



Canterbury Consulting

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Quarterly Asset Class Report Private Capital

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December 31, 2022

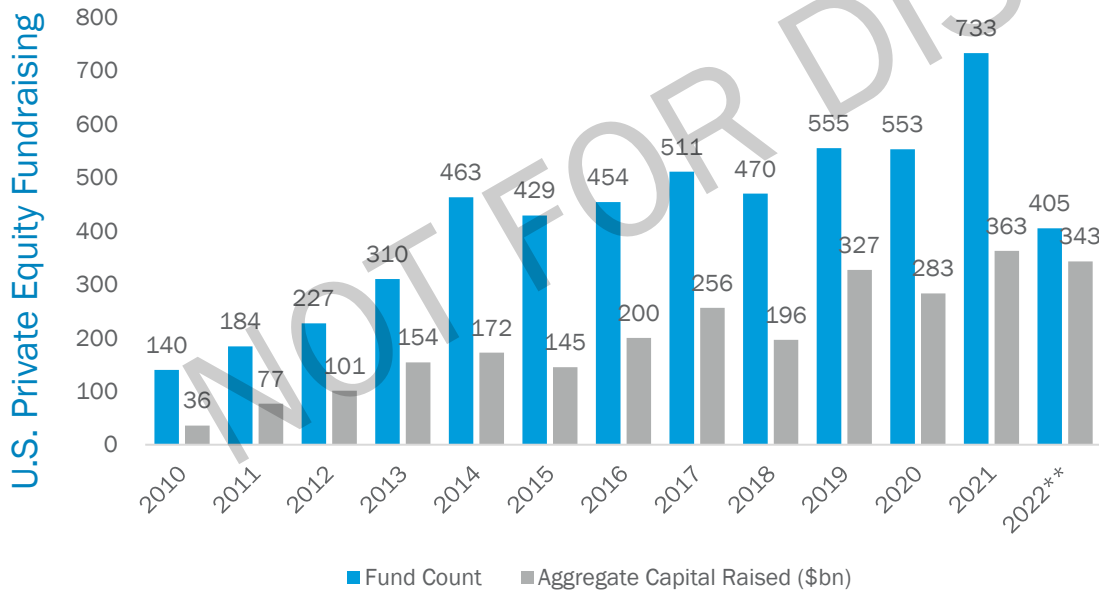
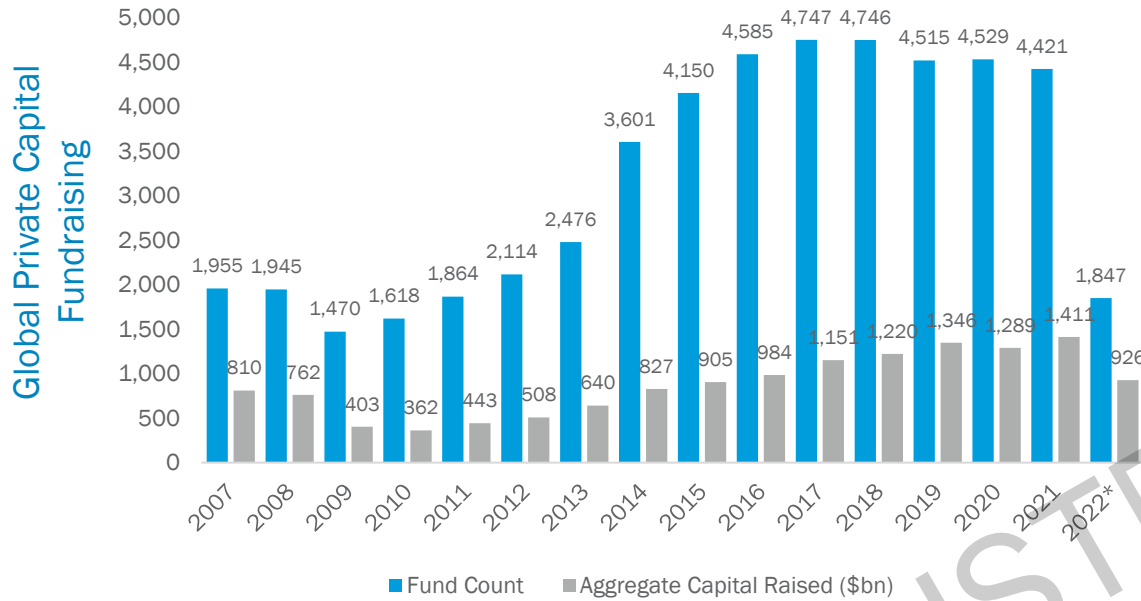
Canterbury Consulting recommends a diversified portfolio of private capital strategies. Consistently committing to private capital drives long-term asset growth, net of inflation, by taking advantage of the illiquidity premium derived from inefficient markets and superior manager selection.

- Canterbury blends strategic and opportunistic approaches to construct private capital portfolios diversified by sector, geography, and vintage year.
 - Strategic: Using various market inputs to form a baseline, we create a recommended portfolio allocation.
 - Opportunistic: We combine top-down and bottom-up analysis to target excess risk-adjusted returns through market intelligence and superior manager selection.

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

- Over a full market cycle, private capital is intended to generate above-market returns commensurate with risks associated with the asset class (i.e., illiquidity, time horizon, etc.).
- Given the length of the time required to deploy capital and the constant evolution of the opportunity set, investors in private capital can commit consistently across cycles and avoid “market timing” to generate returns.

Private Equity Fundraising Activity



Private Capital

- Through the third quarter of 2022, funds raised \$926 billion globally across 1,847 distinct private capital funds. In the 12 months through Q3, a total of \$1.4 trillion of private capital commitments were made, which is down 7.6% from the prior year.
- Funds over \$1 billion in commitments took in close to three-fourths of all private capital raised through the third quarter of 2022, while representing 11.7% of fund closings by number.
- Europe, which represented 23% of capital raised through Q3 2021, comprised 14.7% of total commitments through Q3 2022. Asia, which comprised 28.3% of fundraising in 2018, made up only 10.8% of global fundraising thus far in 2022. North America, which was responsible for 46% of total capital raised in 2018, currently makes up 73%.
- By strategy, real assets fundraising is up over 26% versus a year ago, while real estate fundraising experienced a 19.2% drop in fundraising as LPs continue to assess opportunities in this uncertain real estate environment.
- In the U.S., a total of \$343 billion was raised across 405 private equity funds. While fundraising volume in 2022 kept pace with 2021 levels, GPs may have to stay in market longer than expected as some LPs reevaluate future commitments in response to public market performance and the resulting “denominator effect”.

Sources: PitchBook Q3 2022 Global Private Markets Fundraising Report; PitchBook 2022 U.S. PE Breakdown.

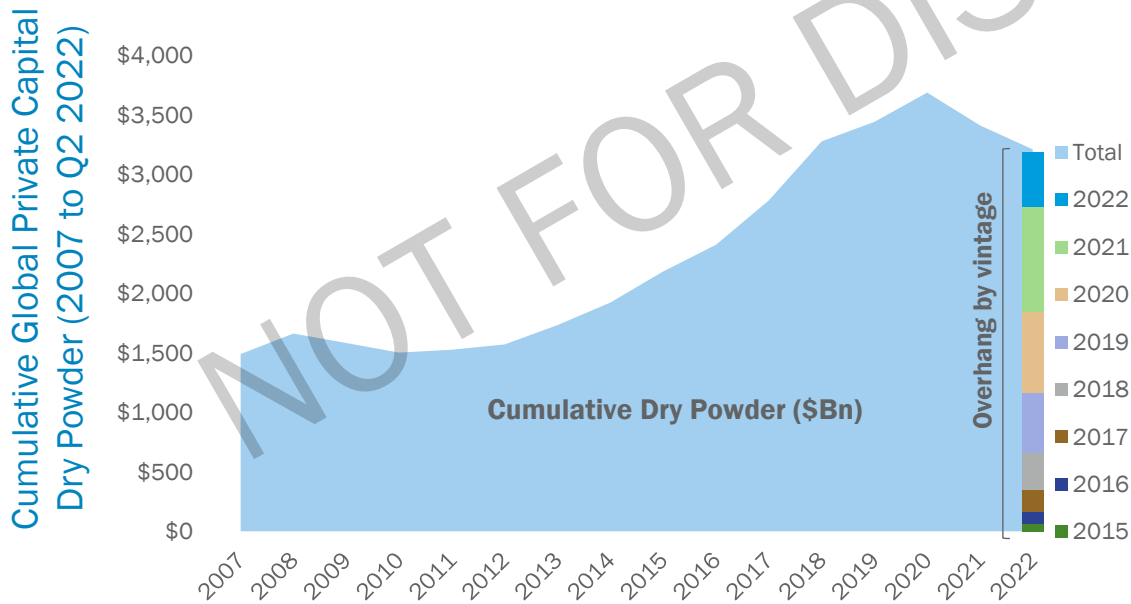
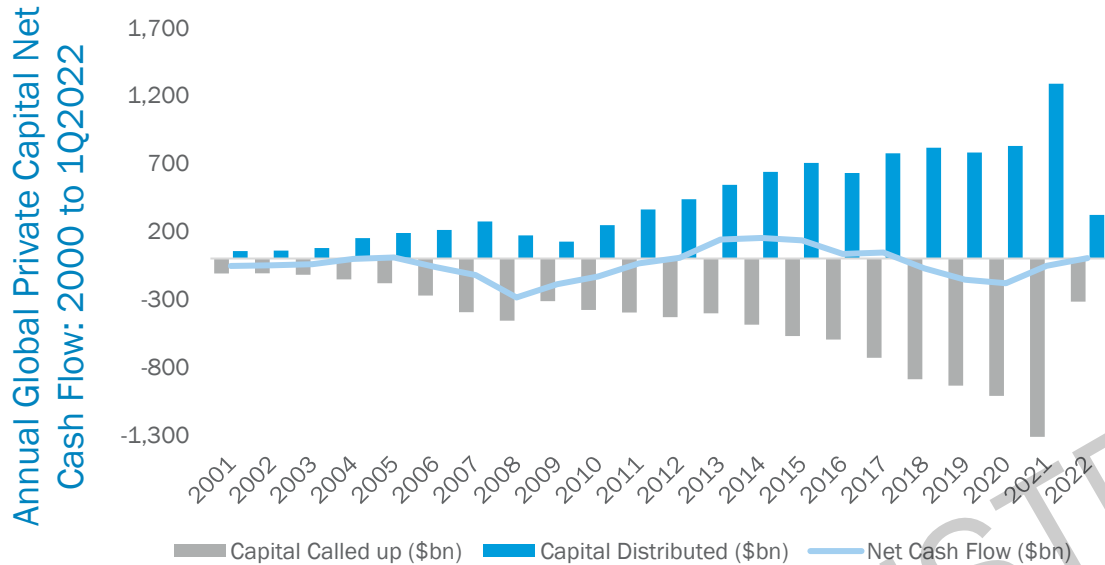
Note: Private equity funds comprise buyout, growth/expansion, diversified private equity, mezzanine, secondaries, co-investment, restructuring/turnaround, capital, and private debt.

*Global Private Capital Fundraising as of September 30, 2022

**U.S. Private Equity Fundraising as of December 31, 2022

Global Private Capital: Performance and Dry Powder

Private Capital



- Through the first quarter of 2022, Global private capital net cash flows are positive, which is the first time since 2017.
- Venture capital experienced a net cash outflow of \$20.2 billion in Q1 2022 as GPs are taking longer to exit out of investments, particularly those that are public.
- As of Q3 2022, global private capital dry powder stood at over \$3.2 trillion, a 13% decrease from the \$3.7 trillion at the end of 2020. GPs have been deploying more capital relative to the fund commitments being raised.

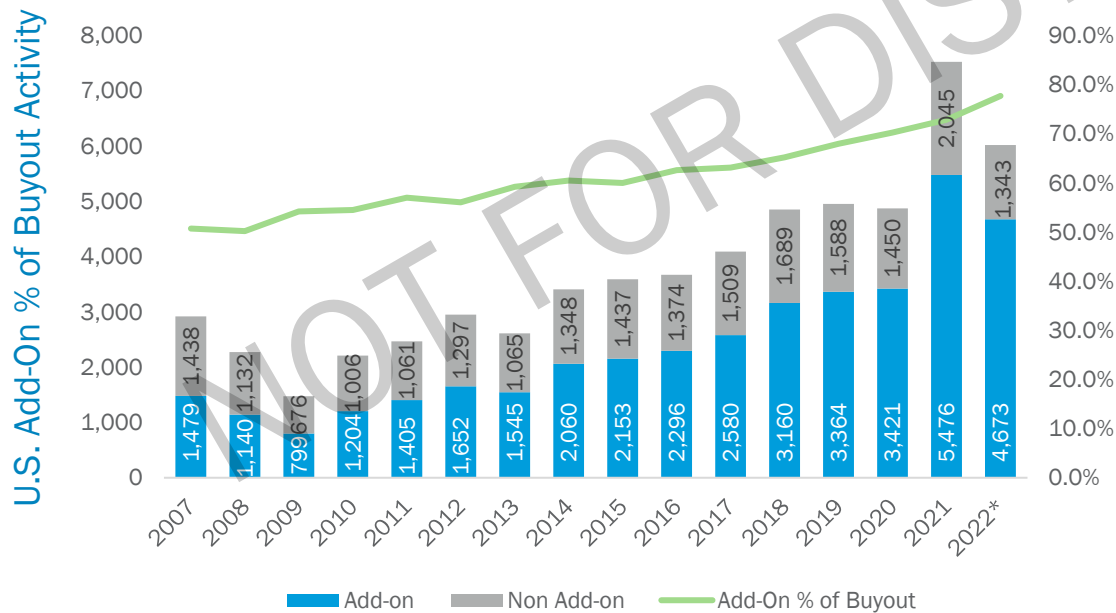
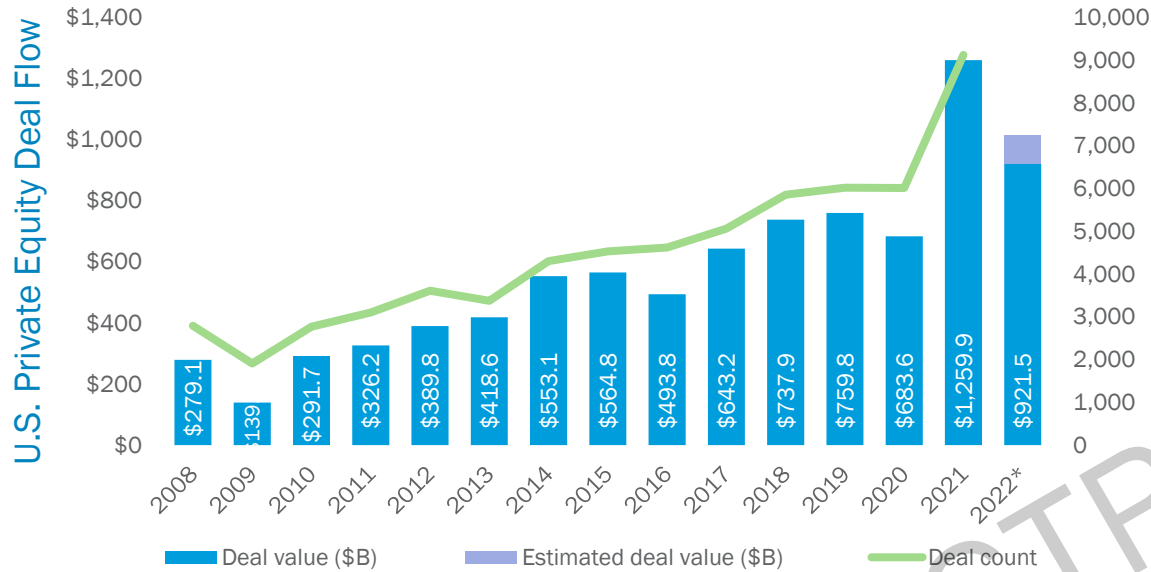
Sources: PitchBook Q1 2022 Global Fund Performance Report, data as of March 31, 2022; PitchBook Q3 2022 Private Markets Fundraising Report

Note: Private equity funds comprise buyout, growth/expansion, diversified private equity, mezzanine, secondaries, co-investment, restructuring/turnaround, capital, and private debt.

Note: Dry powder data As of September 30, 2022

U.S. Private Equity Deal Activity

Private Capital

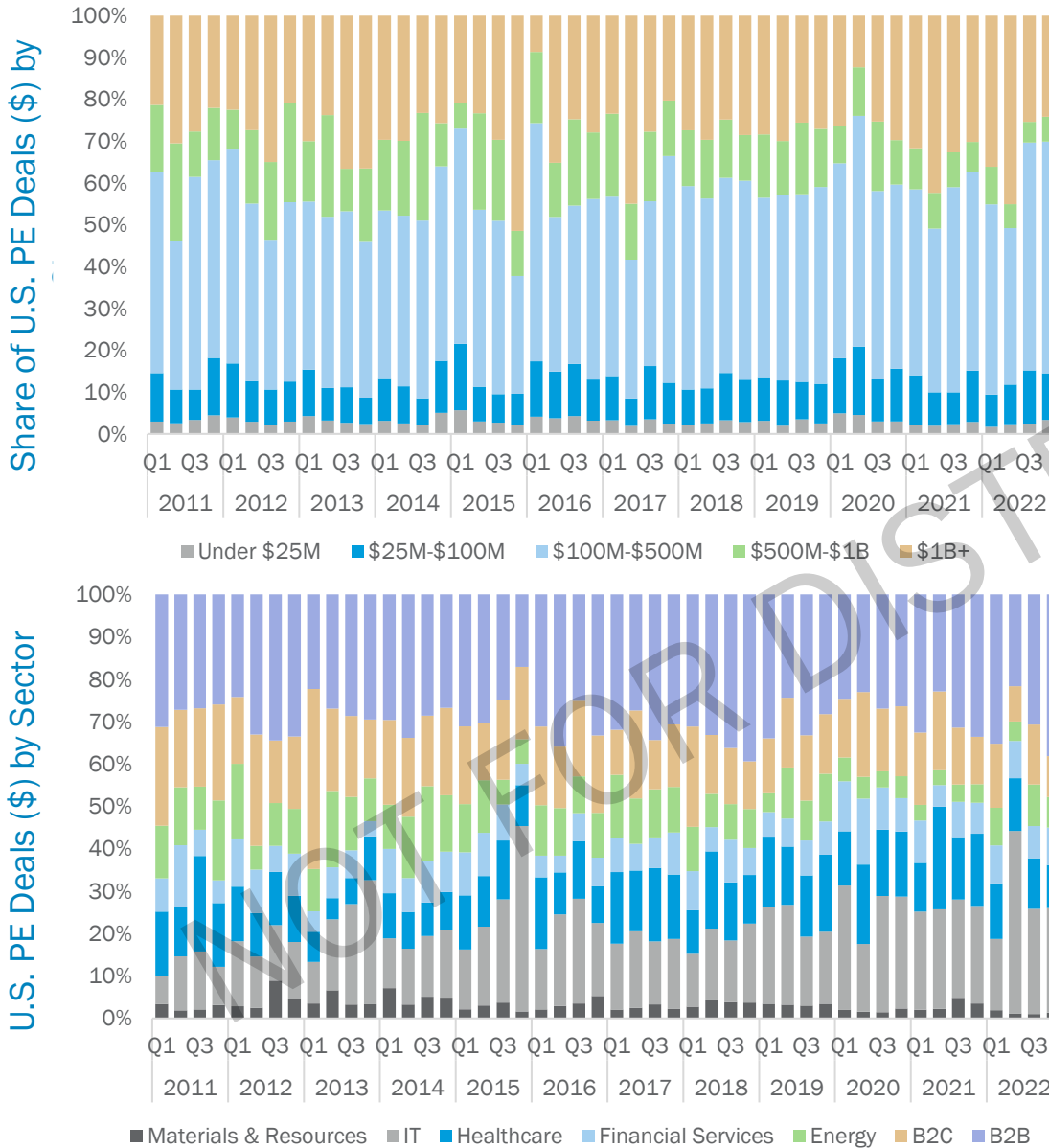


- Deal activity slowed down dramatically in the second half of the year with deal count ending at 8,900 for the year, just shy of 2021 totals. Total deal value, however, fell short of 2021 levels, finishing off the year at just over \$1 trillion, a nearly 20% decline from the prior year.
- During Q4, both deal count and deal value declined 23.4% and 41.8%, respectively from the peak recorded one year earlier.
- Take-private transactions have been an attractive opportunity set for PE firms looking to deploy large amounts of dry powder. Two notable take-private transactions that took place in December were the \$6.4 billion acquisition of Maxar by Advent; and Thoma Bravo's \$8 billion buyout of Coupa.
- The rising interest rate environment applied downward pressure on terminal multiples and valuations, particularly within the software and technology space. 2022 IT deal count is down 25% compared with 2021.
- Add-on activity continues to be a key driver of buyout activity as PE firms see add-ons as a way to accelerate value creation and bring down overall purchase price multiples. Add-on acquisitions now comprise 78% of total U.S. buyout activity, versus 63% in 2017.

Source: PitchBook 2022 U.S. PE Breakdown
*As of December 31, 2022

U.S. Private Equity Deal Activity

Private Capital

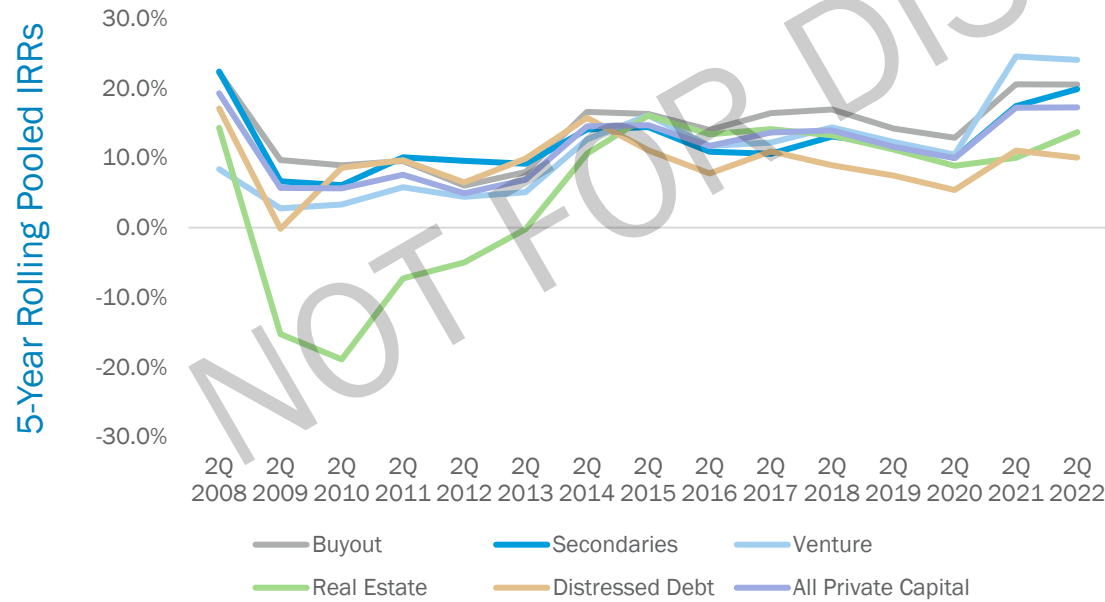
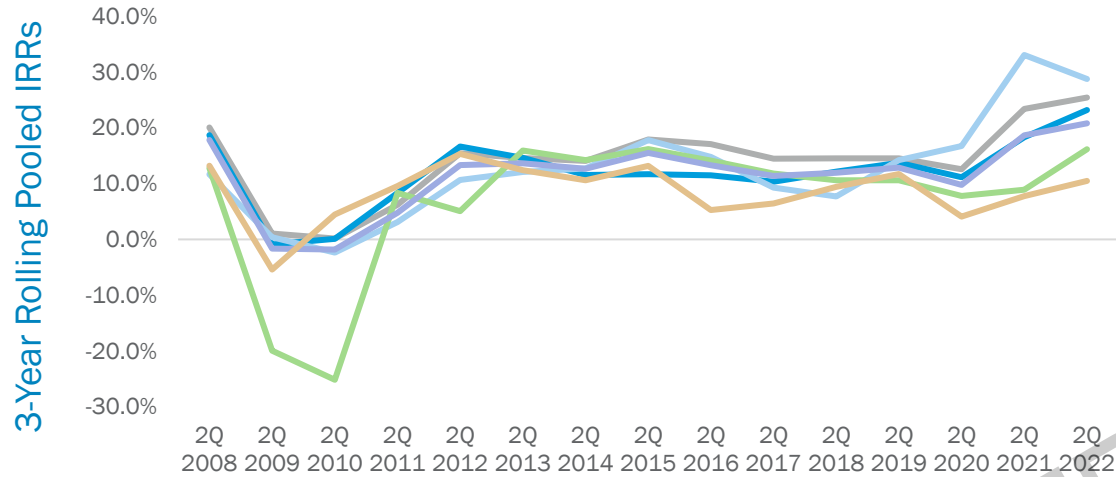


- The share of deals valued at \$1 billion+ stood at 34% for the year ended 2022, but a lower relative share than the past nine quarters. Deals valued at \$100 million to \$500 million comprised 54% of PE deals for 2022, which is consistent with 2021.
- In 2022, 42% of deal value in the U.S. have been within the business services sector. The share of deal value from the IT sector increased from 2021 and comprises 28% of deal value as of the end of 2022. This is despite the share of total deal count in IT being its lowest since 2018
- As public market tech companies are currently trading at lower valuations relative to a year ago, large tech buyout firms may begin to consider more take-private transactions or corporate carve-outs in this sector. Cybersecurity, for example, continues to gain attention as companies seek out digital service providers to shield themselves from cyberattacks.

Source: PitchBook 2022 U.S. PE Breakdown

Horizon Performance

Private Capital



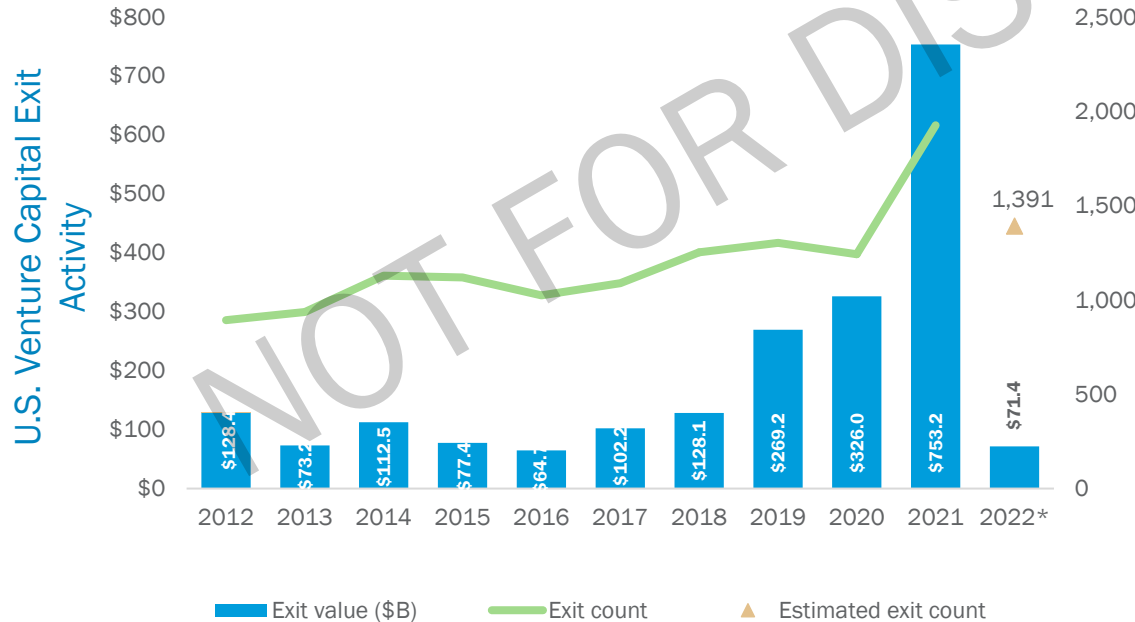
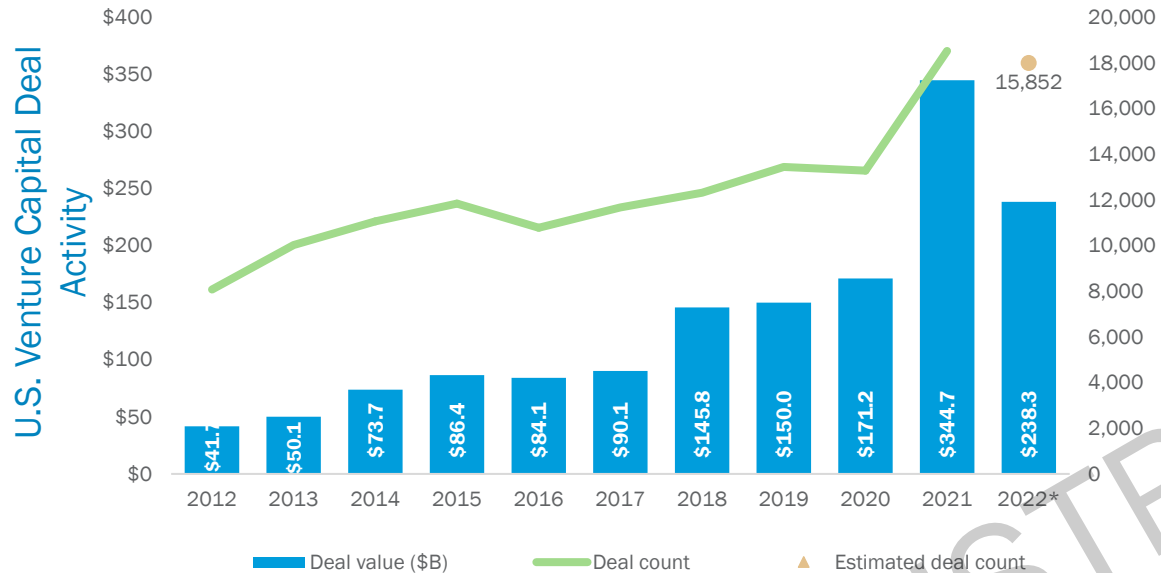
- From Q2 2021 to Q2 2022, all private capital strategies, except for Venture Capital, experienced upticks in performance on a three-year rolling return basis. Venture Capital, which is heavily weighted towards the technology sector, experienced a decline in performance. Public technology firms, whose appeal tends to be centered around sizeable profits in the future, sold off markedly in light of higher inflation levels, increased rates, and expectations of a slowdown in the economy.
- Over a five-year rolling basis, all strategies, except for secondaries and real estate, exhibited relatively flat performance from Q2 2021 to Q2 2022.

Source: PitchBook, as of June 30, 2022

Note: Real estate consists of value-add and opportunistic funds only.

Quarterly Spotlight: U.S. Venture Capital Activity

Private Capital



- While 2022 U.S. venture capital deal count is consistent with 2021 levels, deal value was significantly lower, dropping 17.8% year over year. The deal value decrease was driven primarily on the late stage and venture growth avenues, while angel/seed and early stage experienced increases in median and average deal values over the last year.
- Exit value was at its lowest level since 2012. This is in stark contrast to 2021, where exit value totaled over \$750 billion. Exits via the IPO channel have been few and far between, with only 76 venture-backed public listings in all of 2022, versus the 303 occurring in 2021. The 10-year annual average has hovered around 120.
- M&A activity also declined significantly, with deal volume dropping 31% in 2022.
- The decline in non-traditional investors¹ is notable, with approximately 4,600 unique non-traditional investors participating in venture capital deals in 2022, versus 5,300 in 2021.

Source: PitchBook Q4 2022 NVCA Venture Monitor

*As of December 31, 2022

(1) Non-traditional investors include: hedge funds, asset managers, sovereign wealth funds, corporate VC firms, PE funds, and crossover investors