



Canterbury Consulting

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## Quarterly Asset Class Report Private Capital

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December 31, 2023

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

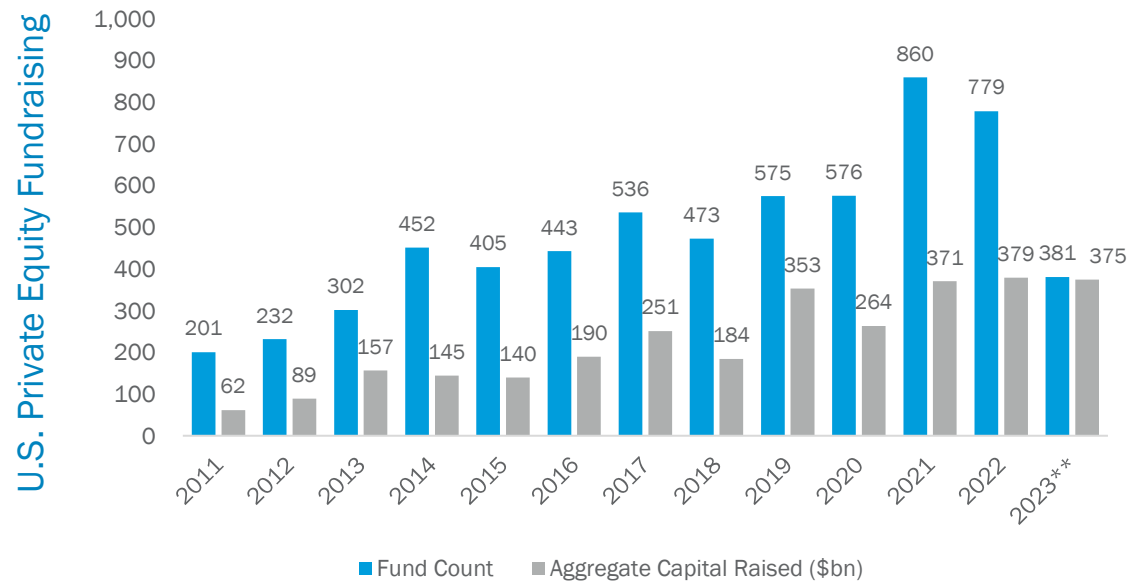
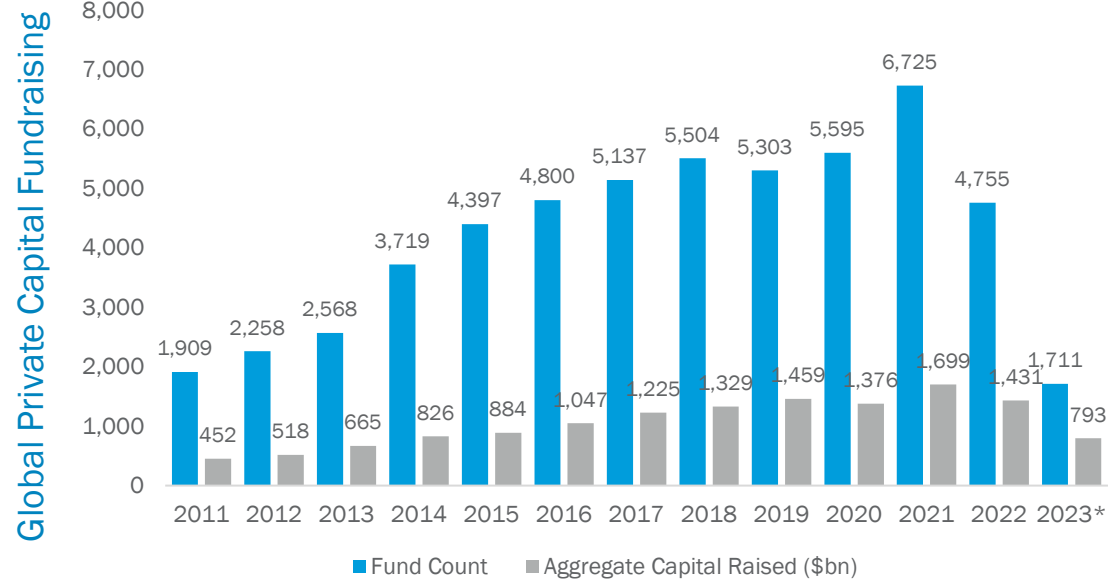
- Canterbury blends strategic and opportunistic approaches to construct private capital portfolios diversified by sector, geography, and vintage year.
  - Strategic: Using various market inputs to form a baseline, we create a recommended portfolio allocation.
  - Opportunistic: We combine top-down and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

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

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

\*We define private capital as all private equity, venture capital, private debt, and private real assets (i.e., real estate, natural resources, and infrastructure) strategies.

# Private Equity Fundraising Activity

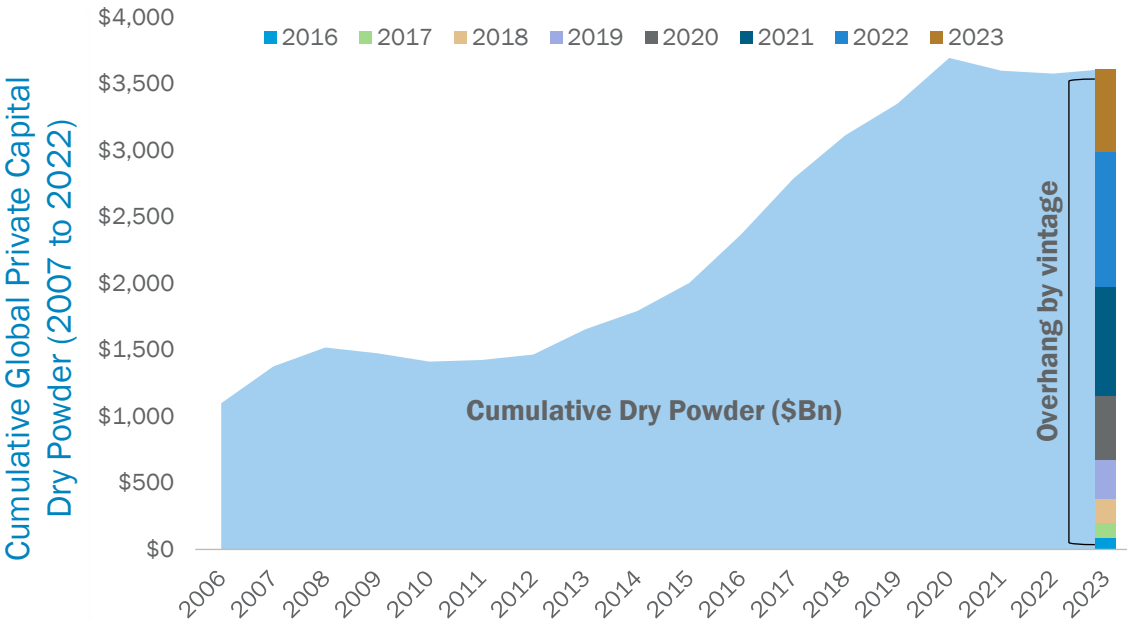
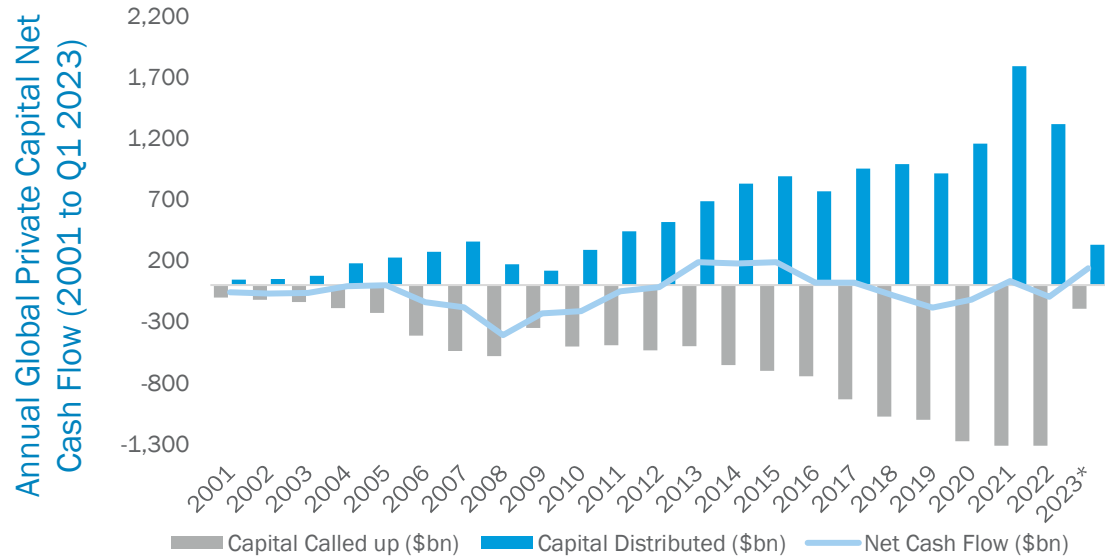


## Private Capital

- Through the third quarter of 2023, global private capital funds raised close to \$800 billion across 1,711 private capital funds. This is well below the pace for 2022.
- On a trailing four quarter basis, year-over-year global fundraising declined by 27.4% through September 30, 2023.
- Following a steep decline in fundraising activity from 2021 to 2022, Europe crept back toward its historical share of global fundraising of around 23% to 21% through Q3 2023. North America still garners an outsized share of total fundraising with roughly two-thirds of global private capital fundraising. Asia was well off its high of 32.9% of all private capital raised in 2018 and makes up 11.1% of capital raised as of the end of the end of Q3 2023.
- Venture capital is still struggling to raise capital and is far from the 26.6% share of overall global private capital fundraising seen in 2018. Through Q3 2023 venture capital fundraising consists of 15% of all private capital raised.
- Total AUM in direct lending funds crossed the \$500 billion mark, which is up 9x over the last decade.

Sources: PitchBook Q3 2023 Global Private Markets Fundraising Report; PitchBook 2023 U.S. PE Breakdown.  
 Note: Private equity funds comprise buyout, growth/expansion, diversified private equity, mezzanine, secondaries, co-investment, restructuring/turnaround, capital, and private debt.  
 \*Global private capital fundraising as of September 30, 2023  
 \*\*U.S. private equity fundraising as of December 31, 2023

# Global Private Capital: Performance and Dry Powder



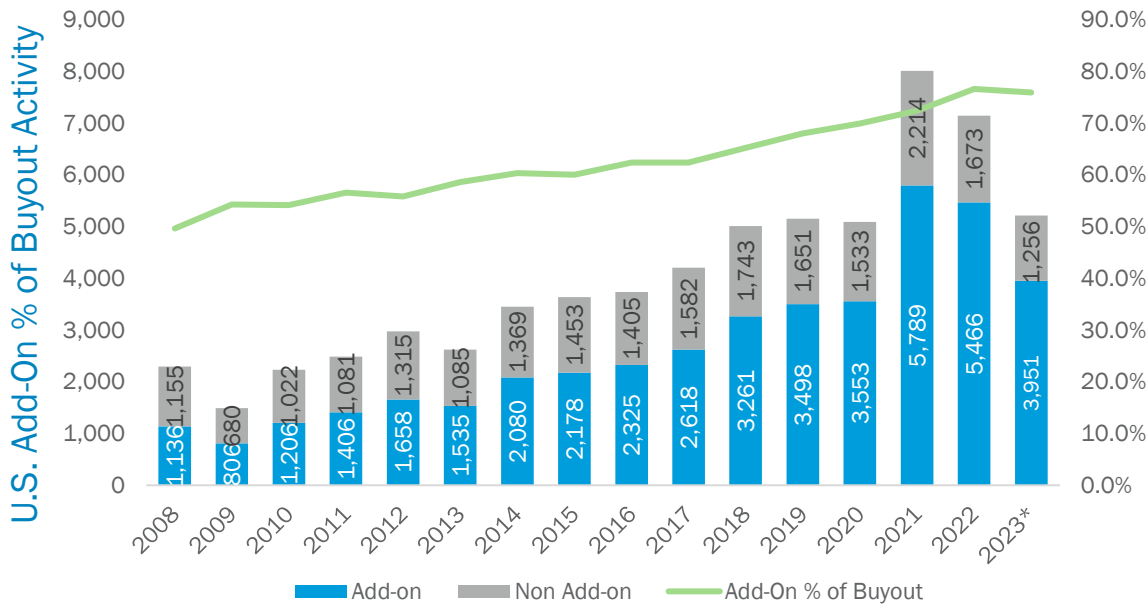
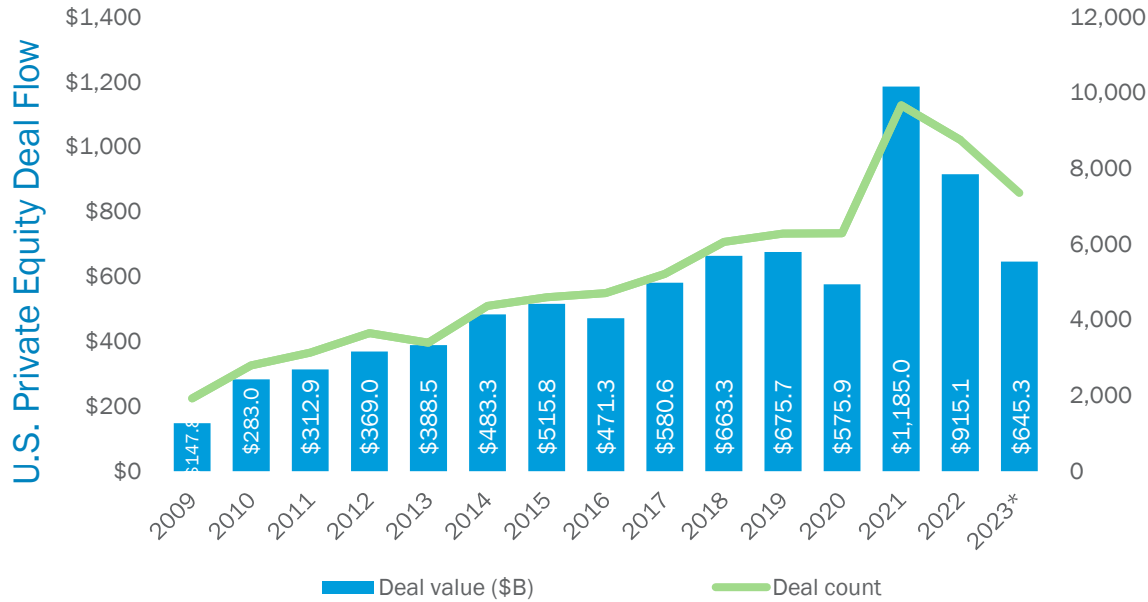
## Private Capital

- Through the first quarter of 2023, global private capital net cash flows stood at \$137.4 billion. The positive net cash flow during the quarter was driven by the distribution activity among private equity and venture capital funds, relative to the capital called.
- As of the first quarter of 2023, global private capital dry powder stood at \$3.6 trillion, on par with 2020 which had close to \$3.7 trillion in total dry powder.
- Two-thirds of global private capital dry powder came from funds sized at \$1 billion or greater.

Source: PitchBook Q3 2023 Global Private Markets Fundraising Report; Note: Private equity funds comprise buyout, growth/expansion, diversified private equity, mezzanine, secondaries, co-investment, restructuring/turnaround, capital, and private debt.

\* Global private capital net cash flows and dry powder as of March 31, 2023

# U.S. Private Equity Deal Activity



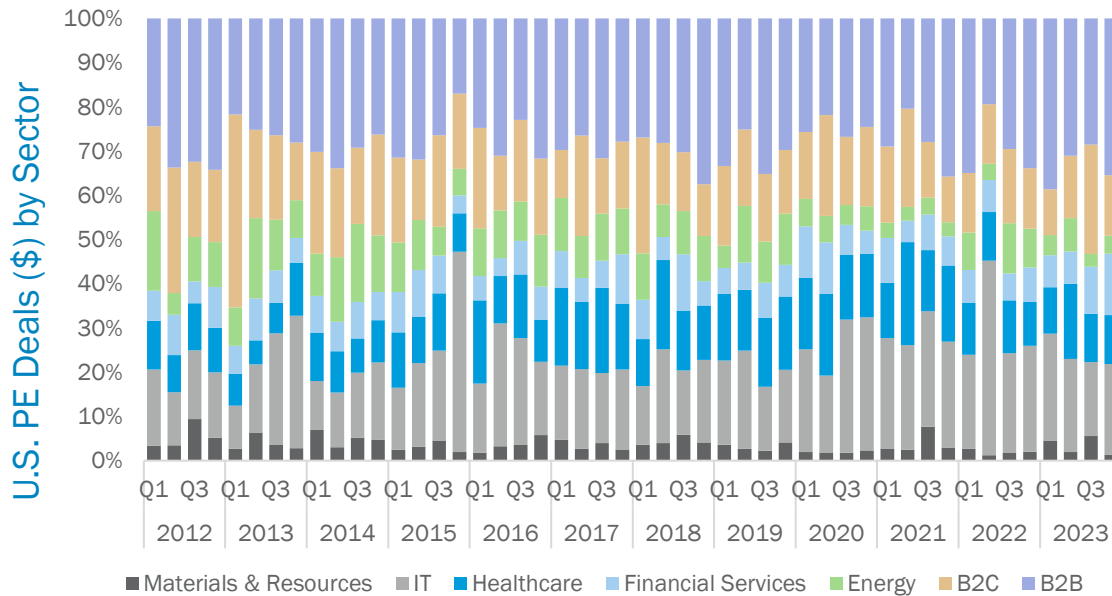
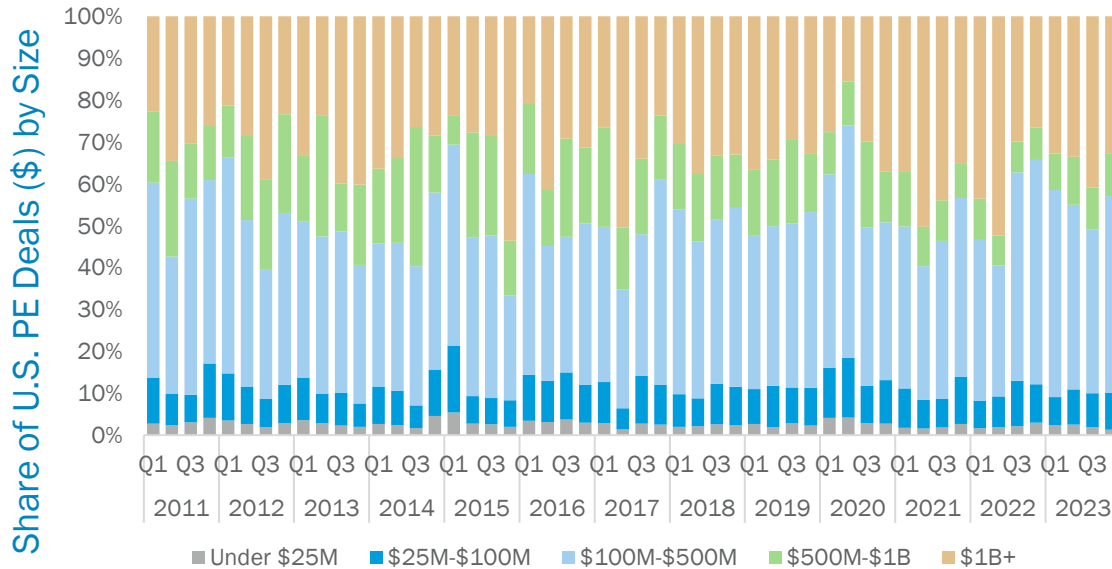
## Private Capital

- Through the end of 2023, \$645.3 billion was transacted on across 7,346 deals. Q4 2023 deal value overall declined 22.6% over the prior quarter, and full-year deal value declined nearly 30%. Outside of 2020, this is the lowest annual deal value since 2017.
- Total deal count over the last year declined by 7.3% (inclusive of growth equity, add-on transactions, and platform buyout deals). Platform deal value was down 36.5% from 2022 and 51.8% from its peak in 2021.
- Global M&A deal value in 2023 was among the lowest since 2013. At an estimated \$3 trillion, it is second only to deal making during the pandemic-induced slump in 2020.
- Add-on acquisitions, which have played a crucial role in accelerating value creation and bringing down the overall purchase price multiple, continued to exhibit a strong share of overall buyout activity. To date, U.S. add-on transactions constituted over three-fourths of all buyout activity.

Source: PitchBook 2023 U.S. PE Breakdown  
\*As of December 31, 2023

# U.S. Private Equity Deal Activity

## Private Capital

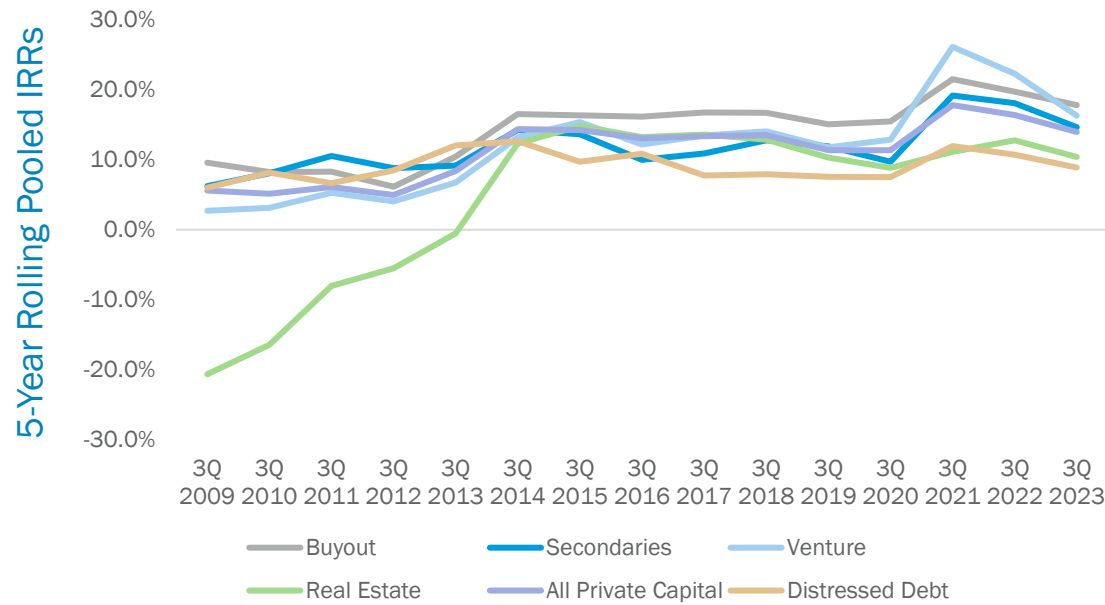
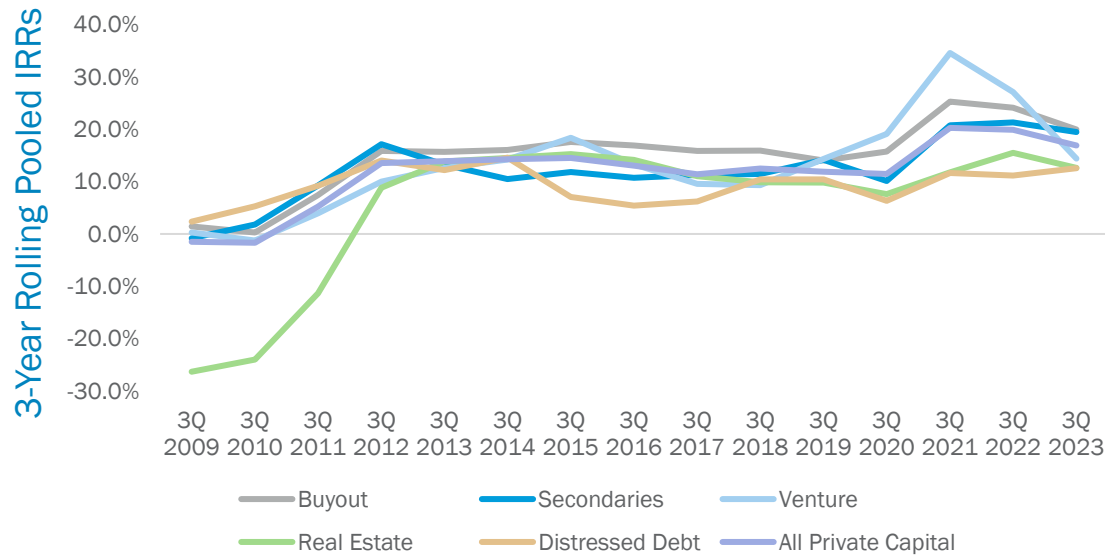


- The share of deals valued at \$1 billion+ stood at 33% at the end of 2023. Deals valued at \$100 million to \$500 million comprised 47% of PE deals over the quarter.
- Through the end of 2023, approximately half of private equity deal value in the U.S. has been within the business services sector, and this has remained relatively consistent over the last decade.
- Technology deal value in Q4 2023 came in at \$27.8 billion, down 2.8% from the prior quarter and down 33.5% from a year ago.
- While the \$80 billion in total deal value during 2023 is far from the \$201.6 billion in transaction value seen in 2021, there was some notable transaction activity that took place during the quarter, such as the \$7.1 billion buyout of Syneos Health-by Patient Square Capital, Veritas Capital, and Elliott Investment Management.

Source: PitchBook 2023 U.S. PE Breakdown

# Horizon Performance

## Private Capital



- From Q3 2022 to Q3 2023, all private capital strategies, with the exception of distressed debt, either remained flat or experienced a decline in performance on a three-year rolling return basis. Venture capital experienced a noticeable drop in performance as venture firms are struggling to create exit opportunities and are making material write downs to their existing portfolio holdings.
- On a five-year rolling basis, returns for all private capital strategies are down over the last year. Real estate, which exhibited a positive return profile from September 30, 2020 to September 30, 2022, exhibited a negative return profile as increased interest rates and asset owners struggling to recapitalize their existing properties have adversely impacted valuations and returns.

Source: PitchBook, as of September 30, 2023  
 Note: Real estate consists of value-add and opportunistic funds only.