



# ALTLOOK: Valuation Quarterly Update—June 2024

June 6, 2024

# Disclaimer

- Any positions presented in this session are those of the panelists and do not represent the official position of Kroll, LLC. This material is offered for educational purposes with the understanding that neither the authors nor Kroll, LLC or its affiliates are engaged in rendering legal, accounting or any other professional service through presentation of this material.
- The information presented in this session has been obtained with the greatest of care from sources believed to be reliable, but is not guaranteed to be complete, accurate or timely. The authors and Kroll, LLC or its affiliates expressly disclaim any liability, including incidental or consequential damages, arising from the use of this material or any errors or omissions that may be contained in it.

# Leading Provider of Global Risk and Financial Advisory Solutions

We help clients detect, manage and mitigate enterprise risk and make strategic and informed financial decisions to protect and maximize value

## Valuation

Valuation of businesses, assets and alternative investments for financial reporting, tax and other purposes.

## Compliance and Regulation

End-to-end governance, advisory and monitorship solutions to detect, mitigate and remediate security, legal, compliance and regulatory risk.

## Corporate Finance and Restructuring

M&A advisory, restructuring and insolvency, debt advisory, strategic alternatives, transaction diligence and independent financial opinions.

## Cyber Risk

Incident response, digital forensics, breach notification, managed detection services, penetration testing, cyber assessments and advisory.

## Environmental, Social and Governance

Advisory and technology solutions, including policies and procedures, screening and due diligence, disclosures and reporting, investigations, value creation and monitoring.

## Investigations and Disputes

World-wide expert services and tech-enabled advisory through all stages of diligence, forensic investigation, litigation, disputes and testimony.

## Digital Technology Solutions

Enriching our professional services, our integrated software platform helps clients discover, quantify and manage risk in the corporate and private capital market ecosystem.

## Business Services

Expert provider of complex administrative solutions for capital events globally. Our services include claims and noticing administration, debt restructuring and liability management services, agency and trustee services and more.

# Today's Agenda

1. New Regulation
2. Macro-economic Update
3. Valuation Hot Topics/Questions

# Speaker's Introduction

## Jenetta Mason



**Managing Director**

**Portfolio Valuation**

---

Kroll

Chicago

+1 312 697 4949

[Jenetta.Mason@kroll.com](mailto:Jenetta.Mason@kroll.com)

Jenetta Mason is a managing director in the Chicago office and is part of the Portfolio Valuation group within Valuation Advisory Services practice. She specializes in the valuation of illiquid interests, investments and portfolios for private equity funds and hedge funds. Jenetta has performed valuations for global publicly traded and privately held clients across various industries, including consumer and industrial products, technology, healthcare, retail and many others.

Additionally, Jenetta has extensive experience encompassing the valuation of intangible assets, business interests, capital stock, partnership interests, and financial assets in connection with business combination decision support, financial reporting, corporate and estate tax planning and compliance, and dispute analysis.

Prior to joining Kroll, Jenetta was a director in the Valuation Services group at Grant Thornton LLP and was also part of the firm's subsidiary Grant Thornton Financial Advisors LLC, which is in the business of providing fairness opinion services.

Jenetta received her Bachelor of Science in accounting from Miami University.

## Lea Carty



**Managing Director**

**Private Capital Markets**

---

Kroll

New York

+1 212 833 3432

[Lea.Carty@kroll.com](mailto:Lea.Carty@kroll.com)

Lea Carty joined the newly formed Kroll Digital Services in 2022, to focus on the development and commercialization of company credit-related data and analytics.

Prior to Kroll, Lea led the Investment Solutions Group at the London Stock Exchange Group, the credit decision support effort at ZAIS Group LLC, a specialist corporate credit hedge fund and CLO manager, and the Buyside Solutions Group of Bloomberg LP. While at Bloomberg, he also served as an executive director of Bloomberg Index Services, Ltd.

Prior to Bloomberg, Lea was a Managing Director in Lehman Brothers' Research department, focused on portfolio and index analytics capabilities. Before Lehman, Lea was a Managing Director with Moody's Investors Service where he led the quantitative bond default research effort and took a leading London-based role in the establishment of a new business unit – Moody's Risk Management Services (later Moody's KMV), which served as the analytic nucleus of what is now Moody's Analytics.

Before Moody's, Lea held positions with Bear Stearns, NY and Thomson-CGR, Paris and is currently a non-executive director of Credit Research Data Ltd in London. He holds degrees in French, Mathematics and Economics and has published research in the areas of credit risk, economic history, and credit market structure, in academic journals, professional journals, and books.

## David Larsen



**Managing Director**

**Alternative Asset Advisory**

---

Kroll

Seattle

+1 415 693 5300

[David.Larsen@kroll.com](mailto:David.Larsen@kroll.com)

David Larsen is a managing director in the Alternative Asset Advisory practice, based in Seattle, Washington. He has more than 40 years of transaction and accounting experience. He specializes in fair value accounting, specifically for valuation, accounting and regulatory issues faced by alternative asset managers and investors.

David advises leading private equity managers and institutional investors and has advised numerous strategic and private equity acquirers in all areas of mergers, acquisitions, joint ventures, divestitures and valuation-related matters.

Prior to joining Kroll (formerly Duff & Phelps), David was a Partner in KPMG's Transaction Services practice, where he was the segment leader of KPMG's U.S. Institutional Investor practice. He served for 13 years in KPMG's Seattle, Düsseldorf and Prague audit practices before moving full time to advisory work.

David advises leading private equity managers and institutional investors and has advised numerous strategic and private equity acquirers in all areas of mergers, acquisitions, joint ventures, divestitures and valuation-related matters. He provides valuation policy and process assistance to a number of the world's largest institutional limited partner investors and some of the world's largest alternative investment managers.

David is a member of the International Valuation Standards Council (IVSC) Standards Review Board, an advisor to and has served as Vice Chair of the International Private Equity and Venture Capital Valuations Board (IPEV), which in 2022 updated its International Private Equity Valuation Guidelines, and serves as a member of the American Institute of Certified Public Accountants (AICPA) PE/VC Practice Guide Task Force. David's past professional affiliation and advisory experience includes serving as a special advisor to the Institutional Limited Partners Association; board member, project manager and technical advisor to the Private Equity Industry Guidelines Group and was instrumental in developing and drafting the Private Equity Industry Guidelines Group's Valuation and Reporting Guidelines; member of the Financial Accounting Standards Board's Valuation Resource Group responsible for providing the board with input on potential clarifying guidance on issues relating to the application of the principles of FASB ASC Topic 820, Fair Value Measurements; and a member of the AICPA Net Asset Value Task Force.

David received an M.S. in accounting from Brigham Young University's Marriott School and his B.S. in accounting from Brigham Young University.



## Peter Salvatori



**Managing Director**

**Portfolio Valuation**

---

Kroll

Miami

+1 973 775 8263

[Peter.Salvatori@kroll.com](mailto:Peter.Salvatori@kroll.com)

Peter Salvatori is a managing director in the Miami office and is part of the Portfolio Valuation service line. Peter's expertise focuses on portfolio valuation, as well as transaction-related valuations. He has more than 19 years of financial and valuation experience.

Peter specializes in advising a wide range of alternative asset managers, including hedge funds, private equity funds, and business development companies on valuing their positions in loans, subordinated and mezzanine debt, convertible debt, and common and preferred equity. Peter also has extensive experience in executing valuations of businesses and their underlying securities for tax, financial reporting, and strategic planning purposes, as well as performing decision support analyses for transactions under consideration.

Prior to joining Kroll, Peter was a senior portfolio analyst at a hedge fund specializing in direct private investments. There, he was responsible for monitoring and valuing the firm's portfolio companies and their underlying securities across a broad range of industries including media and telecom, financials, real estate, and hotels and gaming.

Peter has a B.S. in finance from the University of Vermont. He is also a Chartered Financial Analyst (CFA), and is a member of the CFA Institute and CFA Society New York.

# 1. New Regulation

# Regulatory Environment

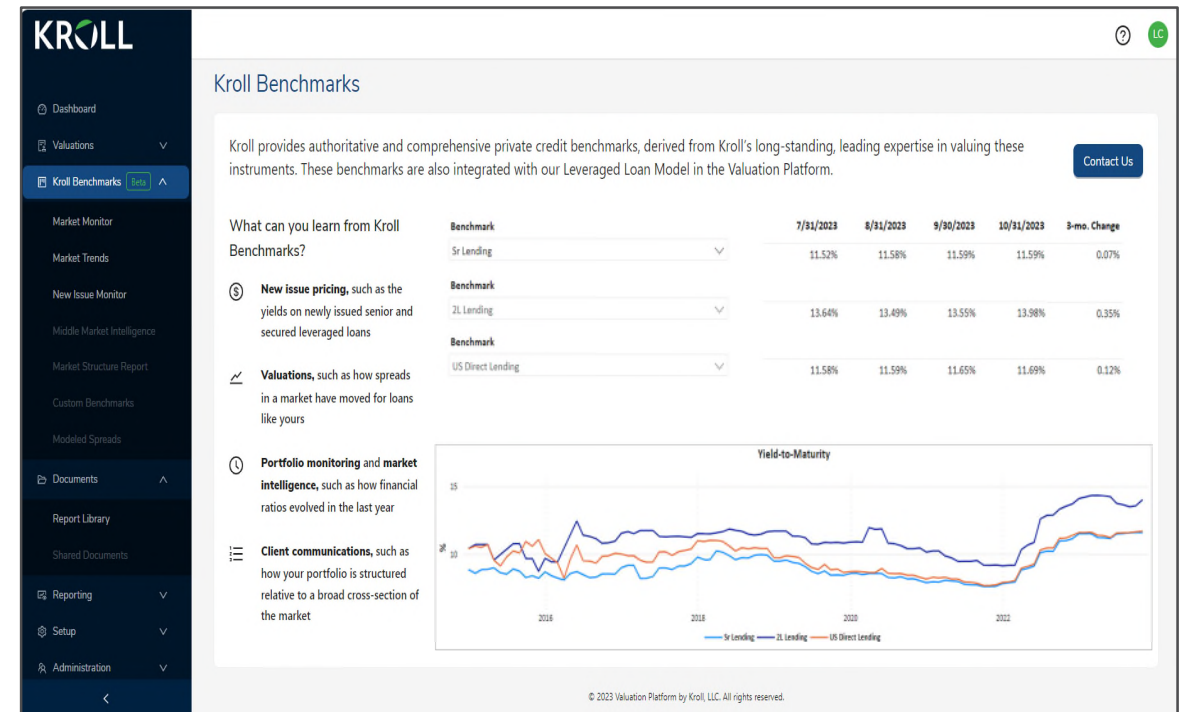
- New/Amended SEC Private Fund Adviser Rules
  - Quarterly Fund Performance (IRR/MOIC) 45/90 days after quarter end (Effective March 2025)
  - Annual Audit (Effective March 2025)
  - Fairness opinion for adviser-led secondary transactions (Effective September 2024 or March 2025 (for less than \$ 1.5 Billion AUM))
- International Sustainability Standards Board (ISSB) IFRS S1 – General Requirements, S2 – Climate-related Disclosures
- International Valuation Standards – Newest version effective January 2025 (Are ESG Factors appropriately considered in Fair Value estimates?)

# 2. Macro-economic Update

# Private Credit Market: Benchmarks

Our market summary is derived from Kroll's performing private credit benchmarks. These are based on our experience valuing these assets over the last more than 15 years.

- These benchmarks are drawn from over 5,000 obligors of over 12,500 private credit instruments issued since 2004.
- These benchmarks cover the middle market for lending.
- While we continue to build out the dataset supporting these benchmarks, we are publishing a **beta release and preview** on the Kroll Valuation Platform.
- **If you don't already have access** to these benchmarks on the valuation portal, **please reach out to me** at the address at the end of this presentation.



# Private Credit Market Trends

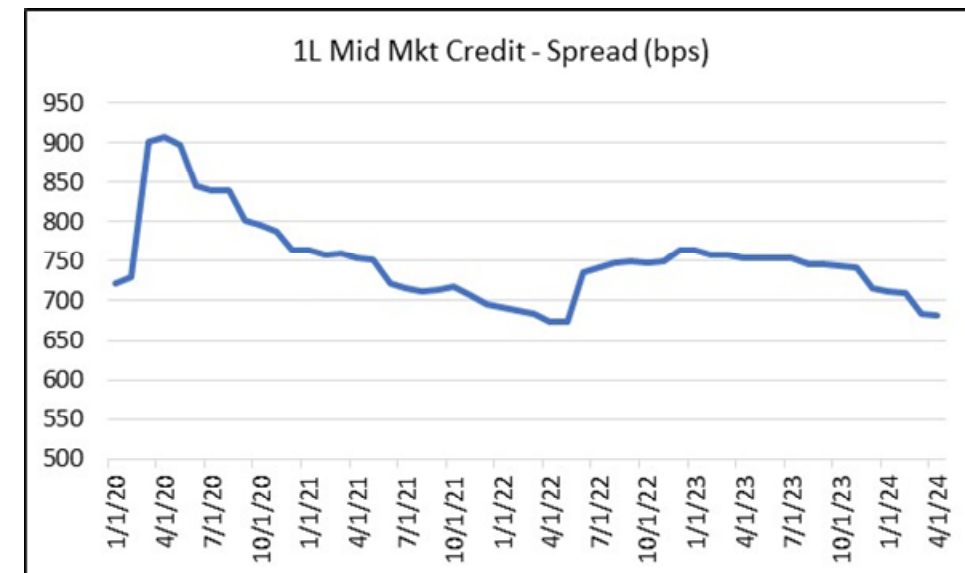
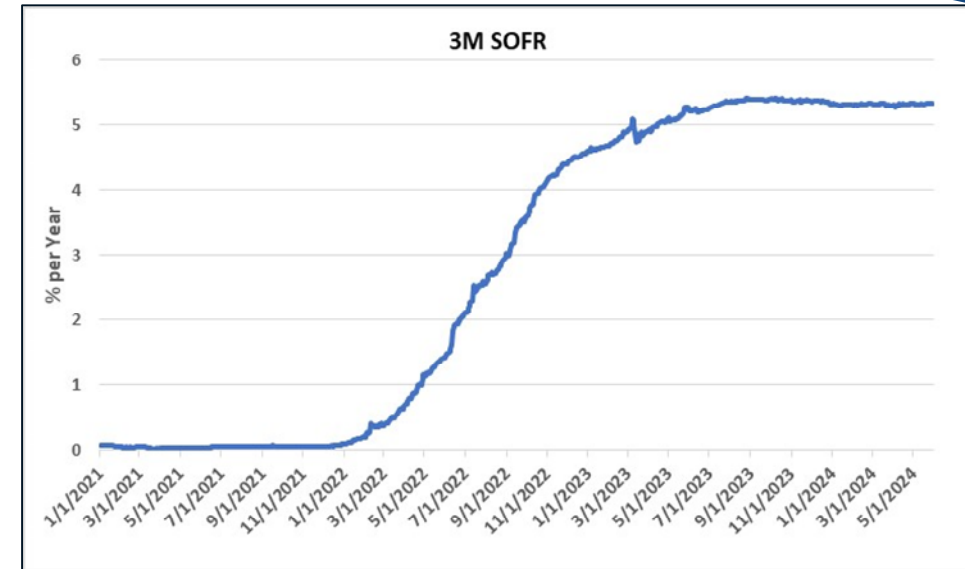
Since the Federal Reserve stopped raising rates in the middle of last year, benchmark interest rates have remained steady while spreads have tightened.

## Benchmark Interest Rates

- Between July of 2023, and April of this year, 3-month SOFR has narrowed by only 3 basis points

## First Lien Middle Market Loan Spreads

- Year-to-date, loan spreads have continued the trend lower that we highlighted last quarter
- Since July of 2023, the fair value-weighted average spread of loans in our 1L Middle Market Credit index has tightened by 71 bps to close April 2024 at 682 bps.
- These levels are close to both the pre- and post-covid lows in spreads for this benchmark.



# Private Credit Market Trends and Valuations

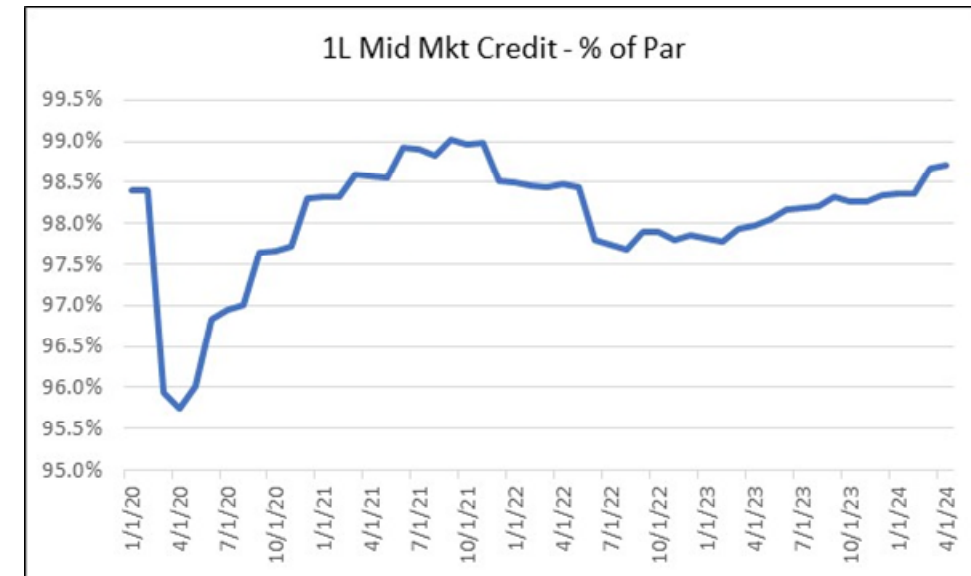
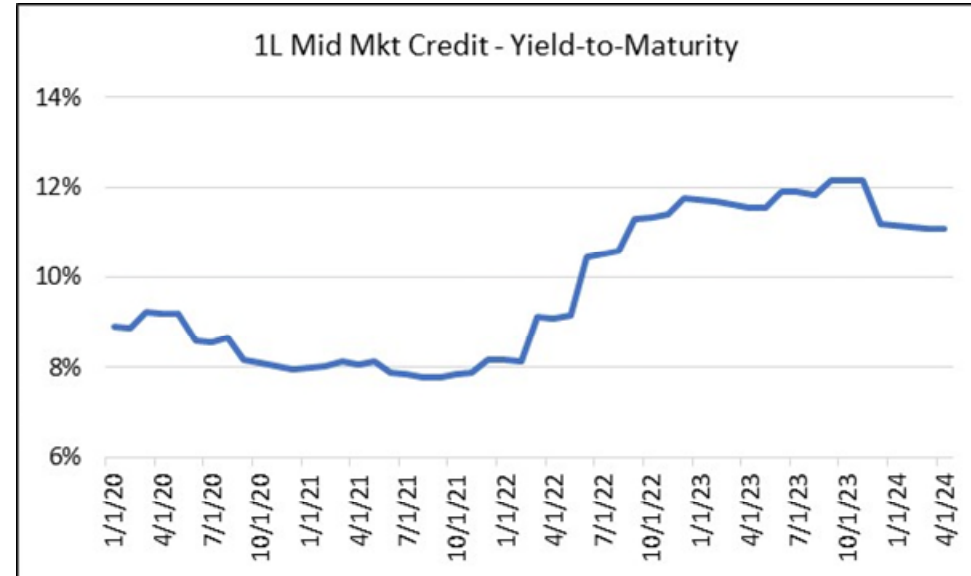
With benchmark rates holding steady and spreads tightening, loan yields have also come in, extending the rally in valuations.

## Yields

- Between July of 2023, and April of this year, the fair value-weighted yield-to-maturity of the loans in our first lien middle market lending benchmark tightened by 83 bps to 11.08%.
- This also continues the trend we saw last quarter

## Fair Values

- Tightening spreads and declining yields have supported a 53bps increase in the average %-f par for loans in this benchmark to 98.712%.
- This extends a rally started when the fed started raising rates in early 2022.

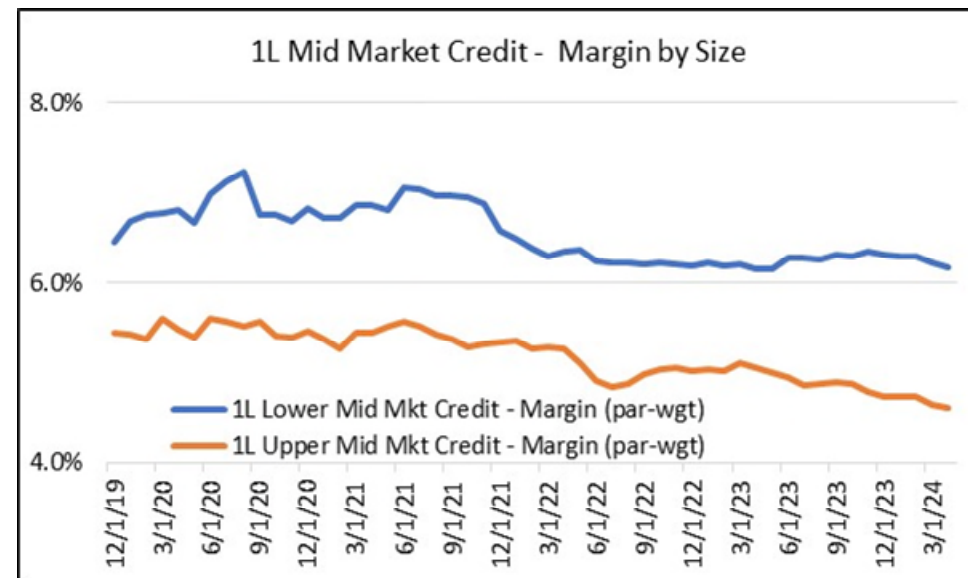
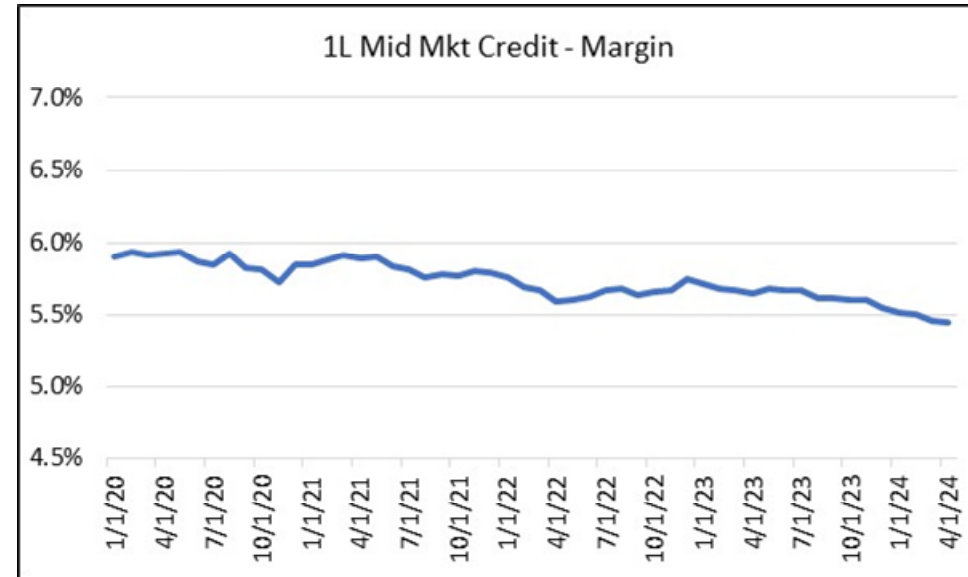


# Private Credit: Spreads Driving Margin Compression

The systematic spread tightening is driving down loan margins, particularly for larger borrowers

## Margins

- When the Federal Reserve stopped its rate hike campaign last year, the par par-weighted average margin on first lien middle market loans resumed the downward trend it had started during covid, decreasing by another 25bps, to finish April at 5.45%.
- Since covid, margins have decreased by 50bps
- **Margins by Obligor Size**
- The decrease in margins has not been uniform with borrower size having a differential impact.
- Larger companies have seen their weighted average margin decline by 18% relative to their covid era level.
- Smaller companies, on the other hand, have seen a smaller, 5% decline over the same era.





# Private Credit: Larger Borrowers Benefitting Most From Margin Compression

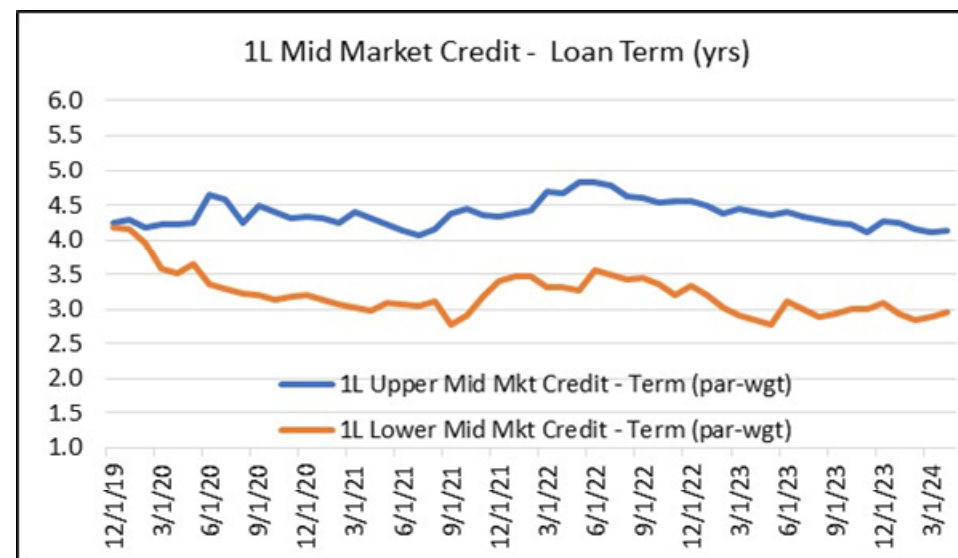
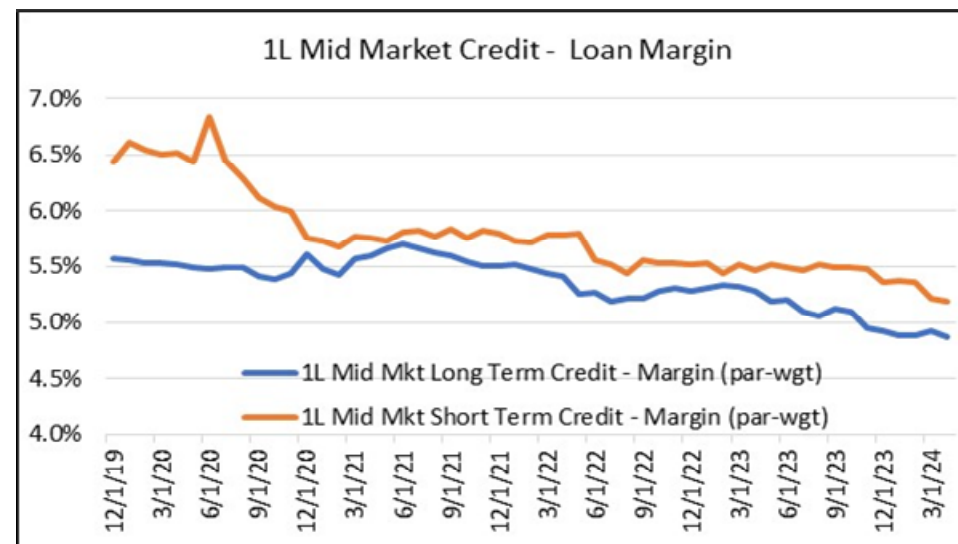
Longer maturities are also correlated with both lower margins and larger obligors. This makes the long-dated, larger obligor loan segment one to monitor for margin compression going forward.

## Margins by Term

- Loan margins are lower for longer dated obligations

## Loan Term by Obligor Size

- Upper middle market borrowers are also able to borrow at longer maturities
- Larger borrowers benefit from both the size and term impacts on margins
- This is a sector to watch for further margin compression



# Highlights - Economies

## ➤ US

- The April 2024 Consumer Price Index (CPI) report rose by a softer-than-expected 0.3% month-over-month (MoM) and 3.4% year-over-year (YOY).
  - Excluding food and energy, the key core inflation reading came in at 0.3% MoM and 3.6% YoY, both as forecast. The core 12-month inflation reading was the lowest since April 2021 while the monthly increase was the smallest since December.
  - Inflation eased as smaller gains in services (e.g., food services) costs offset the continued strong rises in rent and gasoline prices.
- The Fed has been steadfast that they will need to see persistent, continued declines in inflation before initiating the first cut.
  - The beginning of the cut cycle continues to get pushed.
- The number of job openings in the US shrank for the second month in a row, setting a new three-year low.
  - There were 8.059 million available jobs posted in April, according to the Bureau of Labor Statistics' latest Job Openings and Labor Turnover Survey report released Tuesday, and below the downwardly revised 8.36 million seen a month before.
  - Consensus expectations were projecting 8.36 million.
- Consensus GDP growth is approximately 2% for the next several quarters, supported by a continued rebound in the labor force.
  - Although Q1 2024 growth came in below expectations at 1.6%, the miss was driven by the volatile trade and inventories components.

## ➤ China

- On May 14 the People's Bank of China Deputy Governor Tao Ling announced the central bank would provide 300 billion yuan (\$42.25 billion) to financial institutions to lend to local state-owned enterprises so they can buy unsold apartments that have already been built.
  - The real estate companies can then use funds earned from those sales to complete construction on other apartments.

## ➤ Europe

- We are beginning (likely) to see a divergence in interest rate policy between the ECB and Fed.
  - Inflation in the euro area has followed a sustained disinflationary trend. May's headline CPI is anticipated to reach 2.6%, the eighth consecutive month below 3%.
  - The ECB is widely expected to initiate a quarter-percentage-point rate cut, bringing the main refinancing rate to 4.25% on Friday.

# Public Equity Performance

Equity Indices	Country / Region	5/31/2024								
		SPOT	1M Δ	PQ Δ	6M Δ	YTD Δ	YoY Δ	5Y CAGR	10Y CAGR	
World	MSCI ACWI Index	World	786	3.82%	0.25%	13.13%	8.05%	21.53%	9.80%	6.42%
	MSCI EM (Emerging Markets) Index	World	1,049	0.29%	0.55%	6.27%	2.46%	9.43%	1.00%	0.21%
	MSCI World Ex USA Index	World	2,371	3.29%	0.19%	10.73%	5.08%	15.35%	5.45%	1.90%
USA & Canada	S&P 500	United States	5,278	4.80%	0.44%	15.54%	10.64%	26.26%	13.91%	10.62%
	Dow Jones Industrial Average	United States	38,686	2.30%	-2.82%	7.61%	2.64%	17.56%	9.29%	8.75%
	NASDAQ Composite Index	United States	16,735	6.88%	2.17%	17.64%	11.48%	29.37%	17.56%	14.71%
	Russell 2000 Index	United States	2,070	4.87%	-2.56%	14.43%	2.12%	18.32%	7.15%	6.20%
	S&P/TSX Composite Index	Canada	22,269	2.55%	0.46%	10.05%	6.25%	13.78%	6.79%	4.31%
Latin America	S&P Latin American 40 Index (iShares)	Latin America	27	-1.27%	-4.84%	-3.15%	-6.90%	9.90%	-3.56%	-3.19%
	AMEX Mexico Index	Mexico	391	0.61%	2.81%	25.38%	13.24%	20.72%	16.82%	4.14%
Europe	FTSE 100 Index	United Kingdom	8,275	1.61%	4.06%	11.02%	7.01%	11.14%	2.93%	1.92%
	FTSE/ATHEX Large Cap Index	Greece	3,454	-1.68%	0.98%	10.96%	10.60%	17.23%	10.29%	-3.53%
	Germany DAX Index (Performance)	Germany	18,498	3.16%	0.03%	14.08%	10.42%	18.09%	9.54%	6.40%
	Paris CAC 40 Index	France	7,993	0.10%	-2.59%	9.33%	5.96%	12.60%	8.95%	5.87%
	Madrid Ibex 35 Index	Spain	11,322	4.31%	2.23%	12.56%	12.08%	25.10%	4.69%	0.47%
	OMX Stockholm 30 Index	Sweden	2,604	1.87%	3.41%	16.65%	8.68%	16.52%	11.51%	6.39%
	Swiss SMI Index	Switzerland	12,001	6.57%	2.31%	10.56%	7.75%	6.98%	4.73%	3.30%
	Brussels BEL 20 Index	Belgium	3,918	0.90%	1.88%	11.02%	5.67%	10.78%	2.71%	2.18%
	Amsterdam AEX Index	Netherlands	904	2.82%	2.48%	18.11%	14.84%	20.66%	10.83%	8.30%
Ireland ISEQ Overall Index	Ireland	9,940	0.23%	-0.17%	18.97%	13.47%	17.47%	10.33%	7.33%	
Asia Pacific	BSE SENSEX Index	India	73,961	-0.70%	0.42%	10.41%	2.38%	18.11%	13.24%	11.81%
	Shanghai Stock Exchange Composite Index	China	3,087	-0.58%	1.50%	1.89%	3.76%	-3.67%	1.27%	4.23%
	Hang Seng Index	Hong Kong	18,080	1.78%	9.30%	6.08%	6.06%	-0.85%	-7.64%	-2.41%
	Taiwan TAIEX Index	Taiwan	21,174	3.81%	4.34%	21.45%	18.09%	27.72%	15.06%	8.84%
	Nikkei 225 Index	Japan	38,488	0.21%	-4.66%	14.93%	15.01%	24.61%	13.31%	10.15%
	South Korea Kospi Composite Index	South Korea	2,637	-2.06%	-4.01%	3.99%	-0.71%	2.30%	5.25%	2.83%
	S&P/ASX 200 Index	Australia	7,702	0.49%	-2.47%	8.67%	1.46%	8.61%	3.78%	3.44%
Industry Specific Indices	S&P 500 Energy (Sector)	United States	708	-0.97%	-1.83%	10.41%	10.62%	20.90%	10.38%	0.21%
	S&P 500 Industrials (Sector)	United States	1,043	1.44%	-2.23%	15.50%	8.10%	27.67%	11.51%	8.41%
	S&P 500 Materials (Sector)	United States	575	3.06%	-1.69%	11.23%	6.61%	22.13%	11.80%	6.41%
	S&P 500 Consumer Discretionary (Sector)	United States	1,424	0.19%	-4.17%	6.48%	0.38%	19.82%	10.13%	10.60%
	S&P 500 Consumer Staples (Sector)	United States	824	2.32%	1.23%	10.75%	8.12%	8.87%	7.66%	5.96%
	S&P 500 Health Care (Sector)	United States	1,671	2.23%	-3.08%	9.42%	5.06%	12.42%	10.66%	9.24%
	S&P 500 Financials (Sector)	United States	691	3.01%	-1.43%	16.16%	10.37%	31.24%	9.93%	8.71%
	S&P 500 Information Technology (Sector)	United States	3,972	9.95%	3.96%	21.36%	16.93%	37.15%	25.84%	20.44%
	S&P 500 Communication Services (Sector)	United States	296	6.57%	4.20%	26.18%	20.42%	40.62%	13.46%	6.33%
S&P 500 Utilities (Sector)	United States	367	8.46%	10.19%	16.08%	14.15%	12.04%	4.57%	5.46%	

# Credit Market Performance – US

Index	Description	Price / Rate	Observation Date	Percentage Change				
				1M Δ	PQ Δ	6M Δ	YTD Δ	YoY Δ
LCD Performing Loan Index Price (1)	LCD Performing Loan Index Price (1)	97.44	5/31/2024	0.36%	0.23%	1.81%	0.86%	4.30%
	Smi LPC 100 Price - US (2)	97.44	5/31/2024	0.19%	1.39%	2.48%	1.66%	5.98%
SOFR	Three Month SOFR (3)	5.38%	5/31/2024	0.07%	0.64%	-0.53%	0.19%	2.14%
Default Rates (1)	LTM \$ of Defaults / Total Loans Outstanding	1.08%	5/31/2024	-17.56%	-5.56%	-27.12%	-29.47%	-31.65%
	LTM # of Defaults / Total Issuers	1.83%	5/31/2024	-8.22%	-3.63%	-5.60%	-10.75%	14.28%

Index	Description	Current Spread	Observation Date	Change in Spread				
				1M Δ	PQ Δ	6M Δ	YTD Δ	YoY Δ
Loan Spreads by Credit Rating (1)	BBB Loans	1.97%	5/31/2024	-0.07%	-0.11%	-0.18%	-0.16%	-0.41%
	BB Loans	2.95%	5/31/2024	-0.08%	-0.09%	-0.34%	-0.14%	-0.93%
	<b>B Loans</b>	<b>4.41%</b>	<b>5/31/2024</b>	<b>-0.13%</b>	<b>-0.10%</b>	<b>-0.80%</b>	<b>-0.30%</b>	<b>-1.88%</b>
	CCC Loans	12.28%	5/31/2024	-1.31%	-0.73%	-2.59%	-2.16%	-3.45%
Loan Spreads by Seniority (1)	Overall Market Spreads - LSEG (2)	5.29%	5/31/2024	-0.13%	-0.06%	-0.78%	-0.46%	-1.38%
	All Loan Spreads - LCD	4.51%	5/31/2024	-0.14%	-0.11%	-0.73%	-0.39%	-1.56%
	First Lien Spreads - LCD	4.38%	5/31/2024	-0.12%	-0.09%	-0.70%	-0.36%	-1.49%
	Second Lien Spreads - LCD	11.86%	5/31/2024	-1.54%	-1.60%	-1.84%	-1.03%	-2.96%
Loan Spreads by Industry (2)	Aerospace and Defense	6.01%	5/31/2024	0.14%	0.29%	0.53%	0.42%	-1.18%
	Automotive	5.53%	5/31/2024	-0.23%	-0.63%	-1.01%	-0.85%	-1.97%
	Beverage and Food	4.99%	5/31/2024	-0.09%	0.01%	-0.86%	-0.92%	-2.10%
	Chemicals and Plastic	6.16%	5/31/2024	-0.57%	0.29%	-0.23%	0.67%	0.00%
	Construction	4.11%	5/31/2024	-0.01%	-0.18%	-0.52%	-0.20%	-1.70%
	Financial Services	4.58%	5/31/2024	-0.31%	-0.17%	-0.45%	-0.33%	-1.21%
	Healthcare	6.41%	5/31/2024	-0.47%	-0.39%	-0.67%	-0.53%	-2.16%
	Hotel and Gaming	3.56%	5/31/2024	0.01%	-0.10%	-0.39%	-0.24%	-0.48%
	Leisure	4.12%	5/31/2024	-0.40%	-0.41%	-1.58%	-1.40%	-1.54%
	Manufacturing	5.38%	5/31/2024	-0.25%	-0.09%	-0.59%	-0.35%	-1.24%
	Media	6.56%	5/31/2024	0.21%	1.83%	1.42%	1.81%	0.92%
	Mining	4.97%	5/31/2024	0.07%	-0.15%	-0.31%	-0.45%	0.12%
	Oil and Gas	3.68%	5/31/2024	-0.13%	-0.15%	-1.00%	-0.84%	-1.50%
	Paper and Packaging	5.28%	5/31/2024	0.43%	-0.14%	-0.51%	-0.21%	-0.52%
	REITs	7.56%	5/31/2024	0.03%	-0.02%	-0.71%	-0.32%	-1.86%
	Restaurants	3.72%	5/31/2024	-0.55%	-0.31%	-0.74%	-0.52%	-1.51%
	Retail	3.73%	5/31/2024	0.50%	0.94%	-0.96%	0.31%	-1.27%
	Services	5.29%	5/31/2024	-0.05%	0.02%	-1.32%	-1.05%	-1.42%
	Technology	5.08%	5/31/2024	-0.16%	-0.28%	-1.17%	-0.89%	-1.58%
	Telecom	6.12%	5/31/2024	0.59%	-0.54%	-1.44%	-1.33%	-2.76%
Textiles and Apparel	6.93%	5/31/2024	0.79%	0.29%	-1.89%	0.78%	-1.79%	
Transportation	3.94%	5/31/2024	-0.33%	-0.47%	-2.02%	-1.23%	-2.58%	
Utilities	5.12%	5/31/2024	0.23%	0.14%	-0.38%	0.05%	-0.75%	

Notes:

(1) Data per Pitchbook Leveraged Commentary and Data.

(2) Data per LSEG.

# Commodities

	Price	Observation Date	Percent Change				
			1M Δ	PQ Δ	6M Δ	YTD Δ	YoY Δ
<b>Crude Oil</b>							
WTI	76.99	5/31/2024	-6.03%	-6.59%	1.36%	7.17%	13.07%
Brent	81.11	5/31/2024	-6.05%	-6.77%	0.31%	5.28%	11.72%
<b>Nasdaq Clean Edge Green Energy Index</b>	491.38	5/31/2024	16.51%	8.46%	2.82%	-11.00%	-21.55%
<b>S&amp;P/TSX Renewable Energy and Clean Technology Index</b>	118.76	5/31/2024	11.24%	3.77%	2.26%	-1.52%	-8.66%
<b>Gold</b>	2,345.80	5/31/2024	1.86%	4.80%	14.03%	13.23%	18.35%
<b>Silver</b>	30.44	5/31/2024	14.20%	22.17%	20.35%	26.38%	29.05%

# Highlights – Key Asset Classes

## ➤ Private Capital Markets

- Spreads continued to show compression throughout 1H 2024.
  - High repricing activity, as well as significant competition from the BSL market.
  - Q1/2 2024 repricings have been as significant as -25 bps to -100 bps.
- LBO activity remains depressed
  - There is consensus that deal activity is expected to pick up as LPs look to recycle capital.
  - Multiples have held up, however that's against a low-volume backdrop and is likely biased high.
- Venture still remains challenged – there needs to be a key pathway to profitability or exit.

## ➤ Real Estate

- Shrinking demand continues to plague the U.S. office market so far in 2024, shooting vacancy up to a record 13.8% and bringing cumulative negative absorption to nearly 210 million SF since April 2020.

## ➤ Oil

- OPEC+ agreed at a meeting on Sunday to extend the total of 5.86 million barrels per day (bpd) of output reductions.
  - Within that broader figure the exporter group decided to extend 3.66 million bpd of cuts that were due to expire at the end of June 2024 until the end of 2025. Additional voluntary reductions of 2.2 million bpd by eight members, including leading exporters Saudi Arabia and Russia, were prolonged by three months to the end of September.

## ➤ Gold

- ~\$2,350/ounce and ~\$71,000/coin, respectively. Both continue to grind higher.

# Highlights – Valuation Implications

## Q2 themes

### ➤ Valuation

- Public observation: growth highly concentrated in large businesses with tech focus.
- Private market translation: while valuations have ‘held up’ mark-ups may be hard to come by.

### ➤ Rates

- Public observation: higher for longer is here to stay.
- Private market translation #1: long duration assets such as growth equity and venture capital may continue to be challenged. On the credit side, any fixed income instrument may also continue to see pressure.
- Private market translation #2: for those portfolio companies that have locked in low rates (fixed pay or via swap), there can be meaningful benefits that should accrue to shareholders.
- Private market translation #3: in the LBO market, where deals are getting done, larger equity checks are getting cut.
  - Keeping multiples in check.
- Private market translation #4: for '20 and '21 deals, maturities will be fast approaching. Businesses and sponsors who have been 'waiting it out' may need to pursue more creative transaction structures.
  - This should start to be considered in valuation models.

### ➤ Credit

- Majority of defaults are now occurring before the actual maturity date.
  - High real yields that erode interest servicing capacity will be the greater driver of current default cycle.
  - Reduced “optionality” relative to past downturns.
  - Now a recovery measurement (vs yield in the past).

# 3. Valuation Hot Topics/Questions



# Valuation Hot Topics

What Questions are LPs/Regulators/Auditors Asking or expected to Ask?

- Are Credit Investments being valued properly?
- What weight should secondary transactions be given when valuing fund interests?
- How do ESG/Sustainability factors impact Fair Value?
- Valuation Process vs Valuation Conclusion?
- Other

# Stay Ahead with Kroll:

## Register Now for Our Upcoming Webinars

➤ **Webinar – IVSC Valuation Webinar Series 2024**

June 13-25, 2024 | ( Online )

[Register Now](#)

➤ **Webinar – Mitigating Valuation Uncertainty**

June 26, 2024 | 12:00 p.m. – 1:00 p.m. (EDT) | ( Online )

[Register Now](#)

# Questions ?

**Thank You!**

**Learn More About Kroll**

# Valuation Advisory Services

Financial Reporting	Tax	Alternative Asset Advisory	Real Estate Services	Fixed Asset Advisory Services
<ul style="list-style-type: none"> <li>Purchase Price Allocation</li> <li>Goodwill and Asset Impairment</li> <li>Intellectual Property Valuation</li> <li>Fresh Start Accounting</li> <li>Derivative Valuation and Share-Based Compensation</li> <li>Business Valuation</li> <li>Strategic Value Advisory</li> </ul>	<ul style="list-style-type: none"> <li>Tax Valuation</li> <li>Transfer Pricing</li> <li>Legal Entity Valuation</li> <li>Purchase Price Allocation</li> <li>Estate and Gift Tax</li> <li>Interest Expense Allocation</li> <li>Property Tax Consulting</li> <li>Sales and Use Tax Services</li> <li>Site Selection and Incentives Advisory</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio Valuation</li> <li>Valuation Policy and Procedures Consulting</li> <li>Fund Manager Valuations</li> <li>Created Value Attribution</li> <li>Secondary Transfers</li> <li>Valuation of Illiquid and Complex Securities</li> <li>Derivatives and Structured Credit Products Valuation</li> </ul>	<ul style="list-style-type: none"> <li>Real Estate Valuation and Consulting</li> <li>Real Estate Financing Valuations</li> <li>Hospitality Advisory Services</li> <li>Right of Way Appraisal</li> <li>Cost Segregation</li> <li>Real Estate Investment Advisory</li> <li>Real Estate Transaction Advisory</li> <li>Property Asset Management and Optimization</li> </ul>	<ul style="list-style-type: none"> <li>Fixed Asset Management</li> <li>Insurance Valuation Services</li> <li>Machinery and Equipment Valuation</li> </ul>

# Our Evolution

In Operation for  
Nearly 100 Years

## STORIED BRAND 1932-2004

- Duff & Phelps founded as investment research firm

## NEW FIRM, EXPANDING CAPABILITIES 2005-2020

- Started as valuation and corporate finance advisor
- Rapid growth into other governance, risk, compliance and complementary solutions
- Acquired 30+ businesses, including Kroll

## ONE TEAM, ONE KROLL 2021-present

- Duff & Phelps rebrands as Kroll and completes brand unification
- Full business life cycle capabilities across risk, governance and growth
- Serving clients in 140 markets across nearly every industry and sector
- Acquired Crisp and Resolver risk companies
- Acquires AVC Ltd. to create dedicated energy team within FAAS practice

# Our Values

Our six values are at the core of who we are and how we interact with our people, clients and partners at work and within every community we serve. They describe the expectations our clients should have of us, guide how we work with each other, and hold us accountable to consistently deliver.

### Excellence

Excellence is a mindset – we do challenging work and pursue extraordinary results. We relentlessly focus on excellence – for our clients and colleagues.

### Ambition

We are energized to learn, to teach, to grow. We constantly seek to do better – comfort and excellence rarely co-exist.

### Courage

We make bold decisions, not just the easy ones. We find, reveal and tell the truth. Integrity is the foundation of everything we do.

### Inclusion

We embrace and cultivate diversity – we respect, include and value one another. We support and care about the communities where we live and work.

### Innovation

We challenge ourselves to discover new ways to create value. We harness the power of smart data with technology to enable faster decisions and always anticipate what's next for our clients.

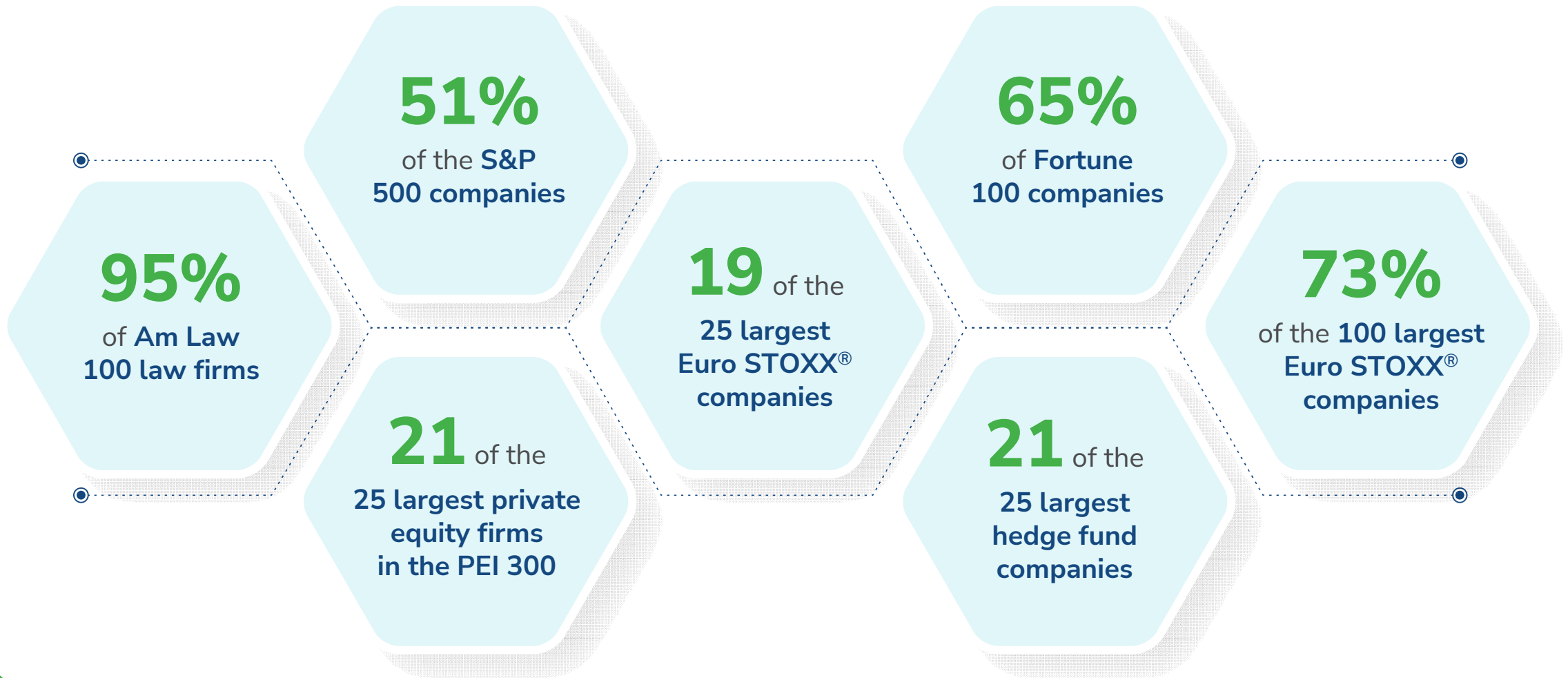
### One Team, One Kroll

We are stronger together – always focused on solutions, not silos. We collaborate across borders and disciplines in pursuit of excellence.





# We are proud to work with



# Our Awards and Rankings

## Financial Advisory Recognition



**REFINITIV**   
**Refinitiv Global M&A  
Review 2022**  
**Ranked #1**  
for Global Announced Fairness  
Opinions for Full Year 2022<sup>1</sup>  
<sup>1</sup>Based on 51 Credited Deals per Refinitiv's  
Global Mergers & Acquisitions  
Review Full Year 2022



  
**Private Equity Wire US  
Awards 2022**  
Kroll Wins Best Regulatory  
and Compliance Firm of the  
Year



  
**Forensic Accountants 2022**  
LEXOLOGY Client Choice  
Awards 2022 - Exclusive Winner  
of Forensic Accountants



  
**Turnaround, Restructuring  
& Insolvency Awards 2021**  
**Winner - Turnaround Firm  
of the Year**

# Our Awards and Rankings

## Risk Advisory Recognition



**Who's Who Legal (WWL) 2022**

Experts recognized in WWL Asset Recovery, Construction – Quantum Delay & Technical, Forensic Accountants Quantum of Damages



**Global Arbitration Review's GAR 100 Expert Witness Firms Power Index - 2022**

Ranked fifth on the annual list of top expert firms globally.



**Global Investigations Review (GIR) 100 2021**

Named as one of the top 100 cross-border investigations practices



**Forrester Wave™ 2022**

Kroll named a Strong Performer in the Forrester Wave™ Cybersecurity Incident Response Services Q1 2022



**SC Awards Europe 2022**

**Winner** - Managed Detection and Response Solution

**Finalist** - Best Incident Response Solution



**IDC MarketScape 2021**

Named a Global Leader in Incident Response Readiness



**Best Support SUMMER 2022**

**G2 Awards 2022**

G2 Best Support 2022

# Our Locations

6,500 professionals worldwide continuing the firm's nearly 100-year history of trusted expertise. Across 34 countries and territories worldwide



### The Americas

- Atlanta
- Austin
- Bermuda
- Bogota
- Buenos Aires
- Boston
- Chicago
- Dallas
- Ellensburg
- Houston
- Los Angeles
- Mexico City
- Morristown
- Nashville
- New York
- Philadelphia
- Richardson
- San Francisco
- Sao Paulo
- Seattle
- Secaucus
- Silicon Valley
- Toronto
- Washington, D.C.
- Waterbury

### Caribbean

- British Virgin Islands
- Cayman Islands

### Europe, Middle East and Africa

- Abu Dhabi
- Agrate Brianza
- Amsterdam
- Barcelona
- Berlin
- Bilbao
- Birmingham
- Brussels
- Dubai
- Dublin
- Frankfurt
- Gibraltar
- Guernsey
- Jersey
- Johannesburg
- Lisbon
- London
- Luxembourg
- Madrid
- Manchester
- Milan
- Munich
- Padua
- Paris
- Pesaro
- Riyadh
- Rome
- Turin
- Zurich

### Asia Pacific

- Bangalore
- Beijing
- Guangzhou
- Hanoi
- Hong Kong
- Hyderabad
- Jakarta
- Kuala Lumpur
- Manila
- Mumbai
- New Delhi
- Shanghai
- Shenzhen
- Singapore
- Sydney
- Taipei
- Tokyo



For more information, please contact:



**David Larsen**

Managing Director  
Alternative Asset Advisory  
Kroll, Seattle  
+1 415 693 5300  
[David.Larsen@kroll.com](mailto:David.Larsen@kroll.com)



**Jenetta Mason**

Managing Director  
Portfolio Valuation  
Kroll, Chicago  
+1 312 697 4949  
[Jenetta.Mason@kroll.com](mailto:Jenetta.Mason@kroll.com)



**Peter Salvatori**

Managing Director  
Portfolio Valuation  
Kroll, Miami  
+1 973 775 8263  
[Peter.Salvatori@kroll.com](mailto:Peter.Salvatori@kroll.com)



**Lea Carty**

Managing Director  
Private Capital Markets  
Kroll, New York  
+1 212 833 3432  
[Lea.Carty@kroll.com](mailto:Lea.Carty@kroll.com)

**About Kroll**

As the leading independent provider of risk and financial advisory solutions, Kroll leverages our unique insights, data and technology to help clients stay ahead of complex demands. Kroll's global team continues the firm's nearly 100-year history of trusted expertise spanning risk, governance, transactions and valuation. Our advanced solutions and intelligence provide clients the foresight they need to create an enduring competitive advantage. At Kroll, our values define who we are and how we partner with clients and communities. Learn more at [www.kroll.com](http://www.kroll.com).

*M&A advisory, capital raising and secondary market advisory services in the United States are provided by Kroll Securities, LLC (member FINRA/SIPC). M&A advisory, capital raising and secondary market advisory services in the United Kingdom are provided by Kroll Securities Ltd., which is authorized and regulated by the Financial Conduct Authority (FCA). Valuation Advisory Services in India are provided by Kroll Advisory Private Limited (formerly, Duff & Phelps India Private Limited), under a category 1 merchant banker license issued by the Securities and Exchange Board of India.*