Latest Developments in Private Fund Valuation

WEBSINAR | 15TH MARCH 2018 | 3PM GMT / 10AM EST
## Agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
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<tbody>
<tr>
<td>1005 - 1045</td>
<td>Expert Discussion</td>
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<tr>
<td></td>
<td>Moderator - Ian Blance</td>
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<td>Experts – Mark McMahon, Alvarez &amp; Marsal</td>
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<td>Richard Bibby, Alvarez &amp; Marsal</td>
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<tr>
<td>1045 - 1100</td>
<td>Audience Q&amp;A</td>
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<td>1100</td>
<td>Close of Webinar</td>
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Expert Panel

Mark McMahon
Head of Alternative Investment Services
Alvarez & Marsal

Ian Blance
Managing Director
Voltaire Advisors
(Moderator)

Richard Bibby
Managing Director
Alvarez & Marsal
Discussion Topics

- Opening remarks
- Selecting the right valuation approach
- Key factors for managers when outsourcing valuations
- Impact of the Mandatory Performance Framework
- Key issues to be considered by valuation professionals today
- Valuation issues most impacting investors
- Closing remarks
Private Equity Valuation Issues

March 2018

A Discussion for Voltaire Advisory Services
Areas of focus for Private Equity managers, investors and fund CFOs:

• Investors' key concerns for Private Equity in 2018
  - Valuations
  - Exit environment
  - Fee pressure
  - Deal flow
  - Market volatility
  - Governance
  - CP Transparency
  - Regulatory burden/exams
Selecting the appropriate valuation approach

Factors to consider when selecting the valuation approach:

- relative applicability of the techniques
- quantity, quality and reliability of the data used
- comparability of enterprise or transaction data
- stage of development of the enterprise
- stability and growth of profits or cashflow
- results of testing techniques and inputs to replicate the entry price
- relevance of any contrary information
What are the key factors for managers when considering outsourcing valuation work?

- Independence
- Cost: GP vs. LP and in-house vs. outsourced
- LP desire for full independence
- Administrative and deal team time constraints
- Release of management time
- Improvement in consistency, quality and timeliness
- Diversity of perspective
- Particular asset class and/or industry expertise
What is the likely impact of the MPF?

- Potential standardisation of the profession
- Impact is primarily on documentation
- CEIV Credential
- Unlikely to be much change for seasoned practitioners
- Potentially onerous for practitioners
- Potential increase in fees
- Not mandatory, but likely best practice
- US-centric for now
- AIFMD – compare and contrast
What are the key factors to be considered by valuation professionals at the moment?

- US tax reform – current impact and risk of potential change by a future administration
- Brexit: modelling future business is challenging, higher risk because of uncertainties
- General lack of distress, market valuations at or near a peak, reflective of global synchronized growth
- Few industries struggling: brick and mortar retail, leisure and highly leveraged businesses in a rising interest rate environment
Valuation considerations

What valuation issues impact your investors the most?
A&M’s Global Reach

For more than three decades, Alvarez & Marsal has set the standard for helping organizations tackle complex business issues, boost operating performance and maximize stakeholder value.

3,000+ Employees
4 Continents
33 Years
51 Offices
20+ Countries

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Mexico City

ASIA
Hong Kong (Asia HQ)
Beijing
Delhi
Dubai
Mumbai
Seoul
Shanghai
Singapore

3,000+
4
33
51
20+
Fresh Perspectives From Seasoned Professionals

A&M has built an alternative investments valuation practice with seasoned professionals at all staff levels that are well versed in the investment strategies, asset classes, deliverables and deadlines critical to meet our clients’ needs.

Robust Valuation Capabilities

A&M’s expertise in the valuation of illiquid securities spans traditional private equity, distressed, venture, absolute return, credit, real estate, infrastructure, special situations, and other strategies. Our expertise includes the following asset classes:

• Senior and subordinated loans
• Convertible debt and equity
• Common equity and warrants
• Derivatives
• Real estate
• LP/GP interests
• Structured products (CLOs, MBS)
• Contractual and commercial agreements
• Other investment structures common to alternative managers

Other Consulting and Advisory Services

• Drafting and vetting of valuation policies and procedures
• Fund manager valuations to support M&A and other purposes
• Litigation and regulatory support
• Transaction advisory
A&M Valuation Services provides a complete solution through an independent, comprehensive and fact-based approach to valuation. Our valuation engagements are characterized by:

Our broad industry and operational expertise ensures superior fundamental knowledge at the sector, company, and security level, evidenced by thorough client interactions, thoughtful information vetting, and robust benchmarking. Our expertise ensures a truly informed and independent perspective on drivers of both enterprise and investment values.

The integrity of an independent opinion is only as strong as the experience and capabilities of the professionals behind it. A&M’s unique diversity of professional services allow us to draw upon a wide range of experience and technical resources to the benefit of our clients.

Alvarez & Marsal has worked with asset managers across all strategies and styles. We understand the issues that are important to investors, regulators, auditors and other industry participants, and we tailor both our communication and deliverables with all of these constituents in mind.

Developed over many years of experience working with large independent valuation providers, as well as Big 4 and industry-specialized auditors, A&M incorporates years of experience derived from direct working relationships with all parties interested in a transparent valuation process.

Our professionals help shape and interpret the audit, valuation, disclosure, and other industry standards, while balancing a real-world perspective on the transparency and accountability demands that are now commonplace.

Operational Focus

Comprehensive

“Alternative” Perspective

Technical Expertise

Leadership

Our professionals help shape and interpret the audit, valuation, disclosure, and other industry standards, while balancing a real-world perspective on the transparency and accountability demands that are now commonplace.
The A&M Alternatives Solution: An Enhanced Perspective

Independence is a function of information provided by clients, public data vetting, and accumulated experience....

...A&M’s perspective is enhanced by what we execute on an operational basis by partnering with companies to create, optimize and measure value.
Alvarez & Marsal, in partnership with Ipreo, provides a range of services to assist managers with the implementation, remediation and ongoing management of the iLEVEL & iVAL platforms.

A&M’s Fund Analytics and Reporting team assists managers and investors in developing, deploying and managing their reporting processes. We offer a comprehensive look at investor reporting from contractual, financial, and technological perspectives. This is done in collaboration with all potential stakeholders within the GP/LP environment, including deal teams, valuation teams and investor relations teams.
# Fund Analytics and Reporting

A&M’s Fund Analytics and Reporting team focuses on developing a best in class reporting function centered on meeting your specific needs as an investment advisor. Our team can serve as your iLEVEL platform manager, reducing your administrative burden, as well as cost and risk, all while ensuring best practices.

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<th>How A&amp;M Can Help</th>
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<td><strong>Diagnostic Assessment</strong></td>
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<tr>
<td>▪ Review of the manager’s current reporting process, scoring to “best practice” benchmarks</td>
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<td>▪ Work with management to identify gaps and efficiencies in portfolio monitoring and reporting processes</td>
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<td>▪ Formalize the action plan – identifying “quick wins” and long term sustainable success</td>
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<td><strong>BENEFITS</strong></td>
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<tr>
<td>▪ Identify best practices</td>
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<td>▪ Define goal state</td>
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<td>▪ Design plan to achieve goal state</td>
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<th>Implementation Services</th>
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<tr>
<td>▪ Oversee implementation of reporting and transparency “best practices”</td>
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<td>▪ Integrate valuation process with investor management reporting functions</td>
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<td>▪ Improve an existing implementation to achieve the expectation held at inception</td>
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<td><strong>BENEFITS</strong></td>
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<tr>
<td>▪ Execute current state to goal state</td>
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<td>▪ Include all stakeholders</td>
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<td>▪ Ensure application of best practices</td>
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<td>▪ Assist reporting teams in managing the iLEVEL process to collect periodic information from PortCos, as well as ascertaining the accuracy and consistency of such information</td>
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<td>▪ Develop customized investor reports</td>
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<td>▪ Generate monitoring reports on a quarterly basis</td>
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<td>▪ Update reports as needed to conform to “best practice” standards</td>
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<tr>
<td><strong>BENEFITS</strong></td>
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<tr>
<td>▪ Enhance Risk Management</td>
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<td>▪ Realize Cost Benefits</td>
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<td>▪ Achieve best-in-class transparency</td>
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Richard Bibby

Managing Director, Head of European Valuation Services

Richard is head of the A&M’s European Valuation Services practice and has more than 20 years valuation experience across all sectors and industries

- Richard has worked on a variety of valuation assignments, principally focused on advice to the asset management and wider financial services sector, in particular to private equity, infrastructure, real estate, corporate asset management firms and European-based banking groups. Richard has advised family offices of the value of their portfolios and valued simple and complex financial instruments for commercial and financial reporting purposes.

- Richard has been responsible for:
  - Many financial reporting and tax related valuations and opinions across all sectors, including Business Combinations (IFRS 3 / ASC 805 / FRS 102), impairment testing, investment fair value reporting, share option related valuations and related tax valuation advice;
  - Valuations of intellectual property and intangible assets in the context of financial reporting, M&A advisory and tax structuring;
  - Valuations of businesses for financial restructuring purposes;
  - Investment portfolio valuations in particular to infrastructure, private equity, hedge and real estate investors;
  - Fairness opinions and other mergers & acquisitions related valuations; and
  - Reports in cases of expert witness, disputes and determination

- Richard joined A&M in 2014 and was previously a Director in the Corporate Finance valuation group at Deloitte helping to establish and lead their portfolio valuation group. Richard regularly speaks at valuation conferences and often is referred to in the press as a source of valuation knowledge

- He is a member of the Chartered Institute for Securities & Investment and the Chartered Institute of Taxation and is an alumnus of Imperial College London
Mark McMahon

Mark McMahon is a Managing Director, Global Valuation Services Practice Leader

Mark also heads up Alternative Investment Services and is based in the New York offices of Alvarez & Marsal.

- Mark has more than 17 years of experience and specializes in the valuation of illiquid securities and interests across various strategies and asset classes common to alternative asset managers.
- Mark provides valuation advisory services to private equity, hedge funds and business development companies (BDCs). He has performed valuations of portfolios of illiquid equity interests held by both middle market and large private equity funds, while his hedge fund and BDC experience includes the analysis of private loans, including senior secured, subordinated and mezzanine debt, convertible preferred and common equity, warrants and other derivatives. In addition, Mark has valued special purpose entities utilized to provide levered equity returns on portfolios of private loans and corporate bonds.
- Mark’s experience also includes the valuation of underlying portfolio companies for private equity funds, as well as management, carried interest and incentive fee entities of private equity and hedge funds in connection with purchase price allocations, impairment testing and restructurings under IRC 1060, IFRS 3, ASC §805 and ASC §350.
- Prior to joining Alvarez & Marsal, Mark held positions in the fields of corporate finance, investment advisory and corporate valuation consulting.
- Mark received his MBA from New York University's Leonard N. Stern School of Business and his BS from the University of Richmond’s E. Claiborne Robbins School of Business. He is a Chartered Financial Analyst (CFA) charter-holder and member of the CFA Institute and New York Society of Security Analysts. He is also a member of the American Society of Appraisers.