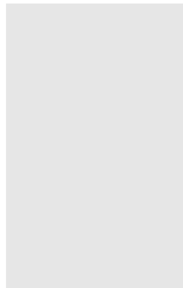
PRIVATE CAPITAL QUARTERLY

SECOND QUARTER 2024



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FEG® investment advisors

Catalysts for Change: How Life Sciences VC is Shaping the Future of Medicine

The significant pace of scientific and medical breakthroughs, combined with the merger and acquisition (M&A) interest from large biotechnology and pharmaceutical companies and growing optimism for successful public listings, has drawn institutional investors to life sciences-focused venture capital (VC) funds for decades.

Many investors seek to capitalize on the secular tailwinds and innovative technologies propelling the life sciences industry forward, such as aging populations, the need to identify cures for various illnesses, and the potential for artificial intelligence (AI) to transform drug development and optimize clinical trials. In recent years, biotechnology has seen a surge in investment due to breakthroughs in genomics, personalized medicine, and gene editing technologies that many know as CRISPR, the acronym for clustered, regularly interspaced short palindromic repeats.

LIFE SCIENCES VENTURE CAPITALISTS: INVESTING IN MEDICAL BREAKTHROUGHS

Life sciences VC managers typically target investments in human therapeutics that solve unmet medical needs. Managers investing in the industry must have the scientific rigor to properly diligence technology opportunities. Moreover, life sciences managers often work collaboratively with management to drive value creation by aiding drug development, negotiating corporate licenses, setting clinical and regulatory strategies, recruiting talent, and preparing companies for exit. Managers aim to produce strong returns by investing in companies with assets from pre-clinical, or not yet in human trials, to Phase I, or beginning human trials, stages.

Early-stage life sciences firms seek to invest in pre-clinical programs, which often includes identifying or incubating teams that are developing or have developed technologies with the potential for commercial market opportunities. Once a technology is developed, teams work to take the drug(s) through clinical and regulatory approval processes. Investments in this area are often tranched and milestone-dependent, allowing managers the opportunity to preserve capital if early milestones are not met.

Other life sciences managers target investments focused on later-stage clinical therapeutics. These firms pursue companies with mature products in development or seek licensing opportunities with established biotechnology and pharmaceutical companies.

When drug efficacy is demonstrated, and risk is lowered, managers seek to sell the company to a strategic acquirer—such as a large biotechnology or pharmaceutical company—or the public market via an initial public offering (IPO). Large biotechnology and pharmaceutical companies typically acquire assets around the Phase II trial. Since 2020, the median years to exit larger assets—greater than $75 million—to strategic buyers has ranged from four to five years, and historically, these exits have provided investors with attractive relative and absolute returns.

LIFE SCIENCES MARKET REGAINING SUSTAINABLE MOMENTUM

The abnormally active venture capital market in 2021 transcended the life sciences industry. The monumental year was distinguished by record-breaking fundraising dollars, unprecedented deal volume, rich exits to strategic buyers, and inimitable IPO activity. Much of the industry's high-octane period was attributed to pandemic-accelerated Food and Drug Administration (FDA) approvals.

Biotech IPO activity peaked in 2021 when more than 100 biotech companies entered the public markets and raised nearly $15 billion. Many drugmakers that priced offerings did so uncharacteristically, bringing companies that were in pre-clinical or early-stage clinical testing to market. This is significant because capital invested in earlier-stage assets is more exposed to the capital-intensive nature, prolonged timelines, and higher drug development and approval process failure rate.

The life sciences industry was adversely affected as interest rates increased, causing recently publicly listed companies to experience a higher-than-average failure rate. The hyperactivity of the life sciences market meaningfully decelerated after the first quarter of 2022. Investor capital, which had previously flowed freely into life sciences VC, pulled back, deal volumes fell precipitously, and distributions from exits were minimal. Compared to the 100+ biotech IPOs in 2021, the sector saw just 22 IPOs in 2022 and 19 in 2023.

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In the first six months of 2024, the life sciences market has begun to show signs of reinvigoration. Fundraising dollars have exceeded the pre-pandemic pace, deal flow has increased, and 13 companies have already been publicly listed this year. Unlike in 2021, most biotech companies with priced IPOs this year have already begun testing their products in humans, to some extent reflecting an investor shift toward safer bets. As advancements in innovation and AI continue to propel drug development, life sciences activity is expected to maintain momentum.

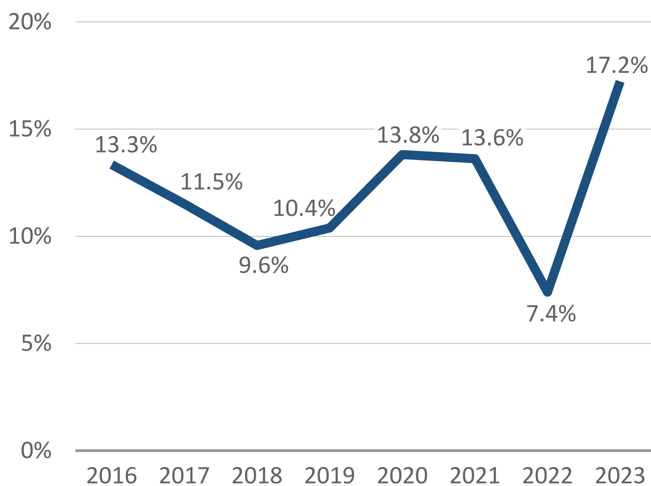
THE RISE OF LIFE SCIENCE VENTURE CAPITAL FUNDS

After a few years of growth about a decade ago, life sciences VC fundraising essentially doubled before skyrocketing during the pandemic. That short-lived peak has since subsided to more sustainable levels, reflecting a strong but reasonable growth level above pre-pandemic years.

Accounting for an impressive 17% of all VC fundraising dollars, the life sciences sector made up a record-breaking share of the overall venture dollars raised in 2023. This signals a piqued investor interest in the space. Although the annual total raised for life sciences-focused funds in 2023 did not match 2021, it was still robust, with over $15 billion raised, coming close to the totals from 2020 and 2022. Fundraising activity was notably more concentrated within larger funds than in previous years, with 13 funds closing on at least $500 million. These 13 funds accounted for 75% of the total life sciences VC raised in 2023. The ongoing interest in AI for drug development is expected to continue driving the trend toward larger life sciences venture capital funds.

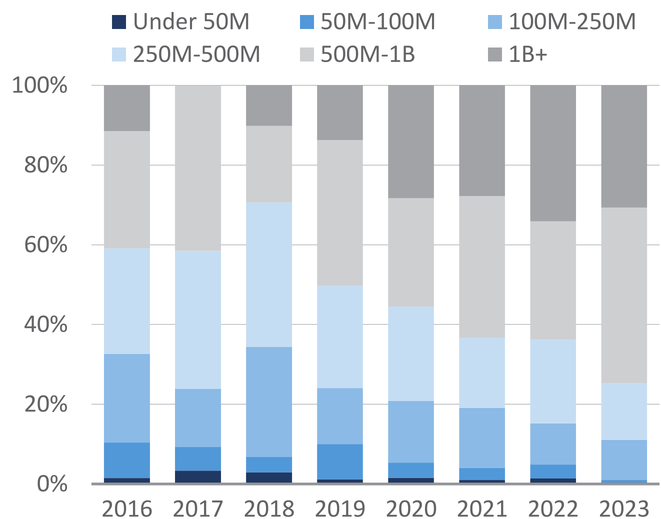
LIFE SCIENCES VC FUNDS ATTRACTING MORE VC CAPITAL

Life Sciences VC Capital Raised as a Share of all VC Capital Raised



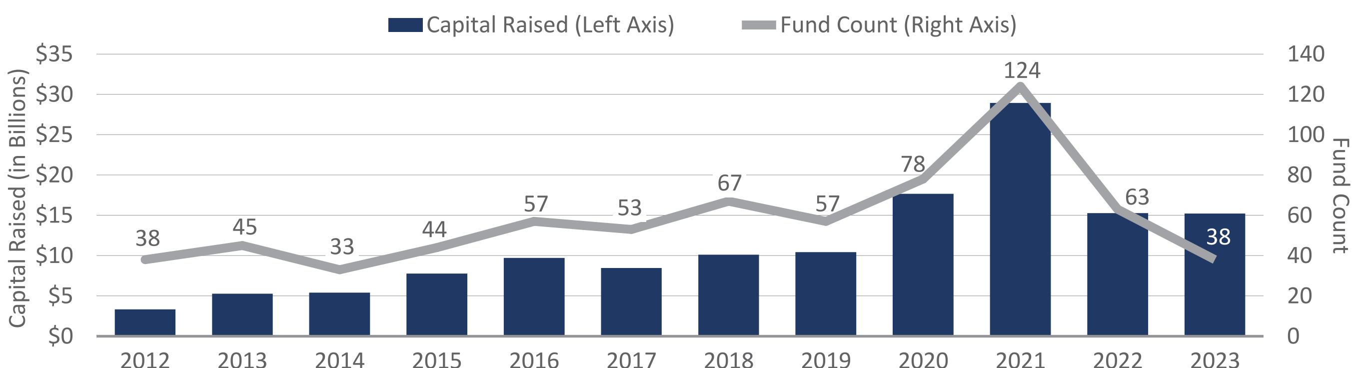
LIFE SCIENCES VC FUNDS ARE GETTING BIGGER

Share of Life Sciences VC Fund Value by Size



LIFE SCIENCES VC FUNDRAISING EXCEEDING PRE-PANDEMIC LEVELS

Life Sciences VC Fundraising Activity



Data source (all charts): Pitchbook 1H24 Healthcare Funds Report – Geography: North America and Europe; Data as of December 31, 2023 (most recent available)

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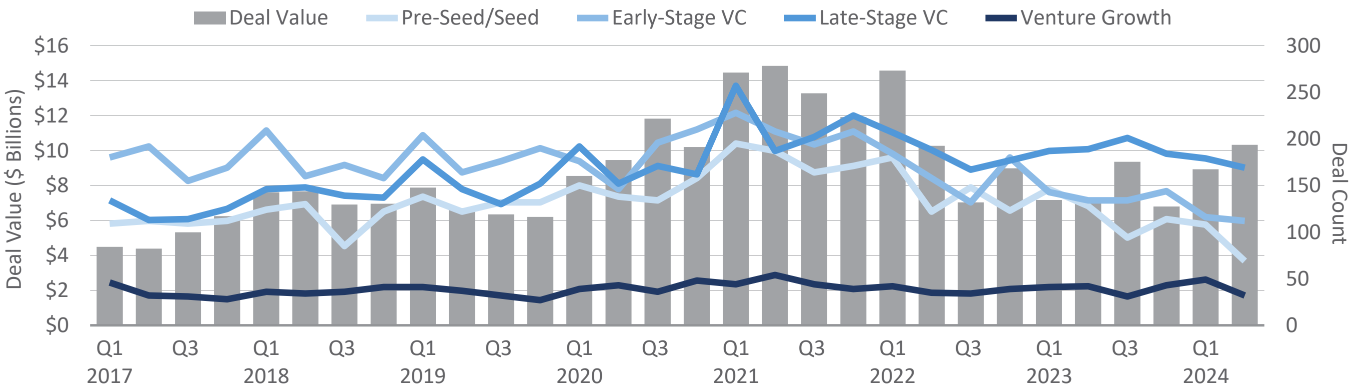
CAPITAL FLOWING INTO LIFE SCIENCES DEALS

Life sciences deal value in the second quarter of 2024 reached the highest quarterly total since the first quarter of 2022. Of the $10.3 billion invested in life sciences deals during the second quarter, 44% was invested in late-stage venture deals. This reflects life sciences VC managers' bias toward lower-risk, more mature companies compared to higher-risk, pre-clinical, and early-stage clinical assets. The capital committed to late-stage biotech deals peaked in the first quarter of 2021 and has remained the dominant financing type.

LIFE SCIENCES VC DEAL ACTIVITY REACCELERATING

Quarterly U.S. Life Sciences VC Deal Activity

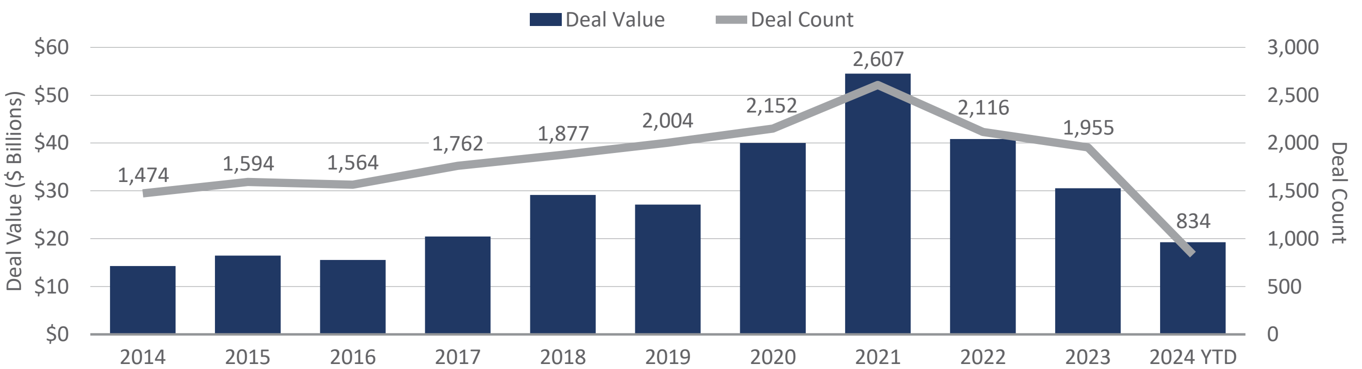


Data source: Pitchbook 2Q24 NVCA Venture Monitor – Geography: United States; Data as of June 30, 2024

With $19.3 billion invested in the sector year to date, 2024 is on track to match 2020 and 2022 deal levels. Apart from 2021, these annual totals eclipse all prior years and serve as evidence of investors' ongoing appetite in this segment.

U.S. LIFE SCIENCES VC DEAL ACTIVITY ON PACE TO SURPASS ANNUAL PRE-PANDEMIC LEVELS

Quarterly U.S. Life Sciences VC Deal Activity



Data source: Pitchbook 2Q24 NVCA Venture Monitor – Geography: United States; Data as of June 30, 2024

Given the recent influx of capital dedicated to investing in the industry, life sciences deal activity is expected to continue. As of December 31, 2023, Pitchbook estimated that $39.7 billion of dry powder was available for life sciences VC deals.

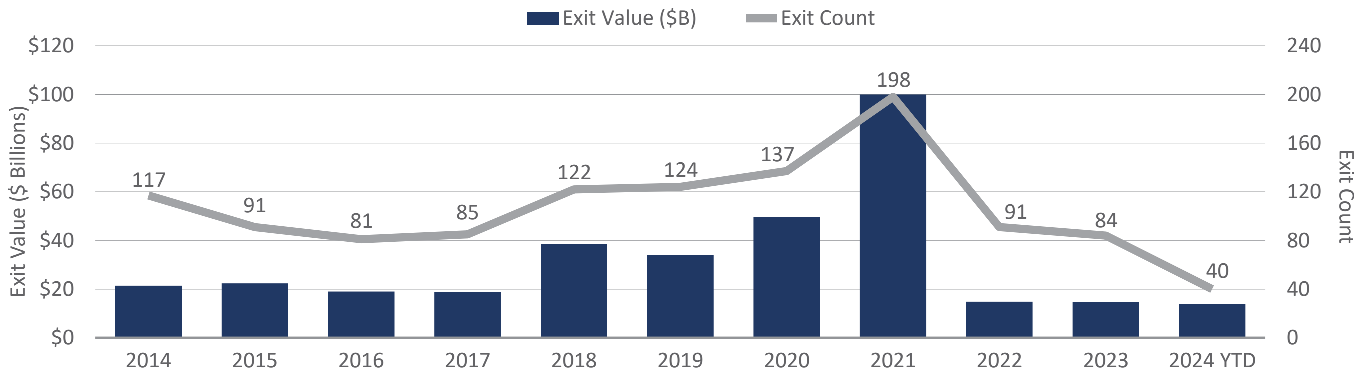
LIFE SCIENCES VC EXIT PATHWAYS

On average, life sciences investments returned more capital per deal when compared to exits in the broader venture capital asset class. In 2023 and through the first half of 2024, life sciences exits accounted for only 8% of the total venture capital exit count. Still, the exit value for these companies comprised 25% of all dollars generated by venture capital managers. This indicates that, on average, exits in the life sciences VC market are less frequent than those in other VC sectors. Yet, when life sciences liquidity events occur, they are often of considerable value. As such, life sciences VC funds typically have lumpy distribution cadences.

The average life sciences exit value in 2023 was $175.6 million. As several sizeable exits were completed in the first half of 2024, the average exit value increased to $347.4 million, demonstrating that just a few exits within a life sciences VC fund can significantly impact overall fund performance.

U.S. LIFE SCIENCES M&A EXITS UPTICKING FROM PRIOR TWO YEARS

U.S. Life Sciences M&A Exit Activity



Data source: Pitchbook 2Q24 NVCA Venture Monitor – Geography: United States; Data as of June 30, 2024

In addition to M&A events, stock listings give life sciences companies the funding they need to develop their drugs and provide venture capital managers and their investors an opportunity to earn a return. While the IPO market remains muted, the public market activity—though comparatively minimal from 2021 highs—hints at opportunities for good companies. Biotech IPOs raised over $1.9 billion in the first half of 2024, with 13 life sciences companies listing on the public market. Only 4 of the 13 biotech companies listed this year are trading above their IPO price as of July 30, 2024. This indicates skepticism about life sciences companies from public market investors while showing strong investor backing exists for quality assets.

Risky assets like life sciences with longer-dated cash flows bode well in rate-cut environments, as their future cash flows are discounted at a lower rate, making them more attractive to investors due to the higher current valuation. There was early enthusiasm in the life sciences ecosystem regarding 2024's biotech IPO prospects on expectations of early rate cuts from the Federal Reserve (Fed). However, some of the enthusiasm has worn off as the Fed has continued to push rate cuts until later in the year. The hope of impending rate cuts is sending a glimmer of optimism through the industry for a strong IPO biotech market in the back half of the year.

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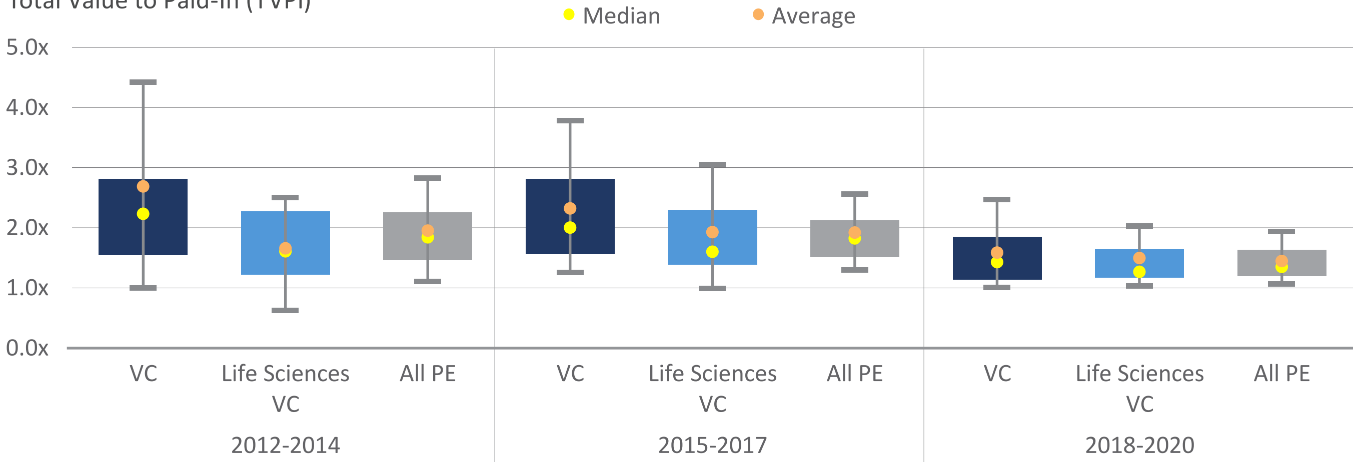
EVALUATING FUND PERFORMANCE

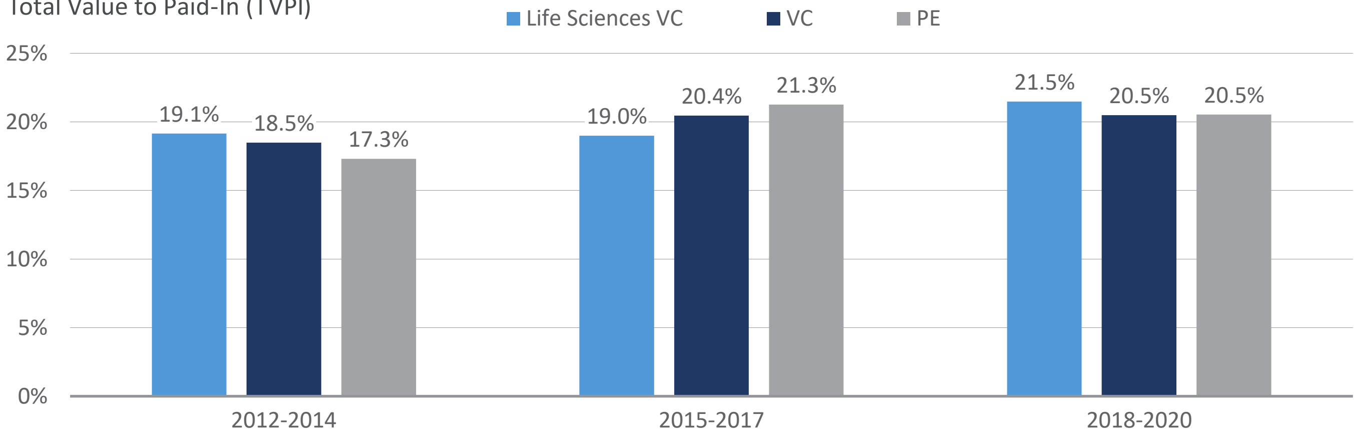
Life sciences VC managers have a wider dispersion of investment returns than private equity (PE) funds, indicating the effect of life sciences' higher-risk, higher-reward strategy. Life sciences VC specialists generally perform similarly to the broader VC asset class by pooled internal rate of return (IRR) but underperform across vintages when measuring total value to paid-in (TVPI). This may be due to the capital-intensive nature of drug development. Many managers and investors are bullish on the performance improvement of life sciences venture capital in the coming years due to the potential for AI to increase the efficiency and effectiveness of the drug development and approval process, thus reducing the time needed and capital expenditure.

PERFORMANCE OF LIFE SCIENCES VC HAS LAGGED BROADER ASSET CLASS BUT HAS EXCEEDED PE FUNDS



Data source: Pitchbook Pitchbook 1H24 Healthcare Funds Report – Geography: North America and Europe; Data as of June 30, 2023 (most recent available)

LIFE SCIENCES VC FUNDS ACHIEVED SIMILIAR RETURNS BASED ON NET IRR



Data source: Pitchbook Pitchbook 1H24 Healthcare Funds Report – Geography: North America and Europe; Data as of June 30, 2023 (most recent available)

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NAVIGATING REGULATORY AND ECONOMIC CHALLENGES

Life science companies operate in a challenging landscape of regulatory complexities and economic pressures. Regulatory affairs ensure the safety and efficacy of products, with agencies like the FDA requiring extensive data over lengthy periods. However, the timetable is sometimes accelerated during public health emergencies like COVID-19. Economic uncertainties and financing costs, alongside policy issues such as the Federal Trade Commission's (FTC) anti-competition policies, the Inflation Reduction Act, and the National Institutes of Health's (NIH) framework for march-in rights, further complicate the industry's environment.

Life science companies must employ proactive compliance strategies to navigate the ever-evolving regulatory landscape. Engaging with regulatory bodies, managing risks, and maintaining agility are essential for adapting to policy changes. Collaborative efforts with stakeholders support reimbursement strategies and policy advocacy, helping to secure market access and commercial viability in a rapidly evolving sector.

AN ADDITION FOR A DIVERSIFIED PRIVATE EQUITY PORTFOLIO

Life sciences managers pursue a narrow strategy because they focus on the therapeutics sector, which is regulated and subject to reimbursement rates from insurance companies and other third-party payors such as Medicare. Increased regulation on drug approval or pressure on reimbursement rates can, therefore, adversely affect returns. Life sciences VC funds are higher-risk investment strategies that should be considered part of a diversified PE portfolio.

HIGH-RISK, HIGH-REWARD: THE ALLURE OF LIFE SCIENCES VC

Despite regulatory hurdles and economic uncertainties, life sciences investments' high-risk, high-reward nature continues to appeal to institutional investors. Constant scientific advancements, an aging global population, and the transformative potential of technologies like AI and gene editing catalyze the need and capability for disruptive medical breakthroughs. While the industry faces regulatory and economic challenges, ongoing interest and substantial capital inflows underscore investors' confidence in its growth prospects. Given the upward trajectory of life sciences deal activity and exits and the sector's capacity to address critical global health issues, life sciences VC funds remain an attractive proposition for institutional investors seeking both financial returns and societal impact. Recent robust fundraising and deal activity highlights the enduring appeal and promise of this dynamic and innovative field.

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PRIVATE EQUITY

Venture Capital

- The ongoing liquidity crunch and lack of distributions have negatively impacted limited partners' ability to pledge capital to VC funds. Through the first six months of 2024, VC firms amassed roughly $37 billion of aggregate commitments.[1] Total annualized fundraising has declined over 60% from the peak in 2022.[2] Should this trend persist, 2024 is poised to be the lowest fundraising year since 2019.
- U.S. venture capital deal activity remains in line with recent historical averages. Trailing 12-month (TTM) deal volume is down 10% from the full year 2023.[3] However, deal value has increased roughly 4% over the same period.[4]
- In aggregate, the median U.S. pre-money valuations for venture-backed startups increased slightly during the first half 2024. Relative to full-year 2023, median pre-seed, seed, and early-stage valuations were up 2%, 8%, and 29%, respectively.[5] Median late-stage pre-money valuations were roughly 43% higher.[6]
- Weak demand for IPOs and sluggish M&A activity continue to hamper exit activity. Only 14 companies went public during the second quarter, most from the healthcare sector.[7] The year-to-date exit value is off more than 90% from the peak in 2021.[8]
- U.S. venture capital performance contracted during the third quarter of 2023, and the spread between the top and bottom quartiles climbed above 1,000 basis points.[9]

INVESTOR IMPLICATIONS

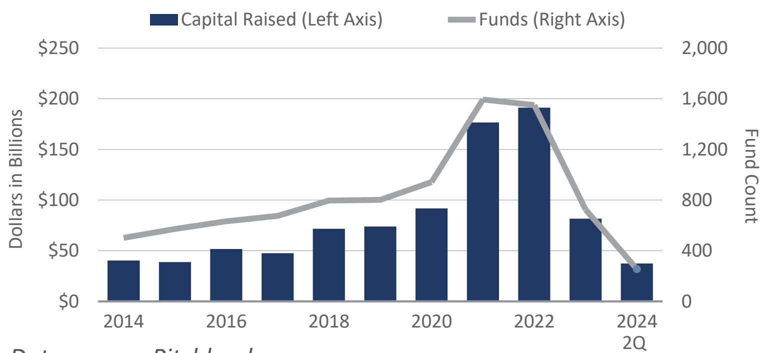
Fundraising, deal activity, and exit activity are expected to stay below recent historical averages. If the current macroeconomic conditions continue, investors may experience down rounds and reduced carrying values in upcoming quarters. FEG advises clients to exercise caution when making new commitments.

[1–8] Pitchbook; NVCA Venture Monitor Q2 2024; June 30, 2024

[9] Refinitiv; December 31, 2023 (most recent available)

FUNDRAISING DECLINED FURTHER

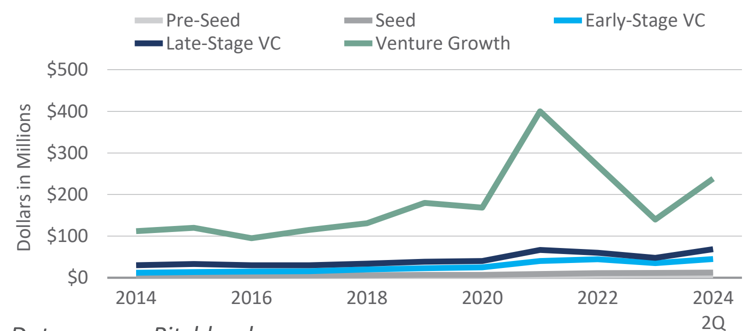
Fundraising Activity



Data source: Pitchbook

VALUATIONS REBOUNDED SLIGHTLY

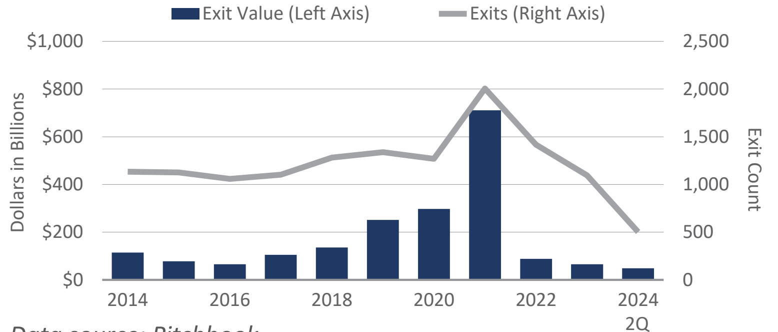
Median Pre-Money Valuations



Data source: Pitchbook

EXIT ACTIVITY REMAINED SLOW

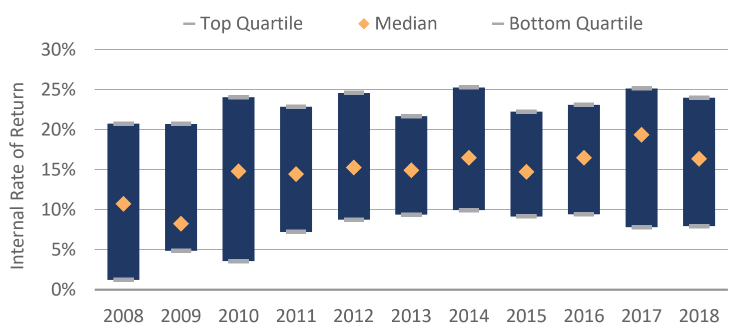
Exit Activity



Data source: Pitchbook

VENTURE CAPITAL PERFORMANCE CONTRACTED

Performance by Vintage Year



Data source: Thomson One; Data as of December 31, 2023

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Leveraged Buyouts

- Despite the broader challenges in the private market, U.S. PE has demonstrated robustness. In the first six months of 2024, U.S. PE funds successfully amassed an estimated capital of $155 billion.[1] This capital predominantly remained in the hands of fund managers. Furthermore, the duration of fundraising campaigns has extended, with the average time to finalize a buyout fund now exceeding 16 months.[2]
- U.S. PE deal activity is showing signs of rebounding. TTM deal volume was up 5% from the full year 2023.[3] Add-on transactions represented roughly 75% of U.S. PE deal activity in the first half of 2024.[4]
- PE purchase price multiples remained in line with year-end 2023 figures. As of June 30, 2024, the median TTM private equity buyout purchase price multiple was 13.1x earnings before interest, taxes, depreciation, and amortization (EBITDA).[5] The median Debt/EBITDA ratio was roughly 5.1x EBITDA.[6]
- U.S. PE exit activity remained in line with last year's annual volumes. TTM exit volume and value were flat compared to full-year 2023 figures.[7] The median holding period of U.S. PE investments exit was roughly 6 years.[8]
- Private equity performance was strong through the third quarter of 2023, and the spread between the top and bottom quartiles exceeded 1,000 basis points.[9]

INVESTOR IMPLICATIONS

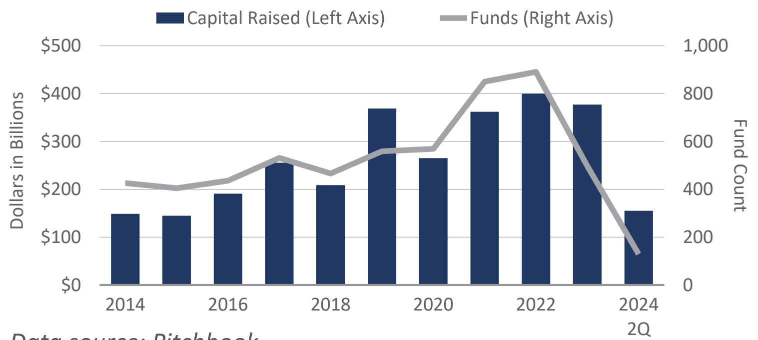
Despite deal and exit activity showing signs of improving, private equity continues to face near-term challenges due to high interest rates, earnings volatility, and geopolitical tensions. FEG advises clients to exercise prudence when making new commitments.

[1–8] Pitchbook; June 30, 2024

[9] Refinitiv; December 31, 2023 (most recent available)

FUNDRAISING SHOWED RESILIENCY

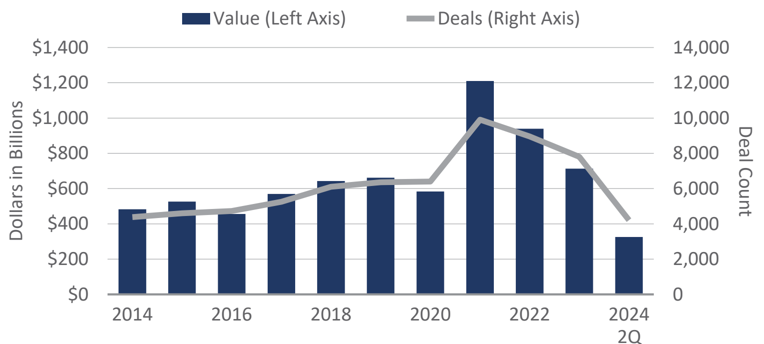
Fundraising Activity



Data source: Pitchbook

DEAL ACTIVITY REBOUNDED

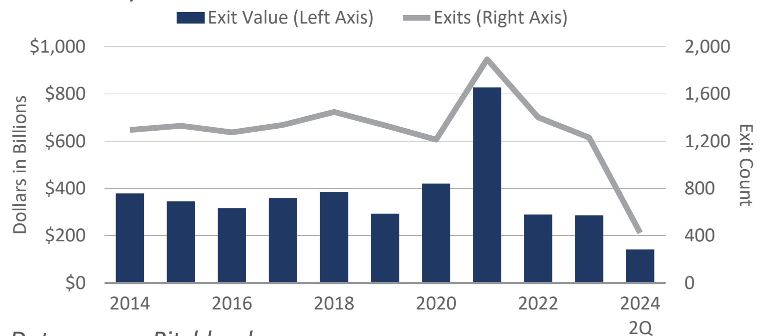
Deal Activity



Data source: Pitchbook

EXIT ACTIVITY FLAT

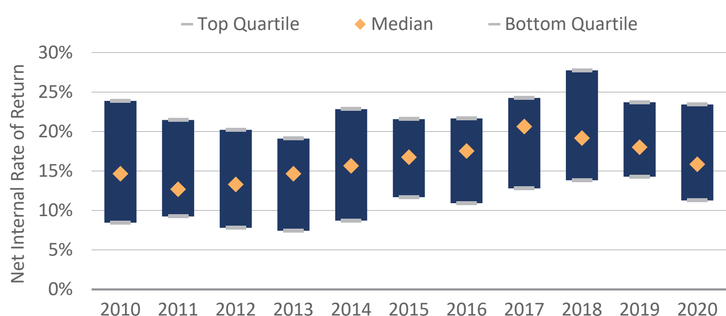
Exit Activity



Data source: Pitchbook

PERFORMANCE REMAINED STRONG

Performance by Vintage Year



Data source: Thomson One; Data as of December 31, 2023

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PRIVATE DEBT

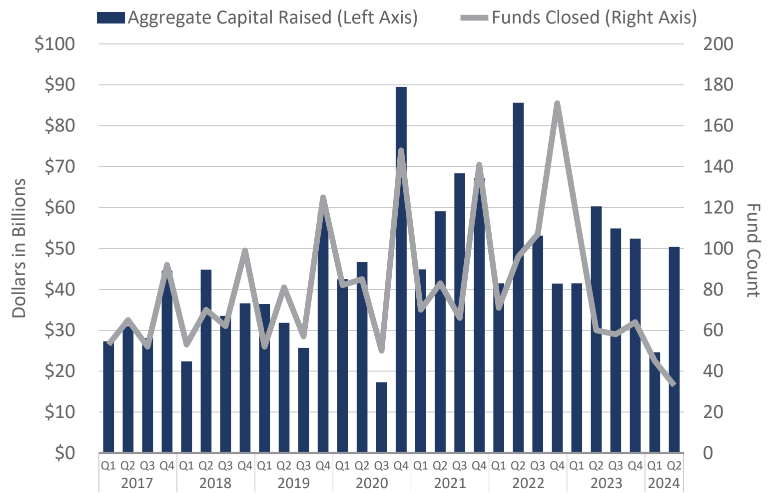
- The second quarter of 2024 saw continued strength in the public credit markets, with bank loans modestly outperforming high-yield bonds. Demand for credit continued to outstrip supply due to a lack of leveraged buyout activity, as most transactions during the first half of the year were refinancings.
- According to Golub Capital's Middle Market Report, middle-market private companies saw their earnings grow more than 10% during the first two months of the second quarter.[1] This marks the seventh consecutive quarter of robust median revenue and earnings growth. The current environment supports the debt of middle-market companies and direct lenders, where refinancing is also the key driver of deal activity.
- Private debt fundraising recovered in the second quarter amid a more settled economic outlook. According to Preqin, total fundraising reached $50.4 billion in funds that declared their final close in the second quarter. An additional $54.6 billion of fundraising still stands at the interim-close stage, just ahead of the eight-quarter average, suggesting there may not be a material change in the timing of funds declaring their final close in the medium term.[2]

INVESTOR IMPLICATIONS

The economy remains resilient amid a normalization of interest rates in the U.S. and inflation remains sticky/lower. Looking into the third quarter, the Fed appears poised to make a policy adjustment lower, but potentially not as much as the market anticipates, as has been the case all year.

PRIVATE DEBT FUNDRAISING REBOUNDED

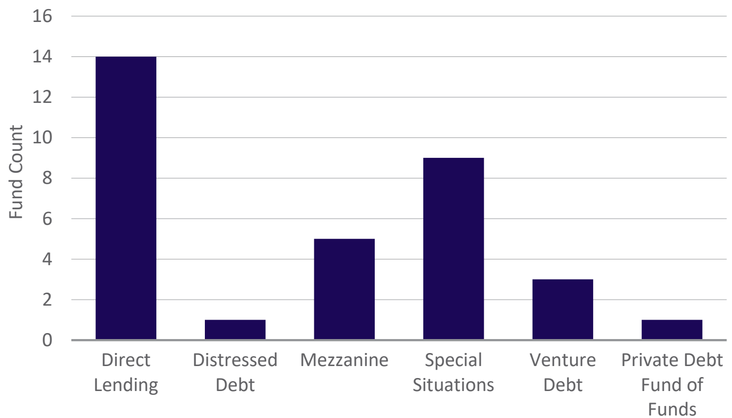
Aggregate Capital Raised and Number of Funds Closed Globally



Data source: Preqin Pro

DIRECT LENDING CONTINUED TO DOMINATE CAPITAL RAISED

Number of Funds Closed by Strategy



Data source: Preqin PRO

[1] Golub Capital Middle Market Report 2Q2024

[2] Insights – Private Debt Q2 2024: Preqin Quarterly Update

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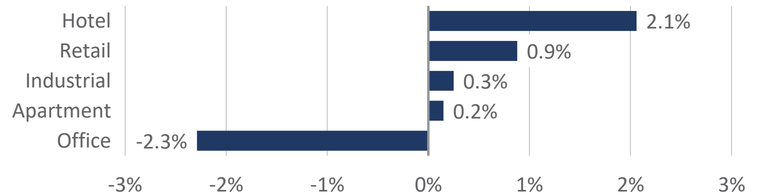
PRIVATE REAL ESTATE

- The National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index (NPI) declined 1.0% during the second quarter, the eighth consecutive quarterly decline since the peak in 2022. With the exception of the office sector, all property types posted positive returns for the quarter. Market value-weighted cap rates based on appraisals for unsold properties in the index were 4.7% however, for properties that sold during the quarter, the average cap rate was significantly higher at 5.9%.[1]
- As measured by the FTSE NAREIT Index, public real estate securities were essentially flat during the second quarter. REITs saw a sharp rebound in July on expectation of an interest rate cut at the Fed's September meeting. Relative to private real estate, REITs should benefit lower leverage and fixed-rate debt. Private real estate funds reported mixed results for the quarter, largely due to property type exposure.[2]
- Global private real estate transaction volume increased slightly in the second quarter relative to the same period in 2023 but was down more than 70% from the peak in late 2021 prior to the Fed's tightening cycle. According to Preqin, total deal value for the quarter was $35.7 billion, compared to $33 billion in the second quarter of 2023. During the quarter, transaction volume in the U.S. reached its lowest level since 2013.[3]
- According to Preqin, 145 private real-estate funds closed, raising $33 billion. This was down from 149 funds raising $65 billion in the same period last year. Private real estate fundraising peaked in the fourth quarter of 2021 when 340 funds raised a total of $97 billion. Fundraising timelines in private real estate are being extended, with one-third of all funds having been in the market for at least 2 years. As of the second quarter of 2024, there were over 2,600 private real estate funds in the market, seeking to raise $629 billion.[4]
- Private label commercial mortgage-backed security (CMBS) issuance remained robust, with year-to-date issuance totaling $42.2 billion, a three-fold increase from the same period in 2023.[5] According to MSCI, portfolios of foreclosed and seized office buildings, apartments, and other commercial property reached $20.5 billion during the second quarter, the highest level since 2015. This represents a shift for many traditional lenders, specifically regional banks, who have thus far been reluctant to foreclose on distressed properties.[6]

OFFICE WEIGHS ON REAL ESTATE RETURNS

NCREIF Performance by Property Type



Data source: NCREIF

INVESTOR IMPLICATIONS

Since the downturn in real estate that began in early 2022, property values have declined approximately 20%, although some, such as office, have fared worse. Significant debt maturities of nearly $1 trillion remain in the coming two years and will need to be resolved by borrowers and lenders. With interest rate cuts now on the horizon, the market may see an increase in transaction volume, which in turn would provide greater price discovery and clarity on valuations. These signs point to a possible bottoming in the market. As a leading indicator, recent gains in REITs suggest that this may be the case. Managers with a flexible mandate and the ability to invest across the capital stack should be well-positioned to take advantage of shifting market dynamics in the current market environment. Additionally, smaller deals likely offer more attractive risk/return profiles due in part to a lack of competition and greater inefficiencies.

[1] NCREIF; June 30, 2024
[2] NAREIT; June 30, 2024
[3, 4] Preqin; June 2024
[5] Trepp CBMS Research, June 2024
[6] Grant, Peter, Surge in Commercial Property Foreclosures Suggests Bottom is Near, The Wall Street Journal, July 29, 2024

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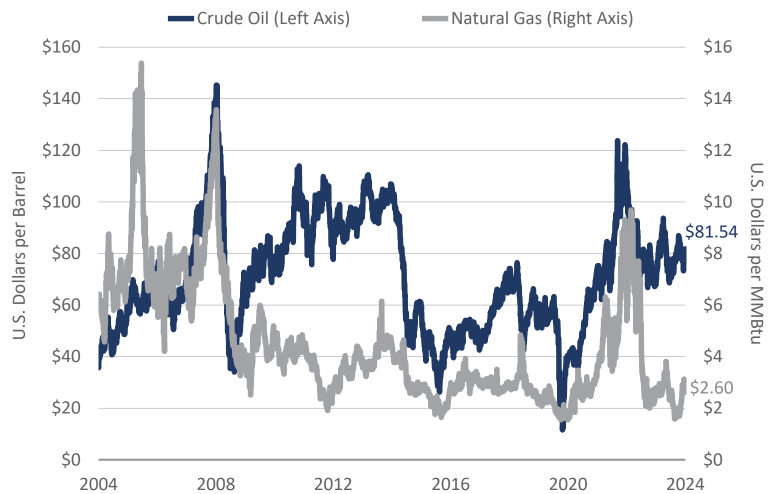
NATURAL RESOURCES

- Oil prices declined 2% during the second quarter, closing at $81.54/barrel.[1] Despite ongoing turmoil in the Middle East, with tensions between Iran and Israel escalating, oil traded in a tight range throughout the quarter. Concerns about demand due to slower growth in Europe and China and rising non-OPEC supply—primarily from U.S. shale production—also weighed on prices. U.S. oil production averaged 13.1 million barrels per day during the quarter, a 7.0% increase over 2023.[2]
- Natural gas prices rose 47% in the second quarter to close at $2.60/MMbtu, compared to $1.76/MMbtu at the end of the first quarter. After falling 30% in the first quarter, prices rebounded in the second quarter as rising temperatures in the U.S. led to expectations for increased demand through the summer months. Inventories remain elevated, however, at approximately 20% above the five-year average.[3] Natural gas is expected to be a key power source for data centers as demand grows with the adoption of artificial intelligence (AI).
- Two of the larger upstream energy funds in the market, Silver Hill Energy Partners IV and EnCap XII, are both expected to close in the third quarter. Despite strong distribution activity from private energy funds relative to other areas within private capital—e.g., real estate, venture capital—investor appetite for upstream remains mixed. As a result, fundraising remains challenging. A small number of groups have emerged specifically targeting secondary interests and continuation vehicles in upstream funds, a niche area not widely pursued by larger private equity secondary groups, which could present a compelling area within private energy.
- Multiple deals were announced in the energy sector during the second quarter that included transactions involving public and private companies. In late May, Conoco-Phillips announced a $23 billion acquisition of Marathon Oil. In late June, SM Energy and Northern Oil & Gas announced an agreement to buy the Uinta Basin assets of XLC Resources, a company backed by EnCap Investments, in a $2.6 billion deal.[4]
- The rig count continued to decline through the second quarter, as public energy companies remained focused on capital discipline and their CapEx budgets were effectively unchanged. According to Baker Hughes, the total U.S. oil and gas rig count decreased 6% in the second quarter to 581.[5]

OIL EXCEEDS $80 PER BARREL AND NATURAL GAS PRICES DECLINE

Price of West Texas Intermediate (WTI) Crude and U.S. Natural Gas



Data source: Bloomberg, L.P.; Data as of June 28, 2024

INVESTOR IMPLICATIONS

The wave of merger and acquisition activity in public upstream energy is already leading to the sale of non-core assets, creating acquisition opportunities for private energy funds with available capital. Upstream deals are characterized by attractive cash flow distributions, resulting in faster paybacks. There is a growing consensus that the energy transition will take longer than initially expected and that traditional energy will continue to be a vital part of the energy mix for the foreseeable future. Finally, with the continued rollout of AI, the question of power availability for data centers has become a key issue. FEG continues to see robust opportunities in multiple areas of the evolving energy landscape.

[1-4] Energy Information Administration www.eia.gov, June 30, 2024

[5] Baker Hughes, June 30, 2024

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INDICES

Bloomberg US Corporate High Yield Index represents the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. The index includes the corporate sectors: Industrials, Utilities, and Finance, encompassing both U.S. and non-U.S. Corporations. See www.bloomberg.com for more information.

The Russell Indices are constructed by Russell Investment. There are a wide range of indices created by Russell covering companies with different market capitalizations, fundamental characteristics, and style tilts. See www.russellinvestments.com for more information.

The FTSE NAREIT Composite Index (NAREIT) includes only those companies that meet minimum size, liquidity and free float criteria as set forth by FTSE and is meant as a broad representation of publicly traded REIT securities in the U.S. Relevant real estate activities are defined as the ownership, disposure, and development of income-producing real estate. See www.ftse.com/Indices for more information.

The S&P 500 Index is capitalization-weighted index of 500 stocks. The S&P 500 Index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The NCREIF Property Index is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only.

HFRI ED: Distressed/Restructuring Index — Distressed/Restructuring strategies which employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings. Managers are typically actively involved with the management of these companies, frequently involved on creditors' committees in negotiating the exchange of securities for alternative obligations, either swaps of debt, equity or hybrid securities. Managers employ fundamental credit processes focused on valuation and asset coverage of securities of distressed firms; in most cases portfolio exposures are concentrated in instruments which are publicly traded, in some cases actively and in others under reduced liquidity but in general for which a reasonable public market exists. In contrast to Special Situations, Distressed Strategies employ primarily debt (greater than 60%) but also may maintain related equity exposure.

Information on any indices mentioned can be obtained either through your consultant or by written request to information@feg.com.

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All data is as of June 30, 2024 unless otherwise noted.

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