



AltLook Valuation

Quarterly Update Webinar

7 September 2023

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Today's Agenda

1. Regulatory Update - SEC Private Fund Reforms
2. Capital Markets Update
3. Valuation Hot Topics

Speaker's Introduction

Jenetta Mason



Managing Director

Portfolio Valuation

Kroll

Chicago

+1 312 697 4949

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.

Ross Hostetter



**Managing Director and Global
Alternative Asset Advisory Leader**

Kroll

New York

+1 212 871 5977

Ross.Hostetter@kroll.com

Ross Hostetter is a managing director and Global Alternative Asset Advisory practice leader, based in New York. Ross has more than 25 years of experience serving clients across the financial services industry.

Prior to joining Kroll (formerly Duff & Phelps), Ross served as a director at Standard & Poor's Corporate Value Consulting, which merged with Duff & Phelps. Before that, he was a tax manager at PwC in London in the firm's Banking and Capital Markets group, focused on advising financial services clients on UK corporate tax and international tax issues. Prior to his time in London, Ross was a tax associate in PwC's Charlotte, North Carolina office where he advised on federal and state corporate tax issues.

Ross works primarily with private equity funds, hedge funds and business development companies. He has extensive experience in valuing illiquid securities and establishing best in class valuation policies and procedures. He has valued illiquid securities across capital structures, industries and geographies and has performed business valuations and intangible asset valuations for a diverse range of companies.

Ross received a BBA in accounting from the University of Georgia and a MTx from Georgia State University.

David Larsen



Managing Director

Alternative Asset Advisory

Kroll

Seattle

+1 415 693 5300

David.Larsen@kroll.com

David Larsen is a managing director in the Alternative Asset Advisory practice, based in Seattle, Washington. He has more than 37 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 2018 released 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. He is a Certified Public Accountant licensed in California and Washington. David is a CEIV credential holder, is a member of the AICPA and the California and Washington Society of Certified Public Accountants and is a FINRA Series 7, 24 and 63 registered representatives.

Peter Salvatori



Managing Director

Portfolio Valuation

Kroll

Miami

+1 973 775 8263

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 12 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.

Lea Carty



Managing Director

Private Capital Markets

Kroll

New York

+1 212 833 3432

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.

1. Regulatory Update - SEC Private Fund Reforms

SEC Private Fund Adviser Reforms – Final Rules

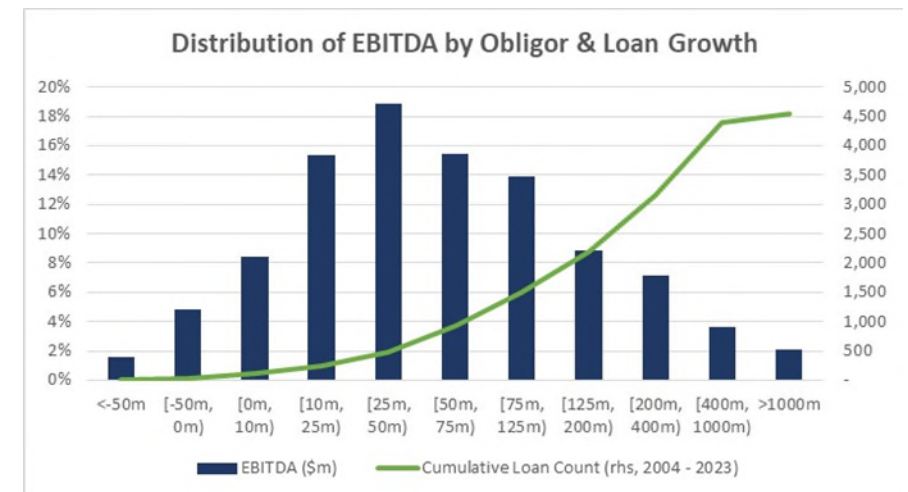
Depending on the rule, effective within 60 days, 12 months, or 18 months

- Provide investors with quarterly statements detailing information regarding private fund performance fees and expenses
- Obtain an annual audit for each private fund (minimum auditor qualifications)
- Obtain a fairness opinion or valuation opinion in connection with an adviser-led secondary transaction
- Prohibit engaging in certain activities and practices that are contrary to the public interest and the protection of investors unless they provide certain disclosures to investors, and in some cases, receive investor consent; and
- Prohibit providing certain types of preferential treatment that have a material negative effect on other investors and prohibit other types of preferential treatment unless disclosed to current and prospective investors.

2. Capital Markets Update

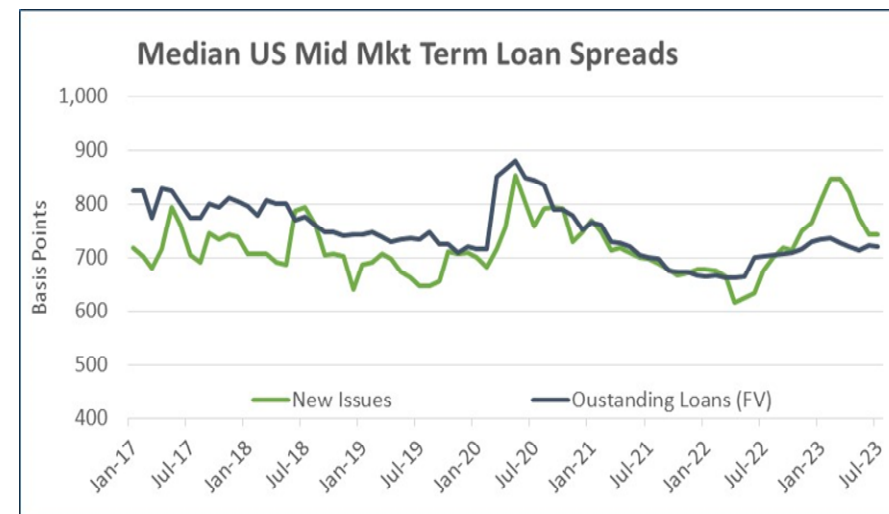
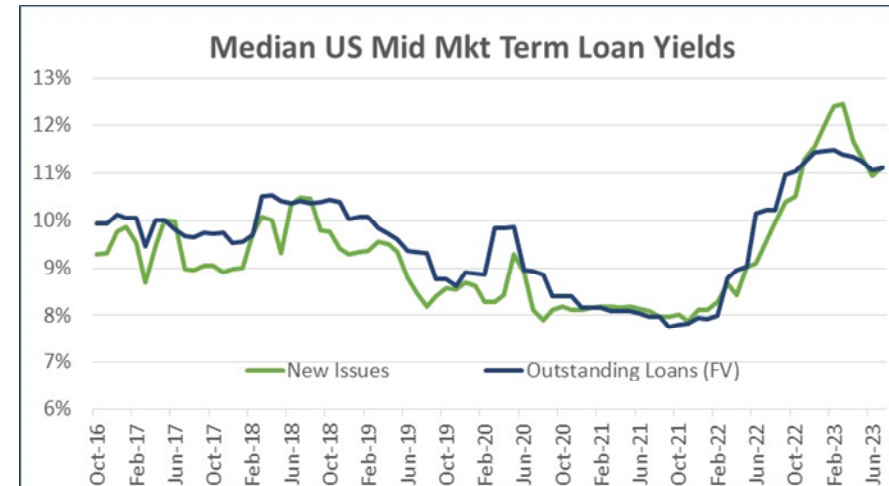
Kroll Middle Market Leveraged Loan Intelligence

- Today, we are sharing for the first time, results from our proprietary database of middle market company loans.
- Private credit markets have relatively limited transparency, often requiring analysts to rely on proxies from more liquid and better served markets, such as that for broadly syndicated loans.
- Because Kroll values many private loans regularly, we can augment our analysis with aggregated results drawn directly from private credit markets.
- These analyses enhance our understanding of this market's specific investment characteristics, allowing us to uncover where it aligns and differs from common proxy markets.
- **Obligors**
 - Over 2,500 with a median EBITDA = \$46.5m
 - Financials, capital structure, business description, negative credit events
- **Loans**
 - Terms & conditions for over 4,400 loans issued since 2004
 - 98% USD, 92% senior & secured
 - Over \$870 billion in issuance



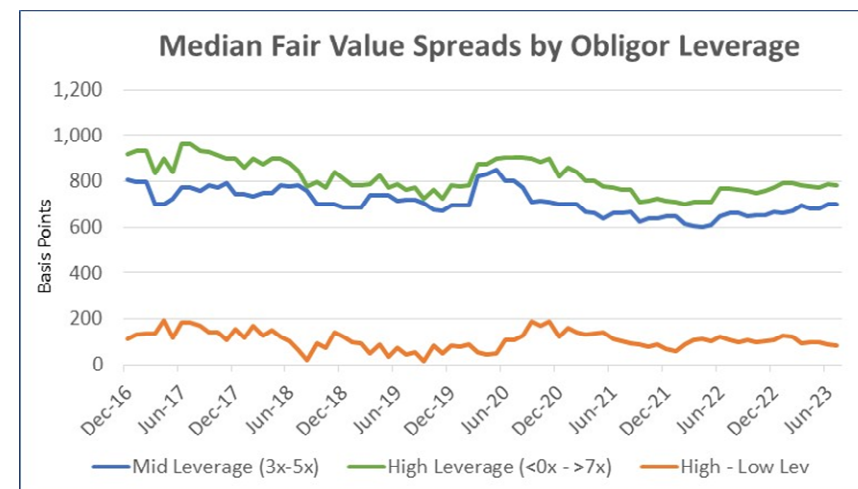
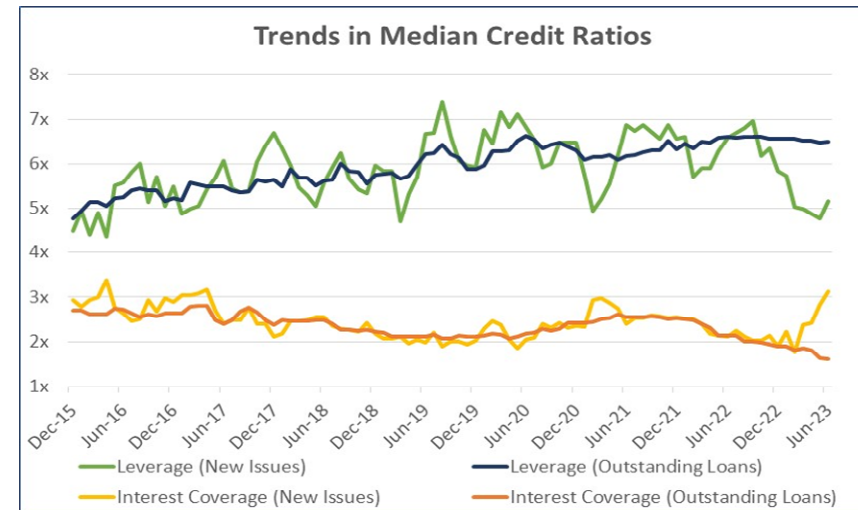
U.S. Middle Market Term Loan Yields and Spreads

- The Fed's rate hike program produced a sharp increase (> 3 points) in loan yields and the cost of debt financing.
- Because these are floating rate instruments, this increase in yields puts upward pressure on obligor interest expense.
- An increase in interest expense has the potential to impact earnings and credit quality.
- The divergence and subsequent convergence of yields in the last year has been driven by spreads, which followed the same pattern.



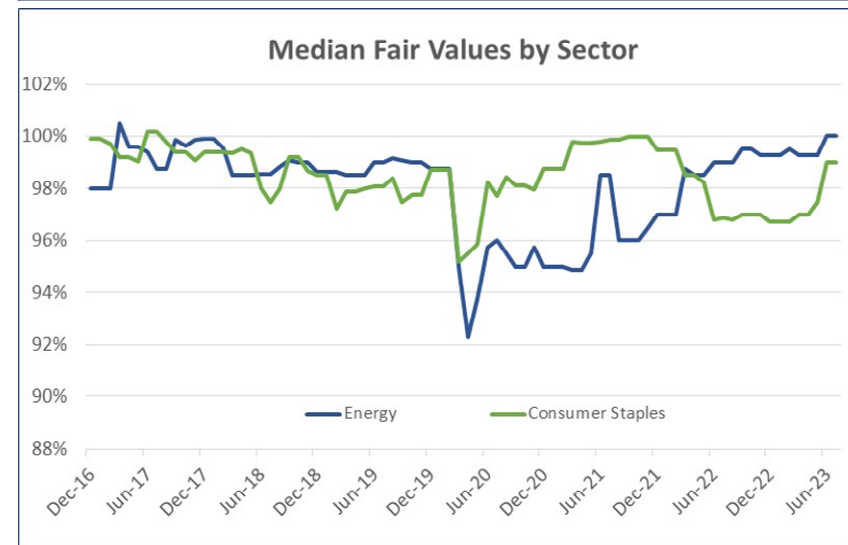
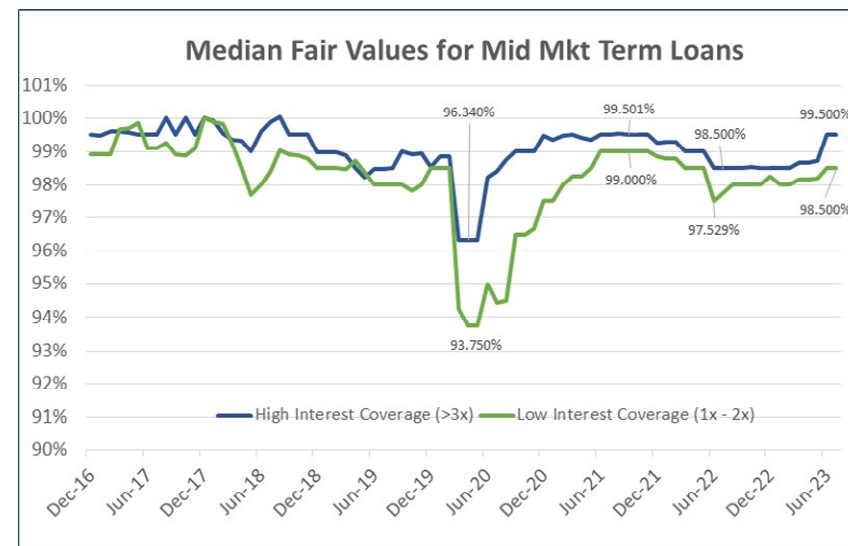
What is Impacting Spreads?

- Recently Leverage (Total Debt / EBITDA) and Interest Coverage (EBITDA / interest expense) have diverged between obligors of outstanding loans and those of new issues.
- New issues have seen improving credit ratios *and* higher spreads.
- Outstanding loans continue with higher leverage and deteriorating interest coverage
- These trends have the potential to impact valuations for outstanding loans.
- The chart at right tracks the spread and spread difference between the loans of relatively high vs relatively low Leverage obligors.
- Average spread difference is 131 bps.



Trends in Valuations

- The chart at right tracks the median % of Par for higher Interest Coverage vs lower Interest Coverage obligors.
- Overall valuations have moved together with spreads, recovering from the recent dip.
- Also highlighted are differences in both levels and sensitivities to credit concerns.
- In addition to credit ratios, other factors can impact valuations.
- At right, we plot % of Par for Energy loans vs those in the Consumer Staples sector.
- Highlighted are the differential responses of these sectors to 1) the covid shock, for which they moved in the same direction, and 2) recent “hard landing” fears, where they moved independently.



Highlights - Economies

➤ U.S.

- U.S. consumer strong, as is industrial production and housing market.
 - Student loan repayments starting in September 2023.
- Fed appears to be nearing an end to current tightening cycle.
- Many indicators pointing to 'soft landing'.
 - Most notably (and recently) the 8/29 JOLTS survey showing a reduction in job openings and the job openings to unemployed persons ratio.
 - The quits rate ticked down to 2.3% from 2.4%, leaving it in line with pre-pandemic levels. After peaking at 3.0% in April 2022, the quits rate has been on a downward trajectory.
 - August unemployment rate rose to 3.8% and labor participation rate rose to 62.8%, the highest since February 2020.
 - Pandemic era excess savings running off.

➤ China

- In a growth recession and there are growing fears of a 'balance sheet recession'.
- Real estate headwinds are well documented.

➤ U.K.

- Inflation is expected to continue to run around 7% until the next utility price cap period when headline inflation should drop to 5.0%.
- Slowing core inflation combined with signs of a loosening labor market and weaker growth will lead the BoE to hike for a last time in September.

➤ Europe

- Inflation fight continues to lag that of the U.S., but they are making up ground.
- The ECB is projected to make one last rate increase in September.

Public Equity Performance

Equity Indices	Country / Region	8/31/2023							
		SPOT	1M Δ	PQ Δ	6M Δ	YTD Δ	YoY Δ	5Y CAGR	10Y CAGR
World									
MSCI ACWI Index	World	686	-2.96%	0.48%	9.08%	13.34%	11.91%	5.59%	6.55%
MSCI EM (Emerging Markets) Index	World	980	-6.36%	-0.92%	1.69%	2.50%	-1.39%	-1.48%	0.53%
MSCI World Ex USA Index	World	2,127	-4.13%	-1.10%	2.55%	8.15%	13.20%	1.65%	2.21%
USA & Canada									
S&P 500	United States	4,508	-1.77%	1.29%	13.54%	17.40%	13.97%	9.21%	10.69%
Dow Jones Industrial Average	United States	34,722	-2.36%	0.91%	6.32%	4.75%	10.19%	5.98%	8.89%
NASDAQ Composite Index	United States	14,035	-2.17%	1.79%	22.52%	34.09%	18.78%	11.59%	14.61%
Russell 2000 Index	United States	1,900	-5.17%	0.58%	0.14%	7.86%	3.01%	1.76%	6.51%
S&P/TSX Composite Index	Canada	20,293	-1.62%	0.68%	0.35%	4.68%	4.98%	4.53%	4.84%
Latin America									
S&P Latin American 40 Index (iShares)	Latin America	26	-8.09%	-3.70%	9.82%	13.72%	7.20%	-2.81%	-2.90%
AMEX Mexico Index	Mexico	344	-3.63%	0.71%	11.28%	35.03%	47.61%	10.35%	3.02%
Europe									
FTSE 100 Index	United Kingdom	7,439	-3.38%	-1.23%	-5.55%	-0.17%	2.13%	0.02%	1.50%
FTSE/ATHEX Large Cap Index	Greece	3,182	-1.60%	2.69%	15.68%	41.33%	54.42%	10.63%	-2.36%
Germany DAX Index (Performance)	Germany	15,947	-3.04%	-1.24%	3.79%	14.53%	24.25%	5.22%	7.00%
Paris CAC 40 Index	France	7,317	-2.42%	-1.13%	0.67%	13.02%	19.45%	6.24%	6.40%
Madrid Ibex 35 Index	Spain	9,506	-1.41%	-0.91%	1.18%	15.52%	20.54%	0.23%	1.38%
OMX Stockholm 30 Index	Sweden	2,185	-2.94%	-5.42%	-1.89%	6.92%	13.77%	5.67%	6.05%
Swiss SMI Index	Switzerland	11,126	-1.62%	-1.37%	0.25%	3.70%	2.50%	4.39%	3.69%
Brussels BEL 20 Index	Belgium	3,666	-2.93%	3.47%	-6.05%	-0.95%	2.23%	-0.40%	3.21%
Amsterdam AEX Index	Netherlands	744	-6.11%	-3.92%	-1.24%	7.93%	9.31%	5.90%	7.44%
Ireland ISEQ Overall Index	Ireland	8,946	-1.33%	2.55%	8.90%	25.84%	28.21%	5.72%	7.88%
Asia Pacific									
S&P BSE Sensex	India	64,831	-2.55%	0.17%	9.95%	6.56%	8.89%	10.90%	13.29%
Shanghai Stock Exchange Composite Index	China	3,120	-5.20%	-2.57%	-4.87%	0.99%	-2.57%	2.74%	4.05%
Hang Seng Index	Hong Kong	18,382	-8.45%	-2.82%	-7.10%	-7.07%	-7.88%	-8.00%	-1.66%
Taiwan TAIIEX Index	Taiwan	16,635	-2.98%	-1.66%	7.29%	17.66%	10.20%	8.50%	7.57%
Nikkei 225 Index	Japan	32,619	-1.67%	-1.72%	18.85%	25.00%	16.12%	7.36%	9.31%
South Korea Kospi Composite Index	South Korea	2,556	-2.90%	-0.31%	5.94%	14.30%	3.41%	1.93%	2.87%
S&P/ASX 200 Index	Australia	7,305	-1.42%	1.42%	0.65%	3.79%	4.56%	2.94%	3.59%
Industry Specific Indices									
S&P 500 Energy (Sector)	United States	677	1.27%	8.65%	6.19%	0.77%	10.74%	4.35%	1.31%
S&P 500 Industrials (Sector)	United States	913	-2.26%	0.53%	7.16%	9.80%	16.53%	7.17%	9.16%
S&P 500 Materials (Sector)	United States	521	-3.45%	-0.21%	1.17%	6.39%	10.05%	6.99%	7.43%
S&P 500 Consumer Discretionary (Sector)	United States	1,345	-1.30%	1.07%	19.01%	33.75%	10.13%	7.67%	11.42%
S&P 500 Consumer Staples (Sector)	United States	764	-3.82%	-1.90%	1.63%	-1.94%	0.66%	6.74%	6.52%
S&P 500 Health Care (Sector)	United States	1,549	-0.80%	0.04%	4.67%	-2.28%	6.76%	7.66%	10.54%
S&P 500 Financials (Sector)	United States	571	-2.86%	1.71%	-3.77%	0.17%	4.17%	3.99%	8.12%
S&P 500 Information Technology (Sector)	United States	3,121	-1.45%	1.15%	31.13%	43.69%	31.99%	18.65%	19.98%
S&P 500 Communication Services (Sector)	United States	230	-0.40%	6.31%	32.38%	44.14%	24.55%	8.33%	4.34%
S&P 500 Utilities (Sector)	United States	318	-6.72%	-4.53%	-3.37%	-11.37%	-15.48%	3.33%	5.36%

Notes:

Data per S&P Capital IQ as of August 31, 2023.

Credit Market Performance – US

Index	Price / Rate	Observation Date	Percentage Change				
			1M Δ	PQ Δ	6M Δ	YTD Δ	YoY Δ
LCD Performing Loan Index Price (1)	95.36	8/31/2023	-0.11%	0.52%	1.03%	3.16%	0.90%
Smi LPC 100 Price - US (2)	95.36	8/31/2023	0.45%	1.34%	2.97%	4.44%	1.31%
SOFR							
Three Month SOFR (3)	5.43%	8/31/2023	0.53%	2.69%	10.69%	18.01%	84.35%
Default Rates (1)							
LTM \$ of Defaults / Total Loans Outstanding	1.55%	8/31/2023	-11.26%	-9.32%	52.76%	115.68%	158.62%
LTM # of Defaults / Total Issuers	1.86%	8/31/2023	-8.57%	-0.34%	69.52%	171.75%	170.13%
Loan Spreads by Credit Rating (1)	Current Spread	Observation Date	Change in Spread				
			1M Δ	PQ Δ	6M Δ	YTD Δ	YoY Δ
BBB Loans	2.18%	8/31/2023	-0.04%	-0.05%	-0.10%	-0.23%	-0.53%
BB Loans	3.21%	8/31/2023	-0.18%	-0.21%	-0.16%	-0.49%	-0.55%
B Loans	5.22%	8/31/2023	-0.12%	-0.37%	-0.70%	-1.60%	-0.65%
CCC Loans	13.76%	8/31/2023	-0.08%	-1.15%	-2.64%	-4.69%	-0.79%
Loan Spreads by Seniority (1)							
Overall Market Spreads - Smi (2)	6.05%	8/31/2023	-0.06%	-0.27%	-0.38%	-0.99%	-0.30%
All Loan Spreads - LCD	5.20%	8/31/2023	-0.10%	-0.32%	-0.47%	-1.25%	-0.42%
First Lien Spreads - LCD	5.01%	8/31/2023	-0.10%	-0.30%	-0.38%	-1.14%	-0.39%
Second Lien Spreads - LCD	13.27%	8/31/2023	-0.07%	-0.99%	-3.77%	-5.48%	-0.60%
Loan Spreads by Industry (2)							
Aerospace and Defense	6.18%	8/31/2023	-0.62%	-0.67%	-1.09%	-1.34%	-2.17%
Automotive	6.62%	8/31/2023	0.19%	-0.01%	-1.11%	-2.16%	-0.52%
Beverage and Food	6.35%	8/31/2023	0.49%	0.20%	-0.11%	-0.27%	0.10%
Chemicals and Plastic	6.02%	8/31/2023	0.11%	-0.10%	-0.13%	-0.54%	0.37%
Construction	4.49%	8/31/2023	-0.55%	-0.74%	-1.05%	-1.59%	-1.85%
Financial Services	5.17%	8/31/2023	-0.10%	-0.33%	-0.23%	-1.08%	-0.52%
Healthcare	7.64%	8/31/2023	0.03%	-0.47%	-0.44%	-0.81%	0.82%
Hotel and Gaming	3.81%	8/31/2023	-0.07%	-0.11%	-0.47%	-0.73%	-1.25%
Leisure	5.63%	8/31/2023	0.09%	0.01%	-0.29%	-1.33%	-0.68%
Manufacturing	6.01%	8/31/2023	-0.24%	-0.46%	-0.57%	-1.40%	-0.90%
Media	4.86%	8/31/2023	-0.18%	-0.23%	-0.98%	-1.58%	-0.98%
Mining	5.03%	8/31/2023	-0.33%	0.22%	-0.42%	-0.61%	-0.86%
Oil and Gas	4.59%	8/31/2023	-0.09%	-0.39%	-0.68%	-1.41%	-1.09%
Paper and Packaging	5.27%	8/31/2023	0.01%	-0.20%	-1.20%	-1.74%	-1.17%
REITs	8.05%	8/31/2023	-0.19%	-1.01%	0.57%	0.39%	0.80%
Restaurants	4.42%	8/31/2023	-0.11%	-0.36%	-1.69%	-1.83%	-2.07%
Retail	4.50%	8/31/2023	0.18%	-0.48%	-1.11%	-1.20%	-0.51%
Services	6.28%	8/31/2023	0.15%	-0.16%	-0.15%	-1.01%	0.28%
Technology	5.94%	8/31/2023	-0.32%	-0.35%	-0.36%	-1.20%	0.06%
Telecom	7.84%	8/31/2023	-0.37%	-0.72%	0.02%	0.44%	0.64%
Textiles and Apparel	7.85%	8/31/2023	-0.22%	-0.14%	1.65%	0.30%	0.61%
Transportation	4.93%	8/31/2023	-0.04%	-0.20%	-0.80%	-2.08%	-1.29%
Utilities	5.35%	8/31/2023	-0.13%	0.03%	-0.39%	-0.81%	-0.74%

Notes:

(1) Data per Pitchbook Leveraged Commentary and Data.

(2) Data per Refinitiv LPC.

(3) Data per Bloomberg.

Commodities

	Price	Observation Date	Percent Change				
			1M Δ	PQ Δ	6M Δ	YTD Δ	YoY Δ
Crude Oil							
WTI	82.26	8/31/2023	0.56%	16.22%	6.76%	2.25%	-6.85%
Brent	86.83	8/31/2023	1.64%	15.14%	4.05%	1.07%	-9.21%
Nasdaq Clean Edge Green Energy Index	622.50	8/31/2023	-12.89%	-7.19%	-11.43%	0.83%	-25.72%
S&P/TSX Renewable Energy and Clean Technology Index	123.98	8/31/2023	-6.31%	-2.31%	-14.20%	-13.46%	-34.79%
Gold	1,947.00	8/31/2023	-2.13%	0.91%	6.01%	6.61%	13.40%
Silver	24.47	8/31/2023	-2.00%	6.31%	16.14%	1.80%	37.78%

Multiples

S&P 500 Sector Valuation Metrics	Current Multiples		% Change in Trailing P/E Multiples			% Change in Forward P/E Multiples		
	Trailing P/E	Forward P/E	3 Months	6 Months	12 Months	3 Months	6 Months	12 Months
Energy	11.20	12.04	36.20%	17.05%	-8.05%	17.28%	23.38%	48.02%
Industrials	28.26	18.94	10.15%	1.90%	-0.19%	7.47%	-0.32%	11.23%
Materials	24.35	18.63	23.49%	22.10%	43.69%	16.17%	5.65%	40.68%
Consumer Discretionary	40.88	26.38	8.38%	11.80%	3.95%	3.01%	4.98%	6.46%
Consumer Staples	27.61	20.61	-5.12%	-5.89%	-5.90%	4.14%	2.40%	-1.54%
Healthcare	29.81	17.55	14.25%	20.09%	22.46%	3.90%	3.56%	11.62%
Financials	17.65	13.67	-14.49%	-22.48%	7.90%	5.94%	6.07%	12.99%
Information Technology	47.95	27.08	6.76%	33.54%	38.31%	0.50%	17.36%	25.21%
Real Estate	58.29	35.30	5.08%	2.69%	150.79%	4.02%	-3.94%	-5.93%
Telecommunications	28.14	17.02	4.96%	31.08%	31.93%	-0.60%	8.38%	6.80%
Utilities	25.44	16.38	-6.96%	-7.15%	-13.32%	-3.92%	-7.23%	-23.54%
S&P 500	28.75	19.59	5.85%	10.08%	14.70%	4.38%	8.05%	14.08%

WACC Guidance

	USD Denominated WACC	EUR Denominated WACC	GBP Denominated WACC
Risk Free Rate	Higher of 3.5 percent or Spot*	Higher of 3.0 Percent or Spot**	Higher of 4.0 Percent or Spot***
Equity Risk Premium	5.5 Percent	6.0 Percent	6.0 Percent

* The spot 20-year U.S. Treasury yield is recommended as the proxy for the risk-free rate if it rises above 3.5%.

** The spot 15-year German Government Bond yield is recommended as the proxy for the risk-free rate if it rises above 3.0%.

*** The spot 20-year UK Government Bond yield is recommended as the proxy for the risk-free rate if it rises above 4.0%.

Highlights – Key Asset Classes

➤ Private Capital Markets

- LBO purchase multiples remain relatively constant throughout 2023 – albeit against significantly lower deal flow.
- Loan spreads have remained relatively constant in Q3.
- Venture remains challenged – there needs to be a key pathway to profitability or exit.

➤ Real Estate

- Residential – existing home supply remains historically tight and new home demand appears resilient despite the rise in mortgage rates.
 - Homebuilders continue to effectively use mortgage rate buydowns to offset some of the affordability challenges.
- Commercial – a tale of ‘haves’ and ‘have not’s’.

➤ Oil

- The IEA trimmed 2H23 demand by 200,000 bpd, with total demand growth now expected at 2.2 mm bpd.
- Growth in 2024 is expected to slow to 1.0mm bpd.
- Global demand from the EIA is little changed from the July report with 2023 demand expected at 101.1 mnbd.
 - China is still expected to drive growth in 2023.

➤ Gold

- \$1,950/ounce, flat on the quarter and given headwinds from the typical dominant fundamental drivers: strong USD and US real rates.

Highlights – Valuation Implications

Q3 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 among the more coined terms in Q3.
- 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.

➤ Credit

- Public observation: in 2020 and 2021 firms did a great job in not only locking in favorable economic terms, but also in pushing out maturities.
- Private market translation: liquidity KPIs should be coming to the forefront – this especially holds true for portfolio companies in capital intensive industries.

3. Valuation Hot Topics

Valuation Hot Topics

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

- How should we be thinking about debt in the context of leveraged buyouts?
- When equity kickers are included in private credit investments why is the credit component of the investment valued less than par?
- With the advent of more frequent and more timely valuations (daily / monthly) for private investments in the 40-act space, what impact does this have on managers reporting quarterly in arrears?
- How worried should we be about Luxembourg, SEC or other global regulators?
- Other

Thank You



For more information, please contact:



Ross Hostetter

Managing Director and Global Alternative Asset Advisory Leader
Kroll, New York
+1 212 871 5977
Ross.Hostetter@kroll.com



David Larsen

Managing Director
Alternative Asset Advisory
Kroll, Seattle
+1 415 693 5300
David.Larsen@kroll.com



Jenetta Mason

Managing Director
Portfolio Valuation
Kroll, Chicago
+1 312 697 4949
Jenetta.Mason@kroll.com



Peter Salvatori

Managing Director
Portfolio Valuation
Kroll, Miami
+1 973 775 8263
Peter.Salvatori@kroll.com



Lea Carty

Managing Director
Private Capital Markets
Kroll, New York
+1 212 833 3432
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.

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Valuation Advisory Services

Financial Reporting	Tax	Alternative Asset Advisory	Real Estate Services	Fixed Asset Advisory Services
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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

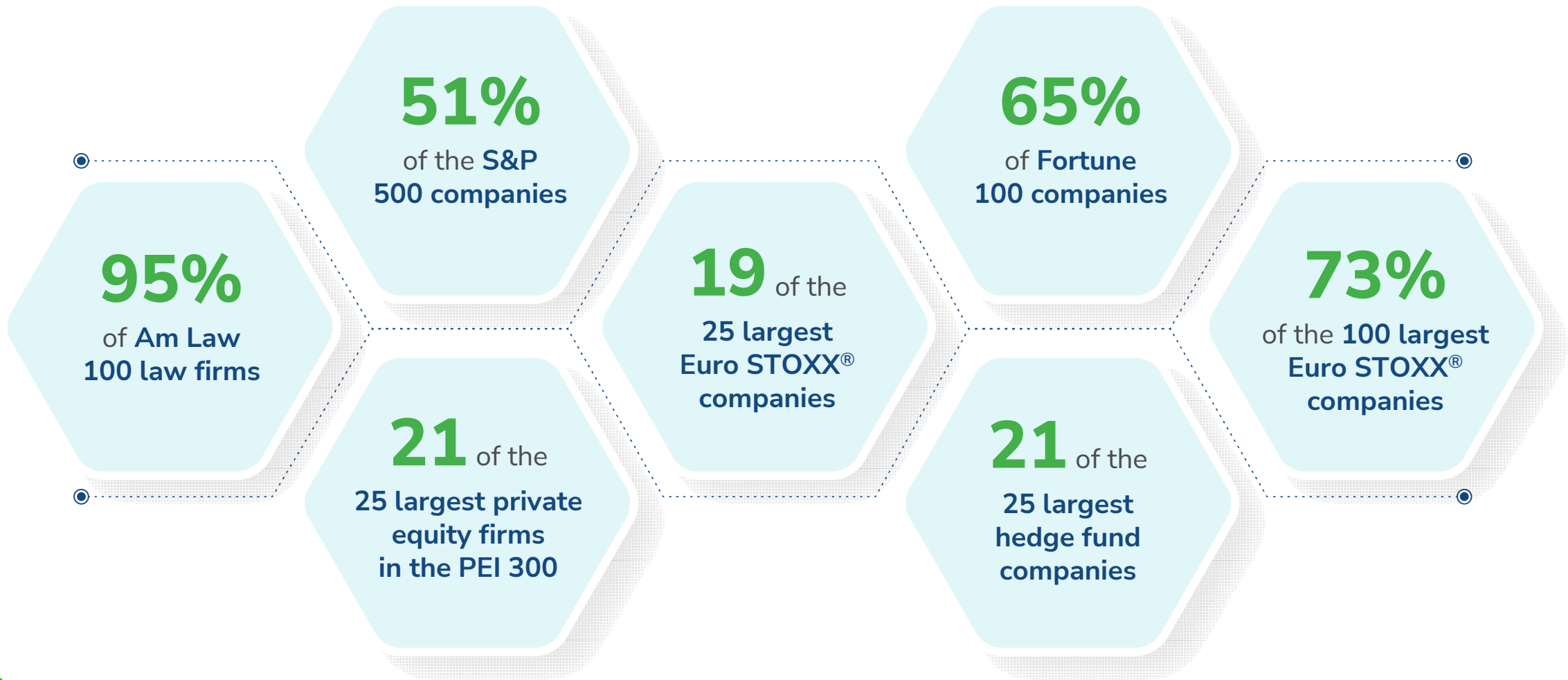
We challenge ourselves to discover new ways to create value. We harness the power of smart data with technology to enable faster decisions and always anticipate what's next for our clients.

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



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



G2 Awards 2022

G2 Best Support 2022

Our locations

Across 32 countries and territories worldwide

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- | | | |
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| Atlanta | Los Angeles | Seattle |
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| Bermuda | Miami | Silicon Valley |
| Bogota | Minneapolis | Toronto |
| Boston | Morristown | Washington, D.C. |
| Buenos Aires | Nashville | Waterbury |
| Chicago | New York | |
| Dallas | Philadelphia | Caribbean |
| Diamond Bar | Richardson | British Virgin Islands |
| Ellensburg | San Francisco | Cayman Islands |
| Houston | Sao Paulo | |

Europe, Middle East and Africa

- | | | | |
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| Abu Dhabi | Channel Islands | London | Paris |
| Agrate Brianza | Dubai | Longford | Pesaro |
| Amsterdam | Dublin | Luxembourg | Riyadh |
| Barcelona | Frankfurt | Madrid | Rome |
| Berlin | Gibraltar | Manchester | Tel Aviv |
| Bilbao | Guernsey | Milano | Turin |
| Birmingham | Johannesburg | Munich | Zurich |
| Brussels | Lisbon | Padua | |

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