

RCP|Advisors

Evolution of Emerging Managers

May 2023



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The historical returns of the Firm are not necessarily indicative of the future performance of a Fund and there can be no assurance that the returns described herein or comparable returns will be achieved by any Fund. Performance metrics are presented for the limited partners of each respective Fund as a single class, taken as a whole. Certain limited partners, who have met specific requirements, may have different preferred returns, as well as different carry percentages. In addition, the General Partner of each Fund may agree to reduce the management fees for certain limited partners in accordance with the applicable Fund's Partnership Agreement. The actual performance returns of each investor may vary and are dependent upon the specific preferred return hurdles, management fees, and carried interest expense charged to such investor and the timing of capital transactions for such investor. **Note: All references to fund targets, projections, and performance metrics contained in this Presentation are qualified in their entirety by reference to all of the notes contained in the Appendix, attached hereto. The explanatory notes and methodology contained in those notes should be carefully reviewed in full.**

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This document is not intended, and should not be construed, as marketing materials for the purposes of the Directive 2011/61/EU on alternative investment fund managers ("AIFMD") in any member states (each, a "relevant member state") of the European Economic Area ("EEA") that has implemented AIFMD.

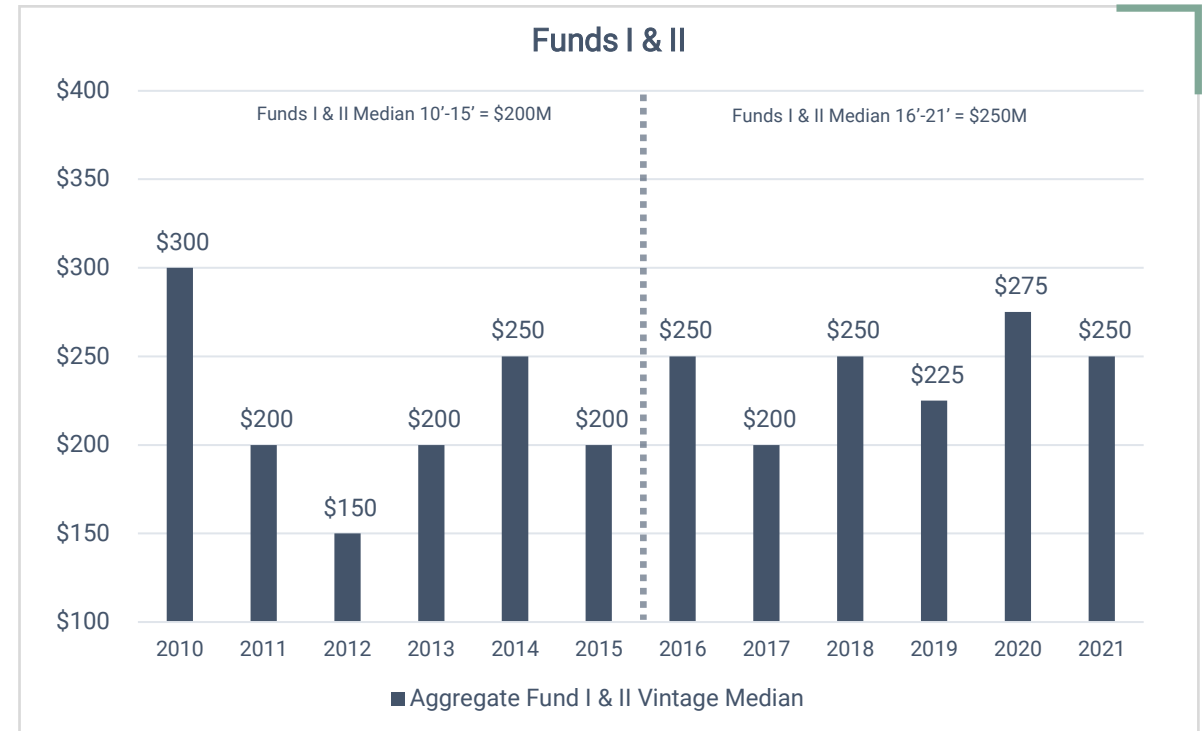
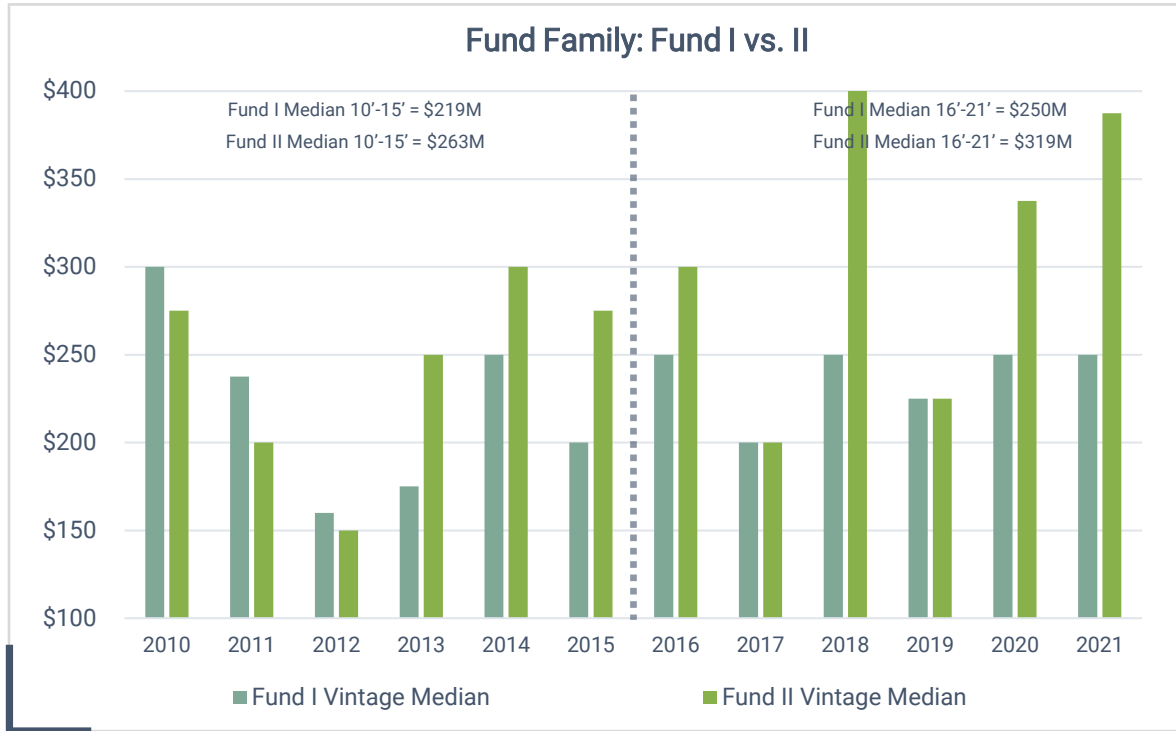


- » RCP collected information from PE firms, third party data providers (e.g., Preqin, etc.), and public data sources for inclusion in the dataset. Because RCP's strategy is focused primarily on North American lower-middle market buyouts, a majority of investment managers analyzed by RCP operate in this segment of the market.
- » RCP's database, GPScout, provides private fund and investment-level performance data drawn from fundraising and diligence documents produced by general partners and publicly available information, as well as quarterly unaudited and audited annual financial statements produced by RCP's underlying fund managers. As of 5/1/2023, GPScout contains information on 3,500+ fund managers and more than 7,200 funds. These documents are provided to RCP by the fund managers themselves. Please note: RCP's database has been rebranded as GPScout. RCP's subscription-based manager research platform, formerly named GPScout, has been rebranded as GPScout Navigator.
- » Emerging Manager: a manager raising a Fund I or Fund II.
- » The dataset contains 445 first- or second-time funds raised between 2010 and 2021 (Fund I – 247; Fund II – 198). Dataset only includes funds for which RCP has corresponding EBITDA/PPM data.
- » Manager strategies include Buyout, Growth, Buyout & Growth and Distressed. Debt, venture capital, secondary sales/purchases, BDC, evergreen, and other unrelated strategies are completely excluded. Fund strategy classifications are determined based on internal RCP assessment.
- » Because analysis is often disaggregated by manager maturity, manager diversification, manager strategy, company sector, etc., certain analyses may be performed on smaller sample sizes and may be biased by one or several data points.
- » Past performance is not an indication of future performance, provides no guarantee for the future, and is not constant over time.

Median Target Fund Size of Emerging Manager Funds In Market



Fund Sizes Generally Increasing in Recent Years, Particularly for Fund IIs



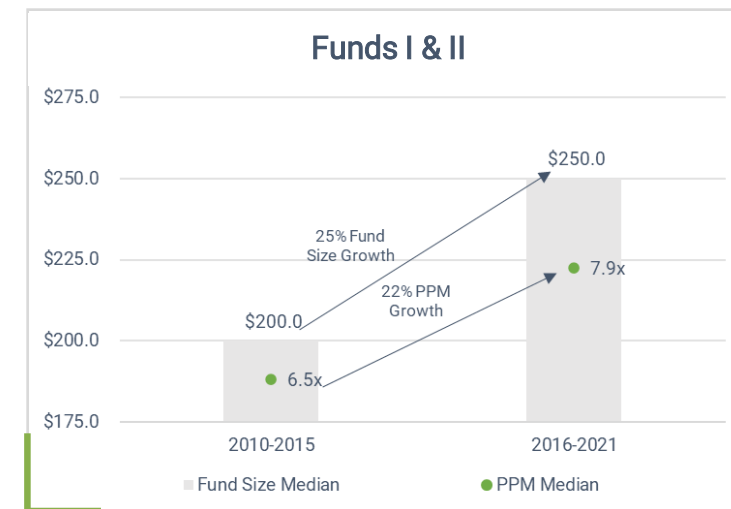
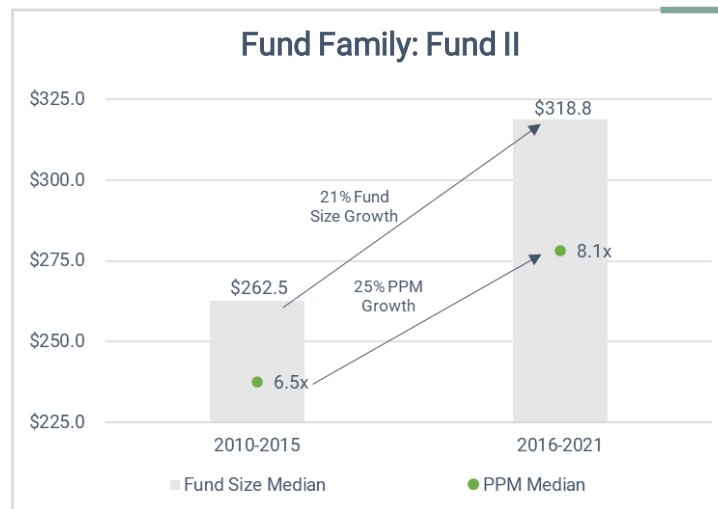
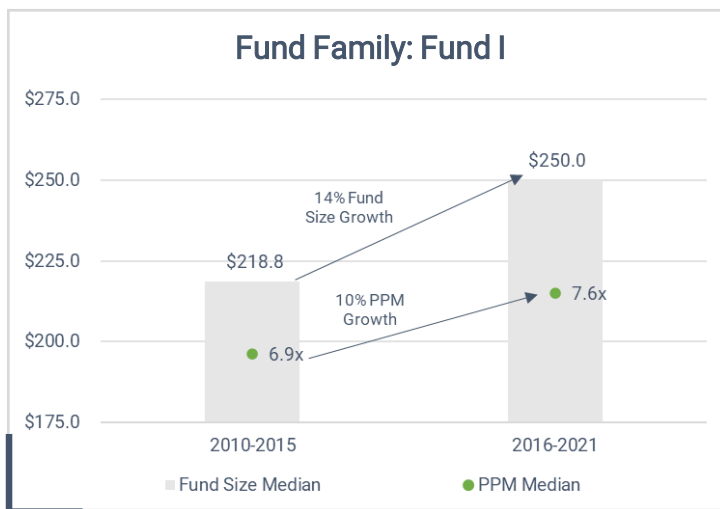
- » Takeaway: During the six-year periods from 2010-2015 and 2016-2021, median fund sizes among emerging managers have increased
 - Fund I median fund size grew from \$219M in 2010-2015 to \$250M in 2016-2021, a 14% increase
 - Fund II median fund size grew from \$263M from 2010-2015 to \$319M in 2016-2021, a 21% increase
 - Aggregated Fund I and II median fund sizes grew from \$200M in 2010-2015 to \$250M in 2016-2021, a 25% increase

Source: GPScout. Only includes funds for which RCP has corresponding EBITDA/PPM data. Data from 2022 is not included due to a low n. Dollar amounts are in millions.

EBITDA Purchase Multiples of Emerging Manager Portfolio Companies



Entry EBITDA Purchase Price Multiples Increasing



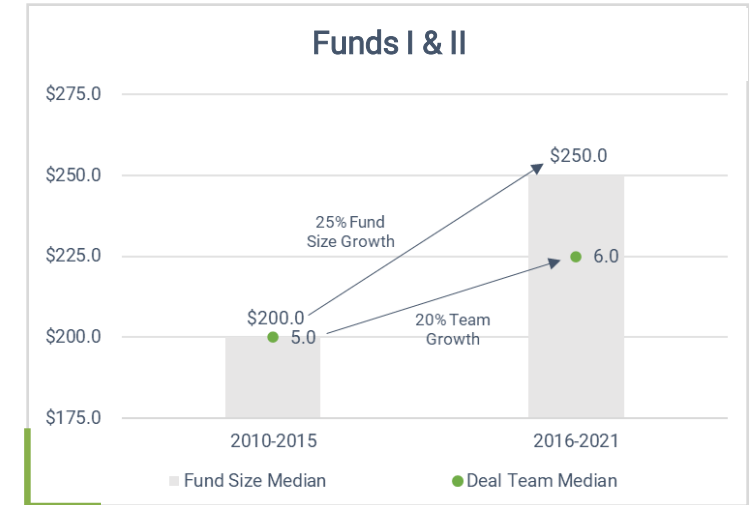
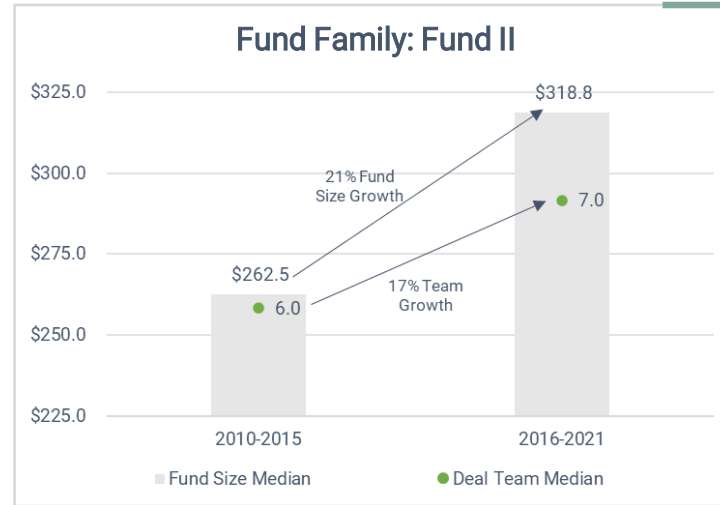
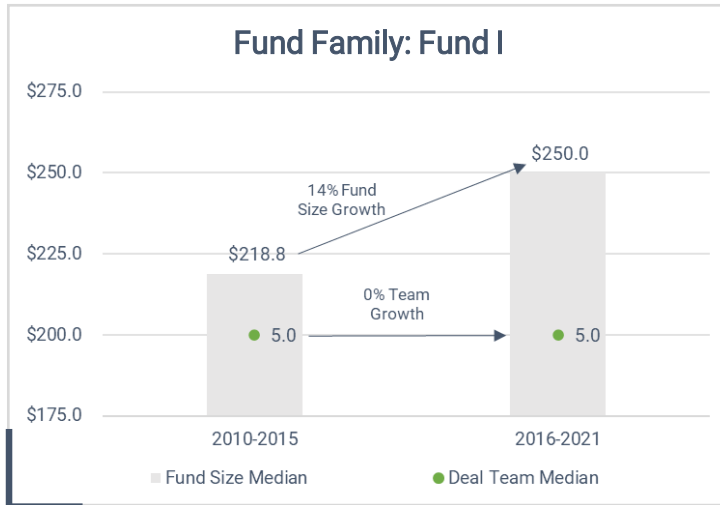
- » Takeaway: Purchase prices have generally increased over time, particularly in Fund IIs which have displayed more dramatic purchase price growth than Fund Is
 - Fund Is have grown in median EBITDA purchase price multiples from 6.9x in 2010-2015 to 7.6x in 2016-2021, a 10% increase
 - Fund IIs have grown in median EBITDA purchase price multiples from 6.5x in 2010-2015 to 8.1x in 2016-2021, a 25% increase
 - Aggregated Fund Is and IIs have grown in median EBITDA purchase price multiples from 6.5x in 2010-2015 to 7.9x in 2016-2021, a 22% increase

Source: GPScout. Only includes Funds for which RCP has corresponding EBITDA/PPM data. Data from 2022 is not included due to a low n. Dollar amounts are in millions. Observations at 0.0x are excluded.

Number of Investment Professionals at Firm at Time of Fundraise



Larger Fund Sizes Support Slightly Larger Deal Teams in Fund IIs

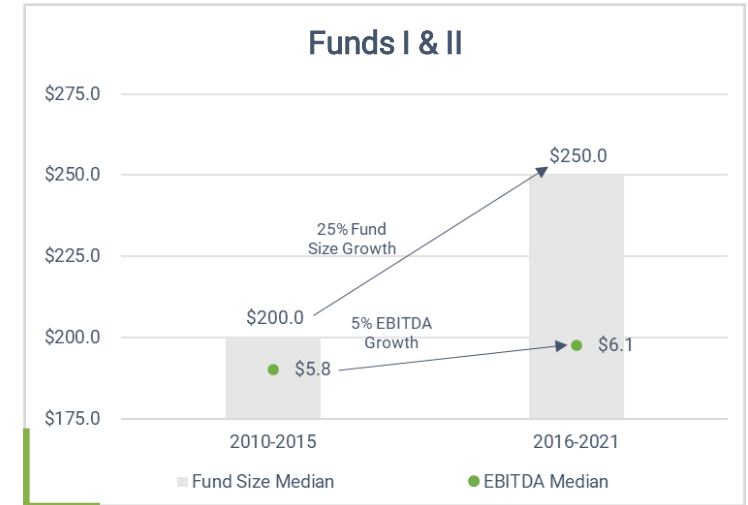
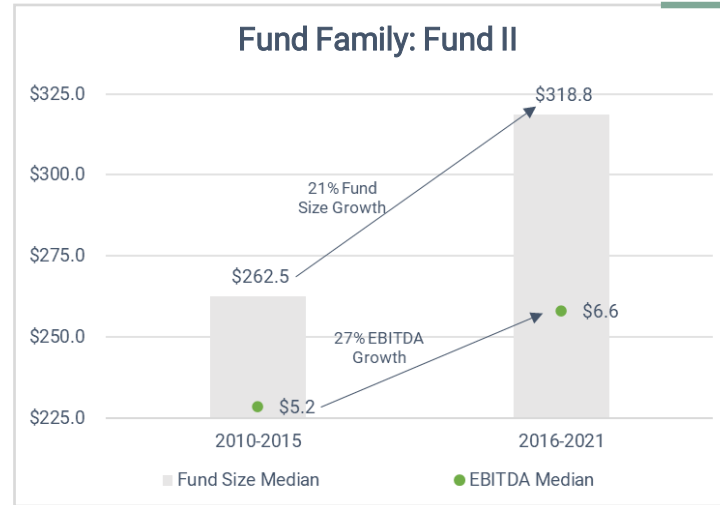
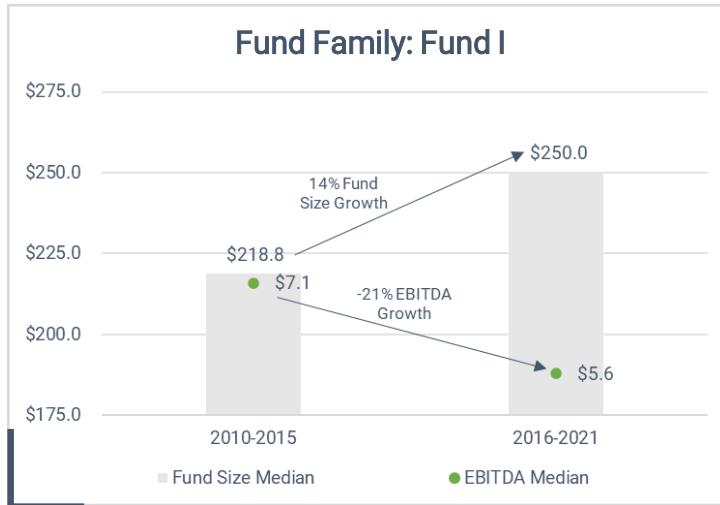


- » Takeaway: Deal teams among emerging managers have increased by approximately one investment professional per firm from 2010-2015 to 2016-2021
 - This increase comes from Fund IIs specifically, as the median number of investment professionals grew from 6 deal team members in 2010-2015 to 7 deal team members in 2016-2021
 - Fund Is have continued to be led by a median of 5 deal team members in both the 2010-2015 and 2016-2021 time periods

Entry EBITDA of Emerging Manager Portfolio Companies



On an Aggregate Basis, Portfolio Company EBITDAs Remain Relatively Steady



- » Takeaway: Company size from an EBITDA perspective has remained fairly constant, staying within a \$1.9M range across both time periods and fund numbers
 - Fund I median EBITDA has fallen slightly from \$7.1M in 2010-2015 to \$5.6M in 2016-2021, a 21% decrease
 - Fund II median EBITDA has increased slightly from \$5.2M in 2010-2015 to \$6.6M in 2016-2021, a 27% increase
 - Aggregated Fund I and II median EBITDA has increased from \$5.8M in 2010-2015 to \$6.1M in 2016-2021, a 5% increase

Source: GPScout. Only includes Funds for which RCP has corresponding EBITDA/PPM data. Data from 2022 is not included due to a low n. Dollar amounts are in millions. Observations at \$0.0 are excluded.



Conclusion

Emerging managers remain focused on small companies but are raising larger funds to support an increase in market multiples, and to a lesser extent, slightly larger teams.



Devil's Advocate

Emerging managers may also be taking advantage of market trends which support larger first- and second-time fund sizes, not necessarily right sizing fundraises to their strategy.

This Presentation and the research contained therein is based on RCP's analysis of financial information obtained from public sources and/or provided to RCP by certain third parties (including, without limitation, private fund and investment-level performance data drawn from fundraising and diligence documents produced by general partners as well as quarterly unaudited and audited annual financial statements produced by RCP's underlying fund managers). RCP has not independently verified any such information provided or available to RCP. Performance information provided herein was not prepared, reviewed or approved by the underlying funds or their general partners. Information obtained from third parties is believed to be reliable, but no representation, warranty or undertaking, express or implied, is given as to the accuracy or completeness of such information. Projected market and financial information, analyses and conclusions contained herein are based on the information described above and on RCP's judgment, and should not be construed as definitive forecasts or guarantees of future performance or results. The information, data, analyses, and opinions presented herein do not constitute investment advice, are provided solely for informational purposes and should not be construed as a solicitation or offer to buy or sell securities, or recommendation to acquire or dispose of any investment or to engage in any other transaction, or advice of any nature whatsoever. The performance data shown represents past performance. Past performance does not guarantee future results.

Notes on Data

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Biases within this Presentation for consideration include:

- » *Selection Bias:*
 - In certain instances, recent deal attribute data may be more likely to describe investments made by RCP's underlying managers and are therefore subject to selection bias.
 - RCP's Emerging Manager definitions may differ from those used by other data providers.
- » *Survivorship Bias:* Information flow will be biased towards managers successful enough to raise subsequent funds; given updated return information is primarily gathered during fundraising diligence, data often reflects deals transacted by relatively more successful managers.
- » *Availability Bias:* Due to RCP's lower middle market focus, more data is available on smaller funds.

Terms:

Emerging Manager: a manager raising a Fund I or Fund II.

n: number of observations.

Sources:

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PERFORMANCE - We strive to be the best at everything we do as a firm, with a particular emphasis on maximizing return on investment while remaining focused on capital preservation.



CLIENT CENTERED - We place the interests and needs of our clients first, as we focus on exceeding their expectations.



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PARTNERSHIP, COMMUNITY & INCLUSION - We strive to have a culture of partnership, seeking to build strong, collaborative relationships with all stakeholders, while also cultivating a culture of diversity and inclusion. We have a fundamental ethical and investment belief in responsible behavior, including ESG practices, across our internal culture, general business practices, and investment considerations.