



RCP|Advisors

State of the Market

March 2024

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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.**

RCP 3 is headquartered in Chicago, Illinois. RCP 2 is headquartered in Dallas, Texas with offices in New York, New York and Bethesda, Maryland.

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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 Funds & the Small Buyout Market – Potential Benefits and Risks



Potential Benefits

Attractive risk/return profile

Historical outperformance of other asset classes

Historical lower correlation with major market indices

Long-term return potential

Attractive market dynamics resulting in outperformance

Proper diversification through one investment vehicle

Potential access to top-tier and oversubscribed managers

Administrative efficiency

Favorable tax treatment

Strategic and operating control post-investment

Potential Risks

Determining investment success in an illiquid asset

Long-term nature of the private equity investment cycle

Capacity, access, selection, and allocation of top-tier and oversubscribed managers is not guaranteed

Highly illiquid

Potential loss of capital

Significant resources and expertise required

Measuring or benchmarking long term returns is challenging

High investment minimums

Potential additional fees

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in a Fund. Prospective investors should read the respective Fund's memorandum and partnership agreement (when available) and consult with their own counsel and advisors before deciding whether to invest in such Fund.

Late 2023/Q1 2024



» ECONOMY

- Interest Rates
 - The Pause That Refreshes
- Inflation
 - Moderating
- Economic Growth
 - The recession that didn't happen



» PRIVATE EQUITY MARKETS

- Slow Flow
- Healthy Fundamentals

Last Year's Fears for PE Did Not Materialize

BUYOUTS IN GENERAL

- » **Deal Activity:**
 - New Deals: Slow; mismatch buyer/seller expectations; tough financing market
 - Exits: Slow; for similar reasons

- » **Debt Markets:** Very difficult to raise large amounts; leverage lower/costs higher

- » **Fundraising:** Slower (reflects lower exits and investor hesitancy); reasonable demand for trusted names

- » **Valuations:** lower overall (mostly early 2023), but declines not as significant as feared; concentrated in growth/high multiple sectors

U.S. SMALL BUYOUTS

- » **Deal Activity:**
 - New Deals: Slower but better than market; relatively better financing environment; add-ons still widely available
 - Exits: Slow

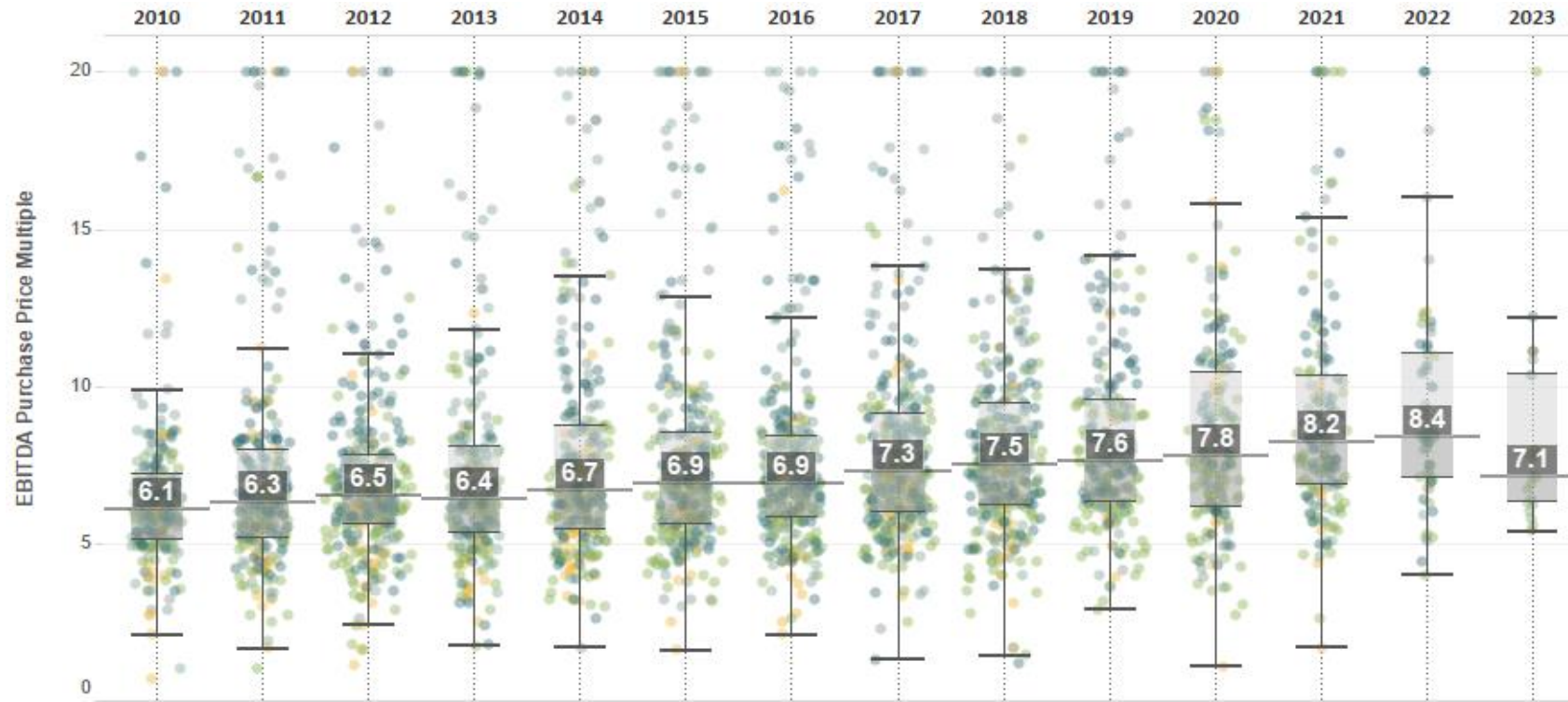
- » **Debt Markets:** Available (significant contrast from overall market); but costs higher

- » **Fundraising:** Also slower, but “law of small numbers” helps success; strong demand for best existing and emerging GPs

- » **Valuations:** Flat/Moderate Increases

Purchase Price Multiples – Lower Middle Market

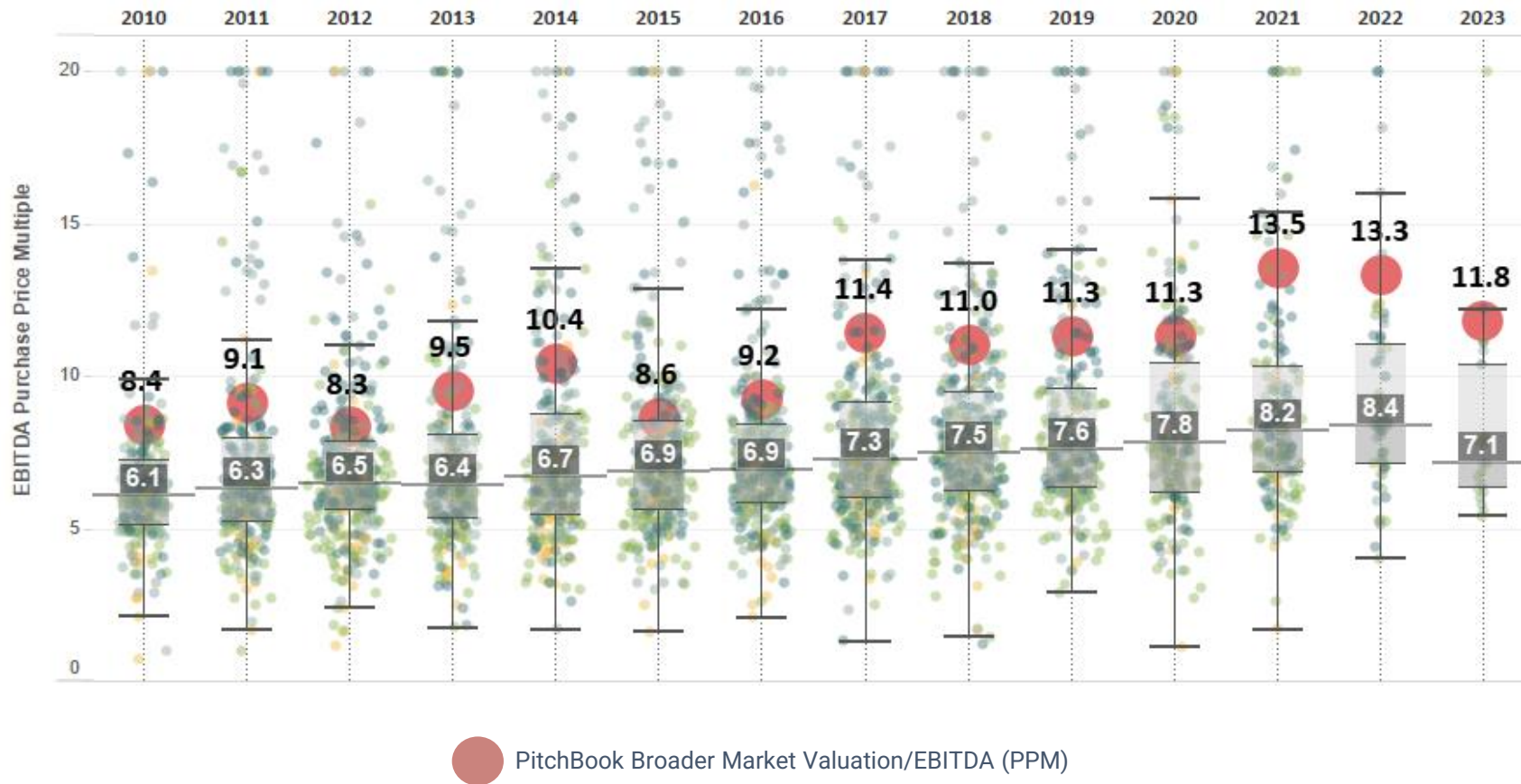
Purchase Price Multiples: < \$100M EV



Source: GPScout. Data reflects the median EBITDA purchase price multiples of transactions categorized as buyout, buyout & growth, and growth occurring between 2010 and 2023 for North American companies with enterprise values between \$10M and \$100M across all sectors. GPScout dataset includes 3,253 companies. As of 12/31/23.

Purchase Price Multiples – Lower Middle Market vs. Broader PE Market

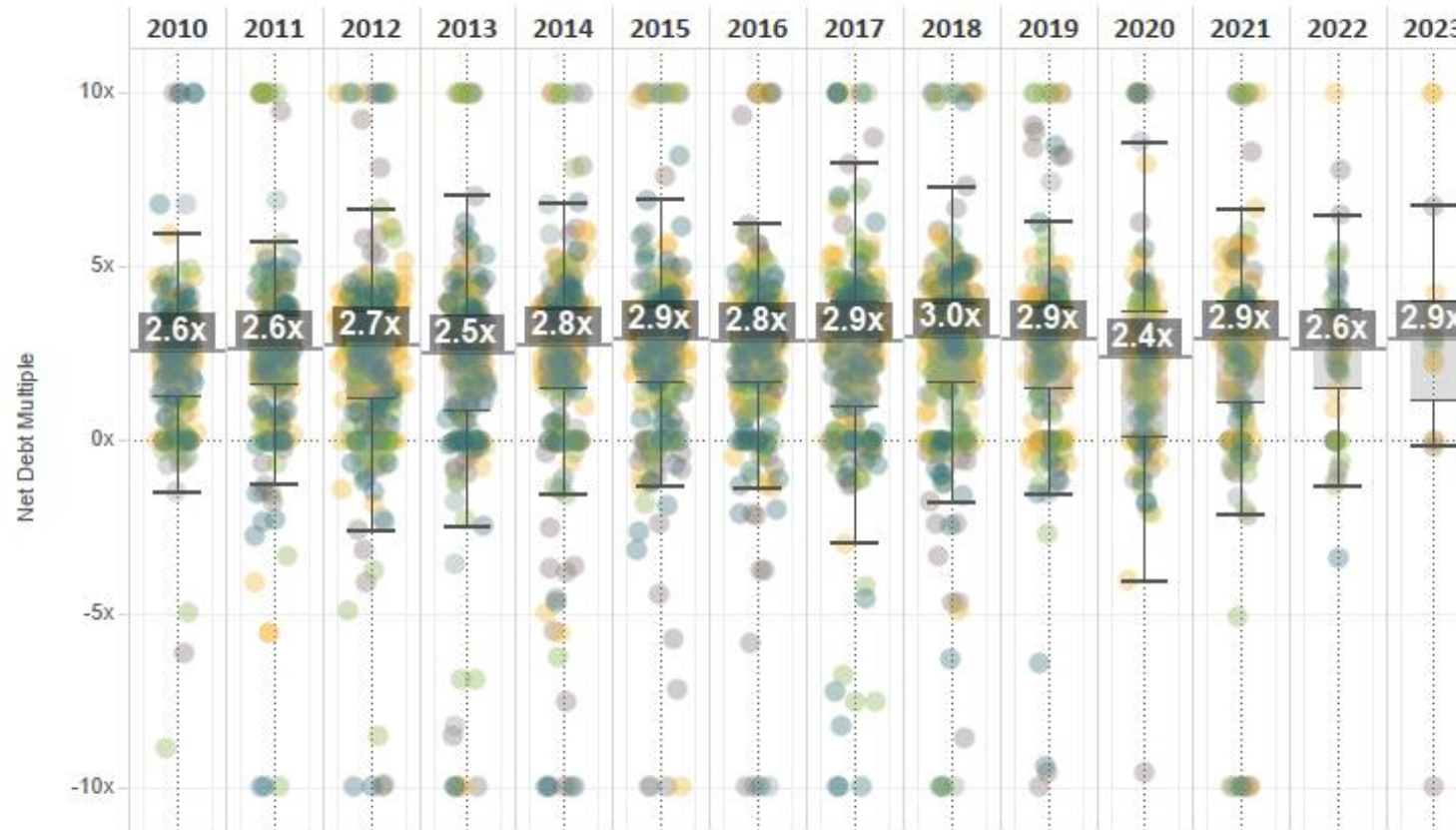
Purchase Price Multiples: < \$100M EV vs. Broader Market



Source: GPScout and PitchBook. Data reflects the median EBITDA purchase price multiples of transactions categorized as buyout, buyout & growth, and growth occurring between 2010 and 2023 for North American companies with enterprise values between \$10M and \$100M across all sectors. GPScout dataset includes 3,253 companies. PitchBook Broader Market represents U.S. PE buyouts. PitchBook dataset includes 1,028 companies. As of 12/31/23.

Debt Multiples – Lower Middle Market

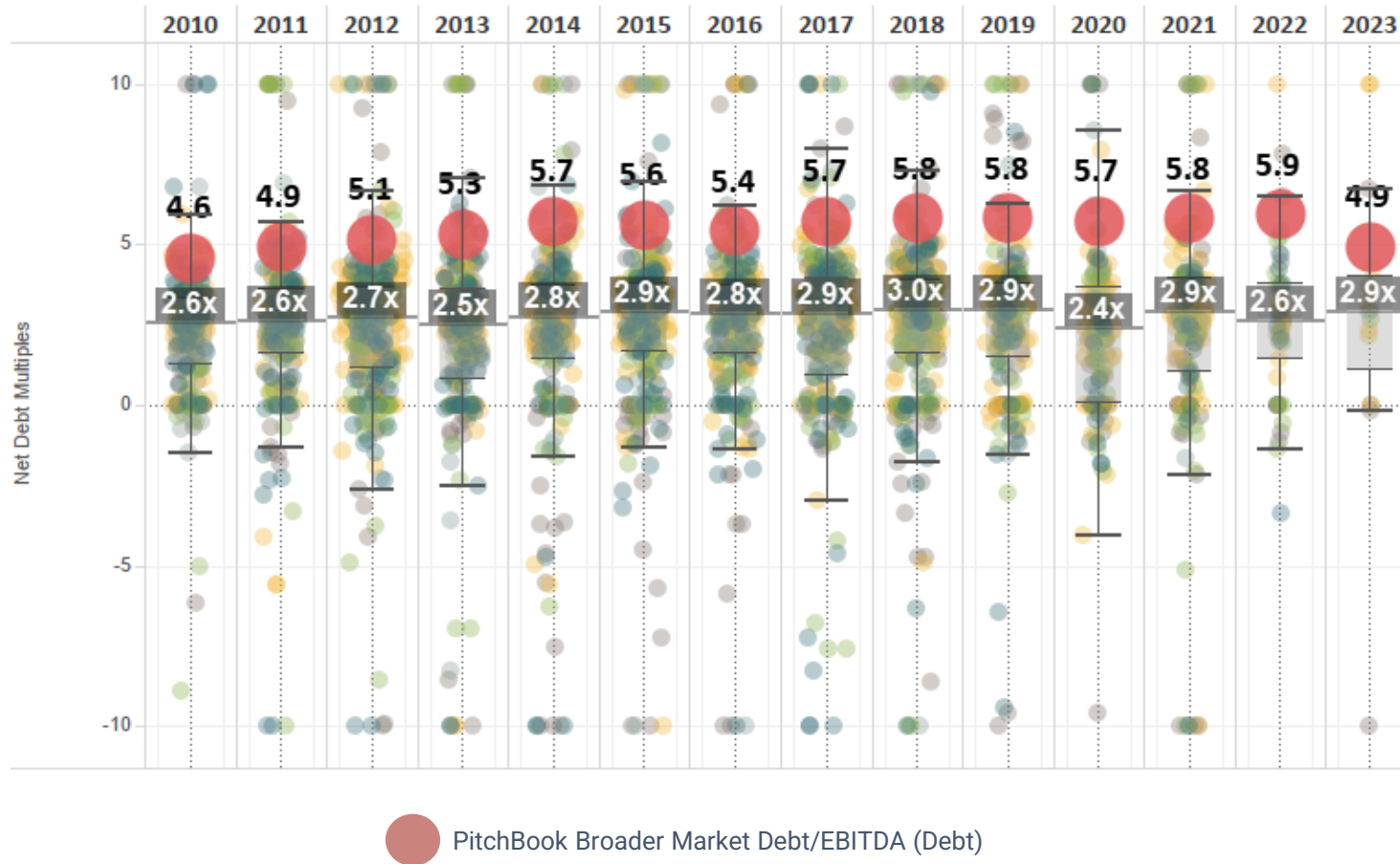
Median Net Debt Levels: < \$100M EV



Source: GPScout. Data reflects the median entry net debt multiples of transactions categorized as buyout, buyout & growth, and growth occurring between 2010 and 2023 for North American companies with enterprise values between \$10M and \$100M across all sectors. GPScout dataset includes 2,958 companies. As of 12/31/23.

Debt Multiples – Lower Middle Market vs. Broader PE Market

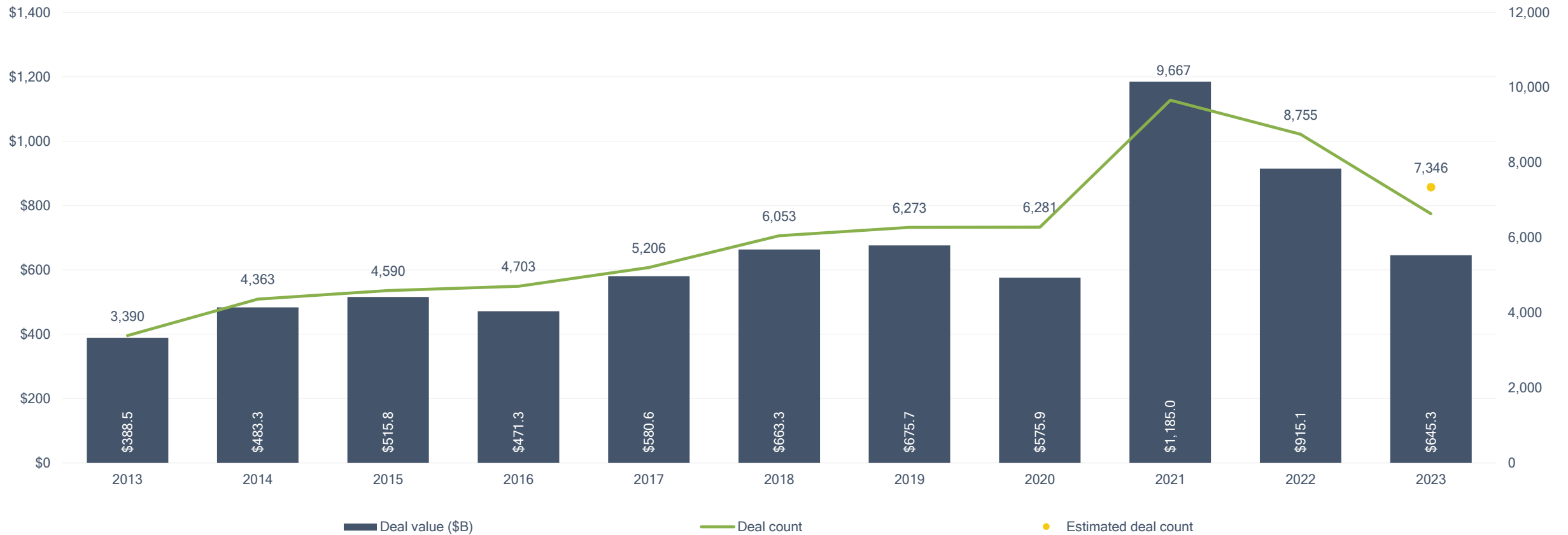
Median Net Debt Levels: < \$100M EV vs. Broader Market



Source: GPscout and PitchBook. 1. PitchBook data reflects median North America and Europe PE buyouts. GPscout data reflects the median entry net debt multiples of transactions categorized as buyout, buyout & growth, and growth occurring between 2010 and 2023 for North American companies with enterprise values between \$10M and \$100M across all sectors. GPscout dataset includes 2,958 companies. PitchBook Broader Market represents U.S. and European PE buyouts. North America buyout data was not available at time of publication. PitchBook dataset includes 3,641 companies. As of 12/31/23.

Private Equity New Deal Activity

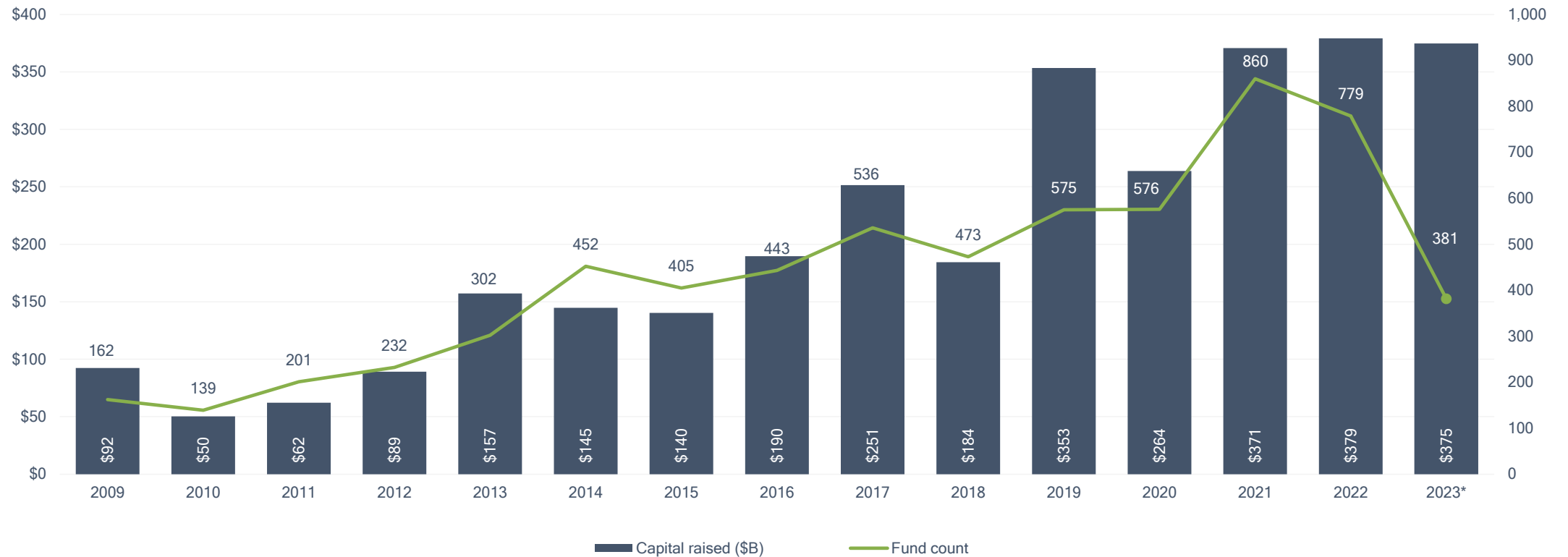
Overall Activity is Down (Again); Small Buyout Activity Shows Less Volatility



Source: PitchBook - Geography: U.S. *As of 12/31/23.

Private Equity Fundraising Activity

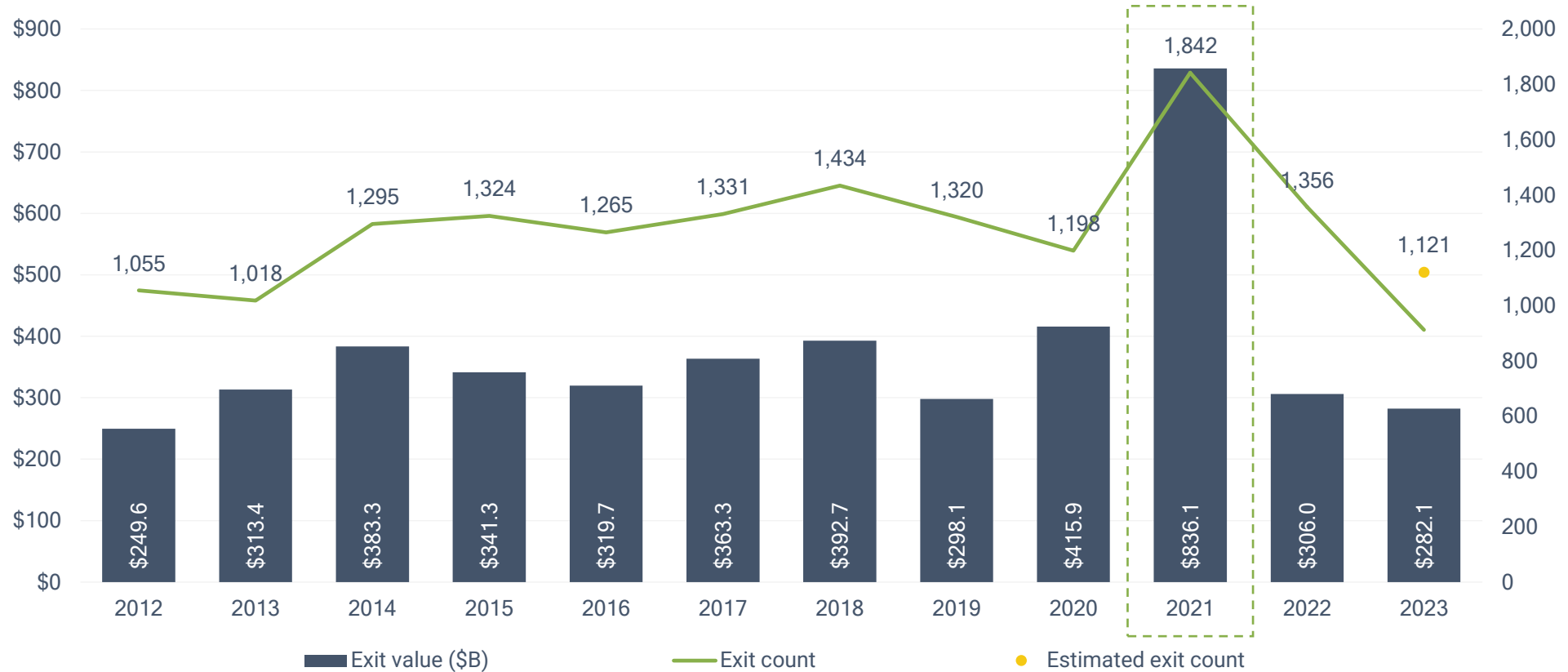
U.S. PE Fundraising Activity



Source: PitchBook - Geography: U.S. *As of 12/31/23.

Private Equity Exits: 2nd Year of Lower Activity

U.S. PE Exit Activity



Source: PitchBook - Geography: U.S. *As of 12/31/23.

Conditions Aligning for Better Exit Environment



- » Effects of 2021 “Exit Pull-Forward” are abating
 - Supply of mature companies recovered
 - Portfolio quality is good



- » Portfolio holding periods are lengthening
 - Higher GP incentive to act



- » Economic/market conditions improving
 - Interest rate/inflation volatility abating
 - Economy is generally cooperating
 - Financing markets adjusting

Appendix



Terms

Median Purchase Price Multiple at acquisition: observations at 0.0x are excluded (signal that company was not bought based on EBITDA multiple – i.e., revenue multiple, book value multiple, OR negative EBITDA); observations above 35x are excluded.

Median Net Debt at acquisition: excludes multiples where EBITDA is negative; includes 0x observations where no debt was utilized; observations above 35x are excluded.

Sources:

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 6/19/2024, GPScout contains information on 4,000+ fund managers and more than 7,500 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.

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RCP VALUES



INTEGRITY - We acknowledge a duty and responsibility to act in the best interests of our partnerships.



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.



INNOVATION & LEADERSHIP - We aim to be an industry leader and innovator by encouraging an entrepreneurial spirit that empowers our professionals to create research driven, strategic growth opportunities for RCP and our investors alike.



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.