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THE GP STAKES MARKET OUTLOOK FOR 2H 2021

WEBINAR REPLAY

To watch a replay of the GP Stakes Market Outlook for 2H 2021 webinar hosted by Wes Fox of KBW and Peter Martenson of Eaton Partners, please click the link below and enter the passcode. Thank you for your support.

<https://stifel.zoom.us/rec/share/rj3drps4o6coN4QuY2nb-AlxWjrgQ-0MEG0TTyngCrlZrVCXa8qiq8vqd7N5s-Fu.RgVrXKReHsQ5nR9K>

Access Passcode: EatonGPStakes21!

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KEEFE, BRUYETTE & WOODS
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is pleased to invite you to a virtual presentation on:

THE GP STAKES MARKET OUTLOOK FOR 2H 2021

WEDNESDAY, AUGUST 4, 2021
8:00AM PDT / 11:00AM EDT / 4:00PM BST

Please join Wes Fox of KBW and Peter Martenson of Eaton Partners as we discuss:

1. GP STAKES MARKET OUTLOOK FOR 2H 2021 AND 2022
2. GP STAKES TRANSACTIONS AND MARKET DYNAMICS
3. CATALYSTS FOR A GP STAKES TRANSACTION
4. PREPARING FOR A GP STAKES TRANSACTION
5. GP STAKES VALUATION OVERVIEW
6. CLOSING COMMENTS
7. TIME RESERVED FOR Q&A

Please register for the call with the link below:

https://stifel.zoom.us/webinar/register/WN_ThMOXonyQzi9OVM54obhdg

For more information on KBW's Investment Banking Capabilities, please visit:
<https://kbw.com/capabilities/investmentbanking/>

For more information on Eaton Partners GP Advisory, Secondaries & Directs Team and Services, please visit:
<https://eaton-partners.com/capabilities/secondary-advisory-directs>

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PRESENTER BACKGROUNDS



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Focus at Stifel

Peter Martenson focuses on fund distribution, monitoring, client servicing and execution of the various alternative funds marketed by the firm. He is the head of the GP Advisory, Secondaries and Directs group within Eaton Partners.



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Focus at Stifel

Wes Fox is a Managing Director at Keefe, Bruyette & Woods, and leads the firm's client coverage in the asset and wealth management sector. Mr. Fox's transaction experience spans merger and acquisition, public and private capital raising and general strategic advisory assignments.

EATON PARTNERS AND KBW WORK WITHIN THE STIFEL SYNERGIES

STIFEL

1890

Founded

~\$6.9B

Market Cap

~8,000+

Associates

~400

Locations

+\$400B

AUM

SF
LISTED
NYSE

PLATFORM HIGHLIGHTS

- **Investment Banking:**
 - 600+ Professionals
 - Over 1,750+ M&A Transactions (since 2000)⁽¹⁾
 - 3,100+ Public Offerings of Equity (since 2000)⁽¹⁾
- **Asset Management & Private Client Services:**
 - 2,200+ Financial Advisors
 - \$400+ billion in Assets Under Management
 - 7th Largest Retail Distribution Network⁽²⁾
- **One of the largest Equity Research Platforms⁽³⁾ (1,500+ Companies)**
- **Ranked #1 in⁽³⁾:**
 - M&A Transactions for Public Companies <\$1B
 - Preferred & Baby Bond Deals <\$200M
 - Equity Deals <\$1B Mkt Cap
 - Tech M&A for Transactions <\$1B

FIRM CAPABILITIES

- Mergers & Acquisitions / Strategic Advisory
- Equity & Convertible Capital Raising (Public & Private)
- Private Fund Advisory
- Debt Capital Raising (Public & Private)
- Restructuring Advisory
- Equity Research
- Institutional Brokerage
- Asset Management
- Private Client Services
- Municipal Finance

Stifel has grown through acquisitions of sector & product specialists



(1) Dealogic YTD.

(2) SIFMA and publicly available information for U.S. Brokerage networks. Includes investment banks only.

(3) SEC filings; all #1 rankings since 2010.

(4) Market Cap as of June 30, 2021 close.

KBW IS THE PREMIER FULL-SERVICE FINANCIAL INSTITUTION SPECIALIST

- Keefe, Bruyette & Woods is a full-service investment bank specializing in financial institutions
 - Operating in North America and Europe, KBW provides financial services companies and institutional investors with a broad range of investment banking services, including capital raising and strategic advisory services
 - KBW is a wholly owned subsidiary of Stifel, a diversified global wealth management and investment banking company

Investment Banking	Capital Markets	Sales & Trading	Research
180 deals for \$72bn # of M&A transactions KBW advised on in the last 5 years ⁽¹⁾	#1 Bookrunner of financial common stock offerings in the past 5 years	1,750+ Listed and OTC financial stocks that KBW is a market maker in	600+ Financial services companies under coverage worldwide
3 Coverage Sectors Banking, Insurance , Fintech & Financial Services	71% Market share in FIG since 2018	#1 Specialist sales force consistently ranked by independent surveys	12 Coverage Sectors Banks, Capital Markets, Diversified Financials, Fintech, Insurance , Real Estate, Washington & more
#1 FIG M&A advisory practice by deal volume since 2000	13 Product Solutions IPOs; Follow-Ons; Private Placements; Senior, Subordinated, and Surplus Notes; Convertible Securities & more	Top 10 Trader in NASDAQ Financial 100 Index	#1 Best Research SMID Cap PM Banks and Non-Bank Financials by Greenwich Associates 2019
57% Of the Top 30 Bank M&A deals since 2018 were advised by KBW	459 deals for \$17bn # of offerings on which KBW was an underwriter over the last 5 years	#1 Financial services specialist sales force by global headcount	4 KBW research analysts who ranked in the Top 3 across several Thomson Reuters StarMine Analyst Awards 2020
112 Professionals	11 Professionals	48 Professionals	60 Professionals

Note: Headcounts represent United States only.

(1) Includes M&A transactions in depositories, insurance, asset management, specialty finance, and financial technology in the United States in the last 5 years with a minimum deal value of \$10mm.

EATON PARTNERS IS THE PREMIER FULL-SERVICE PLACEMENT AGENT

INDUSTRY LEADING ADVISORY AND PLACEMENT FIRM FOR ALTERNATIVE INVESTMENTS WITH UNPARALLELED EXPERIENCE RAISING CAPITAL ACROSS VARIOUS STRATEGIES AND GEOGRAPHIES

- Over **\$114 billion** raised for **160+** highly differentiated funds
- **\$28+ billion** placed in the last three years
- **45 first-time** funds raised (more than any of our peers)
- **30 oversubscribed** funds in the last three years

Proven Track
Record

EATON

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Full Service
Platform

- **Secondary:** liquidity solutions spanning diverse transaction structures to meet GP & LP goals
- **Co-invest & Directs:** assist GPs in raising capital from LPs for new investments and/or minority sales
- Executed on **\$2.5B+** worth of secondaries and directs transactions over the last three years

- **15 dedicated** secondaries professionals
- **21-person** Distribution Team with **15** Marketing Associates for support
- **26-person** Execution Team
- **Nine offices** across three continents
- Select JV partnerships in additional key geographies

Global
Resources

Affiliated with
Stifel

- **Industry leading** middle market focused investment bank
- HNW/Private banking relationships commit **>\$1B/year** to alternatives
- Growth equity provided to increase resources across the Eaton platform
- Strong technical and valuation expertise

EACH GP ADVISORY PROJECT IS BESPOKE – ONE SIZE DOESN'T FIT ALL

GP STAKE SALE

Scenarios & Rationales:

- The GP has a strong track record of performance and potential to continue grow through additional capital or alignment with a new strategic partner

Structure:

- New investor would acquire a minority non-voting interest in the management company

SINGLE-ASSET RECAP

Scenarios & Rationales:

- Duration mismatch between asset harvest period and fund life
- Asset has significant upside remaining

Structure:

- New vehicle established to acquire the asset with potential for follow-on capital. Existing LPs will be given roll or sell options

CONTINUATION FUND

Scenarios & Rationales:

- Duration mismatch between a portfolio of assets and the fund life
- Assets have significant upside remaining

Structure:

- New vehicle is established to acquire the assets, with potential for follow-on capital. Existing LPs will be given roll/sell option

PORTFOLIO STRIP SALE

Scenarios & Rationales:

- Strong unrealized returns in a mature fund with limited liquidity
- Investors require liquidity in an older fund before committing to newest fund

Structure:

- New vehicle is established to purchase a portion of each asset and will be liable for future calls on a pro-rata basis with the main fund

TENDER OFFER

Scenarios & Rationales:

- Group of LPs indicated their interest in liquidity and LP(s) has not committed to the latest fund

Structure:

- Facilitate competitive process where a group of buyers bid on purchasing a maximum amount of LP interests
- The process is often accompanied by a staple to the latest fund

SEEDED FUND

Scenarios & Rationales:

- GP has well performing assets and is looking to raise additional capital
- Assets are not currently in a fund structure and will be rolled into a fund to help the fundraise

Structure:

- New investor would make a primary commitment to the fund with the opportunity for a mark up

PREFERRED EQUITY

Scenarios & Rationales:

- Portfolio requires follow-on capital or equity cure
- Distribution to LPs to satisfy liquidity demands

Structure:

- New vehicle is established to provide preferred equity financing in exchange for priority right to distributions from the Fund's portfolio companies

Agenda

1

GP Stakes Market Outlook for 2H 2021 and 2022

2

GP Stakes Transactions and Market Dynamics

3

Catalysts for a GP Stakes Transaction

4

Preparing for a GP Stakes Transaction

5

GP Stakes Valuation Overview

6

Closing Comments

7

Questions & Answers

GP ADVISORY - INTRODUCTION TO GP STAKES

GP STAKES MARKET OUTLOOK FOR 2H 2021 AND 2022	<ul style="list-style-type: none">• The GP stakes market has been rapidly expanding as many well-known investors (Blackstone, Blue Owl Capital, Goldman Sachs, etc.) continue to raise funds while GPs have ongoing needs for operational capital
GP STAKES TRANSACTIONS AND MARKET DYNAMICS	<ul style="list-style-type: none">• GP Stakes transactions have continued to evolve as GPs have found new liquidity options and investor appetite has expanded away from solely large / diversified asset management platforms to include focused specialists middle market fund managers
CATALYSTS FOR A GP STAKES TRANSACTION	<ul style="list-style-type: none">• A GP stake sale can help a GP receive additional capital for operations, for growth initiatives, to position equity interest for junior partners, and/or to align with a strategic LP
PREPARING FOR A GP STAKES TRANSACTION	<ul style="list-style-type: none">• As a GP begins preparing for a potential transaction, it is critical to start a dialogue with an advisor and be able to answer the question “why”• Additionally, GPs need to have solid historical performance as well as a set go-forward growth strategy and execution plan
GP STAKES VALUATION OVERVIEW	<ul style="list-style-type: none">• Investors will take into account past performance along with projected GP economics through management fees, carried interest, and GP commitments when valuing the platform

GP STAKES MARKET OUTLOOK FOR 2H 2021 AND 2022

TRANSACTION COMMENTARY

"GTCR is thrilled to have the opportunity to work with Blackstone as a passive minority investor in our firm. We expect they will bring resources and perspective that will help us as we continue to serve our limited partners, build our franchise and invest our funds over the long term."

– **Constantine S. Mihas & Collin E. Roche,**
GTCR on Blackstone Investment
(July 2021)

"This transaction marks the next phase in Incline's growth. With additional capital and a world-class partner, we look forward to accelerating the execution of our strategy, while continuing to develop the culture and team that have contributed to our success."

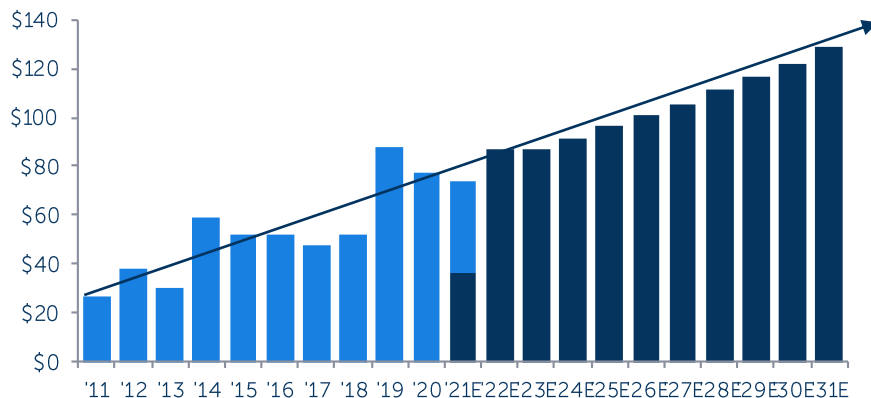
– **Jack Glover, Incline Equity Partners on**
Goldman Sachs Investment
(April 2021)

"We are delighted to welcome Dyal as an investor, Dyal has a distinguished track record of partnering with some of our industry's most respected names, and its investment is a strong endorsement of TowerBrook's values, strategy and performance. We are excited by the opportunities ahead as we enter our third decade as a firm, and Dyal's investment will help us to build on the success of the last 20 years."

– **Ramez Sousou and Neal Moszkowski,**
TowerBrook on Dyal Investment
(November 2020)

Fundraising Estimates for GP Stake Investors

\$ in billions

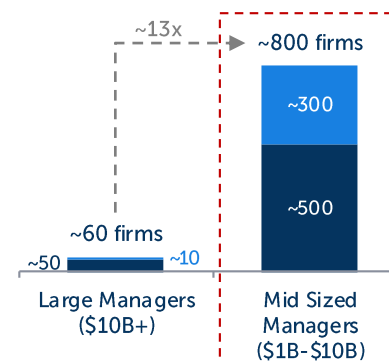


Data as of June 30, 2021

Source: PitchBook, Secondaries Investor and PEI

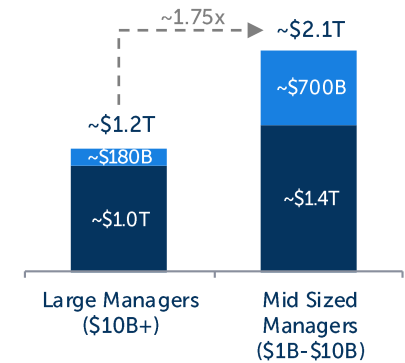
Indicative Addressable Manager Universe

Number of Firms



■ Private Equity & Private Credit Managers




Total AUM



■ Real Estate & Real Assets Managers

GP STAKES TRANSACTION AND MARKET DYNAMICS

INTEREST IN GENERAL PARTNER MINORITY STAKES HAS TRANSFORMED FROM ONE-OFF INVESTMENTS TO A INSTITUTIONALIZED PROCESS WHERE INVESTORS WANT TO GET CLOSER TO THE VALUE CREATION

	PAST	PRESENT	FUTURE
RATIONALE FOR SELLING	<ul style="list-style-type: none"> • Incentive to initiate capital raising and attract large investors • Distressed GP sales • Liquidity / exit event unavailable to GPs • Senior Partner liquidity 	<ul style="list-style-type: none"> • Desire for GP liquidity • Platform management • Generational transition • IPO only available to investment managers of significant scale <ul style="list-style-type: none"> – Significant costs associated with public reporting and disclosures 	<ul style="list-style-type: none"> • Liquidity for GP stakes becomes commonly accepted, expected • GPs increasingly seek liquidity • LPs are more comfortable with minority shareholders • Strategic investors and LPs increasingly look to invest in Management Companies
GENERAL PARTNER PROFILES	<ul style="list-style-type: none"> • Large / Diversified Asset Management Platforms • Seed Capital for First-Time-Funds 	<ul style="list-style-type: none"> • Buyout • Venture • Mezzanine • Special Situations • Energy/Infra • Real Estate 	<ul style="list-style-type: none"> • All asset types; all geographies • Expanded markets for non PE assets, including Real Estate Real Assets, Infrastructure
REPRESENTATIVE BUYER UNIVERSE			

CATALYSTS FOR GP STAKES TRANSACTIONS

SET A VALUATION FOR THE PLATFORM

- Being able to establish a third-party valuation of the platform helps with incentive alignment, with business development and firm structuring going forward

GENERATIONAL TRANSITION

- Senior partners may be looking for ways to monetize a portion of their equity along with providing junior partners a way to gain equity interest

CAPITAL FOR GROWTH

- The GP may be looking for ways to expand its platform by extending its geographical reach, developing its org structure, or the expanding into a new financial product

INVEST INTO TEAM

- The GP could benefit from additional cash flow that would allow it to add additional talent and resources to the platform to optimize the team's capabilities

INCREASE GP COMMITMENT

- The GP is looking to raise larger funds going forward but is in need of additional capital in order to grow and fulfill its GP commitment

INSTITUTIONALIZATION OF PROCESS

- The GP is looking for a way to formalize the equity purchase program internally and believes having a 3^d party come in will establish precedent and guidelines

STRATEGIC LP

- A GP may be looking to align with a partner who has an expertise in a geography or industry that can help broaden the platform's investment opportunities

M&A OPPORTUNITIES

- The GP has a strategic acquisition that they have in its sights and will need additional funding to complete and add the platform

PREPARING FOR A POTENTIAL TRANSACTION

START YOUR DIALOGUE WITH AN ADVISOR EARLY

- When reviewing a potential GP stakes transaction, it is important for the sponsor to meet with an advisor who can manage relationships and the varied dialogues
- An advisor will also help to position the platform for potential new investors

BE PREPARED TO ANSWER THE QUESTION “WHY”

- When selling a stake in the management platform, both existing LPs and potential buyers will be looking for the reasoning
- Current LPs of the GP will want a justification as some immediate responses may be that the GP is looking solely to “cash out”
- Potential buyers will look for a set go-forward path and continued GP alignment

COME WITH SOLID PERFORMANCE

- Investors will take into account the historical ability of the GP to generate returns and, in turn, fees when evaluating the value of the platform
- Strong historical returns will resonate well as the investors assess the platform’s ability to attract new LPs and generate future fees

PLAN ON FUTURE GROWTH INITIATIVES

- GP stake investors will be providing a price based on the GP’s projected future cash flows and growth
- Having plans in place for future growth initiatives will be received well from potential investors who could provide a better valuation for the current platform

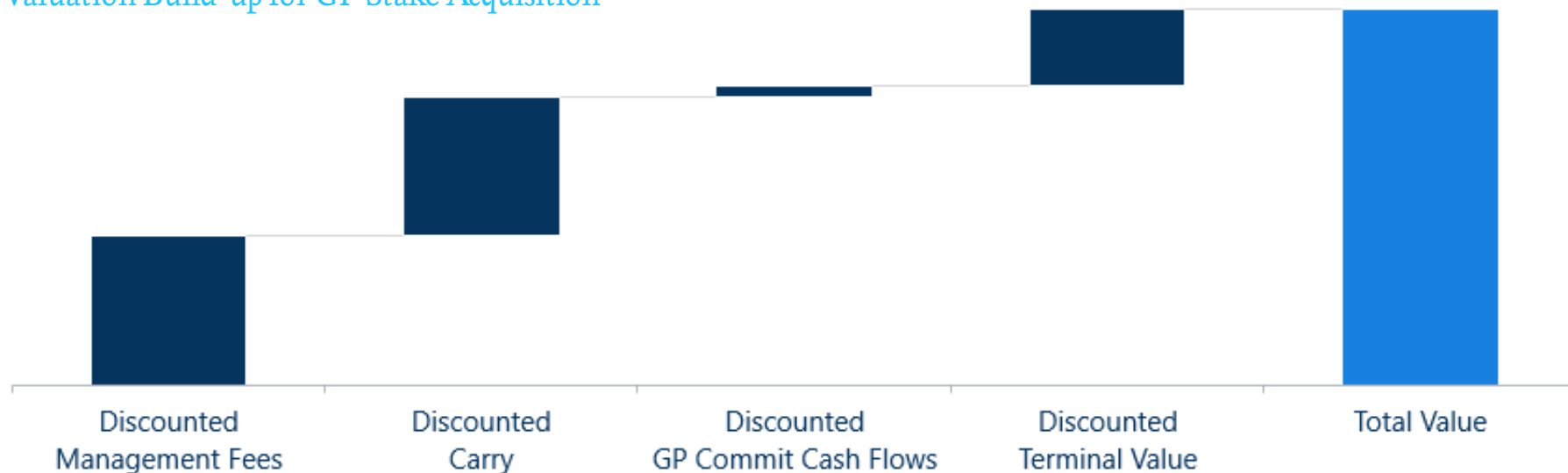
KEEP AN OPEN MIND

- GPs need to be prepared for an open and frank conversation around the various aspects of institutionalization, professionalization that a third-party GP Stakes investor will ask for a platform and management team to undertake

GP STAKES VALUATION OVERVIEW

MANAGEMENT FEES	CARRIED INTEREST	GP COMMITMENT	TERMINAL VALUE
<ul style="list-style-type: none"> An investor will typically look for ~5% annual yield from management fees Easily forecasted by investors with ability for upside based on future fundraising outlook 	<ul style="list-style-type: none"> Investors will look at the current portfolio of the platform and forecasts for potential carry The carry will be discounted back based on exit dates / GP assumptions 	<ul style="list-style-type: none"> New investors value the ability to get direct exposure to investments Returns are more consistent than carried interest 	<ul style="list-style-type: none"> Long-term capital appreciation in addition to profit distributions Going to be very closely tied with current AUM and future fundraising

Valuation Build-up for GP Stake Acquisition



CLOSING COMMENTS – KEY TAKEAWAYS

WE ARE THE BEST ADVISOR FOR A MIDDLE-MARKET GP STAKE SALE



Premier Dual Advisory Opportunity Provided by Both Eaton and KBW's Deep Expertise



Specialized Process that Targets Traditional and Non-Traditional GP Stakes Investors to Maximize Outcome such as Classic, Regular Way Long-term LPs



Unparalleled Senior-Level Attention and Prioritization from Combined Eaton-KBW Team



Unmatched Global Relationships Driven by Proactive Dialogues with All Relevant Potential Partners



Proven Ability to Market and Position to Maximize Value and Outcome for All Parties



Full-Service Investment Banking Capabilities Offer Additional Opportunities for Client Value

QUESTIONS?

YOUR KEY GP ADVISORY CONTACTS AT EATON PARTNERS

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Eaton Partners strives to efficiently raise capital for its clients by thoughtfully positioning their value proposition, leveraging our deep investing relationships and fostering a results-focused, team-oriented culture.

LOCATIONS

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INTENTIONALLY BLANK