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Where are markets today?
What are the opportunities?
How might they apply to you?

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What's different now?

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New environment => new strategies

Key takeaways

Capital deepening - more & larger pools => more competition => lower spreads => lower IRRs

- Long duration = high volatility / bpt
- PDV for residual value higher; increased value sensitivity for long-duration investments
- Lower opportunity cost to time cycles & investments
- Long earn-back periods for capital write-offs; emphasis on minimizing permanent capital losses
- Uncertainty priced relatively wide

More Competitive

- Yield compression, shifting relative value
- Deployment challenges
- 3-7 year holds crowded; niche assets priced high

Low & Falling Returns

- Real asset returns relatively high; return enhancers
- Increase relative value - PE, active business returns

Increasing Volatility

- Rapid shifts in capital flows
- High prices for stable, long-dated cash-flow
- High yields for complex, difficult, uncertain projects

Which strategies capture illiquidity premia for Investors?

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Target less competitive investments with high illiquidity premia

- Complex requiring a sophisticated investor team
- Large / uncertain capital commitments
- Long-duration investments / capital commitments
- High volatility / operating businesses with cyclical cash-flow
- Uncertain stabilization timing or valuation
- Contrarian / cyclically unpopular opportunities

Avoid crowded / highly priced investments

- Simple, in major markets / sectors
- Small / mid-sized capital commitments
- 3 to 7 year holds favored by others
- Stabilizing with steady / long-dated cash-flows
- More certain outcomes / lower volatility

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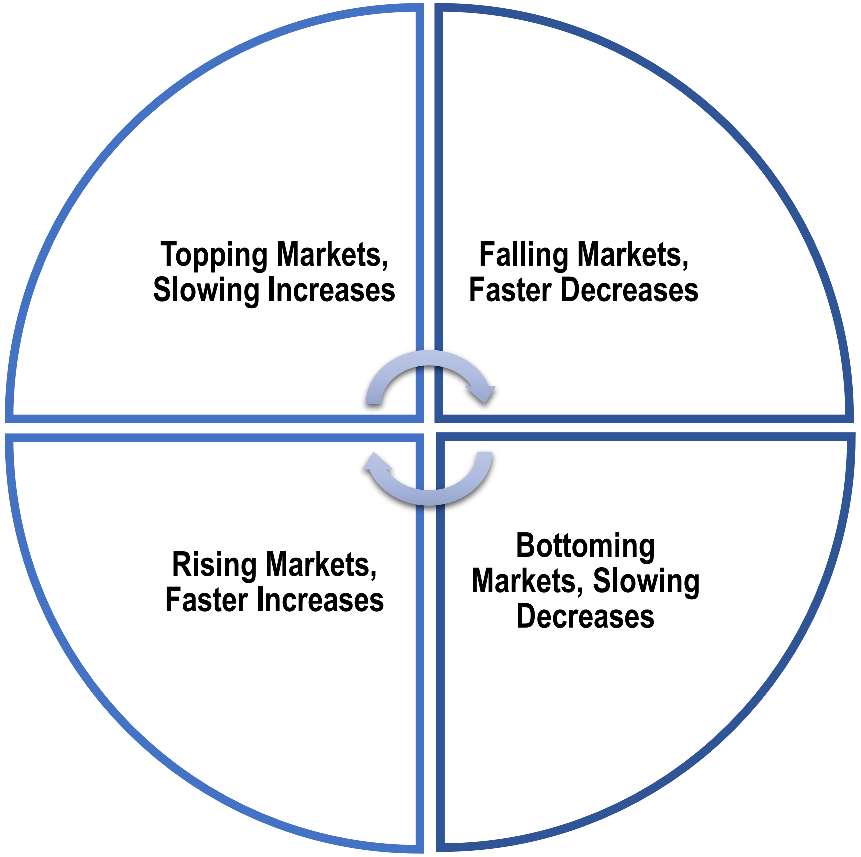
Strategy considerations: Cyclicality

Investment actions to take advantage of pricing cycles

Market Top

* Selectively Trade-Off Control For Pricing
* Position Pipeline For
  Falling Markets - Convexity,
  Duration, Leverage
* Complete Projects / Decrease PE-Opg Bus
* Sell Fully-Priced Investments
* Selectively Buy Well-Priced Assets

* Increase Control / Optionality
* Decrease Convexity
* Shorten Duration
* Decrease Allocation
* Decrease Deployment
* Decrease Leverage
* Decrease PE-Operating Business
* Sell Fully-Priced Assets



* Maintain Control / Exercise Optionality
* Increase Convexity
* Lengthen Duration
* Increase Allocation
* Increase Deployment
* Increase Leverage
* Start Projects / Increase PE-Opg Bus
* Buy Well-Priced Assets

* Maintain Control / Increase Optionality
* Position Pipeline For
  Rising Markets - Convexity,
  Duration
* Manage Leverage - Refinance
* Selectively Increase PE-Opg Business
* Selectively Buy Cheap Assets

Market Bottom

Indicative strategy timing expectations

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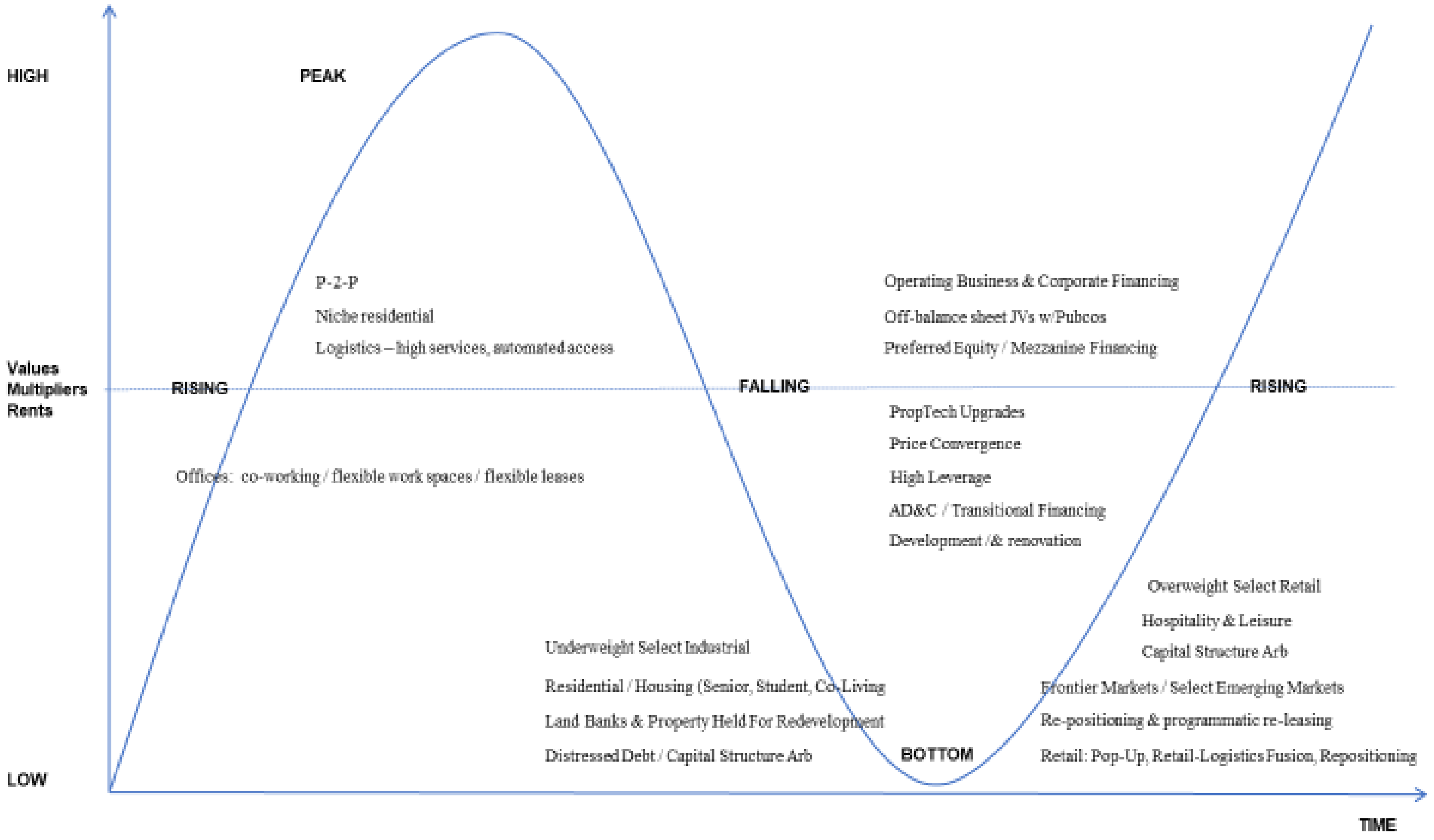
Key takeaways

Strategy selection is flexible driven by investor's:

- Competitive advantages
- Price-points-of-indifference
- Total return optimization

Investment timing is driven by pricing



How might we classify investors? Which type are you?

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Investors have a choice about their management profile, if not their capital profile. Together, they determine the "natural" investment risks for that investor

Key takeaways

Most investments focus on <u>illiquidity aversion</u> for smaller, passive investors

Large risk-tolerant investors can take advantage of relatively wide-pricing for illiquidity risk

Who you are determines which risks you should take

INVESTOR TYPES	ILLIQUIDITY AVERSE	ILLIQUIDITY TOLERANT
CAPITAL PROFILE		
Scale	Small	Large
Investment-horizon	Short	Long
Risk appetite	Low	High
Liquidity Preference	Liquid	Illiquid w/ Yield
MANAGEMENT PROFILE		
Portfolio management	Passive	Active
Asset management	Passive	Active
Property management	Passive	Active
MISSION	Steady Income	Maximum Wealth

What will success look like?

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Key takeaways

Success is:

- Creating a platform with the people, culture, processes, organizational design, and leadership to
- Achieve the investment mission by
- Deploying significant capital
- Generating attractive total returns across cycles
- With strong risk management