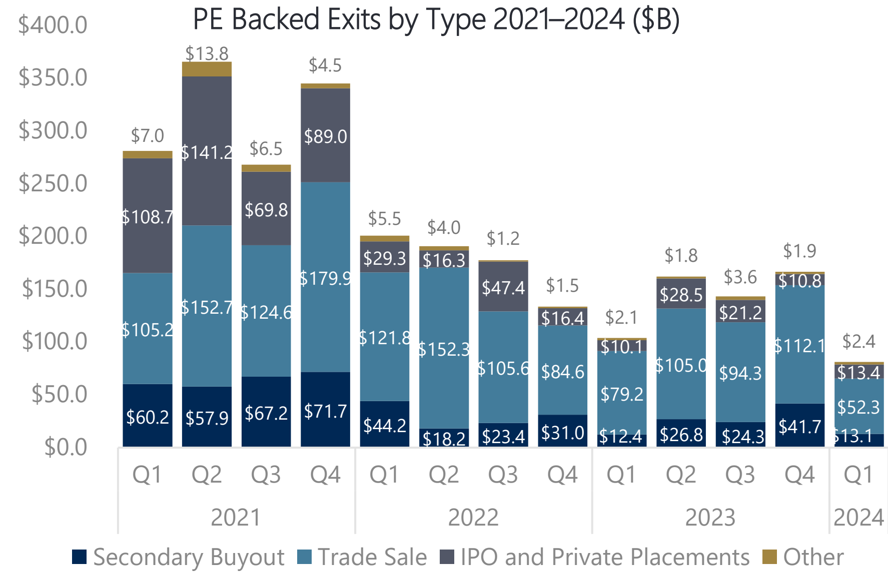
"[NAV Loans] continue to serve a purpose within the alternatives sector – evidenced by their continued growth – and represent an invaluable safety valve for alternatives vehicles. Closed-end funds, or their investors, obtain liquidity at a reasonable cost that allows them to fulfil their fiduciary duties. Lenders receive an appropriate risk-adjusted return, at a prudent loan-to-value with diversified collateral."

—Michael Peterson, Citco Capital Solutions; "NAV Lending Grows Rapidly as Heightened Disclosure Looms"

What GPs Are Doing to Accelerate Liquidity



PE Backed Exits by Type 2021–2024 ($B)



Sources: EY PE Pulse Q1 2024 Survey, PitchBook, S&P Global.
Note: Data as of April 15, 2024.

NAV Loans and Preferred Equity Structures Offer Differentiated Flexibility

Both NAV loans and preferred equity instruments, among other forms of financings, provide investors and fund managers alike with structuring flexibility based on their objectives, use of capital, and LP considerations.

17Capital has been providing fund financing since its inception in 2008 and has deployed $4 billion through 14 investments with NAV loans, and $7.4 billion through 82 investments with preferred equity financing. In August 2023, Apollo announced it would offer $4 billion in NAV loans in the coming years. As of October 2023, AXA Investment Managers has raised a $400 million NAV financing fund, and as of June 2024, Pemberton Asset Management was raising a $1 billion NAV financing fund with Abu Dhabi Investment Authority.

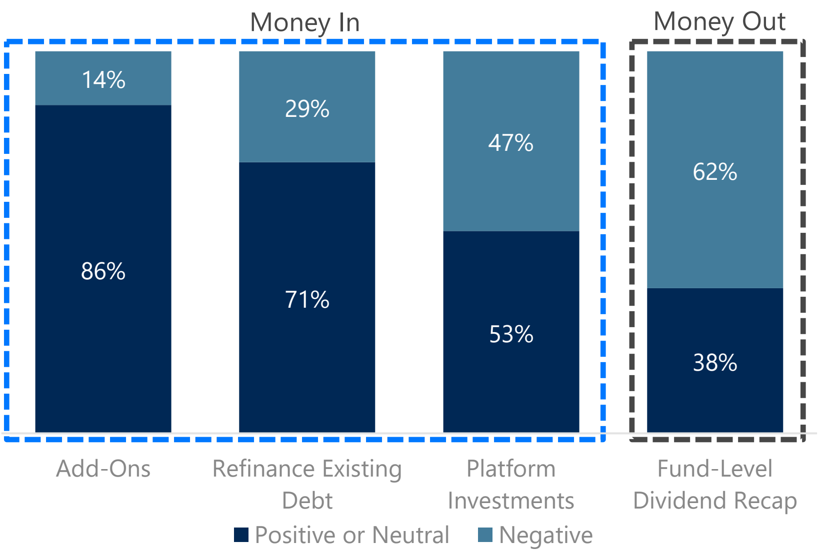
As it relates to the forms of fund financings available, preferred equity structures offer higher flexibility to fund managers, while investors typically receive a stake in the fund and a fixed dividend percentage or percentage of realizations from the fund's portfolio.

Separately, NAV loans require detailed collateral assessments with stringent covenants and reporting. They are often cheaper than preferred equity but add leverage to the fund manager. Investment-grade NAV loans cap out at 25% loan-to-value (LTV) and are typically rated A-, priced similarly to CLOs in the range of around S+350 to S+450. If LTV is above 25%, the loans will price closer to the S+550 to S+750 range.

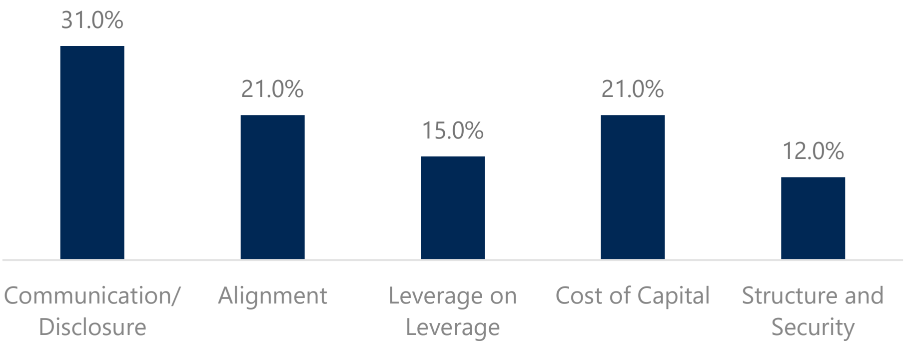
"With the cost of capital so much higher, it is challenging for GPs to effectively achieve desired returns. NAV lending solutions have the ability to provide GPs with a lot of flexibility in terms of the time to monetize their portfolios."

—Kevin Alexander, Ares; "GPs Turn to NAV Financing"

LPs' Perspective:
How Do You View the Direct Use of Proceeds for NAV Facilities?



What Are Your Key Concerns With NAV Financing?



Source: Rede Partners NAV Financing Market Report 2024.

Cautious Optimism for the Future of NAV Financing

LP criticism surrounding the fund-level use of NAV facilities has been an increasing topic of debate, with LPs pushing for more transparency from their GPs.

A common criticism from LPs is that they did not enter their LP agreements with the expectation of their investments being cross-collateralized, effectively the result of taking out a GP-level NAV facility. The interest payments on NAV loans can eat away at the fund's TVPI ratio, leading to lower distribution rates for LPs. Another concern is whether the distributions LPs are receiving are coming from value creation or the cash from a NAV facility. GPs can alleviate these concerns and ensure proper alignment with LPs through transparency and LP consent before taking out a NAV facility.

There is cautious optimism for the future growth of NAV financing. Citco estimates that the NAV financing market is expected to grow to $600 billion by 2030. However, there are questions about the relevance of NAV facilities once liquidity conditions and exit markets improve. Additionally, as borrowing rates decline and spreads tighten, the returns from a NAV lenders' perspective may not be as attractive.

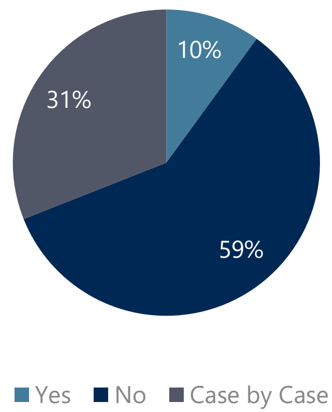
Nonetheless, NAV facilities will continue to be used in the U.S., and there remains to be further adoption and development among middle-market managers in Europe as well as fund managers in the APAC region.

In 2024 and beyond, hybrid NAV financing will continue to be an attractive financing solution, especially at the continuation-fund level.

"We always advise GPs to engage with LPs first so that when we start speaking to potential lenders, we feel comfortable about the fund's capacity to be a borrower in a NAV financing transaction."

—Khizer Ahmed, Hedgewood Capital Partners; "Ham Lane: LPAC Consent Is Not a 'Killer' for NAV Financing"

Are GPs Providing Sufficient Information and Disclosure on NAV Facilities?



For additional information about Houlihan Lokey's NAV financing capabilities, please see our 2023 NAV Lending Market Update and reach out to one of the contacts listed below.

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Source: 2024 Rede Partners NAV Financing Market Report.

4 Spotlight On: *Sports Investing*

PE Interest in Sports Soars as Minority Investments Gain Traction

Over the past two years, there has been a massive influx of PE capital into sports assets driven by the growing valuations, changing rules around leagues, and majority stakeholders' need for liquidity.

Globally, North American investors deployed the most capital in sports rights, making up 62.0% of deals, followed by Middle Eastern and European investors, who invested in 20.0% and 9.0% of deals, respectively.

As a result of increased interest, certain fund managers have started raising funds solely dedicated to sports investments while others have continued raising additional funds for the sports industry. In April 2024, Arctos Capital announced the close of its second sports investment fund at $4.1 billion, exceeding its initial target of $2.5 billion, while Avenue Capital raised $445.0 million for its first sports fund in June 2024. Additionally, Sixth Street announced it is planning its first sports-focused fund.

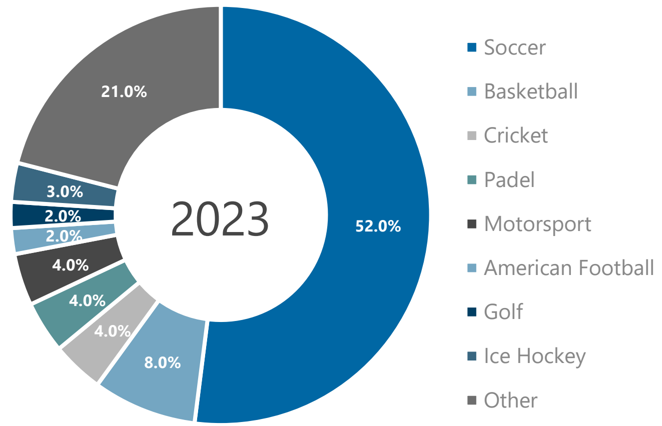
At the start of 2021, Ares acquired a 34.0% minority stake in one of the biggest soccer clubs in the world, Atlético de Madrid, and in FY 2023, the firm issued $390.0 million in subordinated debt to Real Madrid. It also made other minority allocations in McLaren Racing, the San Diego Padres, and the Ottawa Senators.

At the end of 2023, Arctos purchased a minority stake for $537.5 million in Ligue 1 club PSG. During FY 2022, the firm made $36.0 million in Serie A club Atalanta BC, and in FY 2021, it increased its stake of the Golden State Warriors to 13.0%. Sovereign wealth funds (SWFs) are also using international sporting events like UFC (Abu Dhabi), the 2024 FIFA World Cup (Qatar), and LIV Golf (Saudi Arabia) to diversify their portfolios and increase global visibility and recognition.

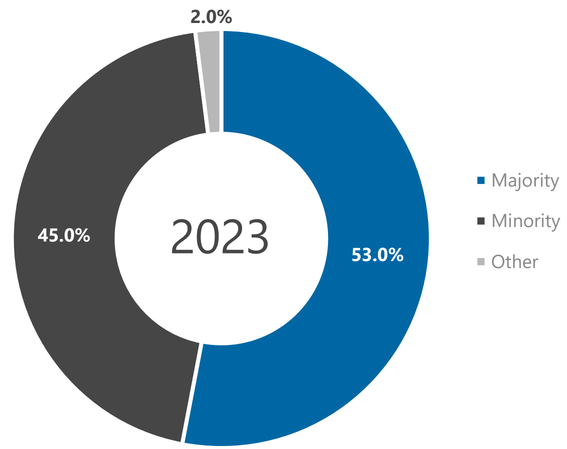
SWFs' investments extend to domestic competitions with majority ownership of teams like Newcastle United (Saudi Arabia), Manchester City FC (Qatar), PSG (Qatar), Washington Wizards (Qatar), and Washington Capitals (Qatar).

"There's an inherent requirement of capital for most sports to breach the transition from the linear broadcast changes and reliance on that in the economy of sports to a direct-to-consumer environment."
—Danny Townsend, SRJ Sports

Global Sports Rights Holder Deal Volume by Sport (%)



Global Sports Rights Holder Deal Volume by Investment Type (%)



Sources: S&P Capital IQ, Drake Star, Deloitte, Pensions & Investments, Yahoo Finance, McKinsey, SBJ, Bloomberg, and other public sources.

American PE's Continued Interest in European Soccer

During FY 2023, dealmakers invested €4.9 billion (~$5.3 billion), up from €66.7 million (~$71.8 million) in FY 2018 in Europe's top five soccer leagues (Premier League, Bundesliga, La Liga, Serie A, and Ligue 1).

Multi-club ownership (MCO) stakes in the top five leagues have increased to 41.7% as of 2024, up from 36.7% in the prior year, as regulations have softened around PE investment in European soccer and revenues soar.

Nine out of 20 teams in the U.K.'s Premier League are PE-backed, the most of any domestic European soccer league. U.S. investors hold ownership in 60.0% of European clubs, and 75.0% of investors have MCO, meaning they own multiple clubs in different countries.

During Q1 2024, Ares announced a $500.0 million equity investment in Premier League team Chelsea FC following Clearlake Capital's $5.3 billion acquisition of Chelsea FC in 2022.

During 1H 2024, Oaktree Capital Management took control of Inter Milan, the reigning Italian Serie A champion, whereas Redbird Capital acquired its city rival, AC Milan, for €1.2 billion (~$1.3 billion).

The Premier League reported market growth of 16.0% for the 2022/2023 season, with the rest of the European leagues reporting combined growth of 14.0%. European football market size for the 2023/2024 and 2024/2025 seasons is projected to rise to $37.6 billion and $39.1 billion, respectively, up from $35.3 billion in the 2022/2023 season.

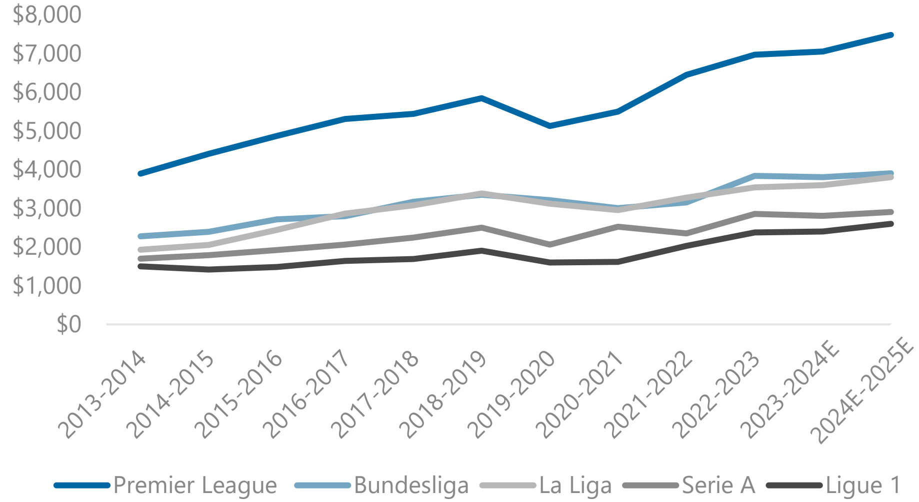
As brand values soar, PE sees a lucrative opportunity in media rights. During 2022, Sixth Street invested €507.5 million (~$547.0 million) for 25% of FC Barcelona's LaLiga media rights revenue for the next 25 years.

Additionally, during FY 2023, CVC Capital Partners (CVC) invested $2.2 billion for 8.2% of Spanish La Liga's broadcasting and sponsorship income for 50 years, and in FY 2022, CVC made a €1.5 billion (~$1.6 billion) investment in French Ligue 1 for 13.0% of media rights to capitalize on the undervaluation of soccer broadcasting rights.

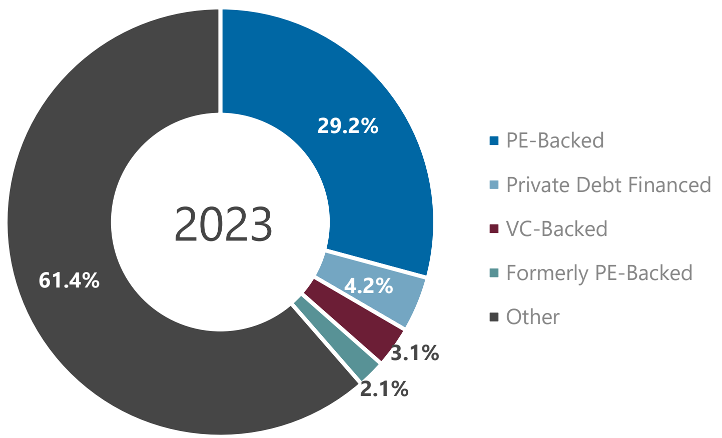
"In today's media landscape, sports are the greatest congregation of reliable audience and the most valuable global IP in the world."

—David O'Connor, Arctos Partners

Revenues in Europe's Top Five Leagues ($B)



Big Five European Soccer League Financing Type (%)



Sources: PitchBook, Deloitte, Business Insider, Financial Times, AP, Forbes, CBS Sports, Esiner Ramper, and other public sources.

The Many Faces of Sports Investing

Sports continue to be primarily content play; however, many associated verticals within sports, such as sports tech, college sports, and women's sports, have drawn significant capital.

Sports tech is one of the fastest-growing verticals, with $7.0 billion raised in FY 2024 and deal value in the sector climbing to $37.0 billion, up 76.2% year over year. M&A activity in the sector is expected to continue strongly into FY 2024, supported by strong valuations and a large influx of capital, specifically in the AI and fan engagement sectors.

During 2023, 14.0% of all sports transactions were women's sports deals, a record year, as league revenues for women's sports are projected to surpass $1.0 billion for the first time in 2024. During FY 2024 and beyond, an expanding group of investors in women's sports sectors is expected, including institutional investors, PE funds, and high-net-worth individuals.

Angel City FC in the National Women's Soccer League (NWSL) became the highest-valued women's sports team in the world at $180.0 million, as NWSL valuations soared after the signing of a four-year, $60.0-million-per-year broadcast deal in 2024, up 40.0x from the league's last media deal.

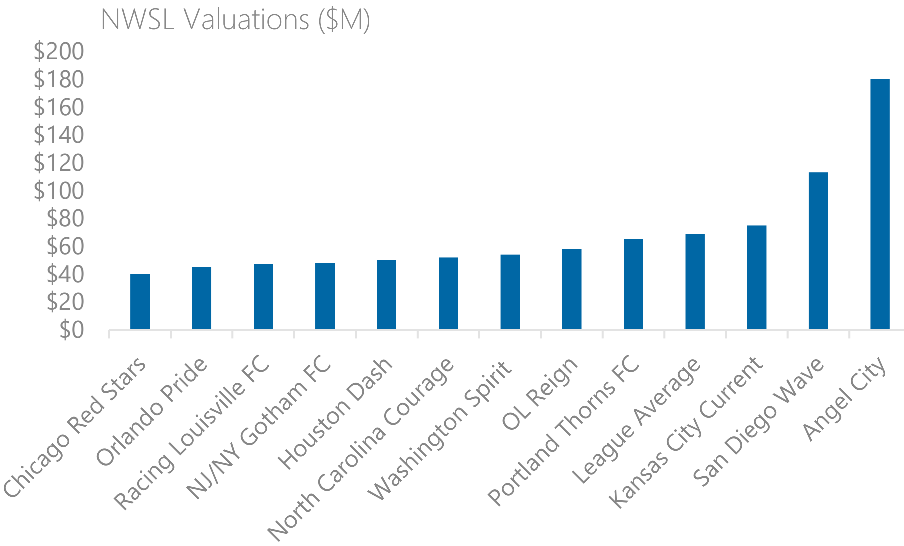
In college sports, the Big 12 conference is considering a first-of-its-kind cash infusion of around $1.0 billion from CVC, as PE firms target NCAA deals.

RedBird Capital valued Michigan football around $1.0 billion, and it sees future opportunities of PE firms building portfolios with stakes in Michigan, Texas, and Ohio State football.

During May 2024, Weatherford Capital and Redbird Capital teamed up to form Collegiate Athletic Solutions with the goal of lending money and guidance to athletic departments in exchange for a share of future revenue.

"Similar to the global men's soccer franchises, we will start to see professional women's teams become national and global consumer brands."

—Alan Waxman, Sixth Street



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

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Sources: Deloitte, JP Morgan, Baird, Business Insider, CBS Sports, Legends, and other public sources.

5

Spotlight On: *Venture Capital and AI*

VC Poised to Bounce Back From a Slow Year

As of Q1 2024, healthcare, information technology, and business services were leading the way for VC investments with investment shares of 30.0%, 24.0%, and 14.0%, respectively.

Given the persistent high-discount-rate environment and inflation, VC investors continue to exercise caution in deployment as companies now wait longer to raise rounds and valuation growth between rounds remains compressed.

As of Q1 2024, the median ages of U.S. startups securing Seed, Series A, and Series B rounds were 3.1 years, 5.1 years, and 6.1 years, respectively, marking record highs. This trend primarily stems from the anticipation that ongoing rounds will maintain or reduce their valuations.

However, 76.0% of VC GPs expect an increase in deployment in 2024 as some of the macro headwinds start to subside.

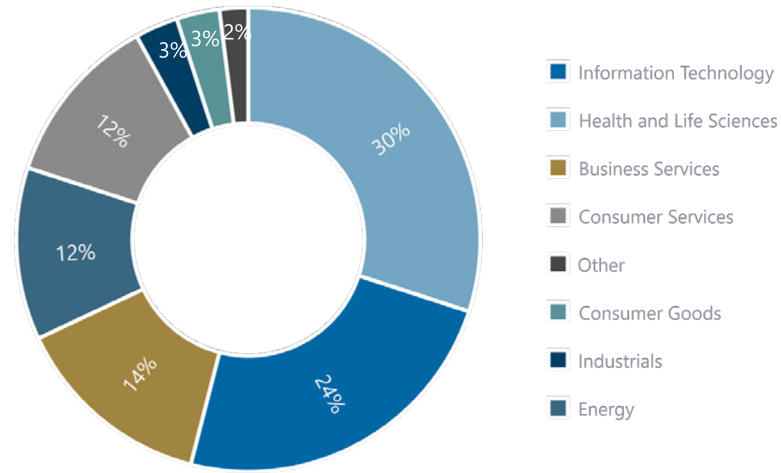
Q1 2024 saw deal volumes on par with 2019 and 2020, albeit the overall deal values are still too low for VC investors to make significant returns.

Given the circumstances, global PE dry powder remains abundant, with more than $3.9 trillion still available in the global market as of 2023, up from $3.5 trillion in 2022 and $3.2 trillion in 2021.

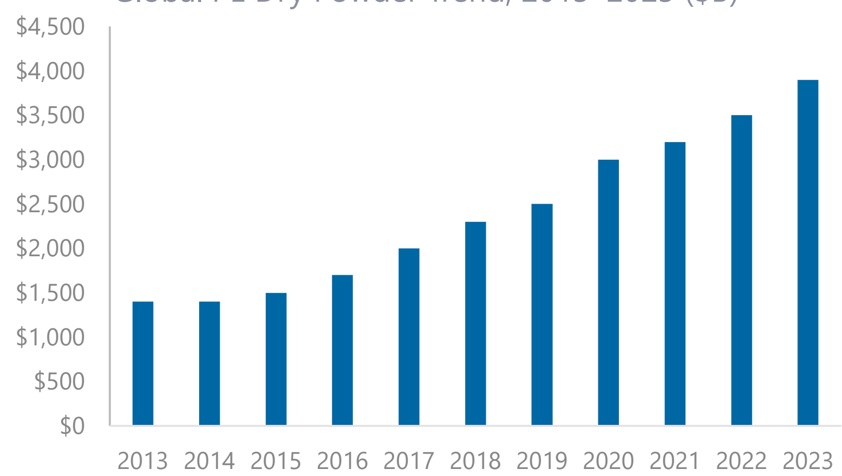
AI, an asset class comprising machine learning, natural language processing, computer vision, robotics, and expert systems, remains a standout in the U.S. VC market, comprising 22.0% of deal count and 34.0% of deal value in Q1 2024.

"After a challenging 2023, we think that institutions who can be a provider of liquidity to others or have the flexibility to deploy additional capital may be able to take advantage of some unique and compelling risk-return opportunities in 2024."
—John Ivanac, Franklin Templeton Institutional

VC Amount Invested by Sector, Q1 2024



Global PE Dry Powder Trend, 2013–2023 ($B)



Sources: PitchBook, EY, Bain, Franklin Templeton Institutional, and other public sources.

Nvidia's Meteoric Rise Ushers an Era of Hardware Acceleration

While other sectors continue to struggle, AI has seen investment and valuation growth. 37.5% of all U.S.-based unicorn deals in the past two years have been in the AI sector.

During Q1 2024, the median early-stage AI valuation surged to $70.6 million, the highest it has ever been, and the median late-stage AI company valuation hit $100.0 million, approximately $40.0 million higher than both SaaS and FinTech verticals.

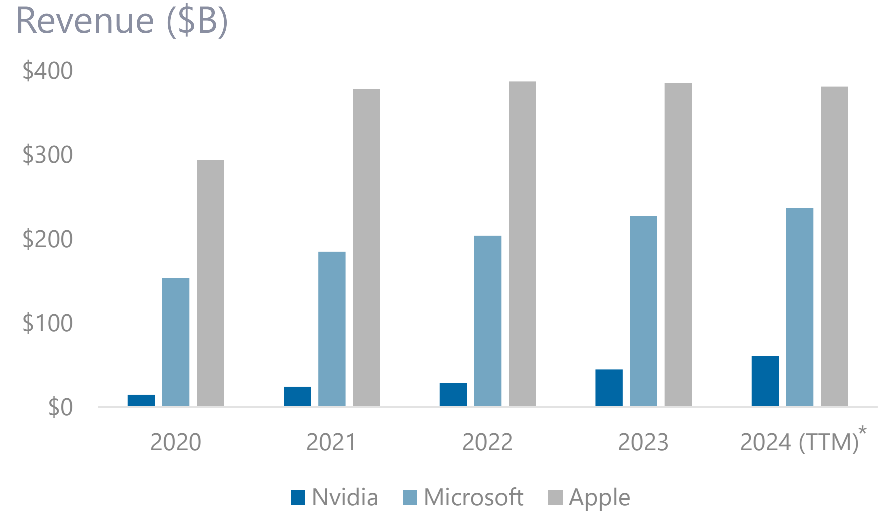
A prominent development has been Nvidia's remarkable ascent, surpassing traditional tech giants to claim the third-highest market capitalization globally.

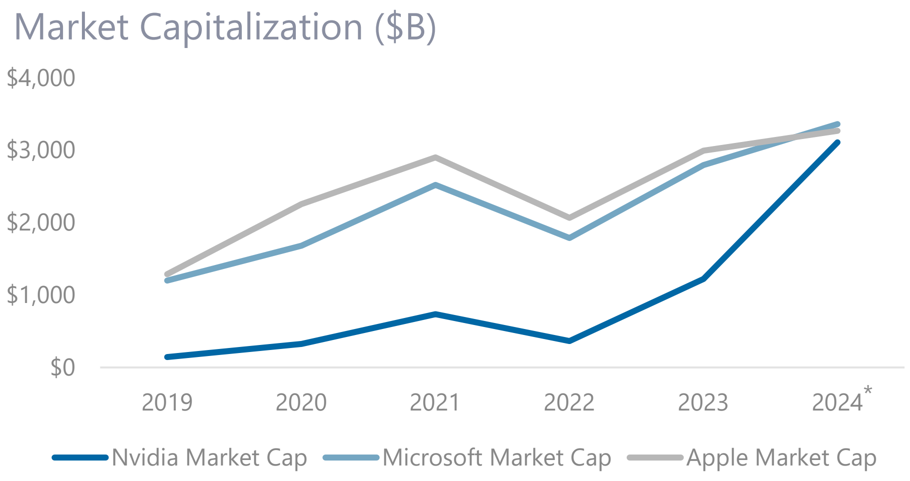
In June 2024, Nvidia's market capitalization reached $3.3 trillion, a significant increase from $1.2 trillion at the end of FY 2023. This surge was driven by strong demand for its graphic processing units (GPUs) and critical for AI applications, enabling the company to double its revenue year over year in 2023 to $61.0 billion.

Nvidia's stock is presently trading at a premium multiple due to investor confidence in AI. Nvidia's LTM EV/EBITDA multiple stands at 60.4x, significantly higher than Microsoft's 29.6x and Apple's 22.8x. Similarly, Nvidia's LTM P/E multiple of 71.6x exceeds Microsoft's 39.8x and Apple's 34.3x.

The focus going into 2024 continues to be on hardware acceleration, as large sums of strategic and institutional capital are deployed in data centers and semiconductors.

"AI's moment is now. Every business is considering how it will be integrated into operations and its impact on the future. However, the adoption of AI is more than a technology challenge. It's about unlocking new economic value responsibly to realize the vast potential of this technological evolution."
—Carmine Di Sibio, EY





**As of June 30, 2024.*
Sources: PitchBook, Morningstar, S&P Capital IQ, EY, and other public sources.

Evolving Global AI Landscape

Due to AI's rapid ascent, the allocation of investments in this sector by global PE firms and governments varies significantly, mirroring diverse priorities and visions for the future.

U.S. VCs have poured $290.0 billion into AI over the past five years, with optimistic forecasts in the U.S. indicating that AI could potentially increase annual GDP growth by 0.5% to 1.5% in the coming decade, amounting to $1.2 trillion to $3.8 trillion in inflation-adjusted terms.

Globally, the focus remains on AI networking equipment, as Morningstar estimates that market spending will grow to $34.0 billion by 2028 from $8.0 billion in 2023, implying a CAGR of approximately 33.6%.

During FY 2023, Nvidia held more than 80.0% of the AI networking market.

VCs have invested approximately $120.0 billion in China's AI ecosystem, and as the world's largest market for industrial robots, China accounts for 52.0% of all global robot installations.

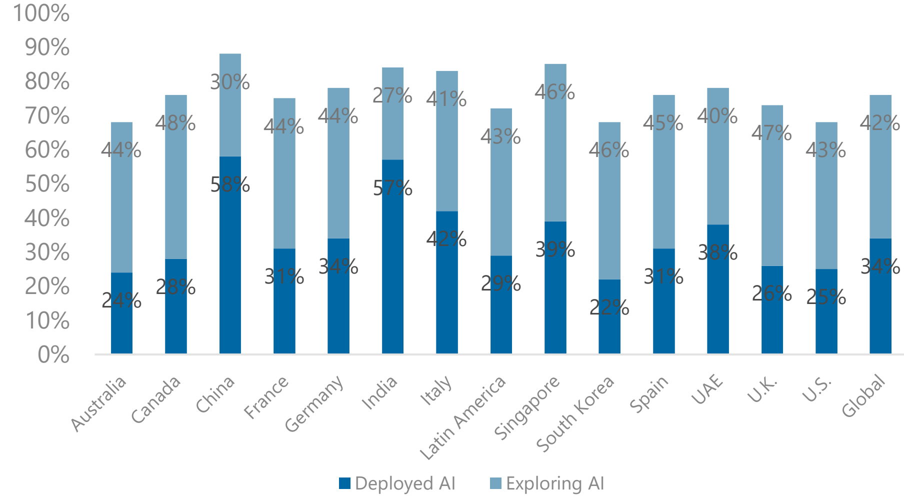
India's AI market is set to expand to $17.0 billion by 2027, growing at an annualized rate of 25.0% to 35.0% each year due to government incentives, attraction of foreign capital, and a fast-growing talent pool.

In Europe, Germany has emerged as a hub for AI innovation with Microsoft planning a $3.2 billion investment in German AI infrastructure and the German government planning to double its investment in AI to compete with global leaders like China and the U.S.

"As the AI buildout propels a potentially historic capital expenditure cycle, investors could be poised to unearth opportunities across industries amid greater geopolitical fragmentation lenders."

—Jay Jacobs, BlackRock

AI Adoption* vs. Exploration



**AI adoption refers to % of firms in country integrating AI, while exploration refers to % of firms experimenting with AI within a firm's business model.*

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Sources: World Economic Forum, Morningstar, IBM, BlackRock, and other public sources.

6 Transaction and Trading Comparables

Trends in GP Deal Activity

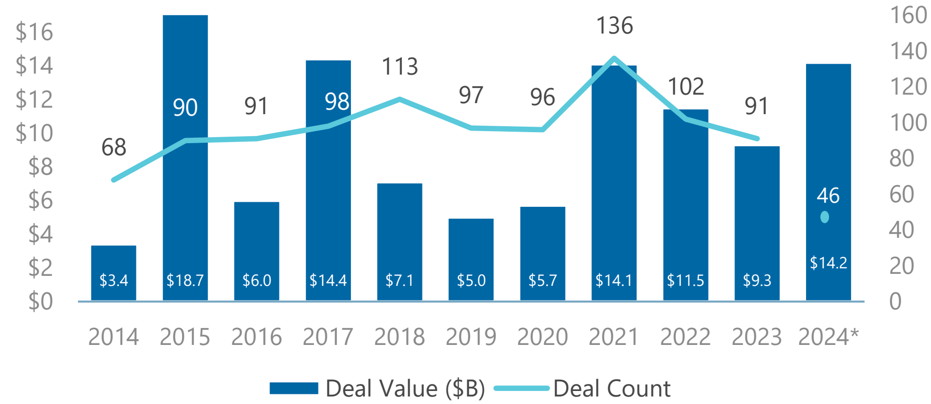
Transaction activity among GPs has seen a strong start to 2024. According to PitchBook, through May 1, there were 46 announced or completed deals targeting GPs, marking a 58.2% increase from the same period last year. Total deal value reached $14.2 billion, significantly bolstered by BlackRock's $12.5 billion acquisition of GIP, setting the pace for a potentially record-breaking year. Despite the overall surge in deal activity, GP stakes activity remained relatively steady with seven deals announced, compared to nine in the same time frame in 2023. Nearly half of the 46 deals announced were control transactions, continuing the trend from last year, where the proportion of control transactions hovered around 50%.

The increase in M&A activity among asset managers has been driven by multiple motivations, including increasing scale, expanding into new strategies and geographies, as well as LP priorities. Investors have increasingly aimed to consolidate their GP relationships by allocating larger sums to managers who can provide a variety of alternative strategies across their platforms. In today's challenging fundraising environment, GPs have turned to acquisitions to fill product gaps and increase scale versus organic growth.

Beyond acquisitions, 2024 has seen the IPO of CVC on Euronext Amsterdam, which established a €14 billion market cap for CVC based on an IPO price of €14 per share. As it relates to GP stakes, Blue Owl Strategic Capital Fund V purchased a minority stake in CVC in 2021 and upsized its position through the IPO, bringing the fund's ownership to 9.1%. As of June 28, CVC was trading 31.3% above its listing price.

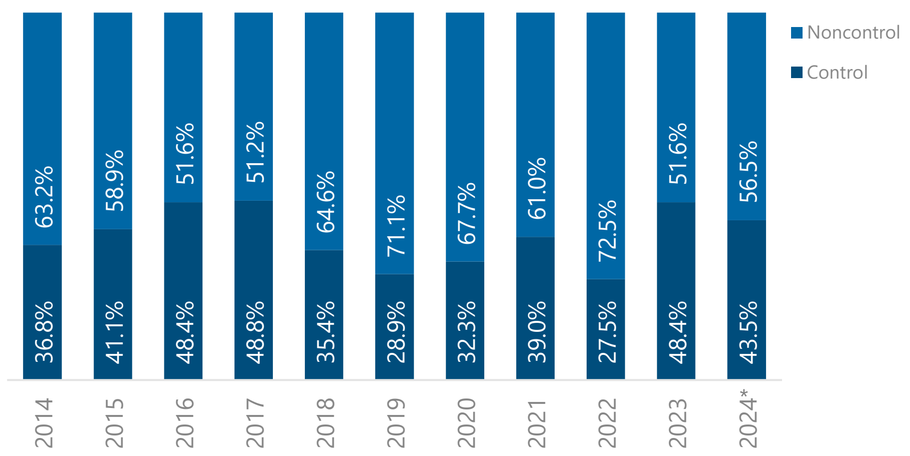
Transaction activity has not been limited to large acquisitions and high-profile IPOs, as smaller managers have also increasingly taken on third-party capital through minority investments, including seeding arrangements, GP stakes deals, revenue share arrangements, and other structured finance solutions.

GP Deal Activity (Majority and Minority Transactions)



Share of Alternative Asset Manager Deal Count by Type

Percentage



Source: PitchBook.
**As of May 1, 2024.*

Selected LTM GP Stake Announcements

Deal activity in the alternative asset manager space has picked up pace, with 46 deals announced as of May 1, 2024 (up 58% over the prior year). 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
Jun-24	Wafra/Capital Constellation	Citation Capital Management	NA	Consumer and Industrial PE
May-24	Almanac Realty	Dermody Properties	NA	Real Estate
May-24	Blue Owl GP Capital Solutions	Linden	$8,000	Healthcare
May-24	Petershill Partners	Pennybacker	$3,900	Real Estate
Apr-24	Bonnaccord Capital Partners	Lead Edge	$5,000	Growth Equity
Apr-24	Petershill Partners	Kennedy Lewis	$14,000	Private Credit
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

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 PE
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 69% for investors compared to a median AAM return of 23%.

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 the 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 2022, the median AAM market cap dropped by 38% compared to the S&P 500 falling by 19%.

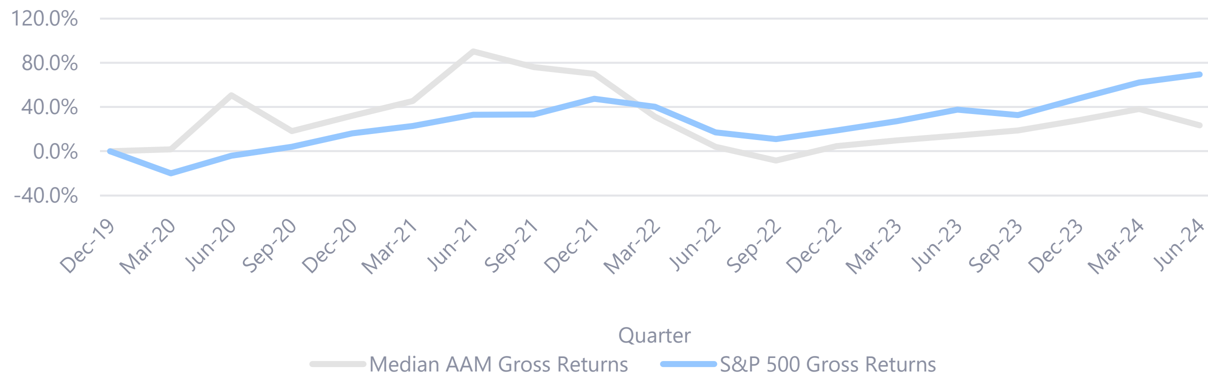
During 2023, the median AAM market cap increased by 22% compared to the S&P 500 increase of 24%.

During 1H 2024, the median AAM market cap declined by 4% while the S&P 500 increased by 15%.

Median AAM gross quarterly returns during Q2 2024 were -11% compared to the S&P 500's return of 4%.

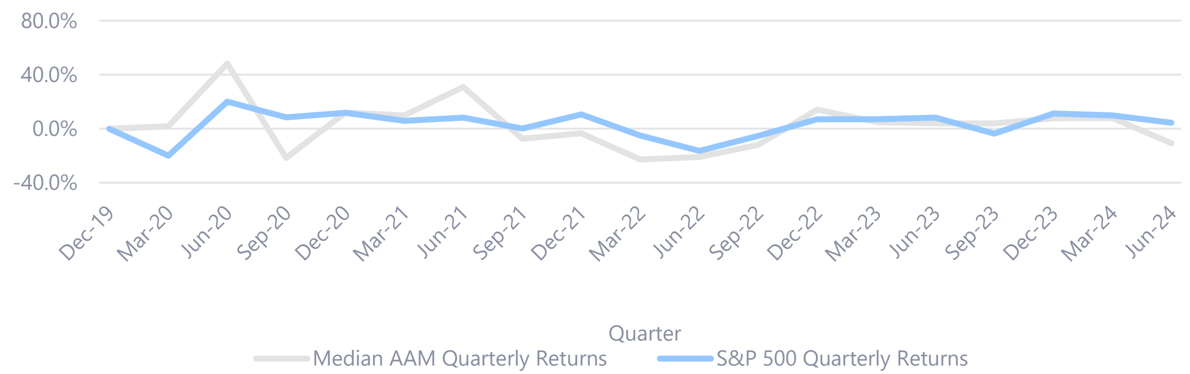
AAM vs. S&P 500 Gross Returns

Percentage



AAM vs. S&P 500 Quarterly Returns

Percentage



Source: Public sources.
Notes: Pricing as of June 30, 2024. The return data for AAMs is based on the market cap of selected AAMs.

AUM Trends by Strategy

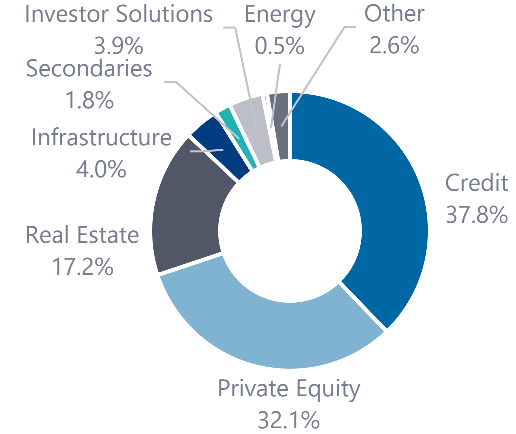
Since Q2 2023, more money has been raised for credit strategies relative to other strategies (fluctuating between 38% to 44% of AUM each quarter), driven by the surge in private credit deals.

Market share for real estate AUM peaked in Q3 2023 at 19%, as investors sought to combat inflation, but dropped off in Q1 2024 to 13% amid depressed returns and a high-interest-rate environment.

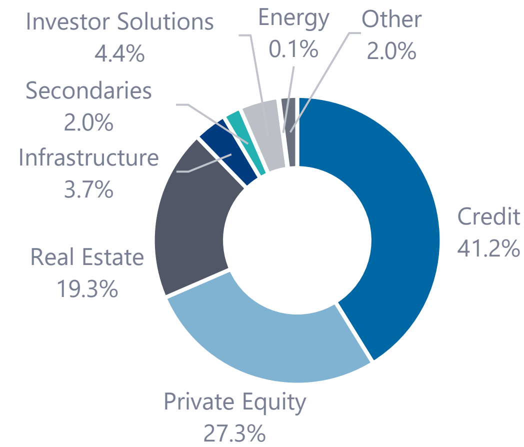
PE strategies, on the other hand, have experienced a slight decrease in market share, declining from 32% of total AUM in Q2 2023 to 29% in Q1 2024, given the challenging IPO and M&A exit markets.

Secondaries and infrastructure AUM shares have remained relatively stable since Q2 2023 at around 2% and 4%, respectively.

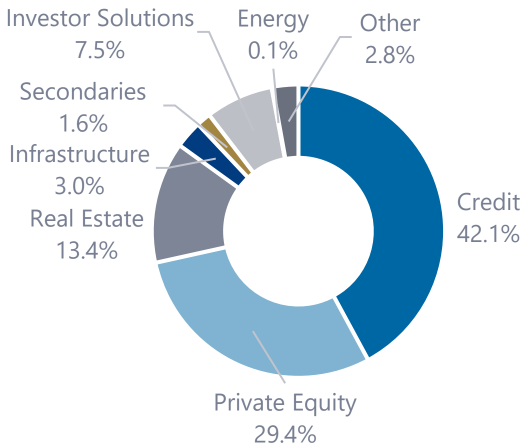
Q2 2023 AUM by Sector



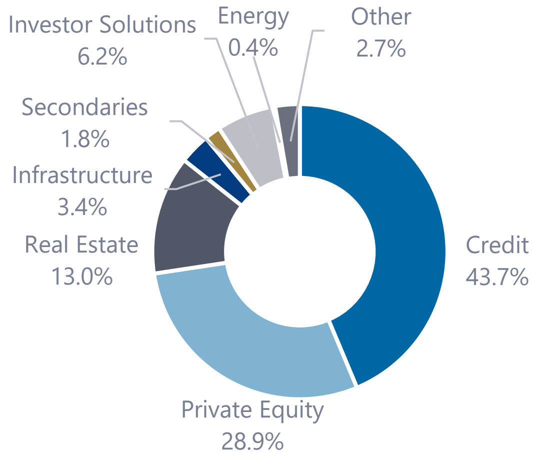
Q3 2023 AUM by Sector



Q4 2023 AUM by Sector



Q1 2024 AUM by Sector



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

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

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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.

No. 1
Global M&A Advisor

Leading
Capital Markets Advisor

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).

No. 1
Global Restructuring Advisor

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

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 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
- Energy
- Financial Services
- FinTech
- Healthcare
- Industrials
- Real Estate, Lodging, and Leisure
- Technology

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