2024

Alternative Investments Market Update

Fox Family Office CIO Council Meeting May 9, 2024

www.albourne.com

Presenters

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Fir Tree Partners
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Business Model

Our goal is to empower our clients to be the best investors that they can be

Albourne is committed to:

- Non-discretionary advice
- Transparent pricing
- Independent ownership

Albourne believes in promoting alignment and minimizing conflicts

1994	1994	2000	2007	2014	2014
Albourne Partners Limited founded in London	Hedge Fund Service	Castle: client website launched	Private Markets Service	Dynamic Beta Service	Implementation Services

Services

ADVISORY

Portfolio Construction
Strategy & Manager Mix

Risk Analysis
Measure, Monitor & Manage

Monitoring
Alerts

RESEARCH

Investment Due Diligence
Rating the Investment Strategy

Operational Due Diligence
Rating the Back Office

Quantitative Due Diligence
Fund & Portfolio Modelling

Private Equity
Private Credit
Real Estate
Real Assets
Hedge Funds
Dynamic Beta

IMPLEMENTATION*

Middle Office
Document Review, Fee Negotiation Assistance

Back Office
Transaction & Valuation Reporting

Fees & Liquidity
Analysis, Validation, Reconciliation

FINTECH

Data
Public, Private & Indices

Analytics
Models, Tools, Software

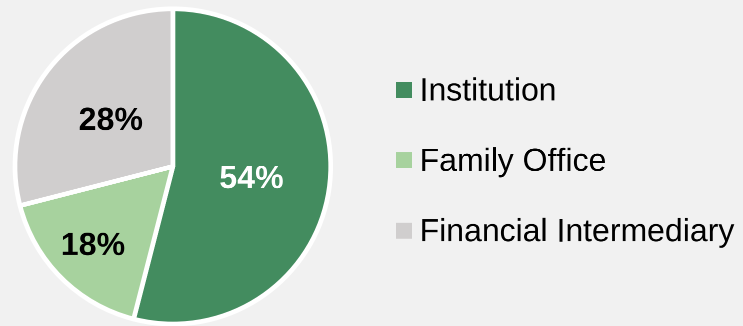
News
Daily Curated Feed & Summary

*Some Implementation Support services are not available in certain jurisdictions

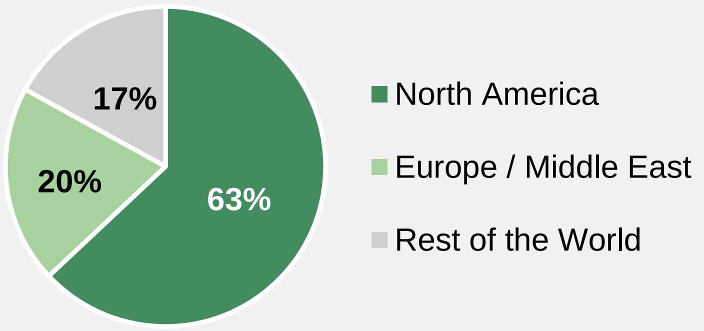
Clients

- >340[1] clients globally
- >$700bn[2] in alternatives
- One of the largest groups of investors in alternative investments

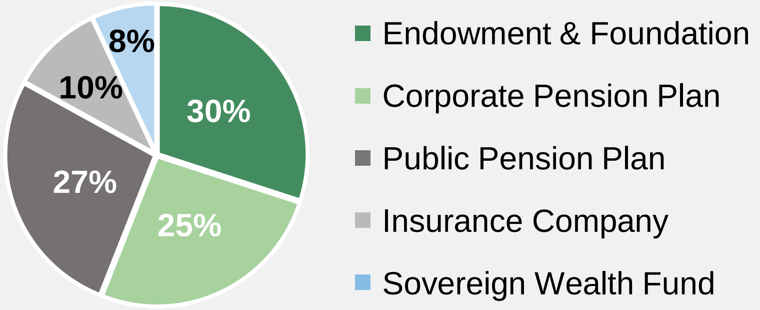
Clients by Type



Clients by Region



Institutions by Type

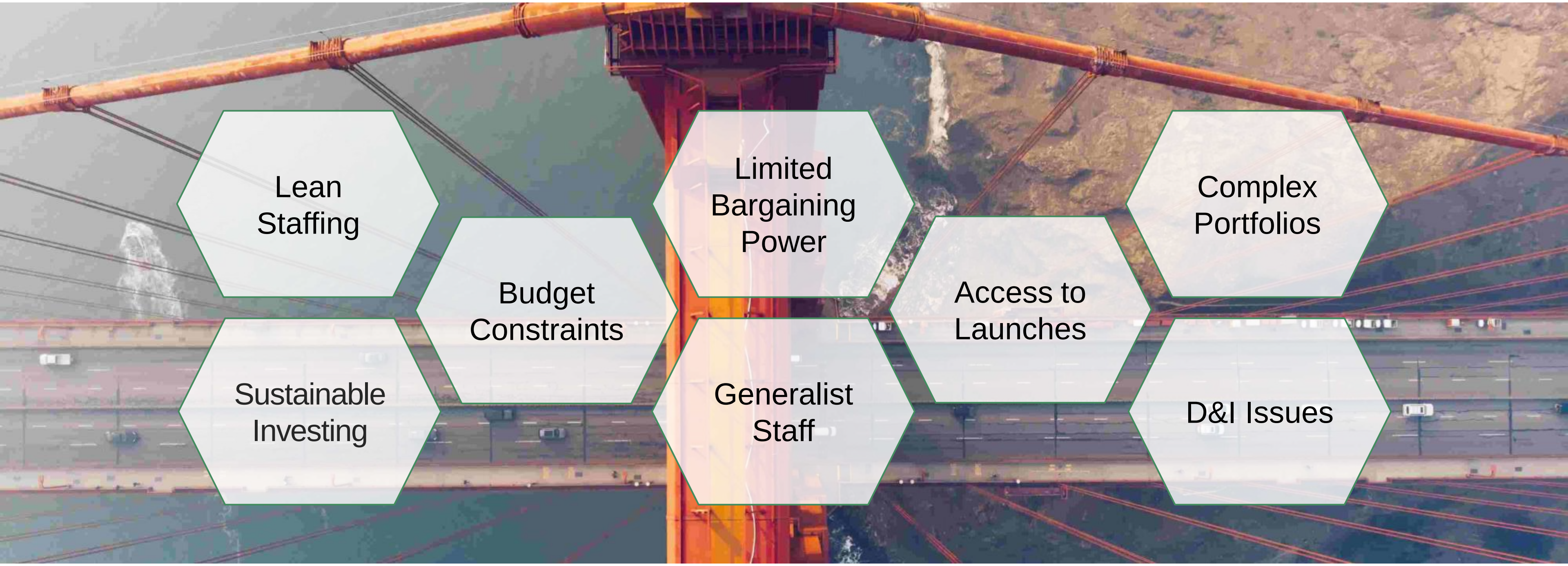


1. The aggregate number of client entities for the Albourne Group worldwide. Clients may be subscribed to multiple services.
2. A conservative aggregation of the estimated investments in alternatives (where known) of Albourne Group clients worldwide, using public sources where possible.

All data as of 1 January 2024

Family Offices

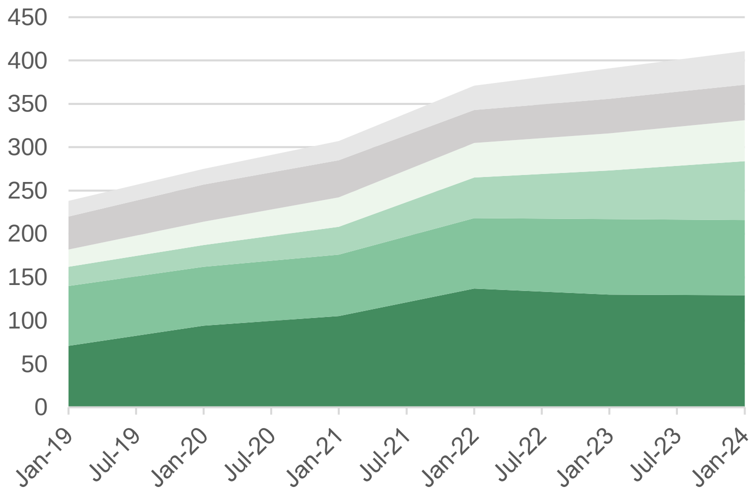
- >60 Family Office clients globally
- >$30bn* in alternatives



*A conservative aggregation of the estimated investments in alternatives (where known) of Albourne Group Family Office clients worldwide, using public sources where possible.

Colleagues

632	Total Headcount[1]
411	Analysts
11	Offices Globally
47%53%	Female / Male



Fintech	**39**
QDD Analysts	**41**
Portfolio Analysts	**47**
Implementation	**68**
IDD Analysts	**87**
ODD Analysts	**129**
Total Analysts	**411**

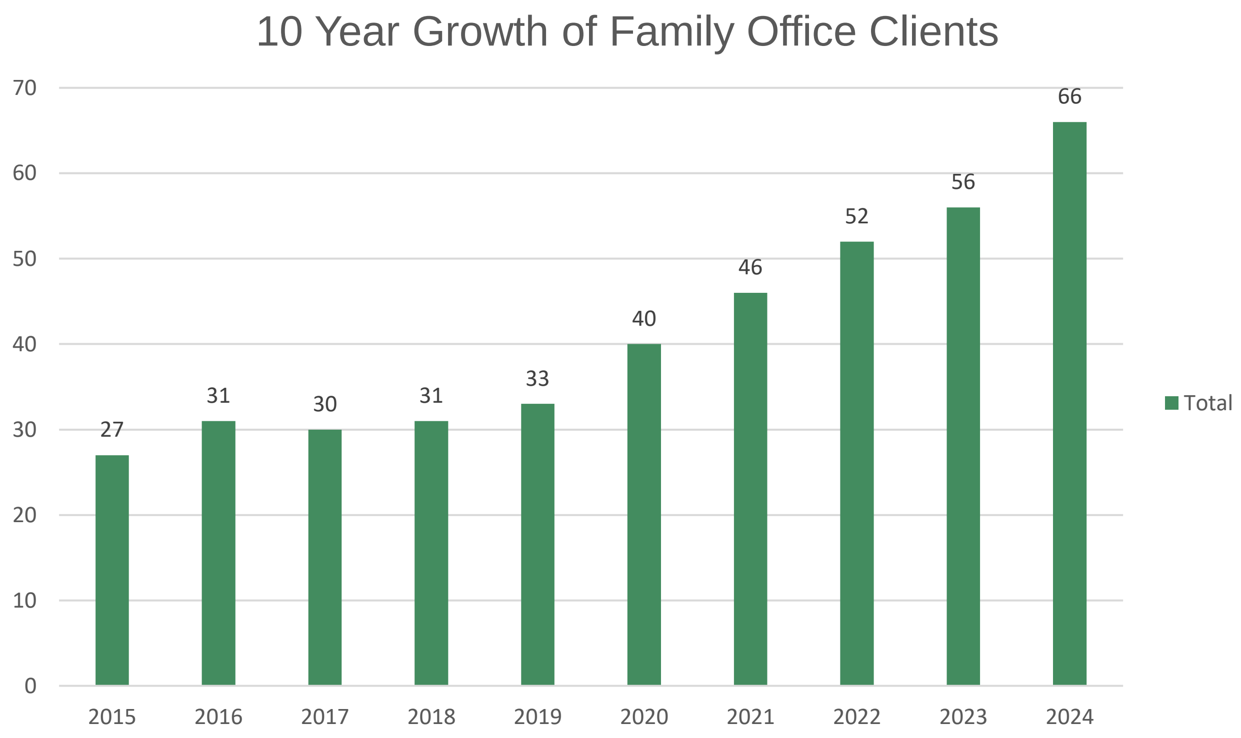
100%	Owned by Employees[2]
>80	Employee Share & Option Holders
117	Partners
>15	Partners' Average Tenure (Years)

1. Headcount numbers are aggregated across all Albourne Group entities worldwide
2. Including the Albourne Employee Benefit Trust and three retired employees

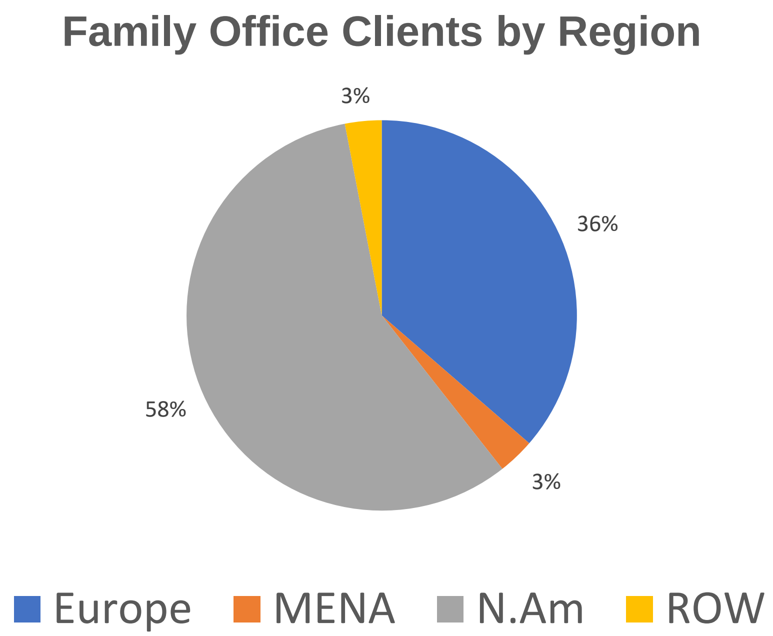
Contents

Growth in Single Family Office Clients

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
#	27	31	30	31	33	40	46	52	56	66



Albourne Family Office Clients by Region



Why do Family Offices hire Albourne?

Albourne Supports Key Family Office Stakeholders

	Patriarch	Chief Investment Officer or Chief Executive Officer	Family Office Investment Team Members
Key responsibilities	• Ensuring their wealth is protected for multiple generations.	• Managing expectations of Family and key stakeholders • Managing internal and external investment staff and vendors. • Managing a portfolio across all asset classes.	• Performance • Manager Selection, • Headline Risk, • Investment ideas • Operations Due Diligence
Key pain points	• Trusting external parties to support the family office. • Managing family dynamics.	• Juggling multiple roles • Generalist background • Greater focus on performance measurement and compensation	• Sourcing Investment Ideas, • Access to Analytics • Access to second opinions
Albourne as a Family Office Partner	• Long term, independent, stable partner • Our mission is to make our clients the best investors they can be.	• Albourne supports the CIO and their team with global, institutional investment ideas and specialist knowledge. • Albourne helps FO/MFOs achieve greater economies of scale	• Albourne provides breadth and depth of research and analytics across all strategies • Clients have access to specialists for second opinions • Extensive Operations Due Diligence Capabilities

Contents

Trends/Observations

- Private Market Focus (Venture Capital, Private Credit, Infrastructure)
- Evaluating Hedge Funds in a high-rate environment
- Fees - The new generation of HNW seems to be more fee conscious. They have grown up in a world of more fee transparency and are questioning high fees or lack of transparency.
- Non-correlated strategies (i.e., Insurance)
- Artificial Intelligence
- Democratization of Private Markets
- Responsible Investing

The Year in Review: 12 Key Themes in 2023

[1] Artificial Intelligence (AI)

- The surge in AI is one of the contributing factors towards the outperformance of tech equities during 2023. As of 22 December YTD, the S&P 500 IT Index had gained nearly 56%, more than a 2x percentage increase compared to the main S&P 500 Index
- Albourne's survey across fund managers showed that (i) Generative AI is being used across functions with at least minimal productivity improvements, (ii) about 1/3 of respondents are not currently using Gen AI tools, (iii) the most common adoption hurdles relate to concerns around data security, followed by accuracy and compliance.

[2] Military Conflicts

- The geopolitical uncertainties ensued from 2022 and reached new highs with the addition of the Israel-Gaza conflict in October. Fighting on the Ukraine front remained relentless, entering its 22nd month. In October, President Biden proposed a $106bn supplemental funding directed mainly towards Ukraine, Israel, Gaza and border security. This has so far failed in the procedural vote.
- Overall, the impact of the conflicts was periodical and largely limited to the commodities sector, including oil.

[3] Global Supply Chains

- Following the developments in Gaza, Yemen's Houthi rebels have been targeting vessels in the Red Sea, thus affecting the accessibility to the Suez Canal. Shipping companies are diverting to alternative and more costly routes. The US has announced that it, alongside a number of other countries, will aim to boost the safety of the Red Sea.
- China holds many key supply chains around the world and continuously strives to move up the value chain. From a trade perspective, China's ability to often outproduce other countries at a cheaper price creates an ongoing friction point.

[4] China

- Economic woes persisted in China, as the early 2023 momentum from the China reopening following the lift of the COVID-zero policies was short-lived. This was reflected by the underperformance of equity markets.
- Defaults from property developers continued to make headlines.
- 2023 saw an increasing internationalization of the yuan. In April, the Chinese yuan reportedly surpassed the dollar in being the most widely used currency for cross-border transactions in China.

[5] Banking Crisis

- 1H 2023 saw the second, third and fourth largest regional commercial bank failures in US history.
- SVB's failure sent shockwaves to the banking sector and beyond, as it was also a prominent bank used in the Private Equity/Venture Capital market.

[6] Digital Assets

- Recent approvals for ETFs backed by physical BTC units add to the optimism for the Digital Assets space.
- The tokenization of real-world assets is emerging as a prevailing use case for blockchain technology, with successful tokenization of real estate, commercial paper, private placements, and other assets. However, regulatory pressure remains.

[7] SEC Final Private Fund Advisers Rules

- The US SEC had an open meeting in August 2023 discussing the adoption of rules originally proposed in February 2022. The changes are far reaching, with the key focus being on the risks to investors around a lack of transparency, conflicts of interest, and a lack of governance mechanisms. The final rules appear to address many of the concerns originally submitted by Albourne to the SEC along with other industry participants.

[8] Inflation, Rates & GDP

- While inflationary pressures materially decreased in 2023, they remained above the Fed's and ECB's target 2% inflation rate.
- Rate hike expectations remained the key driver of market returns. Notably, the release of US inflationary figures in November, that showed a significant decrease in the inflation rate, paved the way to a market rally, as market participants revised their 2024 rate expectations downwards.

[9] Uptick in Distressed Opportunities

- As a consequence of the sharp increase in interest rates in 2022-2023 and the increased cost of borrowing, bankruptcies are rising.
- The uptick in defaults is expected to be more sustained than in previous bouts, given that the Fed is less well-situated to inject liquidity. Separately, with capital markets not fully open, Distressed hedge fund managers had some opportunity to structure and price financings that would otherwise be placed in traded markets.

[10] Private Equity valuations

- Higher interest rates and the resulting pressures on valuations appear to persist, however, the strong performance of equities has eased the downward adjustment of private company valuations.
- This makes the denominator effect that was prominent earlier in the year and in 2022 less pronounced, offering a more balanced view of portfolio-level allocations to PE investments.

[11] Japan Equities and Corp. Governance

- Nikkei 225 outperformed many of its western counterparts. Besides the ultra-accommodative monetary policy, equity markets also benefited by the reforms in corporate governance.
- The Japanese regulators have recently introduced guidance that aims to improve shareholder value. Companies continue to strengthen corporate governance and are under pressure to improve price-to-book ratio.

[12] Insurance

- Insurance was the best performing Hedge Fund strategy for the year.
- Despite 2023 having been one of the most active years on record in terms of industry loss, these losses came mainly from small to medium sized events from secondary perils and the year has lacked any catastrophic events that caused large insured losses.
- Inflation has increased the value of underlying exposures as well as replacement costs, so the dollar amount of cover required grew.

Albourne Alternatives Market Update

Private Credit Introduction

- Private Credit includes a wide array of strategies spanning the capital structure, borrower types, collateral types and risk types
- Various terms are often used interchangeably when referring to Private Credit
  - Direct lending, non-bank lending, middle market lending, alternative lending, capital solutions, etc.
  - Typically referring to loans that do not trade and therefore include an illiquidity premium

Private Credit's potential value proposition

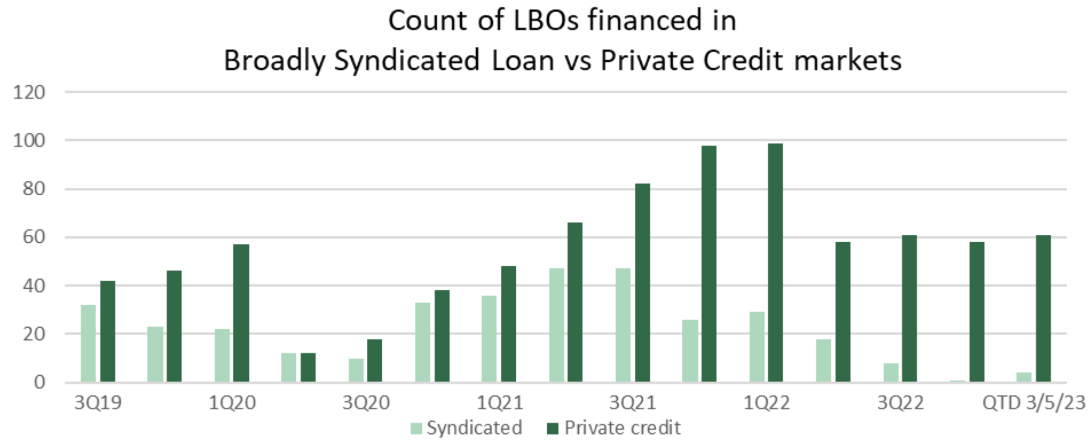
Flexibility . Speed . Certainty . Creativity . Confidentiality

The Rise of Private Credit

Private Credit AUM has surpassed $1.5trn* – reaching ~30% of the total credit market

Demand fueled by a range of dynamics, including:

- Bank retrenchment and challenging public primary (syndicated) issuance
- Private Equity sponsors sitting on dry powder and looking for debt ‘partners’
- Few viable alternatives for yield and the lack of mark-to-market volatility
- Elevated investor allocations



*Source: S&P LCD
Chart Source: S&P LCD. Data through March 6, 2023. Private credit count is based on transactions covered by LCD News.

Types of Private Credit

- Private Credit funds pursue a wide range of strategies with different risk/return profiles
- Target returns range from 5%-20%+ net based on borrower and risk profile
- Return drivers can be a combination of income and appreciation
- Fund investment periods typically range 2-4 years and fund life 5-8 years (10+ on the long end)

Private Lending
- Senior Debt
- Mezzanine
- Growth Debt & Structured Equity
- Venture Lending
- Syndicated Debt

Distressed & Special Situations
- Control Distressed
- Non-Control Distressed
- Special Situations Lending
- Loan Portfolios

Specialty Finance
- Consumer Specialty Finance
- Corp Specialty Finance
- Litigation
- Content Royalties
- Healthcare Royalties & Lending
- Insurance Credit
- PE Portfolio Lending

Structured Product
- Corporate Structured Product
- Real Estate Structured product
- Consumer Structured Product
- Capital Relief

Real Estate Credit
- Residential Mortgages
- Commercial Real Estate Lending
- Other Real Estate Credit

Real Assets Credit
- Infrastructure
- Energy
- Aviation
- Shipping
- Mining
- Agriculture

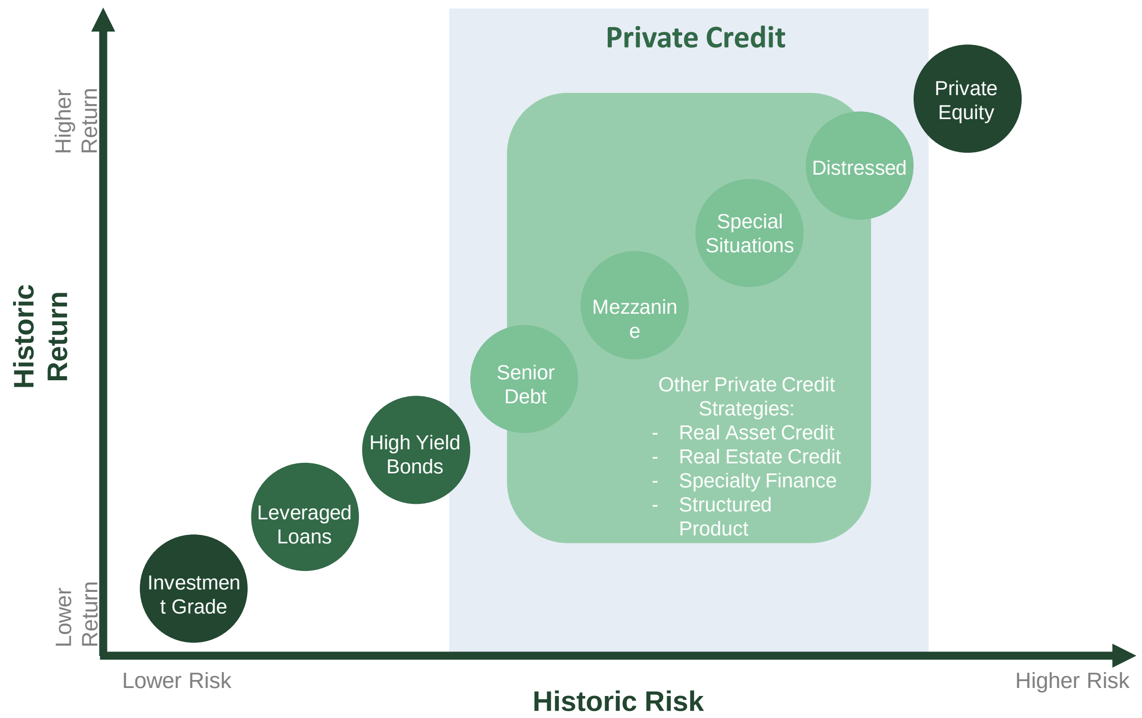
Risk vs Return Spectrum

- Risk Considerations:

    Compensated vs Uncompensated

    Expected vs Unexpected

    Volatility vs Impairment



For illustrative purposes only. Strategy placement is stylized and does not imply a strict linear tradeoff between the depicted strategies and credit types. Past performance is not indicative of future returns.

Private Credit Risk Framework

How do you measure, monitor & manage risk in Private Credit?

Private Credit Risks*

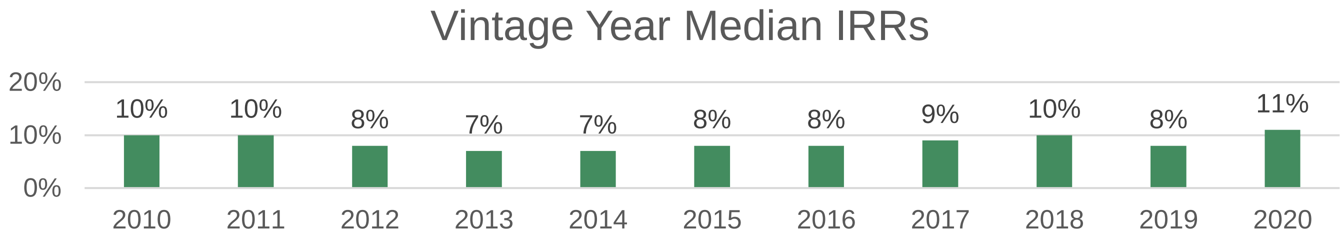
Market	Commingled Fund	Liquidity	Operational	Regulatory
Inflation	Leverage	Investment Structure	Cycle Experience	Reporting
Interest Rate	Collateralization	Terms	Asset Management	Restrictions
Concentration	Covenants	Underlying Assets	Key Person	Retail
	Capital Stack Participants	Valuations	Alignment	
	Equity Exposure		Valuations	
	Restructuring			

Seniority • Security • Covenants • Collateral • Leverage • Liquidity • Capital Stack • Workouts

* Sample of potential risks, list is not comprehensive.

US Private Lending

- Has performance met expectations? Future return expectations?
- The median IRR ranges from 7%-11% for the 2010-2020 vintages.
  - Private Credit is typically floating rate and offers some "illiquidity premium" relative to syndicated loans.
  - A "complexity premium" may represent an increasing proportion of Private Credit's return profile.
- Current all-in yields on new private loans remain attractive.
  - Spreads for LBO financings have come back in due to crowded lending markets and low LBO levels.
  - Use of proceeds shift to more add-on/acquisition financings – rewarding scale and incumbency.
  - Ability to pivot (e.g., sponsored vs non sponsored, large cap vs core middle market, cash flow vs asset based, various use of proceeds) based on relative value is a competitive advantage.
- Return dispersion has been relatively tight over the last decade but is expected to widen out.

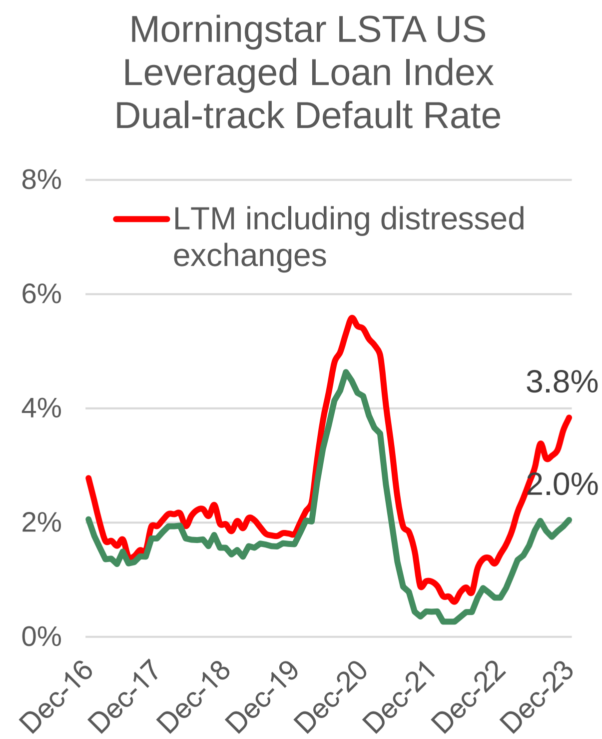


Source: Albourne PriMaRs AW North America-Private Credit-Private Lending (All Vintage USD) indicative vintage year IRRs as of 12 February 2024 and Albourne Analysts' insights as of February 2024. Past performance is not indicative of future returns.

US Distressed & Special Situations

Have we entered the next Distressed cycle?

- Indications of stress in the form of…
  - Deteriorated interest coverage ratios – large % of value to debt service
  - Looming maturity wall – facing higher implied refinancing costs
  - Distressed ratio eased but pockets of stress – i.e., micro-cycles
  - Albourne generally expects defaults to increase and recoveries to decline
- Distressed exchanges have increased in popularity since the 2020 downturn – 2023 was highest annual dollar level since 2008.
  - Driven primarily by sponsored companies
  - A form of liability management
- Episodic nature of traditional distress has led to a dramatic increase in a “credit solutions” approach to stressed/distressed investing.
  - Pivot between liquid and illiquid, public and private
  - Opportunity set is extremely idiosyncratic – requires deeper analysis
  - Persistent opportunity to provide private capital solutions



Source: Pitchbook S&P LCD as of 4Q 2023. Default rates by issuer count. Payment default rate by amount 1.53% as of 31 December 2023.

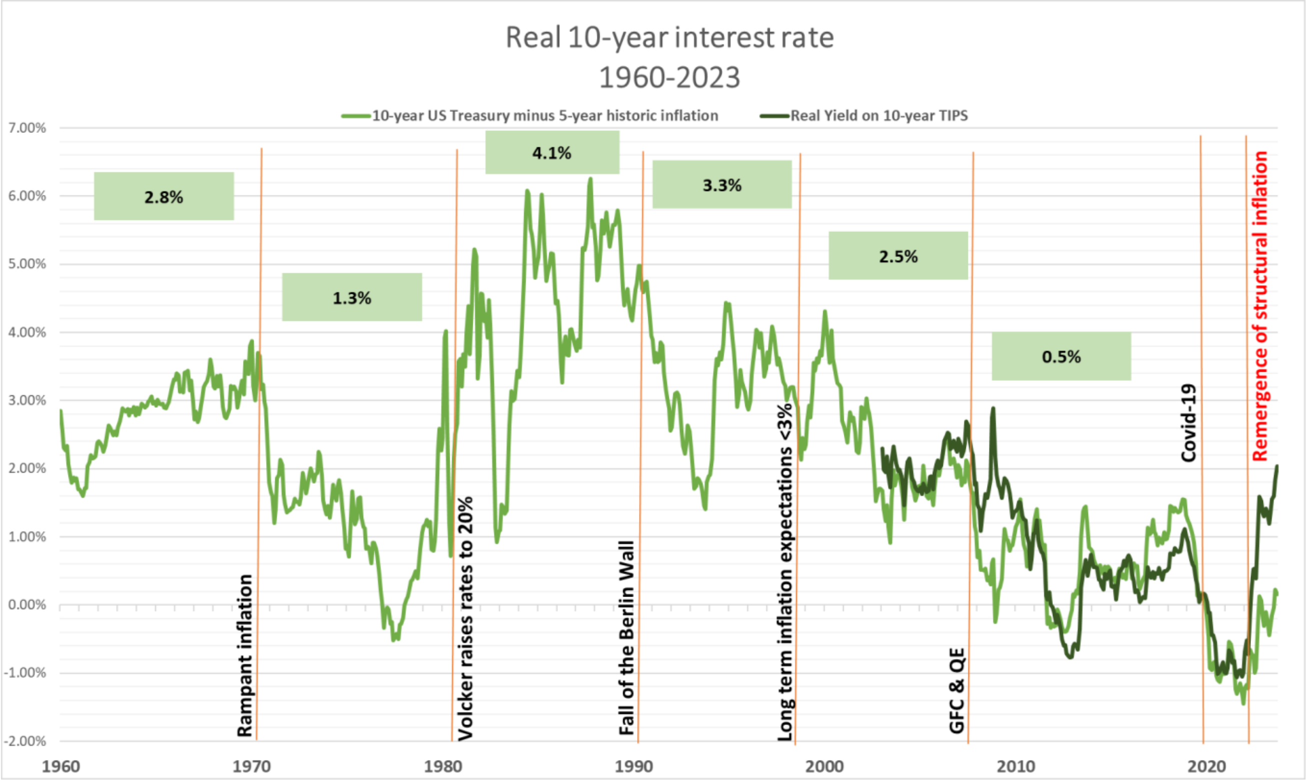
Key Diligence Items

What are some of the key factors for evaluating credit managers in the current environment?

Interest Coverage Ratios	• With higher base rates, in US lending, generally 40% to 50% of portfolio companies have interest coverage ratios below 1.5x while In Europe, generally 10-30% of portfolios are less than 1.5x interest covered. • In real estate, DSCR's are dropping, with many below 1.25x and some below 1.0x.
Workout Capabilities	• Company cash flows will be stressed to varying degrees, some may look to PIK • Investment teams with stronger workout capabilities may do better • Real estate lenders will need to pursue modifications, extensions, and possible foreclosure
Floating vs. Fixed Rate	• Base rate hikes have increased yield on floating rate debt • Direct lenders typically hold floating rate debt; Opportunistic managers may hold a mix of fixed and floating • Real estate lenders typically hold floating rate loans
Duration & Maturity	• Large looming wall of debt maturing in near future • A focus on shorter duration more senior debt may be beneficial
Navigating "Creditor on Creditor Violence"	• Disputes between creditors have increased • Individual creditor classes have fractioned in some instances
Anticipated Support from a Sponsor	• Sponsors have historically injected capital to support companies and assets during times of stress • Some sponsors may seek to retain control in bankruptcy/restructuring

For illustrative purposes only

Return of the Old Normal – Real Yields



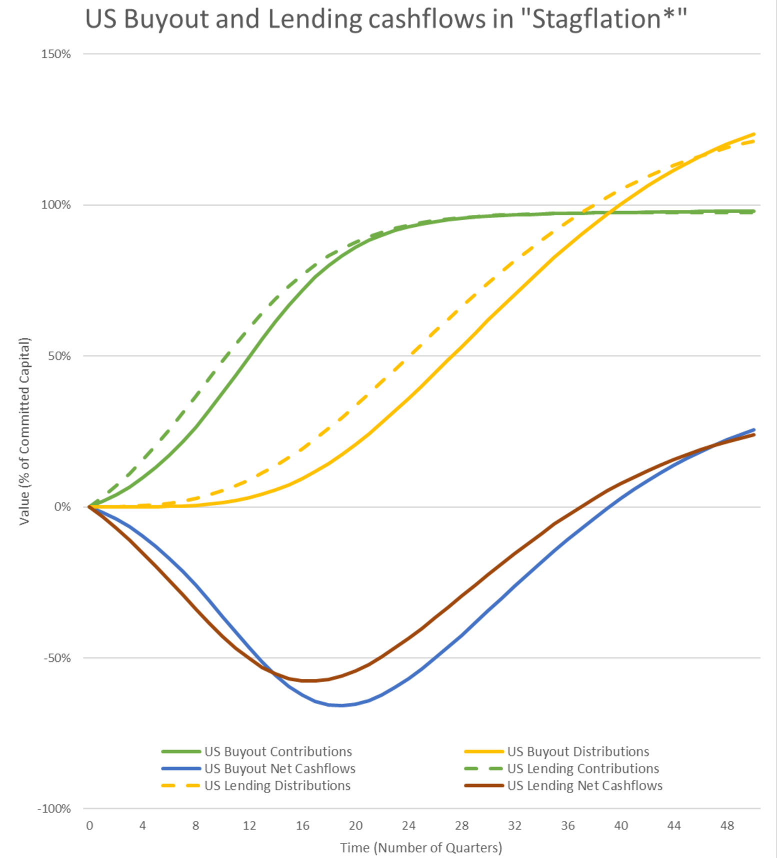
Source: Shiller, St Louis Fed (Fred)
Past performance is not indicative of future returns

Liquidity in illiquid asset classes

- Macro picture
  - Distributions in PE buyouts have slowed sharply
  - Calls have moderated, but less so
- Current dynamics
  - Two maturity walls to consider
  - Dry powder running through investment period
  - Investments looking for an exit
- Implications
  - Past cycles have seen similar pressures
  - Fed put bailed out managers after GFC
  - Think about diversification within liabilities and building in more liquidity

Portfolio Cashflows – Not all Created Equally

- Private Credit distributes capital more quickly than PE Buyout
- Private Credit distributions tend to accelerate in periods of higher inflation and slower growth (often called 'stagflation' periods) in contrast to Buyout distributions which slow



*Staflation is defined as growth below trend and inflation rising

Source: Albourne

Example Case Study –
using Albourne's Proprietary Approach (5A)

- Simulate the impact of building an allocation to Private Credit from other illiquid assets
- Take into account the illiquid portfolio is ongoing and the Private Credit allocations are new
- Not trying to represent this as a return boost for this purpose (though we would argue it may)
- Consider it in terms of the potential risks of the portfolio

	Base Allocation	Case Study	Initial unfunded commitments	Return Projections
Buyout	30%	20%	6.2%	9.0%
Real Estate	20%	10%	4.1%	6.0%
Private Credit		20%	0.0%	8.2%
Public Equity	30%	30%		6.0%
Sovereign Debt	20%	20%		5.0%

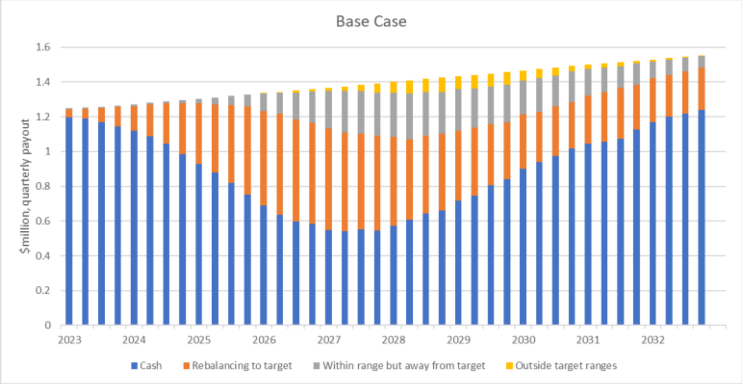
- Outcome risk
- Payout risk
- Rebalancing risk
- Drawdown risk

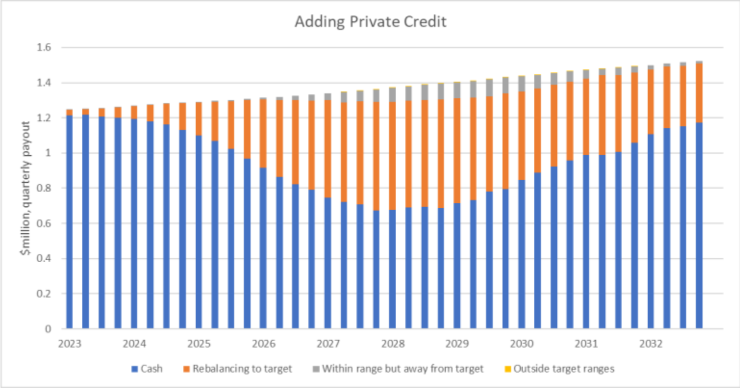
For illustrative purposes only

Example Case Study –
Shows Improvement Across Metrics

- Certainty of returns improves (lowest 10th percentile)
- Potential drawdowns
- Rebalancing risk through better liquidity

Return analysis (after 5% payout)	Base Case	Building Private Credit	Established Private Credit
Return expectations			
10-year median return	1.9%	1.6%	1.9%
Outcome risk			
10-year 10th %tile return	-3.2%	-3.0%	-1.0%
Drawdown risk			
Decline of 25% in portfolio value probability	26%	26%	7%
Liquidity analysis	**Base Case**	**Building Private Credit**	**Established Private Credit**
Rebalancing risk			
Probability of reducing liquid asset exposure below target	16%	3%	14%
Payout risk			
Probability of 25% real fall in payout over 5-years	51%	51%	37%





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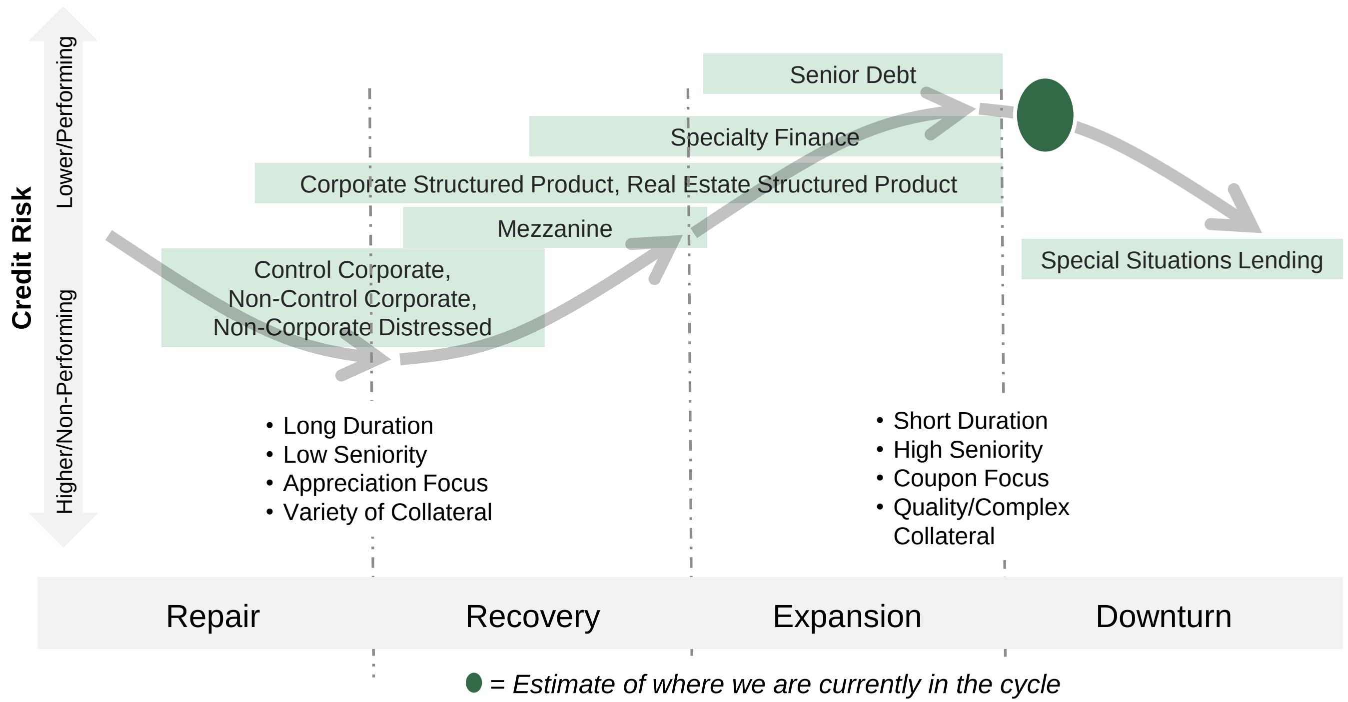
Opportunities in Each Credit Cycle Stage

What opportunities stand out in the current environment?



Generalized Credit Cycle Stages

For illustrative purposes only.
Past performance is not indicative of future returns.

Conclusion

- Tailwinds behind Private Credit over next couple of years
  - These coincide with headwinds for strategies, such as Private Equity
- Private Credit can improve liquidity within a Private Markets allocation
  - Particularly important if slower distributions from Private Equity persist
- Example Case Study supports this conclusion and identifies potential benefit to total portfolio of Private Credit
  - Return: outcome, drawdown and payout risk
  - Liquidity: rebalancing risk
- Total portfolio impact across return as well as liquidity
  - Beta is one metric which can help here
- Portfolio construction
  - A heterogeneous strategy provides opportunity to build a portfolio specific to needs

US Distressed & Special Situations

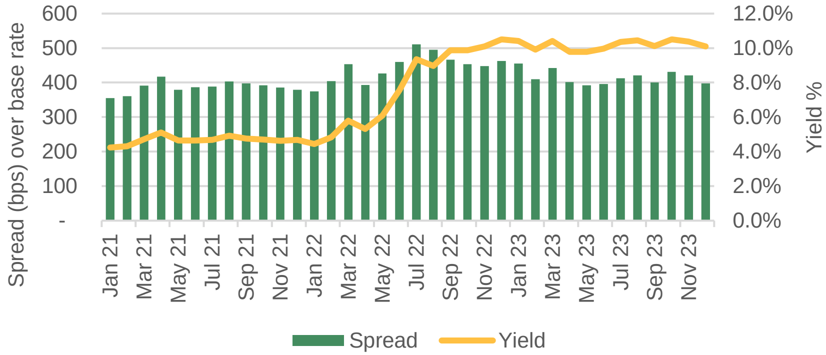
US Distressed & Special Sits – Market Stats

PM Snapshot (Trends and Observations) & PM Forecast

While early price drops were largely rate driven (rather than credit driven), loan prices went on to weaken on the back of geopolitical headlines and macro concerns, only to then rally, partly driven by rates and supply/demand characteristics.

New-issue spread and yield-to-maturity of B/B+ loan borrowers

Source: Leverage Commentary Data (LCD)



Weighted Average Loan Bid

Sources: Leveraged Commentary & Data (LCD); Morningstar LSTA US Leveraged Loan Index

Issuance:

- Loan spreads, which had been relatively stable earlier in the year, started to widen in May 2022 as credit risk fears increased and a broad market repricing started to take place.
- By the third quarter, spreads for new institutional term loans for borrowers rated B/B+ increased to an average of 491 bps and average yields reached in excess of 10% in December 2022.
- A rotation into investments that are higher-quality, higher in the capital structure, shorter-duration, and issued by recession-resistant businesses was the focus of many opportunistic private credit investors, who increasingly pivot between public and private, primary and secondary, credit markets.

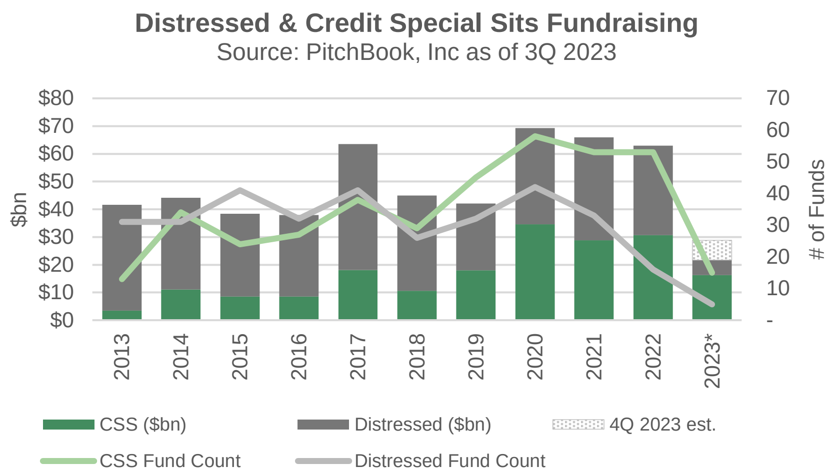
Pricing:

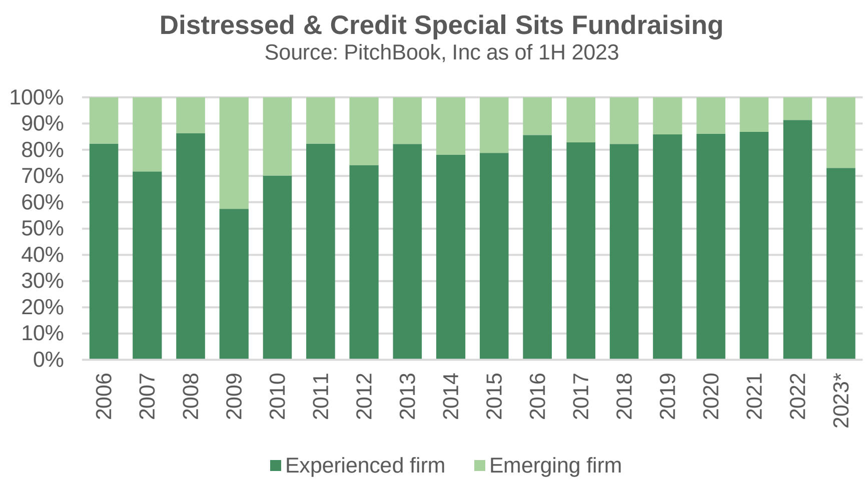
- Average loan prices (based on the Morningstar LSTA US Leveraged Loan Index) in the secondary market had partially retraced discounts seen in mid-2022, but by quarter-end fell back to 95.51 (as of 30 December 2022), below the recent highs of 95 seen in August 2022, and still well below the 10-year average bid price of 96.40.
- While early price drops were largely rate driven (rather than credit driven), loan prices went on to weaken on the back of geopolitical headlines and macro concerns, only to then rally, partly driven by rates and supply/demand characteristics.

US Distressed & Special Sits – Fundraising

PM Snapshot (Trends and Observations) & PM Forecast

A notable trend across funds is the inclusion of primary issuance and the broadening of mandates; many funds can pivot between primary and secondary markets, and public and private markets.





Fundraising:

- Fundraising activity in 1H 2023 was at $23.4bn across 13 funds. Similar to other asset classes, the number of funds dropped significantly compared to the total capital raised, indicating a concentration of capital to larger funds and more established names.
- Since 2019, Special Situations-focused funds have accounted for a larger proportion of fundraising, relative to Distressed. In 2022, Special-situations-focused funds raised more capital than Distressed managers. As of 1H 2023 Special Situations-focused funds accounted for 91% of the total capital raised.
- A notable trend across funds is the inclusion of primary issuance and the broadening of mandates; many funds can pivot between primary and secondary markets, and public and private markets. This is because GPs are seeking to be active across cycles and LPs are increasingly looking to GPs to be tactical to achieve alpha.

US Distressed & Special Sits – PM Outlook / Forecast

PM Forecast (New Commitments)

Updated	1Q 2024
Reviewed	1Q 2024

Drivers	Outlook	Comments
Deal Pricing	Marginally Positive (Changed from Positive)	All-in yields on low rated performing loans and bonds have come in but remain high by historic standards – driven in large part by elevated base rates. Although the year closed with all-in spreads above mid-year tights, they were down from their starting levels in January 2023 and well below peaks in recent history (e.g., peaks hit within COVID-19). At 928bps, spreads for performing bonds rated CCC and below came back roughly inline with the post-GFC average, and well within peaks hit within COVID-19 and the energy selloff. The illiquidity and complexity premium in the primary market for “solutions” providers is around the midpoint of recent ranges.
Supply of Opportunities	Marginally Positive (Unchanged)	The recent pickup in default volumes has driven trailing 12m default rates for HY and leveraged loans up to 3.1% and 1.53% by amount (2.05% by count), respectively; a reversion to roughly long-term averages. Private credit default rates were above 2% in 4Q 2023 in the core middle market and upper middle market but also not excessive. The proportion of high yield bonds trading at “distressed” spreads (i.e., greater than 1000bps) was 5.83%, above the 10-year average, but below 10%+ annual peak levels seen in March 2023 and well below the 30%+ reached in 2020. The proportion of leveraged loans trading below 80c on the dollar was 6.36%, above the 10-year average but. Both public and private credit default rates are likely to increase. The wall of maturities over the next three years remains elevated and recent refinancing activity has skewed towards higher-quality/higher-rated borrowers – leaving the outstanding proportion skewed towards riskier credits. Interest coverage ratios remain low with a large proportion of borrowers facing sub 1x interest coverage and many issuers at risk for downgrades. The higher cost of capital environment is likely a catalyst for dispersion but not necessarily widespread market dislocation.
Leverage Availability	N/A	N/A
Supply of Capital (Dry Powder)	Neutral (Changed from Marginally Negative)	While distressed and special situations dry powder have been growing steadily, the size of the leveraged loan markets has outpaced growth in fundraising levels and the outlook for availability of opportunities is improving – increasing default rate, broadening by sector, spanning secondary market and primary market opportunities, etc. There has been a continued shift in the composition of the broader competitive landscape to include more special situations funds (e.g., opportunistic and capital solutions-oriented mandates), which may or may not also pursue dislocated secondary credit. Distressed debt and special situations funds had dry powder of ~$89bn as of March 2023, down from peak levels in 2020 and 2021 (e.g., $110bn as of March 2021; source Preqin Ltd) albeit likely to increase.
External / Political Influences	Neutral (Unchanged)	External government/political influence can cut both ways for Distressed funds. Notably, after markets and borrowers were caught off guard by the rapid rise interest rates, markets have now adjusted to the “higher-for-longer” interest rate environment. The debate in 2024 has pivoted to how fast and by how much the Fed will cut rates. There remains an abundance of both known and unknown risks. Investors are faced with the unwind of COVID-19 abnormalities, slowing macro growth slowing, risks in the labor market, an election year in the US and elsewhere, etc. Markets are expected to remain volatile due to the various cross currents..
OVERALL	Marginally Positive	Changed from Positive

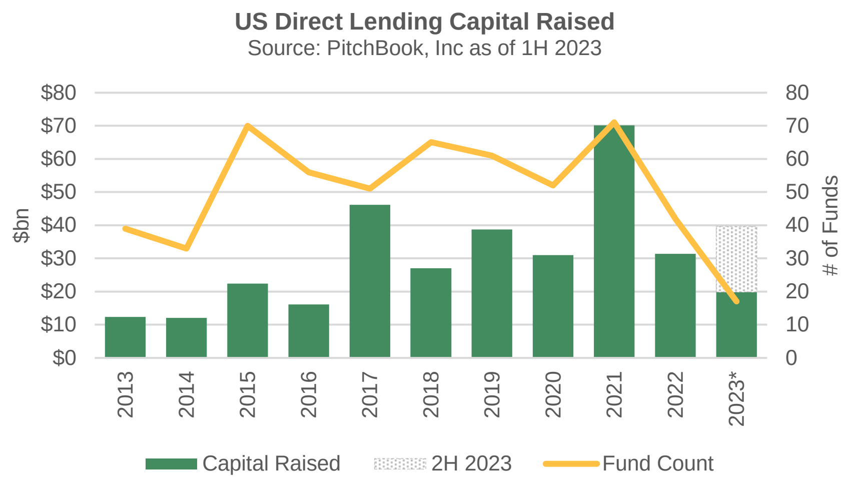
Negative	Marginally Negative	Neutral	Marginally Positive	Positive

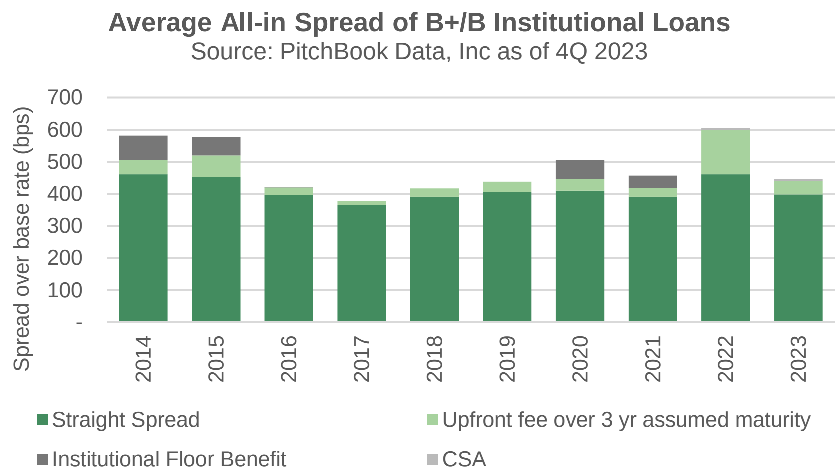
US Lending

US Lending – Overview

PM Snapshot (Trends and Observations) & PM Forecast

For the top 3 verticals in particular, lenders have increased allocations to business-to-business services while paring down healthcare given the wage increases among nurses, hygienists, and other healthcare workers.





Fundraising:

- Fundraising activity indicates strong investor interest for the strategy with 1H 2023 capital raised at ~$20bn which is on track to surpass 2022 ($31.4bn).
- Higher rates have reduced the number of LBOs substantially at the same time investors have increased interest in direct lending, leading to tighter senior secured spreads and borrowers increasingly dictating terms once again.

Recent Market Developments:

- As of the end of 2023, US equity markets were up, buoyed by lower inflation readings and a strong labor market. While headwinds for borrowers in addition to elevated interest rates remain, defaults and losses have not yet materialized and unlevered gross yields remain attractive above 12%.
- Modifications are up significantly depending on industry, and the refinancing outlook for many firms remains murky.
- Direct lenders continue to portray strength in their companies, requiring only muddling economic conditions to support senior secured loan repayment. Still, there is a notable divergence between the rosier outlooks of direct lenders and the higher loss forecasts of more opportunistic corporate credit managers.
- For the top 3 verticals in particular, lenders have increased allocations to business-to-business services while paring down healthcare given the wage increases among nurses, hygienists, and other healthcare workers.
- The revaluation of enterprise software more generally has led to lower LTVs among these loans and a pullback on ARR financing as well.
- While higher financing expenses alone would have pressured debt service ratios for issuers, increased costs have squeezed EBITDA as well, leading to the anticipation of forced deleveraging or far more expensive debt costs for many borrowers.
- Default rates, however, have not yet increased significantly though market participants do anticipate an upcoming rise. Themes include grappling with higher labor costs without ability to increase reimbursement in healthcare, slowdown in new customer growth in tech, and a general reluctance to fund incremental growth via senior lending for 2021 originations.

US Lending – PM Outlook / Forecast

PM Forecast (New Commitments)

Updated	1Q 2024
Reviewed	1Q 2024

Drivers	Outlook	Comments
Deal Pricing	Marginally positive (Changed from Positive)	As of YE 2023, the lack of LBO activity resulted in spread tightening from nearly 700 at the beginning of 2023 to 2021 levels of 550 or below. Anecdotally, Albourne has heard that borrowers are increasingly dictating loan terms as well. With the Fed announcing its intention of cutting rates in 2024, the absolute yield expectation over the life of the loans has also been reduced. Still, with SOFR at 5.3% as of year-end 2023, the base rate produces the absolute yields that have drawn so many new investors to examine the senior direct lending asset class, and the nominal yields remain attractive to many.
Supply of Opportunities	Marginally Negative (Changed from Neutral)	While direct lending took market share from the broadly syndicated loan market at the beginning of 2023, at the end of 2023, there were relatively more direct lenders seeking to fund new deals than supply of M&A given the higher rate environment. As a result, the few M&A deals that close are seeing intense interest and heavy competition among lenders, leading to not only the tighter spreads but weaker lender protections as well. To the extent that M&A activity continues to pick up, however, the supply dynamic should return to being a more neutral factor.
Leverage Availability	Neutral (Changed from Negative)	Banks have tightened underwriting standards more generally, or at the very least increase the cost of financing. While subscription and asset-backed lines have largely remained intact, financing is meaningfully more expensive, and for some lenders the increase in financing costs has outpaced the widening of asset spreads. That said, CLO issuance has largely resumed, and financing is generally widely available, albeit at a higher price
Supply of Capital (Dry Powder)	Neutral (Changed from Marginally Negative)	Many direct lenders have been wrapping up extended fundraising periods and new entrants are canvassing the market. On the whole, lenders have made adjustments to the slower repayment pace and increasingly are funding add-ons. Dry powder availability has become increasingly lender specific, with certain lenders having ample reserves while others will struggle to maintain the same commitments sizes of prior years
External / Political Influences	Neutral (Changed from Marginally Negative)	With CPI readings cooling in 4Q 2023, the Federal Reserve has shifted from talks of pausing hikes to contemplating when a rate cut will be. While SOFR remains 5.3% as of year-end, many believe placing a rate cart in 2024 is just a matter of when and few political moves will be made given that it is an election year.
OVERALL	Neutral	Unchanged

Negative	Marginally Negative	Neutral	Marginally Positive	Positive

Asia Private Credit

Asia Private Credit – Recent Market Developments

PM Snapshot (Trends and Observations) & PM Forecast

Recent Market Developments:

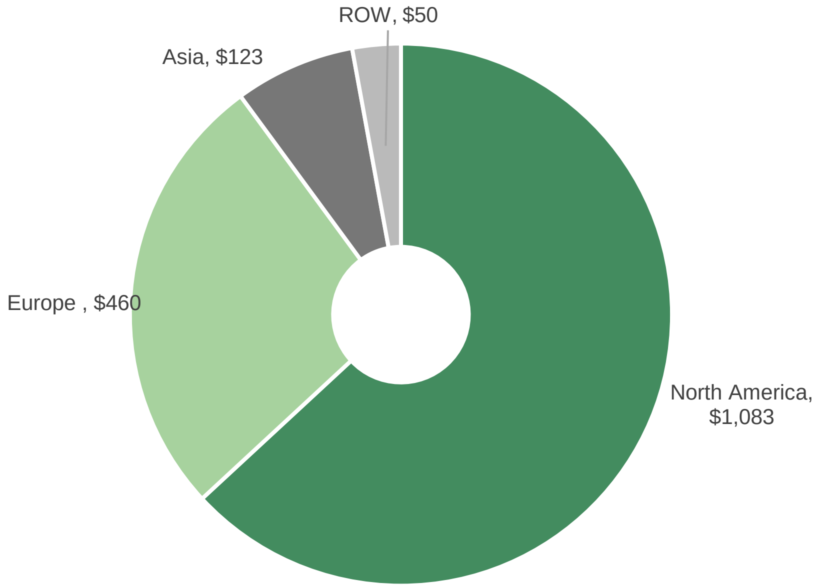
- Asia Private Credit opportunities continue to diverge by country. There have been further mark downs in China real estate lending, while the marks on distressed/dislocated HY bonds of Chinese property developers have recovered a bit. Growth financing and capital solutions in India continue to be attractive.
- Despite high interest rate, Australian housing prices have been well supported due to a shortage of housing, and project level real estate lending in Australia continues to offer attractive risk reward.
- A growing number of Asian private credit managers are looking at sponsor lending across Asia, especially in Australia. Southeast Asia and Korea have been gaining more prominence although deal flows have been sporadic and opportunistic.

China

- The plethora of supportive policies have not been effective in turning the negative sentiment. Home sales remain weak and property developers remain under pressure without cash flows from sales and financing. The prolonged stress has put companies previously perceived as "survivors" into default or at risk. Country Garden, one of the largest "blue chip" property developers, defaulted in October 2023 and Dalian Wanda, a prime commercial property developer (office being deemed "safer" than residential), went through extreme volatility.
- Sentiments remain extremely weak. That said, the successful completion of Sunac restructuring can be a blueprint for restructuring. Managers have not been doing new financings in the property sector. The focus has been on managing existing China lending exposures and/or investing in distressed bonds.
- Outside of the property sector – We continue to believe that capital solutions or lending opportunities will arise working with international PE sponsors given the delayed PE exits and lack of capital market options. So far, this has been highly opportunistic. However, it has become more attractive for companies to borrow in CNY than USD due to US rate hikes and China's easing policy, although CNY funding is often directed by policy agenda and is not readily available to private corporates that are not aligned with the policy agenda.

Private Credit AUM ($bn)

Source: Preqin Ltd. as of 2Q 2023



Asia Private Credit – Recent Market Developments

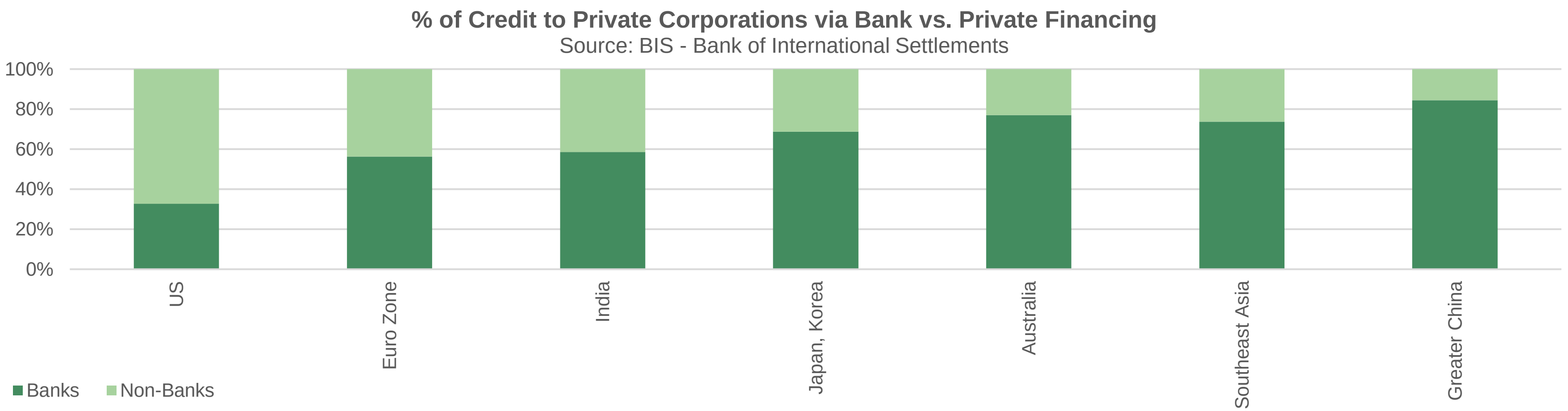
PM Snapshot (Trends and Observations) & PM Forecast

Australia:

- Property lending has faced headwinds with rising rates and building costs. In general, robust collateral and structuring have protected investments. Home mortgages in Australia are under a floating rate structure, and the impact of rate hikes is transmitted to homeowners much faster than the long-term fixed rate mortgages in the US. Most of the price correction has been in detached housing for which the price has gone up significantly during the pandemic.
- Prices of apartments in cities have held up better. In general, Australia's chronic housing shortage has supported home prices. With immigration resuming, the net migration trend turned positive and exacerbated the housing shortage. Funding for property developers remains scarce and, despite few headwinds (e.g., weakening consumer sentiment due to high interest rates), the Australian real estate lending sector offers a compelling risk/reward profile given its strong downside protection (low LTV, presale coverage and guarantees). The market environment favors stronger developers for consolidation.
- Direct lending (corporate) and unitranche have been growing. Most charge floating interest, and higher interest rates have made the returns more attractive. Global managers have become more active in these strategies in Australia.

India & Southeast Asia:

- Strong economic growth has fuelled growth lending opportunities from venture debt to "special situations growth" lending where managers are financing expansion, M&A and other corporate growth initiatives. After a prolonged liquidity crunch since the NBFC crisis in 2018, real estate developers have consolidated, and bad debts have been sold off to managers. At the same time, the growing middle class and urbanization trend have boosted housing demand. With this backdrop, real estate lending is emerging as an interesting opportunity.
- Distressed opportunities remains attractive, but investments tend to be large with a long lead time. Managers are approaching it opportunistically. NPL portfolios continue to be a source of stable return for those who have the local infrastructure to execute efficiently. Southeast Asia has become the priority of several managers shifting focus from China. While there are attractive opportunities, each country presents unique challenges and scalability remains an issue. Singapore-based deals are highly sought after due to their jurisdictional advantage. Indonesia remains the market with the highest barrier-to-entry.
- Many companies in the region have links to Chinese entrepreneurs or investors, and some managers are viewing it as an extension of their China network.



Asia Private Credit (Private Lending) – PM Outlook / Forecast

PM Forecast (New Commitments)

Updated	1Q 2024
Reviewed	1Q 2024

Drivers	Outlook	Comments
Deal Pricing	Positive (Unchanged)	Secondary distressed opportunities have been driven by the Chinese property bond dislocation. While the prices have fallen to extreme levels, the market remains volatile without a clear path forward to recovery yet. This will take more time. Elsewhere in Asia, distressed investing tends to be conducted through primary lending, to structure in a better risk/reward proposition. In India, distressed opportunities offer opportunities in the mid-to-high teens (in $), unchanged from the pre-pandemic levels. INR hedging remains a challenge, but the cost of hedging has improved due to the narrowing interest differential with the dollar. Australian rescue financing and loan-to-own pricing have been improving and offers an attractive risk/reward.
Supply of Opportunities	Marginally Positive (Changed from Positive)	China property bonds have been the focus of distressed investing in Asia. While distressed opportunities are abundant, managers have been very disciplined in deployment. Most ramped-up exposure towards the end of 2022, after the change in policy direction became clear. One defaulted company, Sunac, has now completed restructuring, and others in various stages. Default rates may taper as there are few private developers left to do so. The dislocation/distressed opportunities will continue for the next 1-2 years as restructurings progress. Indian opportunities have pivoted more to growth financing and capital solutions from distressed opportunities driven by strong economic growth. In Australia, rescue financing and loan-to-own opportunities are expected to increase due to rising rates, but this has not yet been a major flow of opportunities.
Leverage Availability	N/A	The use of leverage continues to be low.
Supply of Capital (Dry Powder)	Marginally Positive (Unchanged)	The issue of dry powder is currently not relevant in Asia given the small scale of capital in the strategy; the Asian Private Credit AUM accounts for 7% of the global strategy AUM. During the past year, Asian Private Credit AUM grew at half the pace (8%) of global Private Credit AUM (16% growth), largely due to the volatility in the China property sector and the difficulties international allocators faced with COVID-19 travel restrictions. The disparity of potential opportunities vs. dry powder is even more pronounced when considering Asia's contribution to the global GDP and the higher local growth rates. Established managers were still able to raise sizable funds through the pandemic. However, smaller/less established managers have struggled in fundraising amidst the strict travel restrictions of the region.
External / Political Influences	Neutral (Unchanged)	China's common prosperity policy and property sector policies have had far reaching effects in Asian private credit opportunities. Despite a continuous stream of supportive policies, the sentiment has remained negative, and managers have not resumed new lending to Chinese property developers. This is likely to continue as the sector is undergoing the structural change of becoming a more State-owned-enterprise dominant. Outside the property sector, political/ regulatory risk around capital markets remain in China. IPOs and stock trading are tightly regulated which may discourage capital solutions/sponsor lending type opportunities. India and Southeast Asia have been the net beneficiaries of China-US geopolitical tensions. Specifically, the Indian economy seems to be reaping the benefits of the reforms of the past few years. Higher US rates and slowing global economies impact Asia. However, importantly, key emerging Asian countries are less reliant on foreign currency debt and most Asian countries boast healthy foreign currency reserves, making the region more resilient. The risk of recession is lower for most Asian countries as they are more familiar with the high inflation environment and enjoy a relatively better growth outlook compared to developed markets.
OVERALL	Positive	Unchanged

Asia Private Credit (Distressed) – PM Outlook / Forecast

PM Forecast (New Commitments)

Updated	1Q 2024
Reviewed	1Q 2024

Drivers	Outlook	Comments
Deal Pricing	Positive (Unchanged)	Primary lending price remains attractive. The structural funding gap creates a supply/demand dynamic of capital that is inherently favorable to managers in Asia. Where possible, managers have transitioned to floating interest rate, benefitting from the rate rises. In Australia, loan spreads have held up despite the higher interest, making the returns more attractive, while lending criteria such as LTV have tightened in anticipation of economic slowdown in a rising rate environment. In emerging Asia, direct lending pricing is less driven by spreads but more by the structural funding gaps. This has given managers pricing power, which is often exercised in the form of enhanced downside protection.
Supply of Opportunities	Positive (Unchanged)	Lending demand has remained robust as it is driven by the structural funding gap found in most economies. Reliance on bank financing remains high (~75% of all lending being bank financing) in Asia. This can be attributed to underdeveloped or inefficient (e.g., heavily regulated) capital markets including non-bank financing companies as well as other country-specific reasons such as policy lending, rather than Asian companies being over-banked. With Asian economies recovering, the need for growth financing has increased, and managers are seeing attractive lending opportunities across the space. Australian real estate lending continues to be attractive and the lack of an alternative source of capital has allowed managers to be highly selective in their underwriting (see Deal Pricing). Corporate senior lending strategies have been growing, as a result of bank retrenchment. Sponsor lending and capital solutions opportunities have been on the rise, especially in Australia. This has accelerated as IPOs are being delayed due to poor market sentiment. Asia venture debt opportunities are also emerging in Southeast Asia and India. Due to the crisis in the China property sector, Chinese real estate lending has been shut down and the opportunity has pivoted to distressed.
Leverage Availability	N/A	The use of leverage continues to be low.
Supply of Capital (Dry Powder)	Marginally Positive (Unchanged)	See Asian Distressed
External / Political Influences	Neutral (Unchanged)	See Asian Distressed
OVERALL	Positive	Unchanged

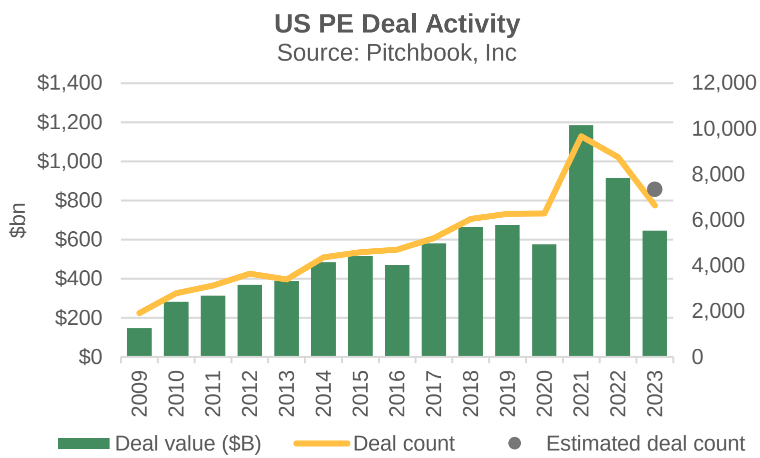
Albourne Alternatives Market Update

PE - US LBO/Growth

US LBO/Growth – Deal Activity

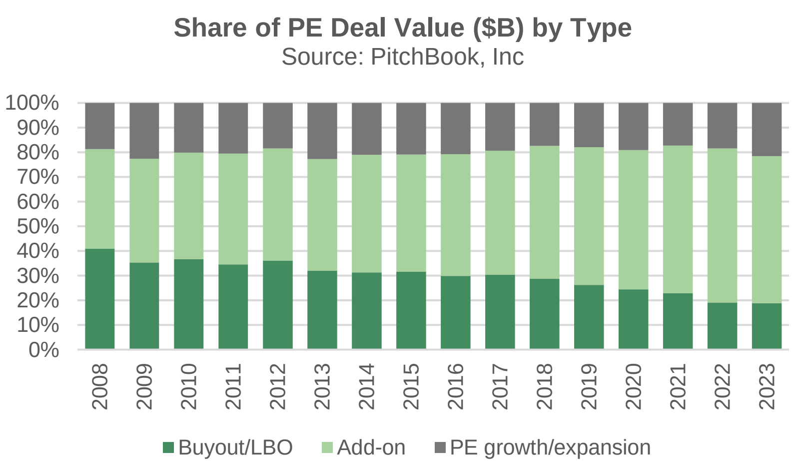
PM Snapshot (Trends and Observations) & PM Forecast

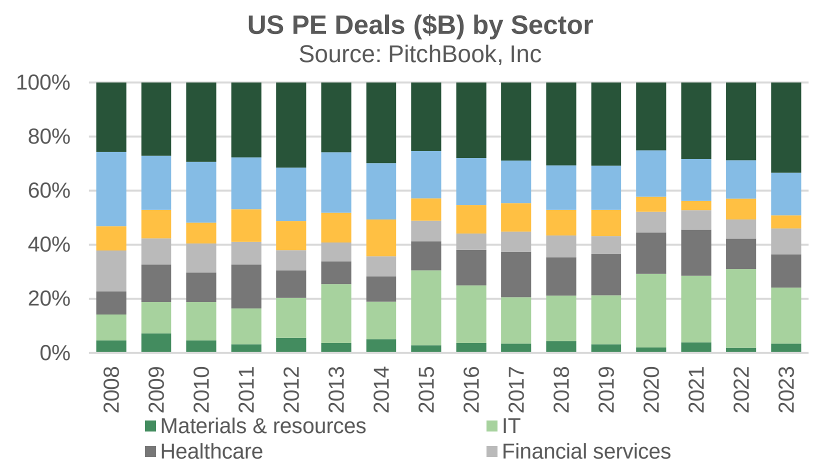
Deal activity stalled in 3Q 2023 and deal value remains at a six-year low. Leverage dependent deal types were the hardest hit such as platform deals.



Deal Activity:

- Deal Activity stalled in 3Q and 4Q 2023 with overall market activity continuing to be below 2021-2022 in terms of both deal count and deal value. The private equity market has yet to hit a bottom coming out of the post-pandemic and lower interest rate environment.
- On a sector basis, technology related deals have seen the largest decline as a percentage of overall transactions, with B2B, financial services, and materials and resources seeing the biggest upticks. The shifts in sector activity are reflective of declining valuations for high growth, low cash flowing companies, but this could change in 2024 as public market valuations have rebounded.
- Of all deal types, platform deals have been especially hard hit due to their greater dependency on leverage. Leverage ratios contracted significantly since the beginning of the year which has increased costs and reduced expected returns for larger LBOs.





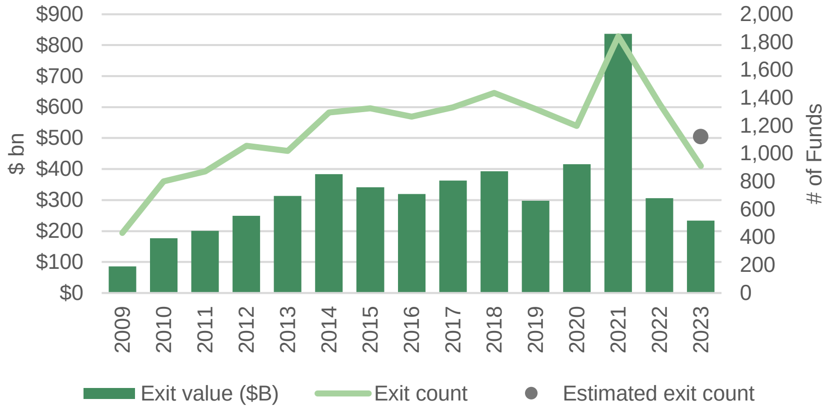
Data source: PitchBook Data, Inc. as of 4Q 2023. Comments last updated/reviewed: 05 February 2024

US LBO/Growth – Exit Activity

PM Snapshot (Trends and Observations) & PM Forecast

Exit to investment ratio has hit historical lows at 0.37x by the end of 3Q 2023, compared with 0.48x in 2021 and 0.41x in 2022.

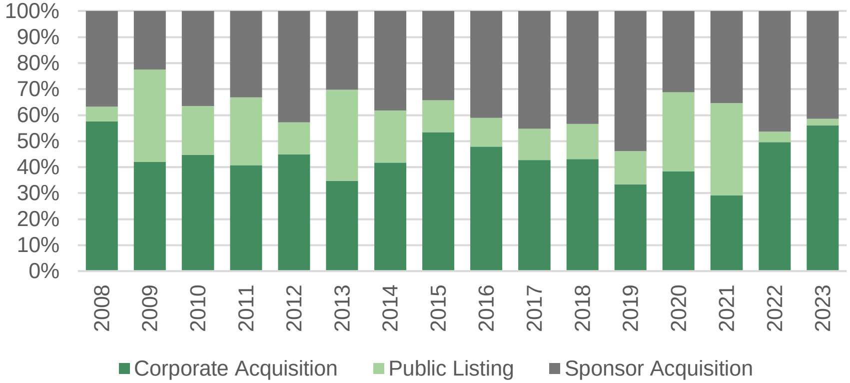
US PE Exit Activity
Source: Pitchbook, Inc



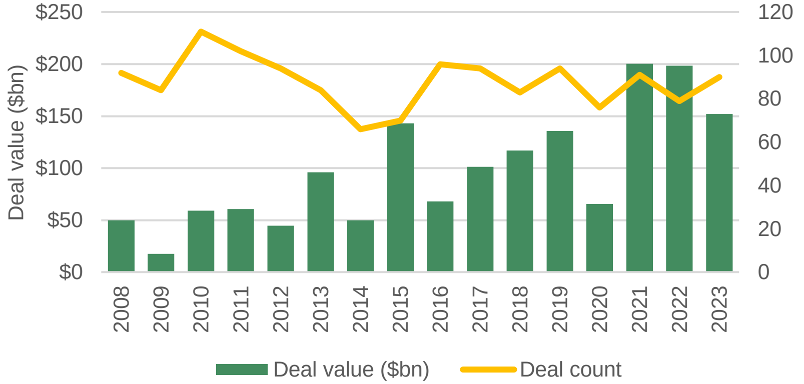
Exit Activity:

- Despite a bounce in exit activity in 2Q 2023, exits declined once again in 3Q 2023 resuming the downward trend.
- The quarterly exit value of $44bn (excluding 2Q 2020 – mist of the pandemic), marks the lowest figure in more than 10 years which suggests a bottoming out for PE exits.
- Exit value and count remain well below pre-COVID-19 averages.
- Exit to investment ratio has hit historical lows at 0.37x by the end of 3Q 2023, compared with 0.48x in 2021 and 0.41x in 2022.
- In early 2022, IPOs virtually disappeared, with a quarterly average of only $2.0 billion since.

US PE exits ($B) by Type
Source: PitchBook, Inc



North America and EU Public to Private Deal Activity
Source: PitchBook, Inc

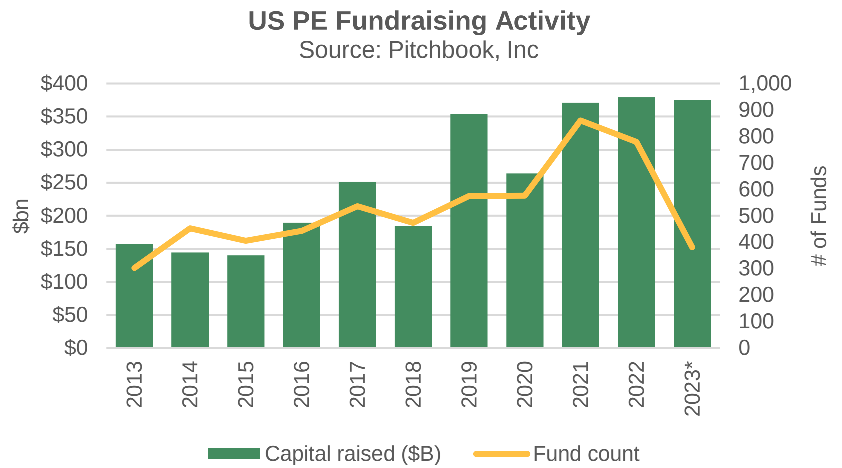


Data source: PitchBook Data, Inc. as of 4Q 2023. Comments last updated/reviewed: 05 February 2024

US LBO/Growth – Fundraising

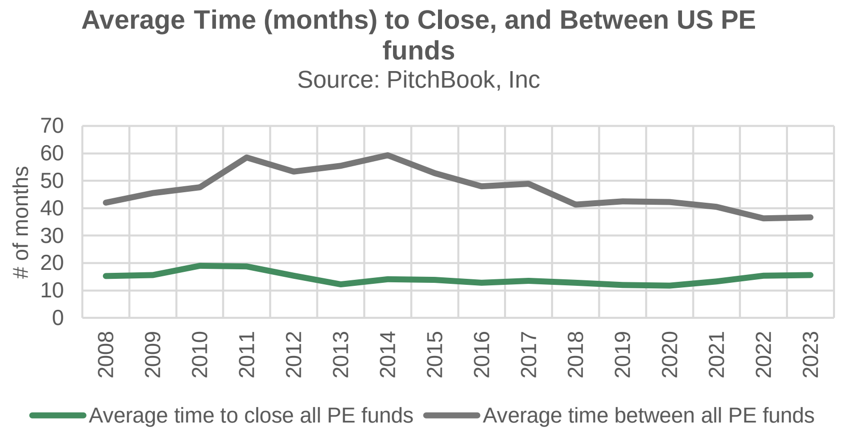
PM Snapshot (Trends and Observations) & PM Forecast

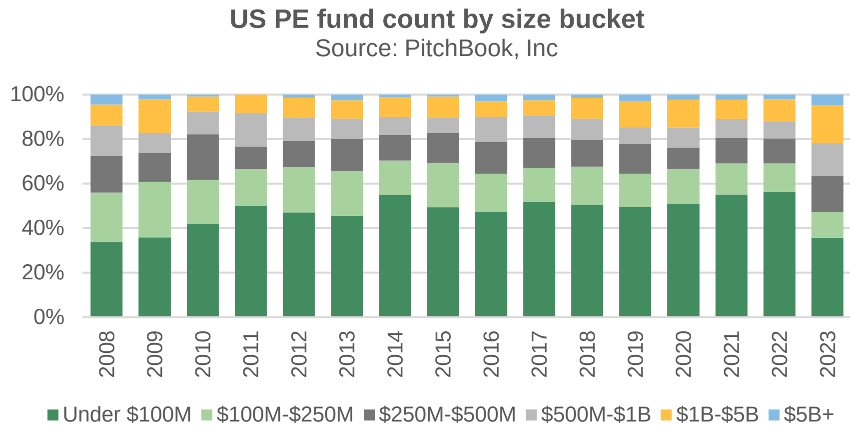
The pace of PE fundraising activity has slowed compared with last year. This deceleration was not unexpected following the record-breaking year of 2022.



Fundraising Activity:

- The pace of PE fundraising activity has slowed compared with last year. This deceleration was not unexpected following the record-breaking year of 2022.
- Average duration to close a PE fund increased to 15.6 months, reaching its highest point since 2011. This trend suggests that some significant funds may close in the coming months, potentially affecting the 2023 figures thus far.
- Buy-Outs dominated with a share of ~82% of the capital raised, marking an increase from 76.3% in 2022. The increase came at the expense of growth equity funds.
- The number of mega-funds (>$5bn) closed in 3Q, nearly doubled from what closed in 1H 2023. Mega-funds accounted for 49.1% of all US PE capital raised through 3Q 2023.
- GPs are actively exploring alternative avenues of fundraising, seeking for investors who faced fewer headwinds in the past year. One target is family offices. Sovereign Wealth Funds (SWF) have emerged as a prominent group of LPs attracting the attention of GPs seeking capital.





Data source: PitchBook Data, Inc. as of 4Q 2023. Comments last updated/reviewed: 05 February 2024

US LBO/Growth – PM Outlook / Forecast

PM Forecast (New Commitments)

Summary: Given the current market environment, Albourne is relatively moderate on the outlook for US LBO/Growth. Positively, recessionary fears within the US economy have been slowly receding in favour of a potential "soft-landing" outcome. Although continued economic outlook uncertainty remains and higher interest rates make it more difficult for GPs to underwrite new investments to an acceptable return, we expect to see a pick-up in deal activity from its current depressed levels due to the narrowing gap between seller and buyer expectations, as well as the historical levels of dry powder still available. Conversely, fundraising remains challenged as many LPs remain hesitant on new commitments, while their potential re-ups face increased scrutiny due to changing liquidity dynamics in some portfolios. Overall, these dynamics create the opportunity for high-quality GPs with strong end-to-end strategy capabilities to further distinguish themselves from peers who have been more historically reliant upon cheap financing and rising markets.

Drivers	Outlook	Comments
Deal Pricing	Neutral (Changed from Marginally Positive)	Deal pricing remains slightly more attractive compared to 2021-2022 as purchase price multiples have generally trended lower, especially in higher growth sectors such as software. However, valuations may have already found a near-term bottom as sentiment has improved and public market performance has rebounded, led by the large-cap technology sector.
Supply of Opportunities	Marginally Positive (Unchanged)	The potential investment universe remains very large due to the sheer size and diversity of the US economy. Seller expectations and valuations are the key driving factors behind the fluctuations in supply over short periods of times but not over the medium- or long-term. As the composition and supply of buyout targets (private companies, divisions of corporates, public-to-privates, etc.) varies depending on size, there is naturally a greater supply of potential investment targets in the lower middle market and middle market as compared to the large market.
Leverage Availability	Negative (Unchanged)	With debt markets extremely susceptible to overall volatility and recessionary fears, sponsors broadly continue to face more difficulties in securing debt financing following the sharp increase in rates over the past year and half. Although the cost of debt is more expensive and it is generally harder to secure loans, well-established middle-market sponsors with limited to no history of lender losses should have an advantage due to their time-tested relationships with direct lenders. Direct lenders have enthusiastically stepped into the middle market issuance gap vacated by banks, while new syndicated loan issuance for large market buy-outs (>$50m EBITDA) will likely remain slower as these deals typically require a consortium of lenders.
Supply of Capital (Dry Powder)	Negative (Unchanged)	The fundraising environment remains more competitive and challenging than it has been in years. Despite the fundraising slowdown, the historical level of dry powder available in the market has remained relatively steady due to the steep decline in deal activity. With expectations for deal activity to pick-up before an improvement in fundraising conditions, there appears to be potential for a modest decline in the overall amount of dry powder, albeit not to a material degree.
External / Political Influences	Marginally Negative (Unchanged)	The emergence of a de-globalization theme following the Russia/Ukraine War and deteriorating relations with China over the past year may continue to drive stronger domestic investment interest. However, the seemingly constant threat of the US tightening various regulatory and disclosure requirements for private equity firms and their portfolio companies remains.
OVERALL	Marginally Negative	Unchanged

Updated	3Q 2023	Negative	Marginally Negative	Neutral	Marginally Positive	Positive
Reviewed	1Q 2024					

US LBO/Growth – PM Outlook / Forecast

PM Forecast (New Commitments)

Sub-Strategies	Outlook	Comments
Large Market	Marginally Negative (Neutral)	Many large market buy-out participants have recently raised, or are currently raising, record-setting funds, while several erstwhile mid-market managers have migrated further up-market. As a result, the segment continues to be abundant with undeployed capital and the overall competitive landscape has increased. Increased financing costs may put pressure on returns for larger deals, while the slowdown in large IPOs has led to the growing use of continuation vehicles and sponsor-to-sponsor sales.
Middle Market	Neutral (Unchanged)	The depth and length of sector experience and strong referenceable track records would continue to differentiate the best managers. However, intense competition and abundant dry powder, as well as hard-to-navigate economic outlook, will make continued outperformance anything but certain even for this group. Middle-market managers with strong sourcing capabilities should continue to have greater scope to apply their investment judgement as making risk/reward determinations becomes more critical in a lower growth, higher-interest environment.
Lower Middle Market	Marginally Positive (Changed from Neutral)	In general, pricing and supply dynamics should remain favourable within the lower middle and play to the strengths of managers with strong origination capabilities. Smaller deals on average will be less impacted by increased financing costs due to less reliance on leverage. Overall, lower middle market managers will continue to benefit from their advantageous position in the buyout “food chain” as appetite from mid-market sponsors and their portfolio companies remains high due to the available dry powder, which remains one of the enduring features of this segment of the market.

Updated	3Q 2023
Reviewed	1Q 2024

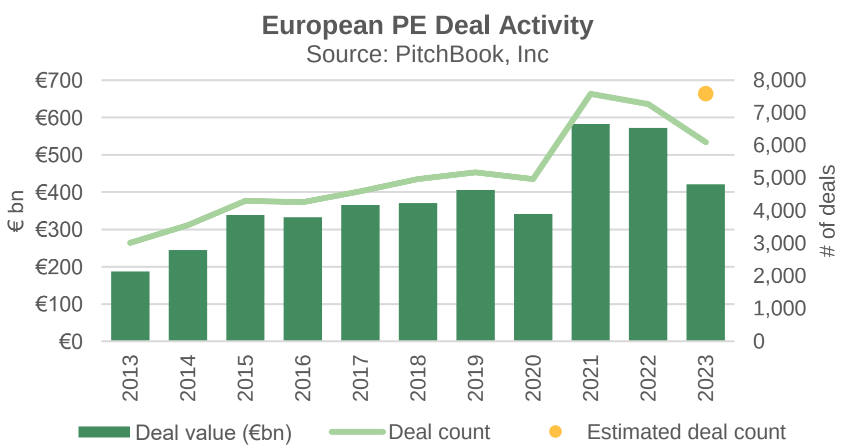
Negative	Marginally Negative	Neutral	Marginally Positive	Positive

PE - European LBO/Growth

EU LBO/Growth – Deal Activity

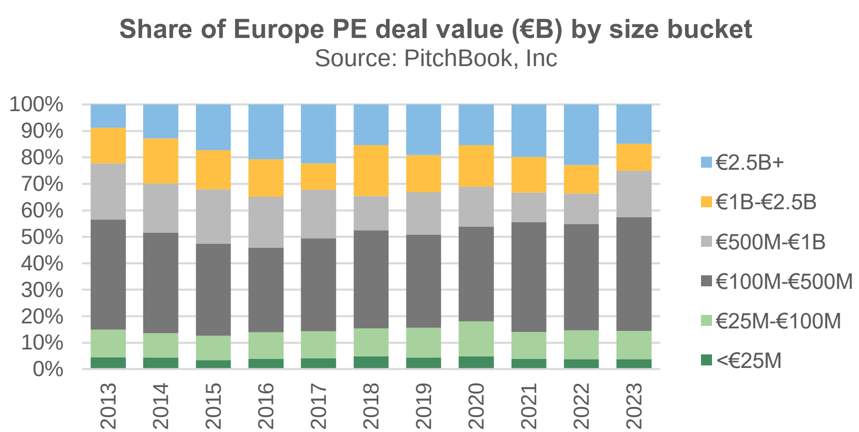
PM Snapshot (Trends and Observations) & PM Forecast

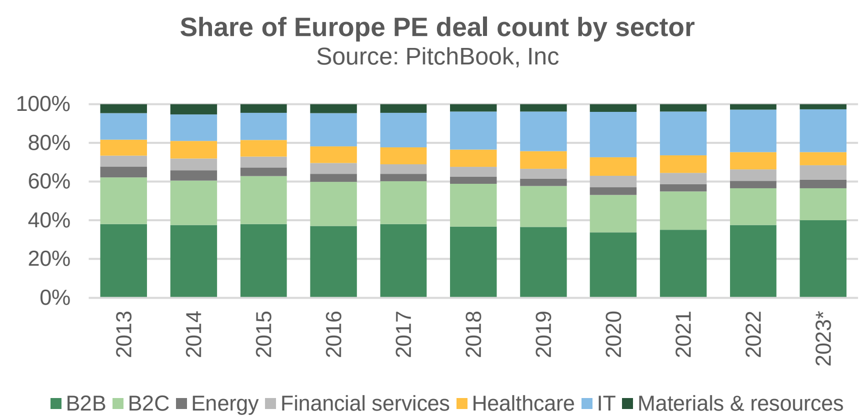
Deal activity in Europe is heading towards a recovery but at a slower pace than initially anticipated. The Nordics, France and Benelux exhibited resilience, which reflects the dominance of the Northern European PE market.



Deal Activity:

- Deal activity in Europe is heading towards a recovery but at a slower pace than initially anticipated. Deal-making in 2023 is expected to surpass pre-COVID 19 levels, indicating some appetite for dealmaking.
- The aggregate value of deals in 2023 dropped almost 27% year-on-year, yet the deal count increased by more than 4%, explained largely by the fact that LBO managers prioritized add-on acquisitions; Add-on acquisitions represented circa 55% of all deals, a record high level in recent years.
- In terms of sectors, Financials had a strong 2023, with 458 transactions accounting for a circa €50bn total deal value, therefore representing circa 23% year-on-year growth.
- In terms of regions, UK and Ireland accounted for almost 1/3 of total deal value in Europe, with France and Benelux coming in second at around 23% combined. Deal activity in the Nordics, France and Benelux exhibited resilience, which reflects the dominance of the Northern European PE market.



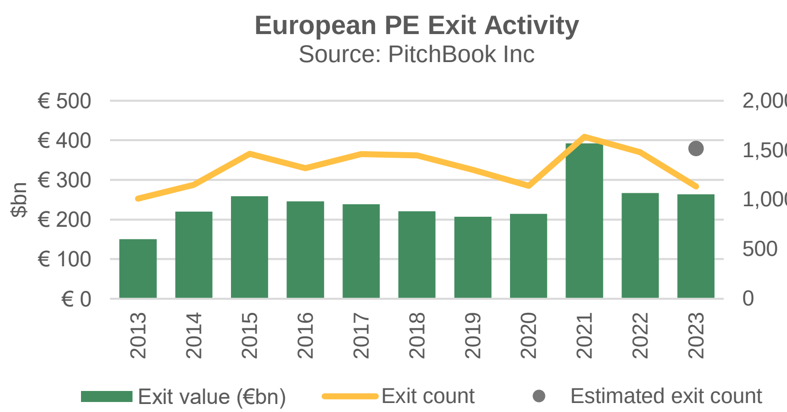


Data source: PitchBook Data, Inc. as of 4Q 2023. Comments last updated/reviewed: 06 February 2024

EU LBO/Growth – Exit Activity

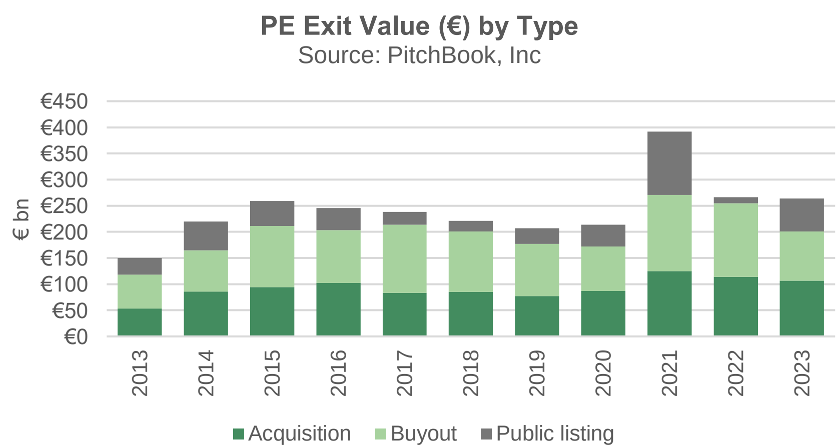
PM Snapshot (Trends and Observations) & PM Forecast

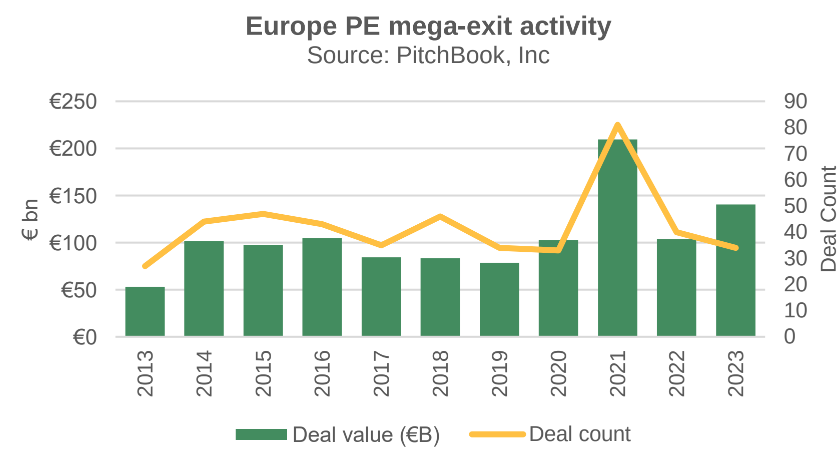
The IPO market was muted in 2023, with only 15 PE-backed IPOs taking place throughout the year.



Exit Activity:

- The 2023 exit value was broadly flat when compared to the preceding year, yet if you exclude the mega exits, such as the €49bn IPO of ARM, exit activity dropped almost 25% in 2023.
- The IPO market was muted in 2023, with only 15 PE-backed IPOs taking place throughout the year.
- Bid-ask spreads reportedly began to narrow towards the end of 2023, albeit average deal pricing dropped from 12.3x in 2022 to 10.2x in 2023, which indicates that PE managers have not been able to rely upon the significant multiple expansion that has served as a significant driver of returns over the past decade.
- Albourne did see an increasing use of alternative sources of liquidity being sought or considered by PE managers throughout 2023, including GP-led continuation vehicle transactions, minority equity sales, and NAV financing.





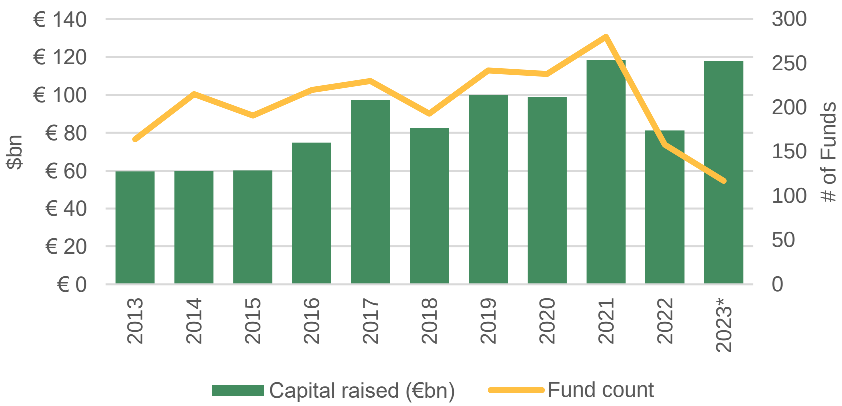
Data source: PitchBook Data, Inc. as of 4Q 2023. Comments last updated/reviewed: 06 February 2024

EU LBO/Growth – Fundraising

PM Snapshot (Trends and Observations) & PM Forecast

Fundraising activity in Europe as of 3Q 2023 is at €86bn, which surpassed the full year of 2022. The strong figures indicate a shift towards PE as an asset class for many allocators.

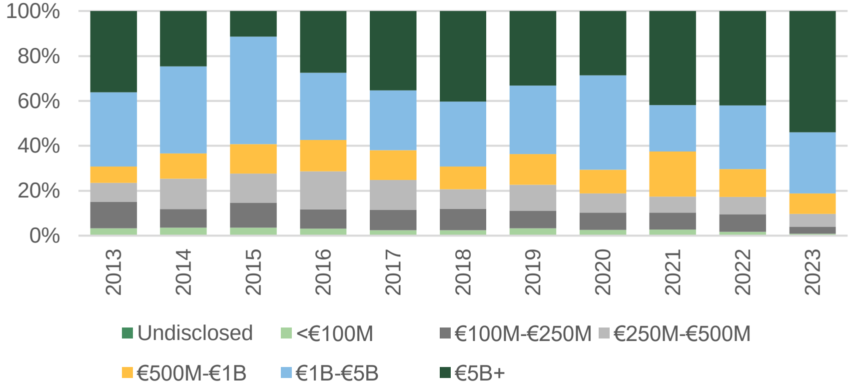
PE Fundraising Activity
Source: PitchBook, Inc



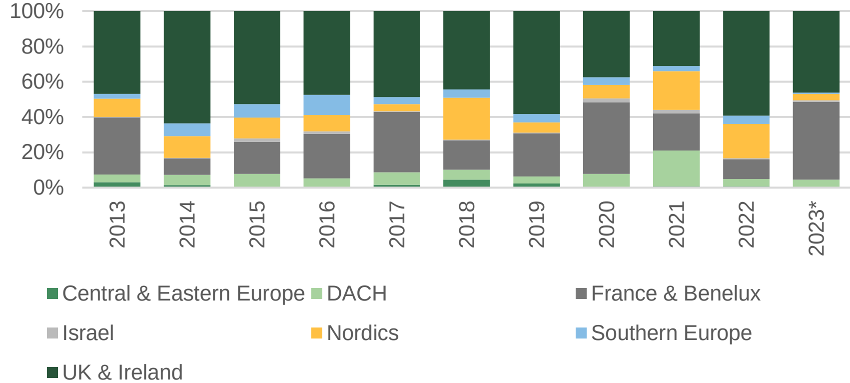
Fundraising Activity:

- Fundraising activity in Europe as of 3Q 2023 is at €86bn, which surpassed the full year of 2022. The strong figures indicate a shift towards PE as an asset class for many allocators.
- Notably, there were a lower number of funds raising capital which supports the trend that larger funds are more successful in their fundraising efforts in recent years. Mega funds (">€5bn) accounted for 57.7% of capital raised.
- It is noteworthy that many of the funds still open in 2023 were the large LBO funds that launched in 2021 or 2022 and hence remained open for 2023 allocations.
- European fundraising continues to be driven by more experienced funds.

Share of Europe PE capital raised (€B) by size bucket
Source: PitchBook, Inc



Share of Europe PE capital raised (€bn) by size bucket
Source: PitchBook, Inc



Data source: PitchBook Data, Inc. as of 4Q 2023. Comments last updated/reviewed: 06 February 2024

EU LBO/Growth – PM Outlook / Forecast

PM Forecast (New Commitments)

Updated	1Q 2024
Reviewed	1Q 2024

Albourne has witnessed two additional themes of note over the past two years:

- Firstly, a number of mid-market and large buyout managers have increasingly sought to raise NAV-based lending facilities towards the latter stages of their funds investment periods, with the primary purpose of undertaking a fund-level dividend recap.
- The second theme of note is the continued growth of the single-asset GP-led continuation fund market, which has become an increasingly viable liquidity route for typically higher quality PE-backed assets. While amid a challenging debt market environment, we have seen some single-asset transactions benefit from portable financing. .

Drivers	Outlook	Comments
Deal Pricing	Marginally Positive (Unchanged)	Deal pricing is expected to remain in the 10x to 12x EV/EBITDA range witnessed in 2023, which represents a reduction from the 12x to 14x average EV/EBITDA pricing witnessed between 2018 and 2022. Amid the uncertain macro environment, most managers will continue to overweight their portfolios with more resilient businesses with reduced reliance upon complex supply chains and energy input costs. The continued flight to resilience will nevertheless serve to support deal pricing, yet conservative capital structures for new deals will have a most pronounced impact at the larger end of the market, which will constrain broader average pricing multiples.
Supply of Opportunities	Neutral (Changed from Marginally Negative)	The supply of opportunities is expected to remain relatively subdued but expected to improve throughout 2024. M&A advisors have notably reported a rich pipeline of exit mandates for 1H 2024, but it is Albourne's view that the bulk of this pipeline will likely trade in 2H 2024 and beyond. Many GPs will opt to extend holding periods and prioritize further M&A opportunities for existing portfolio companies. Large multi-billion carve-outs will only return once the financing markets become more accommodating; likewise, amid an environment of continued high inflation and interest rates, corporates will seek to shore-up balance sheets, maintain margins and de-lever, which will lead to a greater number of corporate carve-out opportunities. As the GP-led continuation fund market continues to gather momentum, this will increasingly constrain the supply of some of the highest quality PE-owned assets. The supply of growth deals and lower mid-market/mid-market deals, which are less reliant upon the debt markets, will likely continue to improve.
Leverage Availability	Neutral (Unchanged)	The continued macroeconomic uncertainty, recession fears and high rate environment will lead the European leveraged finance market to remain challenging. The impact will be most pronounced within the large cap space, while broadly speaking, new deals will have more conservative capital structures, with equity cushions typically representing at least 50% on average. GPs will continue to increasingly look to tap the direct lending funds as an alternative to bank syndicates and the high yield market. Furthermore, in an environment where cost of debt has increased and multiple arbitrage can no longer be taken for granted, the way PE managers are underwriting to the same returns today is by having more aggressive M&A plans, the direct lending funds therefore facilitating this trend due to their enhanced flexibility in contrast to bank lenders. Given the high rate environment, we expect to witness continued LP pushback against buyout GPs seeking to tap the fledgling fund-level NAV-based lending market, which grew in prominence throughout 2021, 2022 and 2023.
Supply of Capital (Dry Powder)	Marginally Negative (Unchanged)	Due to almost all €5bn+ European funds undergoing fundraise processes during 2022 and 2023, European buyout & growth dry powder is expected to remain at its high circa $255bn level in the near-term. An expected more muted deployment similar to 2022 and 2023 is expected in 1H 2024 due to a limited supply of opportunities, less accommodating debt markets and managers focusing their attention on substantial unrealized portfolios in light of less liquid exit markets, will all serve to support high levels of industry dry powder. However, European fundraising volume will likely reduce in 2024, given that the bulk of GPs in the market will be mid-market managers.
External / Political Influences	Marginally Negative (Unchanged)	The full scale of the impact of Brexit has to a certain extent been masked by the COVID-19 pandemic such that it remains a key risk for the UK-market going forward, as does continued local currency volatility versus other generally considered hard currencies. Furthermore, political elections are scheduled to take place in both the UK and US. The ongoing war in Ukraine is expected to lead to continued energy and food price inflation over at least the short to medium term.
OVERALL	Marginally Negative	Unchanged

Negative	Marginally Negative	Neutral	Marginally Positive	Positive

EU LBO/Growth – PM Outlook / Forecast

PM Forecast (New Commitments)

Current	Outlook	Comments
Exit Environment for Current Investments (medium term):	Marginally Negative (Unchanged)	Amid a prospective recessionary environment, earnings growth rates are likely to be sluggish. As was witnessed in 2022 and 2023, exit markets will remain challenging, particularly for managers at the larger end of the market that are more reliant upon the IPO exit route. Alternative liquidity solutions, such as the GP-led secondary market and cross fund transfers for higher quality assets will constitute a larger overall portion of the exit market albeit still a small proportion of the overall exit market. However, portfolio companies that continue to demonstrate robust growth and a strong degree of resilience will continue to possess the strongest exit optionality.

Sub-Strategies	Outlook	Comments
Large Buy-Out	Marginally Negative (Unchanged)	The impact of the more challenging leveraged finance market will be most pronounced at the larger end of the market and will constrain the viability of seeking to undertake mega buyouts over the short to medium term. Furthermore, due to the large LBO market's inherent reliance upon the IPO exit market as well as cash-rich trade acquirers, only the strongest assets are likely to be viable exit candidates. However, subject to accommodating debt markets, GPs within this category are best placed to take advantage of the anticipated growth in take-private and corporate carve-out opportunities, while such managers also have the deepest operating team resources to support portfolio companies and therefore undertake transactions with greater operational complexity.
Middle Market	Neutral (Unchanged)	The supply of opportunities within the mid-market will be greater than for the large buy-out market as it generally casts a wider net that can take advantage of the anticipated growth in take private and carve-out transactions, but also founder/ entrepreneur-led opportunity once seller pricing expectations catch-up with the current market environment over the near term. The mid-market will continue to possess greater exit optionality over the medium term, as the significant capital raised by the European large buyout market will continue to be allocated to secondary buyouts of mid-market companies.
Lower Middle Market	Neutral (Unchanged)	The much greater dispersion in GP quality will continue to make this segment of the market the hardest to generalize. Competition in the lower mid-market space has increased following the emergence of several new small cap teams/vehicles having been established by mid-market and larger Buy-Out managers. Managers with sector specialization and/or a real consistency and breadth of origination engine are expected to fare better, as founders/ entrepreneurs seek high quality and trusted partners that are deemed to be well positioned to grow their businesses as responsible owners. Deal activity in the lower end of the market is expected to remain robust given its relative immunity to the challenging debt market environment.

Updated	1Q 2024
Reviewed	1Q 2024

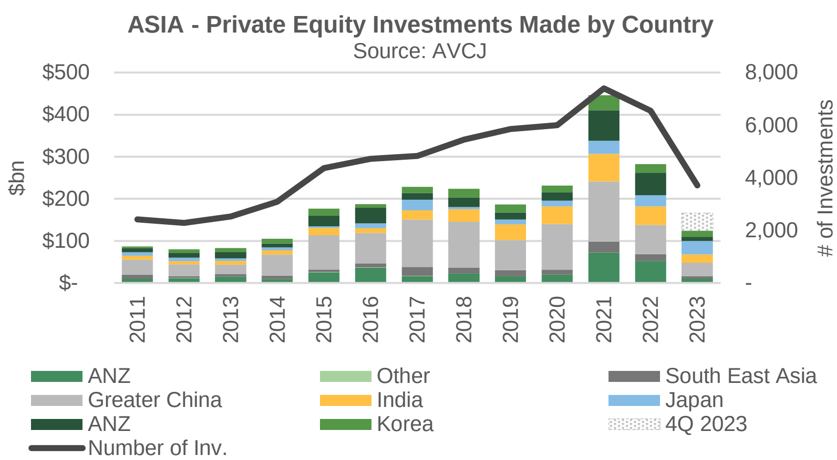
Negative	Marginally Negative	Neutral	Marginally Positive	Positive

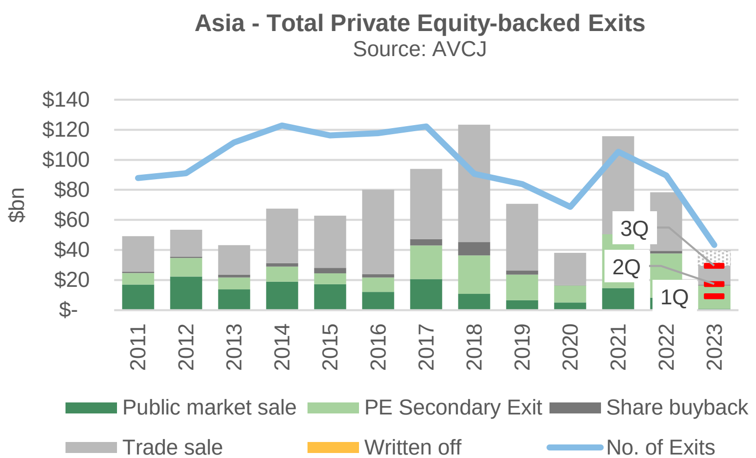
PE - Asia LBO/Growth

Asia LBO/Growth – Deals & Exits

PM Snapshot (Trends and Observations) & PM Forecast

Deal activity remains suppressed in Asia as of 3Q 2023. Post pandemic exit activity has yet to fully rebound.





Deal Activity:

- Following some signs of recovery in 4Q 2022, overall deal activity in Asia has declined in each quarter since.
- In the whole region, only three deals surpassed $1bn in value in 3Q which is down from six in each of the last two quarters.
- China was underrepresented with only two investments in the top 10. Investment activity in India almost halved quarter on quarter which is the lowest deal value in the last five years.
- Australia is the only major geography to buck the declining trend and its increased deal value in the quarter accounted for over one-fifth of the regional total.

Exit Activity:

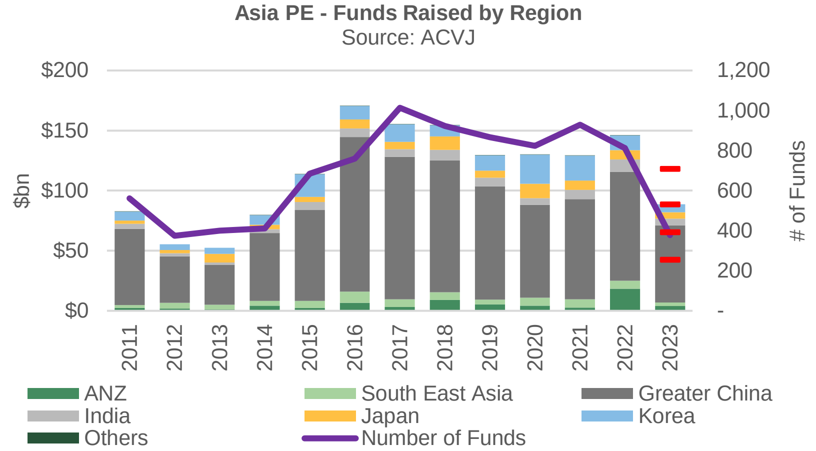
- Post pandemic exit activity has yet to fully rebound.
- 3Q 2023 exits rose marginally compared to 2Q 2023 but still represented a muted $8.9bn in value. Sponsor-to-sponsor deals accounted for the bulk of the value while trade sales by international strategic buyers hampered during COVID showed some signs of life.
- Proceeds from Private Equity backed IPOs for 3Q 2023 was $11bn, down from $16bn in 2Q 2023. This mostly stems from China but there were some signs that Hong Kong filings are turning into offerings.

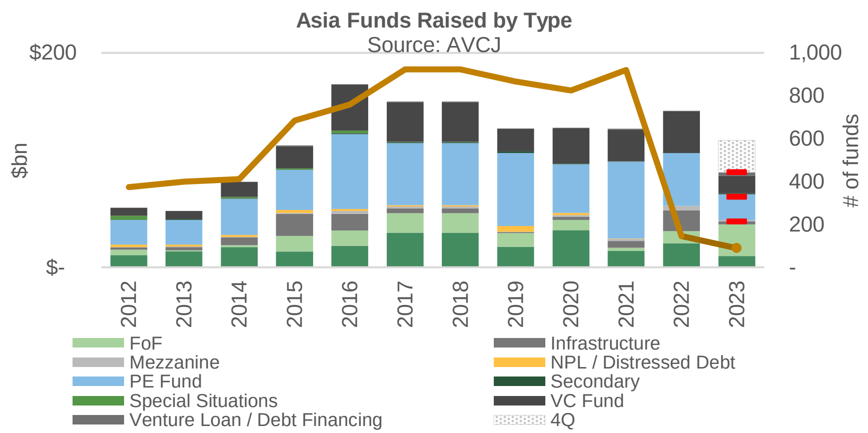
Data source: PitchBook Data, Inc. as of 4Q 2023
Comments last updated/reviewed: 06 February 2024

Asia LBO/Growth – Fundraising

PM Snapshot (Trends and Observations) & PM Forecast

The US and China's conflicting technology agendas hindered commitments to Chinese VC by US investors. Overall, Asia fundraising activity in 3Q 2023 weakened further to $29bn compared to $41bn in the previous quarter.





Fundraising Activity:

- There is significant restructuring in the region following a recent US executive order prohibiting foreign investment in China that targets sensitive technologies (semiconductors, quantum computing, AI). In response, many managers separated their China and US entities. The US and China's conflicting technology agendas hindered commitments to Chinese VC by US investors.
- Overall, Asia fundraising activity in 3Q 2023 weakened further to $29bn compared to $41bn in the previous quarter. Notably, China accounted for 9 of the 15 of largest funds to achieve a close (partial or final) during the quarter. However, this included renminbi vehicles and government development funds.

Data source: PitchBook Data, Inc. as of 4Q 2023
Comments last updated/reviewed: 06 February 2024

Asia LBO/Growth – PM Outlook / Forecast

PM Forecast (New Commitments)

Drivers	Outlook	Comments
Deal Pricing	Marginally Positive (Unchanged)	Given the uncertain macro environment and resulting corrections in the public markets, private equity pricing has moderated and should continue to improve as current conditions persist, and capital seekers adjust their expectations on valuations. Deal valuations will however vary across stage, sectors and geographies. Attractive opportunities are emerging across out of favor sectors as well as in more complex and partnership opportunities where private equity can bring value-added benefits beyond capital. On the other hand, valuations of high-quality companies as well as early-stage start-ups led by superior teams experiencing continued growth have experienced more modest declines and are expected to be more resilient.
Supply of Opportunities	Positive (Unchanged)	Private equity penetration in the region remains low and the continued development and acceptance of the asset class as well as limitations from traditional funding sources will provide abundant opportunities driven by growth needs, consolidation, succession/transition issues, corporate carve-outs, public to private etc. The challenging macro conditions will add further pressure to companies across sectors allowing for easier access to those that require capital and expertise. The continued pace of digital adoption and supportive government policy initiatives should also boost investment opportunities across technology and innovative areas. Asia's large food and energy needs as well as demographic profile and underserved healthcare market also avail a large opportunity set across climate, healthcare, ESG and various impact investments. The exit market is expected to remain depressed in the near term especially with a limited IPO window but secondary opportunities across both direct and GP solutions could increase, further adding to the rich pool of opportunities. With the robust pipeline, investors have been more selective as they raise their underwriting especially when assessing companies in an uncertain environment.
Leverage Availability	Neutral (Unchanged)	Relative to developed markets, Asia private equity has generally been less dependent on leverage as a driver for returns. Nevertheless, as buy-outs continue to increase across Asia, LBO financing should remain available especially for proven sponsors in developed markets with good enforceability while developing countries like China are also seeing increased financing availability and adoption. Except for Japan where interest rates remain low and financing packages are often covenant lite, leverage ratios have also been more conservative in Asia. The expanding roster and dry powder of private credit and venture debt related funds also add to the availability of leverage in the region. Given the continuing uncertainty, lenders and investors are likely to adopt a more conservative stance, dialling down leverage ratios while financing rates rise in line with the upward trend in rates.
Supply of Capital (Dry Powder)	Neutral (Unchanged)	Overall dry powder remains at record highs but remains concentrated toward the larger established funds and funds that raised in recent years with less pressure to deploy. The region's private equity penetration is still relatively low, and the robust pipeline as well as a more muted fundraising environment should help absorb some of the dry powder.
External / Political Influences	Marginally Negative (Changed from Negative)	Geopolitical tensions, deteriorating macro conditions, regulatory changes and the pandemic have generated significant uncertainty across the region and are impacting Asia businesses, disrupting supply chains and capital flows as well as causing currency volatility. A military conflict in the region will also have severe consequences that will be felt globally. However, various local governments are uniquely positioned and have responded with accommodative monetary and fiscal policies as well as structural reforms to boost recovery. The introduction of regional free trade agreements like the Regional Comprehensive Economic Partnership amongst the Asia Pacific nations can also have a positive impact.
OVERALL	Marginally Positive	Unchanged

Updated	3Q 2023
Reviewed	1Q 2024

Negative	Marginally Negative	Neutral	Marginally Positive	Positive

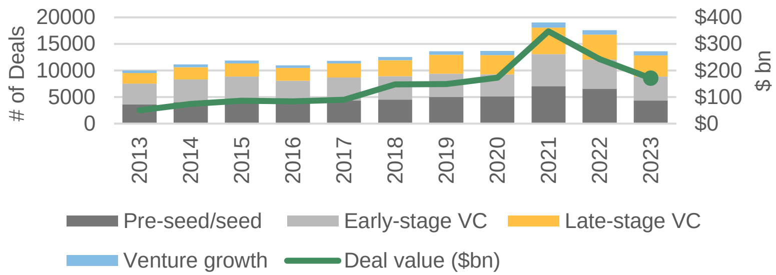
PE - US Venture Capital

US VC – Deal Activity

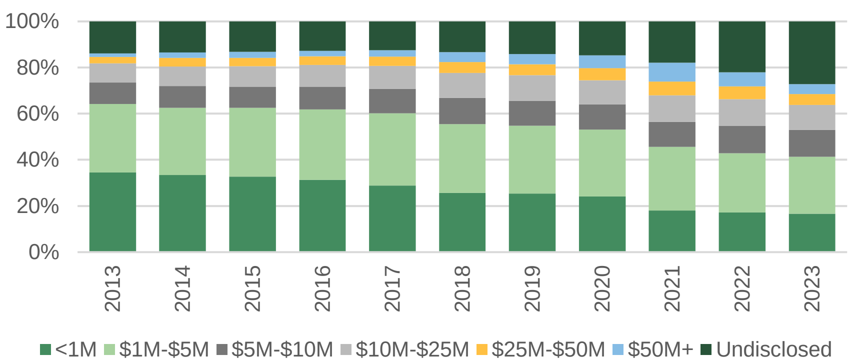
PM Snapshot (Trends and Observations) & PM Forecast

The US VC market has experienced five consecutive quarters of capital demand exceeding actual capital entering the market. While public stocks have re-priced since 2021 highs, it is notable that venture portfolio companies historically have repriced only if a new funding round has occurred.

US VC Deal Activity
Source: PitchBook NVCA



US VC deal count by Size
Source: PitchBook NVCA



Deal Activity:

- The US VC market has experienced five consecutive quarters of capital demand exceeding actual capital entering the market. A few areas such as climate technology and AI have maintained elevated financing levels and pricing. Dry powder remains at record highs, driven by elevated fundraising activity in 2021-2022.
- The venture market has shifted to prioritize efficiency as opposed to growth at all costs. Companies are expected to grow more sustainably and raise capital only when needed. Tech layoffs continue, with over 200k employees laid off globally.
- While public stocks have re-priced since 2021 highs, it is notable that venture portfolio companies historically have repriced only if a new funding round has occurred. That said, private market fund managers are required under fair-value accounting standards to assess whether their portfolio value has increased or decreased in the current economic environment. Generally, VC managers have either held marks steady or proactively adjusted values in response to public market valuations and may be slower to adjust if companies still have cash runway.
- According to Pitchbook, VC funds returned (8.2%) in 2Q 2022 and (4.8%) in 3Q 2022. Some industry experts expect VC benchmarks to be down an additional (10-15%) when 4Q 2022 valuations are reviewed, representing a (20-25%) decline from peak levels in 2021.

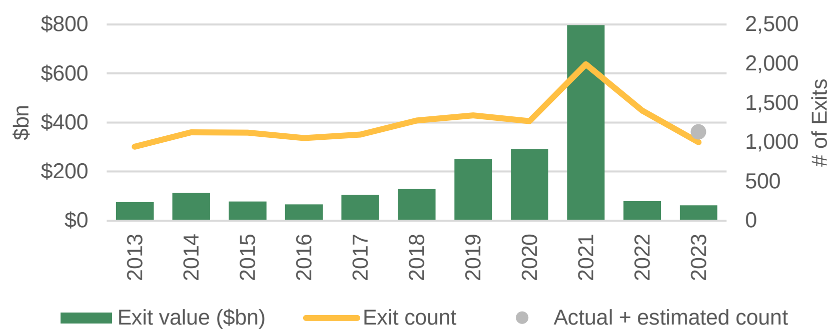
Data source: PitchBook Data, Inc. as of 4Q 2023
Comments last updated/reviewed: 06 February 2024

US VC – Exit Activity

PM Snapshot (Trends and Observations) & PM Forecast

The exit environment remains challenging, particularly for late-stage and growth companies. Acquisitions continue to represent a significant portion of both exit value and count, with $28.2bn 43.4% of total exit value generated via acquisition in 2023.

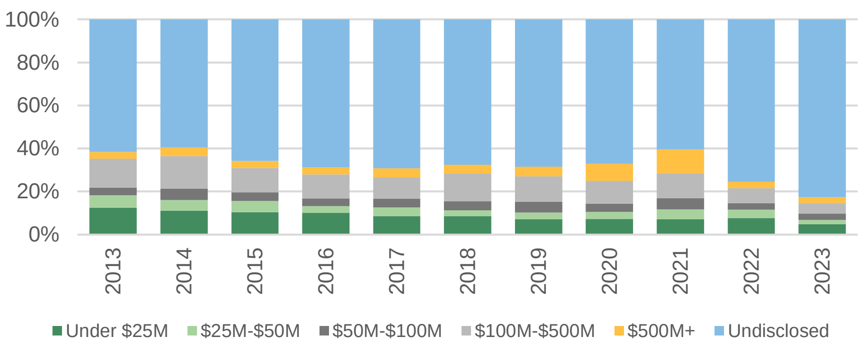
US VC Exit Activity ($bn)
Source: PitchBook NVCA



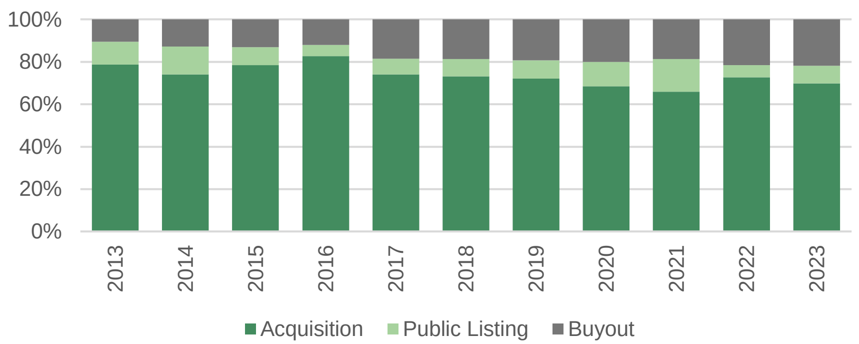
Exit Activity:

- The exit environment remains challenging, particularly for late-stage and growth companies. Approximately $12bn of exit value was generated in the first half of 2023 via ~580 exit events, compared to a record-setting ~$400bn across ~1,000 exits in the back half of 2021. Total exit value at the end of 2023 is at the lowest level in a decade.
- Acquisitions continue to represent a significant portion of both exit value and count, with $28.2bn 43.4% of total exit value generated via acquisition in 2023. A number of healthcare companies are among the relatively small number of IPOs that have occurred over the past year, driven by the need for additional capital to fund clinical trials and R&D. Notably, although not heavily tech-oriented, CAVA (restaurant chain) IPO'd in June 2023.

US VC Exit Count (#) by Size
Source: NVCA



US VC Exit Count (#) by Type
Source: PitchBook NVCA



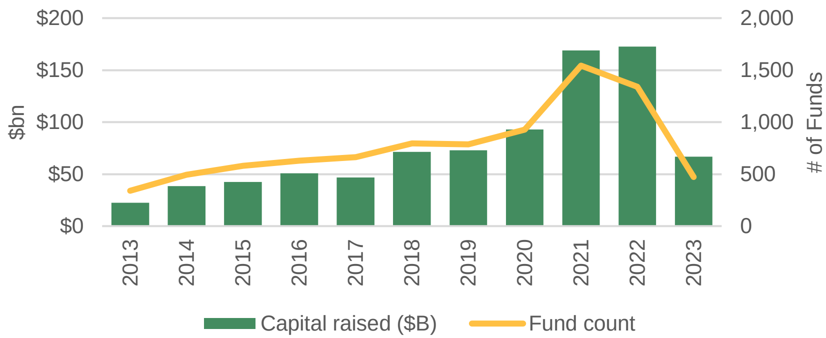
Data source: PitchBook Data, Inc. as of 4Q 2023. Comments last updated/reviewed: 06 February 2024

US VC – Fundraising Activity

PM Snapshot (Trends and Observations) & PM Forecast

Capital raised remains low and is expected to remain below 2018 figures. Fund count of VC raised funds is on pace to drop to a 9-year low.

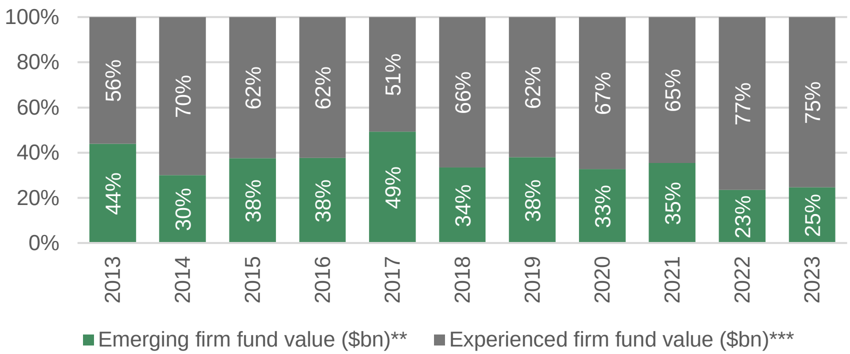
US VC Fundraising Activity
Source: PitchBook NVCA



Fundraising Activity:

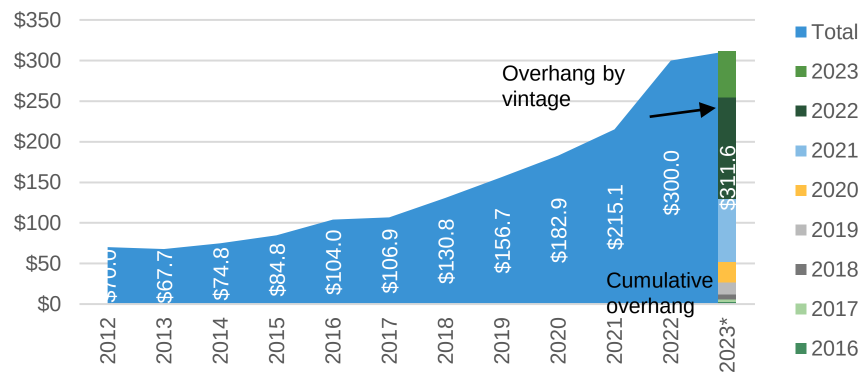
- Capital raised remains low and is expected to remain below 2018 figures. Fund count of VC raised funds is on pace to drop to a 9-year low.
- There are several factors affecting fundraising in VC such as:
  - Non-existent IPO market which means that less value in being unlocked thus fewer capital is returned leading to a liquidity mismatch.
  - Investors look for better risk adjusted returns thus are moving to less risky asset classes.
  - Investors are taking a more cautious approach in making large commitments to VC.
- Fundraising was concentrated in the hands of large funds with approximately 75.3% of capital raised ending up to established managers.
- Dry powder remains elevated through the end of 2022 and into 2Q 2023.

VC fund activity by Emerging and Experienced firms
Source: PitchBook NVCA



** Emerging is defined as firms that have launched fewer than four funds
*** Experienced firms are defined as firms that have opened four or more funds

US VC Dry Powder ($bn) by Vintage
Source: PitchBook NVCA as of 1H 2023



Data source: PitchBook Data, Inc. as of 4Q 2023. Comments last updated/reviewed: 06 February 2024

US VC – PM Outlook / Forecast

PM Forecast (New Commitments)

Drivers	Outlook	Comments
Deal Pricing	Marginally Positive (Unchanged)	Except for relatively competitive AI and climate financings, pricing has moderated and diligence timelines have extended, with VCs often able to obtain more attractive terms. VC funds have continued to expand geographically in pursuit of high-performing companies at lower valuations outside of Silicon Valley.
Supply of Opportunities	Positive (Unchanged)	The pace of company creation has increased significantly on a global basis, fuelling increased interest in seed and early-stage investment. Startup technology offerings, no-code and open-source technologies, and AI enhance the ability to create companies.
Leverage Availability	Neutral (Unchanged)	Although financial leverage to fund investments and/or generate returns is not a core component of US VC, the cost of capital is higher in a tightening interest rate environment. Regional bank failures such as SVB and First Republic shifted some short-term borrowing/loan access sought by private technology companies to the systemically important banks and alternative sources of capital.
Supply of Capital (Dry Powder)	Neutral (Changed from Marginally Negative)	While US VC managers have amassed a record amount of dry powder after peak fundraising levels in 2021-2022, the pace of capital deployment has slowed and selectivity increased. Many LPs are experiencing the "denominator effect" and may re-up with existing managers at reduced amounts.
External / Political Influences	Marginally Positive (Unchanged)	For the majority of US VC, the external and/or regulatory environments are conducive, including the technology and healthcare sectors. The crypto space is the exception, with a still relatively nascent investment environment and ongoing regulatory uncertainty. The macroeconomic environment remains challenging for US VC, with rising interest rates and inflation driving a funding gap, and pricing pressure becoming an increasing concern in 2023.
OVERALL	Neutral	Unchanged

Exits	Outlook	Comments
Exit Environment for Current Investments (medium term):	Marginally Negative (Unchanged)	Exit valuations are more muted. Exits via public markets remain limited and the IPO market has not yet re-opened, which will impact late-stage and growth companies more than seed and early-stage. Acquisitions continue to represent the largest proportion of recent exits. US VC managers will generally need to hold positions longer, in turn delaying distributions to LPs. Regulatory scrutiny over M&A has increased. However, the Secondaries market continues to grow as an exit channel and PE sponsors offer select exit options.

Updated	1Q 2024
Reviewed	1Q 2024

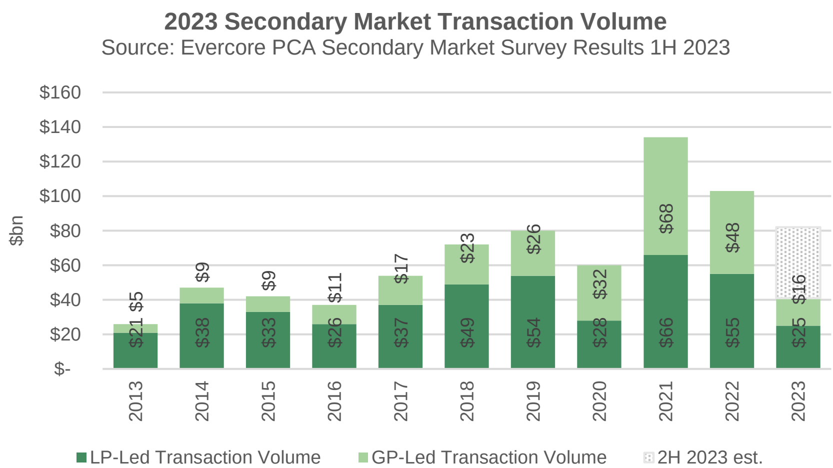
Negative	Marginally Negative	Neutral	Marginally Positive	Positive

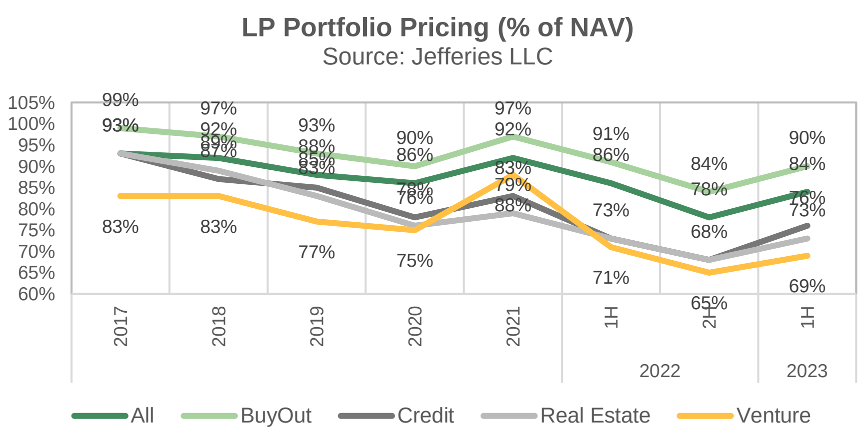
PE - Secondaries

Secondaries – Deal Activity

PM Snapshot (Trends and Observations) & PM Forecast

1H 2023 volume is down compared to 1H 2022 but the environment is expected to improve in 2H 2023 due to higher velocity and better momentum compared to last year.





Deal Activity:

- With $103bn of total volume, the secondary market remained at elevated levels during 2022, which was the second-largest year on record. The full year 2022 activity was split roughly 53:47 between LP-led and GP-led transactions with LP-led representing a larger share for the first time since 2019.
- Deal volume dipped slightly from the record 2021 levels as the public markets sell off created a widening of the bid/ask spread, which was facilitated by the smoothing of underlying valuations from primary buyout managers.
- The majority of LP portfolio deal volume in 2022 was driven by active portfolio management due to the denominator effect and stood at $55bn in aggregate. In need of liquidity, LPs such as pension and insurance companies, found refuge in the secondary market by selling sizeable positions.

Pricing:

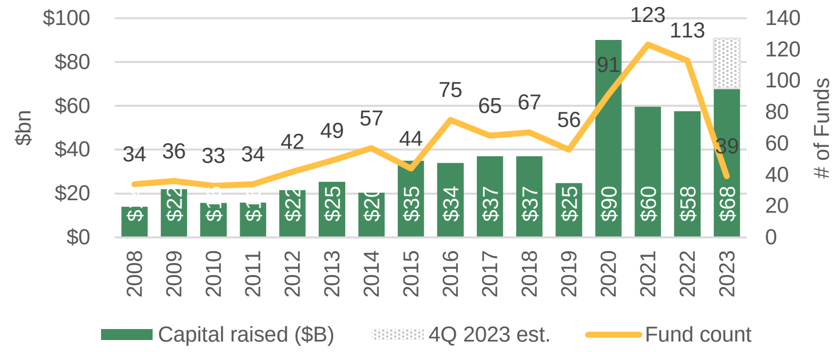
- Pricing for LP portfolios across all strategies rebounded which is a significant improvement from the 10-year lows observed in the second half of 2022. The recovery illustrates elevated confidence from market participants who are adapting to the new interest rate regime and the increasing public market valuations.
- Going forward bid ask spreads are expected to narrow indicating the alignment of expectations of market participants which will further help to stabilize prices. Albourne observed some managers pivoting to LP portfolios relative to GP-leds citing increased discounts presenting a more compelling risk/return.
- Buyout increased by 6% reaching 90% of NAV due to the strong performance of portfolio companies along with an increase in comparable public multiples. In Venture, pricing remains subdued with buyers being more sceptical on valuations. Credit saw the steepest increase and arrived at 76% of NAV, mostly due to new capital coming into the space. Real estate climbed 5% mostly driven by various real estate types such as industrials, logistics and multi-family.

Data source: PitchBook Data, Inc. as of 4Q 2023. Comments last updated/reviewed: 06 February 2024

Secondaries – Fundraising Activity

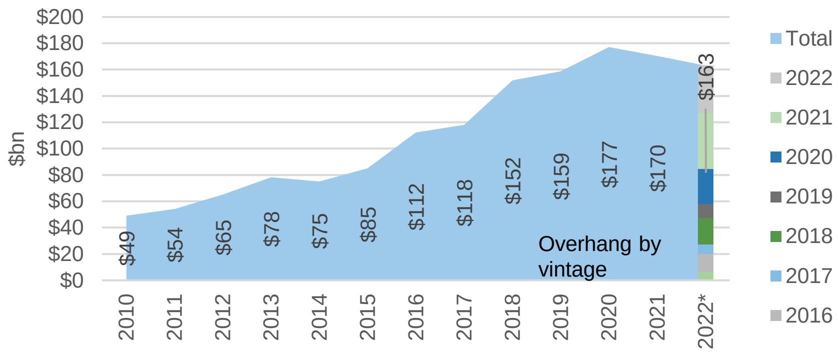
PM Snapshot (Trends and Observations) & PM Forecast

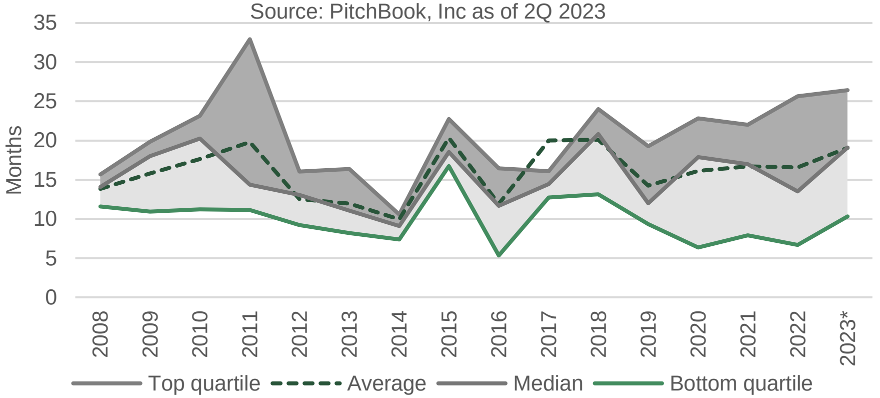
Fundraising as of 1H 2023 reached ~$35bn which is 2/3 of 2022's annual fundraising total. In terms of regions, North America dominates the fundraising landscape in terms of value and count.



Fundraising Activity:

- With just three quarters, capital raised as of 3Q 2023 surpassed annual totals of all calendar years except for 2020. 70% or $47.5bn of capital raised in 2023 has been raised by just four funds. Given the large fundraisers in in 2023, dry powder is at its highest level.
- There are a couple of factors influencing the increased momentum in Secondaries fundraising:
  - Many of the large funds that closed in 2020, came back to the market in 2023.
  - The narrowing of the gap of the buyer and seller expectations.
- In terms of regions, North America dominates the fundraising landscape in terms of value and count.





Data source: PitchBook Data, Inc. as of 4Q 2023. Comments last updated/reviewed: 06 February 2024

Secondaries – PM Outlook / Forecast

PM Forecast (New Commitments)

Drivers	Outlook	Comments
Deal Pricing	Marginally Positive (Unchanged)	Whilst entry discounts are still relatively narrow, discounts have widened following recent equity market volatility; Albourne believes that discounts will remain accommodating in the near to medium term, which is expected to continue to present attractive investment opportunities. Pricing for GP-led transactions is expected to remain at or around record date NAV as valuations stabilize compared to the discounts, (such transactions were seen in 2022).
Supply of Opportunities	Positive (Unchanged)	Although volume dipped in 2022 compared to the record 2021 levels due to the widening of the bid-ask spread, Albourne believes that LP portfolio activity is expected to pick up in 2023, partially due to the denominator effect. GP-led deal volume was slightly muted in 1H 2023 due to the relative attractiveness of LP portfolios. Due to the exponential growth of the primary fundraising market, anticipated increase in the turnover rate, rise in GP-led secondaries, and increasing number of LPs seeking to actively rebalance their private equity programs to accommodate re-ups with key manager relationships, the medium to long term outlook for secondaries deal volume is positive.
Leverage Availability	Marginally Positive (Unchanged)	Although the risk of further interest rate hikes remains, there appears to be a moderate-high level of leverage available for secondaries GPs with both private credit players and banks actively participating in the market. Although use of SPV-leverage may be impacted in the short term (particularly if the interest rate is above the hurdle rate), deferred payment structures have increasingly been utilized.
Supply of Capital (Dry Powder)	Positive (Unchanged)	The secondaries market possesses favorable demand/supply dynamics given that the market is relatively undercapitalized compared to the broader private equity buyout market; The GP-led market (particularly the single asset) opportunity is relatively undercapitalized when compared to the size of the market opportunity. Given the potential size of such transactions (can be $1bn+), diversification limits within secondary funds, and lack of scale players, single asset transactions are heavily syndicated.
External/Political Influences	Neutral (Unchanged)	Continuation fund transactions, which comprise the bulk of the GP-led secondaries market, are prone to significant conflicts of interests. Whilst the SEC has looked at these transactions in the past, most current transactions appear to have been conducted with an appropriate level of alignment between all parties. However, there is a risk of a material degradation of alignment in such transactions if the continuation fund market continues to experience exponential growth
OVERALL	Positive	Unchanged

Updated	3Q 2023
Reviewed	1Q 2024

Negative	Marginally Negative	Neutral	Marginally Positive	Positive

Albourne Alternatives Market Update

Hedge Fund Attributes

Potential Advantages	Potential Disadvantages
Diversification to traditional equity and fixed income markets	Left tail risk (large, outsized negative returns) occur more frequently in some strategies
Reduction of overall portfolio risk, whilst preserving absolute return potential	Fees are high and fee drag is material
Reduced drawdown potential and focus on capital preservation	Headline risk is elevated
Provide access to difficult to access strategies and markets, and uncorrelated sources of return	Complex investment strategies can be difficult to understand
Unconstrained/flexible investment mandates form an inherent component of tactical asset allocation	Level of transparency is not as high as traditional managers, but has improved
Hedge Funds provide access to some of the strongest investment talent in the industry	Historically, less regulatory oversight, although this is changing with registration and form PF

Hedge Funds: Investment Tools, not an Asset Class

Diversified hedge fund portfolios should have exposures to different alpha streams.

RELATIVE VALUE

Seeking to capitalize on mispricing of related securities or financial instruments, while generally limiting market direction.

EVENT-DRIVEN

Focus on securities affected by extraordinary transactions or events e.g. restructurings, takeovers, mergers, spin-offs, bankruptcy.

Higher leverage/lower beta

Lower leverage/higher beta

DIRECTIONAL (MACRO)

Trading asset classes rather than individual securities. Trading is opportunistically based on macro view or price movements.

EQUITY LONG/ SHORT

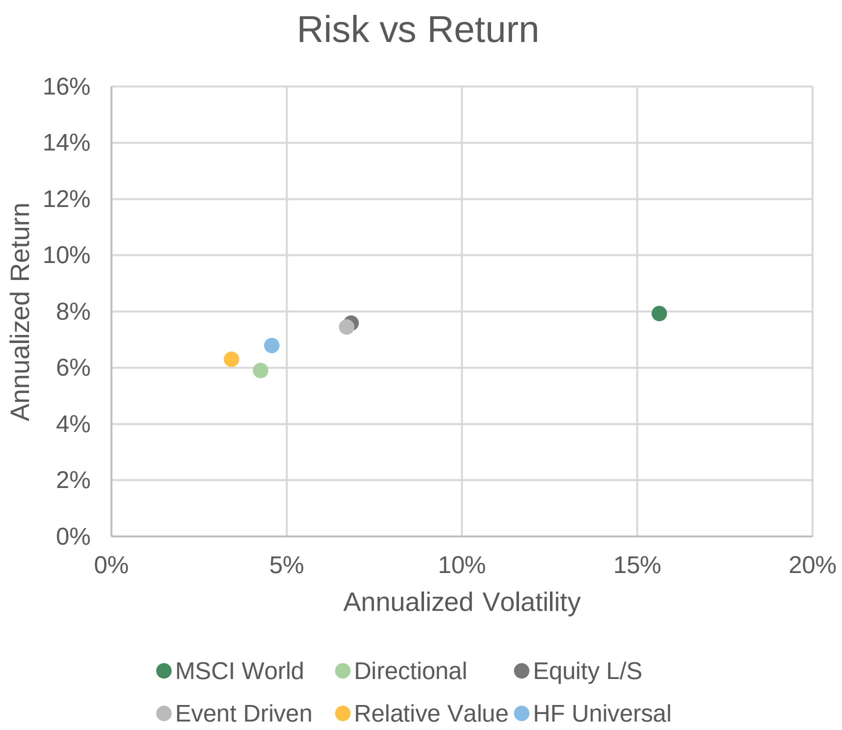
May include regional and/or sector focused funds.

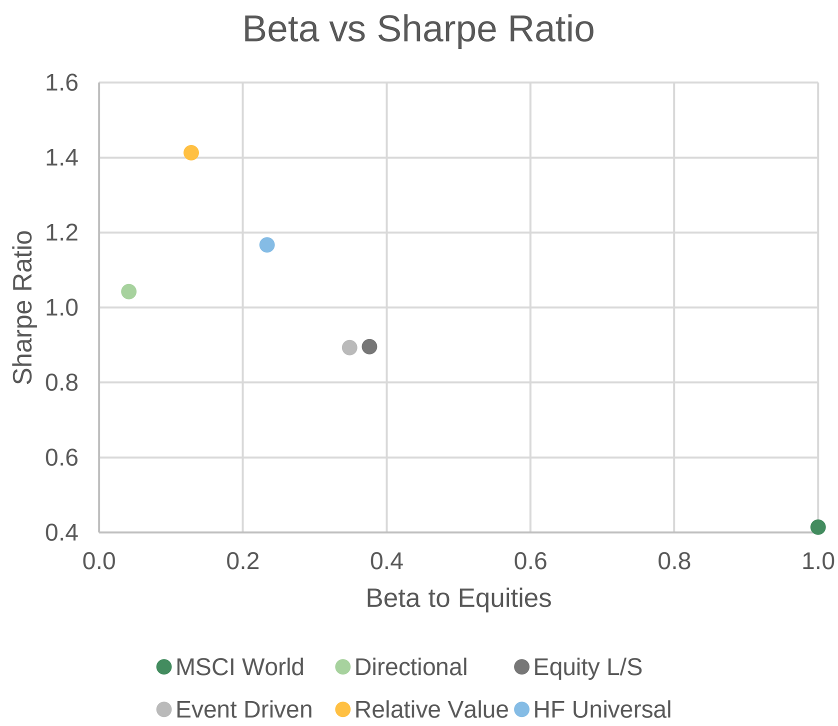
	Relative Value	Directional (Macro)	Equity Long Short	Event Driven
Return Expectation	Bond Like	Equity Like	Equity Like	Equity Like
Correlation	Uncorrelated	Uncorrelated	Correlated	Correlated
Variability	Low	High	Moderate	Moderate
Leverage	High to Moderate	High to Moderate	Low to Moderate	Low to Moderate
Tail Risk	High	Moderate	Low	Low
Liquidity Risk	Moderate	Low	Low	Moderate

Hedge Fund Performance

Hedge funds have produced an advantageous return profile, with exposures to different asset classes.

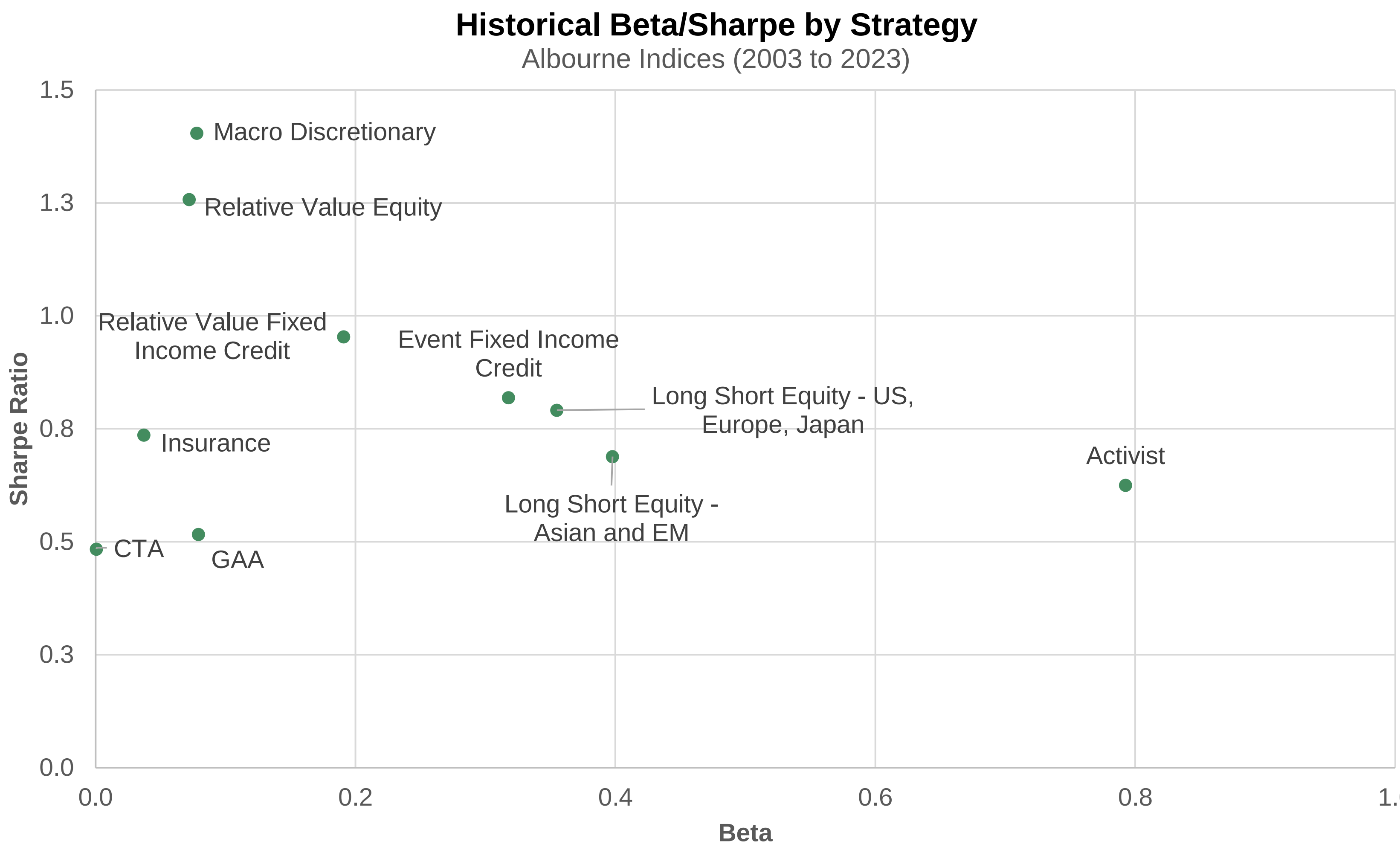
- Hedge funds may generate more attractive risk-adjusted returns compared to the equity market.
- Since 2002, hedge funds, as measured by the HedgeRS EW Indices, have returned similar returns with the MSCI World Index with less than one-third of the risk.





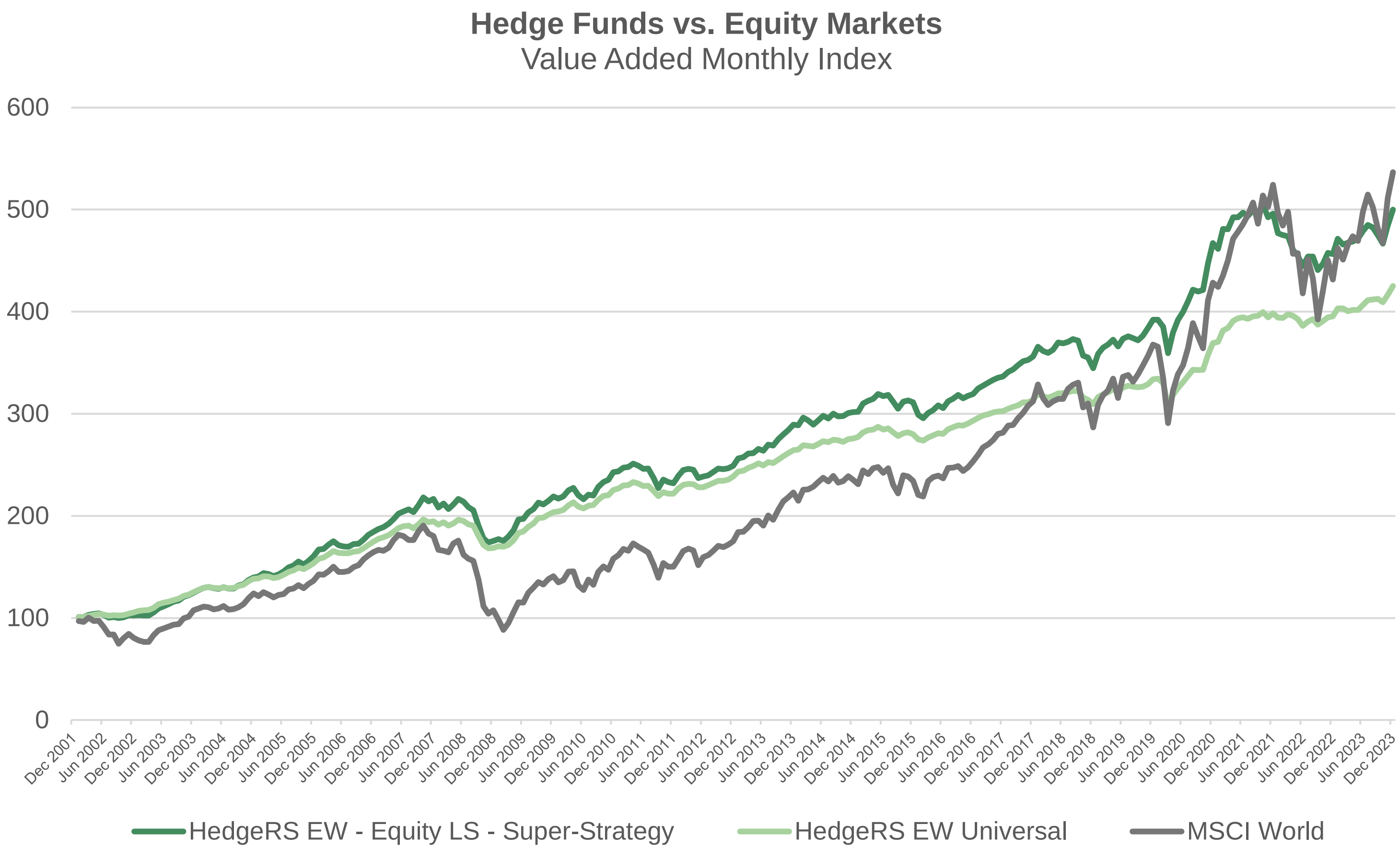
Source: Albourne, MSCI
Calculated using monthly returns for HedgeRS EW Indices from January 2002 to December 2023.
Past performance is not indicative of future results. An investor is not guaranteed to make a profit or avoid incurring a loss.

Beta vs. Sharpe – All Strategies



Sharpe Ratio uses a risk-free Rate, represented by BofAML US T Bills, of ~1.5% over this period. Beta to Global Equities is defined as the beta to the MSCI World TR Gross. Source: Albourne. Investable universe is represented by Albourne HedgeRS – EW. Time period: 2003 - 2023.

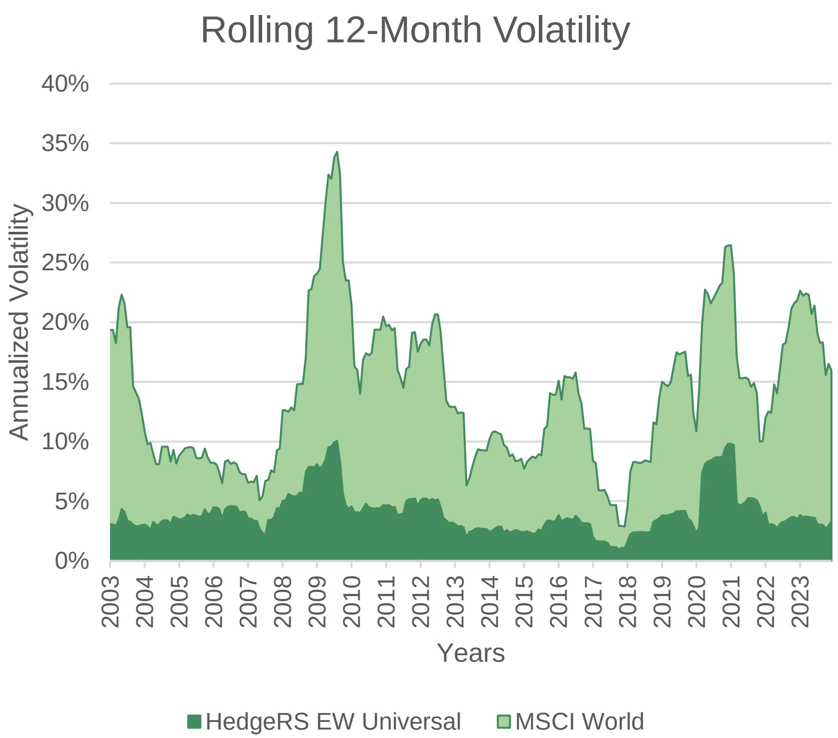
Hedge Funds vs. Equity Markets

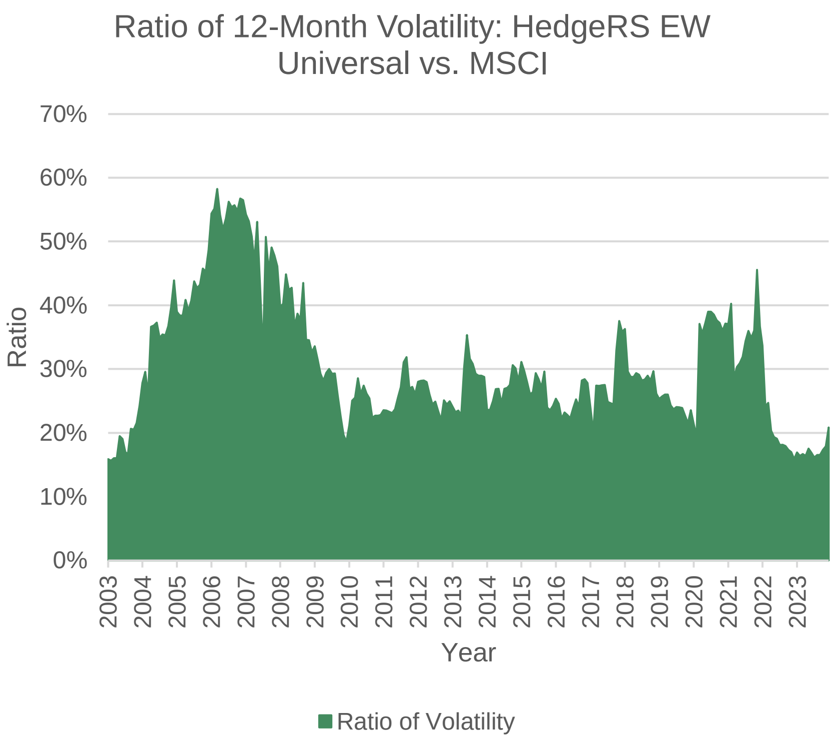


Source: Albourne, MSCI
Calculated using monthly returns from January 2002 to December 2023.
Past performance is not indicative of future results. An investor is not guaranteed to make a profit or avoid incurring a loss.

Hedge Fund Volatility

Hedge funds have demonstrated the ability to manage risk to lower levels than equity markets. Since 2002, the HedgeRS EW Universal Index has historically had volatility levels of less than one-third of that of the MSCI World index.

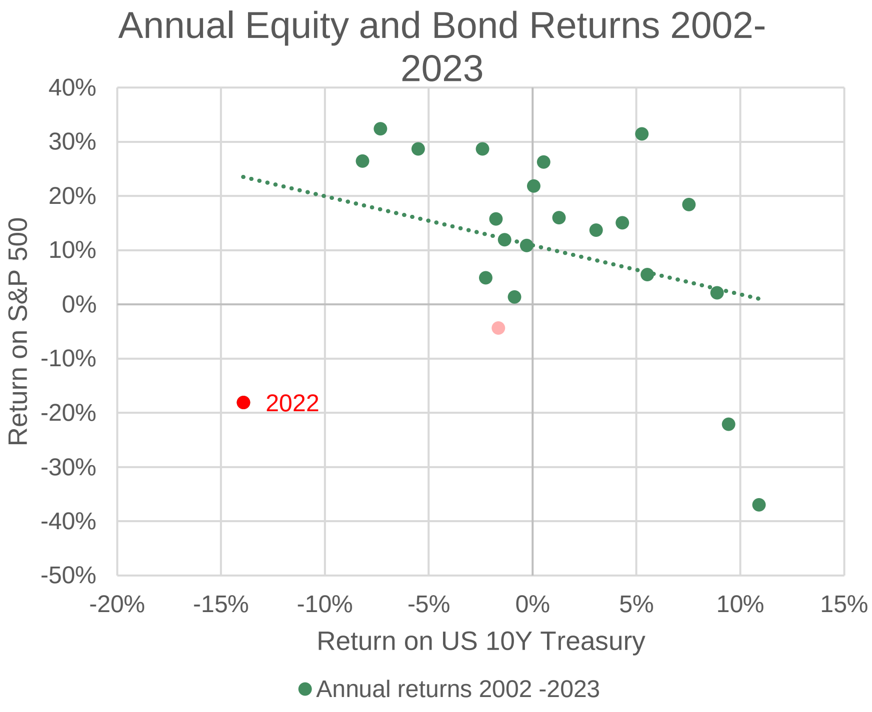


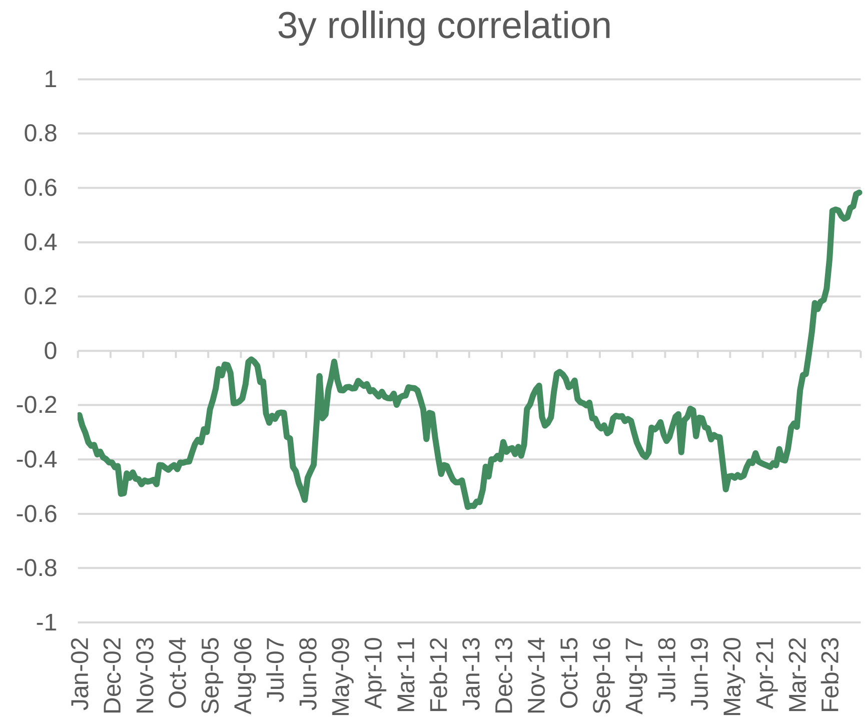


Source: Albourne, MSCI
Calculated using monthly returns from January 2002 to December 2023.
Past performance is not indicative of future results. An investor is not guaranteed to make a profit or avoid incurring a loss.

Equity – Fixed Income Correlation

The Fixed Income portfolio has been a traditional diversifier to Equity market returns when looking at recent historical periods. In 2022 these correlations have broken with both asset classes having a substantial negative return YTD, with the traditional 60/40 portfolio having its worst performing year since the GFC. In contrast, Hedge Fund returns especially in the Directional Super Strategy provided downside protection. 3y rolling correlation for Equities vs Bonds is now at its highest point during the sample period.





Source: Bloomberg
Calculated using monthly returns from January 2002 to December 2023.
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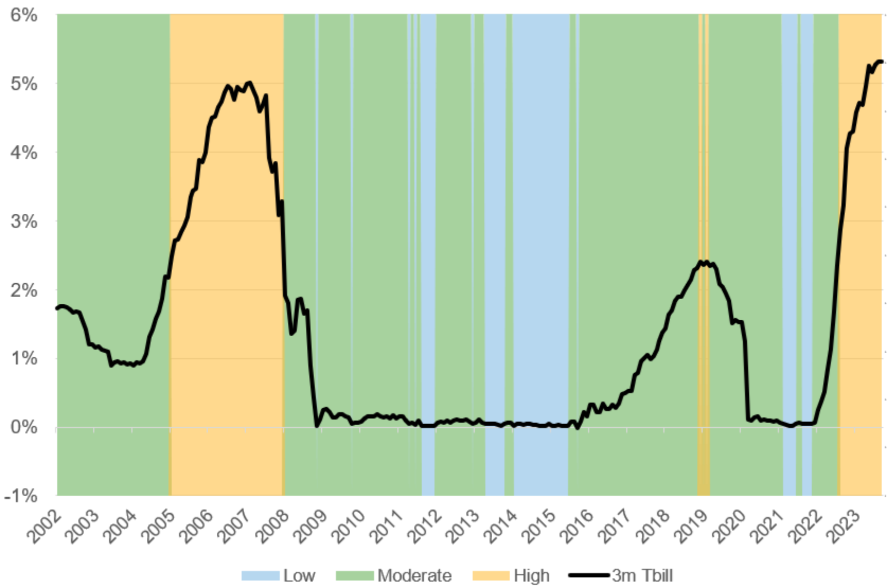
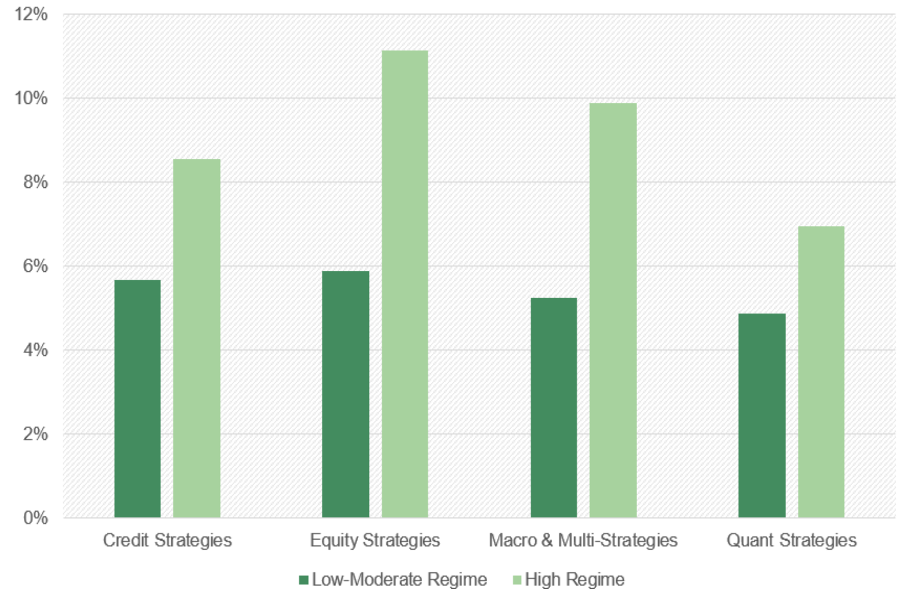
Interest Rates and HF Returns –
Performance by Rates Regime

Historically, hedge funds have performed better in relatively higher interest rate regimes.



Data Source: Federal Reserve Economic Database

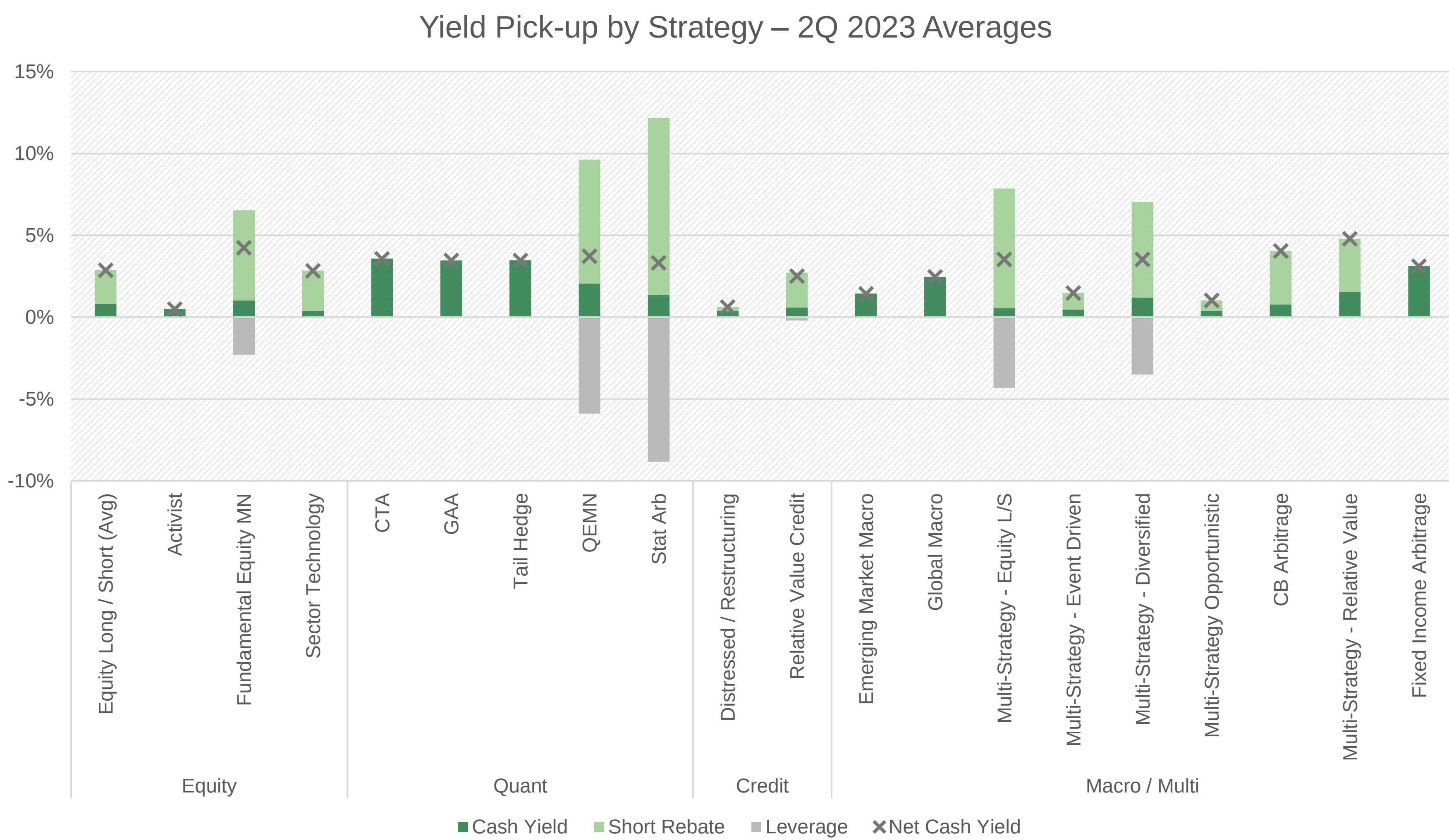


Data Source: Albourne Database. Past performance is not indicative of future returns

1. Note, Periods of Low, Moderate, and High interest rates were defined by thresholds set at the 20th and 80th percentiles of the FFR between 2002 and 2023. The rates thresholds for the Low, Moderate, and High, interest rate regimes are 0% to 0.05%, 0.06% to 2.38%, and 2.40% to 5.32%, respectively.

2. The composition of the strategies are as follows. **Credit strategies**: Distressed/Restructuring, Emerging Market Fixed Income, Relative Value Credit; **Equity strategies:** US Long/Short, Emerging Long/Short, European Long/Short, Activist, Fundamental Equity Market Neutral; **Macro & Multi-Strategies:** Global Macro, Risk Arbitrage, Convertible Bond Arbitrage, Fixed Income Arbitrage, Emerging Market Macro, Multi-Strategy (Event Driven, Relative Value, Equity Long/Short, Diversified); **Quant Strategies:** CTA, Global Asset Allocation, Quantitative Equity Market Neutral, Statistical Arbitrage.

Interest Rates and HF Returns –
Yield Pick-Up Analysis

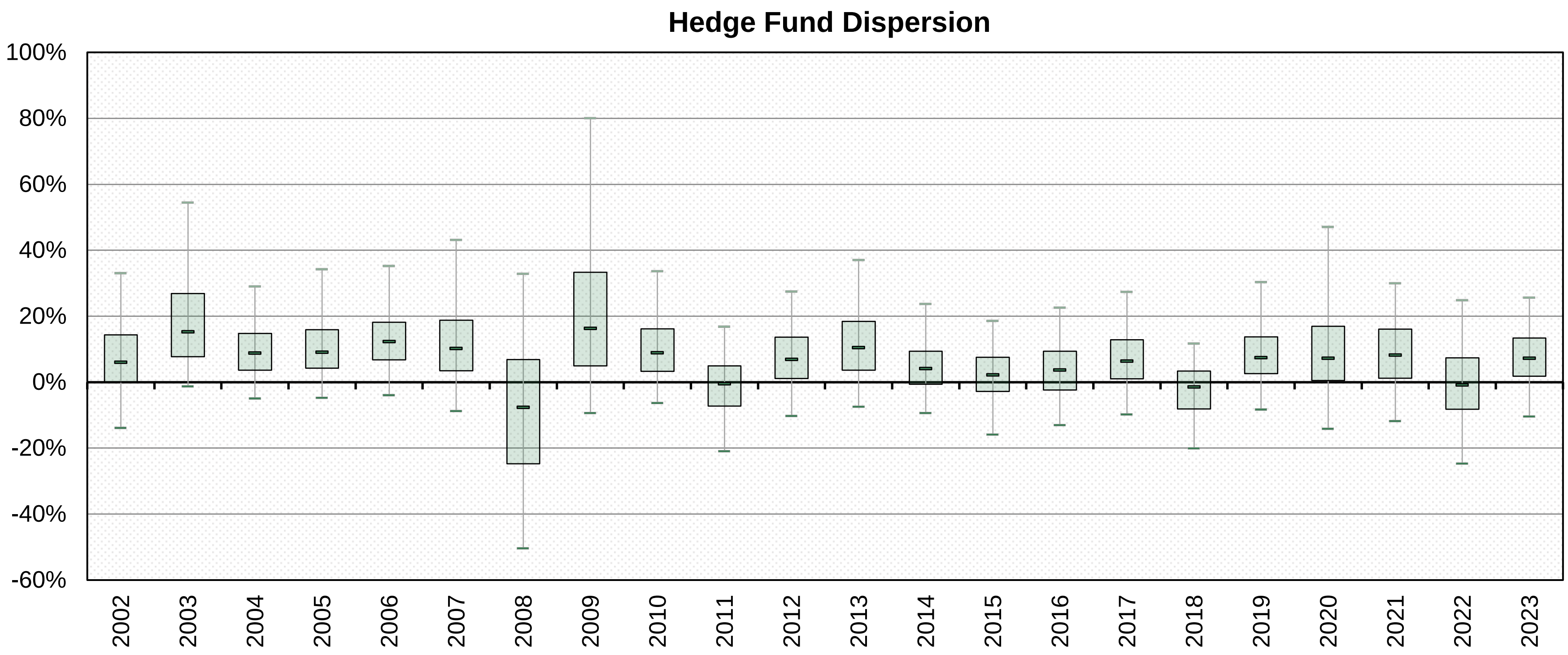


Source: Excerpt taken from analysis of Albourne's HedgeRS Indexes in the white paper "Hedge Funds and Rising Rates"

The composition of the strategies are as follows. **Credit strategies**: Distressed/Restructuring, Emerging Market Fixed Income, Relative Value Credit; **Equity strategies:** US Long/Short, Emerging Long/Short, European Long/Short, Activist, Fundamental Equity Market Neutral; **Macro & Multi-Strategies:** Global Macro, Risk Arbitrage, Convertible Bond Arbitrage, Fixed Income Arbitrage, Emerging Market Macro, Multi-Strategy (Event Driven, Relative Value, Equity Long/Short, Diversified); **Quant Strategies:** CTA, Global Asset Allocation, Quantitative Equity Market Neutral, Statistical Arbitrage. Past performance is not indicative of future results. An investor is not guaranteed to make a profit or avoid incurring a loss.

Hedge Fund Dispersion

Aggregate numbers understate the potential for Hedge Funds to outperform and underscore the importance of manager selection.



Notes:

Data shows dispersion of returns: Middle bar represents the median; upper & lower bounds of the box represents the top quartile and bottom quartile, respectively; upper & lower whiskers represent the 95th & 5th percentiles, respectively.

Universe shown is the constituents of all the HedgeRS Equal Weighted Indices

Calculations include all funds with returns over each relevant period, up to December 2023.

Past performance is not indicative of future results. An investor is not guaranteed to make a profit or avoid incurring a loss.

Albourne Alternatives Market Update

Hedge Fund Classification

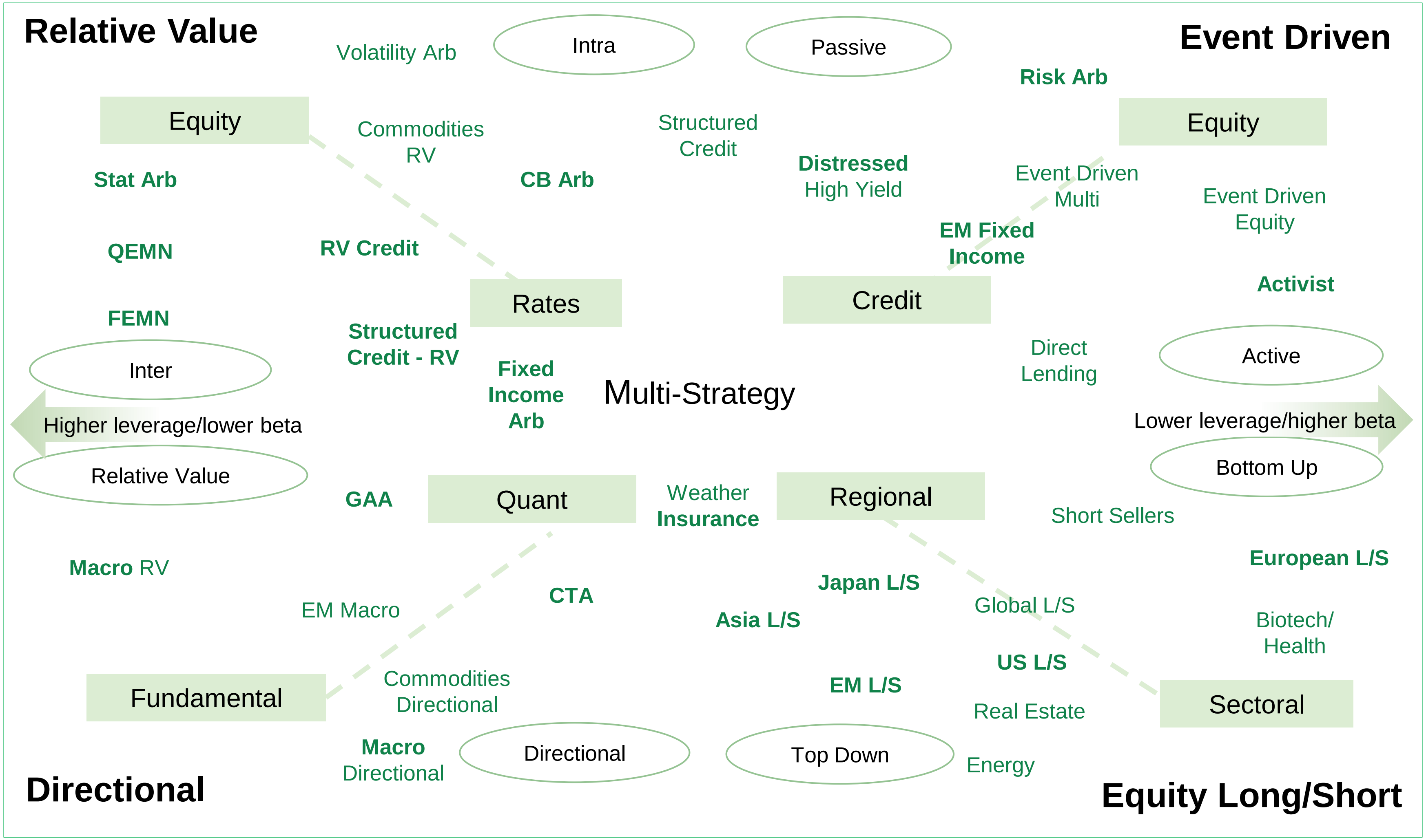
The range of investment strategies that hedge funds can exploit is vast and it is convenient to classify strategies into broadly similar super-strategy classes.

Strategies within these super-strategy classes exhibit somewhat similar characteristics within market states with respect to risk/ return, market exposure, leverage and the use of derivatives.

Albourne classifies hedge funds into four broad super-strategy buckets:

- Relative Value
- Event Driven
- Equity Long/Short
- Macro/Directional

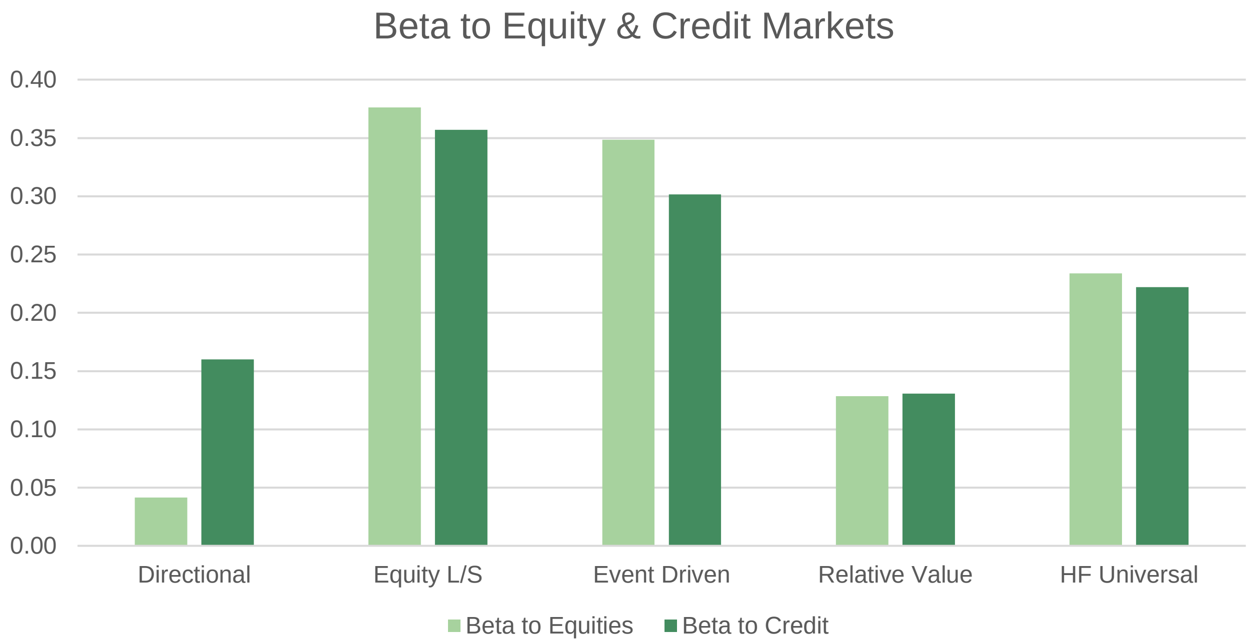
Sub-Strategy Mapping



Strategies in Bold are the 20 we forecast

Market Risk

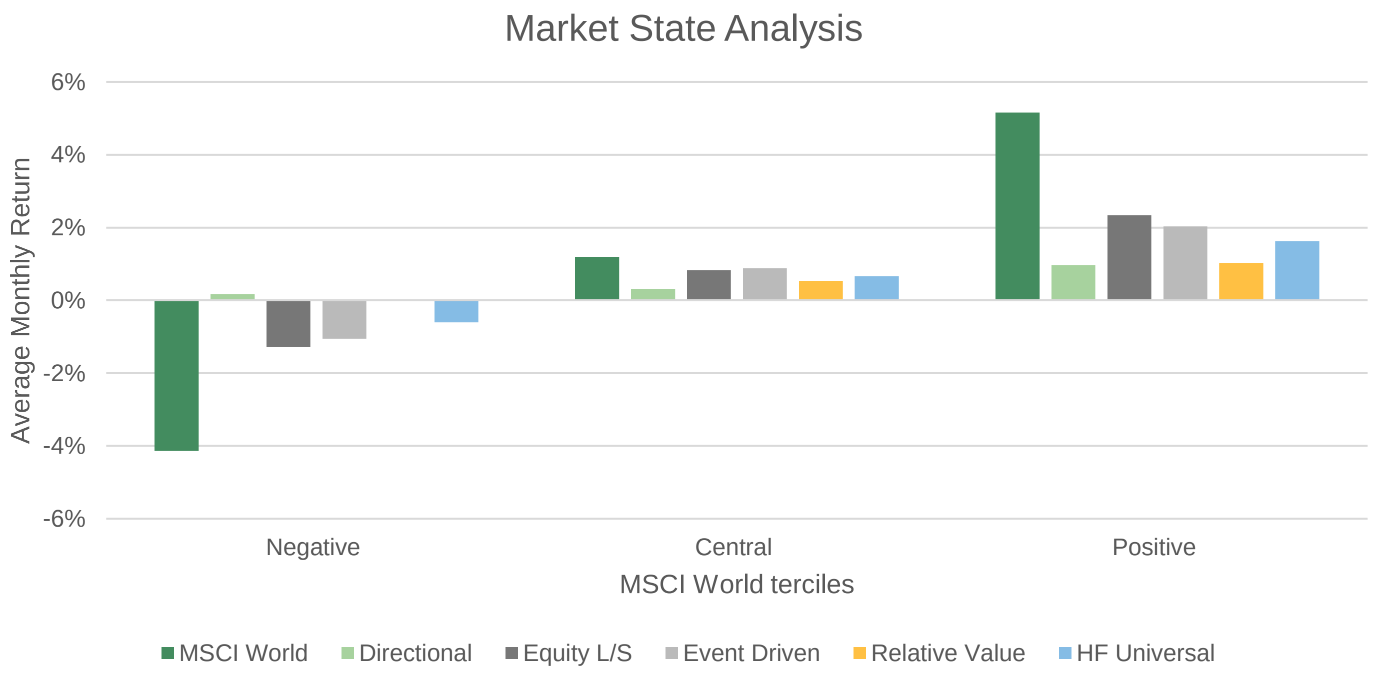
Macro/Directional and Relative Value strategies generally exhibit lower levels of equity beta i.e. market risk – and are generally more diversifying to a portfolio's traditional market exposures.



Source: Albourne, MSCI, Bloomberg
Calculated using monthly returns from January 2002 to December 2023.
Past performance is not indicative of future results. An investor is not guaranteed to make a profit or avoid incurring a loss.

Market State Analysis

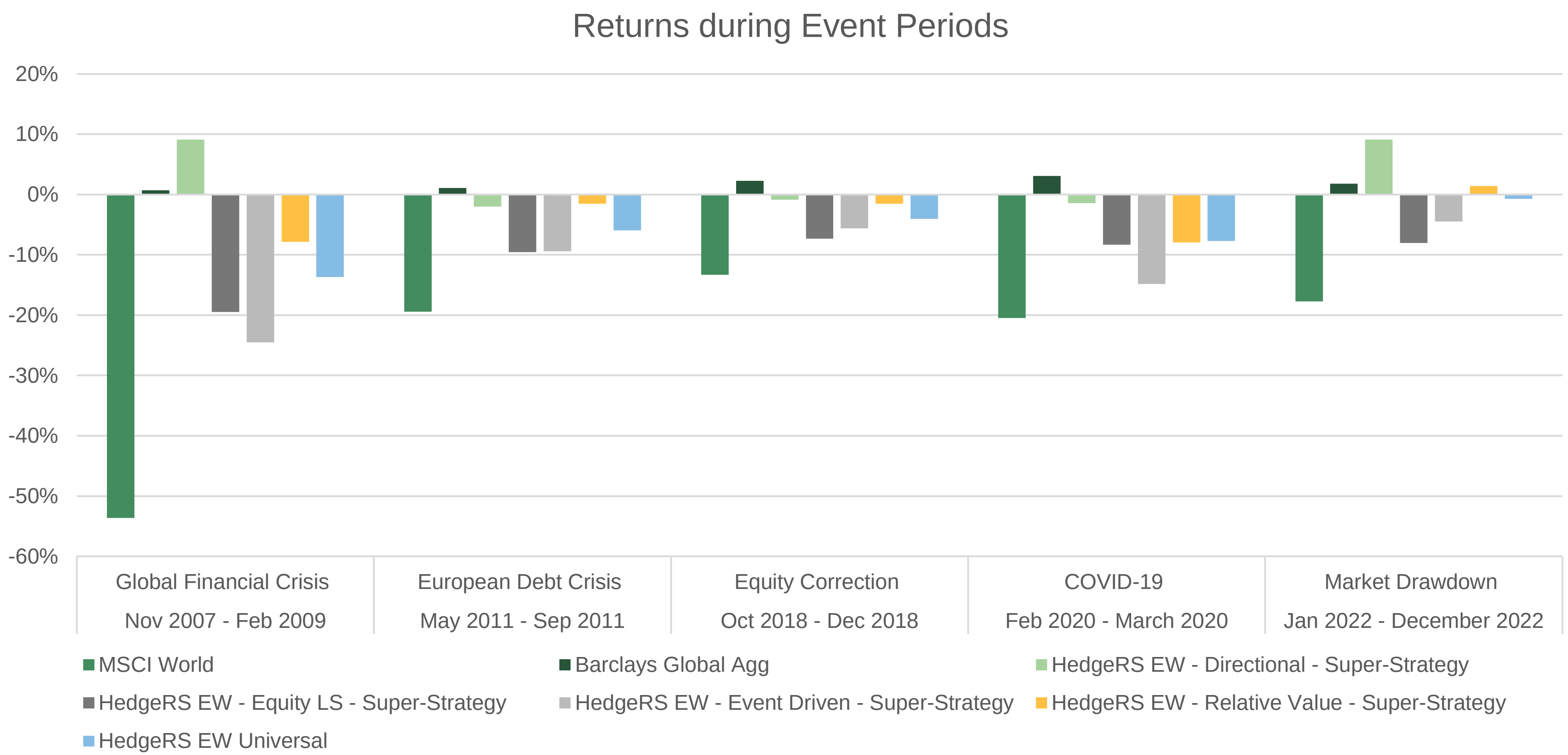
- Macro and Relative Value strategies can provide downside protection in weak equity markets but may lag in sharply rising equity markets.
- Equity Long/Short and Event Driven strategies may provide greater upside participation while still providing downside protection.



Source: Albourne, MSCI
Calculated using monthly returns from January 2002 to December 2023.
Past performance is not indicative of future results. An investor is not guaranteed to make a profit or avoid incurring a loss.

Hedge Fund Returns – Event Periods

Hedge funds have demonstrated the ability to provide return diversification. Most importantly they have done this in times when equity markets have struggled.



Source: Albourne, MSCI
Calculated using monthly returns from January 2002 to December 2023.
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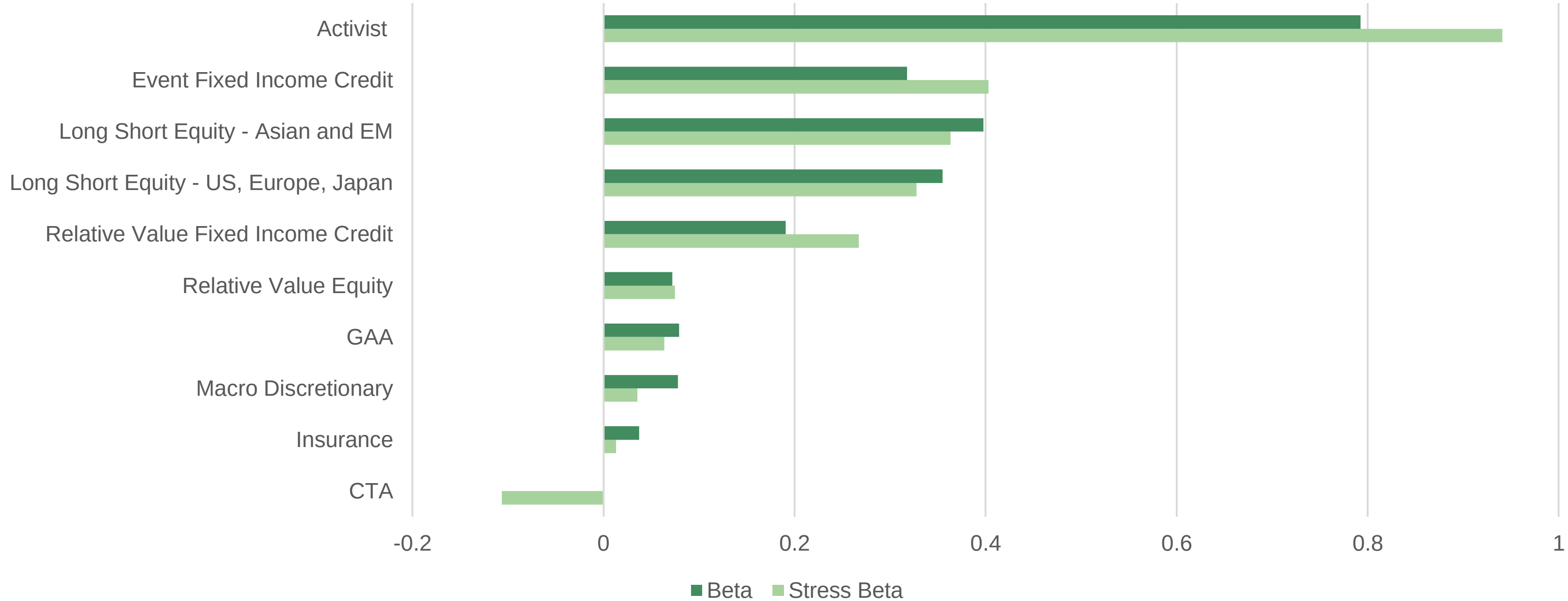
Strategy Betas

- While most hedge fund strategies have a modest overall beta relative to equities, this sensitivity can increase materially during stress scenarios
- Relative Value, Global Macro, CTA, and Insurance strategies stand out

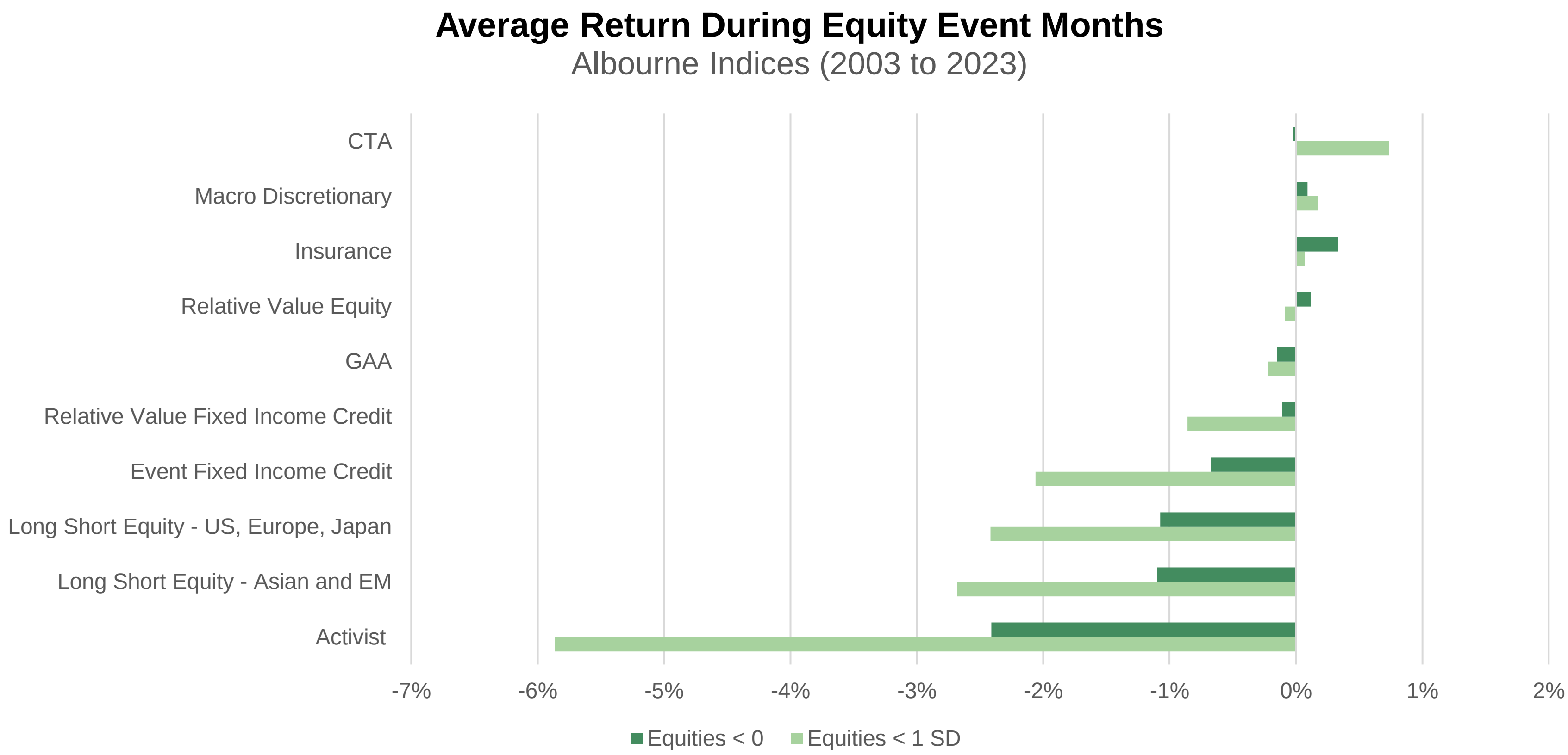
Historical Beta/Stress Beta by Strategy

Albourne Indices (2003 to 2023)



Beta to Global Equities is defined as the beta to the MSCI World TR Gross. Source: Albourne. Investable universe is represented by Albourne HedgeRS – EW. Time period: 2003 - 2023. Stress beta calculations are performed in periods when the level of the VIX is >= 1 standard deviation above it's mean.

Performance During Equity Event Months



Beta to Global Equities is defined as the beta to the MSCI World TR Gross. Source: Albourne. Investable universe is represented by Albourne HedgeRS – EW. Time period: 2003 - 2023. Stress beta calculations are performed in periods when the level of the VIX is >= to one standard deviation above it's mean.

Albourne Alternatives Market Update

Portfolio Construction

Implementation			Monitoring
Strategy Phase 1-2 months	**Design Phase** 2-3 months	**Investment Phase** 3-6 months	**Maintenance Phase** (Ongoing)

• Assess Overall Plan allocations and objectives
• Review investment decision making structure
• Analyse role of hedge funds in portfolio, target parameters (including return, volatility, liquidity)
• Determine tactical and strategic benchmarks
• Create or modify Investment Policy Statement
	• Identify appropriate strategy mix using Albourne strategy forecasts
	• Filter using Client's constraints (including track record, size, geographic exclusions)
	• Run proposed portfolio through risk model
	• Adjust balance from Albourne "Top Picks"*
	• Calls and meetings with chosen core funds
		• Present to Investment Committee for approval subject to contract
		• Review fund documents
		• Review any issues with fund manager
		• Instruct Administrator and provide documents
		• Fund core managers
		• Run through process for satellite managers
		• Fund satellite managers
			• Ongoing Operational Due Diligence of funds
			• Ongoing reporting on investments at fund and portfolio level:
			  • return
			  • risk
			  • liquidity
			  • strategy weightings
			• Assess portfolio performance against benchmarks

*Top Picks are managers rated A or B with conviction 4 or 5 and which are open to clients.

Objectives

A review of strategic objectives helps us understand the role of hedge funds in the client's portfolio and is essential background to a discussion of benchmarks.

Example Mandates	**Fixed Income Substitute**	**Absolute Return**	**Equity Substitute**
Strategic Objectives	**Conservative Market Neutral**	**Moderate Non-directional**	**Aggressive Directional**
Return	T Bills + 300-400	T Bills + 400-500	T Bills + 500-700
Risk	2 to 4%	3 to 6%	4 to 8%
Beta	< 10%	< 20%	< 40%

Near 0% Beta — 40% Beta

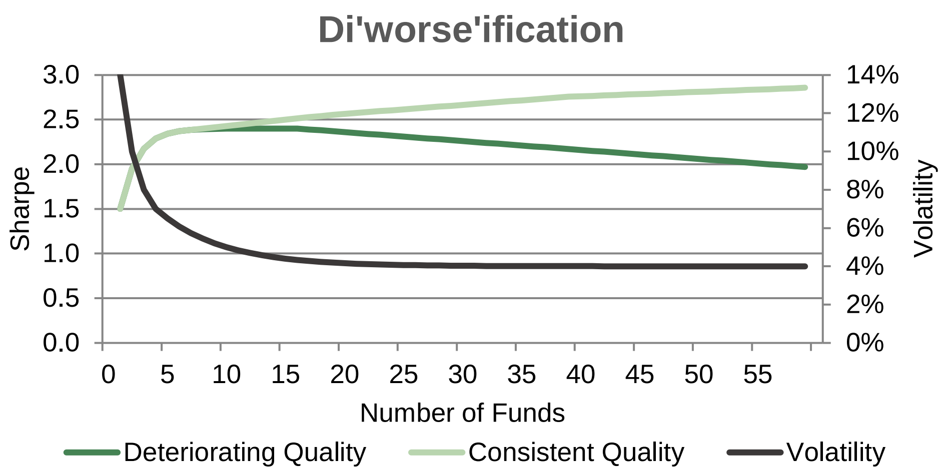
T Bills + 3% — T Bills + 7%

Note: There is no assurance that Albourne clients will be able to achieve the results shown herein, or that clients will make a profit, or will be able to avoid incurring losses.
For illustrative purposes. Information above should not be deemed as investment recommendation or advice.

Portfolio Diversification: Number of Managers

A diversified hedge fund mandate should ideally include at least 15 funds to achieve sufficient diversification, subject to resource constraints.

- Academic literature shows that diversification benefits are most pronounced when the number of funds increases from 1 to 15:
  - 2002 – **Dr G Amin** and **Dr H Kat** – based on random sampling from TASS database
  - 2002 – **S Ruddick** – with consistent quality funds the incremental benefit over 40 funds is marginal, and with deteriorating quality the maximum Sharpe would be reached with 15 funds

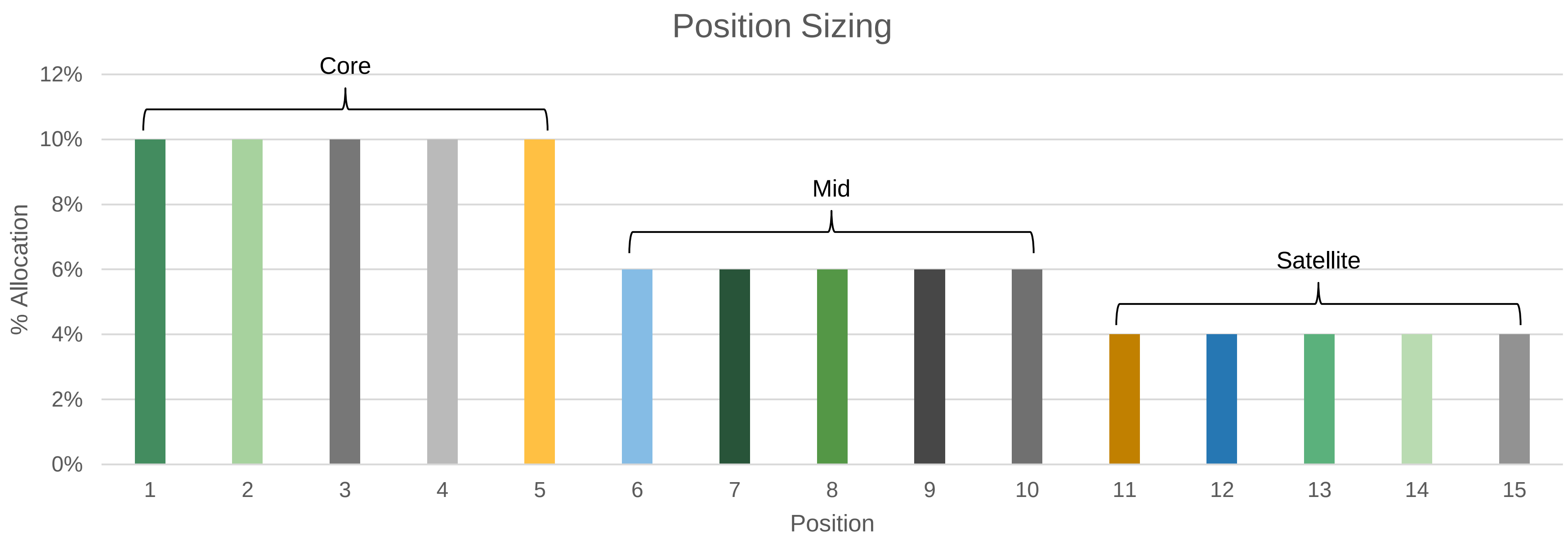


- In the real world there is not consistent quality of funds, therefore at roughly 15 funds the marginal benefit of adding an extra fund diminishes.

Source: "Portfolios of Hedge Funds: What Investors Really Invest in" by Dr. Gurav Amin and Dr. Harry Kat.

Portfolio Sizing: Core-Satellite Approach

The Core-Satellite approach relies on a stable core allocation of managers that exemplify the stated mandate, but also allows for more focused strategies/managers.



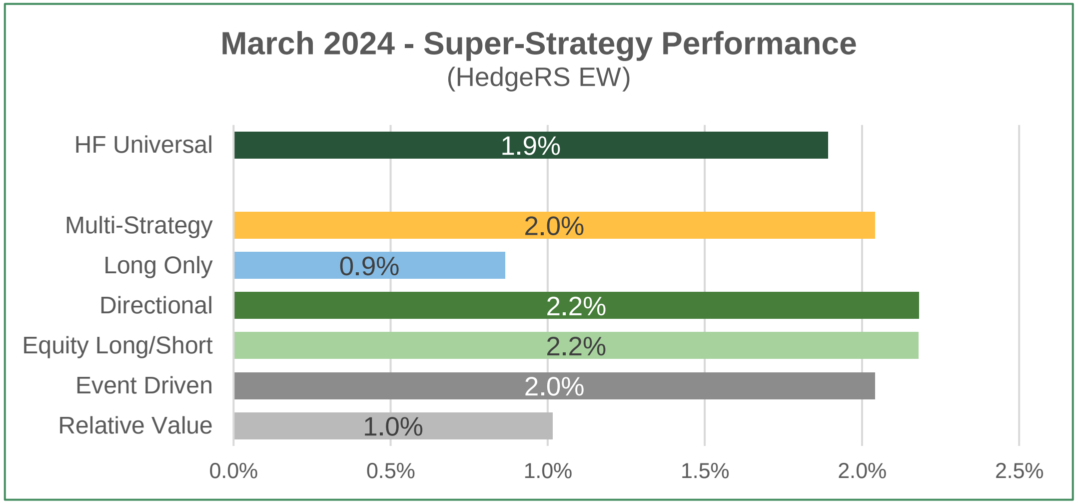
- **Core:** provides a stable allocation with the ability to allocate dynamically across strategies and/or regions, often through a diversified multi-strategy manager.
- **Mid:** more focused by strategy or region vs. core position but more diversified vs. satellite positions.
- **Satellite:** typically, more specialized by strategy/regional focus, expertise, or portfolio concentration; can be newer/emerging managers or more niche strategies.

Albourne Alternatives Market Update

March 2024 – Executive Summary

All Hedge Fund strategies ended the first quarter of 2024 showing profits, further building on the almost universal strong returns of the 4Q 2023. March returns were led by Directional and Equity L/S, though several Event Driven strategies also performed very well.

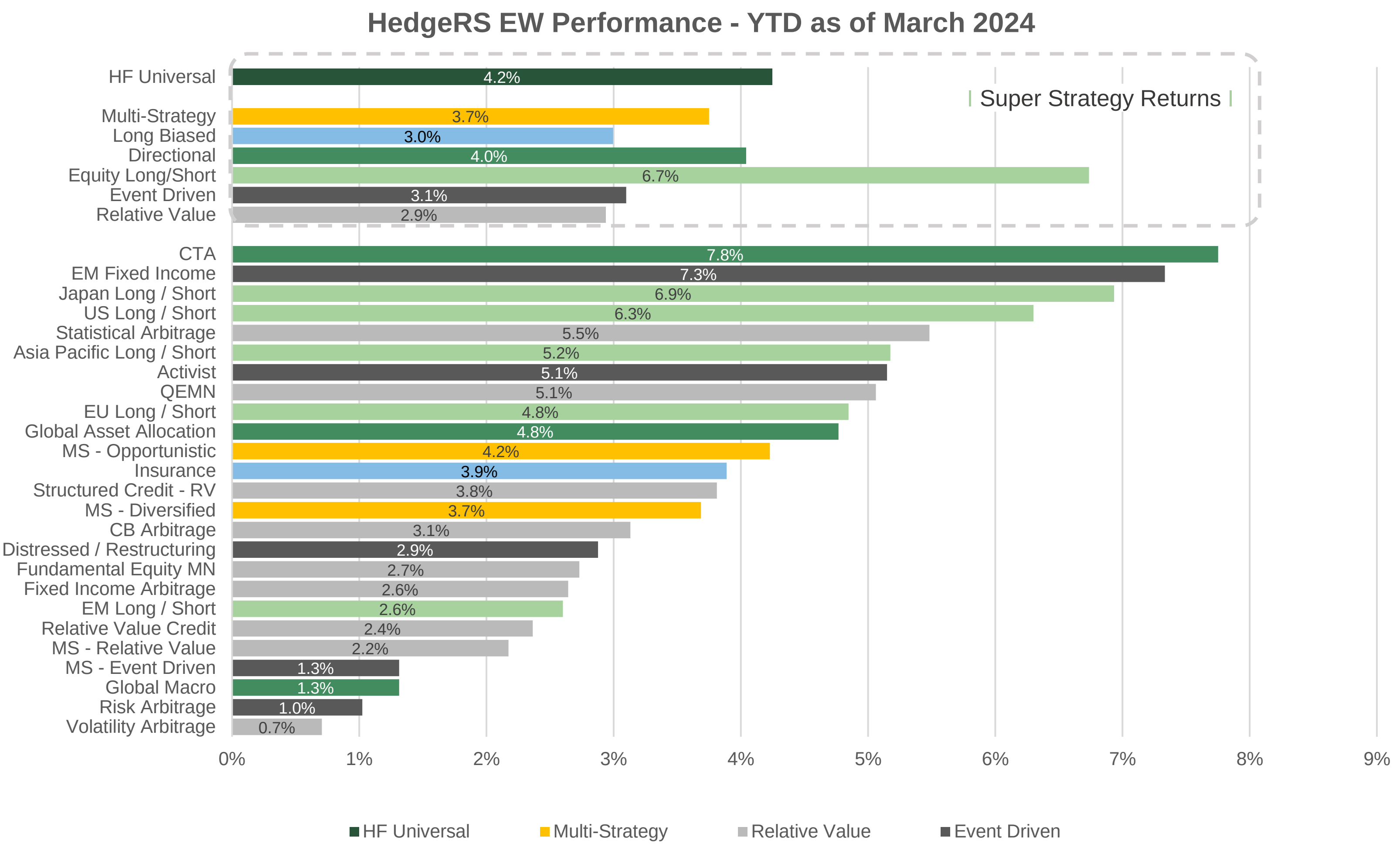
- **All Super Strategies** ended March, and the 1Q 2024, on positive ground**,** with the HedgeRS EW – Universal Index showing +1.9% for the month and 4.2% on a year-to-date basis.
- **EM Fixed Income** led the month's returns (+4.0%), the strategy having its best quarterly start to a year since the relevant EW HedgeRS started being tracked, in 2002.
- Although January saw return dispersion increase for several strategies, **dispersion** has been moving lower throughout the quarter and **remained mostly muted in March,** with the majority of managers participating in the higher returns.
- Hedge Funds **continued to overperform in March,** with all strategies showing a positive outperformance by the end of the 1Q 2024.



- The **S&P 500** was up by more than 10% during the 1Q 2024, the **first time in over a decade** that the index saw **back-to-back quarterly gains in the double digits.** The **Bank of Japan raised rates for the first time in 17 years,** and **Nikkei saw its strongest quarterly performance since the 2Q 2009, surpassing its previous record highs set in 1989.**
- The 2Q 2024 Quarterly Strategy Forecast is now available, summarizing Albourne's return expectations for Hedge Fund strategies for the coming 12 months.

As measured by Albourne's HedgeRS EW indices.
Source: Albourne HedgeRS Indices. https://village-eu.albourne.com/castle/hedgers
Based on fund returns received as of 15 April 2024. Past performance is not necessarily indicative of future results

Albourne HF Indices – YTD Returns for March 2024

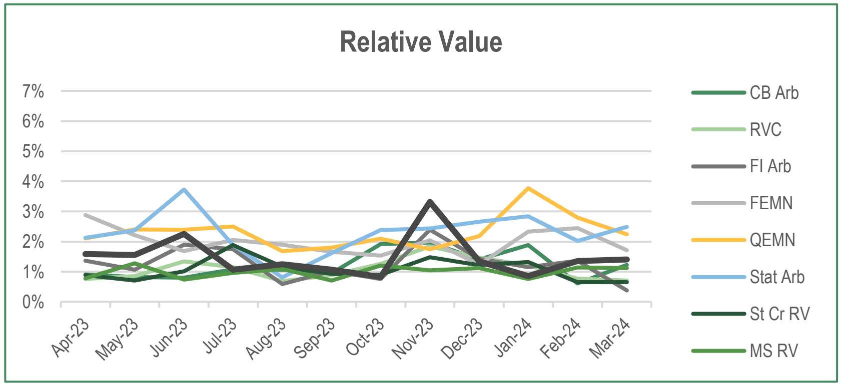


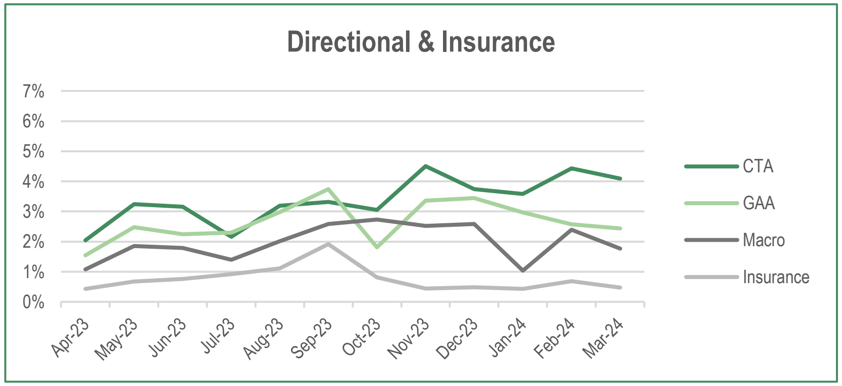
Long Biased Super-Strategy return presented is based on the returns of Insurance and Direct Lending Strategies.

Source: Albourne HedgeRS Indices. https://village-eu.albourne.com/castle/hedgers

Based on fund returns/estimates received as of 15 April 2024, rounded to the first decimal point. Past performance is not necessarily indicative of future results

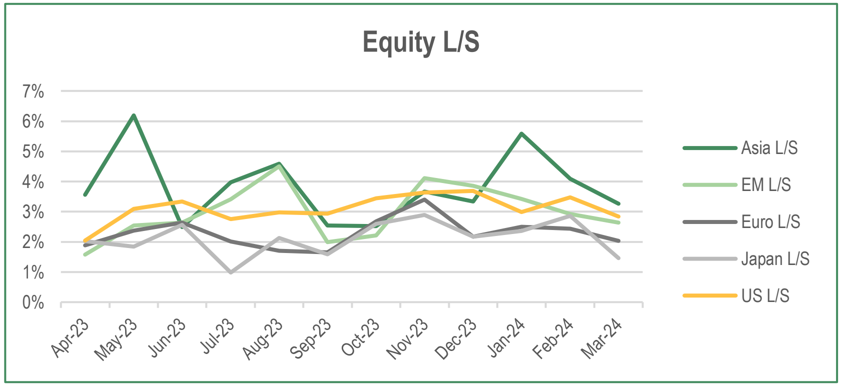
Dispersion – Annual Dispersion Evolution

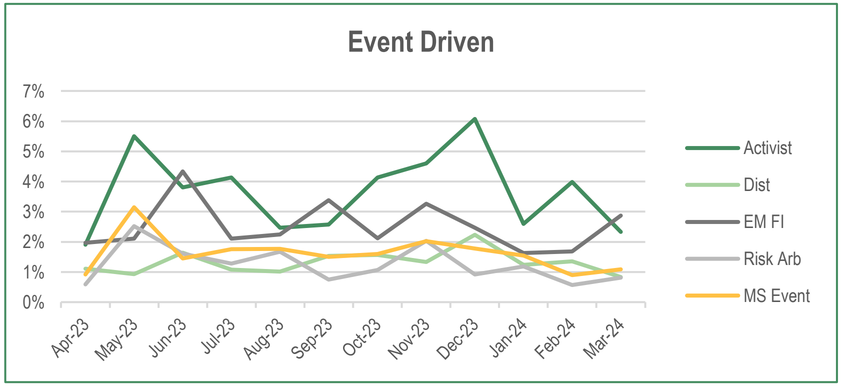




- Dispersion moved mostly lower during March.
- Statistical Arbitrage and Multi-Strategy RV both showed increases.
- Most strategies remain near the lowest dispersion levels of the past year.

- CTA and Global Macro dispersions moved lower, but remain elevated.
- Global Asset Allocation dispersion has been decreasing quarter-to-date.
- Insurance continues to show very low dispersion.





- By the end of March, all Equity L/S strategies showed lower dispersion.
- Asia Pacific L/S dispersion decreased sharply, after the prior large increase that coincided with the strategy's high February returns.
- Japan L/S dispersion remains low, as the strategy shows consistent returns.

- Activist managers showed a sharp decrease in dispersion after the jump of February. The strategy is near its lowest dispersion levels of the past year.
- With the exception of EM Fixed Income, Event Driven strategies showed decreased dispersion.

Universe shown is the constituents of the relevant HedgeRS Equal Weighted Index for each strategy. The charts show the evolution of the interquartile range between the upper and lower quartile. Calculations include all funds with returns over each relevant time period. Based on all fund returns/estimates received as of 15 April 2024.

Markets Snapshot – 1Q 2024

The S&P 500 was up by more than 10% during the 1Q 2024, the first time in over a decade that the index saw back-to-back quarterly gains in the double digits. The Nikkei saw its strongest performance since the 2Q 2009, surpassing its previous record highs set in 1989, while the Bank of Japan raised rates for the first time in 17 years, scrapping its YCC policy.

2024	Index	1Q 2024			1Q 2024	YTD
		Jan-24	Feb-24	Mar-24		
Equity	S&P 500 TR	1.7%	5.3%	3.2%	10.6%	10.6%
	Dow Jones TR	1.3%	2.5%	2.2%	6.1%	6.1%
	Nasdaq TR	1.0%	6.2%	1.8%	9.3%	9.3%
	MSCI World TR	1.2%	4.3%	3.3%	9.0%	9.0%
	Eurostoxx 50 TR	3.0%	5.1%	4.4%	12.9%	12.9%
	FTSE 100 TR	-1.3%	0.5%	4.8%	4.0%	4.0%
	Nikkei TR	8.4%	8.0%	3.8%	21.5%	21.5%
	Hang Seng TR	-9.2%	6.6%	0.6%	-2.5%	-2.5%
	CSI 300 TR	-6.3%	9.4%	0.6%	3.1%	3.1%
	MSCI EM TR	-4.6%	4.8%	2.5%	2.4%	2.4%
Credit	USD HY	0.0%	0.3%	1.2%	1.5%	1.5%
	USD CCC HY	-0.4%	2.3%	1.3%	3.2%	3.2%
	US Corporate	0.1%	-1.4%	1.2%	-0.1%	-0.1%
	JPM EMBI Global TR	-1.2%	0.7%	1.9%	1.4%	1.4%
	CS Leveraged Loan	0.8%	0.9%	0.8%	2.5%	2.5%
Bonds (bps)	US (2yr)	-4.32	41.20	0.13	37.0	37.0
	US (10yr)	3.33	33.78	-4.99	32.1	32.1
	UK (10yr)	26.20	32.90	-18.90	40.2	40.2
	Germany (10yr)	14.40	24.50	-11.30	27.6	27.6
	Italy (10yr)	2.80	11.50	-16.20	-1.9	-1.9
	Japan (10yr)	11.90	-2.30	1.90	11.5	11.5
FX	USD Index	1.9%	0.9%	0.3%	3.1%	3.1%
Commodities	CRB Index	3.3%	1.0%	5.5%	10.0%	10.0%
	BBG WTI Crude Oil TR	6.1%	2.9%	7.8%	17.7%	17.7%
	BBG Brent Crude Oil TR	5.4%	2.5%	7.1%	15.6%	15.6%
	BBG Gold TR	-0.7%	-0.2%	8.3%	7.4%	7.4%
Vol	VIX Index	15.3%	-6.6%	-2.9%	4.5%	4.5%

Equity Markets continued to rally throughout the 1Q 2024, with the exception of China which did however enjoy a positive February and March, building on the strong returns of 4Q 2023.

- **Global equity markets proved very resilient in 1Q24:** Despite the dogged persistence of inflation, and the resulting delay of expected interest rate cuts being priced in the markets, Equities proved resilient, continuing to build on the profitable 4Q 2023. This was the first time in over a decade that the S&P500 had two consecutive quarters of double-digit returns, while Nikkei continued its stellar performance, on the back of regulatory-driven governance improvements, surpassing its previous record highs, set in 1989.
- **Volatility increased significantly in January, only to gradually fall during February and March.** Despite the persistence of inflationary pressures and the still very strong labor market in the US pushing expectations for rate cuts further into the future, and more in line with the schedule communicated by the Fed, equity markets continued to benefit from low volatility for most of 1Q 2024.
- **Bonds in Europe continued to face issues as worries over the region's economic prospects increased.** Concerns over Germany's economy and the broader risk-on sentiment in markets resulted in 10-year German-Italian bond yield spread to continue its downward path, reaching levels not seen since January 2022.
- **Most commodities had a positive 1Q 2024.** Gold benefitted from the mounting geopolitical uncertainty, solid demand and the latest Fed rate projections including rate reductions for this year despite the persistent inflation, setting new record highs. Oil prices made significant gains throughout the quarter, as demand remained strong while supply from Russia decreased, as did the US inventory levels. Cocoa prices continued to surge, driven by supply concerns, adding 62.09% during March alone, for a whopping 147.32% YTD. Cocoa spot prices became more expensive than those of copper on 26 March, when cocoa briefly breached the $10,000 a metric ton mark.

Source: Bloomberg. Past performance is not necessarily indicative of future results
As of 31 March 2024

Albourne HF Indices – 1Q 2024 – Highlights

Strategy	1Q 2024			1Q
	Jan-24	Feb-24	Mar-24	2024
Relative Value	**1.2%**	**0.7%**	**1.0%**	**2.9%**
CB Arbitrage	0.1%	1.2%	1.8%	3.1%
Fixed Income Arbitrage	1.3%	0.8%	0.5%	2.6%
Fundamental Equity MN	0.8%	0.7%	1.2%	2.7%
MS - Relative Value	0.6%	0.7%	0.8%	2.2%
Quantitative Equity MN	3.0%	0.4%	1.6%	5.1%
Relative Value Credit	1.0%	0.6%	0.8%	2.4%
Statistical Arbitrage	1.7%	1.3%	2.4%	5.5%
Structured Credit - RV	1.7%	0.8%	1.3%	3.8%
Event Driven	**0.0%**	**1.0%**	**2.0%**	**3.1%**
Activist	-0.3%	1.9%	3.5%	5.1%
Distressed / Restructuring	0.6%	1.0%	1.2%	2.9%
EM Fixed Income	1.0%	2.2%	4.0%	7.3%
MS - Event Driven	-0.2%	0.3%	1.2%	1.3%
Risk Arbitrage	-0.1%	0.2%	1.0%	1.0%
Volatility Arbitrage	0.3%	0.3%	0.2%	0.7%
Equity Long/Short	**1.1%**	**3.3%**	**2.2%**	**6.7%**
Asia Pacific Equity Long / Short	-0.4%	3.3%	2.2%	5.2%
EM Equity Long / Short	0.6%	1.2%	0.8%	2.6%
European Equity Long / Short	1.1%	1.4%	2.3%	4.8%
Japan Equity Long / Short	1.4%	2.6%	2.8%	6.9%
US Equity Long / Short	1.2%	2.8%	2.2%	6.3%
Directional	**0.6%**	**1.2%**	**2.2%**	**4.0%**
CTA	0.4%	3.8%	3.4%	7.8%
Global Asset Allocation	1.1%	1.5%	2.1%	4.8%
Global Macro	0.4%	-0.4%	1.4%	1.3%
Long Biased	**1.2%**	**0.9%**	**0.9%**	**3.0%**
Insurance	1.5%	1.4%	1.0%	3.9%
Multi-Strategy	**0.6%**	**1.1%**	**2.0%**	**3.7%**
MS - Diversified	0.6%	1.1%	2.0%	3.7%
MS - Opportunistic	0.5%	1.2%	2.5%	4.2%
HF Universal	**0.8%**	**1.5%**	**1.9%**	**4.2%**

Top 3 performers:

CTA (QTD: +7.8%, March '24: +3.4%)
The first quarter of 2024 was a very strong quarter for CTAs, with high returns both for February and March. Managers were mostly long equities and the dollar, which together created considerable profits for the quarter. Within FX, the largest contributions came from shorts in JPY and CNY, particularly in March. Fixed Income was a modest detractor towards the end of the quarter. Energies returned a positive attribution, driven by a short in US natural gas and long positions in the oil complex. Cocoa continued to be a bright spot, following on from the previous months. By style, Classic CTAs were the top performer for March, while trend and carry also did well. Overall, all groups had positive performance.

EM Fixed Income (QTD: +7.3%, March '24: +4.0%)
A major development during the month was the material currency devaluation of roughly 40% that occurred in Egypt in early March as the central bank initiated a more flexible exchange rate regime; the move coincided with the central bank raising its overnight interest rates by 600bps. These moves were aimed to secure further funding from the IMF, which the country achieved in March. With the currency deemed stable and a perceived reduction in inflationary pressures, several EM funds tracked by Albourne have expressed strong enthusiasm on the forward opportunity set for Egyptian local T-bills.

Japan Equity Long/Short (QTD: +6.9%, March '24: +2.8%)
Equity managers performed well in during the quarter, despite the volatility exhibited during March. Managers are reporting a better market for investments led by fundamentals, as well as an increase in corporate actions, which a number of managers were positioned for. Managers that are exposed to large cap holdings have done better as the market has favored larger cap names. Shorts continued being difficult, but several managers have generated better attribution from their longs to offset losses on the short side. Activist managers continued doing well, as they make progress on their engagement efforts.

Bottom 3 performers:

Global Macro (QTD: +1.3%, March '24: +1.4%)
CIOs have maintained healthy risk in the portfolios as they are enthusiastic about the market opportunity set. Broadly speaking, positioning remains short US rates, short Japanese rates, tactically short equities, while FX trading is very idiosyncratic. As expected, the US election is coming into the forefront of managers' minds, as the economic policies of the two leading candidates could be materially divergent. A Biden victory is expected to lead to a continuation of the current policies, while a Trump victory is widely expected to entail increased fiscal stimulus, tax cuts, and potential foreign tariffs; all of which are viewed by traders as inflationary.

Risk Arbitrage (QTD: +1.0%, March '24: +1.0%)
Despite certain regulatory interventions adding to uncertainty throughout the quarter, new dealflow during the 1Q 2024 has been robust. So far this year, the value of deals announced globally is 50%+ higher than what it was a year ago. The US is leading this revival in global mergers and acquisitions, that many dealmakers did not expect until later in the 2024. Rising equity markets are providing buyers with extra firepower for acquisitions, evident when considering that more than half of the 10 biggest deals announced this year are being financed at least in part by stock.

Volatility Arbitrage (QTD: +0.7%, March '24: +0.2%)
Volatility Arbitrage has had a somewhat slow start to the year , as equity volatility has remained subdued while the market continued doing well. Volatility Arbitrage funds that are either diversified across asset classes or that have been able to collect theta (even if vega-neutral at the portfolio level) have had more opportunity.

Source: Albourne HedgeRS Indices. https://village-eu.albourne.com/castle/hedgers. Based on fund returns/estimates received as of 15 April 2024. Past performance is not necessarily indicative of future results.

2Q 2024 Quarterly Strategy Forecast

For the 2Q 2024 QSF, each of the **three economic scenarios** is considered as **equally probable for the coming 12 months**, as the **markets** have shown remarkable **strength** and **resilience** during the past few months, though **inflation surprises** could still derail the expected interest rate cuts while high **geopolitical risk** and **market shocks** remain a present danger.

- Despite the end of the low interest rate era, economic activity in the first quarter of 2024 has been robust and the equity markets remained strong. Default rates have picked up however, reminding investors that risk is still present in an otherwise strong market.
- Inflation, while coming down on an annual basis, still remains above target, and indeed surprised on the upside in the latest release. The next 3-6 months are therefore pivotal for the markets, as they will reveal whether the anticipated rate cuts will proceed as priced, since the market is not set up for is a prolonged higher-for-longer interest rate environment, or the tail risk of a rate increase.
- As in the previous QSF, each of the three economic scenarios is viewed as equally probable for the coming 12 months.

Negative Case

(33.3% Probability)

- Markets weaken as economic activity decelerates more noticeably.
- In the short term, that might be driven by a recalibration of the current expectations of lower interest rates through to the end of the year, as inflation remains stubbornly high.
- It would also be consistent with financial conditions tightening more than expected due to the weakness of smaller banks.

Central Case

(33.3% Probability)

- The market is broadly correct in its forward-looking expectations, as the Fed steers the economy to a soft landing.
- This would be consistent with a modest positive outcome for equities in 2023, tighter credit spreads, a weaker dollar and a modest sell-off in commodities.

Positive Case

(33.3% Probability)

- Markets do better than expected with equities and credit rallying.
- This would occur if inflation peaked and surprises on the downside, suggesting that the upside for yields and interest rates would be more modest than is usually the case.

2Q 2024 Quarterly Strategy Forecast

Quartile	Rank	Ranking	Strategy	12-month Outlook	Super-Strategy	Weighted Average 100%	Negative 33.3%	Central 33.3%	Positive 33.3%
1	1	0↔	Global Macro	Positive ↔	Directional	9.1%	9.8%	7.7%	9.8%
	2	0↔	Asia Pacific L/S	Marginally Positive ↔	Equity L/S	7.4%	-6.5%	10.4%	18.5%
	3	0↔	Fixed Income Arbitrage	Positive ↔	Rel Val	7.2%	5.2%	7.2%	9.3%
	4	0↔	Emerging Markets L/S	Marginally Positive ↔	Equity L/S	7.0%	-2.6%	8.2%	15.3%
	5	1↑	Activist	Positive ↔	Event	6.9%	-8.0%	7.9%	21.0%
2	6	-1↓	Japan L/S	Positive ↔	Equity L/S	6.9%	-1.3%	8.3%	13.9%
	7	0↔	CTA	Positive ↔	Directional	6.9%	8.1%	4.3%	8.3%
	8	1↑	Fundamental Equity MN	Marginally Positive ↔	Rel Val	6.6%	3.5%	7.1%	9.2%
	9	1↑	European L/S	Positive ↔	Equity L/S	6.5%	-2.3%	8.1%	13.7%
	10	6↑	Risk Arbitrage	Positive ↔	Event	5.9%	1.3%	7.7%	8.6%
3	11	2↑	Quantitative Equity MN	Positive ↔	Rel Val	5.8%	3.0%	6.6%	7.9%
	12	2↑	Statistical Arbitrage	Positive ↔	Rel Val	5.8%	3.4%	7.9%	5.9%
	13	-1↓	EM Fixed Income	Neutral ↔	Event	5.6%	-3.8%	7.7%	13.0%
	14	1↑	US L/S	Marginally Positive ↔	Equity L/S	5.5%	-3.1%	7.6%	12.1%
	15	-7↓	CB Arbitrage	Marginally Positive ↔	Rel Val	5.4%	-2.3%	7.5%	11.0%
4	16	-5↓	Distressed / Restructuring	Marginally Positive ↔	Event	5.3%	-6.5%	8.8%	13.5%
	17	3↑	Volatility Arbitrage	Marginally Positive ↔	Rel Val	4.9%	5.5%	4.9%	4.3%
	18	0↔	Global Asset Allocation	Marginally Positive ↔	Directional	4.9%	5.5%	4.5%	4.7%
	19	-2↓	Structured Credit - RV	Neutral ↔	Rel Val	4.3%	-8.0%	9.0%	12.0%
	20	-1↓	Relative Value Credit	Neutral ↔	Rel Val	4.0%	-2.5%	6.5%	8.0%

Key Points:

- **Directional: CTAs** can benefit from the increase in market activity creating larger directional moves, but managers will still have to remain cautious of the possibility for sideways markets. The focus on macro factors like growth and inflation is generally good for **GAAs**, however the recent period of high government involvement has caused some models to struggle to get a strong read on current conditions. Albourne's outlook for **Global Macro** managers remains constructive, though conviction is partly dampened by concerns about liquidity in rates' markets and the headline and geopolitical risks.

- **Relative Value:** Overall, the outlook for **Convertible Bond Arbitrage** remains positive as its hedged nature insulates it from directional moves. **Fixed Income Arbitrage** can continue to benefit both from the moderate volatility levels and higher interest rates, though crowding and sudden deleveraging remain key risks. **Fundamental Equity MN** is well suited to deliver alpha as there is strong potential for stock selection in an relatively constructive environment. The opportunity sets for **Quantitative Equity MN** and **Statistical Arbitrage** remain above average, on account of the volatility expectations and cross-sectional dispersion.

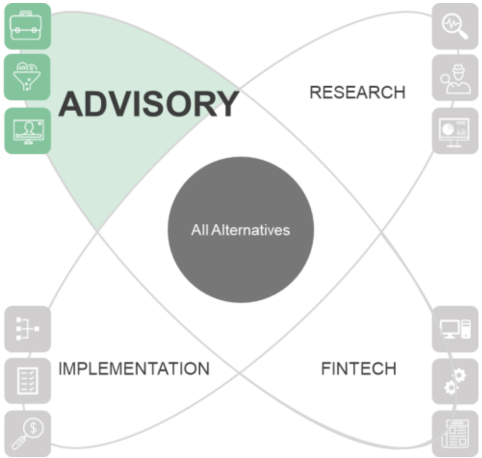
- **Event Driven: Activists** continue to see a strong opportunity set and remain fully invested, while managers of **Distressed/Restructuring** funds can still count on fair valuations for distressed asset classes, fair opportunity in primary markets, and a growing opportunity in restructurings. Headwinds are abating for **Emerging Markets Fixed Income**, and while valuations are not exceptionally compelling on a spread basis, current yields are likely to attract investors. **Risk Arbitrage's** prospects are improving, as recent court decisions seem to not support the more aggressive regulatory stance that US regulators have sought to employ.

- **Equity Long/Short:** Asian economies should experience a cyclical rebound from low levels, which combined with the long-term structural growth drivers should benefit **Asia Pacific Equity L/S** managers. Their **Japan L/S** peers should benefit from the continuing improvement of corporate governance and regulatory changes, which provides an opportunity set primed for alpha generation. Investor sentiment towards EM is becoming more positive, driven mainly by compelling valuations, which should shore up the results of the **EM L/S** strategy. Albourne is still positive on the outlook for **European L/S** strategies as they still look cheap on a global basis and most managers see good alpha opportunities on both the long and short side. **US L/S** is also well-placed to deliver alpha, as the market environment is increasingly favorable for idiosyncratic alpha generation, with higher interest rates improving the short opportunity set and stock dispersion remaining elevated.

Contents

Advisory

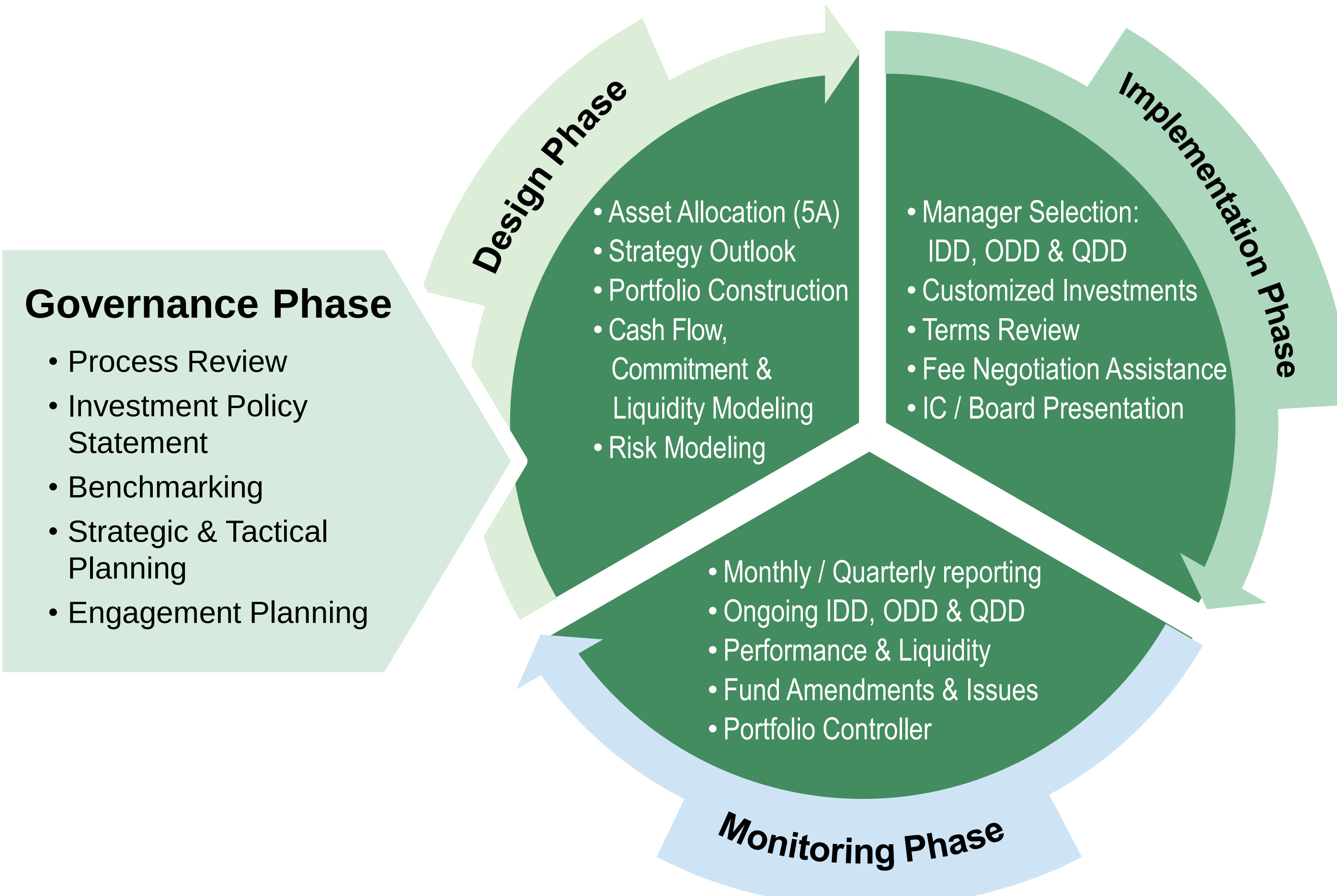
- 47 Portfolio Analysts
- 34 Client Account Managers
- Advise on >600 portfolios
- Investment Policy Statements
- Hedge Fund & Private Markets model portfolios
- Hedge Fund & Private Markets strategy forecasts



Dedicated local team: Portfolio Analysts and Client Account Managers

Portfolio Advisory

Onboarding typically starts with a review of a client's governance



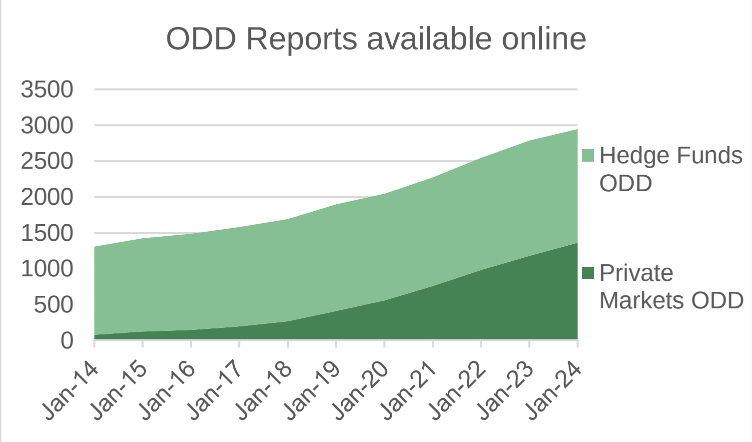
Research

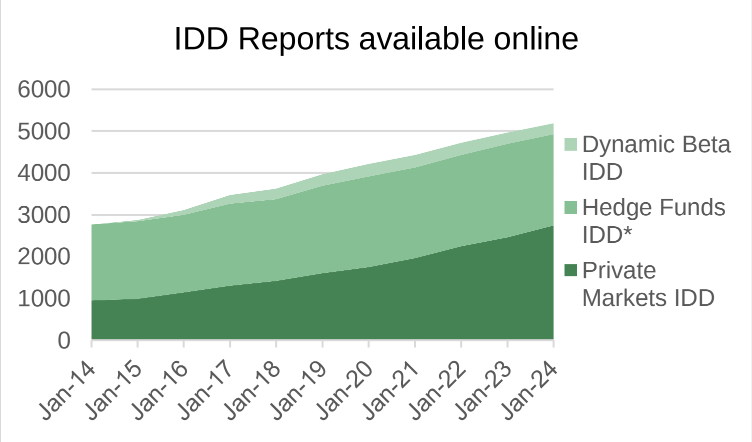
- Standardized, robust, repeatable & documented due diligence framework
- Strategy specialists
- Transparent & opinionated IDD
- Disciplined & consistent ODD
- Sophisticated & proprietary QDD (risk analysis)
- Albourne is not paid by managers to rate or recommend their funds

Dedicated local team: IDD, ODD & QDD Analysts around the world

Research: Coverage

Private Markets (PM)	Hedge Funds (HF)	Dynamic Beta (DB)
Private Equity	Relative Value	Equity
Private Credit	Event Driven	Fixed Income
Real Assets	Equity Long/short	Currency
Real Estate	Directional	Commodity
Esoteric	Long Biased	Credit





Coverage includes Commingled Funds, Co-Investments, Secondaries, SMAs

*Includes FR (Formerly Rated) funds
Not all tools and services are included in all client contracts

Research: IDD - Investment Due Diligence

Three Reasons: **Albourne IDD**

- Breadth and Depth of global coverage across alternatives
- Clients can access experienced specialist analysts & their fund ratings
- Client scale can provide access to some of the best managers

Global Team

- 56 Private Markets IDD Analysts*
- 43 Hedge Fund IDD Analysts*
- On the ground in 8 locations

Online Library

- >2,700 Private Markets IDD Reports
- >2,100 Hedge Fund IDD Reports
- >260 Dynamic Beta IDD Reports

C IDD Analyst Assessment — Average
4 Conviction — High (Auto-decayed)

Latest[1]	Previous[2]	
C	C	IDD Analyst Assessment
4	5	Conviction[3]
M	M	Expected Alpha
L	L	Expected Beta
L	L	Expected Risk
C	C	Strategy & Investment Process
B	B	Management & Team
B	C	Risk Process

Ratings are relative to strategy. [1]Rating date 25 Mar 2018 [2]Rating date 6 Jul 2017 [3]Latest Conviction auto-decayed

Clear rating scheme based on qualitative & quantitative input

Focus for 2024

- **AI / Machine Learning Integration**
- **Impact of Rising Rates**
- **Emerging Managers / Strategies:**
  - **NEMO****
  - **MWBE**
  - **Impact**
  - **Digital Assets**

*Includes 12 Multi Asset IDD Analysts
**New and Emerging Manager Opportunities
Not all tools and services are included in all client contracts

Research: ODD - Operational Due Diligence

Three Reasons: **Albourne ODD**

- Large global team based in Europe, Asia, North America
- Flexible Offering depending on depth of ODD required
- Feedback to managers can help make research “actionable”

Global Team

- 129 ODD Analysts
- On the ground in 7 locations
- 18 Partners in ODD

Online Library

- >1,300 Private Markets ODD Reports
- >1,500 Hedge Fund ODD Reports
- >2,000 managers ongoing desk based monitoring

C Manager ODD

Acceptable practices with areas for improvement.

Latest[1]	Peers[2]	
C	C	Manager ODD
B	B	Disclosure
C	B	Manager Organization
C	B	Background Checks
D	C	Compliance Resources & Policy
B	B	Investment Operations
B	C	Infrastructure & Business Continuity

Ratings are relative to industry best practices. [1]Rating date 19 Feb 2021 [2]Average rating of 17 managers in the Asset Class Specialist - Private Equity peer group.

C Fund ODD

Acceptable practices with areas for improvement.

Latest[5]	Previous[6]	Peers[7]	
C	C	B	Fund ODD
C	C	C	Fund Terms & Governance
B	B	B	Custody & Counterparties
C	C	B	Valuation
C	C	B	Review of Financial Statements

Ratings are relative to industry best practices. [5]Rating date 19 Feb 2021 [6]Rating date 15 Jun 2015 [7]Average rating of 15 fund series with North American Multi-Strategy LBO/Growth strategy.

Focus for 2024

- **Data Analytics & Digitization**
- **Impact of AI**
- **Regulatory Changes**

Not all tools and services are included in all client contracts

Research: QDD - Quantitative Due Diligence

Three Reasons: **Albourne QDD**

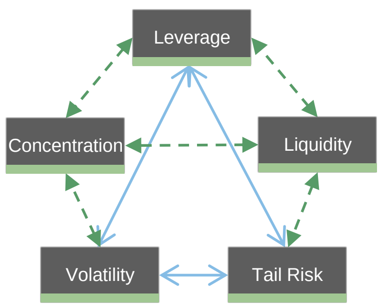
- Proprietary, robust models, academically rigorous philosophy
- Portfolio & fund level analytics across all asset classes
- Open Protocol (OP) enables standardized risk reporting & monitoring

Deep Analytical Capability

- 41 QDD Analysts
- >600 portfolio risk models
- QDD Reports published since 2004

Online Resources

- >2,200 QDD Reports on HF & UCITS
- >400 Level 3* QDD Reports on PM
- >700 Hedge funds reporting OP



Measure, Monitor & Manage
5 Columns of Risk

Focus for 2024

- **PriMaRS****
- **Machine Learning**
- **Expanding OP coverage**

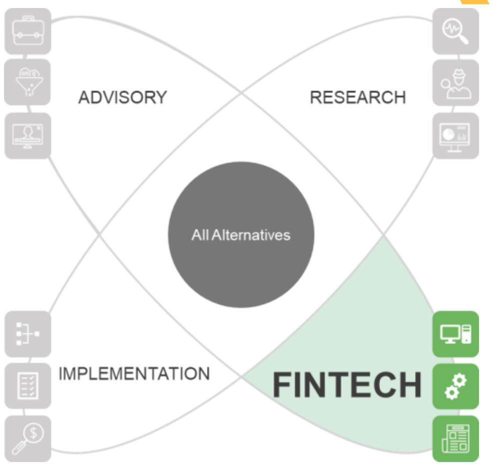
*Level 3 = Portfolio company financial data allowing value bridge analysis, including fair value estimates of unrealized company investments

**Albourne Private Markets Return Series

Not all tools and services are included in all client contracts

Fintech

- Timely, detailed, empowering data
- Proprietary, innovative, integrated analytics
- 55 Developers & Software Engineers
- Dedicated data gathering team
- As an advisor, Albourne may be able to contextualize data better than a pure data provider



Dedicated Data & IT Teams

Fintech: Data

Three Reasons: **Albourne Data**

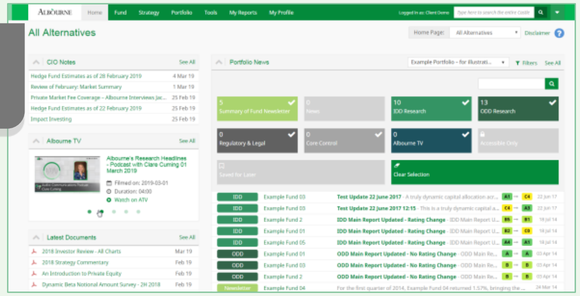
- Data coverage: greatly enhanced by client footprint
- Data collection: improved by our understanding, as industry practitioners
- Data embedded into research & reporting

Hedge Funds: >13,000 funds	Private Markets: >37,000 funds	Dynamic Beta: >2,000 strategies
Returns, AUM, Exposures, Strategy, Terms, Documents, Holdings, Filings, Open Protocol*	Returns, Cash flows, Fund Raising, AUM, Filings, Open Protocol*	Returns, Strategy, Tickers, Open Protocol*
50 HedgeRS Indices - Albourne Hedge Fund Return Series	16 PriMaRS Indices - Albourne Private Markets Return Series	55 DyBeRS Indices - Albourne Dynamic Beta Return Series

*Open Protocol information is reserved for clients of the Premium D&A service, which includes more data than the Standard service, please see D&A Capabilities

Fintech: Analytics

The Castle



- IT Team of 84
- >$579m of development*
- Castle since 2000

Resources

The App

- Combined Harvester
- Albourne proprietary API
  (Application Programming Interface)
- >1,700 downloadable fields

Excel plug-ins

*CoCoMo model, see https://en.wikipedia.org/wiki/COCOMO
Not all tools and services are included in all client contracts.
The ISO 27001 standard provides requirements for establishing, implementing, maintaining and continually improving an information security management system, but it is not a standard for products or services.

ISO 27001
Certificate No.
ISMS.20.001

Fintech: Tools

Private Markets & Hedge Funds: “We’ve got a tool for that!”

Cash Flow Model	Intelligent Cash Flow forecasting
Portfolio Controller	Transaction tracking platform
PM QDD & Reporting	Value bridge analysis of individual portfolio companies
Portfolio Manager	Advanced portfolio model
Fund Comparison Tool	Peer comparison of fund performance
Fee Controller	Fee & expense benchmarking*

Portfolio News Daily news feed	Liquidity Calendar Fund liquidity terms analysis	Advanced Search Fund due diligence search	Combined Harvester Excel Plug-in for Albourne data
Open Protocol Explorer Exposure evolution	13F Explorer Quarterly long positions analysis	Factor Analysis Multi-factor modelling	Calendars Collection of upcoming events

*For FeeConciliation clients

Implementation

Cost effective implementation support[1]

Middle Office

Efficiency in Execution

- Legal Document Diligence
- Deal Support[2,3]
- Subscription Assistance[2]
- Ongoing Support[2]
- Process Review

Back Office

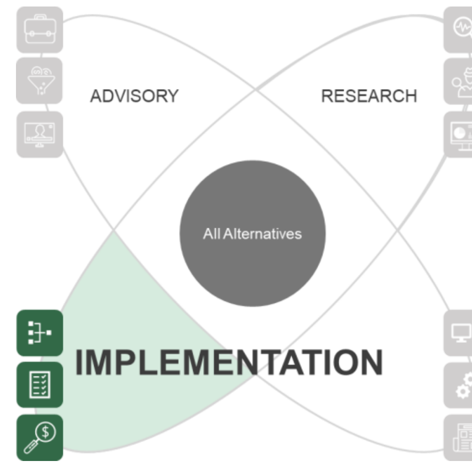
Confidence in Reporting

- Data Collection and Reporting
- Pre-processing and Confirmation
- NAV Reconciliation
- Monitoring of Manager Communications
- Portfolio Controller: Back Office Software Solution

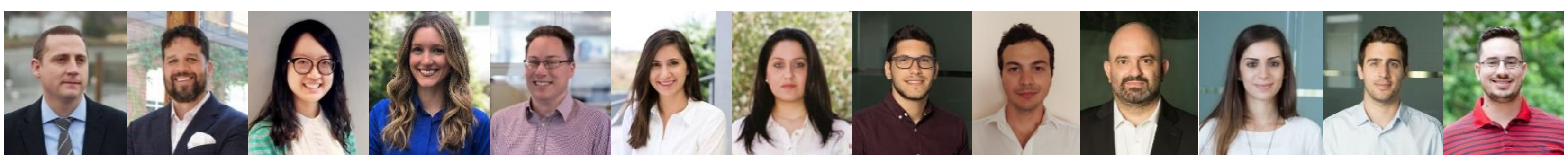
Fee & Liquidity Services

Review of Terms

- Fee Collection & Aggregation
- Fee Validation for Private Markets
- Fee Reconciliation for Hedge Funds
- Aggregate Consultant Discounts
- Liquidity Service



Implementation Support around the world: 68 Analysts



1. Implementation Support services are provided on a task-based pricing basis, depending on client requirements. Albourne does not provide legal or tax advice.
2.These services are not available in certain jurisdictions.
3. Albourne manages client's external counsel, ensuring terms are consistent with client defined requirements.

Implementation: Middle Office

13 Middle Office Analysts

- **Legal Document Diligence (LDD):** identify issues, inform negotiations
- **Deal Support[1,2]:** raise issues with manager, assist with side letter negotiation
- **Subscription Assistance[1]:** assist with completion of subscription forms, satisfy AML requirements
- **Ongoing Support[1]:** advice & completion of forms for amendments, consents, notices, etc.
- **Bespoke Fee Analysis**
- **Aggregate Consultant Discounts (ACDs):** Albourne group fee discounts
- **Process Review:** assessment, mapping & feedback

Legal Document Diligence covers 70 terms

>490 LDD Reports available on demand on the Castle

As short as 2 week turnaround on new commissions[3]

Market Assessment Summary

Term, Termination & Removal	
Term	Within Market
Term - Extensions	Within Market
Investment Period	Within Market
Investment Period - Extensions	Within Market
Cause	N/A
Investment Period - No Fault Termination	Within Market
Investment Period - Cause Termination	Within Market
Key Person	Within Market
GP Removal - No Fault	Within Market
GP Removal - Cause	Off Market
GP Removal - Haircut	N/A
GP Removal - Payment Priority	N/A
Fund Termination - No Fault	Within Market
Fund Termination - Cause	Within Market

Successor Funds, Allocations & Co-Investments	
Successor Funds	Within Market
Allocation Priority	Within Market
Co-Investments	Within Market

Investment Restrictions	
Investment Limitations	Within Market
Debt Limitations	Within Market
Subscription Facilities	Within Market
Debt Maturity Limits	Within Market

Recalling & Recycling	
Recalling Distributions	Within Market
Calls After Investment Period	Within Market
Follow-on Limitations	Within Market
LP Giveback Categories	Within Market
LP Giveback Limits	Off Market

Management Fee	
Rate	Within Market
Base - Investment Period	Within Market
Base - Post Investment Period	Off Market
Start & Stop Dates	Within Market
Inside or Outside Commitment	Within Market
LP Level or Fund Level	Within Market
Treatment of Write Downs	Within Market
Offsets	Within Market

Expenses	
Organization - Caps	Within Market
Compliance & Regulatory	Within Market
Overhead & Salaries	Within Market
Other	Off Market

Distribution Waterfall	
Waterfall	Within Market
Preferred Return - Rate	Within Market
Preferred Return - Base	Within Market
GP Catch-Up	Within Market
Carry Percentage	Within Market
Distributions - Tax	Within Market
Distributions - In-Kind	Within Market

GP Clawback	
Clawback - Tests	Within Market
Clawback - Limits	Within Market
Clawback - Calculation	Within Market
Guaranty & Escrow	Off Market

MFN	
Included & Scope	Within Market
Type	N/A

GP Commitment	
Amount	Within Market
Treatment of Increase	Within Market
Management Fee Waiver	Within Market

Indemnity & Exculpation	
Standard of Care	Within Market
Excluded Claims	Within Market
Limits to Advancement	Within Market
Ordering of Liability	Within Market

Advisory Committee	
Size & Qualification	Within Market
Approvals	Within Market

Miscellaneous	
Subsequent Close Buy-In	Off Market
Confidentiality	Within Market
Investment Excuse	Within Market
Defaulting LPs - Capital Calls	Within Market
Defaulting LPs - Management Fees	Within Market
Amendments	Within Market
Negative Consent	Above Market
GP Voting	Within Market
Power of Attorney	Within Market
Other Issues	Off Market

1. This Service is not available in certain jurisdictions.
2. Albourne manages client's external counsel, ensuring terms are consistent with client defined requirements.
3. Aim is to deliver within 10 business days when requested.

Albourne does not provide legal or tax advice.

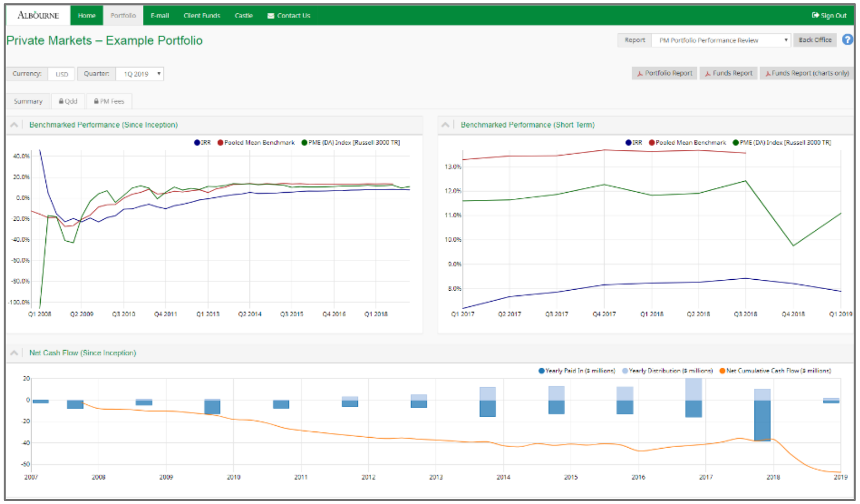
Implementation: Back Office

27 Back Office Analysts

- **Portfolio Controller** software solution
- **Logging** of cash flow, transactions & valuations
- **Pre-processing and confirmation** of capital call & distribution account statement aggregation
- **Reporting**: reconciled portfolio performance reporting
- **NAV reconciliation** with custodian
- **Ongoing monitoring** of manager communications

Albourne uses Portfolio Controller on client's behalf

- Run an inbox for client
- Reconcile cash flows with custodian
- Account statement aggregation
- Capital call / distribution review & pre-processing
- May enter but not approve payments with custodian*



*Enhanced Back Office Service

For illustrative purposes only

Implementation: Fee & Liquidity

28 Fee & Liquidity Analysts

- **Fee Reconciliation** for Hedge Funds
- **Fee Aggregation and Validation** service for Private Market Funds
- **PDF & Excel** Annual and / or Quarterly Reports
- **Comparison** of management & performance fees vs expected fees, highlighting variances
- **Benchmarking** of terms and expenses
- **Liquidity Calendar**: calculates redemption dates, notice dates, payment dates & redemption amounts

Clear process and deliverables

COLLECT	RECORD	CHECK	ANALYSE
Collect and Process Fund Data	Set Up Fee Terms	Calculate expected fees	Determine Investor Profit Share

Across Hedge Funds and Private Markets:

- >6,000 investments analysed
- >$200bn of client assets validated

Portfolio Dashboard

Reconciled · Positive Variance · Negative Variance

Fund	From - To	Allocation	Net Gain/ Loss ($)	Accrued Management Fees: Manager Reported MF ($)	Albourne Calculated MF ($)	Difference ($)	Difference (%)	Accrued Performance Fees: Manager Reported PF ($)	Albourne Calculated PF ($)	Difference ($)	Difference (%)	Investor Profit Share
FeeConciliation Fund 01 - Client Demo	Jan 17 - Dec 17	8.94%	8,614,331	874,303	874,303	0	0.00%	1,111,874	1,111,874	0	0.00%	85.91%
FeeConciliation Fund 02 - Client Demo	Jan 17 - Dec 17	10.35%	8,000,000	547,165	547,165	0	0.00%	1,973,781	1,984,395	10,614	0.53%	72.04%
FeeConciliation Fund 03 - Client Demo	Jan 17 - Dec 17	6.32%	7,602,719	686,099	696,672	10,573	1.52%	474,112	476,307	2,195	0.46%	85.57%
FeeConciliation Fund 04 - Client Demo	Jan 17 - Dec 17	11.57%	4,499,059	1,508,302	1,508,302	0	0.00%	0	0	0	0.00%	73.69%
FeeConciliation Fund 05 - Client Demo	Jan 17 - Dec 17	2.54%	3,610,362	369,706	380,832	11,126	2.92%	755,562	769,567	14,005	1.82%	74.32%
FeeConciliation Fund 06 - Client Demo	Jan 17 - Dec 17	6.00%	7,746,628	908,833	889,823	-19,010	-2.14%	2,249,021	2,249,021	0	0.00%	70.26%
FeeConciliation Fund 07 - Client Demo	Jan 17 - Dec 17	2.12%	-1,228,843	662,056	640,543	-21,513	-3.36%	145,672	139,057	-6,615	-4.76%	49.38%
FeeConciliation Fund 08 - Client Demo	Jan 17 - Dec 17	6.04%	4,755,499	1,019,309	1,032,849	13,539	1.31%	864,002	839,206	-24,796	-2.95%	70.26%
FeeConciliation Fund 09 - Client Demo	Jan 17 - Dec 17	8.41%	8,386,271	1,510,232	1,514,441	4,210	0.28%	2,017,849	2,096,568	78,719	3.75%	69.05%
FeeConciliation Fund 10 - Client Demo	Jan 17 - Dec 17	14.71%	12,091,918	3,360,528	3,356,318	-4,210	-0.13%	4,056,679	4,030,639	-26,040	-0.65%	61.30%
FeeConciliation Fund 11 - Client Demo	Jan 17 - Dec 17	2.22%	2,933,283	337,507	322,151	-15,356	-4.77%	257,140	257,140	0	0.00%	82.22%
FeeConciliation Fund 12 - Client Demo	Jan 17 - Dec 17	2.71%	1,713,212	497,101	474,149	-22,952	-4.84%	4,832	4,832	0	0.00%	76.48%
FeeConciliation Fund 13 - Client Demo	Jan 17 - Dec 17	5.90%	8,086,889	926,399	913,488	-12,910	-1.41%	1,792,623	1,792,623	0	0.00%	74.36%
FeeConciliation Fund 14 - Client Demo	Jan 17 - Dec 17	9.33%	13,319,470	1,743,589	1,743,589	0	0.00%	3,331,166	3,329,867	-1,299	-0.04%	71.93%
FeeConciliation Fund 15 - Client Demo	Jan 17 - Dec 17	2.85%	540,283	490,518	497,844	7,326	1.47%	167,558	135,071	-32,488	-24.05%	44.05%
Total		100.00%	90,671,081	**15,441,646**	**15,392,469**	-49,176	-0.32%	**19,201,871**	**19,216,167**	14,295	0.07%	

Reconciliation Threshold: $20,000

For illustrative purposes only

Industry Engagement & Advocacy

Adrian Sales
Member, Sound Practices Committee
AIMA

Jonathan Koerner
Member, Advisory Committee
Alignment of Interests Association

Steve D'Mello
Member, Digital Assets Working Group
AIMA

John Claisse
Member, Board of Trustees
SBAI

Stephen Kennedy
Chair, Hedge Funds Steering Committee
UNPRI

Tom Cawkwell
Member, Portfolio Company Template Working Group
ILPA

Richard Johnston
Chair, APAC Committee
SBAI

Emlyn Ade Palmer
Member, Responsible Investment Working Group
SBAI

Gaurav Amin
Co-chair, Working Group
Open Protocol

Jessica Ross
Member, EMEA Committee
SBAI

Susan Lee
Chair, Culture & Diversity APAC Committee
SBAI

Debra Ng
Member, Executive Committee
AIMA Singapore
Chair, Singapore Advisory Committee
SBAI

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Sustainable Investing: Impact & Sustainability

What we're seeing

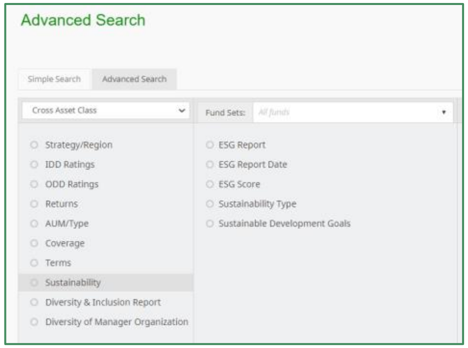
- Investors' objectives range from thematic opportunity seeking to non-concessionary impact to risk mitigation
- Scope includes Impact Funds, Sustainability Themed Funds, Sustainability Integrated Funds
- Investor interest in SFDR Article 8 and Article 9 Funds[1]

How we're helping

- Assessing Sustainable Investing opportunities through IDD, Impact DD[2] and Sustainability Profile Reports[3]
- Sustainability risk mitigation via Sustainability Integration Questionnaire (SiQ), the SiQ Score, Sustainability Due Diligence[2] and Exposure-Based Sustainability Risk[2] profiles
- Benchmarking managers' corporate sustainability practices through ODD
- Helping clients develop their Sustainable Investing Policies and assisting with implementation

Resources

SUSTAINABLE INVESTING



1. SFDR = Sustainable Finance Disclosure Regulation. EU disclosure requirements for funds. See SFDR
2. These reports can be produced on a bespoke basis for clients 3. Albourne is building a library of Sustainability Profile Reports
Albourne colleagues pictured do not necessarily work full time on sustainability

Sustainable Investing: Diversity, Equity & Inclusion

What we're seeing

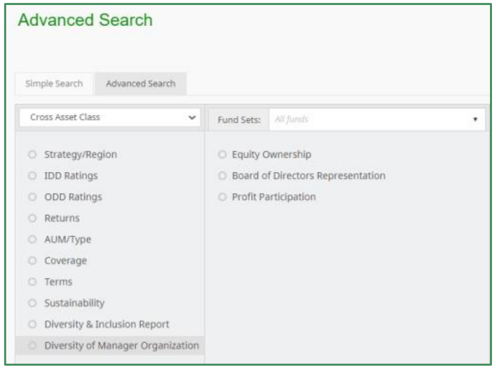
- Gathering DEI data (incl. demographics) to benchmark absolute & relative progress at portfolio / manager levels
- Explicit evaluation of employment policies & practices, e.g. a focus on inclusive culture, not only team diversity
- Investment policy & process changes plus stakeholder education, aimed at understanding & overcoming biases

How we're helping

- Engaging with industry organizations to support diverse manager sourcing
- Providing Castle access to AIMA D&I Questionnaires on >5,000 funds
- Delivering manager DEI policy and practice benchmarking through ODD
- Highlighting diverse managers via enhanced search tool & dedicated Castle DEI Page

Resources

Diversity Equity & Inclusion



Albourne colleagues pictured do not work full time on DEI.

Diversity, Equity, Inclusion & Belonging in Albourne

Implementation

- Published DEIB Strategic Plan
- Developed DEIB Goals, Initiatives & Milestones
- Established EC* led Global DEIB Council

Training

- Allyship & Unconscious Bias
- Micro Aggressions & Inclusive Communication
- Mental Health & LGBTQ+ awareness

Leadership

- ILPA Diversity in Action signatory
- CEO Action for D&I pledge and contributor
- Toigo Foundation Governing Board member

Partnerships

- MentorcliQ
- tEQuitable
- CrossKnowledge

Community

Albourne For Good

Albourne Women's Network

Albourne Pride!

Educational Resources

Expanding Equity

Fisher Law Practice

Mind Share Partners

WMFDP Global

Connected Leaders Academy

Lean In

tlc

ReadySet

*EC = Executive Committee, the 3-person team that manages Albourne on a day-to-day basis.
The organizations listed above do not necessarily approve or endorse Albourne or the services that Albourne provides.

Service Provider Landscape

Albourne remains committed to non-discretionary advice

Three Reasons: Non-discretionary

- Avoids long bias and asset gathering
- Albourne does not compete with clients for fund access
- Our focus is on our clients' performance and our clients' terms, not our own

Ask your other service providers about:

Conflicts of Interest

Direct conflicts – participation in fee rebates?

Indirect conflicts – related entities which profit from the relationship with client or with managers?

Independence / Stability

Plans for take over / merger / acquisition / IPO?

Detailed succession planning?

Fee structure

Performance fees – is variability only on the upside?

Denominator-based fees –is there an incentive to increase assets deployed?

Next Steps

Learn more by contacting k.rossi@albourne.com

Capabilities ☑	**Example Due Diligence** ☐	**Castle Demo** ☐	**Review Coverage** ☐
Meet Analyst & Team ☐	**Portfolio Analytics** ☐	**Castle Trial** ☐	**Proposal** ☐

Making onboarding as smooth as possible

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