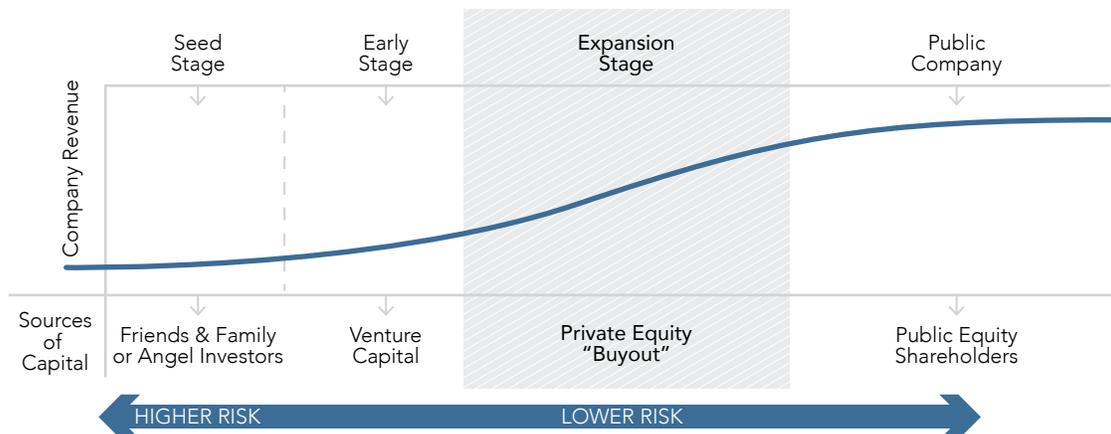
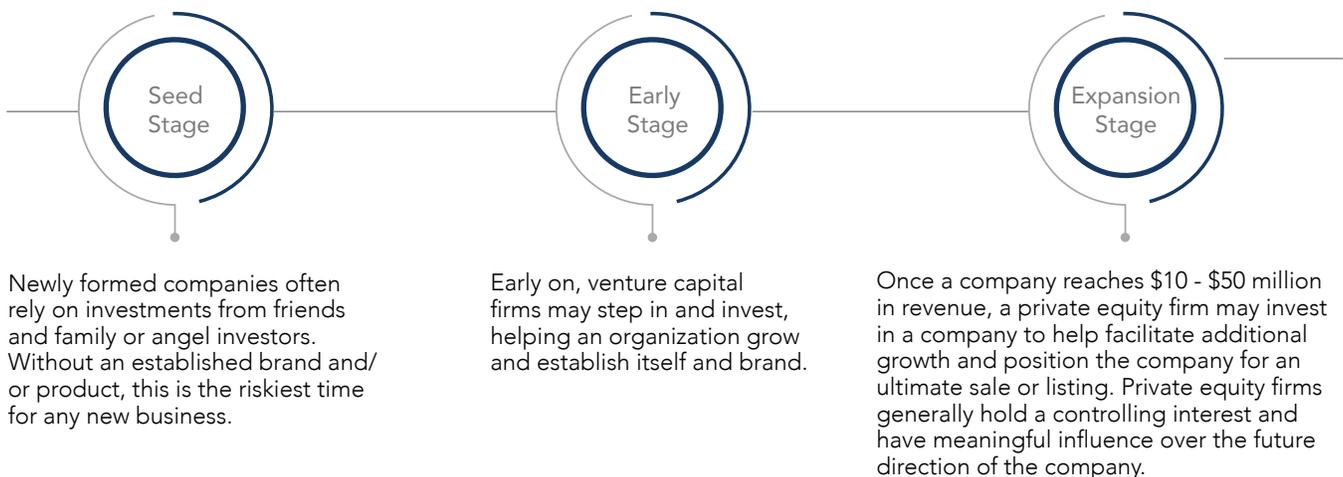


PRIVATE EQUITY IS AN...

- ✓ Asset Class (low market correlation, higher potential returns)
- ✓ Active Management Investment Style
- ✓ Diversification Tool for Investing in Non-Market Correlated Assets

UNDERSTANDING PRIVATE EQUITY

PRIVATE EQUITY PROVIDES CAPITAL TO GROWING BUSINESSES IN VARIOUS STAGES OF DEVELOPMENT:

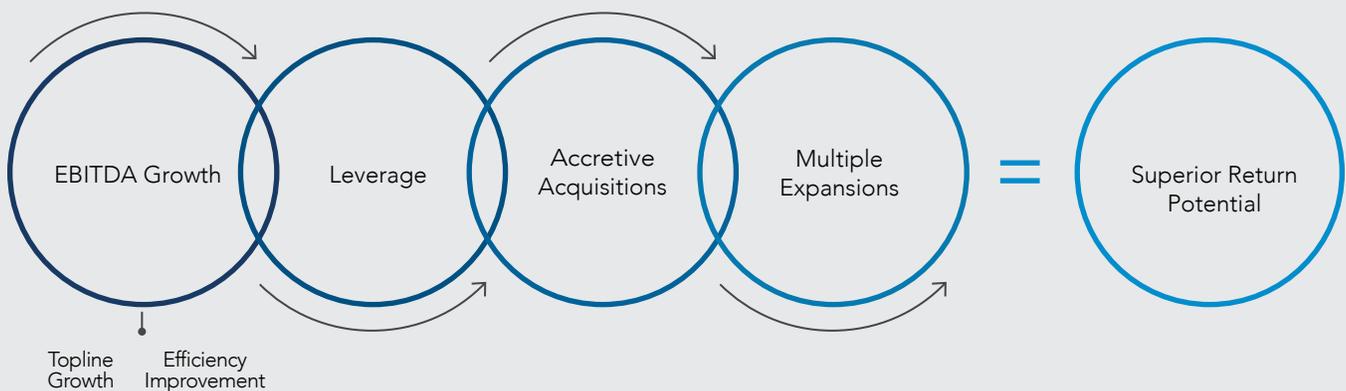


*This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any transaction.

HOW PRIVATE EQUITY FIRMS CREATE VALUE

PRIVATE EQUITY FIRMS PERFORM TWO CRITICAL FUNCTIONS:

- 1 **DEAL ORIGINATION/TRANSACTION EXECUTION** involves creating, maintaining and developing relationships with mergers and acquisitions (M&A) intermediaries, investment banks and similar transaction professionals to secure both high-quantity and high-quality deal flow. This is followed by comprehensive due diligence and assessment of management, the industry, historical financials and forecasts, and valuation analysis.
- 2 **PORTFOLIO OVERSIGHT** occurs upon the acquisition/investment in a company. It involves oversight and support of the firm's various portfolio companies and their management teams.
 - In this role, a private equity firm may walk a young company's executive staff through best practices in strategic planning and financial management.
 - Additionally, it can help institutionalize new accounting, procurement, and IT systems to increase the value of its investment, preparing a company for a future sale or public listing.



For example, the quick serve restaurant ("QSR") industry is a



\$500+ billion-dollar industry that encompasses



over 50% of restaurant sales nationwide.¹

Typically, when these QSR's are sold by small owner/operators to large private equity firms, the locations are consolidated into a large operating platform. When this occurs, economies of scale and efficiencies are created across the portfolio of QSR locations, which in turn, can lead to increased revenue and profitability.

The critical functions that a private equity firm can perform in a QSR portfolio are:



Strategic Alignment with Franchisor



Capital and Operating Efficiencies

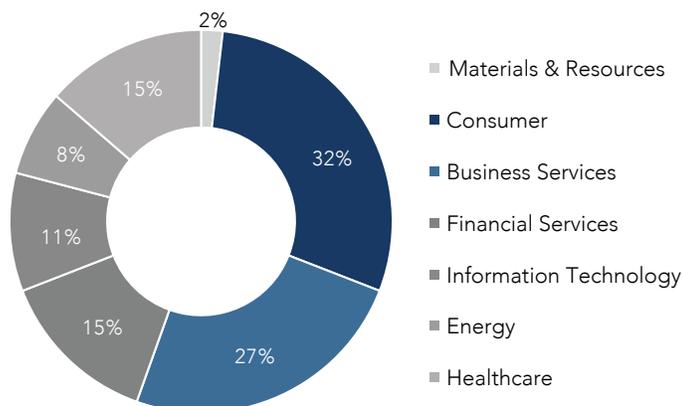
1. The NPD Group/Fall 2015 ReCount and GE Franchise Finance.

THE WIDE SPECTRUM OF PRIVATE EQUITY INVESTMENTS

 **OVER 200,000 PRIVATE MIDDLE-MARKET COMPANIES** in the U.S.²

 **LESS THAN 7%** of those companies are backed by private equity.²

PRIVATE EQUITY INVESTS IN A WIDE VARIETY OF INDUSTRIES³



UNDERSTANDING PRIVATE EQUITY RISKS

Many sophisticated investors have become accustomed to allocating a portion of their equity investments into private equity and other alternative investment classes as a means of diversification; however, it's important to note that these investments may carry with them additional risks that are inherent to their business nature and growth stage of the company.

1 Liquidity Risk

Liquidity risk occurs when an individual investor, business, or financial institution cannot meet its short-term debt obligations.

2 Market Risk

Market risk affects the performance of the entire market simultaneously.

3 Operational Risk

Operational risk is the prospect of loss resulting from inadequate or failed procedures, systems or policies.

4 Funding Risk

The risk associated with the impact of higher funding costs or lack of availability of funds.

INVESTING IN TAX ADVANTAGE PRIVATE EQUITY

Understanding the complexities of private equity and how value is created in such investments are the first steps in entering an asset class that is gradually becoming more accessible to individual investors.

Private equity is often ruled out of a portfolio – but it shouldn't be. As long as investors understand the risks and have no short-term needs for liquidity, there are several ways to participate in a private equity investment, giving average investors the opportunity to own a slice of the private equity pie. These investments include:



Business Development Companies



Private Investment Funds



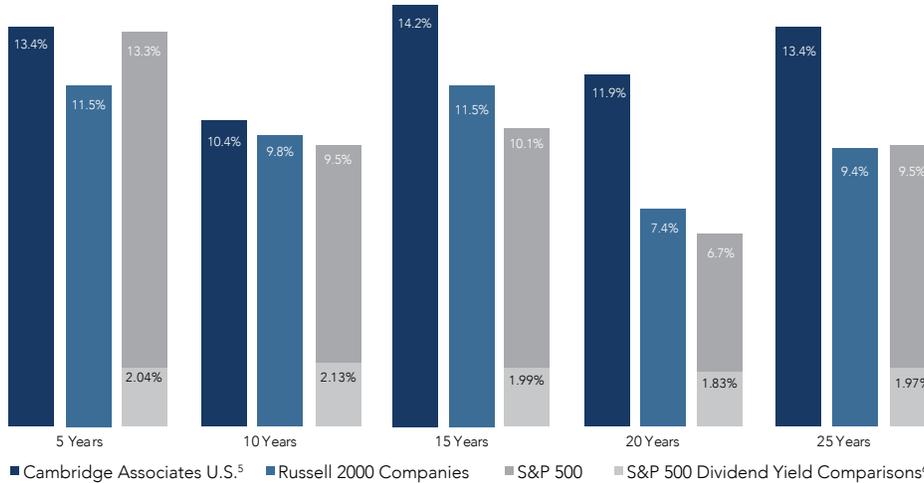
Investments in Private Equity Managers

2. National Center for the Middle Market. Number of US Companies with at least \$10 million in revenue.

3. http://www.investmentcouncil.org/app/uploads/pegcc18_aic-infographic_v5-2.pdf

PRIVATE EQUITY PERFORMANCE

Private equity as an asset class has consistently outperformed the public markets. Since 2000, public pension funds and other investors have allocated to private equity because these funds have generated strong performance in their investment portfolios.⁴



- Looking at data from the 1980s, 1990s, and 2000s, private equity funds exceeded S&P 500 returns by roughly 3% each year.
- Once those differentials start compounding, the total return over a 20-25 year period can be 2-3 times greater.⁴

4. <http://alphaacademyedu.com/key-topics/what-is-private-equity>
 5. Cambridge Associates, U.S Private Equity Index and Selected Benchmark Statistics, September 30, 2018.
 6. www.multpl.com/s-p-500-dividend-yield/table, August 1, 2016.

The Cambridge Associates Index is not transparent and cannot be independently verified because Cambridge Associates does not identify the funds in the index. Because Cambridge Associates recalculates the index each time a new fund is added, the historical performance of the Cambridge Associates Index is not fixed and will differ over time from the data presented in the chart. Funds included in the Cambridge Associates U.S. Private Equity Index report their performance are voluntary, are unidentifiable and unaudited and therefore the index may reflect a bias towards funds with track records of success. The returns reflect a combination of fees including carried interest and data sets change and therefore cannot be replicated. "The Internal Rate of Return (IRR) is a metric used in capital budgeting to estimate the profitability of potential investments. IRR is a discount rate that makes the net present value (NPV) of all cash flows from a particular project equal to zero. To calculate IRR, one would solve for the discount rate when the NPV is set to zero. The Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. This index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index. The S&P 500 is the most widely cited single gauge of large-cap equities on U.S. stock exchanges. The dividend yield for the S&P 500 is calculated by finding the weighted average of each listed company's most recent reported full-year dividend, then dividing by the current share price (Investopedia)." The S&P 500 Dividend is included in the total averages provided. The index is market cap-weighted and includes only common stocks incorporated in the United States and its territories. The Index is adjusted for dividends, weighted towards stocks with large market capitalizations and represents approximately two-thirds of the total market value of all domestic common stocks. The index returns do not represent Fund performance. Direct investment in an index is not possible.

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