



Unlocking Value in Dislocated Markets

Webinar

July 12, 2023



NATIONAL INSTITUTE ON
Retirement Security

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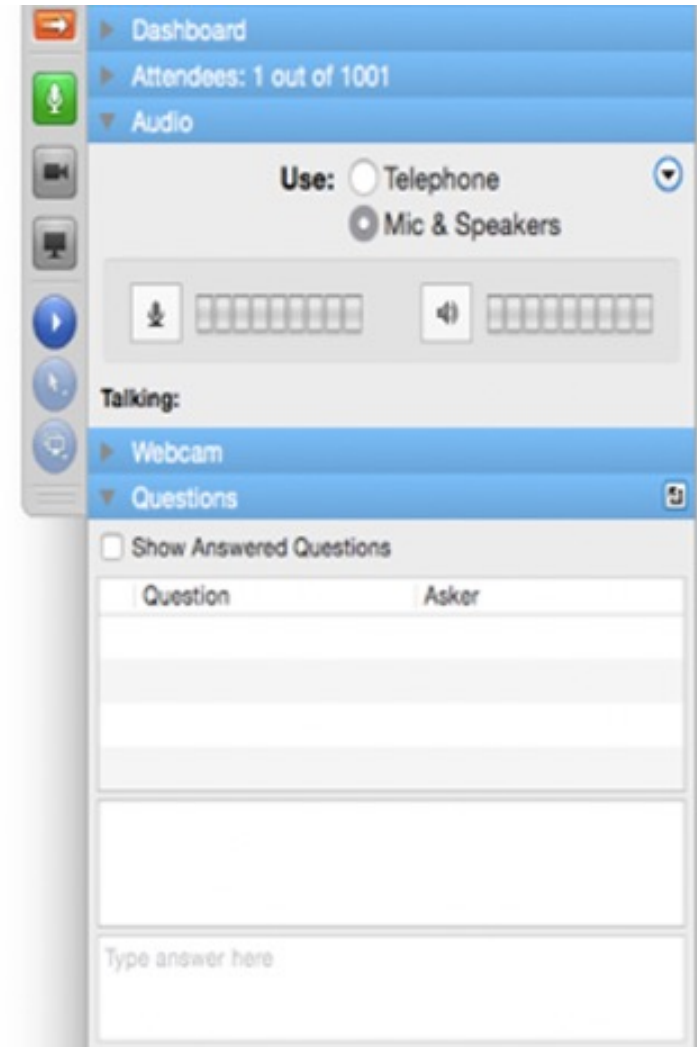
Agenda

- Logistics and Introductions
- Unlocking Value Discussion
- Q&A



Logistics

- Attendees in listen only mode.
- Questions are welcome. Submit using “Question” function on control panel.
- Audio/technical issues during webinar: call GoToWebinar at 1-800-263-6316.
- Webinar replay and slides will be posted at nirsonline.org/events.



Speakers



Tyler Bond

NIRS Research Director



Chip Davis

Senior Vice President of Private Equity
Northern Trust's 50 South Capital



NORTHERN TRUST

ASSET MANAGEMENT



Unlocking Value in Dislocated Markets

NIRS
Live Webinar

Chip Davis, *Senior Vice President of Private Equity*
50 South Capital

50 South Capital Advisors

A global alternatives firm that provides differentiated solutions and valued access to private equity, private credit, and absolute return investment opportunities.

AT A GLANCE

- Experienced team with a 22-year history.
- Integrated alternative investment platform with absolute return, private equity, and private credit solutions.
- Customized and multi-manager offerings.
- Wholly owned subsidiary of Northern Trust

DISTINGUISHED APPROACH

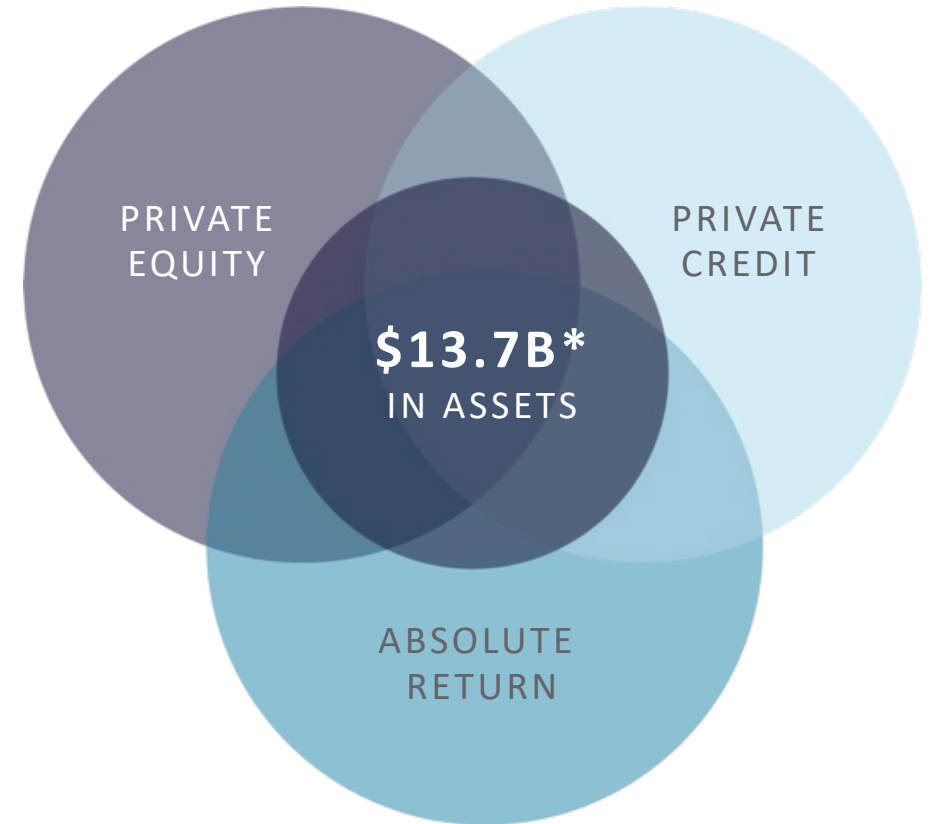
Connected to the global network and resources of Northern Trust.

Focus on inefficient markets, specifically small to mid-sized managers.

Diversified and growing client base.

Thoughtful portfolio construction.

Reputation of finding talent early.



• Source: 50 South Capital. *AUM=\$10.1B and AUA=\$3.6B as of 3/31/23. Categories for investor breakouts include 50 South Advisor clients (AUM) as well as clients of affiliates (AUA).

Audience Polling Questions

1. Has your organization invested in a secondaries fund in the past 5 years?
2. Has your organization sold private equity fund interests on the secondary market?
3. Has your organization elected for liquidity in a GP-Led transaction (LP tender, continuation fund)?
4. Has your organization participated in a GP-Led transaction (rolled your interests or purchased more exposure)?

OPPORTUNITIES IN SECONDARIES

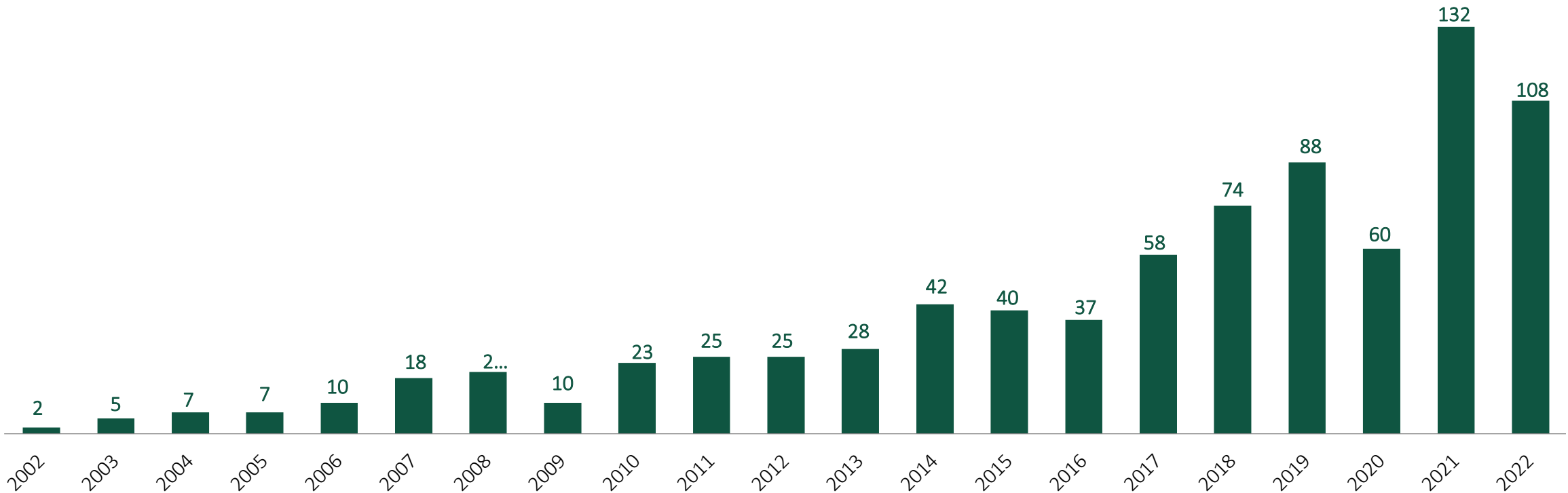
Chip Davis,

*Senior Vice President of Private
Equity*

Secondary Market: Volume

The secondary market has grown significantly since 2002, but annual transaction volume still only represents approximately 2% of total private equity net asset values.

SECONDARY TRANSACTION VOLUME (\$B)

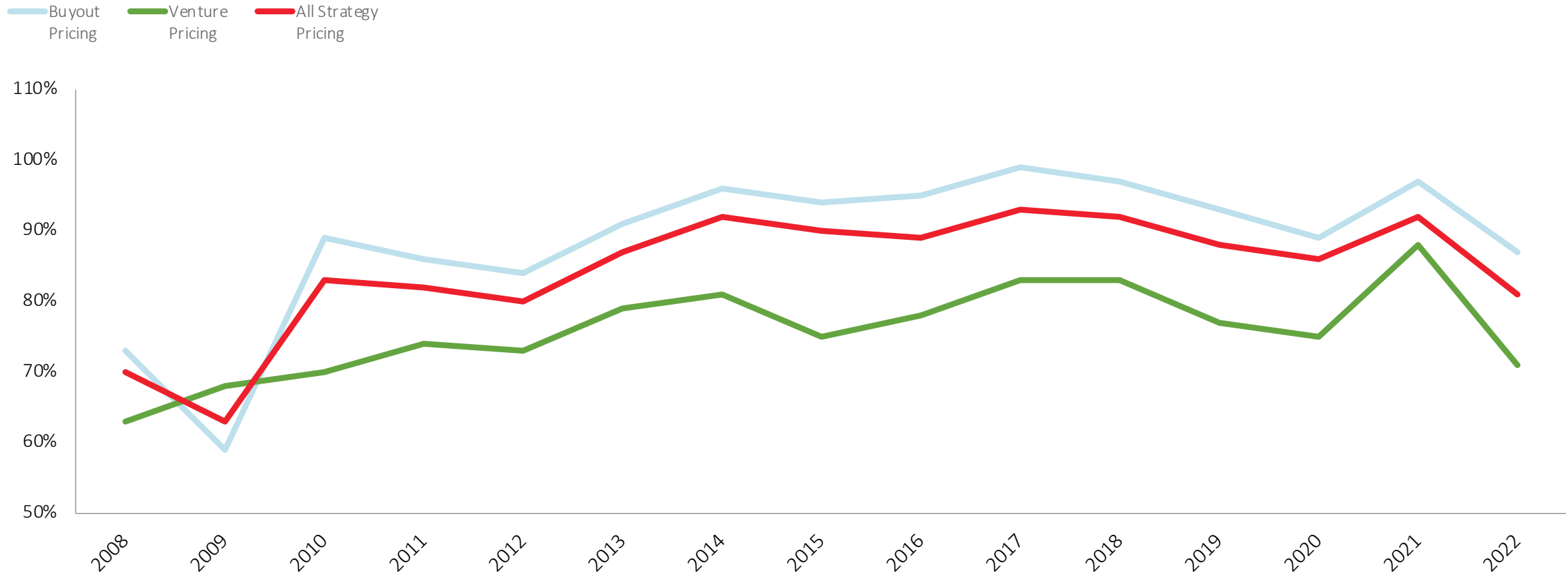


• Source: McKinsey Global Private Markets Review 2021. Jefferies 2022 Secondary Market Update.

Market Dislocations Lead to Favorable Secondaries Pricing

Dislocation in public markets has led to an outsized opportunity in traditional LP secondaries.

SECONDARY PRICING (% OF NAV)

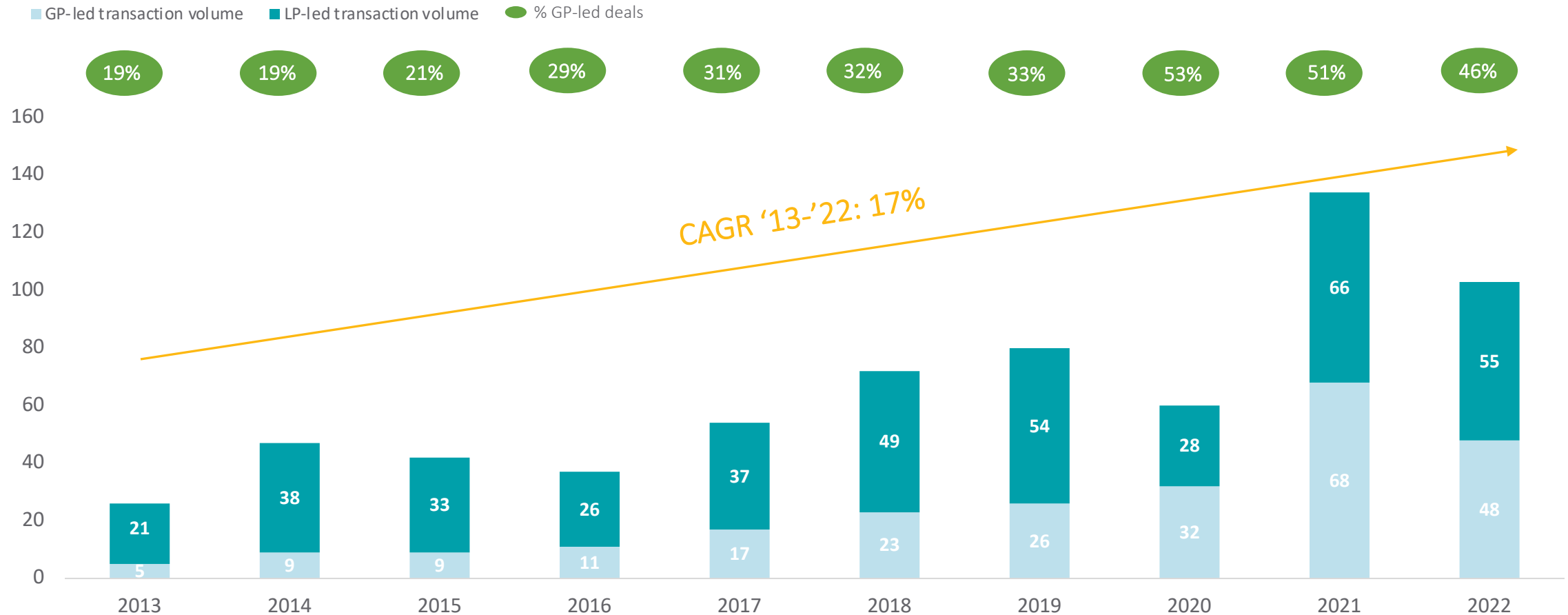


• Source: McKinsey Global Private Markets Review 2021. Jefferies 2022 Secondary Market Update.

Secondary Market: Growth in the GP-Led Market

The secondary market has evolved beyond traditional LP purchases

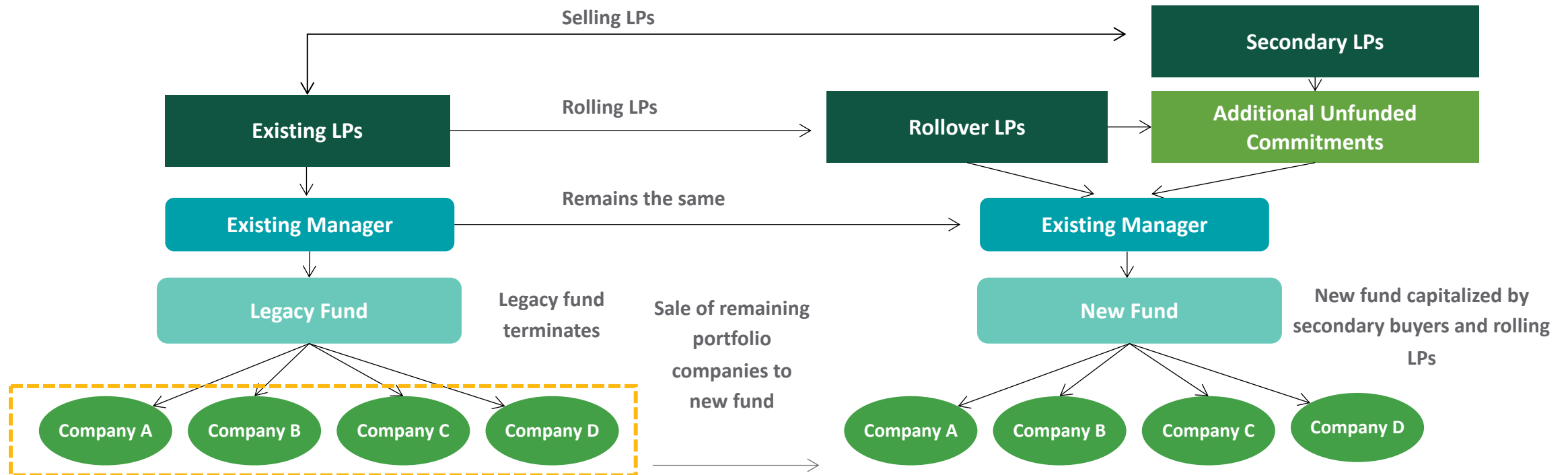
SECONDARY TRANSACTION VOLUME OVER TIME (\$B)



• Source: Evercore, "2022 Secondary Market Synopsis", January 2023

GP-Led Transactions

- Transactions designed to provide a liquidity option to existing LPs
- Private equity fund manager maintains control of one or more portfolio companies, providing additional time to potentially optimize value prior to exit
- Transaction mechanics: i) pricing set by one or more secondary funds to facilitate an asset sale of one or many remaining portfolio companies into a new vehicle; ii) existing investors provided the option to roll or sell into the transaction; iii) oftentimes additional follow-on capital is provided; and iv) strong alignment / re-alignment of interests between LP and GP

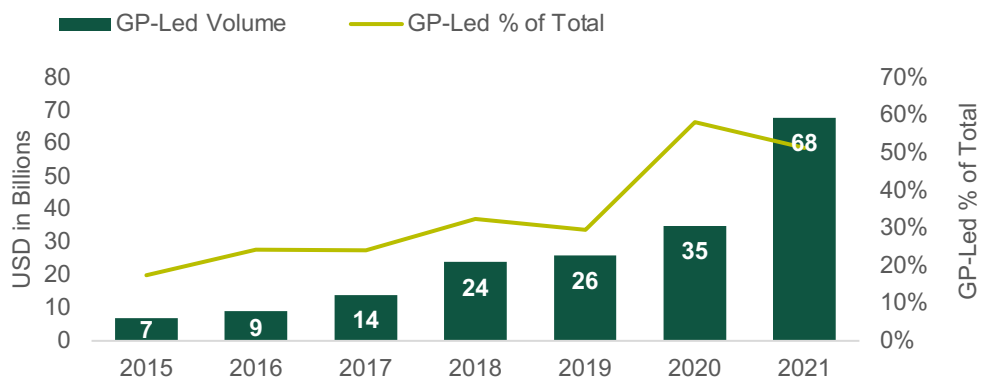


• For illustrative purposes only.

Buyers Commanding a Premium Return for GP-Led Transactions

Further adoption of sponsor-led transactions as an attractive, alternative path to exit is driving market growth, particularly for high-performing companies in need of additional growth capital.

GP-Led Transaction Volume Growing at a 41.5% CAGR 2018-2021

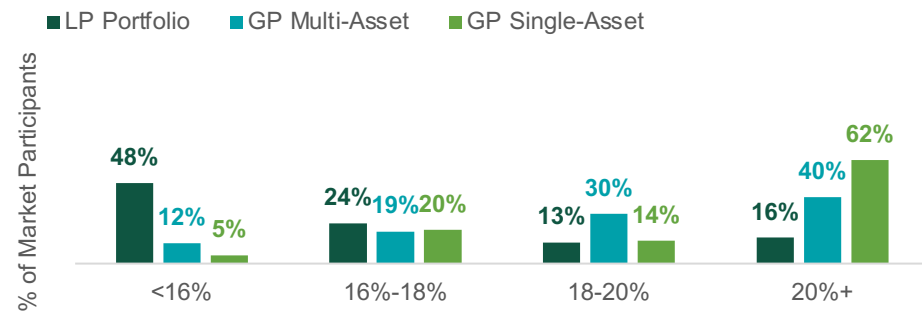


50 South Capital's Focused Strategy in the GP-Led Market

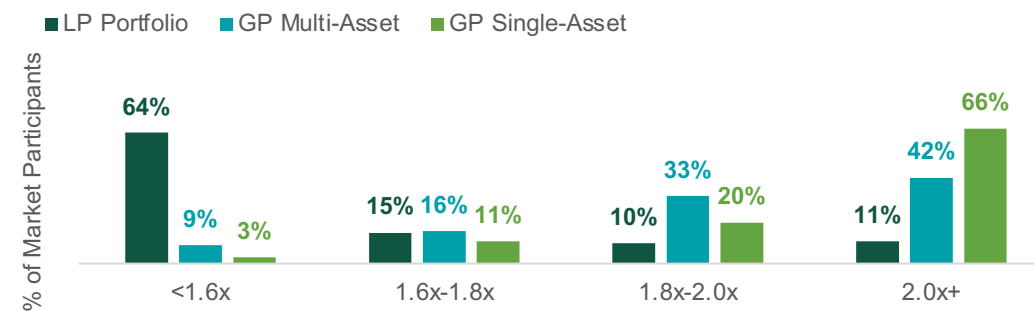
- Strength of GP relationship and track record
- Clear transaction rationale / value creation plan
- High asset quality / performance under current ownership
- Strong alignment of interests
- Fair valuation and prudent leverage
- Focus on buyout / growth-stage (cash flow profitable)
- Avoid heavy cyclical industries and binary outcomes

Buy-Side is Underwriting GP-Led Deals to Premium Returns vs. Traditional LP Secondary Purchases

AVERAGE BUY-SIDE THRESHOLD IRRS



AVERAGE BUY-SIDE THRESHOLD TVPIs



QUESTIONS



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