



CASE FOR PRIVATE EQUITY

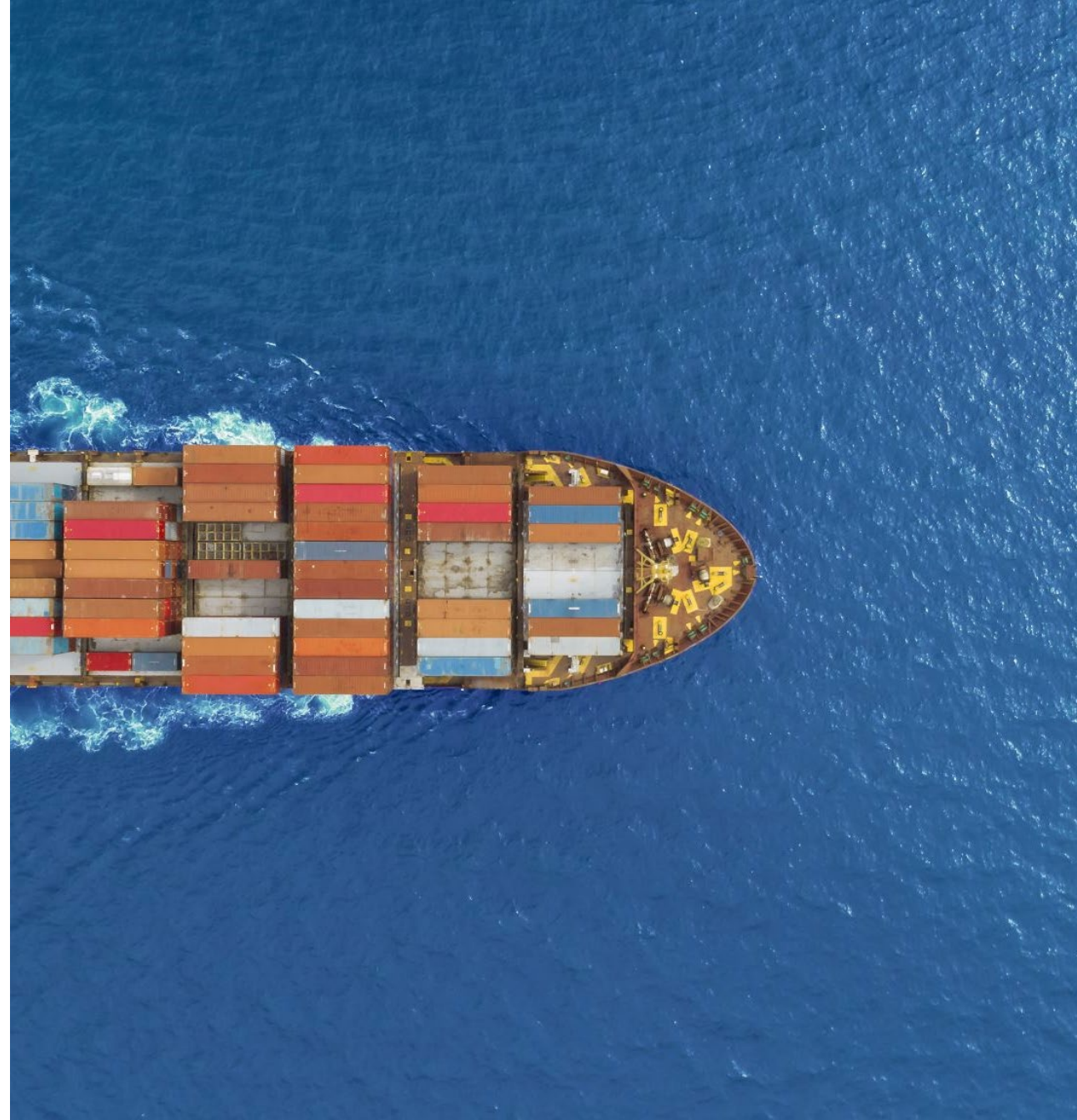
Syntrinsic Investment Committee

April 2023



CONTENTS

- About Private Equity
- Examples



ABOUT PRIVATE EQUITY

WHY PRIVATE EQUITY

- ❑ Access to high growth companies differentiated from what is possible in public markets
- ❑ Ability to trade illiquidity for potential earnings premium
- ❑ Likelihood of experiencing less volatility because pricing occurs with less frequency and without public market participants driving short-term price changes
- ❑ Sustainable Investments Opportunities in themes such as job creation, education, healthcare, sustainable communities, infrastructure, etc.
- ❑ Increased likelihood of meeting low-term growth objectives.

PRIVATE EQUITY INVESTMENT STAGES



Strategies vary depending on the investment stage of a target company.

Primary Investments:

Venture Capital: Riskiest stage; can result in large payoffs.

Growth Equity: Young startups in need of managerial expertise and capital for growth.

Buyouts: Mature companies in need of operational or financial improvements.

Distressed: Mature companies in financial difficulty and desperate for a financial or strategic turnaround.

Secondaries: Purchase and sale of preexisting investor commitments to primary investments. Can shorten the length of investment.

Co-Investments: Direct minority investment made into a company, alongside another sponsor or private equity investment. Fees are normally lower.

PE Strategies Across the Business Cycle

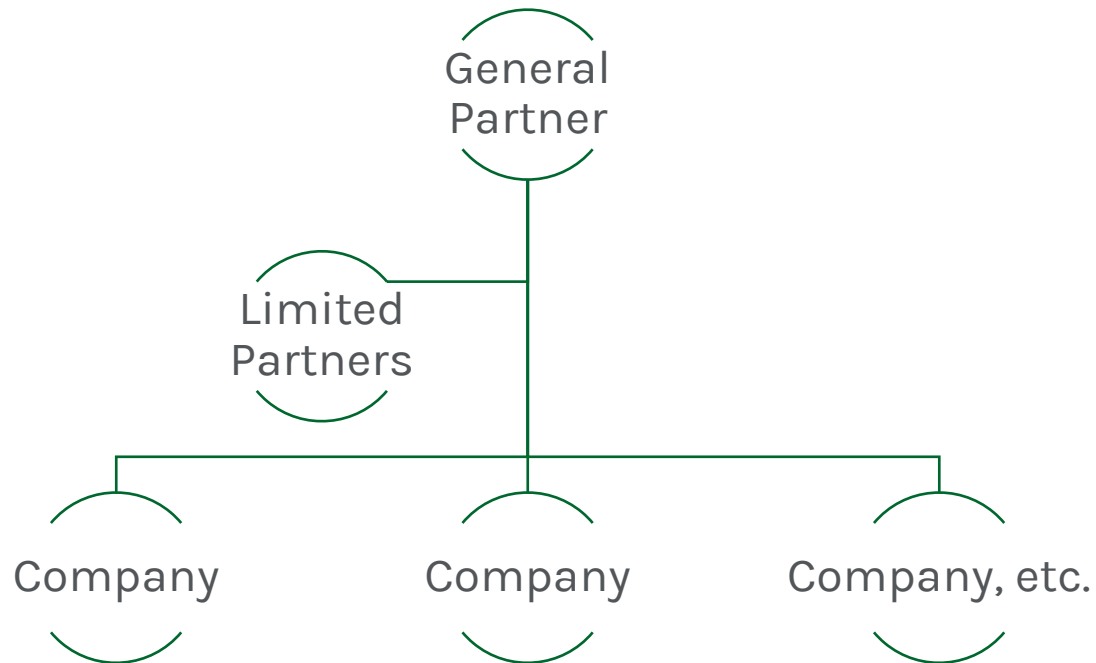


PRIVATE EQUITY SIMPLIFIED



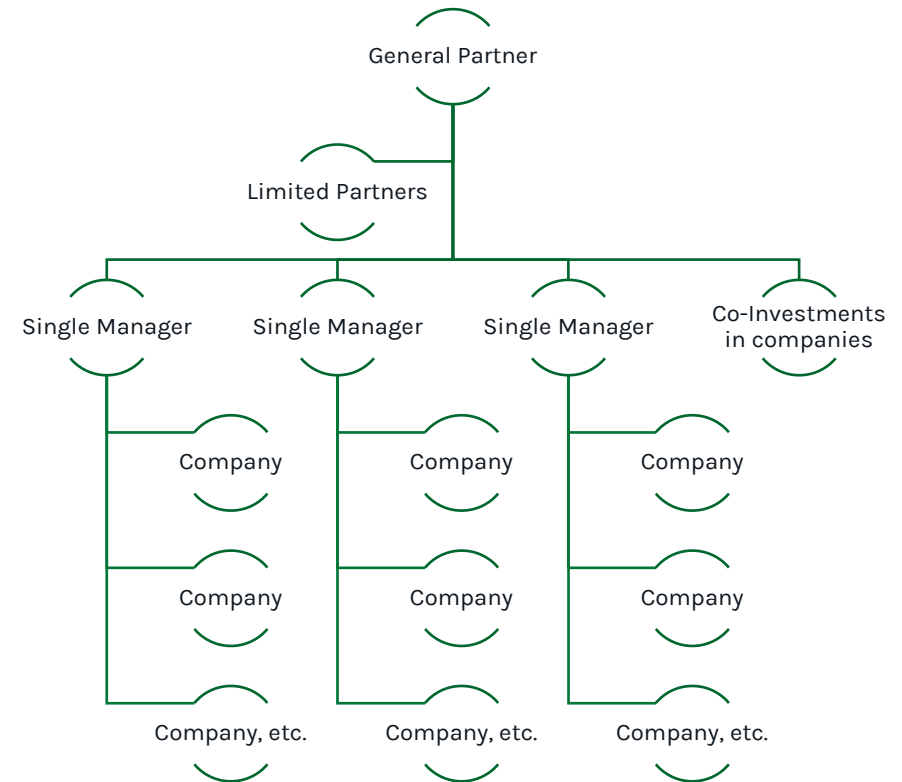
SINGLE MANAGER FUNDS

Invest in a portfolio of companies per the desired sectors, size, regions, and other factors.

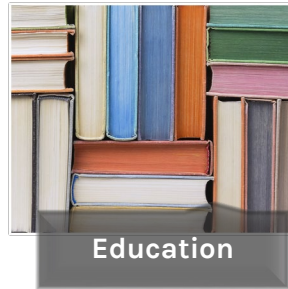


FUND OF FUNDS

Assemble multiple single manager funds in one investment vehicle, while leaving room to make co-investments.



SUSTAINABLE INVESTMENT OPPORTUNITIES



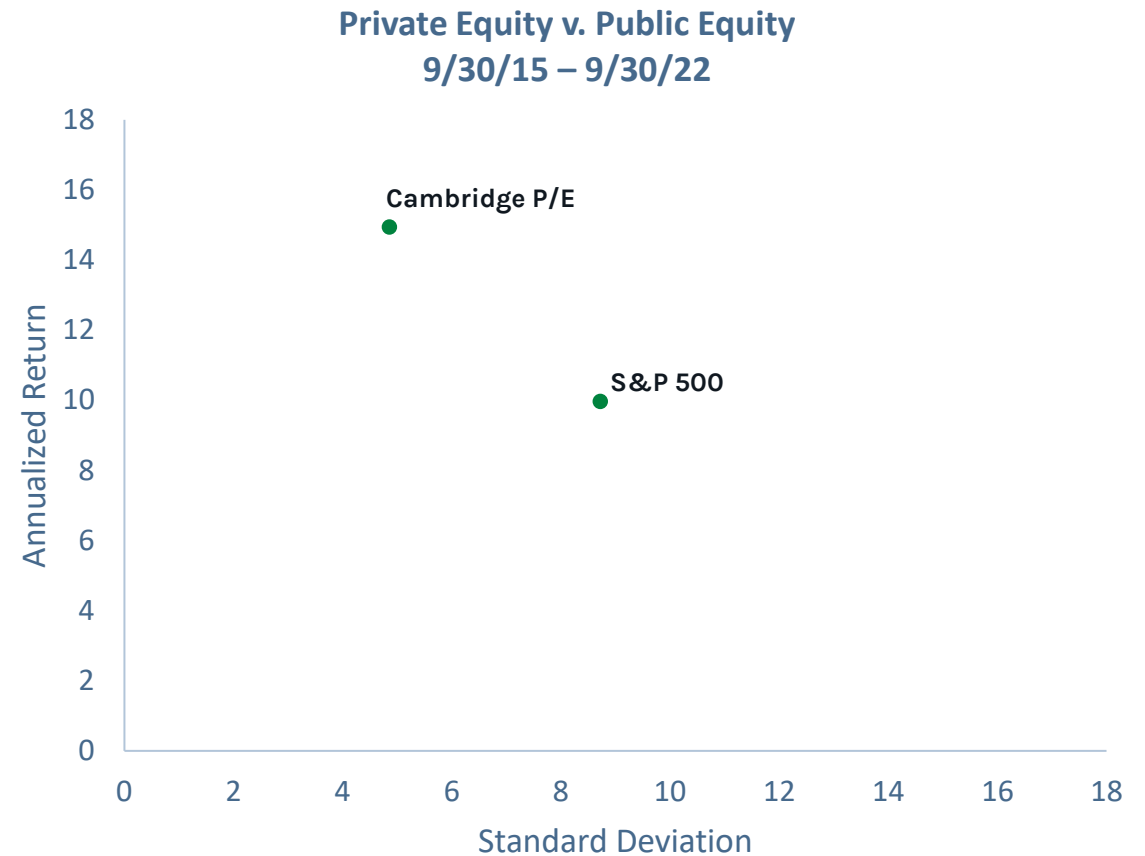
Private investments make it possible to incorporate thematic investments that align with the investor's mission and values. Some common themes that can be addressed by private equity are outlined to the left.

ANNUALIZED RETURNS (3Q15 – 3Q22)



	Annualized Return	Standard Deviation
Cambridge US P/E	14.94%	4.86%
Standard & Poor's 500	9.97%	8.72%

From 3Q 2015 through early 2022, low interest rates supported a high-risk appetite. In that environment, both private equity and public equity earned well above expectations and historic averages. During that period, private equity materially outperformed public market equity.



ROLLING 3 YR RETURNS (3Q15 – 3Q22)



During the period in question, private equity outperformed public market equity over all but four of the 18 rolling three-year periods (78%).

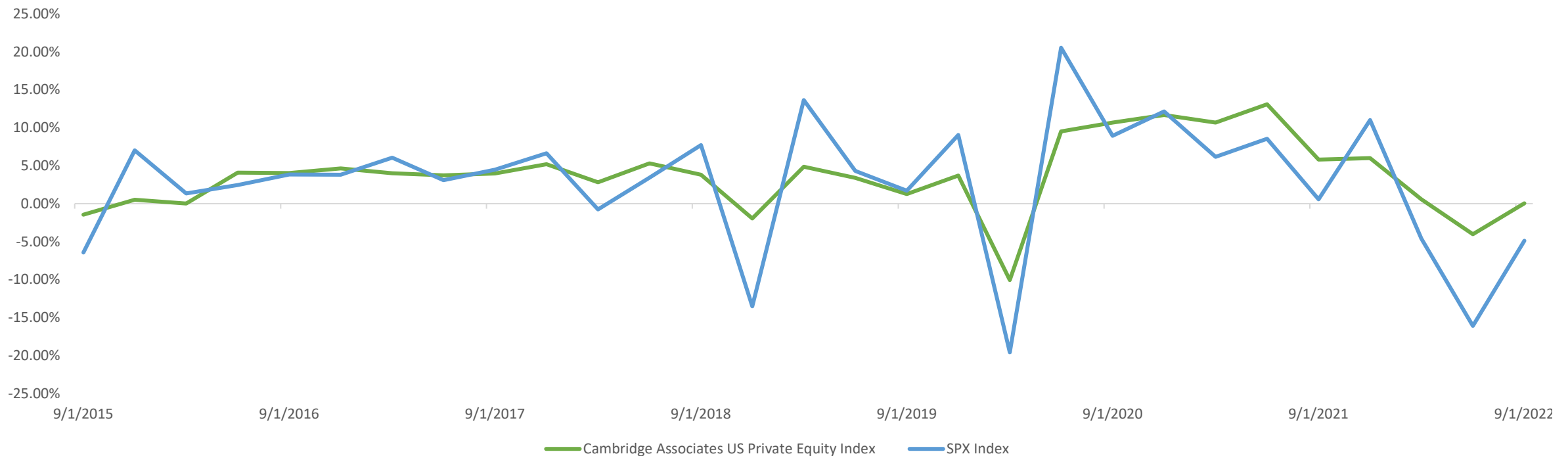
Rolling Three Year	6/30/2018	9/30/2018	12/31/2018	3/31/2019	6/30/2019	9/30/2019	12/31/2019	3/31/2020	6/30/2020	9/30/2020	12/31/2020	3/31/2021	6/30/2021	9/30/2021	12/31/2021	3/31/2022	6/30/2022	9/30/2022
	Rolling 12 Quarter																	
Cambridge Associates US Private Equity Index	12.78%	14.75%	13.80%	15.62%	15.36%	14.32%	13.98%	8.59%	10.58%	12.91%	15.18%	18.04%	20.89%	21.66%	24.87%	23.14%	20.12%	19.64%
SPX Index	11.92%	17.30%	9.25%	13.50%	14.18%	13.39%	15.27%	5.10%	10.72%	12.27%	14.17%	16.77%	18.66%	15.98%	26.05%	18.91%	10.59%	8.15%
Difference	0.85%	-2.55%	4.55%	2.11%	1.17%	0.93%	-1.29%	3.50%	-0.14%	0.64%	1.01%	1.28%	2.23%	5.68%	-1.19%	4.23%	9.53%	11.49%

HIGH CORRELATIONS: QUARTERLY

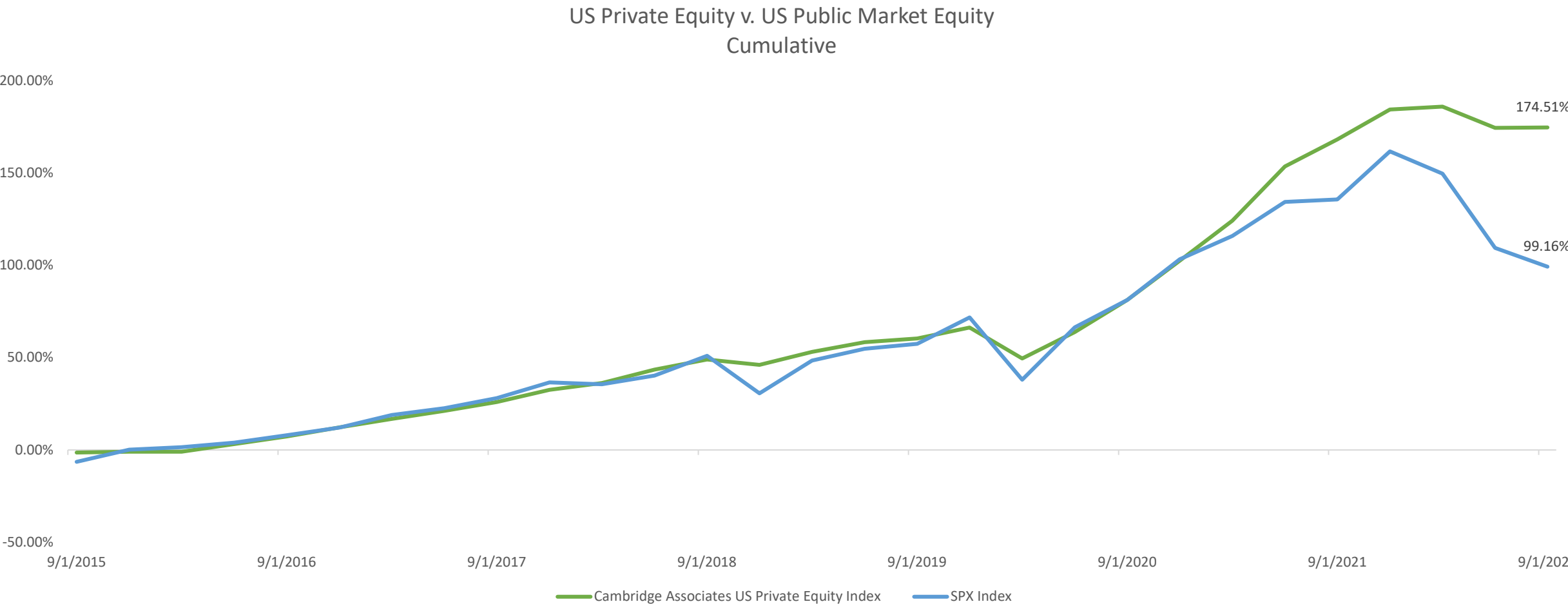


During this period private equity and public equity have moved in similar directions though private equity has experienced less extreme highs and lows.

US Private Equity v. US Public Market Equity
Quarterly Returns



CUMULATIVE



PRIVATE EQUITY CHARACTERISTICS

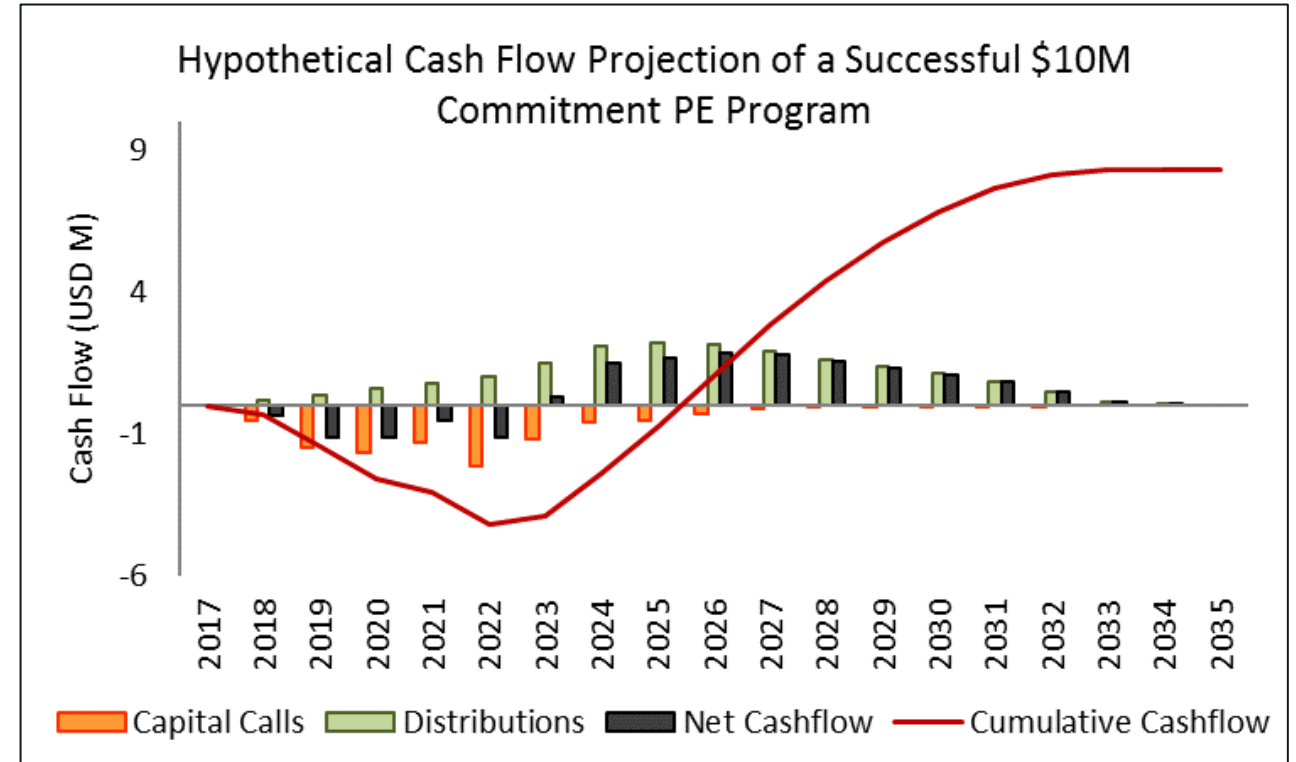


Private Structure: Investors gain access through a limited partnership that requires investor qualification (\$25m) due to increased complexity and risks.

Illiquidity + Fees: Investment time horizons extend over 10-15 years. Fees are substantially higher than public markets.

Commitments: Capital is called as investments are identified while distributions occur as investments are restructured/sold, creating uncertain timing of cash flows.

Internal Rate of Return (IRR): The nature of P/E cash flows calls for use of IRR to measure performance. The early years of a fund generally see net negative cash flows.



This illustration for educational purposes only. Actual calls, distributions, and net results will vary.

PRIVATE EQUITY RISKS + CONCERNS



Despite attractive average returns for the private equity asset class over public equities, there is wide P/E fund and manager performance dispersion in any given vintage year. For smaller PE investors, multiple managers can help mitigate that single-manager risk, making a fund-of-funds approach or a secondaries strategy worth considering.

Private Equity has high sensitivity to the dynamic nature of macroeconomic/market environments, increasing the value of broad vintage year diversification. Funds putting capital to work in 2007-08, for example, were at a tremendous disadvantage compared to funds deploying capital in 2009-10. Given these characteristics, skilled manager due diligence and vintage year diversification are critical to increase the likelihood of achieving the potential return premium inherent in Private Equity.

PRIVATE EQUITY PROGRAM



Segment Diversification

- Private Equity (strive to allocation 10%)
 - Mature
 - Growth
 - Venture

Asset Type

- Primaries
- Secondaries
- Co-Investments

Vintage Year Diversification

- Private Equity
 - 4 vintages, deploying 10% - 40% of target allocation over four years

Structure

- Fund of Funds
- Multi-Strategy
- Single Manager
- Interval Funds

Other Factors

- Industry/Region
- Impact Objectives
- Number and size of positions
- Leverage, Liquidity, UBIT, Transparency

EXAMPLES

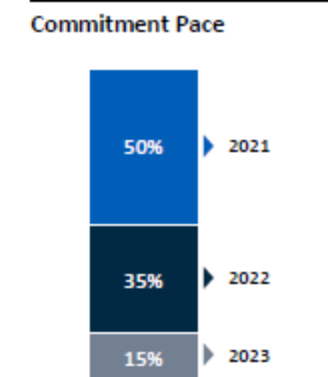
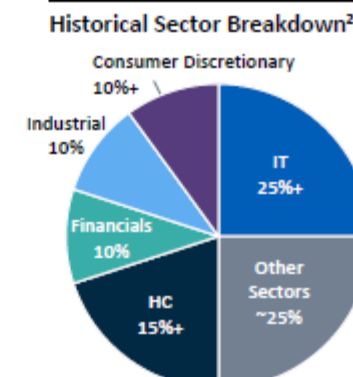
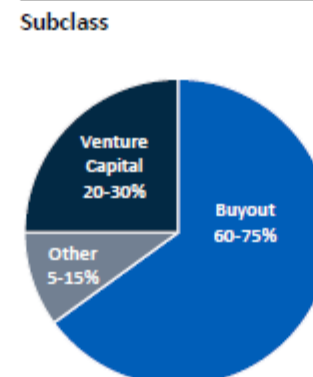
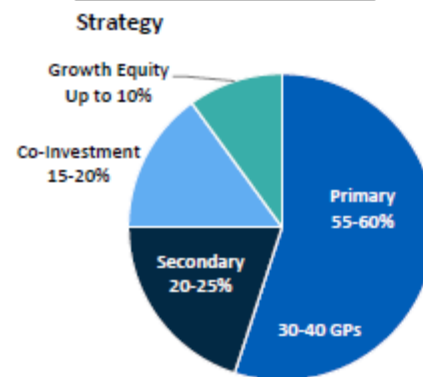
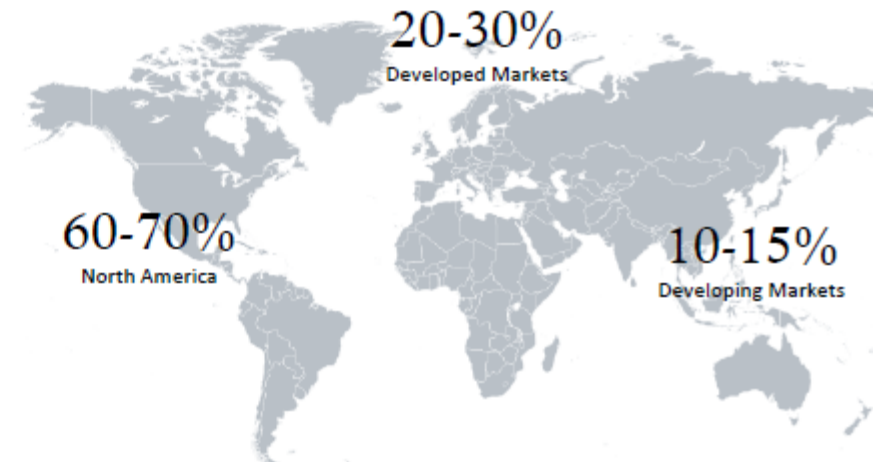
ADAMS STREET – FUND OF FUNDS



Adams Street's Global Private Equity Program is an actively managed, diversified, private equity fund-of-funds strategy. The strategy strives to select a diversified group of high-quality private equity managers that demonstrate sustainable competitive advantages, consistent long-term performance, and organizational stability. Limited co-investments reduce the cost of the fund.

HIGHLIGHTS

- Access to best-in-class private equity opportunities
 - Focus on dislocation, innovation, and rapidly growing sectors
 - Targeting technology and healthcare globally
- Primary partnerships
 - Mix of established and spin-out funds
 - Underweight mega buyouts
- Co-invest and secondary exposure to capitalize on market inefficiencies and mitigate the j-curve



Source: Synttrinsic, Adams Street – actively fundraising

LEXINGTON PARTNERS



Lexington Capital Partners Fund X is a private equity fund that invests in secondary acquisition funds that have historically achieved attractive risk-adjusted returns throughout varying economic cycles. It is a global private equity strategy with negotiated deals across buyout, venture capital, and growth strategies and diversified across vintage years.

GLOBAL PLATFORM & TEAM	16 Partners Averaging 19 Years Together at Lexington 63 Investment Professionals Averaging 11 Years of PE Experience 150 Employees Across 8 Global Offices 1,000+ Investors in 40+ Countries				
EXTENSIVE MARKET EXPERIENCE	600+ Secondary Transactions	3,500+ Secondary Interests	600+ Primary Commitments	1,800+ Funds Invested	800+ Sponsor Relationships
SECONDARY PERFORMANCE	\$39 Billion Invested \$24 Billion Reported Value 21.2% / 17.2% Gross / Net IRR		\$44 Billion Distributed \$8.5 Billion Purchase Discount \$18 Billion Syndicated to Co-Investors 1.8x / 1.6x Gross / Net Multiple		

Source: Syntrinsic, Lexington Partners – actively fundraising

KKR GLOBAL IMPACT FUND

IMPACT FOCUS



Investment Strategy

KKR's Global Impact Fund seeks to create value by improving businesses that provide commercial solutions to key challenges facing the world. The Fund activities fall within a Solutions Focused responsible investment strategy by investing in business models, products, or services that provide a solution to Environmental, Social, or Governance (ESG) related challenges.

Source: Synttrinsic, KKR – not actively fundraising

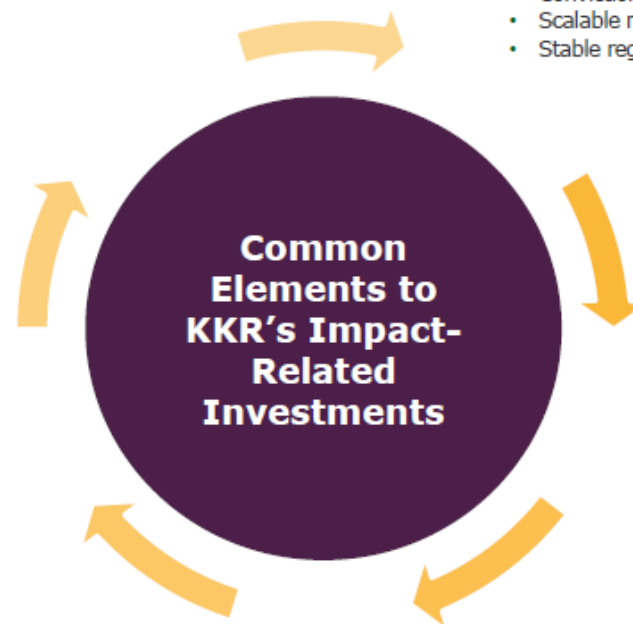
#1: Business Models that Promote a Solution to an Identified Global Challenge

#2: Markets with Secular Growth Trends

- Conviction on thematic view
- Scalable markets solving fundamental problems
- Stable regulatory frameworks / market structures

#6: Ability for KKR to Enhance the Outcome

- Levers that KKR can help pull to potentially impact a company's performance



#3: Differentiation

- Businesses with leadership positions
- Novel solutions
- Differentiated business models vs. competitors

#5: Strong Leadership with Economics Alignment

- Established operators with a history of positive outcomes
- Adequate capabilities to execute against the opportunity set
- Alignment of interests through roll-over equity and broadly distributed equity plan

#4: Optionality Within a Business

- Multiple end-markets to sell into
- Innovation alternatives that can move the needle
- Multiple opportunities for potential monetization exits

KAPOR CAPITAL

IMPACT FOCUS



Kapor Capital Fund III is an early-stage venture capital strategy targeting pre-seed, seed, and Series A companies in healthtech, edtech, and fintech. The strategy targets BIPOC and female entrepreneurs and companies that serve communities of color and low-income communities. This targeting is motivated by both social and financial objectives.

HealthTech

- Medical conditions disproportionately impacting communities of color (e.g. diabetes, asthma, heart failure)
- Culturally sensitive care (e.g. mental health)
- Intersectional healthcare (e.g. women's health)

EdTech

- Create opportunities for upward financial mobility through workforce development and re-training
- Increase quality of education through remote learning, content, and online communities
- Improve educational outcomes by increasing access to affordable childcare

FinTech

- Increase access to non-predatory financial products through no to low cost credit building programs
- Free banking, savings, and related solutions
- Alternative lending models such as ISA's and the use of alternative credit data

Emerging Sectors

Sustainability

People Ops Tech

Future of Work

Justice

Source: Syntrinsic, Kapor Capital – fundraising for Kapor Capital Opportunity Fund



THANK YOU

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