

BAI-Webinar: Private Equity Secondaries

Thema:

Dealauswahl, Transaktionsstrukturierungsmöglichkeiten
und Portfoliokonstruktion in einem volatilen Kapitalmarktumfeld

Sprecher:

Mauro Pfister, Managing Director, Capital Dynamics

Dr. Philipp Bunnenberg

**Leiter Alternative Markets
BAI**

Poppelsdorfer Allee 106
53115 Bonn
+49 (0) 228 96987-52
bunnenberg@bvai.de





Mauro Pfister

- Managing Director im Secondaries-Team von Capital Dynamics
- Mitglied des globalen Capital Dynamics Private Equity Investment Committees
- 15 Jahre Erfahrung im Investment Management
- Masterabschluss der Mathematik an der Eidgenössischen Technischen Hochschule Zürich

1. Eröffnungsworte

Dr. Philipp Bunnenberg, BAI

2. Private Equity Secondaries – Dealauswahl, Transaktionsstrukturierungsmöglichkeiten und Portfoliokonstruktion in einem volatilen Kapitalmarktumfeld

Mauro Pfister, Managing Director, Capital Dynamics

3. Q&A

BAI Outlook Webinar 2023 – Teil 2

- 08. Februar, 2023

BAI Private Debt Symposium 2023

- 09. März, 2023

Private Equity Secondaries

**Dealauswahl, Transaktionsstrukturierungsmöglichkeiten und
Portfoliokonstruktion in einem volatilen Kapitalmarktumfeld**

31. Januar 2023

Mauro Pfister, Managing Director, Secondaries

A local partner with a global investing practice

USD 14bn+

AUM/ AUA¹

16

Offices

550+ / 950+

Institutional / private clients²

c.160

Firm-wide professionals²

c. 50

Investment professionals²

Global Platform of Middle-Market Private Investment Strategies

Middle-Market Primaries

Investments in mid-market funds

Middle-Market Secondaries

Investments at the smaller end of the secondary market across the entire spectrum of transactions

Middle-Market Direct Investing

Co-investments in mid-market companies

Middle-Market Private Credit

Direct lending to mid-market companies

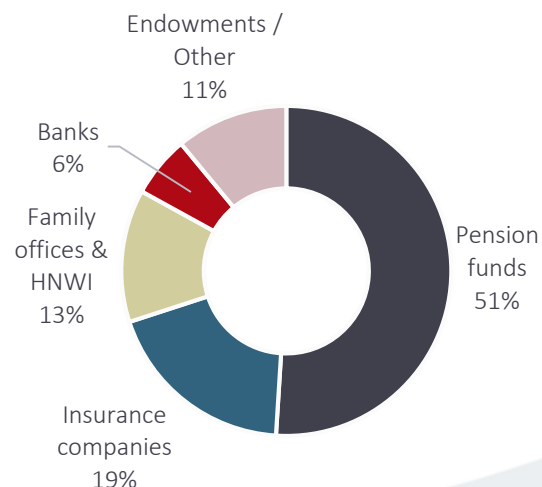
Clean Energy

Direct equity investments in renewable energy infrastructure



Strong Foundation of Clients in the DACH Region³

DACH Investor Composition



Approx. €2.0bn

of commitments from clients in the DACH region

20+ years

of doing business in the DACH region, with clients in the area since 2001

200+ clients

based in the DACH region

Capital Dynamics comprises Capital Dynamics Holding AG and its affiliates. (1) As of December 2022. Assets Under Management are calculated based on the total commitments as of the final closing date for all funds currently managed by Capital Dynamics, including amounts that have been distributed. Assets Under Advisement includes assets for which Capital Dynamics provides services such as reporting, monitoring and risk management. (2) As of December 2022. (3) As of September 30, 2022.

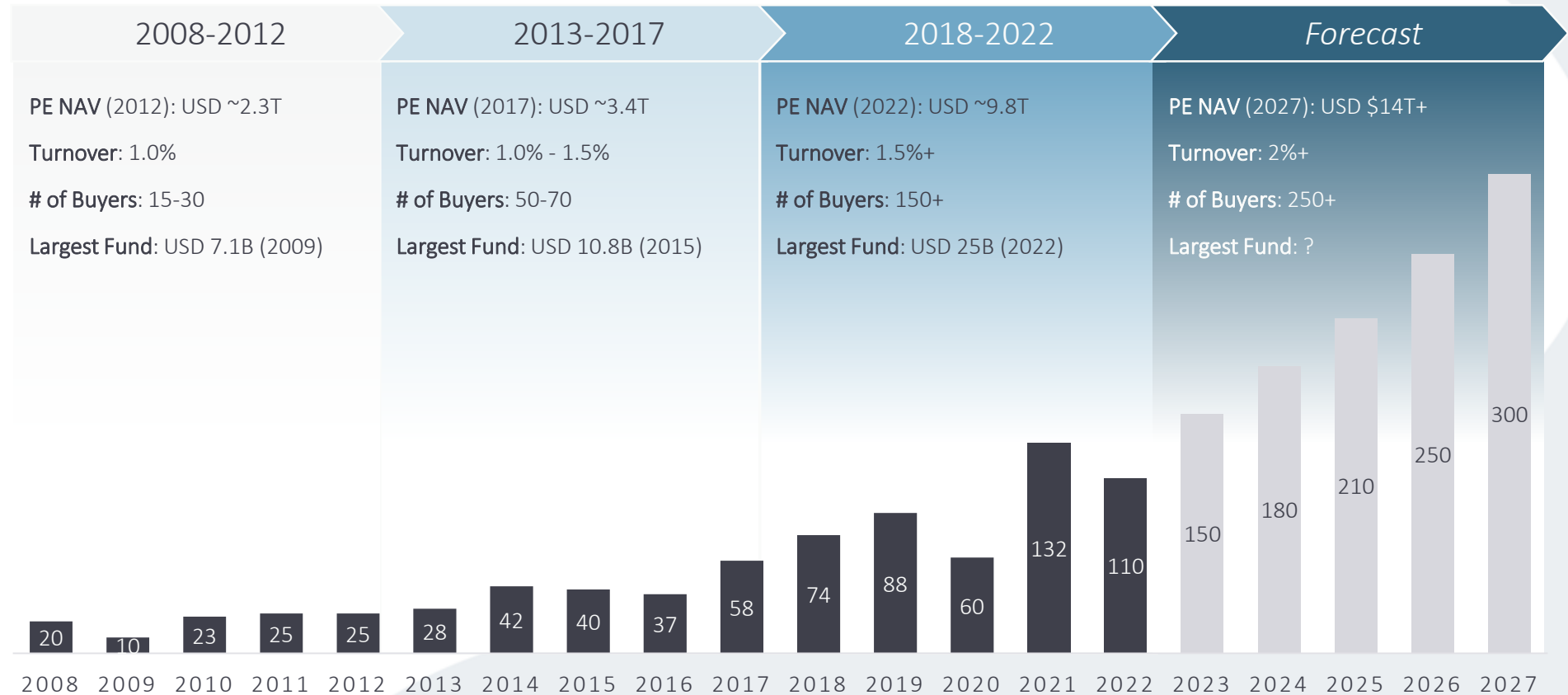


What is the market telling us?

Overview of the market evolution and what's next

Ample opportunity, strong growth trend, interrupted by dislocations

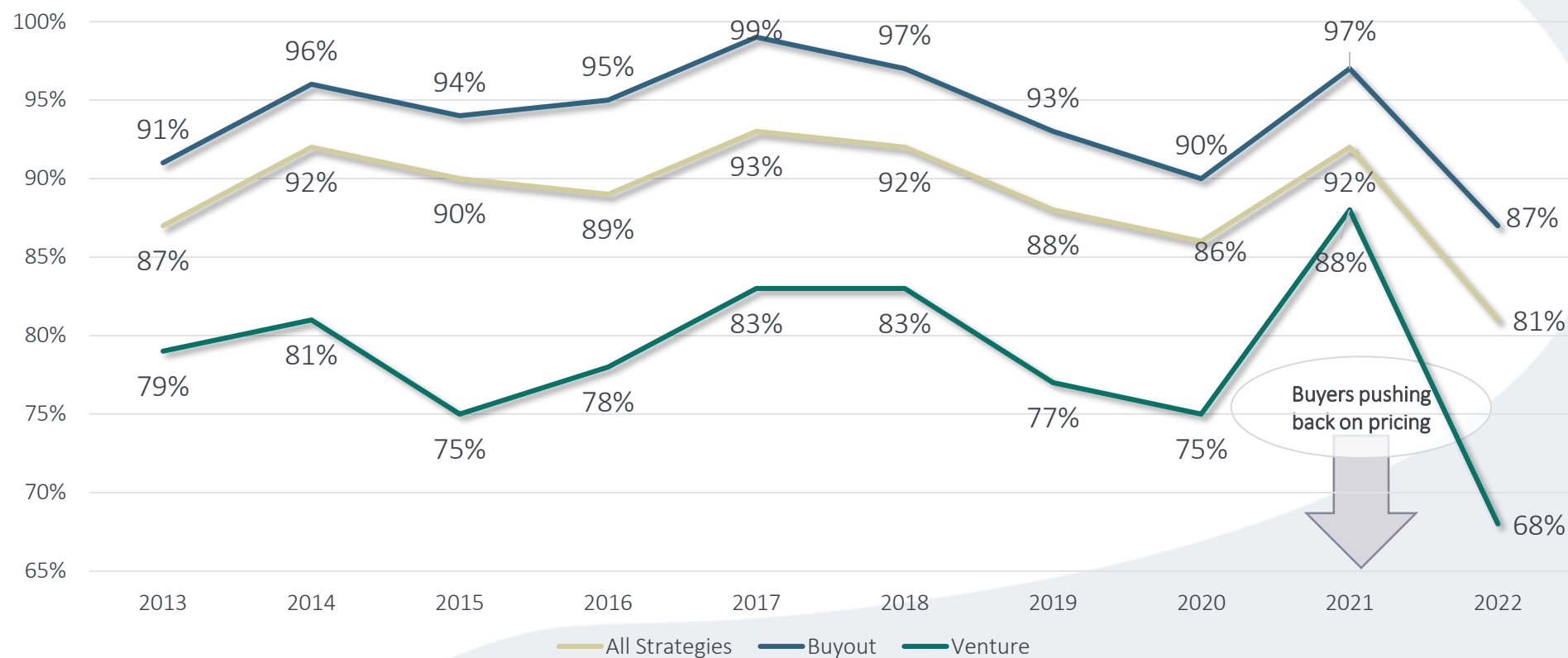
Global Secondary Transaction Volume Over Time (USD B)



Source: Adapted by Capital Dynamics based on Jefferies Private Capital Advisory Overview & Secondary Market Update, Jan 2023. NAV represents unrealized value of PE strategies by Preqin.

Dislocation creates better buying opportunities

Historical secondaries pricing (% of NAV)¹



Source: Jefferies Private Capital Advisory Overview & Secondary Market Update, January 2023.

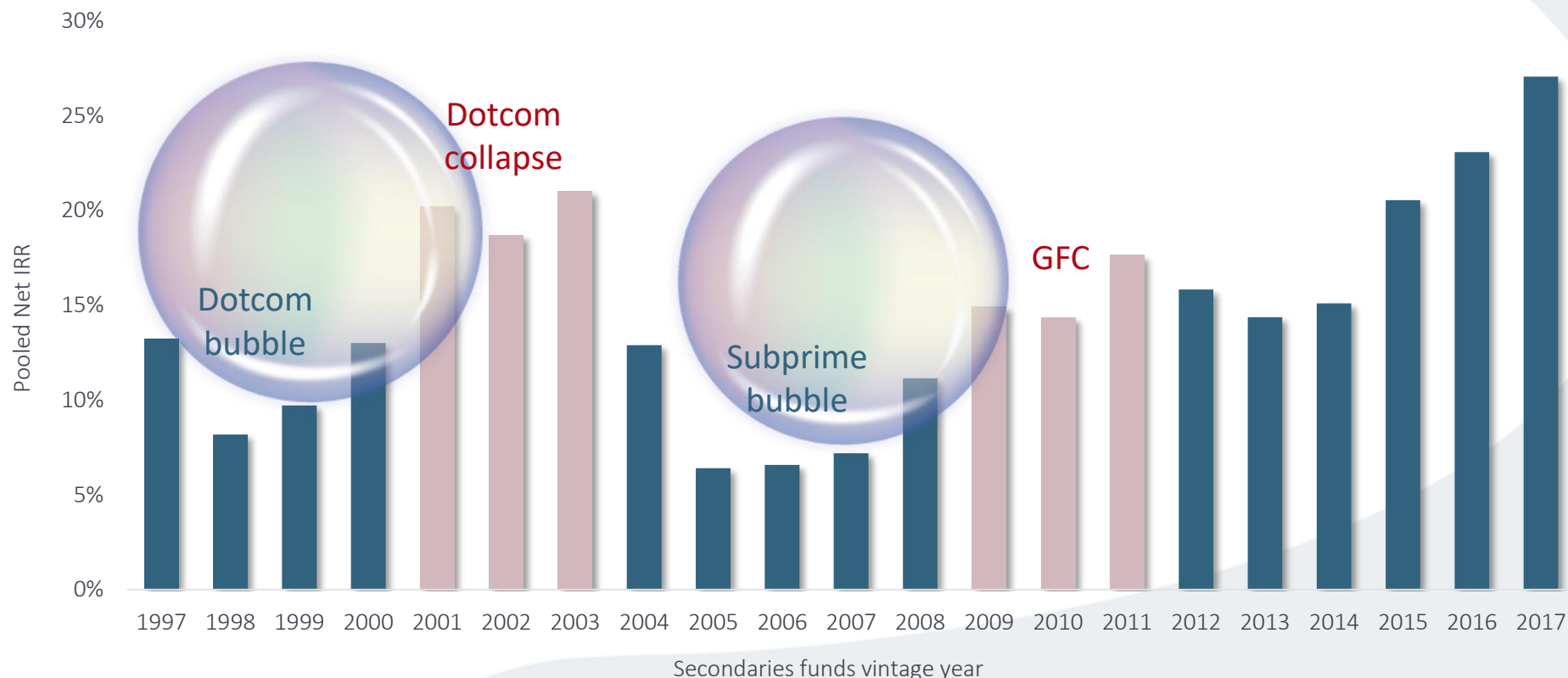
2022 in review

- 2022 market volume ~20% below prior year
- Larger decline in GP-leds
- Top 10 buyers account for 50% of the market
- Dry powder <1.5x annual volume
- Strong headwinds in fundraising in 2022

Sources: Jefferies Private Capital Advisory Overview & Secondary Market Update, January 2023. Secondary Market Synopsis by Evercore Private Capital Advisory, January 2023

Is this a good time to invest in secondaries?

Secondaries tend to perform well following market dislocations



Source: Cambridge Associates data, as of December 31, 2021, retrieved from Refinitiv as of June 13, 2022. Net IRRs since inception are net of fund fees, expenses and carried interest. Private equity includes buyout, growth, and venture capital funds. Quartile returns prior to vintage year 2003 are not available for secondaries funds due to a low number of secondaries funds in a vintage year. Returns for 2018 - 2021 vintage years are too immature to be meaningful. Past performance is not indicative of future results.

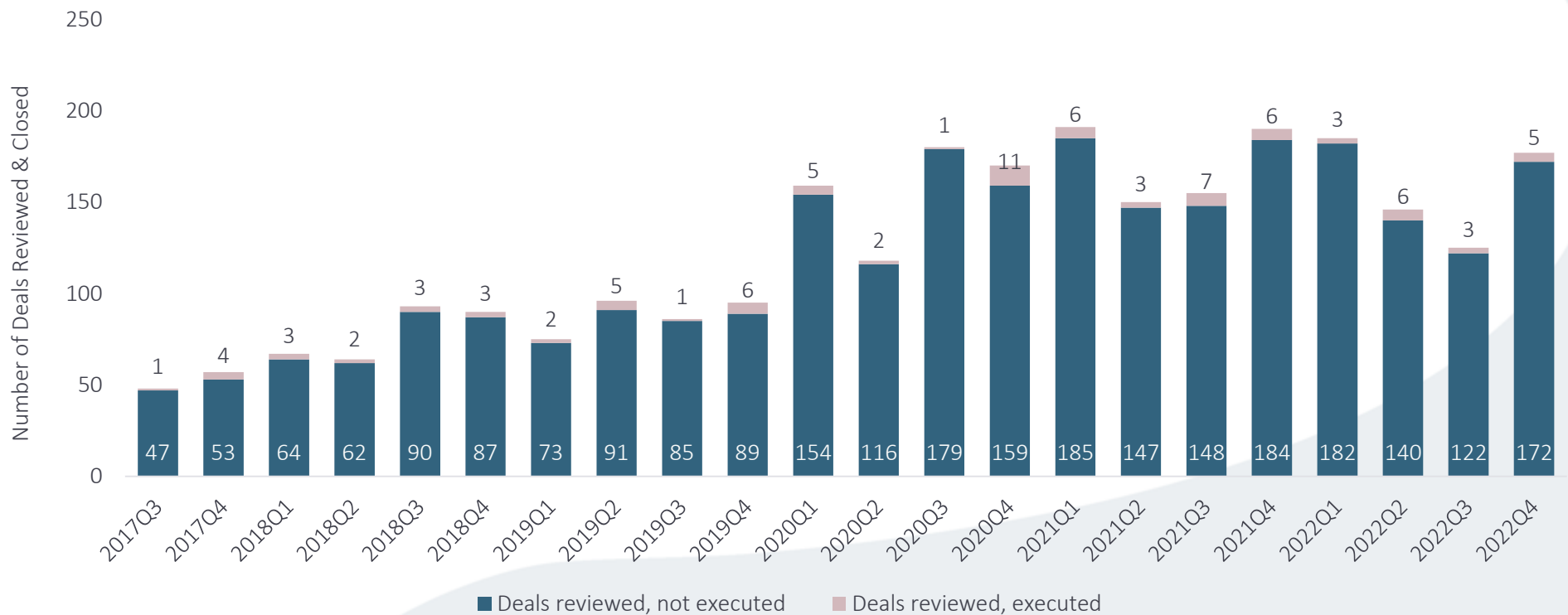
Deal selection

Keeping the deal flow spigot open during market turmoil



Consistent deal flow on the smaller end of the market

Analysis of Capital Dynamics deal flow and actual commitments (Q3 2017 – Q4 2022)¹



Sources: (1) As of year-end 2022.

CONFIDENTIAL

Consistent deal flow on the smaller end of the market

Analysis of Capital Dynamics deal flow and actual commitments (Q3 2017 – Q4 2022)¹



Analysis of Capital Dynamics deal flow received (July 2021 – June 2022)

Out of more than 650 deals we have seen over last four quarters, **84% were intermediated**



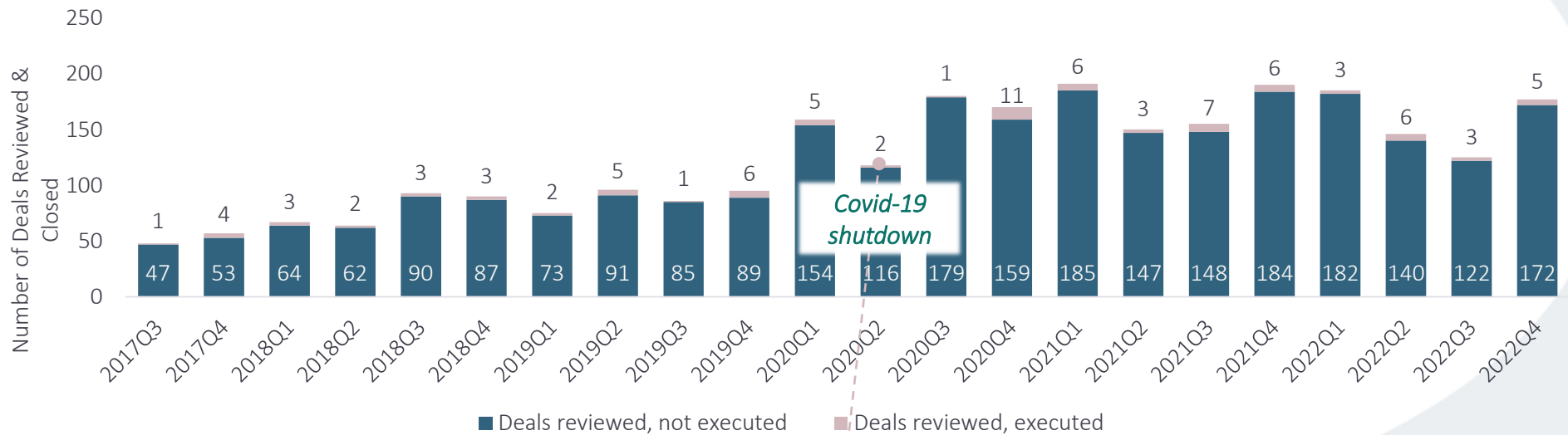
Conversely, for those deals that closed, it was an even **50%/50% split** between those sourced on an intermediated and proprietary basis

Sources: (1) As of year-end 2022.

CONFIDENTIAL

Consistent deal flow on the smaller end of the market

Analysis of Capital Dynamics deal flow and actual commitments (Q3 2017 – Q4 2022)¹



Capital Dynamics investment pacing: annual deployment (USD millions)

2018 \$211 2019 \$267 2020 \$219 2021 \$361 2022 \$271

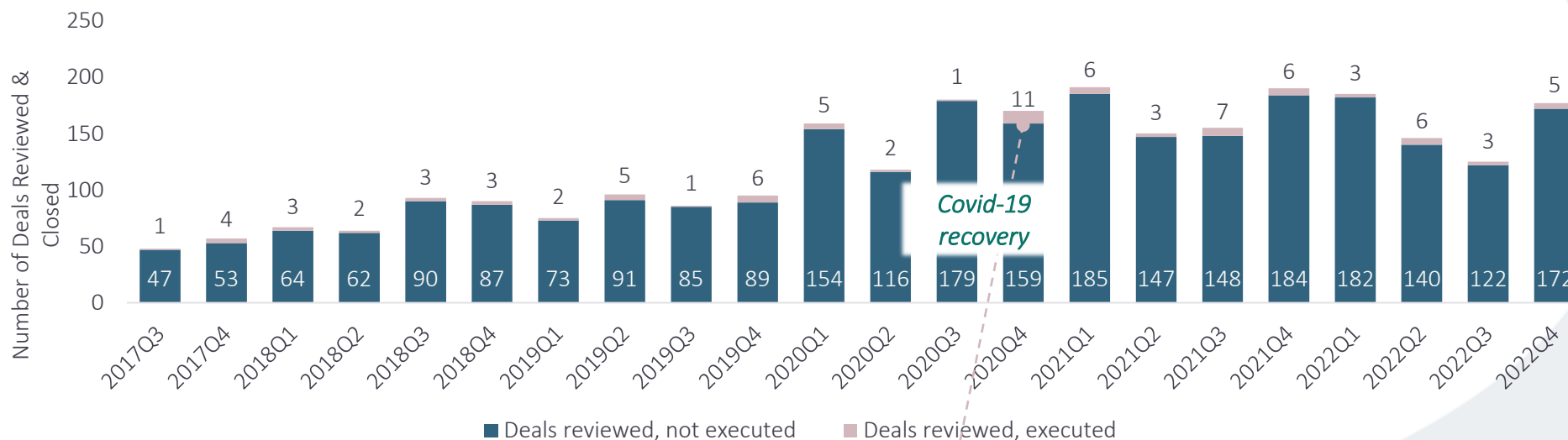
Project Thames & Ampere: Achieved a deep discount during depths of pandemic

Sources: (1) As of year-end 2022.

CONFIDENTIAL

Consistent deal flow on the smaller end of the market

Analysis of Capital Dynamics deal flow and actual commitments (Q3 2017 – Q4 2022)¹



Capital Dynamics investment pacing: annual deployment (USD millions)



Executed **11 deals** in Q4 2020 when Covid-19 recovery was under way

Sources: (1) As of year-end 2022.

CONFIDENTIAL

Consistent deal flow on the smaller end of the market

Analysis of Capital Dynamics deal flow and actual commitments (Q3 2017 – Q4 2022)¹



Capital Dynamics investment pacing: annual deployment (USD millions)



Project Asparagus and Sprout: Took advantage of attractive pricing opportunity to deploy capital in a highly diversified top quality portfolio

Sources: (1) As of year-end 2022.

CONFIDENTIAL

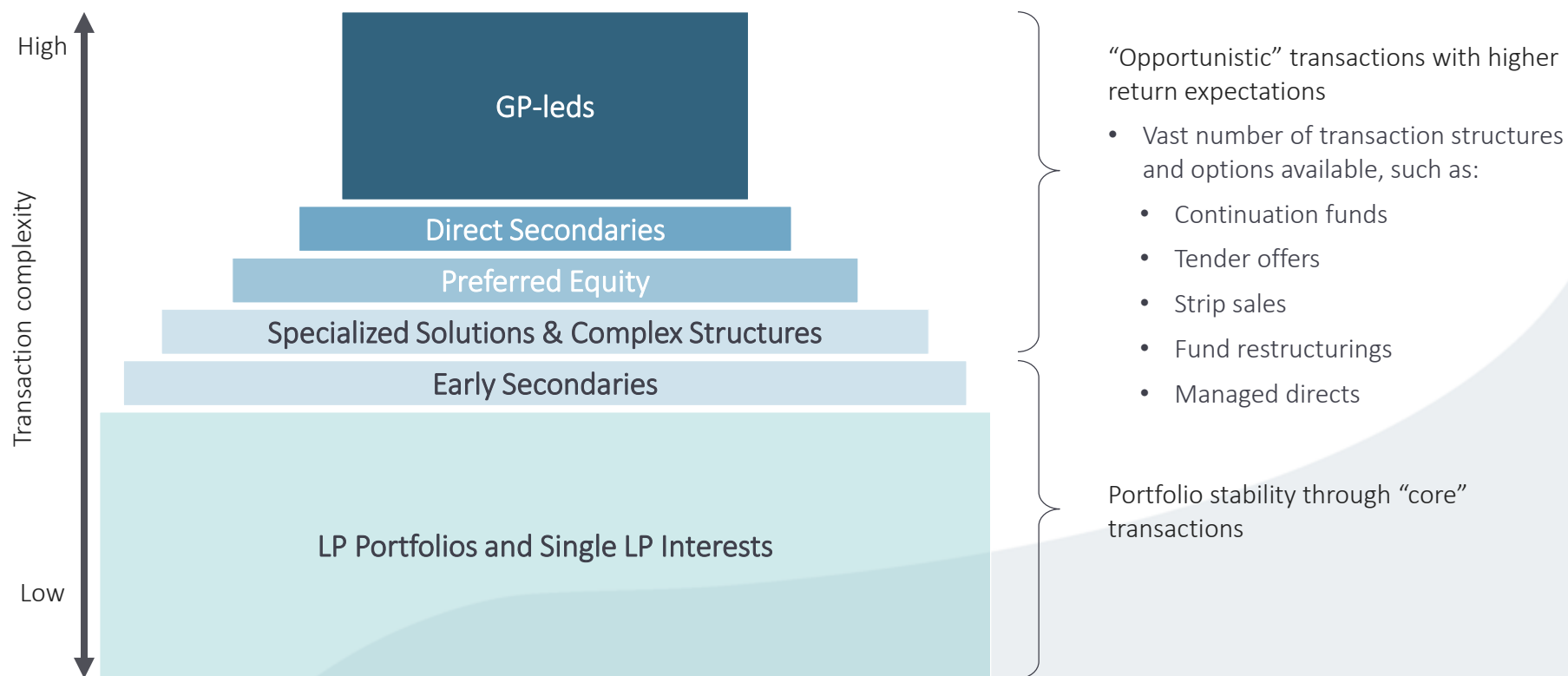


Deal structuring and portfolio composition

**Adding value and maintaining the balance between risk and return
protection during periods of market turmoil**

Truly versatile approach to deal type

Investing across the secondary market spectrum enables a dynamic portfolio construction that can respond to markets and secondary pricing – especially important in uncertain market environments

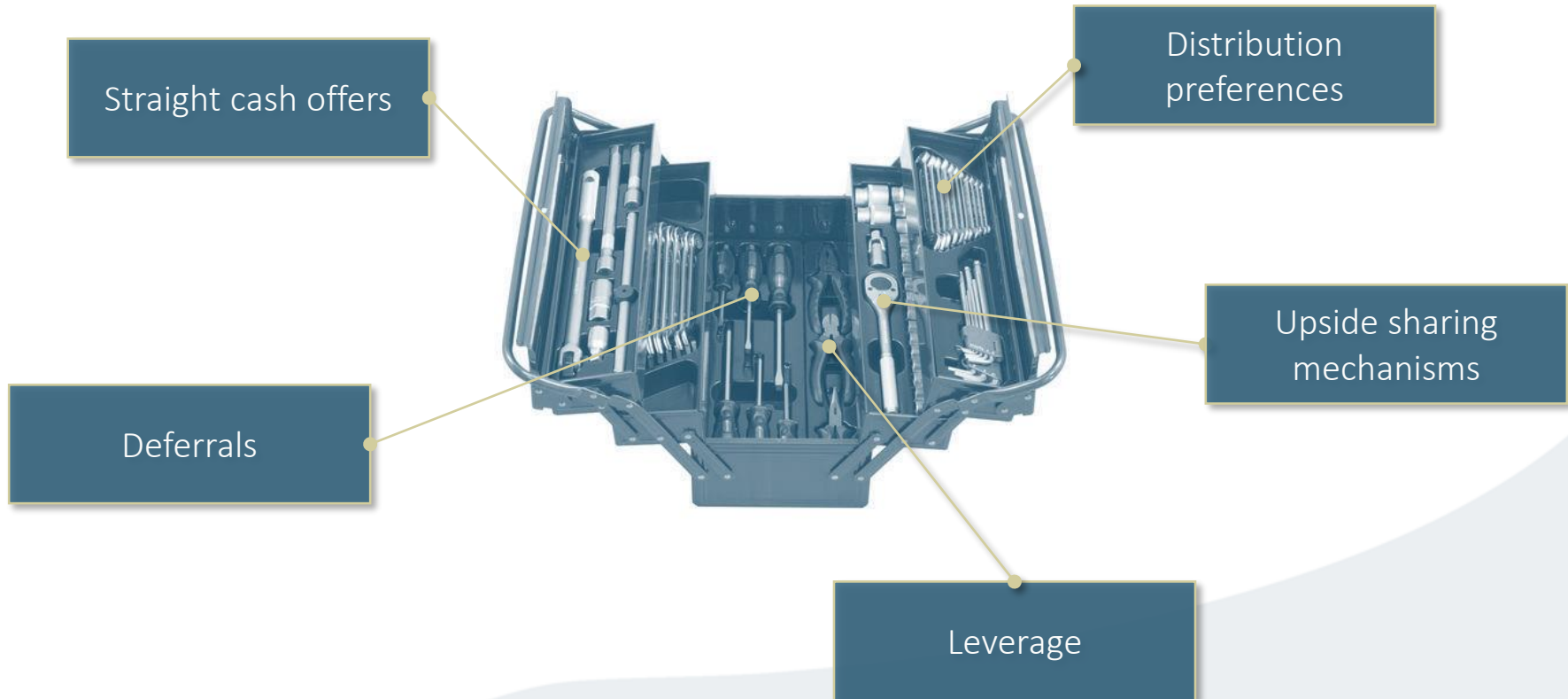


For illustrative purposes only.

CONFIDENTIAL

Structuring win-win situations

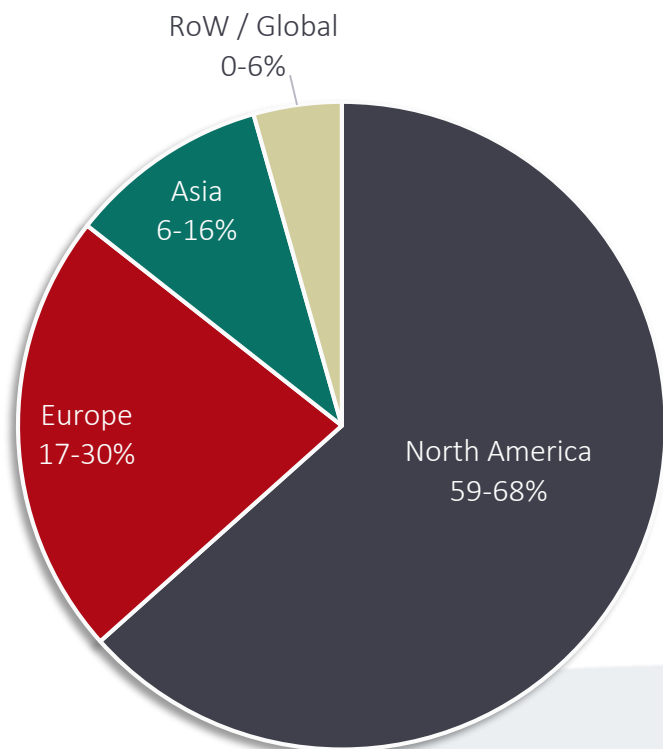
A well-stocked secondaries toolbox supports a value-oriented investment process



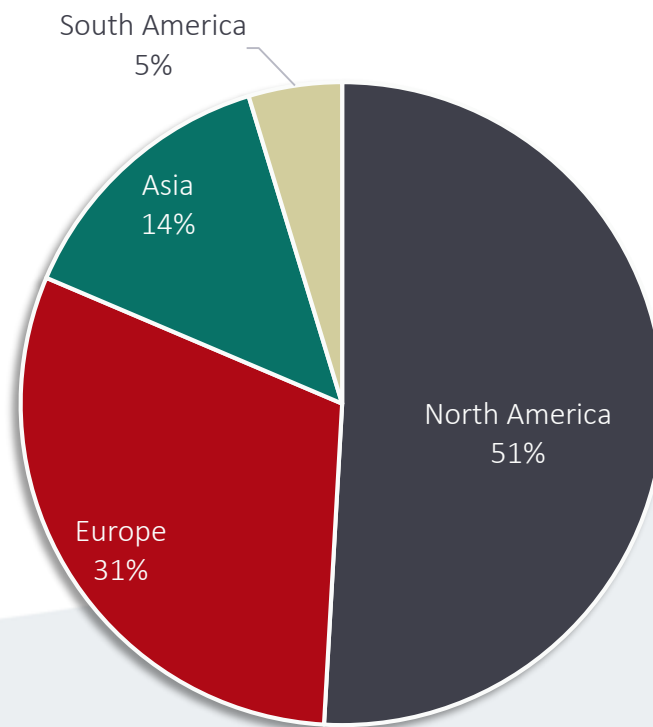
For illustrative purposes only. Image source: IndiaMART.

Building diversified portfolios across geographies

Secondaries market: geographic diversification of transaction volume, 2018-2022 (H1)



GSEC V: geographic diversification of transaction volume, as of Q1 2022



Sources: various Global Secondary Market Reports and Updates from Greenhill. Capital Dynamics data as of March 31, 2022.

The background features a large, white, semi-circular shape on the right side, resembling a stylized 'C' or a partial circle. To the left of this shape, there is a teal-colored area with a marbled or stone-like texture. The overall composition is clean and modern.

How to consider and incorporate ESG?

Common ESG issues in secondaries transactions



Timing limitations make it challenging to access information

Common ESG issues in secondaries transactions



Timing limitations make it challenging to access information

- Assessment of ESG issues on the company side
- Assessment of each manager's ESG capabilities, including ESG processes, reporting, systems and resources
- Access to data from a strong primary platform

Common ESG issues in secondaries transactions



Timing limitations make it challenging to access information

- Assessment of ESG issues on the company side
- Assessment of each manager's ESG capabilities, including ESG processes, reporting, systems and resources
- Access to data from a strong primary platform



Difficult to implement or enforce ESG due to the nature of the investment

Common ESG issues in secondaries transactions



Timing limitations make it challenging to access information

- Assessment of ESG issues on the company side
- Assessment of each manager's ESG capabilities, including ESG processes, reporting, systems and resources
- Access to data from a strong primary platform



Difficult to implement or enforce ESG due to the nature of the investment

- Established, strong GP relationships provide access to managers
- GP-led secondary transactions in particular allow for easier review and influence

Common ESG issues in secondaries transactions



Timing limitations make it challenging to access information

- Assessment of ESG issues on the company side
- Assessment of each manager's ESG capabilities, including ESG processes, reporting, systems and resources
- Access to data from a strong primary platform



Difficult to implement or enforce ESG due to the nature of the investment

- Established, strong GP relationships provide access to managers
- GP-led secondary transactions in particular allow for easier review and influence



Portfolio deals may include exposure to less preferred managers

Common ESG issues in secondaries transactions



Timing limitations make it challenging to access information

- Assessment of ESG issues on the company side
- Assessment of each manager's ESG capabilities, including ESG processes, reporting, systems and resources
- Access to data from a strong primary platform



Difficult to implement or enforce ESG due to the nature of the investment

- Established, strong GP relationships provide access to managers
- GP-led secondary transactions in particular allow for easier review and influence



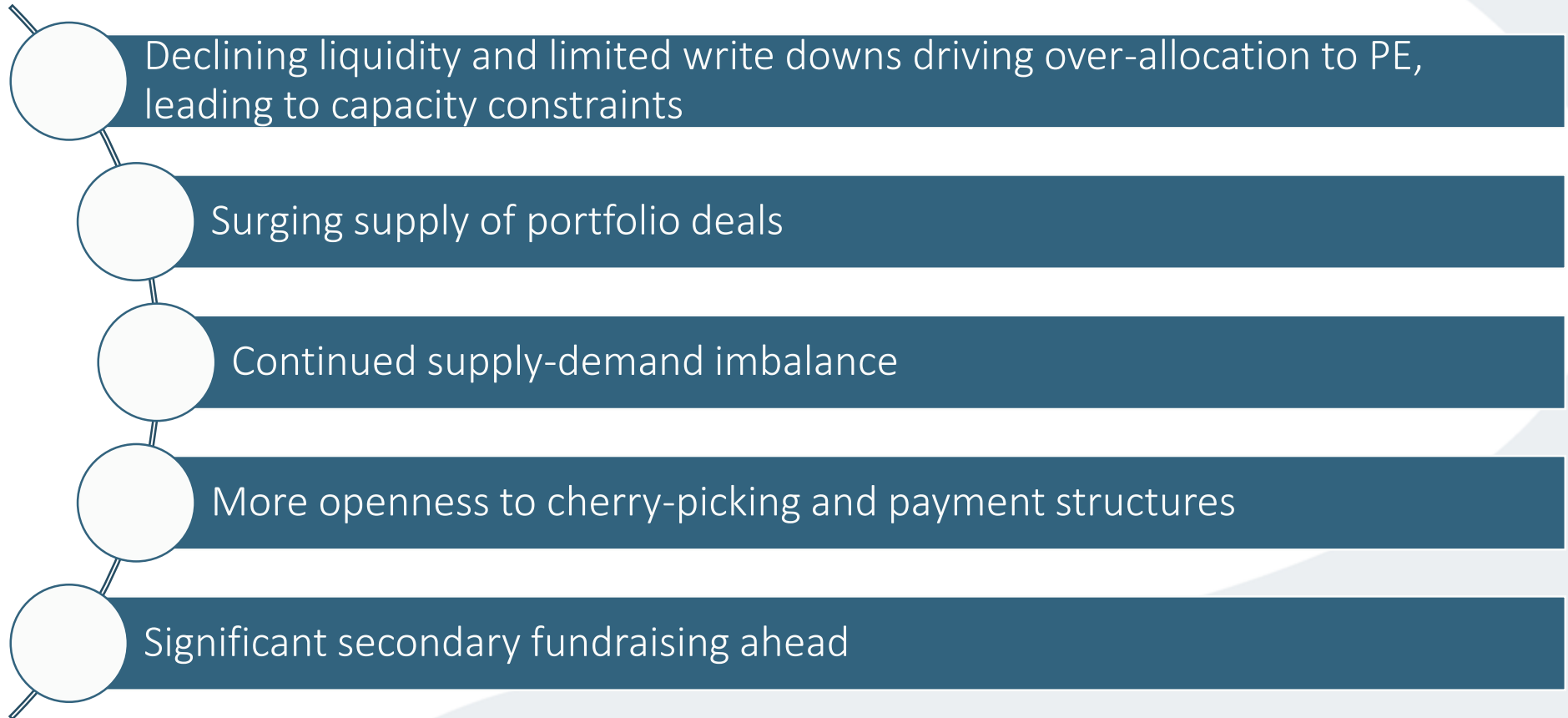
Portfolio deals may include exposure to less preferred managers

- Scoring is tracked and updated on an annual basis, resulting in enhanced monitoring and improved decision making

An aerial photograph of a coastline, showing turquoise water with white surf breaking onto a sandy beach. The image is partially obscured by a large white curved shape on the right side.

Where does the opportunity lie today?

Current trends



Sources: Jefferies Private Capital Advisory Overview & Secondary Market Update, January 2023. Secondary Market Synopsis by Evercore Private Capital Advisory, January 2023

What to look for

Avoiding auction process

- Favor negotiated transactions

Staying small

- Market inefficiencies

Motivated sellers

- Strategic vs. tactical

Strategy breadth and depth

- Ability to execute across all transaction types

Global capabilities and integrated primaries

- Sourcing, GP access and information “asymmetries”

Portfolios with strong ESG qualities

- Robust and resilient companies with greater upside potential

Consistently executing on deals with attractive risk-adjusted return profiles



Klaus Gierling

Senior Managing Director

Head of Business
Development, DACH,
Nordics & Benelux

kgierling@capdyn.com



Markus Langner

Managing Director

Business Development,
DACH & Netherlands

mlangner@capdyn.com



Mauro Pfister

Managing Director

Secondaries

mpfister@capdyn.com

DISCLAIMER

DISCLOSURE STATEMENT

Capital Dynamics Group is an independent asset management firm focusing on private assets and comprises Capital Dynamics Holding AG and its affiliates.

For investors based in the **United Kingdom**, the **European Union** and **Dubai International Financial Centre (DIFC)**, this presentation is being communicated to you by Capital Dynamics Ltd (CDL). CDL is a firm authorized and regulated by the UK Financial Conduct Authority, and a regulated entity by the Dubai Financial Services Authority for the provision of advisory and arranging services.

For investors based in the **United States**, this presentation is being communicated to you by Capital Dynamics Broker Dealer LLC on behalf of Capital Dynamics, Inc., a registered investment adviser with the US Securities and Exchange Commission pursuant to the Investment Advisers Act of 1940, as amended. Such registration does not imply in any manner whatsoever that Capital Dynamics Inc. has been sponsored, approved or recommended or that its abilities or qualifications have in any way respect been passed upon by the United States or any agency or office thereof.

For all other investors, the presentation is being communicated by the firm entity acting as the manager or general partner, adviser to the client or such other firm entity authorized to make this communication as appropriate.

This presentation is intended only for sophisticated institutional investors who have sufficient understanding of the types of investments described herein and the ability to bear the risks associated with such an investment.

This presentation does not constitute an offer of any Capital Dynamics Fund.

DISCLAIMER

"Capital Dynamics" comprises Capital Dynamics Holding AG and its affiliates.

The information contained herein is provided for informational purposes only and is not and may not be relied on as investment advice, an investment recommendation, an offer to sell, or a solicitation of an offer to buy any interest in any fund or any security, commodity, financial instrument or derivatives linked to, or otherwise included in, a portfolio managed or advised by Capital Dynamics, or an offer to enter into any other transaction whatsoever. **Any such offer or solicitation, if made, shall be made pursuant to a Private Placement Memorandum furnished by Capital Dynamics.** No person has been authorized to make any statement concerning the information contained herein other than as set forth herein, and any such statement, if made, may not be relied upon. Recipients should make their own investigations and evaluations of the information contained herein prior to making an investment decision. Nothing contained herein may be relied upon as a guarantee, promise, assurance, representation or warranty. This presentation is strictly confidential, is intended only for the person to whom it has been provided and may not be shown, reproduced or redistributed in whole or in part (whether in electronic or hard copy form) to any person other than the authorized recipient without the prior written consent of Capital Dynamics.

The recipient should not construe this information as a binding legal agreement or the contents of this information as legal, tax, accounting, investment or other advice. Each investor should make its own inquiries and consult its advisors as to any legal, tax, financial and other relevant matters concerning an investment in any fund or other investment vehicle. Capital Dynamics does not render advice on tax accounting matters to clients. This information was not intended or written to be used, and it cannot be used by any taxpayer for the purpose of avoiding penalties which may be imposed on the taxpayer under U.S. federal tax laws. Federal and state tax laws are complex and constantly changing. The recipient should always consult with a legal or tax adviser for information concerning its individual situation.

Prospective investors should be aware that an investment in the Fund is speculative and involves a high degree of risk. The following is a summary of only certain considerations and is qualified in its entirety by the more detailed "Risk Factors" and "Potential Conflicts of Interest" section of the Private Placement Memorandum for the Fund. Prospective investors should carefully review the Private Placement Memorandum and other governing documents of the Fund ("Fund Documents") in their entirety before making an investment in the Fund.

By accepting delivery of this document, each recipient agrees to the foregoing and agrees to return the document to Capital Dynamics promptly upon request.

DISCLAIMER

Disclaimer (continued)

Forward-Looking Statements. Certain information contained in this Presentation constitutes “forward-looking statements,” which can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “target,” “intend,” “continue” or “believe,” or the negatives thereof, other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance may differ materially from the events, results or performance reflected or contemplated in such forward-looking statements.

Opinions. Opinions expressed reflect the current opinions of Capital Dynamics as of the date appearing in the materials only and are based on Capital Dynamics’s opinions of the current market environment, which is subject to change. Certain information contained in the materials discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice.

Proprietary Data. Certain information and data provided herein is based on Capital Dynamics proprietary knowledge and data. While Capital Dynamics currently believes that such information is reliable for purposes used herein, it is subject to change, it reflects Capital Dynamics’ opinion as to whether the amount, nature and quality of the data is sufficient for the applicable conclusion, and no representations are made as to the accuracy or completeness thereof.

Third Party Information. Certain information contained in the materials has been obtained from sources outside Capital Dynamics, which in certain cases have not been updated through the date hereof. While such information is believed to be reliable for purposes used herein, no representations are made as to the accuracy or completeness thereof and none of Capital Dynamics, its funds, nor any of their affiliates takes any responsibility for, and has not independently verified, any such information. Nothing contained herein shall constitute any representation or warranty and no responsibility or liability is accepted by Capital Dynamics as to the accuracy or completeness of any information supplied herein.

MATERIAL NOTES TO INVESTORS

European select countries (Austria, Belgium, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Greece, Liechtenstein, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Italy, Republic of Ireland, Spain, Sweden): Material is presented to investors qualifying as professional investors (as that term is defined under the AIFMD) by Capital Dynamics Ltd in agreement with the external AIFM, Alter Domus Management Company S.A. The AIFM is authorized and regulated by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg as an Alternative Investment Fund Manager. Capital Dynamics Ltd is authorized and regulated by the Financial Conduct Authority (FCA). Any Recipient not interested in the analysis described herein should return this document to Capital Dynamics Limited, Whitfield Court, 2nd Floor, 30-32 Whitfield Street, London W1T 2RQ, United Kingdom and contact Capital Dynamics as soon as possible (t. +44 20 7297 0200).